



# **To Collaborate or Not that is the Music Industry's Question**

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## Executive Summary

Music is not considered a speculative market, since it has always existed and will continue to do so. The music industry has been changed by digitalization and we can speak of a paradigm shift having occurred due to the influence of technology being vast. It has led to immense alterations forcing the music industry to adapt in order to survive. Extraordinary value creation is, now, more than ever, a precondition for the music industry to prevail over the critical downfall exposure. A widespread mentality change within consumers' minds is one of many consequences and we can speak of a 'Principle of Free' being adopted. With digitalization, illegal consumption of music has become conventional and diminishing is not likely. With the improved technologies of today, now more than ever, music is at ones immediate disposal, creating natural expectations for immediate demand fulfillment. The music industry has been especially vulnerable due to its entailed exclusivity being somewhat lost in the digitalization craze. Great loss of revenue has led to vital cost cutting restructuring inherently affecting quality and overall execution of business practices. The objective for this research is, therefore, to investigate to what extent can record labels generate new revenue sources through collaborations with companies from different industries.

Through secondary and qualitative data, we identified a range of intangible benefits retrieved from collaborative processes. It is deduced that clear rewards arise from these engagements and depending on the individual circumstance of how they are executed. A clear competitive advantage could be gained for a company if it was able to draw upon the uniqueness of a music artist, especially those artists whom have been able to obtain the skills, following the dynamics and development of the ever-changing market. Much consideration has to be given in this process and is stressed by the implications the effects of such collaborations have. Each collaboration is unique and it is not possible to apply a general blueprint as to how collaborations should be composed, nor a correct manner for dividing the revenue amongst collaborative parties. It was found that for a collaboration to become a competitive advantage long-term considerations are necessary. We have recapitulated eight preconditions for a successful collaboration to emerge, these include; a clear synergy, mutual trust and respect as well as the importance of authenticity. The consequences and effects following an ended collaboration must also be considered. Concluding, collaborations with companies display great potential and experiences immense support within the music industry. If collaborations are planned and executed optimally huge overall rewards can be acquired. This boosts both the music industry and corporate sector, thus generating new revenue sources.

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# 1. Introduction

Digitalization has changed the music industry. The influence of this technology is vast and we can speak of a paradigm shift having occurred leading to changes of immense dimension forcing the music industry to adapt to these in order to survive. Now, more than ever, a precondition for the music industry to prevail over the critical downfall it has been exposed to is 'extraordinary value creation'. All entities have been affected and one of many consequences has been a universal mentality change within consumers. Due to technology, rapidly and continuously developing and changing, likewise, are consumers adapting to these alterations quickly. The younger generation of consumers is extremely spoiled in that improved technology is at their disposal in an instant, implying natural expectations of demand being met at constant pace. When referring to the music industry, this is especially vulnerable due to the exclusivity it was able to offer and now has somewhat been lost in the digitalization craze.

Availability online in terms of, more or less what ones heart desires, has affected the music industry. It is no longer necessary to buy a physical CD in order to listen to a specific song or a favorite artist. Today consumers have online options, both legal and illegal to satisfy their music needs. Expectations have in this connection altered significantly due to the availability of online media providing consumers with options exceeding what has been available at any point in the past. It has furthermore generated a serious need for the music industry to remodel operational practices including distribution and sales of music, as the previous manner of handling these business aspects has become insufficient in the past decade. It has become necessary to look beyond the borders of the music industry and explore alternative ways to regain revenue. The media marketplace is of vast dimension that it is almost impossible to penetrate, which implies that innovative thinking must be a central aspect of every industry today. If the music industry desires to regain strength and influence in this predominately, saturated market it is pivotal to employ extraordinary measures to reach the desired consumer segments and goals.

Forming partnerships between artists and companies of various kinds has become a new business model in the music industry, which is quite profitable if executed correctly. These partnerships have existed to a certain extent for as long as the music industry, yet never before has the industry been as dependent on these as is experienced today. These are being taken to

an entirely new dimension, existing in numerous constellations catering to all segments and existing consumers. Moreover, because of digitalization the variety of collaborations has increased tremendously. Not only artists and music producers as previously common, but also advertising agencies, various brands with commercial interest, online social media specialists and many other players who in some manner are able to contribute to and benefit from entering into collaborations with the music industry.

This project's composition includes the following sections. The first section provides an industry analysis comprising a review of the music industry and the development we have observed over the past 10-20 years followed by an analysis utilizing Porter's 5 Forces framework. Furthermore, we draw upon Universal Music Denmark (UMD) and its business-to-business (B2B) processes as a basis for creating a sound comprehension of the prevailing business models to provide carefully considered answers to our research question as possible. Second, a methodology section is constructed to provide the reader with an assessment of the necessary steps taken regarding our research design as well as a presentation of all our respondents interviewed who formed the framework for the results discovered. Third, an examination of the theory applied is provided as a tool for our analysis conducted. Fourth, based on the data obtained and reviewed as well as application of theory a comprehensive analysis is conducted to provide the answer to our research question. Fifth, a discussion is formed drawing upon both conclusions made in our analysis as well as additional elements, which we perceive as relevant to bring forth. Subsequently we review implications and future research regarded as pivotal to take into consideration and relevant for future research. Finally, a conclusion presents our findings based upon both our analysis as well as the discussion.

## **1.1 Motivation for Research Topic**

In the development of our project there have been many considerations concerning how to approach the area of study, not only to ensure that it complies with the project requirements, but also to ensure the relevance for us, the reader, as well as the company in focus, namely UMD, and also the Danish music industry as a whole. When engaging in a project of this size it is pivotal that the execution of the research is carefully considered since the final product needs to be of such a quality that it not only is intended for UMD alone, but also as an investigation with findings usable for all parties in the industry in general.

If one pays attention to the actual record sales over the past 20 years, which has been the primary source of revenue, a significant decrease is visible due to the Internet. This development has changed the very foundation of how the music industry functions, which is why we have chosen to draw attention to new business models introduced. Novel methods to improve revenue levels have to be discovered and research conducted on how to compensate for the decreasing record sales. A potential solution to the decrease in revenue is by engaging in collaborations between music artists and companies. UMD laid the ground for our research by, drawing upon what was identified as problem areas is where more research is needed. We identified eight parties in the music industry with the purpose of gaining insight into their opinions and experiences concerning artists and companies' collaboration. In relation to this, we find that exploring the effect of the aforementioned collaborations, is in terms of intangible value presents UMD and the stakeholders within the music industry, with a great advantage. The argument for this is that through combining the strengths of both parties, a clear increase in value will occur, provided the value of both parties are aligned. This will generate attention to the artist and brand and ultimately reach the desired goal, namely to increase revenue and exploit the growing experience economically to the advantage of the music industry.

The reason for us choosing this area of study is also due to the great personal interest in the music industry. We regard it as being of utmost importance to maintain the work of the large music labels as they provide us with artists able to influence us with their music and generate better life quality for all. Music is an integral part of daily life since it exists in every aspect of life and can be termed as a powerful phenomenon influencing to such an extent that it is a universal language understood by everyone.

In order to develop the study as much as possible we have applied theories we have deemed necessary to attain the desired goals and conclusions imperative for the study.

## **1.2 Problem Field**

The purpose of our research question is to investigate how the music industry can capitalize on collaborative engagements between artists and companies. Our aim is to examine what is necessary to implement for these engagements to produce a high yield, thus resulting in elevating the music industry, and what means need to be employed for collaborations to become successful. At the base of this entire project is the research question that follows.

### **Research Question:**

**“How can record labels generate new revenue sources through collaborations with companies from different industries?”**

### **Sub-questions:**

- 1. “What are the resources needed for collaboration establishment and value generation?”**
- 2. “How will the involved parties share the value of the collaboration?”**

### **1.3 Delimitation**

We have had to limit the scope of this project greatly in order to generate as specific a framework as possible. Many aspects of the music industry have great interest and present us with a number of problems and areas of focus. Collaborations between artists and companies can be said to present three points of departure, the music industry, the companies, and the consumers. In this project, the music industry has been the focus and main source of information. We have chosen to collect data through interviews with experts representing the entities within the industry to obtain a more in-depth understanding of how collaborations can be an advantage and perhaps alter the industry practices and mentality in the future. Due to time and project constraints, we did not deem it possible for us to be able to perform the required interviews with consumers and companies in order to obtain the necessary data. To acquire the perspective representing the companies engaging in these collaborations, we have chosen only to use secondary data in the form of articles etc. In order to limit the scope of the project, we have chosen not to focus on the consumers' opinion concerning collaborations, as this would set forth yet another avenue to explore. Moreover, collaborations present great legal challenges and a dimension of considerable extent, which proposes a pivotal angle necessary to investigate. However, since this introduces a very different perspective for this project and is of enormous proportion, we have chosen not to investigate this area further.

## 1.4 Definitions

**Artist** – entails both singer/songwriter as well as bands within the music industry.

**Collaborations** – is an artist and a company collaborating on a joint project with a common outcome.

**Company** – is any kind of business organization.

**Mediator** – is the individual or company that facilitates the collaboration and ensures structure, communication, contract development and general planning.

**Music industry** – sells compositions, recordings and performances of music. Among the many individuals and organizations that operate within the industry are the musicians who compose and perform the music; the companies and professionals who create and sell recorded music.

**Record labels** - In the music industry, a record label is a brand and a trademark associated with the marketing of music recordings and music videos, such as Universal Music Denmark.

**Sonic Branding** - is the use of sound to reinforce brand identity.

**Streaming** - is multimedia that is constantly received by and presented to an end-user while being delivered by a streaming provider.

## 1.5 Abbreviations

**UMD** – Universal Music Denmark

**RDM** – Red Dot Music

**IFPI** – International Federation of the Phonographic Industry

## **1.6 Introduction to Theory Applied**

Importance lies in clarifying the fact that the theories introduced in this project are providing the grounds for our analysis and following discussion. These are utilized as tools when conducting our analysis and below are brief introductions alongside a presentation of what theories are utilized when answering our sub-questions.

### **1. What are the resources necessary for the collaborations to be established and value generation?**

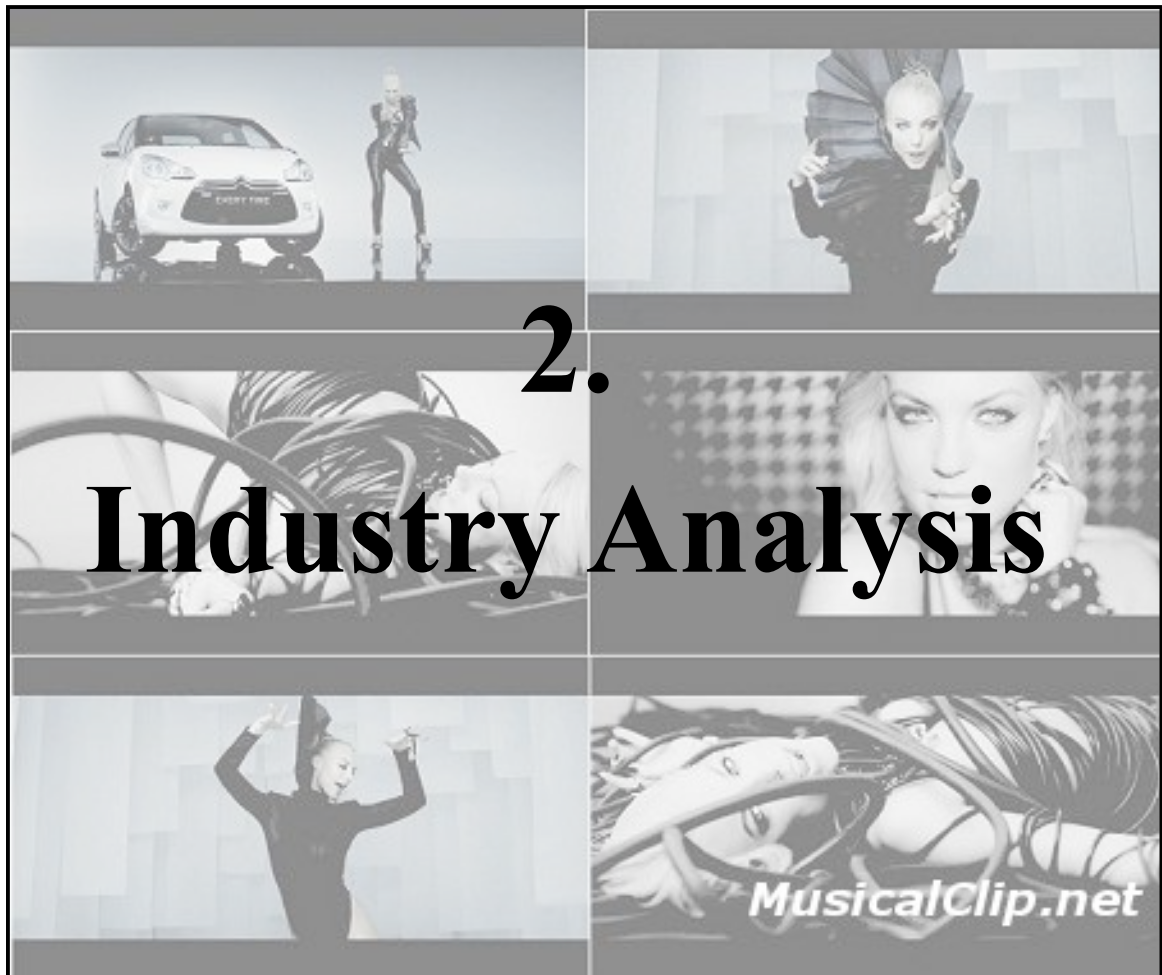
Due to the specific nature of collaborations, we deem it important to examine these more closely in relation to structure and implementation. In the framework of collaboration, certain resources are necessary in order to fully plan and implement the partnership. In order to gain an understanding of what resources each party can contribute with, what their strengths and weaknesses are, the Resource Based View (RBV) presented by (Barney, 1991) and (Peng, 2009), is utilized to investigate this further. These include considering what the various entities are able to contribute and what is lacking in order for a successful campaign to be launched. The VRIN/O framework: Value, Rarity, In-imitability, Non-substitutability and Organization, is subsequently implemented in order to conceive how resources could become a sustained competitive advantage. The Dynamic Capabilities perspective is investigated and implemented as an extension of the RBV due to this precipitating the complexity of markets, which are continuously changing. This complicates the ability of industries and thereby companies to keep pace and sustain their competitive advantage. Dynamic capabilities are *“organizational processes in the most general sense and their role to change the firm’s resource base”* (Ambrosini & Bowman, 2009, p. 33). Collaborations are a perfect example of how the music industry draws upon the artists’ uniqueness while incorporating other companies into the equation.

### **2. How will the involved parties share the value of the collaboration?**

The value created because of these many collaborations has to be shared between the parties involved. What each of the parties contributes differs, which entails the necessity of ascertaining the business value generated from the collaboration and how it should be divided and ultimately, remunerated. Transaction Cost Theory, proposed by Williamson (1981), is applied since it describes the elements of bounded rationality and considers the limitations of human beings to formulate and solve complex problems. Due to the complexity of contracts,

it is necessary to consider all aspects. Opportunistic behavior should also be considered as an element regarding the intentions of the engaging parties. Asset specificity “*refers to the degree to which the transaction needs to be supported by transaction-specific assets*” (Douma & Schreuder, 2008, p. 163). Deriving from this definition is the extent to which the product, as a result from collaboration between artists and companies, only is of value for the parties involved due to the specific production purpose for this particular product. This does not necessarily imply the product not being marketable, however, the value embedded in the product for this particular circumstance might not be possible to replicate. Finally, frequency is examined in relation to asset specificity. Regarding the parties as separate entities, we are able to consider how they can be combined as one entity, more specifically, a hybrid. Organizational form needs to be revised as it provides us with tools to understand the imperatives present when entities are combined. For this reason, the theory of hybrids is implemented as this implies two separate companies joining for a common purpose, in this case collaboration between artists and companies of great variation. The theory of Co-Branding is hereafter implemented in our project and is the notion of two or more independent brands intentionally being paired in a marketing context (Grossman, 1997) Collaborative processes are initiated with the intention of combining strengths from parties to form partnerships regarding a joint project with a common outcome.





## 2. Industry Analysis

In order to answer our research question we present a review of the music industry and the development we have observed over the past 10-20 years followed by an analysis utilizing Porter's Five Forces framework. Furthermore, we draw upon UMD and its B2B processes as a basis for creating a sound comprehension of the prevailing business models in order to provide as complete an answer to our research question as possible.

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### 2.1 The History of the Music Industry

For many years, the record labels have dominated the music industry, however with the advent of the Internet this has dramatically changed. For 15 years and especially during the 1990's the recording industry experienced massive sales in CD's (Barfe, 2004; Leyshon, Webb, French, Thrift, & Crewe, 2005). In Denmark, the sale of recorded music reached its peak in 2000; see figure 1.<sup>1</sup>

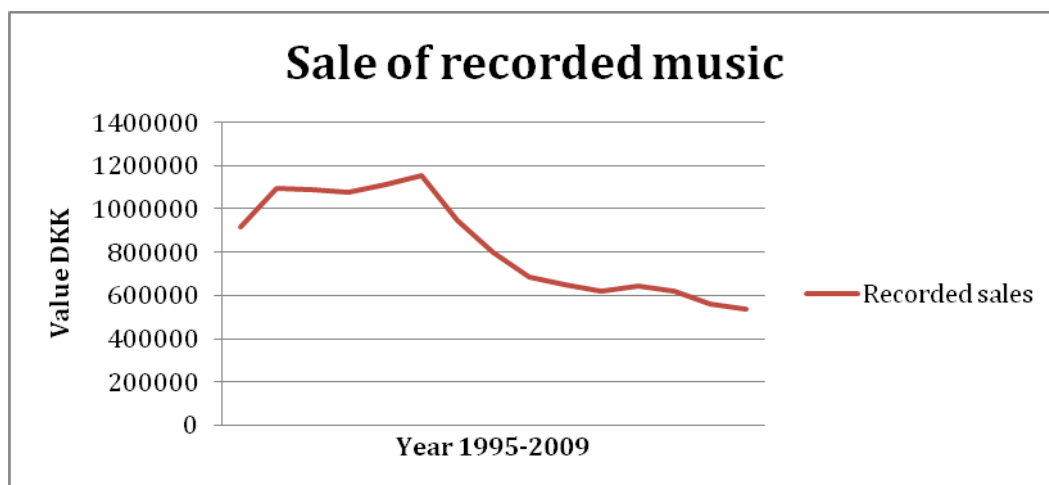


Figure 1

Historically, the record labels have enjoyed great power and influence in the recorded music industry. According to Lam and Tan (Aug. 2001) the traditional distribution channel followed a set of steps:

- 1) the record label signs a contract with an artist,
- 2) the artist records the album and the record label produces the album in media such as CD's,
- 3) the CD's are bought by retailers from the record label and

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<sup>1</sup> IFPI - <http://ifpi.dk/?q=content/nogletal>, retrieved August 30, 2011

#### 4) consumers buy the CD from the retailers

The money earned from the CD's sales mostly went to the record labels and the artist only received a small share (Lam & Tan, Aug. 2001). It is furthermore argued by Goel, Miesing & Chandra (2010) that the record labels may have hindered creativity as they had a major influence on what music was produced and marketed.

With the dawn of the Internet, CD sales began to decline and all of the major record labels experienced considerable losses (Leyshon et al., 2005). According to the record labels, peer-to-peer (P2P) file sharing was the primary reason for the set back in the industry (Goel et al., 2010; Kusek & Leonhard, 2005; Leyshon et al., 2005). P2P became easy for consumers to use with the help of Napster, the most well known of the early software applications that facilitated P2P. Napster made it possible for users to sign up and share songs. This led the music industry through its trade association Recording Industry Association of America (RIAA) to sue Napster for piracy and in March 2001 RIAA won (Lam & Tan, Aug. 2001). Napster was just one of several P2P networks that RIAA managed to close down (Lam & Tan, Aug. 2001). However, as the illegal P2P networks changed their structure, legal liability became much more difficult to prove. For this reason, the RIAA found it necessary to change its strategy and decided to attack its own customers, individuals who had downloaded music illegally over the Internet. This led to lawsuits against college students as well as other consumers. Some were guilty of downloading illegally - others were not (Spotts, 2010). Furthermore, the music industry embarked upon different initiatives such as software solutions that were used as decoy files for down-loaders.

While the industry continued its legal battles, players outside the music industry saw an opportunity to provide the consumers with solutions to their music needs. Apple was the first to enter the market with a legal download service, namely iTunes and gained massive market share (Barfe, 2004; Spotts, 2010).

In retrospect, it can be argued that the recording industry should have embraced the new technology instead of fighting it. It is argued by Goel, Miesing and Chandra (2010) that illegal downloads of music might lead to increased sales of legitimate products. They base this on the notion that music is an 'experience' product and consumers need to 'try them on'. Radio is argued to no longer be the primary source for introducing consumers to new music as the Internet offers several means for finding and listening to unknown music (Kusek &

Leonhard, 2005). With the endless possibilities that the Internet possesses, consumers have shown a reluctance to pay for music in digital form (Leyshon et al., 2005). Many consumers do not perceive this action as being illegal (Goel et al., 2010). Furthermore, consumers felt that it was acceptable to download illegally as they felt ‘ripped off’ by overpriced CD’s (Spotts, 2010). Moreover, many do not recognize that by illegally downloading music they prevent artists from receiving compensation for their work, thus potentially hindering future work from that artist (Goel et al., 2010). Hence, an important step in fighting against illegal downloading is to educate the consumers about how their actions can be damaging to the music industry (Goel et al., 2010; Lam & Tan, Aug. 2001).

Despite the fact that the Music industry blames P2P file sharing as the primary reason for the declining sales, several other reasons may also be the cause. Goel, Miesing and Chandra (2010) argue that a drop in the quality of new music or a change in consumer behavior towards more streaming, which are multimedia files that can be played back without being completely downloaded first, are factors that contribute to this development. Furthermore, research suggests that P2P networks lead to higher sales of music (Goel et al., 2010). According to Spotts (2010) 4 reasons contribute to the declining sales:

- 1) *competition from other entertainment*
- 2) *replacement cycle for music is over – digital doesn’t scratch*
- 3) *consumers prefer the great songs without filler and*
- 4) *mass merchant retailers carry lower inventory due to narrow product assortment, consisting of only the ‘hits’* (Spotts, 2010, p. 37)

Obviously, the music industry is in a transition and has been for many years. For a long period the record labels seemed unwilling to embrace the new technology and instead found the appropriate solution in cost-cutting restructuring, thus cutting capacity (Leyshon et al., 2005). According to Goel, Miesing and Chandra (2010) selling digital files over the Internet has several advantages such as *“increased flexibility, reduced distribution costs, increased industry profits and offer consumers more choices* (2010, p. 9). Even numerous musicians see P2P networks as an advantage as it works as a sort of ‘Word of Mouse’. According to the band Franz Ferdinand, digital music helped them become established as a band and as Alex Kapranos states, *“I don’t think it is damaging musicians at all. Downloading music is as revolutionary as the gramophone and I’m all for it”* (Kusek & Leonhard, 2005, p. 95).

The Internet and digital music files have changed the recording industry for good and in order to continue to generate revenue, the recording industry must look to its core competencies as well as employing innovative and market perceptive methods in its actions. Music is no longer perceived as a product or a single experience good, however it is now perceived as part of a total experience (Bhattacharjee, Gopal, Marsden, & Sankaranarayanan, 2009). The record labels still enjoy great strengths in protecting and exploiting intellectual capital, sources of capital, creative promotion, developing brands and maintaining artists' relationships as well as marketing, promoting and launching new artists (Goel et al., 2010; Leyshon et al., 2005). Furthermore, with the advent of streaming and networks such as iTunes consumers are once again paying for the music.

In Denmark, services such as Yousee, Play and Wimp have made streaming more popular. Moreover, KODA has made an agreement with Spotify, a popular streaming service in Sweden, amongst other countries, to enter Denmark and provide a new option for consumers. According to TV2 Beep, Spotify entered the Danish market on October 12, 2011.<sup>2</sup> However, the introduction of Spotify will initially not be sufficient for the music industry to continue to generate satisfactory revenue. For this reason, new opportunities must be explored such as collaborations between artists and companies.

During the period of writing this project, great focus in the music industry and the media has been on collaborations between artists and companies. Various new collaborations have emerged such as Burhan G with DSB, Nik & Jay with Pepsi and S-tog (part of DSB) have started their own music festival, Sounds. Furthermore, Musikzonen has published a guide called 'Music and Brands - a guide for musicians'.<sup>3</sup> This is a clear testament of the growing awareness and focus on collaborations between artists and companies. It is a lucid argument that this is a focal area for music industry for revenue generation. Furthermore, different research has shown that consumers are positive towards artists collaborating with companies.<sup>4</sup>

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<sup>2</sup> TV2 Beep, <http://beep.tv2.dk/entry.php/id-410783.html>, retrieved on October 9, 2011.

<sup>3</sup> Musikzonen, <http://www.musikzone.dk/media/41696/musikzonen-ebog.pdf>

<sup>4</sup> MEC Acces Report: 'Musik Som Brandingplatform', <http://musikzone.dk/media/7512/mec%20musikundersogelse%20september%202010.pdf>

## 2.2 Porter's Five Forces

With the above historical insight, current situation of the music industry, and an industry examination we will draw upon Porter's 5 Forces. This will be conducted in order to gain a better understanding of the industry today.



**Figure 2. Porter's Five Forces**

### 2.2.1 Bargaining Power of Suppliers

If we identify the artists as suppliers, the Internet has given them a range of possibilities that strengthens their position. Beforehand, the artists were very dependent on the record labels to produce and market albums. Currently many artists can record their album at home in great quality and the Internet has made distribution possible without a record label. Hence, artists are not dependent on record labels' financial strengths to produce records and distribute an album. Moreover, with the numerous social media available, artists have the opportunity to promote themselves and build a strong fan base to become widely known.

