

Streaming Legitimacy

Consumer Perceptions of Streaming Distribution Models

**Ludvig Frisk Brugaard
Glenn Lennart Tambini Finnestad**

Supervisor
Bendik Hofseth

This master's thesis is carried out as a part of the education at the University of Agder and is therefore approved as a part of this education. However, this does not imply that the university answers for the methods that are used or the conclusions that are drawn

**University of Agder, 2016
Faculty of Fine Art
Department of Popular Music**

Can we make the connections? Can we hear the crisis of society in the crisis of music? Can we understand music through its relation with money? Notwithstanding, the political economy of music is unique; only lately commodified, it soars the immaterial. It is an economy without quantity. An aesthetics of repetition. That is why political economy of music is not marginal, but premonitory. The noises of a society are in advance of its images and material conflicts. Our music foretells our future. Let us lend it an ear.

- Jacques Attali, 1977

Acknowledgments

We would like to give our sincere thanks to all the people and professors that we had the honour to be acquainted with during the last two years studying Music Management at the University of Agder. An enormous gratitude is well in order to our main supervisor Bendik Hofseth for his wise guidance. Thanks should also be given to Daniel Nordgård for sharing his thoughts on the matter, and facilitating for a location to properly conduct our focus groups. We also want to thank Rita Strand Frisk for advising us through the final stages, offering highly valued tips in the home stretch of this thesis. Thanks to all the participants who were willing to participate in our research, sharing interesting thoughts and perceptions.

Finally, we would like to thank Harry Johnson for making it possible for us to move and start a new life in Berlin, and still be able to focus on writing the thesis.

We are forever grateful!

Abstract

This project, *Streaming Legitimacy*, is a master thesis conducted by two Music Management students from the University of Agder. The background for this thesis is rooted in the current debates surrounding fair distribution of revenues in the music streaming industry. Some of the focus in this debate concerns the revenue distribution models of the streaming services. The focus has previously been on the different models effect on the distribution of revenues to the rights holders. For us, the lack of focus on the consumers' perception on this matter has led us to the following research questions: *How will consumers perceive a user-centric distribution model? Will it affect consumer behaviour? If so, how and to what extent will it affect consumer behaviour?* In the approach of these questions, we apply a qualitative methodology. This thesis falls within the field of consumer research with an interpretivist approach. The collection of data was done through the conduction of two focus groups with participants mainly consisting of students in the age range of 20-30 years. In this thesis we present our findings and discuss the results in light of relevant theory.

Table of Content

Acknowledgments	II
Abstract	III
Table of Content	IV
1 Introduction	1
1.1 Motivation	1
1.2 The Importance of the Topic	1
1.3 Research Questions	3
1.4 Justification for Dealing With the Subject	3
1.5 Previous Research	5
1.6 Limitations & Delimitations	6
1.7 Structure of the Thesis	6
2 Theoretical Background & Framework	7
2.1 Characteristics of Copyright Products	7
2.2 A Historical Perspective	9
2.3 Digitalisation	15
2.3.1 <i>Disruptive Innovation</i>	16
2.3.2 <i>Digitalisation In the Recorded Music Industry</i>	17
2.4 Revenue Distribution Models	23
2.5 Consumer Behaviour & Legitimate Decision Making	24
2.5.1 <i>Consumer Behaviour In the Digital Music Industry</i>	27
2.5.2 <i>Ethical & Conscientious Consumerism</i>	30
3 Methodology	35
3.1 Choice of Research Design	35
3.2 Focus Groups	36
3.2.1 <i>Selection & Number of Groups</i>	36
3.3 Implementation	37
3.3.1 <i>Data</i>	38
3.3 Validity	38
3.3.1 <i>Generalisation</i>	38
3.3.2 <i>Internal Validity</i>	39
3.3.3 <i>Validation</i>	41
4 Analysis & Results	43
4.1 Analysis Process	43
4.2 Results	44
4.2.1 <i>Results From the Paying Consumers</i>	45
4.2.2 <i>Results From the Non-paying consumers</i>	47
4.2.3 <i>Summary: Commonalities & Dissimilarities Between Groups</i>	48
5 Discussion	50
4.2 The bigger picture	53

6 Conclusion	59
Literature List (APA 6th).....	61
Appendix	67
1. Questioning Route	67
<i>Figure 1. Pro Rata</i>	69
<i>Figure 2. User-Centric</i>	69
2. Participant Acquisition Form	70
3. Participant Consent Form.....	71

1 Introduction

1.1 Motivation

Both born in the 90s, we have grown up during the turbulent years of the noughties. We listened to cassettes, made mix tapes, bought and burned CDs and Minidiscs, waited hours for songs and spam to download from Napster, BearShare and LimeWire, and not least been diligent subscribers of the new streaming services. The changing means of consumption has been central through our youth, and has undoubtedly been the motivation for digging further into music consumption habits. With our somewhat alike, but still different academic background, we have bashed our heads together in order to orderly explore and map some of the economics traits in the music industry, shaped by copyright, and how consumers behave in this somewhat odd market. We observed how Spotify quite rapidly gained a foothold in the Norwegian music market the years after its launch, at least within in our own age group. It was interesting to see how people started to pay for music again, and we were no exception. It seemed clear to us that this was the future of music consumption, but during our studies the last two years we have discovered that the situation is not necessarily as good as we first anticipated. As we both were excited about the potential of paid subscription streaming services, it was quite natural for us to write a thesis on this subject.

1.2 The Importance of the Topic

The last decade has been a tough one for the recorded music industry converting from an analogue to a digital industry. Since the turn of the millennium physical sales has dropped steadily on a yearly basis, much due to how new technologies, and especially the Internet have affected how most people consume music. The recorded music industry has struggled handling the transition from analogue to digital, and it is not until the end of 2014 that digital revenues are at par with physical revenues globally (IFPI, “Facts & Stats”). This means that physical sales are still an important source of income globally, but the importance differs broadly between different territories.

Over all, digital revenues are increasing and physical revenues are decreasing, but the total recorded music industry revenues are still declining yearly. The year 2015 was the first in which digital revenues bypassed physical revenues globally (IFPI, 2016a), and the first year with

year-on-year growth of global revenues in almost two decades. Digital downloads are still the biggest source of revenue in the digital market, but it is declining. This decline is compensated by the increase of revenues from the subscription and ad-based streaming services, resulting in an increase of total digital revenues (IFPI, 2016a). These tendencies indicates a transition from a physical based industry towards a digital based industry, where streaming services are growing in importance as being the main driver of growth in recorded music revenues. Streaming services popularity varies widely between different markets. In the Scandinavian countries, e.g. Norway, 77,4 percent of the revenues from recorded music derives from streaming services alone (IFPI, 2016b).

Despite this promising development in the Norwegian market, there are some evident difficulties connected with the emerging streaming industry. The local repertoire share, the share of the Norwegian music market consisting of music produced in Norway, is declining (Nordgård, 2016). This means that much of the revenue growth flows out to foreign rights holders. Following this tendency, concerns regarding the diminishing royalty pay-outs are rising and independent and local actors doubt the economic sustainability of the new streaming-dominated music economy (Nordgård, 2016). If streaming is the future of music consumption, it is extremely important that the streaming economy is as viable and sustainable as possible for all actors in the industry, including the small and independent. Research shows that the already skewed distribution of the value creation in the music industry will only exacerbate in an ever more digitalised economy with streaming as the leading means of consumption. Different actors in the market have criticized the difficulties with the streaming model. Big artists such as Taylor Swift and Adele has expressed dissatisfaction with the streaming services and portrayed the current model as not sustainable. What is apparent is the huge difference in the amount of revenues generated per user from free streaming services as opposed to the paid services.

It is logical to think that this entire negative buzz around streaming services has potentially affected the consumers' perception of the services in terms of legitimacy, and could in worst case ultimately affect consumers' willingness to pay for streaming. One way of perhaps limiting these unfortunate developments could be to look at alternative ways of distributing the revenues generated by the streaming services. Alternative distribution models such as the user-centric could solve some of these problems. However, recent research shows that it will not have any major impact on the allocation of revenues (Maasø, 2014; Pedersen, 2014). What is perhaps of most importance for consumers changing the distribution model is bringing back the connection between what they pay and listen to which the current distribution model disrupts. So regardless of the allocation of revenues, we believe that the adoption of an alternative distribution

model could be regarded as more fair, appealing to moral and ethical values of consumers, and thus impact consumers perception of streaming services in terms of legitimacy. This could serve as an incentive for increased willingness to pay for streaming services amongst consumers.

This thesis does therefore aim to gain a better understanding of the consumers' behaviour in the new digital and streaming based music industry, trying to understand what part moral and ethics play in the process of music consumption. Especially looking at how a change in the services distribution model could affect the consumer's perception of the services in terms of legitimacy, and see if that could transform into changes in consumer behaviour ultimately enhance the conversion of subscribers, increasing the sustainability of the streaming industry.

1.3 Research Questions

Could a more legitimate service result in an increased acceptance of the subscription based streaming services, thereby lowering the threshold for conversion of potential consumers, and perhaps even increase consumers willingness to pay? Could it in itself work as a competitive advantage in the fierce competition of users in a market under distortive competitive conditions? These questions have seemed to be missing in the discussion of streaming services revenue distribution models, and have resulted in the following research questions:

- *How will consumers perceive a user-centric distribution model?*
- *Will it affect consumer behaviour?*
- *If so, how and to what extent will it affect consumer behaviour?*

We could have developed a single formulation of the research question, but as we worked with the questionnaire, it made more sense to divide it up in order to better facilitate for a more orderly investigation, analysis, sorting and discussion of our findings. We seek to investigate how consumers perceive a user-centric distribution model in terms of legitimacy, in terms of how the different models appeals to the moral and ethical notions of the consumers. Questions two and three are more directly concerned with the effects on consumer behaviour, as we wish to study to what extent moral and ethics play a part in the consumption of music in the digital music market.

1.4 Justification for Dealing With the Subject

The intent of this thesis is to discuss, and perhaps shed new light to the on-going discussion about fairness and transparency in the digital music market with a different approach. Most of the

research on the subject and similar subjects focus on the professional actors in the business such as artists, labels, composers and publishers. The focus in this thesis has been to get qualitative indications on consumers' thoughts and feelings towards streaming services in general, and more specifically how they perceive the different alternative streaming services distribution models. The current discourse concerning the distribution models has had little or no focus on fairness and legitimacy from the consumers' point of view, and thus, it could be important to address the current debates around fair and sustainable remuneration for creators in the digital music industry from a different angle. The main focus provided through research on consumer behaviour in the music industry has mainly consisted of bigger quantitative surveys, which provides useful and important information, but perhaps fails to display a deeper understanding of the music consumers in an ever more intricate and complex market. It is interesting to look at the consumers in the current music market, at least in Norway, as most of the music consumption occurs online. What the last decade has shown us is that music consumption online follows very different dynamics than in the physical market and the need for research on digital consumer behaviour is huge, especially in a market that historically has struggled with the transition from physical to digital consumption. Consumer behaviour has also clearly changed over the last century, not only in terms of cultural consumption, but also in more general terms due to developments in technology affecting the new generation of consumers. The recent growth of, what is referred to as ethical industries, may imply an increasingly conscientious consumer where factors such as moral and ethics are growing in importance for consumers decisions. Is this also apparent in the music industry? If so, there would perhaps be something to gain from offering what can be perceived as a more fair and sustainable product/service to this market.

In the streaming economy there is a big difference in people who pay and people who do not pay for streaming in terms of the revenue they generate. As earlier mentioned, paid subscriptions add much more value to the streaming economy than ad-based subscriptions and free services. This has increased our interest of getting an understanding of the differences between consumers who pay, and those who do not pay, in how they perceive streaming. It is possible that general notions or common beliefs and perceptions differ between consumers who pay or do not pay for streaming. These potential differences has therefore been emphasised in this thesis.

1.5 Previous Research

The issue surrounding a change of the music streaming services revenue distribution models has been debated the last couple of years. There has not been a considerable amount of research on the actual effects of a change of the distribution models, at least not in the recent years in terms of the rapid developments of the streaming economy. The most relevant research on streaming services distribution models has been conducted by a research team in Norway, lead by Arnt Maasø titled “Clouds & Concerts” using WiMP (Now TIDAL) data from August 2012 and August 2013. Rasmus Rex Pedersen, also using data from the streaming service WiMP from August 2013, has conducted a similar study in Denmark. Their research focuses on the effects on the distribution of revenue between rights holders when applying the user-centric model instead of the pro rata model. Both studies concludes that only minor changes of the allocation of revenues will occur, and that there would not be a massive change in who receives the money at the end if one were to apply the user-centric model. For the top four record labels there would be an estimated 1% decrease in total revenues, but at the same time there would be a 13% increase for local artists (Maasø, 2014). Pedersen (2014) argues that switching from pro rata to user-centric would primarily benefit the most popular artists, and the most popular local artists. Therefore it would not make a tremendous difference in terms of the distribution.

The mentioned research is based upon limited data from a rather small streaming service, with a majority of Norwegian and Scandinavian users, in one month in 2012 and 2013. The limitations of these studies may imply that the findings not necessarily represents how a change would affect distribution in the current market where streaming has become more wide-spread. Due to these limitations it has to be emphasize that this research do not provide a definite answer to how the distribution of revenues actually would turn out in the current streaming market. The findings are merely used as a point of departure for this thesis, and due to a lack of more recent studies, it works as a basis for how the distribution models are understood.

In addition to Maasø’s and Pedersen's research, a report presented in 2014 by the Norwegian Musicians’ Union (MFO) underlined the growing concerns in regards to the new digital market, with an emphasis on streaming (MFO, 2014). The report points out two major concerns in the Norwegian recorded music market. First, the reduction of revenues deriving from recorded music, and secondly, the uncertainty towards how the distribution models function, and what had to be done in order to create sustainable projects. There have been two main themes that has characterized the on-going debate. On the one hand, streaming has been viewed as having a positive effect on the downturn in the recorded music industry, and finally bringing revenue back

into the market. On the other hand, there has been expressed a dissatisfaction from numerous musicians, artist and smaller labels towards the benefit from this new flow of money.

1.6 Limitations & Delimitations

This thesis investigates consumers in the Norwegian streaming market. The focus of the research is concentrated solely on consumers. Due to challenges in the recruitment of participants, the study is limited to people in the age range of 20-30 years, containing mostly of students living in Kristiansand although the initial plan was to make our selection of participants in such a manner that it would be representative for a complete streaming market. The limited time and resources at hand set natural limitations on the size and scope of the thesis. This has also affected the number of focus groups conducted. Due to the lack of similar research projects the possibility of comparing and crosschecking findings has not been possible. In addition, the findings are based upon a rather small sample of qualitative data, and the thesis can thus be understood more as a pilot-project for further and more extensive research on the subject. A more extensive research should contain a larger sample of participants, preferably in different countries, if one is to fully understand which, and to what extent, moral and ethical values are weighted in the consumption of music.

1.7 Structure of the Thesis

This thesis is structured in six chapters. In Chapter 1 we introduced the topic of this thesis and presented the research questions. In Chapter 2 we present relevant theory on the research subject, followed by Chapter 3 in which we present the methodology applied in this study. In this chapter we describe the research design, implementation and discuss the validity of the research. In Chapter 4 we describe the data analysis process, and present the results. In Chapter 5 we discuss the results in light of the theory presented in Chapter 2. Finally, in Chapter 6, we offer a conclusion where we summarize our main findings.

The reference style used throughout this thesis is APA 6th as suggested and preferred by our University.

2 Theoretical Background & Framework

This chapter seeks to present relevant theory surrounding the field of our research questions. The theory will serve as a foundation for us to apply when analysing the data and discussing the findings. The theory presented in this thesis is chosen to provide a wider understanding of the current situation of the dynamics of the recorded music market from a historical point view, both for producers, and consumers. Knowing the past is essential in understanding the present. The chapter starts with some fundamental characteristics of copyright products, which is important in order to understand the market dynamics of the music industry. Following this, an epochal analysis of the music industry outlining the most important changes regarding economic aspects and characteristics in the different stages of the music industry, with an emphasis on the changes incurred by digitalization. An important aspect in order to understand the changes the music industry has been subjected to due to digitalisation is the concept of disruptive innovation, and is therefore considered important in order to fully grasp the changing dynamics of the music industry. We offer a short explanation of the relevant revenue distribution models before diving into the relevant theory on consumer behaviour in order to understand the process of consumption. First, a general overview of consumer behaviour is presented before going more into digital consumption with a focus on the Scandinavian markets and its technological infrastructure. Finally, we will present the role in which moral and ethics plays a part in the decision making process.

2.1 Characteristics of Copyright Products

Copyright products, such as music, has some specific characteristics and features, which is important to underline, as these characteristics help explain some of the dynamics and structures of the music industry. Products in copyright industries are often categorized as information goods because they are intangible or immaterial and can be digitized (Wikström, 2013). Information goods is in its nature something economists refers to as public goods, meaning that the consumption of a good by one person do not hinder the consumption by another person as the value of the good do not decrease due to its use. This is different from what is referred to as private goods such as food and clothes, which means that one person's consumption hinders others in consuming the same good. These goods are subject to “free-riding”, which means that people can benefit from these goods without paying for it. This implies that producers of such goods most likely will not capture all value created through the consumption of their products.

Free-riding on private goods such as a piece of land, or other natural resources would lead to over-consumption, an inefficient use of the resources and ultimately lead to a reduction of the welfare for all. Due to the non-rival characteristics, this is not exactly the case with information goods due to its use is not limited. Without copyright protection there would be an under-investment in production and it would lead to a loss in the welfare due to free riding. Creators, publishers and record labels need rights in their works to be able to exploit and prevent others from free riding (Towse, 2004).

When talking about something intangible, such as information or an idea, as a good or a commodity, one assumes that someone has ownership over the idea or information. Treating music as a commodity is due to copyright, as it grants the rights holder the right to exploit something immaterial through exclusion of use from others. Creating artificial scarcity is at the core of cultural industries, and crucial in order to generate profits from the production of public goods. The need for such legislation became prevalent following the industrialisation of the western world as industrialisation increased the commodification of culture (Hesmondhalgh, 2013). Commodification proliferates the production of goods, but there are problems connected to this proliferation. Some of the problems can be identified on the consumption side. Commodification establishes the rationale that with ownership and property, you have the right to exclude others. This promotes individual and private interests leading to huge inequalities, if not regulated, which can hinder collective action for the common good. On the production side, a problem is that labour are not recognised, and is systematically under-rewarded (Hesmondhalgh, 2013).

