



Where Corporate Culture
and
Local Markets Meet

Music and Film Majors
in the Netherlands,
1990 - 2005

Miriam van de Kamp

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The research for this book was conducted at the Faculty of History and Arts (FHKW) at the Erasmus University Rotterdam. It was co-financed by TNO Information and Communication Technology, Delft.

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Waar bedrijfscultuur en lokale markten elkaar ontmoeten
Muziek- en filmmajors in de Nederlandse markt, 1990-2005

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'People shape social structures and meanings in their contacts with one another, (...) and societies and cultures emerge and cohere as results of the accumulation and aggregation of these activities.' (Hannerz, 1992: 15)

Interaction is a recurring theme in this book: interaction between organisations and markets, interaction between people, interaction between global and local culture and interaction between creativity and commerce. The PhD research that I undertook for this book shows similar characteristics. I was inspired by others and interviewed people working at the majors in the Dutch music and film industry. In addition I got feedback from various directions; by discussing my work with colleagues at Erasmus University and TNO but also with colleagues that I met at conferences abroad. All these interactions were very valuable and led to this final product.

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Leiden, May 2009

Miriam van de Kamp

Introduction

Multinational cross-media companies serve consumers cultural products worldwide and play an important role in what people see and hear. People living in Tokyo, London or Amsterdam are able to listen to the same pop stars and watch the same movies. The music and film industry are prominent international cultural industries and their products are easily released in different countries unlike in other cultural industries. In the late 1980s and 1990s, intensive global competition and new technologies led to mergers of national and continental companies into global media corporations so as to benefit from economies of scale and scope. The production and distribution of cultural and media products is characterised by high and sunk investments costs. Economies of scale are perceived as the best way to recover these costs if the product is successful. To gain economies of scale, transnational media firms aim at serving the global market with global media and entertainment products. Therefore, one would not expect international media companies to play a role in the production and distribution of local culture, especially not in relatively small countries with a small language market such as the Netherlands. Nevertheless, some international music and film companies did invest in the production, distribution and marketing of Dutch music and film products. During the mid 1990s, there was a renewed interest for domestic cultural products and services in European countries. As a consequence, the market share for domestic music and films in the Netherlands rose.

This book examines how and why subsidiaries of international media and entertainment corporations operate in a local market in a climate of both globalisation and an increasing interest in local culture. The Dutch music and film industry between 1990 and 2005 serve as cases. Although there has been a growing academic interest in the structure, strategy and operation of transnational media firms (e.g. Gershon, 1997; Chan-Olmsted & Chang, 2003), little research has been conducted into how they operate in particular local markets and how this is influenced by changing market conditions. This research will investigate how international music and film companies operate in this local market by analysing the strategies of three companies (Sony, Universal and Warner) for developing, producing and/or distributing, promoting and marketing local and international music and film repertoire. A case study method is used to examine these companies but will not be used in a traditional way, which is to explore a particular issue among a small number of the total population. These three majors all operate in the Dutch market and all have a music and film division.¹ Therefore, the case study method is used

¹ Major is the industry term for large media and entertainment companies that operate on a global scale.

to describe their policy when dealing with a local market and how their operation is affected by local market conditions. This book aims to offer new theoretical insights in how companies in the international cultural industries operate in a local market.

These insights are derived through a multidisciplinary and comparative research approach that addresses the concepts and perceptions that underlie the decisions and processes in the cultural industries. This research distinguishes itself from earlier academic work on the cultural industries in that it compares both the music and the film industries instead of addressing just one of the industries. Furthermore, it focuses on the decision making process within international music and film companies and how this affects their operation in local markets. It does not solely address the economic aspects as is usually done in media economics research on transnational media corporations. (Hollifield, 2001: 141) Therefore, another distinctive feature of this research is that it also widely explores local market conditions and the context in which the subsidiary operates.

Three complex relationships

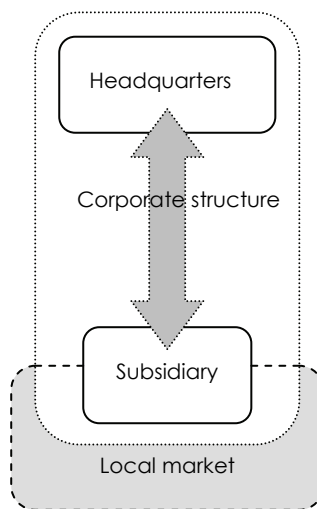
Three complex relationships that affect the operation of international cultural industries will continually come to the fore: global and local culture, creativity and commerce, and autonomy and control. Multinational cross-media companies increasingly serve consumers worldwide with cultural products such as music and films. These global products are offered in local markets besides locally produced cultural products. The larger operation scale of the international cultural industries often results in a bigger supply of more heavily promoted cultural products than those of domestic producers and distributors and consequently local companies frequently have a weaker position in their home market. National governments, therefore, regularly introduce subsidy schemes and/or regulations to protect and favour domestic cultural products. Local consumers, nevertheless, buy domestic as well as global cultural products. The operation of international cultural industries is thus complicated because they operate on a global scale by subsidiaries in local markets. Cultural industries combine economic and cultural activities and principles. What is best to run a business efficiently, however, often hampers the opportunities to make creative and innovative products while creative products do not always attract a sufficient audience to recover the development costs. The cultural industries thus have to find trade-offs between commercial and creative goals. Media corporations usually operate globally in a structure of international headquarters and subsidiaries in local markets.² In most cases, headquarters decide on the activities and set the goals for the subsidiaries. However, staff at the local subsidiaries are influenced by local conditions. They often tend to adapt corporate strategies to the local market and prefer to have some room to operate autonomously and to develop local products. Headquarters and

² A subsidiary is a company division or company representative in a particular market. In the case of a major in the cultural industries, the headquarters are the 'mother' of the company while their local offices in Europe are its 'daughters'.

subsidiaries are thus bound to each other by the corporate structure but sometimes have different priorities. (See figure 1)

International cultural industries combine and balance these three complex relationships in their operation in local markets. The empirical part of this research explores and analyses how the case companies deal with them and how this affects their operation in the Dutch market. The first three chapters review earlier research and theory and focus on these three complex relationships. This review leads to the creation of a conceptual framework which is described in chapter four.

Figure 1 Simplified structure of a global media corporation



Theoretical embeddedness

A multidisciplinary theoretical approach will be used in which concepts and ideas from (cultural) sociology, (media) economics and business theories on multinational corporations are combined. Given the social and cultural processes but also the economic logic and international strategies within the international cultural industries, the use of only one of these disciplines would not be appropriate. It would then fail to cover the interplay between these different processes and would be too limited in context and perspective. The combination of insights from various disciplines results in a more comprehensive view.

My approach is inspired by the theory of new institutionalism in organisational analysis. Departure point of this theory is that organisations are not isolated units but part of an environment, the organisational field, with which they interact. The other actors in this field such as other companies but also governments thus influence the operation of the organisation. Understanding the business behaviour of one company is therefore only possible when taking into account the behaviour of other companies and the cultural and historical context in which they operate. (DiMaggio & Powell, 1991: 10) According to institutional theory, companies collectively develop operation and organisation manners, institutions, to cope with unstable markets. These manners become taken-for-granted principles that underlie the business of the company. (Ibidem: 14) Collective concepts or

institutionalised formats change when a new way of operation or approach is adopted within the industry and becomes ‘common sense’. (Dowd 2007: 4) New institutionalists are especially interested in the process of the development, the adoption and waning of different institutions. (Idem) This process will be assessed for international music and film companies.

Organisational structures and corporate strategies serve the efficient operation of a company guiding it in dynamic and uncertain markets. Individuals, however, develop these organisational and economic tools and alter them through their application and interpretation. In this book, I will highlight this human factor. While examining the business behaviour of the majors, I also assess their perceptions of local markets and how these influence their policy. Thus, how do local managers perceive the market and how does this affect the operation of the company in the local market?