Even though artists have gained more strength and opportunities in terms of recordings and promotions, these can only be benefitted from to a certain extent. A point is reached where the resources by the artist are not sufficient and it can be beneficial to sign with a record label due to its massive resources such as a large network, expertise, and access to various distribution channels. In this regard, record labels need to build on their strengths in order to convince artists to sign with them, perhaps especially for experienced artists. However, break-through artists often use the Internet as a platform to become known and subsequently sign with a

record label to enjoy its strengths. This can be illustrated with the Danish singer/songwriter Emma Acs who started on her own and built a fan base and was widely praised by different music media and subsequently signed with the record label A:larm.<sup>5</sup> On the other hand, major stars that have been signed with record labels for years have released themselves from their contracts. An example is Madonna who is now working with Live Nation, the leading live entertainment and e-commerce Company, and is no longer signed to an actual record label.<sup>6</sup> We assume that the bigger an artist becomes the more capable he or she is of building an organization around their name. Meaning, the artist and its organization now hold many of the resources previously held by their record label. The problem this presents is the difficulty for record labels to become attractive enough for large artists to either stay or sign with them.

### **2.2.2 Bargaining Power of Customers**

As described above, consumers have gained a great deal of power via the internet. For years, the only option to obtain music was buying a CD and with the platforms, such as Napster, facilitating the growing popularity of illegal music downloads the music industry deemed it necessary to raise the prices of CD's. This led consumers to believe that CD's were overpriced and, consequently, consumers turned more eagerly to illegal download. Hence, when the first P2P networks arose, consumers were quick to use them and use them extensively. Therefore, it will always be possible for consumers to retrieve the music they wish illegally and free of charge.

As legal streaming and download services have emerged, as well as consumers gradually recognizing the value of music, the popularity of streaming services and e-shops, such as iTunes, are rising and consumers are beginning to pay for their music again. Even though iTunes has existed for many years, now supplying songs at a reasonable price, many still chose to download illegally. Notably, Apple points out that consumers only bought 20-23 songs per iPod, a device that can hold thousands of songs (Bhattacharjee et al., 2009). However, it can be argued that many of the songs are copied from consumers' earlier purchased music media. Nonetheless, music consumers enjoy great power and even though digital files and streaming services have caused people to download and listen to music

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<sup>5</sup> Musikplakaten, <http://www.musikplakaten.dk/emma-ac-sunderskriver-pladekontrakt-med-alarm-music/> retrieved October 17, 2011

<sup>6</sup> Today Music, msnbc.com, <http://today.msnbc.msn.com/id/21324512/ns/today-entertainment/t/madonna-announces-huge-live-nation-deal/#.TpSCsHMxH7E>, retrieved October 12, 2011.

legally again, it can be assumed that sales will not reach the same levels as in the 1990's. Deduced from this we can argue that consumers in general retain more power, are 'louder' and thus, more prominent in terms of influencing what music becomes popular and what artists may be signed.

### **2.2.3 Threat of New Entrants**

With the transition that the record labels have experienced, the barriers of new entrants have changed. The major record labels still enjoy great market share, however, with the accessibility of small studios at a reasonable price the assumption is that smaller, more independent record labels, have emerged consequently as well as artists having recording studios in their homes. Therefore, the threat of new entrants is high due to many having the possibility of entering the market. Yet, record labels hold great expertise within marketing in all areas, which is an element the artist or small studio is not able to replicate to the same extent. Arguably, even though it is easy to enter the market by smaller studios and self-sufficient artists, essential elements are absent to them. These elements however, are still held by large record labels and provide great advantage.

Because of many years of glory and high revenue for the major record labels, an assumption with regard to their popularity can be made. It can be speculated that artists perceive the major record labels as greedy and therefore believe that they have harvested enough money from their work and the music industry in general. Furthermore, an assumption exists that many musicians prefer the independent labels, as they are perceived as more focused on the music. Conversely, the major record labels can be criticized for being too bureaucratic with a primary focus on the monetary rewards from an artist.

### **2.2.4 Threat of Substitute Products**

In today's society, consumers enjoy numerous possibilities within the entertainment and 'experience' industry. This includes movies, TV, videogames, and plays to name a few. Therefore, consumers now enjoy abundant choices on how to spend their disposable income, thus it could be argued that they spend less money and time on music, yet, music is thriving better than ever so it is safe to speculate that consumers still spend massive amounts of both



time and money on music. This is supported by a MEC Access report<sup>7</sup>, which states that music is exceptionally important to consumers and that much would be given up before music. However, as disposable income has not varied greatly, a safe assumption is that revenue on music is reduced. As the music industry was one of the first to feel the effects of the digitalization and illegal downloading becoming so easy and common, it can be assumed the music consumption has not decreased. However, music is easiest to access illegally and thus a consumer can enjoy both music and other kinds of entertainment with the same disposable income. In this regard, it can be said that the music industry has lost its income to substitute products within the entertainment and experience economy.

Nonetheless, artists enjoy the strengths of a loyal fan base and many fans are willing to go a long way to support their favorite artists. Consequently, the artists and music industry must draw upon their loyal fans to rebuild revenue and expand awareness of an artist. Furthermore, even though record sales are still declining other areas within the music industry are blossoming such as events and live concerts. As a result, we are experiencing a huge increase in music festivals and in general, the live segment is undergoing great growth.

### **2.2.5 Competitive Rivalry within the Recording Industry**

With the rising power of both consumers and artists, because of the changing mode of doing business, the recording industry is becoming more dependent on the broad range of its catalogues to sustain income. Furthermore, it has become imperative to assess if a release of an album will break-even although this is not the case for the most part. Thus, the record industry might be less inclined to take chances on new artists and not sign them until they have built a reasonable fan base on their own. The record labels cannot control what music becomes popular in the same manner as they could before digitalization, which increases uncertainty within the industry.

Certain limitations now exist due to record labels having had to restructure, thus cutting costs and capacity, leading to greater pressure with regard to expectations in satisfying shareholders. If satisfaction is not obtained it could lead to further challenges e.g. shareholders withdrawing support. This does not only imply the competition regarding the

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<sup>7</sup> MEC Acces Report: 'Musik Som Brandingplatform',  
<http://musikzone.dk/media/7512/mec%20musikundersogelse%20september%202010.pdf>

ability to sign and launch new artists, nevertheless, internal competition could also be spurred as a consequence as certain results are expected. Due to declining revenue, the record labels must find new sources of income, which presents the industry with new challenges and new areas of competition. As part of this change the music industry is developing new business models and as a result part of the competitive rivalry lies in mastering and evolving these models in order for them to produce the optimal outcome. Thus, the music industry is in immensely intense competition and relies on catalogue sales to discover new artists as well as developing new and successful business models.

### **2.3 Universal Music Denmark's B2B Practices**

Universal Music Denmark (UMD) has been utilized as inspiration and point of departure regarding fashioning the foundation for this project. Michael Boie, Business Development Manager at UMD, has been our contact person and several meetings have been held in order to gain an understanding of UMD as a company, as well as investigate how and why it chooses to explore collaborations with companies further and formalize these collaboration. The below description of UMD and its B2B processes are based on information from its website as well as knowledge attained through our interviews. UMD as part of the Universal Music Group is one of the biggest record labels in the world. It retains the great ability of talent development and resides over many of the biggest artists known through time. Even though the development of talent and the primary source of income previously have been the revenues made from record sales, UMD has been faced with radical changes needing to be made. Due to the in-depth knowledge of the music industry in its entirety, it has been possible for UMD to take advantage of its ability to combine the various entities and thereby create new methods of conducting business.

In order to continue being a market leader and persist in having the necessary competitive advantage among its industry competitors, UMD has focused its strengths and competencies on several B2B models. First, it has been demonstrated that applying music to campaigns and commercials generates a better result on the bottom line. Music enhances product identity and image and is able to apply increased value to a company, creating the necessary distance to its competitors. UMD has in this connection, targeted exactly what it finds imperative to be able to offer potential clients. Seven main types of collaboration are in focus, 1) Customization, 2)

Endorsement and Sponsorships, 3) Events, 4) Licensing, 5) Loyalty Programs, 6) Synchron Deals and 7) Strategic Marketing Partnership.

### **2.3.1 Customization**

Customization is utilized when a company wishes to specify product productions that comply with its customer's unique taste and preferences. A customization agreement made with Bang & Olufsen consisted in a collaborative production of a Bang & Olufsen box set being composed of six CD's within six different music genres. All tracks were carefully selected by Bang & Olufsen, which employs it as a gift for customers buying their music system. The intention of this idea is to provide the customer with a tailor-made limited produced product that both increase the value of the purchase as well as the purchase experience in itself.<sup>8</sup>

### **2.3.2 Endorsement and Sponsorships**

When a famous public person or celebrity provides support to a specific brand it is often formed as an endorsement and sponsorship deal. In endorsement deals, the celebrity appears in various campaigns and through his/her, popularity is gaining attention, appeal, and relevance for the brand, thereby influencing consumers' behavior, sometimes largely. According to Forbes Magazine in 2008, it was shown that musicians have a much better potential to sell a product through endorsement than sports stars.<sup>9</sup> UMD has entered into a number of collaborations with Danish companies where agreements have been made with UMD providing an artist to endorse the particular company.

The Danish energy company DONG has had a multiannual cooperation with the Danish group Safri Duo. Safri Duo participated in, among others, TV spots built around both the artist's and DONG's profiles in addition, on several occasions, performing at various events sponsored by DONG. According to Eisend and Langner (2010), UMD is utilizing what has proven to be extremely effective and valuable due to the effect an artist or celebrity can have on its targeted consumers. *"...celebrity endorsers positively impact consumers' attitudes towards a brand and enhance purchase intentions"* (Eisend & Langner, 2010, p. 528). However, there are both immediate and delayed effects of an ad featuring a celebrity, each

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<sup>8</sup> Universal Music Denmark, <http://universal.dk/customisation>, retrieved September 8, 2011

<sup>9</sup> Universal Music Denmark, <http://universal.dk/endorsement>, retrieved September 8, 2011

posing different outcomes. Consumers do not necessarily act immediately upon exposure to a particular brand advertisement (Eisend & Langner, 2010).

### **2.3.3 Events**

Music events attract positive attention from the press and are a part of branding the company, which is commonly the organizer of the event. Concerts with famous Danish artists often receive publicity both on TV, in the published press and on the Internet. The company, as organizer, also builds a certain amount of goodwill in the artist's target group due to the fan culture emphasizing and dictating the importance of supporting one's favorite artists along with the brands they cooperate with. An event can be produced in several manners; however, in order to utilize the potential of this collaboration optimally, the artist is integrated in every promotional activity of the company, both externally as well as internally. This will increase the effect of the campaign and provide greater impact and effectiveness with the consumer.<sup>10</sup>

One of the more recent events UMD has undertaken was in collaboration with TDC, a Danish telecom company, is a Christmas concert that was produced with the Danish artist Sys Bjerre as the main attraction together with a number of other artists having some kind of relation to her or UMD. The result was 1500 satisfied TDC customers who, through competitions and personal invitations, had the opportunity to attend this event. TDC chose to market the event through every one of their channels and utilized Sys Bjerre in as many connections as possible to expose the event in the most profitable manner possible.

### **2.3.4 Licensing**

Music licensing is the licensed use of copyrighted music. Music licensing is intended to ensure that the creators of musical work receive payment for their work. A purchaser of recorded music owns the media on which the music is stored, however not the music itself and has restricted rights to use and reproduce the recorded work (Huber & Yeh, August, 2006). Within this B2B practice, lays many complicated legal considerations such as international copyright law. These considerations are imperative to the licensing deals formed, however, this will not be covered in this research paper.

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<sup>10</sup> Universal Music Denmark, <http://universal.dk/events>, retrieved September 8, 2011

UMD licenses, to other record labels who wish to license tracks from one of the many artists UMD has at their disposal for compilations.<sup>11</sup> Collaboration between two large companies, Coca Cola and Tuborg developed a summer campaign for their in-store activities in 2009. They entered into an agreement with UMD involving two of the most popular Danish artists at that time, Sys Bjerre and UFO (from UFO and Yepha) as well as the well-known producer, Thomas Troelsen recording a song specifically for the particular campaign. The result was a popular summer song with the title ‘Tag dig sammen’, which would be distributed as a free download on respective Coca Cola’s and Tuborg’s websites. The campaign was further promoted by information placed on every Tuborg bottle and printed in in-store publicity material.

### **2.3.5 Loyalty Programs**

A loyalty program can be defined as a marketing strategy designed to build customer loyalty in terms of endowing incentives to profitable customers (Daams, Gelderman, & Schijns, 2008). It is aimed at rewarding and encouraging loyal behavior and is considered one of the most essential features of a loyalty program (Daams et al., 2008). The most common method used to retain consumer loyalty is customer loyalty programs, which can allow for a collection of points with each purchase and/or coupons or some sort of discount program for a number of purchases.

UMD has experienced great success with loyalty programs in collaboration with others, TDC, DSB, and Lambi.<sup>12</sup> In 2008, Lambi created a campaign site where the customer, through the collection of points on the Lambi packages, was able to download free music. This was a success demonstrating that through this particular campaign, 10 times as many contacts were introduced in Lambi’s Customer Relation Management (CRM) system compared to previous campaigns. It also resulted in an increase of six to nine percent of the sales of Lambi in Denmark. These results imply that customer loyalty programs have considerable and positive effects on both behavioral and attitudinal loyalty. Daams et. al. (2008, p.274) found *“that participants in the program change their purchase behavior and that they feel more committed since joining. ...loyalty programs attract customers who were more loyal, even before joining the program.”*

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<sup>11</sup> Universal Music Denmark, <http://universal.dk/licenseringer>, retrieved September 8, 2011

<sup>12</sup> Universal Music Denmark, <http://universal.dk/loyalty-programmer>, retrieved September 8, 2011

### **2.3.6 Synchronization Deals (Synch Deals)**

A synchronization license is a music license that provides one with the right to utilize a song and synch it with a visual, which most often are TV shows and movies as well as commercials, however, any form of visual coupled with sound requires a sync license. Such a license is acquired from the music publisher, such as UMD, while the owner of the master or record label provides one with the master recording license. Furthermore, the sync license specifies how the particular song may be utilized and covers a fixed period.<sup>13</sup>

UMD conducts synchronization deals between artists and record labels on one hand, and companies as well as advertising agencies on the other. UMD utilizes synch deals as a tool in their brand communication within a long range of platforms such as pod-casts and ring tones. Synch deals moreover create the increased value, which can be the determining factor and cause for a customer to buy one product rather than another.<sup>14</sup> In 2007 the mobile phone company 3 and UMD entered into collaboration, in relation to the artist Jamie Scott's first single being utilized for a commercial. The song complied with two essential criteria: one regarding 3 daring to employ the, at the time unknown artist and two, the song being carefully chosen from a creative proposal and storyboard in terms of the best-fitting lyrics. The song proved to be a hit within a short period, which was largely beneficial for 3.<sup>15</sup>

### **2.3.7 Strategic Marketing Partnerships (SMP)**

Strategic Marketing Partnerships is a long-term collaboration with a company. The proposition is a partnership where UMD will be able to contribute with a broad range of elements strategically planned to enhance the corporate brand of the company, in other words, UMD contributes with a musical profile. The vision is that these partnerships are intended to last three to five years. This option provides a company with the opportunity to position itself strategically on its respective market.

As music contains unique values, the company will be able to utilize this to strengthen its own brand and reach new target segments. An example is Nordea in Sweden. They have created a music service called 'Check-in Music'. As Nordea is a bank, music is obviously not its core product, however, it chose to implement this service in order to strengthen its position and attract customers between 18-28 years. The service entailed free streaming for Nordea

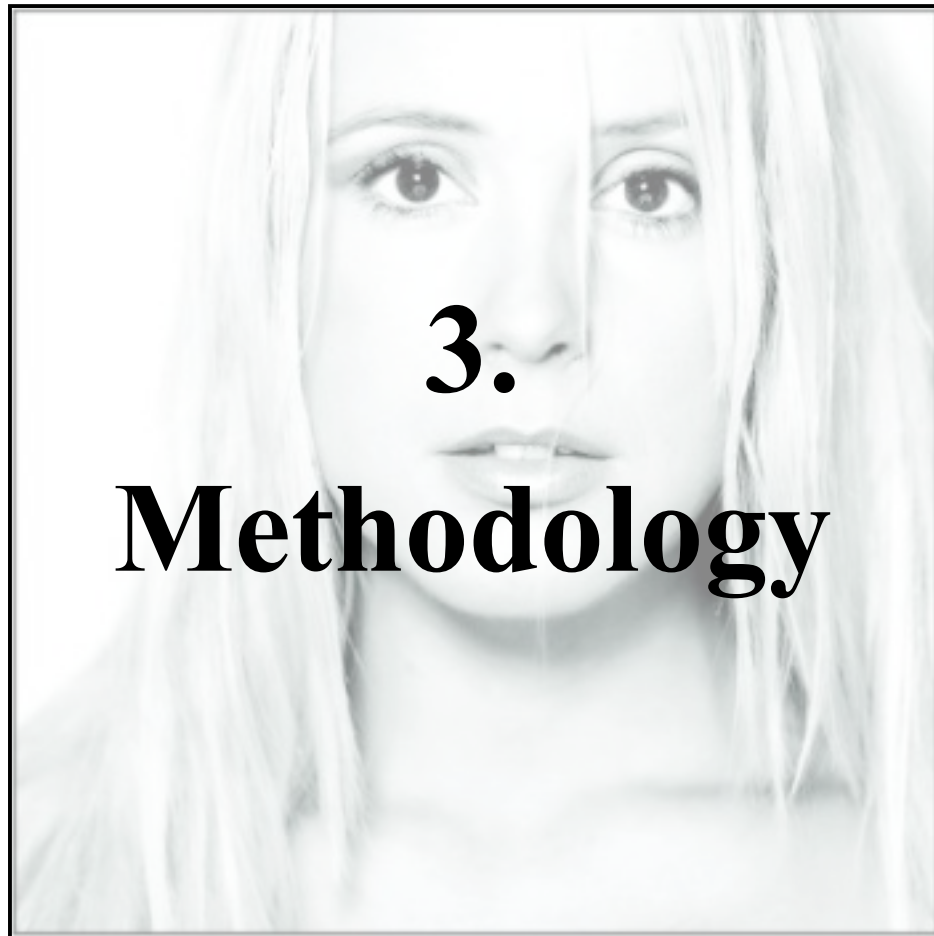
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<sup>13</sup> McDonald, Heather, "Sync License", <http://musicians.about.com/od/qz/g/synclicensing.htm>, retrieved September 9, 2011

<sup>14</sup> Universal Music Denmark, <http://universal.dk/synch-deals>, retrieved September 9, 2011

<sup>15</sup> Universal Music Denmark, <http://universal.dk/synch-deals>, retrieved September 9, 2011

customers. Furthermore, several events and competitions were held in order to maintain a vibrant, client-oriented service. UMD understands that this is a bold and enormous step to take for a company, however the ambition is that SMP will become more widespread in the future.





### 3. Methodology

Our aim for the following section is to allow the reader to understand the purpose of our research, why we have chosen the research approach that we have, how the research process and analysis have been developed and conducted and finally how we have collected our data and analyzed it. Furthermore, we provide an insight into our coding process.

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#### 3.1 Research Philosophy

##### 3.1.1 Interpretivist Approach

Research philosophy relates to the establishment of knowledge and the nature of that knowledge (Saunders, Lewis, & Thornhill, 2007). More precisely, when embarking on research we are developing new knowledge in a particular field. As Saunders (Saunders et al., 2007) emphasizes, the research philosophy we adopt comprises pivotal assumptions concerning the manner in which the world is viewed. The assumptions made will reinforce our research strategy as well as the methods chosen as part of that strategy. The main influence on our assumptions is likely to be the specific view we retain of *“the relationship between knowledge and the process by which it is developed”* (Saunders et al., 2007, p.102).

Three levels of thought exist, namely the ontological, epistemological, and methodological level. That is, the study of the nature of being, the study of knowledge and the rationale of methods and procedures, respectively. An epistemological approach is taken in that *“Epistemology defines and gives structures to what kind of scientific knowledge is available, what are the limits for that knowledge* (Eriksson & Kovalainen, 2008, p.14).” Collaborative processes within the music industry and across industries have not taken place to the extent of sufficient knowledge existing for us to make valid assumptions. A subjectivist view is taken in this connection in that we observe, *“no access to the external world beyond our own observations and interpretations is possible* (Eriksson & Kovalainen, 2008, p.14)”.

Subjectivism regards reality as being socially constructed and therefore, only through social actors is knowledge available. We have to create our own assumptions based on the interpretations of the information available and obtained through interviews with experts conducted. Subjectivism further presents two philosophical positions concerned with how people, as a group or as individuals, comprehend and interpret social events and settings,

interpretivist and constructionist (Eriksson & Kovalainen, 2008; Saunders et al., 2007). An interpretivist approach is thus taken in that it presents an imperative part for us regarding our analysis of the qualitative materials obtained. We seek to understand why the industry functions in the mannerism it does with the individuals playing a part in it; in this case, the artists who are our focus and why they make the decisions they do. The interpretivist philosophical position does not “*predefine dependent and independent variables, but focuses on the full complexity of human sense making as the situations emerge.*” (Eriksson & Kovalainen, 2008, p.20; Saunders et al., 2007). The variables have changed along with the business practices in the music industry, as they are no longer the same prevailing practices. We therefore adopt the interpretivist manner of approaching our research and analyzing the data resulting from a number of expert interviews conducted, due to there being many possible interpretations of the same data and all possibly proving meaningful. We make our assumptions as we go along with the information presented to us and lastly base our analysis and discussion on this.

### **3.1.2 Research Design**

We have conducted an industry analysis through a qualitative approach investigating problem areas within the music industry presented by UMD. In relation to this, we conducted in-depth interviews with representatives of selected areas within the industry. The industry analysis has been carried out using an exploratory approach to research, as little was known about the subject at the beginning of our research, and we needed to collect most of our data from primary sources.

### **3.1.3 Research Methodology**

There are two primary methods of research: induction and deduction. We have chosen the inductive approach, which entails examining the social world through empirical research and then constructing a theory based on the findings (Eriksson & Kovalainen, 2008; Esterberg, 2002). According to Eriksson & Kovalainen “*Pure induction is rare, or even impossible*” (2008, p.22). Saunders (2007) suggest three reasons for why the inductive research approach is important. First, by selecting the inductive approach we are able to make a better-informed choice concerning our research design, which has influenced how we gathered our data and what respondents we chose to interview. This directed how our data was interpreted in order to provide good answers to our research question. Second, the inductive approach has helped

us understand why changes in the music industry have occurred and what the music industry is doing to overcome these and not simply describe them. Finally, by choosing a specific research strategy complying with our needs we are able to adapt the research design by considering possible constraints. Furthermore, we are provided with sufficient understanding of the topic to answer our research question in the best possible manner. Since collaborations are a new phenomenon in the music industry, no one specific theory can be applied to exact this. We found it more beneficial to investigate the field, which led us to use various theories to lay the ground for a better understanding of the phenomenon and utilizing these as tools for analysis.

#### **3.1.4 Choice of Method**

Within qualitative data, meanings are indicated through words and often the collection results in non-standardized data that entails dividing it into categories and finally analysis is done through the use of conceptualization (Saunders et al., 2007). Qualitative data collection becomes relevant in different instances. For example, if earlier quantitative research has not clarified a specific topic then previous understanding of a topic is limited (Eriksson & Kovalainen, 2008). Often, only a small number of respondents are used in the data collection process and the information derived is subject to interpretation that will unwillingly influence the conclusions (Saunders et al., 2007). In qualitative studies, the aim is not to be able to make a broad generalization but to reach a deeper understanding of the issue at hand and the motives of the respondent. This is our aim, as understanding the relations between the different stakeholders of the music industry is essential for us to be able to answer our research question.

### **3.2 Collection of data**

#### **3.2.1 Primary data**

Our data was collected through interviews conducted with crucial market players identified by us, representing the music industry. In order to obtain greater knowledge regarding the construction and the dimensions existing within the industry, it was pivotal to set up interviews with individuals retaining the necessary information. When conducting our research we found interviews most suitable in that they provided us the opportunity to interact with the respondents and thus gain knowledge, which extends beyond the prepared interview

guide. However, a single e-mail interview was conducted with the band Kashmir, as it was not possible for them to meet us for a face-to-face interview.

In order for us to construct a comprehensive market analysis that led to the identification of the individuals necessary to interview, we initiated the process by first, conducting thorough preliminary online research, which led to recommendations concerning who to contact suggested by the parties initially interviewed. This constitutes the basis for our study and equips us with the necessary information concerning the music industry and its stakeholders as a whole. Secondly, an interview with Michael Boie, formed the basis for further investigation to identify that we could obtain knowledge from and explain problem areas that UMD, as a large record company in Denmark, is facing.

### **3.2.2 Secondary data**

The secondary data used in this project had several purposes. In order to gain a comprehensive understanding of the music industry and insight into how it has changed during the past 10-20 years, a number of books and articles were collected. We have used databases at the Copenhagen Business School Library to obtain non-course books and articles as well as the Internet with the use of Google and other Internet search sites. These also helped provide an insight into the current situation. As the project deals with a very contemporary phenomenon, much development, with respect to specifically this area, has occurred during the development of our project. Therefore, it was especially important for us to follow the media and market players within the music industry to strive to stay completely updated.

### **3.2.3 Critique of primary data**

Certain critique exists when strictly utilizing interviews for research purposes. According to Kvale (1997) interviews are too person-dependent, their results are biased and therefore they are not trustworthy. Nonetheless, we found only using interviews as the most suitable way of conducting our research, as we wished to gain a deeper understanding of market players' experience, knowledge and opinions on collaborations between artists and companies. In order to minimize the possibility of bias, we interviewed several experts within different sectors of the music industry; please see the section on 'Selection of Data' below.

