

Marketing madness or financial folly? Implementing equity crowdfunding in the record industry

Purpose

The purpose of this paper is to explore the implementation of equity crowdfunding within the record industry in terms of challenges and opportunities, in addition to the marketing and financial implications for independent music artists and major record labels.

Design/methodology/approach

This study adopted a qualitative methodology consisting of a two-stage interview-based research methods. A total of 44 semi-structured in-depth interviews were conducted with the CEOs of equity crowdfunding platforms in the record industry, other related record industry informants, independent artist managers and senior executives from major record labels.

Findings

The loyalty aspect of ECF may have significant marketing potential in terms of inconspicuously using the equity platform as a 'prosumer' identification mechanism. As this early career stage of artists is delicate in terms of establishing trust and patronage from their fans, these early marketing and ECF ventures should be implemented directly from the artist without external third-party involvement.

Research limitations/implications

The implications of this paper's findings and theoretical model are not limited to the two studied stakeholder groups of the record industry. The insights in relation to the obstinate lack of understanding and clarity (particularly for independent artists) which surround Equity

crowdfunding are likely to influence short-term strategic approaches by other players throughout the wider music industry.

Practical implications

The insights regarding negative approaches towards ECF by the labels may influence future 'coopetition strategies' for independent labels as they seek to navigate the changing industry dynamics.

Originality/value

This paper is the first study to empirically explore the predominantly under-researched area of ECF implementation in the record industry in terms of marketing and financial consequences for artists and labels.

1. Introduction

The purpose of this submission to the Special Section of European Journal of Marketing is to explore the implementation of equity crowdfunding (ECF), from the context of different stakeholders within the music industry. Specifically, the focus of this research is the *record industry*, which is defined by Murphy (2014) as a genealogical tree comprising producers, record labels and recording artists. Zheng *et al.* (2014) advise that crowdfunding in general terms has developed into a prevalent practice within the record industry on account of consumer engagement in the creative side of music production. However, unlike the more well-known and legally established rewards-based crowdfunding platform, in which financial contributions from consumers towards business or creative projects are rewarded with various prizes or incentives, with ECF the funders receive financial reparation in the form of profit-share equity (Belleflamme *et al.*, 2013) or an ownership stake in the new campaign (Manchanda and Muralidharan, 2014). This effectively transforms and empowers the consumer role into that of an investor (Mollick, 2014). Despite this new transformative role of the consumers, their financial investments follow some of the same structural process elements as that of a traditional rewards-based campaign (i.e., payments may not be transferred until the campaign exceeds a predetermined funding goal threshold and within a specific project timeframe) (Agrawal *et al.*, 2014).

It has been argued that the market growth of ECF will experience more radical enhancements when current regulations are alleviated (Bretschneider *et al.*, 2014). However, despite this optimistic growth trajectory, the contemporary and problematic nature of ECF platforms has still resulted in a lack of knowledge surrounding their purpose, practicality, compatibility and application in various contexts. Recent research studies into ECF have been conducted from different social science perspectives. From a financial sector standpoint, Maarbani (2014) argues that the global finance sector is now on the verge of technological

insurgency and how this has arguably resulted in a convergence of a) demand for ECF; and b) supply by equity investors who are inclined towards technology firms and the platforms that enable investment marketplace transactions. Furthermore, from an entrepreneurial standpoint, Lehner *et al.* (2015) provided their study from the context of risks associated with venture capitalists not deriving their return on investment from the entrepreneur's delivery, as well as the role of traditional investors and their associated investment variables from the entrepreneur.

Taking firm-level marketing and financial perspectives, the present study will explore how this type of crowdfunding can be strategically implemented into organisational operations. The attainment of this knowledge would be instrumental for practitioners throughout key industries such as the record industry as innovations in various sectors in the digital era have resulted in significant stability issues for numerous stakeholder groups (Gamble and Gilmore, 2013; Gamble *et al.*, 2017). Consequently, management-focused research into a contemporary innovation such as ECF, and the marketing and financial implications, may have far-reaching implications for the sustainability of several industry practitioner groups in terms of revenue generation, operational strategies and, ultimately, market longevity. For instance, Mollick (2014) suggests that “[d]espite such enthusiasm from the highest authorities, it is unclear in what ways, exactly, crowdfunding might change the game for new ventures seeking financing” (p. 2). Furthermore, Weinstein (2013) argues that this ambiguity also extends to the question of which types of organisations and industries will incorporate ECF into their operations in future.

The management literature acknowledges that ECF has been subject to both a paucity of academic discussion (Manchanda and Muralidharan, 2014) as well as deficiencies in scholarly research studies (Agrawal *et al.*, 2014; Bretschneider *et al.*, 2014). As a result of this, there is currently no theory that establishes ECF within the research domain of marketing, finance or other areas of the management field (Gedda *et al.*, 2016). More research into ECF from

different industry and organisational perspectives would not only address academic research gaps but also the needs of EU-level policymakers to better understand its applicability to evolving business models. For instance, a government report on investment-based crowdfunding that was commissioned by the European Securities and Markets Authority (ESMA, 2014) found that, on account of the various operational structures used within ECF, it is not sufficiently known how to map their platform activities to those regulated under EU legislation, and what requirements would have to be implemented in order for them to be integrated within existing rules.

The current paper will therefore explore the implementation of ECF within the record industry in terms of inherent challenges and opportunities, in addition to investigating what are the marketing and financial implications for the key industry stakeholder groups of independent artists and major record labels. The record industry has not only received a dearth of research into ECF, but also exhibits a dynamic and constantly shifting landscape in which stakeholders must navigate. Therefore, the empirical findings of this study will have pragmatic implications for practitioners and policy-makers, in addition to theoretical implications through the presentation of new insights and a theoretical model into ECF within the record industry.

The paper will be structured as follows: Section 2 will provide a literature review of the ECF platform in terms of its implementation and its place within the post-ownership economy of the record industry, in order to establish the three research questions for the study. Section 3 will detail the research methodology in terms of rationale for the methodological position, the chosen interview-based research method and the data collection and analysis. Section 4 will provide the results of the data collection; Section 5 will offer further analysis and discussion, in order to address the research questions and present the theoretical model. Section 6 will present practitioner implications, limitations and future research directions to close the paper.

2. Literature review

2.1 *Equity crowdfunding implementation*

ECF has endured a slow, protracted and arduous implementation since the concept was first developed in the USA in the early twenty-first century (British Business Bank, 2014; Fleming and Sorenson, 2016). Although the first ECF platform ‘Crowdcube’ was successfully launched in the UK in 2001 (British Business Bank, 2014; Hornuf and Schmitt, 2016), the emergence of the ECF market globally has been subjected to significant influence from the legislative environment of each jurisdiction in which it has been developed (Ahlers *et al.*, 2015). This is especially the case in the US, in which the JOBS Act was enacted by President Obama in 2012, with the objective to reduce regulatory restrictions on raising capital for small, unestablished companies (Agrawal *et al.*, 2015). This legislative foundation is central to the development of legal ECF in the USA and abroad, as shown in Figure 1 below in which the history of ECF is essentially the history of the legal milestones that punctuate its development. However, the objective of the current study is not to explore the legal barriers and legislative complexities of ECF at the global industry level as this has been the focus of many other contemporary ECF studies (see Fleming and Sorenson, 2016; Hornuf and Neuenkirch, 2017; Lukkarinen *et al.*, 2016). The current paper seeks to move beyond this, to investigate the current situation of implementing ECF in terms of pragmatic ramifications from the organisational perspective of key stakeholders within a specific industry context.

[Figure 1 here]

On account of the fundamental reliance on external financiers and the legal uncertainties surrounding the implementation of equity-based industry-consumer deals, this emerging type of crowdfunding has naturally been subject to much scepticism and aversion from management

scholars. Indeed, the concept of ECF is not necessarily flawed in terms of technical weakness inasmuch as it is profoundly exposed to exterior market threats. For instance, Agrawal *et al.* (2014) have suggested that the strategic market position of these types of campaigns may be denigrated by traditional equity investors, who can offer a lower capital price due to their heightened social attentiveness and ability to evaluate return-on-investment and risks. However, Manchanda and Muralidharan (2014, p. 372) have counter-argued that, since the establishment of the JOBS Act 2012, any apprehensions have been focused on how the upsurge of ECF may actually adversely affect the venture capital industry – in particular the firms (as opposed to individual business angels), which they describe as historically representing “a dominant force in seed financing and early stage financing”. Instead, attention should perhaps be focused on other areas of possible concern – such as the retention of data associated with this crowdfunding platform. Rossi (2014) believes that there is a high risk here in relation to information disproportionateness as well as a lack of supplementary data available in the public domain.