Music production has the economical characteristic of high fixed cost and low variable costs. This means that the processes of producing the first copy are costly compared to the cost of reproducing it (Towse, 2004). The low variable costs relative to the high fixed costs means that big hits are highly profitable, as every extra unit sold after break-even increases the profit margin considerably. This feature has only been amplified by digitalisation (Hesmondhalgh, 2013). Copyright grants the right holder monopoly over distribution, and thus enables them to set a price above what would have been the competitive price in an unregulated market. This means that the consumer has to pay more for the products, and demand and production reduces. “There is a dual cost and benefit of copyright: without it, some works would not be published, and with it, the price is higher. Copyright protection thus involves a trade-off between costs and benefits” (Towse, 2004: 57). These economical characteristics mean that a big hit is very profitable, and helps explaining the strong orientation towards audience maximisation (Hesmondhalgh, 2013). It also helps to explain the industrial structure of many cultural industries, where a few large

corporations dominate, as economies of scale are the classic economic characteristics of natural monopolies (Towse, 2004).

Additionally, copyright products are in economical terms *experience goods*, which means that consumers are unable to determine if, e.g. a song, is good or bad before they have experienced it. This makes the concept of *option value* very important in the music industry. Option value refers to consumers' valuation of a product or service in terms of the degree of limitation connected to the use. Promoting music through channels with low option value, such as the radio, in order to increase the demand for the same product with a higher option value, such as a CD or digital download, has been a key strategy for the music corporations when dealing with the high risk of producing experience goods due to the uncertain demand and high fixed costs (Wikström, 2013). In the digital world, the concept of option value has perhaps become a bit more complex, but is still at the core of the strategies of the music firms.

2.2 A Historical Perspective

There are many ways of investigating the developments in which the music industry has undergone. What marks the start of the current music industry, and what has been the key factor of the changes that has led us to where we are today. In "The Cultural Industries", David Hesmondhalgh (2013) does a thorough analysis of the changes in the cultural industries. He addresses the cultural industries as a whole, which helps give a broad comprehension of the changes on a macro-level in which the music industry has undergone. Looking at the cultural industries, in its entirety, is important when understanding the music industry as these industries has in many ways developed together, and are becoming increasingly intertwined. When mapping the historical changes, Hesmondhalgh adapts Raymond Williams three eras of development in cultural production. This applies mainly for Europe, but has parallels to other Western countries as well. Using these eras is an orderly way of forming an overview of the long-term history of cultural production. These three eras is referred to as the patronage- and artisanal era, the market professional era and the corporate professional era (Hesmondhalgh 2013: 66). Hesmondhalgh reformulates the last era and refers to it as the complex professional era due to its complexity. It is also important to note that there is no distinct dividing lines between these eras, as they overlap and the transitions occurs over time.

The first era concerns the systems prevalent in the West, from the Middle Ages up until the nineteenth century. In this era, it was normal for *artisans* (musician, painter etc.) to sell their works or services directly to buyers, or be in the service of the church or aristocrats. There was

little or no mass-production of cultural goods. The sound recording was not yet invented, but the publishing industry was in its infancy towards the end of this era. The transition from the first to the second era is much more interesting and important. The *market professional* era begins somewhere in the early 19th century, and is characterized by a development towards an increasingly commoditization and industrialisation of the production of culture (Hesmondhalgh, 2013). A very important factor in this development, among others, is the emergence of modern copyright laws from as early as the early 18th century with the Statute of Anne becoming English law as the first copyright act in 1711 (Frith & Marshall, 2004). Copyright was not granted to musical compositions until the beginning of the 19th century, differing between nations, and was at that time defined to apply only for written scores as this was the only way of distributing music besides live performances (Frith & Marshall, 2004). The development of Copyright laws has been essential in how the music industry has developed. What is important to emphasize is the impact it has on the whole nature of cultural economics as it sets the framework of the production, distribution and consumption of cultural works. The introduction of Copyright was vital in the development of a market economy for culture, a commoditization of something immaterial. The trend towards commoditization and industrialisation of culture needs to be seen together with the general development in the western societies, transforming gradually from a feudal to a more industrialised and capitalistic economy.

In the market professional era, we see the rise of productive and distributive intermediaries (Hesmondhalgh, 2013: 66). Technological innovations such as the gramophone resulted in a new industry within the existing music industry that for the most, besides live performances, consisted of selling sheet music. The intermediaries in the music industry had up until then consisted of publishers specialized in producing and distributing sheet music. The new recorded music industry introduces a new and important actor, the record labels. Taking control over the production in an increasingly large-scaled industry made for a much more complex landscape. The intermediaries grows significantly from the late 19th century and into the 20th century as industrialised countries in general experiences economic growth resulting in higher standards of living, growing disposable income and more leisure time (Hesmondhalgh, 2013). In this era, we also see a change in the position of the successful symbol creators getting paid in the form of royalties, as the artist and performers all of a sudden becomes a vital part of the production of musical goods. During the last decade of the 19th century the internationalisation of the music industry and other cultural industries demanded an international regulation of copyright, which resulted in the Berne Convention for the Protection of Literary and Artistic Works of 1886 (Laing, 2004). The creators were already protected on national levels through

national copyright laws, as composers from the signature countries also had a right to remuneration when their works were being performed in public. The Berne Convention has been amended several times to keep up with the new ways of exploiting the works from sheet music to live performances to sound recordings. New ways of exploitation and consumption of musical works has been driven by technological advancements such as the music recording, radio and Internet especially as we head into the 20th century.

The 20th century is the beginning of what is referred to by Williams as the *corporate professional* era. Hesmondhalgh (2013) modifies this term to *complex professional* in order to emphasize the importance of the growing complexity of the division of labour involved in the production of culture. The division of labour refers to the increasing role of the artists and performers. What characterizes this era is the growing importance of the sound recording and other new media technologies, such as radio broadcasting. Together with these new innovations come new actors such as record companies and broadcasters, which drives the need for further extension of copyright laws. Artists and performers have historically not been protected on the same level as the creators regarding their contribution to the industry, but as the importance of mechanical and electrical media grew we see the rise of what is referred to as the *neighbouring rights* (Laing, 2004). Building on the same rationale as copyright for creators, the producers, performers and artists needed protection of their work. In the beginning of the 20th century, the record producer was given one right: the exclusive right to reproduce their sound recordings. The legal reference of the term producer is “... to those who get rights in recordings because they provide the facilities/money for the recording session” (Laing, 2004: 75), meaning mainly the recording companies as their role has traditionally been to finance the production and distribution of the recordings. In the beginning, performers and artists were by all practical means not granted any rights in the recording, and were working on a contractual basis. As the popularity and use of the sound recording flourished into the 1920s and 30s, recorded music becomes an important part of other businesses which benefits from the use of recordings such as bars, cinemas, restaurants etc., and performance rights in the sound recording is eventually included. Radio broadcasting becomes popular during the same period, and music would play a huge part in the popularity of radio and vice versa. This marks the beginning of the interaction between music and broadcasting media, which would play important roles, and still does, for each other. The radio became an important promotion channel for music, and music became important for the radio in order to attract listeners (Wikström, 2013). During the first half of the twentieth century the record industry continues to increase their importance and role not only in the music industry but also in the cultural industries as a whole. Different interest organisation such as The International

Federation of the Phonographic Industry (IFPI) is formed during this period. These organisations will play a big part in the further development of the music industry. IFPI is an international organisation representing the interests of the record labels. They took initiative to strengthen the neighbouring rights, which after quite some time resulted in the Rome Convention in 1961. The Rome Convention is in many ways the neighbouring rights owners' answer to the Berne Convention. Aiming to achieve a treaty that harmonises the neighbouring rights across borders as music markets became increasingly internationalised. The treaty confirmed the performance and reproduction rights for both record producers and performers in signature countries (Laing, 2004).

As the standard of living continues to grow in Western industrialised countries due to different factors such as increasing wages and more leisure time, people were climbing up the Maslow's pyramid of needs (Maslow, 1943). At the same time, the equipment needed for consumption of music such as radios and record players were getting more affordable for the majority of people. All these factors increased the general population's demand, and thus, consumption of culture - strengthening the cultural industries role in the global economy. The increased economical significance aroused the interest in cultural production from other types of industries, and would lay the foundation for the most important characteristics of the complex professional era: conglomeration (Hesmondhalgh, 2013).

A concentration of big, vertically integrated companies was already dominating the cultural industries in the middle of the 20th century. The market structure of the music industry had already become an oligopoly, as it is now, but at that time most companies were involved in only one type of cultural production. From the 1960s and onwards an increased tendency of conglomeration spread throughout the cultural industries as industrial, financial and other corporations started to acquire and invest in media and cultural interests due to its growing economic significance (Hesmondhalgh, 2013). The scale of reproduction and distribution of cultural goods continues to grow during the complex professional era, but at the same time there was an increase in small companies as well. The smaller companies were in a much higher degree independent companies standing on the outside of the big bureaucratic conglomerate organisations. With a focus on creative expression as the centre of production rather than commercial interests they have been important for the development of creative experimentation and expression (Hesmondhalgh, 2013). The discourses about creativity versus commerce increases during this period, and a popular notion have been that true creative expressions are in direct conflict with the commerce production in the music industry. Without going too deep into the discourse of creativity vs. commerce, one can simply say that the reproduction stage was

heavily industrial, more so than the actual symbol creation. Lose control of creative input and tight control of reproduction and circulation constitutes the distinctive organisational form of cultural production during the complex professional era (Hesmondhalgh, 2013).

In general, most of the Western capitalistic economies experienced a period of steady economic growth and prosperity in the post-war period from the middle of the century to the beginning of the seventies. This marks the beginning of an era with stagnating profits and increased competition on a more globalised and internationalised market (Hesmondhalgh, 2013). This era of economic deceleration referred to as “the long downturn” is an important factor, amongst others, for the change towards a more liberal oriented political landscape which has been critical for the development of policies with direct impact for the further concentration of the large conglomerate cultural producers (Hesmondhalgh, 2013). Especially prevalent in the big western economies such as the UK and USA where far-right conservative governments were elected, the solution to the economic downturn was to loosen government intervention and regulation of markets with the old liberal rationale that unregulated markets is the best way to serve human needs, hoping it would reverse the economic situation. Within the general policy changes deriving from the wave of neo-liberalism, Hesmondhalgh (2013) emphasizes some specific changes that influenced the cultural industries in particular. The increasing features of what is referred to as the Information Society, a term that describes the increasing importance of knowledge and information in the western societies and economy.

From the 1980s and onwards, liberalisation and deregulation in cultural and other related markets continued. Important processes such as privatisation, lifting of restraints and expansion of private ownership pervaded. These changes occurred in the broadband and telecommunications industries, which had huge impact on the development in the cultural industries. Hesmondhalgh (2013) refers to these changes in policy as *marketization*. Following marketization and internationalisation we see an intensification of large corporations and conglomerates in the cultural industry following a trend towards big merges and acquisitions of huge significance exploding in the 1990s (Hesmondhalgh, 2013). “Sectors that were most relevant to the cultural industries were particularly prone to merger activity, as capital recognised the immense profit potential in telecommunications, information technology and media” (Hesmondhalgh, 2013: 188). Partly due to the bigger merges and acquisitions, the late 1990s cultural industry market and revenues was dominated and controlled by global multimedia mega-corporations. Conglomeration, having interests in different but related industries, have been a corporate strategy with increasing importance as the importance of the synergy effects deriving from cross-promotion and cross-selling has only grown in importance the last decades. Important

consequences of the marketization for the music industry are the proliferation of the number of channels in which cultural content could be communicated (Hesmondhalgh, 2013). Together with changes in the fields of economic policy, such as deregulation and competition laws have really facilitated for the development of the complex “network of networks” arising during this period consisting of the Internet, mobile telephony, broadband and wireless etc. (Hesmondhalgh, 2013). The traditional recorded music industry is, as mentioned earlier, an industry that benefit from large-scale production due to high production costs and low reproduction costs. As the markets of most industries became increasingly globalised, corporations started to invest in other low-cost countries due to economical incentives such as low labour costs in order to increase the effects of the economies of scale, ultimately maximizing profits for the owners. The pursuit of profits also became apparent in the further developments of copyright legislation.

Together with the economical policy changes in the 1980s and 1990s the policy interests in intellectual property, including copyright, increased (Hesmondhalgh, 2013). What characterizes the changes in copyright during this era is that they become longer, bigger and stronger. Duration and scope of copyright expanded due to corporate interests with the famous example of how Disney lobbied for longer copyright terms as some of his iconic cartoon characters soon would be out of copyright protection. As most of the revenue accrues to fewer and bigger actors, actors with generally mutual interests, their influence through lobbying and market powers also increases immensely. The lobbying power of the huge conglomerates pushes the changes in copyright legislation to ensure their own corporate interests (Hesmondhalgh, 2013). The main corporate interests, profit maximization, are often not coinciding with the interests of consumers and symbol creators (Frith & Marshall, 2004).

The policy changes in the cultural industries that occurred from the 1970s and onwards are crucial for the further development of the music industry as it heads into a new era largely shaped by digitalization. As we have seen, the big companies in the music industry have during the professional complex era only strengthened their position and power as a result of the policy changes and changes in copyright legislation. These changes supported the interests of the large corporations in the cultural industries (Hesmondhalgh, 2013). Horizontal and vertical integration increases the tight control of circulation of goods to a market consisting of consumers with a low degree of connectivity (Wikström, 2013). In these top heavy industries, the rise of the Internet during the 1990s was seen by many as a saviour of the skewed power-relations in the old analogue industry, and digital optimism started to give hope for a more fair and democratic music industry.

2.3 Digitalisation

Digitalisation and its effects on the cultural industries is a process that has occurred over several decades, and the effects are a result of how the implementation of technological innovations has been affected by policy-making and legislation. The term digitalisation is a common expression used to mark the transition from an analogue to a digital based society. Digital technologies made information convertible into binary code, and could be read and stored by computers. Digitalisation affected the information-based industries in many ways, and started to have substantial impact in the cultural industries in the late 1970s and early 1980s. The immediate impact of digitalisation was on production technologies (Hesmondhalgh, 2013). The rise of digital technologies, and especially the Internet, has been regarded by many people as the end of the old centralized power structures in information industries as portrayed in the former chapter, and towards a more decentralised and democratic structure. The term *democratisation* has been a popular term regarding the changes many hoped to see as a result of the rise of the new technologies, such as the Internet. The optimistic view of the digital utopians, that digital technologies would facilitate for a more democratic market structure where control of production and distribution are much more dispersed to the benefit of smaller, independent actors and consumers, which in this view will have much more control and influence in the market. The Long Tail-principle (Anderson, 2006) became a popular conception, which promotes the idea that “... commerce will be increasingly oriented towards providing goods for niche products with a relatively small demand, but which collectively sustain businesses, because digitisation allows for lower distribution costs” (Hesmondhalgh, 2013: 30). This popular belief that the dissemination of digital technologies facilitated for a democratisation of production as the tools became more accessible for smaller and independent actors, even for amateurs, due to lower costs, is referred to as a utopian perception of the effects of digitalisation. Looking at how the industry structure such as market concentration and power relations has developed the last decades, it is difficult to advocate any form of democratisation. What has happened is rather quite the opposite, but the dynamics of the music industry has changed quite dramatically. The changes occurring from digitalisation is of such magnitude that it has become relevant to talk about a “new music economy”, as many researchers have referred to it (Wikström, 2013). Wikström emphasizes three dimensions that are fundamental in understanding the new dynamics of the new music economy. Referring to these features as *connectivity vs. control*, *service vs. product* and *amateur vs. professional* (Wikström, 2013). These features is a way of generalizing and sorting out the main changes of the fundamental dynamics of the music industry as a result of digitisation, and will be

further elaborated on in this chapter. The potential disruptiveness of digital technologies has been central in the utopian argumentation, and it is important to understand the theory surrounding disruptive theory in order to better understand the development of the music industry and the changes in the market dynamics following digitalisation.

2.3.1 Disruptive Innovation

When portraying the fundamental changes digitisation has brought about in the recorded music industry, the concept of disruptive technology is quite central and helps to understand the different reactions of the actors in the industry. The theory of disruption builds upon the idea of technological discontinuity which can be defined as follows: “A technological discontinuity is defined as an innovation producing a critical advance (a leap) in the price-performance frontier of an industry and a significant change in the form of products or processes” (Moreau, 2013: 20). The concept is based on that innovations can represent a technological discontinuity and bring about substantial changes, both architectural and competency-destroying, in a certain sector potentially resulting in leadership turnover at the expense of the established leaders (Moreau, 2013). In “The Innovator's Dilemma”, Clayton M. Christensen (1997) emphasized that technological disruption needs to be nuanced and separate between disruptive innovation and sustaining innovation (Christensen, 1997; Moreau, 2013). In contrast to disruptive innovations, sustaining innovations strengthen the positions of the leaders in a specific market even though the innovation can be radical to the extent that it is architectural- and competence destroying (Christensen, 1997; Moreau, 2013).

A product resulting from disruptive innovation underperforms compared to the existing product in terms of the attributions valued by the mainstream consumers. There is also a difference between market disruption and low-end disruption. Market disruption implies innovations that enhance the performance of a product to the extent that it creates a new market for new consumers. Low-end disruption is innovations that make a company able to offer a product with a lower degree of quality, or performance, relative to the existing product. Often to a lower price and thus target consumers that cannot afford, or do not value the extra features of the existing product (Moreau, 2013). Normally, the products or services resulting from disruptive innovations are simpler, have lower production costs, and can thus be sold at a lower price than the existing products or services. The new product do often not correspond with the existing preferences and demand of the mainstream consumers, which often are unwilling and even unable to put the new product to use. Consequently, products deriving from disruptive

innovations starts in smaller niche markets consisting of consumers with special interests and preferences. Based on these characteristics, incumbent firms draw the conclusion that it is not financially rational to invest in products deriving from disruptive technology. Even though the margins could be profitable in the niche market for the new product, the market is too small to account for any substantial profits (Moreau, 2013). Over time, the new product matures and develops regarding its attributes to an extent that it eventually meets the majority of mainstream consumers demand, which then will start taking it up. It does not mean that it has surpassed the performance of the existing product, but has become good enough for most consumers. Henderson (2006) emphasises more that the consumer preferences evolve, rather than that the preferences of the product increases. It is usually a combination, as "... many disruptive innovations tends to redefine the pattern of preferences in a market" (Moreau, 2013: 22). It is not the technology in itself that cause trouble for incumbent firms, but the disruptive innovation tend to render obsolete the business model in which the established firms have based their development. The firm's ability and willingness to adapt their business model is hence decisive in regards to an innovations sustainable or disruptive effect (Moreau, 2013).

