

The influence of external factors on business models of record labels

A case study on Dutch hip hop record labels



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Abstract

Multiple researchers have addressed the need for more research on how external factors influence specific components of a business model. Additionally, researchers address that the business models within the music industry need to be studied because these business models have changed over time. This study contributes to the business model and music research fields by examining the influence of digitalization, independent artists, partnerships, and COVID-19 on the business models of Dutch hip hop record labels. Therefore, the main question of this study is: How do external factors influence the business models of Dutch hip hop record labels? By answering this research question, this study also contributes to an emerging research field: hip hop music business.

The researcher uses the RCOV framework to analyse a business model. This framework consists of resources, competences, activities, relationships, and value proposition. In total, 12 record label managers of 10 Dutch hip hop record labels are interviewed to examine the influence of external factors on their business model. Furthermore, news articles and existing online interviews are used to triangulate the interview findings. The findings of this study show that all four factors influence the business models of Dutch hip hop record labels. Digitalization has the most influence because music is delivered and promoted online nowadays. Therefore, record labels need to perform new activities, hire data specialists and a content team. The influence of independent artists on Dutch hip hop record labels is considered as low. However, independent artists may become a future threat to record labels. Partnerships have a medium influence because partnerships enable Dutch hip hop record labels to become a media agency. The influence of COVID-19 is high because Dutch hip hop record labels need to develop new competences and new activities.

Furthermore, the researcher proposes a new business model for record labels which is based on the findings of this study and existing literature. There are multiple adjustments

compared to the traditional business model of record labels. Firstly, analysing and deal making are new competences. Secondly, monitoring independent artists is a new activity. Thirdly, offering music online via distributors and streaming platforms is a new value proposition. Fourthly, offering brands a media agency is a new value proposition. Eventually, offering artist specific record deals is a new value proposition. All in all, the results demonstrate that the business models of record labels have changed over time. Moreover, this study shows that external factors have an influence on components of a business model.

Keywords: business model, RCOV, record labels, external factors, and hip hop

Preface

In the last few months of my study Strategic Management I examined the business models of Dutch hip hop record labels. Since the age of ten, I have been passionate about this music genre. Subsequently, I started a Dutch hip hop platform in 2016. When I finish my master, I have more time to focus on my business and I want to make my first serious steps as hip hop entrepreneur. Therefore, I am thankful that Tilburg University offered me the opportunity to conduct this study. I hope my master thesis inspires other students to find a research topic they are passionate about because writing a thesis is a pleasure when you are able to combine it with your passion. Furthermore, I am grateful for all respondents who participated because the interviews provided insights that are useful for the rest of my life. Due to this study, I was able to meet people who contributed to making Dutch hip hop one of the leading music genres of the Netherlands. Eventually, I want to thank my family, girlfriend, supervisor, and friends who supported me and were interested in my findings.

I hope you enjoy reading as much as I enjoyed conducting this study.

Erik Bruil

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1. Introduction

In this chapter, the business model research field and factors that influence business models are introduced. Furthermore, four external factors that influence the business models of record labels are discussed. Eventually, this chapter explains why the researcher studies the effect of external factors on business models of Dutch hip hop record labels, which results in a conceptual model, purpose, and research questions.

1.1 Background of this study

Environmental changes offer the possibility for new business models to emerge (Casadesus-Masanell & Zhu, 2013). Therefore, research on business models has increased significantly over the last decade (Ramdani, Binsaif, & Boukrami, 2019). A business model is a system of interdependent activities that transcends the focal firm and spans its boundaries (Zott, Amit, & Massa, 2011). Thus, business models are not only focused on the focal firm but also on the patterns of economic exchanges with external parties (Zott & Amit, 2008). To stay competitive over time, firms must improve their business model (Chesbrough, 2007; Teece, 2010; Zott, Amit, & Massa, 2011; Amit & Zott, 2012). Although the amount of literature on business models increases, researchers agree that the theoretical foundation can be improved (Sosna, Treviño-Rodríguez, & Velamuri, 2010; Zott, Amit, & Massa, 2011; Schneider & Spieth, 2013; Carayannis, Sindakis, & Walter, 2015). Therefore, multiple researchers address that business model literature lacks an in-depth understanding of the factors that alter business models (Demil & Lecoq, 2010; Schneider & Spieth, 2013; Bouwman, Nikou, & Molina-Castillo, 2018; Ramdani et al., 2019). Changes in the firm's external environment are often the main cause of changing business models (Christensen & Raynor, 2003; Chesbrough, 2007; Chesbrough, 2010). Moreover, Demil and Lecoq (2010) and Ramdani et al. (2019) address that future research needs to examine how external factors change specific components of a business model. Therefore, this study focuses on external factors.

1.2 External factors that influence business models

External factors are defined as uncontrollable emerging changes in the environment of a firm (Demil & Lecocq, 2010). Previous research has found multiple external factors that alter business models. The first external factor that influences the business models of multiple industries is digitalization (Amit & Zott, 2001; Teece, 2010; Pucihar, Lenart, Borstnar, Vidmar, & Marlot, 2019). Digitalization changes business models by enabling firms to develop and integrate new value creation, value delivery, and value capture mechanisms (Teece, 2010). Moreover, digitalization reduces communication and computing costs, which enables firms to introduce more efficient business models (Amit & Zott, 2001). The second external factor is competition. Competitors may introduce successful business models that are copied by other firms in the industry (Teece, 2010). On the other hand, the need to differentiate from competitors may motivate firms to improve their business models (Carayannis et al., 2015). The third external factor is partnerships. Resources and capabilities provided by partners can stimulate a firm to adjust its business model (Ferreira, Proença, Spencer, & Cova, 2013). Furthermore, the needs of partners may change, which forces firms to improve their business model (Pucihar et al., 2019). The fourth external factor is institutional changes. Regulation and deregulation policies can immediately make business models ineffective or force firms to adjust some elements of the business model (Sosna et al., 2010). On the other hand, institutional changes can also create favourable circumstances for the introduction of new business models (Casadesus-Masanell & Zhu, 2013). Previous research has found more external factors that can alter business models. For example, industry conditions (Giesen, Berman, Bell, & Blitz, 2010) and changing buyer preferences (Hult, Hurley, & Knight, 2004). However, these factors are not included in this study because previous studies have shown that the four factors which are discussed above are most relevant for the music industry, which is the context of this study

(Bourreau, Gensollen, Moreau, & Waelbroeck, 2012; Hracs, 2012; Moyon & Lecoq, 2014; Walzer, 2017; Primov-Fever, Amir, & Roziner, 2020).

1.3 External factors that influence record labels

Lysonski and Dursvasula (2008) and Bourreau et al., (2012) argue that more research on business models in the music industry is important because this industry has changed significantly over the last decades. In particular, the business models of record labels need to be examined because after 2004 external factors forced record labels to improve their business model (Moyon & Lecoq, 2014). Record labels are companies that sell, distribute, and promote music of artists who signed a record deal (Passman, 2019). Nowadays, business model development is one of the most important topics for record label managers (Moyon & Lecoq, 2014). This study tries to explain how external factors influence the business models of record labels. Therefore, the four external factors: digitalization, competition, partnerships, and institutional changes are applied in the context of this research and turned into digitalization, independent artists, partnerships, and COVID-19.

Digitalization forces record labels to create new ways of selling, distributing, promoting, and consuming music (Clemons & Lang, 2003). Therefore, digitalization has implications for the business models of record labels (Bourreau et al., 2012; Moyon & Lecoq, 2014). For example, in the past, record labels distributed CD's to warehouses. Nowadays, music is mostly consumed online which forces record labels to replace their traditional distribution partners (Eiriz & Leite, 2017). Furthermore, the business models of record labels are challenged by independent artists because these artists decide to create, sell, distribute, and promote music without a record label (Walzer, 2017). Therefore, the future potential of the business models of record labels is challenged by competing independent artists (Walzer, 2017). At the beginning of the 21st-century, record labels started to establish more partnerships with firms that could complement their business model (Moyon & Lecoq, 2014). These partnerships enable record

labels to improve aspects of their business model (Moyon & Lecoq, 2014). Eventually, COVID-19 forces governments to implement deregulation policies, this resulted in cancellations of festivals, concerts, and tours, which decreases the revenues of artists (Primov-Fever et al., 2020). Record labels often receive a percentual cut of the performance revenues of their artists (Passman, 2019). Therefore, record labels may need to adjust the revenue side of their business model due to the pandemic.

1.4 Dutch hip hop

To examine how digitalization, independent artists, partnerships, and COVID-19 influence the business model of record labels, this study focusses on Dutch hip hop record labels. Nowadays, Dutch hip hop is one of the leading music genres of the Dutch music industry (Van Staple, 2017). The popularity of Dutch hip hop music can be illustrated best with an analysis of the top 100 Dutch albums. From 2000 until 2011, 1% of the albums in the Dutch top 100 was a Dutch hip hop album. In 2017, this number increased to 31% (Pothof, 2018). In the Netherlands, multiple record labels release Dutch hip hop music (Pothof, 2018). The number of Dutch hip hop record labels increases because incumbents of the Dutch music industry recognize the potential of this music genre (Funx, 2019). Moreover, the academic attention for Dutch hip hop music grows (De Roest, 2020). Previous studies focussed on hip hop songs, lyrics, representing, and authenticity (Borggreve, 2010; Dumont, 2012; Meurs, 2015; De Roest, 2020). Although, most studies on Dutch hip hop music are not published in journals because most of the studies are conducted by academic students (De Roest, 2020). This thesis contributes to the literature on Dutch hip hop music in several ways. Firstly, previous studies on Dutch hip hop have not analysed the business models of record labels. Thus, this study helps scholars and record label managers to understand how business models of Dutch hip hop record labels work. Secondly, the amount of Dutch hip hop record labels is increasing. Therefore, new and established record labels can use this study to evaluate their business model. Thirdly, Dutch hip hop is part of the

music industry, in which firms are forced to adjust their business models. Therefore, studying the effect of external factors helps Dutch hip hop record labels to understand why and how their business models need to be adjusted. Moreover, this research contributes to the literature on hip hop music business because previous studies on the business aspect of hip hop music have only focussed on marketing (Wilson, 2011), market reputation (Leyland, Hough, & Fisher, 2011), and obtaining revenue as a hip hop artist (Zanfagna, 2012). Thus, this study also contributes to the foundation of an emerging research field: hip hop music business.

