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# Strategies for Achieving Profitability in the Music Streaming Service Business Model

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# Walden University

College of Management and Technology

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James D. Bennett

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Abstract

Strategies for Achieving Profitability in the Music Streaming Service Business Model

by

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MS, Belmont University, 2006

BS, Belmont University, 2001

Doctoral Study Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Business Administration

Walden University

December 2018

## Abstract

Although the rapid growth of the music streaming industry has led to record levels of global music consumption, many leaders in the music streaming industry have not developed a financially sustainable business model for music streaming. This descriptive single case study focused on strategies that some global music streaming service leaders used to generate sustainable profits through their business models. Christensen's theory of disruptive innovation served as the conceptual framework for this study.

Semistructured interviews with the chief executive officer and 4 senior managers of a leading music streaming service in southeastern Asia were analyzed to identify themes. Secondary data collected for this research included practitioner reports, government reports, company documentation, and peer-reviewed journal articles. During data analysis, I used method triangulation to generate insights regarding the key themes identified in the literature review. Analysis of the data revealed strategies that global music streaming leaders used to generate profits: (a) optimization of the firm's dynamic capabilities, (b) optimization of the subscription and freemium business models, and (c) a deliberate focus on the niche of local music. The findings of this study could be useful to music streaming service leaders who need to generate sustainable revenues and lack the strategies to do so on their own as well as to music streaming leaders who want their service to implement a disruptive innovation strategy. Additionally, the findings of this study might promote social change by generating awareness of proven strategies leading to sustainable profits for music streaming services and job security for artists who contribute to sustaining or increasing local economies cash flows and taxable incomes.

Profitability of the Music Streaming Service Business Model

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## Dedication

I dedicate this doctoral study to my wife, Kristen, and children, Taylor and Noah.

## Acknowledgments

I would like to thank God for giving me the patience and persistence to finish this doctoral study. The doctoral study process often challenged my resolve, but God always gave me strength and encouragement to press on to the finish line. Further, I would like to thank my family and friends for all their patience, encouragement, and support. Additionally, I would like to thank my doctoral study committee, Dr. Diane Dusick, Dr. Charles Needham, and Dr. Yvonne Doll, for their guidance, insight, and encouragement throughout the whole process. I want to especially want to thank and highlight how grateful I am to have had Dr. Diane Dusick as my doctoral study committee chairman. I could not have finished this study without her tireless help, encouragement, and wisdom. Finally, I want to thank Walden University for the wonderful experience I have had during my doctoral studies.

## Table of Contents

List of Tables .....	iv
List of Figures .....	v
Section 1: Foundation of the Study.....	1
Background of the Problem .....	1
Problem Statement .....	2
Purpose Statement.....	3
Nature of the Study .....	4
Research Question .....	5
Interview Questions .....	5
Conceptual Framework.....	6
Operational Definitions.....	7
Assumptions, Limitations, and Delimitations.....	8
Assumptions.....	9
Limitations .....	9
Delimitations.....	10
Significance of the Study .....	10
Contribution to Business Practice.....	11
Implications for Social Change.....	12
A Review of the Professional and Academic Literature.....	12
Disruptive Innovation .....	15
Historical Background .....	25



Business Model.....	27
Music Streaming.....	33
Business Model Innovation.....	35
The Music Streaming Business Model .....	38
Transition .....	41
Section 2: The Project.....	43
Purpose Statement.....	43
Role of the Researcher .....	44
Participants.....	47
Research Method and Design .....	49
Research Method .....	49
Research Design.....	51
Population and Sampling .....	55
Ethical Research.....	57
Data Collection Instruments .....	61
Data Collection Technique .....	65
Data Organization Technique .....	69
Data Analysis .....	72
Reliability and Validity.....	76
Reliability.....	77
Validity .....	79
Transition and Summary.....	82

Section 3: Application to Professional Practice and Implications for Change .....	83
Introduction.....	83
Presentation of the Findings.....	84
Theme 1: Optimization of Dynamic Capabilities .....	87
Theme 2: Optimize Subscription Business Model.....	98
Theme 3: Focus on the Niche of Local Music .....	109
Theme 4: Optimize the Freemium Business Model .....	119
Applications to Professional Practice .....	128
Implications for Social Change.....	130
Recommendations for Action .....	131
Recommendations for Further Research.....	132
Reflections .....	133
Conclusion .....	135
References.....	137
Appendix A: Audio Interview Protocol.....	167
Appendix B: Email Contact Protocol .....	168
Appendix C: Interview Questions.....	170

## List of Tables

Table 1. References Used by Frequency and Percentage in Proposal .....	14
Table 2. References Used by Frequency and Percentage in Literature Review .....	15
Table 3. Optimization of Dynamic Capabilities .....	97
Table 4. Optimize Subscription Business Model.....	106
Table 5. Focus on Niche of Local Music .....	116
Table 6. Optimize the Freemium Business Model.....	126

## List of Figures

Figure 1. References used by frequency and percentage in proposal .....	18
Figure 2. References used by frequency and percentage in literature review .....	30
Figure 3. The relationships between the major themes and minor themes.....	86

## Section 1: Foundation of the Study

In 2016, the global music market grew by of 5.9%, which was the fastest growth rate in 19 years, and generated total revenues of \$15.7 billion (International Federation of Phonographic Industry [IFPI], 2017). However, leaders in the music streaming industry have not achieved a sustainable music streaming business model (Aguiar & Waldfogel, 2017; Butz, Stifel, Schultz, & O'Neill, 2017; IFPI, 2017). In this study, I applied Christensen's (1997) disruptive innovation theory to examine what elements of the on-demand music streaming service business model can influence revenues leading to profitability. This study is of value to music streaming service leaders because their industry is the most rapidly growing sector of the global music industry (IFPI, 2017). As such, the financial condition of music streaming services requires a profitable and sustainable music streaming service business model (IFPI, 2017). Findings from this study might help music streaming leaders to develop a strategic framework to enhance profits.

### **Background of the Problem**

Traditionally, the music business model has been ownership based, which required sales of physical music products through retail distribution networks. Under the ownership based music business model, when music consumers wanted to listen to their favorite songs they had to own or purchase those songs from brick and mortar stores on physical music products, such as compact discs (CDs), cassettes, and vinyl albums (Aguiar & Martens, 2016; IFPI, 2017; Wlömert & Papies, 2015). However, the

popularization of the Mp3 audio file throughout the late 1990s made the digital copies of music cheap and easy to obtain through peer-to-peer (P2P) file-sharing networks and download stores such as Apple's iTunes (Lyubareva, Benghozi, & Fidele, 2014). Consequently, the ownership based music business model remained intact until the advent of cloud computing technology made on-demand music streaming possible (Lyubareva et al., 2014). On-demand music streaming has resulted in the creation of a new music business model based on access to, not ownership of, music (Butz et al., 2017; Lyubareva et al., 2014).

The access based music business model has experienced rapid worldwide growth because of advances in wireless telecommunications, smartphone technology, and mobile payment technology (Aguiar & Martens, 2016; Hiller, 2016; Trefzger, Rose, Baccarella, & Voigt, 2015). With the exception of record labels, the rise in popularity of music streaming, however, has not generated sustainable revenues for either the music industry or for the music streaming industry (Butz et al., 2017). Without sustainable revenues, the music streaming industry creates more problems than solutions for the global music industry (Wlömert & Papies, 2015). As a result, music streaming leaders need new strategies to generate sustainable revenues.

### **Problem Statement**

Although the rapid growth of the music streaming industry has led to record levels of global music consumption, leaders in the music streaming industry have not developed a financially sustainable business model for music streaming (Aguiar &

Waldfoegel, 2017; Butz et al., 2017; IFPI, 2017). Revenues from music streaming services grew 578% from \$0.5 billion in 2010 to \$2.89 billion in 2015; by contrast, global music industry revenues fell from more than \$22 billion in 2005 to approximately \$15 billion in 2015 (Aguiar & Waldfoegel, 2017). The general business problem is that the developmental and growth-related costs inherent in the Spotify music streaming business model have resulted in a loss of profitability for leaders of music streaming services. The specific business problem is that some global music streaming service leaders lack strategies to generate sustainable profits through their business models.

### **Purpose Statement**

The purpose of the qualitative descriptive single case study was to explore strategies that some global music streaming service leaders use to generate sustainable profits through their business models. The specific population for the case study included the chief executive officer (CEO) and four senior managers of a leading music streaming service in Southeastern Asia who addressed the sustainability challenges inherent in the Spotify music streaming service business model. The data from this study could contribute to positive social change through its use by music streaming service leaders to identify strategies they can apply to prevent bankruptcy and enhance profits within the music streaming business. Using study data, academic and practitioner researchers may be able to develop a strategic framework for achieving music streaming service profitability. Furthermore, the profitability strategies discussed in this study could aid music leaders in developing new streaming service analytics that could allow artists to

analyze their music better and music consumers to listen to and support their favorite artists more easily.

### **Nature of the Study**

A qualitative methodology was appropriate for this study as the purpose was to explore strategies rather than gather and analyze numerical data. A quantitative methodology seemed inappropriate for this research. As McCusker and Gunaydin (2014) noted, researchers use a quantitative method to test hypotheses about differences or relationships among variables. Researchers use qualitative methods when their objective is to interpret the meaning of phenomena to gain insights (McCusker & Gunaydin, 2014). To answer the research question, more in-depth insight into the phenomenon of interest resulted from a qualitative method than was possible using a quantitative method. I considered but opted against using a mixed method approach. As noted by Bentahar and Cameron (2015), researchers analyze both closed-ended data, such as numerical data, and open-ended data, such as interviews, when using a mixed method approach. The analysis of numerical data was not necessary to answer my research question. Consequently, I opted against using a mixed method approach.

The research design selected for this project was a case study. Other researchers studying the music streaming industry have used this design. Butz et al. (2017) used a qualitative case study approach to explore the technological and consumer changes in the music industry. Yin (2014) observed that a single descriptive case study research design is appropriate when a researcher's goal is to use a descriptive theory to describe a



phenomenon. A case study research design was suitable for this study because of the objective of exploring the phenomenon of music streaming service leaders' strategies to enhance profitability of the music streaming business market.

I did not select an ethnographic design for this study because such a design concerns the identification and description of the culture and habits of a selected people group (Lewis, 2015). Neither narrative nor phenomenological research designs were appropriate for this study. Neither design aligned closely with the study purpose, which was to identify and explore profit enhancement strategies music streaming service leaders use to achieve sustainable profitability through their business models. The focus of this study, a search for strategies, did not align with phenomenological researchers' focus on the lived experiences of participants nor with narrative researchers' focus on the life stories of the participants (see Lewis, 2015). Accordingly, the choice of a qualitative descriptive single case study was the most appropriate research methodology and design for exploring the phenomenon studied.

### **Research Question**

What strategies do some global music streaming service leaders use to generate sustainable profits through their business models?

### **Interview Questions**

1. What strategies are you using to develop your company business and revenue models?

2. What strategies are you using to reduce or manage operational expenses for your company?
3. What business growth and development strategies are you using to sustain or increase revenues for your company?
4. What strategies are you using to reduce the cost of content acquisition?
5. What are your company's growth strategies?
6. What strategies are you using to generate additional and nontraditional revenue streams for your business and for the stakeholders included in your business ecosystem?
7. What else could you add to help determine what strategies leaders of similar music streaming services should use to increase the profits of the music streaming service business model in the global market?

### **Conceptual Framework**

I applied Christensen's (1997) disruptive innovation theory to explore what elements of the on-demand music streaming service business model can affect revenues and profitability. Christensen noted that the key characteristics of disruptive innovation are (a) simpler products and services, (b) smaller niche target markets, and (c) lower gross margins. Furthermore, Christensen explained that high levels of risk, including financial risk, could result from business leaders introducing a disruptive innovation to achieve mainstream market success. As such, the on-demand music streaming service evaluated for this study was useful for describing the subject disruptive innovation.

Chesbrough and Rosenbloom (2002) described a successful business model as the logical blueprint that links a firm's product or service offering to economic value. A business model's functions include (a) the value proposition, (b) a market segment, (c) the value chain, (d) the cost structure and sources of revenues, and (e) the profit potential (Chesbrough & Rosenbloom, 2002). The Spotify music streaming service business model has been described as an on-demand, access and subscription based business model that differs from the traditional music business ownership based business model (Carvalho & Scavarda, 2015; Lyubareva, Benghozi, & Fidele, 2014). The business model that leaders of on-demand music streaming services use is neither successful nor economically sustainable because it is unprofitable (Butz et al., 2017; Rayna & Striukova, 2016).

### **Operational Definitions**

*Freemium*: Freemium is a combination of the words *free* and *premium*. It describes a business model in which a firm initially gives away a limited, ad-supported free version of its service to customers. A freemium service is eventually followed by a premium service offer that includes enhanced and unlimited service features (Wagner, Benlian, & Hess, 2014; Gunzel-Jensen & Holm, 2015). Firms that use a freemium business model include (a) Spotify, (b) Dropbox, (c) Skype, (d) Pandora Free, and (e) NhacCuaTui.

*Interactive streaming services*: Interactive streaming services is a legal term used to describe music streaming services that allow music consumers to choose and play the

songs they want to hear (U.S. Copyright Office, 2015). Examples of interactive on-demand streaming services include (a) Apple Music, (b) Spotify, (c) Deezer, (d) Google Play, (e) Rhapsody, (f) Tidal, (g) Pandora Premium, and (h) NhacCuaTui.

*Internet-radio services:* Internet-radio services is a common term used to describe noninteractive streaming services (U.S. Copyright Office, 2015).

*Noninteractive streaming services:* Noninteractive streaming services is a legal term used to describe music streaming services that do not allow music consumers to choose and play the songs they want to hear (U.S. Copyright Office, 2015). Examples of noninteractive streaming services, also called internet-radio services, include (a) Sirius XM, (b) NPR, and (c) Pandora Free.

*On-demand music streaming service:* The common term used to describe interactive music streaming services (U.S. Copyright Office, 2015).

### **Assumptions, Limitations, and Delimitations**

Assumptions, limitations, and delimitations represent the various risks and weaknesses within the research and must be identified by the researcher (O'Brien, Harris, Beckman, Reed, & Cook, 2014; Staller, 2014). The assumption section presents essential but unverified facts that the researcher cannot control (Staller, 2014). The limitation section presents potential weaknesses in the research that are beyond the control of the researcher (Bengtsson, 2016). The delimitations section presents the bounds or scope of the study, which are controllable by the researcher (Bengtsson, 2016).

## **Assumptions**

Assumptions are basic facts accepted by the researcher as true that support the foundation of the research. Staller (2014) explained that assumptions are basic risks inherent in the research that are important to identify but are somewhat uncontrollable. For example, I conducted the research in a way that ensured the participants' privacy and confidentiality. As a result, an assumption was that the participants would answer all interview questions honestly. Another assumption was that my biases would not taint the research process, gathering of data, analysis of data, and reporting of findings.

## **Limitations**

According to Elo et al. (2014), researchers must identify and discuss the limitations of a study. Limitations refer to the potential and uncontrollable weaknesses in the proposed study (Bengtsson, 2016; Elo et al., 2014). Four primary limitations pertain to this study. First, the native language of the participants, music streaming service leaders in Southeastern Asia, I interviewed for this study was not English. The language difference between the participants and myself could have limited the participants' understanding of the interview questions and could have limited my interpretation and translation of the participants' answers. Second, the Southeastern Asian country where the participants live is a communist country, not a capitalist country, which could have limited the information that the participants shared during the interviews and could have limited the applicability of the interview responses to other music streaming services. Third, uncontrollable, subconscious biases of my own could have limited this study.

Fourth, the qualitative descriptive approach of this study could have limited the nature of the information shared by the participants during the interviews. For example, some participants could have chosen to not share private information or information that they considered to be easily identifiable to their company.

### **Delimitations**

Delimitations refer to the bounds or scope of the study, which are controllable by the researcher (Bengtsson, 2016). The purpose of this study was to describe the profitability strategies used by music streaming service leaders in Southeastern Asia who addressed the sustainability challenges inherent in the Spotify music streaming service business model within the global music streaming market. Thus, a primary delimitation of this study was its geographic boundaries. A second delimitation of this study was that not all music streaming services use the Spotify music streaming business model. A third delimitation of this study was that my personal interests limited the scope of questions I planned to ask in the participant interviews. The final delimitation of this study was that I planned to select managers who held senior or founding positions in the company.

### **Significance of the Study**

This study is of value to music streaming service leaders because the music streaming industry is the most rapidly growing sector of the global music industry, and, as such, the financial condition of the music streaming services requires a profitable and sustainable music streaming service business model (IFPI, 2017). To attract new users, music streaming service leaders typically employ freemium and premium subscription

business models that lack a sustainable monetization component (Butz et al., 2017; Gunzel-Jensen & Holm, 2015; Rayna & Striukova, 2016; Wlömert & Papies, 2015). New strategies are necessary for music streaming service leaders to learn better ways how to increase the profits of their business model to achieve profitability (Aguiar, 2017; Aguiar & Martens, 2016; Schaltegger, Hansen, & Lüdeke-Freund, 2015; Rayna & Striukova, 2016).

### **Contribution to Business Practice**

Global music streaming service leaders have struggled to achieve sustainable profitability through their business models for their companies. Consequently, music streaming service leaders must learn strategies to generate sustainable revenues (Aguiar, 2017; Butz et al., 2017; Hiller, 2016; Rayna & Striukova, 2016). Researchers concerned with profitability have focused on many different aspects of music streaming: (a) increasing revenues through advertising (Ko & Lau, 2015; Morris & Powell, 2015), (b) business model manipulations (Aversa, Furnari, & Haefliger, 2015; Lyubareva, 2014; Trefzger, Rose, Baccarella, & Voigt, 2015), and (c) user data analysis (Parry, Vendrell-Herrero, & Bustinza, 2014). However, business management researchers focus on strategies music streaming leaders use to generate sustainable revenues. Music streaming leaders need new strategies to create sustainable revenues (Butz et al., 2017). Findings from this study could contribute to the music streaming business by describing a strategic framework of successful profit enhancing strategies applied by music streaming leaders.

## **Implications for Social Change**

The music streaming industry is the most rapidly changing and impactful area of the music business. Successful business leaders consistently observe their ecosystem (Banerjee et al., 2017) and rapidly respond to the changes and demands of their environment (Christensen, McDonald, Altman, & Palmer, 2016). Banerjee et al. (2017) posited that business leaders who take a holistic view of their business ecosystem demands realize that the growth and sustainability of their ecosystem depends on the cooperation and interconnectedness of all the individual businesses that together make up the ecosystem. Findings, conclusions, and recommendations from this study could be valuable to music streaming service leaders who need to generate sustainable revenues and lack the strategies to do so on their own. The implications of social change for this study may include the identification of strategies leading to sustainable music streaming services and job security for artists who contribute to sustaining or increasing local economies cash flows and taxable incomes.

## **A Review of the Professional and Academic Literature**

The literature review consists of the review of the extant scholarly and professional literature for the topics (a) disruptive innovation, (b) business model, and (c) music streaming. I conducted searches for the following keywords or phrases: (a) *disruptive innovation*, (b) *business model*, (c) *music streaming*, (d) *digital music business model*, and (e) *music streaming business model*. I used the Walden University library search function, as well as the Google Scholar search function to search for the academic



and the professional literature reviewed for this study. I organized the literature review contents into six primary headings (a) disruptive innovation, (b) historical background, (c) business model, (d) music streaming, (e) business model innovation, and (f) the music streaming business model.

I narrowed my literature search with the following criteria parameters: (a) peer-reviewed articles with a publishing date of 2014 or later, (b) government reports with a publishing date of 2014 or later, and (c) relevance to the theory of disruptive innovation, the business model concept, the music streaming industry, and the music streaming business model. Of the 210 total references used in this study, 194 (92%) are peer-reviewed sources, three (2%) are government reports, and 181 (86%) were published from 2014 to 2017, which is within 5 years or less of my anticipated graduation date (see Table 1).

Table 1

*References Used by Frequency and Percentage in Proposal*

Resources	Within 5 years	Older than 5 years	Total	%
Seminal books	3	6	9	4%
Government research	2	1	3	2%
Peer-reviewed articles	179	15	194	92%
Non-peer-reviewed articles	3	1	4	2%
Total	187	23	210	100%

Of the 106 total references used in the literature review section of this study, 98 (92%) are peer-reviewed sources, two (2%) are government reports, and 93 (88%) were published from 2014 to 2017, which was within 5 years or less of my anticipated graduation date (see Table 2). References published before 2014 included the seminal works of theory written by influential scholars relevant to the conceptual framework of this study.

Table 2

*References Used by Frequency and Percentage in Literature Review*

Resources	Within 5 years	Older than 5 years	Total	%
Seminal books	0	3	3	3%
Government research	2	0	2	2%
Peer-reviewed articles	91	7	98	92%
Non-peer-reviewed articles	3	0	3	3%
Total	96	10	106	100%

The purpose of this qualitative descriptive case study was to explore strategies that some global music streaming service leaders use to generate sustainable profits through their business models. The specific population for the case study included the CEO and four senior managers of a leading music streaming service in Southeastern Asia who addressed the sustainability challenges inherent in the Spotify music streaming service business model within the global music streaming business ecosystem. The data from this study could contribute to positive social change through its use by music streaming service leaders to identify strategies they can apply to prevent bankruptcy and enhance profits within the music streaming business.