The record industry is infamous for the guarded and often secretive approaches to the disclosure of data and permissions from some of its dominant stakeholders such as the major record labels. There are only three remaining major labels (Sony, Universal and Warner, or “the big three”), which are distinct from the plethora of independent labels as they not only represent their artists but, due to their extensive financial resources and status as global corporations, wield significant influence, control and ultimately gate-keeping over other record industry stakeholders and the wider music industry (Klein *et al.*, 2017). For instance, major labels have historically opted for legal action against user-centric innovations in music access and pricing models (Gamble, 2018; Oestreicher and Kuzma, 2009). They have therefore been identified as the first stakeholder group to be investigated in the current study as they traditionally engage in equity investment in signed artists, in addition to marketing activities.

Kim and Viswanathan (2014) echo reservations that are expressed regarding crowdfunding by raising the potential issue of misappropriation on the part of the project facilitators. They emphasise the long-term significance of reputation-building systems, and also suggest future research that examines evolutionary market dynamics as a risk mitigation strategy. Other management scholars attend to the subject of dynamics; for example, Mollick (2014) envisions that the future regulation of ECF may result in changing dynamics between investors and backers.

The literature discussion on the ECF platform also included many positive outlooks for its continued development in terms of opportunities for both industry practitioners and research. For instance, Belleflamme *et al.* (2014) concluded in their study that the profit-sharing approach to crowdfunding is more apposite to early-stage campaigns on account of the increased uncertainty levels and the exclusion of any product prototype requirement. Some scholars even proclaim ECF as a dual financial revolution for entrepreneurs and investors due to unprecedented capital access and investment opportunities (Assenova *et al.*, 2016). The implications of successful ECF campaigns also extend to the marketing domain by establishing alternative channels through which the founder can not only acquire equity capital but also demonstrate the demand for their offering (Baucus and Mitteness, 2016). This is especially the case when one considers literature arguments that ECF success is defined not only by the equity raised, but also by the number of investors (Lukkarinen *et al.*, 2016). The fundamental question that permeates the discussion surrounding ECF implementation moving forward, as suggested by Gleasure and Feller (2016), is whether ECF represents a complement or substitute for conventional avenues of finance and/or marketing. This question is particularly salient vis-à-vis the record industry, in which the post-ownership economy has witnessed a turbulent period of alternative distribution channels and shifting consumer roles.

2.2 Equity crowdfunding in the record industry's post-ownership economy

The majority of the management literature that discusses record industry innovations has focused on new revenue streams, with recommendations that this feature depends on a number of variables including the marketplace, the artist's aptitudes and inclinations, and the value of copyright protection (Teece, 2010). However, it is advisable that it is also reliant on the predilections of the consumer, as their recompense predispositions over time are leaning more towards tiered payment plans (from freemium to premium) for streaming and subscription services such as Spotify and Deezer and less towards the a-la-carte download-to-own revenue stream (Sinclair and Tinson, 2017). Conversely, some academics have also acknowledged the industry's opposition approach to preserve the sales-based revenue stream as a replacement for embracing the prospect of new revenue streams within the industry (Lincoff, 2008). Others have focused their research on tackling impending new revenue streams including user 'tipping' (Azar, 2011), ad-based elements (Papies *et al.*, 2011), price ratings dependent on property rights and usage (Parry *et al.*, 2012) and other dissimilar markets such as soundtracks depending on the quality of copyright protection and the circumstantial preferences of the music artists (Teece, 2010). As the music artists themselves have been cited numerous times in the above discussion – both in terms of their alleged innovative capabilities to manage new technologies in addition to their shifting inclinations towards new and emerging revenue streams – they have been identified as the second stakeholder group for this study. In doing so, a greater understanding can be realised in relation to the extent to which they are integrating new technologically-focused elements such as ECF and what are the associated implications.

The first music-focused or music-related crowdfunding platforms were launched in 2000 and this has been followed by a predominant increase in the launch of more rewards/donation-based and equity-based (since 2005) platforms in the succeeding 15 years, as depicted in Figure 2 below. A total of 59 music crowdfunding platforms have been launched

around the world during this period – 13 of which were equity-based. This 15-year period also witnessed the untimely closure of 3 of the 13 equity-based and 10 of the 46 rewards-based platforms. Therefore, there are still 46 of the 59 music crowdfunding platforms still in operation around the world today – 10 of which are equity-based. This slow but steady rise of music crowdfunding, which peaked around 2011-2012 for both equity- and rewards-based platforms, demonstrates the extent to which crowdfunding is becoming increasingly prevalent and important for the record industry in the digital age. A full list of all the music crowdfunding platforms launched since the year 2000 is presented in Appendix A.

[Figure 2 here]

Agrawal *et al.* (2014) considered record industry crowdfunding platforms such as Sellaband in their study on ECF and suggest that empirical data collected from these crowdfunding platforms may derive benefits in terms of gauging emerging user behaviour. As the findings from other literature sources above have already suggested an incremental rise in the growth of this crowdfunding platform across several industries, the current paper also argues that a more pressing issue corresponds not to user perspectives but to organisational impact. This approach is supported by Kim and Hann (2013), who propose that there is a greater significance for ECF in supporting genuinely innovative organisations. Indeed, as ECF platforms are instigated and implemented by key industry organisations within the record industry, the analysis of these crowdfunding innovations may prove to be more justifiable from a management research context.

In order to summarise and contextualise this literature review of ECF, Table 1 below presents a comparative assessment of the key features and considerations of both equity-based

and rewards-based crowdfunding, in addition to their inherent implications for the music industry according to contemporary literature sources.

[Table 1 here]

As a corollary of the above discussion, the current paper will address the following research questions:

1. What opportunities and challenges are the record industry facing in implementing ECF?
2. What are the marketing implications for artists and labels that engage with ECF?
3. What are the financial implications for artists and labels that engage with ECF?

3 Research Methodology

3.1 Rationale for methodological position

On account of the exploratory nature of the research questions for this study, which necessitate the exploration of a largely un-researched phenomenon, the decision was taken to utilise an epistemological approach that was interpretive in design. This methodological position has been described as both robust and influential when addressing the meaning and complexity of situations (Black, 2006). The interpretive approach is also arguably fundamental in exposing the idiosyncratic meaning of the values of organisational management players (Bourne and Jenkins, 2005). This is therefore contextually applicable to the objectives of the current study, which specifically address organisational stakeholders regarding how the phenomenon of ECF is affecting them in terms of marketing and financial implications, thereby necessitating analysis of their values and opinions.

As a direct result of the practical and pragmatic nature of the research questions, combined with the strategic decision to adopt an interpretive methodological approach, it was

therefore decided that a purely qualitative, as opposed to quantitative, methodology would be executed. The implied requisite for in-depth qualitative exploration of this particular research topic is supported by other academics; Bretschneider *et al.* (2014, p. 2) recently stated that “[i]n view of this new phenomenon, research lacks deeper knowledge about equity crowdfunding”. In taking a qualitative approach, the research study can determine motivations, perceptions and beliefs (Milena *et al.*, 2008), whilst giving order to these meanings as a now-conventional facet of management research (Johnson *et al.*, 2007).

In terms of the chosen qualitative data collection for the study, as the research questions specifically seek to analyse a phenomenon at the organisational level, an interview-based method was adopted. Due to the phenomenological and exploratory nature of the research, combined with its theory-building attributes, a large sample size from the identified stakeholder groups constituted a robust and high-quality sample pool. The use of in-depth, face-to-face interviews is well established in the management research domain and is used for deducing expert perspectives on the specific research topic, in order to gain an insight into a key individual’s interpretation of a phenomenon (Milena *et al.*, 2008).

3.2 Research method

The chosen data collection method involved a two-stage design incorporating in-depth semi-structured face-to-face interviews. It was decided that, on account of the exploratory nature of the study and the desire to cover new research ground, the first stage would consist of broad data collection for a range of record industry representatives (from both crowdfunding and non-crowdfunding specialisms) in order to contextualise the data from different industry perspectives and approaches. The second stage would then involve specific and focused data collection by speaking directly to the identified stakeholder groups.