1.5 Conceptual model

Figure 1 depicts the conceptual model of this study. Digitalization is included because this factor has an enormous impact on the whole music industry. Independent artists are included because it is interesting to examine how record labels adjust their business model in order to deal with this rising competition. Partnerships are included because record labels complement their business model with partnerships. Eventually, the impact of COVID-19 is examined because no research has been conducted on how COVID-19 influences the business models of record labels. To analyse the business models of Dutch record labels, the Resources, Competences, Organization, and Value proposition framework (RCOV) of Demil and Lecoq (2010) is used. This framework consists of resources and competences, activities and relationships, and value proposition.

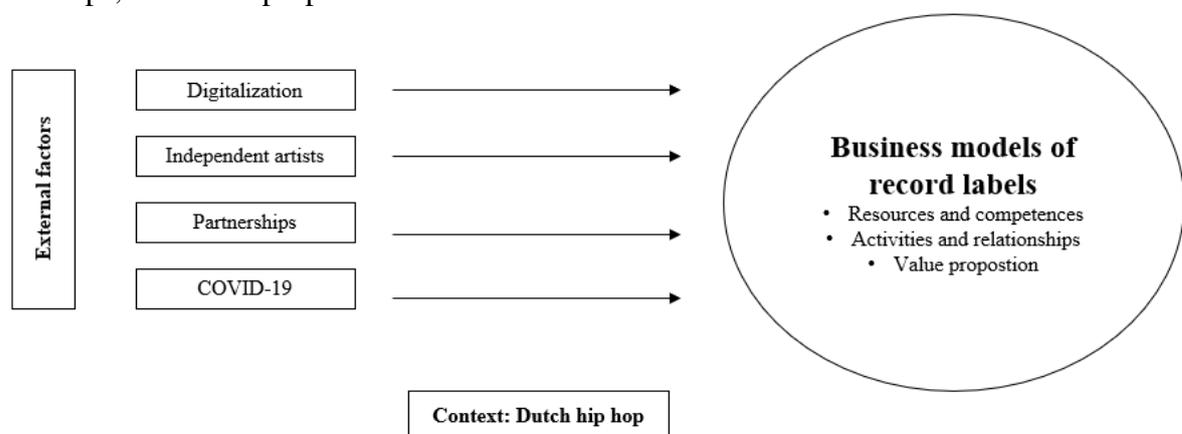


Figure 1. Conceptual model

1.6 Purpose of this study

Demil and Lecoq (2010) and Ramdani et al. (2019) argue that the business model research field lacks understanding of how external factors influence specific components of a business model. Thus, this study contributes to this field by analysing how external factors change specific components of a business model. Furthermore, this study contributes to the music research field by explaining how external factors influence the business models of Dutch hip hop record labels. Previous studies have not paid much attention to the business aspect of hip hop music. Therefore, this study also contributes to an emerging research field: hip hop music business. In particular, this study contributes to the literature on Dutch hip hop music. The insights may help scholars and practitioners to understand how record labels can improve their business model more effectively.

1.7 Research questions

The main question of this study is: How do external factors influence the business models of Dutch hip hop record labels? The following research questions help to answer the main question:

- How is digitalization influencing the business models of Dutch hip hop record labels?
- How are independent artists influencing the business models of Dutch hip hop record labels?
- How are partnerships influencing the business models of Dutch hip hop record labels?
- How is COVID-19 influencing the business models of Dutch hip hop record labels?

1.8 Overview of this study

The next chapter provides an in-depth explanation of the theoretical background of this study. Moreover, the method chapter explains why the researcher opted for a case study research method. In total 12 interviews with label managers of 10 record labels are used as primary data. News articles and online interviews are used as secondary data. The findings chapter shows the

results of the data analysis. Eventually, the final chapter answers the main question and proposes a new business model for record labels.

2. Theoretical Background

This chapter explains the business model concept. Subsequently, the RCOV framework is introduced which clarifies the components of a business model. Eventually, the four external factors and Dutch hip hop music are discussed.

2.1 Business model

Despite the increasing academic attention for the business model field, there is still debate on defining the business model concept (Ramdani et al., 2019). Stewart and Zhao (2000) argue that a business model can be defined as how a firm earns money. Magretta (2002) defines business models as stories that explain how firms work. Furthermore, Casadesus-Masanell and Ricart (2010) define business models as a reflection of the firm's realized strategy. These three definitions are mainly focussed on the focal firm's revenue model, strategy, and activities. Whereas Zott et al. (2011), define a business model as a system of interdependent activities that transcends the focal firm and spans its boundaries. In this study, the definition of Zott et al. (2011) is followed because this definition addresses that the business model concept is broader than the focal firm. Researchers agree that business models transcend the focal firm and therefore cooperation, partnerships, and joint value creation are central elements in a business model (Magretta, 2002; Mansfield & Fourie, 2004; Mäkinen & Seppänen, 2007; Zott & Amit, 2008). Consequently, firms need to take into account their stakeholders when firms adjust their business model (Zott et al., 2011; Amit & Zott, 2012; Mezger, 2014).

2.1.1 Improving a business model

If firms want to stay competitive over time firms must undertake a process of constantly re-thinking, re-designing, and developing their business model (Chesbrough, 2007; Sosna et al., 2010; Teece, 2010; Zott et al., 2011; Amit & Zott, 2012). Multiple studies show that improving a business model is vital for obtaining a competitive advantage, to increase firm performance, and for firm survival (Demil & Lecocq, 2010; Chesbrough, 2010; Amit & Zott, 2012; Baden-

Fuller & Haefliger, 2013; Casadesus-Masanell & Zhu, 2013). Firms can improve their business model by integrating new value creation, delivery, and capture mechanisms for stakeholders (Gambardella & McGahan, 2010; Teece, 2010; Casadesus-Masanell & Zhu, 2013). Value creation refers to activities that generate value for customers (Chesbrough, Lett, & Ritter, 2018). Value delivery is the process of delivering value to the customer (Teece, 2010). Value capture is the process of capturing profits from value creation (Chesbrough et al., 2018). Researchers agree that value creation, delivery, and capture are the main elements when analysing business models (Osterwalder & Pigneur, 2010; Teece, 2010; Amit & Zott, 2012; Casadesus-Masanell & Zhu, 2013). Thus, frameworks that enable researchers to analyse the effect of external factors on a business model should include value creation, delivery, and capture elements. Therefore, this study uses the Resources and Competences, Organization, and Value Proposition framework (RCOV) of Demil and Lecoq (2010).

2.1.2 RCOV framework

Demil and Lecoq (2010) and Ramdani et al. (2019), argue that future studies should analyse how external factors alter elements of a business model. This study uses the RCOV framework because this framework enables the researcher to split a business model into different components. Resources and Competences (RC) are the first two components, which are essential for creating value (Demil & Lecoq, 2010). Resources are the assets of the firm, for example, human resources or buildings. Competences are the ability and knowledge to exploit resources. According to Demil and Lecoq (2010), consists the Organization (O) component of the firms' activities and the relationships with the value network including suppliers, regulators, and other stakeholders. Activities and relationships explain how a firm exploits its resources and competences for creating value. The Value proposition (V) component explains which products and services will be offered, how they will be delivered, and to which customers (Demil & Lecoq, 2010).

The RCOV framework includes value creation, value delivery, and value capture elements, which is a requirement for analysing business models with a framework. The value creation element is covered by the resources, competences, and organization (RCO) because these components define the activities and relationships that are required for exploiting resources and competences, which creates value (Demil & Lecoq, 2010). Value delivery is captured by the value proposition (V) because this component explains how a value proposition is offered to a customer (Demil & Lecoq, 2010). Value capture consists of revenues and costs. The value proposition (V) is seen as the only source of revenue (Demil & Lecoq, 2010). The resources, competences, and organization (RCO) components generate costs, as depicted in Figure 2 (Moyon & Lecoq, 2014, p. 86). However, the researcher of this study believes that their model lacks a proper distinction between all components. Therefore, the researcher has decided to split the RCOV framework into five components: resources, competences, activities, relationships, and value proposition. Thus, during this study the organization component is divided into activities and relationships.

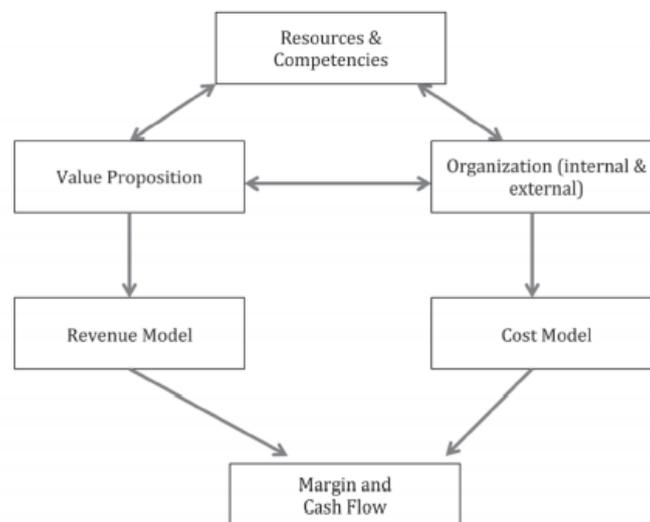


Figure 2. The Resource Competences Organization Value model. Adapted from “Rethinking Business Models In Creative Industries,” by E. Moyon, and X. Lecoq, 2014, *International studies of Management and Organization*, 44, p. 86.

This study uses the RCOV framework for two reasons. Firstly, using the RCOV framework makes it possible to compare the results with the findings of Moyon and Lecoq (2014), who analysed the business models of French record labels with the RCOV framework. Secondly, the RCOV framework consists of five components, which makes it more feasible to analyse a business model compared to for example, using the business model canvas of Osterwalder and Pigneur (2010) which consists of nine components.

2.1.3 Traditional business model of record labels

Bourreau et al. (2012) have addressed the need for more research on business models in the music industry because these business models have changed significantly over time. Lysonski and Dursvasula (2008) agree on this and address that researchers need to focus on the emerging business models in the industry. Therefore, this study examines how four factors force record labels to improve their business model. Record labels are companies that sell, distribute, and promote music of artists who signed a record deal (Passman, 2019). Before explaining the influence of external factors on the business model of record labels, the traditional business model of record labels is explained. This provides understanding of how the business models have changed over time. Moyon and Lecoq (2014), analysed the traditional business model of record labels with the RCOV framework, as depicted in Figure 3 on the next page (Moyon & Lecoq, 2014, p. 88).