### **Disruptive Innovation**

Disruptive innovations, especially disruptive business model innovations, change the previously established values and value chains of industries, which influence a company's profitability. The destruction of established market values for incumbent

technologies often occurs after the successful introduction of a disruptive innovation (Abernathy & Clark, 1985). Thus, a manager's innovation decisions often determine the success or failure of a firm (Oh, Cho, & Kim, 2015). The concept of *disruptive innovation*, as originally defined and developed by Christensen and Bower (1996) and Christensen (1997), is the innovation theory that provides an answer for why market leading incumbent firms fail when nonincumbent firms introduce disruptive innovations into the business market. Consequently, innovative business leaders who hope to disrupt the incumbents in their industries must know and be able to implement effective and profitable strategies of disruption. A summary of the evolution Christensen's (1997) theory of disruptive innovation follows.

The theory of disruptive innovation has become one of the most academically and commercially popular business management theories since the 1990s. Disruptive innovation theory originated in Christensen's research as a descriptive theory, founded in the resource based view (RBV) of business management, that focused on responses to technological change (Christensen, McDonald et al., 2016; Christensen, Raynor, & McDonald, 2015). Christensen's (1997) focus of disruption is limited to technological disruption. According to Christensen, disruptive innovations (a) emerge alongside incumbents, (b) meet the needs of customers in niche markets, (c) offer new technological features that niche customers value, and (d) create new markets that eventually replace the traditional markets previously dominated by incumbents.

For better or worse, managers follow the policies put in place at their companies.

Christensen (1997) argued that good management practices biased the decision making of managers of incumbent companies to innovate new products, referred to as sustainable innovations, with higher performance capabilities that satisfied the demands of their customers with highest profit margins. Christensen (1997) also argued that the innovation policies in place at incumbent companies dictated that management allocated company resources to innovations that promised the most reliable profits in the short term. As a result, managers of incumbent companies who followed company policy frequently ignored innovations that fell outside of the company's innovation policy parameters (Christensen et al., 2015). In other words, the strict adherence of incumbent companies to short-term, profit-maximizing innovation policies made incumbent companies vulnerable to disruption.

Christensen (1997) explained that disruptive innovations offer simpler functional technology to low-profit fringe consumers that the customers of incumbent companies do not want. Consequently, most disruptive innovations fell outside of the traditional innovation policies of incumbent companies (Christensen, 1997). Christensen posited that good managers of incumbent companies chose to migrate up-market and pursue more profitable sustaining innovations and, at the same time, to cede the low-market, low-profit ground to entrants. In the disruptive innovation model, business managers contrast two product performance trajectories with the customer demand trajectory: (a) the incumbent's sustaining trajectory and (b) the entrant's disruptive trajectory (Figure 1).

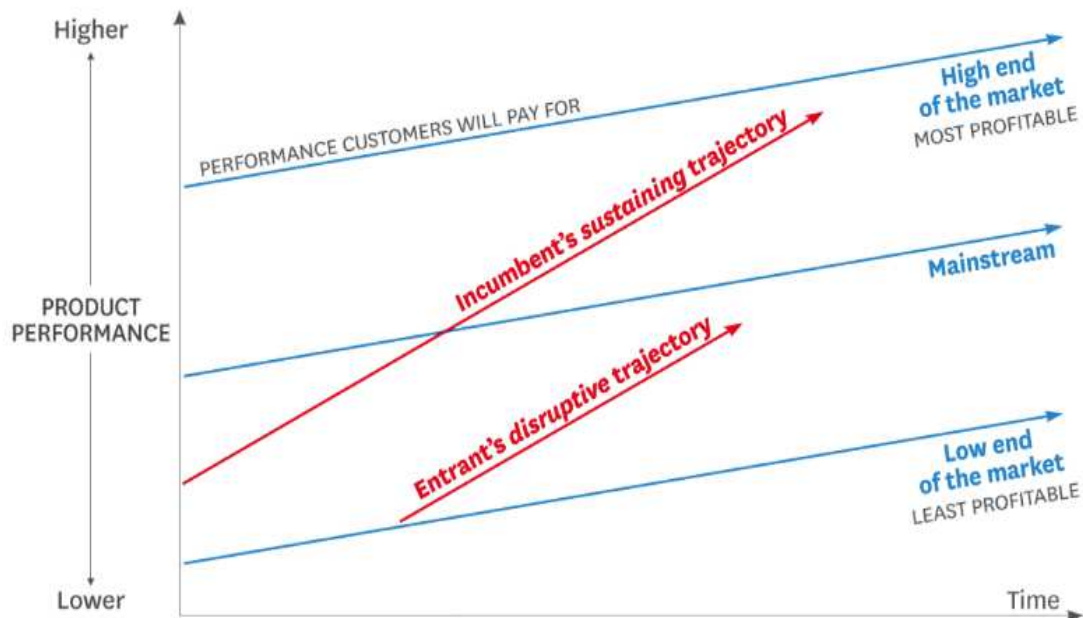


Figure 1. The disruptive innovation model (From “What is Disruptive Innovation?” by C. M. Christensen, M. Raynor, and R. McDonald, 2015, *Harvard Business Review*, 93, p. 49. Copyright 2015 by HBR.org.).

Understanding the disruptive innovation model and its implications are critical to understanding the theory of disruptive innovation. In the theory of disruptive innovation, the existence of two distinctly different performance trajectories for incumbents and entrants is a fundamental competitive response assumption (Christensen, McDonald et al., 2016; Hابتay & Holmen, 2014). In the disruptive innovation model, entrant innovators on the disruptive trajectory improve their technologies and products to a level that attracts up-stream market consumers (see Figure 1). Similarly, managers of incumbent companies, who made innovation decisions based on predictable short-term profits, continue to migrate up-market and cede low-market low-profit ground to entrants

(see Figure 1). Disruption occurs when the technologies and products of innovators on the disruptive trajectory finally attract mainstream market consumers. As a result, incumbent companies on the sustaining trajectory fail because the managers cannot cede any additional low-market low-profit ground to the disruptive entrants (see Figure 1).

Christensen et al. (2015) expanded the theory of disruption to include disruptive product innovations and disruptive business model innovations. Christensen et al. further expanded the theory of disruptive innovation by adding a predictive framework and discussing the competition between disruptive innovators and incumbent firms as well as potential outcomes of those competitions. The theory of disruptive innovation expanded from the single low-end disruption entry point identified in Christensen (1997) to include a second entry point after Markides' (2006) found that some successful disruptive innovations entered new markets. Gilbert (2005) also expanded the theory of disruptive innovation and identified that the creation of ambidextrous business units helped some incumbent firms defend their market share against disruptive innovators. Put differently, early disruptive innovators entered either the low-end of the market or entered entirely new markets to compete against incumbent companies because doing so made it more difficult for incumbents to respond to and defend against the disruption. However, as the theory of disruptive innovation has evolved over time, the creation of ambidextrous business units by incumbent companies has proven to be an effective defensive strategy that incumbent companies can use to compete directly with disruptive innovators.

Many scholars criticized the expanded version of the theory of disruptive innovation. Specifically, Adner (2002) and Danneels (2004) argued that Christensen's disruptive innovation research exhibited a lack of rigor and evidentiary research support. Similarly, Govindarajan and Kopalle (2006) argued that Christensen's disruptive innovation framework worked only when applied retrospectively. Markides (2006) indicated that Christensen overreached when he applied disruptive innovation theory to business model innovation and product innovation. In contrast to Christensen (1997), Markides (2006) argued that the phenomena of business model innovations and the phenomena of product innovations represented different types of innovation that warranted separate research categories. In my doctoral study, the theory of disruptive innovation that I applied to the music streaming industry included insights from Christensen's early research as well as Christensen's later research that expanded the theory of disruptive innovation. Specifically, I applied the following insights from Christensen et al.'s (2015) expanded theory of disruptive innovation: (a) disruption is a process not an event, (b) disruptive innovation is financially unattractive to incumbents, and (c) disruptive innovations offer new products to new customers for less cost.

Previous researchers have used the term disruptive innovation without any requisite knowledge of the disruptive innovation theory or its tenets. Denning (2016) emphasized that many people confuse and misapply the primary tenets of Christensen's theory of disruption. Denning blamed the confusion and misapplication on the commercial success of Christensen published books and other writings on disruptive



innovation theory. For example, Denning explained that some scholars wrongly understand disruptive innovation as an event instead of as a process. In fact, Christensen et al. (2015) explained that one of the primary tenets of disruptive innovation theory is that disruptive innovation occurs as a process and not as an event. Put simply, the disruptive innovation theory is not a catch all phrase that applies to every successful new product or innovation. Instead, all disruptive innovations follow a similar path of success, which begins on the fringes of an industry and over time captivates mainstream customers. Thus, disruptive innovators deliberately disrupt industries over time with their disruptive innovations.

Christensen et al. (2015) described three categories of innovation: (a) sustaining innovations, (b) disruptive innovations, and (c) efficiency product innovations. Sustaining innovation refers to the incremental improvements to a firm's products and services that help to increase a firm's revenues from an existing customer base (Christensen et al., 2015; Christensen, Bartman, & Bever, 2016; King & Baatartogtokh, 2015). Christensen et al. argued that most innovations are sustaining innovations because sustaining innovations carry less risk and cater to the desires of a company's most profitable customers. For example, television manufacturers often create sustaining innovations to improve the picture quality available on televisions, such as (a) the innovation of color television, (b) the innovation of high definition television, and (c) the innovation of three dimensional (3D) television (Reinhardt & Gurtner, 2015). In short, sustaining innovations are characterized by small incremental changes.

By contrast, disruptive innovation refers to a certain kind of new product, new service, or new business model that creates a new market and simultaneously destabilizes the traditional market. Christensen (1997) and Christensen et al. (2015) characterized disruptive innovations as a specific kind of innovation with three characteristics. First, the innovation is financially unattractive to incumbent market leading companies because disruptive innovations do not promise acceptable profit margins (Christensen, 1997). Second, new customers receive new value from the innovation that incumbent products do not offer, such as (a) meeting the convenience needs and (b) nonavailable functionality needs desired by niche customers (Christensen, 1997). Third, the innovation is offered to niche customers at a lower cost than the comparable, mainstream products offered by incumbent companies (Christensen, 1997). The presence of these three characteristics distinguish disruptive innovations.

Previous researchers provided numerous examples of disruptive innovations that influenced the music industry. The portable radio (McCourt & Zuberi, 2016; Rogers, 2014), vinyl albums and cassette tapes (Chiaroni, Chiesa, Franzo, Frattini, & Urbinati, 2016; Rogers, 2014; Sarpong, Dong, & Appiah, 2016), and digital music files, such as the MP3 (Arditi, 2017; Chiaroni et al., 2016; Corti & Fielding, 2016) are disruptive innovations from the 20th century. More recent innovations include (a) P2P file-sharing services, such as Napster, Gnutella, and Kazaa (Arditi, 2017; Chiaroni et al., 2016; Oberholzer-Gee & Strumpf, 2016); (b) digital music stores, such as iTunes (Arditi, 2017; Chiaroni et al., 2016; Waldfogel, 2017); and (c) music streaming services, such as

Spotify, Deezer, Rhapsody, and Apple Music (Arditi, 2017; Butz et al., 2017; Chiaroni et al., 2016). Each of these disruptive innovations followed a similar path of disruption. The disruptive innovations of the 20th century lasted because their innovators learned to generate profits. However, many 21st century disruptive innovators have not learned how to generate profits through their innovations. Consequently, many modern innovations fail to profit and do not last. For instance, many of the music streaming services listed are deeply in debt and unprofitable (Butz et al., 2017). Whether or not music streaming innovators learn to generate profits through their innovations remains a key to the survival of the music streaming industry.

Disruptive innovation occurs in all industries. Previous researchers noted nonmusic industry examples of disruptive innovations as well. For example, disruptive products (Christensen et al., 2015; Fenech & Tellis, 2014), such as personal computers, data storage devices, smartphones, and mobile music devices (Chiaroni et al., 2016; Vecchiato, 2017) changed both personal and business activities. Other innovations include (a) cloud computing, also referred to as software as a service (SaaS; Kaltenecker, Hess, & Huesig, 2015); (b) movie streaming services (Chiaroni et al., 2016; Rayna & Striukova, 2016); and (c) newly configured business models (Dobusch & Schüßle, 2014; Tongur & Engwall, 2014) such as Uber and Netflix (Bohnsack, Pinkse, & Kolk, 2014; Chiaroni et al., 2016; Rayna & Striukova, 2016; Wikhamn & Knights, 2016); (d) Paypal (Dhewanto, Dellyana, & Simatupang, 2017); and (e) crowdfunding websites (Galuszka & Bystrov, 2014; Gamble, Brennan, & McAdam, 2017). Each of these innovations

followed the path of disruption. As a result, the innovators of those innovations made new products for new customers for a lower cost than comparable mainstream products. Therefore, disruption is a process not an event.

The path of disruption is very specific and not something that can be followed haphazardly. Disruptive innovations succeed when innovative companies offer new features to customers in new markets at a low cost (Christensen et al., 2015; King & Baatartogtokh, 2015). Early adopters of disruptive innovations and early adopters of sustaining innovations manifest different product needs and different product knowledge (Reinhardt & Gurtner, 2015). Reinhardt and Gurtner (2015) explained that early adopters of disruptive innovations possess more domain-specific knowledge regarding the specific product category than do early adopters of sustaining innovations. Differently put, early adopters of disruptive innovations manifest an in-depth knowledge of the product niche as well as an in-depth knowledge of how to use the various new product functions. By contrast, early adopters of sustaining innovations often manifest mainstream consumer tendencies as well as an enthusiasm for previous product releases. In addition, Gerasymenko, De Clercq, and Sapienza (2014) and Reinhardt and Gurtner (2015) described that monetary resources as a driver and financial risk mitigatory for early adopters of disruptive innovations. By contrast, Reinhardt and Gurtner explained that monetary resources did not influence early adopters of sustaining innovations. In other words, early adopters of disruptive innovations care about the price they will pay for a product or service. Some may care because they have less money. Others may care

because they want and understand the specific benefits of the product and view their investment as worth the risk.

Some incumbent companies use leverage and business model adjustments to disrupt their markets. Christensen et al. (2015) described efficiency product innovations, such as Walmart, as offering the same customers, in the same markets, the same products, but at lower costs than competitor companies. Efficiency innovations are less prevalent because efficiency business models often require the price negotiating power of large companies, such as Walmart (Christensen et al., 2015). Christensen et al. explained that the Uber taxi service does not fit the efficiency innovation category because Uber began as a low-cost service that met the needs of niche customers through the creation of a new business model that ultimately disrupted the taxi industry. By contrast, Christensen et al. described Walmart as an incumbent with efficiency innovativeness made possible by Walmart's market leading negotiation power. Efficiency innovations may disrupt a market, but they are not disruptive innovations because efficiency innovations do not follow the path of disruptive innovation.

### **Historical Background**

The music business is a good industry to find many examples of disruptive innovation. Traditionally, the music business model was ownership based (Chiaroni et al., 2016; Hesmondhalgh & Meier, 2017), which required sales of physical music products through retail distribution networks. Consequently, music consumers who wanted to listen to their favorite songs had to own or purchase, from a brick and mortar

store, physical music products, like compact discs (CDs), cassettes, and vinyl albums (Aguilar & Martens, 2016; Grodach, 2014). However, the innovation of the Mp3 audio file made the digital copies of music cheap and easy to obtain via P2P file-sharing networks and download stores, like Apple's iTunes (Bourreau, Lestage, & Moreau, 2016). Even so, the ownership based music business model remained in-tact until on-demand music streaming, which utilizes cloud computing technology, created a new music business model based on access to music not on ownership of music (Lyubareva, Benghozi, & Fidele, 2014; Sinclair & Tinson, 2017). In other words, the lower cost music drove cost-sensitive customers to adopt music streaming and to stop buying and owning all the music they listened too.

When lower cost disruptive products and services combine with new technologies and improved modes of communication, disruptive innovators can take advantage of those market conditions and rapid growth for their disruptive innovations is possible. The access based music business model experienced rapid worldwide growth because of advances in wireless telecommunications, smartphone technology, and mobile payment technology (Waldfoegel, 2017). The rise in popularity of the music streaming industry, however, has failed to generate sustainable revenues for either the music industry or the music streaming industry (Butz et al., 2017; Ko & Lau, 2015). Without sustainable revenues, the music streaming industry creates more problems than solutions for the global music industry (Wlömert & Papies, 2015). Consequently, music streaming leaders need new strategies to generate sustainable revenues.

Achieving profitability is a necessity for companies that want to remain in business. To achieve sustainable revenues, music streaming leaders should generate sustainable revenue from multiple revenue streams (Ko & Lau, 2015; Rogers, 2014). For example, some music streaming services generate new revenues from partnerships with wireless telecommunications services (Arditi, 2017). Some managers make changes to their firm's business models to generate new revenues (Babić Rosario, Sotgiu, De Valck, & Bijmolt, 2016; Massa, Tucci, & Afuah, 2017).

### **Business Model**

The business model concept is a widely accepted new unit of analysis. The business model concept is different from other units of analysis, such as product, service, network, firm, or industry (Foss & Saebi, 2016). Nonetheless, practitioners (Foss & Saebi, 2016; Teece, 2010) agree upon no single business model construct. From the practitioner view, Teece (2010) explained that a business model is like a blueprint for a firm that details the core business, marketing, and strategic logics underlying and supporting the performance of the firm. However, even though all firms use business models, not all managers of those firms articulate the business model used by their firm (Foss & Saebi, 2016). Foss and Saebi (2016) explained that many scholars use the business model concept to examine the firm as a system of individual pieces that function together as a whole business. To put it another way, scholars tend to focus on the theoretical aspects and understandings of how a business model works. By contrast,

practitioners tend to focus on the performance of their business with or without knowing how performance relates to their business model.

Research on the topic of business models is spread across many different disciplines. Wirtz, Pistoia, Ullrich, and Gottel (2016) as well as Massa et al. (2017) identified three primary streams of business model research. In the first stream of research, business models serve as linguistic or cognitive classification schemas (Massa et al., 2017) or enterprise classification units (Wirtz et al., 2016). The first stream of research emerged from technology oriented literature. In the second stream of research, business models represent actual firm attributes (Massa et al., 2017) or the primary drivers of a firm's success (Wirtz et al., 2016). The second stream of research emerged from business organization theory. In the third stream of research, business models represent conceptual modeling of a firm's functionality (Massa et al., 2017) or units of innovation (Wirtz et al., 2016). The third stream of research emerged from business management strategy literature (Roome & Louche, 2016). Across all three streams of business model research, scholars agree on a few of the components of the business model construct, such as (a) strategic components, (b) customer and market components, (c) value creation components, and (d) value capture components.

Scholars and practitioners use the business model concept as a construct to organize a wide range of information into more simplified chunks of activity based talking points. Viet et al. (2014) highlighted the usefulness of the business model concept to managers and analysts for structural and descriptive purposes. Viet et al.



emphasized the importance of the business model concept to information and communication businesses. Specifically, Viet et al. identified the business model concept as a link that connects a company's business processes and strategy. Further, Viet et al. indicated that the intermediary aspect of the business model concept is of particular interest to scholars of business and information systems engineering (BISE), which is a new field of research that focuses on the impact of information technology in society and in businesses. Without the business model concept, the elements of business processes and business strategies are difficult to differentiate. Consequently, conversational efficiency improves when scholars, analysts, and managers take advantage of the descriptive usefulness of the business model concept.

For a business model to be a useful tool of communication, the business model should be easy to understand and should account for all the essential aspects of the business. Osterwalder and Pigneur (2010) explained that a business model is comprised of nine building blocks, which they described as the *business model canvas*. According to Osterwalder and Pigneur, the nine building blocks of the business model canvas are as follows: (a) customer segments, (b) value propositions, (c) channels, (d) customer relationships, (e) revenue streams, (f) key resources, (g) key activities, and (h) key partnerships (Figure 2).

**The Business Model Canvas**

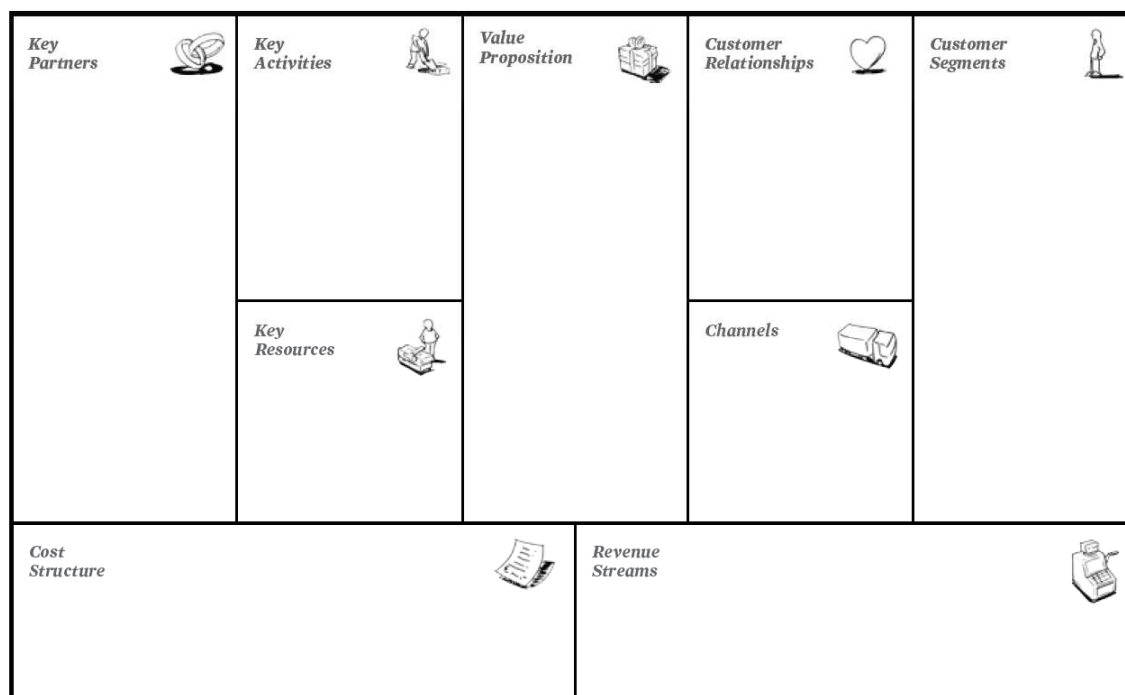


Figure 2. The nine building blocks of the business model canvas (From *Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers* (p. 44), by A. Osterwalder & Y. Pigneur, 2010, Hoboken, NJ: John Wiley & Sons, Inc. Copyright 2010 by Alexander Osterwalder & Yves Pigneur).