The multidisciplinary approach and the focus on the human factor have resulted in a combination of research methods and an interpretative approach of strategy. The research does not only examine which changes take place and why but also explores how culture, values and especially local staff affect the company’s behaviour. (cf. Küng, 2008: 122) Market and chart data are used to analyse the market, the role of the companies and the popularity of cultural products quantitatively. Desk research and interviews complement these figures with information on the context in which these products are produced and distributed. They also reveal details about the role of organisation culture, the relationship between headquarters and the subsidiary and how and why decisions are made. Interviews are an important data source but only offer insights in how interviewees perceived a particular process or event. For example, they may include attempts to prove someone’s role in the success of an artist or film and are a subjective reconstruction of reality. Due to the fact that the interviews may be a biased version of the facts, they are all critically assessed and the outcomes are compared with desk research results.

Despite combining quantitative and qualitative research methods, qualitative research data collection and analysis has received more attention. An important reason is that both industries have rarely been researched in this way and qualitative research may offer more insights in the reaction of the majors to local market developments and the relationship between their international and any domestic products. The human factor is furthermore an important issue in this research and this cannot be analysed by quantitative data. The latter, however, provides useful information on market developments, the positions of the companies and their competitors.

Scope

While researching these two dynamic industries, an abundance of interesting aspects for analysis emerged. In line with my research focus, I have therefore selected a number of aspects which define the scope of this research. The music and film industry both comprise various parts and several major companies. Three majors, Sony, Universal and Warner have been selected for this research. All have a music as well as film division that

operates in the Dutch market. Each has a different background. Sony is a Japanese hardware company that entered the entertainment content industry by acquiring an American music and film major. Universal is an American based company that acquired the music and film division of Dutch Polygram. It therefore has a large catalogue of European and American repertoire. Warner is a traditional American corporation. Researching their strategies, structure and development in the Netherlands between 1990 and 2005 will shed light on the way international cultural industries operate in a local market and how this has developed over time.

The music industry is a broad term that covers activities ranging from live music performances to the registration of music rights. I will focus on the activities of the major record companies because they decide on the signing of new and domestic artists and on the priority that is given to their development, marketing and promotion. The major record companies Universal Music, Sony Music Entertainment and Warner Music are explored in more detail. These companies are not static entities but have developed over time. Universal is a combination of the record companies MCA and Polygram. MCA started its operation in the Netherlands in 1994 and was renamed Universal in 1996. Polygram was taken over in 1998 and continued as Universal in the Dutch market from 1999 onwards. Sony merged with BMG in 2004 to become SonyBMG. Companies that are related to these three music majors through mergers, acquisitions or joint ventures will be included from the moment that a relationship is established till when it ends. In the case of Polygram/Universal, Polygram is seen as the forerunner of Universal. Its operation is therefore analysed from 1990 to 1998. Furthermore, my focus in this research is on the popular music industry. Music products vary in genre and there is a main distinction between popular and classical music. Popular music is more relevant for this research because it makes up the major part of the music industry and because there is a potential conflict between global and domestic repertoire.

The film industry consists of numerous phases and various release windows. A film is developed from a script into a production, which is then promoted and distributed for screening in cinemas. The cinema release, however, is only one of the exploitation windows. Films are also screened on TV, sold on DVDs and offered as downloads. This research will focus on the activities of film majors in the theatrical distribution phase whereby screening and promotion by cinemas themselves are not included. This phase is chosen because it is traditionally the first exploitation platform in the sequence of windows. Decisions on the acquisition and distribution of foreign and local films are mainly made before or during this exploitation window. The theatrical distribution activities of Sony Pictures, United International Pictures (UIP) and Warner Bros are explored in more detail. UIP is selected because Universal primarily distributed its films in the Dutch market by its international joint venture UIP. The joint venture was set up with Paramount Pictures and MGM for the distribution of their films outside the United States and Canada.

The period 1990 to 2005 is chosen because it is a dynamic period in terms of global and local cultural processes in the cultural industries. During the 1990s, local pop

music as well as local film increased in popularity in Europe. Around 2000 new technologies offered digital distribution formats (e.g. MP3) which enabled easy worldwide distribution and resulted in the market entry of new companies (e.g. iTunes) that took advantage of the new opportunities. Earlier research on the Dutch music industry (Augusteijn, 1990; Rutten, 1991a; Rutten & Oud, 1991; Christianen, 1995) mainly focuses on developments in the market in the 1980s. Rutten, Dekkers and Jansen (1996) address the start of the revival of Dutch popular music in the mid 1990s. However, no research has been conducted into the way this development evolved after 1995 and whether and how it affected the operations of the majors. Research on developments in the Dutch film industry in the 1990s and the early 2000s is even scarcer. There are some recent quantitative reports with industry figures (Wils & Ziegelaar, 2005; Film, Facts & Figures, 2004-2007; Derksen & Driessen, 2007) and some evaluation reports of policy regulations and audiences for Dutch films (e.g. Wils & Crum, 2001; Verstraeten, 2002). A report on bottlenecks in creative production (Rutten, IJdens, Jacobs & Koch, 2005) and a study on the strategies for success (Durie & Pham, 2002) were the first attempts to research the production and decision processes in the Dutch film industry more qualitatively by interviewing those involved. However, decisions and strategies of major film distributors in the Dutch film market have rarely been addressed in research. In the case of the Dutch film industry, the period 1990 to 2005 was also chosen because it covers the early 1990s in which Dutch films were almost non-existent and the late 1990s when tax incentives were introduced which gave a boost to the Dutch film sector. It is interesting to analyse whether this government policy affected the relationship between domestic and international films and the role of film majors in the Dutch market. Did they start distributing Dutch films when the sector showed an upward trend after the introduction of new tax schemes or was the release of international films their only activity?

In research on international cultural industries, the global expansion and corporate structure and assets are important elements. Here, the focus is on the operation of these industries in a local market. References to the worldwide operation of the corporation are therefore only made when they are relevant to understand the role of the local subsidiary and how it deals with the local market. I acknowledge that in the last decade digitisation has become an important development for the cultural industries. I discuss how it affects the music and film industry but will centre on the role and operation of the subsidiary of a transnational media and entertainment company in a climate of globalisation and an increasing interest for local cultural products. I will therefore refer to digitisation in relation to developments for local music and film products at the majors and as an important context factor but will not take it as a starting point. It is also important to note that there is a difference between the development of file sharing platforms that enable consumers to download their favourite music and films free of charge and the way the major companies deal with the new digital opportunities. Until 2005, the revenues from music and film downloads, especially in smaller European countries, were marginal for the majors. Global brands for legal download services such as iTunes only spread

internationally in 2004. (IFPI, 2006)³ The majors' traditional revenue sources (e.g. sales of CDs, cinema tickets and rights) declined after the end of the 1990s but still generated the majority of their revenues in the first years of the new millennium.

Key terms

Four key terms will be used throughout this research: international cultural industries, local (cultural) products, Dutch products and small country. The term 'international cultural industries' refers to the large media and entertainment corporations that operate on a global scale. They are usually involved in a number of the cultural industries such as the music, film and media industry. A more detailed description of the term 'the cultural industries' is given in chapter two. In business literature the organisations that make up the international cultural industries are often described as transnational media corporations. These can be defined as companies with operations in several countries which produce, market, promote and distribute products and services with a cultural, artistic or entertaining value for the market. (cf. Gershon, 1997) In this book, the industry term 'majors' and 'international media and entertainment companies' are often used instead of transnational media corporation.

The phrases 'local cultural products' and 'local products' can be interpreted in different ways but here they refer to the products in one country; national products. In other words, they are not products from a city or town. Since the Netherlands serves as a case most references to local products therefore relate to Dutch products.

The terms 'Dutch products', 'Dutch music' and 'Dutch films' refer to products produced or developed in the Netherlands by Dutch artists or Dutch film producers. These products can be but do not necessarily have to be in the Dutch language. Cultural products by people who do not have Dutch nationality but who reside in the Netherlands and who are recognised as members of the Dutch music or film scene are also seen as Dutch products. Records of these people in overviews of Dutch popular music artists or film makers serve as indicator.