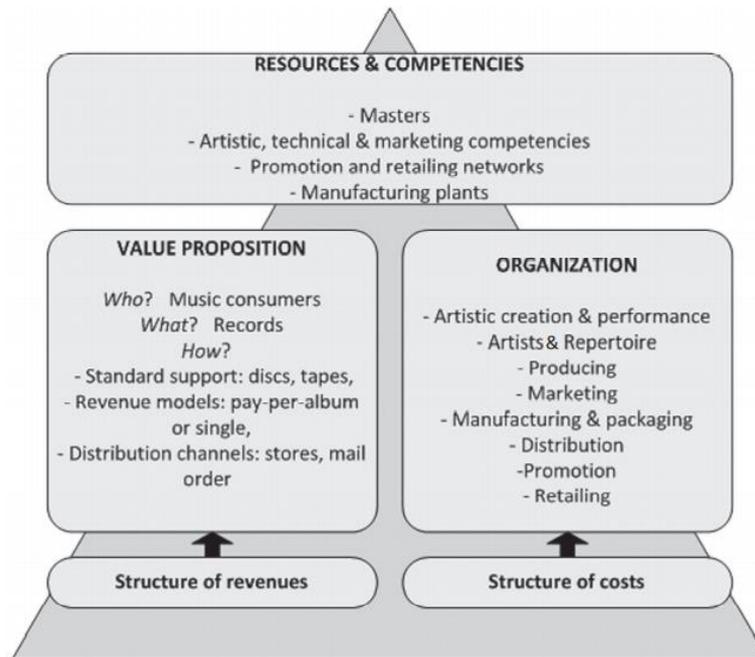


Figure 3. The traditional business model of the record industry. Adapted from “Rethinking Business Models In Creative Industries,” by E. Moyon, and X. Lecoq, 2014, *International studies of Management and Organization*, 44, p. 88.

Moyon and Lecoq (2014) identified multiple resources and competences that are used in the traditional business model of record labels. Master rights are a valuable resource because master rights are the music ownership rights that decide how much percent of the revenue out of the released music a record label receives (Tschmuck, 2006). A manufacturing plant is a resource which record labels used for the production and distribution of CDs (Moyon & Lecoq, 2014). Furthermore, Moyon and Lecoq (2014) argue that three competences are essential for the traditional business model: marketing, technical, and artistic. Marketing competences are necessary for promoting music and serving the promotion and retailing network, artistic competences are required for helping artists during their creative process, and technical competences are needed for finetuning music productions. The organization component consists of activities and relationships (Demil & Lecoq, 2010). Activities that are included in the traditional business model of record labels are manufacturing and distributing CDs, making marketing plans for the music, helping artists with the creative process of music production,

and helping the artist with improving their performances (Moyon & Lecoq, 2014). Furthermore, relationships with distribution firms, warehouses, and record stores are necessary for selling music (Moyon & Lecoq, 2014). Eventually, the traditional value proposition is identified, which can be summarized as selling records to music consumers (Moyon & Lecoq, 2014). In the traditional business model, there are no other revenue sources besides selling albums and singles. These two types of records were distributed via record stores, mail order, and warehouses (Moyon & Lecoq, 2014). Around the year 2000 external factors forced record labels to reconsider their traditional business model. Therefore, record labels introduced new business models after 2004 (Moyon & Lecoq, 2014).

2.2 External factors influence record labels

This paragraph provides an introduction to how digitalization, independent artists, partnerships, and COVID-19 influence the business models of record labels.

2.2.1 Digitalization

One factor that influences the business models of multiple industries is digitalization (Amit & Zott, 2001; Teece, 2010; Pucihar et al., 2019). Therefore, digitalization is defined as technical developments that allow firms to reduce costs and to develop new ways to create, deliver, and capture value (Amit & Zott, 2001; Teece, 2010). Digitalization has a significant influence on the business models of record labels (Bourreau et al., 2012; Moyon & Lecoq, 2014). In the past, sales of albums and singles via record stores and other warehouses were the first source of income for record labels (Moyon & Lecoq, 2014). However, through digitalization record labels are forced to introduce new ways of selling, distributing, promoting, and consuming music (Clemons & Lang, 2003). Subsequently, record labels needed to introduce new business models that enabled them to get profit out of online music (Bourreau et al., 2012). Nowadays, streaming platforms such as Spotify, Apple Music, or Deezer are essential for earning money out of music because these platforms pay record labels for each time a song of one of their artists is played (Marshall, 2015). Distributing music online forced record labels to replace their traditional

distribution partners for distributors who are specialized in distributing music to streaming platforms (Eiriz & Leite, 2017). Subsequently, distributing music online enables record labels to gather data (Emerald, 2013). Due to digitalization record labels also need to change the way music is promoted. Traditionally, music was promoted via radio and tv (Moyon & Lecoq, 2014). Nowadays, the promotion of music is more online than offline (Bourreau et al., 2012). Eventually, digitalization stimulates record labels to integrate new competences such as web development skills and technology management (Moyon & Lecoq, 2014). All in all, this paragraph shows that digitalization influences the business models of record labels.

2.2.2 Independent artists

Competition is another factor that can adjust business models. Although Bouwman et al. (2018) argue that competitive intensity is not significantly stimulating firms to improve their business model. Multiple researchers argue that competition may force firms to improve their business model (Christensen & Raynor, 2003; Giesen et al., 2010; Teece, 2010). For instance, firms may choose to copy and integrate successful elements of the business models of competitors (Teece, 2010). Moreover, the need to differentiate from competitors' business models may cause adjustments in a business model (Carayannis et al., 2015). Eventually, competitors in the industry may introduce disruptive business models that force firms to develop their business models (Christensen & Raynor, 2003). Record labels may face competition from independent artists because digitalization, the rise of small artist communities, the availability of online music tutorials and software enable artists to be independent (Walzer, 2017). Independent artists are defined as artists who have at most a collaboration with a distribution firm (Hracs, 2012). Thus, independent artists decide to release music without a record label because these artists do not believe in the benefits of signing a record deal (Hracs, 2012). In practice, this means that independent artists are promoting, and creating their own music (Leenders, Farrell, Zwaan & Ter Borgt, 2015). For example, independent artists are able to promote their music via social media (Leenders et al., 2015) and for the distribution to streaming platforms they may

collaborate with a distribution firm (Eiriz & Leite, 2017). This do-it-yourself mentality grows, which increases the number of independent artists (Hracs, 2012). Consequently, record labels need to share their power in the music industry with independent artists (Hracs, 2012). According to Walzer (2017), the increasing amount of independent artist makes the future potential for the business models of record labels uncertain.

2.2.3 Partnerships

Partners are defined as firms that cooperate with the focal firm (Mansfield & Fourie, 2004). Therefore, new inputs or needs of a partner may stimulate firms to adjust their business model (Mansfield & Fourie, 2004; Mäkinen & Seppänen, 2007). For example, partners can provide access to resources and capabilities that enable a firm to adjust its business model (Santos, Spector & Van der Heyden, 2009; Ferreira et al., 2013; Carayannis et al., 2015). Furthermore, the demands of partners may change, which forces firms to improve their business model (Carayannis et al., 2015; Pucihar et al., 2019). At the beginning of the 21st-century, record labels started to establish more partnerships with firms that could complement their business model (Moyon & Lecoq, 2014). Record labels develop partnerships with different types of brands for example, telecommunication providers, clothing firms, and game consoles (Moyon & Lecoq, 2014). Moreover, record labels establish partnerships with management agencies, video clip makers, or PR-agencies (Passman, 2019). These partnerships enable record labels to benefit their artists (Passman, 2019). Furthermore, record labels need partnerships to offer a 360 deal to their artists (Marshall, 2013). In a record deal, the record label receives a share of the revenue that is generated via music and occasionally they receive a share of the live performances (Passman, 2019). However, in a 360 deal, the record label receives a fraction of all the artists' revenue streams for example, recordings, merchandising, sponsorships, performing, and fan clubs (Stahl & Meier, 2012). Record labels introduce these deals because they want to benefit from the years they invested in an artist (Stahl & Meier, 2012). To offer 360 deals, record labels need to complement their business model by establishing partnerships

with merchandize firms, sponsors, management agencies, and producers of live events (Stahl & Meier, 2012; Moyon & Lecoq, 2014). All in all, this paragraph suggests that partnerships influence the business model of record labels.

2.2.4 COVID-19

Institutional changes are introduced by governmental and industry-specific organizations that define the rules of the game (Brousseau, Garrouste, & Raynoud, 2011). New regulation or deregulation policies can immediately make business models ineffective (Sosna et al., 2010). On the other hand, deregulation may create circumstances that stimulate the development of new business models (Vukanovic, 2011; Casadesus-Masanell & Zhu, 2013). COVID-19 is defined as a global pandemic that forces governments to implement new regulation policies (Primov-Fever et al., 2020). This pandemic has disrupted the music industry because artists are unable to perform due to new regulation policies (Primov-Fever et al., 2020). Therefore, festivals, concerts, tours, rehearsals, and studio sessions are cancelled for an unknown period (Primov-Fever et al., 2020). Due to the cancellations, artists are unable to earn the same revenue compared to previous years because live performance is one of the main sources of revenue for artists (Passman, 2019). As a result, record labels may need to invent new revenue models because in some record deals record labels receive a share of the performance revenue (Passman, 2019). At the moment, record labels and artists use virtual performances as a substitute for live performances (Parson, 2020). Furthermore, performance cancellation and uncertainty about the financial aspect of the artists' career makes artists worried and anxious (Primov-Fever et al., 2020). Thus, COVID-19 may impact the revenue aspect of the business model but also the competences of record label managers because they need to deal with the concerns of their artists.

