
**MAJOR RECORD LABELS' STRATEGIC
POSITIONING IN THE DIGITAL POPULAR
MUSIC MARKET**

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Abstract

The Internet has revolutionized the tradition market structure of the music industry, moving from a total vertical integration of activities under major record labels' control to a rise of independent labels and a segmentation of supply chain's activities. It has thus led to debates about the importance of major labels in guaranteeing artists success in the digital era. This research aims to understand whether the use of the Internet has lessen majors' market power to the extent that DIY practices taken over by independent labels can compete with majors' production, promotion and distribution strategies. It focuses on the French popular music market after the Internet revolution and and it is based on tracks' performances in Spotify's Top-200 charts between the beginning of 2017 until the end of 2018. Short-term success is measured by the discounted amount of streams of each tracks present in the database, and long-term success is indicated by their survival probability on charts. An OLS regression has enabled to underline majors' outperformance for album tracks on the short run while an AFT model has revealed longer survival time of signed tracks in top-charts. Thanks to a distinction between several organizational deals allocating supply chain's activities to different types of labels, this research shows that major record labels hold a competitive advantage in the promotion field while independent labels are fierce rivals in production and distribution operationalization. Thus, majors are expected to attract aspiring artists with new acts guaranteeing outstanding marketing plans which will ensure them higher instant fame and better career management over the long run. In the digital era, online strategies are crucial to compete with new players on the market, however their use is not sufficient to build a sustainable artistic career in the French popular music industry. Major record labels can thus still assert their market domination if a re-positioning towards unmatched promotion strategies is appropriately undertaken for promising artists.

KEYWORDS: Technological change, Major records labels, Market segmentation, Short-term buzz, Career longevity

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Chapter 1

Introduction

Music is for most people presents in everyday life as an experience good easy to access and to select depending on personal taste and habits. Before reaching listeners, music follows a long process from artistic creation to commercialization. A whole industry supports the elaboration of the end product, making it a business involving a wide range of activities such as composing, touring, managing artists, and recording music, and gathering different trades as songwriters, booking agents, and producers. All those functions serve to deliver music in various forms. The present research focuses on recorded music and sets live shows aside. Besides, it takes a close look to the supply side of the industry which entails upstream functions for making artists' creations and audiences meet through listening experiences. The supply chain is composed of three main activities, namely production, promotion, and distribution. Those responsibilities are in hands of creative as well as business professionals. They both act within a specific organizational structure which varies from independent status to big corporations. The latter are either large music publishing firms, leading retail stores, or major record labels. The two first are specified in one field of activity whereas major labels can support artists from creative processes to dissemination of the final output. They can thus be involved all along the music industry's supply chain, and they end up being key operators. Nevertheless, with technological advances major record labels' ubiquity might be challenged. It is not the first time in history that new technologies have revolutionized music production and consumption and consequently the music business. The substantial change that has occurred in the

Internet era is the evolution from analog equipment to digital format. Indeed, recorded music experience has moved from gramophones, vinyls long play, cassette tapes, compact discs to MP3 files. The latter have skyrocketed with the Internet rise starting from 1997, and has shaken up purchasing habits from album CDs to single streams and personalized playlists. It has also deeply moved distribution activities as digital streams and online views have supplement reducing physical sales. Music can now be accessed online for free, which has generated listeners' empowerment regarding musics' and services' success thanks to facilitated connectivity. The other major impact technological advances have had on the music industry concerns the supply side. The digital era has enabled new actors to step in the market ranging from artists themselves to small record labels and online platforms. It has given rise to an extensive use of the Internet as well as to new Internet technologies. The former has led to Do It Yourself initiatives and adaptation of established companies, while the latter translates into the emergence of streaming platforms.

This research is dedicated to the study of the recorded music value chain which used to be under the control of major record labels (termed majors). Majors consists in the three biggest record corporations worldwide leading the music industry for production, promotion and distribution activities. The Big Three entails Universal Music Group, Sony Music Entertainment, and Warner Music Group. The Internet era has greatly impacted those companies as physical sales have declined and new actors are attempting to compete with all functions of their activity. Small independent labels are mushrooming taking advantage of digital opportunities which offer lower-cost possibilities. The intensified competition and the lessening of vertical integration of activities by majors lead this research to study the music industry through the lens of the three main functions of the supply chain: production, promotion, and distribution. It then aims to test which label type is mastering each of those activities in the digital era and the implications for signed artists' success. New technologies have shaken up the way functions are operationalized and the types of companies in control of them. For each of those activities, a contextualization of the incurred upheavals will be presented before investigating which organizational struc-

ture masters each part of the value chain and outperform rival label types. It is worth studying the impact of the Internet rise on actors of the recording music's supply side with a main focus on majors to analyze their move from traditional to digital strategies as they used to be the one and only label type guaranteeing artists efficient production, promotion, and distribution of their creations and therefore commercial success. Some independent labels' strategies will also be mentioned in order to highlight differences with majors in terms of resources, positioning, and operationalization of tasks to attract artists and guarantee them an efficient and sustainable environment to reach success. All of this will aim to understand major record labels' relative efficiency for promotion, production, and distribution activities in the digital popular music industry. The quantitative research analyzing signed and unsigned artists' success in Spotify's top-charts, and taking into account the type of label that supports each artist will enable to draw conclusions about which label type is mastering each of the tasks and which organizational deal is the best for artists' success. What this research aims to elucidate is *whether being signed under a major record label is an advantage for popular music artists to reach short-term success and exposure's longevity in the digital era.*

Numerous researches have already been done on impacts of digitalization on the music industry, especially focusing on distribution channels. Parikh's (1999), Leyshon's (2001), and Jone's (2002) are valuable studies to contextualize the state of the music market with the Internet, and therefore to frame the present research. Besides, other academics have concentrated their analysis on new ways to enter the music industry as independent, highlighting the rise of Do It Yourself practices, as Zwaan and Bogt (2009), Scott (2012), and Bennett (2018). On the other hand, several studies have focused on majors' strategies to promote and distribute artists' releases such as Hutchison's et al. (2010) and Margiotta's (2012). Finally, some researchers have highlighted indies' strategies taken over by majors to maintain relevance in the market and vital role for artists' success. Nonetheless only few literature has been using business strategies' studies to understand the new market segmentation of the digital popular music industry distinguishing each step of the production chain and extreme label types: DIY independent labels and majors.

The present paper consequently aims to relate theoretical and factual backgrounds about the music industry in the digital era to empirical evidences concerning signed and unsigned artists' performances. Relative performances are divided in two categories, namely short-term and long-term success and based on Spotify's Top-200 charts France between 2016-12-30 and 2019-01-18. This analysis concentrates on popular music, where major record labels play a role of greatest importance, leaving out smaller music niches. Spotify's database enables to draw conclusions about artists' success because of its prevalence among ranking sources in the hegemony of digital music consumption, and thanks to information about the amount of streams of duration in charts over a time span of almost two years. Top-200 gathers most streamed tracks which is the definition of popular music more than an assignation to a specific music genre. Besides, the restricted framework focusing on French-speaking artists enables to investigate the role of each actors on a specific territory, and prevents from comparing artists' success within different market structures where majors do not operate with a similar power.

In order to investigate the impact of major record labels on track's short-term success, Ordinary Least Square regressions are applied and reveal a positive significant correlation between charts performances and affiliation to a major, only for album tracks. Single tracks have shown no significant consequence of label type supporting the music release. Finally, an Accelerated Failure Time method is applied to analyze long-term tracks' survival time in charts and its results indicates an accurate superior efficiency of majors in guaranteeing their artists sustainable careers over the studied period. Before deeply investigating those findings and highlighting their theoretical and factual implications, this research reviews the existing literature about the music industry's market structure and strategic practices of majors and independent labels in the digital era. Thereafter, the methodology used will be explained and the results exposed.

Chapter 2

Theoretical Framework

The theoretical framework aims to explore the recorded music supply chain and its technological upheavals in order to understand whether major record labels are still the most efficient label type in operationalizing each activity of the value chain. First and foremost, this chapter contextualizes the framework of this study in section 2.1 by outlining its market structure before and after the Internet revolution (2.1.1), and by presenting the reintermediation process occurring during the move from the traditional to the modern music industry (2.1.2). Thereafter, it investigates the new popular music market with its prominent concept of buzz and success' definition (2.1.3), and with the rising power of independent labels intensively using the Internet to compete with majors (2.1.4). The second and last section (2.2) encompasses majors' strategic reaction to those technological changes to operationalize supply chain's activities. It aims to investigate if major companies still outperform independent labels with regard to production, promotion, and distribution tasks. Besides, it attempts to unveil which market segment majors are more likely to keep controlling thanks to their initial market power and their new adopted digital strategies. It will thus enable to make hypotheses about which label types, and more specifically which industrial segmentation deals, are the most efficient in ensuring popular artists short and long-term success on top-charts. Those hypotheses will then be tested in Chapter 3 and their validation or rebuttal will be analyzed in Chapter 4.

2.1 Contextualization

2.1.1 *Current State of the Music Industry's Market Structure*

The traditional market structure of the popular music industry gives the three major record companies a competitive advantage over smaller independent labels. Indeed, they operate within an oligopolist market, defined as «a market in which there are a small number of firms, typically large, that produce goods that are relatively close substitutes for one another and control a majority of the market»(Byun, 2016). Album/EP/single releases can be categorized as close substitute goods although differentiated by intrinsic artistic components. The oligopoly market structure implies barriers to entry for newcomers due to high fixed costs (unrelated to the amount of units produced such as equipment or physical buildings) and economies of scale. Major record labels contract with many artists, yet their average total cost of production decreases as quantities rise (Byun, 2016). Thus, those companies can maintain high economic profits and prevent new record labels from competing with them. Barriers to entry can also be explained as the result of the copyright system. Indeed, majors' investments in new talents grant them high control over their creations and music distribution and consequently large profits. (Fox, 2004). Majors take financial risks in signing new acts because artistic and economic success' outputs are uncertain. Smaller companies have difficulties bearing such risks and therefore struggle to survive. One strategy major labels use to keep their market power and keep operating within an oligopoly is vertical integration. It allows them to have a complete control over the supply chain, and therefore improve its efficiency (Bishop, 2005). Horizontal integration strategies have also been intensively undertaken by merging big companies, moving from the Big Six in 1988 to the Big Three in 2012. This strategy consists in expanding a firm's market share by acquiring all smaller labels and thus increases revenues (Bishop, 2005). This record label consolidation also occurred because the industry was going down and only few companies were able to survive. The decline of physical sales and the emergence of new technologies has required economic and strategic re-positioning in the market. A lack of adaptation has led some major labels to redemption by their

competitors. Mergers indeed allow savings by cutting staff and reducing operation costs while appropriating revenues of the purchased firm. Consequently, horizontal integration reveals the hard time labels and the music industry are going through but at the same time the market power of the surviving ones. Thanks to this market concentration, majors are «gatekeepers, taste makers, bankers»(Owsinski, 2016). Nonetheless, Owsinski (2016) specifies that those labels hold less influence than before. Indeed, new technologies have shaken the traditional music supply chain. The latter can be described as all activities associated with the flow and transformation of goods from the raw material stage through to the end user, as well as the related information flows (Handfield and Nichols, 1998). The supply chain therefore encompasses distribution, which is the area that new technologies impacted the most. Disseminating music on the Internet only requires a single master copy instead of physical CDs for each consumer. Thus, it mitigates majors' comparative advantage provided by economies of scale when distributing their end products (Fox, 2004). They need to rely on online distribution platforms and websites, which puts an end to a complete vertical integration of activities. The music industry's supply chain is thus more dynamic as new actors emerged and a combination of organizations is necessary. The higher flexibility in the choice of actors implies new business opportunities which lower majors' hegemony over distribution channels (Graham et al., 2004). Furthermore, the rise of the online distribution and free music availability facilitate music piracy and diminish physical sales, which were the main source of income of established record companies. Starting from the beginning of the supply chain, great investment were made by major record labels to select unknown artists and build their entire career, leading to financial and artistic risks. After signing new acts, the production process required skilled labor and expensive equipment (Benner and Waldfogel, 2016) to deliver high quality music contents and to enable efficient work. New technologies have offered the possibility for independent artists to produce music recordings at home on their computer and available software with a relatively high professional quality of sound. Finally, the Internet lowered costs of promotion. Majors do not have to pay tremendous amount of money to terrestrial radio stations to market their products and to pay for physical promotion

media to encourage consumers to buy the experience good. Indeed, music listeners have access to more information about the latter thanks to online consumer reviews, testing and so on. In sum, Benner and Waldfogel highlight four supply chain's steps impacted by new technologies: signing new acts, producing albums artistically and physically, distributing through retail outlets, and promoting music. The Big Three therefore need to adapt their business models to new technologies regarding artists' acquisition, marketing and distribution processes in order to maintain their lion's share of profits. A smart and quick move towards Internet-based strategies are crucial to secure majors' revenue model and dominance over the industry by catching up with mushrooming state-of-the-art independent labels. Vertical integration along the production chain is now replaced by a segmentation of activities, allowing a combination of actors to deliver the end product, and consequently a strategic re-positioning of major labels towards the task for the one they keep a competitive advantage. The initial market structure and supply chain is thus shaken up by newcomers in the market who take advantage of new possibilities provided by the Internet and therefore act as new intermediaries between artists and consumers.

2.1.2 *Reintermediation*

The reintermediation process lessens control of majors while giving rise to new players and thus to new opportunities for artists. This phenomenon redraws the traditional market's organization and introduces new task specializations among label type. It is therefore worth studying this technological upheaval to understand major labels' role in the digital music era. As described previously, new technologies and more specifically the emergence of the Internet impacted revenues and costs of the music industry's supply chain and therefore lowered entry barriers and threatened majors' market power. When talking about the music industry's digital era, it entails both the use of the Internet (for marketing purposes for instance), and Internet technologies (such as music production software, and streaming platforms), (Porter 2001). The present research only focuses on the use of the Internet as a new production, marketing, and distribution intermediary taken over by independent artists to bypass majors at a low cost and by majors to keep cornering the

market. Porter (2001) examines the use of the Internet as an opportunity for firms to gain competitive advantages. Indeed, major record labels direct their new business strategies towards digital approaches, however independent artists also use the Internet as the new intermediary replacing majors. Thus, it is at the core of the reintermediation process occurring in the digital music era, which will be explained in the following section.

Reintermediation consists in the move towards electronic markets for music which has organizational and geographic impacts upon networks of creativity, networks of reproduction, networks of distribution, and networks of consumption (Leyshon, 2001). It means a «re-configuration of industrial processes» (Jones, 2002). It does not necessarily reduce the amount of steps in the value chain, but rather changes the intermediary actors (Tuomola, 2004). Regarding distribution channels, reintermediation transforms physical retailers into digital ones, changing the tangible end product to intangible, and leaving away ownership models. Digital downloading services, such as Spotify and Apple Music, offer paid monthly subscriptions to have access to an unlimited amount of music releases. Free online services also exist and are dominated by YouTube, which makes music videos available to everyone, everywhere and at all time. Youtube is a free video music website which delivers video content, and facilitates social networking among users. It therefore acts as an online distributor of music recordings, as well as other music or artist-related videos. YouTube enables listeners' participation thanks to "likes" and comments, sharing and spreading of digital music, and uploading of user-created contents like parodied music videos (Oh and Lee, 2013). It distributes end-product samples which increases the available information related to the product and therefore lessens costly traditional promotion techniques to inform consumers about the experience good. More importantly, it delivers the end-product itself, the recorded music supplemented with video clips. Listeners can have unlimited access to the creation for free via YouTube. It is therefore a tool for promotion activities as well as a new distribution channel. Reintermediation impacts the promotion step of the music value chain by making the Internet a medium of information, communication and publicity (Tuomola, 2004). Marketing and distribution costs are lowered to the extent that independent artists with low initial capital can easily disseminate their productions

bypassing traditional music distributors. This advantage for independent musicians promotes access to more diversity and variety in music offerings (Alexander, 1994), as Oh and Lee (2013) underscores with the success rise of K-pop genre in the global popular music market thanks to YouTube videos' exposure. Free online music services are therefore offering an affordable alternative to independent artists and minor genres to gain visibility without relying on a major record label.