### **3.3 Selection of Data**

In qualitative studies, a smaller number of respondents are used and since they are carefully selected, the process, as a result, is of a subjective nature. As such, the selection is not statistically secured and therefore not necessarily representative of the various entities making up the music industry in general (Saunders et al., 2007).

In order to obtain a realistic concept of the music industry in its entirety, we identified eight main stakeholders. We perceive these as being the most imperative and able to provide us with the necessary information concerning the industry dynamics. Through a stakeholder analysis, we established the connections between these and it was important for us to select groups representing the whole of the industry in order for least uncertainties to occur, which could potentially influence our results.

The main stakeholders identified are artists, record label, artist management, industry associations, governmental associations, mediators, companies with strategic collaborative interest and sonic branding. Following this identification, we set up interviews with carefully selected players each representing one of the eight main areas. This was important in order for us to gain the necessary and in-depth understanding of the dependency existing between these players as well as generating the information we needed to be able to make sound judgments and conclusions. We sought to obtain as complete a picture of the industry as possible and therefore made sure to set up interviews representing the eight main areas.

Within each of these stakeholder areas, more than one representative was selected, if possible, to obtain a characteristic depiction of the specific stakeholder and to ensure that we received a sound understanding. This was aimed at supporting and justifying the statements of the potentially equivalent party within the same stakeholder area. This would make it possible to link the interviews together with the interviews conducted with other stakeholders

<b>Interview</b>	<b>Date</b>	<b>Respondent</b>
Kashmir (Via email)	April 7th 2011	Band Member, Henrik Lindstrand
Benni Chawes	April 18th 2011	Benni Chawes
Maiken Ingvordsen	March 25th 2011	Maiken Ingvordsen
Universal Music Denmark	March 23rd 2011	Business Development Manager, Michael Boie
Universal Music Denmark	April 11th 2011	Digital Director, Morten Remmer
Red Dot Music	April 15th	Artistic Director & Executive Producer, Chris Minh Doky and Project Manager, Anita Overholt
Volcano Management	April 4th 2011	Artist Manager, Ulrik Ørum-Petersen
IFPI	April 18th 2011	Head of Communication Lasse Lindholm
KODA	April 27th 2011	Marketing Coordinator Christine Zacho
Danish Musicians Union	March 23rd 2011	Project Manager for Supplementary Education, Peter Poulsen
Musikzonen	April 5th 2011	Communication & Web Responsible, Roberto Zacharias
DDB	May 9th 2011	Head of New Business, Morten Sune Jonas
Supersonic	April 6 <sup>th</sup> 2011	CEO, Mitch Fischermann
Frede Fup	April 6 <sup>th</sup> 2011	Frede Fup
Sonic Minds	April 1 <sup>st</sup> 2011	CEO, Karsten Kjems
Audiowise	March 30 <sup>th</sup> 2011	Creative Director and Founder, Johny Sårde
Your Waves	March 28 <sup>th</sup> 2011	Founders, Martin Ibsen and Torben Eik
MEC Access	April 26 <sup>th</sup> 2011	Partner in MEC Acces, Katja Moesgaard

**Table 1 - Interviews**

Below is a brief presentation of the eight stakeholder areas identified with a short description of each respondent interviewed as well as the date on which the interviews were conducted. Please note that some parties might have the ability to respond and comply with more than one area due to their scope of expertise including more than one function. However, we have chosen to place the respondents in their primary group when presenting them.

An example could be UMD, which could also function as a mediator and as management as well as Red Dot Music where Chris Minh Doky would also be able to respond as an artist. Furthermore, throughout the analysis we will refer to the respondents as representatives of

their assigned stakeholder group e.g. representative, artist. Only if a direct quote of a particular respondent is used then their name will be noted.

### **3.3.1 Artists**

The artists represent part of the collaboration and constitute the creative aspects and values drawn upon to obtain the desired outcome when deciding in engaging in partnerships between artist and company. Four very different artists have been interviewed to portray the wide array of possibilities with varying successful outcomes in relation to collaborations between band/artists and companies.

#### 3.3.1.1 Kashmir

Kashmir is a well-established Danish rock band formed in 1991. The band grew quickly in popularity to one of Denmark's biggest due to its unique sound and through its success in reaching a very wide audience. They have developed a large and solid fan base staying true to the band, which is also why it manages to continue to influence and be of great interest for so many. Kashmir entered into collaboration with Royal Unibrew in a campaign called 'Tak Rock' (Thank you Rock), which proved to be extremely successful and is therefore a very good example of how collaborations of this magnitude can benefit both the artist as well as the company. This is explained more thoroughly in the analysis. Due to the clear success of this partnership, we have deemed it pivotal to include as basis for our analysis.

The interview conducted was an e-mail interview on April 7 2011 with Henrik Lindstrand who is the guitarist in the band.

#### 3.3.1.2 Benni Chawes

Benni Chawes is a Danish musician and singer/songwriter. He graduated from Berklee College of Music in Boston in 1995, where after his career took off. He developed the concept of Instrumental-Voice where he uses his voice to push the boundaries of musician-as-instrument, and has won many awards and features on no less than 16 albums. After living in the US for many years, he returned to Denmark and proved very successful as a songwriter. Moreover, he formed a band of his own, signed a record deal with STUNT Records in 2006, and received great reviews on the album released the same year. Bang & Olufsen, the high-end luxury brand of audio and video systems, showed great interest in his music and decided

to enter into collaboration with Benni Chawes. Because Bang & Olufsen is a luxury brand, it is imperative that the brand image is maintained and no compromises are made. That is why we have found this collaboration extremely interesting, as Benni Chawes is the first artist to be sponsored by Bang & Olufsen.

The interview with Benni Chawes was conducted on April 18 2011.

#### 3.3.1.3 Maiken Ingvordsen

Maiken Ingvordsen can be acclaimed as extremely versatile as she graduated from the Rhythmical Music Academy in Copenhagen, as a pianist and practicing artist, who also has significant experience with producing films and music, web design and especially with branding and digital identities. Maiken Ingvordsen has worked intensively for 6 years with her company, So What Copenhagen, which was founded to provide consultancy services concerning Public Relations, marketing and branding for artists, creative companies and the advertising industry. Due to her experience as a performing artist, with her deep engagement in the business aspect of the music industry, she is perceived as retaining in-depth knowledge concerning the mentioned collaborations. Maiken Ingvordsen has been an advisor for members of the Danish Musicians Union since 2009 and a member of the Musiczone's Counsel of Growth (Vækstråd), which is a network organization established by the National Agency for Enterprise and Construction and the Danish music industry. Due to her elaborate knowledge concerning the music industry, and not only as an artist, we found her perspectives interesting.

The interview with Maiken Ingvordsen was conducted on March 25 2011.

#### 3.3.1.4 Frede Fup

The band Frede Fup was created in 1979 in Copenhagen by Frede Norbrink. The band built their musical foundation on the 50's Rock'n'Roll genre with lyrics in Danish and Frede Norbrink composed most of the music himself. In 1981, the band released its first LP and soon after a range of LP's was released, and widely recognized. The band became a sought after live act in Denmark's various music venues. Despite the band's popularity, it did not result in large record sales. However, the band became the house orchestra at 5 Øren in Amager and was an integral part of the first of Tuborg's 'Green Koncerts' (Grøn Koncert). The band later broke up and Frede Fup went solo. He is now in the process of releasing a new



album through his own record label, F.U.P. Records.<sup>16</sup> It was interesting to obtain an experienced musician's view on the development of the industry as well as his opinion on collaborations between artists and companies.

The interview with Frede Fup was conducted on April 6 2011.

### **3.3.2 Record Companies**

The record companies represent a vital part of the collaboration between artist and company since they are paying attention to the best interest of the artist as well as their own. It is here the image of the artist is being marketed and financial aspects are taken care of. It is the responsibility of the record label to negotiate as favorable a deal for the band/artist and itself as possible since it is assumed that it receives some percentage of whatever is earned from the collaboration in question.

#### 3.3.2.1 Universal Music Denmark

Universal Music Denmark, with a 30% market share, is the largest record company practicing in Denmark and is a division of Universal Music Group, which globally has approximately 10.000 employees and owns, sells and distributes music for labels around the world. UMD releases, produces, markets some of the country's most successful artists, and covers all musical genres from pop, rock, and hip-hop to classical and jazz. It creates solutions for artists, a number of smaller record labels, advertising agencies and other players on the Danish and international music scene. UMD's affiliation with Universal Music Group has the ability to both comprehend the strengths of the large and smaller company, an international network, and a comprehensive knowledge of the local music scene in Denmark. UMD also handles merchandising, compilation concepts, and business-to-business deals. Due to the versatility and size of UMD a collaboration and utilization of this record label as a main actor was mainly thought of creating the basis for our point of departure and further research.

The interview with Universal Music Denmark was conducted on March 23 2011 with Michael Boie who is the Business Development Manager. A follow-up interview was conducted on April 11 2011 with Morten Remmer, Digital Director, in order to obtain further insight into the impact and consequences of the digitalization of the music industry, especially in establishing how UMD has been affected and the possibilities it presents.

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<sup>16</sup> Frede Fup - Historien - <http://www.frede-fup.dk/>, retrieved August 15, 2011

#### 3.3.2.2 Red Dot Music (RDM)

Internationally acclaimed musician and producer Chris Minh Doky founded Red Dot Music (RDM) in 2008. RDM is a small, independent record company and label. It is perceived as catering to the niche market and makes music for music lovers – not music consumers. Red Dot Music collaborates with partners with similar visions to create novel ways of listening to music.

RDM has had an extensive collaboration with the Danish coffee house Baresso in terms of utilizing music from Danish performing jazz artists. Since Chris Mihn Dokey has experienced a positive and successful collaboration with a company and is representing artists, as well as being a performing artist himself, we found it interesting to gain more in-depth knowledge concerning his opinion on the development the music industry is experiencing.

The interview with Red Dot Music was conducted on April 15 2011 with Chris Minh Dokey, Artistic Director & Executive Producer and Anita Overholt Nielsen, Project Manager.

#### **3.3.3 Artist Management**

A manager functions as an intermediary between the artist and company entering into collaborations. He/she becomes a crucial part of the overall collaboration, primarily exists for the wellbeing of the artist, and therefore, becomes part of the approval process. For this project, one management company with a successful case of collaboration between artists and company was interviewed.

##### 3.3.3.1 Volcano Management

Volcano Management is an independent music company based in Copenhagen, working with music on several different levels. As a management agency, the company represents a number of the prime artists and producers in the alternative, rock, and electronic genres in Denmark. It also functions as a local promoter representing some of the most interesting international bands and artists in Denmark, among others, Kashmir who is participating in the ‘Tak Rock’ campaign. Apart from promoting shows, Volcano Management also functions as booking agents for many new bands and artists in Denmark. It is furthermore involved in various educational projects and consulting assignments as well as offering partnership management for bands/artists and companies or brands. To gain more insight into the collaboration of the

‘Tak Rock’ campaign and its success along with obtaining the perspective of a management company we found Volcano of great importance to interview.

The interview with Volcano Management was conducted on April 4 2011 with Ulrik Ørum-Petersen, Artist Manager.

### **3.3.4 Industry Associations**

As with any other industry, different associations exist in order to ensure that all members within that industry are treated correctly and according to regulations. Within the music industry three major associations are present in Denmark, all of which were interviewed in order to gain an understanding of how they perceive the changing industry, what is done to keep pace and how they consider collaborations between artists and companies.

#### 3.3.4.1 IFPI (International Federation of the Phonographic Industry)

IFPI represents the recording industry and its main purpose is to ensure that music companies thrive under the best possible conditions. It does this by exploring new opportunities such as utilizing music in commercial instances. Furthermore, it works to ensure that the music companies have the necessary resources in order to discover and nurture new talents. Finally, it strives towards always ensuring that the consumers have access to music in a legal manner, for example through digital music. To gain an insight of IFPI’s opinion and view on the changing music industry and collaborations between artists and companies, it was imperative to include them.

The interview with IFPI was conducted on April 18 2011 with Lasse Lindholm who is Head of Communication.

#### 3.3.4.2 KODA

KODA is a non-profit organization whose main two purposes are to ensure that music creators are paid when their music is played and to ensure that music users are able to clear the rights to the music they wish to use. KODA, owned by the music creators and publishers, has approximately 36,500 members, 40,000 customers. KODA during the past years has put greater focus on how music can be utilized commercially, thus they have created the pamphlet ‘Musikkens Værdi’ (The Value of Music), which guides different business sectors in how

music can be of advantage to them. For this reason and with its function within the industry we wished to gain insight into KODA's perception of the changing music industry.

The interview with KODA was conducted on April 27 2011 with Christine Zachø who is Marketing Coordinator.

#### 3.3.4.3 Danish Musicians Union

The Danish Musicians Union (Dansk Musiker Forbund, DMF) is the largest professional association for Danish musicians and has approximately 6800 members, which includes musicians, singers, teachers, and technicians within music. It offers wide arrays of services such as legal advice, financial support, insurance, membership, and representations within areas such as trade agreements and wage scales. As it works with the musicians, we found it interesting to examine how it has experienced the changing industry and how it advises its members on collaborations with companies.

The interview with the Danish Musicians Union was conducted on March 23 2011 with Peter Poulsen who is Project Manager for Supplementary Education.

### **3.3.5 Governmental Associations**

As in many other industries, different governmental associations exist in order to ensure the growth and development of that particular industry. For the music industry, the Danish government has created Musikzonen (the music zone) in order to achieve this.

#### 3.3.5.1 Musikzonen

Musikzonen is a network organization established by the National Agency for Enterprise and Construction and the Danish music industry. Its goal is to unite the music industry, research, and business. It puts great emphasis on two main areas: first, on the music industry and the attempt to increase the understanding of commercial buying patterns. Second, on the commercial uses of music - it strives to build awareness of the value of music in commercial contexts. It tries to achieve this by different activities such as workshops, networking sessions, advisory meetings, and conferences. It works with different industries to create new business possibilities, encourage dialogue and partnerships. Its hope is that the economic agenda and talent within the music industry can be pushed forward. We found this angle

extremely interesting for our research and wished to gain a better understanding of the agenda of Musikzonen.

The interview with Musikzonen was conducted on April 5 2011 with Roberto Zacharias who is responsible for Communication and Web. During the formation of our project we have discovered that Musikzonen published the paper “Music & Brands – a guide for musicians”, which unfortunately was not published when we conducted our interview. Due to its introduction late in this process, we have chosen to disregard it as possible data for our analysis.

### **3.3.6 Mediators**

It is often necessary to have a mediator in order to keep an objective viewpoint in collaboration cases. This can, for example, be advertising companies, record labels etc. For this project, one advertising company with a successful case of collaboration between artists and company was interviewed.

#### **3.3.6.1 DDB**

DDB is a worldwide advertising company with an office in Copenhagen. When doing our research, the “Tak Rock” campaign, which is collaboration between Kashmir and Royal Unibrew, it was mentioned numerous times as a successful example. In this case, DDB was the mediator between the two parties, which is why we found DDB interesting to interview. We were particularly interested in the process of collaboration, experience with other collaborations, and what is considered the right conduct in collaborations.

The interview with DDB was conducted on May 9 2011 with Morten Sune Jonas who is Head of New Business.

### **3.3.7 Companies with Strategic Interest**

An increasing number of companies have opened their eyes to the strengths of music and the diverse utilization possibilities, which exist. Many examples show how influential music is and for this project, we have chosen three very different companies to illustrate their successful usage in very different circumstances.

#### 3.3.7.1 MEC Access

MEC Access is a Nordic organized company mainly facilitating experience marketing. Its primary focus is to provide companies and public institutions with activities within sponsor- and event marketing. It has great expertise with creating partnerships and developing concepts across a wide range of various platforms such as: art, brands, broadcast, cause, celebrity, film, gaming, music, and sports. Furthermore, as the company represents the Nordic region, it has the ability to work locally as well as in a broader extent with consultancy.

MEC Access's range is broad as it provides specific tools within market knowledge, ROI, and evaluation, which make it possible for the company to create efficient and relevant campaigns.<sup>17</sup> Due to its diverse utilization and implementation of music, we found it particularly interesting to obtain insight into its various marketing procedures including how it distributes the message of the functions of music as a business tool. Furthermore, MEC Access published a report 'Musik Som Brandingplatform', which contained great insights into the music consumption of the Danish population.

The interview with MEC Access was conducted on April 26 2011 with Katja Moesgaard who is a partner in the company.

#### 3.3.7.2 Supersonic CPH

Supersonic CPH is a sound studio and a record label providing a wide array of services in audio from sound design, music, and radio. This also covers delivering sound design, voice recording, mixing, and mastering for television, radio, feature films, animation, and commercial films. Radio-production is one of their main competence areas, which reaches from writing manuscripts and developing creative concepts, to producing, instructing in cooperation with customers or creative consultants, or alone.

Supersonic CPH has won many awards due to their creative out-of-the-box solutions. The company consists of eight producers/composers working either alone or together and its focus is to be able to take advantage of the individual qualities as well as maintaining the ability to combine them.<sup>18</sup> As Supersonic utilizes music in so many different ways and because its focus is on sound in its essence, not necessarily with a focus on the marketing abilities music

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<sup>17</sup> MEC Access - <http://www.mecaccess.dk/>, retrieved August 15, 2011

<sup>18</sup> Supersonic CPH - <http://www.supersonic.dk/about.php>, retrieved August 15, 2011

retains, we found it interesting to look into how the company perceives the development of sound usage and how it benefits from it.

The interview with Supersonic CPH was conducted on April 6 2011 with Mitch Fischermann who is the CEO of the company.

#### 3.3.7.3 YourWaves

YourWaves is a digital communication company that focuses on the social Internet with competencies within digital communication, strategy, ideas, and concept development. Digital communication implies exchange of messages, opinions, and points of view through the Internet. The company focuses on the fact that the social media daily facilitates large amounts of communication between people across the world. YourWaves retains the basic understanding of the rules and underlying structures applied in the digital communication.

The company carries the experience and its theoretical approach provides the right tools to utilize the social Internet, which could be e.g. to increase PR- and branding value for a client. Due to the company's profound knowledge about the functions of digital communication, we found it key to gain knowledge within this field because of the large influence and industry-altering affect digitalization has had alongside the P2P platforms that are contributory to the huge changes experienced during the past 10 years.

The interview with YourWaves was conducted on March 28 2011 with partners, Martin Ibsen and Torben Eik who founded the company.

### **3.3.8 Sonic Branding**

To reinforce brand identity the use of sound is largely being utilized. It is the question of being able to take advantage of the powerful memory sense of sound and in connection, how sonic branding has turned into a channel for sending a memorable message to target consumers. This tool retains great power and we found it important to illuminate to what extent music can affect decision making on a higher and subconscious level.

#### 3.3.8.1 Audiowise

Audiowise is a sound branding company, which carries interdisciplinary competences within brand and retail marketing, retail design, service design, shopper intelligence, acoustic

management, 3D sound design and sound & music composing. This provides the company with the knowledge and experience necessary to handle a wide array of sound-challenges.

Audiowise employs sound engineers who have a scientific approach to developing sound designs in order to achieve the best result possible. Furthermore, the company is able to handle the entire sound design process in terms of research and concept development concerning the development of sound designs and the technical sound set-up to the implementation and continuous servicing.

Its main emphasis is on how to stimulate the emotions of the end-user in an intelligent, goal-oriented fashion, which is relevant.<sup>19</sup> The company deals with the abilities sound retains and its effects on the individuals subjected to it. This particular strength of music was found as a necessary aspect to include in this project as it is an increasingly growing area within the utilization of music as part of branding and as an actual branding tool.

The interview with Audiowise was conducted on March 30 2011 with Johny Sårde who holds the position as Creative Director and founder.

#### 3.3.8.2 Sonic Minds

Sonic Minds is a company creating individual and specific sound identities from idea generation to the implementation of the sound identity. It comprises of composers and sound designers who aim at creating better sound design and optimal sound experiences in products, environments, and media. A focal point is audible understanding, which is why it includes its client in every step of the process in creating the sound identity. It also provides the necessary tools and knowledge concerning concept and strategy for the utilization and implementation the company needs in order to work with their auditory identity.

Sonic Minds emphasizes the importance of creating a sound that reflects and expresses the brand in question alongside making it applicable, efficient, value creating and understandable.<sup>20</sup> We wished to gain considerable knowledge concerning this area within the music industry, which is why we chose to expand our horizon by including Sonic Minds and obtain a second opinion, a different observation, and approach to the usage of sound in collaborative instances.

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<sup>19</sup> Audiowise - <http://audiowise.dk/products>, retrieved August 15, 2011

<sup>20</sup> Sonic Minds - <http://sonicminds.dk/det-faar-du.aspx>, retrieved August 15, 2011



The interview with Sonic Minds was conducted on April 1 2011 with Karsten Kjems who holds the position as CEO.

### 3.4 Interviews

When conducting interviews, no single technique is the correct one. Rather, conducting interviews should be regarded as creating knowledge (Kvale, 1996). As Kvale (1996, p. 14) puts it “*An interview is literally an interview, an inter-change of views between two persons conversing about a theme of mutual interest*”. This is supported by Holstein & Gubrium (as cited in Silverman, 2004, p. 143) who state “*Interviewing is always unavoidably interactional and constructive – in a word, the interview is active*”. According to Eriksson & Kovalainen (2008) three kinds of interview structures exist in qualitative research. These include structured and standardized, guided & semi-structured and unstructured, informal, open & narrative interviews.

Structured and standardized interviews entail systematically asking each respondent the same line of questions. Guided and semi-structured interviews result in an outline of themes and topics about which the interview is centered on, however wording and the flow may vary. Finally, informal, open & narrative interviews imply having some guiding questions or central themes to begin with, however there is freedom to change the interview in any which direction becomes relevant and interesting (Eriksson & Kovalainen, 2008).

Prior to the interviews, we explained the purpose of the study to the respondents in order to prepare them for the interview, however without giving them the opportunity to make prepared answers. We believed this would be the best way to obtain ‘uncensored responses’. We kept a guided and semi-structured composition, as the goal was to ask a range of the same questions, however also keep the interviews open with the possibility of taking them in different directions that were relevant for the specific interview. The conducted interviews held a similar structure; in each interview, the respondent was asked to give a brief presentation of themselves and their respective company.

This was done in order to gain a better insight beyond what was already known from websites and recommendations. In each interview questions were asked concerning the alteration of the music industry and how they had experienced it; “*What is your perception of the changes in the music industry and the use of marketing and branding tools?*” As the focus of our project lies in collaborations between artist and company a range of questions were asked to gain a better insight of the respondents’ opinion and experiences with this particular matter, an

example of a question is; *“What is your perception of collaborations between artists and companies? What advantages and disadvantages do you see?”* Moreover, we were very interested in knowing if our respondents knew of a right way to conduct these collaborations, thus, we asked the following question; *“What do you see as the formula for a good collaboration?”* Moreover, we were also very interested in the future of the music industry and hence asked; *“How do you see the future of the music industry?”* In order to comprehend how each party contributes to the music industry, a series of questions, individual to each interview, were asked. An example is the interview conducted with industry association KODA; *“You have made the pamphlet The Value of Music for the corporate sector. Can you clarify in more depths what you expect to gain from this?”* Our questions were primarily motivated by secondary data such as books and articles concerning the music industry as well as each stakeholder’s website, which provided us with the foundation for constructing our interview-guides. Furthermore, some of the initial interviews influenced the construction of subsequent interview-guides such as explained bellow.

The interview-guides comprised of 3-11 main questions some of which had sub-questions in order to obtain more in-depth information. To clarify, the single e-mail to the manager of Kashmir, which only allowed for three main questions being posed, restricted the interview’s length. Few of the initial interviews, with an Artist Representative and Industry Association Representative, were also only composed of a small number of questions, however, additional questions were asked throughout the interview. These laid the ground for the questions used in the interviews conducted afterwards. Five main questions were consistently present in all interviews.

The questions prepared beforehand were a mix of open-ended, simple and complex, neutral, as well as both indirect and direct questions. Furthermore, when necessary both primary and secondary questions were asked in order to gain the full understanding of the answers and to make sure that the interpretation of the respondents’ reply were coherent with what was meant, as well as ensure that the interview became as broad as possible within the specific themes and categories. While conducting the interviews, we made a strong effort not to use any leading questions to avoid influencing the respondents to provide biased answers. (Please see Appendix I for interview-guides).

We further asked if the respondents would accept the use of a recording device. This allowed us careful concentration on the respondent and not on taking notes, while enabling us to accurately transcribe the interviews later and then review it in written form. During all interviews both group members were present, except for the interview with MEC Access, the interviews were recorded using the program Garage Band on our computers. The interviews were conducted both in the private homes of the respondents and at their workplace. We wished to rule out as much insecurity as possible and make sure that we extracted as much useful information as possible. The interviews were conducted during weeks 12-17 and 19, 2011. The duration of the interviews were between 25 minutes to 1 hour and 15 minutes. (All interviews can be found in the enclosed disc).

#### **3.4.1 The e-mail interview**

By agreement with Volcano Management, the e-mail interview with Kashmir had to be relatively short, therefore only the questions we found most important were sent to them. Furthermore, the “Tak Rock” campaign, in which Kashmir participated in 2010, was of great interest to us as it is one of the most successful collaborations between band and company seen in Denmark to date. To keep the band as open minded as possible during the e-mail interview, only open-ended questions that were direct were asked. In this way, it was possible for the band to answer each question as broadly as they wanted. The primary disadvantage of conducting e-mail interviews is that it does not present the option of posing clarifying questions; fortunately, the answers provided by Kashmir were quite clear.

### **3.5 Coding**

In qualitative research, making sense of the data can be of great difficulty, for this reason it is important to code the data. The goal of coding is to discover the potential meaning of the data (Esterberg, 2002) and it is useful for gathering and organizing the findings (Myers, 2009). According to Coffey and Atkinson (1996) the coding of data involves three steps, first, observing relevant categories, second, collecting examples of the categories observed and third, analyzing these categories in order to find similarities, variations, patterns and formations (Esterberg, 2002). It is important during coding not to limit ones insight by using pre-established codes, instead the initial stage should be used to disclose potential meanings and categories (Esterberg, 2002).