2.3 Dutch hip hop music

Hip hop music originates from black music (Harrison, 2008). In the 1970s, the first hip hop songs were recorded. The lyrics of these songs were based on the personal experiences of black

American youth (Rose, 1994). Consequently, hip hop music's main themes were race, politics, racism, violence, and street life (Stapleton, 1998). At the end of the 1980s, white American youth became interested in hip hop music, and this breakthrough to the white youth was important for the commercialization of hip hop (Van Stapele, 2002). At that time, the white youth was responsible for around 75% of the sales of hip hop albums (Van Stapele, 2002). A few decades later, hip hop expanded beyond the USA's borders, which made hip hop a global music genre (Wermuth, 2002; Androutsopolous & Scholz, 2003). Consequently, Dutch hip hop music started to grow in the 1990s (De Roest, 2020). Nowadays, Dutch hip hop is a main genre in the Dutch music industry (Van Stapele, 2017) and hip hop is the most dominant youth culture in the Netherlands (De Roest, 2020). The financial results of Dutch record labels are not published (Company.info, 2020). Hence, it is hard to estimate the total revenue of the Dutch hip hop market. However, there are enough examples that illustrate the popularity of this music genre.

2017 was a remarkable year for the Dutch hip hop market because this was the first year in the Netherlands that a Dutch rapper was streamed more on Spotify than an international artist (Wisse, 2017). In 2018, Dutch hip hop contributed 80% to the streams generated by Dutch music consumers on streaming platforms (De Roest, 2020). Dutch hip hop music is not only doing well online, but also in the live music circuit such as clubs and festivals (Wisse, 2017). In 2016, three Dutch rappers performed for 17.000 visitors, which is the biggest hip hop concert in the Netherlands (Wisse, 2017). Multiple record labels release Dutch hip hop music in the Netherlands (Pothof, 2018). Top Notch is the biggest hip hop label (Pothof, 2018). Furthermore, Noah's Ark, Van Klasse, RAMG, Trifecta, Artsounds, and several other record labels release Dutch hip hop music (Funx, 2019). The number of Dutch hip hop labels is increasing because new record labels and incumbents of the Dutch music industry see the potential of this market (Funx, 2019).

2.4 Conclusions based on existing literature

All in all, this chapter shows the business model research field lacks understanding of how external factors alter elements of a business model. Moreover, this chapter demonstrates that digitalization, independent artists, partnerships, and COVID-19 have an effect on the business models of record labels. To analyse how external factors influence the business models of Dutch hip hop record labels the RCOV framework will be used. This framework consists of resources, competences, activities, relationships, and value proposition.

3. Methodology

In this chapter, the research method and the multiple case study design are explained. Furthermore, this chapter discusses the cases, sample, data types, data collection, and data analysis. Eventually, the trustworthiness and ethics of this study are discussed.

3.1 Research method

This study has an explorative character because previous studies on business models have not examined the influence of external factors on specific components of the business models of Dutch hip hop record labels. However, previous studies have identified factors that influenced the business models of record labels. The findings of these previous studies are combined to explore how components of the business models of Dutch hip hop record labels are affected. Saunders, Lewis, and Thornhill (2016), argue that a qualitative method is appropriate for explorative research because a qualitative method is suitable for answering explorative how-questions related to abstract concepts such as a business model. Applying a quantitative method for this study was unfeasible because of two reasons. Firstly, there is no data available about the business models of Dutch hip hop record labels. This lack of data makes it complicated to analyse the relationship between external factors and specific components of the business model. Secondly, there is no database that contains the contact information of label managers, which could be used for sending surveys. Therefore, it would be too time-consuming to collect all the contact information. All in all, the explorative character of this research, the related how-question, and the lack of data convinced the researcher to choose a qualitative study.

3.2 Multiple case study

Case studies enable researchers to gather empirical evidence from one or more firms by studying the research topic in context (Saunders, et al. 2016). A qualitative research approach in combination with a case study is commonly used because it enables researchers to get an in-depth understanding of the cases in the real life context (Patton & Appelbaum, 2003). The context of this study is Dutch hip hop and the cases in this study are Dutch hip hop record labels,

which business model is studied. This study is a multiple case study because in total 10 Dutch hip hop record labels participated. The researcher chooses for a multiple case study because of three reasons. Firstly, business models within a market can differ strongly. Therefore, including multiple cases provides a broader exploration of the effect of external factors on the business models of Dutch hip hop record labels. Secondly, a single case study is not possible because record labels argue that it would be too time-consuming if multiple managers of the same record label need to participate. Thirdly, not every record label has sufficient managers who have knowledge of the business model of their record label to conduct a single or duo case study.

3.3 Overview of cases

3.4 Sample

Non-probability judgement sampling is used to find respondents for this case study. Judgement sampling includes respondents based on their knowledge (Saunders et al., 2016). This sampling method is inexpensive and fast. However, generalizability is lower compared to probability sampling methods (Saunders et al., 2016). The following criteria are created to ensure that respondents have sufficient knowledge and have understanding of the business model of their record label:

- The respondent has a management function in a Dutch hip hop record label
- The respondent has understanding of the business model

To make sure that the respondents matched the criteria, the respondents are asked several questions, which are shown in Appendix A. In total 12 managers of 10 Dutch hip hop record labels are interviewed. The respondents are label managers or project managers. Label managers develop and manage the strategy of a record company, sign deals with artists, analyse revenues and costs, and negotiate with external stakeholders (Passman, 2019). Project managers support an artist with creating and releasing an album or single. Therefore, project managers

make release schedules, marketing plans, manage the production of content, and overview the recording process (Passman, 2019). Label managers and project managers are capable of discussing the business model of their record label because of three reasons. Firstly, label managers and project managers experience the resources and competences of their record label on a daily basis (Passman, 2019). Secondly, both managers have understanding of the activities of a record label and have contact with external stakeholders (Passman, 2019). Thirdly, they are involved in releasing music (Passman, 2019). Therefore they understand the value proposition of a record label.

3.5 Data types

This study uses primary and secondary data. Primary data is collected by interviewing managers of Dutch hip hop record labels. The goal of the interviews is to obtain insights on how digitalization, independent artists, partnerships, and COVID-19 influence the business models of Dutch hip hop record labels. Furthermore, the interviews are semi-structured because this enables the researcher to ask follow-up questions. Moreover, the structure of this interview method guarantees that relevant topics are discussed (Saunders et al., 2016). Secondary data is used to reflect on the interview data by searching for similar or contrary perspectives on the interview findings. The researcher uses news articles and existing online interviews to complement the findings chapter. In this way, data triangulation is established (Saunders et al., 2016).

3.6 Data collection tools

To ensure consistency during the interviews, an interview protocol is used (Appendix B). Before conducting the interviews, the protocol was tested on two people who are active in the Dutch music industry and discussed with the supervisor. An introduction to the research topic, definitions of business models, explanation of the RCOV model, interview questions, and final remarks are included in the protocol. The introduction helps respondents to get a better understanding of the purpose of this study. Definitions of the business model concept and an

explanation of the RCOV framework make sure that the respondents understand the theoretical aspect of the interview. The interview questions are divided into four sections that each cover an external factor. Per external factor, the components of the RCOV framework are discussed. By following this sequence, data analysis is less time-consuming and consistency among the interviews is ensured. Furthermore, the findings of prior studies, which are discussed in chapter 2 are questioned because this enables the researcher to test existing theory. Table 2 provides a preview of how the RCOV components and findings of prior studies are included.

Table 2

For the collection of secondary data, two criteria are developed to evaluate if secondary data sources are usable. Firstly, the source discusses the music industry or the Dutch hip hop market. Secondly, the source discusses one or more components of the RCOV framework. This helped to remain focussed on the research topic during the collection of secondary data.

3.7 Data collection process

Interview respondents are found in two ways. Firstly, 8 record labels are contacted via the email address on their website. In total, 8 interview respondents were obtained via this approach. Secondly, the established network of the researcher was used to get in touch with respondents. In total, 4 interview respondents are obtained via this approach. The interviews are conducted in two ways: face to face and online. Due to COVID-19, 11 record label managers preferred an online interview. The interviews are conducted by the researcher and lasted between 35, and 91 minutes, with an average of 65 minutes. Table 3 provides more information on the interviews.

Table 3

Moreover, Table 4 shows which secondary data is used in chapter 4 to reflect on the interview findings. Existing online interviews and news articles are the used secondary data sources. The existing interviews are found on YouTube and news articles are retrieved from the database NexisUni, which includes all articles of Dutch newspapers. The secondary data that is

included in the findings chapter is published in 2019 and 2020 to make sure that the findings are relevant.

Table 4
Used secondary data for chapter 4

Autor	Source	Open code
Van Gijssel (2019)	News article	Digitalization activities
El Kaddour (2020)	News article	Digitalization activities
Van Gijssel (2020a)	News article	Digitalization activities
Convo (2020)	Online interview	Digitalization value proposition
Van Gijssel (2020b)	News article	Digitalization value proposition
Convo (2020)	Online interview	Independent artists value proposition
Disseldorp (2020)	News article	Independent artists value proposition
Van Stapele (2020)	News article	Independent artists value proposition
DWDD (2020)	Online interview	COVID-19 resources

3.8 Data analyses

The interviews are transcribed in the native language of the respondents, which is Dutch (Appendix C). Relevant passages of the interview transcripts are translated into English and used to demonstrate the different points of view on the business models of Dutch hip hop record labels. Interview transcriptions enable the researcher to perform an analysis (Saunders et al., 2016). Secondary data is analysed by including relevant findings of existing interviews and news articles in the data analyses. The data analysis of primary and secondary data is divided into three stages: open coding, axial coding, and selective coding (Saunders et al., 2016). No software is used to analyse the data. In each stage, the researcher carefully reads all the transcriptions and tries to analyse, and combine relevant data. During open coding, relevant sentences of the transcripts and findings of secondary data receive a specific code. Codes are based on the four external factors and the components of the RCOV framework. In the axial coding stage, codes are combined and put into categories. Each category summarizes a combination of codes. This helps the researcher to get an overview of the main findings and understand how the business model works. Eventually, selective coding is applied to link findings of the axial coding stage to the findings of prior studies.

3.9 Trustworthiness

Guba (1981) presents four criteria to discuss the trustworthiness of qualitative research: credibility, transferability, dependability, and confirmability. This paragraph explains how the researcher aims to conduct a trustworthy study by discussing the four criteria.