The reintermediation process regarding marketing activities also occurs through social media. The latter have been defined by Kaplan and Haenlein (2010) as "a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0, which allows the creation and exchange of user-generated content". Independent artists and labels use social media to create, consolidate or extend their audience creating a community around them. It facilitates communication between artists and their fans and thus allows new marketing strategies. This applies to major labels, but also to unsigned artists who can spread their music and gather a fan base (Salo et al., 2011). Social media are substitute to traditional marketing channels, and add value for consumers with interactive communication tools, by engaging fans and stimulating conversations. Indeed, artists establish a direct link with the public by sharing their recordings but most importantly secondary content around themselves, only available on social media. It entails live recordings, exclusive samples, videoclips making-of, and other artist-related news directed towards artist and brand visibility, songs, merchandize and concert sales. Social media also comprehend personal life content in order to make the audience follow the artist even when no artistic activity is going on. In that sense, artists can have full control over their public image, preventing major labels to interfere in their community relationship. Margiotta (2012) emphasizes the substantial role of social media presence for a successful image management. Indeed, audiences greatly rely on those ones to collect information, develop opinions, and make consumption decisions (Margiotta, 2012). The use of social media marketing strategies is therefore a way to increase music sales. Nevertheless, Dewan and Ramaprasad (2014) underline the uncertain effect of social media on song sales. Indeed, social media give access to free samples which enable consumption

without purchase and therefore has a negative impact on song sales, as fans not only gather information and opinions but also share the music itself. Conversely, traditional media (such as radio plays) boost song sales on the short run. Thus, Dewan's and Ramaprasad's research reveals the limitation for independent artists to generate incomes even though they are actively implementing social media marketing strategies. Nonetheless, their study reports that new media use creates short-term shocks in buzz.

In sum, the reintermediation process in the digital music era occurred with the emergence of Internet technologies and the increasing use of the Internet by artists and consumers. Free music services such as YouTube and social media enable artists to connect directly with their audience and to get visibility. Major record labels' role of gatekeeper and essential intermediary for marketing and distribution purposes is therefore diminished. However uploaded contents do not generate revenue. This is why independent artists cannot only rely on new intermediaries to build a sustainable career.

2.1.3 *Buzz, Short-term and Long-term Success*

The concept of success and its measurement in the popular music industry has changed with the emergence of the Internet, alternative consumption patterns and ways to reach the audience. Indeed, due to the reintermediation process, traditional gatekeeping institutions to success have less control and consumers are empowered to determine what is successful and what will be. This research distinguishes two types of success, for both independent artists and artists within majors: buzz success on the Internet and success on the music market, on the short and long run. It therefore only focuses on extrinsic aspect of success, which means observable and objective outcomes, rather than intrinsic aspects such as job satisfaction and personal fulfillment. I will first analyze the traditional outcomes of success in the popular music industry, which relates to a market success. Then, I will investigate the shift towards buzz success occurring in the digital music era, and its implications for unsigned and signed artists in terms of career sustainability.

Hughes et al. (2013) define traditional success in the music industry as the floor step where music is the primary source of income for artists. Indeed, before the Internet era,

success related to economic and artistic considerations was based on revenue and "peer appreciation of music ability" (Hughes et al., 2013). As majors concentrated production, marketing and distribution channels, signing a long-term contract with one of them offered artists an advantageous path to reach consumers and thus success. It also guaranteed them income through an enforcement of copyright law, and therefore to make music their main occupation. Majors' control over distribution activities provided artists access to retailers, which was essential to ensure recording sales, indicator of commercial success. The latter led to presence in top charts, as the official French ranking by the SNEP (Syndicat National de l'Édition Phonographique) which based its compilations on top 50 record sales in France. Being on top charts was thus a major indicator of success, as well as being nominated in national award ceremonies. Rankings and prizes were based on physical sales, which means that success was mainly related to artists' revenue. Moreover, one of the most important indicator of success was radio plays which were the most efficient marketing tool to disseminate recordings and encourage sales. Major record labels also had a competitive advantage in offering their artists exposure on radio stations due to their market power and business deals. However, in the digital era, radios have to compete with other music formats and therefore do not monopolize promotion channels anymore. Their gatekeeper and tastemaker position in the music market is lowered. It is thus necessary to analyze success in context to understand its relevant indicators and measurements. The historical gauge of success is greatly commercially oriented with recording sales as its main marker, stimulated by presence on radio stations.

In the digital music era, record sales, presence on radios and awards are still relevant to define a successful career. However, new success indicators and measurements emerged and have changed the way success is perceived by artists and listeners, and therefore the way labels direct their artists' production, promotion, and distribution strategies. Indeed, the rise of the Internet use has led to shorten successful artistic careers due to buzz phenomenon. The latter is defined by Dye (2000) as an "explosive self-generating demand". It is comparable to consumer word on mouth concept (WOM), where individuals interact and influence each other. Therefore creating buzz does not consist in besieging consumers

with advertising, but rather to encourage consumer-to-consumer communication (Dye, 2000). Carl (2006) adds to this definition two distinct types of online WOM. On the one hand, "everyday" buzz consists in informal communications between at least two individuals about a brand, a product or a service. On the other hand, "institutional" buzz defines discussions led by an organization's WOM strategy (Carl, 2006). Online buzz can therefore be consciously built as a promotion strategy to gain instant fame, but also as an unexpected audience reaction resulting from an Internet post, uncontrolled by the artist or the company. With the Internet and more specifically social media, this phenomenon can be expanded at a large scale thanks to the easy opinions expression and sharing. Everyone wants content quick and now. Therefore artists' promotion strategies adapt to this demand for fast and regular flow of information by being active on social media and delivering catchy content. It does not just happen, but can be the result of adequate marketing strategies implemented by artists or companies. An artist's reluctance towards the use of social media could lessen his audience attachment and loyalty to the benefit of buzz creators. Indeed, the amount of "likes", comments, and user-generated content (UGC) reveal fans enthusiasm and appreciation of the artist and his art and therefore his success on the Web. Success perception therefore moved away from economic considerations and official rewards to audiences' reactions and their dissemination at a large scale. Besides, the amount of fans engagement can stimulate an artist desirability for a major label.

«The number of clicks on YouTube signals instant fame for new artists in the global music niche market as they can bypass conventional industry gate keepers. This is the single most important reason that more artists, especially underground live musicians, want to directly market their music on iTunes and YouTube»(Oh and Lee, 2013).

Therefore social media activity is crucial for artists' credibility in the industry. However, online engagement does not necessarily imply artistic quality and long-term financial success (Hughes et al., 2013). "Likes" do not necessarily guarantee radio plays (due to remaining traditional gatekeepers), which are still important factors of album sales. Self-managed artists still need revenue to maintain music as their main occupation in the digital music era, therefore they seek financial income from buzz creation such as revenue

stream via YouTube advertising. At the end of the day, viral videos mostly contribute to fan engagement but also, to a lesser extent, to a source of income. In addition, short-term success can lead to further success if buzz is controlled and visibility maintained. Therefore buzz can either offer short-term fame to artists without guaranteeing presence on top-charts, on radio stations, and album sales, or long term success in terms of artistic recognition and economic revenue if buzz strategies are mastered. In order to prevent the former to happen, artists should be able to predict the buzz spread by analyzing consumer behaviors (Dye, 2000). Large companies still have an advantage in implementing marketing researches to support online strategies, and therefore making instant fame become long-term success. Major record labels do not only ensure success to artists by facilitating access to radio stations and large retailers anymore, but also by using online marketing strategies leading to viral effects and recognition, while ensuring financial income to artists. Nevertheless, as stated previously, more and more artists enter the music industry without relying on one of the Big Three. Their start-up and career path strategies will be analyzed in the next section.

2.1.4 *Independent Artists' Use of the Internet to Bypass Majors*

Due to the reintermediation process and the possibility to reach the audience through digital media, artists take a central position in the music industry structure. They gain control over marketing and distribution activities (Parikh, 1999). This is why majors do not act as crucial players all along the supply chain anymore, and need to be aware of independent labels' strategies to either appropriate them or specialize in the one they fail to master.

Aspiring popular artists aim to build a direct and intimate relationship with their fan base in the start-up phase of their career, and gain instant success. However, they often lack income and therefore strive for major record label's acts. If so, they need to send credible signals to attract the company. New perceptions and measurements of success in the digital music era, such as the number of views, or UGC signal appreciation of the public before industry recognition, and is a «template for comparing, valuing and ordering music

producers, and thus act as a proxy for market potential»(Scott, 2012). Nonetheless, some artists consider that new digital opportunities question the entire traditional structure and allow them to stay completely independent. This is why they undertake entrepreneurial activities in addition to their creative job to gain short-term fame and to be able to sustain it over time. They need to appropriately seize opportunities provided by new technologies in order to replace majors' role of marketers and distributors. Innovative entrepreneurial career paths and Do-It-Yourself strategies of independent artists will be studied in the following development.

The concept of Do-It-Yourself (DIY) was on the one hand developed in the context of home improvement (Gelber, 1997). Gelber related this notion to the activity of creating or modifying things without relying on experts. On the other hand, DIY is assimilated to alternative music scenes and subcultures blurring the lines between creators and audiences. Independent artists or labels' DIY practices therefore consist in producing, promoting and distributing their own creations with what they have in hands rather than with a major's skilled labor. It is therefore a «shift away from secure career paths to a situation of more short-term and precarious labour»(Standing, 2011, as cited by Bennett, 2018). Although riskier, DIY methods are appropriate for short-term successes strove by new popular music artists, to bypass powerful institutions promoting particular styles and artists, and to allow subversive styles and niches to emerge (Bennett, 2018). As this research focuses on the popular music industry, the most relevant explanations of DIY methods' use are the willingness to reach instant fame and to work around majors. The low-cost feature of DIY strategies is also a substantial aspect to consider as DIY producers often lack economic capital (Scott, 2012). They aim to create, perform and manage their music career in a competitive market with scarce financial resources. This is why Throsby and Zednik (2011) analyze components of professional artists' career portfolios and highlight the existence of "non-arts work" to overcome economic difficulties. The less music revenues are, the more likely artists will spend a large part of their time working in non-arts sectors. The authors also emphasize the use of creative skills outside the arts. Indeed, independent artists can undertake secondary activities in the business field directed towards their

music promotion. In that sense, they act as cultural entrepreneurs and assume the role of managers and marketers. Those business-oriented activities consist in generating income around the artist's image by launching a clothing brand, or merchandise products, as a non-exhaustive list. It will therefore promote at the same time the artist and his music, delivering a coherent and identifiable image.

DIY practices of independent artists also entail communication activities, alternative to traditional ones. As mentioned previously, promotion means bringing information about the music to consumers. Social media are now unavoidable supports to do it, as well as to deliver the music itself at no cost. It is therefore a tool for everyone that independent artists intensively use, either to sign with a major or to build a successful self-managed career. Different strategies can be pursued to promote music online. In the digital music short-termist era, viral marketing is one of the preferred methods. In order to successfully implement viral marketing strategies, Bao and Chang (2016) suggest to identify and use proper disseminators as opinion leaders via mass media. The latter are recognizable thanks to the amount of their reviews, the viral effect's intensity they cause, and the trustworthiness of their posts (Bao and Chang, 2016). Finding and targeting opinion leaders require skilled analyses such as sociometric methods, defined as «using social network to compute network centrality and other network structure related measure» (Bao and Chang, 2016, p.101). Independent artists often do not possess those skills. Thus, they either have the choice to outsource targeting activities or to deliver content to all their followers without favoring active users. The former solution might be restrained by independent artists' lack of economic resources and professional networks. The latter is therefore more often adopted despite its limited effectiveness to ensure viral buzz.

In order to bypass major record companies, independent artists also have to undertake distribution strategies and therefore use social networks. A social network is defined by Kaya et al. (2010) as «the pattern of friendship, advice, communication or support which exists among the members of a social system» (Kaya et al., 2010, p.5). The prevalence of social media in the digital music era directs entrepreneurial activities towards an intensive use of online networking. It is a way to build a fan base and therefore sustain a music

career by being present on various sites and blogs. The goal is to maximize online visibility, in addition to live touring. However, Kaya et al. note several limitations of online social networks. Firstly, some artists perceive it as a distraction from music itself. Besides, the presence of "superfans" (other characterization of opinion leaders defined by Bao and Chang) is less likely to occur in mainstream music genres than in narrow niches (Kaya et al., 2010).

In sum, new technologies offered new opportunities for independent artists to produce, market and distribute their music thanks to low-cost DIY methods. Without relying on the traditional music structure, artists can engage their audience through self-branding, crowdfunding or social networking.

H1: Technological change enables independent labels to offer popular artists support for production, promotion, and distribution activities, finding their place alongside majors by using Internet-based and viral buzz strategies.

Nonetheless, the lack of financial revenue force them to undertake side activities unrelated to their artistic purpose. Besides, every strategy including entrepreneurial ones require an adequate implementation and therefore skills. Not all artist can manage business-related work as marketers or distributors, and not all of them have enough economic capital to outsource those activities. Thus, major record labels still a key role in offering skilled labor and division of technical, managerial and business tasks, as well as shortcuts to reach and deal with large media, distribution firms or streaming platform.

2.2 Major Record Labels' Strategic Positions along the Supply Chain

With the rise of emerging technologies and consequently of new key players and strategic models, major record labels' market dominance has been greatly challenged. They therefore have to adapt their supply chain mechanisms in order to prevent artists to opt for independence, and thus keep their market leading position. They also need to revise who and how they sign new acts, and what they offer in those in order to fit in the music short-termist era and its new conception of success (2.1.3). The main challenge of majors is to find a strategic position on the market allowing them to keep being key operators. To do so, they attempt to appropriate independent artists' online strategies, combined with their traditional market power to create a new value-added path to ensure artists successful careers. Those new business plans will be analyzed in this section, following the order of majors' supply chain process in the music industry. The purpose is to understand which label type masters production, promotion, and distribution activities in the digital music era, and therefore where majors are specializing in this segmented market.

2.2.1 *Mastering Production Activities by Scouting, Signing New Acts, and Offering Attractive Contracts*

First and foremost, artists produce music expecting a "creative" as well as an "economic" output (Throsby, 2006 as cited by Bourreau et al., 2013). Bourreau et al. consider the creative output as the release of new music albums, and the commercial output as the annual sales of the label. A label's success therefore relies on artists' music abilities and business functions' efficiency in promoting and distributing the creation at a large scale. It is thus vital for a company to find and sign artists filling aesthetic and market expectations. The Artist and Repertoire department (A&R) within record labels assume this role of scouting new talents and bringing them into the firm. It endorses a big responsibility as signing promising artists makes the label run, regarding music quality reputation and economic viability. In the traditional business model of the popular music

industry, A&R scouts signed new artists based on their music and performance abilities as the most important criteria. Good music implies to be "innovative", "authentic", and "unique" (Zwaan and her Bogt, 2009). In order to discover the one who make good music, scouts greatly relied on their professional network which entails journalists, disc jockeys, and music professionals in general. The latter's appreciation of artists legitimize their quality and therefore ease scouts' decisions. It is consequently advantageous for artists who have connections with this network, and detrimental for the others. A&R managers aim to sign artists before they reach a large audience, by attending small gigs, listening to demos, and reading music magazines. They try to anticipate the potential success of artists and to assess how likely radio or television will disseminate their music. A label's success therefore relies on A&R managers' and music professionals' perception, and their ability to project into the future.

However the emergence of the Internet turned the traditional scouting model to be too costly for major record labels. Indeed, the decline of physical sales and therefore of revenues, has complicated the risky way talents were discovered. Major record labels cannot afford to sign and produce many artists and expect popular success for only a small fraction of them (Benner and Waldfogel, 2016). This is why Owsinski (2016) underlines that fewer acts are signed because of majors' willingness to reduce costs and uncertainty. They must adapt to the digital music era in their scouting and signing models to survive. They are not only reducing the amount of new artists but also changing their decision-making process. Specifically, they do not aim to find "new-to-the-world" artists anymore, but rather already successful ones. A&R department is therefore more selective and bases its choices on prior success to reduce costs of discovery and to guarantee high economic revenues. Benner's and Waldfogel's research on career entry and development of professional musicians in the Netherlands reveals that, following 1999, major labels increased their leverage of already-successful artists on their own label or on Billboard top-200 charts (Benner and Waldfogel, 2016).