#### **3.5.1 Inductive Coding**

A different approach to analyzing qualitative data exists and can be termed thematic analysis (Boyatzis, 1998). In this process, the thematic analysis entails three steps, first, the researcher must decide on design and sample issues. Second, themes and codes must be developed. This can be done within one of three different starting points; a) it is theory driven, b) it is prior data or prior research driven and c) it can be inductive. As the research conducted in the project is neither theory neither driven nor driven by prior research or data, only inductive coding will be given attention. Third, the researcher must validate and use the codes (Boyatzis, 1998).

A good thematic code entails expressing the phenomenon and its qualitative richness. Inductive coding involves themes and codes constructed directly from the raw data; they emerge through words and syntax. As various researchers examine the codes and perceive them similarly, the codes become understood and close to the raw data. In order to avoid confusion it is recommended that that the label remains close to the wording in the raw data and does not portray what the researcher wants the code to denote (Boyatzis, 1998). According to Boyatzis (1998) a superior code should contain five elements; first, it should be a label by, for example, giving it a name. Second, a definition of what the theme concerns should be constructed. Third, a portrayal should be given in order to know when the theme occurs. Fourth, an explanation of features or exclusions should be completed in regards to the identification of the theme. Finally, to eliminate any confusion both positive and negative examples should be provided.

### 3.5.2 Developing Inductive Coding

As briefly mentioned above inductive coding, consist of three stages. First, issues concerning sampling and design must be addressed. An important requirement when doing thematic analysis is either criterion-referenced or anchored material. As we are not looking into specific criteria and testing these among our samples, we can deduce that our material is anchored and we use this to make informed conclusions on the changing music industry. According to Boyatzis (1998) the collected data must represent two or more subsamples within each sample, however in some of our sample groups we only found it necessary to interview one person.

For example, Musikzonen is the only representative of governmental associations. Furthermore, as more respondents can function under more than one sample, it can appear misleading that e.g. only one interview with Volcano Management is located in the sample Management, as Universal can also function as management but has been given the sample Record Labels. How we chose samples and designed our research is explained earlier in this section, thus we will not go further into depth with this. Once the data has been retrieved, the method of comparing and contrasting the information is beneficial in terms of observing notable differences among and between the different stakeholders.

The second stage is concerned with developing themes and codes. According to Boyatzis (1998) this consists of five steps. A) The raw material must be reduced; making an outline of each transcript does this. Nonetheless, when doing the transcripts we only transcribed what we found relevant for the project, thus reducing the raw data in this manner. B) Identifies themes within samples. This is done by determining emerging themes within each subsample. For this purpose, we used the coding program Atlas.ti. Each interview was read through and each time a sentence or paragraph was relevant for our project it was assigned to a category, these included “*Collaborative Considerations*”, “*Market Development*”, and “*Consumers*”, to name a few. In total 27 categories were created. The program allowed for multiple coding, which meant that many sentences and paragraphs were assigned to more than one category. C) Involves comparing these emerging themes across the different subsamples. In order to attain an overview of each category and what each group and respondent contributed with, all quotes were put into an Excel sheet.

D) Entails creating a code by rewriting each theme in order to differentiate other subsamples further on. For this step, we chose a slightly different approach. We chose to develop color codes for two reasons:

1. We wanted to cross-code our data in order for it to be more transparent.
2. We wished to gain an overview of the cited sentences and paragraphs.

Furthermore, if we deemed necessary, the most important part of a sentence or paragraph was underlined. E) Calls for determining the reliability or consistency of the judgment of the codes. As we utilized the coding program Atlas.ti, we came across interesting sentences and paragraphs leading to further discussion as to which category it applied, if it applied to anything at all or was of actual interest to the project. Unfortunately, this left us without the possibility of coding independently and able to calculate the interrater reliability.

The third and final step is concerned with validating the code. Throughout the entire coding process, our codes were validated by continuously being used across interviews and thus qualitatively validated. Consequently, we have utilized several elements of inductive coding in our data analysis and adjusted it to what we saw fit for this particular project.

# 4. Theory





## **4. Theory**

In order to answer our research question concerning how record labels can generate new revenue sources through collaborations with companies from different industries, we have divided this section into two parts. Each section presents theories relating to the two sub-questions raised, which will be presented below, as an extension and elaboration of the research question. This is done in order for us to properly address and create a comprehension of the elements necessary to consider when analyzing the challenges facing the music industry as well as the individual elements related to this. In the section below, these will be explained more thoroughly and it will be illustrated how they can contribute to the overall analysis.

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### **4.1 Resources and Generating Value**

The first sub-question presented, concerns what resources are necessary for collaborations between artists and companies for value generation. In order to obtain an understanding of this we introduced the Resource Based View (RBV), which is utilized to establish the strategic resources available to a firm. Subsequently Dynamic Capabilities was introduced, which is considered an extension of the RBV and focuses on how internal and external competencies are integrated, built and reconfigured within a firm to address the rapidly changing environments.

#### **4.1.1 The Resource Based View (RBV)**

In order to understand the necessary grounds for collaboration between an artist and a company, it is important to acknowledge each party's strategic resources. The resource-based view (RBV) contributes to the internal analysis of resources and capabilities including their fit with the external environment. It also contributes to the analysis how they can be leveraged into a sustained competitive advantage. Resources are defined both tangible and intangible assets, which enable a company to choose and implement different strategies. (Barney, 1991) (Peng, 2009)

The theory RBV had many contributors, Penrose contributed to this in 1959 and Wernerfeldt coined the term in 1984. Nonetheless, Barney is considered the father of the modern RBV

theory.<sup>21</sup> A traditional model such as Porter's 5 Forces describes the environmental conditions as well as they can be exploited in order to achieve high performance. According to Barney (1991), the RBV cannot be based on the same assumptions as it focuses on the link between a company's internal characteristics and performance.

Hence, Barney(1991p. 101) puts forth two assumptions:

1. *The model assumes that firms within an industry may be heterogeneous with respect to the strategic resources they control.*
2. *The model assumes that these resources may not be perfectly mobile across firms and thus heterogeneity can be long lasting.*

The RBV examines the implications concerned with the above assumptions about analyzing the resources with the intent of achieving a sustained competitive advantage (Barney, 1991). In other words, the RBV is a business management tool that helps companies identify and analyze their internal capabilities in order to determine which strategic resources can be conceived and implemented as a means of gaining a sustained competitive advantage.

RBV has been criticized for ignoring different factors surrounding resources and instead assuming that they just exist.<sup>22</sup> This has led to the term dynamic capabilities, which try to bridge issues such as where resources come from, how they are embedded in the company and how they are released with the changing business environment. By this it is meant that dynamic resources help adjust the resource-mix to the business environment in order for the sustained competitive advantage not to erode. Put differently, the RBV is concerned with the choice of resources and the dynamic capabilities that are focused on resource development and renewal.<sup>23</sup> The dynamic capabilities will be discussed in greater depth in the section following RBV.

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<sup>21</sup> [http://www.valuebasedmanagement.net/methods\\_barney\\_resource\\_based\\_view\\_firm.html](http://www.valuebasedmanagement.net/methods_barney_resource_based_view_firm.html), retrieved June 9, 2011

<sup>22</sup> <http://www.istheory.yorku.ca/dynamiccapabilities.htm>, retrieved June 22, 2011

<sup>23</sup> Ibid

#### 4.1.1.1 The Resources and Capabilities

According to Peng (2009) the tangible and intangible resources can be divided into the following seven categories:

Tangible resources and capabilities	Intangible resources and capabilities
<ul style="list-style-type: none"><li>• Financial</li><li>• Physical</li><li>• Technological</li><li>• Organizational</li></ul>	<ul style="list-style-type: none"><li>• Human</li><li>• Innovation</li><li>• Reputational</li></ul>

In order to obtain an overview of what each party can contribute, each resource and capability will be examined in relation to both a company and an artist.

#### **Tangible Resources and Capabilities**

Tangible resources and capabilities are more easily observed and quantifiable (Peng, 2009). As mentioned above, these can be put into four categories.

##### *Financial Resources and Capabilities*

These resources can be defined as “*the depth of a firm’s financial pockets*”(Peng, 2009, p. 89). In other words, it is concerned with a company’s ability to raise external capital or generate internal funds. It can be assumed that any company has a budget for marketing purposes and thus has the financial resources to plan and implement an approved campaign. The size of the budget presumably depends on the size and type of the company amongst others.

However, in short it can be expected that a company have the necessary financial resources. An artist, on the other hand, does not have the same opportunities. Depending on how famous an artist is and whether or not the artist is signed to a record company, the financial resources are limited. Presumably, the marketing budget of an artist and it is spent depends on the record label. If an artist is not signed, the financial resources can be assumed quite limited.

### *Physical Resources and Capabilities*

This can be defined as offices, plants, equipment, distribution channels and geographic location as well as access to raw material (Peng, 2009). A company can contribute with favorable offices, equipment, geographic location, and distribution channels in collaborations. An artist might not have the same physical resources.

It can be argued that artists are mostly concerned with the physical resources that enable them to create music and their potential access to distribution channels. The Internet is once again emphasized as providing artists with access to various distribution channels. Again, this can be very dependent on how well known the artist is and whether or not the artist is signed to a record label. Furthermore, it can be argued that artists have access to unique raw material in the form of their music and talent.

### *Technological Resources and Capabilities*

The technological resources entail the skills that are protected by copyright, patents and trademarks, which can excel a company into a sustained competitive advantage (Peng, 2009). It can be argued that a company might find it necessary to engage in collaboration with an artist to exploit unique qualities and build a new market share. The collaboration, however, might not necessarily be with this exact purpose in mind as the company may have unique qualities itself. An artist, most likely, will have the rights to his or her songs and potentially a trademarked name and logo. This can have a very big value as people often link music and artists positively and hence can think more positively of a company related to a certain artist.

### *Organizational Resources and Capabilities*

These resources include a company's structure, command, control systems and planning (Peng, 2009). A company can have strong organizational resources and capabilities, however, as these are more concerned with internal issues, it can be argued that they may be of little importance. On the other hand, if a company wishes to engage in collaboration it will need some degree of an open structure. Furthermore, it may require acting as the party in charge controlling the collaboration and if this is the case strong, organizational resources and capabilities become vital. Artists often have no particular structure and planning, hence the need for planning and control must be found elsewhere.

## **Intangible Resources and Capabilities**

Intangible resources and capabilities are more often difficult to observe and potentially impossible to quantify (Peng, 2009). As mentioned above these, include Human, Innovation and Reputational resources, and capabilities.

### *Human Resources and Capabilities*

Human resources and capabilities include the knowledge, trust and talents that are not included in the company's formal structure, however, somehow entrenched into the company (Peng, 2009). A company can be assumed to contain these resources, however, if it cannot be used to gain a sustained competitive advantage it will need to think differently. An artist will have the knowledge, trust, and talent embedded in his or her work, thus often being unique.

### *Innovation Resources and Capabilities*

According to Peng (2009) innovation resources and capabilities can be divided into two categories first, assets and skills to research and develop new products and services, second, assets and skills to innovate and change ways of organizing. A company may well be able to develop new products and services, yet if it is, only an incremental innovation its product will most likely not be unique. It may potentially also innovate and change ways of organizing, nonetheless, this is an internal alteration and it can be assumed that a collaboration with an artist is made in order to change the external market's perception of the company.

An artist can be argued to develop new products in the form of his or her art and perhaps even change the normal way of distributing and marketing his or her new material. An example of this is Radiohead.<sup>24</sup> Furthermore, reinvention of one's image and music can prove highly beneficial if executed cleverly and Madonna can easily be drawn upon as a great example of exactly this. Thus, an artist can be able to generate massive amounts of attention through these resources and capabilities.

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<sup>24</sup> The Guardian, <http://www.guardian.co.uk/music/2011/mar/25/radiohead-publish-own-newspaper>, retrieved October 18 2011

### *Reputational Resources and Capabilities*

This intangible resource and capability can be defined as a company's ability to develop and control its reputation. This can for example be as a good service provider, a socially responsible company, or good employer. Often reputation can be regarded as an outcome of a competitive process (Peng, 2009). A company, if known, can be assumed to have some sort of reputation. However, this reputation might be dusty or bad. This could be the case where collaboration with an artist might be beneficial. Even if a company has a good and strong reputation, collaboration with an artist could be a way of strengthening or shifting its position in the market. A popular artist undoubtedly has many loyal fans. If a company collaborates with such an artist, it might be able to transfer some of this loyalty to its brand. This could help the company's reputation positively, but also somehow enhance the music industry. An example of this could be Royal Unibrew and its 'Tak Rock' campaign. We will go further into detail with this in our analysis.

#### 4.1.1.2 Applying the VRIN/VRIO Framework

In order to analyze if the resources and capabilities of a specific company, artist, or collaboration can be turned into a sustained competitive advantage the resources and capabilities must live up to certain conditions. This is commonly known as the VRIN framework (Barney, 1991), however, this has been modified by other theorists into the VRIO framework (Peng, 2009). The framework is concerned with the following concepts:

First, a resource must be valuable in order to become a sustained competitive advantage (Barney, 1991; Peng, 2009). A resource can be defined as valuable when it enables a firm to conceive and implement a strategy. Nonetheless, it is important to acknowledge that a resource that once was valuable can become obsolete if the competitive landscape changes.

Second, a resource must be rare. As Peng (2009p, 97) puts it: *"If everyone has it, you can't make money from it."*

Third, the resource must not be easily imitable for it to become a sustained competitive advantage. This most often is related to intangible assets, as tangible assets such as plants etc. normally are easily imitable. Within this aspect lies the term causal ambiguity, which means that the link between the resources and the sustained competitive advantage is not understood

or only imperfectly understood (Peng, 2009). Put differently, it is concerned with the difficulty of determining the causal factors that are the foundation of the successful performance of a firm. When this is realized, it becomes difficult for others to imitate these resources.

The fourth aspect of the framework is where Peng (2009) and Barney (1991) differ. Barney (1991) is concerned with substitutability or rather non-substitutability. He stresses that in order for a strategy to become a sustained competitive advantage there must be no equivalent valuable resources that are themselves either not rare or imitable. Peng (2009) on the other hand, is concerned with the company. He underlines that even when resources live up to the first three parts of the framework it may become obsolete if a firm is not properly organized.

He notes that numerous aspects are relevant to the organization of a firm and calls these complementary assets as none of these by themselves can generate and implement a strategy that may become a sustained competitive advantage. Furthermore, Peng (2009) relates this issue to social complexity, which refers to the social complex ways of organizing different firms. By this, it is meant that there may rest social capital within the complex relationships and knowledge. To sum up, resources can only become a sustained competitive advantage if they are valuable, rare, hard to imitate, non-substitutable and properly organized and embedded in a company.

Resource Based View can only be applied to a company. However, resources a company possesses can be applied to collaborations with great success if these are termed as VRIN/O. Taking a point of departure in the UMD examples of the resources and capabilities that fulfill the VRIN/O framework could be, the company name and the value of the brand it entails. UMD is able to use its name to create future value due to the significance of the company in terms of its strong market position, both locally and globally.

The knowledge UMD retains on how to form collaborations is yet another resource within the VRIN/O framework. Furthermore, UMD resides over an extensive music catalogue, which presents two aspects. Due to UBD's substantial music catalogue, it is able to comply with many requests in terms of numerous music genres, artists, and bands. Furthermore, it works with a number of huge stars both nationally and internationally, such as Aqua, Lady Gaga, Rihanna, and Metallica.

## 4.2 Dynamic Capabilities

The music industry is a lucrative market in many aspects and players both within as well as outside the market is well aware of this fact. However, in order to sustain its competitive advantage it is not sufficient to continue utilizing the uniform models, yet, following the developmental changes occurring in both the industry as well as other industries provides for a much better outcome. Dynamic capabilities are argued to be a continuation of the Resource Based View (RBV) (Ambrosini & Bowman, 2009; Eisenhardt & Martin, 2000), which is a framework defined by Barney (1991) for how to achieve competitive advantage within companies and how, over time, this can be sustained.

As examined above, RBV emphasizes the internal organization of companies and further applies the VRIN framework, which entails resources being valuable, rare, inimitable, and non-substitutable. These attributes are able to obtain sustainable advantage by effecting novel value-creating strategies, which competing companies cannot easily replicate (Eisenhardt & Martin, 2000). However, theorists argue that RBV is not sufficient due to the lack of the dynamic element. Eisenhardt and Martin (2000) contend that RBV *“has not adequately explained how and why certain firms have competitive advantage in situations of rapid and unpredictable change. In these markets, where the competitive landscape is shifting, the dynamic capabilities by which firm managers integrate, build, and reconfigure internal and external competencies to address rapidly changing environments, become the source of sustained competitive advantage”* (Eisenhardt & Martin, 2000, p. 1106).

Eisenhardt and Martin (2000) define dynamic capabilities as *“The firm’s processes that use resources – specifically the processes to integrate, reconfigure, gain and release resources – to match and even create market change. Dynamic capabilities thus are the organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve, and die”* (Eisenhardt & Martin, 2000, p. 1107). Ambrosini and Bowman (2009) add that dynamic capabilities are *“organizational processes in the most general sense and their role to change the firm’s resource base”* (Ambrosini & Bowman, 2009, p. 33). It is further stated, *“dynamic capabilities are built rather than bought in the market, are path dependent and are embedded in the firm”* (Ambrosini & Bowman, 2009, p. 33).

Ascribing to the music industry, it already retains capabilities unique to its practices and pertains to do so, however, due to the continuously changing environment, it is a necessity to



adapt to these external alterations. In order to remain competitive and preferably exceed competitors in the music industry an equivalent internal development has to be present.

Digitalization can be designated as an overriding and industry altering change within the music industry where companies have been forced to reevaluate entire work processes in order to comply with the current shift in demand. This change could be observed as being the shift from the physical CD to digital distribution in terms of downloads and streaming. What once provided the music industry with dominant marketing measures now needs complete revision.

‘Dynamic’ can in this connection refer to the change in the resource base, to the renewal of resources pivotal for the music industry. It relates to how the resource base is changed in a dynamic environment by the use of dynamic capabilities. Meaning, that the dynamism consists in the interaction of the dynamic capability and resource base and allowing for the modification of this resource base (Ambrosini & Bowman, 2009). *“Resources form the basis of unique value-creating strategies and their related activity systems that address specific markets and customers in distinctive ways, and so lead to competitive advantage”* (Eisenhardt & Martin, 2000, p. 1107).

#### **4.2.1 Future Orientation and Applicability**

Eisenhardt and Martin (2000) take their point of departure in Teece et. al (1997), who initially brought forth the theory of dynamic capabilities due to markets being dynamic and employment of the resources further developed were pivotal for companies to implement. Internal factors of the company rather than external factors are emphasized as sources of competitive advantage (Ambrosini & Bowman, 2009). This can be exemplified by UMD’s ability to develop talent and follow the trend in terms of the sound or genre popular at a given time. Furthermore, dynamic capabilities can be termed as an efficient approach to firm performance because a dynamic capability is a process that affects resources.

Dynamic capabilities concern the development of the most adequate resource base. They are future oriented, whereas company capabilities are concerned with competing today and if no dynamic capabilities are deployed to alter them they are ‘static’ (Ambrosini & Bowman, 2009). Related to the statement just made, emphasis is put on the difficulty of the music

industry being future oriented. Digitalization has brought forth numerous possibilities, which have to be taken advantage of by the music industry as a whole. With new knowledge and tools provided, it needs to capitalize on what has been introduced and utilize these measures to extend the knowledge already retained. Marketing measures can in this connection be introduced in terms of UMD developing its skills and broadening its marketing abilities online e.g. through the currently popular social media platforms, such as Facebook. Eisenhardt and Martin (2000) further argue, *“since the functionality of dynamic capabilities can be duplicated across firms, their value for competitive advantage lies in the resource configurations that they create, not in the capabilities themselves”* (Eisenhardt & Martin, 2000, p. 1106).

Following this value creation is important in that it is not derived from the possession of the resources, but from their use and to what extent value is created depends on how these resources are deployed, i.e. how they are combined within the company (Ambrosini & Bowman, 2009). Collaborations are a perfect example of how the music industry draws upon the artists retaining uniqueness not retrievable elsewhere alongside incorporating companies into the equation. *“Dynamic capabilities can be used to enhance existing resource configurations in the pursuit of long-term competitive advantage”* (Eisenhardt & Martin, 2000, p. 1106). Teece et al. (1997) highlight the importance of path dependencies, and the need to reconfigure a company’s resources to enable the firm to change and evolve. The dynamic capability perspective is ultimately about understanding a company’s survival and growth (Ambrosini & Bowman, 2009).

Eisenhardt and Martin (2000) speak of effective patterns of dynamic capabilities varying within market dynamism. In this connection, two types of markets are introduced, moderately dynamic markets and high-velocity markets. The prior implies change occurring frequently, however along more or less anticipated paths. Industry structure is relatively stable in terms of market boundaries being clear and the players established. Existing knowledge is the core of effective dynamic capabilities. The latter refers to the fact that when speaking of high-velocity or very dynamic markets less predictable and nonlinear change occur. Contrary to the former, this type of market consists of boundaries being blurred, business models deemed successful are unclear as well as ambiguous, and shifting market players are prevalent. What can furthermore be perceived, as a potential disadvantage, is existing knowledge in terms of overgeneralization from past situations.

The music industry structure as well as the steady development observed implies that one can speak of it being categorized as a moderately dynamic market setting. As the music industry contains extremely creative elements a naturally frequent change is present, however in order to maintain a secure business path unique knowledge retained is the foundation for continuous development. The routines for a moderately dynamic market are termed as *“complicated, detailed, analytic processes that rely extensively on existing knowledge and linear execution to produce predictable outcomes”* (Eisenhardt & Martin, 2000, p. 1106). This essentially extends what defines the music industry as a whole and furthermore, if boundaries are not set stability quickly disappears, thereby destroying the profitability and a secure environment. *“Although dynamic capabilities are developed in order to realize strategic advantages, their development does not ensure organizational success”* (Ambrosini & Bowman, 2009, p. 39). It is largely a question of how the dynamic capabilities are employed and in what context.

If the music industry and the players within it manage to implement these capabilities with what is deemed pivotal, to gain competitive advantage then success is reached. *“Dynamic capabilities are the drivers behind the creation, evolution, and recombination of other resources into new sources of competitive advantage”* (Eisenhardt & Martin, 2000, p. 1107). It is also argued that if a company’s dynamic capabilities are misused it will lead to misperception of the competitive landscape. In turn, the consequence will be both the costs of the dynamic capabilities and the negative outcome of their deployment (Ambrosini & Bowman, 2009).

In collaborative processes, if the parties do not manage to implement the correct measures and gain a basic perception of the project, even more pivotal, the parties’ involved, fatal consequences could follow. Collaborations are in many instances composed of extremely distinct entities, which are what constitutes the uniqueness sought and the competitive advantage gained from this. However, the collaboration could altogether fail if compliance with the process is not followed and a detrimental result would be a permanent negative stamp or a complete misperception of the particular artist or company. *“Dynamic capabilities are necessary, but not sufficient, conditions for competitive advantage”* (Eisenhardt & Martin, 2000, p. 1106).

### 4.3 Joining Forces

The second sub-question presented concerns how the involved parties will share the value of the collaboration entered into. In order to obtain a proper understanding of this particular element it is necessary to introduce the Transaction Cost Theory, which addresses the significance of drawing up a contract between the two parties in order to secure the interests of both. Furthermore, the organizational form in terms of hybrids is introduced to explain the type of partnership formed between the parties and what considerations need to be taken as well as the elements confronting both parties when engaging in these. Lastly, Co-branding is being introduced in order to highlight how, by entering into collaborations, the parties involved will be able to achieve much better outcomes by joining forces rather than standing alone.

#### 4.3.1 Transaction Cost Theory

Williamson (1981) bases transaction cost theory on the behavioral assumptions as one of two focuses. First, to be considered is bounded rationality, which means *'that the capacity of human beings to formulate and solve complex problems is limited'* (Douma & Schreuder, 2008, p. 163). *"Bounded rationality will pose a problem only in environments that are characterized by uncertainty/complexity"*(Douma & Schreuder, 2008, p. 163). It can be argued that when entering into collaboration between artist and company it is imperative to enter into contract. Many factors need to be taken into consideration, which can make the process extremely complicated. The contract in itself is complex, as all aspects must be clearly defined, however that can prove difficult due to uncertainties concerning e.g. legal issues that have to be processed prior to a signing.

Furthermore, the scope of a contract changes continuously due to sudden additions having to be made, new considerations occurring and so forth, which leads to the necessity of renegotiation of the initial contract. The legal aspect is utmost complex and perhaps the most important in regards to signing a contract. It is therefore claimed that securing both parties' rights is a priority and the involvement of the large number of entities creates the likeliness *'that bounded rationality in conjunction with uncertainty/complexity makes it costly to write a contract for entering into collaboration'* (Douma & Schreuder, 2008, p. 163).

Williamson (1981) further argues that human beings also can display opportunistic behavior, which means that one is attempting to take advantage of a situation to one's own gain. Another assumption by Williamson (1981) is that not everyone acts opportunistically, however it can be difficult to identify honest from dishonest people prior to completing an agreement. Subtracted from this assumption only intensifies how well considered a collaboration has to be due to uncertainties regarding the intentions of the engaging parties.

It is necessary to prevent exploitation, otherwise an immediate agreement can quickly turn into a situation where great advantage being taken, which ultimately will result in great losses. Therefore, signing a contract that is legally binding prevents party, the artist, or company, from acting opportunistically and thereby securing and guaranteeing the collaboration and the agreement for each party. Consequently, it is clear that artist and company *“must spend a little amount of money (on drawing up a contract...), not because they expect all their trading partners to behave opportunistically all the time, but because some people might display opportunistic behavior sometimes”* (Douma & Schreuder, 2008, p. 165).