The term 'small country' is generally associated with a country's size or population. Here, the term relates to the small language market and indicates the size of the cultural production in the country and the position of that production in the cultural world system. It thus refers to a country with a small market for cultural products, with a limited share for domestic cultural products and a relatively unimportant role for these cultural products in the world market. (cf. Rutten, 1991b: 300)

It is also important to note that 'culture' can take the form of cultural products such as in the cultural industries but that it can also indicate the context in which these products are created, produced, distributed and consumed. It then relates to language, groups, traditions, institutions and organisations. In other words, culture in that case refers to a

³ iTunes and MSN Music both started their services in the Netherlands in October 2004. (IFPI, 2006)

collective system of meaning that is reflected in beliefs and practices. (Hannerz, 1992; Sewell, 1999)

Outline

This book is divided in two parts: a theoretical frame (chapters 1-3) and a research part (chapters 5-8). These parts are connected in chapter four which develops a conceptual framework, formulates expected links between elements in the framework and discusses the research methods.

Each theoretical chapter focuses on one of the three complex relationships that affect the operation of the international cultural industries. Chapter one examines, anthropological, sociological and cultural historical theories on globalisation. It discusses how globalisation affects domestic cultures and explores how the operation of international music and film companies might influence processes in cultural industries in a local market. The theory review also includes the role of processes at various levels (structure, organisation and actor) and the influence in different domains: economic, political and cultural. The second chapter addresses the distinct characteristics of the cultural industries and pays special attention to the music and film industry. The relationship between creativity and commerce is a recurring theme which is studied from within cultural economic and cultural sociological theories. The third chapter starts by discussing the general strategies and structures adopted by multinational corporations when operating internationally and the factors which affect this choice and the relationships between headquarters and subsidiaries. The chapter continues by a review of research on the operation of transnational media corporations and music and film companies. The chapter ends with examining which international structures and strategies are apparent in the international cultural industries.

Chapter four focuses on the process of researching the international cultural industries in a local market. Firstly, a conceptual framework is developed based on the findings from the theoretical chapters. Afterwards, research questions and expectations are introduced and research methods and research experiences are discussed. Chapters five to eight show the results of the quantitative and qualitative research. Chapters five and six deal with the Dutch music and film market respectively and examine the local institutional context, market developments, the relation between international and domestic products and the main players between 1990 and 2005. Chapters seven and eight include the case studies of Sony Music Entertainment, Universal Music and Warner Music and of Sony Pictures Releasing, UIP and Warner Bros and analyse the factors that influence the operation of these majors in the Dutch market. Processes, decisions and the role of local managers at the local subsidiary are discussed to explain the differences in the way they operated in the Dutch market and how this developed over time. Chapter nine combines the findings of the research chapters, links these to theory and draws a number of conclusions on international cultural industries in local markets. Afterwards, suggestions for further research are given. It concludes with a view on the future of local.

Chapter 1

Cultural Globalisation

Globalisation is often primarily associated with economic related processes such as the emergence of multinational companies, growth of global capital and mass-produced goods. The growing importance of transnational contacts, technological innovations and economic competition, however, has not only intensified economic flows but also cultural ones. Transnational media corporations in the international cultural industries are a good example of this globalisation trend. They operate on a worldwide scale, distribute international media and entertainment products and are often the result of a range of mergers and acquisitions between international and national media and entertainment companies. The increasing international operation of companies in the international cultural industry affects local markets, local consumers, local producers and local cultural products. The question is to which extent and in which way? Will local markets become dominated by international media and entertainment companies and their international products, or will there remain room for local cultural producers? And is there also a reverse reaction? Are local products incorporated in the portfolios of international media and entertainment companies? Do these companies consider the different local circumstances of the markets in which they operate? Do local consumption and production practices affect the development and production of international products? In this chapter, the main theoretical viewpoints on globalisation and cultural products are reviewed to answer these questions and to explore how the operation of international media and entertainment companies affects and interacts with production and consumption processes in a local context. The theoretical viewpoints are mainly derived from anthropology, sociology and cultural and communication studies as researchers in these disciplines have focused on the local economic, cultural and social consequences of global cultural flows. In chapter three, globalisation is discussed in relation to business strategies.

Globalisation

During the 1990s, a specific set of international economic, political and cultural processes were labelled as globalisation. In the past, important political, cultural and economic processes such as the spreading of religions, trading associations, diasporas and diplomatic contacts, however, had already crossed national borders and had significantly influenced cultures. Numerous cities, especially metropolises, also developed for decades or even

centuries by the interaction between local scenes and transnational industries and phenomena. (Hannerz, 1992; Nederveen Pieterse, 1995) Nowadays multinational corporations and transnational non-governmental organisations are new examples of such transsocietal networks and contacts. Transnational flows which connect organisations and people worldwide are thus not a new phenomenon; they are only more prominent today. (Sewell, 1999)

Definitions of globalisation by Waters (1995) and Negus (1993) highlight that globalisation is a social process in which economic, social, cultural and political activities of different geographic areas expand and converge because geographical barriers disappear. Both also stress that globalisation is intangible; it is like Anderson's concept of the nation (1983): something in our mind.⁴ Globalisation, however, has a concrete existence by a set of institutions that may have a physical appearance such as world trade organisations and multinational companies.

Globalisation can be traced through the different arenas of social life: the economy, politics and culture. (Waters, 1995) The economy is affected by globalisation in its social arrangements for the production, distribution and consumption of goods and services. Goods are produced wherever costs are lowest and distributed worldwide. Politics and globalisation are linked by increased international relations and international treaties but become even more apparent in power concentrations and the scope of power of certain actors. The domain of culture is influenced by globalisation when producing or distributing symbolic products. Symbolic products such as culture and media goods can now be produced anywhere and at any time before being distributed worldwide.

Approaches of cultural globalisation

Anthropologists, sociologists and researchers in the field of cultural and communication studies have developed approaches to understand and to investigate how the increasing connections between different parts of the world affect cultural production and consumption practices. There are two main approaches: cultural imperialism and global-local relationships. The former stresses a one-way relationship (centre-periphery) whereas the latter applies an interactive perspective on global and local processes. Both approaches include a variety of sub approaches.

Cultural imperialism

The cultural imperialism approach assumes that the power relations from the era of colonialism (Western countries controlled and directed the activities in non-Western countries) still apply to the worldwide mass media system. Especially, worldwide media

⁴ According to Anderson (1983), a nation is a construction, an imagined political community that is alive in the mind of each member.

and entertainment companies that originate from the United States are perceived as the companies that control the mass media and dictate what people in the rest of the world will read, watch and listen to. This influence is seen as a threat for indigenous cultures.

The cultural imperialism approach is related to the concept of a centre-periphery system. Wallerstein (1974) developed the centre-periphery model to explain how capitalism spread across the world. He distinguished three types of countries: core states, peripheral areas and semi-peripheral areas. The core states are strong in developing a national economic system that is connected to the culture of the country and that resists influences from other countries. The economic system of the core state, however, itself influences the economic system in peripheral and semi-peripheral areas. Peripheral areas lack a strong national economic system and their economic system is therefore based on ideas of the core states. Semi-peripheral areas do have their own economic system but depend in some way on the core states. Wallerstein developed the model to explain economic relations in the modern world-system. Although he did not touch on worldwide cultural processes, his ideas inspired many researchers to apply and adapt his model to the distribution system of cultural and media products worldwide.⁵ In the cultural imperialism approach, the core-periphery system is used to emphasise that a few or even one Western country imposes its values and practices on peripheral countries whose own cultures fade away. According to this view, globalisation will result in a homogenisation of cultural goods worldwide.⁶

Cultural historians have researched the effects of development and interaction processes of cultures in the past. A number of their findings and assumptions are still very useful for current research on transnational cultural flows and show shortcomings of the cultural imperialism approach. One of the assumptions in cultural history is that systems of meanings do not run parallel with geographical borders. (Sewell, 1999; Burke, 2004) This, however, does not mean that there are no barriers that disturb cultural flows. Physical, political and cultural obstacles such as language and religion can alter or detain these flows. (Burke, 2004: 118) Furthermore, dominant actors in the cultural field play a role in shaping the cultural flow. These dominant actors, nevertheless, interact and anticipate on other actors. ‘Even when they attempt to overcome or undermine each other, they are mutually shaped by their dialectical dance.’ (Sewell, 1999: 57)

⁵ De Swaan (1991), for example, developed the cultural world system in which he offered room for the dynamics of cultural exchanges (the reverse reaction in the reception process is included) while Heilbron (1999) showed that the dynamics of the international book translation system are based on a core-periphery structure.