Regarding the population of interviewee candidates, this study – like many record industry studies – was not geographically restricted due to the social and online extent of the record industry globally (Chaney, 2012; Choi and Burnes, 2013; Gamble and Gilmore, 2013; Izvercian and Alina Seran, 2013). Consequently, candidates from potentially any country were deemed to be appropriate for the study if they either held an executive management position within their company or significant applicable understanding and/or expertise. Regarding the interview location, all of the interviews either took place at the headquarters of UK-based companies or via a Skype video call for non-UK companies. In adherence with the global sampling approach of the study, the interviews were conducted with candidates from diverse continents including Europe, Africa, Australia and North America. A scoping exercise identified possible interview candidates for the two interview stages, using a range of scoping techniques including search engine keyword searches such as “music crowdfund”, “music crowdsourcse”, “music co-creation”, “music consumer interaction” and “music consumer involvement”. Additionally, LinkedIn networking was used, as well as additional searches in online databases of record industry contacts such as GINGIO, Musician’s Atlas, The Unsigned Guide and Music Business Registry.

3.3 Data collection

In total, 44 interviews were conducted during the two interview stages, resulting in a total of 2,148 minutes of data and 396 pages of transcripts. Eighty-eight prospective Stage One interview candidates were identified and demarcated into two categories: crowdfunding informants and non-crowdfunding informants. All crowdfunding informants held the position of Director/CEO of a crowdfunding platform within the record industry. The non-crowdfunding informants were further demarcated into: a) CEOs/Directors of record industry organisations that provide services that facilitate other types of consumer engagement (such as

fan-run record labels, direct-to-fan platforms, interactive music creation apps, fan-interaction marketing, consumer-licensed soundtracks and others); b) industry professionals who research or write about the occurrence of consumer engagement (including crowdfunding) in the record industry; and c) other individuals with an expertise of consumer engagement in the record industry (including members of world-renowned bands who have a history of using crowdfunding and industry practitioners who have worked closely with consumers over the years). The final interview count for Stage One of the empirical research stage was 34 in-depth, semi-structured interviews (consisting of 17 crowdfunding informants and 17 non-crowdfunding informants). Sample interview questions are provided in Appendix B.

Stage Two of the interviews consisted of semi-structured face-to-face in-depth interviews with five representatives from each of the two identified stakeholder groups. The first group was independent music artists and, based on the above discussion, it was decided that artist managers who represent the artists would constitute the most appropriate choice for this data collection stage. The first reason for this was that they work very closely with music artists and therefore constitute a representative voice for conveying views on behalf of the artists. The second reason is that some artists may be disinclined or incapable of answering business-related questions relating to the record industry. The managers also represent an interested party in the findings of this study as, according to Ramírez (2005), they need the artists' innovativeness, style and authenticity for their own market successes. The other stakeholder group was major record labels and this involved speaking with three senior management executives from one label and two senior management executives from another (unfortunately, no senior executives from the third major label agreed to take part). The final interview count for Stage Two was 10 in-depth, semi-structured interviews. Sample interview questions are provided in Appendix B.

All 44 interviews were recorded using a digital tape recorder and transcribed. Each interviewee was then assigned a code in adherence to the anonymity that was guaranteed to the

participants in the original interview request emails. The code for each of these interviewees begins with 'S1/2' to signify the interview stage and is then followed by two randomly assigned letters. Table 2 below presents a summary of the data collection process for the 44 interviews conducted for this study.

[Table 2 here]

3.4 *Data analysis*

Due to the exploratory nature of this study, compounded with the dearth of knowledge surrounding the research questions, an inductive analysis approach was adopted. In terms of a coding approach, the most applicable approach to the current study was a data-driven one, in which DeCuir-Gumby *et al.* (2011) describe how the codes emerge from the raw interview data – thus apropos to exploratory, theory-driven research. Lastly, in terms of analysis techniques, seven distinct techniques are proposed and detailed by Leech and Onwuegbuzie (2007). The most pertinent and applicable technique to the current research study was a constant comparison analysis technique, in which underlying themes and sub-themes are identified over several stages of qualitative data. On account of the above methodological decisions, an inductive, data-driven, four-phase constant comparison analysis technique was conceived and implemented for the current study, consisting of category analysis, thematic analysis, sub-thematic analysis and reliability analysis, as detailed below.

Phase One: Category Analysis. This phase involved the reduction of raw interview data (DeCuir-Gunby *et al.*, 2011); the creation of thematic categories (Edhlund, 2011) in order to provide aspects to describe, explain and/or compare (Ryan and Bernard, 2003); the establishment of links between data and results (Elo and Kyngäs, 2008); and the writing up of category findings.

Phase Two: Thematic Analysis. This phase consisted of reading through the category data from Phase One; abstracting any obvious themes (Edhlund, 2011); establishing links between the data and results (Elo and Kyngäs, 2008); modifying the links as new categories emerge inductively (Zhang and Wildemuth, 2009); writing up the category / theme findings; comparing themes across data sources (DeCuir-Gunby *et al.*, 2011); and rechecking coding consistency (Zhang and Wildemuth, 2009).

Phase Three: Sub-thematic Analysis. This phase involved iterative reading through the category data from Phase One and thematic data from Phase Two in order to: ensure the quality of the codes (DeCuir-Gunby *et al.*, 2011); identify and code sub-themes; combine or organise the sub-themes into smaller numbers of categories (Hsieh and Shannon, 2005) and hierarchical structures (O'Neill, 2013); establish any links between the data and results (Elo and Kyngäs, 2008); write up the category / thematic / sub-thematic findings; compare the themes / sub-themes across data sources (DeCuir-Gunby *et al.*, 2011); and recheck coding consistency (Zhang and Wildemuth, 2009).

Phase Four: Reliability Analysis. This phase consisted of: summarising the links between the data and results (Polit and Beck, 2004); assessing the reliability via cross-referencing of data against the characteristics of participants (Elo and Kyngäs, 2008) or the triangulation of data sources (Hsieh and Shannon, 2005); writing up the findings; achieving a balance between authorial text and authentic citations (Elo and Kyngäs, 2008); relating the findings back to the literature; and drawing logical conclusions from the findings.

4 Results

4.1 Establishment of equity crowdfunding

Throughout the two interview stages, some of the interviewees discussed the opportunities represented by ECF, with S1PJ describing it as a “new entrepreneurial creation” that he

believed will completely supersede the current rewards-based crowdfunding. S1SP acknowledged the innovative, yet unpredictable, nature of how ECF will progress by describing it as “a dynamic that could, honestly, break things wide open or it could be a total dud”. Other interviewees specifically discussed the issues and challenges associated with ECF, with S1TR advising that there is a marketing opportunity for more engaged fan involvement but that “it’s more applicable to music as software than it is to music as recorded”. Building on this point in terms of technological suitability within the record industry, S1SP stated that “Equity-based crowdfunding is more geared towards business and technology companies in particular where you will actually be able to invest.” Other interviewees stated that ECF is problematic for both record labels and artists. S1MM suggested that “you’ll see labels being incredibly cautious about that” and raised the questions of communication between the artists and potentially thousands of investors, the nature of the shareholder agreement and the arrangements for voting and objections. The conflicting arguments showed a lack of understanding and consensus on the introduction of ECF as a legitimate financial and marketing tool for artists and labels. This lack of understanding of ECF was directly cited by S1PJ, who stated that “there is a complete non-understanding in terms of how this works - in terms of the crowdfunding aspect, in terms of just the money aspect.” On account of this lack of clarity, he then cautioned that consumer-investors must be financially protected, stating that “we don’t want people’s grandmother paying money into an equity-based investment thinking it’s going to be the next big thing and all of a sudden her apartment’s gone”.

