Title: Harmony in the International Recorded Music Industry?
How Digital Technologies are impacting consumers and other key players in the marketplace.

Word count: 21,712 words

Dissertation submitted in partial fulfillment of the requirements for the award of the MSc. in International Business awarded by the University of Wales.

Francois Murat, Portobello College, Dublin
Date: 16th. October 2008
ACKNOWLEDGEMENTS

I would like to acknowledge many people for helping me during my research work: I would like particularly to express my gratitude to my supervisor Mr. Shay Lynch that apart from being an excellent and inspiring lecturer through modules of this Master was a committed and challenging supervisor. I am much aware that without his support, his advices, and encouragements, I would have certainly not devoted as many time to this dissertation or explored in depth this industry as I did.

I want to thank my family and friends (I dedicate this dissertation to them) for their supports and advice (especially my family from the US for their corrections on my dissertation).

I am also very grateful to Mr Borey Sok, Mr. Nicolas Danglade and Mr. Rémy Allemand that accepted to be interviewed for the purpose of this dissertation and for their constructive opinions on today’s Music Marketplace.

I would like to thank the Gramophone Magazine (especially Mr. James Inverne) for their answers and the 200 students who take time to fill my questionnaire.

I wish to thank Ms. Jacqueline Mac Leod, for her kind correction of my questionnaire. Finally, I wish to thank the University of Wales (UK), Portobello College (Rep. of Ireland) and the Group ESC PAU, School of Management (France), which enabled to go through this research project.
ABSTRACT

As with many of the other industries in the media and entertainment sector of the modern global economy, the international recorded music industry has been, and is still, experiencing a major re-structuring in the wake of changes driven by the rapid development, and commercialization, of digital information and communications technologies. What is less certain, however, especially when viewed from a strategic perspective, is what direction the change processes involved are taking the industry in. Moreover, the traditional players in the industry (Major Record companies and Independent Labels) now find themselves having to deal with the emergence of highly competitive and innovative new players (such as Hardware Manufacturers (Apple, Mobile Phone Manufacturers and Operators), Web2.0 sites or Participative Labels). They also have to deal with the advent of ‘empowered consumers’ (especially younger ones called “digital natives”), who are increasingly Internet aware and highly influenced by its latest applications. This alleged empowerment of the consumer in the new marketplace has led some commentators, including the prestigious “Time Magazine”, to conclude that consumers now control the marketplace.

Consequently, the purpose of this dissertation is to focus on the key issues of “control” and “power” in the music industry, seeking to investigate if this assumption is both relevant and correct in the digital music marketplace.

To address this issue, a qualitative research methodology was used which combined questionnaires (200 self-administered questionnaires to digital natives (mostly aged 15 to 25 years old)) and 3 face-to-face interviews with music industry’ specialists.

The research suggests that the music industry begins to be led by two ‘oligopolies’ of sorts (Software Providers vs. Hardware Manufacturers). In regard specifically to the emergence of a ‘consumer-entrepreneurs’ generation, the research outlined that only a tiny fraction of the surveyed consumers could eventually correspond to this trend.

For the purpose of carrying the research, this report also contains a detailed overview of the current music marketplace (and its Information Society challenges). It also portrays a significant profiling on a key strategic group: the digital natives (also called ‘consumers of tomorrow’). Finally, it suggests some recommendations for further research.

TABLE OF CONTENT

ACKNOWLEDGEMENTS............................................................................................... 2
ABSTRACT................................................................................................................... 3
TABLE OF CONTENT................................................................................................. 4
LIST OF TABLES AND ILLUSTRATIONS.................................................................. 7
CHAPTER 1: INTRODUCTION ..................................................................................... 9
1.  Background to Research:....................................................................................... 9
2.  Introduction to the International Recorded Music Industry:............................. 10
3.  The Key Players in the Global Information Society:........................................... 14
4.  The Key Players in the Global Information Society:........................................... 17
5.  Digital technologies and the Recorded Music Industry:........................................ 18
6.  The Key Players in the Recorded Music Industry:................................................ 19
   6.1  A ‘Brick and Mortar’ Organization:.................................................................. 19
   6.2  ‘Click and Mortar’ Organization:..................................................................... 21
7.  The Future? ........................................................................................................... 24
CHAPTER II: LITERATURE REVIEW......................................................................... 26
I/ The International Recording Music Industry: past, present and future trends.......... 28
1/ A quick retrospective of the consequences of the Digital revolution on the Music Industry ........................................................................................................................................... 28
   - 1.1/ Before Digital Era: “A well oiled industry monitored by a tiny group of Majors” ................................................................................................................................. 28
   - 1.2/ After Digital Era: “An industry challenged by uncertainty and empowered consumers” ................................................................................................................. 28
   - 1.3/ Today’s Music Industry: More products but shorter products’ life cycles...... 30
2/ The shift from International Record Label to the new trend “International Media Label” ........................................................................................................................................... 30
   - 2.1/ The shift from physical to digital format ....................................................... 30
   - 2.2/ The explosion of digital Music: ..................................................................... 31
   - 2.3/ The move toward more entertaining and digital facilities: ......................... 32
3/ Main issues facing by the International Recording Music Industry ...................... 32
II/ An overview of digital consumers and on their predisposition to control the digital music marketplace .................................................................................................................. 34
1/ “Kiss that couch potato goodbye. Today’s consumer is active, engaged and increasingly a producer of content” ................................................................. 34
   - 1.1/ The rise of Web 2.0, and its consequences on consumer behaviors:............. 34
   - 1.2/ Introducing the digital Consumers: ............................................................ 35
   - 1.3/ Digital consumers and their environment .................................................... 35
2/ The (r)evolution of the “digital Natives”: ............................................................ 36
   - 2.1/ The incremental use of digital technologies: .............................................. 36
   - 2.2/ Main characteristics of these consumers .................................................... 36
   - 2.3/ What do they want and value? ................................................................... 37
3/ What do we learn from this part: ....................................................................... 38
III/ Schematizing the Digital music industry .............................................................. 39
1/ Interactions in the digital Music Marketplace: how the system works and where do consumers fit in? ......................................................................................... 39
   - 1.1/ Software*: ................................................................................................. 40
   - 1.2/ Hardware**: ............................................................................................. 40
   - 1.3/ Content: .................................................................................................... 41
   - 1.4/ Network***: ............................................................................................ 42
2/ Bargaining power in the Digital Music Marketplace................................. 42
   - 2.1/ The LEGAL FRAMEWORK: “from the top to the bottom”..................... 44
   - 2.2/ The ILLEGAL FRAMEWORK: “from the top to the bottom”.................. 45
   - 2.3/ What may be of particular interest with this graph............................ 45
3/ Main Issues raised in the literature review and clarification of the research
question: ........................................................................................................... 46
   - 3.1/ What is driving what? ...................................................................... 47
   - 3.2/ Who is controlling the digital music marketplace?.............................. 48
   - 3.3/ RESEARCH QUESTIONS: ................................................................... 49
CHAPTER III: RESEARCH METHODOLOGY ................................................... 50
I/ Choice of the research methodology: ......................................................... 51
   1/ Distinguishing Research Methodology and Research Methods................. 51
   2/ Defining qualitative Research Methodology: ......................................... 51
   3/ A Qualitative Approach....................................................................... 52
II/ Research methods: ..................................................................................... 52
   1/ Collecting data: ..................................................................................... 52
   2/ Scales: .................................................................................................... 53
      - 2.1/ Scales for objective Answers: ......................................................... 54
      - 2.2/ Scale for subjective answers: ........................................................ 54
   3/ Sample Selections: ................................................................................. 54
   4/ The elaboration of the questionnaire: .................................................... 55
   5/ The administration of questionnaires ..................................................... 58
   6/ Data processing, retrieving and analysis: ............................................. 59
   7/ Interviews: ............................................................................................ 59
III/ Quality and credibility of the research methods: ....................................... 60
   1/ Pre-tests ................................................................................................. 60
   2/ Reliability: ............................................................................................ 60
   3/ Validity: .................................................................................................. 61
   4/ Generalisability: ..................................................................................... 62
CHAPTER IV: FINDINGS ................................................................................. 63
I/ PART 1: (Q1 to Q13): “Meeting the consumer and its music consumption habits”...... 64
   1/ Sex, nationality and Occupation: ......................................................... 64
   2/ Age Group and Social Status: ............................................................... 64
   3/ Q3 and Q4: “Play Music Instruments” and “Music Interest”: .................. 67
   4/ Q5 to Q8: .............................................................................................. 67
   5/ Q9 to Q11: ............................................................................................ 69
   6/ Q12: ..................................................................................................... 71
   7/ Q13: ..................................................................................................... 72
II/ PART 2: (Q14 to Q18): How is the consumer aware of its power, is he using it? ...... 75
   1/ Q14 and Q15: ....................................................................................... 75
   2/ Q16: ..................................................................................................... 75
   3/ Q17: ..................................................................................................... 78
III/ Part 3: (Q19): Consumers’ perception on who is driving the current music industry. ... 79
CHAPTER V: DISCUSSION: ............................................................................. 80
I/ How consumers are pretended to be and how they actually behave: .................... 80
   1/ A generation that “gets with the times”: .............................................. 80
   2/ A generation whose needs relies in functional products that responds to their
      instant needs: ....................................................................................... 82
   3/ Are consumers really influenced by other people on their music purchase? .... 83
   4/ A generation full of contradiction? .......................................................... 84
5/ The “Age Group” factor: ................................................................. 87
II/ SOFTWARE Vs HARDWARE......................................................... 90
1/ Is content becoming secondary in the current Music Industry? .......... 90
   - 1.1/ The WEB2.0 phenomenon: a threat for Music? ......................... 90
   - 1.2/ WEB2.0: sites: useful tools? ................................................... 91
   - 1.3/ Technological devices Vs Music ............................................... 92
2/ Poor sound quality: a danger for music? ............................................ 93
   - 2.1/ Impact varies according to music genres .................................... 93
   - 2.2/ Opinions varies according to “people” ....................................... 93
   - 2.3/ Will this poor sound quality enable the resurgence of older formats such as CDs? ............................................................ 94
   - 2.4/ Is MP3 poor sound quality a loss for the value of music? .............. 95
III/ Concept of ‘Control’: Are consumers drivers of the music industry? .... 96
1/ “Empowered Consumers: REALITY OR FANTASMA?” .................... 96
   - 1.1/ How consumers really behave: ................................................. 96
   - 1.2/ What Interviewees think: ....................................................... 98
2/ Who is driving the current International Recorded Music Industry? ....... 99
   - 2.1/ Results from the questionnaire: .............................................. 99
   - 2.2/ What Interviewees said: ....................................................... 99
   - 2.3/ Participative Labels and consumers’ involvement: ......................... 100
FINAL CHAPTER: CONCLUSION ..................................................... 101
• 1/ Summary of the dissertation: ....................................................... 101
• 2/ Conclusion: ............................................................................. 102
  o 2.1/ Who is controlling the Music Industry? .................................... 102
  o 2.2/ Empowered consumers? ...................................................... 103
  o 2.3/ What is driving what? ......................................................... 105
• 3/ Managerial Implications: .............................................................. 106
• 4/ Critical reflections and recommendations ........................................ 106
• 5/ Final Reflections: ................................................................. 107
LIST OF TABLES AND ILLUSTRATIONS

Cover Page:
- 2 adverts from Apple (iPod).
- CDs, Lps and iPod picture : « Le monde 2 » N°237 (August 2008)

Introduction

- **Graph 1**: 2006 Time’s Magazine Person of the year Front page
- **Graph 2**: Recorded music sales: actual and forecast (2001-2012)
- **Graph 3**: KOTLER’s Marketing System model: “the 21st Century Marketplace”
- **Graph 4**: Key players of the Global Information Society
- **Graph 5**: Traditional key Players of the International Recorded Music Industry before Digital era
- **Graph 6**: Consequences of the emergence of the WEB 2.0 phenomenon and the rise of Digital Technologies in the International Recorded Music Industry organization
- **Graph 7**: Porter’s 6 Forces model adapted to the International Recorded Music industry

Literature Review

- **Graph 1**: PWC 2008 estimates of the global music market value and IFPI graph on digital sales by channel.
- **Graph 2**: The basic tenets of the digital music industries
- **Graph 3**: Why do customers buy music online? (IFPI annual report 2007)
- **Graph 4**: Consumers purchasing power in a digital Music environment. How do consumers get their music?
- **Graph 5**: Technology Push Vs. Competitive Pull factors in the light of the digital music marketplace: what is driving what?
- **Graph 6**: The course to control the Music Industry: the 4 players that could control the digital music marketplace.

Findings and discussions:

- **SPSS** graphs and charts.
“A technology after another. In less than a decade, the MP3 format has replaced LPs and CDs. For Sound specialists, this format is the worst of the Recorded Music Industry history”

1 (Le Monde 2, N° 237 « Le MP3 mutile le son et l’audition », August 30th, 2008)
CHAPTER 1: INTRODUCTION

* The International Recorded Music Industry *

1. **Background to Research:**

   Each year, “Time Magazine”, the prestigious American review runs a ‘Person of the Year’ feature that makes global headlines. In 2006, the magazine famously named the citizens of today’s world (the ‘Information Society’) as its choice for ‘Person of the Year’ rather than a well-known international figure, as it had done for almost half a century beforehand. Interestingly, the choice was illustrated by a computer screen that, on close inspection, shows itself to be an “Apple” white flat screen with a screen page alluding to a ‘You(tube) window’, The screen carried the following banner text:

   “Yes, you.
   You control the Information Age.
   Welcome to your world”.

---

2 http://www.time.com/time/covers/0,16641,20061225,00.html
The cover was widely regarded as very innovative, and highly indicative of today’s Information Society, the culmination of an Information Age marked by such milestones as the founding of Plato’s Academy in Ancient Greece in 387 BC; the development of the modern printing press in Gutenberg in 1455; Alexander Graham Bell’s introduction of the telephone in 1876; Marconi’s first radio transmission in 1901; and the ‘take-off’ of e-mail as the most popular application on the Internet in 1997. But was it accurate in its verdict? Does the end-user (i.e. the consumer) really control today’s Information Society? Certainly, there are some indications in many areas of economic and social activity that the ‘control’ the cover refers to might, in fact, lie elsewhere. I first became aware of some of the issues involved when studying the Information Society phenomenon during the Project Management Module of my MSc. Programme. I later decided to research the issue more thoroughly in the international recorded music industry where, as I began my research, there seemed to be almost universal agreement with Time Magazine’s verdict. It was not long before I realized the position in the industry was much more complex than the thrust of Time’s cover suggested.

2. **Introduction to the International Recorded Music Industry:**

As with all other industries in the media and entertainment sector of the modern global economy, the international recorded music industry has been, and is still, experiencing a major re-structuring in the wake of changes driven by the rapid development, and commercialization, of digital information and communications technologies. The pace of change involved is widely acknowledged as being exponential in nature. Furthermore, it is accepted as also being very wide in scope. What is less certain, however, especially when viewed from a strategic perspective, is what direction the change processes involved are taking the industry in as it looks forward to the future for glimpses of what it holds for it. Awareness of this uncertainty guided the secondary research underpinning this research dissertation.

The international recorded music industry has been buffeted by an unprecedented level of change over the past few years, so much so that one is tempted to recall Yeats’ famous quotation that “all’s changed, changed utterly, a terrible beauty is born”. Yet it is difficult to see a clear overall picture emerging. What is clear is that the traditional record labels are no
longer seeing the massive sales growth of the early 1990’s. Instead, CD sales have been on a downward spiral for some time. The Internet, in particular, has transformed the media consumers now use to learn about, purchase and listen to recorded music, including giving rise to a sizeable group of consumers who has progressed from just listening to recorded music to both listening to and watching recorded music.


Indeed, there is some evidence for the viewpoint that, unlike their counterparts in other parts of the entertainment sector, music industry executives, particularly in the major labels, have been slow to adapt to developments in their marketplace and are now paying the price for their tardiness and indecision. According to an article in the New York Times on July 1st, 2007 titled “Pop Life ’97: Tunes Were Empty, but the Coffers Were Full”, CD sales dropped by almost 20% over the 9 years to 2007. This seemed to take a previously stable, perhaps smug, industry, used to significant annual growth, completely by surprise with no major steps taken quickly to halt the decline, which continued at an ever more dramatic pace. In less than a decade, the article chronicled a massive drop in annual CD sales of 150 million units, without being offset by increases in alternative sources of revenue. Industry observer Nielsen SoundScan, quoted in the New York Times on 14th of January 2008 (‘Music Industry, Souring on Apple, Embraces Amazon Service’), noted that “CD sales slid 19% last year (2007). After adding in the 50 million digital albums sold last year and counting every ten digital songs sold as an album, overall music sales were still down a (net) 9.5%”. Responding belatedly, the major music labels tried to stop or limit the effects of the adverse

---

trends involved firstly by protecting their positions in the market (through heavy advertising) and secondly, and simultaneously, by waging an ultimately unsuccessful but costly war against music piracy (i.e. P2P file-sharing and other copyright infringements). Whoever or whatever was driving the industry during this period, it certainly was not the majors. Belatedly they seemed to get the message that their strategy was not working and changed tack. But for some the damage had already been done. This will be elaborated on later in this dissertation report.

The International Music industry today is dominated by four ‘new’ majors (*Universal, Sony/BMG, Warner, and EMI Music*), all themselves amalgamations of former household names in the industry driven towards re-structuring by an all too dynamic and volatile marketplace. Together, they constitute something of an ‘oligopoly’, generating almost 80% of global music sales revenue while having less than 30% of today’s recording artists on their books. On the face of it, this seems an impressive, even unassailable, market position but in reality current trends belie the apparent success involved and the dangers lurking in the future. The majors’ efforts to counteract the effects of digital technologies on their industry and on the behavior of its consumers have in reality proved ineffective in many respects with new market entrants such as *Apple* taking better advantage of the opportunities offered by new digital technologies and being rewarded for their efforts with significant market shares in existing as well as in new and emerging markets.