An important aspect in this matter is the incumbent firm's ability to adapt in terms of implementing the disruptive innovation. It is not necessarily due to lack of strategic thinking or willingness to innovate and explore new markets that make incumbent firms to abstain from investing, but rather the huge risk connected to render obsolete the resources and skills of all or most of the actors in its current value chain (Moreau, 2013). Vertical integration thus represents a strategic handicap when the disruptive nature of an innovation derives from its impact, which demands a change of a product's value chain. This explains why many big firms, which often are vertically integrated in their value chain surrounding the old technologies, adapts and responds slow to changes (Moreau, 2013). The complexity regarding the management of disruptive innovation go beyond the strategic visions of managers and the cognitive, political and organizational obstacles they face as it is a huge uncertainty connected to the potential value and application of new innovations. According to Moreau (2013: 22), Robertson & Langlois argues, "It is tricky for an incumbent firm to dedicate resources to innovations that do not meet the needs of today's main consumers. Established firms are the victims of rational inertia."

2.3.2 Digitalisation In the Recorded Music Industry

The recorded music industry has been in the forefront of the developments occurring from digitalisation especially due to its low cost and low bandwidth compared with e.g. visual based

industries (Hesmondhalgh, 2013). The production of recordings gradually became more centred on digital equipment and techniques during the 1980s. This had positive effects improving the quality of the recordings and allowed a more accurate reproduction. It also opens up the scope of sound manipulation, which has influenced the sound of popular music from the 1980s and forward, and opened up for new music genres based upon innovations, which have challenged the copyright legislation and practises. As digital production technologies eventually became affordable for amateurs as prices fell during the 1980s and 1990s, together with the personal computer, it was no longer crucial to go to an expensive recording studio in order to make music recordings (Hesmondhalgh, 2013). As the digitalisation first affected the production side in terms of reduced production and reproduction costs, we see the rise of new sub-genres closely connected to sampling such as hip hop and other expressions popping up in many ways outside of the mainstream industry in independent companies. The point to be made is that lower production costs, gave amateurs and smaller independent actors the ability to produce and reproduce music, but did not challenge the business model of the major actors in the music industry, as the new technologies only changed how music was packaged, not how it was distributed and promoted. Control of reproduction, distribution and marketing as Hesmondhalgh (2013) collectively refers to as circulation, has been the main competitive advantage for the big corporations in the music industry (Moreau, 2013). As long as the new innovations upheld the control of distribution and promotion, it can be regarded as sustaining innovations. Thus, the digitalisation of the music carrier (CD) in it self cannot be regarded as a disruptive development. In fact, looking at the recorded music industry in the 1980s and 1990s, the music industry quickly adapted and embraced the new possibilities of the sustaining digital technologies. Implementing the CD as the new main format for recorded music consumption could not come at a better time as vinyl sales were declining. It was nothing but a very profitable digital development as it motivated consumers to replace their old cassette and LP collections with the CDs (Wikström, 2013). The recorded music industry experienced a significant boost in sales throughout the 1980s and 1990s. This incredible growth in sales reached the top in 1998, and started gradually to decline in worrying ways for the industry.

What would eventually pose a greater challenge to the recorded music industry is the rise of the *Information and Communication Technologies* (ICT) (Moreau, 2013). ICT, such as the Internet, has changed the premises in the cultural industries on many levels. Connecting personal computers all over the world, facilitating for unlimited sharing of information through the P2P technology, it represents a change in the characteristic of the old industry structure with tight control of circulation, and a low degree of connectivity between consumers (Wikström, 2013).

The new digital online market changes the dynamics of dissemination of cultural works hence challenging the core of the music corporation's business model, and thus, the nature of Internet represent a more disruptive development. By the turn of the millennium, we see a decline in revenues from recorded music. Illegal file sharing through P2P sites such as Napster was quickly given the entire blame for the problems the music industry faced in the beginning of the 2000s, especially from the industry itself. The reason for the decline in revenues should be regarded as much more complicated and has to be seen in a broader aspect. There is no doubt that the Internet combined with other technologies such as data compression (mp3), P2P-networking, mobile communications but also hardware innovations such as the mp3-players have had an impact on the development of the music industry not only on the production side through looser control, but also on the consumption side. Increased connectivity between consumers and together with a further fragmentation of the audience complicates the distribution and promotion activities (Wikström, 2013). The increased connectivity and the ease of copying and sharing content weaken the rights holders' control of circulation of their works online. The fragmentation of the audience is more connected with the policy changes occurring in the wake of the general liberalisation of the political landscape. The proliferation of different media channels starting with the marketization of the broadcast and telecommunication industries in the 1970s and 1980s, only amplified with the growing popularity of the Internet during the 1990s and 2000s (Hesmondhalgh, 2013). The result of this proliferation of media channels is a more fragmented audience spread out on a plethora of different outlets. For the music companies, this meant they had to place their works in more channels to maintain the media presence level, meaning more resources spent on marketing (Wikström, 2013; Elberse 2013). Anita Elberse explains how the declining revenues together with an increasingly fragmented audience have affected the strategies of cultural producers in what she refers to as blockbuster strategy (Elberse, 2013). Concentrating most of their resources on fewer and bigger acts, with less focus on diversity and smaller acts. This means that an already hit-oriented industry became even more reliable on branding superstars and huge hits resulting in an increasingly top-heavy industry regarding the revenue generation for the music corporations (Elberse, 2013). These trends oppose the popular belief of the earlier mentioned utopian view of the levelling of the "Long Tail" principle.

The Internet intensified the digitalisation of cultural production during the 1990s and especially during the 2000s as the infrastructure and speed of the Internet increased significantly. Due to the increasing infrastructure of the Internet, cultural consumption online gradually becomes dominating in most territories during the 2000s. The growing importance of the Internet has also affected the role of the consumers. Consumers have become more active in the

production and distribution process as different cloud-based outlets and social media has proliferated and thus blurred the distinctions between distribution outlets and promotion outlets (Wikström, 2013).

During the digitisation we see a growing importance of other industries in the value chain of cultural production. The digital technologies that affected the music industry from the 1980s and forwards were driven by the telecommunications and computer software sectors (Hesmondhalgh, 2013). The cultural industries have in many ways been in conflict with these industries as they have produced goods that facilitate for copying, such as the cassette recorders and later on different software's, which made it possible to "rip" CDs to mp3 files. The computer software and telecommunications industries were becoming increasingly powerful. The importance of the Information Technology (IT) sectors, and Internet intermediaries such as search engines and social media, grew as the Internet proliferated. This created a need for an easy way for people to navigate through the massive amount of information online. Hesmondhalgh (2013) emphasizes the importance of search engines in the discourse surrounding the democratising and decentralised nature of the web.

It is certainly the case that search engines have become most people's first ports of call for finding out information about many different things and this represents a remarkable centralisation of information. What's more, search is dominated globally by just three companies (Hesmondhalgh, 2013: 329).

Through the data the search engines gather from its users, they have made a billion dollar industry by selling it to advertisers. Google is by far the biggest search engine globally (Hesmondhalgh, 2013). This means that sectors outside the traditional music industry have become increasingly important in the process of circulation. Cultural content accounts for much of the information people are searching for online. Online advertising expenditure boomed in the 2000s, and has become an important business model for Internet intermediaries, also for music services, but it represents some major difficulties for the industry. These intermediaries gather data from their users and sell to advertisers and other third parties, thus monetizing of the massive information they possess of their users. This means that the more users you have, the more valuable will your data be for advertisers. Many of the biggest Internet intermediaries, such as YouTube (owned by Google) and Facebook, use cultural content directly or facilitate for finding such content to attract consumers. These intermediaries are protected by what is referred to as "Safe Harbour" legislation, which disclaims the user-generated services responsibility of the

content available on their sites. This means that they do not have to clear rights with rights holders to the same extent as other services, which are not driven by user-generated content (IFPI, 2016a). What's more, is that some of these services have significant market positions, which in some cases can resemble monopolistic structures in the above mentioned search engine market, with Google as the undisputed market leader or YouTube - an actor in direct competition with licensed streaming services such as Spotify.

Due to the highly commercialised Internet, "... advertising favours content that is increasingly connected to marketable products and services and tends to militate against that which is useful to, or valued by, the poorer elements in society" (Hesmondhalgh, 2013: 331). These online market structures do not align with the idea of a decentralised system, which benefits independent actors and niche products. On the contrary, it only underpins the argumentation that the cultural industries are becoming more mainstream and hit-oriented following the transition from a physical based industry to a cloud based industry. In addition, the market power in the online sphere has only strengthened at the expense of competition, and the losers are the small and independent actors.

The Industry's response to digitalisation

The music industry reaction and transition to the digitalisation and especially the increasing popularity of the Internet, and perhaps P2P-filesharing especially, has been a victim of much criticism. The attitude towards digitalisation within the music industry was different between the different actors, but looking at the reactions from the aspect of theory of disruption, the digital technologies and Internet were in fact low-end innovation not yet appealing to the mainstream market. Hence, it was not financially rational for the major music industry to change its core business strategy towards digital markets, as the physical sales were very high in the turn of the millennium (Moreau, 2013). It is wrong to say that the industry did not try to adapt or foresee the importance in which Internet would play. The immediate reaction from the industry was more focus on strengthening and implementing copyright legislation to be applicable in the cloud as well. Beginning with the World Intellectual Property Organisation (WIPO) Convention in Geneva in 1996, extending rights holders rights to authorise and monetize the use and distribution of their work online. The following of this convention was the Digital Millennium Copyright Act of 1998 (DMCA) in the USA and the EU Copyright Directive of 2001 (Frith & Marshall, 2004). The development of stronger copyrights was to ensure their control of distribution online. The majors had much influence in the process of extending copyright legislation online, and thus

corporate interests were in the focus rather than to secure the interests of the public such as the users and consumers (Frith & Marshall, 2004). Despite stronger and tighter legislation, the music industry experienced diminishing control of their works online, and the industry struggled with the fight against piracy with litigations and lawsuits against their own customers as well as other entrepreneurs coming up with new business models trying to cope with the new demands and preferences of the digital consumer (Wikström, 2013). It was not until 2004 with Apples' iTunes that the industry had managed to successfully create a legal service which proved to be meeting consumers needs and demands, marking the start of digital revenue growth, but perhaps most importantly: evidence for consumer's willingness to pay for music online through legitimate services.

What became evident was the change of music consumer's preferences. A tendency towards access instead of ownership becomes more evident. This is addressed more thoroughly in the chapter of consumer behaviour. The process of digitalisation and the prevalence of the Internet have eventually led to a development towards streaming as the seemingly new means of consumption of cultural products, especially for film and music. Access trumps ownership in this new environment, and the Scandinavian countries is in the forefront of this development.

Impact of Streaming

Looking at the Norwegian market is interesting in terms of understanding how the streaming economy will affect the music industry as a whole due to its already strong position in the market. One of the main conclusions the Nordgård-committee reached in 2013 was that the streaming services has turned the Norwegian music market out of its "crisis" turning the declining recorded music revenues to growth (MFO, 2014). This takes us to the current situation in the Norwegian streaming market as described in the introduction. Streaming is driving the growth of global revenues in the recorded music market, not only in Norway. Even though streaming is growing, we have to keep in mind that the current market in terms of revenue is half the size as in the days when physical sales was dominating. This means that Norwegian rights holders is far away from where they were in the physical days, and streaming may perhaps not seem as a sustainable solution for Norwegian creators and artists after all. Some of the problems connected to streaming lies in many ways in the characteristics of streaming as a product, or rather a service, and specifically in the revenue distribution model that the services use to distribute money to the rights holders. The report from MFO emphasizes two main reasons for the skewed distribution of streaming revenues: marketing, and the choice of revenue distribution

model. Maasø (2014) points out some issues surrounding the streaming services current distribution model. The pro-rata model gives the heavy users more financial impact on the distribution of revenues, despite that they contribute the same value to the services in terms of subscription fees as users who do not stream as much. This favours quantitative listening, and thus favours accessible music over more complex music. Maasø (2014) continue to argue that streaming is top heavy and only benefits a small fraction of the available music, as 1 percent of the musical works accounts for 77 percent of the total revenues. This consequently affects the niche and local artists, as they struggle to recoup their investments due to the slow and relatively low income of revenues. This harms the cultural diversity, and enhances the monoculture, once again refuting the “Long Tail” principle.

2.4 Revenue Distribution Models

In order to gain a grasp of the underlying subject of this thesis, it is important to describe the two distribution models that have been focused upon. The most relevant models are the *pro rata* model, which is the most prevalent, and the *user-centric* model, a highly debated alternative. The pro rata model, meaning a proportionate allocation, divides the total revenues generated on a song based on its share of total streams within a set time frame (Maasø, 2014). As the revenue is distributed on the basis of proportion, there is a disconnection between what an individual user listens to, and how the money the user pays is distributed. This differs fundamentally from the traditional direct stream of money apparent in the traditional sales of CD’s or digital files. The distance between the artist and fan occur in the pro rata model as the value of a song is based upon the communal of streams, and not upon personal and individual streams. In this model, each stream is treated the same, having the same monetary value. This model creates a situation where consumers quantity of monthly streams is decisive for the distribution of money rather than what they each contribute to the service in terms of money. The user-centric model treats each paying subscriber alike. The subscription fee paid by one user is distributed to the artists being listened to by the individual user. This means that the distribution of each individual payment is not depending on what other users listens to, or how much a song is listened to compared to another (Maasø, 2014). This model maintains the connection between artist and fan as the revenue is distributed directly from fan to artist. Previous research on the differences between these two models has been found to be minimal in terms of the allocation of the distributed revenues (Maasø, 2014; Pedersen, 2014). The research shows only minor changes on the share of revenues divided between the major and smaller rights holders, with no real impact on the long tail.

2.5 Consumer Behaviour & Legitimate Decision Making

The following chapter will present relevant theory on consumer behaviour in order to understand the aspects of consumer behaviour in general at first, moving on to look closer into behaviour in the digital music industry, with an emphasis on the Scandinavian market. The focus will thereafter turn towards the role of ethics and moral in the decision process as our thesis aims to understand consumer's perceptions around changes we believe will appeal to these notions. The literature applied range from works solely focused on the general theories of consumer behaviour, to some more focused on physiological aspects and specific processes, to of course a plethora of research conducted to enrich the understanding of music consumption.

Consumer behaviour is rooted in a marketing strategy that was developed in the late 1950s when firms discovered that it was more efficient to provide products and services they had already determined that the consumer would buy, instead of having consumers purchase what they had already made (Schiffman, Kanuk & Hansen, 2012). Consumer behaviour can be defined and approached in different ways as there is a vast amount of minor and major factors that influence our behaviour, and what eventually make us as consumers fit into groups and segments for others to target. Schiffman & Kanuk (2007: 3) defines consumer behaviour as "... the behaviour that consumers display in searching for, purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs." Thus, consumption can be regarded as a process consisting of several stages the consumers undergo in order to make a decision. This process demands the consumer to spend his or her resources in order to make the best decision.

Lifestyle and self-concept shape our needs and desires, which is influenced by both external (culture, demographics, social status, family, marketing activities etc.) and internal influences (perception, learning, motives, personality, emotions and attitudes). As the lifestyle and self-concept shape our needs and desires, it also affects consumer behaviour and the decision process (Hawkins, Mothersbaugh, Best, 2007). A person have different lifestyles, needs and desires meaning that consumers are very different, which makes understanding consumer behaviour very complex. From a marketer's perspective, when mapping consumer behaviour, a number of variables has been developed in order to put consumers into groups, or segments. Segmentation is the process of dividing markets by grouping the consumers or potential consumers, common needs, characteristics (Schiffman et.al., 2012), "... or level of interest in the same, or comparable, set of needs satisfied by a distinct marketing proposition" (McDonald, 2012: 47). These similarities are divided into the factors of geographical position, demographics,

psychological resemblances, psychographics, sociocultural similitude, as well as use-related, use-situation, benefits, and a form of hybrid segmentation, which combines two or more of the previously mentioned variables (Schiffman & Kanuk, 2007). These variables, which also include a numerous of sub-variables, affect how the consumer behave, and are a part of both the diversity and similarity one has to take into consideration when trying to understand the behaviour of consumers.

The consumption process starts with the consumer identifying that he or she has a need or a problem. Problem in this context do also include opportunities, and some problems are more complex than other, and requires different amounts of involvement. Regularly, the importance of the acquisition would determine the complexity. After the problem has been recognized the consumer gathers information. The information-gathering process is affected by internal factors such as previous experiences and exploitations, and external factors deriving from the consumer's social cultural environment (family, informal sources and other non-commercial sources, social class, culture and subculture) and marketing efforts from commercial actors (Schiffman et.al., 2012; Blythe, 2012). After sufficient information has been gathered, the consumer evaluates the different and most relevant alternatives. The evaluation is a process of comparing alternatives on factors such as price, quality and brand in order to figure out what best meets or solves the consumer's need or problem. The consumer makes a decision on the product or service, and conducts the purchase. A purchase also entails decisions to where and how the product or service is acquired and paid for. Following a purchase, a post-purchase evaluation occur where the consumer decide whether the purchase was satisfactory, and if not, the consumer might begin to doubt the purchase - resulting in a postpurchase dissonance (Hawkins et.al., 2007; Blythe, 2012).