4.2 Equity crowdfunding for artists

In the Stage Two interviews with the CEOs of artist management companies, all five of the interviewees discussed the topic of ECF as a legitimate financial model for artists and a number of themes emerged from the interview data. The most prominent theme, which was suggested

by three of the companies, corresponded to logistical or administrative issues. S2PN suggested that the financial challenges would be exacerbated for artists who are signed to a record label because they would have to share equity with an extended list of stakeholders that would include the consumers, although “it just depends on how much equity the person is getting out of it”. S1SP independently raised this scale aspect but from the perspective of marketing challenges, by mentioning a real-life example of a fan buying \$1,000 of equipment for an artist in exchange for becoming part of their management circle, and hypothesising that “what happens if that is spread out over a fan base?”. S1MM also addressed this issue from a marketing perspective by highlighting the potentially problematic issue of objections and stating “what if 5000 of the investors don’t actually like the song you just created but you really like it?”. Another perspective to the theme, as stated by S2KA, was that there would also be complications for the artist when dealing with publishers and licensing because “they prefer for [...] one person to own the material so they can license off them instead of having to go to different people.” S2JJ even suggested that complications for the artists may extend to dealing with the alternative marketing agendas of the investors when they take the approach that “we will give you some money to help make the record, but [we want] to be able to use your music to promote what we do”. Some of the other themes identified from the interview data cited other issues or challenges of ECF for artists, with S2TJ describing an ECF strategy as merely a “stepping stone” and suggesting that “once that band gets a little bit more momentum, normally they are picked up by some sort of representation that is going to do all that stuff for them.” This point was also independently raised by S2TJ, who commented that “the fans that are doing the equity- based, they are normally [investing in] acts that are smaller”, and that, from a marketing point of view, these early-career artists are doing it “in the hopes of gaining more following”. However, S2TJ argued that the marketing challenges of ECF are actually most prominent at the start of artists’ careers, as “it is very hard to find that person who is

willing to invest in an artist upfront”, and that this type of crowdfunding is more accessible in their later career stages as “once you have the fan base then you can start doing [equity] crowdfunding and it is successful”. These points demonstrate the need for fan-base development and lower-commitment activities (for instance rewards-based crowdfunding) before ECF would be strategically appropriate for the artist and for the fans.

One theme that emerged from the interviews was that ECF is limited to short-term strategies for artists, with S2KA suggesting that “project-based probably would be better, instead of an artist’s actual work in general”. S2KA suggested that ECF would not constitute a sustainable long-term strategy for the artists, commenting that “in the long run the artists [...] would get a smaller share from their work and [if] the song was to be licensed onto a [...] mega TV show, it wouldn’t get the same dividends from it as another artist would.” S1KM also cited financial sustainability challenges with ECF, especially when using third parties that “are going to take a cut”. However, other interviewees maintained a more positive, long-term outlook on the financial prospects of ECF, with S1PJ commenting that “it’s going to give opportunities for working capital, to go out there and make money and innovate”.

Another related theme was that the ECF concept itself will be slow to develop. Only one of the interviewees, S2LP, cited any positive benefits of artists using ECF - that it can benefit the artist in terms of sincerity and loyalty because their stakeholders become their fans who appreciate and support them. However, a related opinion from S2KM was that artists should be cautious about engaging in ECF involving third parties, because “if you’ve got a fan base then deal with them directly because then there’s a trust thing there”. A final theme emerged from the interview data that related to the influential factors on ECF as part of the financial model for artists. S2JJ stated that significant equity deals between artists and a brand are achievable, although it depends the artist being “very selective and very creative in the search of that involvement in the musical output.” As this point was discussed from the context of

introducing ECF as a legitimate financial model for artists, S2JJ also advised that the success of any equity brand deals would also be contingent upon the inclusion of a financier and the significance of the brand. Thus, according to this interviewee a potential brand partnership should be both creative and exploitative of the exposure generated by the brand.

4.3 *Equity crowdfunding for labels*

The findings regarding the financial implications of ECF for labels proved insightful, given that, according to the label interviewee S2SK, “ECF comes as a reaction to major labels not investing in projects”. In the Stage Two interviews with the senior executives from the major record labels, the topic was discussed of whether ECF could be a legitimate financial model for them. The most prominent theme to emerge from the interview data referred to the viewpoint expressed by four of the major label interviewees – that it represents more of an option for independent artists. Four sub-themes were identified from individual interviewed firms. The first was that the artists may gravitate towards ECF to avoid major label control, with S2SA describing it as an “alternative option” for artists. The next sub-theme related to the complexity of ECF in which S2SK suggested that, with multiple equity-based projects, “the admin side would make it too confusing”.

One final sub-theme to explain how ECF represents more of an opportunity for artists is as a reaction to a lack of label investment; S2SK described it as geared towards “artists who haven’t the benefit of a major label or other investment”. The other theme that emerged from the interview was that two major labels explicitly stated that they would not use ECF as part of their business practices in future. S2BF described crowdfunding as an interesting model and didn’t entirely disregard the possibility of incorporating it in future. However, he stated that “I can’t see us moving to crowdfunding as a model of signing artists because [...] we’re already like a venture capitalist”. This viewpoint was echoed by S2SK who suggested that the supply

of funds at the major record labels negates the need to incorporate any type of crowdfunding into their business model. However, he expressed that ECF in particular “runs parallel and complementary to what we do in terms of investing in the artists”.

Now that the key themes and sub-themes from the results have been stated, the next section will provide analytical discussion in the context of the research questions of the study and the academic literature.

5 Discussion and conclusions

5.1 Implementing equity crowdfunding within the record industry

From a marketing perspective, ECF can be contextualised as part of the systemic rise of user innovations in the record industry – of which little is known about how they can be successfully implemented into marketing strategies for industry stakeholders (Gamble *et al.*, in press). In the record industry literature, Agrawal *et al.* (2015, p. 258) advise that music artists using ECF platforms such as Sellaband “face many of the same financing challenges and constraints as first-time entrepreneurs in other sectors”. The current study provides in-depth findings from multiple interviews that indicate that there are actually many unique issues and challenges that both artists and the major labels are facing and will face once ECF is applicable for implementation into their business model. It was stated in several interviews that artists may suffer from a lack of understanding of how to implement ECF campaigns and how they actually work. The literature suggests that risks associated with a lack of implementation understanding of ECF are applicable to any initiator or firm, and that they may be mitigated (Rossi, 2014). Within the record industry, any label that represents an artist will also suffer from this lack of implementation understanding due to information asymmetries. Some specific areas that require greater clarity are the nature of the shareholder agreement (i.e., what specific roles do the different parties play and how exactly is each protected and benefitted by the agreement?)

and how communication lines between the parties will be maintained if/when the venture is upscaled. This latter point is somewhat mitigated by certain equity platforms such as Sellaband, which offers protocols for direct communication between artists and both current and future funders (Agrawal *et al.*, 2015).

In the marketing literature, Brown *et al.* (2017, p. 194) downplay the scope of the ECF domain by expressing that it “largely consists of early adopters of technology and design [...] and enthusiasts who are willing to help budding artists.” The findings of this study support and advance this statement because, although ECF will not entirely replace the current rewards-based model going forward, the multiple interview data reveal that certain stakeholders such as tech companies within the record industry will benefit from opportunities surrounding this innovation, and that it has the potential to fundamentally alter the dynamics of the industry. In this regard, ECF is comparable to rewards-based crowdfunding in the live sector of the record industry, in which Gamble *et al.* (2017, p. 34) discuss “the need for companies to proactively facilitate new technological platforms for user involvement” in order to realise its potential. For this to happen with ECF, it is evident from the multiple interview data that the successful implementation of ECF within the record industry depends on the level of creativity and selectivity of the artist, as well as how the artist’s business model is constructed.

The literature suggests that one of the driving factors behind why entrepreneurs elect to launch ECF ventures is due to the potential to attract a large number of investors (Ahlers *et al.*, 2015). However, the findings from the current study have revealed significant administrative issues for both artists and labels relating to the increased number of stakeholders from ECF. To an extent this is the case with a large number of small ECF campaigns in many industries, as attested by Lukkarinen *et al.* (2016, p. 36) who recommend permitting small equity investments “unless a large investor base adds an undue amount of complexity”. However, we now know that, in the record industry, the transition of the consumer role into that of a rights

holder on the label contract specifically creates apprehension for the labels – who have shown to dismiss the prospect of multiple equity-based projects as too multi-faceted and administratively confusing. Administrative complexities involving the artist’s publishers and licensors must also be considered, as they may prefer to deal with single-ownership material. This insight contests commonly-held beliefs throughout the literature that ECF invariably denotes investment opportunities that are otherwise difficult to access at scale (Assenova *et al.*, 2016).