The second focus significant to Williamson (1981) is the question of the critical dimensions of transactions. Three critical dimensions of transactions exists asset specificity, uncertainty/complexity, and frequency. *“The asset specificity of a transaction refers to the degree to which the transaction needs to be supported by transaction-specific assets. An asset is transaction-specific if it cannot be redeployed to an alternative use without a significant reduction in the value of the asset”* (Douma & Schreuder, 2008, p. 168). Moreover, asset specificity refers both to physical or human assets (Williamson, 1981). Deriving from this definition is the extent to which the product, as a result from collaboration between artists and companies, is only of value for the parties involved due to the specific production purpose for the particular product. It can be argued that if the specific product, being e.g. a campaign, an event, a commercial etc., attempts linking to a different circumstance, the desired effect will not be obtained and value will be lost. When referring to human assets, focus has to be put on the artistic values and creativity the artists comprise and master to a very high degree. Arguably, these human assets are specific in the sense that, when entering into collaboration, these are the competences primarily driving the collaboration. Both entities utilize their strongest capabilities with the expectation of obtaining a superior result.

The second dimension of transactions is uncertainty/complexity, which only poses as a problem for transactions with a high level of uncertainty/complexity (Williamson, 1981). An example of this has been given above. The third and final dimension of transactions according to Williamson is frequency. *“When asset specificity is high, we expect transactions to be carried out within organizations rather than across markets”* (Douma & Schreuder, 2008, p. 171). It is argued that it is more rational to keep production of e.g. a campaign within the setting of the parties collaborating on this particular product. However, changing the organizational structure to be able to carry this out is more costly due to the low frequency transaction. The costs of the specialized governance structure will be easier to recover for high-frequency transactions (Douma & Schreuder, 2008; Williamson, 1981), although it can be argued that collaborations between artists and companies in general are very asset-specific and naturally will be much more costly.

Douma and Schreuder(2008) have narrowed down the critique of Williamson’s version of transaction cost theory to two main points, which are necessary to explore. Firstly, Williamson largely relies on the assumption of opportunistic behavior being present concerning any form of cooperation. Nevertheless, it still needs to be kept in mind that this does not regard everyone in any circumstance, however, some people in some circumstances. It is not possible to indicate before one enters into a transaction whether or not a person will behave opportunistically. The critique of this assumption rests on the fact that trust has a great significance in terms of cooperation and this factor often is the basis of collaboration in the real world (Douma & Schreuder, 2008).

It is further argued that commercial transactions in general are not able to prevail unless a certain level of trust is present – especially regarding transactions, which are carried out over a period of time (Douma & Schreuder, 2008). This is especially important concerning collaborations between artist and company. The role of trust, as it has been argued by Goshal and Moran (1996), cited in Douma and Schreuder (2008), is *“that the tendency of a certain person to behave in an opportunistic way depends on two things: the immediate net benefits of such behavior and ‘disposition toward the transaction partner. This recognizes that many people will not cheat their partner in a transaction simply because they would not have a good feeling when they do so (p.183)”*. This implies that there is much more than what is stated in a contract, which has great influence on mutual behavior and sense of justice between artist and company collaborating. Moreover, a crucial criticism of transaction cost

economics made by Douma and Schreuder (2008) is that this theory does not consider the importance of the role of culture and social relations. Trust is the foundation of most relationships built between human beings and if this is not present, it is not possible to comprehend how commercial relations can be formed or how people can cooperate within a firm. Furthermore, reputation is essentially important, as this factor is often the representation of a company and can hold a potential collaboration in the balance between success and failure.

The second point of criticism is with regard to Williamson's assumption that "*Markets and hierarchies should not be viewed as two mutually exclusive governance structures*" (Douma & Schreuder, 2008, p. 182). What is argued in this connection is the fact that a number of other organizational forms exist in terms of long-term relations between suppliers and buyers, differing forms of network organizations alongside joint ventures. These are termed intermediate or hybrid organizational forms and are placed in between markets and hierarchies (Douma & Schreuder, 2008). These hybrid forms could be in the shape of, for instance UMD collaborating with Bang & Olufsen on a joint project. In this connection the collaboration between artist and company fall into the category of being a hybrid and as Williamson argues, "*they occur for intermediate levels of asset specificity*" (Douma & Schreuder, 2008, p. 182), which implies that the asset specificity being referred to is the project at hand between the two parties involved.

#### **4.3.2 Organizational Form - Hybrids**

In this section, we have taken a point of departure in organizational theory. For our further understanding of hybrids concerning explanation and perception, we use Williamson and Transaction Cost Theory.

In order to comprehend the partnerships formed between an artist and a company it is necessary to view each of them as an entity, each with separate and distinct organizational forms. A company usually comprises of a group of people intentionally organized to attain a common goal (Baligh, 1986). In this connection, various aspects have to be considered in order for the goal or goals to be reached. Great importance lies in having common denominators in terms of the members of the company knowing what the company represents, meaning its mission, vision, values, strategic goals as well as strategies. An

identity, is created and is pivotal, for the company to maintain in order to remain as strong as possible (Foreman & Whetten, 2002). When engaging in partnerships and/or collaborations many aspects must be considered, which is why it is important to grasp the very fundamentals of the organizational form. In a respect the hybrid organizational form is referred to as it is a combination of two or more sovereign companies pursuing common interests (Borys & Jemison, 1989), in this case an artist and a company.

Borys and Jemison (1989) explain that traditional strategic management and organizational theory is limited to dealing with unitary organizations, which creates a certain difficulty with regard to dealing with hybrids as they are, as previously mentioned, organizational entities composed of two or more sovereign organizations. In connection with this, four concepts have been developed to characterize hybrids in order to understand the mechanisms generated by these:

- The breadth of hybrid purpose and the claims and plans that it legitimates
- The permeability of hybrid-partner boundaries and the resources and obligations allowed crossing them.
- The interdependence of partner operations in the value creation process and the complexity of the arrangements required managing it.
- The nature of the hybrid's stability mechanism (Borys & Jemison, 1989)

An increasing complexity and variety of organizational forms is emerging and these represent strategic alliances between organizations such as research and development (R&D) partnerships, license agreements, acquisitions and joint ventures. Firms that are repositioning themselves within prevailing industrial frameworks as well as firms that have adapted to emerging opportunities by conducting strategic and operating moves are a result of the mentioned alliances being formed (Williamson, 2002). Borys and Jemison (1989) argue that hybrid alliances both present divergent management challenges as opposed to those encountered in conventional organizations as well as representing different manners in which to engage in strategic renewal and strengthen a firm's capabilities. Exactly these outcomes are what are aimed at obtaining via collaborations between artists and companies, when drawing upon the advantages of so different entities and combining them in a greater whole.

However, challenges cannot be avoided when engaging in partnerships, which give rise to a thorough assessment of all possible implications that may arise when artists and companies



collaborate. As mentioned, four issues have to be considered in order to comprehend the entirety of hybrids and their mechanisms, more specifically the collaborations entered into between artists and companies. First, great importance lies in the selection of partners. Williamson (2005) emphasizes the boundary between each partner and the hybrid is not only pivotal in this connection, however, also between the hybrid and its environment. Regarding the boundary between each partner and the hybrid, Borys and Jemison (1989) emphasize that *“Decisions must be made about how much of each partner’s resources can be legitimately claimed by the hybrid and to what extent each partner’s governance structure has legitimate power over the hybrid (p.238)”*.

In the connection the importance of contracts formed between artists and companies can be examined in order to clarify what conditions apply when entering into collaborations and thereby forming a hybrid. This could for example include the rights over the artist’s music or a concept idea the company has created. Concerning the boundary between the hybrid and its environment *“Hybrid partners have already acquired assets and have made commitments to a variety of external constituencies”* (Borys & Jemison, 1989, p. 240). Both artists and companies have to decide if they wish to bring these commitments into the hybrid, which both can create opportunities for the collaboration or place constraints on it.

Second, a hybrid stands in great contrast to unitary organizations due to hybrids being composed of sovereign organizations. It is the sovereignty, which poses as a continuous threat to the progression and stability of the hybrid due to this continued existence more or less depending on the hybrid’s performance (Williamson, 1981). The creation of the hybrid implies that the performance of the newly formed ‘organization’ is equivalent to an already established one and it is expected more or less from the initiation of the collaboration. It is, however, extremely difficult due to *“the mechanisms that provide stability in conventional organizations develop slowly, and partner sovereignty provides a constant strain on hybrid unity”* (Borys & Jemison, 1989, p. 242).

For the collaboration between artist and company, this implies both parties committing to the common goal and value set agreed upon and not letting each party’s sovereignty obstruct this. The unity concerning the collaborative project is important if success is to be obtained. Furthermore, it is argued that hybrid arrangements often are employed due to no permanent commitment being required from the partners (Borys & Jemison, 1989; Williamson, 2002).

Third, collaboration entry means composing a common purpose for all participants. This further implies the necessity of recognizing that each partner's commitment to the hybrid's purpose affects the commitments of its own members to its own purpose. Therefore, even though the collaborative parties retain different and individual goals they need to make *"the resolution of conflicting interests and the maintenance of harmony central to achieving the partner's goals"* (Borys & Jemison, 1989, p. 237). When referring to collaborations between artists and companies it is pivotal that a common domain is created, which could be viewed as the purpose of this particular combination of partners.

Artists and companies can be said to origin from two very distinct worlds, which amplify the consequence of actually having to create a common understanding in order for the collaboration to be successful. If this is not possible difficulties could arise in terms of the outcome in focus e.g. a campaign, failing.

Fourth, numerous technologies, and human capital are often comprised by the hybrid and the operational interdependencies among partners are affected by and affects how the partners achieve value creation (Borys & Jemison, 1989). Value creation is then the question of combining the capabilities of the artist and company collaborating in order to improve the competitive advantage of either the hybrid or one or both partners. It is significant to point out that the whole purpose of these collaborations is to create value that would otherwise not be possible if the individual parties were solely operating. The interdependency created between artist and company provides the ability for both to reach a level that more than accommodates their individual needs and it is furthermore pivotal for them to acknowledge the competitive advantage being built in the competitive setting. By combining strengths of both parties to achieve competitive advantage, one can speak of co-branding being of great usage.

#### **4.3.3 Theory of Co-branding**

Co-branding is perceived as the strategy able to combine strengths from parties collaborating on a joint project with a common outcome. The vast number of marketing strategies existing has proven most successful, however a noticeable change has occurred in relation to the effects generated by the use of these (Panda, 2001). Due to a general industry change, in particular when referring to the music industry, it has been necessary to incorporate new

practices in order to confront the issue of the vastly decreasing revenue. Many measures have been taken and especially collaboration between artist and company proves quite interesting.

Many marketing theorists present a definition of co-branding, however what is common for them all is the notion of two or more independent brands that are intentionally being paired in a marketing context (Grossman, 1997). Motion et al. (2003) cited in Seno and Lukas(2007) further argue that the formed partnership turns into a continuous movement of strategically profitable ‘meaning’ between the parties, which constantly develops. Keller (1998) cited in Seno and Lukas (2007) furthermore emphasizes that such collaboration should generate an outcome unique to the extent that no competitors will be able to imitate it along side gain competitive advantage in the particular market.

According to Keller (1998), *“The prerequisite for a co-brand partnership... is that each participating party has awareness, and generates an image, in consumer minds”* (Seno & Lukas, 2007, p. 123). An established artist has already created an image, which consumers or fans can relate to and these associate the artist with a set of values, a certain life style, a particular behavior etc. As Seno and Lukas (2007) argue, celebrities or artists are brands in themselves and retain the ability to create awareness and a conception of their own in the minds of consumers. Furthermore, Keller (1998) cited in Seno and Lukas (2007) states that the conception consumers have of an artist is due to the presumptions made founded on what is already known about the artist. This clearly proves that utilizing artists or celebrities as co-brand partners not only adds instant attention to the project or collaboration initiated, however it also proves that artists retain the same elements, which constitutes a brand. Drawing upon this statement it would seem irrational for the various entities in the music industry not to take advantage of this. An opportunity to utilize the strengths of an artist, whom is already established as well as representing values appealing to its audience and pair it with a company that retains a similar value set is an imperative advantage.

In order to obtain the ideal partnership what needs to be considered are the values each party represents and align them. Till and Shimp (1998) cited in Seno and Lukas (2007) highlight an imperative in the form of each party becoming a part of each other’s association set. This imperative is reached through repeated pairings of the celebrity or artist and brand, which should facilitate the mentioned unity. This ultimately will lead to the artist not only affecting the company’s brand equity, but the company can also affect the equity of the artist. One can

claim that it is an interactive process between brands (Seno & Lukas, 2007).

Furthermore, Seno and Lukas (2007) emphasize expertise and trustworthiness as principal ingredients of artists' credibility. *"When consumers evaluate the expertise and trustworthiness of a celebrity, they reflect on the validity of the assertions made by the celebrity (expertise) and their confidence in the celebrity's intent to represent the most valid assertions (trustworthiness)"* (Seno & Lukas, 2007, p. 125). Another important factor to consider is the more extensive the perceived fit between relevant company traits and artist characteristics, the more immediate identifiable link is created between the two parties by the consumers (Seno & Lukas, 2007). Once the connection is made, it is extremely difficult to remove the associative link, which is why great emphasis is put on carefully matching an artist and a company or brand. If the value set does not coincide, it could pose as a potential threat to the image and credibility of the artist as well as company.

Panda (2001) focus on the imperative of the comprehension of the process laying the grounds for association formulation in order to obtain effective co-branding strategies. They further argue, *"The most important aim of co-branding is through combination of two brands in order to attract more customers and to maximize the power and prestige that each brand has to offer"* (Panda, 2001, p. 4). This statement supports what Seno and Lukas (2007) argue and only clarifies the importance of indeed utilizing what is at hand and allowing untraditional measures to be taken. With a strong image, and a potentially large fan base it could be assumed that an artist would be able to gain largely through this type of cooperation. Equally could UMD obtain great advantage if it is capable of utilizing its strong brand image in a co-branding setting. This can also be applied to a company, not necessarily related to the music industry, being able to expand its product lines into other areas.

Co-branding in a hybrid and as dynamic capability also enables the attraction of more customers and the increase of the power and prestige each brand represents (Panda, 2001). Panda (2001) further mention the psychological influence on customers in the sense of presenting them with their brands being able to provide much more than what is already known. Entering into new industries and collaborating with entities not usually, thought of as potential partners contributes to opening up novel markets and marketing prospects. This line of thought could be a potential solution to the difficulties the music industry is experiencing, more specifically the large recording labels, regarding the decreasing overall revenue. This

type of collaboration could also expand and increase the option the individual artist is presented in terms of being able to tour, hold concerts, and become noticed in the public.

More alternatives concerning promotion of an artist and thereby providing the consumers with an experience otherwise not possible generate a positive image and association with the particular artist as well as with the company. This can be illustrated by the collaboration between UMD and TDC in which UMD provided artists for a range of concerts organized by TDC and for TDC customers. In this manner, TDC was branded with artists, differentiating by offering its customers an out of the ordinary experience that generated value for the company. Similarly, the artists represented by UMD were able to reach farther, thereby extend their fan base, and thus gain greater recognition.



## 5. Analysis

Prior to properly being able to analyze and answer our research question concerning how record labels can generate new revenue sources through collaborations with companies from different industries, it is necessary to obtain an understanding of the industry as a whole and how it has been subjected to and ultimately altered by digitalization.

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### 5.1 The Digital Ride

It is imperative to understand that a shift of paradigms has occurred within the music industry and has significantly altered the dimension of how 'business' is done, what measures are taken and what is value creating in a new and developed sense. Perspectives have been shifted and the music industry now more than ever is forced to think and act differently in order to achieve, if this is even possible, the same peak it experienced in the 1990's and the year 2000.

A general observation made among the interviewees is the effect the advent of the Internet has had on the music industry. According to an Artist Representative, four aspects, the product, production, marketing, and sales have been affected greatly due to digitalization. Considering the previous processes prevalent when producing an album huge amounts of money and resources were necessary in order to take an artist from the initial steps of recording its album to actually marketing it. Newer processes, due to the abilities brought forth by digitalization, present artists with the option of actually being able to record in their own homes and not being as dependent on record labels facilitating e.g. a recording studio as previously. Furthermore, as the distribution channels largely are digital the artists are provided with possibilities to take their careers into their own hands and solely manage their music and sales of it.

Due to the size and scope of the Internet and consumer behavior having changed tremendously in terms of their presence on the Internet, likewise the marketing tools have to be adjusted to this change. Moreover, the increasing popularity of the social media and its power and influence has made it possible for an artist to market him or herself through these channels. A well-known example, which can actually be termed a social media phenomenon, is Justin Bieber who first became noticed and then extremely famous through the video platform YouTube.<sup>25</sup> A testament to this particular case portrays the obvious shift in

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<sup>25</sup> Billboard.com: <http://www.billboard.com/artist/justin-bieber/bio/1099520#/artist/justin-bieber/bio/1099520>  
Retrieved September 27, 2011.

generations and a divide appearing in consumption patterns, this implying that not all teenagers today, compared to previously, own physical CD's. Another observation is the trend that it is no longer possible to sell a complete album if young consumers only find four of the tracks interesting. Furthermore, the same need to physically own an album or have mp3 files stored on their computers no longer exists (Representative, Artists).

A further aspect of digitalization is the question of consumer behavior. As digital platforms have emerged during the last 10 years, with initially Napster as the groundbreaking P2P platform, consumers have adopted an idea of music being free. Access to music has become easy and the general perception of availability of music is that it is retrievable everywhere. If we take the perspective of an Artist Representative into consideration regarding fans' consumption of their favorite artist' music, there can be mentioned a vicious cycle emerging. Meaning, if a fan downloads an artist' music illegally it will reflect badly upon the artist as this will generate a false impression of its record sales and thus provide the record label with a misleading perception of the popularity of the artist, which will, in the worst case scenario, ultimately terminate the collaboration. Hence, due to the decreasing record sales it cannot be observed whether the artist has the sufficient popularity to increase earnings, which leads to no concerts being booked and this further leads to the record company not wanting to continue the collaboration.

As Frede Fup, Artist Representative, incisively puts it, *"An artist is not playing any concerts because the artist is not out with a new record, but the artist is not out with a new record because he or she is not playing any concerts"*. Therefore, creating hype around an artist is crucial in order for the artist to justify his or her existence and art – this breaks the vicious cycle. Christine Zacho from KODA, Industry Association Representative, is, however, of another opinion as she cited a speaker from the most recent South-by-South West Festival in Austin, Texas, who stated, *"it is not a problem when 200.000 people download illegally, it is a problem if they don't"*. She believes that the music industry should adopt this point of view and not put too much emphasis on how it can be capitalized.

It is estimated that 95% of all digital downloads are illegal (Representative, Record Label). According to a Record Label Representative this is obviously a frustrating development, however, to find the unseen benefit consumers today are being educated in utilizing digital platforms. A combination with the former statement and the evolving digital landscape a



significant change from 2004, where less than 60 licensed music services existed, compared to over 400 in 2010 is reflecting a similar change where the industry's digital revenue increased from US\$420 million in 2004 to US\$4.6 billion in 2010 (IFPI Digital Music Report 2011). Even though the music industry has been hesitant to embrace, digitalization companies not obviously related to music distribution and the music industry have launched several music services due to the potential of these.

iTunes, launched by Apple, is one of the first of many legal services, which was introduced in 2003, that has had tremendous success with distributing and selling music digitally on an international level. In Denmark the streaming service launched by TDC, TDC Play, was initially widely criticized for not properly compensating the artists, however, it has proven quite successful due to the boost of the consumption of Danish music. Other streaming services such as the Swedish Spotify, which has enjoyed great success in Sweden and Norway, has actually prevailed upon reaching an equilibrium and also exceeding this, in terms of the digital sales directly compensating for the decreasing physical record sales, which has led to the aggregated sales once again increasing. However, this cannot be said to be the case for Denmark at this point (Representative, Record Labels). A Representative of Companies with Strategic Interest (CSI), is an example of a typical consumer who actually went from downloading music illegally to primarily streaming through Spotify, underlining the fast changing consumer behavior.

Yet another decisive and positive aspect is the fact that music has never before been consumed in such a great extent. What is worth noting and what studies have shown is that consumers who download most music illegally are actually those consumers who spend most money on music (Representative, CSI; Representative, Record Label). It can be assumed that illegal downloading serves the purpose of browsing through the selection of different artists and music. From browsing, if the consumer likes the music, the consumer becomes a fan and thus, contributes to the sales of the artist in terms of investment in concerts and albums – a recommendation will most likely occur and thus the fan base will increase. Furthermore, the diversity within music has blossomed and reached many niches. The live segment has also been boosted due to one's musical horizon being broadened through digital platforms recommending music based on taste or through one's social network - this results in more related bands being listened to, which leads to the increased interest in experiencing these artists live. It can be said that a domino effect has been created. As already explained in the

section of Music History section of the project, due to a large decrease in record sales and revenue has been experienced, there is a need, now more than ever, lies in finding new sources of revenue in order to secure the survival of the industry.

## **5.2 Industry Trends**

The overall change happening to the music industry is the mere fact that revenue is largely decreasing. This signifies that important elements of the record labels, such as talent development, may not be prioritized to the same extent and thus the quality and innovative elements of music decreases. Music is very prominent in the media marketplace, which has excelled the already existing business model to an entirely different level. This leads to great opportunities for the music industry to pursue due to companies searching for alternative manners in which to distinguish themselves from their competitors.

Even though the music industry has the ability to accommodate to the companies' need to become more competitive, the music industry is itself experiencing heavy competition from other entertainment industries and media such as TV, Internet, and computer games. A shift in consumer mentality and behavior has been observed and noted as a concept of 'Principle of Free' (Representative, Artist).

Music directly provides exclusivity and content to companies and therefore targets specific segments. A CSI Representative underlines this fact as they consider the 'coolness' music entails as bringing exclusivity to a certain degree to a company. Considering the 'Tak Rock' campaign, this particular exclusivity is illustrated by Kashmir engaging in various actions e.g. acting as mentors and selecting bands to perform on their tour, all contributing to the uniqueness of the content (Representative, Mediator). The ability of music to target specific consumer groups and segments within various areas provides a strong tool for, among others, advertising agencies and thus gives rise to for example the record labels exploiting this need and broaden their range of business models (Representative, Industry Association). In addition, music has been greatly strengthened as a tool by the cause of digitalization. Digitalization provides options for utilizing many more and crossover between platforms, hence adding to the overall consistency, which creates stronger recognition that is vital to succeed. However, according to a CSI Representative, it is crucial to thoroughly consider and

understand how to master communication about e.g. choosing the correct platform and employing optimally.

### 5.2.1 The Influence of Music

Music possesses the exceptional power and ability to influence the subconscious mind in human beings in a number of manners. The fact that one can connect certain memories and associations with a specific song constitutes a strength that no other of the human's five senses is able to, except for smell. However, smell is not possible to connect to visuals e.g. commercials, music videos, viral campaigns etc. and gain a desired outcome or reaction from consumers as music can (Representative, Record Label). Great emphasis is put on exactly this fact by a Management Representative who argues, that music and its strength is an identity creating culture and an element related to most individuals.

As KODA, Industry Association Representative, underlines *"no doubt exists that sound can be coupled with memories differently than visual elements"*. Music does not just intensify memories and associations, however, it also has the strength to evoke feelings or reinforce them in the present state of mind. Music can be termed as being a 'mental pharmacy' as mentioned by a Sonic Branding Representative, where one can select particular music at any given time. This is further supported in the report "Music Som Brandingplatform" published by MEC Acces, a CSI Representative, which has examined the music consumption of the Danish population between the ages of 12-70, where 78% of the respondents state that music affects their state of mind. Furthermore, 67% of the respondents state that music reflects the state of mind they are in already.<sup>26</sup>

Digitalization has furthermore empowered the fact that music is no longer limited to the physical sphere due to mp3 players, like the iPod, and enabling one to access thousands of song without regard for location. A critical limitation is, however, that music is time dependent and it is not possible to 'freeze', as meaning would then be lost (Record Label, Representative).

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<sup>26</sup> Musikzonen – "Musik Som Brandingplatform",  
<http://www.musikzone.dk/media/7512/mec%20musikundersogelse%20september%202010.pdf>, retrieved October 19, 2011.

A strong feature of music is the fact that it is omnidirectional, which implies that it cannot be ignored (Representative, Record Labels). Compared to the visual media landscape, where we have learned to disregard the 'noise' due to the constant bombardment of commercials and billboards by either actively closing our eyes, looking away or changing channels on our TV's, sound on the other hand, is not in the same manner possible to escape from. An Industry Association Representative supports this claim by highlighting that in everyday life we are exposed to numerous messages visually and if companies wish to affect consumers and differentiate themselves other parameters have to be considered such as sound.

Even though we, at first glance, believe we are able to ignore whatever music is being played, in for example in a store, in many instances music affects the subconscious and potentially consumer behavior (Representative, Sonic Branding). Despite the fact that this poses as a great strength of music, too much music can become overwhelming and thus be perceived negatively (Representative, Record Labels). Because of this development, in many instances music has become a secondary product thus losing its exclusivity.

Crossing borders is yet another strong feature within music, emphasizing unity and universalization. In other words, music has the means to unite individuals across the world (Representative, Industry Associations). Deriving from music's unifying ability is the fact that it is identity creating and carrying, which is greatly supported by many of our interviewees. Aside from fashion, music is the most identity creating means for an individual (Representatives, Record Labels, and Industry Associations). Individuals deploy music as a means for expressing who they are, which means that music can largely be taken advantage of in terms of targeting specific segments or target groups. Often, when one identifies oneself with specific music, one is also identifying oneself with the particular artist. Artists are in this connection able to influence their followers largely, which is observed as a vital asset.