3.9.1 Credibility

The credibility criterium discusses if the study covers reality. Thus, if the findings are representative for the real life context (Guba, 1981). This study uses several approaches to ensure credibility. Firstly, fellow students and the supervisor of this study provide feedback, which helps the researcher to capture the real life context. Secondly, interview respondents are asked to provide feedback on the interview transcript after the interview is conducted. If the respondents have comments, the transcript has been adjusted. This ensures that the researcher has interpreted the respondent correctly and ensures that respondents agree on their contribution to the research. Thirdly, the criteria for respondents ensure that the respondents have knowledge of the research topic. Fourthly, during the data analysis, transcripts are read multiple times which lowers the chance of misinterpreting data. Fifthly, chapter 4 discusses conflicting findings, which creates a realistic view on the context of this study. Eventually, secondary data sources are used to reflect on how realistic the interview findings are.

3.9.2 Transferability

Transferability refers to the degree to which the results can be applied to other contexts (Guba, 1981). The transferability of this study is strengthened in one way. The context of this study is discussed in chapter 2 and chapter 3 provides a short description of the record labels and participants. Including multiple cases increases the transferability because it enables researchers or practitioners to determine if the results are applicable to their context (Patton & Appelbaum, 2003).

3.9.3 Dependability

Dependability discusses if the method of the study is transparent enough to come up with similar findings if this study is repeated (Guba, 1981). Dependability is strengthened in two ways. Firstly, the data collection process is clearly explained: the interview protocol is included in Appendix B, the way respondents and secondary data are obtained is explained, and the transcripts are included in Appendix C. Secondly, the data analyses process is clarified: tables in chapter 4 and Appendixes D-F demonstrate how codes are turned into categories. All in all, these actions enable other scholars to repeat this study. However, case studies examine a context that can change over time and therefore the results may differ (Saunders et al., 2016).

3.9.4 Confirmability

Confirmability refers to the degree to which the results depend on the researcher (Guba, 1981). The researcher applied several approaches that increase the confirmability of this study. Firstly, primary and secondary data are used to ensure data triangulation. Secondly, the transcriptions of this study are sent to the respondents to guarantee that the respondents are interpreted correctly. Thirdly, the researchers' working experience in the Dutch hip hop market strengthened the interview process and the data analyses because the researcher understands the market and is able to ask suitable follow-up questions during the interview. On the other hand, this working experience may influence the objectivity because it might be the case that the researcher has assumptions regarding record labels that the researcher is unaware of.

3.10 Ethics

Being ethical while conducting research is important because studies can harm respondents, firms, or society (Saunders et al., 2016). In this study several measures are taken to ensure ethical research. Firstly, anonymity is guaranteed to all respondents because they share confidential information about the business model of their record label. Therefore, name, age, and department are excluded in the transcriptions. However, the record label name is mentioned to ensure transferability and dependability. Moreover, including the record label names shows

to incumbents that this study relevant for the Dutch hip hop market. Respondents agreed. Secondly, at the start of an interview, respondents are asked if they have questions regarding the interview protocol and if it is acceptable to record the interview. In the end, the contact information of the researcher is provided. Thirdly, all respondents are informed about the advantages of participating, which are: receiving a copy of this study, contributing to several research fields, and more insights for Dutch hip hop record labels. Eventually, participants are explained how the disadvantages of participating are limited via anonymity and not publicly publishing the results.

4. Findings

This chapter demonstrates how digitalization, independent artists, partnerships, and COVID-19 influence the business models of Dutch hip hop record labels by discussing their impact on resources, competences, activities, relationships, and value proposition.

4.1 Explanation of data structure

The findings are based on the analysis of interviews, news articles, and online interviews (Appendix D-F). Table 5 shows that the open coding stage generated 20 codes. The codes are based on the four factors and components of the RCOV framework. The axial coding stage created 8 categories out of the 20 codes. In the selective coding stage, the 8 categories are used to compare the findings of the axial coding stage with prior research which resulted in theoretical contributions. The theoretical contributions are divided into new findings and support for existing literature.

Table 5

Data structure

Codes	Categories	Theoretical contributions
1: Digitalization resources	1: Marketing and data	Analysing competence
2: Digitalization competences	1: Marketing and data	Support for human resources
3: Digitalization activities	1: Marketing and data	Support for online music marketing
4: Digitalization relationships	1: Marketing and data	Support for creating content and data analyses
5: Digitalization value proposition	2: Music distribution	Support for master rights
	2: Music distribution	Support for new music distribution
6: Independent artist resources	3: Dealing with independent artists	Deal making competence
7: Independent artist competences	3: Dealing with independent artists	Monitoring independent artists
8: Independent artist activities	3: Dealing with independent artists	
9: Independent artist relationships	4: Threat of independent artists	Artist specific record deals
10: Independent artist value proposition	4: Threat of independent artists	Support for threat of independent artists
11: Partnership resources	5: Establishing partnerships	Support for human resources
12: Partnership competences	5: Establishing partnerships	Support for networking
13: Partnership activities	5: Establishing partnerships	Support for importance of partnerships
14: Partnership relationships	6: Valuable partners	Shift in partners
15: Partnership value proposition	6: Valuable partners	360 deal is not relevant
	6: Valuable partners	Offering brands a media agency
	6: Valuable partners	Support for benefits of supporting firms
16: COVID-19 resources	7: Human aspect of COVID-19	Investing in studios
17: COVID-19 competences	7: Human aspect of COVID-19	New activities due to COVID-19
18: COVID-19 activities	7: Human aspect of COVID-19	Support for motivational and flexibility
19: COVID-19 relationships	8: Consequences for record labels	More online content
20: COVID-19 value proposition	8: Consequences for record labels	Support for different experience of online performing

4.2 Digitalization

The following paragraphs explain how digitalization influences the business model of Dutch hip hop record labels.

4.2.1 Resources digitalization

Respondents mention that digitalization forces Dutch hip hop record labels to invest in human resources. Nowadays, data specialists and a content team are part of their workforce. The former is discussed by respondent 2: “I think it is crucial that record labels have a data specialist because data is becoming more important in the music industry. In the future, more and more music related decisions will be based on data.” Furthermore, digitalization stimulates Dutch hip hop record labels to invest in a content team. The creation of content helps record labels to promote music and to build a reputation for the artist, which is explained by respondent 8: “Creating content is a way to build a fanbase because via photos and videos, music consumers get to know an artist. Furthermore, content can be a useful tool to differentiate an artist from others.” This suggests that data and content are essential for Dutch hip hop record labels, which is further explained in the following paragraphs.

4.2.2 Competences digitalization

Managers of Dutch hip hop record labels argue that a record label needs to have two competences in this digital era. The first competence is creativity, which is useful for creating content and writing marketing plans. The second competence is analysing, which is necessary for making data driven decisions. Respondent 3 explains how data is used: “Before an artist releases a new album, I procrastinate the revenue based on Spotify data. Furthermore, we use Spotify data to determine in which cities the artist is the most popular and therefore should be part of the album tour.”

4.2.3 Activities digitalization

Respondents argue that the competences creativity and analysing are required for executing three activities that are essential in this digital era. The first activity is the creation of content,

which requires creativity and is essential for reaching the target group according to respondents. Respondent 6 explains the importance of creating content: “Creating content is an essential activity because Dutch hip hop music consumers live for content. The target group is young, they have time to watch video clips on YouTube and to look for photos on Instagram.” Moreover, respondents mention that documentaries and promotional videos are commonly used to promote an artist.

The second activity that becomes more prominent for Dutch hip hop record labels is analysing data. According to respondents, data is used to determine which cities should be part of a tour, to evaluate how successful an artist is, and what types of content are effective. Respondents argue that the role of data will become more important in the future. However, respondents also address that music is mainly a combination of gut feeling and consumer taste. Respondent 7 explains how gut feeling, consumer taste, and data can be combined: “When we release an album, data of 5 songs we prefer are monitored. The repeat value and the amount of streams decide which song is the next single. Because of the data analyses we know this single will be successful.”

The third activity is marketing. Respondents address that online marketing and social media marketing are the most essential marketing tasks. Consequently, a manager needs to know how music can be promoted for example, via running ads on Instagram or pitching new songs to Spotify playlist curators. The marketing is focussed on online because Dutch hip hop music is primarily consumed by people between 10 and 25 years, whose media consumption is focussed on online media. This is supported by Van Gijssel (2019) and El Kaddour (2020), who argue that young people consume Dutch hip hop music via online media. Respondent 10 compares the promotion of Dutch hip hop songs with other music genres: “Other genres have more marketing options compared to hip hop artists because the playground of hip hop is mainly on social media. On the other hand, hip hop artists have a tighter relationship with their fans

because of social media.” The importance of social media is further explained by respondent 9: “You have to know how social media works. Artists have to be consistently visible on multiple channels such as Instagram or Snapchat. Otherwise, it will have negative consequences for their results.” This quote shows how important social media and content are for Dutch hip hop record labels. Therefore, respondents and Van Gijssel (2020a) argue that social media platform TikTok may become a new promotion channel for hip hop music. However, multiple respondents argue that offline marketing approaches such as TV shows, posters, or release parties are still an effective way to build an image around an artist. Respondent 1 discusses the advantages and disadvantages of online and offline marketing: “Record labels pay less attention to offline marketing. Therefore, it is an original marketing approach. However, results are hard to track. Although, reactions on an offline campaign are better. Nobody ever said to me: hey, what a wonderful Instagram ad.”

4.2.4 Relationships digitalization

Respondents argue that digitalization forces record labels to establish relationships with online platforms, which can promote artists via articles, podcasts, videos, or interviews. Therefore, there is a shift in media partners according to respondent 3: “A tight relationship with TV shows or newspapers is not that important anymore. Nowadays, it is more important to have ties with online hip hop platforms.” However, this does not suggest that record labels neglect relationships with radio or TV. For example, respondent 9 explains which media partners are relevant for their record label: “Online platforms such as Parra, Puna, and Rapnieuws are influential. Furthermore, podcasts or shows on YouTube can help to promote an artist. We also cooperate with TV channels and radio for example, Xite, MTV, and FunX.” This suggests that relationships with offline marketing channels are still relevant. Although, the focus of Dutch hip hop record labels is on online marketing channels.