5.2 *The marketing role of equity crowdfunding within the record industry*

It is clear that crowdfunding has implications for record industry stakeholders – notably independent artists – that exceed mere financial opportunities. With rewards-based crowdfunding, the latest record industry research indicates that the implications for artist marketing strategies are positive, yet limited to how the financial support from users enhances marketing performance by word-of-mouth marketing activities from the fans (Gamble *et al.*, 2019). Conversely, by its very nature, the ECF model brings the music consumers closer to the artists through their equity stake in the venture, thus indicating marketing opportunities through more engaged fan involvement. Ironically though, as many of the ECF ventures in the record industry will involve economies of scale through high-quantity small investments instead of low-quantity high investments, this scale factor not only has associated pragmatic challenges in terms of communication channels, as inferred in multiple interviews, but also significant marketing challenges. This is especially the case for smaller artists, who wish to maintain close ties to the fans through relationship marketing activities and therefore will struggle when thousands of fan-investors expect increased communication with the artist. Furthermore, with these increased expectations from fans, they will also expect to play an enhanced role in the creative decisions regarding the musical content (if that is the nature of the venture). These

findings echo similar statements in the literature, in which Terry *et al.* (2015, p. 10) state that the attraction of millennials to ECF is “primarily driven by the ability to be involved in the creative process, [to] feel connected to the effort”. However, because musical tastes and opinions are arbitrarily defined and often idiosyncratic, the implications of enhanced creative influence by consumers within the record industry are more significant. With rewards-based crowdfunding in the record industry, consumer objections must be considered at the end of the campaign as negative relations can be germinated if the campaign is inadequately fulfilled or implemented (Gamble *et al.*, 2017). As inferred by multiple themes across the interviews in the current study, creative objections from ECF contributors will need to be accounted for much earlier - when devising the shareholder agreement associated with any creative musical equity venture - so that the fans are clear on their rights as an investor whilst the artists are able to maintain creative control without fear of negative consequences.

It also appears that ECF will benefit artists by encouraging and identifying sincerity and loyalty from fans. This aligns with governmental report claims that ECF is attractive to issuers due to the associated enhancement of consumer loyalty and marketing awareness (Deal Index, 2015). The findings in the current study build upon this premise by theorising that this loyalty aspect will have significant marketing potential in terms of inconspicuously using the equity platform as a ‘prosumer’ identification mechanism, whereby the most proactive and engaged fans (in terms of financial investment and equity shareholding) can then be targeted with future initiatives to help market or raise capital for the artist. However, when it comes to implementing a marketing agenda through the ECF platform – a key aspect discussed in multiple interviews - the artists will not be the only party with an interest for manipulation. For instance, although it is anticipated that the vast majority of equity investors within the record industry will be the core fans of the artist, the findings from this study reveal that the ventures will also attract interest from third parties. Indeed, the infoDev report (2013, p. 59) states that

the supporters of ECF platforms “extend to marketing partners in addition to entrepreneurs and investors”. Within the record industry, this changes the dynamic significantly as marketing-oriented third parties will have more capital to invest but also more ambitions regarding the implications of their equity stake. As they will wish to use the final creative material of the artist to serve their own marketing agenda, this will naturally have implications for intellectual property issues and necessitate more complex stakeholder agreements. The literature maintains that ECF can be used as a vehicle for enhancing the brand image of an established fundraiser (Belleflamme *et al.*, 2015). While this study does not disagree with this theory per se, the inherent findings do indicate that record industry artists (both rising and established) must consider the potential stakeholder market for their equity venture, so that they can anticipate how the involvement of different parties through the equity investment will affect different business (and creative) aspects of their content and brand as an artist.

In terms of using ECF as an authentic form of marketing to the fans (whereby they receive something of value to them in return for their financial investment in the artist), this study reveals that timing will denote a key aspect for the artist. The literature suggests that ECF provides insights specifically relating to the early-stage financing of ventures and projects (Agrawal *et al.*, 2015; Fleming and Sorenson, 2016). Within a record industry context, the integration of rewards-based crowdfunding into artist business models is now considered a viable form of value co-creation with the consumers (Gamble *et al.*, 2017; Kappel, 2009). Although the lack of label funding for artists at the beginning of their career will ostensibly necessitate an ECF strategy in which the fans are motivated to invest more due to the potential for value co-creation and financial returns, in reality this would not invariably be the case. Our study reveals that, in the record industry, a successful equity approach that achieves value co-creation must be pre-empted by fanbase development as music consumers unfamiliar with the artist may simply not be willing or interested in investing. This fanbase development should

potentially take the form of an intensive marketing campaign featuring a rewards-based crowdfunding venture, in order to establish the loyalty of the consumers (whilst introducing them to the crowdfunding format) prior to enticing them with equity stake. Furthermore, as this early career stage of artists is delicate in terms of establishing trust and patronage from their fans, the findings of this study theorise that, where possible, these early marketing and crowdfunding ventures must be implemented directly from the artist without any external third-party involvement.

5.3 The financial role of equity crowdfunding within the record industry

ECF, like other crowdfunding typologies, is centred around the concept of supporting a founder who is striving to develop a sustainable service or product (Hornuf and Neuenkirch, 2017). From a record industry perspective, several of the interviews from the current study reveal that ECF signifies a stepping stone towards securing a record deal, as once the artist is signed they would not need to involve themselves in this type of crowdfunding. With rewards-based crowdfunding in the record industry, it has been suggested that industry stakeholders (such as the major labels) could use it in order to attempt to regain control over revenue streams (Kappel, 2009). Conversely, as corroborated by multiple interviewees in the current study, it is evident that artists should also use ECF as an alternative option to avoid major label control, and that it would represent a plausible option for artists who lack major label investment. Thus, despite the insistence from the major labels in the interviews that ECF operates in parallel and is complementary to their activities, the reality is that the financial challenges facing the artists are exacerbated (to various degrees depending on the scale of the investments) for signed artists due to sharing equity with a more extended list of shareholders. Notably, this list can also extend to ECF platforms themselves, as they seek to capitalise on artists' inability to manage the complexities of ECF by offering the service (and thus taking up to a third of the capital

gains). Therefore, signed artists must carefully consider whether the current iteration of the ECF model is sustainable for them, based on their career stage, scale of venture and own resources. There are suggestions in the literature that ECF can be associated with crafting long-term relations with participants (Hossain, 2015), and that when record industry crowdfunding in general is used as part of an artist-driven user innovation strategy, the implications transcend marketing through to financial strategies for artists (Gamble *et al.*, 2019). In contrast, the interview data in this study reveal that ECF in the record industry does not constitute a sustainable long-term artist strategy in terms of their financial viability. For example, if the artist has their music eventually licensed for media exposure (for example, on television) then their dividends or royalty shares would be reduced and would effectively lead to slower artist development.

With the nebulous and unpredictable nature in which ECF is developing, it is often the platform itself for which the challenges of sustainability have been raised (Hagedorn and Pinkwart, 2016). Indeed, the sustainability issues with ECF have been documented in the literature, with suggestions that it has hitherto been slow to develop (Gedda *et al.*, 2016), limited in terms of impact and exposure (Agrawal *et al.*, 2016; Baucus and Mitteness, 2016) and the level of consumer interest in this type of crowdfunding is debatable (Lukkarinen *et al.*, 2016). However, it was evident in the present study that these ‘signs’ are short-term themselves as stakeholders within the record industry gradually become aware of the resolution of legal obstacles to ECF implementation. ECF is generally considered to have a higher risk profile due to higher capital goals and contribution rates (Beaulieu *et al.*, 2015). However, it can be inferred from the multiple interview data in this study that, for innovative early career music artists who are willing to experiment and take financial/marketing risks, this type of venture does signify an opportunity to innovate and potentially profit. This insight demonstrates the distinction between ECF and rewards-based crowdfunding, which is actually considered by some to be

more sustainable than other conventional revenue channels in the record industry (Kappel, 2009).

For other stakeholders, notably major labels, this study's findings reveal that the nature and practicalities of ECF simply do not correlate with their own business model in terms of sustainability benefits and their own artist investment strategies. This insight builds upon the work of Agrawal *et al.* (2015, p. 273), which discusses the traditional vertically integrated record industry setup in which the major labels maintain "ownership of or equity in the artist's intellectual property". However, as the major labels will always seek to retain control over the projects and artists that they invest in, it is evident in this study that this is actually driving the rise of ECF as a legitimate if small part of how independent artists can strive for financial sustainability without label support. So, although the literature suggests in general terms that financial sustainability may be ultimately realised through ECF (Hornuf and Neuenkirch, 2017), it was clear across the interview stages and stakeholder groups that ECF in the record industry will never dominate the financial (or other) business model for an artist, but will nevertheless contribute towards a more diversified and integrated sustainability model going forward.

Lastly, it must also be noted that, with the nature of ECF and the potentially large equity investments, there is also an inherent financial risk of exploitation if fan-investors are not fully aware of the implications of their investment. This is especially the case for younger fans who wish to express their adoration of the artist through a generous equity investment, without fully appreciating the financial consequences of their actions. Although the British Business Bank report (2014, p. 5) stated that the Financial Conduct Authority in the US has "taken an active role in monitoring equity crowdfunding activity and providing a regulatory framework", these measures, which came into effect on 1st April 2014 following extensive consultation, have yet to be implemented in every country and industry. Therefore, it is imperative that fail safes are

put in place that account for the idiosyncrasies and trans-national aspects of the record industry and protect potentially vulnerable investors, whilst simultaneously safeguarding the artists against potentially negative press.