The response of the majors to the technological, strategic, and market challenges of the new millennium stands in stark contrast to that of their predecessors in the early 1980’s when the advent of CD technology itself revolutionized the music industry and threatened the dominance of its then ‘majors’. On that occasion the majors embraced the challenges afforded by the new technologies rather than resisting them and generated huge sales increases as a result with many consumers duplicating entire music collections in the new format. The majors of the day also took the opportunity to re-issue old catalogues in the new format at minimal cost. This was a resounding artistic and commercial success. Two decades later their successors poured money, not into embracing the challenges of the newly emerging technologies, but into fighting their impact on the marketplace. It was to prove a serious blunder. In particular, the very reactive stance of the four majors to the advent of the
WEB2.0\textsuperscript{4} phenomenon and the rise of *Apple iTunes* stands in stark contrast to the far more proactive approach of smaller independent music labels and competitors from the computing and telecommunications portions of the information sector (such as *Apple, MySpace, Facebook, Nokia*, e-music companies etc.).

To sum up this initial review of the new music industry, it is probably fair to say that the industry is full of contradictions with the traditional industry players (the majors and most ‘Indie’ labels) struggling to maintain their position in the market and hold onto their most profitable artists while e-labels, Web2.0, Apple and other e-music companies are flourishing. Furthermore, there appear to be different patterns emerging in different parts of the industry e.g. in classical music as compared with the rock and pop music genres. There are also huge uncertainties concerning the future of the industry overall with consumers now more diverse and sophisticated, competition white hot, pricing strategies no longer defined by the traditional industry players, product lifecycles getting shorter and artists no longer loyal to their label. In less than a decade, the music industry has undergone a sea-change, coping with new technologies, new competitors, new consumer and purchasing behaviors, new business models, a changing regulatory framework and much more. These are some of the complex issues on which I hope to cast some light in my research. In terms of progressing that research, given the complexity of the music industry’s current structure and characteristics it seems to me that the exploration of three related questions may allow us to better understand what is actually going on, especially as it affects consumers:

1. What are the KEY DRIVERS of the changes that have gripped the recorded music industry?;

2. Who are the new KEY PLAYERS in the industry and what are their relative positions in the industry both in terms of industry position and market power?; and

3. What is THE FUTURE of the international recorded music industry in the light of answers to the above questions?

\textsuperscript{4} « Web 2.0: concept first used by Tim O’reilly (O’Reilly, 2005). It refers to a collection of web services, which facilitate certain behaviors online such as community participation and user-generated content, rating and tagging ». D. Chaffey « E-business and E-commerce Mangement”, chapter 3, p.97, 3rd Edition, 2007
3. **The Key Drivers of the Information Society:**

The society in which we are living is often referred as being a “Post-industrial society\(^5\)”, “a society in which the resources of labor and capital are replaced by those of knowledge and information as the main sources of wealth creation. The postindustrial society involves a shift in focus from manufacturing industries to service industries and is enabled by technological advances”. Even if most western economies are no longer based on industrial forces, the term “Post-industrial society” has ultimately become largely obsolete and its definition is certainly far too broad, even simplistic. The definition also neglects the strong trend toward internationalization that our business environment has taken. Neither does it refer to, or name, the kind of technologies that are reshaping our world. Thus, since the mid 1980’s, most researchers and studies have preferred to use more adequate formulas such as the “digital era” or “global village” to encapsulate the phenomenon and point to the emergence of a new global, dynamic and highly, often hyper, competitive business environment. Indeed, the rapid development of digital technologies over the past 20 years has resulted in such “widening use of information and communication technologies and devices\(^6\)” as to give rise to the emergence of a new “Information Society” characterized by rapid economic and social development, especially in the services sector of the economy.

According to Martin, W., J.\(^7\), the Information Society is “a society in which the quality of life, as well as prospects for social change and economic development, depend increasingly upon information and its exploitation”. It is mainly embodied by an “increasing array of information-intensive products and services communicated through a wide range of media, many of them electronic in nature”. The information society is also an open field where the management of data, information and knowledge is critical to each company\(^8\). Most developed countries have gone from being “industrial economies” to post-industrial ones that would better be named as “knowledge and information” based economies. In such economies,

\(^5\) Definition of the Postindustrial society: Bloomsbury Business Library - Business & Management Dictionary; 2007, p5775-5775, 1p
\(^6\) Extract from the definition of Information society by the European Commission
\(^8\) Zins, Chaim; Journal of the American Society for Information Science & Technology; Feb2007, Vol. 58 Issue 4, p479-493, 15p, 1 chart
“the market value of many firms is based largely on intangible assets, such as proprietary knowledge, information, unique business models, brands and other “intellectual capital”.”

The environment in which companies are now operating has dramatically changed over the past two decades. To make it clearer, the following graphic (adapted from Kotler, 2004) helps to illustrate the new 21st century global marketplace as a collection of buyers and sellers “who transact over a particular product or service”. The sellers are defined as the “Industry” and the buyers are seen as the “Market”. Four flows connect these two groups. First, the industry is sending to the market flows of goods/services and communication (mainly advertisement), while the market (collection of buyers) is giving them in return money and information (personal and sales data). In our current society (i.e. the Information Society), the system is basically the same, except that it is at bigger scale and faster pace (these enabled by Information and Communication technologies).

Graph 3: Marketing System model for the 21st Century: (Kotler, 2002)

The so called “new competitive Business environment” constituted by the Information Society is being driven by four powerful worldwide factors resulting from technological development that have impacted the business environment globally:

1. the emergence of a global economy,

---

9 Laudon and Laudon; Managing the digital firm, chapter 1, 9th edition, 2006, p.11.
2. the transformation of industrial economies into information and knowledge-based economies (centered on the services sector),

3. new organizational structures (based upon cost reduction, more efficient and collaborative work systems, and enhancement of organizational flexibility), and

4. the emergence of digital firm (rise of e-commerce/e-business) not only can be seen as consequences but also as drivers of this revolution.

My reading of the literature on the Information Society overall suggests that the factors driving the Information Society itself are the factors driving change in the recorded music industry, namely:

- rapid technological development of digital technologies hardware and software
- the miniaturization of consumer products associated with such technologies
- the associated development of digital data compression techniques
- the growing role of communications technologies in the business and entertainment sectors of the new global economy and,
- the reactions of regulatory authorities to these developments worldwide (designed to promote economic and social development, especially through rapid development of the services sector of the economy).
4. **The Key Players in the Global Information Society:**

The key players in the Global Information Society can be summarized in the following graphic (adapted from Lynch, 2002\(^{11}\)):

![Diagram of Key Players in the Global Information Society](image)

*Graph 4: Key players of the Global Information Society*

It will be noted all of the players occupy prominent positions in the international recorded music industry.

Competition in the new global marketplace is, as Kotler’s model suggests, driven by information and communication flows and, by inference, the technologies that facilitate these flows on a scale, and at a speed, unprecedented in human history. The keys to success in this technology-driven marketplace, the literature suggests, is **innovation** i.e. the ability to produce new products and services, changed products and services, and new ways of doing business to respond to the demands of a volatile and rapidly changing marketplace. In recognition of this, many firms are now pouring money into innovation in order to gain or keep a competitive advantage. In practical terms, the main results have been shorter product life cycles, a greater emphasis on creativity, ‘out of the box’ thinking and innovative business models to stimulate organizational adaptability and responsiveness to change. Indeed, all

---

\(^{11}\) Lynch, J. D., 2002, Extract from Eircom submission to the Information Society Commission.
organizations, whether SMEs\textsuperscript{12} or multinationals, can now tap into the possibilities offered by digital technologies, including the Internet, and to get closer to customers, suppliers, intermediaries, and employees. The challenges involved if they are to be met successfully, require organizations to enhance their ability to informate, to innovate, and to respond quickly to change in their environment\textsuperscript{13}.

5. Digital technologies and the Recorded Music Industry:

According to recent figures published by the Internet World Stats' website\textsuperscript{14}, there are over 1.4 billion Internet users today. The number of websites, according to a 2006 Netcraft study, grew from 18,957 sites in 1995 to more than 179 million in February 2006\textsuperscript{15}. Most people today are either familiar with, or aware of, the power of technology. It has been estimated in the UK that "by the age of 21 the average person will have spent 15,000 hours in formal education, 20,000 hours in front of the TV, and 50,000 hours in front of a computer screen\textsuperscript{16}". In every facet of our lives we are increasingly dependent on the use of electronic devices. Advances in the use of digital broadband, internet, mobile phone and portable technologies has, in particular, helped today’s producers to develop new markets and business opportunities on a hitherto unprecedented scale. The word “digital” refers to the technology itself: “a binary language of computers that allows for easy generation, processing, and transmission of signals with the assistance of microprocessors. The binary language is a series of discrete bits represented by zero or one\textsuperscript{17}.”

In regard to the impact of digital technologies on the international recorded music industry, sales of digital music via the internet have grown steadily since the early 1990’s fuelled by illegal P2P file-sharing websites and the surge in portable digital music players. In response to the growth in music piracy, the industry, mainly thanks to the success of Apple I-tunes,

\textsuperscript{12} SMEs : Small and Medium-sized Enterprises
\textsuperscript{13} O’Brien, 1996
\textsuperscript{14} \url{http://www.internetworldstats.com/stats.htm}
\textsuperscript{15} E-business and E-commerce Management, E-business infrastructure; Chapter 3, p.88 ; Dave Chaffey, 3rd edition, 2007.
\textsuperscript{16} Hannah Green, Keri Facer and Tim Rudd ; « Personnalisation and digital technologies » ; Futurelabs, UK 2006 ; \url{www.futurelab.org.uk/resources/documents/opening_education/Personalisation_report.pdf}
\textsuperscript{17} « Introduction to e-commerce » ; jeffrey Rayport ; Bernard Jaworsky, 2002 Mc Graw Hill/Irwin (Glossary, p. 644)
eventually succeeded in establishing a market for legal online music downloads (i.e. subject to charges). The markets for digital music continue to grow. The 2007 IFPI annual report recognized that “digital is no longer a separate entity in the operation of a record company- it is wholly integrated into all the products and services⁰⁸”. Yet although the growth of the digital segment of the recorded music industry has, indeed, been remarkable, it still did not counteract the decline in CD sales caused by the advent of internet-based digital music technologies.

While much can be said about how the traditional industry players (historical and main labels) initially failed to grasp the opportunity to jump on the digital bandwagon, it must be acknowledged that the music industry is one of the most innovative and creative of all the entertainment industries in their approach to and use of digital technologies (second only to the video games industry).

Finally, digital technologies also seemed to shift the balance of power in the recorded music industry away from the traditional players towards consumers, who now have access to more music and contents than ever with better functionality and at better prices than before. Some younger consumers, however, no longer seem to regard music creativity as something that must be fairly rewarded (paid for). The digital music world has yet to deal definitely with the issue of digital piracy that will be hard to solve. Doing so is likely to involve both consumer educational challenges as well as that of the digital rights management¹⁹ issue caused by the lack of interoperability between digital player formats.

6. The Key Players in the Recorded Music Industry:

Who are the key players in the International Recorded Music Industry and how has the structure of the industry changed over the last decade?

6.1 A ‘Brick and Mortar’ Organization:

---

⁰⁸ 2007 IFPI annual report, p. 5.
¹⁹ DRM : Digital Rights Management (DRM): The use of different technologies to protect the distribution of digital services or content such as software, music, movies or other digital data. (D. Chaffey, p. 64, chapter 2).
The following graph portrays what used to be the typical music recording process (from the creation of music content up to the sale of CD’s to consumers), highlighting the main role of the key players involved. In this traditional organization, the role of technology or ‘online presence’ remained limited.

Thus, the graph refers to a ‘brick and mortar’ organization: “an old economy organization that perform most of their business off-line, selling physical products by means of physical agents”\(^\text{20}\).

\*\*\*\*

\(\text{Graph 5: Traditional key Players of the International Recording Music Industry before Digital era}\)\(^\text{21}\)

\(\Rightarrow\) To know more about who are the main players and on their functions, please refer to APPENDIX INTRODUCTION N°1


\(\text{21} \) Adapted from « Les modèles d'affaires de l'industrie musicale dans le contexte de la nouvelle économie »; I. Bacot; C. Meli; Université de Laval (Canada), 2004
6.2 ‘Click and Mortar’ Organization:

The following graph illustrates how the international recorded music industry currently operates. As technology has continuously influenced the way this industry worked and evolved over recent years, we have essentially moved from a “Brick and Mortar” to a “Click and Mortar” model in the industry. In other words, an economic model and business model in which e-commerce is expanding rapidly, but where the primary business is still conducted in the ‘physical’ world. Indeed, certain of the key players (especially the ‘new comers’) could be qualified as ‘Virtual’ (or pure play) organizations: organizations that conduct their business activities solely ‘online’.

Graph 6: Consequences of the emergence of the WEB 2.0 phenomenon and the rise of Digital Technologies in the International Recording Music Industry organization.

22 Adapted from graph on the previous page
A brief analysis of the graph helps to highlight some of the most interesting trends in the current music industry:

- The progressive trend towards dis-intermediation meaning “the removal of intermediaries such as distributors or brokers that formerly linked a company to its customers”. This “cutting out of the middleman” phenomenon helps to simplify the structure of the industry.

- The changing role of consumers whereby it now seems that consumers are the key player in the industry with all the other players focused on seducing them.

- The growth of the “Digital Music” concept through new digital technologies, online sales, the web2.0 phenomenon, Apple i-tunes, e-music stores, mobile operators.

- The effects of competition in modifying the role and the influence of the traditional industry players and the increasing autonomy of new artists that can produce themselves via the web.

- The arrival of new market entrants such as Apple, Web2.0 sites (e.g. Myspace, Youtube, Bebo, and Facebook), e-labels, and e-music stores resulting in an increasing array of competitors and an unprecedented level of competition in an industry once almost totally dominated by the majors and a handful of large independent labels.

- New issues such as illegal piracy on the web, massive copyright and intellectual copyright infringements on a global scale etc.

- The increasing power, and, indeed, necessity, for regulators to intervene in order to arbitrate conflicts in the industry, and prevent abuses.

- The incremental growth of online sales and e-commerce as business models, emphasized in the e-commerce literature.

Finally, and by way of recapitulation at this juncture, the foregoing review of the current recorded music is reflected in an adaptation of Porter’s (seminal) 6 Forces Model which will give us a final overview of the current industry environment as well as the possible threats and stakes for the industry into the future.

---

23 D. Chafley, Chapter 2, p. 45
24 (e.g. Turban et al., 2006, which notes the existence of 17 different e-commerce models).
What makes this adaptation of Porter’s model interesting is that it captures the particularly complex situation in which the traditional players in the international recorded industry now find themselves as a result of forces driven by the rapid development of digital technologies that have engulfed all areas of the music business, bringing about major changes in the classic production/marketing/distribution model. It especially reveals the adverse effects of the traditional players misreading of the emerging Information Society phenomenon and the inadequacy of the strategies they initially deployed to combat, rather than embrace it, cruelly exposing their own Achilles’ heel in the process, and threatening their formerly unassailable market position.

Another problem that traditional players have in the current industry is that consumers (i.e. music fans) are not loyal to labels but rather to artists. However, artists can change labels and a section of the market that is interested in sound quality as well as in the music itself may actually have label some loyalties. This has been a feature of the classical music market for many years as evidenced by any issue of the Gramophone magazine, whose monthly issues over the past two years I have reviewed. If an artist decides to change label it will not usually a sacrifice for consumers, as they continue to listen to their favorite artist regardless of label. Therefore, labels tend to lack brand equity or something equivalent that would be valued by consumers. Even worse for the traditional players is the fact that many consumers (especially
the youngest ones) seem unperturbed by the current crises facing the long-term viability of the industry in many fields of recorded music.

On another level, the budget for Production and Promotion within the new industry brought about by digital technologies is not anymore as expensive or complicated as before. Thus, it is now more and more common to see artists being self produced or promoted by a community of Internet users (e.g. the success of e-labels such as Mymajorcompany.com\textsuperscript{25}). The advertisements and the promotional opportunities provided by Web 2.0 sites is also helping artists to become famous without having a significant advertising budget. Concerning substitutes, Nokia, Sony Ericsson and Samsung (all mobile ‘phone operators) have made it clear that they definitely want to be ‘big’ in the music industry, whether in Asia, Europe or North America. Much speculation also surrounds Apple’s next moves to continue its successful breakthrough into the industry. More intriguingly, perhaps, will Myspace, Facebook, Bebo, and Youtube resist the temptation to becoming direct competitors to the traditional record companies or will they choose to be strategic partners?

Whatever the case, one can see that the majors are no longer misreading their marketplace and at last are beginning to make sensible, if traumatic, strategic decisions.

7. The Future?

This final synthesis underlining certain paradoxes and uncertainties in the industry, leads us ultimately to the questions that will drive my dissertation:

- How do consumers take part in and feel about the change that the music industry is experiencing?
- How far can digital technologies reshape the international recording music industry?
- Who and What ‘is’ driving this industry?

The use of primary research via questionnaires and interviews, as well as secondary research in the form primarily of the literature review that now follows will, I hope, go some way towards addressing such issues in this research dissertation.