4.2.5 Value proposition digitalization

Digitalization influences the value proposition of record labels because how music is delivered changed significantly according to respondents. Nowadays, streaming platforms play a key role in reaching Dutch hip hop music consumers because this genre is almost totally consumed via streaming platforms. Respondent 7 discusses the importance of streaming platform Spotify: “The only relevant player is Spotify, with a market share of approximately 95%. The advantage is that we only need to focus on the policies of Spotify. The disadvantage is that Dutch hip hop record labels depend on Spotify.” Van Gijssel (2020b) supports the importance of Spotify and describes that the monthly amount of Dutch hip hop music streams via Spotify grew from 10 million in 2015 to 300 million in 2018. The inclusion of a song in popular Spotify playlists guarantees record labels of income because Spotify pays for each stream and popular playlists generate thousands of streams. Former Dutch hip hop Spotify playlist curator Diewertje Heuvelings argues that of all Spotify consumers 15% listens to editorial playlists and 17% to algorithm playlists (Convo, 2020). However, respondent 4 argues that the number of streams generated via Spotify playlists is higher: “Our relationship with Spotify is important because they have playlists that reach a large audience. I think that these playlists generate around 90% of our streams. Thus, when we release music, I always pitch it to Spotify’s playlist curators.” The findings suggest that it is important for Dutch hip hop record labels to establish a tight relationship with Spotify. Furthermore, respondents mention that online platform YouTube is important for Dutch hip hop music because video clips are published on this platform.

Eventually, respondents address that a distributor is required for distributing music to streaming platforms. Respondent 12 explains how distribution has changed over time: “Due to our distributor we can release a new song within two days, which provides us the possibility to anticipate on actualities. This was not possible in the CD era.” The role of a distributor is further explained by respondent 10: “Distributors solve distribution related issues with streaming platforms. Furthermore, they set up artist profiles on streaming platforms. Eventually, they can

help record labels with their finance.” Moreover, respondents mention that distributors have a support team and systems that are linked to the system of streaming services, which make it possible to make quick adjustments to for example, song titles.

4.3 Independent artists

Independent artists are defined as artists who have at most a distribution deal. The following paragraphs show how these artists influence the business model of Dutch hip hop record labels.

4.3.1 Resources independent artists

Independent artists do not influence the resources according to respondents.

4.3.2 Competences independent artists

Respondents argue that managers of record labels need to be competent in deal making when they want to sign an independent artist. To make the right record deal, it is important to understand the mindset of an independent artist and to establish trust, which is explained by respondent 2: “Nowadays, a label manager needs to know how you establish a trustworthy relationship between the independent artists and the label. You need to be able to convince the artist of the added value that a record label provides.” This may suggest that independent artists are sceptic about the benefits of a record deal.

4.3.3 Activities independent artists

Independent artists force record labels to perform one new activity: monitoring independent artists. Respondents mention that it is becoming more important to monitor independent artists because the number of this type of artists increases and independent artists may introduce creative marketing ideas that can be copied.

4.3.4 Relationships independent artists

Respondents argue that independent artists do not have an effect on the relationships of Dutch hip hop record labels, for two reasons. Firstly, the relations of record labels can cooperate with multiple artists at the same time. Secondly, it may be harder for independent artists to establish relationships. The latter reasons is explained by respondent 3: “Independent artists may struggle

with establishing relationships with media, streaming platforms or brands because they do not know what the written and unwritten rules are of the music industry.”

4.3.5 Value proposition independent artists

Respondents argue that independent artists stimulate record labels to give artists a higher share in a record deal. This is explained by respondent 3: “In the past, record labels often offered artists a 15% record deal. Nowadays, when artists are independent they receive 100% of the income. Therefore, record labels are forced to offer artists a bigger share.” This suggests that independent artists may influence the value proposition record labels offer to artists.

However, respondents do not believe that independent artists are a threat to Dutch hip hop record labels because of several reasons. Firstly, respondents are convinced that record labels have enough added value because of expertise, financial resources, and network. This is explained by respondent 12: “Being an independent artist with a distribution deal is only possible for artists who can manage themselves. However, 90% of the artist is unable to do this and needs a record label.” Secondly, respondents argue that independent artists only understand the creative aspect of releasing music and lack knowledge of for example, finance, legal, and distribution. This is demonstrated by a quote from respondent 8: “Nowadays, artists believe that being independent is the way to go. However, most of them do not know which deals are possible and how the industry works. They lack knowledge.” Former Dutch hip hop Spotify playlist curator Dieuwertje Heuvelings supports this view and argues that record labels have more understanding of the industry (Convo, 2020). Thirdly, respondents argue that they mainly face competition from artists of other record labels. Eventually, respondents believe that record labels still can add value by making record deals that match the needs of independent artists. This is demonstrated by respondent 3: “We can offer expertise, network, and financing. However, it could be the case that an independent artist is good at one of those three things. In that case, we make a record deal based on what they need most.” In line with this finding, Disseldorp (2020) shows that Top Notch, the biggest hip hop record label in the Netherlands

has adjusted its value propositions by making joint venture deals with its artists. Thus, the independent artist trend makes the artists of Top Notch wonder if they are able to manage their own record label and therefore Top Notch provides the possibility to co-create a new record label with their artists. Respondent 12 further explains joint venture deals: “Joint venture deals are a consequence of the independent artist trend. Due to this type of deals, independent artists can benefit from the structure and resources of Top Notch. In the future, more artists will sign such a deal.”

However, this does not suggest that independent artists cannot become a threat in the future. For example, Van Stapele (2020) shows that a successful independent Dutch hip hop artist is convinced that independent artists are the artists of the future. In line with this finding, respondent 1 argues that independent artists may become a threat when they are able to obtain the right team members, network, and financial resources: “Rapper Boef has a huge fanbase on YouTube and Instagram. He has relationships with artists and producers. He is able to finance his career and has a distribution partner. A record label has nothing to offer to such an artist.”

4.4 Partnerships

In this paragraph, the influence of partnerships on the business models of Dutch hip hop record labels is discussed. The partnerships consist of firms that support the record label and brands.

4.4.1 Resources partnerships

Respondents argue that multiple Dutch record labels upgraded their human resources by including a partnership manager. Respondent 1 explains the function of a partnership manager: “Several Dutch hip hop record labels have a partnership manager who manages the relationships with existing partners and establishes relationships with new ones.”

4.4.2 Competences partnerships

Respondents mention one competence that is necessary to deal with partnerships: deal making. Respondent 4 discusses this competence: “You have to understand how to make a deal. When

you negotiate with a partner, you need to sell your artists and at the same time maintain the relationship.”

4.4.3 Activities partnerships

The most important activity that is necessary to manage partnerships is networking. Moreover, respondent 2 talks about the importance of online networking: “Networking is always relevant in the music industry. However, online networking is becoming more relevant. The main channels are Whatsapp, Instagram, and telephone.” This may suggest that there is a shift in the way record label managers network.

4.4.4 Relationships partnerships

Respondents mention that Dutch hip hop record labels have relationships with multiple firms that support their business model for example, PR-agencies, brands, producers, management agencies, video clip makers, streaming platforms, and distributors. Respondent 2 discusses the relationships of their record label: “We have relationships with online marketing firms, merchandize companies, photographers or video clip makers. We set up tours with bookings agencies and we have contact with management agencies. Furthermore, we cooperate with media and a distributor.” These findings indicate that the business model of Dutch hip hop record labels includes multiple supporting firms. Respondents address that especially the relationship with Spotify is important, which is demonstrated by respondent 8: “When we schedule a release, we discuss with Spotify if there are no competing artists releasing music in the same week.” Overall, respondents do not believe that the number of partners increased compared to decades ago. However, respondent 3 argues that there is a shift in the type of partners: “I do not believe that the number of partnerships increased. However, I believe that record labels nowadays work with different firms than before. For example, they cooperate with an online marketing agency instead of a retailer.” Multiple respondents agree on this and argue that for example, the relationship with a TV channel is replaced by a relationship with an online media platform.

4.4.5 Value proposition partnerships

Respondents argue that brand partnerships enable record labels to adapt their value proposition. Respondent 1 explains why brands are willing to cooperate with record labels: “Brands cooperate with record labels because artists have influence on their fans. Thus, it is beneficial to cooperate with a record label because they have access to multiple artists.” Respondents argue that these sponsorship deals were also made decades ago. However, multiple Dutch hip hop record labels do more than linking artists to a brand and become a media agency, which is explained by respondent 5: “We have influential artists, a large reach, creativity, and the resources to produce a commercial. Therefore, brands are interested in cooperating with us. We offer brands an all in one value proposition for their marketing by becoming a media agency.” Respondents argue that this value proposition is new and is a valuable source of income for record labels. Moreover, respondents mention that partnerships have strengthened their value proposition in another manner. Due to partnerships, record labels are able to offer artists multiple benefits for example, sponsor income, more budget for clips, and more status because of cooperating with a brand. Respondent 1 summarizes the role of partners: “Via our partnerships we are able to offer artists faster what they want.” Eventually, during the interviews the role of the 360 deal is discussed. Respondents do not believe in a 360 deal because of conflicts of interest and specialization. Conflicts of interest arise because in a 360 deal the record label is responsible for management, bookings, and record label tasks at the same time. Therefore, 360 deals make it unfeasible to be unselfish because all these aspects are the responsibility of the record label. Furthermore, respondents argue artists want the best firm for each task and it is unrealistic that a record label is specialized in every task.

4.5 COVID-19

The following paragraphs explain the effect of COVID-19 on the business model of Dutch hip hop record labels.

4.5.1 Resources COVID-19

The influence of COVID-19 on the resources differs between Dutch hip hop record labels. Some record labels invest in studios because studios are overbooked due to artists who are focussing more on studio sessions during the pandemic. Moreover, respondent 1 explains that the pandemic offers investment opportunities to record labels: “When artists sign a record deal, they receive a payment in advance. Thus, record labels are now able to sign relatively good record deals because artists lack performance income and need a payment in advance to pay their bills.” This finding shows that record labels may be able to benefit from the pandemic. On the other hand, multiple respondents argue that COVID-19 results in dismissals, which is explained by respondent 3: “Right now we do not invest. The opposite is true, we had to dismiss some personnel.” This is supported by record label owner Ali Bouali, who mentions that COVID-19 might have negative consequences for his human resources (DWDD, 2020).