The major Danish music artist Medina, who has been placed at the top of Danish music charts for the past couple of years, has engaged in collaboration with the sports brand Reebok. The specially designed sneaker, Easytone by Reebok as well as a clothing line, is being marketed towards the segment of younger women, who are very conscious of their body image.<sup>27</sup> How Medina portrays herself is well aligned with the values presented by the Reebok campaign as

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<sup>27</sup> Bazar Online, [http://www.bazaronline.dk/Skoen\\_Sund/Sundhed/Medina\\_for\\_Reebok.aspx](http://www.bazaronline.dk/Skoen_Sund/Sundhed/Medina_for_Reebok.aspx), retrieved October 19, 2011.

well as what young women pursue to obtain. Deducing from this collaboration is the assumption that Medina is able to influence her followers to adopt her style. However, individuals create music, human behavior is not always controllable, and rational thus an initially intended outcome of a campaign can quickly be altered by an artist.

An entirely different aspect of music is the growth it can generate in areas where it is highly present (Representative, Industry Associations). This is obvious in terms of the increase in visitors, media exposure on several platforms as well as providing an economic boost, among others. Presenting a couple of obvious examples in Denmark is Roskilde Festival, which attracts more than 100.000 people from around the world each year and yields a significant economic boost to the city of Roskilde. Equally is the center of Copenhagen experiencing a notable boost when Distortion, five days a year occupies different areas with live music and street parties. A different example is Austin, Texas, which promotes itself as the live music capital of the world. Due to the large number of concerts, not only tourists are attracted but also creative entrepreneurs who initiate a range of minor businesses. Larger companies are thus attracted due to the creative mass with great potential situated in Austin. A testament to this is the fact that Facebook just set up an office with 200 employees (Representative, Industry Associations). Areas not obviously connected to music can also experience growth through music - a small Norwegian festival can be drawn upon to illustrate this. This festival is located on a steep hillside and has no direct means of transport available to reach it and succeeded in marketing itself as being the world's most steep festival and hardest to reach and now attracts over 7000 people a year (Representative, Industry Associations).

### **5.2.2 Success Elements**

First, a basic factor, which needs to be established is the financial strength and security of a company. The essential precondition for exploring new market opportunities is the economic advantage, which enables the possibility of expanding and looking beyond a company's core competencies. Economic means are a vital necessity if a company seeks to utilize and implement new tools within the business models already employed or to develop and implement new business models. Given that these means are not accessible, it prevents the option of actually being able to perform the desired changes and thereby differ from the competitors in the particular business segment. However, if these are settled many options are available and the company is therefore more prone to taking chances (Representative, CSI).

Strong internal communication also contributes with information flowing more freely, which secures that all employees are aware of all new business models being implemented (Representative, Sonic Branding). Furthermore, if the company follows an open communication channel employees feel more inclined to contribute with potential value adding knowledge and ideas that could lead to strengthening the company. These assets are indispensable for the company and can clearly be defined as a company's internal intangible capabilities and resources, thereby a competitive advantage. However, if poor communication is present the quite opposite will occur and valuable knowledge may be lost. Therefore, the essentiality of maintaining an open communication has to be highlighted.

IDEO, the global design consultancy, works towards utilizing the strengths of its employees to the greatest extent in every manner possible in order for every idea to be tested. This both spurs the desire to contribute with and generate innovative thinking and in this connection reaches much better results in every case due to the extent of the involvement of the employees. Much emphasis is therefore put on harnessing the strengths employees retain and illustrated in their work.<sup>28</sup>

When representing strong brands with clear and strong identities an obvious advantage is the recognizability, which follows. Furthermore, when a company is in possession of a strong brand a general perception is that a strong company culture is reflected. What is also generated is a loyal customer base, which adds to steady revenue sources. The company also enjoys the power of 'word-of-mouth', which is largely free marketing and promotion and this secures the company's freedom to experiment within other segments and ultimately can ensure the survival of the company.

The amusement park Tivoli, situated in the center of Copenhagen, is a great example portraying the outcome of being a strong brand internally as well as externally. Taking the size of the company and the number of employees into consideration it is worth paying attention to the fact that Tivoli has been placed in the top 10 best work places in Denmark and top 15 in Europe.<sup>29</sup> Furthermore, each year the park has several million visitors, which indicates a strong loyal customer base and extensive effect of 'word-of-mouth'.

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<sup>28</sup> IDEO, <http://www.ideo.com/work/>, retrieved October 19, 2011.

<sup>29</sup> Tivoli Virksomheden, <http://www.tivoli.dk/composite-9377.htm>, Retrieved October 19, 2011.

Conversely, if the brand is new, general recognizability is low. Furthermore, a brand can be weak if the perception of the brand is not correct compared to what the company wishes to convey the brand being outdated. Moreover, a brand may have turned weak if a series of events occur, thereby damaging credibility and in this connection can be mentioned Nike and the case of the company using child labor for production.<sup>30</sup> In such cases, many resources are required to lift the brand.

Another factor that can influence the strength of a brand to great extent is the product line of a company. Two aspects to the strength of a product line can be mentioned. A brand can have a small but strong product line or find its strength in the breadth of its product range. The composition of the product line depends on which market the company is operating in and what needs are viewed as necessary to accommodate. UMD is a great example to reflect upon due to its vast product range at its disposal such as its broad artist catalogue and its ability to perform several functions e.g. managing and promoting artists. UMD further retains a B2B segment providing it with great market opportunities, which can be drawn upon and thus widen its market scope. Regarding the aspect of adding value to a brand importance of attaining uniqueness lies greatly in the ability to enhance features specific to this particular brand. If this is not possible, competitors will most likely catch up with or exceed the company, thus deprive it from its advantageous position.

If a company has access to various distribution channels and is versatile largely in terms of retaining the ability to perform many processes in-house, the company could then appear attractive for potential collaborative partners. If collaboration is complex due to high costs and low frequency, it is favorable to maintain processes in-house in order to minimize costs. UMD illustrates this attractiveness ascribing to the company both residing over capacity to perform, more or less, all projects in-house and due to its strong international support and expertise UMD can draw upon.

An obvious negative result from lack of competitiveness could potentially lead to loss of market share, decreasing sales, increased brand rejection, and decreasing customer loyalty. The inability to differentiate oneself from one's competitors could further be a consequence. In a market dominated by numerous substitutable products, it becomes vital to master the

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<sup>30</sup> The Independent, <http://www.independent.co.uk/news/world/americas/nike-admits-to-mistakes-over-child-labour-631975.html>, retrieved on September 29, 2011.

ability of differentiation as it can be assumed that customer loyalty is difficult to gain. The downfall of TV2 Radio is an example of how badly business can develop if the competitive capabilities are not sufficiently utilized. The radio station had all means provided for success, such as famous hosts, financial support from the TV station TV2, as well as a national broadcast license. Not much longer than a year of broadcasting the station was closed down and sold to SBS due to it not prevailing upon capitalizing on what was provided.<sup>31</sup>

Through differentiation, a company can gain a strong market position, leading to maintain an increased customer loyalty yet also assume market share from competitors. If a company already has reached its maximum potential within the market it is already operating, meaning the market is saturated, the company is inclined to penetrate new markets and thus ensure competitiveness and growth. Incorporated in this is the strategic objective of reaching new segments, which can strengthen the company's market position. Market penetration can prove quite difficult if a market appears saturated, unless an unknown need is suddenly introduced for the consumer or the mere ability for a company to offer a much better e.g. product than the already existing market players.

The iPod produced by Apple applies greatly to this scenario, reaches even further in that a superior product was introduced in an otherwise saturated market and created a need consumers did not consider having until design, and functionality became inseparable elements. We can look at the iPod and iTunes as an example of an industry changer, but more importantly is what defines Apple as a brand in general.<sup>32</sup> Since the commercial media market is overloaded with the before mentioned 'noise' it has become increasingly difficult to accomplish the strategic objectives set forth by a company - consequently, companies must turn to unconventional methods.

### **5.2.3 The Advantage of Being VRIN/O**

The RBV presents a range of capabilities representing the essential elements residing within a company. Capabilities in themselves are termed as static and do not necessarily change unless dynamism is present, which then alters these into being dynamic capabilities. Music is a question of taste and taste constantly alters (Representative, CSI). An artist or a music genre,

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<sup>31</sup> DR, <http://www.dr.dk/Nyheder/Penge/2008/04/28/084255.htm?rss=true>, retrieved October 19, 2011.

<sup>32</sup> Physorg.com, Maxwell, S, <http://www.physorg.com/news/2011-09-ipod-remixed-music-industry-years.html>, retrieved October 19, 2011.



which can be extremely popular or hyped in one given period, can quickly shift and completely lose momentum. If the opportunity for collaboration is to be capitalized on it is crucial that the company strikes while the iron is hot (Representative, Sonic Branding). Put differently, since markets are dynamic and constantly changing a company's means to incorporate, construct, and reshape internal and external capabilities to tackle rapidly altering environments are vital.

The dynamic capabilities framework is the basic assumption that core competencies should be used to create short-term competitive positions that can be used to build longer-term competitive advantage. The ability for a company to take full advantage of its proficiency in interpreting and following the market is decisive if a necessity arises. This could entail both revising and adjusting the collaboration to the market or realizing it cannot be adapted and entirely cease it.

Mastering dynamic capabilities involves integrating new assets into the company. Subsequent to acquiring these new capabilities importance lies in drawing from both internal and external feedback of the collaboration in order to learn and strengthen competencies during or prior to a novel collaboration. The VRIN/O framework facilitates the ability to determine whether resources can be turned into a competitive advantage for a company with dynamic capabilities adding to the possibility of transforming these into a sustained competitive advantage.

In order for us to properly illustrate and explain the importance of the elements of the VRIN/O framework and how these are implemented, we have chosen to take our point of departure in the respondents we have found most interesting and providing us with a resource base attractive to emphasize in relation to collaborations.

Some of our respondents are not included due to the facilitation and representation of both artists, music industry interests the interests as a whole e.g. Industry and Government Associations, and for this reason, they do not enter into collaborations as we portray them therefore they are not considered in this circumstance. Furthermore, Sonic Branding representatives are neither considered in that these primarily focus on sound itself and not on the 'package' an artist represents.

As stated in theory, four categories constitute the tangible resources and capabilities that are the financial, physical, technological, and organizational aspects. Furthermore, three categories constitute the intangible resources and capabilities that are the human, innovation, and reputational aspects. The artist catalogue retained by UMD is VRIN/O because of its unique composition of artists not possible to replicate by any other record label. It can be termed both as human and technological resources. It is furthermore dynamic caused by the continuous revision and update to accommodate the changing music trend and market. Moreover, due to UMD being the only major record label in Denmark having clearly formalized its B2B practices a number of resources and capabilities have, as a result, become VRIN/O. UMD continuously elaborates and develops its expertise and this can be termed a non-stop learning process that can also act as a dynamic capability. This could be exemplified in its organizational skills as it facilitates collaborations and through this is able to attend to the artists and thereby ensure a beneficial representation in a B2B setting.

Chris Minh Doky, who is artistic director and executive producer at Red Dot Music, can be argued to represent a human VRIN/O resource because of his many years of experience as both a well-renowned jazz musician as well as retained experience in the RDM market. In relation to the collaboration between RDM and Baresso, RDM has managed to initiate the collaboration in Baresso's early existence, thereby providing jazz as part of Baresso's brand. It can be argued, that no other coffee house has a similar association with jazz and is a reputational resource that can be termed as VRIN/O.

Volcano Management has put great emphasis on collaborations in its B2B practices compared to other management agencies. It has won 'Liljeprisen',<sup>33</sup> which is the Danish version of the Oscar within the experience economy and is presented to the company that has been able to combine experiences with business development in innovative manners. Volcano Management received this award for its ability to think innovatively in relation to collaborations between the corporate sector and the music industry. Attributable to this award the company has obtained a reputational resource that is VRIN/O due to it being the company mentioned in connection with collaborations and as a result has reached great recognition. In addition, a human resource termed VRIN/O is the expertise and experience within the field they operate compared to other management agencies.

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<sup>33</sup> INVIO, <http://invio-net.dk/gruppeindlaeg/samarbejder-mellem-brands-og-bands-er-win-win>, retrieved October 19, 2011.

YourWaves as a digital communication company possesses exhaustive knowledge as regards the online world and relating to the music industry. This particular combination of expertise is unique for this company and presents a human resource being VRIN/O.

MEC Access conducted the report ‘Musik som Brandingplatform’ as no similar documentation regarding the effect of music exists in Denmark. For this reason, the knowledge retained is a human resource and thus VRIN/O.

#### **5.2.4 ‘Tak Rock’**

To provide an example the specific case of Kashmir and Royal Unibrew and their ‘Tak Rock’ campaign with DDB acting as mediator is presented. To comprehend the entirety of the campaign we will first establish what tangible and intangible resources and capabilities the three parties each have contributed. These are based on our interviews conducted with Kashmir, DDB and Volcano Management as well as our assumptions extracted from these.

In order for DDB to perform, the tasks necessary for a successful campaign to emerge Royal Unibrew financed the entire process. A vital element of the campaign was Royal Beer with their beer cans specially designed by Kasper Eistrup, lead singer in Kashmir, which meant that each time a purchase was made the consumer gave ‘something’ back to rock. This can be termed VRIN/O as no similar beer can exists on the market with the same design and purpose. Royal Unibrew provided in this circumstance the physical means in terms of breweries, distribution channels for the sales to be possible. The song ‘Rocket Brothers’ by Kashmir, which was the theme song for the entire campaign, can be categorized as a technological resource as it is copyrighted can be termed as a VRIN/O. DDB provided the rights for Royal Unibrew to utilize and base ‘Tak Rock’ on this song. The role DDB has assumed as mediator is an asset and adds value to the collaboration. This constitutes the organizational resources and capabilities due to them making it possible to conceive and implement the desired wishes alongside considering both parties.

Moreover, DDB structures the process and the composition of what will become the final campaign as well as the collaboration in itself and maintains the comprehensive overview.

DDB along with Kashmir constitute the intangible human resources and capabilities of the collaboration due to both the knowledge and expertise they retain within each of their fields, we argue these as being VRIN/O. From our perspective, innovative resources and capabilities are held by DDB. They have acted on behalf of Royal Unibrew actively researching the need existed for a campaign like ‘Tak Rock’. They developed the whole concept, which is now property of Royal Unibrew, this can be termed a dynamic capability, as a continuous research and development process is present. The vital part of the campaign was the band Kashmir who contributed with strong reputational resources, which are VRIN/O, in the form of popularity and fame as well as the talent of the band. They are a well-respected and experienced band and their participation in the campaign adds credibility.

Due to Royal Unibrew having a dusty brand and not performing satisfactory, it was critical that a renewal of its brand was undertaken. Under these circumstances, DDB displayed VRIN/O resources, as it was able to provide Royal Unibrew with information and knowledge important to consider in order for it to shift its marketing platform. ‘Tak Rock’, as a property for Royal Unibrew, has benefit to the brand due to consumers grasping the connection made between beer and rock music. The construct of the campaign and the fact that nothing similar exists within the beer industry in Denmark at this point makes the campaign rare. Furthermore, the fact that a band the size of Kashmir actually engages to the extent experienced within the campaign adds to the mentioned rare construction.

The campaign has created certain uniqueness in terms of the ability to combine a talent competition and play down the presence of this, with philanthropy alongside contributing to growth of music venues through rock concerts – this unique combination and the respect it has entailed is truly inimitable. As explained the campaign has proven valuable, rare, and inimitable – these are preconditions for the non-substitutable aspect to be achieved. As is pointed out in theory, in order for a strategy to become a sustained competitive advantage there must be no equivalent valuable resources that are themselves either not rare or imitable. We can therefore deduce that the non-substitutable element is present.

An aspect needing to be examined as well is the one referring to organization. Again, as theory states even though resources live up to the first three parts of the framework, it may become obsolete if a company is not properly organized. Numerous aspects are relevant to the organization of a company and are complementary assets as none of these by themselves can

generate and implement a strategy that may become a sustained competitive advantage. In this case, DDB was the party ensuring all organizational elements were well considered and implemented properly. Deduced from the examination of the ‘Tak Rock’ campaign, we can conclude that campaign, as a complete ‘product’ can be denominated as VRIN/O.

With the above analysis in mind, it is important to underline that collaborations are unique and one cannot generalize regarding what resources are necessary for these to be established. A number of crucial elements must be present prior to commencing collaborations. Financial resources have to be secured in order for the entire campaign to be funded and a clear synergy must exist between the collaborating parties. For this synergy to be retained it is highly necessary that the processes and goals are well considered and every aspect of the campaign is meticulously planned, thus an imperative is the demand for organizational expertise. A lack of expertise in this field could lead to potentially disastrous campaigns that could damage both artist and company.

If the campaign is executed successfully with all crucial elements kept in mind greater value is generated for the parties collaborating. To name a few results and effects of the ‘Tak Rock’ campaign, Kashmir managed to have a totally sold out tour in Denmark and the song ‘Rocket Brother’ experienced a revival and once again reached top ranking in iTunes download and streaming. Royal Unibrew succeeded in advancing on a number of brand parameters while its brand rejection simultaneously decreased significantly. Furthermore, Royal Unibrew managed to change its marketing platform, which is a long-term process, usually taking years to accomplish. This is a clear testament to the value possible to generate if collaborations are executed successfully, in other words, it is a win-win situation.

### 5.3 The Question of Value

A more prevalent business model adhered to is collaborations between artists and companies. This particular combination has many complex features and all aspects must be carefully considered and planned for in order to reach its optimal outcome.

As hybrid theory states we have to perceive the two parties as individual entities collaborating in a unitary setting, which implies the importance of maintaining that it is only for a limited period of time collaboration is in progress. Obviously, this presents a number of problem areas, which have to be resolved, among these lie the importance of creating a common value set thus leading to a common goal. A general perception from our respondents is that an initial synergy has to be present between the two parties for negotiations even to begin. As an Artist Representative rightfully expresses, no matter how much effort there is put into it, no synergy exists between Lady Gaga and Stryhns liver paté. A Management Representative emphasizes this stance by arguing that if no common value set is possible to attain collaboration should not even be considered, as no positive outcome will result from this.

If the common value set has been reached and collaboration has been initiated a hybrid is thus formed. Examples of various hybrids could be the collaboration between RDM and Baresso, which are two separate organizations cooperating on the common purpose of making the jazz genre more accessible. Benni Chawes collaborating with B&O is yet another example of a type of hybrid in which exclusivity and luxury is the common stance of promotion. Hybrids could pose a challenge concerning the divergent management. Great emphasis has to be put on the fact that it is indeed two very different ‘worlds’ interacting and having to communicate.

As an Industry Association Representative implies, one of the pitfalls is the lack of understanding between the corporate sector and the cultural sector, however, in spite of continuous effort of attempting to unify the two this task is, nevertheless, extremely difficult. A third party, in this case, management can be utilized as mediator and act as the party ensuring proper collaboration and execution of the common project. DDB can be used as a good example of exactly how important this role is in the collaborative process in order to secure that miscommunication does not occur. The ‘Tak Rock’ campaign with the Danish band Kashmir and Royal Unibrew is a perfect example of how well the entire process has been. This is largely due to the constant communication being present and the ability to

accommodate to both parties' wishes and thereby reach an agreement suitable for both. A general stance among our respondents is in fact that a need for mediators specializing in these types of collaborative processes exists. A Mediator Representative also emphasizes the essentiality of structure and a CSI Representative, who considers collaborations as having great potential, supports this. However, the decisive factor is the ability to transform the unorganized into an organized platform – hence obtaining structure.

### **5.3.1 Value Gained from Strategic and Tactical Outcomes**

Besides presenting a number of challenges, hybrids also give rise to new manners of renewing strategically and strengthening a firm's capabilities, hence leading to competitive advantage. According to a Record Label Representative, more or less all types of collaborations are possible and can address various target groups, a number of different brands and with a number of means to reach both strategic and tactical outcomes. In terms of the strategic collaboration, it can relate to associating an artist with a particular brand. A tactical action concerning retaining customers could be offering free music downloads in connection with a potential online purchase. This belief is supported by a Management Representative, which also assumes that many companies find music and its capabilities interesting as it can be used in numerous manners. It is believed that many are actively using music in commercials, having a sound identity or arranging loyalty events in the form of concerts – all of which points towards strategic renewal for a company.

In today's market, as expressed by a Sonic Branding Representative, a company differentiates itself and creates more value through drawing upon intangible assets as music retains great strength and advantages in this sense. In order to exploit the full potential of what possibilities collaborations can offer a Record Label Representative accentuates that the relation between artist and company has to be consistent with how the artist wishes to be projected by the company and how the company actually projects the artist. Mutual respect between artist and company will shine through in the collaboration and thus appear stronger. Both companies and artists automatically expand their natural horizon in terms of reaching a new business segment, which is a clear advantage for both.

The companies are the financial strong party and are able to obtain access to alternative distribution channels, whereas the artist represents the creativity and uniqueness a company might otherwise lack. Most artists have a very loyal fan base and this contributes to an immense influence retained by the artists and thus has the power to mold the opinion of his or her fans. This power can pose as a beneficial asset for the company and as Peter Poulsen from the Danish Musicians Union states, *“it is because artists have such passionate fans of their music and if these fans could be equally passionate about a company’s product, or even half as passionate, the company has gained much.”*

In the initial value creation process of collaboration, it is crucial that sufficient time is invested in matching both parties’ expectations. A general conviction prevails concerning that prior to the initiation of the collaborative processes it is of great importance to rule out any form of misunderstanding. During the preparation phase many resources and effort has to be put into determining what each party can contribute with and what they expect to gain from the collaboration (Representative, Governmental Association). Furthermore, part of settling expectations is also to convince the company that it is an interchangeable world and it is in its best interest to provide liberty of action for the artist (Representative, Record Label).

As part of the mentioned value creation process it is important to make the parties acknowledge the underlying interdependency, thereby the value adding advantage obtained. They need to acknowledge that the sum of both parties is greater than one, meaning that their collaboration creates sustainable competitive advantage for both - of course provided that the match is well considered and all aspects, to the extent it is possible, have been looked into.

A large part of an artist’s popularity is his or her identity and how he or she appears in the media. For this reason, it is extremely important that the bond of mutual trust be created between the parties in collaboration. As Lasse Lindholm from IFPI portrays it, *“Emphasis is put on how characteristic the music industry actually is. The brands are often flesh and blood, meaning, we are not dealing with a regular commodity, however, we are speaking of individuals who are so passionate and in many instances the best music is created by artists who need to express the depths of their hearts. Unmistakably this adds certain vulnerability, which is why artists are very careful with placing their trust in someone else’s hands.”*



From the company's perspective it is decisive that the image and value set is preserved and reputation not damaged by collaboration. Whom it chooses to collaborate with has to reflect what the company represents and is a decisive factor in terms of strengthening the identity additionally. During the initial phase of collaboration, a match can seem correct, however, events occurring can be perceived as being negative by one of the collaborating parties and by that end the partnership. An example of such a case of events is the drug scandal that led clothing company H&M to drop supermodel Kate Moss as the face of a large campaign as a result of a certain clash of values not present when the partnership was formed. As H&M explains it in a statement *"After having evaluated the situation, H&M has decided that a campaign with Kate Moss is inconsistent with H&M's clear dissociation of drugs."*<sup>34</sup>

### **5.3.2 The Division of Value**

Once an agreement has been made concerning the commencement of collaboration, a subsequent challenge is to determine how value is fairly divided. This is of problematic nature, as many aspects need to be considered and agreed upon to obtain the right solution. A contract is therefore adopted as a tool to ensure both parties are treated and compensated fairly. Artists hold great talent such as song writing and performing, however, most lack flair for business. Music labels possess the necessary strength in business and are therefore able to secure a beneficial contract for both themselves and the artists. An Artist Representative, however, emphasizes the importance of artists developing their business skills to ensure themselves and thus become more independent.

The most complex and not the least important aspect is the legal issue presented, however, as mentioned, we have chosen not to go further into depth with this as it is an entirely different set of problems needing to be addressed. Bounded rationality, as mentioned in theory, refers to the capability of the human mind to formulate and solve complex problems. This is only relevant if the environment is characterized by complexity and uncertainty (Williamson et. al). Because it is often unknown, what the exact outcome will be of such collaboration the issue of determining the proper division is affected by the uncertainty in defining the value of intangible assets. What is of great difficulty is determining the monetary compensation, however, how does one place value on intangible elements such as exposure through the various distribution channels. An Artist Representative highlights exactly this issue due to

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<sup>34</sup> BBC News, <http://news.bbc.co.uk/2/hi/4263792.stm>, retrieved September 28, 2011.

him perceiving the right division as being determined in the sense of it being a personal matter and must feel right. Morten Remmer, Universal, who states, “*we might put some pictures on our Facebook site, however, what is the value of this?*” further illustrates this complexity. To this point, he stresses the importance of aligning expectations for the collaboration. It is not just the issue of valuating intangible assets but also the scope and direction of the collaboration.

A futuristic assumption of the development needs be taken into account as well since renegotiation of a signed contract is extremely costly. As an example of this problematic is the case of Kashmir and Royal Unibrew where the success of their campaign reached far larger than initially expected and led to a forced reevaluation of assets as well contract (Representative, Mediator). Both parties wish to enjoy as many benefits of collaboration as possible, therefore, it is pivotal to negotiate a contract from the beginning accommodating both parties. The issue of bounded rationality depends on the size and scope of the collaboration. It is a question of the amount of elements needing to be included and how comprehensive is the deal scope.

Opportunistic behavior can be a result of bounded rationality e.g. in terms of renegotiation of a contract. As just mentioned, if this is the case one party could seek to take advantage of this in several manners. One example could be if a party does not feel compensated, he or she could demand a larger share of revenue retrieved from the campaign (Representative, Mediator). Another scenario could be that a party sees his or her opportunity to take advantage of the situation and thereby ‘takes the money and runs’. A Record Label Representative argues that the record label always attempts to think long term because, as the situation is perceived, companies might become less interested in collaborations, as they knowingly or unknowingly are disappointed that the processes are as extensive, unless the initial intent was a handout. Concerning trust, if this is already established and affirmed, each party is less likely to display opportunistic behavior.