The top right section of the business model canvas (see Figure 2) includes the following components (a) customer segments, (b) channels, (c) value proposition, and (d) customer relationships. According to Osterwalder and Pigneur (2010), understanding the target customer segments is an essential aspect of choosing the most appropriate value proposition. For example, Spotify's most profitable customer segment is music aficionados (Butz et al., 2017). The value proposition of a company refers to what the company is providing to its customers. For example, Spotify's value proposition is

unlimited on-demand music for one monthly low cost (Butz et al., 2017). Channels refer to the variety of ways a company distributes its products or services to the target market (Osterwalder & Pigneur, 2010). For example, Spotify's channels include (a) a mobile application, (b) desktop, and (c) streaming services (Butz et al., 2017). According to Osterwalder and Pigneur (2010), customer relationships refer to the ways in which a company connects with its customers. For example, Spotify's customer relationships connect through the Spotify streaming platform, Facebook, Twitter, or other social media websites (Butz. et al., 2017). Stated another way, the top right section of the business model canvas identifies the link between customers, the company's product or service value, and how those customers connect or engage with the company's product or service.

The top left section of the business model canvas includes the following components (a) key resources, (b) key activities, and (c) key partners. The key resources of a firm refer to (a) employees, (b) contracts, (c) brand equity, and (d) content (Osterwalder & Pigneur, 2010). For example, Spotify's key resources include (a) over 30,000,000 licensed songs, (b) highly skilled employees, and (c) a world famous music streaming brand (Butz et al., 2017). According to Osterwalder and Pigneur (2010), key activities refer to core activities a firm does to increase value and to stay in business. For example, Spotify's key activities include (a) content acquisition negotiations, (b) music streaming, (c) negotiating financing, and (d) music streaming platform maintenance (Butz et al., 2017). Key partnerships refer to the relationships a firm has with third parties that

serve to increase the value and reach of the firm (Osterwalder & Pigneur, 2010). For example, Spotify's key partnerships include (a) telecommunications companies, (b) automotive companies, and (c) advertising companies (Butz et al., 2017). In short, the top left section of the business model canvas identifies the link between the company's business partners, the company's essential business activities, and the essential resources that the company uses to conduct those activities.

Finally, the bottom right and left sections of the business model canvas are revenue streams and cost structures. According to Osterwalder and Pigneur (2010), revenue streams refer to the ways a company generates income. For example, Spotify's revenue streams include (a) an ad-supported freemium service and (b) a subscription-based premium service (Butz et al., 2017). Osterwalder and Pigneur characterized cost structures as all the costs that a company will incur through using a specific business model. For example, Spotify's cost structure shows that Spotify's revenues pay for (a) content acquisition, (b) debt maintenance payments, (c) company acquisitions, and (d) various overhead costs, including but not limited to employee compensation, facilities, product research and development, and product maintenance (Butz et al., 2017).

The three business model components that drive a company's cost structures are revenue streams, customer relationships, and the value proposition. Each of those three business model components require ongoing significant investments to create and maintain. For example, Spotify's key activity of music streaming connects to the content acquisition, debt payments, and customer relationships cost structures. Consequently, a

company's lack of profitability indicates the existence of a mismatch between the company's revenue streams, key activities, customer relationships, and cost structures.

Achieving sustainable and profitable firm performance requires leaders to innovate new business models that make better use of advances in technology. For example, Aversa, Furnari, and Haefliger (2015) argued that some companies use multiple business model configurations at the same time. Some business model scholars have acknowledged the failure of the traditional music business model to innovate (Foss & Saebi, 2016). Other business model scholars have acknowledged the failure of the music streaming business model to generate sustainable profits (Aversa et al., 2015; Rayna & Striukova, 2016). Importantly, the firm's value proposition is the business model element that provides the customers with benefits through special features, desirable pricing, or unique attributes (Osterwalder & Pigneur, 2010). Some managers opt to implement new business models in their firms to leverage new technologies for multiple user groups, thus linking the firm's economic domain with the firm's technological domain.

### **Music Streaming**

Following the rapid growth of music streaming, global music consumption and revenues are at a record high. The IFPI (2017) reported that the 2016 music streaming revenues grew by 60.4% and that paid music streaming subscribers grew to more than 112 million. Furthermore, the IFPI (2017) reported that digital music revenue accounted for 50% of global music revenue in 2016. However, leaders in the music streaming

industry have not achieved a sustainable music streaming business model (Aguiar & Waldfogel, 2017; Butz et al., 2017; IFPI, 2017). For example, Lee (2017) reported that the 2016 Spotify financial report showed a 50% increase in total revenues to \$3.1 billion, but also, an increase in operating losses of \$205 million in 2015 to between \$350 million and \$450 million in 2016. This increase in operating losses indicates that despite Spotify's ability to generate more revenues, Spotify's profitability problems are getting worse not better. If Spotify's profitability problem was getting better, the increases in revenues would over compensate for the operating losses. Nevertheless, Spotify's operating losses are drastically increasing despite a 50% increase in revenues. Clearly, Spotify's financials point to a business model problem.

Music streaming leaders need new strategies to create sustainable revenues for their music streaming services. However, music streaming service leaders often employ freemium and premium subscription-based business models that lack a sustainable monetization component to attract new users (Gunzel-Jensen & Holm, 2015; Wagner et al., 2014). Much of the scholarly research related to the business models used in the digital music industry and the music streaming industry focuses on issues that do not directly address the problem addressed in this study, which is the inability of music streaming services to generate sustainable profits through the current Spotify music streaming business model.

## **Business Model Innovation**

A primary subfield of business model research is business model innovation. The field of business model innovation includes many aspects of management decision making regarding a firm's (a) strategy, (b) organizational setting, (c) financial structure and risk appetite, and (d) market positioning (Taran, Boer, & Lindgren, 2015). Business model scholars have asserted that intelligently designed business models can dramatically increase company and stakeholder value (Zott & Amit, 2017). However, not all firms and innovation strategies fit together to create a successful innovative company. Christensen et al. (2016) emphasized many companies that attempt product, service, or business model innovation fail. Consequently, a manager's business model innovation decisions determine the success or failure of a firm (Oh et al., 2015). Therefore, business model innovation, unlike a business model as a concept, involves more innovativeness than product or service innovation alone.

Although companies use hundreds of different business model patterns, most of the components in those business models are neither new nor innovative. Remane, Hanelt, Tesch, and Kolbe (2017) looked at 22 original articles and six business model pattern articles to identify 356 business model patterns and develop a business model pattern database to aid managerial strategic decision making. Remane et al. reduced the original 356 business model patterns down to 182 patterns after categorizing the patterns according to business model components. Remane et al. pointed out that 90% of business model innovations include components of already known and used business models.

Remane et al. indicated that business model innovation research has increased in popularity because, unlike product innovations and service innovations, competitors find it difficult to copy another firm's business model innovations. Thus, managers who want their companies to become more competitive with their peers might experience more success attempting a business model innovation than a product or service innovation.

The essential activities of a company comprise the basic elements of that company's business model. Zott and Amit (2017) explained that an activity system comprised of three components (a) content, (b) structure, and (c) governance makes up a company's business model. According to Zott and Amit, the content component concerns what activities a firm does to create value. By contrast, Zott and Amit explained that the structure component concerns how firm activities link firm processes to increase firm value. Finally, Zott and Amit explained that the governance component refers to who carries out specific activities of the firm. In short, the activity system of a company directly relates to that company's business model.

Zott and Amit (2017) also identified four key components of successful business model innovation (a) novelty, (b) lock-in, (c) complementarities, and (d) efficiency. According to Zott and Amit, novelty referred to the level of innovativeness within a firm's business model and lock-in referred to the transactional costs that link to the activities of a firm. Additionally, Zott and Amit characterized complementarities as the elements of a firm's business model that combine to generate more value for the firm and efficiency as elements of the firm's activity system that interconnect and reduce costs for



the firm. In other words, the task for managers who want a successful business model innovation is often less focused on innovating novelty and more focused on innovative cost and value management.

Business model innovations advantage companies with better market positioning, which occurs sometimes through market fusion. Market fusion occurs when a company innovates their business model to reach at least two previously unconnected markets (Taran et al., 2015). For example, Butz et al. (2017) explained that when Apple created the iPhone, a fusion of at least four different markets occurred (a) the technological device market, (b) the mobile payment market, (c) the entertainment market, and (d) the phone service market. Along the same lines, Chiaroni et al. (2016) explained that widespread internet access and broadband access as well as the diffusion of digital mobile devices and personal computers, created the technological disruptive environment in the music industry attributed to Apple's iPhone success. Thus, managers with awareness of potentially fusible markets can maximize the success of their business model innovations by strategically choosing the timing of the innovation.

Business model innovation differs from product and service innovation in a few significant ways. For instance, business model innovators experience higher operating profit margins than the competition (Taran et al., 2015). On the other hand, product innovators, service innovators, process innovators, and market innovators often do not experience higher operating profit margins when compared to the competition (Taran et al., 2015). Put differently, successful business model innovators boost firm performance

and can earn higher profits than other kinds of innovators (Heij, Volberda, & Van den Bosch, 2014; Hu, 2014; Pellikka & Malinen, 2014). As a result, managers whose companies struggle with profitability are better off innovating their business model than innovating their products and services.

Common types of innovation include (a) sustaining innovation, (b) radical innovation, and (c) disruptive innovation (Christensen et al., 2015). Open innovation and closed innovation are different organizational structures that company leaders use to innovate new products and new services. However, open innovation is more successful with decentralized decision making (Braun, 2015; Hu, 2014). Business model innovation is different from product innovations and service innovations because business model innovation involves changes in the core logics of the firm (Chesbrough & Rosenbloom, 2002). Importantly, business model innovation is the type of innovation that carries the highest profit potential (Taran et al., 2015). Future research regarding the field of innovation management and the topic of business model innovation will focus on sustainability, the innovation process, and the impact of specific management and employee roles during the process of innovation (Taran et al., 2015; Vecchiato, 2017). Therefore, managers must continue to learn better strategies to manage profitable innovation that sustains competitive advantages for their firm in the second decade of the 21st century.

### **The Music Streaming Business Model**

No consensus regarding the definition of the term *business model* exists. Many

scholars agree that a firm's business model refers to the way a firm creates value and the way a firm captures that created value (Foss & Saebi, 2016; Schaltegger et al., 2015; Schneider & Spieth, 2014; Viet et al., 2014). A business model has different sets of components, such as (a) strategic components, (b) customer and market components, and (c) value creation components (Foss & Saebi, 2016; Wirtz et al., 2016). Managers pursue business model innovations to gain competitive advantages in the marketplace. In particular, business model innovators make three types of changes that influence the profitability of the firm: (a) changes that influence the value created by the firm, (b) changes that affect the value captured by the firm, and (c) changes in the way the firm captures value (Taran et al., 2015).

Business model innovation has impacted many industries. For instance, Uber's business model innovation impacted the taxi industry (Bashir, Yousaf, & Verma, 2016). Similarly, Spotify and Netflix innovated their business models and impacted the entertainment industry (Rayna & Striukova, 2016). Moreover, the mobile payment industry, through the development of the smartphone, not only impacted but also was a primary driver for the previously mentioned business model innovations (Gerpott & Meinert, 2017; Taran et al., 2015). The technological innovation of cloud technology and the proliferation of smartphone devices were drivers of the business model innovation of Spotify and Netflix (Rayna & Striukova, 2016). Nonetheless, business model innovation has not led to the profitability of Spotify's business model (Butz et al., 2017). Put differently, innovative business models can be very impactful to an industry and at the

same time be very unprofitable. Consequently, managers who equate industry impact and company profitability should not attempt a business model innovation for their companies without consulting more knowledgeable experts.

Spotify and Netflix innovated the first on-demand music streaming and on-demand video streaming services and remain the global leaders of those industries. Spotify is an on-demand music streaming company that innovated a business model for music that offered music as a subscription service instead of the traditional music as a product (Rayna & Striukova, 2016). Likewise, Netflix is an on-demand movie and television show streaming company that innovated a business model that allows people to watch an unlimited number of movies and television shows for a monthly subscription (Rayna & Striukova, 2016). Both Spotify's and Netflix's business model innovation disrupted the traditional music and movie industries and the previously popular music technology, the CD, and movie technology, the DVD (Rayna & Striukova, 2016). In both cases, Spotify and Netflix innovated on-demand access based business models before any other company in their industry. The subsequent successes of Spotify and Netflix indicate that pioneering business model innovators may reap significantly more long-term benefits through the first-mover advantage. Thus, the first companies to innovate and popularize new business models may yield competitive market benefits that outweigh the risks associated with business model innovation failure.

### **Transition**

In Section 1 of the study, I introduced the contextual background of the study, which was that leaders in the music streaming industry have not achieved a sustainable music streaming business model even though global music consumption reached a record high in 2016, which was driven by the rapid growth of music streaming industry (IFPI, 2017). In Section 1, I emphasized that the focus of this study is on identifying strategies music streaming service leaders can use to generate sustainable profits. In Section 1, I also discussed the appropriateness and suitability of a qualitative methodology and a descriptive case study design for this study. Other Section 1 highlights included (a) the problem statement, (b) the purpose statement, (c) the nature of the study, (d) the research question, (e) interview questions, (f) the conceptual framework, (g) the operational definitions, (h) the assumptions, limitations, and delimitations; and (i) the significance of the study.

The literature review substantiated the need to proceed with this study: A lack of qualitative research regarding strategies global music streaming services leaders can use to generate sustainable profits through their business model. The scope of the literature searched, reviewed, and synthesized for this study included academic and professional articles, books, and reports regarding disruptive innovation theory, the historical background of the music industry, the development and growth of music streaming, and the elements of the on-demand music streaming business model that can affect revenues and profitability.

In Section 2, the highlights are as follows (a) the purpose of the study, (b) my role as the researcher, (c) the participants of the study, (d) the research method, (e) the research design, (f) the defined population and sampling method, (g) ethical research, and (h) the data collection process. Section 2 concludes with a discussion about the instrumentation I used and the steps I took to collect and analyze the data. In Section 3, I include discussions of my study findings, the implications for social change, and my recommendations.

## Section 2: The Project

In Section 1, I emphasized that the focus of this study was on identifying strategies music streaming service leaders can use to generate sustainable profits through their business models. Additionally, in Section 1, I provided a literature review and synthesis of academic and professional literature regarding the conceptual framework and other topics central to this study. In Section 2, I further analyze and draw attention to the primary research question of this study: What strategies do some global music streaming service leaders use to generate sustainable profits through their business models?

In Section 2, I reexamine and further discuss the previously stated purpose statement as well as the suitability of the qualitative descriptive case study research method and design. Further, Section 2 consists of discussions regarding my role as the researcher, the participant selection population and sampling requirements, ethical research considerations, and the data collection strategy, instrumentation, techniques, and process. Section 2 concludes with a discussion regarding the aspects of reliability and validity in qualitative research as well as with an overview of the contents in Section 3 of this study.

### **Purpose Statement**

The purpose of this qualitative, descriptive case study was to explore strategies some global music streaming service leaders use to generate sustainable profits through their business models. The specific population of the case study included the CEO and four senior managers of a leading music streaming service in Southeastern Asia who

experienced success in addressing the sustainability challenges inherent in the Spotify music streaming service business model within the global music streaming business ecosystem. The data from this study could contribute to social change by identifying strategies that music streaming service leaders can apply to prevent bankruptcy, and to enhance profits within the music streaming market. The data from this study could benefit the academic and practitioner researchers in society through the development of a strategic framework for achieving music streaming service profitability. Furthermore, the profitability strategies discussed in this study could lead to new streaming service analytics that could allow artists to analyze their music better and allow music consumers to listen to and support their favorite artists more easily.

### **Role of the Researcher**

In qualitative research, the role of the researcher is to act as the primary instrument for data collection. O'Brien et al. (2014) explained that a full description of the role of the researcher is a distinctive feature of scholarly research. In this qualitative descriptive case study, my role as the researcher was to design the study, select the participants, collect the data, analyze the data, and report my findings and recommendations. In their seminal work, Lincoln and Guba (1985) described qualitative researchers as human research instruments. Accordingly, for this qualitative descriptive case study, I was the primary instrument for data collection.

As the primary instrument for data collection, my breadth of knowledge, understanding, skills, experience, and perception influenced the quality of the research



findings and recommendations (Eisenhardt, 1989; Stake, 2010). As the researcher, my knowledge and experience of the topic of the study was extensive. I have been a student of the music business and participated in the music business for almost 20 years in many different facets. As an undergraduate, I pursued a music business degree. I have been a singer, a songwriter, a musician, a publisher, and a financier of multiple music business ventures. Finally, I have worked as a music technology entrepreneur and consultant.

I did not have a previous relationship with the participants of this study. I selected participants for this study that were identified and suggested to me as potential participants by a close friend with many significant international business interests but none of those interests specifically linked to or competed with any of the participants or their music streaming service. My relationship to the research topics (a) disruptive innovation, (b) business model, and (c) profitability enhancement strategies stemmed from my experience in the banking industry as an entrepreneurial banker who cofounded the fastest growing community bank in the history of the state of Oklahoma. In fact, the bank grew rapidly and became profitable due in part to our innovation and use of a disruptive business model in the banking industry.

The Belmont Report (U.S. Department of Health & Human Services, 1979) includes three principles that form the foundation of ethical research: (a) respect for persons, (b) beneficence, and (c) justice. The three principles heavily influenced the creation of the Federal Policy for the Protection of Human Subjects which governs research conducted at universities in the United States (U.S. Department of Health &

Human Services, 1979). The principle of respect for person's means that the researcher must respect people as independent agents; protect people in vulnerable populations with decreased autonomy (e.g. prisoners, children, and elderly in Fiske & Hauser, 2014).

The principle of beneficence means that the researcher must (a) do no harm, (b) minimize the risks and maximize the benefits associated with their research, and (c) follow an ethically aware participant selection process (Fiske & Hauser, 2014). The principle of justice means that the society must balance the distribution of the burdens and the benefits associated with research (Fiske & Hauser, 2014). To establish an ethical grounding for this study, I adhered to the principles laid out in the Belmont Report (U.S. Department of Health & Human Services, 1979). Therefore, I (a) practiced informed consent (Mealer & Jones, 2014), (b) assessed the risks and benefits of the research (U.S. Department of Health & Human Services, 1979), and (c) followed an ethically aware participant selection process (Fiske & Hauser, 2014).

According to Patton (2015), an interview protocol serves as a guide and checklist to the researcher that organizes the interview questions and discussion issues. Patton (2015) and Ranney et al. (2015) emphasized those researchers who conduct interviews with multiple participants benefit from the increased organization, interview systematization, and developed framework provided by an interview protocol. Accordingly, I used a protocol for audio (see Appendix A).

Researchers use reflexivity as a strategy to protect against personal bias during qualitative studies (Kornbluh, 2015). Given that reflexivity occurs when researchers

reflect on their own biases that could influence the research (Noble & Smith, 2015), I practiced reflexivity as another strategy to mitigate my own bias. Specifically, I kept a reflexive journal (see Noble & Smith, 2015) throughout the duration of the study to mitigate my own bias.

### **Participants**

The population consisted of the CEO and senior managers of a leading music streaming service in Southeastern Asia who have addressed the sustainability challenges inherent in the Spotify music streaming service business model. The participants met three eligibility criteria. First, the participant had to be an executive or senior manager of a music streaming service in Southeastern Asia that used the Spotify business model. Second, the participant had to have an active role in determining the profitability strategies of the music streaming company. Third, the participant had to have experienced addressing the sustainability challenges inherent in the Spotify business model.

I recruited participants through personal conversations with music industry professionals knowledgeable about music streaming services and through personal conversations with businesspersons knowledgeable about Southeastern Asian music, media, and technology businesses. Throughout the recruitment process, I provided explanations of the purpose, the process, and the expectations of the study. I communicated to participants that their identities, as well as the information they provided to me for the study, would remain confidential and private. If, after the

conclusion of the interviews with the CEO and the four senior managers, data saturation had not occurred I would have recruited and interviewed additional senior managers to achieve data saturation.