\textsuperscript{25} MyMajorCompany.com, a participative e-Label : http://www.mymajorcompany.com/
CHAPTER II: LITERATURE REVIEW

* Today’s International Recorded Music Industry: “highway to hell” or a “stairway to heaven”? *

This title, alluding to the famous worldwide hits of AC/DC (“Highway to hell”) and Led Zeppelin (“Stairway to heaven”), may probably sound either too much rock ‘n’ roll or too folk for an industry, that has long been seen as a relative stable business but, that ultimately was quite shaken up. However, the combination of these two titles perfectly embodies the level of confusedness in which most key players are at the moment. Indeed, the fact of dealing with empowered consumers, the inability to predict the future trends, controlling a market that is no longer led by a tiny group of Majors and finding adequate solutions to the issues that the Recorded Music Industry is facing, quite clearly illustrates a new era for traditional players.

As mentioned in the previous part, the current International Recording Music Industry (and especially the digital music marketplace which is specifically studied in this dissertation) offers a lot of opportunities but also hosts a lot of frustration. This situation as described by J. Kennedy, at the beginning of the 2008 IFPI annual report\(^\text{26}\) is mainly deriving from a recurrent resistance to change of certain traditional players. The fact that piracy came out of proportion and of traditional players’ reach also led them to ask regulators (governments, ISPs and International Music Associations) to finally intervene in order to settle the piracy plague.

Can we now say that the music industry does not control anymore its destiny?

In order to respond to this interrogation, the question of knowing who really controls the digital Music Marketplace and, above all, trying to see where consumers really fit in this framework must be asked. The answer however certainly remains uneasy. Not only because it deals with an industry that hosts nowadays multiple players that do not have necessarily the same vision, the same stakes, the same position while they are often all interdependent, but also because it deals with new technologies and new consumer behaviors. Thus, the Schumpeterian theory of “creative Destruction”\(^\text{27}\), according to which, the emergence of a major technological innovation may deeply modify the way an industry works while creating

---

\(^{26}\) John Kennedy, Chairman and CEO of The International Federation of the Phonographic Industry (IFPI), “2008 Annual Digital music Report”, p.3

\(^{27}\) Andrew Ian Dodge, « Creative destruction in the music Industry: the way ahead », The economic Research Council; December 2006
new business opportunities, has its full meaning in the case of the International Recorded Music Industry.

This literature review focuses on some of the challenges the Music Industry is facing\textsuperscript{28}.

The first part of this chapter illustrates the evolution and the main challenges of the Music Industry. The second part focuses on consumers and on their predisposition to control the digital music marketplace. Finally, the third part portrays the main issues and clarifies the research questions that will be studied in this dissertation.

\textsuperscript{28} Most of this chapter relies on information and facts taken from key studies conducted by Consulting firms like PriceWaterhouseCoopers, Capgemini, Nielsen SoundScan, peer reviewed articles, articles from the Music Press, annual reports from International Music Associations (IFPI, RIAA, SACEM etc.) as well as Music groups, speeches from influential music managers as well as articles from International newspapers (New York Times, Le Monde, The Guardian, Les Echos...).
I/ The International Recording Music Industry: past, present and future trends

1/ A quick retrospective of the consequences of the Digital revolution on the Music Industry

- 1.1/ Before Digital Era: “A well oiled industry monitored by a tiny group of Majors”

Once upon a time, the music industry was solid and prosperous. The labels were promoting their artists and music according to a traditional model\(^{29}\).

The demand was high and labels were choosing their artists according to their own criteria (through A&R department) and their potential of success in the market. Artists were releasing their new album every 2 or 3 years and consumers were buying their CD albums or singles. Artists were paid royalties (mostly from CDs’ sales, promotions and tours) and the Record Labels (Majors and Indies) were leading a relative “competition-free” industry.

- 1.2/ After Digital Era: “An industry challenged by uncertainty and empowered consumers”

With the emergence of a Digital Music Marketplace\(^{30}\), the industry has been « in the midst of a technological revolution. New ways in which music is created, delivered and consumed, have affected both market and industry structures. Many different stakeholders were affected by this change, including music publishers (the big 4 and the independent), artists and consumers”\(^{31}\) (Andersen and Frenz, 2007). As a result, not only did the balance of power between key players radically changed, but also the relationships between these stakeholders profoundly evolved. However, as one would expect to see the Industry move from a power struggle framework into a partnership approach, truth is that traditional players

\(^{29}\) See « Introduction » : « Brick and mortar organization » graph, p.20
\(^{30}\) See « Introduction » : « Click and mortar organization » graph, p.21
(like the Majors) still have troubles to implement such a system (Bagot and Meli, 2004\textsuperscript{32}). Besides, at a time where consumers are exchanging more information than ever thanks to the Internet, where the concept and the success of “Social networking” cannot be neglected, the initial position that adopted traditional players has been unhelpful and inefficient to regain their control over this industry. The continuous failure to monitor and erase Piracy, the incremental power of the ‘emerging players’ (e.g.: Apple, Mobile Operators, e-retailers…), have accounted for the unhinging of, and the ‘spice adding’ to, what used to be a ‘well oiled and satisfying dynamic’ industry.

This antagonism between the necessity to adapt to change and the ambient unwillingness to change, has been explained by Paul Mc Guinness (manager of U2 and influential guru in the Recording music Industry)\textsuperscript{33}, as being the result of an interdependency between key players of the Music industry that did neither facilitate nor encourage change. Thus, a change occurring in one area may affect various players but their profit and loss expectancies may not match enough to reach a general consensus. These types of structures are consequently hard to change and it is even harder when it seems that consumers (external players) are now at the centre of this process. As a matter of fact, “the consumer is now a creator, producer and distributor too. The digital boom has accelerated the proliferation of user-generated content”\textsuperscript{34} (Levy, 2006). In addition, speaking about “communities of consumers” (rather than consumers) would probably be more adequate as through, the “buzz” or social networking factor, consumers are the ones to create new trends, help unknown/unsigned artists to get produced and release their own album (e.g.: the success of mymajorcompany.com). Consumers are now evolving in an “online commerce that has done away with constraints of the physical store; selections are now vast and supported by rich information”\textsuperscript{35} (Elberse 2008). Consumers have therefore been key players of change, adopting rapidly new digital tools and innovations and finally forcing companies to innovate.


\textsuperscript{33} Paul Mc Guinness speeches January 2008 at Midem Cannes and June 2008 at Music Matters (available on IFPI.com)

\textsuperscript{34} A. Levy : « Digital music and how the consumer became king », 25/11/2006

- **1.3/ Today’s Music Industry: More products but shorter products’ life cycles.**

Digital Technologies enabled the emergence of “a world of ubiquitous information and communications technology, where retailers have virtually infinite shelf space and consumers can search through innumerable options" (Elberse, 2008). As a result, most companies evolving in the Digital Music Marketplace have to cope with shorter and shorter products’ life cycles which means that « profitability relies on explosive but ephemeral market growth » (Andersen and Frenz, 2007).

---

**2/ The shift from International Record Label to the new trend “International Media Label”**

- **2.1/ The shift from physical to digital format**

According to HMV 2008 annual report, music sales are now representing only 25% of HMV total group sales, 32% for DVDs and 43% for games and electronics items. Less than 10 years ago, music sales (CDs format) were still the main source of revenues for this multinational. Indeed, from the *Vivendi* 2007 Annual Report (which *Universal Music Group* is a subsidiary), “according to the IFPI, the recording industry trade association, the worldwide music market decreased by 5% in value in 2006, despite digital sales increasing 85%, due to an 11% decline in physical music sales”.

As one can notice, the music industry still has troubles “recovering” from the change of format. The following two graphs focus on the forecast of the Industry revenues driven by digital sales and outline that digital sales are coming from 3 main channels (subscriptions websites, mobile phone industry and broadband Internet).

---


38 *Vivendi* 2007 Annual Report, p.28
- **2.2 / The explosion of digital Music:**

Even if digital sales still have not offset the loss of physical sales, the digital landscape (whether legal or illegal) is booming. Websites of P2P file-sharing (*BitTorrent*, *e-mule*, *edonkey*, *Grokster*) and legal downloading platforms (*iTunes*, *Amazon Music*) have literally exploded and the phenomenon Web2.0 has not, for the moment, reached its climax. New type of music consumption has appeared. The conclusions dressed by the IFPI 2007 and 2008 annual report show an increasing popularity for:

- Single track buying and downloading
- Mobile music market (iPhone, Nokia, Samsung, LG, Sony Erikson…), “The mobile business accounts for half the world's digital music revenues” ((Paul Mc Guinnes, 2008 January, Midem speech p.9)
- Music video online (Msn online, Youtube, Dailymotion etc etc)
- Social networking websites such as *YouTube, Bebo, Myspace, Facebook (iLike.com)*

---

40 **IFPI 2008 annual report**, p.14
2.3/ The move toward more entertaining and digital facilities:

As a result, Record labels are progressively providing not only music but becoming entertainment companies (offering multiple types of services online), trying to make the most of this phenomenon and of its great opportunities for artists. John Kennedy (CEO of the IFPI) finally admits “Digital technologies are nowadays entirely part of all products and services provided by most record companies”\(^{41}\).

3/ Main issues facing by the International Recording Music Industry

The world of business is home of battles between tremendous successes and missed opportunities, achievements and frustrations that can quickly become strengths or weaknesses resulting from wrong decisions, inappropriate strategies or inabilities to take opportunities on time. Therefore, even if traditional players are nowadays finally on the forefront of digital technologies and most new entrants on the cutting edge of the digital music trends, there remain a lot of tensions between all these players. Their incapacity to stand as one voice on huge issues such as “Piracy” or “interoperability of formats” is among the most obvious illustration of these conflictive relationships. "Everyone is flexing their muscles to prove they don't need each other," says eMarketer analyst Paul Verna. "But the truth is, they do"\(^{42}\) (Burrows, 2008).

It is plausible that traditional players have for too long forgotten about the strategic issues and concentrated on communication or mass advertisement. But certainly, the main cause of such a situation resides in the fact that all players are interdependent and that Majors are no longer the only ‘Body’ driving the international music industry. Emerging players (Web 2.0, e-retailers), digital devices manufacturers (Apple, Microsoft, Mobile operators), Regulators (ISPs, Governments) and finally consumers (communities of consumers/prosumers) have, for the last decade, taken so much power in this industry thanks to the digital revolution, that the question: “Who really control the Digital music industry?” has became a true “brain-teaser”, when it is not apprehended as a taboo subject.

\(^{41}\) John Kennedy, CEO and Chairman of the IFPI, IFPI 2007 annual report (p.3)
\(^{42}\) Burrows, P, Business week online 1/15/2008, (p.23)
As consumers are often (if not always) been pointed out as the big winners of such a revolution, the next part of this literature review will focus on them.
II/ An overview of digital consumers and on their predisposition to control the digital music marketplace

1/ “Kiss that couch potato goodbye. Today’s consumer is active, engaged and increasingly a producer of content”

This catch phrase taken from the PWC 2008 report entitled “Navigating the era of the empowered consumer”\(^{43}\), sums up what consumers in the digital music world are progressively becoming. What is meant here is the progressive transition of consumers from simple customers into “prosumers” (i.e.: consumers, promoters and producers).

- **1.1/ The rise of Web 2.0, and its consequences on consumer behaviors:**

  This change is a direct consequence of the digital technology revolution and was enabled by the rise of WEB2.0 sites. As a matter of fact, Ph.D. consultant Don Tapscott claims that “Social networking is becoming social production and beginning to fundamentally change the way an industry innovate and the way a business engage with the rest of the world”\(^{44}\). For instance, in June 2008, the US firm base ComScore\(^{45}\) revealed that Facebook (partially owned by Microsoft) had, for the first time since its creation, received more visitors than MySpace (News Corp property (220 Million members)).

On a broader scale, the digital revolution impacted the structure of the industry and altered the business processes as well as the relationships between labels and consumers, labels and artists and artists and consumers. The concept of change and, above all, the notion of ‘Speed of change’ are key elements that permitted “the rapid emergence of an on-demand environment in which consumers are in control and companies must deliver on their rising “anytime, anywhere” expectations”\(^{46}\) (PWC, 2008).

\(^{43}\) « Navigating the era of the empowered consumer : a conversation among media, content, distribution and advertising executives », PWC 2008 (available on www.pwc.com)

\(^{44}\) Navigating the era of the empowered consumer : a conversation among media, content, distribution and advertising executives », PWC 2008 (available on www.pwc.com), (p.26)


\(^{46}\) Navigating the era of the empowered consumers (p.3)
On another level, consumers have seen their power increased with digital technologies mostly “because they have been granted the right to ‘pick and choose’ specific tracks, listen to their music without necessarily purchasing it, which resulted in a significant customer benefit compared to prior format (CDs, Tapes, LPs...)”\(^{47}\).

In order to better understand who these consumers are, it is necessary to comprehend the concept of “Digital Consumers”.

1.2/ Introducing the digital Consumers:

As anyone may guess, the more an industry offers new opportunities, the more its consumer’s base must be segmented as various types of consumer behaviors may appear. Concerning the Music industry and particularly since the Digital Era a new group of consumers (once “included” in the concept of ‘early adopters’) is now called “Digital Natives”. If the reference to “Digital natives” may today be overused in the literature; one must recognize that this group is quite important as it represents the ‘consumers of tomorrow’ (the 15-24 years old age group).

This section will sum up some of the most interesting trends and conclusions outlined in two studies conducted by Capgemini in 2007\(^{48}\).

1.3/ Digital consumers and their environment

With the emergence of the Information Society (and the era of digital technologies), consumers’ behavior is not as predictable as it used to be. Additionally, consumers tend to become more influenced by trends and cycles of consumption that are born instantly (often thanks to the ‘word and mouth’ buzz), need instant consumption, and can die as quickly as they were born. Taking into consideration that consumers (especially the younger ones) are becoming increasingly smarter in the use of new technologies and that they want more personalized services and products, the efforts to satisfy their needs are becoming a real tough challenge for most companies.


\(^{48}\) The first one is called “Future Consumer: how shoppers needs and behavior will impact tomorrow’s value chain”\(^{48}\). The second one, called “The digital natives: How is the younger generation Reshaping the Telecom and Media Landscape?”\(^{48}\) is focusing on the 15-24 age group.
2/ The (r)evolution of the “digital Natives”:

If young consumers are usually Internet and technology aware, the question of using it effectively and efficiently mostly remains unanswered.

- **2.1/ The incremental use of digital technologies:**

  Because the younger users are often early adopters, internet-addicted and highly influenced by the newest consumption trends, it is important to understand their behavior and attitudes towards consumption and digital technologies. In the report called “Digital Natives: How is the younger generation reshaping the telecom and media landscape” published in April 2007 by Capgemini, the company studied how the younger generation⁴⁹ is currently consuming and interacting. Even if the study principally referred to the telecom and media services, some of its conclusions could have direct links and implications in regard to the music industry.

- **2.2/ Main characteristics of these consumers**

  - “Impatience” and “control” are two criteria defining these consumers. Most of these young people are seeking for an immediate consumption (phenomenon called “Media Tasking”) while doing various things in order to save time (phenomenon of “Multitasking”).

  - The other key word defining this generation is “Community Interaction”: in an increasing Individual society where competition dominates, most youngster love to be part of virtual groups or meet their friends on Internet.

  - They are looking for ways to express their creativity and their originality, in other words to consolidate and build their personality. As surprising as it can be, even if the

⁴⁹ (aged between 15 to 24 years old)
choice and possibilities are increasing, young people tend to see the same types of website (notably Social Networking websites such as MySpace, Facebook or YouTube).

Internet helped the younger generation to interact with a global community anytime and anywhere. These groups daily exchange on what is worth to download, watch and listen thanks to online platforms like forums or Web2.0 sites. These conclusions addressed by Capgemini seem to tally those of PWC that characterize the “net generation” as a generation of “skilled, informed and connected consumers”\(^\text{50}\).

- \textbf{2.3/ What do they want and value?}

An interesting aspect of the Capgemini survey on the Digital Natives is that it revealed two strong desires expressed by these consumers. In fact, they want:

- \textbf{To be involved in the creative/development process:}

The perfect example is the success of “Mymajorcompany.com”, which is a French new record label system where Internet users can put as much money as they want on the artist of their choice. Artists that reach the €70,000 barrier are given the right for their album to be produced and released. The investors are also reimbursed proportionally according to their level of investment in the artist, which is their “equity share” in the artist. This idea is similar to buying stocks/assets on the financial markets along with the way dividends are given back to investors. This phenomenon is now called “Crowdsourcing” which is “the act of taking a job traditionally performed by a designated agent (usually an employee) and outsourcing it to an undefined, generally large group of people in the form of an open call”\(^\text{51}\). According to Capgemini report\(^\text{52}\), it seems that consumers are no longer waiting to be surveyed by companies to know their needs and wants, they directly express and obtain it online.

\(^{50}\) “Navigating the era of the empowered consumers”, PWC 2008, part Today’s environment in the entertainment and media business industry.


\(^{52}\) « Digital Natives: How is the younger generation reshaping the Telecom and Media Landscape », Cap Gemini (Telecom, Media & Entertainment Study), 16 April 2007
To be true partners and to initiate strong relationship:

A certain amount of consumers wants to be “prosumers” before being simple customers. With the rise of social networking websites and the emergence of communities of consumers exchanging information online: “it has become increasingly clear that companies need to listen directly to what their markets and individual consumers demand, when (and sometimes before) they demand it. Consumer conversation provides a way forward”[^53]. Therefore, the ability for Record Labels to hear these conversations which means to be able to perceive the relevant “consumers’ shouts and whispers”[^54] is a key success factor. This consists in being proactive (going to meet these consumers) and reactive (giving them the right information, on time).

3/ What do we learn from this part:

As a conclusion, what is distinguishing “digital music consumers” from “physical music consumers” is that they are far more proactive. “In the consumer driven world of online, marketing has moved from push to pull or as the marketers say, from one to many to one to many. In other words consumers are now the marketers and distributors of content too. The consumer today does not want to be preached to and is looking for 'authenticity’”[^55].