When entering into collaborations the aspect of asset-specificity needs to be considered. Two main examples can be derived from this. First, a campaign is tailored for a specific purpose, thus it will not obtain the same effect if placed in an environment not intended for it. If we use the case of Benni Chawes and his collaboration with B&O, their common value set is centered on luxury. In order to promote the B&O products VIP events were held for specially

invited guests to experience the excellent sound of the B&O speakers. Benni Chawes demonstrated the sound by performing his songs live and emphasize the quality and the refinement B&O executes with its speakers by utilizing his ability to imitate instruments. This would not have the same effect if a similar arrangement were executed in a supermarket or even a regular electronics store, as the high-end and luxury classification will disappear, thus decrease the intended value and consumer perception of B&O.

Second, if an important element of a campaign is either disregarded or completely removed the strength and intent of the campaign will not penetrate the market. If we regard the successful campaign ‘Tak Rock’ with Kashmir as the frontline figure, the band has heavily contributed to the enormous attention and level of success. The same campaign is now running second year in a row with another well-established and respected Danish band Sort Sol. If a choice was made to omit the presence of a prominent band a vital element of the campaign would be lost, thus the effect is diminished, as the whole essentiality of giving something back to rock is gone.

As the above analysis clearly illustrates there is no one way to estimate and share value. A number of diverse aspects contribute to the complexity of determining the right allocation of value between parties. This could e.g. include the scope and purpose of collaboration and the size and image of a particular artist or company.

### **5.3.3 Thinking Long-Term**

An important element to examine when considering entering into collaboration is the associations that the conception consumers have of an artist is due to the presumptions made founded on what is already known about the artist. A similar aspect can be referred to regarding companies, however, not to the same extent. Fundamentally, artists and music are in themselves identity creating and carrying and retain the ability to influence consumers at a much deeper level than any other instance prevails upon.

For instance, if we regard the difference between a sports star wearing a watch compared to a music artist wearing the same watch, we anticipate that the sports star has been compensated to wear this, whereas we assume the music artist wears the watch as he or she merely likes the product and gives credence to it (Representative, Record Labels). Authenticity has a principal

role as consumers have gained a significant understanding of the media landscape and can easily decipher if it is question of monetary rewards or simply exploitation (Representative, Industry Association). Credibility of the campaign can be lost and either brands or participating parties can thus be greatly harmed. This aspect has been made quite clear by our respondents in terms of it being critical to sustain if collaboration is to be successful.

The image of both parties undeniably will have some sort of influence on the other. Several scenarios can be proposed. First, if a company dominates the collaboration in the sense that its brand is very strong with large recognizability for its consumers an artist can easily be overlooked and the purpose of the entire partnership will be lost. On the other hand, exactly this strength can be utilized to lift the artist as part of the collaboration, thereby have an impact on the increased exposure of the artist. This, in turn, can have an effect on the image of the brand or company as being more ‘cool’ due to the association with a music artist, thus creating more dynamism and edge (Representative, Industry Association). Second, if each party entering into collaboration are both equally strong on brand and reputation yet another issue arises. If we regard the case of airline company Scandinavian Airlines (SAS) where Danish singer/songwriter Tina Dickow was used as frontline figure in its commercial, an insight into the life of a touring artist was portrayed utilizing SAS alongside her music being played during the entire commercial. The problem in this case is the fact that both SAS and Tina Dickow are extremely strong brands in their respective markets. Therefore, even though SAS is the conveyer of the commercial, consumers might be in doubt due to the strength of the artist – ergo, the question of who is branding for who can be posed (Representative, Sonic Branding). As illustrated in the above example, both parties’ image will always be affected by the other to some degree. This, once more, underlines the imperative of ensuring alignment between the brands.

An additional reflection upon collaborations is that the parties engaged are required to consider the long-term consequences and effects after collaboration is ended. The imperative to keep in mind is that regardless of the duration of collaboration all parties concerned will stay connected to some degree (Representative, Record Labels). As a result, Benni Chawes’ collaboration with B&O in 2007, created a ripple effect that continues presenting him with new job opportunities.

Due to the continuous connection between the parties, importance of securing a suitable match is essential. Red Dot Music exemplifies this with its collaboration with Baresso Coffee

whose agreement entailed RDM providing the coffee house with a signature sound in the form of different jazz musicians being played in all Baresso's coffee houses. This was to create an overall image of Baresso and strengthening the entire experience of a visit to the coffee house. A synergy arose as jazz aligns with Baresso's concept of taking a 'time-out' from the everyday hassle. Through our interview with RDM the importance of thinking long-term is continuously stressed and as Chris Mihn Dokey stated, *"when you enter into collaborations you are forced to think long-term because the parties are connected by the hip."*

Through our recent analysis, we have come across a number of intangible benefits retrieved from collaborative processes. What has to be kept in mind, and has been noted in the above analysis, is the fact that no one single manner of measuring success of collaborations exists. Clear benefits arise from these engagements; however, they depend on the individual circumstance and execution. If a company is able to acquire the skills following the dynamics and development of the ever-changing market as well as take advantage of the uniqueness of an artist representing music and all it entails, a clear competitive advantage will be gained. Considering the implications, the effect of such collaboration gives rise to only stresses how much consideration has to be put into this. Moreover, as each case is unique it is not possible to apply a general blueprint on what the intangible benefits might be and how these are divided.



## 6. Discussion

In the analysis we draw attention to the elements comprising in our research question, however, more aspects have to be illuminated. These, as well as, implications for future research will be discussed in the following section, thus leading to a conclusion summarizing our findings.

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As has already been pointed out the music industry has undergone significant and drastic changes, which has forced it to incorporate new manners in which to approach its existing business models. It has been obvious that a change was needed; therefore, new models have proved beneficial to adopt and implement. Results from these changes have implied a serious internal assessment and complete revision of what actually functions and takes a new point of departure from these novel angles. The previously existing business model focused heavily on the hierarchic build in which the record labels dominated. Who to sign and which artist to give a chance was primarily decided by the record labels, whereas a complete opposite picture is prevailing today.

The artist is not as dependent on signing with a record label and to the same extent does not put his or her future in the hands of the record label. Furthermore, the music industry largely dictated taste and popularity, however today, the consumers are the decisive element. In this regard, the music industry, as a whole, has lost great influence concerning the market and consumer behavior. Changes in the music industry over the past decade have brought forth a number of issues, which can be related to the new dimensions of how business is done. It is difficult to determine whether the implementation and adaptation to novel manners of reaching the desired goals are actually working. Many new elements are being drawn upon, yet doubts exist if their ability to lift the industry and obtain the effect necessary is present. Collaborations are greatly capitalized on and the fact that the music industry has actually chosen to open up and admitted that a need to include other elements and different markets to survive exists is a huge step.

Difference exists regarding whether these collaborations should only be implemented as short term or long-term operational activities. When comparing and contrasting the views of the groups representing the music industry it is clear that the majority perceive collaborations as having long-term potential. As RDM explains, its partnership with Baresso Coffee evolved

into what is now a long-term agreement benefitting both parties and has provided the ability to build trust and a more interrelated collaboration. Even though a partnership has the potential to function as a long-term collaboration, certain partnerships are only intended for short-term collaborative goals. The Sonic Branding stakeholders can be referred to, in this respect, due to them perceiving the collaborations as short-lived where after new collaborative goals have to be formed. More specifically, they are of the opinion that collaborative processes should only be initiated for campaign purposes. By example of the ‘Tak Rock’ campaign and the concept developed with Royal Unibrew, it can be assumed that they might not be entirely correct in their assumption.

A general presumption prevalent in the industry is that this business model is pivotal to develop and utilize largely. However, as many stakeholders underline, the importance of collaborations being structured properly is pivotal in order for them not to reflect negatively and thereby spoil the opportunity for others who wish to engage in these. If too many examples of poor partnerships occur, both companies and artists can feel reluctant to consider exploiting this possibility. An essential point worth paying attention to is the fact that if collaborations become too disseminated the exclusivity can quite easily be diminished.

Power, consumers have attained, is based heavily on the social media. In this respect, two main points can be made. First, the music industry needs to comprehend how to use the social media correctly to its advantage. Second, the industry needs to acknowledge the impact social media has had on consumer behavior including the perception of music being free has become endemic; we can hereby speak of a mentality change being present. The former refers to emphasis being put on how important the balance between continuously bringing attention to oneself without exaggerating presence online, which is a delicate balance. Significance lies in being conscious regarding what the various platforms entail and whom they approach alongside being capable of positioning oneself correctly.

Attesting to our research, we have experienced a sporadic consciousness concerning the importance of utilizing the digital possibilities, however, the majority of our respondents have not even touched upon this issue. Deduced from this can be suggested that a reluctance and insecurity exists regarding how to embrace the digital platform. Concerning the latter, with the advent and increasing popularity of social media the consumers are able to communicate on an entirely different level and without trouble retrieve and share music. The perception of



music being free has thus been intensified. Nevertheless, consumers embrace music to a much greater extent, artists and fans have a more direct communication channel and consumers employ the social media as a tool for retrieving as well as recommending music to friends and family, which has resulted in a drastic increase of music consumption. This emphasizes the importance of utilizing the social media correctly.

An Artist Representative highlights that the music industry can be termed as being the 'business of free'. As an increasing number of companies and industries go online, the question is raised whether or not the principle of 'free' is empowered. Adapting to digitalization to maintain competitive advantage is necessary to embrace. However, the mentality consumers have assumed of everything online being at their disposal whenever they wish is a challenge. Industries are losing physical market share and therefore have to generate income elsewhere. If they commence charging, consumers online to a larger extent than what consumers are used to it could generate reluctance towards utilizing their online platforms. However, we believe it is a matter of time before most industries are predominately active online and consumers will be charged when deploying the given service.

A general comprehension of the corporate sector is that it is primarily result oriented and concerned with what figures on the bottom line. Contrarily, the cultural sector is focusing on soft values and artistic expression, which gives rise to a completely different setting. The main concern is not necessarily to 'break even' but rather to encourage creativity and expand the cultural horizon. The mentioned diversity between the two sectors implies difficulties in communication across their borders. A common understanding among our respondents exists concerning the necessity of the two 'worlds' learning to communicate and not be intimidated of what each 'world' constitutes. Prejudice prevails between both sectors, which impedes the party's from striving for or engaging in collaborations. In this respect, many respondents among different stakeholders suggest that a third party be involved and act as mediator to attend to both parties' interests. Despite the obvious differences, action is being taken within the music industry in terms of pursuing collaborations and carefully ensuring their success. By employing tools the two sectors each possess inspiration could be fostered transversely and thus be advantageous. This can lead to novel business models being implemented in or across both sectors. Deriving advantage from each other provides the possibility of elaborating on the various business models existing and the means to how different obstacles are handled and resolved. Both sectors retain strengths the other does not, thus it seems

inherent to benefit from what can be offered by the opposing party. Reinforcing their positions by dismantling barriers with regard to the reluctance existing between the two sectors can only be observed as great convenience for both.

Inasmuch as artists are the element, conveying to the uniqueness of collaborations it is imperative to consider how extensive their participation should be. Certain respondents highlight the importance of allowing the music to be dominant and the commercial element to be subservient. The commercial element to a high degree will invariably endure and not lose value to the same extent, as would an artist if he or she is not provided the freedom to contribute with the unique element, which establishes the uniqueness of a given collaboration.

The majority of our respondents have as such not expressed their opinion on what element should be prevalent, however, a common understanding regards the significance of creating a common set of values and manifest mutual respect. Indeed it is primarily the respondents, and in particular a Mediator Representative, who have participated in collaborations, who have stressed the importance of the music having to be dominant in order for the artists to fully enjoy the freedom of expressing their artistic self. Furthermore, and as a Mediator Representative greatly argues, the music is the element contributing to and fostering talk-value. Music undoubtedly retains an immense strength and the ability to reinforce value in whatever setting it is utilized. All respondents, without exception, agreed upon this stance and some even reacted as if the question posed in this regard was unnecessary and the answer a given.

As we touched upon in the analysis, the parties to some degree will be associated with the collaboration. The question is hereafter whether the engaging parties will persistently be labeled as a cause of the collaboration. A further fear exists in relation to selling out. This specific element was reoccurring in our interviews, which only emphasizes the importance of carefully considering what collaborations to participate. Respondents with experience in collaborative processes stress that one must always follow one's gut feeling and never compromise one's integrity.

Predominately, all eight-stakeholder groups identified have expressed a common agreement concerning collaborations being a positive business model worth pursuing for the music industry, provided these are conducted properly. Collaborations pose great advantages and

should clearly be developed further, and will be prevalent in the future. As there is strong consensus between all stakeholders in this matter the ability to pull together only ensures the formalization and implementation in the industry. Contrary, parties expressing interest in forming collaborations could perhaps be too eager, thereby not thoroughly considering the implications residing in these, which could ultimately lead to poorly planned and executed collaborations. As a result, this could potentially discourage parties otherwise interested in entering into these.

## **6.1 Implications of Research**

Many aspects can be taken into consideration when focusing on both, developing collaborations and the music industry as a whole. Parallels can be drawn to different industries in terms of what can be learned and thereby profited on by the music industry. If the adult entertainment industry is considered, a similar downfall and decrease regarding sales and distribution because of the introduction of the Internet was experienced.

For future research, it could be interesting to oppose the two industries and explore what could be learned from each and what knowledge could be acquired. The gaming industry on the contrary has been able to apply music to such an extent in its business models and segments that it has boomed and provided a large increase in music sales on that account due to its ability to implement music in the right settings depending on the genre of games produced and constructed. Games such as Singstar and Guitar Hero have been a largely contributing factor in this sense, since music from a large number of different artists have been utilized, as well as, positioned according to country distribution. Furthermore, the gaming industry is largely incorporating soundtracks with music from actual artists on many of the games produced and distributed, rather than producing music specifically for one game. The success obtained can very well pose as a contributing learning experience for the music industry in terms of the ability of the gaming industry to capitalize on the business models largely used.

UMD initially expressed great interest in examining how to measure the direct effect of collaborations between artists and companies. As part of our research, all respondents were asked if knowledge was retained of methods able to measure the direct effect of collaborations. Many found this perspective interesting and relevant, however, it led to no

specific method existing. Katja Moesgaard from MEC Access introduced us to the ROSE model, Return on Sponsorships and Events. Both respondents in the stakeholder group of Sonic Branding mentioned DELTA Senselab, which is an independent test laboratory specialized in performing listening tests in a variety of domains. More specifically, they focus on human perception in product development. Neither of the two models can be directly applied to collaborations to the extent of our focus. However, by combining these alongside implementing other models filling the gap, possibilities exist in terms of developing a model directly aimed at measuring and providing the necessary needed knowledge in the music industry. By exploring these models further, a step forward is taken. For further insight into each model, please see Appendix II - III.

Respondents have suggested a more extensive usage of the Internet in terms of deepening the knowledge level largely. The Internet deploys the option of measuring effect with reference to online attendance rate, time spent on a given website, the comments, and likes stated by consumers and through this retrieve an impression of sentiment. Moreover, provided is a more direct communication channel with the consumer, which generates the ability to observe a trend as well as consumer focus, which then could lead to the ability of adapting to these circumstances. To illustrate this, YouTube can be presented as an example in terms of directly being able to view the number of hits a particular video has had.

Furthermore, consumers are provided with the option of liking or disliking a video as well as sharing, which gives an overall impression of the popularity and success of it. In addition to the frontline, which is visible for all, all websites, even a Facebook page portraying an artist, has a backend that provides insight into statistical data only available for the holder of the website. This provides an indication of where improvement can be made in order to optimize the result and guarantee of satisfaction with consumers. Thus, this adds to an element worth paying more attention to and improves further about measuring the effect of collaborations.

Formalization of partnerships could also be an aspect worth observing. With this is meant creating adjustable templates as a basis for commencing collaborative processes. By using this as a tool this could limit and ease the amount of work in the initiation phase. An example could be forming model contracts, which are adjusted to the particular collaboration.

As mentioned, the music industry has been extremely slow in the process of adjusting to and embracing digitalization, however, it has prevailed in recovering what has been lost. Now record labels need to maintain their means to follow development and constantly adjust to the fast-paced progress of the industry. Much power is retained over the artists by the record labels, which is a negative conation. This means that the artists do not necessarily control the desired scope for individual achievement and as a result resign from the record labels. A further loss is the amount of creativity and knowledge, which would otherwise have been a huge gain. If the artist, largely, were involved the record labels would be able to optimize by encouraging idea generation and developing the creative platform. This could further contribute with artists not evading record labels in respect to collaboration.



## 7. Conclusion

The music industry has changed significantly. With digitalization, the illegal consumption of music has become conventional and is likely not going to diminish. Music has never before been consumed in such amounts and consumers understand how to utilize the various digital platforms. This is a very positive outcome and recent studies further illustrate the significance music actually has for the individual. Despite the positive impact of digitalization with the ‘Principle of Free’, being present it has become necessary for the music industry to look beyond its borders and explore alternative ways to regain strength.

The mentioned alteration of the music industry has motivated us to investigate how it can capitalize on collaborative engagements between artists and companies. We aimed at examining what elements are necessary to increase gains, thereby lifting the music industry. Furthermore, it was vital to explore what resources were necessary for collaborations to become successful; therefore, the objective of this research was to investigate

***“How can record labels generate new revenue sources through collaborations with companies from different industries?”***

Two sub-questions were posed in order to obtain greater knowledge concerning elements forming the basis for answering our main research question. Our concluding observations are primarily drawn upon information obtained from our respondents.

### ***1. What are the resources necessary for collaboration establishment and value generation?***

No blueprint exists outlining what resources are necessary for establishing a successful collaboration, because each is unique. However, prior to initiating collaborations vital elements have to be present such as financial resources to secure funds for a campaign to be realized and an explicit synergy must exist between the collaborating parties. Organizational expertise is an imperative due to processes and goals having to be well orchestrated in order for synergy to be retained as well as ensuring a carefully planned campaign. If expertise is not a prevailing element, disastrous outcomes can occur and ultimately damage both artist and company. Contrarily, if all crucial elements are kept in mind and the campaign is executed

successfully the collaborating parties will experience greater value generation - hereby a win-win situation occurs. A general stance among our respondents is in fact that a need for mediators specializing in these types of collaborative processes exists.

Emphasis has to be put on the extent to which both the music industry and corporate sector need to draw upon the strengths both have to offer, thereby utilizing the best of both 'worlds'. In order to create the strongest collaboration possible both parties are required to provide VRIN/O resources to enforce this. Due to the market continuously changing and developing, great necessity lies in the ability to adapt correspondingly. This implies constant internal development that expands current resources into dynamic capabilities, thus creating sustained competitive advantage.

## ***2. How will the involved parties share the value of the collaboration?***

There is no one way to estimate and share value in a reasonable precise manner. A number of diverse aspects contribute to the complexity of determining the right allocation of value between parties. This could include the scope and purpose of collaboration and the size and image of a particular artist or company. Fundamentally, artists and music are in themselves identity creating and carrying and retain the ability to influence consumers at a much deeper level than any other instance prevails upon. We found, that during the preparation phase many resources and effort has to be put into determining what each party can contribute with and what they expect to gain from the collaboration. Mutual respect is of utmost importance and lays the foundation of trust. If this is already established and affirmed each party is less likely to display opportunistic behavior.

Affecting the image of the collaborating party cannot be avoided, which underlines the imperative of ensuring alignment. What was further observed was that from a company's perspective it is decisive that the image and value set is preserved and reputation not damaged by collaborations. Whom it chooses to collaborate with has to reflect what the company represents and is a decisive factor in terms of strengthening the identity additionally – this further regards artists. As the exact outcome of collaborations is often uncertain, a proper division of value is affected by this unpredictability. For this reason, a contract must therefore be adopted as a tool to ensure both parties are treated and compensated fairly. However, if no



common value set is possible to attain then a collaboration should not even be considered, as no positive outcome will result from this.

Through answering our two sub-questions, we have discovered a number of intangible benefits retrieved from collaborative processes. What has to be kept in mind is the fact that no one single manner of measuring success of collaborations exists. Clear benefits arise from these engagements, however, they depend on individual circumstance and execution. If a company is able to acquire the skills following the dynamics and development of the ever-changing market as well as take advantage of the uniqueness of an artist representing music and all it entails, a clear competitive advantage will be gained. Furthermore, considering the implications the effect of such collaboration gives rise to, only stresses how much consideration must take place. Moreover, as each case is unique it is not possible to apply a general blueprint on what the intangible benefits might be and how these are divided. In order for a collaboration to become a competitive advantage, the engaging parties must think long-term. Furthermore, they are required to consider the long-term consequences and effects after their collaboration is ended.

Collaborations with companies display great potential and experiences immense support within the music industry. To emphasize, if collaborations are planned and executed to their then enormous overall rewards can be acquired. Consequently, this boosts both the music industry and corporate sector, thus generating new revenue sources.



8.

# Eight Preconditions for a Successful Collaboration

GØR NOGET VED MUSIKKEN

12.500 glade gæster tog sig en forfriskende dukkert i Tuborgs Grønne pool foran Orange Scene på Roskilde Festival 2010. Se hvor og hvornår Tuborg gør noget ved musikken i resten af 2010 på [tuborg.dk/musik](http://tuborg.dk/musik)



## 8. Eight Preconditions for a Successful Collaboration

Through our research, we have comprised what our respondents deemed pivotal elements for successful collaborations to be executed.

### ☐ **Ensure Clear Synergy between the Collaborating Parties**

If a clear synergy between the collaborating parties is present, great benefits for both can be achieved.

### ☐ **Confirm Common Value-Sets and Goals**

A common value-set is pivotal to construct, for all things considered, even to commence collaborations.

### ☐ **Prioritize the Initiation Phase to Ensure an Explicit Strategy**

All aspects have to be considered in the initiation phase to avoid miscommunication as well as precluding potential complications.

### ☐ **Carefully Plan the Course of Action for a Smooth Execution**

All entities and aspects of the collaboration have to be considered in terms of every anticipated step toward execution.

### ☐ **Expectations must be matched**

The expected collaborative process and potential outcome must be aligned between the collaborating parties.

### ☐ **All Parties have to be involved**

All parties within the collaboration have to be involved in order to secure their interests for an optimum product to emerge.

### ☐ **Mutual Respect and Trust must be upheld**

These aspects are imperatives for an open dialogue to be present, which leads to a stronger collaboration.

### ☐ **Authenticity is a Decisive Factor**

For collaborations to be well received by consumers, authenticity and sincerity must be exhibited in the entirety of the collaboration.



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## 10. Appendices

### 10.1 Appendix I – Interview Guides

#### Interview Guide – Henrik, Lindstrand, Kashmir

- 1) I har et kendt og succesrigt samarbejde med Royal Unibrew, dette har vi en række spørgsmål til:
  - a. Før i sagde ja til dette samarbejde, hvilke overvejelser gjorde i jer?
  - b. Hvilken indflydelse havde det på bandets identitet? Stemte det overens med virksomhedens eller var der nogen der gik på kompromis?
  - c. Hvilke krav stillede i til samarbejdet?
  - d. I kraft af succesen, har i kunne dokumentere nogen effekt for Kashmir?
- 2) Som kunstnere, hvordan er jeres holdning til samarbejder mellem virksomheder og kunstnere?
  - a. Ville i anbefale andre bands at indgå i lignende samarbejder?
- 3) Hvordan ser i fremtiden forme sig med henblik på samarbejder mellem virksomheder og kunstnere?
  - a. Bliver det mere udbredt? Ja/nej – hvorfor?

## **Interview Guide - Benni Chawes**

- 1) Hvad ser du som lydens styrker i relation til branding?
- 2) Hvad er din opfattelse af ændringer på markedet mht. Musikindustrien og brug af marketing og branding midler?
- 3) Du har haft et samarbejde med B&O, dette har vi en række spørgsmål til:
  - a. Før du sagde ja til dette samarbejde, hvilke overvejelser gjorde du dig?
  - b. Hvilken indflydelse havde det på din identitet? Stemte det overens med virksomhedens eller var der nogen der gik på kompromis?
  - c. Hvilke krav stillede du til samarbejdet?
  - d. I kraft af succesen, har du kunne dokumentere nogen effekt for dig og B&O?
- 4) Som kunstner, hvordan er din holdning til samarbejder mellem virksomheder og kunstnere?
  - a. Fordele & Ulemper?
  - b. Bliver der gået på kompromis med de enkeltes identiteter?
  - c. Ville du anbefale andre bands at indgå i lignende samarbejder?
- 5) Hvordan ser du fremtiden forme sig med henblik på samarbejder mellem virksomheder og kunstnere?
  - a. Bliver det mere udbredt? Ja/nej – hvorfor?
- 6) Hvordan tror du fremtiden former sig?

## **Interview Guide – Maiken Ingvordsen**

- 1) Hvad er din opfattelse af ændringer på markedet mht. Musikindustrien og brug af marketing og branding midler?
- 2) Hvad er din opfattelse af samarbejder mellem en virksomhed og en kunstner?
  - a. Fordele og ulemper?
  - b. Bliver der gået på kompromis med de enkeltes identiteter?
- 3) Har du nogensinde været involveret i sådan et samarbejde? Enten som musiker eller tredjepart?

## **Interview Guide – Michael Boie, Universal**

- 1) Hvordan startede jeres B2B segment?
  - Hvad var baggrunden for det?
- 2) Kan du forklare jeres seks forretningsmodeller mere indgående?
  - a. Hvilke af disse modeller har vist sig at være mest succesfuld?
  - b. Hvilken bliver brugt mest? Og hvad er årsagen til dette?
  - c. Hvilke konkrete resultater generer hver især af de seks modeller?
- 3) Kan nogle modeller relateres til et bestemt formål med en kampagne? (øge salg, øge kundernes bevidsthed om et firma etc.)
  - a. Har i nogle nye B2B modeller i støbeskeen?
- 4) Hvem er den opsøgende part ved opstart af samarbejde?
- 5) Er kunstnerne opsøgende?
- 6) Kan du give os detaljeret beskrivelse af forløbet og processen af et samarbejde, fra start til slut?
- 7) Universal vs. En samarbejdspartner, hvem har overhånden i forhandlingerne?
  - a. Til hvor stor en del er kunstnerne involveret?
- 8) Hvad er Universals styrker og svagheder i relation til konkurrenter?
  - a. Hvordan differentierer i jer?
- 9) Hvilken effekt har den voksende popularitet af små uafhængige pladeselskaber på Universal?
- 10) Kan du anbefale nogle kunstnere/firmaer som vi kan snakke med vedrørende en forløb.
  - a. hvilke tanker har det gjort sig, skeptiske vs. Åbne?
  - b. Har de været tilfredse med forløbet?
  - c. Har det være fordelagtigt?
- 11) Vi har arrangeret møder med .... Nogle ting vil vide fra dem?