4.5.2 Competences COVID-19

Respondents argue that managers of record labels need to be competent in motivating artists due to COVID-19 because artists are worried about their future careers. This competence is explained by respondent 1: “We tell every artist that this pandemic is temporary. We address that they are still able to make music. We try to motivate them and keep them productive.” Furthermore, respondents address that the pandemic forces them to be more flexible. The competence flexibility can best be illustrated while discussing how COVID-19 influences the activities of Dutch hip hop record labels.

4.5.3 Activities COVID-19

During the pandemic, record labels are not able to perform the same activities as before, which requires flexibility. Respondent 11 explains which activities are not possible to execute: “Clip shoots are harder. Some studios are closed. Writers camps are cancelled. Listening sessions are not possible and you cannot be at the office. Thus, you need to be flexible.” All in all, respondents mention that COVID-19 forces record labels to perform the following activities:

rescheduling plans, inventing new sources of income, and communicating online. Respondent 4 explains how they look for new sources of income: “The main revenue source of artists is performing. During the pandemic, we try to help them with finding new sources of revenue. For example, brand deals or setting up workshops.”

4.5.4 Relationships COVID-19

Respondents mention that relationships are importing during the pandemic because the whole Dutch music industry is impacted and firms need to help each other. However, respondents argue that it is hard to maintain the same relationship because some partners have no budget and others are unable to do their normal activities. The latter is explained by respondent 2: “Sometimes video clip makers cancel shoots because of COVID-19. This may have a bad influence on the relationship because it causes stress and their decisions force us to rearrange our plans.”

4.5.5 Value proposition COVID-19

All respondents agree that record labels can still execute their main value proposition: releasing and exploiting music. However, COVID-19 has negative implications for the revenue sources of record labels. Firstly, the number of streams dropped at the start of the pandemic because music consumers did not listen to music while traveling to work or school. Secondly, some record labels have a share in the live performances of their artist. Therefore, these record labels are unable to obtain income from shows. This is illustrated by a quote from respondent 7: “Our revenue decreased. During the first few months, the number of streams declined by 10 to 15%. Furthermore, the cancellation of shows had negative consequences for our revenue.” Additionally, during the pandemic the value proposition of record labels is even more focussed on making content, for two reasons. Firstly, producing content about the artists helps artists to remain relevant for their fans because artists are not able to interact physically. Secondly, content is a temporary replacement for performing. For example, nowadays there are more online performances. However, respondents do not believe in the future potential of online

performances because the experience is different. All in all, this chapter shows that the four factors have influence on the business model of Dutch hip hop record labels. The following chapter will provide an overview of the findings and propose a new business model for record labels.

5. Discussion and Conclusion

This chapter provides an answer to the main question of this study and proposes a new business model for record labels. Eventually, conclusion, limitations, managerial implications, and suggestions for future research are discussed.

5.1 Factors influencing Dutch hip hop record labels

Demil and Lecoq (2010) and Ramdani et al. (2019) asked for more research on how external factors influence components of a business model. Therefore, this study contributes to the business model research field by showing how digitalization, independent artists, partnerships, and COVID-19 influence components of the business models of Dutch hip hop record labels. Table 6 helps to answer the main question of this study: How do external factors influence the business models of Dutch hip hop record labels?

Table 6

External factors influence Dutch hip hop record labels

	Digitalization	Independent artists	Partnerships	COVID-19
Resources	Data specialists and content team	-	Partnership manager	Studios and artists
Competences	Creativity and analysing	Deal making	Deal making	Flexible and motivational
Activities	Content creation, marketing, and data driven decision making	Monitor independent artists	Networking	Invent new sources of income, reschedule plans, and communicate online
Relationships	Online platforms	-	Supporting firms	-
Value proposition	Distributors and Spotify for online distribution	Type of deals	Media agency and benefits for artists	Decrease in revenue and online content

The table shows that digitalization has an extensive influence on Dutch hip hop record labels and mostly influences the activities and value proposition. The influence of independent artists may be considered as low. However, independent artists may become a future threat and are already influencing the value proposition because Dutch hip hop record labels make different types of deals nowadays. The influence of partnerships may be considered as medium because partnerships enable Dutch hip hop record labels to become a media agency, which

changes their value proposition. Eventually, the influence of COVID-19 is classified as high because Dutch hip hop record labels are forced to develop new competences and perform new activities. However, the effect of COVID-19 may be temporary.

All in all, the findings demonstrate that the business models of Dutch hip hop record labels are influenced by external factors. Therefore, this study supports the reasoning of Christensen and Raynor (2003), Chesbrough (2007), and Chesbrough (2010), who argue that external factors can have an impact on business models. The findings support that digitalization, competition (independent artists), partnerships, and institutional changes (COVID-19) can affect a business model (Amit & Zott, 2001; Christensen & Raynor, 2003; Teece, 2010; Pucihar et al., 2019; Sosna, et al., 2010). Furthermore, this study contributes to the music research field by contributing to the request of Dursvasula (2008) and Bourreau et al. (2012) for more research on business models in the music industry. Additionally, this research contributes to research on hip hop music business because previous studies focussed on marketing (Wilson, 2011), market reputation (Leyland et al., 2011), and obtaining revenue as a hip hop artist (Zanfagna, 2012). In particular, this research contributes to the literature on Dutch hip hop because previous studies mainly focussed on hip hop songs, lyrics, representing, and authenticity (Borggreve, 2010; Dumont, 2012; Meurs, 2015; De Roest, 2020).

5.2 Proposed business model for record labels

This paragraph proposes a new business model for record labels which is based on comparing the findings of this study with existing literature on record labels. Figure 4 depicts which resources, competences, activities, relationships, and value proposition are included in the proposed business model for record labels. The main adjustments compared to the traditional business model for record labels (Moyon & Lecoq, 2014) are analysing and deal making competences, monitoring independent artists, new activities because of the pandemic, offering music via distributors and streaming platforms, offering brands a media agency, and offering

artist specific record deals. The elements that are included because of COVID-19 are marked with a * because these may be temporary. The following paragraphs explain how the findings of this study and existing literature are used to compose this business model.

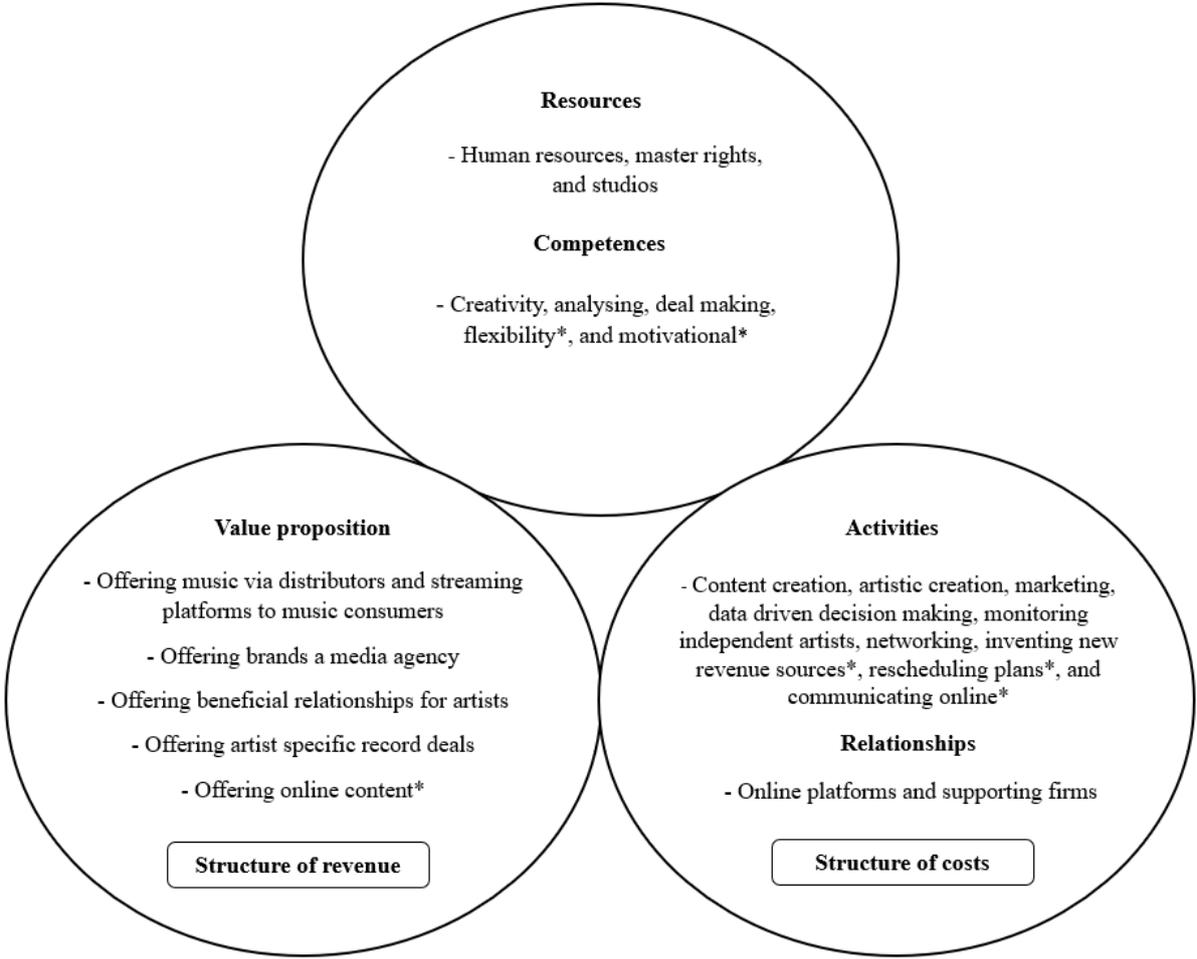


Figure 4. Proposed business model for record labels

5.2.1 Resources

Moyon and Lecoq (2014) have excluded human resources in the traditional business model of record labels. However, Osterwalder and Pigneur (2010) argue that human resources are an important element of business models. Furthermore, the findings of this study show that Dutch hip hop record labels hire data specialists, content team, and partnership managers. Passman (2019) agrees that human resources are an important resource for record labels. Therefore, this resource is included in the proposed business model. Moreover, this study shows that Dutch hip hop record labels obtain revenue when songs of their artists are streamed. This finding demonstrates that master rights are still an important resource for record labels because master

rights decide how much revenue a record label receives each time a song is played (Tschmuck, 2006). Consequently, the resource master rights is included in the proposed business model, which supports the findings of Moyon and Lecoq (2014). During discussing the influence of COVID-19 it became obvious that multiple Dutch hip hop record labels invest in studios. Therefore, this study identified a new resource, which is studios.