Besides, instead of only relying on professional networks' appeal, scouts identify artists with wide appeal among the audience on the Internet. Indeed, with new technologies,

they have access to a wide range of information from social media. Digitalization has increased opportunities for aspiring artists to be discovered. It is indeed faster, easier, and cheaper to scout new talents. A&R goals remain the same, nonetheless the way it is operating has moved towards a less risky and costly function. Major record companies have implemented new strategies to scout and sign artists, replacing live performances or professional network's approval for instance by scouting on the Internet. The amount of views, positive or negative comments on social media can help to assess an artist's appeal and to reduce uncertainty regarding future success. Artistic quality is legitimized by online audience reaction to posted music samples or videos on social media. It is therefore compulsory for artists to make online access to creations and communication easy to attract record labels. Indeed, A&R has opted for timesaving scouting activities and fast decision making. If an artist is not present or active on social media, he is not able to build a prior fan base and is therefore discredited and uninteresting for major labels (Zwaan and her Bogt, 2009). Thus, the Internet and the prominence of social media's use has reduced revenue of majors and has changed A&R departments' ways to scout new talents and the profile of those ones. Once already-famous artists are discovered by a major record label, the latter has to offer attractive contracts more appealing than DIY alternatives.

H2: Major record labels do not monopolize talent discoveries anymore. Thus, artists can break into the popular music industry without being signed under a major.

Because new scouted talents have already built their audience base online, and new technologies have brought alternative strategies in terms of production, marketing and distribution, major labels have to offer advantageous deals to attract artists and keep the company running. Seduction techniques consist in proposing original contracts.

Artists revenue within a record labels comprehends a fixed part (the advance) and a variable part (royalties based on the percentage of sales). However, costs of albums' production are often deducted from royalties, therefore most artists make a living with the advance and concert sales (Curien and Moreau, 2009). Due to the drop of sales revenue

for labels, a new type of contract has emerged: the '360' deal, in which «the record label participates in and receives income from a range of musical activities beyond the sales of recordings»(Marshall, 2012). Some authors argue whether this deal is empowering or enslaving artists¹. Indeed, labels impose to share profits over all royalty streams such as merchandise or touring revenues, but promise in exchange a greater capital investment in signing new acts and developing already-signed artists' careers by dedicating high amounts to artists' profile-building inside and outside the music sphere. It thus benefits artists' longevity and relieve heavy investment costs' pressure (Day, 2011). It also allows major labels to take more risk in signing new popular artists who will not necessarily sell a lot of recordings but who will generate more secondary income streams thanks to online content, social networking, self-branding, and other DIY promotion activities on social media.

What majors' contracts offer more than DIY practices are a considerably high amount of investment for new and established artists (that fundraising methods cannot reach), and long-term security thanks to costly promotion activities and exclusive distribution deals. The two latter will be further analyzed in the following development.

2.2.2 *Mastering Marketing Activities*

As noticed previously, marketing is a key tool for independent artists and large record labels to reach audiences and therefore short-term fame which can lead to a long-term career if the latter is appropriately managed. This section will first review majors' traditional marketing strategies that have offered them market power over smaller labels. It will continue with an analysis of new promotion strategies launched in the digital era and used by unsigned artists that are optimized by the Big Three. The goal of marketing is to catch the attention to stimulate the demand. It entails public relation, press,

¹See Anorga O. (2003) Music Contracts Have Musicians Playing in the Key of Unconscionability, *Whittier Law Review*, 24:3, 739-774. See Morrow L. (2001) The Recording Artist Agreement: Does It Empower or Enslave, *Vanderbilt Journal of Entertainment Law & Practice*, 3:1, 40-52. See Marshall L. (2012), and Day B. (2011): «These so-called "360-deals" are controversial because they involve record labels in areas where they have never before been involved.»(p.72), «The labels argue, however, that the 360-deals allow for greater investment in new acts, and thus benefit the public as much as they do the artists and labels»(p. 74)

advertising, and other media (Rutter, 2016). At the peak of majors' domination over the popular music industry, the supply chain's vertical integration has enabled them to spend millions in artists' promotion campaigns. Indeed, communicating about a music release mainly relied on television and radio media, with the ones majors have had close deals. It has been a tremendous opportunity for artists' career and music companies to boost sales as places are limited, costs are high, and networks are crucial (Rutter, 2016). Being signed under a major gives a great advantage to artists in accessing its business and artistic networks. Indeed, big companies gather a large catalogue of artists and emphasize collaborations among them to take advantage of their respective fame. They also have an elaborated web of bloggers and music journalists to send pre-releases, and ensure artists' exposure and reviews on different media. When major record labels implement such "push strategies" (Hutchison et al., 2010), they spotlight their logo to send credible signals to targeted music professionals. This strategy could biased the listening experience for the benefit of the artist. In the digital era, access to a wider range of creations is possible, which makes marketing strategies even more essential to ensure visibility and success. Besides, promotion activities' costs have dropped with online channels, which has gave a great opportunity for low-budget independent artists. In response to those changes, major record labels have implemented new effective strategies, taking advantage of their historical professional networks and intensively using new online tools to ensure their competitive advantage over the promotion field.

With the intensive use of the Internet by the audience, major record companies can analyze abundant information about consumers and therefore target groups to deliver relevant advertising. Targeted advertising campaigns (Salo et al., 2011) are widely favored as technological advances have offered tools for tracking interests of website visitors, and thus grouping similar people and reaching them though online advertising. Major record labels can use their skilled labor, financial means and networks to outsource such developments, and use neural networks to search for resemblances in consumers' habits (Fox, 2004). Besides, Salo et al. (2011) stress the importance of targeting audiences as social media are fragmented. Thus, digital teams should make artist specific decisions for each medium

used and in each occasion. The goal is to offer an interesting content for target groups (Salo et al., 2011). Major record labels have a comparative advantage in implementing differentiated promotion activities for each group and territory thanks to their national subsidiaries. It enables local promotion, more relevant for a specific audience, instead of a one-and-only online promotion strategy.

Another way majors attempt to distinguish themselves from independent labels with regard to promotion activities is to achieve music placement deals. They ensure economic profits while giving visibility to artists. Music placements are indeed another strategic tool to disseminate a music creation to the largest audience possible and to generate income. The organizational structure and market power of majors ease those synchronization licenses (sync licenses) for artists, and therefore enables them to keep cornering the promotion step of the supply chain. Sync licenses give the right to broadcasting projects to use recording music owned by the label and the artist. Each sync contract is negotiated between the two parties, and major record labels have a stronger negotiation power than smaller ones or independent artists when facing broadcasting projects' producers. Those licenses grant recording music a promotion boost, as it is present in the audiovisual project but also in all advertising related to it. They thus boost the amount of physical or digital sales for the recording music, in addition to the revenue guaranteed by the contract. Music placements can also be achieved through brand partnerships (Hutchison et al., 2010). It can take the form of TV series' compilations, or clothing brand events including artists' performance and exclusive dedicated songs. It is a successful promotion strategy as it reaches a larger audience than just the artist' fan base, which stimulates visibility on the market and thus recording sales.

Furthermore, major record labels have also adapted their traditional promotion processes to the emergence of social media and online streaming platforms, in order to appropriate DIY methods used by independent and to keep control over new intermediaries. Major record labels aim to optimize common online strategies by using their market power to deal with social media platforms. To do so, they offer exclusive content to a social medium in exchange for great visibility on the latter. This can take the form of pre-

listening exclusivity for this website's users. It enables empowerment of listeners and mass publicity spreading of music (Margiotta, 2012). It is thus a viral marketing strategy which leads to buzz. Indeed, music dissemination starts with an influential user and goes viral thanks to horizontal exchanges between users (Debenedetti, 2014). Majors also take advantage of their power to deal with streaming platforms to offer their artists greater visibility. For instance, they have dealt with Spotify to place advertising banners to raise awareness on albums releases and then lead listeners to participate to concerts (Salo et al., 2013).

Radio and television broadcasts, as well as professional reviews remain a great opportunity for artists to disseminate music at a large scale. It is therefore important not to neglect offline channels. Being signed under a major record label offers shortcuts to reach those promotion media that independent artists struggle to attract and afford. Besides, to compete with viral marketing strategies of unsigned newcomers, major record labels use their market power and high economic capital to deal with social media and streaming platforms, and ensure dominant online presence of their artists. Mastering distribution strategies with key partners is the next step for majors to keep leading record sales and online exposure, and thus the popular music market.

H3: Major record labels still have a competitive advantage in promotion activities thanks to their ability to meld traditional and digital strategies.

2.2.3 *Mastering Distribution Activities*

The Internet has revolutionized the way popular music is distributed. Indeed new intermediaries - social media and streaming platforms - have appropriated distribution channels, replacing traditional brick-and-mortar retailers. Digitalization has allowed independent artists to give their music away for free and create their audience at low-cost. Because major record labels do not control distribution intermediaries anymore, they have to implement innovative strategies with new market leaders to keep ensuring their artists a

dominant position in the popular music industry. Thus, they have reoriented their business models towards partnerships with online platforms, in order to keep one step ahead of independent artists and smaller labels.

Partnering is particularly relevant in a competitive environment with higher consumer expectations and fast rates of change (Lambert et al., 1996). Partnerships offer expertise of each party and enable to outperform competitors. Lambert et al. (1996) stress the importance of dealing with key suppliers and third-party providers to keep leading the competitive market. In the case of major record labels' and online streaming platforms' partnerships, both parties need the other to grow sustainably. Indeed, on the one hand majors have lost their control over distribution channels in the digital era, and therefore need to build close relationships with new powerful intermediaries to keep dominating the market. On the other hand, streaming platforms like Spotify have to offer a complete music catalogue, especially including musics owned by majors to attract users. Thus, big record companies still have a market power because they gather most popular artists and produce hits one after another. Each party will gain in partnering, at the expense of independent labels.

Different strategies can be applied by firms to adapt to the intermediation-disintermediation-reintermediation cycle (Chircu and Kauffman, 1999). "Partnering for access" consists in contracting exclusivity deals with "Internet middlemen", who brand the content and control consumers' transactions. This is the most relevant strategy implemented by both majors and streaming platforms to generate competitive advantage. With it, majors control editorial choices of streaming platforms. No independent label has such visibility. It is therefore harder for new independent artists to get discovered thanks to streaming platforms than signed artists. The previously exposed high-cost promotion campaigns and professional networks provided by majors' acts strengthen the idea that signed artists are more likely to get visibility and therefore popular and commercial success. They are given exclusive access partnerships with streaming platforms and marketing boost that ensure them exposure that independent labels cannot offer to their artists due to their lack of negotiation power and economic capital.

H4: Artists signed with majors have greater short-term success in top-charts than artists with no affiliation to a major.

Besides, long-term agreements with new powerful distribution gatekeepers ensure signed artists security on the long run. As long as they are part of a major label, they have access to exclusive distribution and promotion deals, monopolized by the biggest labels. Besides, majors' investments in artists' careers and A&R strategies guarantee them support for their whole artistic projects on the long term. Skilled strategic decision-making of major record labels, large financial resources, and connections within the professional music sphere secure efficient plans for artists' entire career. Majors hold greater expertise for key long-term projections thanks to experience, which favors sustainable careers and not only short-term fame.

H5: Artists signed with majors have longer success in top-charts than artists with no affiliation to a major.

Major record labels' adaptation to the digital music era regarding distribution strategies has also occurred through social media, and more specifically YouTube. Indeed, the latter is a key tool for all artists to give away their music for free and create viral buzz. Majors have therefore intended to negotiate deals to differentiate their artists from the tremendous amount of videos uploaded everyday. Their aim is to drive the audience towards their content thanks to greater exposure on the website. Universal Music Group was the first to look into online video services by launching Vevo in June 2009. This website hosts Universal artists' video clips and other artists-related content which are mainly distributed via YouTube. Universal owns Vevo, and Google and YouTube are providing the technological support. This agreement relates to what Chircu and Kauffman (1999) called "technology licensing". "The electronic intermediary becomes a technology provider for other web sites, either by selling them the technology or by sharing the profits resulting from transactions referred by other web sites" (Chircu and Kauffman, 1999, table 2). Indeed, Vevo is owned by the record label but got investment from Google, is available on

Youtube website, and advertising profits are shared between the two latter. The initiative was then joined by Sony Music Entertainment (in 2009) and by Warner (in 2016). The free music video and entertainment platform offers high video quality, playlist capacities, and social network compatibility thanks to easy sharing and exchanges with other social media. YouTube's users reach Vevo videos before other contents, which emphasize dominance of signed artists. Thus, the Big Three have succeeded in appropriating one of the distribution channels in the digital era, which gives them a comparative advantage over independent labels. Signed artists will have more chances to send credibility signals via their Vevo channel, and to spread throughout the web thanks to Google's technological support. Major record labels have therefore reacted to the reintermediation process by getting their hands on those new intermediaries. They have intensively used exclusivity distribution deals and have taken advantage of their market power to keep dominating visibility over online content.

H6: Major record labels outperform independent labels regarding distribution activities by dealing exclusive agreements with online platforms.

Going back to main question, majors' market power and vertical integration of supply chain's activities have gone down, but a strategic re-positioning of those companies has been initiated. Indeed, majors appear to have opted for unbeatable promotion and distribution activities. They have greatly exploited their initial negotiation power to deal with new players and to undertake unattainable plans for independent labels requiring high economic capital, skilled and experienced labor, and developed professional networks. Therefore, this literature review suggests that major record labels are specializing in and mastering promotion and distribution fields for already-established artists. They are thus leaving aside risky operations to rather focus on state-of-the-art campaigns cornering the digital popular music industry. On the other hand, independent labels are mastering new talent discoveries, low-cost and quality productions rivalling with majors' ones. At the end of the day, the Big Three attempt to keep their competitive advantage by offering artists sensational career start and longevity thanks to all strategies mentioned above.

Chapter 3

Method

3.1 Research Questions

The previous section aimed to position this research in the context of the popular music industry, its related economic and business theories, and upheavals at the age of the Internet. More specifically, this study adds up to existing literature about strategies taken over by labels to succeed in the segmented music market. The goal of the following section is to provide a precise overview and justification of how this research is conceived. After presenting the main research question and subquestions, hypotheses will be recapped. Explanations about the research design will follow, as well as clarifications of the data and models' operationalization. This empirical analysis attempts to answer:

To what extent is being signed under a major record label an advantage for popular music artists to reach short-term success and exposure's longevity in the digital era?

Subquestions:

- What has digitalization changed in the recorded music supply chain's allocation of responsibilities between labels?
- How do majors adapt their strategies to digital upheavals to corner the popular music market?

- Which is the field of activity major record labels master the most in the digital and segmented music market?

In order to answer these questions, an experimental research design has been chosen and will allow to verify or not the following hypotheses.