⁶ Cultural imperialism and cultural homogenisation have become commonly accepted terms. They are therefore often used without reference to the academic texts they were first used in. Appadurai does make references to a number of studies in which the terms were developed: Hamelink (1983) *Cultural autonomy in global communications* (also linked to global homogenisation in Hannerz (1992)), Mattelart (1983) *Transnationals and the third world: the struggle for culture*, Schiller (1976) *Communication and cultural domination* and Gans (1985) *The end of a culture: toward a generative anthropology*. (1996: 32)

The cultural imperialism approach does not pay attention to this interaction and is therefore criticised for its depiction of a one-way relationship. It leaves out the reception process of cultural goods while it also assumes that the distribution of the Western cultural goods in peripheral and semi-peripheral countries is always uniform and always develops in the same way. The fact that international media and entertainment companies in the Dutch market have domestic products furthermore shows that the worldwide cultural system is more complex than the cultural imperialism approach can explain. A more refined approach is thus necessary when researching the local operation of international cultural industries.

Interactive approaches on global-local relationships

Cultural historians have developed the encounter model to study the mergers and interactions of different cultures over time without neglecting their individual characteristics. (Burke, 1997) The emphasis is on how different cultures perceive, understand or fail to understand each other. Burke stresses that the encounter model would also be useful to study the history of our own culture(s). A ‘period like ours’ is ‘marked by increasingly frequent and intense cultural encounters of all kinds’. (Ibidem: 208) He, however, warns that when studying contemporary culture, two opposing oversimplifications have to be avoided: the homogenous view (such as apparent in cultural imperialism) and the fragmented view. (Ibidem) The former fails to consider differences in reception and interpretation, while the latter omits the notion that people in their daily life combine varied perspectives. A study on encounters should therefore be polyphonic. ‘It has to contain within itself a variety of tongues and points of view.’ (Ibidem: 211-212)

Within social anthropology and cultural sociology more nuanced approaches that show parallels with the cultural encounters approach have been developed as a reaction to and as a follow up of the cultural imperialism approach. In the next sections, three of these approaches, glocalisation (Robertson), global ecumene (Hannerz) and transnational society and cultural world system (De Swaan), will be discussed. They all stress that global processes influence local organisations, producers and consumers but that there is a reverse reaction as well. Robertson (1995) does not speak about globalisation but about ‘glocalisation’ to stress this relationship and the role of local culture. Hannerz (1992) emphasises that the relationship between global and local culture(s) is complex and that is shaped by the ways in which markets, states, forms of life and movements organise cultural flows. De Swaan (1995) focuses on the sociological aspects of the global society and highlights that individuals influence and create global networks and that popular culture is organised in a cultural world system.

Glocalisation

Robertson (1995) uses a number of arguments that focus on the dynamic social, cultural and political processes at a local level to illustrate why globalisation does not equal homogenisation as is assumed in the cultural imperialism approach. He stresses that what local culture is, is often emphasised and promoted from outside the local culture and described and based on global ideas of identity. (Ibidem: 26) Like cultural historians, he emphasises that contemporary local cultures themselves are often the result of a blend of different cultures in the past. Furthermore in his opinion, local culture is not the counterpart of global culture but part of it. 'The compression of the world as a whole, involves the linking of localities.' (Ibidem: 35)

Robertson shows that the association of globalisation with a dominant American culture also needs to be refined. American culture is distributed on a global scale but local audiences consume and interpret it differently. These audiences also combine different cultures and orientations. Major American media and entertainment companies, furthermore, customise their product for different markets that together make up the global market while local cultural products become increasingly part of global product streams as well. Robertson stresses that this last point is extremely 'underestimated', especially in debates on globalisation and homogenisation. (Ibidem: 39) Robertson therefore concludes that the idea that in the era of globalisation one dominant culture overrules and erases indigenous cultures is too simple. (Ibidem: 25) He stresses that more care and subtleness is needed in analyses of the effects of globalisation processes as it is an ongoing and complex process that is not unique for the last decades of the 20th century. He even states that it is not the question whether global and local culture influence each other but rather how they influence each other. (Ibidem: 28) According to him, there should be more focus on the impact of global trends on the activities of local organisations and individuals. He proposes to use the term glocalisation instead of globalisation to stress that global and local processes interact. The term glocalisation originates from Japanese business to describe the practices of adapting global goods to Japanese consumption values and styles. In the 1980s and 1990s, the term was frequently used in international businesses to highlight that local markets are different and that global goods need to be adapted before being successfully marketed locally. (Idem) Robertson uses the term in his work to cover all local adapting processes and not only those in Japan.

The main conclusions from Robertson's work are that there is a dynamic relationship between global and local activities and that this relationship can take various forms. What is defined as local is based on global notions while local activities, people and organisations are part of and make up global activities. Whereas Robertson focuses on the local adaptation of global activities and goods to fit the local context, Hannerz (1992) further investigates global-local relationships and stresses that the interaction between global and local occurs in different organisation frameworks at various geographic levels.

Global ecumene

Hannerz (1992) emphasises the interrelatedness of cultures and states that culture and its meaning is shaped by different organisational frameworks (market, state, form of life and movement). ‘... culture is primarily a thing of relationships rather than of territory.’ (Ibidem: 232) He argues that it is produced through the interaction of perspectives and that creative cultural action takes place when meanings are imported from one social location or context to another. His main focus is this social organisation of meaning and how asymmetric power relationships affect this. In his book *Cultural Complexity. Studies in the Social Organization of Meaning*, he develops these theories to investigate the complex social and cultural relationships in the late 20th century global society.

Hannerz stresses that globalisation has resulted in new social relations that have a global scale. (Ibidem: 28) People have become part of a wider community as cultural flows are now global, more intense and more interconnected. Hannerz acknowledges that there are different centres and peripheries in the domains of economics, politics and culture and that these asymmetric structures influence the diffusion of culture in the world. (Ibidem: 219) He observes that the social structure of Europe and North America has become a model for the rest of the world but highlights that this does not automatically mean that there is a homogenisation of culture. He stresses that local forms of life (everyday activities and customs) have a great impact since the particular meaning of global culture is shaped by individuals.

‘As actors and as networks of actors, they are constantly inventing culture or maintaining it, reflecting on it, experimenting with it, remembering it or forgetting it, arguing about it, and passing it on’. (Hannerz, 1992: 17)

People are not part of one culture but a combination of different subcultures (Ibidem: 72) According to Hannerz, the interaction between these different cultures is the essence of creating new cultural products. Contemporary culture therefore has to be seen as the organisation of diversity. (Ibidem: 35) This interplay between subcultures and dominant global cultures is quite complicated and often neglected in theory. (Ibidem: 89) Hannerz’ focus, however, is on this interplay and states that there is nowadays a ‘global ecumene’. (Ibidem: 218) Different cultures are each a subculture of a global structure in which they continuously mix and overlap. Different organisational frameworks (such as state and market) each have their own way of organising the global cultural flow. Consequently, Hannerz considers this flow in terms of the frameworks and their interrelations.

Four organisational frameworks

Hannerz distinguishes four different organisational frameworks that shape cultural flows: form of life, market, state and movement. These frameworks differ in their impact on cultural processes. They can result in stable or very dynamic cultural processes and in

ones that are scattered and others with a clear centre and more peripheral areas. The characteristics of the four frameworks are shown in table 1.1.

Form of life refers to everyday activities at work, at home and during leisure time which are adapted to the circumstances and environment in which people live and therefore, in general, remain stable. As this framework encompasses all different forms of life, it concerns cultural processes that are diverse and ‘uncentered’. (Ibidem: 48) The market framework, on the contrary, is characterised by its instability and asymmetry in cultural flow. It refers to the economic relationship between producer and consumer and the mutual and competitive relationship between the intermediaries that distribute symbolic goods. Cultural flows within this framework are clearly organised in a centre-periphery system. In the third framework, the role of the state is described as a mediator between the transnational and national in culture and as a manager of meaning. Through institutions such as media, schools, universities and museums it disperses a common culture to emphasise the national identity. This could be described as a way to homogenise culture. States, however, also create room for cultural differences between people by facilitating and protecting the diversity of cultural goods. Activities of the state are mainly aimed at the stability of meaning and are organised centrally. The fourth framework is movements and refers to organisations that raise awareness for a problem or issue and in such a way transform meaning. It shows parallels with the framework form of life in that cultural flows are not centralised. However, the flow of meaning directed by movements is more externally focused than the cultural processes that are part of everyday life.