[^53]: “How consumer conversation will transform business”, report from PWC, January 2008, p.16
[^54]: “Navigating the era of the empowered consumer”; PWC report 2008
[^55]: « Digital music and how the consumer became king”, A. Levy, chairman and CEO of EMI Music (2006), [http://www.ifpi.org/content/section_views/view024.html](http://www.ifpi.org/content/section_views/view024.html)
III/ Schematizing the Digital music industry

1/ Interactions in the digital Music Marketplace: how the system works and where do consumers fit in?

The following section tends to recapitulate through a graphic what has been presented since the beginning of this dissertation focusing on the interactions between key players. In order, to schematize the whole process, the music Industry is presented as a ‘network’ in which ‘hardware manufacturers’ and ‘software broadcasters’ are being linked together thanks to ‘consumers/main users’. Consequently, the Digital Music Marketplace is divided into three entities: ‘transmitters’ (software providers/ content broadcasters), ‘receivers’ (hardware manufacturers) and ‘main users’ (as being consumers).

Graph 2: The basic tenets of the digital music industries
As noticed in the two previous parts:

- All players have a clear role either transmitters, receivers or users (stance of Geoff Taylor\textsuperscript{56}, 2008).
- Consumers are the key players that linked together software providers with hardware manufacturers and make “the magic comes true” (PWC 2008 report: “on media”\textsuperscript{57}).
- The system does seem to work on an ongoing basis and the interconnections between these players may transcript certain interdependence between all key players (Paul Mc Guinness\textsuperscript{58}, 2008)

- **1.1/ Software***:

Software agents: “Software programs that assist humans by automatically gathering information form the Internet or exchanging data with other agents based on parameters supplied by the user”\textsuperscript{59}.

This section deals with music and content creation (“content creators”), as well as, services like production, publishing and distribution (“content providers”).

- **1.2/ Hardware****”**:

![Graph 3: Why do customers buy music online? (IFPI annual report 2007)](image)

\textsuperscript{56} G. Taylor (Chief Executive, British Phonographic Industry); « The role of record Labels in the digital Age », speech at the London Calling, 20 June 2008

\textsuperscript{57} PWC 2008: « On Media: Recorded Music – Who benefits from digital ? » (p.6)

\textsuperscript{58} P. McGuinness (Manager of U2), « ‘The Online Bonanza: Who is making all the money and why aren’t they sharing it?’ », speech at Midem’s first International Manager Summit, January 2008, (p.2 and 4) + G. Taylor (p.13, 14,15)

\textsuperscript{59} D. Chaffey, “E-business and E-commerce management, 3\textsuperscript{rd} Edition, 2007). (p.645)
The IFPI/M-Lab study carry out in November 2006 in the UK, Germany and France show that 39% European portable player owners have bought music online at least once (58% in the UK). Besides, a survey done by Jupiter (2007) showed that owners of iPod are 3 times more likely to buy music online (especially on Apple iTunes store) than general Internet users. 16% of iPod owners in Europe download music on a monthly basis.

As a consequence, the increasing popularity of portable digital music players has been one the main driver of the expansion of the online music services. In 2006, 120 million units were sold in the world. Though, even if portable owners are more willing to buy legally music online, the amount of purchased music is still relatively low.

“Hardware companies are trying to make their products even more useful and give consumers more incentive to buy» 60. As a result, this section is comprised of several stakeholders that do not have the same core competencies but that ultimately provide consumers digital tools to get access to their music content. The “hardware manufacturers” appellation regroups: computer/software giants and mobile operators/constructors (such as Apple, Microsoft, Intel, Nokia, Sony Ericson etc…), ISPs (whether national or international telecommunication companies or search engines as Google, Yahoo…) and credit card companies (involved in the process of fees for legal download).

- 1.3/ Content:

As Paul McGuinness61 points out, “Content is still king” but less protected in the digital Music framework than in the physical one and much more dematerialized. Thus, « Digital music is frequently characterized as information good that is expensive to produce but cheap to reproduce. » (Sinha and Mandel, 2008 62)

---

60 “Getting Control of Digital Media”. By Greene Jane, Business Week Online, 1/28/2008, p.3 »
61 ‘The Online Bonanza: Who is making all the money and why aren’t they sharing it?’; A speech by Paul McGuinness at MIDEM’s first International Manager Summit. 28th January 2008; (p.4)
The network embodies the **whole system where software and hardware are connected together via the consumers**.

As mentioned by PWC consultants: «with consumers undoubtedly in control, companies need to step away from traditional business models and collaborate in new ways both with each other and directly with their customers. In a world of tightening margins, a widening array of platforms and content, and an increasingly global reach, success requires facing an uncertain future, building a collaborative roadmap, continually responding to evolving consumer wants and needs, and embracing and monetizing the buzz word of the moment—“change.” »\(^{63}\).


Because the concept of control has no meaning if we do not understand who benefit from it and what are the bargaining powers, this next section of the literature review tends to portray most conclusions dressed by the 2007 and 2008 IFPI Annual Report through another graphic.

---

\(^{63}\) PWC 2008 report “Navigating the era of the empowered consumer” (p.9):
Graph 4: Consumers purchasing power in a digital Music environment. How do consumers get their music?  

- **Illegal Environment**
- **Legal environment**
- Cooperation, equal balance of control, shared interests
- Control, power of monitoring activities.

---

Adapted from the main conclusions dressed in the 2007 and 2008 IFPI Annual report.
As underlined in the previous graph, consumers can access to music online through two channels (G. Taylor\(\textsuperscript{65}\), 2008):

- The legal environment provided by traditional players (majors and Indies) and the “emerging players” (Apple iTunes, e-music stores, Web2.0 sites online streaming radios, mobile operators, e-retailers, the “do it yourself way”),
- The illegal environment: mainly through P2P files-sharing websites.

- 2.1/ The LEGAL FRAMEWORK: “from the top to the bottom”

The graphic from the top to the bottom recapitulates the roles of each key player according to where the music comes from\(\textsuperscript{66}\). Thus, at the top are the record companies where the music content is created (recorded, produced, promoted and distributed). In this section are the Majors, Indies and e-labels that represent artists and deal with the main retailers and music websites. The “do-it-yourself players”\(\textsuperscript{67}\) who are slightly different than e-labels and participative labels are also included here, as artists themselves directly sell their music to consumers on their own official websites. For instance, Radiohead was the first band to opt out in favor of this innovative system, which was relatively successful mainly thanks to its fan base\(\textsuperscript{68}\).

The next step focuses on the new “intermediaries” (which are progressively becoming partners). This group of players is usually the one with whom most net-consumers are dealing with when they want to listen to music (through streaming (Web 2.0, last fm, Youtube) or legal downloads (iTunes, e-retailers, mobile operators)).

The last step (at the bottom of the previous graph) concerns consumers. Thanks to their digital devices (MP3 players, portable music player, iPod, Zune, Mobile Phone MP3 players, Computers, PC…) and an Internet or Wifi (wap/3G on mobile phones) connection or

\(\textsuperscript{65}\) G. Taylor (Chief Executive, British Phonographic Industry); « The role of record Labels in the digital Age », speech at the London Calling, 20 June 2008; (p.4)

\(\textsuperscript{66}\) See Part « Introduction », Graph : « Click and Mortar organization » p.11

\(\textsuperscript{67}\) A. Webb, « The Do-it-yourself digital landscape takes shape », Music Week, 2007

\(\textsuperscript{68}\) According to the MediaGuardian 100 (annual guide to the most powerful people in the industry), Radiohead has been a “pioneering example of the new business model in today’s digital landscape, with creatives cutting out the middleman - in Radiohead’s case, their old record label EMI - and selling the content online themselves”. Other bands such as Oasis, Moby and Jamiroquai have announced their interest in developing similar operations. http://www.guardian.co.uk/media/2008/jul/14/mediatop100200859
broadband facility, they get access to their favorite songs. As a result, consumers have access to more choice and more music at less expensive prices but they may also be more selective…

- **2.2/ The ILLEGAL FRAMEWORK: “from the top to the bottom”**

The music content is being stolen and illegally reproduced (burned from CDs and converted into MP3 format or other) by ‘pirate-consumers’, stored on a Peer-to-Peer exchange platform (P2P file sharing websites (e.g.: Bittorrent, eDonkey, Grokster…)), and exchanged between Internet users.

- **2.3/ What may be of particular interest with this graph:**

  o Consumers:

  - The decision for consumers to get access to their favorite music through two types of channels (the legal or the illegal framework) (G. Taylor\(^69\), 2008).
  - The possibilities for consumers to get their music through intermediaries (web 2.0 sites, e-retailers, mobile operators) or directly (through participative labels, Do-it-yourself channels and the Illegal framework) (IFPI 2008 Annual Report and PWC 2008 Reports).

  o Record labels:

  - The progressive strategic alliances and partnerships between key players to build a more suitable and adequate legal offer for consumers (recent agreement between labels and intermediaries (e.g.: “Nokia Comes with Music” phone in partnership with Universal Music and Sony Entertainment Group)) (Paul McGuinness\(^70\), 2008).

---

\(^69\) **G. Taylor** (Chief Executive, British Phonographic Industry); « The role of record Labels in the digital Age », speech at the London Calling, 20 June 2008; (p.4)

\(^70\) **P. Mc Guinness**: The Online Bonanza: Who is making all the money and why aren’t they sharing it?” A speech by Paul McGuinness at MIDEM’s first International Manager Summit. 28th January 2008; (p.9)
• The relative bargaining power of Apple iTunes on the majors (thanks to its broad repertoire and customer base (thanks to its iPod, iPhone and iBook (Mac)). As a result, it may be hard for Majors to force Apple to a profitable partnership. As a reminder, “Apple maintains more than 70% of the online music”\textsuperscript{71}. However, « D. Morris (CEO of Universal Music Group) refused to re-up its long-term contract to supply music to Apple's iTunes Store » (Burrows P.)

• The remaining issue of illegal Piracy. They tend to develop partnerships with regulators (IFPI, RIAA, BPI, SACEM, governments and ISPs) to sue big illegal file sharers (IFPI 2008 annual report) or to close these sites as well as to moralize Internet users\textsuperscript{72}.

  o The “outsiders”: Hardware manufacturers

How could consumers get access to their digital music marketplace without the use of their digital devices and Internet connection?

3/ Main Issues raised in the literature review and clarification of the research question:

This last part summarizes some of the most interesting points raised in the literature review, and finally clarifies the main research question of this dissertation. As the key research question relies in the concept of control, the following two graphs examine this notion through two aspects: “what is driving the digital Music Marketplace and who is controlling it?”

\textsuperscript{71} P. Burrow; « Apple May Need to Play better with others », Business Week online, 1/15/2008, (p.23)

\textsuperscript{72} The initiative from the Recording Industry Association of America (RIAA) and its “Guide For Parents & Teachers About Digital Music & Downloading” available on their websites.)
- 3.1/ What is driving what?

**Graph 5:** Technology Push Vs. Competitive Pull factors in the light of the digital music marketplace: what is driving what?

* Please refer to “Graph 2: Basic tenets of the digital music industries“(p.39)
- 3.2/ Who is controlling the digital music marketplace?

**Graph 6**: The course to control the Music Industry: the 4 players that could control the digital music marketplace.

- **Key players of the Industry**

  Traditional players in the last decade have had to face a major structural crisis that resulted partially to a nearly complete makeover of their business models and activities. “The challenges to the industry are significant, but not insurmountable, principally in developing cost and distribution structures that evolve to match the new technology and changing preferences amongst consumers over how they consume music.”

  Indeed, traditional players still produce most of the profitable music contents; they still have considerable financial means in their hands (thanks to support of the Entertainment Media conglomerate headquarters or private equity firms they are owned by). They are also progressively developing partnerships with both Web2.0 sites and mobile operators (fastest growth segment in the digital music industry).

---

But, the power of Apple largely accounts thanks to its presence in both the “Software and the hardware” environment. It is the case of Apple (iTunes, iPod, iPhone…) but also of Microsoft (Facebook, Zune, MP3 format), and giant mobile operators/constructors like Nokia (cell phones, participation in e-retailers…).

- **Consumers:**

They are at the center of the legal and illegal environment. What may not appear in the two previous graphics is their capacity of influence and possibilities of control over the digital Music Industry as a community and not as simple individuals. « The explosion of consumer conversation has changed how people communicate about products and services. It allows consumers to rapidly self-organize across geographical borders in order to express constantly evolving needs. This has changed the rules of business. Consumers now expect rapid responses to their immediate desires, and they have the power to demand what they want”74.

- **3.3/ RESEARCH QUESTIONS:**

The concept of control not only alludes to the power of impacting something or somebody with innovating technologies or ideas, but it also involves that it affects something or somebody.

“**In the light of the Digital Revolution, who is driving the current International Recorded Music Industry and where do consumers fit in?**”

74 PWC JANUARY 2008 : How consumer conversation will transform business ? (p.26)
CHAPTER III: RESEARCH METHODOLOGY

* Which instruments to play with *

This chapter called the Research methodology highlights the chosen methodology and the applied research methods used in this dissertation. If the literature review was dealing with secondary data (articles taken from academic journals, Internet, newspapers or Music Institutions), this part outlines which and what type of research tools have been used to collect primary data. This section includes details concerning the sample selection and the elaboration of the questionnaires, the interview guideline and the quality and credibility of research findings.

As noticed previously75, if the current Music Industry structure seems to be simplified thanks to digital revolution, the « rules of the games » have apparently changed and the nature of the relationship between all key players still remains quite complex. As the dissertation focuses on the concepts of ‘Control’ and ‘power’ (as to know “what is driving and who is controlling the current music industry”) and on the position of consumers in this industry, two research methods will be applied through the use of questionnaires and interviews. The main objective of these questionnaires refers to “Profiling”, in other words, meeting the consumers, knowing who they are, evaluating their interests and habits when surfing on the web for musical quests. They are intended to enable me to evaluate not only their knowledge and interest in the Music industry but also to check if these key players are in reality as powerful as most media claim them to be. The interviews with key players of the music industry (artist, label and consultant) will be conversations relating to the results of the questionnaires and the key issues affecting the music industry.

75 Through the Introduction and the Literature Review
I/ Choice of the research methodology:

1/ Distinguishing Research Methodology and Research Methods.

It is necessary to distinguish a Research Methodology from Research methods. Indeed, on the one hand, a Research Methodology is usually the general approach to studying a research topic that maps out how one intends to go about researching a topic in practice. On the other hand, Research Methods are the specific research tools and techniques used for the more practical, everyday, aspects of the research (such as data gathering). Thus, a qualitative descriptive research looks closely at “an individual or small participant pool, drawing conclusions only about that participant or group and only in that specific context”76.

2/ Defining qualitative Research Methodology:

There are two commonly admitted types of research methodology: quantitative and qualitative.

- A quantitative research generally “converts observations on research subjects into discrete units that can be compared to other units by means of statistical analysis”77. It focuses on explanation, prediction and proof.

- A qualitative research generally “examines people’s words or actions in narrative or descriptive ways that closely represent the experience(s) of those involved. It focuses on “understandings” and “meanings” and takes very seriously lay (i.e.: non expert) accounts and concepts”78.

For the purpose of this dissertation a qualitative research methodology will be chosen as it deals mostly with opinions of young consumers on the current Music Industry. The angle of research of this dissertation is also mostly descriptive not exploratory, that is the reason why, there has not been any hypothesis done previously. Consequently, this research paper is not trying to prove or demonstrate a theory or suppositions (through an exploratory

---

76 Research Methodology guide: Colorado State University
http://writing.colostate.edu/guides/research/casestudy/pop2a.cfm
77 Shay Lynch (2006), « Qualitative Research and the Research Dissertation Process ».  
78 Shay Lynch (2006), « Qualitative Research and the Research Dissertation Process ».
model) but it tries to understand and identify how a group of people (‘digital natives’), act in their everyday life in order to compare these results with the general assumption made by the press and underline their relevance in reality or not.

3/ A Qualitative Approach.

“A qualitative approach to research utilizes methods and techniques, which give rise to qualitative data. It provides rich, detailed information about activities, events, occurrences, and behaviors that allows us to describe, define and better understand actions, meanings, problems and processes in their “social” context”79.

It also relies on the belief that the people involved in a particular situation are best placed to analyze and describe their experiences and feelings in their own words (Finch, 1986). The choice of adopting a qualitative methodology is also frequently advised to studying a specific group in a complex phenomenon (Benavent, 2003).

II/ Research methods:

* Questionnaires and Interviews *

1/ Collecting data:

The chosen research method combines the use and application of questionnaires (self administered questionnaires) and face-to-face interviews (semi structured interviews). Questionnaires are usually designed for quantitative studies; however, here, the sample is relatively small (200 respondents) compared to other studies already conducted on consumers’ behavior. The questionnaire is also longer (4 pages, 19 questions (+ sex, nationality and occupation)) and is comprised of 86 variables in total. The questions are formulated in order to make respondents think and not just automatically tick a simple

---

answer. The quantitative aspect of this qualitative study relies on the fact that it expresses these opinions (qualitative) in a number.

Thus, the whole research methodology is qualitative as it is mostly about “profiling”, meaning describing who the consumers are and how they interact with their digital music environment, as well as, their knowledge and their willingness to take part in the music production or promotion process. What is being evaluated here is the consumers’ level of interest in promoting or investing in artists they like. In other words, analyzing the phenomenon of ‘empowered consumers’ in all aspects (not only those enabled by piracy but more particularly, consumers that communicate about their musical tastes and do not hesitate to take part in participative labels).

Most questions were inspired of some interesting points raised in the Literature Review chapter, others from the “Gramophone Reader Survey 2007”, especially question: Q12.