Establishing a working relationship with participants requires trust and transparency (Caretta, 2015). MacKenzie (2015) explained that the relationship between the researcher and the interpreter or translator is often one of unequal power. To mitigate these researcher relationship power imbalances, researchers should (a) establish a trustworthy relationship with the participants (Caretta, 2015; Gray et al., 2017), (b) use an interpreter during interviews (Caretta, 2015; Chidlow, Plakoyiannaki, & Welch, 2014; MacKenzie, 2015), (c) pay attention to the timing of translated information (Santos, Black, & Sandelowski, 2014), and (d) try to verify the achievement of mutual understanding and do not assume key terms directly translate into a foreign language (Dahler-Larsen et al., 2017). Additionally, Mealer and Jones (2014) explained that conducting virtual interviews (e.g., audio and video interviews over Skype), allowed for geographic distance between the researcher and the interviewee during the interview, which helped mitigate any power imbalance. During my research, I followed those suggested strategies to ensure an ethical and equal power relationship between participants, interpreters, and myself.

I selected a Southeastern Asian company for this research because of a recommendation from a personal contact of mine who made an introduction for me. I considered selecting a music streaming company from America and from Sweden.

However, the American and the Swedish music streaming companies I contacted would not allow interviews of the same caliber as the Southeastern Asian company.

### **Research Method and Design**

For this study, I used a qualitative methodology. As noted by Choo, Garro, Ranney, Meisel, and Guthrie (2015). Qualitative methodology is suitable for research in which the research objective is to interpret the meaning of phenomena to gain insights (Pearson, Jordan, Lockwood, & Aromataris, 2014). Moreover, researchers employ qualitative methods to examine complexity, dynamic processes, and context-dependent, nonnumerical, open-ended data (Fletcher, Massis, & Nordqvist, 2016; Freeman, 2014; McCusker & Gunaydin, 2014).

### **Research Method**

For this study, I used a qualitative methodology. Three common research methods used in doctoral studies are (a) quantitative method, (b) mixed methods, and (c) qualitative method (Choo et al., 2015). As McCusker and Gunaydin (2014) explained, researchers use a quantitative method to test hypotheses about differences or relationships among variables. Notably, Graue (2015) explained that researchers structure quantitative research as opposed to qualitative research that is structured according to the interests of the research participants. I considered using the quantitative methodology for this research. However, the purpose of this research was to explore strategies rather than gather and analyze numerical data. To answer my research question, I required more in-depth insight into my study phenomenon than would have been possible using a

quantitative method (McCusker & Gunaydin, 2014). Thus, I opted against using a quantitative method (Choo et al., 2015; Graue, 2015; Morse & Cheek, 2015).

I considered but opted against using a mixed method approach. In mixed method studies, researchers analyze both closed-ended data, such as numerical data, and open-ended data, such as interviews (Choo et al., 2015; Kern, 2016; Morse & Cheek, 2015). The analysis of numerical data was not necessary to answer my research question. In particular, the extensive time necessary to conduct a mixed method study (Choo et al., 2015; Flick, 2017; Morse & Cheek, 2015) was not conducive to my time constraints. Consequently, I opted against using a mixed method approach (Choo et al., 2015; Flick, 2017; Morse & Cheek, 2015).

Researchers use qualitative methods when their objective is to interpret the meaning of phenomena to gain insights (Austin, & Sutton, 2014; McCusker & Gunaydin, 2014; Pearson et al., 2014). The purpose of this qualitative, descriptive case study was to explore profitability strategies used by music streaming leaders. The case study design enables researchers to explore one or multiple instances of a management decision, such as the business model (Stake, 2010; Yin, 2014). Unlike quantitative methodology, in which researchers use closed-ended questioning and analysis of numerical data to confirm hypotheses (Colorafi & Evans, 2016), the researcher's (a) experience, (b) perception, and (c) understanding form the foundation of qualitative methodology (Eisenhardt, 1989; Stake, 2010). Therefore, a qualitative method was appropriate for this research.

## **Research Design**

The research design selected for this study was a descriptive single case study. I considered four qualitative research designs: (a) case study, (b) ethnographic design, (c) narrative design, and (d) phenomenological design. De Massis and Kotlar (2014) emphasized that a descriptive case study is appropriate when the researcher's goal is to discuss the relevance of the phenomenon of interest. For example, Maftai, Gerogiannis, and Papageorgiou (2016) used a single case study design to explore the critical success factors of the music streaming service Bandcamp. I chose a single case study design because single case study designs are appropriate when the research task is to explore extensively phenomena involving individuals, groups of people, or institutions in a real life context (Becker & Renger, 2017; Yin, 2014). The enhanced analytical focus of researchers who use a case study research design makes case study design unique from other qualitative research designs (Patton, 2015; Stake, 2010). Accordingly, the choice of a qualitative descriptive single case study was the most appropriate research methodology and design for exploring the phenomenon under study.

Yin (2014) described two types of case study designs: (a) multiple case studies and (b) single case studies. Yin observed that a single case study research design is appropriate when a researcher's goal is to explore and to describe in rich detail a phenomenon within its actual context. Likewise, De Massis and Kotlar (2014) emphasized that researchers use single case studies because of the revelatory nature of the study findings or when the researcher gains unique research assess or a rare research

opportunity. A single case study research design was suitable for my study because my objective was to explore and describe the phenomenon of music streaming service leaders' strategies leading to sustainable profits within the music streaming business ecosystem.

I considered but did not choose a multiple case study research design. A multiple case study design is appropriate when the research task necessitates a broad exploration of the phenomena of interest (Eisenhardt, 1989) and when the availability of multiple cases is sufficient for the required data collection process (Yin, 2014). However, researchers who conduct multiple case studies often incur significant financial and time costs (Tsang, 2014). Instead, I chose a single case study design because single case study designs are appropriate when the research task is to examine extensively phenomena involving individuals, groups of people, or institutions in a real life context (Becker & Renger, 2017; Yin, 2014). The enhanced analytical focus of researchers who use a case study research design makes case study design unique from other qualitative research designs (Patton, 2015; Stake, 2010). Therefore, the choice of a qualitative descriptive single case study was the most appropriate research methodology and design for exploring the phenomenon under study.

I did not select an ethnographic design for this study because the aim of ethnographic research design is to understand the life and experiences of the participants in a study from the perspective of those participants (Lincoln & Guba, 1985; Yin, 2014). Further, ethnographic researchers often immerse themselves for long periods in the



culture of the participants to maximize the opportunities available in which participant behaviors and interactions (Lincoln & Guba, 1985). Thus, the abundance of fieldwork necessary to conduct an ethnographic research design would have overrun the time available to complete my research (see Lewis, 2015; Yin, 2014).

Researchers use a narrative design when the objective of the study is to gain meaning from describing the life stories of selected participants (Edwards, 2016; Lewis, 2015). Specifically, narrative researchers engage in extensive fieldwork to interview participants and to learn the participant's life stories (Edwards, 2016; Labov, 2016). However, exploring participant life stories necessary to conduct a narrative research design did not align with the purpose of my study. As such, I did not choose a narrative research design.

Wagstaff and Williams (2014) suggested the use of a phenomenological design when little research exists about an experience. Similarly, Lewis (2015) suggested the use of the phenomenological design when the objective of the study is to examine human experience through the descriptions provided by selected participants. Accordingly, a phenomenological research design was not appropriate for this study because it did not align with the purpose of my study. The focus of this study, an exploration of strategies, did not align with phenomenological researchers' focus on the lived experiences of participants (Lewis, 2015).

In this study, data collection consisted, in part, of interviews with the CEO and four senior managers until the point of data saturation (Fusch & Ness, 2015). Data

saturation occurs when data relevant to research study is repetitive and no new information is forthcoming (Fusch & Ness, 2015). If, after the conclusion of the interviews with the CEO and the four senior managers data saturation had not occurred, then I would have recruited and interviewed additional senior managers to achieve data saturation. Data collection also consisted, in part, of collection and analysis of documents from multiple sources (Ranney et al., 2015). Document data collection did not conclude until the data collection efforts achieved coding and meaning saturation (Hennink et al., 2016), that is, I heard and understood everything important on the phenomena of interest.

In qualitative research, data saturation occurs when the data collection efforts yield no new information (Fusch & Ness, 2015; Yin, 2014). Fusch and Ness (2015) identified three ways to achieve data saturation: (a) when the data collected is sufficient for replication of the study, (b) when the researcher's data collection efforts produce nothing new, and (c) when the data coding efforts are exhausted. During interviews, data saturation occurs when additional interviews will provide no additional information (Fusch & Ness, 2015). Further, Fusch and Ness explained that researchers could use triangulation to achieve documentation data saturation. Denzin (2012) described triangulation as a method of data collection in which researchers collect and analyze data gathered from multiple sources to provide a significant quality and quantity of data. Hennink, Kaiser, and Marconi, (2016) differentiated between code saturation and meaning saturation. According to Hennik et al., code saturation occurs when the

researcher has heard everything important about the phenomena of interest. By contrast, Hennink et al. explained that meaning saturation occurs when the researcher understands everything important about the phenomena of interest.

### **Population and Sampling**

In this qualitative study, I chose to use a purposeful sampling strategy, which was consistent with the qualitative method. Population and sampling refers to the set of persons and selection methods researchers use to make their research more efficient and valid (Byrne, 2015; Palinkas et al., 2013). In this study, I focused narrowly on strategies influencing the profitability of the Southeastern Asian music streaming service business model. The sample specificity for this study was dense so that the results of the study would provide significant insight. Christensen's (1997) disruptive innovation theory, which is an established theory often applied and discussed in business management research (Adner, 2002; Christensen et al., 2015; Christensen, Bartman et al., 2016), was applied in this study.

In this study, the sample size was five participants, which ensured better communication. Additionally, in this qualitative, descriptive study, I focused the analysis on a limited and small range of phenomena: Identifying strategies that some global music streaming service leaders use to generate sustainable profits. Therefore, the small sample size of this proposed study adhered to the principle of data saturation as noted by Fusch and Ness (2015), Galvin (2015), and Patton (2015), and the principle of information power as described by Malterud et al. (2016).

Researchers use sampling methods to make their research more efficient and valid (Palinkas et al., 2013). Sampling methods must align with the chosen research method and design of the study (Gentles, Charles, Ploeg, & McKibbin, 2015). Sampling strategies commonly used in qualitative studies include (a) purposeful, (b) random, (c) convenience (Ranney et al., 2015), and (d) snowball (Woodley & Lockard, 2016).

In qualitative research, sample sizes are often smaller than in quantitative studies because, in qualitative studies, a representative sample is not necessary (Macfarlane et al., 2015). Boddy (2016) argued that when the research project concerns a new topic, a single case study with a small sample size could yield profound results. The invention and importance of on-demand music streaming services is very new and under researched (Trefzger et al., 2015). The topic of this study, which was strategies music streaming service leaders use to generate sustainable profits, was also a new and under researched topic. Robinson (2014) indicated that 3-16 participants were an acceptable sample size for a single case study. Thus, the topical circumstances of this single case study justified the use of a purposeful sampling method with a small sample size (Boddy, 2016; Robinson, 2014).

Although purposeful sampling may decrease a study's generalizability (Robinson, 2014; Yin, 2014), many scholars argue that the use of purposeful sampling in qualitative case studies results in rich description (Palinkas et al., 2015; Patton, 2015; Yin, 2014). The purposeful sampling technique refers to the strategy used by researchers to identify and select individuals or groups with the requisite levels of experience and understanding

specific to the phenomenon under study (Palinkas et al., 2015; Yin, 2014). Moreover, Patton (2015) described purposeful sampling as a powerful and logical tool available to researchers to identify and select information rich cases that are essential to the research inquiry.

I followed a purposeful sampling strategy to guide my identification and selection of participants (Robinson, 2014). Patton (2015) highlighted the appropriateness of small sample sizes in single case study research. Similarly, Malterud, Siersma, and Guassora (2015) argued that information power should determine the appropriate sample size in qualitative interview studies. The components of information power are (a) study aim, (b) sample specificity, (c) use of established theory, (d) quality of dialogue, and (e) analysis strategy (Malterud et al., 2015). According to Malterud et al., a small sample size is appropriate when (a) the study aim is narrowly focused, (b) the sample specificity is dense, which means the participants knowledge and experience closely fit the study aim; (c) the researcher applies an established theory, (d) the quality of dialogue is strong, which means smaller-sized samples resulted in better communication; and (e) the analysis strategy is limited to a small range of phenomena.

### **Ethical Research**

Researchers must adhere to an ethical code of conduct when conducting research (Dongre & Sankaran, 2016; Hardy, Hughes, Hulen, & Schwartz, 2016). No fundamental difference exists between the essential elements of management research ethics, social research ethics, and medical research ethics (Greenwood, 2015). The ethical research

guidelines and regulations outline appropriate and legal research activities regarding (a) researcher conduct and competence, (b) research methods and techniques, (c) participant protections and rights, and (d) data collection, management, and analysis procedures (Kara & Pickering, 2017; Mooney-Somers & Olsen, 2016). Universities have institutional review boards that require researchers to follow ethical research guidelines as means to ensure researcher competence and to ensure researcher agreement on essential research procedures and techniques (Hammersley, 2014). Throughout the research for this study, I established an ethical grounding for this study by adhering to the principles laid out in the Belmont Report (U.S. Department of Health & Human Services, 1979) through the practices of (a) informed consent, (b) an assessment of the risks and benefits of the research, and (c) an ethically aware participant selection process.

The principles of respect, autonomy, and the protection of disadvantaged or vulnerable people or people groups form the basis of informed consent (U.S. Department of Health & Human Services, 1979). To adhere to the legal and ethical requirements of informed consent, researchers must provide potential participants of the study with information about the study (U.S. Department of Health & Human Services, 1979). The components of the informed consent form I used included (a) the background information, (b) the procedures, (c) the voluntary nature of the study, (d) the risks and benefits of being in the study, (e) statements regarding payment and privacy, (f) researcher contact information, and (g) the contact information of the Participant Rights Advocate from the institution associated with the research. However, as Hammersley

(2014) noted, ethical researchers must do more than simply following the practice of informed consent.

Gray, Hilder, Macdonald, Tester, Dowell, and Stubbe (2017) highlighted that presupposed within the principle of informed consent is an equal power in the relationship between the researcher and the participants. Along the same lines, Gray et al. (2017) and Kara and Pickering (2017) explained that in cross-cultural, cross-language research, the relationship between the researcher and the participants is often one of unequal power. Furthermore, MacKenzie (2015) explained that the relationship between the researcher and the interpreter or translator is often one of unequal power.

To mitigate these researcher relationship power imbalances, researchers should (a) establish a trustworthy relationship with the participants (Caretta, 2015; Gray et al., 2017), (b) utilize an interpreter during interviews (Caretta, 2015; Chidlow, Plakoyiannaki, & Welch, 2014; MacKenzie, 2015), (c) pay attention to the timing of translated information (Santos, Black, & Sandelowski, 2014), and (d) try to verify the achievement of mutual understanding and do not assume key terms directly translate into a foreign language (Dahler-Larsen et al., 2017). Mealer and Jones (2014) explained that conducting virtual interviews (e.g., audio interviews over Skype), allowed for geographic distance between the researcher and the interviewee during the interview, which helped mitigate any power imbalance. During my research, I followed those suggested measures to ensure an ethical and equal power relationship between participants, interpreters, and myself.

The participants in this study were on a voluntary basis. Therefore, all participants could have withdrawn at any time from this study through email or phone communication of their desired withdrawal. I did not offer incentives to participants to participate in this study. No participants in this study were under the age of 18. After the transcription of the recorded interview, I engaged in member checking to ensure the accuracy of my transcription (Harvey, 2015; Miles, Huberman, & Saldana, 2014) and provided all participants with the transcript of their interview for review, comments, or edits (Mealer & Jones, 2014).

To ensure compliance with Walden's ethical research requirements, I followed four specific guidelines. First, I obtained consent from each study participant with an informed consent form. Second, I included the Walden institutional review board (IRB) approval number in the final doctoral manuscript for this study. My IRB approval number for this study is 06-25-18-0567906. Third, I did not include any identifying details, such as names or locations, or any other identifying information of individuals or organizations. For example, I replaced the names of the participants with generalized labels such as, P1, P2, and P3. Additionally, I did not identify the exact location of the subject company. Instead, I identified the location more generally as a music streaming service located in Southeastern Asia. Fourth, I will keep all the data collected for this study for 5 years in password protected, encrypted files that only I can access to protect the rights of participants.



### **Data Collection Instruments**

In qualitative research, the researcher is the primary instrument for data collection (Choo et al., 2015). Thus, I was the primary data collection instrument for this study. De Massis and Kotlar (2014) and Yin (2014) explained that qualitative case study researchers use multiple means to collect data, such as (a) interviews, (b) direct observations, (c) company documentation, (d) archival documentation, and (e) media documentation. The researcher's purpose of multi-data source utilization through a process referred to as method triangulation is to provide a complete and rich description of the phenomenon of interest (Fusch & Ness, 2015; Patton, 2015) and to enhance study validity and reliability (De Massis & Kotlar, 2014; Morse & Cheek, 2015).

In qualitative studies, a primary method for data collection is for the researcher to engage in face-to-face interviews with the participants of the study (Patton, 2015; Redlich-Amirav, 2014). However, when conducting face-to-face interviews would be less efficient and costlier (Deakin & Wakefield, 2014; Ratislavová & Ratislav, 2014), some qualitative researchers choose to conduct interviews through technological means that better fit their research circumstances. Alternative options to face-to-face interviews include (a) telephone interviews (see Mealer & Jones, 2014), (b) email interviews (see Ratislavová & Ratislav, 2014), (c) video call interviews (see Weller, 2017), and (d) Skype interviews (see Janghorban, Roudsari, & Taghipour, 2014; Lo Iacono, Symonds, & Brown, 2016; Quartiroli, Knight, Etzel, & Monaghan, 2017).

Regarding the interview setting for this study, I lived and worked in the United States and the participants for this study lived and worked in Southeastern Asia. I alleviated the otherwise significant time and money costs necessary to conduct face-to-face interviews through the means of audio interviewing. Therefore, I conducted audio interviews with the study participants.

McIntosh and Morse (2015) identified the use of semistructured interviews as an effective strategy that researchers use to discern the perspective of the participants about the phenomena of interest. According to Patton (2015), an interview protocol serves as a guide and checklist to the researcher that organizes the interview questions and discussion issues. Patton (2015) and Ranny et al. (2015) emphasized those researchers who conduct interviews with multiple participants benefit from the increased organization, interview systematization, and developed framework provided by an interview protocol. I utilized a protocol for audio interviews (see Appendix A).

Researchers ask open-ended interview questions to elicit in-depth participant answers with rich detail and insight about the phenomena of interest (Patton, 2015; Yin, 2014). After the interviews, qualitative researchers synthesize their observations and interpretations to give meaning and provide revelatory insight about the phenomena of interest (Denzin, 2012). In the interviews, I asked open-ended questions (Choo et al., 2015) about the strategies some global music streaming service leaders use to generate sustainable profits (see Appendix C).

The first participant contact was an asynchronous email to obtain essential participant permissions and to arrange audio interviews. Researchers who use asynchronous email to connect with participants benefit from lower costs, increased time efficiencies, increased interview structure, increased interview question clarity and depth, and increased participant attention (Ratislavová & Ratislav, 2014). I emailed an informed consent form to the participants and obtain their consent to participate in the study before engaging in the asynchronous email to collect demographic information. During the asynchronous email stage of the study, I followed the email contact protocol (see Appendix B; Patton, 2015; Ranney et al., 2015; Robinson, 2014).

The second participant interviews I engaged in were semistructured telephonic and computer based audio interviews. Researchers who used telephonic and computer based audio interviews listed the following common benefits (a) lower costs, (b) improved time efficiencies, and (c) improved travel and scheduling flexibility (Deakin & Wakefield, 2014; Weller, 2017). Additionally, Farooq and de Villiers (2017) identified some unique benefits of telephonic and computer based audio interviews (a) enhanced interviewee perception of confidentiality, (b) increased interviewee comfortability, and (c) interviewees have more access to documents and other resources (nearby or in their office during the interview) relevant to the interview questions. I emailed an informed consent form to the participants and obtain their consent to participate in the study before engaging in the telephonic and computer based audio interviews. During the telephonic

and computer based audio interview stage of the study, I followed the protocol for audio interviews (see Appendix A).

In qualitative research, the practice of member checking allows the researcher to make sure the intended meaning of each participant is represented in the interpretations of the researcher. Member checking is the practice of the researcher interacting with each participant to verify the accuracy with which the researcher interprets the interview responses (Harvey, 2015). Austin and Sutton (2014) noted that researchers who engage in member checking improve and confirm the accuracy and trustworthiness of their interpretations and transcriptions. Some scholars view member checking as the primary technique qualitative researchers use to establish the credibility of their studies (Lincoln & Guba, 1985). Accordingly, I used member checking by asking participants for their review of the accuracy of my interpretations of what was said during the interview. If a participant indicated that my interpretation was incorrect, then I discussed with the participant what I needed to change to convey their meaning.

Researchers collect secondary data for the purposes of gaining a contextual understanding of the subject of interest (Johnston, 2014) and for triangulation (Fusch & Ness, 2015). Secondary data refers to data that a third party collected, such as professional reports and publications, government reports, journal articles, and company documentation (Johnston, 2014; Yin, 2014). I collected secondary data for this research from the following sources:

- The IFPI, which publishes many professional reports and publications on the global music business, 2017 Global Music Report;
- The U.S. Copyright Office, which published in 2015 a government report entitled, Copyright and the music marketplace: A report of The Register of Copyrights;
- Any company documentation offered to me during my interviews related to profitability strategies used by the participants and the impact of those strategies on the company;
- Various peer-reviewed journal articles relevant to the music streaming industry and the Spotify business model.