Table 1.1 Organisational frameworks and their organisation of cultural flow

	Form of life	Market	State	Movements
<i>Condition cultural processes</i>	Stability	Instability	Stability	Instability
<i>Cultural flow</i>	Diverse	Homogenous	Common vs. diverse	Diverse
<i>Structure cultural processes</i>	Not centralised	Centre-periphery	Centrally organised	Not centralised

The four frameworks are combined in different ways in various societies and influence culture to be organised in different ways. The form of life framework is always present while movements can be part of larger cultural processes in a number of different societies. State and market tend to be each others rivals; the state aims for culture diversity while the market generally profits more from a homogenous culture. (Ibidem: 50) However, they, both influence culture processes directly and indirectly; they distribute certain products but at the same time also shape the conditions for everyday activities. (Ibidem: 55) Contradictions and the interplay between the frameworks as well as the development of the frameworks over time result in dynamic and unstable cultural processes.

In the era of globalisation some contradictions have become more prominent. From a market perspective, the homogenisation of consumers due to globalisation is perceived as an advantage as it offers companies the opportunity to save costs by offering one cultural product to consumers worldwide in the same way. (Ibidem: 235) The concern of the state with cultural diversity and the preservation of a national culture, however, may result in agreements to protect national culture and to regulate the transnational flow of (homogenised) cultural products. Hannerz, nevertheless, notes that some companies achieve competitive advantages through distinctiveness by offering niche products. (Ibidem: 237) The role of cultural distinctiveness is also apparent in the life and movements frameworks ‘... the consumer could prefer locally produced cultural goods – if not at all the time, at least some of the time.’ (Ibidem: 239) The revival of domestic cultural products could be interpreted as a movement against the increasing number of international cultural products.

Creole cultures

Hannerz classifies contemporary cultures as creole cultures (Ibidem: 263) which he describes as a combination of elements of two or more different cultures, which blend over time into a hybrid form. Relationships between different cultures are interactive rather than one-way flows. Hannerz emphasises that it is essential to examine the individual cultures that form the combination to fully understand creole cultures. (Ibidem: 265) Hannerz concludes that in the current global society, cultural diversity is increasingly the result of reciprocal contacts between countries and continents. There is a ‘network of perspectives’ instead of contacts between countries that remain separate entities. Differences and boundaries are still apparent but they are altered and passed by cultural flows. (Ibidem: 266)

‘At one end of the creolising continuum there is the culture of the centre, with its greater prestige, as in language the “Standard”; at the other end are the cultural forms of the farthest periphery, probably in greater parochial variety.’ (Hannerz, 1992: 264)

According to Hannerz, the centre-periphery relationship is primarily about asymmetry of the input quantity (unequal supply of content to the flow of meaning) and scale (one to many). (Ibidem: 219) However, he stresses that it is also an interactive relationship in which goods from the periphery can become part of the global cultural flow and that this can change over time.

‘The cultural processes of creolization are not simply a matter of a constant pressure from the centre toward the periphery, but a much more creative interplay. (...) ... so creole cultures come out of multidimensional cultural encounters and can put things together in new ways. (...) Creolization also increasingly allows the periphery to talk back. As it creates a greater affinity between the cultures of center and periphery, and as the latter increasingly uses the same organizational forms and the same technology as the center, not least some of its new cultural commodities become increasingly attractive on a global market.’ (Hannerz, 1992: 265)

Popular culture

Hannerz discusses how the complex social and cultural relationships in the late 20th century become apparent in popular culture. He concludes that there is no other part of contemporary culture than popular culture that is strongly associated with the market framework and a transnational flow of cultural products. He observes that popular culture clearly demonstrates a centre-periphery structure as a few companies produce cultural goods that are consumed by a very large worldwide audience. The impact of international cultural products, however, depends on how people respond to these products and whether there are local alternatives or local entrepreneurs that can give the flow of international goods a twist by assessing the 'potentialities' of these goods and by integrating them with local resources. (Ibidem: 241-242) Hannerz describes these cultural entrepreneurs as 'people who perform innovative acts of cultural brokerage.' (Ibidem: 242) He stresses that their strength is their knowledge of the local market that gives them the competence and sensibility to deal with this market. Transnational cultural flows give cultural entrepreneurs in the periphery access to a wider cultural catalogue and new resources of technology. As soon as local entrepreneurs adopt international cultural products, these become hybrid forms and are no longer identifiable as a traditional international cultural product. (Ibidem: 239)

The main conclusions derived from Hannerz are that culture is shaped through interactions between different organisational frameworks at various levels and that the role of the market and form of life are especially important. Market activities such as the production and distribution of popular culture are characterised by a strong centre-periphery system. Local entrepreneurs, however, operate at the intersection of market and form of life and act as creators of hybrid cultural forms. Individuals also combine various influences with global and local goods in their daily lives. The globalisation of culture is thus apparent in many different ways and leads to a variety of outcomes.

Transnational society and cultural world system

Robertson focuses on the role of local processes for the global-local relationship whereas Hannerz's book *Cultural Complexity* shows that different frameworks at various levels and their mutual interplay shape contemporary society. De Swaan contributes to these insights by focusing on how global culture is produced, distributed, adapted and consumed in a social context and on how its embeddedness in a particular network connects people in different countries. (1995: 18) He thus illustrates the process that Robertson describes theoretically and gives examples of the relationships between the four organisational frameworks as identified by Hannerz. Transnational society and the cultural world system are the key terms in De Swaan's work (1991, 1995)

According to De Swaan (1995), sociological research should focus on connections between inhabitants of different states and the role of states, enterprises and international institutions for the creation of these connections. Instead of solely concentrating on international business concepts or global culture, transnational sociology focuses on how

people are connected to international markets, as employees, consumers, owners or stake holders and how producer-consumer relationships have developed over time. (Ibidem: 19) These relationships stress the interaction between the form of life and the market framework as defined by Hannerz (1992). A few media companies have always produced and distributed products to a large group of consumers. Nowadays an even smaller number of transnational media and entertainment corporations has replaced these (national) media companies. De Swaan stresses that this process should not be analysed as the outcome of the globalisation of culture but as the result of a longer evolution process of the media industry in which globalisation is one factor. (Idem)

De Swaan concludes that transnational cultural flows mainly follow the routes of colonial and historical trade relations. This centre-periphery system is very prominent in the commercial production and distribution of popular culture (e.g. popular music, films and television) and of branded consumer goods (e.g. Coca Cola and Nike). (Ibidem: 25) According to De Swaan, there is thus a cultural world system just as there is an economic world system and a political world system. (1991: 95) Within this cultural world system, there are different subsystems for the various art sectors that operate independently and that have different centres. Examples are the film industry with its centre in Hollywood, the popular music industry with central nodes in New York and London and the visual art world with important scenes in London and New York but also important art fairs in, for example, Basel in Switzerland. De Swaan (1995) like Hannerz (1992) observes there is an increasing tension between the state and the market in these cultural processes. The state is more concerned about national culture whereas the global market is more focused on transnational cultural goods. De Swaan believes that this tension between state and market deserves further research. (Ibidem: 22)

The role of individuals

De Swaan highlights that consumers and producers have an active rather than a passive role in global processes. Entrepreneurs create and develop global networks that are coordinated and facilitated by larger companies and institutions. (1995: 30) The actions by individuals and the reactions of others to these activities are the generator for global flows of goods, information and capital. People play a central role in these networks. Media moguls succeeded in setting up transnational radio and TV networks while civil servants adjusted their regulations at international meetings to open up markets for free competition. These individuals live and work in a particular local context but are also part of a global network and are accustomed to changing quickly from local to national to global orientations and back again. (Ibidem: 31) Entrepreneurs are thus able to influence current or traditional market perceptions and in turn change the activities of global organisations and institutions. (Ibidem: 30) Since the form of life and the market framework are increasingly interconnected the division between the two has become blurred.