Barry Schwartz (2004) considers the consumption process, with all the decisions it involves, as costs for the consumers in terms of time and resources needed to make a choice. In "The Paradox of Choice", he explains how this process only gets more of a burden for consumers in situations and environments where options and choices are many. Schwartz (2004) argues that with too many options available for consumers, the consumer is in a position where making the "perfect" choice is close to impossible. This is due to the immense amounts of information needed to evaluate all options, which is difficult to obtain given the consumer's limited time and resources. In order to simplify the decision making process, and thus limit the costs connected to the use of time and resources, the consumer has developed a number of heuristics. Heuristics are short-cut decision rules created in order to facilitate the decision-making process (Schiffman et.al., 2012). These rules are problem-specific, and different heuristics are applied when searching for, evaluating and choosing alternatives (Blythe, 2012). Additionally, if a shortcut is to

be efficient, the consumer requires knowledge if he or she is going to be able to distinguish between high- and low-quality solutions (Rothlauf, 2011).

There are different ways of understanding the consumer, and different ways to reason which attitudes the consumer holds in the process of deciding how to satisfy his or her needs. Schiffman et.al. (2012) depict four models of views that are often applied to determine why consumers behave the way they do; the economic view, the passive view, the emotional view and the cognitive view. The economic view revolves around rationality in a world with perfect competition, and is based on the *economic man theory* - a theory that has met some scepticism. This is because it regards the consumer, as utility-maximizers making complete rational decisions based on the putative access and overview of all the products available on the market, and someone who is able to rank them correctly and then identify the best alternative. Doing so is rather unrealistic as "... consumers rarely have all of the information or sufficiently accurate information or even an adequate degree of involvement or motivation to make the so-called 'perfect' decision" (Schiffman et.al., 2012: 65). Perfect competition markets are also very unlikely as all markets to some degree is subject to regulation of some sort.

The passive view is somewhat opposite of the economic. Here, the consumer is dominated by the marketing forces, and are viewed as submissive as they act on impulses and irrationality. This view is also rather unrealistic as it does not take into consideration that the consumer seek information when purchasing a product, either one that appear to offer the greatest satisfaction or a product that satisfy the mood or emotion at the moment of purchase (Schiffman et.al., 2012). The emotional view of consumers' decision-making reflects on the factors that consumers might make a purchase that can be classified as more impulsive, an impulse that is influenced by the mood, feelings and emotions of the consumer at purchasing moment. The purchase is not entirely irrational, but is based upon a different rationality than the economic one, as one might purchase something while thinking; "I deserved this", and thereby soothing an emotional need. The last view presented is the cognitive one. This view is based upon the consumer as problem solving individual who fits somewhere between the economical and passive view. Even though making the "perfect" decision is impossible, the consumer does nonetheless actively seek information in order to make a satisfactory decision (Schiffman et.al., 2012). Viewing consumers as information processors coincides with the focus of Schwartz (2004), as this view recognises the consumers unlikeliness and possibility to gather all available information for all choices, which substantiates the consumers appliance of heuristics (Schiffman et.al., 2012).

However, the effort and involvement consumers put in the process of consumption varies greatly. How consumers regard different goods, in terms of the importance of the needs and

desires the good is meant to meet, are decisive for the effort laid down by the consumer in the process of consumption (Schwartz, 2004). Consumers tend to put more effort in buying things that are expensive such as a new car or a house, but “... for most purchases, consumers devote very little effort into this process, and emotions and feelings often have as much or more influence on the outcome as do facts and product features” (Hawkins et.al., 2007: 29).

2.5.1 Consumer Behaviour In the Digital Music Industry

In the previous chapters we have explained that music in itself is something immaterial, which has become commodified through different physical formats protected by copyright legislation. As music gradually has become digitalised over the last decades, there have been some changes of the characteristics of music as a product, which has altered some of the dynamics in the market for recorded music. Much of these changes are due to the altered needs and preferences of music consumers following the transition from a physical to a digital based market. The most evident change is perhaps that recorded music consumption has become more similar to a service. The transition from physical goods to a separation of content and medium, and the abundance of information, has also affected the preferences of music consumers (Wikström, 2013). Hagen (2015: 86) assign three core qualities to these new preferences and music-streaming services which is “... the *intangibility* of the medium (...); the *abundance* of music to choose from and listen to; and the service-integrated *social network* which allows users to connect with other users to follow and share music.” All these qualities, desires and expectations of and to digital music has affected the preferences of music consumers, and what holds value to them both in economical and social terms. Additionally, even though revenues from recorded music has been declining the last decades, it does not mean that there has been a decline in demand for recorded music, but rather a decline in the demand for physical formats as an increasing part of the music consumption has shifted to digital platforms and the web (Wikström, 2013). As mentioned, the main problem for the industry has been to monetize from music consumption online, and the most apparent problem has been illegal file sharing. IFPI (2008) estimated that 20 illegal songs were downloaded for every track sold online legally, even though these numbers are highly uncertain, it shows that the major consumption online has been of unlicensed content. This is connected to the lack of control the rights holders have had online, and their struggle with finding functioning and profitable business models that meets the consumer’s new preferences online. What characterises the new preferences of music consumers in the digital market has been affected by the availability of content. Consumers got unlimited access to music online for free

due to illegal services and file sharing networks, but also through other legal services such as YouTube, monetizing from selling consumers data and advertisement spots to third parties (Hesmondhalgh, 2013). In the online market, the role of the consumer has somewhat changed. The access to “free” music through both illegal and legal platforms and services has affected consumer’s willingness to pay for the content online. What has eventually become evident is that the access to an immense amount of content has created new needs that consumers has been willing to pay for. Further elaborating on the abundance of information and music that is available, consumers are perhaps more dependent than ever to gain assistance in manoeuvring and finding what music to listen to. The music industry holds a somewhat odd characteristic as the supply by far exceed the demand, and curation has therefore become far more important as time and attention has become a scarcity. The majority of consumers needs somebody to tell them what is popular and what is not, as they don’t have the time, interest or the knowledge to find out themselves. Curation is a filter, which can be applied by either humans, or through machines using complex algorithms (Boyer, Valenza & Curtis, 2014). Prior to the digitalisation, the major record labels had a higher level of control over what was made available to the mass market, and thereby operated as the first gate in the curation process. They, or more specific, their A&R department, decided which artists and bands to take under their wing and break on the market. In order for the artist to do well, they were often reliant on highly acclaimed curators, traditionally being radio stations, music journalists and magazines of all sorts. As the channels for exploitation has changed and multiplied online - bloggers, celebrities and the audience themselves, referred to as the audience-media engine (Wikström, 2013), has become more important in the spreading of musical content. Through the increased culture of sharing and interaction facilitated by the Internet, the consumers have become a bigger part of the value chain, and do no longer serve exclusively as end-users. By making publicly available playlists on i.e. Spotify, spreading and remixing content, online music practises has been criticized to commodify consumers pastime, which benefits retailers and record labels (Drew, 2005; Hagen; 2015). The main point to be made from this is that the importance of curation has only strengthened online, and the availability for access to content on one platform together with convenience, connectivity, interaction and immediate access on multiple devices has become essential. The convenience of access rather than ownership is what characterizes the new dynamics of consumers needs online (Wikström, 2013). These are general shift in characteristics of consumer preferences and needs online, which can differ between territories and cultures, as the importance and monetization of digital consumption varies greatly between markets. In the

Scandinavian countries, digital revenues constitute the biggest revenue source, but in e.g. Germany and Japan, physical sales are still the major source of revenue income (IFPI, 2016a).

Many services and subscriptions offers so called all-you-can-eat memberships, but as Wikström (2013) stresses, there is a difference between access-based and ownership-based model. In short, the difference is whether the consumer is provided with a permanent license or a temporary license to the song, where in the access-based model, the license cease to apply if the subscriber stops paying the monthly fee. In terms of the ad-supported services, the license is in general temporary or restricted. For consumers, a possible difficulty in terms of adapting the new music streaming services may be the fact that it challenges the illusion of owning the music as opposed to only being able to access and rent them (Wikström, 2013). How consumers relate to music, and position it in their individual life has conceivably transformed in some degree over the past couple of decades. Collecting music has traditionally been a central part in individual's statement of their identity, further explained by Giles, Pietrzykowski & Clark (2007: 431) "An important feature of 'hard' record collections is, (...) that they serve as a kind of cultural autobiography for their owners." Giles et.al. (2007) also argue that consumers are unlikely to apply as much sentiments to 'soft' digital formats and individual music files. Nevertheless, by collecting and sorting digital files it has been proposed to return some of the materiality to digital music, or at least the sensation of it (Kibby, 2009; Hagen, 2015). But as mentioned, digital downloads are declining, and streaming is steadily taking over.

2.5.1.1 Technology & Streaming Infrastructural Advantages

An interesting aspect to why streaming has gained such a foothold in Scandinavia is the preconditions that are visible in terms of technology and infrastructure. According to numbers provided by Statistics Norway (2010), over 60% of the Norwegian households had a computer, and 55% had Internet access in 2003. In 2015, 96% had a computer, and 97% had access to the Internet. The average connection speed of private broadband was in the last quarter of 2015 measured at 34,6 Mbit/s (Statistics Norway, 2016a). 99% of Norwegians between 16 and 24 uses Internet daily, or close to daily. For all ages (16-79) the number is 87% (Statistics Norway, 2016b). Compared to the rest of the world, Norway and Europe in general, is by far leading the Internet technology race. Numbers provided by the International Telecommunication Union (2015) show that 82,1% of European households had access to the Internet. In comparison, the same statistics show that 10,7% of African households have access, in the Americas 60%, and in Asian & Pacific countries 39% of the inhabitants have the ability to surf the world wide web from the comforts of their own homes. Streaming requires Internet access, not to say a stable and

sufficient connection in order for the listener to acquire the maximum listening experience. The technological infrastructure does undoubtedly give Scandinavians an advantage in order to consume music this way.

The digitalization of markets and consumers has undoubtedly affected consumer behaviour as well. As we become more connected, our way of thinking changes, and technology is a major part of why we are doing so. Kit Yarrow (2014) dwells upon this in her book “Decoding the New Consumer Mind”, saying that our brains have been rewired. Due to our extensive use of technology, we have all become early adopters, we think faster and have a higher lust for what is new. Yarrow continues to impart that technology has affected our emotional needs, as well as created new ones, “The cognitive and emotional shifts that result from our use of technology have permeated every aspect of our lives and consequently every aspect of how and why we shop and buy” (Yarrow, 2014: 6). Additionally, as purchasing power increases, and different technological tools and gadgets become a central part of consumers everyday life, the importance of multi-device and platform access to content increases as shown by a recent study coming from the European Parliament (Maciejewski, Fischer & Roginska, 2014). In terms of the usage of these devices and new technologies, “... the most powerful determinant of attitudes toward usage was the “fun” of using the device - a hedonic aspect” (Schiffman & Kanuk, 2007: 519). Whether or not this is the case with on-demand online streaming services is hard to determine, but the estimated “fun” of applying a new technology (using the word technology in its widest terms) is perhaps more important than the functions it may accomplish at first.

2.5.2 Ethical & Conscientious Consumerism

Our thesis builds upon the notion that people want to make moral and ethical choices, also when consuming goods. The term fair is much used when comparing the two distribution models, a term closely connected to moral and ethics. As these terms are so central in our thesis, it is important to understand what they entail in order to analyse our findings as well as apply it in the discussion. In what follows, we will try to identify to what extent moral and ethics play a part of the consumer process.

Ethics, the doctrine of moral, a collective term for norms, values and attitudes, or a guideline to how we as individuals should act in terms of what is right or wrong. The terms ethics and moral are often used as synonyms, but in academic research the two have separate meanings, where moral is connected to how one behave, and ethics are the thoughts one have determining

what is right and wrong (Meyer, 2015). Ethics and moral have been issues discussed since the time of the great philosophers in ancient Greece. Even though there were some disputes concerning where moral comes from, and what determines it, there was a consensus opinion that moral is rooted in our decisions (Melbye, n.d.). Aristotle asked “What is the good life?” in his work “Ethica Nicomachea” (Meyer, 2015), in which he argued that we as humans sought towards doing something good, and that all our actions and decisions were based on this.

There is no universal perception or definition of moral and ethical behaviour. Moral philosophy is based on different norms. Juridical, social and cultural norms are underlying for what is perceived as moral and ethical. This means that what is understood as moral and ethical behaviour varies between different countries and societies (Svendsen, 2009), determined by cultural norms. Norms are values and attitudes accepted and practised within specific groups. At the heart of moral philosophy lies the concept of justice and fairness. They are amongst the most discussed, and what these terms imply is regarded as one of the most fundamental subjects of discussion in the ethical discourse (Sagdahl, 2016). The word *justice* derives from Latin, where *jus* means “right” or “law”. A “just” person, as it is defined in “The Oxford English Dictionary”, is someone who typically “does what is morally right” and is disposed to “giving everyone his or her due”. The word “fair” is a synonym to “just” (Pomerleau, n.d.). In this sense, what people regard as “fair” should be understood in relation to people's moral and ethical notions, which to a great extent is determined by the juridical, social and cultural norms in the society of the person.

Decisions and purpose are a result of our striving rooted in our moral character, and of thinking that is rooted in our intellectual character. Decisions and purpose do then cause an action, which leads to reaching a goal, the intent of the action (Aristoteles & Stigen, 1996). Aristotle also mentioned in his work that we become righteous by acting righteous (Aristoteles, Rabbås, Stigen, & Eriksen, 1999), and in terms of consumer behaviour it has been argued by many that moral always exist in the purchasing process, but that no purchase is in its core moral (McMurtry, 1998; Miller, 2001; Wilk, 2001). Consumers might purchase goods in order to cover their own personal needs in terms of price and quality, or in order to contribute to the collective good by purchasing goods that increase the environmental quality or better the conditions for i.e. factory workers. Consumers can either be motivated to achieve individual or collective benefits (Niinimäki, 2010). One way of ensuring that people act in compliance with the collective benefits of a society is through legislation. The intent of legislation is “... to create rule of law and predictability in order to influence behaviour in the direction of the lawmakers desire” (Lillebø,

2005: 279¹). By affecting behaviour, allegedly for the better of the individual and society, legislations lead to defining what is moral and what is not.

When faced with a decision, legislation is not the only factor for determining whether a decision is ethical or not. The perception of moral actions is related to both internal and external influences. As discussed in the previous chapter, the internal and external influences shape our self-concept and lifestyle, which is central for our ethical stance in the decision process. Bommer, Gratto, Gravander & Tuttle (1987) provide a descriptive model over the factors playing part in the complex process of ethical/unethical decision making. The model is constructed for organizational use, but could also be applied for decisions outside an organizational environment when excluding the work- and professional environment.

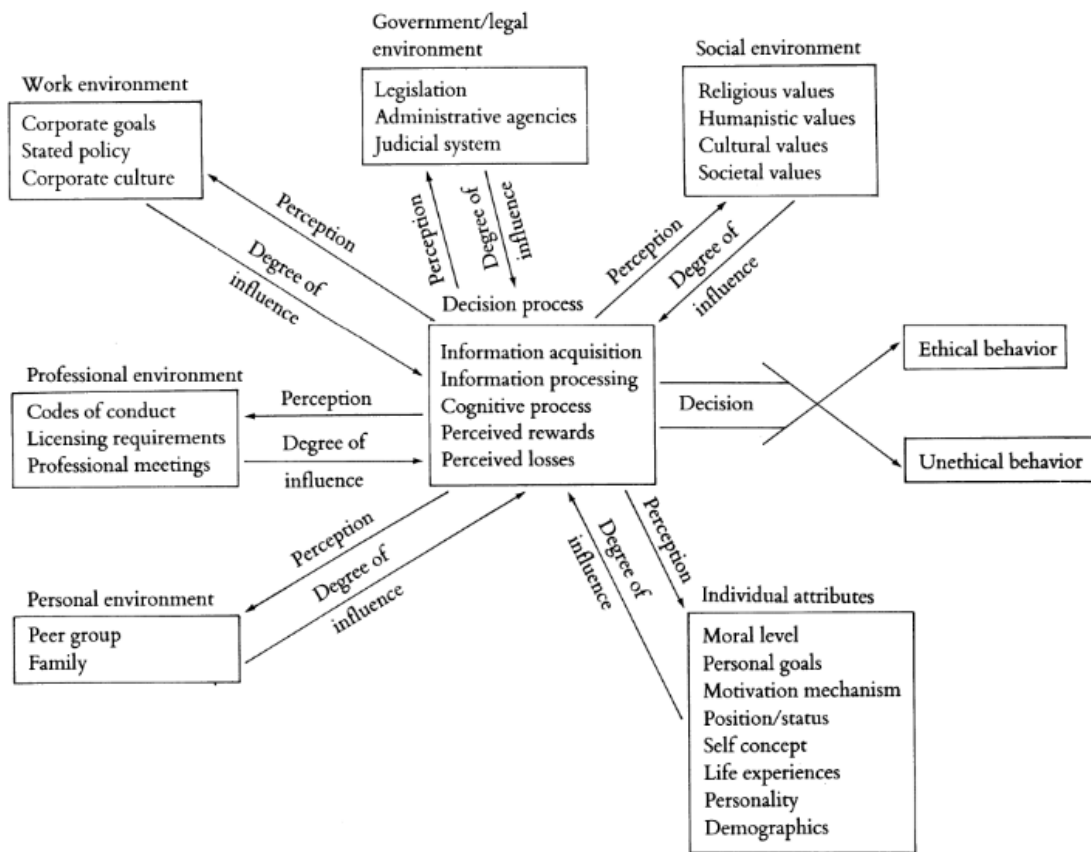


Fig. 1. A behavioral model of ethical/unethical decision making.

This model describes the process of deciding if an action is ethical or not, and is only a small part of the consumption process. As mentioned earlier, the consumer has developed a number of heuristics in order to simplify the consumption process and minimize the time and resources in

¹ Translated.

the decision-making. The question is the extent to which ethics is emphasized in the consumption process. This is highly individual, and is subject to the heuristic process.

Consumers make moral and ethical choices from their perception of the world, based on their beliefs and knowledge, and thus how they decide what is moral is highly subjective. In 2008, a Finnish research team sought to examine file sharing service users' attitudes to, and knowledge of, copyright law, their perceived chance of getting caught, and the punishment/payoff valuation. In this segment, containing of 6103 respondents who were mainly male in the age of 17-35 years, people were aware of that they were breaking the law, and "... most people also consider illegal file sharing morally condemnable" (Hietanen, Huttunen & Kokkinen, 2008: 47). The respondents were also aware of the punishments, but considered the risk of getting caught to be very low. This study shows that even though consumers have knowledge about the acting law, the economic gains and unlimited access to an unrestricted catalogue for free - as the biggest payoff, seemed to trump doing morally good (Hietanen et.al., 2008). Illegal file sharing suffers from justification by numbers, as individuals often tend to compare his or hers actions to what other people do (Schwartz, 2004).