2/ Scales:

“Qualitative researchers study things in their natural settings attempting to make sense of, or interpret, phenomena in terms of the “meanings” people attach to them….this involves the studied use and collection of a variety of “empirical” materials, that describe routine and problematic moments/meanings in individuals’ lives” (Denzin and Lincoln, 1998).

The questionnaires use two types of scales:
- The first one consists of cases to be ticked (or Yes and No questions)
- And the second one are Likert scale questions.

The application of both scales is certainly complicating the analysis of the questionnaires (more than using solely one type of scale) but their combination do have various advantages.
- The “Yes and No” and “tick appropriate cases” questions are designed to get objective and direct answers.
- The likert scales questions measure the attitude of consumers towards simple questions or propositions. It highlights the intensity of a consumer’s approval or disagreement towards one of the proposition by choosing one the items (1 to 5 or 1 to 4) that is presented to him/her. This type of questions will lead to more subjective answers.

Finally, both scales are easy to be used, understood and processed.
The 3 following tables illustrate the 2 types of scales used in the questionnaire:

- 2.1/ Scales for objective Answers:
  - YES/NO:

<table>
<thead>
<tr>
<th>Question</th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you have access to Internet?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- TICK “boxes” (e.g.: tick all that apply to you):

<table>
<thead>
<tr>
<th>Question</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>When you download music online, do you do it through: (Please tick only one)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• eMusic stores, iTunes stores...</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• P2P websites: emule, Bittorent...</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Both</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• I do not download music online</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- 2.2/ Scale for subjective answers:
  - Likert Scale: Subjective answers

<table>
<thead>
<tr>
<th>Question</th>
<th>SA</th>
<th>A</th>
<th>N</th>
<th>D</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>What are the reasons why you have purchased an Mp3 player or an iPod?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Please circle the number under the initials that applies. (SA= Strongly Agree; A= Agree; N: Neutral; D: Disagree; SD= Strongly Disagree).

<table>
<thead>
<tr>
<th>Reason</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Because its affordable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3/ Sample Selections:

We can define the sampled population as being all the people that possess the desired information to answer the objectives of this study.
The targeted population for the questionnaire concerns high school and University students aged 15 to 25 years old (94%) and 25 to 35 years old (6%). Consequently, the main criteria were age (15 to 35 with a majority of the sampled population in the 15/25 years old age bracket) and occupation (students). I did not focus on variables like sex or social status, as each class has usually the relative same proportion of men and women and students coming from various social backgrounds. The quota method was therefore easier and most rapid to quickly get the targeted population.

4/ The elaboration of the questionnaire:

The primary objective when building the questionnaire was to:

- Define the need for information
- Define the types of questions to be asked
- Define the order and the number of questions to be asked (no more than 4 pages, no more than 6 minutes to be fulfilled, no more than 25 questions).
- Write the questionnaire, test it and revise it (through pre-tests).

The questionnaire is divided into 3 parts:

Part 1: (Q1 to Q13) Meeting the consumer and its music consumption habits
Part 2: (Q14 to Q18) How is the consumer aware of its power, is he using it?
Part 3: (Q19): Consumers' perception on who is driving the current Music Industry.

* Part 1: *

Students were asked to fulfill and tick the appropriate cases concerning general information such as sex, nationality and occupation, as well as, age group and social status. This last question was optional in the French version. Indeed, for cultural and historical reasons, French people either hate to reveal the amount of money they earn or to appear richer than they are. Therefore, I decided to avoid any direct proposition like in the English version of the questionnaire and used one of the easiest “SPC” (Socio-Professionnal

---

80 It is a clear difference with English speaking country where asking this type of question to people has nothing of a taboo
categorization) existing in France asking them what is or were the occupation of their parents. The question was optional, but nearly 85% of the respondents answered it.

**Q3: Did you or do you play a music instrument?**
**Q4: How interested are you in the following music genre:**

These two questions were designed to evaluate the interest of the respondents in music. Unfortunately, as you will see in the Findings part, the answer rate of Q3 is amazingly high.

**Q5: Do you have access to Internet?**
**Q6: To access Internet, which of these devices do you usually use?**
**Q7: Do you have a MP3 Player or an iPod?**
**Q8: Do you have a Facebook, Myspace, Bebo or any other Blog account?**

Q5 to Q8 evaluate the level of technological equipment students have in relation to listening or downloading music.

**Q9: Do you download music online?**
**Q10: Do you buy music on the following format**
**Q11: When you download music online, do you do it through**

Q9 to Q11 focus on music “formats” and “channels”. In other words, do students download music online? Do they still buy music from other format (e.g.: CDs, LPs; DVDs..) and when they download music online which channel do they use (e.g.: Legal or Illegal channels, Both, None)? For Q11, I did not ask people directly if they were downloading illegally (that could have scared certain respondents or encourage them not to answer properly the question). Thus, I ask them if they were downloading music “through P2P websites such as emule or Bittorent”.

**Q12: When you are “visiting” music websites, it is generally:**

Q12 tries to identify what are the most popular websites and for which purpose consumers use them. There is a series of 12 propositions; the results will be discussed on the Findings Part.
Q13: **What are the reasons why you have purchased an Mp3 player or an iPod?**

Q13 aims at understanding the reasons why MP3 or Ipod are so popular. This likert scale question asks students to evaluate 6 propositions: affordability, sound quality (equal or superior to CDs), design and functionality.

This question helps me to understand if students are buying these devices for music interest, technological one or just to imitate their friends (design, fashion and sociability).

* Part 2: *

Q/14: **Thanks to “web radios”, “music streaming” and “video on demand” websites where you can listen online to your favorite music for free, do you consider that the act of purchase (Cds or Downloads) is still necessary?**

Q/15: **Do you consider Music as an emotional or creative service that must be fairly rewarded?**

These two “Yes and No” questions clearly underlines one of the contradiction of the current digital music offer.

Q/16: **When you like a song and you decide to buy it, it is usually because**

This Likert scale question focuses on the motivations to buy a track that a consumer likes.

Here again 4 propositions are being asked: Is it because of the influence of other consumers? of official critics? of friends? or just a selfish behavior (e.g.: being a fan)?

Q17/ **When you discover a music that you like on the Internet, do you usually:**

Q17 focuses on the intentions of consumers when they discover a track online (e.g.: download it or just listen to it for free) and especially their intentions to communicate about it (e.g.: posting the link on their Facebook account, on forums they like etc.):

Q18/ **Thanks to “participative labels” and “e-labels”, it is now possible for consumers to take part in the creative process and help unknown artists to record, release and promote their own album**

This question refers to another level of power consumers may have on the music industry: being members of participative labels. Four propositions are made in this question which tries
to first evaluate the awareness of students on these types of labels, secondly trying to get if they already participated to these initiatives, and the two last questions intend to get objective and direct answers from consumers interest in promoting or investing money in artists they like.

* Part 3: *

Q19/ According to you, who is driving the current International Recorded Music Industry?

For this final question, which alludes directly to my research question, I ask consumers to tick only ONE answer among the 9 key players I identified in the literature review.

To most questions, when needed (especially for Q2, Q4, Q6, Q10 and Q19), I let the respondents the choice ‘other’ so that they could put other answers if they wanted to.
The only questions in which surveyed people have chosen to write something were Q4. Nearly 20 people put “Punk or metal” music but they ranked highly “rock”, others put Reggae but they ranked “World music” high, and others “RnB” but ranked “Rap/Hip hop” high. And few respondents put “Variété Française” which is mostly French “Pop”.
The second question is Q10, only one respondent on 200 put as other: “SACD” (Super Audio CD).

5/ The administration of questionnaires

I administered 158 questionnaires at Lycée Jean Perrin, one of Marseilles (France) biggest high school (3,000 students), which also hosts a College for university students preparing French administrative or Business school national examinations. Nearly 50% of all respondents of this questionnaire are High School students (either students from ‘Première’ or ‘Terminale’ 81 (110 students, aged 16 to 18 years old). I also administered the questionnaire to

81 Students who are in « Première » are usually aged 16 to 17 year old, « Terminal » aged 17 to 18 years old. After these two years in a French High School, all students must take the National examination that Baccalauréat is. If they pass the exam, they get the right to study in any French university of their choice.
Jean Perrin College students (CPECA\textsuperscript{82}) who are students preparing the national examination of the French administration (48 students surveyed, aged 21 to 31 years old). The remaining 42 questionnaires were administered to Bachelor and Master students at Group ESC PAU, School of Management (France), aged 21 to 26 years old.

In each class and school, I talked to lecturers about my project (dissertation) and explained the goal of that research. For those who agree, they took my questionnaires and distributed it to their students, giving them 5 to 10 minutes to complete it. When students were filling these questionnaires they were not observed; I was not in the same room and most of them did not even see me.

6/ Data processing, retrieving and analysis:

To process and analyze the data from this questionnaire, I used the software SPSS\textsuperscript{83} because it is one of the most commonly used by researchers and marketing companies. I made the database and entered all the variables manually.

7/ Interviews:

After analyzing my questionnaires, I worked on my interview guideline\textsuperscript{84} focusing on 4 key questions raised in the Literature Review and results from my questionnaires. The interviews were semi-structured ones (conversations around these 4 key questions). I contacted by mail or by telephone more than 20 people that I had targeted (consultants, labels, majors, artists, music reporters…) and managed to get three face-to face interviews\textsuperscript{85}.

\textsuperscript{82} CPECA (classes préparatoires aux concours administratifs) website : http://www.lyc-perrin.ac-aix-marseille.fr/ens_sup/cpeca.html
\textsuperscript{83} SPSS Version 14 for Windows
\textsuperscript{84} Please see APPENDIX INTERVIEW GUIDELINE…
\textsuperscript{85} Mr. Borey Sok: Consultant in Paris (France) specialized the music industry and author of the book: «Musique 2.0 » (edition IRMA, 2007)
Minutes of these interviews are available in the appendix. The conclusions are discussed in the Discussion chapter.

III/ Quality and credibility of the research methods:

1/ Pre-tests

- As mentioned earlier, I pre-tested my questionnaire on 10 students before addressing it to 200 students.
- After entering all data in SPSS, I made sure that no variable was missing, that all variables were correctly entered, that no mistakes were made.

2/ Reliability:

When writing the questionnaire, the choice to stay as neutral as possible (avoiding bias) or not to influence the respondent to tick the question that would correspond to my opinion was of a primary concern.

Consequently, similar questionnaires done by other researchers on the same sampling population (in France) should get to the same conclusions.

Thanks to SPSS, I made two “Cronbach’s alpha”\(^{86}\) which is an indicator aiming at measuring the reliability of different items supposed to measure one phenomenon. I did the first one on two questions I had doubts (using Q3 and Q4). Indeed, I primarily thought that people who would play a music instrument would have a higher interest in music, but the unusual high proportion of people playing a music instrument made me realize that music was compulsory in Junior French high school. As a result, the Cronbach’s alpha (0.414) is not valid on this question. It means that people who play a music instrument are not necessarily more interested in music (passionate).

Mr. Rémy Allemand: Guitarist of the Band “Autour de Nous” and lecturer of sociology at University of Montpellier (France)

Mr. Nicolas Danglade: Manager of the French label: “Les chroniques sonores” and lecturer at Euromed Marseille, School of Management (France), giving special classes on the “music industry’ strategies and challenges”.

\(^{86}\) Please see APPENDIX RESEARCH METHODOLOGY
The second one deals with Q9 and Q11 and the answer is valid (O.785). As a reminder, a valid Cronbach’s alpha must be comprised between 0.6 to 0.8 (Nunnally, 1978).

Nevertheless, concerning interviews, the lack of standardization (with semi-structured interviews) may lead another researcher to find results, which may be relatively different from mine.

As I had to go back to France during this research process\(^{87}\), I had to translate the questionnaire I did in Dublin (in English) in French. Once the questionnaire was sufficiently well translated (reproducing the exact meaning that the questionnaire in English), I transferred both versions (French and English) to Ms Jaqueline Mac Leod\(^{88}\). When the questionnaire was done and validated both by Ms Mac Leod and by my supervisor in Dublin, 10 questionnaires were administered to a group of students at Lycée Jean Perrin as a pre test so that they could tell me if there were any inconsistencies, mistakes or any other types of misunderstanding. Once the pre test validated and favorably ranked, I printed 200 questionnaires.

### 3/ Validity:

The validity concerns the level of truth either in the way I did my questionnaires and interviews as the way respondents answered.

As mentioned before, I paid particular attention not to include any bias. In order to avoid inconsistencies, I crossed different types of variables in different questions, and they all appear logical once the analysis done\(^{89}\). I also used a combination of two scales in order to get objective and subjective answers. I do believe that the results of my questionnaires reflect the way the sampling population think and act.

Besides, special attention was given to confidentiality and students were not promised any compensation for their good will.

---

\(^{87}\) Personal reasons.

\(^{88}\) English lecturer at Lycée Jean Perrin

\(^{89}\) See Findings and Discussions Chapters
4/ Generalisability:

Once again the sample is pretty low and the higher the sample, the more I could generalize my result with confidence. However, in a qualitative study, the means to generalize are often much harder than for quantitative study (Silverman, 2001). For researchers, like Saunders et al (2007), qualitative researches simply cannot be used to make generalizations to the whole population (here all consumers aged 15/24 years old).

The answers should be able to be generalized for young consumers in France. I cannot say so for young consumers in other countries (as the sample is too small) and because the mentality may differ. These things said, I have full confidence that the sample chosen is quite representative of a young population of a French city.

For Interviews, I believe that the panel of people interviewed had significant knowledge and awareness of the issues of the current music industry. There different positions were also of great value. Nevertheless, the sample is too low to be able to generalize the conclusions with full confidence.
CHAPTER IV: FINDINGS

This part aims at presenting and illustrating the findings. Most of the results showed below refer to the first analysis of the questionnaires I administered to 200 students. The results and the main conclusions from the interviews I conducted will be presented and discussed in the next chapter of this dissertation. Most results are descriptively presented without trying to draw general conclusions.

200 questionnaires were administered to High School and University Students. Once, the 200 questionnaires filled, I entered manually all the data and variables through SPSS software (version 14 for Windows)\(^90\). This dataset (questionnaire) has 60 observations (numbers of cases/choices) and 22 variables (numbers of questions):

- The values in each column make up a variable.
- The variable names are in the first row.
- Blanks indicate missing values not filled by the respondent.
- Each of the items recorded are data values.
- All the information about a single person is held in one row and makes up one observation.

For general information on variable types and explanations on numbers and abbreviations, please refer to “APPENDIX FINDINGS N°1”.

---

\(^{90}\) The Variable View and the Data View windows of the SPSS Data Editor and data set of my questionnaire are available on the CD enclosed to this dissertation.
As I worked on the French Version of SPSS, I could not translate titles of bar Charts.
I/ PART 1: (Q1 to Q13): “Meeting the consumer and its music consumption habits”:

1/ Sex, nationality and Occupation:

As mentioned earlier, 200 questionnaires were administered. Among the percentage of respondents:

- 49.5% of them are Male (99 people), 40.5% Female (101 people)
- 45% are University Students (90 people) and 55% High School Students (110 people)
- All respondents are French

2/ Age Group and Social Status:

- Q1:

According to the frequencies table (see table and histogram below) most respondents were aged between:

  - 17 to 20 years old (48.5%)
  - And, 21 to 25 years old (32.5%).

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under 16</td>
<td>26</td>
<td>13.0</td>
<td>13.0</td>
<td>13.0</td>
</tr>
<tr>
<td>17 - 20</td>
<td>97</td>
<td>48.5</td>
<td>48.5</td>
<td>61.5</td>
</tr>
<tr>
<td>21 - 25</td>
<td>65</td>
<td>32.5</td>
<td>32.5</td>
<td>94.0</td>
</tr>
<tr>
<td>26 - 30</td>
<td>10</td>
<td>5.0</td>
<td>5.0</td>
<td>99.0</td>
</tr>
<tr>
<td>31 - 35</td>
<td>2</td>
<td>1.0</td>
<td>1.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>
The following table (cross tabulation between “Sex and Age Group” variables) outlines the number of men and women by age group.

<table>
<thead>
<tr>
<th></th>
<th>Under 16</th>
<th>17 - 20</th>
<th>21 - 25</th>
<th>26 - 30</th>
<th>31 - 35</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sex</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>19</td>
<td>53</td>
<td>22</td>
<td>4</td>
<td>1</td>
<td>99</td>
</tr>
<tr>
<td>Female</td>
<td>7</td>
<td>44</td>
<td>43</td>
<td>6</td>
<td>1</td>
<td>101</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>26</td>
<td>97</td>
<td>65</td>
<td>10</td>
<td>2</td>
<td>200</td>
</tr>
</tbody>
</table>

• **Q2:**

179 surveyed people (nearly 90% of all respondents) chose to answer this optional question referring to Social Status. The remaining 21 missing answers are therefore counted as blanks by SPSS.
The 3 main socio-professional categories\textsuperscript{91} most represented in this survey are underlined in yellow in the following graph:

- **Middle Class**: “Employés” (with 28%) and “Profession Intermédiaire”\textsuperscript{92} (with 14.5%)
- **Higher Middle Class**: “Cadre et professions intellectuelles supérieure”\textsuperscript{93} (with 28%)

\begin{table}[h]
\centering
\begin{tabular}{|c|c|c|c|c|}
\hline
SocialStatus & Frequency & Percent & Valid Percent & Cumulative Percent \\
\hline
Valid & Artisans, commerçants, chef entreprise & 24 & 12.0 & 13.4 & 13.4 \\
& Cadres et professions intellectuelles supérieures & 56 & 28.0 & 31.3 & 44.7 \\
& Professions intermédiaires & 29 & 14.5 & 16.2 & 60.9 \\
& Employés & 56 & 28.0 & 31.3 & 92.2 \\
& Ouvriers & 14 & 7.0 & 7.8 & 100.0 \\
& Total & 179 & 89.5 & 100.0 & \\
Missing & Système manquant & 21 & 10.5 & & \\
Total & & 200 & 100.0 & & \\
\hline
\end{tabular}
\end{table}

\begin{figure}
\centering
\includegraphics[width=\textwidth]{Histogramme.png}
\caption{Histogramme}
\end{figure}

\textsuperscript{91} A, Desrosieres; L, Thevenot; 1996, “Les categories socioprofessionelles (CSP) ; INSEE 1996.
\textsuperscript{92} “Intermediate managerial, administrative or professional”
\textsuperscript{93} “Higher Managerial, administrative or professional”
3/ Q3 and Q4: “Play Music Instruments” and “Music Interest”:  

- **Q3:**

  58% of the respondent declared they did or still play a music instrument (116 people).