De Swaan suggests that there should be more focus on the moments that people switch their orientation as producer as well as consumer. (Idem) He explains 'everything is generally speaking everywhere, but the environment selects'.⁷ (Ibidem: 28) At a local level, globally distributed goods and services are interpreted in terms of local preferences and customs. De Swaan illustrates this with an example of international broadcasted TV series. He states that consumers are not passive but that they relate these series to their local environment and think of alternative interpretations. (Ibidem: 18)⁸ He concludes that globalisation can be described as the process in which there is more diversity locally and less diversity globally. In other words, globalisation causes local heterogeneity and global homogeneity. (Ibidem: 28) People can listen to a wide range of music products like never before, but the supply in Amsterdam, Paris and New York is becoming increasingly similar. Nevertheless, due to their size, smaller national cultures may be more dependent on importation of goods either from regional or global centres.

Cultural world system

De Swaan emphasises that the centre-periphery model best approaches the transnational society of which the cultural world system is just one part but that it needs to be adapted in a number of ways. (Ibidem: 28) Like Hannerz (1992), he argues, that there are different centres and peripheries for several areas (politics, trade, language and culture) of the global society. De Swaan, however, concludes that there may also be a number of centres within in one area. He gives an example of audiences in Asia for whom the popular culture from Bombay instead of the culture from the United States is more important and rather serves as a model. (Ibidem: 29) According to De Swaan, there is a two-way relationship between the centre and the periphery as goods from the periphery continuously flow to the centre as well. (Idem) However, in order to become part of the global flow, these goods need to be selected by and adjusted to the global standards of the organisations that dominate the centre.

Moreover, De Swaan stresses that the disappearance of some local cultures or traditions is not only caused by globalisation but also by urbanisation and industrialisation. The increasing worldwide networks are thus one factor in a larger process of societal changes that affect cultural flows. Local culture or traditions are also incorporated to an increasing extent in cross-over cultures and products. (Idem) He also says that the distinction between local orientated people and cosmopolitans is fading. Increasingly people are unconsciously combining local traditions and values with global trends and ideas in their daily life. (Idem)

⁷ 'Alles is in principe overal, maar de omgeving selecteert.' [author's translation]

⁸ An important and influential study on this topic is Liebes & Katz (1990): *The Export of Meaning: Cross-Cultural Readings of 'Dallas'*. Oxford University Press: New York.

De Swaan, nevertheless, argues that culture in the cultural world system is produced globally while conventions, tastes and trends are developed in a small number of centres. (1991: 95) The cultural sectors all have their own dynamics and centres. (Idem) In the music industry, for example, A&R managers have an important role as they scout and sign new artists whereas in the visual art world, managing directors of large museums are the important gatekeepers. He concludes that the Netherlands has a semi-periphery position in the cultural world system due to its small language area and political position (not one of the key players) (Ibidem: 101) Although the Dutch consume a great deal of foreign cultural goods and Dutch artists shape their music and films in line with international conventions, their cultural products are hardly exported to foreign countries. (Ibidem: 102) De Swaan emphasises that it is unclear who exactly determines global trends and tastes and states that this needs further research. According to him, it would be very interesting to analyse the power relations in the network of intermediaries who select and acquire art works, performances and popular culture goods and to explore what is selected and what remains unseen and unheard. (Ibidem: 100)

The main conclusions from De Swaan's work are that in a transnational society people in different countries are connected through consumer-producer relationships and that institutions, states and companies play a role in creating these connections. Producers and consumers also play an active part in these relations. Entrepreneurs create and develop global networks while consumers adapt international products to their local environment. The centre-periphery model, however, is the most appropriate approach to the transnational society as there is a cultural world system next to an economic and political world system. When applying the model, it is important to note that there is a two-way flow, that globalisation is never the only factor for changes in society and that the distinction between global and local activities is often blurred.

Implications for research

The different approaches of cultural globalisation have shown that there is strong centre-periphery structure within the domain of popular culture. There is a global flow of international cultural products that is produced by a small number of companies but consumed by a large worldwide audience. The cultural imperialism approach assumes that this global flow will result in a homogenous culture worldwide. The global-local relationship approach illustrates that there is a centre-periphery structure but that it is linked to a number of processes at various organisational and geographic levels and connected to the interpretation and intermediary acts in local contexts.

Hannerz (1992) shows that global cultural flows are shaped by state, market, forms of life and movement and by the interplay between these organisational frameworks. The market framework and the consumer-producer relationship, however, are very apparent in the production and distribution of popular culture. Within the market framework, there is a variation in companies. Some companies focus on large scale operations and profit from the homogenisation of consumers as it enables them to offer the same goods in the same

way to a large audience. Other companies look for competitive advantages by offering distinctive goods and by focusing on niches. This variation can result in a diverse supply of goods. Research on the impact of market organisations on global or local cultural practices should distinguish these two types of companies and explore their role in the market.

The state and the market can interfere with each other as they can have different goals for the organisation of the cultural flow. On the one hand, the state generally aims for cultural diversity and the protection of cultural goods. On the other, market organisations are more concerned with a profitable operation and with cultural goods that can be distributed globally to a large audience as opposed to a specific local market. Measures to protect national culture and cultural diversity can influence the role of international goods in a local market. The state thus has an important role in the impact of market organisations on the supply of cultural goods in a local market. This role should be examined in research on market organisations.

Robertson, Hannerz and De Swaan stress that goods from the global cultural flow are interpreted and adapted to the local context by local people in different ways. These can be global goods that are adapted to the local market as described by Robertson. These goods are in fact still goods from the dominant centre but the relationship is less obvious. Local goods that are strongly based on global ideas and formats could be perceived as a local copy of a global good. Besides these, there are goods that are based on new ideas and that combine global and local elements in a new way. These goods are in some cases incorporated into the global flow of cultural goods. Hannerz (1992) and De Swaan (1995) emphasise the role of local entrepreneurs who use the international cultural products of core states as a source of inspiration and blend them with local resources and influences into new hybrid forms that can generate a business. According to De Swaan (1995), these are the entrepreneurs who start new global networks and connections that make up the cultural world system. If the same organisation frameworks and technology are used as in the centre, there is an increased chance that local goods are incorporated into the global flow. According to Hannerz (1992), the impact of international products on local markets therefore depends on how local consumers respond to these products, whether there are local alternatives and whether local entrepreneurs combine these products with local values and resources into hybrid products. The economic and cultural world systems do not only operate in favour of the core countries. The cultural world system should be perceived as a network in which products from peripheral countries can also be incorporated. The role of cultural entrepreneurs is crucial in this process. The concept of a centre-periphery system can thus serve as a useful concept for the exploration of relationships within the international cultural industries if it is adapted to the dynamics of cultural processes. The insights that are raised in this chapter imply that there is a need to focus on the 'meeting points' where people change or mix orientations and where global organisational processes meet individual activities and local culture.

These 'meeting points' form the focus of my research. From several organisational frameworks and intermediary acts within the cultural world system, I focus on the role of

the producer, and in particular the role of the local subsidiaries of transnational media and entertainment companies in the Netherlands. How do they deal with strategies and activities originating from the international corporate structure while at the same time taking local market conditions into consideration? How and to which extent does the local culture affect the decisions and the activities of the local employees of the subsidiary? How much room do they have to create local or hybrid goods besides the supply of international goods? De Swaan (1991) concluded that the Netherlands has a role in the semi-periphery. A large number of international cultural goods are expected from the centre while Dutch cultural products will only become a marginal part of the global flow of goods. The presence and the role of local entrepreneurs is important as they significantly influence the number of local goods available in a market. The presence of international companies looking for competitive advantages in distinctiveness is important in that perspective as well since they might become involved in local niche markets as part of their strategy. The next chapter will discuss the industries that combine creativity and commerce to produce popular culture: the cultural industries.

Chapter 2

Cultural Industries: the Business of Producing and Distributing Cultural Products

‘Cultural industries’ is a core concept in this book. But what is actually meant by this term? Are these industries different than other industries? How are they organised and what are the most important issues in these industries? Before exploring the role of international cultural industries in local contexts the term ‘cultural industries’ needs to be defined. This chapter reviews definitions and discusses distinctive characteristics and most important issues. Special attention is paid to how these characteristics and issues are reflected in two of the cultural industries, the music and film industry. The chapter ends with major shortcomings in current research on the cultural industries.