Deciding on the morality of a decision is dependent on an individual's perception of its surroundings, making information an important factor as information affects how individuals perceive his or her surroundings. Just as making a rational choice is dependent on the level of information a consumer possess (Schwartz, 2004), their ability of making an objectively moral decision is also dependent on the level of information, shown by the behavioural model of ethical/unethical decision making. The music industry has been struggling with consumer's illegally acquiring and using music, especially online. From a legislative point of view, this could be regarded as unethical behaviour. The illegal consumption of music is especially interesting due to its apparent prevalence. Ouellet (2007) has studied consumers' response towards music and towards performers, and tried to explain what makes consumers purchase instead of acquiring a song illegally when in need of re-experiencing. Re-experiencing means in this context that consumers generally consume music before purchasing, i.e. they have heard it on the radio first. The conclusion and interesting notion that is to be drawn from Ouellet's research is the apparent importance of the empirical link between the fan and the artists (as individuals, and not the music in itself), and consumers decision whether to acquire the music in legitimate ways, given that by "... increasing the intensity and importance of the relationship between consumers and the artist results in a concomitant increase in consumer loyalty and an increased likelihood that consumers will maintain an honest relationship with the artist ..." (Ouellet, 2007: 117).

There has during the recent year also been an increase in ethical consumerism, and numbers provided by a report from The Co-operative Group (2012) show that sales in the ethical consumer market have grown from £16 billion in 2000 to £46 billion in 2011. In Norway, Fairtrade-marked products sold for an estimate of £47 million in 2014, a 7% increase from the year before (Fairtrade Norge, 2014). According to Nielsen's "Doing Well By Doing Good" report (2014: 5), 55% of people around the world "... are willing to pay extra for products and services from companies committed to positive social and environmental impact." Even though the worldwide numbers show an 187,5% growth in this market over a span of a decade, in comparison to the world economy in total, these ethical goods are a mere fraction. It is still to be considered as a niche in these terms, and it is important to not forget that even though people say they are concerned and willing to do something that is viewed upon as morally good, it might not be entirely truthful as "... individuals tend to dramatically overstate the importance of social and ethical responsibility when it comes to their purchasing habits" (Devinney, Auger & Eckhardt, 2011).

3 Methodology

This chapter will present the methodological approach used to address the three research questions: How will consumers perceive a user-centric distribution model? Will it affect consumer behaviour? If so, how and to what extent will it affect consumer behaviour?

The research design will be depicted in order to provide an understanding of the process in which the data was collected. We will also address the validity connected to the method applied.

3.1 Choice of Research Design

This thesis falls within the field of consumer research with an interpretivist approach. This approach focus on acquiring small sampled qualitative data in order to unfold meanings and behaviour, often in situations of consumption which is considered unique (Schiffman et.al., 2012).

Behind the research question lays a desire to get a better understanding of the future of the streaming economy and streaming market through an investigation of the consumer's perception of the streaming services. As we emphasize on the normative, how people feel and think about the services and distribution models, applying a quantitative research method will not be the best way of getting a deeper understanding of the different opinions of our target group. Other research on streaming services distribution models are done with quantitative methods looking only at quantitative data. This is undoubtedly an important and necessary approach in understanding how the different distribution models will affect the actual distribution of the money between rights holders in the music streaming economy. What the results of the quantitative research fail to answer is how the different actors will respond or react to a change. A qualitative research method is better suited for the purpose of our research, as we seek to understand meanings, beliefs and perceptions. When mapping the effects on consumer perceptions and behaviour in the case of a change of the streaming service distribution model, quantitative data and numbers would not be sufficient.

In addition to the focus groups, we will present relevant theory on the topic of the thesis in order to build a foundation for analysing and discussing the findings. Combining theory with the qualitative data would strengthen the validation of our research, and underpin our conclusion.

3.2 Focus Groups

There are different ways of conducting qualitative research. Qualitative research has its purpose to “... study things in their natural settings, attempting to make sense of, or to interpret, phenomena in terms of the meanings people bring to them” (Denzin & Lincoln, 2000: 3). These meanings can be acquired in different ways, through different approaches. Some of the most common are case- and field studies, in-depth interviews and focus groups. The reason focus groups has been used in this thesis, as opposed to qualitative research interviews, is that asking questions in groups often triggers discussions that can lead to the uncovering of beliefs, thoughts and perspectives that single interview objects nor the researchers would have thought of, and this interaction is the core purpose of focus groups (Finch & Lewis, 2003). Focus groups are “... a way to better understand how people feel or think about an issue, product or service” (Krueger & Casey, 2009: 2). Another important argument for using focus groups is the ability it gives us as moderators to inform the participants about a certain field where knowledge can be limited. Additionally, we were interested in their response to a change in the distribution model with a technical character that would demand a more thorough explanation.

3.2.1 Selection & Number of Groups

Typically, focus groups consist of five characteristics, which acts as the “ingredients” of a focus group in terms of? “... people who possess certain characteristics, provide qualitative data, in a focused discussion which helps understand the topic of interest” (Krueger & Casey, 2009: 6).

For the sake of this thesis, we found it necessary to categorize music consumers, as we believed there would be different attitudes and perceptions between consumers. Assuming that people who pay for streaming would have different opinions than people who do not pay for streaming. The categorization of consumers became determinant in how the selection was divided between the different focus groups. The categorisation of the selection is helpful when observing any correlation or common opinions and perceptions of the consumers within the same category, and it allows for a methodical comparison of the data collected from the different categories to investigate potential differences.

In order to make the groups as representative for a real music market as possible we sought to assemble groups with a low degree of segmentation consisting of people of all ages, genders, ethnography and geography. There is no exact number of participants demanded in order to conduct a successful focus group, but generally the number of people attending focus groups should be anywhere between four to twelve people, typically between five to ten, and the size

may vary due to logistic issues (Bloor, Frankland, Thomas & Robson 2001; Krueger & Casey, 2009). Groups that exceeds twelve participants tend to fragment and can hinder people in talking to the whole group due to little time etc. Groups with less than five people do not in the same degree stimulate for a broad discussion and important beliefs and perceptions could perhaps be held back or not mentioned. We found that having six participants in each group would be suitable, as fewer participants may be advantageous if the topic is complex (Krueger & Casey, 2009).

There is no definite rule on the number of groups to conduct, as this is highly dependent on the purpose and scale of the project as well as time and available resources. Nevertheless, the prevailing perception is that conducting three or four focus groups with each type of category or individual is sufficient (Krueger & Casey, 2009). What is the most decisive factor when deciding how many groups one should conduct, is if one have reached saturation. If it turns out that one still get new information in the last planned group, it would be smart to conduct one more focus group - as that would imply that saturation is in fact not met (Krueger & Casey, 2009). Due to this thesis' size, and our limited time and resources, we decided to conduct three focus groups: one group of each category, whereas the third group would consist of a mixture of both paying and non-paying music streaming consumers.

3.3 Implementation

In order to recruit participants to the focus groups, we utilized both the advantages of spreading a questionnaire on online social media platforms, as well as engaging in face-to-face recruitment at the University and the vicinity. The recruitment process seemed to be more challenging than first anticipated. Due to our limited resources, we could not offer any compensation as an incentive for potential participants to participate. It also seemed to be difficult to find a place and time that suited for the people who signed up.

Before the focus groups were conducted, we carried out a test group in order to get a sensation of how to moderate focus group, and in addition see if any improvements of the questions we asked, or information we gave, was required. Considering that we as researchers are not typical consumers, it is impossible to predict how the participants will react and interpret the questions and information, and a pretesting is therefore appropriate. Such pretesting can consist of a mock focus group, and having representative participants is preferred (Stewart & Shamdasani, 2015). The test group proved to be very helpful as it lead to progressive changes of

the questions, revealing a need to improve and simplify the information section as this seemed to be too complicated and quite assiduous for the participants.

Due to the struggle with recruiting participants, each group consisted of people in the age range of 20-30 years, mainly students, with one exception. Nevertheless, we were able to ensure an even mixture of gender. After the completion of the first two groups, we found it unnecessary to go through with the last mixed group of participants, due to the feeling that most views and opinions were discussed implying that saturation was met. Additionally, as we sought to elicit thoughts and discussions through the interaction between the participants, we experienced a low degree of interaction. Weighing the potential benefits of a third group up against the time and resources needed to conduct it, we found it not to be expedient in terms of contributing to the data.

3.3.1 Data

The two focus groups were conducted on two different days and lasted approximately one and a half to two hours, which is the preferred length of focus groups (Krueger, 1998). Both focus groups were filmed. The two video recordings are the raw data. This data was later transcribed and analysed. The transcriptions consist of two documents of respectively 51 and 66 pages. The analysis process is further explained in Chapter 4. The place for both groups was in a meeting room at Agderforskning. As all participants were Norwegian, we conducted the focus groups in Norwegian in order to avoid limitations in the participant's ability to express their views (Krueger, 1998). This implies that the data is in Norwegian.

3.3 Validity

In the following section, we will elaborate on the strengths and weaknesses in the methodology of the thesis. Assessing the question of generalisation, as well as the external and internal validity of the research.

3.3.1 Generalisation

When assessing external validity, the term generalisation is highly topical. A common way of assessing the concept of generalisation is often in two different contexts. These two contexts is connected to determining whether the findings can be *empirical* or *theoretical* generalised (Lewis & Ritchie, 2003). Empirical generalisation concerns to what extent the findings can be applicable "... to populations or settings beyond the particular sample of the study" (Lewis & Ritchie, 2003:

264), and is a term used interchangeably with external validity. When assessing the external validity, one consider to what extent the findings can “... be 'transferred' or 'applied' to other groups within the wider population or to other settings” (Lewis & Ritchie, 2003: 275). The theoretical context of generalisation concerns the possibility of theory-building, involving “... the generation of theoretical concepts or propositions which are deemed to be of wider, or even universal, application” (Lewis & Ritchie, 2003: 264). Lewis and Ritchie (2003) further divide the concept of *generalisation* into three different subsets when applying it in qualitative research. These three subsets are *theoretical*, *inferential* and *representational* generalisation, closely connected to the former mentioned. In any of these contexts, we find it difficult to find any points or results from our research in which we can generalise. In general, the amount of participants in this research is not in any way sufficient to generalise any thoughts or meaning. Data derived from qualitative research methods are in its nature difficult to generalise, and focus groups “... cannot be used to authenticate findings in the name of the public” (Bloor et.al., 2001: 15). In addition to the small size of the population sample, the number of groups conducted were also few. We have little or no basis for determining how well the participants represent the population, which in our case are consumers in the Norwegian recorded music market. However, cf. the purpose of this thesis, seeking to generalise our findings has not been the intent of our research, but rather “gauge the mood” on whether or not the issue of fairness resonates in people's music consumption habits, and thereby maybe open up for other more extensive research on the matter.

3.3.2 Internal Validity

In qualitative research, the primary question regarding validity is connected to internal validity, and Lewis and Ritchie (2003: 274) formulate a main question that needs to be addressed: “Are we accurately reflecting the phenomena under study as perceived by the study population?” To address this question, we will apply the five validity checkpoints given by Lewis and Ritchie (2003): sample coverage, capture of the phenomena, identification or labelling, interpretation, and display.

During the selection, we did not set any restrictions for the participants other than aiming for an equal balance of men and women, hoping to assemble diverse samples of participants regarding age, gender, ethnography and geography, to best represent a real music market. Due to the difficulties of the recruitment process, the sample covers almost without exception consumers in the age range of 20-30 years. Thus, the sample fail to be representative for a recorded music market which initially was the purpose. The lack of a broad representation resulted in a more

concentrated sample coverage consisting of students in the age range of 20-30 years. This increases the internal validity of our findings, as it perhaps provides deeper and more insightful data on a more concentrated segment. Regardless, it is still highly uncertain to what extent the sample coverage is representative for consumers in this segment. Without any certainty, potential known biases that might have been present in these focus groups is the participant's level of interest in music, and knowledge of current situations. It is not unthinkable that the participants who were willing to attend our focus group also were more interested in music than the average consumer. The participants were informed about the subject of the focus groups, and could therefore have had the opportunity to prepare themselves to some extent, and this could create biases for the sample coverage, which could affect the validity of our findings. The research team considered these possible biases in advance, but without any constraints, we chose to approach the participants as equals in terms of both level of interest and knowledge about the given topic in this thesis.

As of capturing the phenomena, one factor is if the place and atmosphere of the focus groups creates a setting in which the participants feel free to express their opinions. Another factor is the structure and execution of the group sessions, our role and skills as moderators, and the quality of the questions and questioning route in terms of how well constructed they are in order to facilitate for the participants ability to utter their thoughts and perceptions. We are aware of our lack of experience with focus groups, which affects our skills as moderators. These factors should be taken into consideration when addressing the internal validity of the research. In order to strengthen the quality of the focus groups and our role as moderators, thus enhancing the validity of our findings, we conducted a test group. This provided us with some experience as moderators, valuable feedback on the questions and questioning route from the participants, as well as an internal evaluation of the questions, resulting in improvement measures. Another factor, as mentioned earlier, is that individuals overstate the importance of ethical and social responsibility when discussing purchasing habits (Devinney, Auger & Eckhardt, 2010), which not unlikely may be enhanced in a group setting. This matter could potentially affect the veracity of the data, and thus the validity of our findings, but there is almost no certainty that data deriving from people's meanings and opinions will be 100% correct.

In Chapter 4 we elaborate on the analysing process of our findings, explaining how we went about identifying, categorising and labelling the meanings and perceptions by the participants. When interpreting and analysing qualitative data, there is a risk of being subjective and biased. A factor that may have been improving our approach and the handling of the data is that we are two researchers with, to some extent, different academic backgrounds. We have

strived to maintain an objective and unbiased approach in the identification and labelling process. The previous mentioned differences in the participants level of interest and knowledge have been taken into consideration during the analysis of the results, which has been important to keep in mind when categorising and identifying meanings and perceptions of the participants. We have found these differences to be valuable in terms of the richness of our data.

The findings provided through the two focus groups that was conducted, was to some extent rather uniform and straightforward in regards to the questions we assumed would hold similarities. As the intention of our research has never been to generalize or conclude any thoughts and meanings, we feel that the internal evidence derived from our focus groups have been sufficient in order to address intimations of trends and attitudes in a specific segment of a recorded music market, but not for the market as a whole which we initially wanted to study. In hindsight we see that studying a more concentrated segment in the market has been awarding regarding the richness of thoughts, opinions and perceptions for the specific segment. We find the data from the two focus groups to meet saturation and, together with the theory presented, to be sufficient in order to address and discuss the research questions in the scope our thesis.

We have striven to keep the findings true to the original data, but we also recognise the possibility of misunderstanding and misinterpreting the data from our side. Hopefully, the analytic construction we have presented, and applied, is sufficient for us to keep the findings as true as possible to the original data. We have also sought to explain the analytic construction in a transparent way that facilitates for an understanding of our approach towards portraying the findings for the readers of this thesis.

3.3.3 Validation

When it comes to validating and verifying findings in a qualitative research project, Lewis and Ritchie (2003) points out different possible approaches and methods for dealing with internal and external validation. Triangulation is often used for the purpose of enhancing the external validation, and applying a *constant comparative method* or a *deviant case analysis* to enhance the internal validation (Lewis & Ritchie, 2003). For this thesis, any of these methods have not been applied, and a sufficient verification and validation of the findings is thus not possible. In our case, the approach towards a verification or validation of the findings is through the theory presented in Chapter 2. The theory is as mentioned presented in order to form a basis for our interpretation of the results generated from the focus groups. The discussion and the conclusions drawn in this thesis needs therefore to be understood in light of the theory presented. The chosen

theory is what we consider to be of most relevance as a theoretical foundation in order to best analyse and interpret the findings deriving from the focus groups. Keeping in mind this thesis limitations and methodological framework, a sufficient verification and validation of any findings would prove to be difficult, but the theory is rather a mean of underlining the argumentation and thus strengthening the conclusions drawn from the project. For any stronger validation and verification of the findings, more research needs to be done on the subject.

4 Analysis & Results

The previous chapter described the implementation of how the data was collected through qualitative focus groups. In this chapter, we will continue to describe the analysis process and present the results of the data we have collected.

4.1 Analysis Process

There are several ways of analysing qualitative data, and there exist a vast amount of guidelines for how it is to be done in order to draw valid and legitimate conclusions from what has been collected and observed. Throughout the analysing process we have striven to be objective, something that has been easier considering the fact that we have been two researchers. The interpretation of the results has therefore been closely revised and discussed in order to present the data as impartial as possible. The advantages of this collaboration has also appeared in other steps of the process, in terms of planning and conducting the focus group, transcribing, and when examining and presenting the results.

The first stage after conducting the focus groups was to transcribe the material we had gathered. In order for the data to be used and further interpreted we had to convert the video to text so that the data was capable of being analysed in a systematic and comprehensive way. We chose to divide the workload in order to make the process more efficient and less time consuming, but since we were both present during the focus groups this did not result in us not having an overview of the material we had gathered.

After the focus groups had been transcribed, we reviewed what had been said, and conducted a short unstructured comparison and conclusion in order to know what to focus more, and less on, in the theory chapter. After a period of time we went back to the findings with a fresher mind, and yet again compared and concluded the participants answers. During this second review of the data we took a more constructive and organized approach, in which we started to interpret the data. We chose not to use any computer software in this process, as we found it to be too time consuming learning how to operate it, and use it effectively when analysing our collected data. We are well aware that one might be sceptical to our findings, and argue that the data would be more profound and contain a higher level of legitimacy if we had used computer software. Though as we have striven to obtain objective and given that we were so familiar with the data we had collected by both being present during the conduction of the focus groups, the amounts of data were manageable in which the need for software seemed unnecessary. The

analysing process was therefore done manually, and confined to the classification of paying- and non-paying subscribers of streaming services.

As the focus groups consisted of non-paying users in the first, and paying subscribers in the other group, it was natural to analyse each group separately. This also made the classification quite obvious. We started to analyse the group consisting of non-paying subscribers. Together we read through the transcriptions and drew up the most important and interesting views regarding our research questions. During the transcribing we had marked the text we felt was interesting with red, so it would be easier for us to go in and check on the interesting and relevant statements and information when analysing the second time.