3.2 Hypotheses

The general hypothesis underlying the empirical research expects that a major record label's support to promote and distribute a new track release enables artists to reach higher relative positions in top-charts and to sustain their success over time, even though digitalization allows independent artists to break into the market more easily. Consequently, this study expects that majors record label mainly specialize in promotion and distribution activities along the recorded music's supply chain. The following table recaps all the hypotheses exposed in the literature review that we will tested in this research with the limited geographical, time, and data frame in entails.

| | |
|------------------|--|
| <i>H1</i> | Technological change enables independent labels to offer popular artists support for production, promotion, and distribution activities, finding their place alongside majors by using Internet-based and viral buzz strategies. |
| <i>H2</i> | Major record labels do not monopolize talent discoveries anymore. Thus, artists can break into the popular music industry without being signed under a major. |
| <i>H3</i> | Major record labels still have a competitive advantage in promotion activities thanks to their ability to meld traditional and digital strategies. |
| <i>H4</i> | Artists signed with majors have greater short-term success in top-charts than artists with no affiliation to a major. |
| <i>H5</i> | Artists signed with majors have longer success in top-charts than artists with no affiliation to a major. |
| <i>H6</i> | Major record labels outperform independent labels regarding distribution activities by dealing exclusive agreements with online platforms. |

Table 3.1: Hypotheses

3.3 Research Design

Qualitative researches have been done to analyze taste patterns, aesthetic features, consumer behavior in the popular music industry, and labels' strategies to reach success in the digital era. Besides, numerous quantitative methods have been applied to study the content of top charts with regard to Rosen's "superstar effect" (1981), or to the emergence of peer-to-peer file sharing (Bhattacharjee, Gopal, Lertwachara, and Marsden, 2005), as a non-comprehensive list. In order to investigate chart success based on a substantial amount of song releases, quantitative methods seem thus more appropriate. Besides, as the goal of this research is to identify causal effects of tracks' short and long term success, an experimental research design will be applied. Indeed, the use of mathematical statistics and applied econometrics helps to empirically measure relationships based on the theories presented in previous section. More specifically, this study will try to highlight causal connections between a dependent variable (or explained) and explanatory ones, using OLS and AFT methods. It aims to understand the observed value, which is determined by a deterministic and a random part, and to estimate the unknown parameters of each explanatory variables.

In this specific research, two concepts will be observed: the short term and long term success of a top-chart song, thanks to two distinct econometric methods. Several control variables will be incorporated in each model with regard to artists, labels, tracks and songs' chart position in order to reduce biases. Besides, an explanatory variable related to the type of label underlying a track release will help to understand the observed value of short and long term success by means of their respective estimated parameters.

3.4 Data

Before detailing all the variables used, their collection process and the operationalization of these models, this sections aims to present the sample and to justify why this choice is relevant for the research's purpose. The target population consists in all tracks appearing in Spotify's Top-200 France charts between the last week of 2016 (2016-12-30) and the

third week of 2019 (2019-01-18). This database was freely available on spotifycharts.com and downloadable to csv format. Several options could be selected to adjust data. Top-200 charts were chosen rather than Viral 50 in order to enlarge the database to lower chart-position tracks. In addition to the number of ranks, charts from France were preferred to global ones or any of the other sixty-five national charts. Lastly, I opted for weekly charts rather than daily updates of tracks' position. With those choices, the database included 108 weeks and 479 artists. It also gathers the following information for each rank: the song's ranking position, its amount of streams, the name of the artist/performer, and the name of the song.

As this study focuses on French-speaking artists on French Top-200 charts, the database had to be modified in order to remove non-francophone artists. Before this adjustment, the database entailed 21600 ranks (10800 in each year, including 4456 non-francophone ranks in 2017 and 3264 in 2018). After keeping only French-speaking artists, the final database entails 13880 ranks. 8758 ranks were therefore deleted, which represents 35.7% of the initial database. These adjustments were done by hand, based on the list of all artists, and thanks to Internet researches. Non-francophone artists were assigned the number 1, and the others 0. The final database includes 1601 different tracks and 199 artists.

The chosen time span was adopted because of its convenience. Indeed, Spotify only provides access to charts history starting from the last week of 2016. As charts are renewing every week, a period of two years was sufficient to collect enough data to draw conclusions. Besides, this non-random sampling method (selective) allows to mostly focus on French and Belgian artists present on French top-charts and to understand the role of French majors' subsidiaries or independent labels in the popular music industry. The consideration is thus limited to a specific geographic area. France is the fifth largest music market in the world in 2017¹, is home to Vivendi (the parent company of Universal Music Group), and to Deezer (the fourth highest income-generating music streaming platform). Besides, French music market experienced for the first time in 2018 higher digital revenues

¹IFPI, Global Music Report (2018), Top 10 of Music Markets in 2017, p.9

than physical ones (SNEP)². It is therefore worth studying this market, its actors and strategies in the Internet era.

Moreover, choosing rankings as a basis for this study is not insignificant. Indeed, rankings are a standard to measure success in various domains such as movies, books, and musics. They reveal positions and survival longevity on a periodic basis and limited slot, which seem to have inherent links with commercial success. Top charts therefore provide valuable data for the present analysis. Furthermore, the studied time span is included in what is called the digital music era. Relying on a streaming platform's charts which is based on the amount of songs' streams per week is therefore an accurate method to state a song's success nowadays. Besides, Spotify is the largest on-demand music platform which gathers 50 million tracks and 286 million users all around the world³. Moreover, this research focuses on francophone popular music. Top-200 charts collect most-streamed songs each week, thus most popular tracks among the audience. That is why basing this analysis on weekly Spotify's Top-charts France is relevant to explain the determinants of popular music success in the digital era.

Finally, tracks retrieved from Spotify's top-charts do not correspond to any data type. Indeed, a panel data is defined as observations followed during a fixed period of time, and all tracks in the studied database do not have the same number of weeks of appearance in charts. Therefore they do not correspond to panel data. Moreover, cross-sectional data are defined as data observed at a precise time. In this research, a time dimension does not allow to categorize data as cross-sectional. Ultimately, time series correspond to one variable observed during multiple periods of time, which is not the case of the studied data that entail different observations. It will therefore be necessary to counteract this issue in the modeling process.

²SNEP, (2019, March 14), Bilan 2018 du marché de la musique enregistrée. Retrieved from <http://snepmusique.com/actualites-du-snep/bilan-2018-du-marche-de-la-musique-enregistree/>

³Spotify (2020), Company Info, retrieved from Spotify: <https://newsroom.spotify.com/company-info/>

3.5 Model

The present subsection strives to explain how the theoretical concepts of this study will be measured and operationalized. Besides, it will clarify each chosen variables, their collection processes and descriptive statistics before incorporating them in econometric models.

3.5.1 *Measure of Success*

What is to be analyzed in this research is the causal effect of being signed under or affiliated to a major record label on a track's success. The underlying theoretical concepts are therefore short term and long term success. As elaborated in the theoretical framework, the notion of success can take several forms, and has been analyzed through different scopes. It can either be considered through an aesthetics perspective (artistic quality acknowledged by peers), an economics (income generated through recordings, live shows, or secondary products) or a personal fulfillment perspective (satisfaction to play music). Besides, several success' factors has been analyzed such as acoustic and socio-demographic features⁴. This research focuses on an economic aspect of success as it is based on performance in top-charts which allow artists to receive royalty payments, and on a release's market status as its main factor. It also relates to popular success over a national territory as the database gathers the first two hundred ranking positions in France. Top-charts include two key elements which indicate success: the number of weeks in charts, and the ranking position that relates to "absolute" success (Ordanini, 2006). Longevity and visibility are two relevant dimensions to study short and long-term success in the popular music industry. That is why this research will base its success' measurements on Ordanini's study (2006). More precisely, a track's short-term success will be measured by its amount of streams (which is related to its ranking position), and long-term success by the duration of the track in Spotify's top-charts (in weeks). In other words, appearing on Top-200 charts means that a track has a popular success. This suc-

⁴See Interanio M., Kazemi K., Wang L., Yang J., Yu Z., Komarova N. L. (2018) Musical trends and predictability of success in contemporary songs in and out of the top charts, Royal Societies, 5:5. And Askin and Mauskapf (2014)

cess is more and less important depending on its amount of streams (which allows to rank it among other tracks), and more and less sustainable depending on its longevity in charts. Other measurement instruments of short-term success have been used in researches, such as the peak chart position (Askin and Mauskapf, 2014). On the other hand, analyses of long-term success when focusing on top-charts mostly use the number of weeks as its indicator⁵. The two chosen measuring instruments of success will be used in the models as dependent variables. Their values will be linked to control and explanatory variables related to the track, its artist and label that will be detailed in the following subsection.

3.5.2 Variables

In order to build an detailed dataset to analyze the determinants of short and long-term success of top-charts tracks and to operationalize models, the Spotify's database had to be elaborated. Additional pieces of information could be found on iTunes Store, YouTube, the Internet, and Spotify Developer Platform, which provides metadata about tracks, albums, artists, and audio features from Spotify Data Catalogue⁶. This subsection will detail every control and explanatory variables that will be used in both models of short and long-term success. The initial dataset (Spotify's Top-200 charts France) provides for each track its name, its artists, ranking position, and amount of streams every week.

Several other track's features are worth adding as control variables. With regard to track's information, all variables were retrieved from the Spotify API except from the music genre. Firstly, the **Type of track** states whether the song is part of an album (= 0), an EP (= 1) or is a single (= 2). These data inform about the track but can also be a determinant of success as a popular music single release is expected to be a hit. When a track has been released as a single and is also part of an album, it was categorized as a single. Indeed, artists often release the expected most popular song of the album as a single, before the album is available. They are often willing to be played on radio stations thanks to this hit, and to intrigue and stimulate the audience's album

⁵See Askin and Mauskapf (2014), Bhattacharjee et al. (2007), Ordanini (2006)

⁶Access to those metadata on the Spotify Web API: <https://api.spotify.com>

listening experience. Only 1.56% of the total amount of top-chart tracks are released as part of an EP, and 22.17% as singles. It implies that 76.26% of tracks are part of an album. Indeed, the latter is the main format sold. Secondly, if the track is featured with another artist, **Featuring** control variable will have the value 1, otherwise 0. Featuring with another artist can boost tracks' streams as it will excite fan bases of both artists. This phenomenon is even more substantial if the other artist is already popular among a large audience. The third control variable collected via Spotify API is whether the track content is explicit or not. **Explicit content** means that lyrics are considered offensive and inappropriate for children. It can take the form of strong words, violence or sex related themes. It is an advisory for the audience to be aware of what they are about to listen. Explicit content is also a valuable information about what the popular music industry spotlights nowadays. 70.89% of tracks are assigned the value 1, which means that they contain explicit content. Thus, even though musics are not suitable for children they can reach popular success. Violence or sex lyrics are recurring themes that are not anymore restricted to underground or niche music. **Track's duration** is the fourth control variable to be included in the models. It is given in mili seconds by Spotify. The length of a track reveals if its format is suitable for radio plays, but also indicates consumption patterns in the popular music industry. The general trend over the past years unveils a reduction of tracks' timing. Producers want to catch the attention of the public in about 30 seconds as the latter is gradually more volatile in an environment of buzz culture, zapping of massive flow of information. Besides, streaming and online music platforms have encouraged this trend with the ease to skip a track for another. However, single vinyls limited the length of track because of their record spins and new technologies of production can support longer songs. The average duration of the database's tracks is equal to 3 minutes and 46 seconds, which is longer than traditional vinyl tracks and adequate with the average length of popular songs (3 minutes and 30 seconds). Furthermore, **Liveness** is another control variable that is worth incorporating in the models. It consists in an indicator from 0 to 1, which detects the presence of an audience in the recording. Thus, this variable has a higher value when the sound seems to have been recorded live. It can deliver substantial

information about the way a track is produced. It has been mentioned in the theoretical framework that new technologies enable artists to produce recorded music at a lower cost, on a computer at home. However, costs of renting a music studio are still high for independent aspiring artists who can not afford this quality demand. Thus, independent newcomers could be more likely to be assigned a higher value of liveness. Nonetheless, the theoretical framework also elaborated on new major labels' DIY practices. It could thus be their strategic choice to appropriate amateurs' techniques. The average value of liveness of the database's tracks is equal to 0.15, which means that songs are not greatly likely to be recorded live. Traditional ways of producing music is still predominant. The sixth variable related to tracks is the control variable **Vocal**. The latter takes the value 1 if the track includes lyrics, and 0 otherwise. 99.69% of tracks contain lyrics. It is coherent with the dominant music genre in the database that will be explained later. Moreover, the **Number of weeks between the track's release date and its appearance in charts** will be used as the second last control variable related to a song. This will provide information about how long it takes for a track to be widely successful. In an environment of online viral buzz, it could seem that the time is shorten. Nevertheless, the studied marketing strategies of major record labels have highlighted their superiority regarding promotion activities. The average number of weeks between a track's release date and top-charts entry is equal to 32 weeks. However, the analysis of quantiles reveals that 75% of tracks only need 1 week to enter in Spotify's charts. The average is increased by the presence of extremely high number of weeks, the maximum value is indeed equal to 2909 weeks. Thus, expect from few exceptions, if a track is present in top-charts, it implies that it is a brand-new release. Finally, the present dataset suffer from a **trend** which implies that the number of streams is higher in average as time pasts. Therefore, artists who released a track at the beginning of the studied time span will have fewer streams than the ones appearing on top-charts at the end of the period due to the trend. It is thus necessary to implement a indicator of time for each track depending on its top-charts entry date. I assigned the value 0 to tracks entering Spotify's charts during the first semester of 2017, 1 for the second semester's ones, 2 for the first semester of 2018

and the value 3 corresponding to tracks that entered during the last semester of 2018. The distribution of the number of tracks over the four semesters is pretty equal with respectively 24.11% of the total amount of tracks were released during the first semester of 2017, 20.92% during the second, 24.86% during the first semester of 2018, and 30.11% during the last one. These indicators from 0 to 3 will help reduce the impact of the trend on the amount of tracks' streams.

| Features of a Track | Data Source | Data Collection Process |
|---|----------------------------|--------------------------------------|
| Type of Track | Spotify Developer Platform | Spotify API |
| Featuring | Spotify Developer Platform | Spotify API |
| Explicit content | Spotify Developer Platform | Spotify API |
| Duration | Spotify Developer Platform | Spotify API |
| Liveness | Spotify Developer Platform | Spotify API |
| Vocal | Spotify Developer Platform | Spotify API |
| Time Between Release date and Top-charts Entry | Spotify Developer Platform | Top-charts Entry Date - Release Date |
| Indicator of Time | Spotify Developer Platform | Spotify API |

Table 3.2: Variables related to tracks

Information about the artist also need to be implemented in both models of short and long term success as control variables to avoid biases. For all the 199 artists present on Spotify Top-200 charts France, their **Country of birth** was searched by hand on their Internet biography. 29 artists were not born in France (14.6% of artists), however all artists constituting the database are francophone artists. 7 artists are from Belgium, 5 from Democratic Republic of the Congo, 4 from Algeria, 2 from Morocco, 2 from Senegal, 2 from Cameroon, 2 from Ivory Coast, 1 from Mali, 1 from Comoros, 1 from Portugal, 1 from Canada, and 1 from England. Belgian artists are the most represented in French Top-charts as both music industries greatly influence each other and share

the stage. The second most represented population is artists from African countries, former French colonies, who were born there but then raised in France. Secondly, another important control variable to take into account is the **Music genre**. The latter was collected on iTunes by hand through searches for each artist. 10 different genres are present in the dataset: Hip-Hop/Rap, Electronic, Dance, French Pop, RB/Soul, Pop, Alternative, Modern Dancehall, World Music, and Rock. Descriptive statistics about genre distribution among most popular tracks in 2017 and 2018 provide information on the French popular music at that time. It is obvious that the trendiest music genre is Hip-Hop/Rap as it represents 64.32% of the dataset. The second most dominant style is French Pop with 11.56% of artists assimilated to Variété Française (translated to French Pop), followed by Pop (6.03%) and Dance (5.53%). Modern Dancehall, World Music and Rock are the less present genres with only one song each. As this music industry's sector is consumer-oriented, producers will be willing to deliver adequate content to what the audience wants to hear. They are not being disruptive and creating the demand but rather meeting it in order to be popular. Thus, as Hip-Hop/Rap dominates the French market, popular artists attempt to be assimilated to this music genre. Besides, the third control variable related to artists is their **Status** in the music industry. In other words, this variable reveals if an artist is new (variable equals to 1) or not (equals to 0). An artist is considered as new if the date of his first recording release on iTunes Store is maximum one year older than the date of his entry in the database (which means his entry in Top-200 charts France starting from 2016-12-30). I chose one year as a benchmark because I consider that after a music release, it can take some weeks before entering top-charts due to the time to promote the track and stimulate audience's appeal for the music. One year is also considered as the beginning of an artist's career in the music industry. These data have been collected by hand for each artist of the sample, based on iTunes Store information for the date of artists' first recording release and on Spotify Developer Platform for the date of chart's entry. A recording release entails single, EP, and album published in the name of the artist. Therefore, I do not consider music releases of another artist who featured with the one in question. This variable enables to locate the artist