Defining the cultural industries

Origins of the term

New technologies that enabled mass production of cultural goods changed the art sector in the United States in the 1930s. Emerging audiovisual industries such as the radio and recording industry resulted in ‘popular culture’ products becoming more widely available besides the traditional arts. Two German sociologists in the United States, Adorno and Horkheimer, criticised these contemporary forms of popular art in their book *Dialektik der Aufklärung* in 1944. They claimed that the increasing commodification of culture was a detrimental development because cultural products were then the result of calculation and not a critical form of human creativity. (Horkheimer & Adorno, 1973) They coined the term ‘the culture industry’ to describe these new industries. The unusual combination of the words ‘culture’ and ‘industry’ was intended as a ‘concept to shock’ (Hesmondhalgh, 2002: 15). The cultural philosophical study of Horkheimer and Adorno was an early critique on the cultural industries. The study had a great impact on sociology and cultural studies, although it only criticised the cultural industry and did not address the opportunities that it offered. Development of the cultural industries over time showed that the criticism by Adorno and Horkheimer on the culture industry did not hold and that new and creative products did emerge in the industry that produced popular culture. (Rutten, 2000: 8) Adorno and Horkheimer’s term and study were therefore used as departure point but were criticised and altered in new studies.

In the 1970s, French sociologists (e.g. Miège and Morin) changed the term ‘the culture industry’ to the plural form to show that there is not one single industry or one

system for cultural production. This new term, cultural industries, also reflects that there are various working practices and cultural products and indicates an awareness of the complexity and ambivalence of this sector. (Hesmondhalgh, 2002) Segers and Huijgh's (2007) overview of the evolution of the term shows that American labour and cultural sociologists, political and cultural economists and cultural economy researchers adopted the term in the plural form in later phases.

Definitions

Definitions of the term 'cultural industries' generally start from two assumptions. Firstly, the term combines two fields: culture and industry. Secondly, the cultural industries are a business but no ordinary business. Lampel, Shamsie & Lant (2006) report that it is difficult to find a good combination of the two domains of culture and industry in a definition of the cultural industries. They state that most definitions either stress the distinctive features of cultural products or the industry system of production, distribution and marketing. A good definition would include both and would balance the two. The cultural industries differ from other industries because they produce cultural goods. The value and core of these products is the content and the meaning they evoke. Cultural products, therefore, have an aesthetical or expressive rather than a functional purpose. (Hirsch, 1990: 127) However, the cultural industries differ from the traditional arts sector because they primarily produce for the market and use industrial mass (re-) production and distribution techniques and division of labour methods. (Rutten, 2000: 7)

Characterisations by cultural economists and strategic management researchers (e.g. Lampel, Shamsie & Lant, 2006) mainly focus on the rationalised organisation of the production, distribution and marketing activities of the industries while sociologists (e.g. Wynne, 1992; O'Connor, 1999) pay more attention to the products and their consumption. Definitions by Towse (2003) and Garnham (1987) are exceptions to this. Towse, a cultural economist, addresses the operation of the industry as well as the social function and cultural contents of the products. Garnham, a political economist, focuses on the organisation of the industry and the kinds of goods it produces.

'Cultural industries mass-produce goods and services with sufficient artistic content to be considered creative and culturally significant. The essential features are industrial-scale production combined with cultural content. The cultural content mostly results from the employment of trained artists of one sort or another (creative artists, performers, crafts people) in the production of goods in the cultural industries, but it may also arise from the social significance that attaches to the consumption of goods.' (Towse, 2003: 170)

'... as a descriptive term, 'cultural industries' refers to those institutions in our society which employ the characteristic modes of production and organization of industrial corporations to produce and disseminate symbols in the form of cultural goods and services, generally, although not exclusively, as commodities. These include newspapers, periodical and book publishing, record companies, music publishers, commercial sports organizations, etc. In all these cultural processes, we characteristically find at some point the use of capital-intensive, technological means of mass production and/or distribution,

highly developed and hierarchical modes of managerial organization, with the goal, if not of profit maximization, at least of efficiency.' (Garnham, 1987: 25-26)

At first sight, Towse's definition is very clear and focused while Garnham's is elaborate and stresses that 'cultural industries' is a descriptive term. This last point is also indicated by Segers and Huijgh (2007). They state that 'the complexity of the whole has to be the starting point of definition, study and classification of the cultural industries. (...) ... the [conceptual] interpretation [of the cultural industries] is the outcome of research that is highly time and space specific'. (Ibidem: 18) Hesmondhalgh concludes that 'the term, "cultural industries", is surrounded by difficulties of definition.' (2002: 11) It is important to note that the cultural industries are complex and dynamic industries. New technological developments and changes in society can alter the meaning and activities of these industries. Rutten (2000) and Hesmondhalgh (2002), therefore, define the cultural industries by giving a number of features instead of a clear cut definition. I follow their lead and list a number of key characteristics of the organisations and processes to describe the term cultural industries.

Given the cultural sociological tradition and the new institutionalism approach of this research project, Garnham's definition is the best starting point. Garnham's definition focuses more on institutions and processes and is more interpretative than Towse's. Its description stresses that the cultural industries consist of different organisations and that each one develop ways to organise the production and distribution of cultural goods to generate business. In Towse's definition the focus is more on the industry characteristics and less on the companies that are the cultural industries. Her definition can also be problematic because it is not clear when goods are creative and culturally significant. However, Garnham perceives commercial sports organisations as part of the cultural industries while I do not recognise them as organisations that produce cultural products. The way in which people play or watch sports and are involved in the organisation and news coverage of sports can be classified as a particular culture, but sports as such are not cultural products. Garnham (1987) states that the 'cultural industries' is a descriptive term as their characteristics are universal for the cultural process in all industrial societies. However, there are distinctive differences between the cultural industries and other industries. These are described in earlier work (van de Kamp, 2003), and discussed by Rutten (2000) and Hesmondhalgh (2002). They are included in the list below. I perceive the key characteristics of the cultural industries as:

- Consumption of goods and services because of their social and cultural meaning.
- Primarily production of symbols as goods and services for the market.
- Use of technological means and rationalised modes for mass-(re)production and global distribution of these goods and services.
- Frequent use of temporary project organisations for the production of the creative content.
- Use of institutionalised modes of managerial organisation based on unpredictable consumer demand and high investment risks.

- Team work of creative people in the creation and production processes and of business managers in the reproduction, distribution and marketing phase.

Examples of products that are produced and distributed within the cultural industries are music, film, television drama and entertainment programmes, novels, musicals, animation and digital games. The characteristics are now discussed in more detail and described in relation to the organisation and operation of companies in the cultural industries.

Characteristics

Theoretical descriptions of the characteristics of the cultural industries often result in overviews of polarities and asymmetric relations which reflect the combination of two important components of the cultural industries: creativity and commerce. Hesmondhalgh (2002) and Negus (1996) discuss the idea that there is a conflict between commerce and creativity. They both stress that commerce and creativity are interwoven in activities in the cultural industries. The production of cultural goods for the market and the use of rationalised production and distribution methods imply that commerce and creativity are necessary conditions for each other. Hesmondhalgh states that the conflict is related to a romantic notion of the artist. According to him, it is useful to explore the arguments and issues related to the conflict to understand the uneasy interaction between commerce and creativity and the tensions it evokes. However, research, should focus on how both are connected and interact. Negus highlights that the conflict from an academic perspective is perceived as a cliché argument but that people in music scenes use the contrast to make sense of what happens in the music industry. (1996: 48) Creating social and cultural meaning and running a business do not always easily go together. There are fields of tension and companies in the cultural industries have developed different ways to cope with these. In the next sections, I will discuss the characteristics of the cultural industries that cause uncertainty and risks and afterwards examine the operation, structure and strategy of companies to deal with uncertainty and risks.

Symbolic goods

The cultural industries produce and distribute cultural products and services. Besides their economic value, these goods are also valued for their contribution to culture. Their main value is the creative content and not the physical carrier such as a CD or a printed copy. They are, therefore, also called symbolic goods: goods which are attractive because of their social and cultural meaning. Lampel et al. (2006) report that cultural goods cause subjective consumer experiences and lack a clear utilitarian function. Consumers often have little or no expectation of the cultural product or service and their experience and valuation can differ significantly after consumption. Acheson and Maule (1999) and Lampel et al. (2006) both highlight that cultural goods have the reputation for offering something novel but also need some familiarity so that consumers will understand and will be attracted to them. Furthermore, cultural goods, serve as status symbols.