As a summary of the three discussion sub-sections, Figure 3 below has been created to present a theoretical model that highlights the key insights from the empirical data analysis. This model demonstrates their relationship to each other and to the emerging research area of how implementing ECF in the record industry is affecting key industry players. This theoretical model demonstrates that four of the key findings from multiple interview sources relate to the marketing-financial interface, thus proving how as many insights into ECF implementation transcend marketing and finance as relate to one or the other. The majority of the insights at this interface are positive, in relation to the potential to innovate, the opportunities for tech firms and the implications for industry dynamics. The extent of this connectivity between marketing and financial insights are demonstrates the comparability of ECF implementation in the record industry to rewards-based crowdfunding, in which Gamble *et al* (2019, p. 10) recently found that “with [rewards-based] crowdfunding engagement, the implications transcend financial through to marketing strategies for artists.”

[Figure 3 here]

6 Practitioner implications, limitations and future research

This paper is the first study to empirically explore the predominantly under-researched area of ECF in the record industry in terms of implementation challenges and opportunities, in addition to the marketing and financial consequences for independent music artists and major record labels.

The implications of this paper's findings and theoretical model are not limited to the two studied stakeholder groups of the record industry. The insights in relation to the obstinate lack of understanding and clarity (particularly for independent artists) which surround ECF are likely to influence short-term strategic approaches by other players throughout the wider music industry that have dealings with the artists. For instance, the insights in relation to the negative approaches towards ECF by the major record labels are potentially influential to future 'coopetition strategies' for independent labels as they seek to navigate the changing dynamics of the record industry whilst remaining innovative and competitive (in comparison with the more rigid, hierarchical structure of major label operations). Moreover, as other related creative industries begin to 'test the water' in experimenting with equity-based financial models for different types of creative or business organisations, the current study's findings in terms of initial impact and reactions, in comparison with related rewards-based crowdfunding research findings, will have ramifications on their own market positions and long-term viability options for pursuing a more equitable deal themselves.

The findings and theoretical model within this paper would also be beneficial to policy-makers and record industry bodies in terms of providing an overview of the current industry perspectives on this emerging crowdfunding phenomenon. For example, governmental bodies such as the European Securities and Markets Authority (2014), which commissioned the 2014 report into investment-based crowdfunding, should use these findings to inform them of the operational structures of ECF in the creative and digital industries in terms of the activities detailed in the current study, how these apply to different types of industry actors and, ultimately, how this all corresponds with EU policy regulations. The insights would also inform them of how they can work more closely with these stakeholders to help them develop a better understanding and appreciation of how it will eventually contribute towards long-term sustainability strategies for key players both internal and external to the record industry.

Unlike other crowdfunding studies that provide a comparative analysis across different crowdfunding typologies such as royalty-based and donation-based, in addition to equity-based (for good examples of comparative studies see Belleflamme *et al.*, 2015), the current empirical study focused entirely on ECF. Nevertheless, future crowdfunding scholars should advance the theoretical model developed from this study by comparatively analysing the inherent findings against the other types of crowdfunding (such as rewards-based) in the music industry (see Gamble *et al.*, 2017). In doing so, they can build upon the theoretical development of the current paper by establishing crowdfunding – in various formats – within marketing and financial contexts. The insights derived from the current paper, and its initial comparisons between ECF and rewards-based crowdfunding in the music industry, should also be used as a starting point for future ECF studies that compare its effects on – and approaches from – diverse stakeholders across the creative industries or between the creative and non-creative industries, in order to explore how the implementation of ECF affects stakeholders in different ways depending on the industry context. For instance, a recent games industry study by Nucciarelli *et al.* (2017) finds that, by unifying capital, technology and market knowledge from the crowd, rewards-based crowdfunding invokes the exploration of new complex systems of interaction between game developers and value chain stakeholders, whilst necessitating the analysis of new types of collaboration and competition. The comparability of these findings against those in the present paper adds precedence for further comparative exploration across related industries and crowdfunding typologies, in order to establish a best practice model for crowdfunding practitioners that can be generalised in various contexts.

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	Rewards-based crowdfunding	Equity-based crowdfunding	Literature source
Typical capital goal and contribution	Typical capital goal: low to high Typical contribution: very low to high-medium	Typical capital goal: low to medium Typical contribution: low	Beaulieu et al. (2015)
Effect on consumers	More commonplace, simplistic and popular with users due to exposure by celebrity ventures and proliferation of platforms	Contributors become stakeholders via angel investment and equity procurement	Gamble et al. (2018)
Investment goal	Product-related	Finance	Block et al. (2017)
Participation	Passive	Active	Huhtamaki et al. (2015)
Typical funding recipients	Individuals; Community projects; Social enterprises	Start-ups	Langley (2016)
Return on investment	Financial return not relevant	Financial return important (but not the only reason for investing)	Lukkarinen et al. (2016)
Reward type	Recognition, tokens, or other non-tangible rewards	Securities, revenue, or profit sharing	Paschen (2017)
Risks	Potential return is small. No security is acquired, and there is no accountability mechanism. Most entrepreneurs may have difficulty raising substantial capital without a product with mass appeal to sell.	Potential loss of investment. Equity holders are subordinate to creditors in the event of bankruptcy. Securities laws related to crowdfund investing may be complex.	InfoDev (2013)
Music industry implications	Can help artists overcome financial limitations		Agrawal et al. (2011)
	More sustainable than other conventional revenue streams		Kappel (2009)
	Negative, de-motivational connotations associated with failed or sub-standard crowdfunding projects		Buff and Alhadef (2013)

Prevalence throughout music industry partially due to fan involvement in the creative side of music production		Zheng et al. (2014)
Can provide substantial associated benefits for the financial model of independent artists due to the enhancement of direct revenue instability resolutions		Gamble et al. (2017)
	Fan empowerment through sharing the revenue generated by the artist	Ordanini et al. (2011)
	Offsetting of social preferences relating to apprehensions for reciprocity	Regner and Barria (2009)
	Beneficial in terms of gauging emerging user behaviour	Agrawal et al. (2014)
	Greater significance in supporting innovative firms	Kim and Hann (2013)

Table 1. Comparison of equity-based and rewards-based crowdfunding

Inter-view stage	Inter-viewee	Music industry relevance	Experience	Geographical location
Stage One	S1AP	CEO and Founder of music firm	4 years' experience of consumers licensing soundtracks	USA
	S1AR	President/Founder of music firm	7 years' experience of a fan-run record label	USA
	S1BA	Brand Ambassador at crowdfunding firm	2 years' experience of crowdfunding	New Zealand
	S1CA	Director and Co-founder of crowdfunding firm	2 years' experience of music crowdfunding	Australia
	S1CD	CEO and Founder of crowdfunding firm	4 years' experience of crowdfunding (ending 2011)	UK
	S1CR	Creator and Producer at crowdfunding firm	2 years' experience of crowdfunding	USA
	S1DG	CEO/Co-founder of music firm	4 years' experience of crowd-chosen songs at public places	USA
	S1DM	Managing Director of crowdfunding firm	5 years' experience of crowdfunding and offering a direct-to-fan platform for artists	UK
	S1EA	CEO of music firm	4 years' experience in live streaming interactive experiences	Finland
	S1FJ	CEO of music firm	4 years' experience of offering "groovies" when fans socially share to earn streams	USA
	S1GF	CEO and Founder of music firm	2 years' experience of fan-driven A&R	UK
	S1GR	Co-founder of crowdfunding firm	3 years' experience of live music crowdfunding	Australia
	S1HT	Senior Consultant at music firm	3 years' experience at working with a major record label on consumer insight	UK
	S1KM	Other music expert	15 years' experience of involving their fans (including crowdfunding)	UK
	S1LI	Co-founder of crowdfunding firm	2 years' experience of crowdfunding	USA
	S1LO	CEO of music firm	3 years' experience of crowd-sourced concert footage editing	USA
	S1MA	Other music expert	7 years' experience of various aspects of the music industry	UK
	S1MG	Director of music firm	2 years' experience of offering fans shares in festival	UK