with regard to his career stage in the popular music industry. An artist could have been active in the music industry a long time before breaking into top-charts, but therefore not considered as successful popular artists in this research. 29.15% of artists are new in top-charts, which means that a minority released their first track on iTunes and entered top-charts a maximum of one year after. Thus, few artists enter top-charts right after releasing their first recorded track. A successful popular music career usually takes more than one year to be built, only 29.15% of artists were able to reach short-time success at the early beginning of their career. Thirdly, the existence of a **Vevo channel** will be used as another control variables. This information was collected on YouTube through researches for each artist's channels on the website. If an artist has a Vevo channel, the variable will take the value 1, otherwise 0. Having a Vevo channel means that the artist is signed under a major record label as Vevo is a brand creating by majors to spotlight their artists, their music videos and other related content. However being signed under a major does not necessarily imply to have a Vevo channel. Only 59 artists have a Vevo channel, which represents 29.65% of the total number of artists, and which means that having a Vevo channel is not necessary to reach popular success. Finally, the last control variable related to artists is their **Starting date on YouTube** via their own channel. This variable was collected by hand through YouTube, thanks to its information section on each channel including an "Active since" subsection. As the used models are not suitable for dates, I chose to transform those data into indicators depending on the time between the date of their first music release on iTunes and their YouTube channel's starting date. If the period of time is shorter than or equal to two years, the variable will take the value 1. It will also take the value 1 if the YouTube channel was created after the first iTunes release. It will mean that either artists started their music careers on the Internet not a long time before or after entering the industry for real by releasing a recorded single, EP or album. If the period of time is strictly superior to two years it will take the value 0, which means that the artist started his music career online more than two years before releasing a recorded end product. This variable will provide information about their Internet activity and online interaction with fans, and relates it to their activity in the

recording music industry. The starting date of an artist's YouTube channel is assimilated in this study as his online career's starting date. Indeed, an artist is now more likely to start on the Internet before releasing recorded and published music on iTunes. If the difference of time between both dates is important, it will mean that the artist attempt to engage his fans online during a long period before offering them recorded music. It is the case for artists who start their career with freestyles, filmed live performances or by featuring on other artists' tracks before making an album on their names, supported by a record label. These artists can reach online success by creating viral buzz for instance, but will not be able to reach top-charts without recorded tracks. This control variable is therefore interesting to add to both models to state whether an artist follows a traditional career path in the popular music industry by using the Internet to showcase and promote his creations or opts for a DIY path using the Internet as a primary medium to reach audiences. 71.36% of the 199 artists are assigned the value 1 which means that they created their YouTube account two years or less before they released their first track on iTunes. Therefore a large majority of artists used first YouTube to start their activity and reach their audience but did not use the Internet as the main tool to build their career on the long run. Only few artists used the Internet a long time before offering published music to the public and therefore being able to be played on radio and to reach top charts.

| Features of an Artist | Data Source | Data Collection Process |
|--|---|--|
| Country of Birth | Internet | By hand for each artist |
| Music Genre | iTunes Store | By hand for each artist |
| Artist Status | iTunes Store and Spotify Developer Platform | Assignment by hand to the value 0 or 1 for each artist, comparing their first release date in iTunes and in Spotify's database |
| Vevo Channel | YouTube | Assignment by hand to the value 0 or 1 based on artists' channels researches |
| Youtube Channel Two Years Before First iTunes Release | YouTube and iTunes Store | Assignment by hand to the value 0 or 1 for each artist, comparing their starting date on YouTube and iTunes |

Table 3.3: Variables related to artists

To finish with, two pieces of information about the label under which a track is released are substantial for this research. The first collected data relates to the **Label type** in the music market, and will be used as the explanatory variable. Four categories of Label type were distinguished: independent labels, independent labels with distribution exclusivity deals with a major label, labels with exclusive license to a major, and major labels or subsidiaries of a major. These information were collected thanks to Spotify API providing copyright and label details, which were then assigned by hand to a value from 0 to 3. If a record label has the value of zero, it means that it is an independent label which produced, published, and distributed the track without relying on a major record company. If a label has the value 1, it is an independent label which distributed its tracks exclusively through a major (either Warner Music Group, Universal Music Group, or Sony Music Entertainment). This type relates to what is called a distribution exclusivity deal, which allows the distribution company to buy the manufactured product, ready to be sold to physical stores or only platforms. Producers and publishers take in charge the rest of the costs, including the recording, publishing process and promotion activities. If a label has the value 2, it implies that the label is negotiated an exclusivity license to a major company. Thus, the producer assumes recording costs, and therefore keep control over the artistic creation. Besides, the publisher buy exclusive exploitation rights to the latter, and pay for distribution and promotion activities. This license contract is in effect for a predetermined time span, therefore the label is not completely affiliated to a major record label. Finally, if a label is assigned to the value 3, it means that it is a subsidiary or a core part of a major. The latter either founded the label or bought it. It is therefore fully integrated in the big company for all supply chain activities from the artistic conception to the commercial distribution. These indicator of Label type in the market is the main explanatory variable of both models of short and long term success as this research aims to analyze the cause effect of the Label type on a track's performance and longevity on top-charts. This choice of classification in four categories was made according to the most relevant existing deals in the popular music industry at the age of the Internet. It has been underlined in the theoretical framework that more artists are

willing to bypass major record companies and have more tools in hands to do so. That is why major labels gather fewer artists over which they have a complete control, but attempt to develop distribution and license deals to remain ubiquitous in the popular music market. Independent labels are the most dominant category in the dataset as they support 33.73% of tracks. The second most dominant label type under a track release is exclusivity licenses with control over 29.61% of songs. Majors or majors' subsidiaries represent only 24.92% of the dataset, and distribution deals between a major and an independent label only 11.74%. Thus, completely independent labels gather with highest amount of track releases, which gives credit to the idea that major record labels lost their market power in the digital era. Nonetheless, when compiling all other categories that are linked with majors, they represent 66.27% of the total amount of top-chart tracks. Thus, major record labels are still involved in the majority of track releases in the French popular music industry. Their entire control over an artist has decreased but the amount of distribution deals and exclusivity licenses reveals that some parts of the music supply chain such as promotion and distribution are still greatly monopolized of majors. It could imply that artists are willing to bypass big companies to freely create records, and that they are able to do so in the digital era. Besides, it could mean that costs of efficient promotion and distribution are still too high for independent artists and labels, and that major labels still have a competitive advantage thanks to their professional network, expertise, and economic capital. Furthermore, if a label is affiliated in some ways to a **Major** (if it has the value 1, 2, or 3 in the previous categorization), I detail which one of the Big Three is involved, as the last control variable. In other words, if Warner Music Group contributes to a track release, it has the value 0, if it is Universal Music Group it equals to 1, and if it is Sony Music Entertainment it equals to 2. Finally, if the label was assimilated to independent in the previous variable, it is assigned the value 3. Universal Music Group greatly dominates the market with its involvement in 45.10% of tracks. It is coherent with the fact that Universal is leading the Big Three since the acquisition of EMI Recorded in 2012 with about 30% of the global market shares. Warner Music Group is the second most important major company with an involvement in 16.93% of top-chart

tracks. Sony Music Entertainment is the last major label to have control over French successful popular artists, with only 4.25% of tracks involving Sony.

| Features of an Artist | Data Source | Data Collection Process |
|--|-----------------------------------|---|
| Label Type (explanatory variable) | Copyrights information on Spotify | Spotify API. Assignment by hand to a value from 0 to 3 depending on the label type |
| Affiliation with a Major | Copyrights information on Spotify | Assignment by hand to a value from 0 to 3 depending on which major the label is affiliated to |

Table 3.4: Variables related to labels

3.5.3 Short-term Success Modeling

In order to analyze causal effects of top-charts artists' short-term success, I will use a linear regression as a statistical analysis technique. This choice of regression model was obvious because of its wide use in almost all empirical research and its convenience to study relationships between variables (William, 2012). In this research, several independent variables are expected to be related to the dependent one. This is why a multiple linear regression was chosen. Its equation's generic form is:

$$y_i = b_0 + b_1x_{i,1} + \dots + b_Kx_{i,K} + \varepsilon_i$$

y_i is the dependent variable, which is in this study the measurement of short-term success for the track i (its amount of streams). x_1, \dots, x_K are the independent variables, therefore all control and explanatory variables presented in the previous subsection. The goal of this empirical study is to estimate the unknown parameters b_1, \dots, b_K related to explanatory variables in order to measure the impact of being affiliated to a major record label on a

track's short-term performance in top-charts. The equation will therefore take the form:

$$Y_i = X_i\beta + \gamma_1\mathbf{1}_{label_type_1,i} + \gamma_2\mathbf{1}_{label_type_2,i} + \gamma_3\mathbf{1}_{label_type_3,i} \quad (3.1)$$

Here, the dependent variable Y is the measurement of short-term success. X represents the control variables, and $\mathbf{1}_{label_type_1}$, $\mathbf{1}_{label_type_2}$, $\mathbf{1}_{label_type_3}$ are the variables of interest, the label types underlying a track's release. These variables were created as a dummy coding of the categorical variable presented in section 3.5.2. Indeed it takes a value from 0 to 3, so more than three values. It is thus needed to transform it into four dummy variables which will either take the value 0 or 1. With this change, it is necessary to take one variable as reference when running the model to satisfy the full rank assumption of linear regression models. Indeed, those models require that "there is no exact linear relationship among any of the independent variables in the model" (William, 2012). $k-1$ variables will be implemented in the regression as the categorical variable in question takes k values (k is equal to four in this case). In order to counteract this data issue described in section 3.4, it is necessary to create a new variable assimilated to one of the three data types depending on what is willing to be observed. A new dependent variable Y will consequently be elaborated as a measurement of tracks' short-term performance in order to return to a cross-section modeling. The equation of Y is:

$$Y_i = \sum_{t=1}^{T_i} \delta^t \text{nb_streams}_{t,i} \quad (3.2)$$

Thus Y is equal to a week discounted sum of a track's streams amount. $t = 0, \dots, T_i$ represents the week t where $t = 0$ is the first week of appearance in Spotify's top-charts of the track i . Finally, T_i is the total number of weeks in which the track i appears in top-charts, and δ is the discount factor. The latter enables to take into consideration the time dimension of the observed variable. Besides, we set the value of $\delta \in [0, 1]$ as it enables to count the amount of streams for all weeks in which a track appears in top-charts, while giving more importance to the number of streams of the first week. This is all the more relevant as this section aims to analyze short-term success rather than long-term. δ is a

model parameter that can be optimized in order to obtain better results. If a low value is set for the discount factor, the number of streams in the following weeks after the first appearance in Spotify's top-charts will be less taken into account. On the other hand, if the discount factor takes a high value, the number of streams during the following weeks will have a greater importance. The same process and discount factor's value are applied to the ranking position of tracks, which equation is:

$$Position_i = \sum_{t=1}^{T_i} \delta^t Position_{t,i}$$

This variable is defined as the time discounted position of a track. It will give insights on the music's ranking. If a low value is set for the discount factor, the ranking position of a track after the first week of appearance in charts will be less taken into account. On the other hand, if the discount factor takes a high value, the ranking position of the following weeks will have a greater importance. A low ranking position means that a track is higher ranked in top-charts, so has more streams for a precise week.

Moreover, two distinct regressions will be run depending of the track type (Album or Single). All tracks released as EPs will be assimilated to album releases because of the lack of those tracks. Indeed, only 25 tracks were released as part of an EP in the studied database. I will split the track dataset in two, because of a potential omitted variable issue. Indeed, record labels usually release singles for new artists which popular success is not reached yet, and albums for established artists (Asai, 2008). They undertake a selective process regarding the released format for each artist. This selection could be an omitted variable closely correlated with the type of track (album or single). Multiple linear regressions require that the disturbance has "conditional expected value zero at every observation" (William, 2012). In other words, no information about the expected value of ϵ should be conveyed by observations on x . Here, the unobserved variable (labels' selection process) might be correlated to the independent variable "Track type", resulting in an omitted variable issue. Splitting the dataset in two depending of the track type should solve this problem.

In addition to this subtlety, the observation of the amount of streams' trend in the studied time span revealed a growth trend, independent from tracks' intrinsic characteristics, as depicted in figures 3.1 and 3.2.

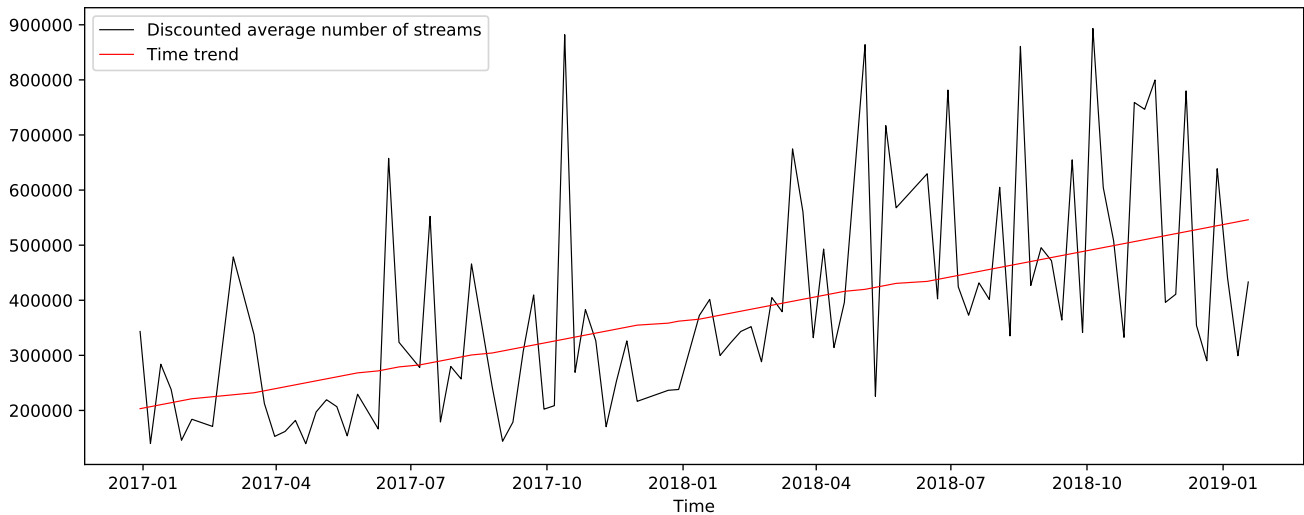


Figure 3.1: Discounted average number of streams against time (in black) and linear trend (in red) estimated by linear regression for singles. The time trend is significant, suggesting to add time related control variables.

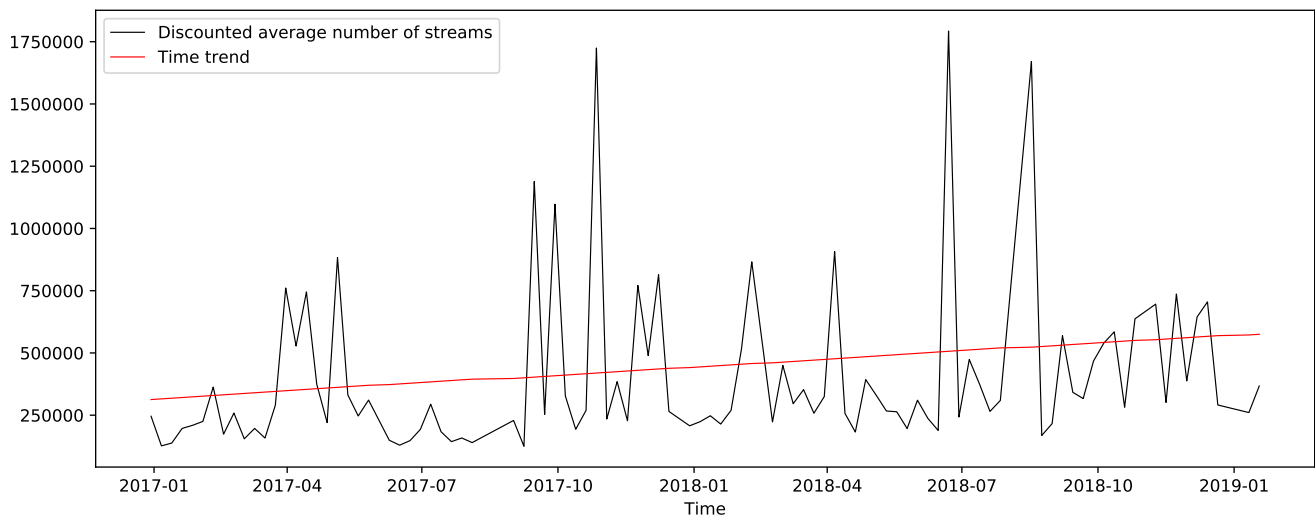


Figure 3.2: Discounted average number of streams against time (in black) and linear trend estimated by linear regression for albums. The time trend is significant, suggesting to add time related control variables.