### **Data Collection Technique**

Qualitative data collection techniques include (a) in-depth interviewing, (Deakin & Wakefield, 2014; McIntosh & Morse, 2015), (b) focus groups (Cyr, 2016), (c) pilot studies (Westlund & Stuart, 2016), (d) observations and audio recordings (Neal, Neal, Vandyke, & Kornbluh, 2014), and (e) surveys (Sutton & Austin, 2015; Walsh, 2017).

When the conducting face-to-face interviews would be less efficient and costlier (Deakin & Wakefield, 2014; Ratislavová & Ratislav, 2014), some qualitative researchers choose to conduct interviews through technological means that better fit their research circumstances, e. g. (a) telephone interviews (Mealer & Jones, 2014), (b) email interviews (Ratislavová & Ratislav, 2014), (c) video call interviews (Weller, 2017), and (d) Skype interviews (Deakin & Wakefield, 2014). Regarding the sources of data for this

study, I collected in-depth interview data, company documentary data, professional reports, and media documentary data. I lived and worked in the United States and the participants for this study lived and worked in Southeastern Asia. I alleviated the significant time and money costs necessary to conduct face-to-face interviews through the means of audio interviewing. Consequently, I conducted audio interviews with the study participants.

McIntosh and Morse (2015) identified the use of semistructured interviews as an effective strategy to discern the perspective of the participant about the phenomena of interest. According to Patton (2015), an interview protocol serves as a guide and checklist to the researcher that organizes the interview questions and discussion issues. Patton (2015) and Ranny et al. (2015) emphasized that researchers were the beneficiaries when they conducted interviews with multiple participants because of the increased organization, interview systematization, and developed framework provided by an interview protocol. I utilized one protocol for audio interviews (see Appendix A) and a different protocol for emailing my participants (see Appendix B).

**Semistructured interviews and audio interviews.** Semistructured interviews, whether done face-to-face or through audio and video means, allow researchers to gain deeper understanding from participants. Face-to-face interviewing is the traditional method used by qualitative researchers to collect data (Patton, 2015). In descriptive interpretative qualitative studies, McIntosh and Morse (2015) explained that (a) discovery is the purpose of semistructured interviews, (b) the epistemological privilege extended to

the participant is as a knower, (c) the role of the participant is as informant, and (d) to reach understanding is the objective of the outcome. In-depth face-to-face interviews provide researchers many benefits, such as (a) contextual information, (b) an easier establishment of rapport, and (c) no technological breaks in communication (Deakin & Wakefield, 2014). However, face-to-face interviewing can be expensive, time consuming, and geographically inefficient (Deakin & Wakefield, 2014). Moreover, qualitative researchers use semistructured interviews, whether done face-to-face or through audio means, to discover and understand more about the participants.

**Asynchronous email contact.** Asynchronous emails have many benefits in qualitative research. Ratislavová and Ratislav (2014) noted that researchers who use asynchronous email to connect with participants benefit from lower costs, increased time efficiencies, increased interview structure, increased interview question clarity and depth, and increased participant attention. Asynchronous email contact also allows participants to be more accessible (Deakin & Wakefield, 2014). However, participant responses to asynchronous emails lack in the moment researcher follow-up question spontaneity and thus, may not fully address the phenomena of interest (Ratislavová & Ratislav, 2014). Consequently, asynchronous emailing allows researchers to communicate with participants more efficiently but with less spontaneity.

**Documentary data.** De Massis and Kotlar (2014) and Yin (2014) explained that qualitative case study researchers use multiple means to collect data, such as (a) interviews, (b) direct observations, and (c) documentary data. Yin identified that

documentary data includes (a) company documentation, (d) archival documentation, and (e) media documentation. In this study, the purpose of multi-data source utilization through a process referred to as triangulation was to provide a complete and rich description of the phenomenon of interest (Fusch & Ness, 2015; Patton, 2015) and to enhance study validity and reliability (De Massis & Kotlar, 2014; Morse & Cheek, 2015).

**Member checking.** Member checking improves the credibility of qualitative research. Member checking, rich description, participant transcript review, triangulation, and interpretation are validity procedures that qualitative researchers go through to ensure that their research is reliable and trustworthy (Austin & Sutton, 2014; Elo et al., 2014; Lincoln & Guba, 1985; Morse, 2015). Additionally, researchers can use reflexivity to protect against personal bias during qualitative studies (Noble & Smith, 2015). Annink (2017) explained that researchers of cross-cultural qualitative business research enhance the reliability and validity of their studies by keeping personal reflexivity journals about their observations. Put differently, qualitative researchers use a variety of procedures, such as member checking, to ensure their research is valid and without personal bias.

Member checking refers to the practice of returning the researcher's notes or interpretations to participants for their review (Harvey, 2015). Researchers who engage in member checking improve and confirm the accuracy and trustworthiness of their interpretations and transcriptions (Austin & Sutton, 2014). Some scholars view member checking as the primary technique qualitative researchers use to establish the credibility of their studies (Lincoln & Guba, 1985). Accordingly, I used member checking and



asked participants for their review and correction of my notes and interpretations. For example, once I completed each interview, I gave each participant a brief review of what I wrote down in my notes. I asked each participant to clarify and correct any wrong interpretations of mine in my notes. Then, again, after I transcribed the interviews, I returned the transcripts for review and asked for further clarification and correction regarding my overall interpretation of each participant's responses. Importantly, the purpose of member checking is to ensure that the research is valid and without the personal bias of the researcher.

### **Data Organization Technique**

Qualitative data organization refers to the systems and procedures the researcher uses to organize and keep track of the collected data. Importantly, all raw data that I collected will be maintained in a locked container for 5 years. The organization of qualitative data is in a way that the theory and data collection methods used (a) capture the essential meaning of people with similar real life experiences and (b) contributes meaningful insights about that experience that align with accepted social scientific theories (Gehman et al., 2017). Codes can refer to individual words, to groups of words and full sentences, and to multiple paragraphs (Hilal & Al Abri, 2013; Miles et al., 2014; Saldaña, 2016). Researchers use codes to organize, to label, and to condense the collected data in meaningful data chunks that symbolize the emergent relationships and themes within that data (Austin & Sutton, 2014; Bengtsson, 2016; Hilal & Al Abri, 2013; Zamawe, 2015).

When researchers code the data, they are also engaging in data analysis. During the coding process, researchers can create and assign deductive codes and inductive codes to the data (Bengtsson, 2016; Mayer, 2015; Miles et al., 2014). Deductive coding occurs when researchers formulate a provisional list of codes that they plan to use to code the data before they engage in fieldwork (Mayer, 2015; Saldaña, 2016). By contrast, inductive coding occurs when researchers create new unanticipated codes during the data collection and data organization processes (Mayer, 2015; Saldaña, 2016). Miles et al. (2014) explained that researchers code data in two cycles: (a) first cycle coding and (b) second cycle coding. According to Miles et al. (2014) and Saldaña (2016), researchers initially focus on individual meaningful chunks of words, phrases, or paragraphs within the data during first cycle coding. Then, during second cycle coding, researchers focus on the patterns within the data chunks during second cycle coding (Miles et al., 2014; Saldaña, 2016). In other words, coding and data organization is a deliberate process wherein the researcher codes the collected data, first, into topical chunks of words, phrases, and paragraphs. Secondly, the researcher codes the topical data chunks into meaningful patterns. Thus, researchers practice a strategy of big picture coding and then individual issue coding.

In the first cycle coding of the data for this study, I adhered to the instructions in Saldaña (2016) and coded the data according to attributes and descriptions. For example, during the first cycle coding stage, I gave each participant a unique code ranging from P1 through Px. I gave each practitioner document a unique code ranging from DP1 through

DPx. Similarly, I gave each journal article a unique code ranging from DJ1 through DJx. For each company document, I assigned a unique code ranging from DC1 through DCx.

In the second cycle coding of the data for this study, I adhered to the coding refinement instructions in Saldaña (2016) and coded the data according to patterns. According to Saldaña, pattern coding involves coding data into similar groups of themes and constructs. For example, during the second cycle coding stage, I grouped the data into various themes, such as (a) profitability strategies, (b) disruptive innovations, (c) business model strategies, and (d) business model elements.

During the coding process, I used both deductive and inductive codes to summarize the data as discussed in Mayer (2015), Miles et al. (2014), and Saldaña (2016). Further, I followed the two-cycle coding process discussed in Miles et al. (2014), and Saldaña (2016). The purpose of the first coding cycle is to summarize the data into meaningful data chunks (Miles et al., 2014; Saldaña, 2016). Accordingly, during the first coding cycle, I formulated a deductive list of codes according to the major words, phrases, and themes that I identified in the conceptual framework and the literature review. As I completed the interviews and reviewed the documents, I began the first cycle of coding when I transcribed each interview, document, and field note according to the deductive list of codes to organize initially the interview data by categories of important words, phrases, and themes. However, I also progressively created and summarized the data according to new inductive codes I identified from the themes that emerged during the interviews.

The purpose of the second coding cycle is to identify patterns within the data chunks (Miles et al., 2014; Saldaña, 2016). Miles et al. (2014) and Saldaña (2016) explained that researchers use pattern codes to identify (a) theoretical constructs, (b) causes and explanations, (c) relationships among people, and (d) categories and themes. Accordingly, during the second coding cycle, I recoded and reorganized the data coded during the first cycle according to patterns of (a) theoretical constructs, (b) causes and explanations, (c) relationships among people, and (d) categories and themes.

### **Data Analysis**

The purpose of qualitative data analysis is for researchers to organize the gathered data in a way that allows them to draw meaningful insights and realistic conclusions (Bengtsson, 2016). Sutton and Austin (2015) emphasized that conveying accurate and honest interpretations of the participants' viewpoints is of paramount importance to researchers during data analysis. After the second cycle of coding the documents, the interviews, and the field notes, I followed the recommendation of Miles et al. (2014) and used the NVivo software to create a map of the pattern code linkages from which I drew insights and conclusions about the phenomenon of interest. Accordingly, I used the NVivo 11 software and method triangulation during the data analysis stage of this research to ensure an accurate and honest interpretation of the participants' viewpoints.

Qualitative researchers use computer assisted qualitative data analysis software (CAQDAS), such as NVivo, ATLAS.ti, and MAXQDA, to enhance their efforts to organize data, to code data, and to analyze data (St. Pierre & Jackson, 2014; Woods,

Paulus, Atkins, & Macklin, 2016). Researchers benefit from using CAQDAS software that can quickly organize and reorganize coded data (Bengtsson, 2016; Neal, Neal, VanDyke, & Kornbluh, 2015; Zamawe, 2015). Bengtsson (2016) explained that researchers who use CAQDAS software could more easily transform data expressed as words instead of numbers into meaningful qualitative analyses. Put simply, researchers who develop a coding system as a reliability strategy can make coding decisions that are systematic and numerically organized. Moreover, researchers who use CAQDAS can often run coding statistics to determine reliability.

I used the NVivo 11 software during the organization, coding, and analysis phases of my research. In the NVivo 11 software, I was able to import and code all the articles, reports, and interviews that I used for this research. The NVivo 11 software allowed me to directly code audio files (Woods et al., 2016). Further, I had previous experience in using the NVivo 11 software to code an interview transcript. Using the NVivo 11 software, I organized the data I collected according to key themes generated from the reviewed academic literature, the conceptual theory, disruptive innovation (Christensen, 1997). I also searched for new studies published since writing this proposal and used NVivo 11 to generate new themes. The NVivo 11 software also has code mapping functionality that I used to generate a node system for the data I collected. This allowed me to organize the data into (a) nodes, (b) cases, (c) relationships, and (d) node matrices. Finally, as I used the NVivo 11 software to correlate and categorize the interview data according to key themes, I drew comparisons between the participant responses and

looked for new themes as well as relationships within the data. All the raw data that I collected for this research will be stored securely for 5 years.

Triangulation refers to the validity procedures researchers follow when collecting and analyzing data from multiple sources (Denzin, 2012; Flick, 2017; Fusch & Ness, 2015). To confirm data, researchers can triangulate interview data with data collected from other sources, such as archival documentation, company documentation, and media documentation (De Massis & Kotlar, 2014; Yin, 2014). Case study researchers also use triangulation to ascertain the completeness of the collected data (Anney, 2014). To confirm data, researchers can triangulate interview data with data collected from other sources, such as archival documentation, company documentation, and media documentation (De Massis & Kotlar, 2014; Yin, 2014). Denzin (1978) and Patton (2002) discussed four types of triangulation that researchers use when analyzing case study data: (a) theory triangulation, (b) data source triangulation, (c) investigator triangulation, and (d) method triangulation. To enhance the validity and reliability of the study, I (a) conducted audio interviews after obtaining informed consent, (b) collected data from multiple data sources for the purposes of triangulation, (c) transcribed the recorded interviews, and (d) provided notes and conclusions to interviewees for member checking.

Theory triangulation occurs when researchers use multiple theories to explore the phenomena of interest (Carter, Bryant-Lukosius, DiCenso, Blythe, & Neville, 2014; Patton, 2002). For example, researchers who use theory triangulation might choose two or more theories to analyze the collected data. I did not use theory triangulation because

disruptive innovation theory was the most applicable theory to analyze the phenomenon of interest.

Data source triangulation occurs when researchers gather data from many different sources (Carter et al., 2014; Patton, 2002). For example, researchers who use data source triangulation might gather data from many different individuals and different types of people groups. I did not use data source triangulation because of the small number of participants necessary for the research.

Investigator triangulation occurs when multiple researchers work together on a research project (Carter et al., 2014; Patton, 2002). Researchers who use investigator triangulation benefit from multiple points of view and interpretations (Carter et al., 2014). However, the doctoral study requirements of Walden University did not permit multiple doctoral student researchers to work as a group. Consequently, I did not use investigator triangulation.

Method triangulation occurs when researchers gather data about the phenomena of interest through multiple methods. Method triangulation is the most common type of triangulation used by qualitative researchers (Carter et al., 2014; Graue, 2015; Patton, 2002). Researchers who use method triangulation might gather data through interviews, field notes, pilot studies, and other observations. In accordance with the aforementioned insights (Carter et al., 2014; Graue, 2015; Patton, 2002), I used method triangulation to analyze the collect data for this research.

To enhance the validity and reliability of the study, I used multiple methods to collect and analyze data. I conducted audio interviews after obtaining informed consent. Regarding member checking, after each participant was interviewed, I debriefed each participant on the notes I took during the interview. During the debriefing, I asked each participant to correct and clarify any errant interpretations of mine. Then, after I transcribed the interviews and returned the transcriptions for review, I followed up with each participant to ensure that I had fully understood the participant responses. Additionally, I collected secondary data in the form of government reports, professional reports, and company documentary evidence. This secondary data allowed me to confirm, contrast, and add context to the information that surfaced during the interviews. I also collected data in the form of field notes throughout the research process. I will keep all the raw data pertaining to this research secure for 5 years.

### **Reliability and Validity**

Qualitative research should be both reliable and valid to be trustworthy and thus, useful to others. Morse (2015) highlighted the difficulty of distinguishing between the often intertwined concepts of reliability and validity in qualitative research. Reliability and validity are both concepts that pertain to the rigor and trustworthiness or rigor of the research findings (Elo et al., 2014; Kornbluh, 2015; Noble & Smith, 2015). In their seminal article, Lincoln and Guba (1985) identified four primary aspects of qualitative trustworthiness: (a) dependability, (b) credibility, (c) confirmability, and (d) transferability. Member checking, rich description, participant transcript review,



triangulation, and interpretation are validity procedures that qualitative researchers go through to ensure that their research is both credible and trustworthy (Austin & Sutton, 2014; Elo et al., 2014; Morse, 2015). In other words, qualitative research must be trustworthy to be useful, which means that the research is dependable and credible.

### **Reliability**

Qualitative researchers use reliability to ensure that their research findings are dependable. Dependability refers to the stability or constancy of the data (Austin & Sutton, 2014; Bengtsson, 2016; Elo et al., 2014). Researchers use the following strategies to achieve reliability in their research: (a) transcript review, (b) member checking, (c) thick description, and (d) the development of a coding system (Morse, 2015). Other scholars include reflexivity and triangulation among the strategies to achieve reliability in qualitative research (Carter et al., 2014; Noble & Smith, 2015). To ensure dependability, I asked clear, unbiased questions. I asked the same questions in each interview, transcribed the responses accurately, and provided copies of my notes and interpretations to research participants to ensure that my conclusions represented their responses. Onwegbuzie et al. (2010) stated that all forms of communications, including body language, are important in interpreting participants' meaning. Therefore, my notes included any nonverbal communication I observed that may have influenced the meaning.

Thick description allows the participant's voice to be understood within the research. Thick description is an internal reliability strategy and refers to the practice of

researchers providing detailed explanations about the research design, collected data, and findings (Morse, 2015; Noble & Smith, 2015). According to Morse (2015), the researcher's discussion of participant interviews must convey significant meaning that combines the participant's experiences and how the researcher interpreted those experiences. Put differently, qualitative researchers use thick description to present the participant's viewpoint in a way that conveys the indispensable meaning to the reader.

Reflexivity occurs when researchers reflect on their own biases that could influence the research. Researchers can keep reflective journals (Noble & Smith, 2015) or leave audit trails (Houghton et al., 2013) that identify their ongoing research design and decision making rationale as a reliability strategy. Reflexive journals and audit trails indicate researcher self awareness and help researchers identify personal biases that influence the research findings (Houghton et al., 2013). I kept detailed notes on dates and times of the scheduled interviews, method of interview, and detailed notes on which documentation each participant provided in order to triangulate responses with documentation.

Establishing the reliability and dependability of this research was essential. Accordingly, I used the following reliability strategies in this research (a) member checking, (b) thick description, and (c) reflexivity. I also used the NVivo 11 software to assist me in developing a coding system to manage the data for this research.

## **Validity**

*Validity* refers to the trustworthiness of the collected data, research design, and research findings (Anney, 2014; Austin & Sutton, 2014). Although the in-depth descriptive value of a case study is one of its distinctively positive research design attributes, the external validity of the findings of a single case study is often a research design weakness (De Massis & Kotlar, 2014). Lincoln and Guba (1985) emphasized that without the establishment of validity, researchers cannot achieve reliability. To enhance the validity of this study, I used (a) triangulation, (b) reflexive journaling, (c) member checking, and (d) thick description as strategies to achieve credibility, transferability, and confirmability of the research findings.

*Credibility* refers to the trustworthiness or confidence other readers can have in the research process and findings (Anney, 2014; Bengtsson, 2016). Researchers use many strategies to establish credibility in their research. For example, Anney (2014) identified the following credibility strategies (a) prolonged field experience or persistent observation, (b) reflexivity or keeping a field journal, (c) member checking, and (d) triangulation. Cope (2014) explained that researchers could keep audit trails, use multiple observation methods, and remain engaged as credibility strategies. Accordingly, I ensured the credibility of the study by ensuring the participants were knowledgeable about the phenomenon of the study. Each participant met minimum eligibility criteria. I elicited relevant answers through carefully constructed interview questions. I enhanced

the findings' credibility by using member checking, a specific interview protocol, and methodological triangulation.

*Transferability* refers to how applicable the research findings are to others in a similar context (Bengtsson, 2016; Houghton et al., 2013). Cope (2014) and Houghton et al. (2013) described that transferability occurs when a researcher can apply the findings of one study to another study in a same or similar context or circumstance. Importantly, the findings of a qualitative study need to be meaningful to others who did not participate in the study. Houghton et al. (2013) explained that the use of thick description as an effective strategy for enhancing the transferability of research findings. Although I sought to achieve data saturation with a sufficient sample size and knowledgeable participants, future researchers have the responsibility of transferring the findings to other situations (Houghton et al., 2013).

*Confirmability* refers to research that is comprised of authentic, nonbiased data and authentic, nonbiased interpretations of that data (Cope, 2014; Houghton et al., 2013). Thus, researchers need to demonstrate truthfulness in the collected data and the research findings to prove that personal bias does not overtly influence the collected data or research findings. Houghton et al. (2013) explained that researchers enhance the confirmability of their research findings using reflexive journaling, audit trails, triangulation. To ensure confirmability of the study results, I probed for additional information during interviews, followed up interviews with member checking, and

conducted methodological triangulation of the literature, documentation provided by participants, my notes, and transcripts of semistructured interviews.

Researchers achieve data saturation when their data collection efforts return no new information. Data saturation refers to the presentation and completeness of the data and the completeness of the qualitative inquiry (Bengtsson, 2016; Houghton et al., 2013; Morse, 2015). Qualitative researchers engage in data collection until they reach data saturation (Fusch & Ness, 2015; Yin, 2014). Fusch and Ness (2015) explained that data saturation occurs when the data collection efforts reach one of three different outcomes (a) the data collected is sufficient for replication of the study, (b) the researcher's data collection efforts produce nothing new, and (c) the researcher's data coding efforts are exhausted.

Researchers can enhance the validity of their research and achieve data saturation through triangulation. Regarding data saturation, Houghton et al. (2013) identified confirmation and completion as the two primary reasons why researchers use triangulation. Researchers achieve saturation when they have heard and understood everything important about the phenomena of interest and further investigation reveals nothing new about the phenomenon of interest (Houghton et al., 2013).

To enhance the validity of this study, I used (a) triangulation, (b) reflexive journaling, (c) member checking, and (d) thick description as strategies to achieve credibility, transferability, and confirmability of the research findings. Had I needed additional data to reach saturation after the conclusion of the interviews with the CEO

and the four senior managers, then I would have recruited additional senior managers to interview until data saturation was achieved. Data collection also consisted in part of collection and analysis of secondary data in the form of professional reports, government reports, and company documents. Secondary documentary data collection did not conclude until my data collection efforts achieved coding and meaning saturation.