By doing so we were able to summarize a sort of general opinion in those cases where it was possible in both groups. This left us with two overviews that afterwards were quite easy to compare up against each other, and made it possible to get a grip of similarities and differences between the two groups in question. Since we did the analysis manually, and the content is qualitative, we have chosen to present our findings as raw as possible, both because it would be hard to do it differently in our case as well as we find that most legitimate.

The meaning of the data was then analysed and summarized and presented as seen in Chapter 4.2. In this chapter we have divided the paying- and non-paying subscriber into two sections, before we in the third section draw line between them in terms of similarities and differences. In this section we also summarize our findings before moving on to the discussion where the findings will be thoroughly interpreted in the light of our theory and problem statement.

4.2 Results

As stated in the introduction, this thesis aims to examine the consumers' thoughts, with an emphasis on perceived legitimacy, in the on-going debate seen in the music industry regarding pro-rata and user-centric distribution of streaming service revenues. The results of our focus group data are organized in the groups in which they were conducted - paying and non-paying subscribers of streaming services. The results will be presented in the order of our questioning route that was used during the focus groups.² By doing so, the results will reflect the trail of thoughts which occur in such a situation as focus groups, were individual opinions and thoughts may be affected by other participants replies in prior. After displaying these thoughts and

² See Appendix - Question Route

opinions in both groups, there is a short summary where the main similarities and differences between the groups are displayed. A discussion of the results will be found in Chapter 5.

4.2.1 Results From the Paying Consumers

First and foremost, the six participants in this focus group were both men and women within the age range of 20-30. They all used Spotify as their main source to consume music. Most of them also used other services, especially YouTube, in which they used to find content not available on Spotify. The participants were all heavy users of music in terms of listening often and everywhere, but there were some minor differences in how and where they listened.

The participants in both groups were asked to write down pros and cons concerning streaming in general before starting the main questioning session. The main pros in this group were the availability and convenience as well as a fair price. The main cons was that it costs money, and that there were limitations in the use of the services regarding the need for Internet as well as some content not being available on the preferred service.

The participants had all been streaming for a long time, and they all had the opinion that they quickly embraced streaming as a way of consuming music. They all agreed that being able to find and listen to music through one platform was overwhelming, and had a positive attitude towards it when they first discovered streaming. YouTube was the first streaming platform for the majority of the participants. Some participants outlined that it made the process of discovering and checking out new music much easier.

The participants had to some extent more differing opinions when asked what the main reasons for paying was, but the most common reasons was not surprisingly connected to the pros of streaming they wrote down. More specifically, what the participants tended to value the most was the possibility of using it offline and avoiding commercials. Some participants also mentioned the feeling of a good conscience when paying for music in terms of supporting the artist or band.

When asked about their thoughts on how streaming services impact the music industry, the answers were mixed. Some had heard that it was bad for artists in terms of revenues relative to selling CD's. Other had not heard much about it, but everybody was aware that some major artists kept their music out of the streaming services, which some of the participants said was understandable. A notion was that more artists had better possibilities of reaching out to a bigger audience due to some of the curation features in the services. One participant did not necessarily regard the lower income from streaming compared to other sales as a bad thing, as it meant that

artists had to perform more live concerts, which he experienced as positive thing as an eager concert goer.

When asked if they had any thoughts on how revenues was distributed between the streaming services and rights holders, the entire group thought that the streaming services took most of the money they generated, but the participants was not sure how the distribution system worked. It was a general lack of knowledge on the dynamics and structure of the music industry.

When asked whether or not they cared about how revenues are distributed between the different actors, most of the participants first answered that they first and foremost did not care very much. One of the participants said that she had gradually become more aware of the artist's situation, and stated that she cared about if they got money or not.

When asked how they perceived the monthly subscription price of 100NOK, all of the participants thought this price for a subscription were a good deal in terms of what they got out of it. Quoting one of the participants: "... it is quite affordable, even for a poor student."³ Some mentioned that they actually would be willing to pay more and put that in the context of how much they actually use it. The one participant that mentioned this was also the one who cared about artists' remuneration.

After we had informed them about the different distribution models and told them how revenues was generated and distributed between the different actors, we asked them how they perceived the user-centric model. The majority was under the impression that it seemed to be a more correct way of distributing revenues, but it was mixed opinions whether or not it was fairer. As someone pointed out, most of the people use the streaming services due to the biggest artists, which gives the services more value than smaller and less known artists in terms of attracting users. The opinions on how they would respond to a change were different. The group was split in half on the issue of whether they would be willing to pay more for a user-centric model than for a pro-rata model when opposed with the choice between a cheaper pro-rata service and a more expensive user-centric service. Most of the participants would be positive towards a change, but half of them would not be willing to pay more for it. The other half would actually pay more for a user-centric model emphasizing that they would like the money they pay to go to the artists they listened to as well as they believed it would be a positive thing for local, independent and smaller artists.

³ Translated

4.2.2 Results From the Non-paying consumers

This group was also a mixture of men and women, and consisted of six students in the age range between 20 and 30 except for one participant who was over 60. Most used the free version of Spotify in addition to YouTube, SoundCloud and BandCamp. Spotify and YouTube was the most common.

When asked to write down pros and cons about streaming, the most common pros was easy access to music, and that it had a great selection where it was easy to discover new music. Most of the participants connected this to the playlists found especially on Spotify. The main cons were that they believed that it generated less revenue for the artists. They also emphasized that not having everything available on one platform to be a negative feature.

Most of the participant started to use streaming services early, especially YouTube. They were quick to embrace the easy access to a huge catalogue of content. The participant over 60 did not actually use streaming much, only on rare occasions to check out a song or artist, and used CD's as the main way of listening to music.

When asked why they did not pay for the services, the main answer was that they simply did not use it to the extent that they were willing to pay 100 NOK a month. Interesting here is that when asked about how they perceived the price on streaming subscription, they did not regard it as expensive. No one used streaming as his or her main mean of music consumption, but not due to the price. The streaming services worked as a tool to discover music, and when they found something they liked, most of them downloaded the music through iTunes or bought physical CDs if it was available. Some of the participants emphasized the feeling of ownership towards music as an important reason for downloading or buying physical formats, and noted that streaming represented a trend towards a "use and dispose"-mentality regarding music. Some of the participants stated that they would be interested in paying for shorter periods of time, as short as one day subscription, as they thought the streaming services were good for playing music in social circumstances such as house parties.

When asked how they perceived the streaming services impact on the music industry, the main perception was that it had a bad influence on revenues. Some participants believed that it was an additional part in the value chain taking a huge part of the revenues at the expense of artists. They believed that the streaming services contained most of the revenues they generated.

The participants was in general concerned with the artists they listened to would make money on their consumption, explaining that they supported them so the artists would be able to

continue to make music. This was much of the reasons many of them bought the music of their favourite artists.

After we informed the group with our information, we asked how they would perceive the streaming services with a user-centric model. Most of them would not care much if it changed or not. All participants said a change in the distribution model would not change their use. It would not be an incentive for any of them to start paying for a subscription. We set a scenario where they had to pay for a service, choosing between a service with a pro-rata model or a more expensive user-centric model, only two of the participants would go for the more expensive user-centric model. These two explained that they were willing to pay more for a model which distributes their money to the artists they listen to.

4.2.3 Summary: Commonalities & Dissimilarities Between Groups

The participants in both groups were similar in age and profession, mostly students, with only two people not studying in the group of paying subscribers. There was also an even mix between genders in both groups.

When analysing the results from both focus groups, we find a striking similarity towards a general lack of interest in how money is distributed, which is well connected to a their minimal knowledge on the dynamics and processes of the music industry in general and right holders remuneration especially. Regardless, there are some interesting findings in both groups.

All participants in both groups regarded the price of the monthly subscription of 100 NOK as a fair price in terms of what they get for the money they pay. The analysis displays the group of non-paying streaming users as more concerned about artists' remuneration. As this group in general emphasized the relationship between artist and fan as well as ownership to the music as more important than the group of paying subscribers. At the same time, the group of non-paying participants cared less regarding a change in the distribution model. A change in the distribution model would not be a sufficient incentive for them to start paying for streaming, but when asked to make a choice, two people would pay more for a user-centric model.

The group of paying subscribers were in general less conscious about distribution of revenues, but three of the participants in this group would be willing to pay more for a user-centric model mainly due to that they wanted the money they pay to be distributed between the artists they listened to.

The majority perceived the user-centric model to be a more fair and legitimate distribution model, but for many of the participants it would not be a big enough incentive for any actual

action towards either paying more or starting to pay. In total, five out of twelve participants were willing to pay more for a user-centric model when given the choice between a cheaper pro-rata model and a more expensive user-centric model - three people from the group of paying subscribers and two from the group of non-paying users.

5 Discussion

In this chapter we will discuss the results deriving from the paying and non-paying consumers, and connect it up to the theory in order to address our research questions. As our problem statement is threefold, we will approach each research question separately. After the research questions are addressed, we will continue to discuss the findings in a broader perspective, looking at the consumers' relation to the topics of moral, ethics and legitimacy in light of the current condition of the recorded music industry.

How will consumers perceive a user-centric distribution model?

As the results show, most participants were positive towards a user-centric distribution model. This was not necessarily due to their perception of the model to be fairer. Initially, it was a bit unclear for the participants which of the models were fairer regarding revenue distribution. Points were made that the biggest stars attracts most of the users, and thus generate most of the revenues. Following this reasoning, it would not be unfair that the services use a model that favours the biggest artists. Despite the mixed perceptions surrounding the question of fairness towards overall revenue distribution, the majority of participants perceived the link between their payments and the artists they listen to as a positive feature with the user-centric model. For both groups, this seemed to be more important compared to the original question regarding fairness. The participants needed time to understand and ask questions in order to make up their mind regarding what was fair or not, as they found it difficult to make an opinion based on the limited information they received. Another reason for the consumers' positive perception of the user-centric model can be that it may make more logical sense as it represents a revenue stream in which they are used to from the physical sales, and other consumption goods. It is also important to keep in mind that the question of fairness is highly subjective. When people think about fairness, they tend to consider the question of fairness from their own point of view. This is perhaps especially apparent when talking about consumer goods. In Western capitalistic societies, where the economic model is based on consumption of goods, and where a widespread of opportunities and choices in consumer goods is seen as the best way for a utility-maximizing consumer to best take care of their own interests, people who enter the consumer role may perhaps attribute to a more self-concerned perception of the surroundings. The economic model of developed capitalist countries is based upon our abilities to make the best choices to maximize our utility. This creates a society where consumers are almost solely concerned with making

choices that favours their own interests, and that the consequences regarding their choice is not in the forefront of their considerations. This may help explain why many of the participants said that they “do not care” about the value chain, and that even though some participants favoured the user-centric over the pro-rata model and perceived it as more fair, they would not be willing to pay more for it. It is a direct attribute for a consumer in a cynical world, quoting one of the participants saying, “Money is worth too much.”⁴

Will it affect consumer behaviour?

Even though most participants had a positive perception of the user-centric model, they differed more on how they would react to a change of models. In the group of non-paying participants, a change of models would not affect how much they would use it, and certainly not be an incentive to start paying. The non-paying participants were to a much less extent concerned with the dynamics of the streaming services as it was not their primary channel for music consumption. As the results show, the reason for why they do not pay for a streaming service is due to their preferences regarding music consumption. The majority of this group valued the ownership of music, and the connection this represents between them and the artist or the music itself. Although they use streaming services to some extent, the reasons they do not completely embrace streaming as their primary means of consumption is connected to the factors Wikström (2013) emphasizes in terms of consumers adoption of music as a service. The biggest difficulties to adapting to new technologies are that it is difficult to break consumption patterns, which in the music industry has revolved around ownership of physical or digital formats for such a long time. Humans are creatures of habit, and collecting ‘hard’ copies of music has also been an important factor for expressing one's identity. The participants were young and used to consumption online and in digital formats, but had other preferences of the music consumption than the other group of paying consumers. It seemed, in general, that the participants in the group of non-paying consumers had a stronger connection to the music and artists they listened to as opposed to many of the participants in the other group. What some of the non-paying participants emphasized as important was the ownership, physical or digital, of what they perceived as *their* music. This was pointed out as a weakness regarding the consumption of music through streaming services. The consumers in this group was more connected to the factors of old consumption habits, and did not perceive the new features of streaming as sufficiently important, or valuable enough, in order for

⁴ Translated

them to break old consumption patterns. These factors were apparent for all participants, but the factors varied individually for each participant. A change of distribution model would not change how they perceive music streaming as a way of consuming music, but it would be a step in the right direction regarding the relationship between the fan and the artists establishing a closer connection to the music in a streaming service. The fact that some of the participants said they would pay more for a user-centric model if they had to choose may indicate that a change would affect consumer behaviour in terms of increased willingness to pay, but as long as other consumption opportunities are available, it seems highly unlikely for non-paying consumers. They did not regard streaming as a sufficient substitution for their old music consumption; they regarded streaming as a tool for exploring and discovering new music. Streaming is more a part of their music consumption process, and not a primary mean of consumption, resulting in the dividend of the money spent for a subscription in relation to their perceived utility is not met.

The paying participants were more diverse in their response to a change of distribution models. All of the paying participants experience streaming as beneficial and in line with their music consumption preferences. They did not to the same extent as non-paying participants emphasize the importance of the connection between fan and artist. At first consideration, this could lead one to think that a user-centric model would not be as important for them. They all stated that what they paid for was the features of the services such as the curation, convenience and instant access to a huge repertoire of music. This underpins that the value of streaming services does not necessarily lies in the content it offers, but rather the features it provides. Regardless of this, most participants were positive towards a user-centric model, and some also expressed that they would be willing to pay more for a service where the money they pay goes more directly to the artists they listen to, even though this was not a major issue for these participants. The participants, who would not react to a change in distribution model, argued that they simply did not care about how the revenues are distributed to an extent that they would pay more. The participants who were most positive towards a user-centric model also emphasized a strengthened relationship between artist and fan. What we can draw from this is that consumers are diverse, and how much consumers would care varies greatly.

What seems to be the main factors surrounding the level of the participants consciousness regarding the fairness of revenue distribution in the streaming value chain is first and foremost their relationship towards the music, what role music has in a consumer's life and how deeply connected they feel towards the artists or songs they listen to. Additionally, there is a difference in consumer's interest, knowledge and level of involvement in societal questions in general, which should be understood in a connection to the theory of the conscious consumer. Some

consumers are more conscious than others in terms of consumption when it comes to environmental friendly or fair-trade products, but these products are often niche products. Our perception from our research is that normal consumers in a highly commodified mono-cultural music industry are no exception. A change of models could thus to some extent have an effect on consumer behaviour, but most likely for a minor part of the recorded music industry.

If so, how and to what extent will it affect consumer behaviour?

As mentioned, the non-paying participants would not react or behave differently towards streaming if the models were changed. But, when asked if they had to choose between the two models, the majority would choose the user-centric model. Interestingly, two people from the group of the non-paying participants would also be willing to pay more for a user-centric model than a pro rata model. This is connected to their expressed importance of the connection between them as a fan and the artists, and the notion of ownership it provides. That connection is not necessarily rooted in an ethic or moral point of view. Perhaps it is simply more logical for the consumer that the money they pay ends up in the hands of the producers of the content they consume, as this is normally the case for most products or services. Again, fairness is subjective, but from a consumer's point of view, establishing a connection between their payments and what they consume could be perceived as fair because this is a revenue stream they are familiar with. Some also mentioned that they wanted *their* money to go to *their* artists, meaning the artists they listen to the most.

Regardless of what the participants understood as fair or not, three participants in the group of paying subscribers would be willing to pay more for a streaming service using a user-centric distribution model. One of the participants also stated that she was willing to pay more for the service regardless of a change, due to her extensive music consumption, and the substantial part streaming services played in her daily life. This is important, as mentioned earlier, as music's part of a consumer's life could be decisive when it comes to how much they care about the further distribution of the money they pay. How much a consumer is willing to pay for music, or a music service, is connected to how much they value the music or the service.

4.2 The bigger picture

This thesis addresses terms like fairness, moral, ethics and legitimacy with an emphasis on consumers. When doing consumer research, one must look at the broader picture, the

surroundings in which the consumers operate and the environment they must adhere to, meaning the current recorded music market. What eventually became apparent while digging into the world of streaming and fair distribution of revenues was that the problem is bigger than the questions surrounding the distribution models for streaming services. Earlier research shows that a change would anyways not make a huge difference in the allocation of revenues. The fact that it will not change is perhaps one of the biggest problems, at least for the smaller acts and independent actors wanting to unfold and drive creative expressions, as this indicates a music market consisting of rather mono-cultural oriented consumers. This is a direct consequence of the development of the music industry becoming ever more commercialized where the drive for profits sets the course of the cultural development (Hesmondhalgh, 2013). Huge actors dominate the market, where blockbuster strategies are the most profitable.

An increasingly fragmented audience with a decreasing attention span makes for a fight for consumers attention. This demands considerable resources. The cultural conglomerates do not necessarily control many of the biggest media outlets online, but they have a lot more power, and a much stronger financial capabilities than smaller actors, due to the highly inequitable and concentrated distribution of musical rights between the actors in the industry (Hesmondhalgh, 2013). This is a huge advantage in the new online market, despite the optimistic views of the digital utopians, and the result has been a music industry where market power and influence are even more concentrated and skewed. The major corporations benefit on the growing digital revenues, at the expense of the smaller acts. More fundamental solutions are needed to fix the skewed and, what may for many, be perceived as a highly unfair market. The problems surrounding unfair distribution of revenues are highly complex. The consumers adhere to a skewed environment, a market with a lack of competition dominated by a few and powerful corporations. Such market conditions tend to deprive consumers of influence through their consumption actions, as it affects the supply and diversity of options for consumers. This is certainly the case in the music industry, and talking about consumers concern with moral and ethics in this environment bears perhaps no fruits. As long as consumers feel they have the freedom, access and control of to what and how they consume, they can live happily and unknowingly with a subjective, and often misunderstood, perception of the world. This is especially true online as the biggest actors promotes the glad tidings of a free and unregulated market space. As the theory implies, this is at best misleading and far from the truth, but the majority of the public uncritically buys into this message. Thus, hoping that consumers will choose what is best for the smaller acts, or for the music industry as a whole, seems to be too much to hope for. Regardless of this negative picture, as our research shows, as well as the

growing popularity of fair-trade products, there are always some enlightened and engaged consumers out there. These conscious consumers are often more concerned with fair value chains, distribution of revenues and the conditions of the weaker part of a market. This implies that there would be a niche market for a distribution model, which can be perceived as more fair, in an unfair industry.