  However, as it has been noticed in the Research Methodology (Part III/ 2), this figure must be balanced.  

- **Q4:**

  Among the proposed Music genres:
  
  - “Pop” and “Rock” music are the highest rated.
  
  
  - On the contrary, the least interest in music for young people is towards “Opera”.

  However “Rock” and “Rap/Hip Hop” are the two music genres that collect the more *Passionate people* (more than 20% of respondents ranked number 1 for “passionate”).

4/ Q5 to Q8:  

- **Q5:**

  99.0% of the respondents had *access to Internet* (198 people).

---

94 see APPENDIX FINDINGS N°2  
95 In France, music is a compulsory module in Junior High Schools. Each student is studying during 4 years how to read music and play Flute.  
96 see APPENDIX FINDINGS N°3
- **Q5 and Q6:**

When crossing variables like “Internet Access” (Q5) with variables from Q6 (“which internet devices do you use to access internet?”), 199 people ticked one or several of the situations that applied to them. In other words, on 200 respondents, only 1 did not have any access to Internet, or was not using Internet at all.

Following with this cross tabulation between Q5 and Q6, the most “popular” internet devices are:

- *Desk Computers*: 144 people on 199 declared they had access to Internet through a desk computer.
- 138 people through *laptop computers*
- 27 people through *mobile phones*
- 23 people through *games console*
- And 2 people through *Personal Digital Assistant*

These figures cannot be summed between each others as various respondents ticked 1 or 2 propositions. No one add anything to the option “Other please specify”.

- **Q7:**

172 people (86% of respondents) said they had an *MP3 player* or an *iPod*.

- **Q8:**

137 people (68.5% of respondents) declared they had a *Web2.0 site* (Facebook, Myspace, Bebo or any other blog account)
5/ Q9 to Q11\(^{97}\):

- **Q9:**

  154 people declared they downloaded music online, meaning that:
  - 77% of them *download music online*.
  - 23%, no (46 people)

- **Q11:**

  The following table highlights which channel is most used by people who download music online. Nonetheless, 46 people declared they did not download music online in Q9 but only 44 people answered they did not download music to Q11. Therefore, 2 people seem to have lied. These things said, the proportion of people downloading music illegally concerning this generation is quite close to general statistics. If we divide by 2 the percentage of people declaring they download music online through both channel, we can conclude:
  - That nearly 63% (57.5 + 11.5/2) *of them download music illegally*
  - And 15% (9.0 + 11.5/2) *legally.*
  - 22% *do not download music online.*

<table>
<thead>
<tr>
<th>DMChannel</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal channel</td>
<td>18</td>
<td>9.0</td>
<td>9.0</td>
<td>9.0</td>
</tr>
<tr>
<td>Illegal Channel</td>
<td>115</td>
<td>57.5</td>
<td>57.5</td>
<td>66.5</td>
</tr>
<tr>
<td>Both</td>
<td>23</td>
<td>11.5</td>
<td>11.5</td>
<td>78.0</td>
</tr>
<tr>
<td>I do not download music online</td>
<td>44</td>
<td>22.0</td>
<td>22.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

\(^{97}\) See APPENDIX FINDINGS N°4
• **Q10:**

This question alluding to music formats consumers still buy, respondents could tick all answers that applied to them.

<table>
<thead>
<tr>
<th>BuyMusicFormat</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid CDs</td>
<td>74</td>
<td>37.0</td>
<td>37.0</td>
<td>37.0</td>
</tr>
<tr>
<td>DVDs</td>
<td>9</td>
<td>4.5</td>
<td>4.5</td>
<td>41.5</td>
</tr>
<tr>
<td>CD and DVDs</td>
<td>80</td>
<td>25.0</td>
<td>25.0</td>
<td>66.5</td>
</tr>
<tr>
<td>None</td>
<td>55</td>
<td>27.5</td>
<td>27.5</td>
<td>94.0</td>
</tr>
<tr>
<td>CDs and LPs</td>
<td>8</td>
<td>4.0</td>
<td>4.0</td>
<td>98.0</td>
</tr>
<tr>
<td>CDs, DVDs and LPs</td>
<td>8</td>
<td>4.0</td>
<td>2.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

By summing them, we obtain the following results:

- **CDs:** 37% + 12.5 (25/2)% + 2 (4/2)% + 0.67(2/3)% = 52%
- **DVDs:** 4.5% + 12.5 (25/2)% + 0.67(2/3)% = 17.5%
- **Lps:** 2(4/2)% + 0.67(2/3)% = 2.5%
- **None** = 28%

**TOTAL:** 52 + 17.5 + 2.5 + 28 = 100.00%

Consequently, among the “oldest” music formats, CDs are still first with 52% of people buying this format, followed by DVDs (17.5%) and LPs with only 2.5%. **28% of them declared that they do not buy anymore music on older formats**.

These results need to be balanced as I do not know which type of CDs or DVDs are more popular than other (e.g.: Compilations, Lives, Unplugged versions, and so on). The reason for buying these format is also not apprehended (for “presents” or any other reason), as well as the number (of CDs, DVDs or Lps) consumers buy each year; some may buy only 1, other more.
6/ Q12⁹⁸:

The most popular reasons for visiting music websites are:

- For 75%: “for Music Research”
- For 74%: “to watch video clips”
- For 63%: “to hear more songs of an artist”
- For 59.5%: “to find out about the latest music news”
- For 43.5% “to listen to web radio”

And the “least popular”:

- For 14%: “to read reviews/recommendations”
- For 10.5%: “to listen to Podcast”
- For 10%: “to buy CDs”
- For 10%: “to communicate about their music taste and discovery”
- For 8%: “to buy Downloads”
- For 6.5%: “to put their own critics of a music”

⁹⁸ See APPENDIX FINDINGS N°5
7/ Q13:

As 172 respondents declared they had an iPod or Mp3 music player in Q7, 172 respondents answered Q13 (as asked in the questionnaire).

○ “RP3affordable”

The responses are quite mitigated on this proposition. However, most of them disagreed on the fact they bought their iPod or Mp3 player because it is affordable.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly agree</td>
<td>9</td>
<td>4.5</td>
<td>5.2</td>
<td>5.2</td>
</tr>
<tr>
<td>Agree</td>
<td>26</td>
<td>13.0</td>
<td>15.1</td>
<td>20.3</td>
</tr>
<tr>
<td>Neutral</td>
<td>66</td>
<td>33.0</td>
<td>38.4</td>
<td>58.7</td>
</tr>
<tr>
<td>Disagree</td>
<td>34</td>
<td>17.0</td>
<td>19.8</td>
<td>78.5</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>37</td>
<td>18.5</td>
<td>21.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>172</td>
<td>86.0</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing</td>
<td>Système manquant</td>
<td>28</td>
<td>14.0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

○ “RP3soundequalsCDs and RP3soundsuperiorCD”

The following two propositions are related to students’ perception of the sound quality of theses digital devices. If for 41.9% of them the sound quality equals the one on CDs, this percentage falls to 29.1% to the question the sound quality on iPod/mp3 player is superior than on CDs.
Most consumers decide either to stay neutral or to simply disagree on the fact that they bought their iPod or MP3 player because their friends had ones.

○ “RP3mimetism” (“through unconscious imitation”)

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>21</td>
<td>10.5</td>
<td>12.2</td>
<td>12.2</td>
</tr>
<tr>
<td>Agree</td>
<td>51</td>
<td>25.5</td>
<td>29.7</td>
<td>41.9</td>
</tr>
<tr>
<td>Neutral</td>
<td>66</td>
<td>33.0</td>
<td>38.4</td>
<td>80.2</td>
</tr>
<tr>
<td>Disagree</td>
<td>18</td>
<td>9.0</td>
<td>10.5</td>
<td>90.7</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>16</td>
<td>8.0</td>
<td>9.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>172</td>
<td>86.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Missing</th>
<th>Système manquant</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td>200</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>20</td>
<td>10.0</td>
<td>11.6</td>
<td>11.6</td>
</tr>
<tr>
<td>Agree</td>
<td>30</td>
<td>15.0</td>
<td>17.4</td>
<td>29.1</td>
</tr>
<tr>
<td>Neutral</td>
<td>78</td>
<td>39.0</td>
<td>45.3</td>
<td>74.4</td>
</tr>
<tr>
<td>Disagree</td>
<td>27</td>
<td>13.5</td>
<td>15.7</td>
<td>90.1</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>17</td>
<td>8.5</td>
<td>9.9</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>172</td>
<td>86.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Missing</th>
<th>Système manquant</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td>200</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>15</td>
<td>7.5</td>
<td>8.7</td>
<td>8.7</td>
</tr>
<tr>
<td>Agree</td>
<td>25</td>
<td>12.5</td>
<td>14.5</td>
<td>23.3</td>
</tr>
<tr>
<td>Neutral</td>
<td>53</td>
<td>26.5</td>
<td>30.8</td>
<td>54.1</td>
</tr>
<tr>
<td>Disagree</td>
<td>30</td>
<td>15.0</td>
<td>17.4</td>
<td>71.5</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>49</td>
<td>24.5</td>
<td>28.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>172</td>
<td>86.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Missing</th>
<th>Système manquant</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td>200</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

73
Most respondents (nearly half of them (43%)) tend to agree that they bought their iPod or MP3 player because of its design.

**“RP3design”**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly agree</td>
<td>30</td>
<td>15.0</td>
<td>17.4</td>
<td>17.4</td>
</tr>
<tr>
<td>Agree</td>
<td>44</td>
<td>22.0</td>
<td>25.6</td>
<td>43.0</td>
</tr>
<tr>
<td>Neutral</td>
<td>51</td>
<td>25.5</td>
<td>29.7</td>
<td>72.7</td>
</tr>
<tr>
<td>Disagree</td>
<td>16</td>
<td>8.0</td>
<td>9.3</td>
<td>82.0</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>31</td>
<td>15.5</td>
<td>18.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>172</td>
<td>86.0</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing</td>
<td>Système manquant</td>
<td>28</td>
<td>14.0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**“RP3convenience and functionality”**

93.6 % of respondents who had these devices agreed on the fact that they bought their iPod or MP3 Player because it is convenient and functional (e.g.: “to put all my music on it”).

**RP3convenience**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly agree</td>
<td>143</td>
<td>71.5</td>
<td>83.1</td>
<td>83.1</td>
</tr>
<tr>
<td>Agree</td>
<td>18</td>
<td>9.0</td>
<td>10.5</td>
<td>93.6</td>
</tr>
<tr>
<td>Neutral</td>
<td>6</td>
<td>3.0</td>
<td>3.5</td>
<td>97.1</td>
</tr>
<tr>
<td>Disagree</td>
<td>1</td>
<td>.5</td>
<td>6</td>
<td>97.7</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>4</td>
<td>2.0</td>
<td>2.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>172</td>
<td>86.0</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing</td>
<td>Système manquant</td>
<td>28</td>
<td>14.0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
II/ PART 2: (Q14 to Q18): How is the consumer aware of its power, is he using it?

1/ Q14 and Q15:

- **Q14:**

  Thanks to “web radios”, “music streaming” and “video on demand” websites where consumers can listen to their favorite music online for free and legally, the act of purchase (Cds or Downloads) is for 49.5% of respondents not anymore necessary.

- **Q15:**

  However, in regard to Q15, respondents declared massively (93% of them) that Music is an emotional service that must be fairly rewarded. One can notice that this result is in contrast to most answers and results showed in Q11, Q12 and Q14. This will be discussed later.

2/ Q16

  - “RLBotherconsumers”

This Likert scale question focuses on the motivations to buy a track that a consumer likes. The 3 first propositions are referring to external players or factors that can influence a consumer to purchase a music track.
As you will see in the table below, only 7% of them agreed that they usually bought a track because of positive critics they read from other consumers. This figure can be related to Q12. As a result, 64.5% disagreed on this among which 43.5% strongly disagreed.

<table>
<thead>
<tr>
<th>RL.Botherconsumers</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>7</td>
<td>3.5</td>
<td>3.5</td>
<td>3.5</td>
</tr>
<tr>
<td>Agree</td>
<td>7</td>
<td>3.5</td>
<td>3.5</td>
<td>7.0</td>
</tr>
<tr>
<td>Neutral</td>
<td>57</td>
<td>28.5</td>
<td>28.5</td>
<td>35.5</td>
</tr>
<tr>
<td>Disagree</td>
<td>42</td>
<td>21.0</td>
<td>21.0</td>
<td>56.5</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>87</td>
<td>43.5</td>
<td>43.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

○ “RL.Bofficialcritics”

16% declared they bought a track because they heard good critics about it from the specialized Press. This result is coherent as in Q12 (e.g.: proposition “read reviews and recommendations”), 14% of them agreed and ticked this proposition. Nevertheless, 56% of them disagreed among whom 38% strongly disagreed.

<table>
<thead>
<tr>
<th>RL.Bofficialcritics</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>4</td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Agree</td>
<td>28</td>
<td>14.0</td>
<td>14.0</td>
<td>16.0</td>
</tr>
<tr>
<td>Neutral</td>
<td>55</td>
<td>27.5</td>
<td>27.5</td>
<td>43.5</td>
</tr>
<tr>
<td>Disagree</td>
<td>36</td>
<td>18.0</td>
<td>18.0</td>
<td>61.5</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>77</td>
<td>38.5</td>
<td>38.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>
Here again, consumers do not seem to be influenced by their friends on their music purchase as 58.5% of the respondents disagreed among which 36.5% strongly disagreed.

<table>
<thead>
<tr>
<th>RLBFriendsloveit</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>7</td>
<td>3.5</td>
<td>3.5</td>
<td>3.5</td>
</tr>
<tr>
<td>Agree</td>
<td>20</td>
<td>10.0</td>
<td>10.0</td>
<td>13.5</td>
</tr>
<tr>
<td>Neutral</td>
<td>56</td>
<td>28.0</td>
<td>28.0</td>
<td>41.5</td>
</tr>
<tr>
<td>Disagree</td>
<td>44</td>
<td>22.0</td>
<td>22.0</td>
<td>63.5</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>73</td>
<td>36.5</td>
<td>36.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

87% of them agreed to this proposition among which 62% strongly agreed.
As a result, most people continue to buy a track they like because they are fan of the artist or band. Contrary to the 3 previous propositions, very few people circle the “neutral option” (only 8.5%).

<table>
<thead>
<tr>
<th>RLBmusicfan</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>124</td>
<td>62.0</td>
<td>62.0</td>
<td>62.0</td>
</tr>
<tr>
<td>Agree</td>
<td>50</td>
<td>25.0</td>
<td>25.0</td>
<td>87.0</td>
</tr>
<tr>
<td>Neutral</td>
<td>17</td>
<td>8.5</td>
<td>8.5</td>
<td>95.5</td>
</tr>
<tr>
<td>Disagree</td>
<td>2</td>
<td>1.0</td>
<td>1.0</td>
<td>96.5</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>7</td>
<td>3.5</td>
<td>3.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>
3/ Q17: Concerning consumers’ intentions when discovering a track online:

- 75% would download it
- 53.5% would listen to it for free and keep it for themselves
- 44% would send it to their friends
- Only 16.5% would post it on their Web2.0 account. However, 200 people answered this question but Q8 revealed that only 137 people had one, consequently this figure must be balanced.
- Finally, only 8% would post the link on forums they like so that other internet users could listen to it and post their comments

4/ Q18 Consumers level of control through involvement in participative label

To this question:

- 40% of the respondents were aware of these new types of labels
- Only 3.5% of them had ever participated in this experience before.
- 56.5% declared they would be interested in promoting an artist they like.
- And 26.5% of them said they would be interested in investing money on an unknown artist which music they like.

---

99 see APPENDIX FINDINGS N°6
100 Which is coherent with the previous result (53.5 +44= 97.5%)
101 see APPENDIX FINDINGS N°7
102 This answer do not necessarily imply through participative labels even if the question mark is about them
III/ Part 3: (Q19): Consumers’ perception on who is driving the current music industry.

- **Majors** 25.5%
- **Artists:** 19%
- **Consumers:** 18.5%
- **Web2.0 sites:** 12.5%
- **ISPs:** 7.5%
- **Labels:** 7%
- **Apple:** 5%
- **E-retailers:** 3%
- **Mobile phone operators:** 2%

<table>
<thead>
<tr>
<th>WhoDIRMI</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apple</td>
<td>10</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Artists</td>
<td>38</td>
<td>19.0</td>
<td>19.0</td>
<td>24.0</td>
</tr>
<tr>
<td>Consumers</td>
<td>37</td>
<td>18.5</td>
<td>18.5</td>
<td>42.5</td>
</tr>
<tr>
<td>E-retailers</td>
<td>6</td>
<td>3.0</td>
<td>3.0</td>
<td>45.5</td>
</tr>
<tr>
<td>ISPs</td>
<td>15</td>
<td>7.5</td>
<td>7.5</td>
<td>53.0</td>
</tr>
<tr>
<td>Labels</td>
<td>14</td>
<td>7.0</td>
<td>7.0</td>
<td>60.0</td>
</tr>
<tr>
<td>Majors</td>
<td>51</td>
<td>25.5</td>
<td>25.5</td>
<td>85.5</td>
</tr>
<tr>
<td>Mobile Phone Operators</td>
<td>4</td>
<td>2.0</td>
<td>2.0</td>
<td>87.5</td>
</tr>
<tr>
<td>WEB2.0</td>
<td>25</td>
<td>12.5</td>
<td>12.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

To conclude this part, the following cross tabulation between Q19 and the variable Sex outlines that answers are quite similar between men and women. However, men seem to bit more unpredictable than women on this question.
CHAPTER V: DISCUSSION:

This chapter will discuss some of the most interesting findings presented in the previous part and interpret them in relation to my research questions.