### **Transition and Summary**

In Section 2, I reexamined and further discussed the previously stated purpose statement, as well as, the suitability of the qualitative descriptive case study research method and design. Further, Section 2 consisted of discussions regarding my role as the researcher, the participant selection population and sampling requirements, ethical research considerations, and the data collection strategy, instrumentation, techniques, and process. Section 2 concluded with a discussion regarding the aspects of reliability and validity in qualitative research as well as a discussion of the strategies I used to achieve reliability and validity in the findings of this research.

In Section 3, I restate the purpose of the study and present the research findings. Additionally, Section 3 consists of discussions concerning the application to professional practice and the implications for social change. Section 3 concludes with a discussion regarding my recommendations for action, my recommendations for further reading, and my final reflections.

### Section 3: Application to Professional Practice and Implications for Change

#### **Introduction**

The purpose of this qualitative descriptive single case study was to explore strategies some global music streaming service leaders use to generate sustainable profits through their business models. I used Christensen's (1997) disruptive theory as the conceptual framework for this study. The study results revealed strategies that some global music streaming leaders use to generate profits. The population for this study was the CEO and four senior managers of a leading music streaming service in Southeastern Asia who addressed the sustainability challenges inherent in the Spotify music streaming service business model. Once I received IRB approval to conduct the study, I obtained consent from each study participant.

During data analysis, I used NVivo 11 software to assist me in coding the collected data. I conducted methodological triangulation of the semistructured interviews and archival records to maintain the validity and reliability of the research. Transcript review and member checking ensured the accuracy of my interview interpretations and helped clarify any imprecise or confusing statements. I found that leaders of the participant music streaming service used four primary strategies and eight minor strategies to generate sustainable profits through their business model. The four primary strategies were (a) optimize dynamic capabilities, (b) optimize the subscription business model, (c) focus on the niche of local music, and (d) optimize the freemium business model.

### **Presentation of the Findings**

The overarching research question for this study was, what strategies do some global music streaming service leaders use to generate sustainable profits through their business models? I used Christensen's (1997) disruptive theory as the conceptual framework for this study. Semistructured interviews and reviewed archival records allowed me to gain a deep understanding of those strategies. I conducted semistructured interviews on Skype and recorded the interviews on an audio device. During the interviews, participants responded to open-ended questions regarding their experiences, values, viewpoints, and strategies. The interview protocol (Appendix A) allowed me to organize and standardize the interview process.

After the interviews, I expressed my appreciation for the participants' willingness to participate in my study. Then, I transcribed each interview and used transcript review, as well as used member checking to ensure the accuracy of my interpretations and to clarify any imprecise or confusing statements. In accordance with the invitational letter and consent form, after I transcribed the interviews, I deleted the audio recordings of the interviews to ensure participant confidentiality. Additionally, the participants were coded as P1, P2, P3, P4, and P5 to ensure confidentiality.

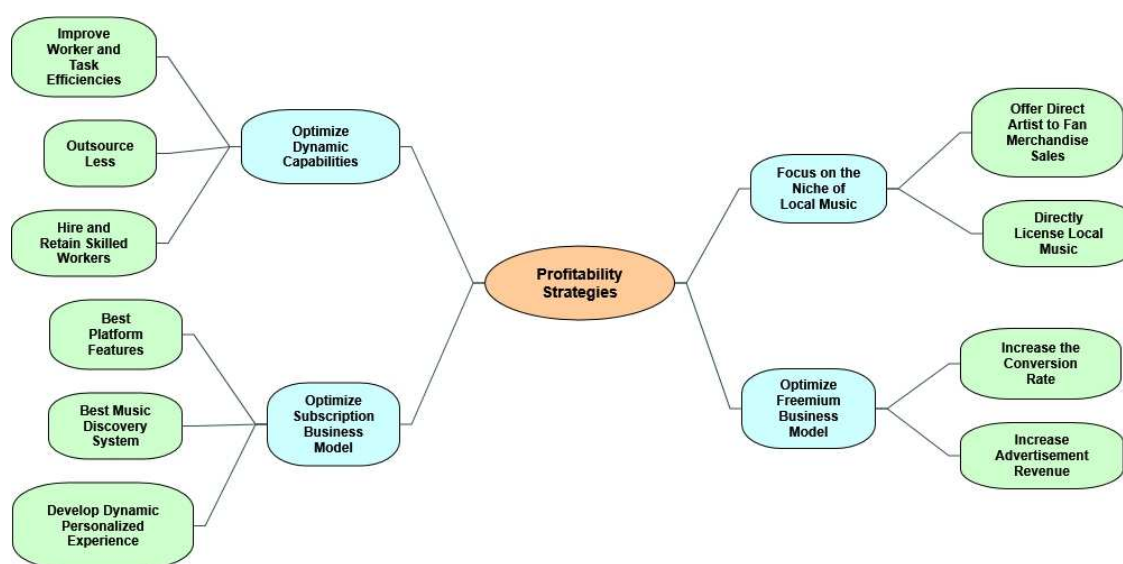
I collected secondary data to gain a contextual understanding of the profitability strategies used by leaders of music streaming services and for triangulation (Johnston, 2014; Fusch & Ness, 2015). I triangulated the participants' semistructured interview responses with (a) company documentation, (b) initial public offering (IPO)



documentation from music streaming industry competitors, Spotify and Tencent Music, (c) professional publications, (d) government reports, and (e) peer-reviewed journal articles. The company documentation I used for triangulation were the Personnel Information Guidelines and the Core Values Statement. The Personnel Information Guidelines contained descriptions and explanations of company policies. The Core Values Statement identified and described the five principle goals of the company. The professional reports I used for triangulation were the *Global Music Report 2017: Annual State of the Industry* (IFPI, 2017) and the *Global Music Report 2018: Annual State of the Industry* (IFPI, 2018). Additional documentation included IPO documentation: (a) *Form F-1 Registration Statement* (Spotify Technology S.A., 2018) and (b) *Form F-1 Registration Statement* (Tencent Music Entertainment Group, 2018). The government report I used for triangulation was *Copyright and the Music Marketplace: A Report of The Register of Copyrights* (U.S. Copyright Office, 2015). I reached data saturation when my data collection efforts failed to produce new information.

During data analysis, I used the Nvivo 11 software to assist me in organizing, coding, and analyzing the data. Four major themes emerged from the data: (a) optimize dynamic capabilities, (b) optimize the subscription business model, (c) focus on the niche of local music, and (d) optimize the freemium business model. Under the major themes, eight minor themes also emerged from the data. Under the optimized dynamic capabilities theme, three minor themes emerged: (a) improve employee and task efficiencies, (b) outsource less, and (c) hire and retain skilled workers. Under the

optimized the subscription business model theme, three minor themes emerged: (a) create the best platform features, (b) design the best music discovery system, and (c) develop a dynamic personalized experience. Under the focus on the niche of local music theme, two minor themes emerged: (a) offering direct artist to fan merchandise sales and (b) directly license local music. Under the optimized the freemium business model theme, two minor themes emerged: (a) improve the conversion to subscription rate and (b) increase advertisement revenue. Figure 3 is a mind map of the relationships between the major and minor themes.



*Figure 3.* The relationships between the major themes and minor themes.

The findings of this study revealed strategies used by some music streaming leaders to generate sustainable profits through their business models. The major and minor themes that emerged from the data during my analysis were consistent with the information identified in the peer-reviewed articles discussed in Section 2. Accordingly,

the findings of this study convey a general agreement with the body of knowledge regarding the topic of business model innovation as it fits within the larger conceptual framework of disruptive innovation.

In the following discussion, I present the findings of the study in relation to the emergent major and minor themes. Additionally, I tie the study findings to the conceptual framework of this study: Christensen's (1997) theory of disruptive innovation. For each major and minor theme, I describe what study findings confirm, disconfirm, or extend the body of knowledge on disruptive innovation as represented in the peer-reviewed articles in the literature review as well as in peer-reviewed articles I reviewed since writing the proposal.

### **Theme 1: Optimization of Dynamic Capabilities**

Participants revealed the importance of optimizing the firm's dynamic capabilities. The theme of optimizing the firm's dynamic capabilities emerged from Interview Questions 2, 3, 4, and 5. All of the participants (100%) indicated that the generation of sustainable profits required the optimization of dynamic capabilities. Teece (2018) confirmed that a firm's profitability depends on the firm's dynamic capabilities to implement the strategies laid out in the business model that create and capture value. Broekhuizen, Bakker, and Postma (2018) and Christensen et al. (2016) emphasized the need of business or departmental freedom to experiment, develop, and implement disruptive business model strategies.

P1, P2, P3, P4, and P5 agreed on the importance of optimizing the firm's dynamic capabilities to generate sustainable revenue. The minor themes related to optimizing the firm's dynamic capabilities were (a) improve worker and task efficiencies, (b) outsource less, and (c) hire and retain skilled workers. Participant statements are provided illustrating these minor themes.

For operating expenses, our strategy is to work more efficiently. For example, we need to have very skilled employees to do our product research and development to make the best user experience and personalized experience. I do not know about every company department. I know about the business development department. We work on developing strategic partnerships with other companies that connect with our service. (P1)

Since our main goal has been to increase the number of paid subscribers, we have invested in research and development to optimize and increase features to enjoy music. In addition, we have invested in recruiting profound and professional product developer and tech personnel. (P5)

The interview responses aligned with similar statements in the documents used for triangulation regarding the importance of optimization of an organization's dynamic capabilities. For example, the company's Core Values Statement lists the following five core values and descriptions:

1. Responsibility: Each employee must work with the highest sense of responsibility, create products that satisfy the user, always carry out commitment and honesty, and commitment to customers.
2. Quality: Each employee must always give our customers the simple products with the best quality. From the beginning, this has been our goal.
3. Passion is the driving force, the key to each individual success, contributing to the success and development of the company.
4. Creativity: Each employee must always create a favorable environment that promotes the creativity of each individual.
5. Teamwork: If you want to go fast, go alone. If you want to go far, go together. Team spirit is one of the core factors that determines the our company's success. Each individual holds the same beliefs and goals for the company's development: Help, mutual support, and concern for each other.

Similar statements regarding the importance of optimization of an organization's dynamic capabilities were found in the Spotify and Tencent IPO documentation used for triangulation. According to Spotify's *Form F-1 Registration Statement*:

Our rapid growth has placed, and will continue to place, significant demands on our management and our operational and financial infrastructure. In order to attain and maintain profitability, we will need to recruit, integrate, and retain skilled and experienced personnel who can demonstrate our value proposition to Users, advertisers, and business partners and who can increase the monetization of the

music streamed on our Service, particularly on mobile devices. Continued growth also could strain our ability to maintain reliable service levels for our Users, effectively monetize the music streamed, develop and improve our operational and financial controls, and recruit, train, and retain highly skilled personnel.

(Spotify Technology S.A., 2018, p. 31)

According to Tencent's *Form F-1 Registration Statement*:

We compete with our competitors based on a number of factors, such as the diversity of content, product features, social interaction features, quality of user experience, brand awareness and reputation. Some of our competitors may have greater financial, marketing or technology resources than we do, which enable them to respond more quickly to technological innovations or changes in user demands and preferences, acquire more attractive content and devote greater resources towards the development, promotion and sale of products than we can. Also, they may provide their users with content that we do not have the license to offer. If any of our competitors achieves greater market acceptance or is able to provide more attractive content offerings than we do, our user traffic and market share may decrease, which may result in a loss of users and a material and adverse effect on our business, financial condition and results of operations. (Tencent Music Entertainment Group, 2018, p. 33)

According to the *Global Music Report 2018: Annual State of the Industry*,

The evolution of streaming has not just been embraced by the music industry, it has been proactively driven by it. Streaming's growth is just one chapter in the story of a business that is focused on maximising the opportunities offered by advances in technology and has developed relationships with the biggest and most forwardthinking companies in the tech sector. Warner Music's Obermann sums it up succinctly: "We have become the disruptors, not the disrupted." Universal Music's Dworkin has a similar take: "We cannot be afraid of perpetual change, because that dynamism is driving growth. There's going to be so much disruption and so much new technology, we're just going to have to fasten our seat belts and show a high degree of sensitivity and willingness to listen. Whilst disruption is challenging, it's also going to be very exciting and create a lot of value". (IFPI, 2018, p. 19)

According to Christensen (1997), disruptive innovations succeed by meeting the needs of niche customers. As disruptors, music streaming service providers must expand their market share by attracting new users in niche markets. However, profitability cannot be achieved without also optimizing the dynamic capabilities of their employees.

Generating sustainable profits requires optimizing a music streaming service's dynamic capabilities. The responses from P1, P2, P3, P4, and P5 reflected a general agreement that the optimization of dynamic capabilities positively influenced their company's profitability. However, the participant's responses varied on which dynamic capabilities influenced profitability the most. The following three minor themes highlight

the participants' varied responses regarding the optimization of dynamic capabilities: (a) improve worker and task efficiencies, (b) outsource less, and (c) hire and retain skilled workers.

**Improve worker and task efficiencies.** The first minor theme under optimizing dynamic capabilities is improving worker and task efficiencies. According to Teece (2018), when a company has strong dynamic capabilities, that company efficiently senses and seizes new opportunities by adapting and aligning their business model with the needs and desires of the customers. P1, P2, and P5 emphasized specifically the importance of improving worker and task efficiencies to growth and profitability.

Our company employees are told to be efficient with our use of time to do our tasks. We are even given incentives when we meet or do better than the boss's expectations. To be efficient in our jobs, we must be skilled in the area we work in. Workers cannot do a task efficiently if they do not understand how to do the task. So our company takes time to hire the best talented people with skill to do important jobs to help our company grow. (P1)

Our company must grow by knowing the Southeastern Asian local music market the best and we must be able to attract and convert music listeners with our freemium and our subscription services. We can only affect certain operating expenses. For example, we can work more efficiently, and we can research and design our new features better and faster. (P2)



Our company's strategies to reduce expenses for our company have focused on lowering the cost of content copyright, minimizing expenses on marketing by using our company's media and advertisement's slot on the website in exchange with partners, and focusing on research and development to optimize technology to decrease the number of servers from 10 to 5. (P5)

The interview responses echoed similar comments on the topic of employee and task efficiencies within Tencent Music's and Spotify's IPO documentation used for triangulation. For example, according to Tencent's *Form F-1 Registration Statement*, "We focus on continually improving our technology to deliver superior user experience and enhance our operating efficiency." (Tencent Music Entertainment Group, 2018, p. 151). According to Spotify's *Form F-1 Registration Statement*:

Our business is growing and becoming more complex, and our success depends on our ability to quickly develop and launch new and innovative products. We believe our culture fosters this goal. Our focus on complexity and quick reactions could result in unintended outcomes or decisions that are poorly received by our Users, advertisers, or partners. (Spotify Technology S.A., 2018, p. 26)

Improving worker and task efficiencies positively influences a music streaming service's profitability. The response from P1 emphasized that the efficiency efforts of employees necessitates proper job training as well as result based incentives. In contrast, the response of P2 focused on converting freemium users to subscription users by designing the best platform features as the primary way employees could influence the

firm's profitability. By contrast, P5 highlighted that both lowering the costs of content acquisition and marketing and investing more in research and development positively influenced the firm's profitability.

**Outsource less.** The second minor theme under optimizing dynamic capabilities is outsourcing less. The responses given by P3 and P4 confirmed what Lahiri (2016) found, which was that outsourcing alone does not necessarily save money for the firm, but, instead, the value of outsourcing depends on management's perception and execution of outsourcing. In this study, P3 and P4 perceived that outsourcing less helped increase profitability by reducing expenses.

No, we do not outsource work to people who do not work at our company. It is less expensive for us to work in-house to research and develop our products and to make our own marketing campaigns. Some of our company's departments cooperate with each other. For example, the our content editor curates the music for the playlists and that takes cooperation with the content developer. (P3)

For the marketing, we try to use internal people for marketing and try to maximize the efficiency of our marketing dollars. Some music streaming companies pay many people both internally and in other companies to do the marketing campaigns and this is very expensive. At our company we use our own people to make our marketing campaigns or we also use some of our partners to market our music service. This makes the cost lower than if we use many people outside our company to market. (P4)

The interview responses reflected a basic agreement with the statements made regarding the necessity of hiring skilled workers in the documents used for triangulation. For example, the company's Personnel Information Guidelines indicates that "we only offer interviews to knowledgeable applicants that are relevant to our business model and job requirements." Similar statements were found in Spotify's and Tencent Music's IPO documentation used for triangulation. According to Spotify's *Form F-1 Registration Statement*:

As our operations grow in size, scope, and complexity, we will need to improve and upgrade our systems and infrastructure, which will require significant expenditures and allocation of valuable technical and management resources. If we fail to maintain efficiency and allocate limited resources effectively in our organization as it grows, our business, operating results, and financial condition may suffer. (Spotify Technology S.A., 2018, p. 31)

According to Tencent's *Form F-1 Registration Statement*:

We believe that our future success depends significantly on our continuing ability to attract, develop, motivate and retain our senior management and a sufficient number of experienced and skilled employees. (Tencent Music Entertainment Group, 2018, p. 36)

Outsourcing less positively influences a music streaming service's profitability.

The responses from both P3 and P4 highlighted that the firm's profitability was positively influenced more by in-house departmental cooperation than by outsourcing. However,

P3 believed that the cooperation of the research and development departments to create the best curated playlists was the most important. By contrast, P4 emphasized that the firm's profitability was most influenced by outsourcing less in the marketing department.

**Hire and retain skilled workers.** The third minor theme under optimizing dynamic capabilities is to hire and retain skilled workers. The responses of P4 and P5 reaffirmed the findings of Bello, Radulovich, Javalgi, Scherer, and Taylor (2016), in which employees with specific expertise were identified as essential human capital required for firms in emergent markets to achieve profitability. P4 highlighted the necessity of highering professional employees. P5 highlighted the importance of highering employees to modernize marketing efforts, as well as, the importance of retaining employees by rewarding them with incentives for meeting and exceeding the expectations placed on them.

I think, first of all, about the people, the personnel inside the company. We try to hire professional employees to maximize our working performance. (P4)

Our company's employees have attempted to reduce costs by (a) modernizing marketing efforts, such as networking more, developing strategic corporate partnerships, cutting marketing costs by doing more in-house, increasing social media, and reducing traditional marketing; (b) using efficient time strategies like setting expectations for a reasonable amount of time to complete certain types of tasks and offering incentives for meeting or exceeding those expectations; and (c) maximizing employees' skills. (P5)

Table 3

*Optimization of Dynamic Capabilities*

Minor Themes	Frequency of Occurrence
Improve employee and task efficiencies	11
Outsource less	8
Hire and retain skilled workers	11

The interview responses aligned with similar statements on hiring and retaining workers in the documents used for triangulation. For example, the company's Personnel Information Guidelines stated that "we have a stock incentive program for our key employees and senior staffs. The success of employees is not just about career advancement, but also a solid financial foundation (p. 5)." Similar statements regarding hiring and retaining were found in Spotify's and Tencent Music's IPO documentation used for triangulation.

According to Spotify's *Form F-1 Registration Statement*:

Our future success depends on our continuing ability to attract, develop, motivate, and retain highly qualified and skilled employees. All of our employees, including our senior management, are free to terminate their employment relationship with us at any time, and their knowledge of our business and industry may be difficult to replace. Qualified individuals are in high demand, particularly in the digital media industry, and we may incur significant costs to attract them. (Spotify Technology S.A., 2018, p. 27)

According to Tencent's *Form F-1 Registration Statement*:

Qualified individuals are in high demand, particularly in the online music industry, and we may have to incur significant costs to attract and retain them.

Additionally, we use share-based awards to attract talented employees, and if the ADSs decline in value, we may have difficulties recruiting and retaining qualified employees. The loss of any key management or executive could be highly disruptive and adversely affect our business operations and future growth.

(Tencent Music Entertainment Group, 2018, p. 37)

A firm's profitability depends on the firm's ability to create and capture value through its dynamic capabilities, business model, and strategies. By optimizing the firm's dynamic capabilities, business leaders sense and seize the opportunities that emerge in the market and influence profitability. Key strategic activities that help leaders optimize the dynamic capabilities of their firms include, improving employee and task efficiencies, outsourcing less, and hiring and retaining skilled workers.

## **Theme 2: Optimize Subscription Business Model**

Participants indicated the need to optimize the subscription business model. The minor themes related to optimizing the subscription business model were (a) creating the best platform features, (b) designing the best music discovery system, and (c) developing a dynamic personalized experience. The responses of P1 and P5 tied subscription fee revenues to music streaming service profitability, which confirmed the findings of Wlomert and Papies (2016). Additionally, Tencent Music Entertainment Group (2018)

confirmed the responses of P1 and P5 by emphasizing that both their current profitability and future growth depends on the revenues generated through their subscription holders. The theme optimizing the firm's subscription business model emerged from Interview Questions 1, 3, 4, and 5. Three of the five participants (60%) emphasized that generating sustainable profits requires an optimized subscription business model.