## **Interview Guide – Morten Remmer, Universal**

1. Kan du give en kort beskrivelse af din funktion hos Universal?
2. Hvordan har det digitale marked ændret sig de seneste 10 år?
3. Hvad gør Universal for at omstille sig og udnytte det digitale marked?
4. Hvilke fordele og ulemper har det ?
5. Hvad ser du som lydens styrker i relation til branding?
6. Hvad er din opfattelse af ændringer på markedet mht. Musikindustrien og brug af marketing og brandingmidler?
7. Kan du se internettet og digitalisering som en styrke i et samarbejde mellem virksomheder og kunstner?
8. Hvad er din opfattelse af samarbejder mellem en virksomhed og en kunstner?
  - a. Fordele og ulemper?
  - b. Bliver der gået på kompromis med de enkeltes identiteter?
9. Hvad ser du som formlen til et godt samarbejde?
10. Hvordan tror du fremtiden former sig?

## **Interview Guide – Chris Minh Doky and Anita Overholt, Red Dot Music**

- 1) Kan I give en kort beskrivelse af Red Dot music?
- 2) Vi er meget interesserede i jeres samarbejde med Baresso
  - a. Hvordan kom samarbejde op at stå
  - b. Hvordan blev det udformet og hvorfor (hvilke tanker lå bag)?
  - c. Hvordan blev kontakten blev skabt?
  - d. Kan I fortælle om processen?
  - e. Har noget effektdokumentation som følge af samarbejdet?
  - f. Har der været andre kunstnere involveret i samarbejdet eller var det kun Sinne Eeg? Kortsigtet/langsigtet?
- 3) Hvad er jeres opfattelse af ændringer på markedet mht. Musikindustrien og brug af marketing og branding midler?
  - a. Ser I musik som en styrke i branding/marketing?
  - b. Hvis ja/nej – hvorfor?
- 4) Hvad er jeres opfattelse af samarbejder mellem en virksomhed og en kunstner?
  - a. Fordele og ulemper?
  - b. Bliver der gået på kompromis med de enkeltes identiteter?
  - c. Hvad ser i som udfordringen med små bands vs. Store etablerede bands?
  - d. Hvad ser i som formlen til et godt samarbejde?
- 5) Hvordan ser i fremtiden forme sig?



## **Interview Guide – Ulrik Ørum-Petersen, Volcano Management**

- 1) Kan du forklare kort om virksomheden og jeres arbejdsprocesser?
  - a. Hvordan har arbejdsprocesserne ændret sig de seneste 10 års tid?
  - b. Hvordan har i omstillet og tilpasset jer?
- 2) Hvad er din opfattelse af ændringer på markedet mht. Musikindustrien og brug af marketing og branding midler?
  - a. Ser du musik som en styrke i branding/marketing?
  - b. Hvis ja/nej – hvorfor?
- 3) Hvad er din opfattelse af samarbejder mellem en virksomhed og en kunstner?
  - a. Fordele og ulemper?
  - b. Bliver der gået på kompromis med de enkeltes identiteter?
  - c. Hvad ser du som små bands vs. Store etablerede bands?
  - d. Hvad ser du som formlen til et godt samarbejde?
- 4) Du er manager for Kashmir, kan du fortælle om deres samarbejde med Royal Unibrew?
  - a. Hvad er din personlige holdning til samarbejdet?
  - b. Hvilken indflydelse havde det på bandets og virksomhedens identitet? Stemte de overens eller var der nogen der gik på kompromis?
  - c. Hvilke overvejelser lå bag?
  - d. Hvilke følger havde det?
  - e. I kraft af succesen, hvordan har i kunne dokumentere effekten af kampagnen?
- 5) Har du været involveret i andre slags samarbejder?
- 6) Hvordan ser fremtiden forme sig?

## Interview Guide – Lasse Lindholm, IFPI

- 1) Kan du give en beskrivelse af IFPI og jeres arbejdsprocesser?
- 2) Hvad er din opfattelse af ændringer på markedet mht. Musikindustrien og brug af marketing og branding midler?
  - a. Ser du musik som en styrke i branding/marketing?
  - b. Hvis ja/nej – hvorfor?
- 3) Har I specifikt fokus på samarbejde mellem virksomheder og kunstnere?
  - a. Hvis ja, hvor ligger fokus så?
- 4) I har fokus på markedsføring af musik, hvilke tiltag har I gjort?
- 5) Som følge af digitaliseringen er udvikling gået utroligt stærkt, og dermed er lovgivningen faldet bagud, hvad gør I for at rette op på dette?
  - a. Mht. Samarbejder, kan du fortælle lidt om hvilke juridiske overvejelser man skal gøre sig?
- 6) Musikbranchen har før været et meget lukket landskab, kan der åbnes op for rettighederne og vende dette til musikbranchens fordel?
  - a. F.eks i forhold til pirateri?
- 7) I har stort fokus på videndeling og videnindsamling og et stort problem, der eksisterer er den manglende effektdokumentation.
  - a. Har I kendskab til succesfulde metoder til at måle denne og har I selv målinger og dokumentation af effekten for afsluttede samarbejder i forbindelse med den værdi, der bliver skabt og ikke bare i form af mersalg.
- 8) Hvad er din opfattelse af samarbejder mellem en virksomhed og en kunstner?
  - a. Fordele og ulemper?
  - b. Bliver der gået på kompromis med de enkeltes identiteter?
  - c. Hvad ser du som udfordringen små bands vs. Store etablerede bands?
  - d. Hvad ser du som formlen til et godt samarbejde?
- 9) Hvordan ser du fremtiden forme sig indenfor musikbranchen?

## Interview Guide - Christine Zacho, KODA

- 1) Kan du give en beskrivelse af KODA og jeres arbejdsprocesser?
- 2) Hvad er din opfattelse af ændringer på markedet mht. Musikindustrien og brug af marketing og branding midler?
  - a. Hvad ser du som musikkens styrke i relation til branding/marketing?
- 3) I har lavet folderen ”Musikkens Værdi” til erhvervslivet – kan du forklare lidt mere indgående hvad i forventer at få ud af denne?
  - a. Har i reaktioner på den – både fra musikere og erhvervslivet?
- 4) Ifølge medierne har KODA være med til at bremse udviklingen af nye tiltag i musikbranchen (e.g. streaming) i Danmark, kan du fortælle om hvad i gør for at ændre dette nu?
- 5) Som følge af digitaliseringen er udvikling gået utroligt stærkt, og dermed er lovgivningen faldet bagud, hvad gør i for at rette op på dette?
  - a. Mht. Samarbejder, kan du fortælle lidt om hvilke juridiske overvejelser man skal gøre sig?
- 6) Musikbranchen har før været et meget lukket landskab, kan der åbnes op for rettighederne og vende dette til musikbranchens fordel?
  - a. F.eks i forhold til pirateri?
- 7) I har stort fokus på viden om musikkens værdi
  - a. Har i kendskab til succesfulde metoder til at måle denne og har I selv målinger og dokumentation af effekten for afsluttede samarbejder i forbindelse med den værdi, der bliver skabt og ikke bare i form af mersalg.
- 8) Hvad er din opfattelse af samarbejder mellem en virksomhed og en kunstner?
  - a. Fordele og ulemper?
  - b. Bliver der gået på kompromis med de enkeltes identiteter?
  - c. Hvad ser du som udfordringen små bands vs. Store etablerede bands?
  - d. Hvad ser du som formlen til et godt samarbejde?
- 9) Hvordan ser du fremtiden forme sig indenfor musikbranchen?

## **Interview Guide – Roberto Zacharias, Musikzonen**

- 1) Kan du give en beskrivelse af Musikzonen og baggrunden for opstart?
- 2) Hvad er din opfattelse af ændringer på markedet mht. Musikindustrien og brug af marketing og branding midler?
  - a. Ser du musik som en styrke i branding/marketing?
  - b. Hvis ja/nej – hvorfor?
- 3) Hvorfor har I specifikt fokus på samarbejde mellem virksomheder og kunstnere?
- 4) Hvad gør musikzonen i erhvervslivet for at skabe fokus og viden om eksisterende samarbejder?
  - a. Hvad gør I for at fremme viden om disse samarbejder hos den almindelige dansker?
- 5) Kan du fortælle mere uddybende omkring den udvikling, der er sket mht innovation og musik?
  - a. Hvilke tiltag er gjort?
  - b. Hvilke nye forretningsmodeller er skabt?
- 6) I har stort fokus på videndeling og videnindsamling og et stort problem, der eksisterer er den manglende effektdokumentation.
  - a. Har I kendskab til succesfulde metoder til at måle denne og har I selv målinger og dokumentation af effekten for afsluttede samarbejder i forbindelse med den værdi, der bliver skabt og ikke bare i form af mersalg.
- 7) Hvad er din opfattelse af samarbejder mellem en virksomhed og en kunstner?
  - a. Fordele og ulemper?
  - b. Bliver der gået på kompromis med de enkeltes identiteter?
  - c. Hvad ser du som udfordringen små bands vs. Store etablerede bands?
  - d. Hvad ser du som formlen til et godt samarbejde?
- 8) Hvordan ser du fremtiden forme sig indenfor musikbranchen?

## Interview Guide – Morten Sune Jonas, DDB

- 1) Kan du fortælle kort om DDB og din position herinde?
- 2) Hvad er din opfattelse af ændringer på markedet mht. Musikindustrien og brug af marketing og branding midler?
  - a. Hvad ser du som musikkens styrke i relation til branding/marketing?
- 3) I alt den mediestøj der eksistere i dag, hvad gør i for at jeres kampagner skiller sig ud?
- 4) Vi er blevet fortalt du er hjernen bag Royal Unibrew Kampagnen med Kashmir, kan du fortælle lidt om tankerne bag?
  - a. Kan du fortælle om processen i samarbejdet?
  - b. Hvilken indflydelse havde det på begge parter identitet? Stemte det overens eller var der nogen der gik på kompromis?
  - c. Hvilke krav blev der stillet til samarbejdet fra begge parter?
  - d. Har i kunne dokumentere nogen effekt af kampagnen for begge parter?
- 5) Har du lavet andre samarbejder mellem virksomhed og kunstnere?
  - a. Hvis ja, kan du give et eksempel?
- 6) Et stort problem, der eksisterer er den manglende effektdokumentation.
  - a. Har i kendskab til succesfulde metoder til at måle denne og har I selv målinger og dokumentation af effekten for afsluttede samarbejder i forbindelse med den værdi, der bliver skabt og ikke bare i form af mersalg.
- 7) Hvad er din opfattelse af samarbejder mellem en virksomhed og en kunstner?
  - a. Fordele og ulemper?
  - b. Bliver der gået på kompromis med de enkeltes identiteter?
  - c. Hvad ser du som udfordringen små bands vs. Store etablerede bands?
  - d. Hvad ser du som formlen til et godt samarbejde?
- 8) Hvordan ser du fremtiden forme sig?

## **Interview Guide – Mitch, Fischermann, Supersonic**

- 1) Kan i give en kort beskrivelse af jeres virksomhed
  - a. Hvor meget musik laver i selv og hvor meget tager i fra eksisterende musik?
- 2) Hvad var baggrunden til opstart af jeres firma?
  - a. Hvilke tendenser så I i markedet?
  - b. Hvilket behov har i observeret, som i gerne vil dække og have indflydelse på?
- 3) Hvad ser i som lydens styrker i relation til branding?
- 4) På hvilken baggrund beslutter i hvilken type musik der skal bruges til identitetsskabelse?
- 5) Hvordan effektdokumenterer i?
  - a. I en case hvor målet ikke er håndgribeligt, hvordan effektdokumenterer i?
- 6) Hvad er jeres opfattelse af ændringer på markedet mht. Musikindustrien og brug af marketing og branding midler?
- 7) Hvad er jeres opfattelse af samarbejder mellem en virksomhed og en kunstner?
  - a. Fordele og ulemper?
  - b. Bliver der gået på kompromis med de enkeltes identiteter?
- 8) Har I nogensinde været involveret i sådan et samarbejde som tredjepart?
- 9) Hvordan tror I fremtiden former sig?

## **Interview Guide – Karsten Kjems, Sonic Minds**

- 1) Kan i give en kort beskrivelse af jeres virksomhed
  - a. Hvor meget musik laver i selv og hvor meget tager i fra eksisterende musik?
- 2) Hvad var baggrunden til opstart af jeres firma?
  - a. Hvilke tendenser så I i markedet?
  - b. Hvilket behov har i observeret, som i gerne vil dække og have indflydelse på?
- 3) Hvad ser i som lydens styrker i relation til branding?
- 4) På hvilken baggrund beslutter i hvilken type musik der skal bruges til identitetsskabelse?
- 5) Hvordan effektdokumenterer i?
  - a. I en case hvor målet ikke er håndgribeligt, hvordan effektdokumenterer i?
- 6) Hvad er jeres opfattelse af ændringer på markedet mht. Musikindustrien og brug af marketing og branding midler?
- 7) Hvad er jeres opfattelse af samarbejder mellem en virksomhed og en kunstner?
  - a. Fordele og ulemper?
  - b. Bliver der gået på kompromis med de enkeltes identiteter?
- 8) Har I nogensinde været involveret i sådan et samarbejde som tredjepart?
- 9) Hvordan tror I fremtiden former sig?

## **Interview Guide – Johny Sårde, Audiowise**

- 1) Kan i give en kort beskrivelse af jeres virksomhed
  - a. Hvor meget musik laver i selv og hvor meget tager i fra eksisterende musik?
- 2) Hvad var baggrunden til opstart af jeres firma?
  - a. Hvilke tendenser så I i markedet?
  - b. Hvilket behov har i observeret, som i gerne vil dække og have indflydelse på?
- 3) Hvad ser i som lydens styrker i relation til branding?
- 4) På hvilken baggrund beslutter i hvilken type musik der skal bruges til identitetsskabelse?
- 5) Hvordan effektdokumenterer i?
  - a. I en case hvor målet ikke er håndgribeligt, hvordan effektdokumenterer i?
- 6) Hvad er jeres opfattelse af ændringer på markedet mht. Musikindustrien og brug af marketing og branding midler?
- 7) Hvad er jeres opfattelse af samarbejder mellem en virksomhed og en kunstner?
  - a. Fordele og ulemper?
  - b. Bliver der gået på kompromis med de enkeltes identiteter?
- 8) Har I nogensinde været involveret i sådan et samarbejde som tredjepart?
- 9) Hvordan tror I fremtiden former sig?



## **Interview Guide – Marting Ibsen and Torben Eik, YourWaves**

- 1) Hvad var baggrunden til opstart af jeres firma?
  - a. Hvilke tendenser så I i markedet?
  - b. Hvilket behov har I observeret, som I gerne vil dække og have indflydelse på?
- 2) Hvad bruger I som jeres foretrukne medie til jeres kunder og for jer selv? Facebook etc.? Og hvorfor?
- 3) Hvad er jeres opfattelse af ændringer på markedet mht. Musikindustrien og brug af marketing og branding midler?
  - a. Det nye medielandskab?
- 4) Hvad er jeres opfattelse af samarbejder mellem en virksomhed og en kunstner?
  - a. Fordele og ulemper?
  - b. Bliver der gået på kompromis med de enkeltes identiteter?
- 5) Hvad ser I som internettets styrker i sådan nogle samarbejder?
- 6) Har I nogensinde været involveret i sådan et samarbejde som tredjepart?
- 7) Hvordan tror I fremtiden former sig?

## Interview Guide - Katja Moesgaard, MEC Access

- 1) Kan du give en beskrivelse af MEC Access og jeres arbejdsprocesser?
- 2) Hvad baggrunden for jeres undersøgelse Musik som Brandingplatform 2010?
- 3) Kan du fortælle mere dybdegående om undersøgelse mht. Til punktet Brands og Musik?
  - a. Er der årsag til i kun har fokuseret på 2 aspekter af Musik som Branding platform?
  - b. Kan du forklare spørgsmålet med hvilke brancher der kan udgive musik? Er det forbrugeren der har valgt disse?
- 4) Hvad er din opfattelse af ændringer på markedet mht. Musikindustrien og brug af marketing og branding midler?
  - a. Hvad ser du som musikkens styrker i relation til branding/marketing?
- 5) I er eksperter i kommunikationsrådgivning, medieplanlægning mv., opfordrer i jeres kunder til samarbejder med musik kunstnere?
  - a. Hvis ja, Kan du give nogle eksempler?
- 6) Digitaliseringen har haft stor indflydelse – hvordan ser du den effekt det har haft? Både mht. Markedsføring og musik?
- 7) I har fokus på oplevelsesmarkedsføring – har du set en ændring i samarbejder mellem brands og musik? Er det mere udbredt nu?
- 8) Et stort problem, der eksisterer er den manglende effektdokumentation.
  - a. Har i kendskab til succesfulde metoder til at måle denne og har I selv målinger og dokumentation af effekten for afsluttede samarbejder i forbindelse med den værdi, der bliver skabt og ikke bare i form af mersalg.
- 9) Hvad er din opfattelse af samarbejder mellem en virksomhed og en kunstner?
  - a. Fordele og ulemper?
  - b. Bliver der gået på kompromis med de enkeltes identiteter?
  - c. Hvad ser du som formlen til et godt samarbejde?
- 10) Hvordan ser du fremtiden forme sig?

## 10.2 Appendix II – Description of Return on Sponsorships and Events (ROSE) Model

### Ny unik tilgang til effektmåling af sponsorater

13. juni 2008

*Af journalist Peter Engholm, Børsen*

**MEC Acces har sammen med CBS udviklet værktøjet ROSE©, der præcist kan fastlægge effekten af et sponsorat. Det sker ved at måle, hvordan forbrugeren knytter eventoplevelsen til brandopfattelsen, og hvordan dette ændrer brandopfattelsen.**

BeoMasters, der er Danmarks største amatør-golfturnering med et arrangement for hver af landets 60 B&O-forretninger, har været 'en god oplevelse' ... hidtil.

Ikke at selve oplevelsen er blevet dårligere, men måden, disse events kan måles på, er blevet markant mere nuanceret og dermed bedre. Forbedringen skyldes et danskudviklet værktøj, som udviklerne kalder for ROSE©. Udviklerne er sponsor- og eventmarketingbureauet MEC Access i samarbejde med et forsker-team fra CBS og Gersdorff Research.

- En god oplevelse hos forbrugerne kan dække over hvad som helst, lige som en dårlig oplevelse af en event kan dække over en dårlig sandwich eller kedelige eventaktiviteter. Målingerne har ikke været præcise og har udtrykt kollektive gennemsnitsbetragtninger. Men ved den konkrete BeoMaster-turnering kunne vi for første gang gå fra at beskrive 'den gode oplevelse' til at forklare sponsoren 'Hvordan kan den blive bedre?'. Med ROSE© kan vi måle forbrugernes opfattelse af brandet før og efter en given oplevelse – og se på sammenhængen mellem oplevelsen og brandet, og forstå, hvilke dele af oplevelsen, der driver brand effekten, siger Lars Bendtsen, Specialist i sponsor- og eventmarketingbureauet MEC Access, der indtil i efteråret hed MEC Sponsorship. Med Acces slår man nu på virksomhedens adgang til platforme, miljøer, berømttheder, kultur og sport.

Med et overblik over bindeleddene mellem event og brand får sponsoren en viden om, hvilke dele af eventen, der skal skrues på, for at opnå det ønskede udbytte i fremtiden.

- ROSE© er ikke blot et måle-, men også et diagnoseværktøj. Blandt resultaterne leverer vi en såkaldt mixerpult med tre områder ved eventen eller sponsoratet, der er gode, og tre områder, der skal arbejdes videre med ved fremtidige events. Ved BeoMasters var der en generelt positiv opfattelse af B&O – og af bindeleddet til golfsporten, og der blev skabt en stor følelsesmæssig effekt – men vi kunne se, at der ikke blev scoret højt på B&O-produkterne. Golfturneringen kunne blive endnu bedre til at fungere som showroom – det ville kunne løfte involveringen i brandet og informationen om produkterne og dermed købsintensionen, siger Lars Bendtsen.

Der bruges årligt op mod fem mia. kr. i sponsorater og events herhjemme. Penge, der umiddelbart virker godt givet ud, fordi et vel-aktiveret sponsorat, med en naturlig sammenhæng mellem brand og events, kan skabe stærke følelser hos forbrugeren, der tilmed har paraderne sænket i forhold til klassisk reklame.

Så langt, så godt. Ulempen har imidlertid været, at virksomhederne ikke haft værktøjet til at foretage en præcis måling af den effekt, deres sponsorkroner har haft.

*Sponsorater og events har flere strenge at spille på – men man har ikke kunnet høre melodien ...?*

- Det kan du godt sige. Sponsor- og eventbureauer leverer rådgivning, implementering og evaluering – og sidstnævnte har det været tyndt med. Målingerne har generelt i branchen været ad hoc. Det har været 'alle havde en god oplevelse', 'der var 10.000 tilskuere', 'det blev omtalt i Nyhederne'. Naturligvis har vi også målt eksponering, kendskab, værdimatch – og vi har også taget fat i brandopfattelsen, hvilket mange stadig mangler at gøre. Vi har kunnet måle disse elementer før og efter, men kun gisne om hvorfor der har været en effekt. Nu kan vi bevise en ændring i brandopfattelsen, vi kan bevise, at den kommer fra oplevelsen og fastslå hvilken særlig del af oplevelsen, og dette kan vi gøre i forhold til den enkelte forbruger, siger Katja Moesgaard.

*Men jo mere I fremhæver ROSE© , desto dårligere lys sætter I vel ikke bare branchens, men også jeres egne hidtidige målinger ...*

- Vi har over for virksomhederne støttet os dels til en bred vifte af målinger, dels på vores erfaring og specialviden akkumuleret gennem mange år. Men det har da ikke 'bare lige' været til at måle effekten af et sponsorat eller en event – omvendt har ROSE© heller ikke 'bare lige' været til at udvikle. Værktøjet har været tre år undervejs, og modsat mange andre værktøjer er det ikke sket indenfor branchen, men er derimod solidt videnskabeligt funderet og udviklet, siger Katja Moesgaard.

Med et godt blik for det krater af et hul-i-markedet satte to studerende på CBS – Lars Bendtsen og Martin Juul Jensen – sig i 2005 for at udvikle et værktøj, der over for virksomhederne kunne dokumentere effekten af sponsorater og event. Katja Moesgaard, Nordic Managing Director i MEC Access, var bi-vejleder, specialet fik 13, og begge fik ansættelse i MEC-koncernen; Lars i MEC Access, med ansvaret for Rose og Martin i MEC MediaLab. Siden da har MEC Access arbejdet videre med at forbedre værktøjet yderligere for at nå frem til det færdige ROSE© produkt, vi har i dag.

- I tæt samarbejde med i samarbejde med Claus Gersdorff, Direktør i Gersdorff Research, samt

professor Lars Grønholdt og lektor Anne Martensen, begge fra Instituttet for

Afsætningsøkonomi, CBS, videreudviklede vi Rose – med to resultater: Det har – som noget enestående - været omtalt som et banebrydende værktøj i det videnskabelige tidsskrift, Journal of Advertising Research i 2007. Og så er det brugbart, siger Katja Moesgaard

ROSE© kan kaldes 'niveauet lige under en hjernescanner'. Man udspørger fortsat forbrugerne, men på længere sigt vil det kunne ske på avanceret vis, at man kan nøjes med at spørge dem efter en given event – og stadig kunne påvise ændringer i følelser og holdninger i forhold til brandet.

- Den videnskabelige tilgang har bl.a. bestået i at se på, hvad en oplevelse er – hvad driver den, hvordan styrkes den via interaktion, hvordan måler man involvering? Vi har set på, hvad følelser er og hvilken enorm betydning, de har på forbrugerens beslutninger. Vi kan kvantificere dem, og ved at inddrage følelser opnår vi en endnu større forståelse, for hvordan vi påvirker forbrugerens rationelle brand opfattelse. Og hvordan beviser vi så det? Alt dette kan komme sponsorer til gavn. For jo højere involvering et sponsorat eller en event har, desto flere følelser kan vi kickstarte. Og dermed bane vejen for at påvirke holdninger – og skabe salg, siger Lars Bendtsen.

Artiklen blev bragt i Børsen 28. maj 2008

## **10.3 Appendix III – Description of Delta Senselab**

### **DELTA SenseLab**

#### **Listening tests for the audio industry**

DELTA SenseLab is an independent test laboratory specialized in performing listening tests in a variety of domains.

In testing audio quality we apply both well-known test types from various standards (ITU-T, ITU-R), as well as novel methods from the field of sensory evaluation.

We offer services that help development of products within

- Telecommunications (devices, accessories, components etc.)
- Consumer audio (headphones, speakers etc.)
- Hearing aids
- Audio/speech coding
- Consumer products (product sound quality)

#### **Human perception in product development**

By using the robust and reliable methods of sensory evaluation, it is possible to gain knowledge on your product's key perceptual characteristics, as well as how these are perceived by the end-user. This valuable knowledge can give you a competitive advantage in the field of customizing your product to the human senses.

It is no longer just a question of squeezing as many bits, bytes and features into a product as possible - the quality of experience can only be gauged by the end-user.

**Delta SenseLab - [http://www.madebydelta.com/delta/Business\\_units/emerging-business/senselab/front\\_page.page](http://www.madebydelta.com/delta/Business_units/emerging-business/senselab/front_page.page)**