The first part focuses on the interpretation of cross tabulations taken from the analysis of the questionnaire. The two last parts present some key points raised in interviews while connecting them with some results of the questionnaire and discuss it.

I/ How consumers are pretended to be and how they actually behave:

1/ A generation that “gets with the times”:

As noticed through the previous part, the studied population (e.g.: the “digital natives”) is relatively well equipped in technological devices. As a reminder:

- 86% of respondents have an iPod or MP3 player.
- 68.5% a WEB2.0 Site
According to the previous table, there is a significant correlation between variables “MP3IPOD” and “Download Music Online” which means that people who posses an mp3 player or an ipod tend to be more encline to dowload music online.

- **77% of them download music online among which nearly:**
  - **63% download music illegally**
  - **15% legally**
  - **And 22% do not download music**\(^\text{103}\).

In relation to buying older formats, **28% of them no longer buy music on older formats** (whether CDs, DVDs, LPs or other formats).

The assumption according to which youngsters do not use legal websites (legal offer) to buy music is verified by the following results:

- In Q12, only **10%** of respondents use legal music websites to buy CDs and **8%** downloads.
- In Q11, **15% of them declared to download music legally**, however only **9%** admitted they only downloaded music through legal channels

Consequently, these 2 results are coherent.

\(^\text{103}\) As noticed in the Findings chapter, 2 people lied.
2/ A generation whose needs relies in functional products that responds to their instant needs:

- When visiting websites for music purposes, the results showed through SPSS\textsuperscript{104} enable us to make clear conclusions.

According to findings from Q12, it seems that the most popular music websites consumers tend to visit have the following characteristics, they are:

- Convenient and functional tools responding directly to there “anywhere, anytime” music consumption habit
- Instant and updated music sites responding to consumers’ needs to find out about the latest music news.
- Free “playful” and entertainment music websites like “Video on demand” or “web radio” websites.

- In relation to Q13\textsuperscript{105}, we find similar results:

- Consumers highly agreed that the main reason for purchasing their MP3 players is because they are convenient and functional items as well as pleasant and fashionable ones.

This could be interesting for designers of iPod or mP3 players to offer customized products for music genres such as Rap, Rock or Pop that collect the more passionate consumers (Q4).

\textsuperscript{104} Please, see FINDINGS chapter.
\textsuperscript{105} Reasons for purchasing an iPod or MP3 player.
3/ Are consumers really influenced by other people on their music purchase?

- Certain results tend to show that most consumers are quite individualistic
  
  o *In Q13*, respondents massively estimated that they did not buy their own MP3 Player or iPod because “everybody has one today”. Consequently, the idea of “Unconscious imitation”\(^{106}\) was mostly rejected by them.
  
  o In Q16\(^{107}\), a vast majority of respondents claimed that the main reason to buy a track or an album of an artist is because they are music fan of the artist or band. Indeed, 87% of them “agreed” to this proposition among which 62% “strongly agreed”.

- One can also observe that most respondents in Q16, disagreed to each propositions mentioning the intervention of other individuals (or external factors) that would influence their decision of purchase:
  
  o 64.5% of respondents claimed they would not buy a song because other consumers would tell them it is great! This response rate is all the more significant as only 7% agreed to this proposition among which 3.5% strongly agreed. However, it would have been interesting to evaluate “how many of them would buy a song that most consumers would have bashed on the web”.
  
  o The response rate is similar with the proposition mentioning “official critics” (even if it is slightly higher).

\(^{106}\) E.g.: “RP3mimetism” variable.

\(^{107}\) “Reasons for Purchasing a song that you like”
Ultimately, one of the most surprising answers of this Q16 relies in the fact that a strong majority of respondents disagreed on the fact their friends’ taste influence their act of purchase. This result is all the more surprising as music has traditionally been a source of identification and socialization for young people.

4/ A generation full of contradiction?

• Results Vs. General assumptions:

As mentioned in the previous part, one can notice that not only young consumers are rejecting the idea of being influenced by their peers108, but also they are not necessarily seeking for interactions and communications on relation to exposing and discussing their music knowledge, taste or discovery. Thus, these results seem to contradict most consulting firms or newspapers claiming that a majority of young people are keen to communicate between each others when surfing on the web and highly influenced by other consumers’ opinions. Nevertheless, this does not mean that some of them may not be influenced by “opinion leaders or early adopters”.

The results of Q12109 are also eloquent:

- Only 10% of respondents declared they visited music website to communicate about their music taste and discovery

- And solely 6.5%. to put their own critics of a track, an album or an artist.

Indeed, the previous two figures embody the least ranked propositions of Q12.

---

108 Either friends or other Internet users.
109 “Reasons for visiting music websites”
• Q14/Q15

Results from Q14 showed that almost 50% of respondents consider that thanks to the legal offer of online free music services, the act of purchasing music is not anymore necessary. In parallel to this result, one should not forget that 22% of the surveyed people do not download music at all and 28% do not buy anymore old formats. Besides, if nearly 63% of them download music illegally (among which 57.5% only through illegal channels), 93% of respondents still consider that music needs to be fairly rewarded (Q15).

These two results may be of particular interest for people working in the music industry as they demonstrate that consumers, especially young ones, still massively consider music as an emotional service that needs to be rewarded. However, due to the legal offer, nearly half of them do not see anymore the interest of purchasing a track or an album (through CDs or downloads).

Surprisingly, the response rates are the same whether from people who download through legal or illegal channels. The following two charts (cross tabulations between Q11/Q14\textsuperscript{110} and Q11/Q15\textsuperscript{111}) illustrate this last statement.

\textsuperscript{110} Cross tabulations between Q11 (DMchannel) * Q14 (Act Of Purchase still Necessary)
\textsuperscript{111} Cross tabulations between Q11 (DMchannel) * Q15 (Music needs to be Fairly Rewarded)
1/ Cross tabulations between Q11 (DMchannel) * Q14 (Act Of Purchase still Necessary):

![Diagramme en bGtons](image1)

2/ Cross tabulations between Q11 (DMchannel) * Q15 (Music needs to be Fairly Rewarded):

![Diagramme en bGtons](image2)
5/ The “Age Group” factor:

When crossing variables between them, especially when focusing on “Age Group”, one can notice that students aged between 17-20 years old (48.5% of the respondents) tend to have a different behavior from students aged 21-25 years old (mainly university students).

- The 3 following bar Charts outline that a higher proportion of people aged 17 to 20 years old download music online and do it through illegal channels.

1/ Cross tabulations between Q1 (AgeGroup) * Q17 (DMLIDownload):

![Diagramme en bGtons](image-url)
2/ Cross tabulations between “Occupation” * Q17 (DMLIDownload):

![Bar chart showing the relationship between Occupation and DMLIDownload.

3/ Cross tabulations between “Occupation” * Q11 (DMChannel):

![Bar chart showing the relationship between Occupation and DMChannel.]
- Cross tabulations between Q1 “AgeGroup” * Q18 (Promote through Participative Label):

This previous chart highlights that younger consumers would be much more interested in promoting artists they like than older students.

- Cross tabulations between “Occupation” * Q10 (BuyMusicFormat):

From this chart (see above), high school students are more diversified in relation to the music format they still buy.
• However results from Q17\textsuperscript{112} are relatively and proportionally the same between age group, occupation and sex.

II/ SOFTWARE Vs HARDWARE

*With the incremental use of Web2.0 sites by consumers and artists, added to the fact that consumers are increasingly fond (and well equipped) of technological devices (such as iPod, MP3, mobile phone music players...), is content, in other word Music, becoming secondary?*

1/ Is content becoming secondary in the current Music Industry?

- 1.1/ The WEB2.0 phenomenon: a threat for Music?

According to Mr. Sok\textsuperscript{113}, “the “WEB2.0 phenomenon” is just a simple concept which aims at illustrating a significant step in the evolution of the use and application of Internet”. All interviewees agreed that Myspace\textsuperscript{114} took rise because of music. It met success because “hype people” (either famous people or underground artists) opened their music accounts and created a buzz around it, which became a societal phenomenon. The only value that Myspace brings to artists and labels relies on free promotion and easiness of use. For Nicolas Danglade\textsuperscript{115}, there is just no doubt about it, “Myspace is a marketing tool for artists and labels. I think nowadays, the more you diversify your position on the web (through platforms like Myspace, Facebook, lastFM, Deezer\textsuperscript{116}...), the better it is as you will

\textsuperscript{112}“Consumers’ needs to promote or to communicate around music”
\textsuperscript{113}Mr Sok is a consultant in the music Industry. He is the author of the book : “Musique 2.0: solutions pratiques pour nouveaux usages marketing”; IRMA, Edition 2007.
\textsuperscript{114}Myspace is the most famous WEB2.0 sites for music
\textsuperscript{115}Mr. Nicolas Danglade is the manager of the Label: « Les chroniques Sonores ». He is also lecturer at Euromed Marseille, School of management (France) giving classes on the music Industry. He is the CEO of the “French Sonotone Sound Designer Agency”.
\textsuperscript{116}LastFM and Deezer ar two popular webradios.
reach various audiences. For instance, people who visit websites like LastFM are not necessarily going on Myspace”, Mr Danglade claimed. Therefore web2.0 sites are not a threat but a tool that must be used ingenuously by artists or labels. However, certain of them do not let the label or the artists to renew the content which can be frustrating.

- 1.2 WEB2.0: sites: useful tools?

If Myspace, “music in streaming” or “Video on demand” websites are for unknown artists and small bands a good way to promote their music to a larger public at a lower budget, “certain Myspace accounts have more than 400,000 visits, does it makes any sense? Most people posting comments are bands making their promotions and own advertising on other Myspace of other bands” Mr Allemand remarked. “Let’s not forget that one of the main reason people go to Myspace or Facebook is to make friends. Can we be friends with 400,000 people?” he wondered.

Consequently, Myspace and Web2.0 sites may be useful to create buzz either for smaller bands as for renowned artists. But usually it is often bigger stars that collect most of the benefits from these websites, especially in terms of communication. One must also notice that Myspace opened a new way for artist to communicate and to be closer to their “fan base” but Myspace is now loosing shares in front of Facebook and also from webradios or “music in streaming” websites such as Deezer. As Sok Borey highlited, “Music is inextricably linked and influenced by « trends and fashion »”. “Myspace and Web2.0 sites have their necessity but concerning Myspace I believe that in term of communication and interface it is a bit obsolete. I prefer to use LastFM or Deezer where we can have some statistics about the profile of people consulting and listening to our music (in regard to the music genre they like, their nationality etc.)” M. Danglade said.

117 Mr. Remy Allemand is the guitarist of the band: « Autour de Nous ». He is also lecturer of Sociology at University of Montpellier (France)
1.3/ Technological devices Vs Music

For Borey Sok, “if music is apprehended as a product, it is and has always been secondary. In business and especially in marketing, music is a “loss leader”. A lot of people tend to discover this nowadays, but music has always been such a product. 15 years ago Coca Cola was selling CDs of “Kool & the Gang” with their packs of Coke. Business models did not evolve that much since then”.

“If we talk about the relationship between Music and technologies such as the newest offer launched by Nokia (e.g.: “Nokia comes with music phones”), the technology is now offering music (e.g.: content)” added M. Sok. “I had a chat with Nicolas Liebmann from Nokia and I asked him « Do you believe that one day, you will produce some music content? ». “Absolutely, and we are almost there” he answered me. And when I ask this question, I do not only ask it to telecom operators or manufacturers, but to advertising agencies, to entertainment companies and the answer is often the same. Therefore, it is plausible than within a few years, some mobile phone manufacturers could become Majors (e.g.: Nokia or Sony Ericsson)” Borey Sok outlined.

For Mr. Allemand: “to possess an iPod nowadays is to some extent quite the same thing than having a walkman 10 or 15 years ago”. He outlined that the success of DVDs did not kill live shows and concerts, on the contrary. Also because one can have 200 songs on an iPod it does not mean that the same person will listen to all of them.

Finally, from a consumer point of view, people still buy music because they are music fan of the artist. They download or listen to music for free because first it is free and secondly, because these websites or technological equipments respond to their “anywhere, anytime” expectations. As a result, Music is still a loss leader in its industry and digital technologies have enabled people to experience music in a more entertaining way.

118 Nicolas Liebmann is the manager of “Nokia Trends Lab” and leads of the department “Digital and CRM” of Nokia France.
119 See Findings Chapter
2/ Poor sound quality: a danger for music?

The other big debate in the International Recorded Music Industry concerns the poor quality of the MP3 format. Is this format a threat for the music Industry?

- 2.1/ Impact varies according to music genres

As a matter of fact, all interviewees agree that the MP3 format embraces and totally suits to the music genres young people like (e.g.: RnB, Rap, PopRock, Electronica…). However, for classical music or symphonies, this format is a real “sound quality regression”. Mr Allemand argued that “like any other format, we can compare the MP3 to a photo. It is not the exact reality; it is just a simple reproduction. What people like and listen to now, is something more “hypnotic” than “lyrical”. For instance, when you go in clubs, what your ears listen are just vibrations; however you still have people who will tell you that the sound quality is magnificent”.

- 2.2/ Opinions varies according to “people”

For Mr. Sok, on a broader scale, there are two types of people listening to music:

- The general public:
- The true musicians and music lovers

For the general public, the way we consume music nowadays (which is to say from a “nomad” way) totally corresponds to what MP3 and iPod can offer to consumers’ needs and wants. Besides, from the analysis of the questionnaires, most students do not have real opinion about the sound quality of the MP3 format. Most of them believe the sound quality equals the CDs. However, they are a bit more cautious when it deals with arguing that the sound quality of MP3 is superior to CDs. These results illustrate that consumers either do not care about it or that they did not pay attention to it before.

---

120 Expression used by Mr. Sok
121 See Findings Chapter (Q13, RP3equalsCds, RP3superiorCD), most people ticked “neutral”
122 Meaning the MP3 sound quality would not be as bad as experts considered it to be.
For true music lovers, the MP3 format is a “weak format” as the technology used compresses certain frequencies that altered the sound quality. These things said, there are formats such as «FLACK» or «WAV» in which the music is almost not compressed. Thus, “When we will all have fiber optic for our Internet connections, and a hard disk that can stock massive quantity of gigs, we will have another format such as “WAV” with better sound quality” explained Mr Sok. Consequently, the sound quality of music relies on the improvements of technology within the coming years.

- 2.3/ Will this poor sound quality enable the resurgence of older formats such as CDs?

As mentioned earlier, the CD format does not match anymore with consumers’ needs and wants. “The real need is for miniaturized objects that can stock a maximum of content and information” said Mr. Sok. “Economically for a label, it is now very difficult to make CDs and to remain profitable by selling a minimum quantity that is not certain to be sold due to the drop in CDs sales (except for big artists). The only way to make music nowadays is to address it to people who still buy it, and these people are no longer the people who buy CDs or LPs, but the entertainment industry, companies and so on, in which artists receive true copyrighting and are fairly rewarded” Mr Danglade highlighted.

One must also remember that all formats are progressively disappearing such as Tape/cassette. Other formats such as «AIF» or «Wep» which for the moment are too long to be downloaded will progressively take more market shares as the speed of Internet connection increases. The Mp3 format itself is somehow doomed to failure.

---

123 Expression used by Mr Danglade.
- 2.4/ Is MP3 poor sound quality a loss for the value of music?

As mentioned previously, the MP3 poor sound quality format is a loss for the music quality itself as the sound quality is altered\textsuperscript{124} and as earphones cannot properly restitutes a “Dolby surround” sound quality. Consequently, the commercial value of music might logically drop. For Mr. Sok, that is exactly what happened. “Moreover, one can claim that music since a few years does not have anymore a commercial value. Indeed, when a product is available for a majority of consumer for almost nothing, there is simply no more trade possible, no more bargain and as a result no more business” Mr. Sok said.

For Nicolas Danglade, the music industry made two big mistakes:

_ “First of all, commercially speaking: the “99 cents model” advocated by Apple Itunes is not working as artists, majors and labels do not perceive the fair incomes”.\textsuperscript{125}
_ “Secondly, the MP3 format is a clear “sound quality regression”. Till the mid 90’s, we managed to get technologies that have improved sound quality, as a result we went from « mono to stereo and even to Dolby surround». The problem with MP3 format is that it absorbs a lot of frequencies. The LPs were the equivalent of what a human ear could hear. When CDs appeared, we went slightly out of that scheme, but since the mP3 format, we listen to something that does not correspond to natural human hearing. There are neither low pitched, nor high pitched sounds, there are only « mediums ». Let me remind you that our ear can listen from 60 to 12,000 hertz, the MP3 format sound quality varies from 300 to 6,000 hertz…”\textsuperscript{126}

More generally, the current format but mostly the current system is forcing the music to loose its value as the need to download music is not anymore essential or compulsory to enjoy everyday music\textsuperscript{127}.

\textsuperscript{124} depreciated
\textsuperscript{125} Nicolas Danglade
\textsuperscript{126} Nicolas Danglade
\textsuperscript{127} Thanks to music streaming, Web 2.0 sites, webradios and so on.
III/ Concept of ‘Control’: Are consumers drivers of the music industry?