To sustain and increase our revenues, our company must continue to have the best music streaming service and the most convenient music streaming experience for the users. Part of what makes our company the best is that we give the subscription users benefits like higher quality music, free download music to listen too offline, no commercial interruptions, the best platform features, and the most personalized experience. We also give the subscription users the recommendation and discovery system that our company has to help users find the music they want to hear. (P1)

The subscription model gives our company higher profit margin revenues that we need to generate profits. That is why our company focuses on converting the huge number of free users that we have acquired over to subscription account holders. Our subscription accounts now add up to approximately 20% of total revenue. (P5)

The interview responses showed agreement with statements regarding the revenue value of subscription holders in Spotify's and Tencent Music's IPO documents as well as in the IFPI Global Music Report used for triangulation. For example, in *Copyright and*

*the Music Marketplace: A Report of The Register of Copyrights*, Spotify states that its subscription service “aims to regenerate this lost value by converting music fans from these poorly monetized formats to our paid streaming format, which produces far more value per listener.” (U.S. Copyright Office, 2015, p. 74).

According to Tencent’s *Form F-1 Registration Statement*:

We also offer certain privileges and benefits that are only available to paying subscribers to encourage user spending and paying user conversion on our platform. We will continue to explore alternative subscription models and products, such as streaming-based fee models, to maximize the conversion and monetization potential of our user base. (Tencent Music Entertainment Group, 2018, p. 149)

According to Spotify’s *Form F-1 Registration Statement*:

As consumer tastes and preferences change on the internet and with mobile devices and other internet-connected products, we will need to enhance and improve our existing Service, introduce new services and features, and maintain our competitive position with additional technological advances and an adaptable platform. If we fail to keep pace with technological advances or fail to offer compelling product offerings and state-of-the-art delivery platforms to meet consumer demands, our ability to grow or sustain the reach of our Service, attract and retain Users, and increase our Premium Subscribers may be adversely affected. (Spotify Technology S.A., 2018, p. 14)



According to the *Global Music Report 2018: Annual State of the Industry*,

Driven by fans' engagement with streaming – especially paid subscription audio streaming – digital revenues now account for more than half (54%) of the global recorded music market. Total streaming revenues increased by 41.1% and, for the first time, became the single largest revenue source. By the end of 2017, there were 176 million users of paid subscription accounts globally, with 64 million having been added during the year. (IFPI, 2018, p. 10)

Generating sustainable profits requires optimizing a music streaming service's subscription business model. P1 and P5 both believed that the optimization of the firm's subscription business model positively influenced their company's profitability.

However, P1 and P5 differed on the type of optimizations of the subscription business model that influenced their firm's profitability the most. The following three minor themes highlight the participants' different perspectives on the optimization of the subscription business model: (a) creating the best platform features, (b) designing the best music discovery system, and (c) developing a dynamic personalized experience.

**Create best platform features.** The first minor theme under optimizing the subscription business model is to create the best platform features. The responses of P1 and P5 confirmed what Holm and Gunzel-Jensen (2017) found, which was that managers of streaming services generate sustainable profits by continuously improving their product and service value offerings through adding newer and better features.

To accomplish our growth strategy, we invest in our research and development department to build better features into the streaming service interface. If our music streaming service has all the music that the users want to listen to and has features for them to find new music to listen to that is easy to use, then we will keep the subscription users we have and we will grow. For example, subscription holders of our service stay because our service is the most convenient music streaming experience. They can listen on any device and on any operating system. (P1)

Since our company's main goal now is to convert free users to paid subscription users, we have attempted to increase and optimize the features of our music streaming service to bring a dynamic and personal music streaming service to users. (P5)

The interview responses reflected an agreement with similar statements regarding the importance of product features in Spotify's IPO documentation and in the IFPI Global Music Report used for triangulation.

According to Spotify's *Form F-1 Registration Statement*:

Investing in the User experience has and will continue to generate significant benefits for our platform. As our personalization becomes more refined and music discovery becomes more seamless, we believe we will increase our current Users' engagement and will attract new Users to our platform. (Spotify Technology S.A., 2018, p. 3)

According to the *Global Music Report 2017: Annual State of the Industry*,

The global digital market is now seeing unprecedented competition, with streaming services developing and extending their offerings around the world. Rather than cannibalising the existing streaming base, these developments are expanding it, providing fans with a more varied, richer experience and bringing streaming to new audiences and new territories. (IFPI, 2017, p. 10)

Creating the best platform features positively influences a music streaming service's profitability. Both P1 and P5 believed that the firm's profitability was positively influenced by creating the best platform features. P1 believed that the subscription business model was most positively influenced by the development of more convenience features for subscription users. By contrast, P5 emphasized that the firm's profitability was most influenced by the personalization features of the subscription business model.

**Design best music discovery system.** The second minor theme under optimizing the subscription business model is to design the best music discovery system. The statement of P5 confirmed what Morris and Powers (2015) found, which was that the primary goal and profitability of a music streaming service depends on the quality of the discovery experience of new music. Additionally, the response of P5 reaffirmed Kjus (2016) by tying the success of curated playlists on music streaming services to the users' potential discovery of new artists.

A subscription account holder can enjoy high quality music, listen to music without interruption from advertisements, enjoy free download, and enjoy a song

discovery system which is a smooth and efficient way for music users to find out the name of a particular song or artist when listening to music. (P5)

The interview responses aligned with similar statements regarding music discovery in Spotify's and Tencent Music's IPO documentation used for triangulation.

According to Spotify's *Form F-1 Registration Statement*:

Spotify has become an essential partner to both aspiring and established artists by enabling their music to be discovered. Our playlists have become a key discovery tool for Users to find new artists and new music from their favorite artists. Given the success of our playlists in driving music discovery, they have become one of the primary tools that labels, artists, and managers use in order to boost artists and measure success. (Spotify Technology S.A., 2018, p. 4)

According to Tencent's *Form F-1 Registration Statement*:

Our ability to continue to grow our user base and engagement is driven by various factors, including our ability to increase the breadth and attractiveness of our content offerings; deliver differentiated user experiences; encourage users to use multiple services across our platform; improve the social interaction features of our platform; and enhance our brand reputation. However, certain factors may cause the actual results to be materially different from our expectations. If we fail to anticipate user preferences to provide online music entertainment content catering to user demands, our ability to attract and retain users may be materially and adversely affected." (Tencent Music Entertainment Group, 2018, p. 96)

Designing the best music discovery system positively influences a music streaming service's profitability. P5 emphasized that designing the best music discovery system was an important factor to preventing the churn of subscription users. In other words, users of music streaming services value the discovery of new music. All market leading music streaming services provide users with access to millions of songs. Consequently, users value the music discovery features on music streaming services more when those features simplify their discovery of new songs and artists.

**Develop dynamic personalized experience.** The third minor theme under optimizing the subscription business model is to develop the dynamic personalized experience. The responses of P1 and P5 confirmed what Prey (2017) found, which was that music streaming services offer personalized music experiences because users prioritize personalization features on music streaming apps and because music streaming services use the data generated through personalization features to create narrow advertising customer segments that demand higher advertisement rates. In this study, P1 highlighted the need of personalization features to match the contextual circumstances of the customer with the customer's preferred style of music. By contrast, P5 attributed the overall success of the streaming service in the Southeastern Asian music market to the streaming platform's personalization features.

Personalized content that fits the moods and the type of music the users like is very important to growth and profit because music streaming is both about access to music and about discovery of more music that the listeners would like. (P1)

Our music service is a leader in the music streaming industry because we offer a music streaming service with extraordinary, dynamic and personal music streaming experiences for users. Our service has become a famous and popular music platform with music users in Southeastern Asia over the last 10 years of foundation and development. We will stay the leader by giving the users the best personalized music experience. (P5)

Table 4

*Optimize Subscription Business Model*

Minor Themes	Frequency of Occurrence
Create best platform features	10
Design best music discovery system	12
Develop dynamic personalized experience	8

The interview responses reflected agreement with similar statements regarding personalized experience in Spotify's and Tencent Music's IPO documentation as well as in the IFPI Global Music Report used for triangulation. According to Spotify's *Form F-1*

*Registration Statement:*

We have a large and growing base of Users that are highly engaged on Spotify, which enables us to continuously learn about their listening behaviors throughout the day. We use this information to create a more personalized and engaging experience for each incremental visit to our platform. We believe this personalized experience is a key competitive advantage as Users are more likely

to engage with a platform that reflects their real-time moods and activities and captures a unique understanding of moments in their lives. (Spotify Technology S.A., 2018, p. 3)

According to Tencent's *Form F-1 Registration Statement*:

Furthermore, our key and long-term priority of optimizing user experience and satisfaction may limit our ability to significantly grow our advertising revenues. For example, in order to provide our users with an uninterrupted online music entertainment experience, we limit the amount of advertising on our streaming interface or pop-up advertisements during streaming. While this may adversely affect our operating results in the short-term, we believe it enables us to provide a superior user experience which will enable us to expand current user base and strengthen our monetization potential in the long-term. However, this philosophy of prioritizing user experience may also negatively impact our relationships with advertisers and may not result in the long-term benefits that we expect, in which case the success of our business, financial condition and results of operations could be materially and adversely. (Tencent Music Entertainment Group, 2018, p. 39)

According to the *Global Music Report 2017: Annual State of the Industry*,

A widening of streaming's demographic is highlighted as key to the growth of all industry sectors by Glen Barros, CEO of Concord Music Group. "Streaming growth to date has not been uniform; it ran a little lopsided, weighted towards

certain genres and appealing to a younger demographic. We don't want to leave anybody behind. We want all genres to be represented and all types of consumers to feel comfortable in the streaming environment.” (IFPI, 2017, p. 19)

According to Christensen (1997), disruptive innovators create products and services for niche customers that have been ignored by the industry leading incumbents. In the music streaming industry, disruptive companies have a more precise understanding of the specific musical interests of local music consumers. Incumbents are at a disadvantage over the disruptors because incumbents do not have as clear of an understanding of the local market. The interviewed participants highlighted that their company was able to maintain their market share because of their local music market knowledge, even after the entrance of incumbents like Spotify and Apple music.

Optimizing the subscription business model is important because the subscription business model is the highest profit margin aspect of a music streaming service. By optimizing the subscription business model, business leaders increase the perceived monetary value of their subscription service and improve the capture of that value through subscription fees, which influences the profitability of the firm. Key strategic activities that help leaders optimize the subscription business model include, creating the best platform features, designing the best music discovery system, and developing a dynamic personalized music experience that drives the growth of subscription account holders.



**Theme 3: Focus on the Niche of Local Music**

The third theme identified as a strategy used to generate sustainable profits was to focus on the niche of local music. As shown in Table 5, the minor themes related to focusing on the niche of local music were (a) offering direct artist to fan merchandise sales and (b) directly licensing local music. The theme focusing on local music emerged from Interview Questions 6 and 7. In this study, four of the five participants (80%) identified that the firm's focus on local music was key to the firm's market success and profitability. The statements of P2 and P3 confirmed what Christensen et al. (2016) found, which was that disruptive innovations begin in new or niche markets and offer customers in those niche markets specialized services and products that niche customers desire.

We have been good at our growth strategy because that is easier for our company to control. We know the local Southeastern Asian music market and we know what kinds of music they want to hear. So we work hard to give the our service users what they want and to make their experience as personal and convenient as possible. We focus on quality and consistency and on giving the users the most local music they want. We do not focus on worldwide dominance. (P2)

The largest expenses for music streaming services are (a) the cost of content acquisition, which is a variable cost (b) operating costs, like marketing, research and development, and personnel or administrative staff, and (c) other various fixed costs, like servers. (P3)

The interview responses reflected agreement with similar statements regarding localized content in Spotify's and Tencent Music's IPO documentation as well as in the government and professional reports used for triangulation. According to *Copyright and the Music Marketplace: A Report of The Register of Copyrights*:

A streaming service that does not fall under the section 112 and 114 licenses—i.e., an interactive service—must negotiate a license with a record company in order to use the label's sound recordings. Since direct licenses are agreed upon at the discretion of the copyright owner and the potential licensee, the license terms can be vastly different from those that apply under the statutory regime. It is common for a music service seeking a sound recording license from a label to pay a substantial advance against future royalties, and sometimes an administrative fee. Other types of consideration may also be involved. (U.S. Copyright Office, 2015, p. 52)

According to Spotify's *Form F-1 Registration Statement*:

Since our inception in April 2006, we have incurred significant operating losses and as of December 31, 2017, had an accumulated deficit of €(2,427) million. For the years ended December 31, 2015, 2016, and 2017, our operating losses were €(235) million, €(349) million, and €(378) million, respectively. We have incurred significant costs to license content and continue to pay royalties to music labels, publishers, and other copyright owners for such content. We cannot assure you that we will generate sufficient revenue from the sale of our Premium Service

and advertising for our Ad-Supported Service to offset the cost of our content and these royalty expenses. If we cannot successfully earn revenue at a rate that exceeds the operational costs, including royalty expenses, associated with our Service, we will not be able to achieve or sustain profitability or generate positive cash flow on a sustained basis. (Spotify Technology S.A., 2018, p. 17)

According to Tencent's *Form F-1 Registration Statement*:

Our ability to attract and retain our users, drive user engagement and deliver a superior online music entertainment experience depends largely on our ability to continue to offer attractive content, including songs, playlists, video, lyrics, live streaming of music performances and karaoke-related content. Music that was once well-received by our users may become less attractive if user preferences evolve. The success of our business relies on our ability to anticipate changes in user preferences and industry dynamics, and respond to such changes in a timely, appropriate and cost-effective manner. If we fail to cater to the tastes and preferences of our users, or fail to deliver superior user experiences, we may suffer from reduced user traffic and engagement, and our business, financial condition and results of operations may be materially and adversely affected. (Tencent Music Entertainment Group, 2018, p. 25)

According to the *Global Music Report 2017: Annual State of the Industry*,

Alfonso Perez Soto, VP Business Development LATAM at Warner Music Group, agrees: We need fans to convert to paying for music subscription services and that

means digital platforms need to offer a range of ways for people to pay. Digital services also need to localise their businesses, with people on the ground in different markets in the same way record companies have. Once they've started to produce more local editorial content and forge local partnerships, then they will be in an even better position to unlock the huge potential of this vast regional market. (IFPI, 2017, p. 23)

According to the *Global Music Report 2018: Annual State of the Industry*,

Universal Music's Dworkin, meanwhile, heralds a wholly encouraging transformation of the competitive (but connected) landscape. We have hundreds of singlemarket services providing exceptionally highly localised experiences; we have massively scaled global pure plays and platforms driving product innovation; we have social media companies large and small competing around ad-funded UGC. We have the richest patchwork of partnerships that I can recall in my 20 years in the industry. (IFPI, 2018, p. 21)

Focusing on the niche of local music positively influences the profitability of a music streaming service. The responses from P1, P2, P3, P4 and P5 varied on how focusing on the niche of local music influenced their company's profitability. The following two minor themes highlight the different responses of the participants (a) offer direct artist to fan merchandise and (b) directly license local music.

**Offer direct artist to fan merchandise sales.** The first minor theme under focusing on the niche of local music is to offer direct artist to fan merchandise sales. The

responses of P1 and P5 reaffirmed what Bello et al. (2016) found, which was that unique service offerings create a competitive advantage for the service provider by increasing the perceived value of that service to the user. Additionally, Tencent Music Entertainment Group (2018) confirmed the responses of P1 and P5 by highlighting that the majority of their profits come from revenues generated through unique value offerings to their users.

To generate additional revenue, we help the music artists market themselves and their merchandise to their fans. We make commissions for doing this when the artists make a sale of merchandise. This is not yet a big amount of revenue for our company but it is growing. (P1)

We continually look to innovate new ways to enhance our music streaming service platform. Recently, our company has added a special feature to earn commissions for selling merchandise of music artists on our streaming service to music fans on two of our B2C subscription packages. (P5)

The interview responses echoed similar statements made regarding the necessity of alternative revenue in Spotify's and Tencent Music's IPO documentation used for triangulation. According to Spotify's *Form F-1 Registration Statement*:

Cost of revenue consists predominantly of royalty and distribution costs related to content streaming. We incur royalty costs, which we pay to certain music record labels, publishers, and other rights holders, for the right to stream music to our Users. Royalties are typically calculated monthly based on the combination of a number of different elements. Generally, Premium Service royalties are based on

the greater of a percentage of revenue and a per User amount, while royalties for the Ad-Supported Service are based on the greater of a percentage of revenue and an amount for each time a sound recording and musical composition is streamed. (Spotify Technology S.A., 2018, p. 65)

According to Tencent's *Form F-1 Registration Statement*:

We strive to generate creative ideas for content acquisition and to source high-quality content, including both popular, mainstream content and long-tail content. Sourcing attractive content may be challenging, expensive and time consuming. We have invested and intend to continue to invest substantial resources in content acquisition. However, we may not be able to successfully source attractive content or to recover our content acquisition investments. Any deterioration in our content quality, failure to anticipate user preferences, inability to acquire attractive content, or any negative feedback of users to our existing content offerings may materially and adversely affect our business, financial condition and operating results. (Tencent Music Entertainment Group, 2018, p. 25)

Offering direct artist to fan merchandise positively influences a music streaming service's profitability. Both P1 and P5 agreed that offering direct artist to fan merchandise positively influenced the profitability of their firm. However, P5 emphasized that merchandising revenue was growing but downplayed the influence that direct fan to artist merchandising had on profitability.

**Directly license local music.** The second minor theme under focusing on the niche of local music is to directly license local music. Directly licensing local music helps to generate sustainable profits by reducing the high costs of content acquisition. In this study, both P3 and P4 emphasized that directly licensing local music helped generate sustainable profits because obtaining local music was not only cheaper but was also the type of music their customers wanted to listen too. According to Spotify Technology S.A. (2018), for the Spotify business model, the intended cost of content acquisition was 70 percent of total revenue, however, the actual cost of content acquisition for Spotify was over 80 percent in 2017. By contrast, Tencent Music Entertainment Group (2018) confirmed the responses of P3 and P4 by emphasizing that lower costs of content acquisition were a primary reason for their profitability. Thus, by identifying that directly licensing local music as a profitability enhancement strategy, the statements of P3 and P4 extend the body of knowledge on music streaming profitability.

However, we cannot reduce the major expense of content acquisition and that is the most major expense we have. This is normal for other music streaming companies too. The cost of content acquisition is a necessity but it is always far too much money. I wish we could reduce that cost because it would be easier to make more money that way. But we have to have access for our users to the famous music of major record labels and they have the most power during the negotiations to license copyright content. So our ability to affect and control expenses is limited to the smaller costs not the bigger costs. Getting copyrights

directly from local music artists is less expensive than getting the famous music and our users like local music. And we control the negotiations with local music artists more. (P3)

The most expensive cost for a music streaming company is the cost of content acquisition. All music streaming companies try to find ways to reduce this cost because it is so high and makes profiting for music streaming services very difficult. Our company also uses strategies to try to lower the cost of content. More important is that we focus on trying to find local music that our customers want to listen too. Having the most local music makes us unique. (P4)

Table 5

*Focus on Niche of Local Music*

Minor Themes	Frequency of Occurrence
Offer direct artist to fan merchandise sales	7
Directly license local music	13

The interview responses aligned with similar statements about the high cost of content acquisition in Spotify's and Tencent Music's IPO documentation as well as in the IFPI Global Music Report used for triangulation. According to Spotify's *Form F-1 Registration Statement*:

We rely on music rights holders, over whom we have no control, for the content we make available on our Service. We cannot guarantee that these parties will always choose to license to us. The music industry has a high level of



concentration, which means that one or a small number of entities may, on their own, take actions that adversely affect our business. For example, with respect to sound recordings, the music licensed to us under our agreements with Universal Music Group, Sony Music Entertainment, Warner Music Group, and Merlin, makes up the majority of music consumed on our Service. For the year ended December 31, 2017, this content accounted for approximately 87% of streams. (Spotify Technology S.A., 2018, p. 15-16)

According to Tencent's *Form F-1 Registration Statement*:

Significant portions of our music offerings are licensed from our music content partners, which include music publishers and labels, such as Sony Music Entertainment, Universal Music Group, Warner Music Group, Emperor Entertainment Group and China Record Group Co., Ltd. with whom we have entered into master distribution and licensing agreements. There is no assurance that the licenses currently available to us will continue to be available in the future at rates and on terms that are favorable, commercially reasonable or at all.

The royalty rates and other terms of these licenses may change as a result of various reasons beyond our control, such as changes in our bargaining power, changes in the industry, or changes in the law or regulatory environment. If our music content partners are no longer willing or able to license content to us on terms acceptable to us, the breadth or quality of our content offerings may be adversely affected or our content acquisition costs may increase. Likewise,

increases in royalty rates or changes to other terms of our licenses may materially and adversely affect the breadth and quality of our music content offerings and may, in turn, materially and adversely affect our business, financial condition and results of operations. (Tencent Music Entertainment Group, 2018, p. 25)

According to the *Global Music Report 2018: Annual State of the Industry*,

Another effect of the rise of streaming is the simultaneous extension of global reach and the localisation of repertoire. Artists from outside those territories (and genres) traditionally dominant in the music industry can now reach fans all over the world in an unprecedented number of ways. At the same time, local scenes are also being discovered and nurtured, creating homegrown stars who are able to build their careers to previously unimagined levels.... The globalisation process has opened up the worldwide market for a more diverse mix of artists and genres, but, at the same time, the democratisation and transparency of streaming has allowed culturally specific music to flourish on home turf rather than shrink in the shadow of US and UK superstars. (IFPI, 2018, p. 23)

According to Christensen (1997), disruptive innovations focus on providing products and services for niche customers that have been neglected by the mainstream incumbents. As disruptors, music streaming services gain a competitive advantage over incumbents by understanding the demands of local music consumers and by providing unique content and experiences that meet those demands. The interviewed participants

highlighted that their company's success resulted primarily from their local music market focus.