Thus, it is necessary to apply a time indicator for each track depending on its top-charts entry date in order to take into account this growth trend. The four semester indicators will range from the first semester of 2017 to the last semester of 2018. As shown in Figure 3.1, the discounted average number of streams of all single tracks entering charts at the same time keeps increasing from the beginning of the time span until its end. The same phenomenon occurs for album tracks, as shown in Figure 3.2. Time trends were calculated by linear regression of the discounted number of streams against a constant and time for both single and album tracks. Because the associated parameters of these regressions are significant, a time indicator will be added as another control variable in the OLS regression for short-term success.

Once the model is fitted, Student's test is used to test the significance of parameters related to variables. If a parameter is significant it means that the related independent variable has an impact (positive or negative) on the dependent variable. Therefore it will allow to state whether a track's affiliation to a major record label has a significant impact on its short-term performance in top-charts or not. More specifically, it will test the significance of the parameters related to a track's release under an independent label, an exclusive distribution deal with a major, an exclusive license to a major or a major itself (or one of its subsidiaries), depending on which label type is set as reference.

3.5.4 Long-term Success Modeling

The analysis of long-term success aims to study the causal effects of the label type underlying a track release on the track's longevity in top-charts. As explained in section 3.5.1, the measurement instrument of long-term success applied in this analysis is the same as the one used in Ordanini's research (2006), which is the number of weeks a track remains in top-charts. This survival indicator thus relates to the length of time a track stays in top-charts before dropping off with a time index of 1 week. A survival model will therefore be applied as the second model of this research. Its operationalization will be based on Bhattacharjee's et al. analysis on ranking charts (2007). More specifically, they used an Accelerated Failure Time model (AFT) to statistically design survival data.

It enables to understand the effect of covariates in acceleration or deceleration process of the dependent variable's life course.

Its equation's generic form is:

$$S_i = S_0\left(\frac{T}{\lambda(x_i)}\right) \quad (3.3)$$

where S_i is the duration of survival of track i and

$$\lambda(x_i) = \exp\{X_i\beta + \gamma_1\mathbf{1}_{label_type1,i} + \gamma_2\mathbf{1}_{label_type2,i} + \gamma_3\mathbf{1}_{label_type3,i}\}$$

is the *acceleration factor* of track i .

When all control variable (X_i) and label type's indicators for a track i are equal to zero, the model ends up as $S_0(T)$, which is the baseline survivor function. It represents the survival function when all variables equal 0. The following control variables will be implemented in this model as X_i : the indicator of Artist career's stage, New artist, Vevo Account, Explicit, Birth country, Music genre. There are all the dummy variables of the dataset. Thus, the baseline function is the survival function of the type of reference. The latter is all track which have the following characteristics: the Birth country is France, the Label type is independent, the Music genre is Hip-Hop/Rap, and all other control variables are equal to 0. This type of model enables to easily interpret the coefficients: if $\mathbf{1}_{label_type3,i} = 1$, the average survival time changes by a factor of $\exp\{\gamma_3\}$. Therefore, if $\gamma_3 > 0$, the average survival time will increase and if $\gamma_3 < 0$, the average survival time will decrease, relatively to the average survival time for track signed with independent labels. In other words, a positive value of γ_3 will have a protective effect on the long-term success by decelerating the death time. A negative value of γ_3 will hasten the death time of the track. As Bhattacharjee et al., a Weibull distribution will be followed in this model. In Weibull AFT models, the Weibull survival function is:

$$S(t, x) = \exp\{-\lambda(x)t^\rho\}$$

where ρ is an unknown parameter controlling the shape of the survival function. This model will be estimated using maximum likelihood. One issue that rises with this model

relates to right-censoring variables, which means the “inability to identify birth or death times of some data entities” (Bhattacharjee, 2007). This issue occurs in this research as a track could have disappeared from charts after 2019-01-18. Using the maximum likelihood method according to Kiefer (1988), this issue is counteracted.

3.5.5 *Validity and Reliability*

In this research the concept of success is accurately measured. Indeed, when analyzing success with an economic perspective and with ranking charts as a database, most researches indicate short-term success with tracks’ amount of streams and long-term success with their duration in charts. These measurement instruments enable to compare artists with one another on a determined time span. Besides, Spotify’s top-charts deliver objective quantitative indicators of success in the digital music era. However, it is important to keep in mind that success in the popular music industry also depends on a track’s artistic quality and social influences, and not only on the industrial structure supporting its release, which is not taken into account in this research. Besides, the anterior level of success of top-charts artists is not considered in this analysis although high previous success could impact following music releases’ appreciation. Nonetheless, the variable “New artist” enables to state whether the artist is new in the popular music industry or not. Moreover, this empirical research of short-term success uses a discount factor at a specific chosen value. A different value will make results vary, thus even with the same database such a change will prevent from drawing the same conclusions as in this study. Ultimately, the empirical research of long-term success will be replicable by other researchers as it is based on previous academic literature, both in terms of modeling and expected results⁷. Nevertheless, the present study focuses on a specific territorial market, the French popular music industry. Divergent results could be found when analyzing other regions as Asai (2008) underlines with a different impact of major record companies’ affiliation in the United States and in Japan. It can either be due to the dominant music genre in the national popular music market, or to the level of majors label’s market shares. In

⁷See Asai (2008) and Bhattacharjee et al. (2007)

addition, a similar analysis with a different time span might lead to different results as the industrial market structure or the market segmentation might be different.

Chapter 4

Empirical Analysis

The empirical analysis aims to abstract results from the econometric models in order to answer the research questions and to verify or not the hypotheses. Those results will be confronted to the presented theories and will enable to draw conclusions about the role of major records labels in tracks' success in the digital era, and therefore their specialization in the segmented market. What this research wonders is whether being signed under a major is an advantage for artists to reach high popular success and to sustain their career over time. The literature review reveals that the Internet has enabled musicians to create online viral buzz and to build their audience. Nonetheless, it also underlines the efficiency of major record companies related to promotion and distribution activities thanks to their professional networks, expertise, and market power. The two chosen econometric models analyzing tracks' discounted amount of streams and longevity in Spotify's Top-200 charts France aim to understand if the latter theory prevails over DIY opportunities offered by the Internet. This section will study the factors of short-term success before analyzing those of long-term success.

4.1 Factors of Short-term Success

In order to make general statements about tracks' short-term success' factors, this research uses an OLS linear regression, where several control variables concerning the track, the artist and the label are implemented in the model as well as the Label Type, the explana-

tory variable. To spotlight short-term performance in top-charts, the chosen dependent variable consists in the discounted average amount of streams for each song, and this discounted factor is fixed to the value 0.1. Thus, the number of streams reached during the first week of appearance on Spotify charts is more weighed up than the following ones, the coefficient will almost equal the amount of streams at arrival in charts. The empirical analysis of this model will emphasize the relative effect of buzz for tracks released under an independent label, an exclusive distribution deal with a major, an exclusive license to a major, or under a major company itself. As mentioned previously, two distinct regressions are run, for single and album tracks due to omitted variables potential issue. The first subsection will focus on single tracks and will be followed by an analysis of album tracks' short-term performance in top-charts.

4.1.1 *Single Tracks*

The analysis of short-term success for single tracks is based on a restricted selection of independent variables, incorporated in Table 4.1.1. Indeed, the following control variables are not useful to understand top-chart performances: Music Genre, Explicit Content, Vocal, Duration, Liveness, and Artists' Country of Birth. The ranking position of single tracks, the creation of a Youtube channel two years before an iTunes' release, the artist's status in the music industry, the existence of a Vevo Channel, the time between a track's release date and entry in top-charts, the label type supporting the release and time indicators are, on the other hand, useful variables to take into account in the analysis of short-term success. For each of them, their correlation coefficient and standard error for the chosen reference type are presented in Table 4.1.1. N is the number of observations (number of single tracks in the database) and equals to 355. Besides, $Adj-R^2$ is the Adjusted R-Square, which takes a value from 0 to 1 and indicates the explanatory power of the model. The closer $Adj-R^2$ is to 1, the better the regression explains variations of the dependent variable. In this case, 60.7% of variations are explained by the chosen independent variables. This percentage is higher than the one without time indicators, which proves the existence of a linear trend in the model, and therefore the necessity to

implement those time variables. Ultimately, F-stat is a statistical test that tells if the variables are jointly significant in the model. In this one, F-stat equals to 10.66 which is superior to the associated critical value. The p-value associated to this test is inferior to 0.01, which means that it is very likely that the null hypothesis is rejected, and therefore that variables are jointly significant.

For each independent variables taken into account, their correlation coefficient, standard error and significance threshold, related to the chosen reference type, are presented in Table 4.1.1. Those information enable to analyze the relationship between the discounted average of a single track's amount of streams and the observed variable.

| | coef. | s.e. |
|--|--------------|-------------|
| Ranking Position | -2 583.68 | (377.52)** |
| Youtube Channel Before First iTunes Release | 5 928.60 | (39 000) |
| Artist Status | -67 870 | (40 400) |
| Vevo Channel | -17 620 | (51 700) |
| Time Between Release Date and Top-charts Entry | -11.42 | (2939.35) |
| Label Type 1 | -42 730 | (63 400) |
| Label Type 2 | 31 260 | (53 000) |
| Label Type 3 | 55 780 | (53 500) |
| Second Semester 2017 | 44 200 | (48 400) |
| First Semester 2018 | 168 500 | (51 000)** |
| Second Semester 2018 | 276 700 | (47 300)** |
| N | | 355 |
| Adj- R^2 | | 0.607 |
| F-stat | | 10.66** |

Table 4.1: OLS regression of short-term success for single tracks.

Note: Standards errors between parentheses. */** significant at 5/1%, respectively.

First of all, the p-value indicates the coefficient significance which is translated as one asterisk for 5%, and two asterisks for 1%. Table 4.1.1 reveals that only the Ranking Position and Time Indicators of the first and second semesters of 2018 have a significant impact on variations of the discounted average amount of streams. Moreover, the table provides information about the numeric value and sign of correlation coefficients. Their values reflect the numeric impact of the observed variable on the dependent one in real

terms, and their signs reveal whether the correlation is positive or negative. The confidence interval is the probability that the value is ranged between the lower and upper bounds, which is fixed to 95% in this model. The Ranking Position is significant at 1% (as its p-value is equal to $0.000 < 0.01$). The correlation coefficient's sign is negative, which indicates a negative correlation between a track position in charts and its amount of streams. Indeed, with a high numeric rank, the track is lower positioned and therefore less popular. When the discounted ranking position increases by 1 unit, the discounted average amount of streams decreases by 2583.68, all things being equal.

The two last variables significant at 1% are time indicators for the first and second semesters of 2018. A single track entry in charts during these periods increases its discounted average amount of streams by 168 500 and 276 700, respectively. The time trend is thus even more substantial as time passes. Indeed, the number of Premium subscribers and monthly active users has constantly grown from 2017 to 2018, which gives more chance for tracks to reach high amounts of streams each week at the end of the studied time span.

Finally, none of the Label Types are significant in the present linear regression. This means that releasing a track under a major record company or exclusive deals with a major do not significantly impact its amount of streams compared to a track released under an independent label. In other words, the support of a major record label does not guarantee higher short-time success for singles. It implies that a single release does not require extremely high-cost production, promotion and distribution support that independent cannot access. Indeed, it is more affordable to produce and market singles than albums. Thanks to digitalization, singles can be released exclusively through the Internet without manufacturing CDs. Investments and experiments in promotion strategies are less risky for only one end product, and thus allow to focus on building a real event around a release that stimulates the audience. The market power of majors in terms of professional networks and economic capital is not an advantage for their artists in their attempt to reach short-time success with a single. Thus, the effect of buzz and DIY opportunities given by the Internet might be more or as important as traditional paths to reach instant

fame. In this sense, the first hypothesis (*H1*) assuming that technological change enables independent labels to offer artists support for all supply chain's activities is validated when applied to single tracks. Besides, these results reveal implications for new talents and their ability to break into the market without relying on a major. Indeed, the absence of significant coefficient correlations between label types and the indicator of short-term success entails that aspiring independent artists can be as successful on charts as signed artists. Consequently, the second hypothesis (*H2*) is also validated for single tracks. The latter assumed that major record labels do not monopolize talent discoveries anymore. In fact, independent labels are more likely to undertake riskier scouting activities and to put those artists in the spotlight thanks to intensive exposure on social media. They also adopt low-cost production processes and favor single tracks' releases to lower investments costs and therefore to limit risks. More unsigned artists may also first release singles rather than albums to test the audience's reaction and therefore reduce risks.

However, albums convey more easily the artist's musical project and personal brand image, whereas singles show less seriousness. Consequently, it is expected that majors' support of album tracks is positively correlated to its short-term performance in charts. It will imply that major record labels focus on complete artistic projects for already-established musicians rather than on new talents' first shot in the music industry.

4.1.2 *Album Tracks*

The analysis of album tracks' short-term success' causal effects is elaborated based on the similar linear regression than the one for single tracks. An OLS regression is followed and a discount factor is applied to both the ranking position and the average amount of streams for each track. Indeed, a growth trend has been observed which requires the implementation of time indicators for each semesters of the studied time span. As in the previous section, Table 4.1.2 presents the results of the OLS regression focusing on album tracks, and more specifically the correlation coefficient and standard error between each selected independent variables and the dependent one (the discounted average amount of streams). The eleven chosen control and explanatory variables are identical to those one

used in Table 4.1.1. The present regression gathers 1246 observations ($N=1246$), which is greatly superior to the number of tracks released as singles (equals to 355). Besides, the Adjusted R-Square ($Adj-R^2$) takes the value 0.755, which means that 75.5% of variations of the dependent variable are explained by the present model. Ultimately, F-stat is equal to 42.37, implying that it is very likely that all parameters are jointly significant. Its associated p-value is lower than 0.01, thus the statistical test is significant at 1%.

| | coef. | s.e. |
|--|--------------|-------------|
| Ranking Position | -3 321.95 | (130.811)** |
| Youtube Channel Before First iTunes Release | -159 500 | (27 200)** |
| Artist Status | -48 970 | (19 800)* |
| Vevo Channel | -3 410.35 | (26 000) |
| Time Between Release Date and Top-charts Entry | -11.12 | (28.46) |
| Label Type 1 | -119 400 | (27 100)** |
| Label Type 2 | 71 320 | (28 700)* |
| Label Type 3 | 72 490 | (25 600)** |
| Second Semester 2017 | 352 600 | (31 600)** |
| First Semester 2018 | 262 400 | (24 600)** |
| Second Semester 2018 | 313 900 | (22 500)** |
| N | 1246 | |
| Adj- R^2 | 0.755 | |
| F-stat | 42.37** | |

Table 4.2: OLS regression of short-term success for album tracks.

Note: Standards errors between parentheses. */** significant at 5/1%, respectively.

Unlike previous results, all parameters are significant except from the existence of a Vevo Channel and the Time Between the Release Date and the Top-charts Entry.

As in the short-term model for single track, the Ranking Position has a negative correlation with the discounted average amount of streams, which is consistent with the fact that a low rank among the 200 ones guarantees a higher number of streams. When the rank increases by 1 unit, the dependent variable decreases by 3 291.95 streams.