According to most media, consumers are frequently presented as the “big winners” of the digital revolution. Indeed, in relation to the music industry, they have been given unlimited access to free music; they can now promote artists through participative labels, web 2.0 sites and so on... so much that, certain media (and even consulting firms) consider that these “empowered consumers” nearly control the music industry.

1/ “Empowered Consumers: REALITY OR FANTASMA?

- 1.1/ How consumers really behave:

The evidence when starting this dissertation was clear. Consumers had gained a lot of power thanks to the Digital Revolution and especially young consumers (those who are increasingly smarter in the use of Internet and technological equipments). As seen previously, most of them download music illegally; some of them no longer buy other music formats as they can listen to their favorite music via the online legal offer for free and whenever they want it. Finally, they can now promote and invest money on artists they like.

Initially, the answer was quite obvious. However, when elaborating my questionnaire, I did not focus particularly on piracy as numerous studies had already been conducted on that topic but I worked more on ‘profiling’ and on the concept of control through ‘consumers’ interactions and involvement’. Indeed, I believe that what is interesting and where consumers can be really powerful in this industry is when they become true ‘Prosumers’\textsuperscript{128}. But the results showed that young consumers do not perfectly match to this ‘prosumer’ idea. Apparently, on the one hand they do not like the idea of not having their own opinion and being influenced by other consumers, but on the other hand most of them do not feel like having to express it through forums or their own Web2.0 sites. Besides, if they like the idea of promoting artists online, very few would be ready to invest money and even fewer actually

\textsuperscript{128} Consumers, promoters and producers.
did it before\textsuperscript{129}. One could doubt that these results may apply to most consumers from the same generation and be generalized. However, I believe that most respondents answered these questions quite frankly as their answers to similar variables asked through questions phrased differently in the questionnaire do not change\textsuperscript{130}.

In Q18, if most high school students would be ready to promote artist they like on participative labels, on the question to investing money (see cross tabulation chart below), the answer for all respondents (all age included) is mostly no. Finally, only 3.5\% have ever done this before.

**Cross tabulation chart between Q1 “Age Group” \* Q18 Participative label interest in investing money**

---

\textsuperscript{129} See results from Q18 in the Findings chapter

\textsuperscript{130} In Q17, when consumers will listen to a music they like, they will first download it. Half will keep it for themselves, 40\% may send it to their friends. But when they really want to promote a song on forums and see what people think about it, this figure collapses to 8\%. This result matches with the two least ranked proposition of Q12.
So: are consumers really powerful in the music Industry? Are they aware of their power as a group? Are they interesting in going one step forward to become true “Prosumers”? If most of them have more “proactive” behaviors, the results from questionnaires underline that a great majority is still reduced to its role of ‘simple consumers’. However, ‘consumers’ that can legally or illegally have access to their favorite content for free. Is it enough or will they want more? Time will say.

- 1.2/ What Interviewees think:

Mr Sok believes that consumers have more power than before especially on content. “Content is totally slipping from the hand of traditional players. It is a bit like if one day, everybody was discovering an “oil well” in their garden. There would be a loss of control from traditional producers on their raw material (oil), markets that would collapse and a huge crisis for the oil industry. In the music industry, the situation is a bit similar, the raw material being the music” he explained.

Nevertheless, it is not because an industry is loosing control over its content that it cannot exploit it innovatively. “Indeed, we are in a situation where money can be made on a firm’s capacity to exploit, develop, present, use and recommend this content. This means that we are perfectly on the idea of developing innovative services in an economy which is predominantly led by the service sector” Mr. Sok explained.

For M. Danglade, consumers have gained a real freedom. Before, consumers had predictable behaviors: they loved an artist; they would buy his/her album or single in stores. Marketing was consequently quite simple with unique goal as to convince the consumer to buy the album. This strategy was relying on the passivity of consumers reduced to their act of purchase. Today, consumers can develop relationships around the music without necessarily buying it while he/she will have listened to it a dozen times for free. “The music industry is multiplying experiences and business strategies to develop a broader music industry that would have linked to other products and services. The good thing for all the players of this industry is that it has opened large doors to new way to communicate around music”, he added.
To Mr. Allemand, the answer is quite simple and obvious: “the most important thing is that consumers believe so!” “It is important to remember that Internet became « sexy » (especially for young consumers) because of piracy. What people value from the Internet is the amount of free information they can have access to and they also like the idea of being in the heart of this system. So yes, consumers are empowered if they believe so” as he outlined.

2/ Who is driving the current International Recorded Music Industry?

This point refers to the final question I asked in questionnaires and interviews: “Even if all the following key players are –to some extent- interdependent, according to you, who is driving the current music industry? Why? (Apple/ artists/ Consumers/ E retailers/ Internet Services Providers, Labels, Majors, Mobile Phone operators, Web 2.0 sites, Other...)

Respondents were asked to tick only one answer and the same for the interviewees.

- 2.1/ Results from the questionnaire:

As seen in the Findings chapter, consumers had mitigated opinions. Consumers ranked themselves on the 3rd place after “Majors” and “Artists” but before “Web2.0 sites”.

- 2.2/ What Interviewees said:

“It is hard to answer this question...I can say that it is the same principle as the relationship between the « master and the slave »: without slaves no masters, without masters no slaves” Mr Allemand underlined.

For, Mr Sok the question must be analyzed through two angles:

- a/ The exploitation of existing repertoires: in which Apple but also Mobile phone manufacturers and operators (“Nokia Comes with music”, “sony ericson, “Vodafone” etc.) are much ahead and innovative than traditional players. What makes this
industry moving so fast are these emerging players that have the capacity to control either software or hardware and can manage to build their own network around it.

- **b/ The upcoming production of artists:** On this point, Borey Sok believes e-labels and participative labels\(^{131}\) are ahead and represent what the music industry could become in the coming years. Mr Allemand considers that it will be easier for artist to have access to more sources of promotion but certainly more difficult to be clearly visible on these plethora of websites all containing thousands of pages.

“For me it is clearly the artists. Because if one day, they decide to stop producing content, they will no longer be music” claimed M. Danglade. Indeed, the “Writers Guild of America” strike clearly illustrated it. M. Danglade also outlined that with the change occurring in the music industry, artist could make a part of “the trip” (to release a record), by themselves (which was not the case long ago). But they will not be able to relinquish labels or Majors to build a network and be able to develop and plan their careers.

- **2.3/ Participative Labels and consumers’ involvement:**

This final section refers to the control consumers could really have in front of Majors on the Music Industry. As seen previously, participative labels are an innovative way to promote music and artists while involving consumers, but this phenomenon is quite limited and marginal. To some extent, we could compare this to Free Trade, where only 5 to 6% of consumers are really involved in that phenomenon. For Mr. Allemand, participative labels found, through an innovative process, a niche market and where there is a niche, there is business to be done. Mr. Danglade compares the system of my “majorcompany\(^{132}\)” as the one of shows such as the ”X factor” or “American Idol\(^{133}\)”. In other words, “they make people (consumers) believe that the artist (future super star) is being born under their eyes and thanks to their supports (financial and promotional), but they already at the beginning selected a panel of artists they believe could be and reach significant audience. Personally it is not my vision of music… After, giving consumers the opportunity to become partners. Why not? But until when?” Mr Danglade wondered.

---

\(^{131}\) Such as MyMajorCompany.com

\(^{132}\) Mymajorcompany.com (France most famous and biggest participative label)

\(^{133}\) Reality TV shows where unknown people are competing to become the next Pop Idol.
This final chapter begins with a short summary of this dissertation. Conclusions of my research and further recommendations will also be presented.

- **1/ Summary of the dissertation:**

  The International Recorded Music Industry is facing numerous challenges, which raise strong questions regarding its future. Indeed, it has to deal with an incremental intrusion of digital technologies, in a society now led by “information and knowledge”\(^{134}\) where consumers are expected to become “true” partners\(^ {135}\) and not only receivers or final users. Consequently, studying this industry is particularly interesting as it could be considered a barometer of what most industries will face in the near future.

  In this framework, numerous studies were conducted concerning great issues such as Piracy, DRM, and the need for innovative business models to survive in today’s digital music marketplace. However, very few have literally focused on the question of control and tried to figure out whom and what is currently driving this industry. Indeed, this issue is a key element to the understanding of some of the main problems and challenges this industry hosts. This is the reason why I decided, based on conclusions taken from previous academic papers, consulting reports or articles, to portray and simplify the relationships between key players and to focus on key concepts such as “power” and “control”. With the use of secondary data, the resulting clarifications enabled me to better formulate my research question. In order to get answers to my questions, I decided to collect primary data through self-administered questionnaires addressed to 200 consumers\(^ {136}\) (“Digital Natives” mostly aged 15/25 years old) and three face-to-face interviews\(^ {137}\) (nearly 40 minutes each) with music industry specialists.

---

\(^{134}\) See Introduction.

\(^{135}\) Collaborators

\(^{136}\) French High School and University students

\(^{137}\) Mr. **Borey Sok**: Consultant in the music industry and author of the book : « Musique 2.0 »

Mr. **Rény Allemand**: Guitarist of the Band “Autour de Nous” and lecturer of sociology at University of Montpellier

Mr. **Nicolas Danglade**: Manager of the French label: “Les chroniques sonores” and lecturer at Euromed Marseille, School of Management, giving special classes on the “music industry’ strategies and challenges”
The results of these questionnaires and conversations were then critically analyzed and enabled me to draw special trends that contradicted some popular assumptions conveyed by most media.

- **2/ Conclusion:**

The defined aim of this dissertation not only was to clarify the interactions between key players in the current music industry (essentially in the digital music marketplace), but also to illustrate the balance of power in this new framework and to evaluate the real weight of consumers (especially “digital natives”) over this industry. In order to get these answers, the concept of “control” however idle, was a “uniting factor” to study this topic. Consequently, I divided my research question into 3 sub-questions:

1. Who is controlling the music industry?
2. What is driving the music industry?
3. And where do consumers fit in?

A questionnaire was specially designed to consumers (as they are alleged to be the principal beneficiaries of this revolution). The Literature review chapter and the analysis of my questionnaires through SPSS have then helped to better target my questions for the interviews I conducted.

- 2.1/ Who is controlling the Music Industry?

The analysis of the questionnaires and the conclusions from the interviews showed that there are no clear “dominant drivers”. These results can be explained by the fact that all players, either traditional or emerging, are interdependent (some possessing the content; others, the technology; others, the purchasing power). However, traditional players such as

---

138 analyzed through SPSS
139 Most questions aimed at drawing a profile of their behavior on relation to their music habits and purchase as well as use of technology. Other key questions aimed at evaluating their willingness -or not- to become “prosumers” (e.g.: promoters, producers and consumers).
the Majors, artists and, to some extent, consumers are relatively highly ranked by young consumers as key drivers of the current music marketplace.

More generally, what came out from the literature Review and the interviews I conducted is that players who may have a competitive advantage in today’s digital music marketplace are those who are either in the “Software” or in the “Hardware” sector. Thus, key players like Apple, Mobile phone manufacturers and operators may represent the future face of the Music industry. Majors are also developing more partnerships with the other key players (either Hardware manufacturers or Web2.0 sites). Therefore, one of two tendencies is likely to arise for companies evolving in the Music Industry:

- a/ More partnerships diminishing the power of the Majors and other record labels whose assets are centered on the control of content.
- b/ Or, the proliferation of mergers and acquisitions resulting in the emergence of powerful conglomerates specialized in entertainment and technology production.

As mentioned in the introduction, the Music Industry has always been led by an ‘oligopoly of sorts’ (the Majors) which did not hesitate to restructure -when necessary- in order to maintain their supremacy on the market. Nevertheless, within the new digital framework in the industry, the ‘attraction’ of technology is as; if not more, powerful than content and most companies now competing in the digital music marketplace are multinationals. Therefore, one could postulate that two types of ‘oligopolies’ (i.e.: “Software providers” and “Hardware manufacturers”) will emerge. In parallel with this plausible “bi-oligopoly” dichotomy, we also need to factor the resurgence of ‘consumer-entrepreneurs’ into the overall picture. Consequently, the business model developed by participative labels could be an interesting response to initiate dialogue with consumers and make them a participant in the music promotion and production process.

- 2.2/ Empowered consumers?

Consumers have clearly gained more power in this industry thanks to piracy, to participative labels, Web2.0 sites, broadband Internet and so on... However, apart from wondering on the legitimacy of this power (i.e.: Piracy), the results and conclusions from my questionnaires and interviews tend to mitigate its “scope”.

Indeed, the real power these consumers have over the music Industry relies:
Nevertheless, the analysis of the questionnaires revealed that among young consumers most of them:

_ a/ do not need or want to communicate about their music taste or discovery,
_ b/ do not seem to be influenced by external factors or other consumers in relation to their music purchases.
_ c/ and, only a tiny fraction of consumer actually proceeded to using participative labels, forums or their own Web 2.0 sites to promote the music they are interesting in.

Consequently, even if the concept of ‘empowered consumers’ is quite fashionable through the Press as the one of ‘Free Trade’, it seems that in reality, consumer’s involvement either to Participative labels or Free Trade only concerns between 3% to 6% of them. Apparently, every time consumers are asked to invest either their time (e.g.: promoting) or money (e.g.: producing) on a product or a service they are not deeply interesting in, the percentage collapse. What most consumers want are functional and customized products and services that can stock massive information and which matches to their “anywhere, anytime” expectations.

At the moment, the only power consumers have relies on their capacity to create buzz through Web 2.0 sites or forums either by bashing a song, a band, a technology or acclaiming it…Traditional media then do the rest and amplify that buzz.

Thus, three types of consumers may have significant predisposition to impact the music industry:

- a/ The Internet opinion leaders who are the ones that are the more proactive and companies working in the Music Industry will have to target them.
- b/ The music lovers who will not hesitate to invest their time and money on artists they like.
- c/ And the ‘pirates’ (consumer-users of P2P files-sharing platforms) who continue to steal the industry.

---

140 Either downloads or older music formats
141 Through forums, their own Web2.0 sites, participative labels and so on…
2.3/ What is driving what? 142

As noticed in this dissertation, music is today a “loss leader” in its industry. Moreover, current trends show that it will become increasingly so as most industry key players are forced to exploit and create sources of value added other than content, and as fewer and fewer people are buying music (downloads and CDs). As Mr. Danglade143 pointed out, there are two things consumers appreciate:

_ a/ the music or bands
_ b/ and “all the rest”.

How many young consumers are ready to buy a perfume or a T-shirt from an artist they like (sold at exorbitant prices) but will not buy or download their music? Thus, the music industry is inextricably linked to societal norms and fashion trends and is increasingly relying on technological development and innovation for its survival.

As a result, will Music ever ultimately become free following the model of newspapers distributed for free in our cities’ streets? The future will say so. However, according to 93% of consumers144, music still needs to be fairly rewarded. So the Music industry will have to develop innovative business models in order to generate revenue streams. But the numerous interdependencies between these key players make these changes almost impossible however their necessity may be obvious and compulsory145.

In summary, the “2006 ‘person of the year’ Time Magazine’s cover page”146 must be balanced. We are indeed in the ‘Information Age’; a world that empowered most consumers by giving access to ubiquitous information. But the people who control this ‘world’ are those who get access to the relevant information itself, and above all, who know either how to get value from it or add value to it by manipulating it ingenuously. This kind of people may be ‘consumers’ but they are above all: visionary and entrepreneurs people.

---

142 (e.g.: “Is music becoming secondary?”)
143 One of the 3 interviewee.
144 See Findings chapter (Q.15)
145 The examples of “Piracy” or “DRM” in which each player acted for their own interests resulted in a profound loss for the music itself and to the whole industry.
146 See Introduction
• 3/ Managerial Implications :

Through the conducted literature review but also through the results from the questionnaires and interviews, this dissertation not only depicted an overview of the current music industry (and its main challenges) but also gave special attention to consumers’ behaviour\textsuperscript{147}. Therefore, I believe that this dissertation can be helpful either for students and researchers studying the music Industry (academic value of this paper), or for people working in the music Industry (practical value).

The results of this dissertation focusing on the concept of “empowered consumers/prosumers” in the light of the “Information society” may be of particular value for marketers, as well as for consultants.

• 4/ Critical reflections and recommendations

If I would have had more time and a higher budget I would have conducted more interviews with key players and selected a higher sample (as well as an international one) for questionnaires. I would also have gone more in depth with the use of SPSS software.

That is the reason why the chosen research methodology was qualitative and not quantitative. Due to my low sample size (either in questionnaires as in interviews), it might have been necessary to enlarge my research design in order to be able to better generalize it. However, I believe that the work conducted (through consumers’ profiling and investigations over this industry) is of great value and reveals some interesting trends.

For further research, as the goal of this dissertation was to “clear the way” on three big issues\textsuperscript{148}, other researchers should probably take one of these three debates and studied them even more in depth that I could do it (through more interviews and questionnaires with better and more focused questions regarding the chosen scheme).

\textsuperscript{147} ‘Digital natives’.

\textsuperscript{148} Who is controlling the music industry?/ What is driving the music industry?/ And where do consumers fit in?
• **5/ Final Reflections:**

As a future graduate in International Business and as a passionate of Music and Marketing, the choice of studying this industry was particularly interesting as it outlines two great challenges most marketers will face in their career:

1. To what extent can consumers be involved in the promotion and production processes? Meaning identifying consumers/opinion leaders, building a relationship with them while paying close attention to setting limitations to their involvement\(^\text{149}\).

2. The necessity to develop innovative partnerships (either with consumers, other players or industries), business models and the close relationship between products and services with technologies.

\(^{149}\text{e.g.: Keeping the control}\)