	S1MM	Music researcher / writer	3 years' experience writing about music industry music	UK
	S1MR	Founder of crowdfunding firm	5 years' experience of music crowdfunding	Canada
	S1OE	CEO and Founder of crowdfunding firm	2 years' experience of live music crowdfunding	Australia
	S1PE	Founder of crowdfunding firm	3 years' experience of crowdfunding and managing a fan-run online music store (ended unsuccessfully)	USA
	S1PJ	Founder and CEO of crowdfunding firm	5 years' experience of crowdfunding	USA
	S1PM	CEO and Founder of crowdfunding firm	3 years' experience of crowdfunded tours	USA
	S1RM	CEO/Co-Founder of music firm	3 years' experience of interactive marketing	USA
	S1SC	Music researcher / writer	3 years' experience writing about music industry	USA
	S1SP	Co-Founder of music firm	2 years' experience as a fan-run record label (ended unsuccessfully)	Denmark
	S1ST	Head of Interactive Marketing Team at music firm	4 years' experience of fan interaction marketing	USA
	S1SV	Founder and Owner of crowdfunding firm	1 year's experience of crowdfunding	USA
	S1SW	Other music expert	5 years' experience of various aspects of the music industry	Germany
	S1TR	CCO of music firm	5 years' experience of interactive music creation apps	UK
	S1WA	Founder of crowdfunding firm	5 years' experience of crowdfunding and fan-driven A&R (ending 2011)	USA
	S1YJ	CEO and Co-Founder of crowdfunding firm	4 years' experience of crowdfunding	Canada
	S1ZT	Operational Project Manager at crowdfunding firm	5 years' experience of music crowdfunding	Netherlands
Stage Two	S2BF	Vice President - Marketing Services at a major record label	6 years' experience	UK
	S2HJ	Director - Global Digital Business at a major record label	8 years' experience	UK
	S2JJ	Founder and CEO of artist management company	22 years' experience	UK

S2KA	Director of artist management firm	3 years' experience	UK
S2MJ	Senior Vice President - Legal & Business Affairs at a major label	18 years' experience	UK
S2PN	Director of artist management company	8 years' experience	UK
S2SA	Vice President - Global Digital Business Development at a major label	8 years' experience	UK
S2SK	Head of Third Party Label Services at a major label	5 years' experience	UK
S2TJ	Twenty years' experience of various areas of music industry including artist management	20 years' experience	USA
S2WJ	CEO of company that represents artist managers	14 years' experience	UK

Table 2. Summary of data collection

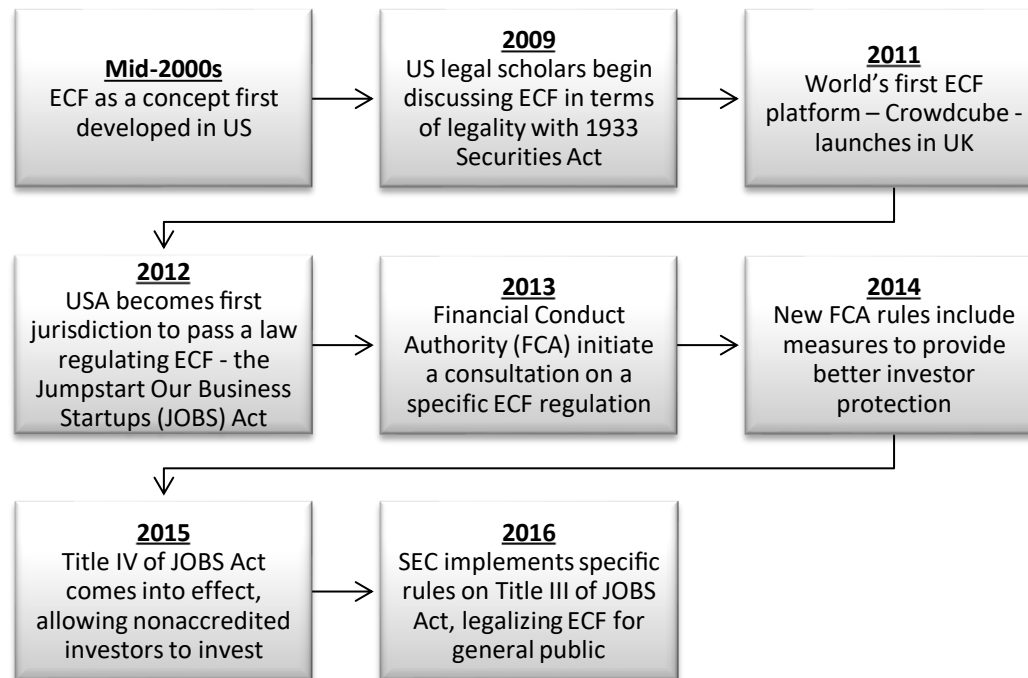


Figure 1. A brief history of equity crowdfunding (source: the author)

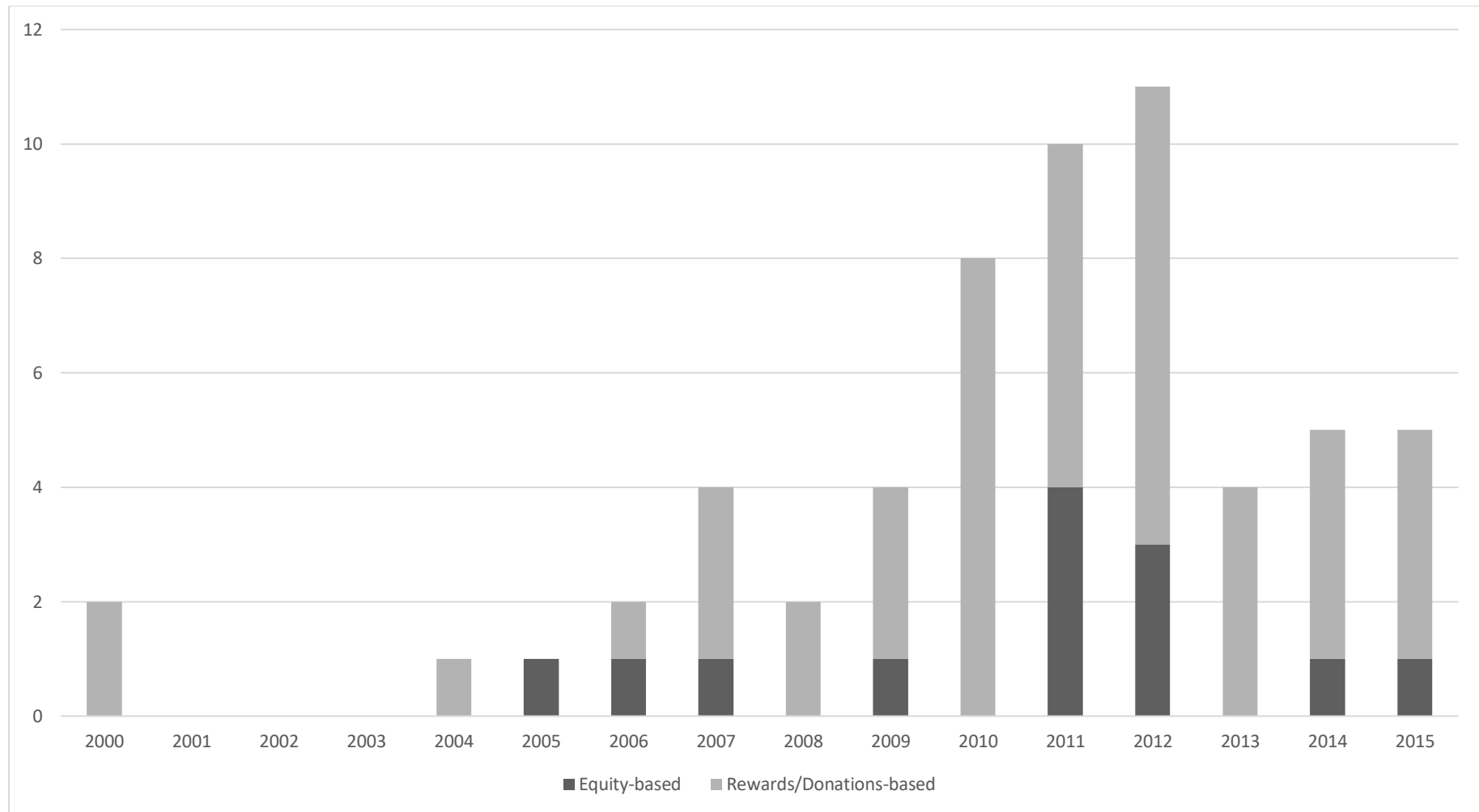


Figure 2. Equity-based and rewards-based crowdfunding start-ups in the record industry from 2000 – 2015 (source: the author)