Besides, the dummy variable related to the creation of an artist's YouTube channel two years before his first iTunes release, is a significant variable at 1% in this model. Its correlation coefficient's sign is negative and the reference type refers to all artists who created their YouTube channel more than two years before entering the traditional music

industry. Consequently, artists who were not active on YouTube a long time before releasing recorded music have less chances to reach high amount of streams than old online artists (reference type). If an artist relates to the former category, he will have 159 500 less streams for their album tracks than latter artists. This result reveals the advantage to be active online before publishing albums thanks to opportunities offered by the Internet to connect with the audience, build a fan base, and spread the artist's identity. Those who intensively used digital tools before publishing real records have better chances to reach high short-time success in the popular music industry. They took advantage of the Internet platform to get known and test audience appreciation in order to adjust their first iTunes release to what would be a hit. As the public is greatly active online when looking for new music, artists should create their YouTube channel and deliver music content before attempting to get signed with a label, to promote and distribute manufactured end products. Waiting before releasing recorded music could also be a way to excite interest and impatience among fans. At the end of the day, artists who use first the Internet do not follow a traditional path but secure their future music career by testing reactions and getting famous at low cost before attempting to reach high performance in top-charts.

The third significant control variable in this short-term model for album tracks is the Artist Status, significant at 5%. As explained previously, an artist is considered as new (variable equal to 1) if the date of his first recording release on iTunes Store is maximum one year older than his entry date in the top-charts database. As the correlation coefficient is negative and the reference type consists in old artists (variable equal to 0), being a new artist has a negative significant impact on the discounted average amount of streams per track. In other words, if an artist entered Spotify's top-charts one year or less after releasing his first track, he will have a lower short-time success (an average of 48 970 streams less) than older artist in the industry. This result is not surprising as new artists have less time to build a large audience and guarantee media endorsement. It also implies that unknown artists who create buzz reap less streams in average than established artists. The audience may favor recognized artists at the expense of new talents. Furthermore,

all time indicators are significant positive parameters of this short-term model at 1%. It means that as time passes, the discounted average amount of streams increases compared to the one during the first semester of 2017. It grows by 352 600, 262 400, and 313 900 for the second semester of 2017, the first semester of 2018 and the last semester of 2018, respectively.

What this research mostly aims to analyze is the effect of the explanatory variables (the label types) on the dependent one (the discounted average number of streams). The results presented in Table 4.1.1 enable to draw conclusions about their impact on album tracks' short-term success in top-charts. As in the model focusing on single tracks, the chosen reference is the Label Type 0 which indicates the support from an independent label for a track release.

First of all, the impact of releasing an album track under the Label Type 1 is significant at 1%. Its correlation coefficient is negative which means that releasing a track under an independent label with an exclusive distribution deal with a major label negatively affect album tracks' short-term success in top-charts. Such a label type's support decreases the discounted average amount of streams of a track by 119 400 streams compared to the independent label type. It is therefore better for artists to sign a complete independent deal with an independent label rather than to be affiliated to a major for distribution activities. Relying on a major record label to distribute the end product seems not to be an advantage to reach high short-time success. Indeed, traditional distribution activities controlled by major labels have been shaken up. As this research bases the conceptualization of short-time success on Spotify's amount of streams per track, the distribution channel taken into account is a digital one. It gives therefore more power to independent labels that can reach the latter more easily than traditional retailers with the one major labels had close professional relationships. Moreover, even though major record companies are partnering with online streaming platforms, all independent labels can deliver their music content on Spotify. Without being favored within Spotify's spotlighted playlists or advertising, independent artists can make their music available and thus access top-charts. Effective upstream promotion strategies might be sufficient to create online

buzz and consequently generate success fostering algorithms that will lead to high amount of streams. In that sense, the last hypothesis (**H6**) assuming that major record labels outperform independent ones regarding distribution activities is rejected for album tracks on the short run. Majors' distribution plans seem therefore not to be advantageous for album tracks to create short-term buzz. This is coherent with Graham et al. (2004) statement which stresses the loss of majors' hegemony over distribution channels. New technologies have indeed lower costs of music dissemination and therefore have diminished the comparative advantage of majors given by large economies of scale. Nonetheless, this implication only applies to a short-term success analysis. Distributing albums via online platforms or social media is now an affordable and accessible strategies for all label types, and albums' exposure on the latter can offer short-term success. However, it is not stated yet that majors' control over tracks' distribution is a disadvantage to sustain artists' careers on the long run.

Secondly, the variable Label Type 2 is significant at 5%. There is a positive correlation between releasing an album track under an exclusive license to a major and the discounted average amount of streams. An album track release assimilated to the Label Type 2 has 71 320 streams more than an absolute independent release. Exclusive license deals therefore help to reach short-term success in top-charts for album tracks. Indeed, such deals with a major record label implies that the latter takes over promotion and distribution activities. Because majors' distribution channels do not seem to be greatly efficient for tracks' short-term performance, majors' support for promotion strategies might be the most substantial advantage to outperform independent deals. Subsection 2.2.2 exposed some of The Big Three's marketing strategies undertaken in the digital music era to keep their market power in the industry, which can explain results of Table 4.1.2. Firstly, major companies still have a competitive advantage in getting the attention of media and more specifically music press. Besides, being signed under a major gives credit to an album release and gives access to powerful traditional promotion channels such as radio and television broadcasting. Marketing activities are more expensive and require higher expertise for album releases than for single tracks. Indeed, it necessitates to build

a coherent brand image of the artist and his music style, and to locate the album release among the popular music industry and the artist's career stage. A major's support is consequently a significant economic backing to manage short-time success. It is also more efficient to set up international marketing campaigns thanks to several national majors' subsidiaries and networks all over the world. In addition, big companies are able to gather huge amounts of consumers' data and thus to extend, engage, and target a specific audience. Majors' market power in the popular music industry can also ease synchronization licenses and merchandise products launch. The latter is consistent with album more than with single tracks release, because of whole story is set up around it, which can explain the non-significant coefficient of the Label Type 2 in Table 4.1.1. Ultimately, higher economic capital of The Big Three than independent labels enable artists to launch multiple specific-album-related products such as bonus tracks, compilations, vinyl formats, or album's reprints. All those strategies undertaken and made achievable by professional connections, expertise and financial capital can explain the positive correlation between an exclusive license to a major's album release and short-term success. They also enable to validate the third hypothesis (**H3**) stating that majors still have a competitive advantage in promotion activities thanks to their ability to meld traditional ad digital approaches.

Thirdly, the last explanatory variable to analyze is the Label Type 3, corresponding to a track release fully supported by a major record label or its subsidiary. This parameter is significant at 1% and the correlation coefficient is positive. In other words, supporting a music release by a major label guarantees the latter 72 490 more streams than an independent release. Table 4.1.2 reveals that this size effect is almost the same than the one of exclusive license to a major, which implies that promotion activity is the field where major record labels excel, more than production and distribution ones. Thus, covering production costs by a major does not seem to be greatly crucial for album tracks' short-term success. DIY production activities or at least low-cost production processes taken over by independent labels are as efficient in guaranteeing quality end products as traditional paths. Indeed, at the age of the Internet, music videos for instance can be

directly recorded on social media rather than to be fully-produced masterpieces. Video lengths can be shortened and their quality lowered. Their goal is simply to create viral attention, and to stimulate fan engagement by allowing them to make their own videos. It is therefore optimal to reach short-term success, and to ensure YouTube, Facebook or Instagram video monetization for every use of an artist's music. Although it is easier to connect with professional producers and songwriters when being signed under a major, the impact on short-term success is not tremendous. Major record labels' production activities do not have a competitive advantage to guarantee short-term success in the digital music era. What this model highlights is that being signed under a major, and more specifically entrusting promotion activities to majors, offer album tracks higher instant success. Thus, the fourth hypothesis (**H4**) assuming that artists affiliated to a major have greater short-term success in top-charts than independent artists is validated for album track releases.

To conclude, this section analyzed results of the two OLS regressions for single and album tracks success on the short run. The affiliation to a major record label (Label Type 1, 2, and 3) does not necessarily drive to higher short-term performance in top-charts than independent releases. For single tracks, none of the types has a significant impact on the discounted average amount of streams. On the other hand, exclusive licenses to a major and a major's support enable to reach higher ranking positions in Spotify Top-200 charts France for album tracks. A comparison of correlations and size effects enable to state that major record labels still have a competitive advantage over independent labels to ensure their artists' short-term success, thanks to their production and promotion activities. Besides, in the digital era, the distribution field is not controlled anymore by majors which gives greater chance to independent labels to disseminate music among streaming platforms. Those results lead to assume that major record labels will specialize in promotion activities to corner this supply chain's segment, that they will compete with independent labels for production activities, and that they will leave to online platforms distribution monopolization. What remains to be analyzed is if short-term results also apply for long-term performances in Spotify's Top-charts.

4.2 Factors of Long-term Success

This section aims to study results of the Accelerated Failure Time model (AFT) using all control and explanatory variables presented previously. The chosen dependent variable indicating long-term success is the number of weeks of a track existence in charts before its drop-out date between 2016-12-30 and 2019-01-18. If a track disappears from charts but reappears some weeks later, none of those weeks will be taken into account as the track already dropped out once. Besides, parameters are estimated by the maximum likelihood method. Their significance, sign of correlation coefficient, and size effect will be analyzed in order to determine whether being affiliated to a major record label guarantees higher survival time in the popular music industry than independent releases. Therefore this section does not consider tracks' instant buzz effect but rather performance on the long run. It aims to understand if independent labels can compete with major record labels in guaranteeing their artists sustainable careers over time and not only short-term exposure thanks to online viral strategies. Do the traditional market power of majors and their new implemented strategies in the digital era enable them to outperform independent labels concerning artists' long-term success? Which segment of the music supply chain revealed by organizational deals are majors mastering and therefore specializing in?

In the present AFT model the distinction between single and album tracks is not necessary. Indeed, this model does not require to make the hypothesis of independence between independent variables (x) and the error term (ϵ) as in the previous linear regression. There is consequently no issue of omitted variables which are the one that are not included in the model and therefore included in ϵ . It thus enables to make only one model run for both single and album tracks.

This AFT model gathers 1 601 observations ($N=1\ 601$), the entirety of the Spotify database with only French-speaking artists' tracks. In addition, *Scale* is a parameter which corresponds to ρ in the following equation: $S(t, x) = \exp\{-\lambda(x)t^\rho\}$. If its value is superior to 1, the instant probability to die knowing that the track survived until this time decreases with time, which is the case in this model. Indeed, the more a track stays in charts the more chances it has to drop out. In the popular music industry, top-charts are

constantly renewed with different songs. Even the most successful tracks do not survive an infinite number of weeks, after a long period in charts they are destined to disappear. On the other hand, if the value of the scale parameter is superior to 1, the instant probability to die knowing that the tracks survived until this time increases with time, and if the parameter is equal to 1 the probability is constant. The estimated equation of the AFT model is based on the log of survival times, the log of the scale parameter. The latter is equal to 0.66 and is significant at 1% in this model. Besides, LL relates to the log likelihood that indicates the fit of the model. The lower the absolute value of LL is, the better the model fits the data (the model likelihood is maximized). Ultimately, 123 tracks are *censored*, which means that the studied time span did not allow to observe their drop-out date. They must have disappeared from charts after 2019-01-18.

Table 4.3 presents all those information about the model as well as the correlation coefficient, the coefficient exponential and the standard error of each variables. $Exp(coef)$ enables to study survival time differences between an independent variable and its reference type. The chosen reference type is always the dummy variable that takes the value 0. The independent variables incorporated in Table 4.3 are only dummy variables interesting for the present analysis of long-term success' factors. As mentioned previously, only one model has been run for single and album tracks, nonetheless a control variable related to the track type was implemented in the model. The reference track type corresponds to singles, while EP and album tracks are presented in the table.

4.2.1 *Impact of control variables*

First of all, the parameter relating to the creation a YouTube channel before a first iTunes release is significant at 1%. The reference type of this parameter consists in all artists who created their YouTube channel more than two years before releasing their first iTunes single, EP, or album. The correlation coefficient of this variable is equal to 1.11, which means that artists using online content as a secondary tool are more likely to stay longer in charts. Time is decelerating if this variable varies, all other thing being equal. Its

| | coef. | exp(coef) | s.e. |
|---|--------|-----------|-----------|
| Youtube Channel Before First iTunes Release | 1.11 | 3.05 | (0.08)** |
| Artist Status | 0.48 | 1.62 | (0.09)** |
| Vevo Channel | -0.03 | 0.97 | (0.10) |
| EP | 0.56 | 1.74 | (0.33) |
| Album | 0.24 | 1.27 | (0.07)** |
| Initial Rank | -0.004 | 0.996 | (0.001)** |
| Label Type 1 | 0.67 | 1.95 | (0.13)** |
| Label Type 2 | 0.86 | 2.36 | (0.11)** |
| Label Type 3 | 0.41 | 1.50 | (0.11)** |
| Log(scale) | 0.41 | 1.51 | (0.02)** |
| N | | 1 601 | |
| LL | | -4 629.33 | |
| Censored | | 123 | |

Table 4.3: AFT model of long-term success.

Note: Standards errors between parentheses. */** significant at 5/1%, respectively.

survival time increases more the one of artists who already had a YouTube channel a long time before entering the music industry with real recorded music. As its $exp(coef)$ is equal to 3.05, the survival probability of the control variable in question at 30 weeks equals the survival probability of preliminary-online artists at approximately 10 weeks ($\frac{30}{3.05}$ exactly equals to 9.84 weeks). This parameter reveals that starting a YouTube activity to deliver and promote existing recorded and published tracks is more efficient to reach long-term success than using YouTube content as the main tool to break into the music industry and to be successful over time.

Secondly, the impact of the Artist Status on a track survival time is significant at 1%. The reference type relates to all artists who released their first iTunes track more than one year before entering this top-charts database (old artists). As the correlation coefficient of the observed variable is equal to 0.48, the survival time of new artists exceeds the one of older artists in the music industry. Entering in Spotify's Top-charts as a recent artist allows to decelerate time before a track's death. More specifically, a new artist's survival probability at 30 weeks equals the one of an old artist at 19 weeks. That implies that consumers keep listening to latest artists although to a lesser degree. Indeed, results of

short-term success' factors revealed that being new in the music industry has a negative impact on the amount of streams for single and album tracks. An explanation of this phenomenon could be that recent artists are still less famous among a large audience so they reach lower ranking position in charts. Nevertheless, they could be followed by a more loyal fan base that will keep supporting the artist even if the latter is not played on radios anymore for instance. The audience of established artists might rush to their new releases and then wait for their next hit.

Moreover, the track type of a music release only has a significant impact on its survival time in top-charts at 1% for album tracks. Its correlation coefficient is positive and equals to 0.24, which means that single tracks are less likely to stay longer in charts. These results are consistent with the fact that single tracks aim to create buzz and reach instant success in order bring the artist to light and to lead the audience to the album's listening experience. An album track's survival probability at 30 weeks is similar to the one of a single track at approximately 24 weeks ($\frac{30}{1.27} = 23.62$). The difference between the two survival time probabilities is not major but shows a slight superiority of album track regarding long-term success. It unveils the volatile nature of the popular music industry in the digital era, which emphasizes viral buzz with singles rather than maintaining fame over time with those ones. Artists are more and more willing to release several single hits after one another that will ensure high ranking positions on the short run, and therefore constant exposure on media and top-charts. Nevertheless, the database shows that album tracks still represent a higher share of the total amount of released tracks with 1 246 (included EP tracks) against 355 for singles. Thus, a hegemonic single-track-based French popular music industry is not accurate yet. Album tracks are still numerically dominant and guarantee longer survival time in charts.

The fourth control variable presented in Table 4.3 is the existence of a Vevo channel on the name of the track's artist. Its parameter is not significant in this model, which implies that having a Vevo channel has no significant impact on the long-term success of a track. It neither guarantees to gather a more loyal audience over time nor restrains a track to stay longer in charts.