Focusing on local music is an important driver for a music streaming service to generate sustainable profits. By focusing on local music, leaders (a) create services and products for underserved niche customers, (b) increase the perceived value and uniqueness of their music streaming service, and (c) lower the cost of content acquisition, which influences the profitability of the firm. Key strategic activities that help leaders focus on local music include, offering direct artist to fan merchandise sales and directly licensing local music.

#### **Theme 4: Optimize the Freemium Business Model**

The fourth theme identified as a strategy used to generate sustainable profits was to optimize the freemium business model. The minor themes related to optimizing the freemium business model were (a) improving the conversion to subscription rate and (b) increasing advertisement revenue. The theme optimizing the freemium business model originated from Interview Questions 2, 3, 4, and 5. Four of the five participants (80%) agreed that the optimization of the freemium business model influenced the profits of the firm. The responses of P1, P2, P3, and P4 confirmed what Holm and Gunzel-Jensen (2017) found, which was that firms with successful freemium business models focus continuously on growth and innovation. Additionally, Koch and Benlian (2016) supported the statements of P1, P2, P3, and P4 by explaining that freemium services struggle to profit from freemium business models when the marginal costs necessary to

maintain freemium users include royalties and when advertisements do not generate enough supporting revenue.

Our company's revenue model has two parts. One part is a free service that is supported by revenue from advertisements. Another part is a subscription service for people who pay a small amount each month. For the free service, our company works to acquire more users. To acquire more users, our company must market the benefits of the our service to as many people as possible. The free service works as a funnel for music consumers who first become freemium users of our service and then eventually become subscription service users. (P1)

Our company grows profits by marketing our music service to the Southeastern Asian music market. We first try to attract and acquire new free users and then we work to convert those freemium users to the premium subscription service. The subscription users generate much more revenue than the ad-supported users do. That is why we prioritize the conversion of the freemium users to subscription users. Our primary conversion strategy is to make better and more personalized products and services that the subscription holders can enjoy. If the our music streaming service has all the music that the users want to listen to and has a way for them to find new music to listen to that is easy to find then we will keep the subscription users we have and we will grow. (P3)

We have implemented different strategies overtime to develop more business and gain revenue. Phase one was to acquire users. Five years ago, we aimed to

acquire users and increase our brand awareness. Users could enjoy music 24/7 ubiquitously and it was free of charge. The revenue mainly came from advertisements, accounted for 90% and from investors. Phase two was to convert free users to paid users. During phase two, the main goal in these recent years has been to convert the huge number of free users that we have acquired over last 10 years to subscription account holders. Subscription account holders now account for 20% of our total revenue. (P5)

The interview responses aligned with similar statements about the optimization of the freemium business model in the documents used for triangulation. According to Spotify's *Form F-1 Registration Statement*:

Our ability to grow our business and generate revenue depends on retaining and expanding our total User base, increasing advertising revenue by effectively monetizing our Ad-Supported User base, and increasing the number of Premium Subscribers. We must convince prospective Users of the benefits of our Service and our existing Users of the continuing value of our Service. (Spotify Technology S.A., 2018, p. 14)

According to Spotify's *Form F-1 Registration Statement*:

We rely on advertising revenue from our Ad-SupportedService, and any failure to convince advertisers of the benefits of our Ad-Supported Service in the future could harm our business, operating results, and financial condition... We may not succeed in capturing a greater share of our advertisers' core marketing budgets,

particularly if we are unable to achieve the scale, reach, products, and market penetration necessary to demonstrate the effectiveness of our advertising solutions, or if our advertising model proves ineffective or not competitive when compared to other alternatives and platforms through which advertisers choose to invest their budgets. (Spotify Technology S.A., 2018, p. 32)

According to Tencent's *Form F-1 Registration Statement*:

We continue to implement new technologies, introduce new features and tools, as well as improve user experience in order to encourage users to access our platform more frequently and for longer periods of time, and ultimately to increase their spending on our platform. We also use direct marketing tools deployed through our platform interfaces to convert our users into paying users. (Tencent Music Entertainment Group, 2018, p. 150)

Generating sustainable profits requires optimizing a music streaming service's freemium business model. The responses from P1, P2, P3, and P4 reflected a general agreement that the optimization of the freemium business model positively influenced their company's profitability. However, the participants's also gave reponses that revealed nuances on what type of freemium business model optimization influenced their company's profitability the most. The following two minor themes highlight the participants' varied responses on optimizing the freemium business model: (a) improving the conversion to subscription rate and (b) increasing advertisement revenue (Table 6).

**Improve the conversion to subscription rate.** The first minor theme under optimizing the freemium business model is to improve the conversion to subscription rate. According to Spotify Technology S.A. (2018), for the Spotify business model, the average revenue per user (ARPU) is more than 14 times higher from subscription holders than freemium users. The statements of P1 and P3 confirmed what Wlomert and Papies (2016) found, which was that the usefulness of the freemium business model is to facilitate the acquisition of new service users. Additionally, Wlomert and Papies supported the statements of P1 and P3 by emphasizing that advertisement revenues do not often support the freemium business model expenses.

Once our service has a freemium user, then we work to convert that freemium user to a subscription holder because the subscription holders are more profitable to our service than the freemium users. The reason for this profit margin difference is because the advertisements that support the freemium service do not amount to fully support the high number of freemium users like the premium subscription monthly fee does. (P1)

Our company grows profits by acquiring new users for the music service from the Southeastern Asia music market. We first try to attract and acquire new free users and then we work to convert those freemium users to the premium subscription service. The subscription holders generate much more revenue than the ad-supported users do. That is why we prioritize the conversion of the freemium users to subscription holders. (P3)

This cost of marketing free users to convert over to subscription holders is the most important because the profit margin for subscription holders is more than for free users. Too many free users lowers our overall revenues because advertisements do not pay as much as subscriptions. (P4)

The interview responses aligned with similar statements about the conversion of freemium users to premium users in the documents used for triangulation. For example, Tencent's *Form F-1 Registration Statement* stated that "Our results of operations depend largely on our ability to convert our vast user base into paying users." (Tencent Music Entertainment Group, 2018, p. 96). Additionally, similar statements on user conversion were found in Spotify's IPO documentation as well as in the IFPI Global Music Reports used for triangulation. According to Spotify's *Form F-1 Registration Statement*:

We must convince prospective Users of the benefits of our Service and our existing Users of the continuing value of our Service. Our ability to attract new Users, retain existing Users, and convert Ad-Supported Users to Premium Subscribers depends in large part on our ability to continue to offer leading technologies and products, compelling content, superior functionality, and an engaging User experience. (Spotify Technology S.A., 2018, p. 14)

According to the *Global Music Report 2017: Annual State of the Industry*,

Sony Music's President, Global Digital Business & US Sales, Dennis Kooker, says: When we look back, 2016 may have been a tipping point for streaming and, most importantly, for paid subscription streaming. A year ago we listed driving



paid subscription as the number one priority, so that has been a positive development and a lot of hard work went into that. (IFPI, 2017, p. 16)

According to the *Global Music Report 2018: Annual State of the Industry*,

Sony Music's CEO of China and Taiwan, Samuel Chou, also picks up on the importance of switching to paid audio subscriptions: The demand for music here has always been huge, but what we are seeing now, and what needs to continue, is digital music platforms encouraging people towards payment models. The key to that process is providing reasons and incentives to switch, possibly through exclusive new content, more choice and higher quality of audio and service. (IFPI, 2018, p. 34)

Improving the conversion to subscription rate positively influences a music streaming service's profitability. P1, P3, and P4 all agreed that improving the conversion of freemium users to subscription holders influenced their firm's ability to generate profits the most. The responses of P1, P3, and P4 each emphasized the insufficiency of advertisement revenues to cover the costs of freemium users as the primary reason for the importance of improving the conversion of freemium users to subscription account holders. By comparison, P1, P3, and P4 each emphasized the profit margin sufficiency of subscription account holder fees compared to the costs attributed to providing the music streaming service to account holders.

**Increase advertisement revenue.** The second minor theme under optimizing the freemium business model is to increase advertisement revenue. As shown in Table 6, the

second minor theme occurred during coding 19 times. The statement of P2 confirmed what Wlomert and Papies (2016) found by highlighting that the profitability of the freemium business model depends on the firm's achievement of charging higher advertisement rates and obtaining more advertisement sales.

A primary focus of ours is to increase the ad revenue by charging more for ads and by selling more ads on our streaming app because we need to both sell more ads and to sell more expensive ads to help the freemium service pay for the free users. Otherwise it is difficult to make a profit from the freemium service. (P2)

Table 6

*Optimize the Freemium Business Model*

Minor Themes	Frequency of Occurrence
Improve the conversion to subscription rate	30
Increase advertisement revenue	19

The interview responses aligned with similar statements regarding advertisement revenues in Spotify's and Tencent Music's IPO documentation used for triangulation.

According to Spotify's *Form F-1 Registration Statement*:

In addition, in order to increase our advertising revenue, we also seek to increase the listening time that our Ad-Supported Users spend on our Ad-Supported Service. The more content we stream under the Ad-Supported Service, the more advertising inventory we have to sell. Further, growth in our Ad-Supported User base increases the size and scope of user pools targeted by

advertisers, which improves our ability to deliver relevant advertising to those Users in a manner that maximizes our advertising customers' return on investment and, ultimately, demonstrates the effectiveness of our advertising solutions and justifies a pricing structure that is advantageous for us. If we fail to grow our Ad-Supported User base, the amount of content streamed, and the listening time spent by our Ad-Supported Users, we may be unable to grow Ad-Supported revenue. Moreover, given that Premium Subscribers primarily are sourced from the conversion of our Ad-Supported Users to Premium Subscribers, any failure to grow our Ad-Supported User base or convert Ad-Supported Users to Premium Subscribers may negatively impact our revenue. (Spotify Technology S.A., 2018, p. 14)

*According to Tencent's Form F-1 Registration Statement:*

Our advertising revenues depend on the overall growth of the online advertising industry in China and advertisers' continued willingness to deploy online advertising as part of the advertised spend. In addition, advertisers may choose more established Chinese internet portals or search engines over on our platform. If the online advertising market does not continue to grow, or if we are unable to capture and retain a sufficient share of that market, our ability to grow our advertising revenues may be materially and adversely affected. (Tencent Music Entertainment Group, 2018, p. 39)

According to Christensen (1997), disruptive innovations evolve over time to meet the needs of niche customers with more technological sophistication. Music streaming services evolve in technological sophistication for both the freemium users as well as the advertising customers. The increased technological sophistication efforts of the participant company focused on increasing the conversion rate and increasing the advertisement revenue.

Optimizing the freemium business model is important because the freemium business model is less profitable than the subscription business model. However, the freemium business model is essential to profitability and growth in the Southeastern Asian music market where the popularity of music streaming subscription services is much lower than in the Western music markets. By optimizing the freemium business model, leaders allow potential subscribers to try the music streaming service before they buy the music streaming service, which influences the profitability of the firm. Consequently, when a freemium business model is necessary for growth in the local market, leaders should prioritize improving the conversion to subscription rate and increasing the advertisement revenue to generate sustainable revenues for the firm.

### **Applications to Professional Practice**

The findings of this study have many applications to both business strategy scholars and music streaming practitioners. Specifically, music streaming leaders should balance growing the user base of their music streaming platforms alongside the difficult task of generating sustainable revenues. The lack of profitability of the music streaming

business model despite the rapid growth of the music streaming industry has been a recurrent theme in music streaming strategy literature (Aguilar & Waldfogel, 2017; Butz, Stifel, Schultz, & O'Neill, 2017; IFPI, 2017). The findings of this study extend the body of knowledge on the topic of business model profitability as it is represented within the conceptual framework of disruptive innovation by providing many proven and practical strategies from music streaming leaders who have generated sustainable profits from their business models.

The findings of this study highlighted four important strategies that influence the profitability of music streaming services. The four strategies are (a) to optimize the dynamic capabilities of the firm, (b) to optimize the subscription business model, (c) to focus on the niche of local music, and (d) to optimize the freemium business model. By optimizing the firm's dynamic capabilities, business leaders will more readily sense and seize the opportunities that emerge in the market and influence profitability. Similarly, by optimizing the subscription and freemium business models, business leaders will increase the perceived monetary value of their subscription service and improve the conversion rate of freemium users. At the same time, business leaders can focus the strategic efforts of their company on the underserved niche of local music, which will influence the firm's profitability by generating nontraditional revenues and by reducing the cost of content acquisition.

The results of this study could provide music streaming leaders insights regarding how to differentiate the value and uniqueness of their product and service offering to

positively influence profitability. In emergent markets, music streaming leaders should overcome user mindsets that have grown used to consuming pirated music by creating personalized music experiences worth paying for. The findings of this study suggest that music streaming leaders can attract a larger volume of potential users by focusing on the underserved niche of local music and by deliberately creating new platform features that cater to the needs and desires of the local music audience.

### **Implications for Social Change**

The music streaming industry is the most rapidly changing and impactful area of the music business. Music streaming leaders who can sense and seize the opportunities that emerge in the market will have more success at achieving profitability for their firm. The findings of this study could be valuable to music streaming service leaders who need to generate sustainable revenues and lack the strategies to do so on their own.

The findings of this study might promote social change by generating awareness of proven strategies leading to sustainable profits for music streaming services and job security for artists who contribute to sustaining or increasing local economies cashflows and taxable incomes. Specifically, this study could be useful to music streaming leaders who want to differentiate their music streaming service from other competitors in the local market. This study could also be beneficial to music streaming leaders who want their service to implement a disruptive innovation strategy.

### **Recommendations for Action**

The path of disruption is very specific and not something that can be followed haphazardly. Disruptive innovations succeed when innovative companies offer new features to customers in new markets at a low cost (Christensen et al., 2015; King & Baatartogtokh, 2015). Teece (2018) emphasized that the combination of a firm's strategies, dynamic capabilities, and business models directly relate to the firm's ability to generate profits. To successfully generate profits, leaders should understand how to adjust and innovate the business models in use at their firm according to their business strategies and the firm's dynamic capabilities.

The target audience for the results of this study is threefold. The first target audience for this study is music streaming leaders who want to monetize their position as a disruptive innovator in the global music industry. The findings of this study identified three specific choices that positively influence the profitability of a music streaming service, such as (a) optimizing the firm's dynamic capabilities, (b) optimizing the subscription and the freemium business models, and (c) focusing on the niche of local music. The community of music streaming research and development professionals is the second target audience for the results of this study. The findings of this study emphasized the importance of developing music streaming service features capable of delivering a high level of personalization and discovery to music streaming users.

The third target audience for this study is the community of music streaming-interested academics and professionals who want to effect social change through either

their research or through their entrepreneurship. The findings of this study not only explain the lack of profitability problem that persists in the music streaming industry but also highlight proven strategies to reduce costs and enhance revenues that influence the profitability of the firm. The dissemination of the findings of this study could be done through music streaming industry conferences, music technology conferences, and peer-reviewed journals that cover the topics related to music streaming, business model innovation, and disruptive business model innovation.

### **Recommendations for Further Research**

The purpose of this descriptive single case study was to explore strategies some global music streaming leaders use to generate sustainable profits through their business models. Additionally, the participants for this study included leaders of a successful Southeastern Asian music streaming service. Future research could explore the profitability strategies used by music streaming leaders whose firm is headquartered in a different part of the world. A list of potential questions for a future qualitative study on the profitability strategies used by music streaming leaders could include the following:

1. What business model adjustments have you made that have influenced the profitability of your company the most and least?
2. What is the relationship between the growth of your subscription service user base and the copyright acquisition cost negotiations with the major record labels?



3. What strategic partnerships has your company made with other businesses that have influenced the profitability of your firm?
4. Do you see any new areas in the music streaming industry ripe for another disruptive innovation?

Five primary limitations pertained to this study. Differences in spoken native language, geopolitical culture, and research communication norms formed the basis for three out of five of the limitations. Future researchers who change any or all of the basic limitations of my study may even be able to ask the same questions as I did and end up with completely different responses. Additionally, future researchers could enhance their research by conducting a mixed method study that could explore qualitative and quantitative aspects of the profitability strategies used by music streaming leaders.

### **Reflections**

My experience of the DBA Doctoral Study process was often comparable to riding a roller coaster. Satisfying my curiosity was the original reason I chose to explore the profitability strategies used by music streaming leaders through the conceptual framework of disruptive innovation for this study. Then, shortly after my prospectus for this study was approved, I experienced much more difficulty than I expected. Every music streaming service I asked to participate in my research said no and indicated that their protection of trade secrets prohibited their employees from participating in a study. At the same time, I realized that I could not easily change the topic I had gotten approved in my prospectus without experiencing significant delays. That was when I realized I had

to finish what I had started despite the anxiety induced by the slow and arduous climb up the first mountain; finding willing participants.

My anxiety returned to joy at the top of the first mountain when a friend of my family helped me identify a music streaming service willing to participate in my study. Maybe it was my naivete as a new academic researcher that convinced me I had nothing more to fear about the remainder of the DBA Doctoral Study process ahead of me. On the other hand, maybe it was my unfamiliarity with academic bureaucracy at the doctoral level that gave me unrealistic expectations about what it would take for me to finish my study and graduate. Suffice to say, I experienced many more ups and downs between finding willing participants and articulating these reflections of mine. However, I have learned to enjoy the process and to focus on one task at a time. Additionally, I have come to know that my doctoral study committee members are good people who value education and research as much as I do. I am lucky to have the support of a helpful doctoral study committee.

My preconceived ideas about the strategies that could positively influence the profitability of a music streaming service were mostly confirmed by the data and the responses of the participants. I was happily surprised that the participants in my study were as easy to work with as I had hoped they would be. Conducting participant interviews from the opposite side of the world took quite a bit of scheduling coordination. However, the Skype interviews went over as well as if I had conducted face to face interviews. The biggest change in thought for me was that I now believe the path to

financial profitability for music streaming services depends on a local music focus. Previously, I assumed that achieving scale through worldwide growth would eventually result in profitability. I held that assumption because, before I conducted this study, the majority of my understanding came from reading articles that discussed Spotify only. However, Spotify has never generated a penny of profit in over a decade of doing business. To the contrary, Spotify has only generated billions in both debt and losses. Consequently, doing this study has revealed to me the errors of my original assumption that I learned from Spotify, which was that eventually achieving worldwide scale would solve the music streaming service business model profitability woes. I now know that assumption argued by Spotify is nothing more than marketing hype used to raise investment dollars by distracting investors from seeing the obvious problem about investing in Spotify, which is that Spotify's business model is inherently unprofitable.

Going through the DBA Doctoral Study process, has been for me the experience I hoped it would be. For me, the process was interesting, difficult, meaningful, and educational. Dozens of times I felt like quitting but instead stayed the course. My final thought is that accomplishing great things in life, like finishing this doctoral study, should take a lot of hard work, endurance, and persistence because that is what a scholar needs to positively influence social change.

### **Conclusion**

Since I began the research for this study, the global music market grew another 8.1%, which was 2.2% faster than the growth rate of the previous year, and generated

total revenues of \$17.3 billion (IFPI, 2018). Further, the IFPI (2018) reported \$6.6 billion in total music streaming revenue, which was a 41.1% growth from 2017. As a result, music streaming revenue accounts for 38.4% of the total global music industry revenue. However, leaders in the music streaming industry have still not achieved a sustainable music streaming business model (IFPI, 2018). Thus, the relevance and timeliness of the findings of this study are more apropos now than when this study began.

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## Appendix A: Audio Interview Protocol

Date: \_\_\_\_\_ Location: \_\_\_\_\_

Interviewer: \_\_\_\_\_ Interviewee: \_\_\_\_\_

## Instructions:

1. Start recording device.
2. Introduce myself.
3. Introduce the interpreter and allow interpreter a moment to introduce his or her self.
4. Introduce the research project.
5. Discuss the informed consent form, assure privacy, voluntary participation, and confidentiality.
6. Address any participant questions.
7. Ask interview questions in the pre-determined order.
8. Ask follow-up questions.
9. Finish interview questions.
10. Explain to participant the process of member checking.
11. Address any participant questions.
12. Thank participant for joining the study.

## Appendix B: Email Contact Protocol

Date: \_\_\_\_\_ Location: \_\_\_\_\_

Interviewer: \_\_\_\_\_ Interviewee: \_\_\_\_\_

## Instructions:

1. Email an informed consent form to obtain the participant's consent to join the study.
2. File participant's consent response.
3. Email participant the sufficient details about the study, the expected return time frame of the participants' interview responses, the pre-determined interview questions, and a statement of thanks for their participation in the study.
4. Wait for participant to send a return email with their responses to the interview questions.
5. After receiving participant responses, reply with an email statement of thanks for their participation in the study and a date and time for the audio interview follow-up.
6. In the follow-up email, ask for the participants Skype contact details and give participants my Skype contact details.

7. Read, code, and reflect over interview responses before audio interview follow-up.

### Appendix C: Interview Questions

Interview questions include the following:

1. What strategies are you using to develop your company business and revenue models?
2. What strategies are you using to reduce operational expenses for your company?
3. What business growth and development strategies are you using to sustain or increase revenues for your company?
4. What strategies are you using to reduce the costs of content acquisition?
5. What are your company's growth strategies?
6. What strategies are you using to generate additional and nontraditional revenue streams for your business and for the stakeholders in your business ecosystem?
7. What else could you add to help determine what strategies leaders of similar music streaming services should use to increase the profits of the music streaming service business model in the global market?