5.2.2 Competences

Marketing, artistic, and technical are the three competences that Moyon and Lecoq (2014) included in the traditional business model of record labels. However, this study demonstrates that record label managers need to be competent in analysing data and creativity due to digitalization. The marketing and artistic competences of Moyon and Lecoq (2014) might be captured by creativity because creativity is required for artistic and marketing activities (Madden & Bloom, 2001; Slater, Hult & Olson, 2010). Therefore, creativity substitutes marketing and artistic in the proposed business model. Moreover, respondents address that analysing is an essential competence for record labels nowadays. This supports Emerald (2013), who argues that data enabled record labels to analyse data. Consequently, analysing is included as a new competence. However, the technical competence of Moyon and Lecoq (2014) is not identified in this study. Thus, future research needs to examine if this competence is still relevant. Furthermore, this study shows that record labels need to be competent in deal making. This finding supports Hracs (2012), who shows that independent artists need to be convinced of the benefits of signing a record deal. Eventually, respondents argue that COVID-19 forces them to be flexible and motivational. This supports the findings of Primov-Fever et al. (2020) and Philippe, Schaivio, and Biasutti (2020) who argue that flexibility and motivational may be essential competences in the music industry during the pandemic.

5.2.3 Activities

The findings of this study show that content creation and data driven decision making are important activities for Dutch hip hop record labels. Negus (2019) agrees that creating content

and analysing data are becoming more essential activities for record labels. Therefore, these activities are included in the proposed business model. Moyon and Lecoq (2014) argue that artistic creation is another activity of record labels. This activity is not mentioned by respondents of this study because this activity is probably not affected by external factors. However, this activity is included because helping artist with creating music is one of the core tasks of record labels (Garofalo, 2007; Passman, 2019). Furthermore, this study demonstrates that marketing and especially online marketing is an essential activity for Dutch hip hop record labels. This finding supports Bourreau et al. (2012), who argue that music promotion is focussed on online channels. However, the findings of this study show that offline marketing is still relevant. Therefore, marketing is included in the proposed business model. Moreover, this study demonstrates that Dutch hip hop record labels monitor independent artists. Previous studies have not identified this activity. However, this finding supports Walzer (2017) and Harcs (2012) who argue that independent artists are becoming more prominent in the music industry. Consequently, this activity is included in the proposed business model. Additionally, this study shows that networking is an activity that is executed by respondents. Passman (2019) supports this activity and argues that networking is essential in the music industry. Therefore, this activity is included in the proposed business model. Eventually, this study shows that COVID-19 forces record labels to invent new revenue sources, reschedule plans, and communicate online. These activities are included because they may provide insights for record labels during the pandemic.

5.2.4 Relationships

Bourreau et al. (2012), argue that online channels are important for the promotion of music. This finding is supported by this study because respondents address that relationships with online platforms are important for promoting Dutch hip hop music. Furthermore, the findings of this study show that different firms support the business models of Dutch hip hop record labels. For example, PR-agencies, online marketing agencies, booking agencies, distributors,

streaming platforms, and video clip makers. Passman (2019) and Simon (2019) have addressed the importance of these supporting firms for record labels. Consequently, online platforms and supporting firms are included in the proposed business model and replace the CD manufacturing and packaging firms of the traditional business model (Moyon & Lecoq, 2014). Furthermore, Marshall (2013) argues that record labels establish more relationships to be able to offer a 360 deal. However, respondents mention that the 360 deal is not offered to their artists because of conflicts of interests and specialization. Therefore, relationships regarding a 360 deal are considered as not relevant for the proposed business model. Additionally, Moyon and Lecoq (2014) argue that record labels establish more partnerships. In contrast to this finding, respondents argue that there is a shift in partners and that the number of partnerships does not increase. Therefore, this research does not support this finding of Moyon and Lecoq (2014).

5.2.5 Value proposition

Digitalization has changed the value proposition of Dutch hip hop record labels because music is mainly consumed online. Respondents address streaming platforms and distributors are essential for delivering music online, which is supported by multiple researchers (Marshall, 2015; Eiriz & Leite, 2017; Simon, 2019; Towse, 2020). Consequently, the traditional value proposition proposed by Moyon and Lecoq (2014) is adjusted to delivering music via distributors and streaming platforms. Therefore, this research supports the findings of Clemons and Lang (2003), Bourreau et al. (2012), and Moyon and Lecoq (2014) who argue that digitalization has a significant impact on record labels. Furthermore, this research shows that independent artists may have influence on the type of deals record labels make with artists. This is supported by Disseldorp (2020) who argues that the independent artist trend enables the biggest hip hop record label in the Netherlands to adjust its value propositions by making joint venture deals with artists. Therefore, making artist specific record deals is included in the proposed business model. Additionally, the findings of this study show that independent artists may become a future threat to record labels, which slightly supports the study of Walzer (2017),

who argues that the increase of independent artists makes the future potential of the business models of record labels uncertain. Furthermore, this study shows that some Dutch hip hop record labels become a media agency by linking artists to brands and producing a commercial. This is seen as a new value proposition because record labels focussed only on linking brands to artists in the past (Garofalo, 2007). Therefore, becoming a media agency is included in the proposed business model. Moreover, this study shows that partnerships enable Dutch hip hop record labels to benefit their artists via sponsor income, budget for video clips, or status. Passman (2019) agrees that collaborations with partners can be beneficial for artists. Therefore, the benefits of partnerships are included in the value proposition. Eventually, this study shows that COVID-19 stimulates record labels to focus more on creating content and to substitute live performance for online performances. The focus on online content due to the pandemic is supported by multiple respondents. Therefore, the focus on online content is included. Parson (2020) argues that record labels use online performances as a substitute for live performances. However, respondents address that they do not believe in online performances because the experience is different. This is supported by Vandenberg, Berghman, and Schaap (2020). Therefore, offering online performances is excluded. Moreover, respondents argue that COVID-19 has an effect on the revenue due to a decrease in streaming and performance income. Although, this finding is not included in the proposed business model because respondents also argue that COVID-19 offers investment opportunities and the effect of COVID-19 is more critical for record labels that included performance income in the record deal.

5.3 Conclusion

This study shows that digitalization, independent artists, partnerships, and COVID-19 force Dutch hip hop record labels to adjust their business model. Although, the impact of each factor differs. Digitalization has an extensive influence because online marketing, streaming platforms, content, and data analyses are more important than ever before. The impact of

digitalization on record labels is recognized by multiple researchers (Marshall, 2015; Eiriz & Leite, 2017; Negus, 2019; Towse, 2020). The influence of independent artists is low. However, the number of independent artists increases and this may force record labels to adjust their business model (Walzer, 2017). Partnerships have a medium influence because partnerships provide record labels with possibilities to improve their business model (Passman, 2019). Finally, the influence of COVID-19 is high because record labels are forced to anticipate quickly on the pandemic. All in all, this study contributed to an emerging research field: hip hop music business. Additionally, this contributed to the music and business model research field by showing how external factors influence specific components of the business models of record labels (Lyonski & Dursvasula, 2008; Demil & Lecoq, 2010; Bourreau et al., 2012; Ramdani et al., 2019).

5.4 Limitations

In total there are five limitations of this study. Firstly, it was unfeasible to conduct all the interviews face to face due to COVID-19. This may impact the results because face to face interviews can make a respondent feel more comfortable to share an opinion. Furthermore, a researcher is able to observe body language in a face to face interview (Saunders et al., 2016). Secondly, the researcher was unable to combine the qualitative approach with a quantitative approach due to time constraints. If the time period for this thesis was longer, the researcher would send out a survey to the respondents in which the qualitative findings could be tested. Thirdly, the researcher was unable to interview multiple managers of the same label. Therefore, it was unrealistic to make an in-depth comparison of the business models of Dutch hip hop record labels. Fourthly, the used interview question list was not validated by other researchers. Eventually, an explorative case study generates findings that cannot be broadly generalized. The findings of this study can primarily be generalized to the business models of Dutch hip hop record labels. Therefore, it is questionable if this business model is applicable for different

context because a music genre and country may influence the business model of a record label (Garofalo, 2007; Passman, 2019).

5.5 Managerial implications

This study has four implications that are relevant for managers of record labels. Firstly, the findings of this study may stimulate managers to consider if their human resources include data specialists and content creators because data and content are becoming more important for record labels (Negus, 2019). Secondly, record labels could consider extending their value proposition by producing brand commercials with their artists, which makes record labels a media agency. Thirdly, record label managers should pay attention to independent artists because independent artists force record labels to propose different types of deals to artists and independent artists may become a future threat to record labels (Walzer, 2017). Eventually, COVID-19 shows that record labels may face a decrease in revenue when their main sources of income are streaming and live performances. Therefore, record labels should reconsider the share they need to have in the streaming and live performance income of their artists to be able to survive in a pandemic or other economic crisis. Overall, managers should not assume that their business model remains competitive over time because of the potential impact of external factors (Chesbrough, 2010).

5.6 Future research

One purpose of explorative research is to explore the research topic for future research. Therefore, this study has created four future research topics. Firstly, future studies can test and strengthen the proposed business model for record labels because an explorative case study does not guarantee a final answer and business models alter over time (Osterwalder & Pigneur, 2010; Saunders et al., 2016). For instance, researchers can include the findings of this study in a survey to determine which activities record labels perform nowadays. Secondly, future research may be able to obtain proper data for executing a quantitative study on the relationship between external factors and components of business models of record labels. For example,

researchers can measure the degree of digitalization and the amount of investments in specific resources over time. This type of research contributes to the request of Demil and Lecoq (2010) and Ramdani et al. (2019) for more research on how external factors influence components of a business model. Thirdly, future researchers could conduct a research that focusses on the influence of COVID-19 on the music industry. The researcher was unable to do pay more attention to this factor because there was limited literature available on COVID-19. Eventually, this research may inspire other academics that are interested in hip hop music to conduct a study on the business aspect of this music genre. For example, researchers could examine how this music genre creates revenue or why brands are willing to cooperate with hip hop artists.

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