The last control variable to be analyzed is the initial rank of a track, which means its position in charts at its first week of appearance. The parameter related to this variable is significant at 1% in the AFT model. Besides, its correlation coefficient is negative ($coef=-0.004$), the time is thus accelerated for this track's characteristic. The higher the first position in charts is, the lower the survival probability will be. Indeed, high positions relates to low ranks among the 200 positions of Spotify's Top-charts. Therefore there is a positive correlation between reaching short-term performance (high amount of streams in the discounted average of weeks of appearance) and long-term survival. Tracks that entered charts with a good ranking position are more likely to stay longer in charts than tracks that broke into charts with fewer streams the first weeks. Nonetheless, the survival probability of high initial rank tracks at 30 weeks is equal to the survival probability of lower rank tracks at 30.12. Lower ranks (closer to 1 than to 200) only have an extremely minor positive impact of the survival time of a track. Thus, no substantial conclusion can be drawn from this result.

4.2.2 *Impact of explanatory variables*

In order to evaluate the role of major record labels in tracks' long-term success, the AFT model has estimated the parameters of variables related to the label type underlying a music release. This last section will interpret explanatory variables' results shown in Table 4.3. The chosen label the of reference is independent labels as in short-term success regressions. All parameters therefore indicate the difference between the survival probability of a track released under a independent label and each of the other label types. All of them are significant at 1%, which enable to come to conclusions about the impact of being supported by a major record labels on long-term survival in charts.

Exclusive Distribution Deals with a Major

First of all, the primary label type (Label Type 1), that relates to tracks released under an independent label with a exclusive distribution deal with a major, has a positive correlation coefficient ($coef=0.67$). The latter result implies that a recorded music delivered

under such a deal is more likely to stay longer in charts than an complete independent release. In other words, variations of this variable make time decelerate before the track's death in the database, all other things being equal. With $\exp(\text{coef})=1.95$, a label-type-1 track's survival probability at 30 weeks equals the one of a label-type-0 track at approximately 16 weeks. That is to say, a specific survival probability matches 30 weeks for an exclusive distribution deal with a major, whereas it only matches 16 weeks for an independent release. For example, if a label-type-1 track has a probability of 10% to survive the week after the thirtieth week of existence in charts, a label-type-0 track will also have a 10% chances to survive one week more but after its sixteenth week of presence. Thus, a fully independent release is greatly more likely to disappear from Spotify's Top-200 charts before a track supported by a major for distribution activities. The implication of this result is that major labels are more efficient in distributing popular music tracks and different distribution deals lead to different survival time in charts. Artists might therefore favored support from a major for this specific function of the supply chain. Major labels offer better chances to reach international markets by distributing music overseas. Indeed, attempting to reach other countries requires connections with local distributors and is very much time consuming. Most of the time independent labels do not have those international networks or enough staff to focus on those activities. This result validates the sixth hypothesis (**H6**) concerning majors' competitive advantage for distribution activities thanks to exclusive agreements with online platforms. They cannot have a total control over such new intermediaries, but they consequently aim to get close to them to offer their artists shortcuts and large online exposure. They use their initial market power and their substantial artists' catalogue to deal with streaming platforms and keep a step head independent labels. The latter can distribute their releases online but are less likely to be as much spotlighted as signed artists. Lambert et al. (1996) statement about partnerships' advantages within a competitive environment is applicable to the music industry industry entailing major record labels and online platforms. The way majors partner with streaming platforms is therefore efficient in disseminating signed artists' music through new intermediaries. "Partnering for access" (Chircu and

Kauffman, 1999) seems to be the strategy majors use the most to create a competitive advantage over other labels when facing the reintermediation process. They do not strive to integrate distribution players in their supply chain anymore but rather to develop and master their other functions (such as signing talents and promotion activities) in order to be powerful negotiators when dealing with online distributors. Nonetheless, the analysis of results concerning the Label Type 2 shows that its parameter's impact on survival time is even more important. Entrusting distribution activities to a major might thus not be the strategy that guarantees the highest long-term success for artists.

Exclusive Licenses to a Major

Table 4.3 reveals that the parameter of the variable Label Type 2 has a correlation coefficient equal to 0.86. The latter means that releasing a track under an independent label with an exclusive license to a major guarantee a higher survival probability than fully independently. As mentioned previously, an exclusive license means that promotion and distribution tasks are assigned to another company, in this case to one of The Big Three. Therefore, the independent label only takes over production activities, which entails signing the artist and recording his tracks, thus managing and paying for the artistic creation. Decision-making process and costs of marketing and dissemination of the end product are assumed by the big company. Such a segmentation of activities along the supply chain enables tracks to decelerate time before their death in top-charts. Indeed, the survival probability of label-type-2 tracks at 30 weeks equals the one of independent tracks at approximately 13 weeks. The difference between the two probabilities to survive one more week is higher than the one between exclusive distribution deals and independent releases. Relying on a major label for promotion activity is therefore a great advantage for tracks to stay longer in charts. What can explain this phenomenon is that, as in short-term success analysis for albums tracks, majors' large economic capital, professional networks, and expertise give their artists the opportunity to get known and build a sustainable career in the popular music industry. All those advantages are exacerbated in promotion activities. Promoting artists with lower economic capital and therefore with a more inten-

sive use of social media enable to catch the attention of the audience and to create buzz. Nevertheless, the tremendous amount of online information and short concentration time of Internet-users make social media promotion strategies inconclusive on the long run. Besides, independent labels do not have access to major media as big record companies have. Using an exclusive license to a major label enables to reach those ones without relying on it for production purposes and being dependent on it for following albums. As promotion costs are not recoupable from artist's royalties in a exclusive license deal, an artist gain an exposure advantage without paying for those investments. In turn, the major label will benefit from record sales and streams. Another reason why majors are better in promoting tracks over time is that they are signing already established artists who are expected to be successful on the long-term. They are thus taking less risks than independent labels that are dealing with unknown artists whose talents still have to be proven among the audience. Supporting an artist with an existing fan base makes promotion activities easier. The third hypothesis (*H3*) is therefore also validated for long-term success. Majors' support for promotion activities not only guarantees better viral buzz strategies' implementation but also long-term marketing investments offering artists safer career path thanks to sustainable promotion plans. This is why this research hints that major record labels specialize in promotion activities within the segmented supply chain of the digital music market. They aim to be inescapable players in that field for artists to build a successful and sustainable popular career. Their clear superiority in operationalizing efficient promotion strategies enables majors to have a strong negotiation power when dealing with distributors and to hold a strong appeal for aspiring artists. Reduction of promotion costs due to new technologies allows independent labels to take over promotion activities and thus to compete with majors on the market (the first hypothesis is verified), nonetheless majors still make the difference by offering outstanding promotion plans entailing high-cost campaigns and visibility over all media (on and offline). Access to a large professional network which benefits majors is crucial to disseminate and give credit to music releases in the industry, and consequently to be exposed at a large audience. Thus, Rutter (2016) theory related to the importance of professional networks to

boost visibility and therefore sales is relevant in the case of major record labels' choice of specialization in the digital era. Furthermore, majors are cornering complex online marketing strategies that require technical skills, market and economic power (Fox, 2004, and Salo et al., 2011). This kind of advertising aims to target audiences through social media and enables majors to undertake efficient promotion activities outperforming low-cost strategies taken over by independent labels. Exclusive license to a major is therefore the best business deal ensuring artists the longest success on charts. It is thus coherent to state that major record labels are mastering this function of the supply chain and are therefore specializing in this field to keep their leading position in the new digital market.

Total Major's Support

Finally, the last explanatory variable to be analyzed is the total support of a music release by a major record label or one of its subsidiary. It relates to all releases that a major supports in terms of production, promotion and distribution. The parameter of this variable Label Type 3 is also significant at 1% and its correlation coefficient is positive ($coef = 0.41$), but inferior to the ones for label types 1 and 2. Thus, being signed under a major label enable tracks to reach longer survival time than being signed under a fully independent deal, yet the difference of longevity is lower than with the two other deals. This means that relying on a major record label to produce recorded music does not enable to outperform independent production to a great extent. The production field is not the one that will give major labels the biggest market power in the digital popular music industry. This can be related to the first hypothesis (**H1**) stating that independent labels can offer their artists support and therefore that they can compete with majors on the market, and to the second hypothesis (**H2**) assuming that aspiring independent artists can break into the market without relying on a major thanks to online buzz.

The survival probability of a major's track at 30 weeks equals the one of an independent label's track at 20 weeks. The difference of survival probability is lower than the one between independent deals and deals where majors take over distribution, or promotion and distribution activities. According to the present definition of the recorded music's

supply chain, production is its first function that used to be corned by majors and that is now also appropriated by independent labels. A comparison of explanatory variables' results reveals that production activities taken over by majors is not what guarantees artists sustainable success the most. Independent labels with low economic capital and limited professional connections are able to take responsibility for artistic creations and records' manufacturing. Independent artists do not seem to be greatly blamed for delivering those kinds of productions to the audience, although the survival probability of signed releases is still higher. This could be explained by the fact that consumers do not greatly demand high-cost productions recorded in professional studios. It leads to some implications about the state of the popular music industry in the digital era. There is less need to produce expensive tracks to be successful, even over a long period of time. High-cost music productions entail access to a large number of professional musicians, like orchestras to record background sounds, or famous songwriters. Such high investments to produce quality music seem not to be what leads to long-term success. DIY methods of production might satisfy listeners, not only to create buzz on the short run but also to build sustainable artists' career. Those lower quality sound's and lyrics' expectations give higher chances to amateurs to produce successful music. There is no more monopolization of best hits by few songwriters and composers. Besides, independent labels might be more flexible and closer to the audience thanks to their smaller organizational structures, newness, and willingness to become influential actors in the popular music industry. Indeed, they may adapt more easily to new trends than traditional bureaucratic companies like major record labels. Staffs within independent labels have quick minds to discover new talents and to produce what is or will be the trendiest style of a time. Therefore, freedom of creation, youthfulness, and abilities of adaption might enable independent labels to produce successful tracks on the long run. Majors are still having a competitive advantage when competing with independent labels, however production activities seem to be the field where independent labels can rival. Being completely dependent on a major record label or one of its subsidiaries gives higher probability of survival in top-charts than being fully independent from the production to the distribution of a track.

Nevertheless, this advantage hold by majors is not tremendously substantial to build a successful career on the long run. It still enables to validate the fifth hypothesis (**H5**) assuming that signed artists have longer relative success in top-charts than complete independent artists. Promotion activities controlled by a major is the main feature that gives artists higher chance to sustain their career over time. Consequently, what this result implies is that major record labels are still substantial players in the digital popular music industry which master promotion activities thanks to upstream A&R re-positioning, high economic capital, and professional connections with established and new media. On the other hand, distribution activities have been greatly challenged by the emergence of new technologies and have dramatically reduced the power of majors for this segment of the supply chain. They thus let online platforms monopolize this function but they put their hands on them to keep leading the overall music market. Finally, production activities have been drastically shaken up by the Internet that has enabled to produce at a low cost with less qualification and expertise. The popular music industry could be a compelling music genre that empowers artists and independent labels with regard to the production field as demand of quality might be reduced, technological possibilities higher and therefore more accessible to amateurs.

At the end of the day, what the AFT model's results show is that all label types affiliating a major record label give tracks greater survival time in Spotify's Top-charts than totally independent labels. Yet, the size of the effects of each parameters were studied in order to define which of the supply chain' activities were substantially excelled by majors. What has come out is that promotion strategies taken over by big companies enable tracks to reach longer success over time, more than the care of production and distribution activities. Digitalization of the popular music industry proves to be mostly impacting production costs thanks to DIY and low-cost methods, and distribution access thanks to digital platforms. There is little doubt that promotion activities have also been shaken up, nonetheless high-costs strategies offered by majors still outperform cheaper ones. Although social media's communication tool is intensively used by both large and small record companies, being able to mix it with the use of powerful traditional marketing

channels grant major labels a considerable asset. Thus, major record labels are expected to keep leading the music industry thanks to their promotion activities leading to higher and longer exposure in the market.

Chapter 5

Conclusion

There is an ongoing debate about whether the Internet has enable independent labels and artists to bypass major record labels or not. Christensen (1997) considers new technologies as a disruptive innovation that overthrows traditional business models and therefore complicates adaptation of established companies. In the opposition way, the Internet might be seen as a new tool which does not provide a competitive advantage in itself (Porter, 2001). Its use should be a complement to traditional approaches that established companies master. Porter (2001) emphasizes the importance of undertaking strategies that meld online and offline activities. This research has aimed to support the latter argument by analyzing majors' and independent labels' strategies in the digital era and by showing that tracks released under majors secure higher performances in top-charts. Yet, there is not such a dichotomy between major and independent labels. Indeed, the Internet emergence has dismantled the total vertical integration of a music release's supply chain under major companies and has led to a segmentation of activities. This is why this study distinguishes three types of deals related to the three main fields of action of the music industrial market: production, promotion, and distribution. A track can thus be released under an independent label while being supported by a major to distribute, or to distribute and promote the end product. The goal of this study is thus to highlight which organizational deal is the most efficient in ensuring artists higher and longer success, and consequently which function majors labels are mastering and thus are specializing in. The empirical research has ascertained that majors' album tracks outperform others in terms

of short-term success thanks to an OLS regression. The same phenomenon has been observed for all majors' tracks in terms of survival time in charts (long-term success) thanks to an AFT model. Nonetheless this study has also revealed that the label type under which a single track is released has no significant impact on its performance on the short run. This implies that catching the attention of the audience with one hit has become doable for independent labels. In other words, creating buzz by producing, promoting and distributing single tracks can be done with low financial and network resources. Online tools have enabled them to bypass majors to put new artists under the spotlight, and more specifically to apply DIY production methods and to access digital distribution channels. For album tracks on the short run and all tracks on the long run, promotion activities taken over by major companies are still more efficient in guaranteeing artists higher and longer success. Nevertheless, those majors' artists performances might also be due to their intrinsic talent - the reason why they were signed within a major - rather than majors' strategies to make them superstars. There is little doubt that higher financial resources and connections with professionals in the music industry enable to shortcut access to gatekeepers and offer them market power. However, their A&R decisions play an important role in what will be the output of their promotion and distribution strategies. Choices between relying on a major or an independent label should fit the artist's desire to keep artistic freedom. Yet, the popular music industry gathers pretty homogeneous creative end product, as unveiled by the dominance of Hip-Hop/Rap music genre, lyrics' explicit content, and tracks' duration, among other characteristics. Besides, major labels and popular artists are driven by consumers' appreciation which directs artistic processes towards the same goal. Thus, popular artists might not fear to lose their creative freedom but rather their economic and decision-making independence. As they aim to reach the largest audience possible, large economic resources and shortcuts to gatekeepers offered by major labels might attract them, and for good reasons, as observed in this research's results. What may be worth studying is therefore artists' willingness to create their own label in order to gain economic autonomy and to undertake secondary activities: artists' willingness to become businessmen. In the French popular music industry, some artists

could use viral marketing and thus intentionally create short-term buzz to break into the music market. They could then take advantage of this notoriety to build a commercial business around their names and dedicate their careers to music-related activities such as managing new aspiring artists. Buzz success might be a way to get attention in careers' start-up phase with no desire to gain long-term success as an artist. Those ones could be assimilated to entrepreneurs seizing opportunities given by new technologies and DIY practices and might therefore be the one to opt for independent paths rather than for deals with major record labels. The latter have opted for safe scouting and signing functions and for a great development of their promotion and other artists-related activities (such as music publishing). They aim to support superstar musicians over a long period of time at the age of the Internet. They are not willing to take as much risk as before, and as independent labels but rather to show their leading position by monopolizing the superstar sphere. Major labels aim to be differentiated from independent ones because of their outstanding business plans for famous artists such as global promotion campaigns and exclusive deals with the largest platforms. Popular music is the music genre where majors record labels still enjoy a leading position in the market. It thus has some implications for artists' choice of functions' allocation when releasing recorded music. They might favor majors' acts if they aspire to a long career in the top of the popular music industry. They may look for economic and contractual security over time rather than artistic freedom and decision-making independence. Other artists may be willing to take more risk relying on independent labels and using mostly online tools to start and sustain their career. In this case, they often aspire to create viral buzz that will make them earn money they can manage independently, and that will lead to a successful artistic career.

Chapter 6

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