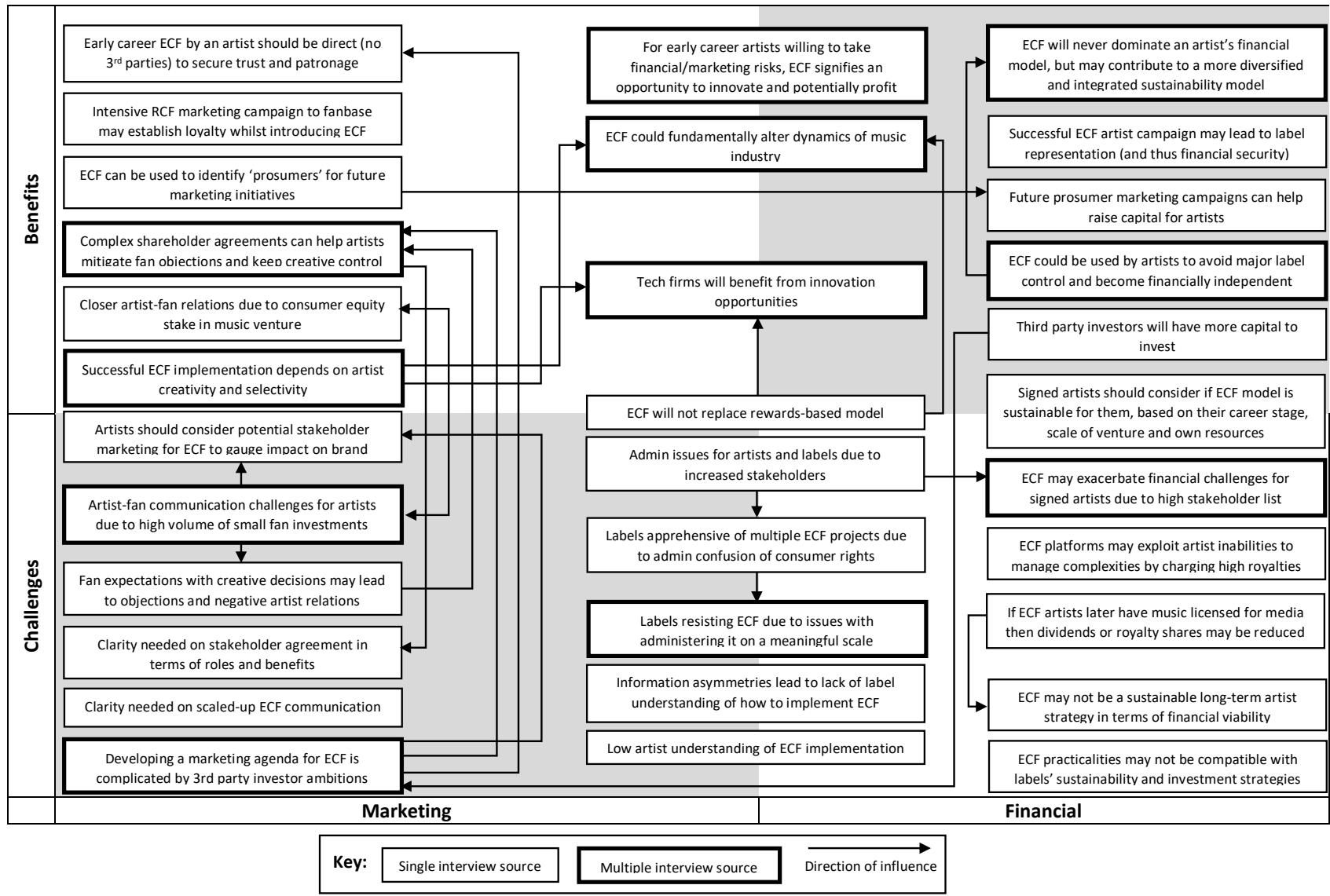


Figure 3. Theoretical model of equity crowdfunding implementation in the music industry (source: the author)

Appendix A. List of music crowdfunding platforms launched since 2000

Company	Founded	Country	Crowdfunding Type	Current status
ArtistShare	2000	USA	Rewards-based	Active
DonorsChoose	2000	USA	Donations-based	Active
Africa Unsigned	2004	Netherlands	Rewards-based	Active
Wychwood Festival	2005	UK	Equity-based	Active
Sellaband	2006	Germany	Equity-based	Defunct (2010)
Classy	2006	USA	Rewards-based	Active
MyMajorcompany	2007	France	Rewards-based	Active
Microgiving	2007	USA	Rewards-based	Active
Slicethepie	2007	UK	Equity-based	Defunct (2012)
GoRankem	2007	USA	Rewards-based	Defunct (2011)
Indiegogo	2008	USA	Rewards-based	Active
Picatic	2008	Canada	Rewards-based	Defunct
KickStarter	2009	USA	Equity-based	Active
Pledgemusic	2009	UK	Rewards-based	Active
Patronism	2009	USA	Rewards-based	Active
Feed The Muse	2009	USA	Rewards-based	Defunct (2014)
RocketHub	2010	USA	Rewards-based	Active
Pozible	2010	Australia	Rewards-based	Active
GoFundMe	2010	USA	Rewards-based	Active
The School Fund	2010	USA	Donations-based	Active
Sponsume	2010	UK	Rewards-based	Defunct (2015)
CrowdRise	2010	USA	Rewards-based	Active
Hatchfund	2010	USA	Rewards-based	Active
Kiss Kiss Bank Bank	2010	France	Rewards-based	Active
Gigfunder	2011	USA	Rewards-based	Defunct (2015)
Hifidelics	2011	USA	Rewards-based	Defunct
GiggedIn	2011	Australia	Rewards-based	Active
YouCaring	2011	USA	Donations-based	Active
PPL	2011	Portugal	Rewards-based	Active
Your MusicCompany	2011	USA	Equity-based	Active
Microventures	2011	USA	Equity-based	Active
WeFunder	2011	USA	Equity-based	Active
TuneFund	2011	USA	Rewards-based	Defunct (2013)
CrowdCube	2011	UK	Equity-based	Active
Gigovate	2012	Australia	Rewards-based	Defunct (2014)
Pledge Me	2012	New Zealand	Rewards-based	Active
Launch+Release	2012	USA	Rewards-based	Active
Planeta.ru	2012	Russia	Rewards-based	Active
ArtisteConnect	2012	Philippines	Rewards-based	Defunct (2016)
Crowdfunder	2012	USA	Equity-based	Active
ClickStartme	2012	USA	Rewards-based	Defunct (2015)
Wishberry	2012	India	Rewards-based	Active
Zoomaal	2012	Lebanon	Rewards-based	Active
Seedrs	2012	UK	Equity-based	Active

SeedInvest	2012	USA	Equity-based	Active
Patreon	2013	USA	Rewards-based	Active
Radio Crowdfund	2013	USA	Rewards-based	Defunct (2014)
GottaGrooveBot	2013	USA	Rewards-based	Active
Ratafire	2013	USA	Rewards-based	Active
Rocket Fuel	2014	UK	Rewards-based	Active
Tradiio	2014	Portugal	Rewards-based	Active
IOU Music	2014	USA	Rewards-based	Active
TapTape	2014	USA	Equity-based	Defunct (2016)
FundWhatYouCan	2014	Canada	Rewards-based	Defunct (2017)
MusicBee	2015	Hong Kong	Rewards-based	Active
Asiola	2015	Thailand	Rewards-based	Active
QRates	2015	Japan	Rewards-based	Active
Show4Me	2015	UK	Rewards-based	Active
EquityBender	2015	USA	Equity-based	Active

Appendix B. Sample interview questions

What is your understanding of equity crowdfunding? How do you think it compares with rewards-based crowdfunding?

How important would you say equity crowdfunding has been for the record industry over the past several years?

How would you describe the main opportunities that equity crowdfunding creates for the record industry? And what challenges does it bring?

To what extent would you say that independent music artists are embracing equity crowdfunding?

What impact do you believe equity crowdfunding is having on independent music artists in terms of their revenue model?

How would you say equity crowdfunding is affecting the relationship that independent artists have with their fans?

Are there any ways that you think equity crowdfunding is affecting the marketing practices of these artists?

How would you say major labels have reacted to the introduction of equity crowdfunding in the record industry?

To what extent do you think the rise of equity crowdfunding is affecting major label marketing activities?

How would you describe the financial model of the major labels and is this being influenced by equity crowdfunding in the record industry?