What seems to be evident, which is reflected through our findings seen in light of the theory on ethical and conscientious consumerism, is that people in general have an urge to act within moral and ethical frames (Meyer, 2015). As much as we are moral and ethical human beings, we are also, according to the *economic man theory*, consumers in an economy based on a notion of self interest where all actors are maximising either their profit as a producer/provider, or utility as a consumer through our ability of making fully rational choices (Schiffman et.al., 2012). Consuming goods is a major part of human's life, and moral and ethics clearly has its place in this process, but the importance of these attributes varies highly between consumers. Due to the many costs connected to the process of consumption, consumers apply heuristics in order to minimize the costs connected to consumption (Schwartz, 2004; Blythe, 2012; Schiffman et.al., 2012). This disproves our ability to make fully rational choices, and one could say that consumers are maximizers within certain frames and limitations that they set for themselves. These frames vary between consumers, but from our findings concerning music, price and quality of the product seems to be the most important factors when making decisions. The moral and ethical aspect of consumption is often not in focus, especially when faced with legal options. There has also been some distance between legislation and enforcement on individual bases, which may have resulted in an undesirable behaviour by consumers in the perspective of both the industry and lawmakers. The music industry has struggled with illegal consumption, especially in the digital era, which has shown that consumers do not always care about the law as long as they have an illegal option that better meets their preferences. Streaming shows that consumers are willing to consume legally, when given an option that can compete with the inferior illegal options. It is not unthinkable that many consumers do not further question to what extent the product or service is ethical in terms of a fair value chain as long as the service is legal. This could be understood as applying a moral and ethical heuristic. The conclusion consumers may make, that legal services are morally justifiable services, could be connected to the level of trust consumers have in the legislative authorities and governments, and varies from country to country. In addition, the fact that moral and ethics are cultural dependent (Svendsen, 2009) could result in a different outcome, if the research was conducted in another country. In societies such as Norway, with a high degree of general trust to government and businesses, it is not unlikely

that consumers would assume a legal services to be, at least to some degree fair, and especially not immoral or unethical. Another aspect to point out is the music consumption background of the participants. The majority was in the age range of 20-30 years, and belong to a generation where for many, downloading unlicensed music, has been the main mean of acquiring music. For many consumers, going from downloading music for free to paying a fixed amount of money for music every month, could in itself be perceived as a moral act, regardless of how their money is further distributed.

The industry has earlier tried to play the moral card with the different anti-copying campaigns, but with an uncertain outcome. The music industry's struggle with illegal copying and file sharing could also be another indication that many consumers do not really consider morals and ethics as a priority in the consumption process. This is not necessarily due to the lack of moral and ethical values on the consumers' side, but rather a lack of adequate legal alternatives as well as developments in policy and legislation, which has not sufficiently maintained the interests of all actors (Hesmondhalgh, 2013). The focus on stricter copyright legislation, rather than adapting it to work in accordance with the dynamics of digital consumer behaviour, has not helped the consumers to make choices that meet their preferences as well as being legal. In addition to this, the role of the consumers online has changed from being merely an end-user to be more involved in the value chain (Drew, 2005; Wikström, 2013, Hagen, 2015). The discussion surrounding the consumers place in the value chain is important when talking about moral and ethical behaviour. They are playing a bigger part in the distribution and promotion processes through online activities in different social media. In addition, their actions and appearance online are valuable for the Internet intermediaries, as the consumers' digital footprints are being monetized (Hesmondhalgh, 2013). The data is not only sold to marketers, but to companies wanting to analyse their markets, which makes promotion more efficient and cost effective. This is also true for music firms. The market dynamics online is complex, and access to consumer data have as mentioned become highly valuable. This data is the foundation of which the biggest intermediaries base their business models.

The access to information online is not decentralised (Hesmondhalgh, 2013), which raises a rather opposite question regarding moral and ethics in online consumption. Is the big online corporation acting within moral and ethical frames when monetizing people's private information? This indirectly leads us to the perhaps biggest issue for the music industry today. The big Internet intermediaries who generates huge amounts of money from their huge user-groups, exploiting unlicensed cultural content for free, or to a mere fraction as other legal music services. User-generated content sites such as YouTube, exploits the old and out-dated legislation

granting “Safe Harbours”, which leaves these sites to not being liable for the user's actions. As YouTube is the biggest streaming platform for cultural content, which is uploaded by the users, avoids the biggest costs of a streaming service - the licences. This makes for highly distortive competitive market conditions, as they are in direct competition with e.g. Spotify, but play under a completely different set of rules. This is referred to by IFPI (2016a) as the “value gap”, and points this out as the recorded music industries biggest challenge at the time.

The perception of the state of affairs in the different businesses varies greatly between consumers, and it is in general difficult for the consumer to know exactly how the market dynamics works regarding who gets paid, and who has rights to get paid etc. The level of knowledge is an important factor that plays a part of consumers perception of morality and ethics, and from our findings, most of the participants had little or no knowledge of the music industry dynamics. Regardless, most of them had to some extent a highly subjective perception of how things were connected, rooted in their level of interest and knowledge of music. Many of the participants’ beliefs and perceptions were often based on different fragments of information they had heard through different sources, resulting in a lot of misunderstanding. In an environment where consumers are bombarded with information from sources with different interests makes obtaining an objective perception of what is moral and ethical almost impossible. Discussing moral and ethical decision-making in a skewed market with few options has proven to be somewhat difficult as the consumers has no more than a handful of legal services to choose from. This could result in a passive consumer, which has to put little effort into finding the most suitable service for his or her needs. The lack of options can hinder consumers in even thinking about other possibilities, and therefore not investigating whether the service secure fair remuneration to the artist, and in the case of this thesis, how the remuneration is distributed. To do extensive information gathering on these issues is for the enthusiasts and the most conscious consumers. In such a market, the average consumer seem to be more focused on price, quality and utility, rather than fair remuneration and supporting their favourite artist in a direct manner. Most of the paying participants had a misapprehension in regards to how much the services kept. Some participants actually thought Spotify kept as much as 97% of the revenue. Despite their knowledge of a skewed distribution of revenues, it seemed to have little effect on how they felt using the service. This might reflect that consumers, if they act on legal grounds, are more concerned with their own interests than necessarily doing something good towards artists. If the preferred product or service for music consumption is independent from whether it is moral or not, which seem to be more likely for the majority of the participants, implementing a user-centric model would most likely have minimal impact on consumer behaviour. However, one

should not undermine the importance of the link between the artist and consumer, which where especially apparent for the non-paying participants.

6 Conclusion

This thesis aimed to unveil the consumers' thoughts and opinions regarding on-demand online music streaming services, and their revenue distribution models. In this context we sought to gain an understanding of the role ethics and moral plays in the consumer's music consumption habits, as recent debates have suggested the user-centric distribution model to be "fairer" in terms of re-establishing the traditional revenue link between artist and fan, as opposed to the current pro rata model, which favours quantitative listening. In order to gain an understanding of the consumers' notion in this debate, we developed a threefold problem statement: How will consumers perceive a user-centric distribution model? Will it affect consumer behaviour? If so, how and to what extent will it affect consumer behaviour?

The results show that the majority of the participants perceived the user-centric distribution model in a positive way. Though, it was not necessarily rooted in the participants' moral and ethical values, but rather the enhanced link it represented between fan and artist. A change of the models would not have any immediate effect on the non-paying participants' behaviour, mainly due to these participants' limited use of streaming services in general as their music consumption preferences were more connected with other formats and platforms. The perceptions of the paying participants were more divided. The majority were positive to the user-centric model, some to the extent that they expressed an increased willingness to pay. First and foremost, what our research revealed was that a change of distribution models would be perceived differently between consumers. How a user-centric model would be perceived by consumers and how it possibly could affect consumer behaviour is reliant on different factors. Some of the most important factors are the consumers' different views of what is fair or not, different preferences when it comes to consuming music, different levels of engagement in the music, and the differences in their moral and ethical conscience in the consumer process. In addition, the consumers differ in how they emphasize these factors in the decision process.

What our findings also imply is that if a change of distribution models is to be perceived in a positive way, consumers need to be informed about the change and what it entails, as most have little or no knowledge about the subject of revenue distribution. In the attempt to offer a conclusion, a change could increase streaming services' legitimacy, but the outcome of the increased legitimacy on consumer behaviour would be very difficult to predict. In order to better understand the scope of the effects on music consumers' behaviour, more extensive research on this subject is needed.

Looking at our findings in a bigger picture, we understand that the problems of the recorded music industry cannot be solved by a change of the streaming services revenue distribution models, even though a change could potentially have a positive effect on the legitimacy and, to very uncertain extents, help drive the growth of music streaming. The problem is internal; the industry has developed towards market conditions characterised by a highly concentrated allocation of power and control, dominated by few corporations. The low degree of competition hinders market dynamics, giving consumers little possibilities of influencing the market leaders due to their control of supply and circulation. Expecting consumers to emphasize moral and ethics in their consumption of goods in such markets is perhaps too much to ask.

Literature List (APA 6th⁵)

- Anderson, C. (2006). *The long tail : how endless choice is creating unlimited demand*. London: Random House.
- Aristoteles, Rabbås, Ø., Stigen, A. & Eriksen, T. B. (1999). *Den nikomakiske etikk*. Oslo: Bokklubben dagens bøker.
- Aristoteles & Stigen, A. (1996). *Etikk : et hovedverk i Aristoteles' filosofi, også kalt "Den nikomakiske etikk"* (2nd ed.). Oslo: Gyldendal.
- Attali, J. (1977). *Noise: The Political Economy of Music*. p. 11. London: University of Minnesota Press.
- Bloor, M., Frankland, J., Thomas, M. & Robson, K. (2001). *Focus groups in social research*. p. 15. London: Sage Publications.
- Blythe, J. (2012). *Essentials of Marketing*. (5th ed.) Harlow: Pearson.
- Bommer, M., Gratto, C., Gravander, J., Tuttle, M. (1987). A Behavioral Model of Ethical and Unethical Decision Making. *Journal of Business Ethics Vol. 6(4)*, p. 265-280.
doi:10.1007/BF00382936
- Boyer, B. L., Valenza, J. K. & Curtis, D. (2014). *Social Media Curation*. American Library Association.
- Christensen, C. M. (1997). *The innovator's dilemma: when new technologies cause great firms to fail*. Boston: Harvard Business School Press.
- Denzin, N. K. & Lincoln, Y. S. (2000). *Handbook of Qualitative Research* (2nd ed.). p. 3. California: Sage.
- Devinney, T., Auger, P. & Eckhardt, G.M. (2011). *Value vs. Values: The Myth of the Ethical Consumer*. Retrieved from: <http://www.policyinnovations.org/ideas/briefings/data/000199>
[Last Accessed 17.05.16]
- Drew, R. (2005). Mixed Blessings: The Commercial Mix and the Future of Music Aggregation. *Popular Music and Society*, 28(4), p. 533-551.
doi:10.1080/03007760500159088
- Elberse, A. (2013). *Blockbusters: Why Big Hits - and Big Risk - are the Future of the*

⁵ Following the guide provided by HSN, UiA & UiS.

Entertainment Business. New York: Henry Holt and Company.

- Fairtrade Norge. (2014). *Fairtrade Norge - Årsrapport 2014*. Retrieved from: http://www.fairtrade.no/media/725880/_rsrapport2014_til_nettside_med_res.pdf [Last Accessed 22.02.16]
- Finch, H., & Lewis, J. (2003). Focus Groups. In J. Ritchie & J. Lewis (Eds.), *Qualitative research practice: a guide for social science students and researchers*. p. 170-198. London: Sage Publications.
- Frith, S. & Marshall, L. (2004). *Music And Copyright*. (2nd ed.) Edinburgh: Edinburgh University Press.
- Giles, D. C., Pietrzykowski, S. & Clark, K. E. (2007). The psychological meaning of personal record collections and the impact of changing technological forms. *Journal of Economic Psychology*, 28(4), p. 429-443. doi:10.1016/j.joep.2006.08.002
- Hagen, A. N. (2015). *Using Music Streaming Services: Practices, Experiences and the Lifeworld of Musicking*. (PhD, University of Oslo), p. 86. Retrieved from: <https://www.hf.uio.no/imv/forskning/prosjekter/skyogscene/publikasjoner/hagen2015.pdf>
- Hawkins, I., Mothersbaugh, D. L. & Best, R. J. (2007). *Consumer behavior : building marketing strategy* (10th ed.), p. 29. Boston: McGraw-Hill/Irwin.
- Henderson, R. (2006). The Innovator's Dilemma as a Problem of Organizational Competence. *Journal of Product Innovation Management*, Vol. 23, p. 5–11. doi:10.1111/j.1540-5885.2005.00175.x
- Hesmondhalgh, D. (2013). *The Cultural Industries*. (3rd ed.), p. 30, 66, 188, 329, 331. London: SAGE Publications.
- Hietanen, H., Huttunen, A. & Kokkinen, H. (2008). Criminal Friends of Entertainment: Analysing Results from Recent Peer-to-Peer Surveys. *SCRIPTed* 31, 5(1), p. 31-49. doi:10.2966/scrip.050108.3
- IFPI. ("Facts & Stats"). *Digital music in figures*. Retrieved from: <http://www.ifpi.org/facts-and-stats.php> [Last accessed 16.05.16]
- IFPI. (2008). *IFPI Digital Music Report 2008*. Retrieved from: <http://www.ifpi.org/content/library/DMR2008.pdf> [Last Accessed 16.05.16]
- IFPI. (2016a). *Global Music Report 2016*. Retrieved from: <http://www.ifpi.org/downloads/GMR2016.pdf> [Last Accessed: 16.05.16]

- IFPI. (2016b). *Musikkåret 2015 - IFPI Norges årsrapport*. Retrieved from: https://dl.dropboxusercontent.com/u/26234926/%C3%85rsrapport_ifpi_2015.pdf [Last Accessed: 16.05.16]
- International Telecommunication Union. (2015). *ICT Facts and Figures – The world in 2015*. Retrieved from: <http://www.itu.int/en/ITU/Statistics/Documents/facts/ICTFactsFigures2015.pdf> [Last Accessed: 13.05.16]
- Kibby, M. (2009). Collect Yourself: Negotiating personal music archives. *Information, Communication & Society*, 12(3), p. 428-443. doi:10.1080/13691180802660644
- Krueger, R. A. (1998). *Developing questions for focus groups* (Vol. 3). California: Sage.
- Krueger, R. A. & Casey, M. A. (2009). *Focus Groups: A Practical Guide for Applied Research* (4th ed.), p. 2, 6. California: Sage Publications.
- Laing, D. (2004). Copyright, Politics and the International Music Industry. In S. Frith & L. Marshall (Eds.), *Music And Copyright*. (2nd ed.), p.75. Edinburgh: Edinburgh University Press.
- Lewis, J. & Ritchie, J. (2003). *Qualitative research practice: a guide for social science students and researchers*. p. 264, 274-275. London: Sage Publications.
- Lillebø, A. (2005). *Økonomileksikon: 6000 oppslagsord om økonomi og arbeidsliv*. p. 279. Oslo: Damm.
- Maasø, A. (2014). *User-Centric settlement for music streaming. A report on the distribution of income from music streaming in Norway, based on streaming data from WiMP Music*. Norway: University of Oslo. Retrieved from: <http://www.hf.uio.no/imv/forskning/prosjekter/skyogscene/publikasjoner/usercentric-cloudsandconcerts-report.pdf> [Last accessed 13.01.16]
- Maciejewski, M., Fischer, N. I. C., & Roginska, Y. (2014). *Streaming and online access to content and services*. Brussels: European Parliament. Retrieved from: <http://www.europarl.europa.eu/committees/en/supporting-analyses-search.html> [Last Accessed: 13.05.16]
- Maslow, A. H. (1943). A theory of human motivation. *Psychological Review*, Vol 50(4), Jul 1943. p. 370-396. Retrieved from: <https://docs.google.com/file/d/0B-5-JeCa2Z7hNjZINDNhOTEtMWNkYi00YmFhLWl3YjUtMDEyMDJkZDExNWRm/edit> [Last Accessed: 16.05.16]

- McDonald, M. (2012). *Market Segmentation: How to Do It and How to Profit from It* (4th ed.), p. 47. Somerset: Wiley.
- McMurtry, J. (1998). *Unequal freedoms; The Global Market as an Ethical System*. Toronto: Garamond.
- Melbye, T. W. (n.d). Etikk. In *Ex. Phil*. Retrieved from:
<http://www.forelesning.no/kompendier/exphil/index.php> [Last Accessed: 16.05.16]
- Meyer, S. (2015). *Kunst og etikk - en innføring*. Oslo: Cappelen Damm
- MFO - Norwegian Musicians' Union. (2014). *Rapport fra MFOs strømmeutvalg*. Retrieved from: http://srv3.zetta.no/cmscustomerfiles/www-musikerorg-no/_upl/endelig_rapport_mfo.pdf [Last accessed 29.02.16]
- Miller, D. (2001). The Poverty of Morality. *Journal of Consumer Culture* July 2001 vol. 1(2) p. 225-243. doi:10.1177/146954050100100210
- Moreau, F. (2013). The Disruptive Nature of Digitization: The Case of the Recorded Music Industry. *International Journal of Arts Management. Volume 15,(2). Winter 2013.* p. 18-31. Retrieved from:
<http://web.b.ebscohost.com/ehost/pdfviewer/pdfviewer?sid=21769e45-8d58-435a-baba-2f74b96b51ec%40sessionmgr104&vid=1&hid=105> [Last Accessed: 16.05.16]
- Nielsen. (2014). *Doing Well By Doing Good*. p. 5. Retrieved from:
<http://www.nielsen.com/content/dam/niensenglobal/apac/docs/reports/2014/Nielsen-Global-Corporate-Social-Responsibility-Report-June-2014.pdf> [Last accessed: 04.05.16]
- Niinimäki, K. (2010). Eco-Clothing, Consumer Identity and Ideology. *Sust. Dev.*, 18. p. 150–162. doi:10.1002/sd.455
- Norgård, D. (2016). Lessons From Norway - The World's Most Advanced Market for Music Streaming Services. In P. Wikström & B. DeFillippi (Eds.), *Business innovation and disruption in the music industry*. p. 175-191. Cheltenham: Edward Elgar Publishing.
- Ouellet, J-F. (2007). The Purchase Versus Illegal Download of Music by Consumers: The Influence of Consumer Response towards the Artist and Music. *Canadian Journal of Administrative Sciences*, 24: 107–119. doi: 10.1002/cjas.16
- Pedersen, R. R. (2014). *Music Streaming in Denmark: An analysis of listening patterns and the consequences of a 'per user' settlement model based on streaming data from WiMP*. Roskilde: Roskilde Universitet. Retrieved from:
http://koda.dk/fileadmin/user_upload/docs/Analysis_Music-Streaming-In-Denmark_2014.pdf [Last accessed 10.05.16]

- Pomerleau, W. P. (n.d.). Western Theories of Justice. *Internet Encyclopedia of Philosophy*. Retrieved from: <http://www.iep.utm.edu/justwest/> [Last Accessed: 17.05.16]
- Rothlauf, F. (2011). *Design of Modern Heuristics: Principles and Application*. Berlin: Springer
- Sagdahl, M. (2016). Rettferdighet. *Store Norske Leksikon*. Retrieved from: <https://snl.no/rettferdighet> [Last accessed 13.05.16]
- Schiffman, L. G. & Kanuk, L. L. (2007). *Consumer Behaviour* (9th ed.), p. 3, 519. New Jersey: Pearson Education
- Schiffman, L. G., Kanuk, L. L. & Hansen, H. (2012). *Consumer behaviour: a European outlook*. (2nd ed.), p. 65. Harlow: Financial Times Prentice Hall
- Schwartz, B. (2004). *The Paradox Of Choice: Why More Is Less*. New York: Harper Collins Publishers
- Statistics Norway. (2010). *Nøkkeltall om informasjonssamfunnet 2009*. Retrieved from: http://www.ssb.no/a/publikasjoner/pdf/sa_118/sa_118.pdf [Last accessed: 04.05.16]
- Statistics Norway. (2016a). *The Internet survey, Q4 2015*. Retrieved from: <http://ssb.no/en/teknologi-og-innovasjon/statistikker/inet> [Last accessed: 04.05.16].
- Statistics Norway. (2016b). *Norwegian media barometer - Table 04519: Percentage internet users and minutes used for internet an average day, by sex and education (1997 – 2015)*. Retrieved from: <https://www.ssb.no/statistikkbanken/selectvarval/Define.asp?subjectcode=&ProductId=&MainTable=MedieBar8&nvl=&PLanguage=1&nyTmpVar=true&CMSSubjectArea=kultur-og-fritid&KortNavnWeb=medie&StatVariant=> [Last Accessed: 04.05.16].
- Stewart, D. W. & Shamdasani, P. N. (2015). *Focus Groups: Theory And Practice* (3rd ed.), California: SAGE Publications
- Svendsen, L. F. H. (2009). Moral. *Store Norske Leksikon*. Retrieved from: <https://snl.no/moral> [Last accessed 13.05.16]
- The Co-operative Group. (2012). *The Co-operative's Ethical Consumer Markets Report 2012*. Retrieved from: <http://www.co-operative.coop/PageFiles/416561607/Ethical-Consumer-Markets-Report-2012.pdf> [Last accessed 19.02.16]
- Towse, R. (2004). Copyright and Economics. In S. Frith & L. Marshall (Eds.), *Music And Copyright*. (2nd ed.), p. 57. Edinburgh: Edinburgh University Press.

Wikström, P. (2013). *The Music Industry: Music in the Cloud*. (2nd ed.), Cambridge: Polity Press.

Wilk, R. (2001). Consuming Morality. *Journal of Consumer Culture* July 2001 vol. 1(2), p. 245- 260. doi: 10.1177/146954050100100211

Yarrow, K. (2014). *Decoding the New Consumer Mind: How and Why We Shop and Buy*. p. 6. New Jersey: Wiley

Appendix

1. Questioning Route

Introduksjon fra moderator:

Jeg ønsker ikke å avhøre, og jeg ønsker ihvertfall ikke å teste dere, det handler ikke om kunnskap, men om meninger. Dere sier alltid hva dere først tenker. Det er ingen riktig eller gale svar. Vi ønsker i stor grad diskusjoner mellom dere. Tanker og meninger man har må bare kastes ut! Snakk en om gangen.

Åpningsspørsmål:

- Introduser deg selv: Navn, hvilken strømmetjeneste bruker dere? evt hvem bruker dere mest?

Introduksjonsspørsmål:

- Skriv ned 3 fordeler med strømming.
- Skriv ned 3 ulemper med strømming.
- Når begynte dere å strømme musikk? YouTube er også en strømmetjeneste.
- Hvordan forholdt dere, dere til strømming da dere oppdaget det? Hva tenkte dere om tjenestene som var på markedet? (YouTube anses også som strømming)
- Betaler dere for musikk i andre sammenhenger/formater?
- Hva er grunnen/e til at dere bruker gratisversjonen?

Overgangsspørsmål:

- Folk leser opp listene sine høy.
- Hvilken fordel er setter dere høyest?
- Hvilken ulempe er størst?
- I hvilke sammenhenger bruker dere strømmetjenesten? (Oppfølging: På PC/Mobil?, bruker dere noe annet utenom streaming, når/hva?)
- Hvilket inntrykk har dere fått av strømmetjenestene gjennom media?
 - Hvilket inntrykk har dere av strømmetjenestenes påvirkning i musikkbransjen? (Tilleggsinfo: Er det positivt/negativt for artister/band, plateselskap osv?)
- Hvordan tjener strømmetjenestene penger? (oppfølging: hva tjener dem mest på?)
- Vet dere hvordan disse pengene fordeles mellom rettighetshavere, fortell? (strømmetjeneste - artister)
- Hvem tror dere sitter igjen med størst del av kaka? (Hvor mye får strømmetjeneste, artist, label osv?)
- Hvor mye betyr det for dere at pengene tjenesten genererer fordeles rettferdig mellom artistene?
- Hva synes dere om dagens pris på 100 kr i mnd for strømmetjenestene?
- Hva hadde dere vært villig til å betale for et abonnement på en on-demand strømmetjeneste?
- Hva er det dere egentlig betaler/ville betalt for? (Musikk eller tjenesten?)

Informasjon fra oss - Moderator forteller:

Det er flere aktører enn kun strømmetjenester og artister som skal ha penger. Det finnes også, komponister, plateselskap, forlag og digitale aggregatorer (aktører som formidler sanger digitalt og fysisk) Alle har forskjellige rettigheter til en sang, og har gjennom disse rettighetene krav på

en andel av pengene som genereres av strømmetjenester (som Spotify, Apple Music, Wimp/Tidal). Strømmetjenestene bruker en bestemt modell for å fordele inntekter mellom artister (og øvrige rettighetshavere). Denne modellen kalles “pro-rata” og er en andelsbasert modell. Denne modellen brukes primært i alle tjenester. Det finnes alternative fordelingsmodeller. Den mest aktuelle kalles for “user-centric” og er en brukerstyrt modell.

Fordelingsmodellene: Illustrert med powerpoint (se figur 1 & 2 under)

Med den andelsbaserte modellen får artistene du lytter på betalt i henhold til hvor stor andel de har av totale streams på verdensbasis. Med den brukerstyrte modellen får artistene du hører på betalt i henhold til hvor stor andel av dine streams de utgjør. Dvs at de 100 kr du betaler i mnd fordeles prosentvis på de artistene som spilles mest totalt sett på verdensbasis, uavhengig hva du hører på.

Forskjell på Premium og reklamebasert:

Brukere som betaler er vesentlig mer verdt enn de brukerne som ikke betaler.

Spotify som eksempel:

Spotify har 80 millioner brukere totalt. 20 millioner av disse er betalende kunder og resten bruker gratisversjonen. De 20 millioner betalende brukerne står for over 90 % av inntektene til Spotify. Dette illustrerer hvor mye mer en betalende bruker er verd i form av inntekter for bransjen enn folk som strømmer gratis. I pro-rata modellen påvirker “gratis-brukerene” hvordan pengene til de som betaler fordeles.

Nøkkelspørsmål:

- Hva tenker dere om de forskjellige modellene? Noen spørsmål?
- Hvis dere måtte bestemt hvilken modell som skulle blitt brukt, hvilken modell ville dere valgt? Diskuter og bli enige.
- Hvordan vil deres oppfatning av strømmetjenestene påvirkes hvis fordelingsmodellen forandres? (stiller dere dere positivt, negativt, eller nøytralt til en forandring)
- *Gitt premium: Ville dere betalt mer hvis en brukerstyrt fordelingsmodell ble benyttet?*
- Gitt gratisversjon: Ville dere begynt å betale dersom modellen ble endret?
- Hvis dere en dag skulle begynt å betale, hvilken strømmetjeneste ville du valgt: andelsbasert fordelingsmodell til én pris, eller strømmetjeneste med brukerstyrt fordelingsmodell som var litt dyrere?

Avslutningsspørsmål:

- Har vi glemt noe? Er det noe vi burde tatt opp, som ikke er tatt opp?

Figure 1. Pro Rata

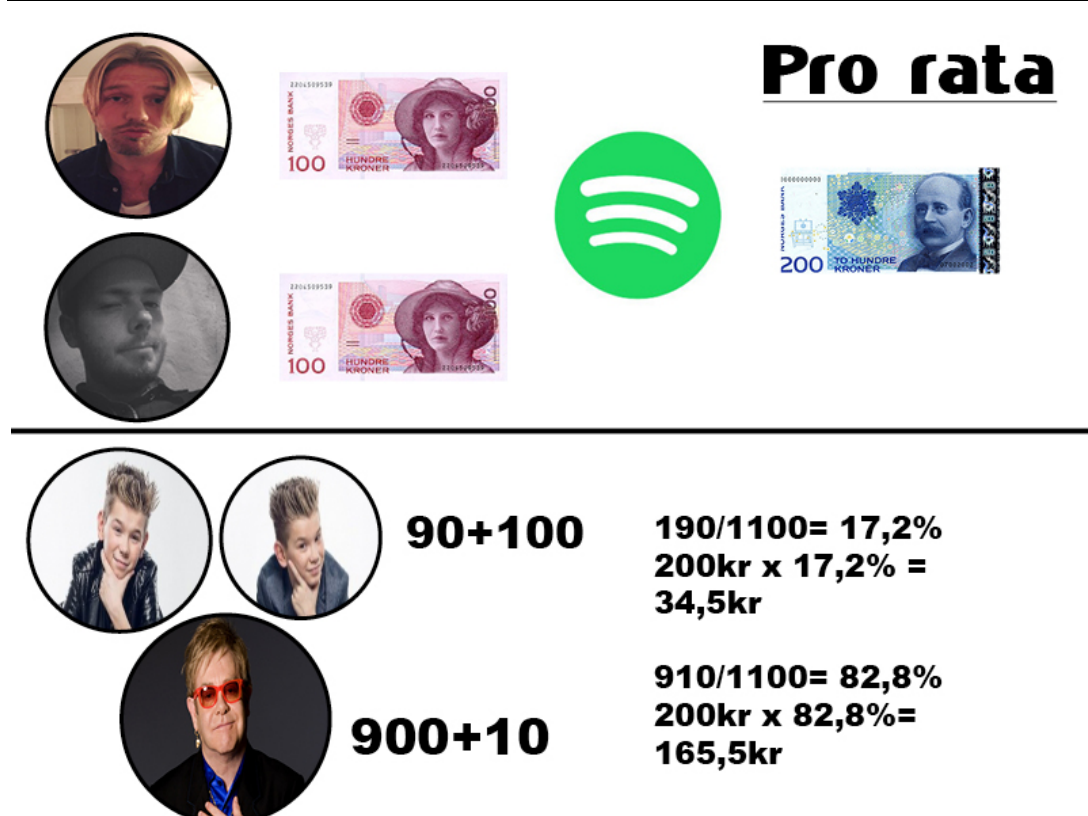
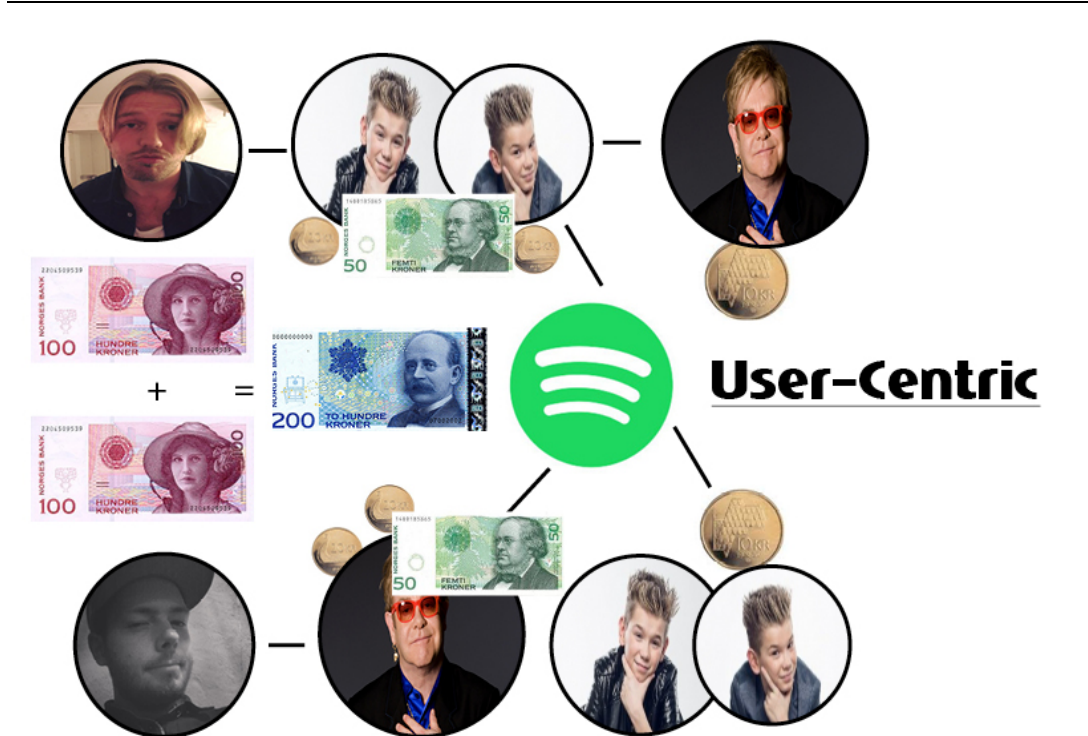


Figure 2. User-Centric



2. Participant Acquisition Form

Online: Through “Google Forms”

Fullt navn: --> Alder: --> Kjønn: --> Er du fulltidsstudent? --> Strømmer du musikk? --> Hvis ja, benytter du deg av betalt eller gratis versjon av tjenesten? --> Hvilken tjeneste bruker du primært? --> Hvis du ønsker å delta på en fokusgruppe, hvilken dato passer best? --> Skriv inn telefonnummer eller e-post som vi kan nå deg på.

Offline: At the University, and in the city centre

Navn: --> Alder: --> Betaler/Betaler ikke: --> Telefonnummer eller e-post

3. Participant Consent Form

Forespørsel om deltakelse i forskningsprosjektet

”Strømmetjenester og legitimitet”

Bakgrunn og formål

Formålet med studiet er å kartlegge brukeratferd og skildre deres meninger rundt temaet musikkstrømmetjenester. Vi har som problemstilling å se på hvilke faktorer som kan utgjøre en rolle i konsumenters bruk av strømmetjenester for musikk. Denne masteroppgaven finner sted ved Universitet i Agder sitt fakultet for kunsthøgskolen, ved studieretningen Music Management, og gjennomføres ikke for eksterne oppdragsgivere, og ikke i samarbeid mellom flere institusjoner.

Personen er forespurt deltakelse fordi vedkommende befinner seg innenfor en målgruppe som passer godt med forskernes forutsatte avgrensning, og er henholdsvis tilfeldig plukket på bakgrunn av tilgjengelighet for valgt dato, og for å samsvare med nevnte målgruppe.

Hva innebærer deltakelse i studien?

Datainnsamlingen vil foregå i fokusgrupper som tar sikte på å ikke vare lengre enn 2 klokke timer. Opplysningen som innhentes gjennom disse fokusgruppene vil i størst grad være deltakerens oppfatninger, meninger og perspektiver. Denne dataen vil registreres i form av notater, samt lyd/filmopptak men vil behandles særdeles forsiktig som anvist i neste punkt.

Hva skjer med informasjonen om deg?

Alle personopplysninger vil bli behandlet konfidensielt.

Opplysningene vil kun bli behandlet av prosjektgruppen, som i denne forstand er vi to som studenter i samarbeid med veiledere. Personopplysningene som samles vil bli oppbevart digitalt på våre personlige datamaskiner som er låst med brukernavn og passord, og vil i oppgaveteksten bli anonymisert til *alder* og *kjønn*.

For å opprettholde personers anonymitet ber vi om at du som deltaker viser respekt ovenfor de andre deltakerne og holder den informasjonen som blir gitt av dem innenfor de veggene hvor fokusgruppen ble gjennomført. I publikasjonen vil deltakerne kun bli gjenkjent gjennom deres ytringer, alder og kjønn.

Prosjektet skal etter planen avsluttes **20.05.16**.

Etter prosjektets slutt vil personopplysninger og opptak bli slettet, og kun anonymisert data i den form nevnt ovenfor vil gjenstå.

Frivillig deltakelse

Det er frivillig å delta i studien, og du kan når som helst trekke ditt samtykke uten å oppgi noen grunn. Dersom du trekker deg, vil alle opplysninger om deg bli anonymisert.

Studien er meldt til Personvernombudet for forskning, Norsk samfunnsvitenskapelig datatjeneste AS.

Samtykke til deltakelse i studien

Jeg har mottatt informasjon om studien, og er villig til å delta

(Signert av prosjektdeltaker, dato)