(Hesmondhalgh, 2007a: 19) The popularity and demand for cultural goods is affected by trends and is therefore uncertain. Acheson and Maule (1999) also stress the non-rival character of cultural content. Cultural products and services such as CDs, cinema tickets and books can be sold out. The amount of these products and services is limited due to the available physical copies or seats. However, cultural content cannot be depleted and can be used in various forms and products. Consequently, the consumption of a cultural good by one person does not exclude the consumption of the same content by others. This gives cultural goods a public good character (it is not possible to exclude people from consumption of the good) and can make a profitable exploitation of cultural content difficult.

The focus on experiences and meaning often results in dilemmas for producers and managers in the cultural industries. Consumers have to be persuaded to buy certain products or services without knowing exactly what they are paying for. Producers and managers look for new and refreshing content offering interesting experiences to attract and please consumers. However if the content is too innovative, only a few consumers might be attracted to the good. On the other hand, if the content is too predictable without a surprise element, the product may not be valued for its symbolic meaning. Therefore, producers and managers have to balance the content of their products between novelty and familiarity while also dealing with unpredictable demand.

Uncertain success of creative content

Like consumers of cultural products, companies in the cultural industries also have to wait for the consumers to purchase their new cultural product before they can establish its value in terms of success. Becker reports that the reception of the good by consumers and critics adds value to the good. (1982: 163-164) Good reviews of a film by critics, for example, can raise the status of that film and consequently result in an increase in cinema admissions. Furthermore, the cultural good has not reached its final form until consumers have given a meaning to the product. How consumers perceive and use a product determines its classification. Caves stresses that examining consumer preferences and pretesting does not reduce the uncertainty whether a cultural product will become successful because the core of the cultural products is their innovative and unique character. (2000: 3) Consumer's taste for cultural products is subject to trends and differs from person to person. People like to hear, read and see diverse and new songs, books and films. (DiMaggio, 1977; Hesmondhalgh, 2002) This month's hype might be over next month. It is therefore difficult to predict and anticipate demand. 'Nobody knows' which new song, film or book will be successful. (Caves, 2000: 3)

The generation of new cultural forms and trends is thus very important as innovative products characterise and add value to the cultural industries. The creators of cultural products have to be granted certain autonomy to develop original and distinctive products. Company managers who control processes to guarantee a good performance of their company have to deal with the dilemma of having little control over the creation and

the reception of a cultural good. (DiMaggio, 1977) ‘Yet because original and distinctive symbolic creativity is at a premium, the cultural industries never quite control it.’ (Hesmondhalgh, 2002: 6)

The focus on the meaning of a cultural good, the creativity and the absence of a clear functional purpose makes it difficult to rate the quality and predict the success of, for example, a musician, a film script or an idea for a new television entertainment programme. Due to these dynamic mechanisms producers and managers in the cultural industries cannot rely on measurable activities and standard procedures to select creative content and to cope with uncertain quality.

High and sunk costs

Business activities in the cultural industries are further complicated by high and sunk costs to produce a cultural good such as a film or a book. In accordance with Becker’s account of Art Worlds (1982), various skills are needed for the production of cultural goods. It is therefore not the result of the efforts of one individual or company but of the cooperation of various people and companies. (Ibidem: 1) Everybody has a particular task and adds value to the product. The final product relies on the completion of all activities in a particular sequence. Each activity, therefore, brings along costs that are sunk; they cannot be recovered before the completion of the product. If one task is not accomplished, there is no product and there are thus no returns on the investments. (Caves, 2000: 5)

The non-rival character of cultural products leads to the situation that once an idea has become a media or cultural product, the costs to serve one extra customer with a product are low. In other words, the marginal costs are low (Doyle, 2002) but the considerable investment costs result in a higher ratio between fixed and variable costs than in other industries. As a consequence of this asymmetric relation, the more units sold, the lower the average costs and the higher the profit. Big hits can hence generate extremely high profits. It is for that reason that companies in the cultural industries aim for gaining economies of scale. However, the number of failures far exceeds the number of successes and therefore every investment in the cultural industries is a risky one. (Hesmondhalgh, 2002: 18-19)

Ways to cope with uncertainty and risks

Companies in the cultural industries have developed a number of strategies and organisation structures to deal with the subjective consumer experiences of symbolic goods, the uncertain success of creative content and the high and sunk costs to produce a cultural good.

Economies of scale and scope

Since the end of the 19th century, the cultural industries in Europe and the United States have been dominated by a small number of large companies. These companies, generally called majors produce and distribute cultural products, have big catalogues of rights and a long and important standing. The logic of economies of scope and scale is often used to explain why these major companies dominate the cultural industries.

Economies of scale cause a decrease in average costs when the volume of output increases. Economies of scale especially emerge in the cultural industry because of the specific characteristics of cultural products such as non-rival consumption and asymmetric cost structure. The more people that consume the cultural product, the lower the average costs and the higher the profit share per product. Consequently, the distribution of cultural products in markets abroad will mainly generate additional returns after the deduction of marketing costs. Therefore, the strategy of for-profit companies is to expand their market in order to sell their products in as many countries as possible. Economies of scale are also reflected in the concentration of ownership. Having control over various phases in the value chain of cultural products can lead to more efficiency and enables a company to capture and to protect value. (Mol, 2005: 39)

Economies of scope occur when cultural content has multiple applications and when competences can be used in different ways. Transnational corporations in the cultural industries rely on broad catalogues of rights, on international marketing know-how and on a broad range of distribution forms. (Bakker, 2003; Albarran & Moelinger, 2002) With content and distribution at their disposal, the transnational media and entertainment corporations can use the strategy of ‘repurposing’; content originally produced for one sector can be re-used or repackaged for distribution or production in other sectors. (Albarran & Moelinger, 2002: 116)

Creative managers

The business of the cultural industries ranges from creative input by artists to consumption of a cultural product by consumers. The differences between creative and business activities and how these activities are connected and controlled significantly influence the organisation of companies in the cultural industries. Hesmondhalgh points out that conglomerates grant creators a large degree of creative autonomy and flexibility but that the control on reproduction and circulation is tighter. (2002: 54-55)

Production activities are generally loosely organised by small companies or project teams and focus on creating ideas and creative content. (Ibidem: 52) In the film and music sector, for example, teams are formed to make a film or a CD. Team members cooperate for a particular period and split up when the project is finished. They create ideas and content which form the input for business processes in larger production, packaging and distribution companies in these industries. The selection of creative content is a difficult process because the quality and chance of success can hardly be measured or predicted. The selection and management of creative products is also different from general

management tasks such as sales, finance and administration. Hirsch (1990) and Peterson and Berger (1971) both emphasise that companies in the cultural industries therefore have special product or creative departments. The managers in these departments (in Hirsch's terms 'contact men' or 'boundary spanning talent scouts' while classified as 'entrepreneurs' by Peterson & Berger) are appointed because of their specific knowledge of styles and trends and their ability to combine business and creative activities. Usually a number of these creative managers are responsible for the acquisition and the development of the creative content so that financial risks are spread. (Peterson & Berger, 1971: 102) By hiring a number of creative managers, the chance that a creative manager signs a hit product increases. However, there are no success formulas. The business and financial managers of the company therefore have to trust the professional judgment of these creative managers.

DiMaggio (1977) shows that there are different degrees to which these creative managers, or in his words *brokers*, control the creative content and the role they can play. He distinguishes three ideal types of cultural production systems each with a different organisation structure and supply of cultural products. In the pure brokerage system, the broker is employed by the company and mediates between the creative producer and the company to establish a partnership that is beneficial for both. In the entrepreneurial brokerage system, the broker decides on creative content because the company lacks this specific knowledge. The broker is appointed to this job based on personality and expertise and is responsible for informing the company about new trends and developments. According to DiMaggio, the autonomy of the broker in the pure and entrepreneurial brokerage system results in diverse and innovative cultural products. In the centralised brokerage system, on the contrary, the broker is strongly controlled by management and is responsible for implementing their policy. Decisions on new products are made by committee and not individually by the broker. DiMaggio states that this type of cultural production system typically occurs in 'more economically concentrated, less innovative, popular-culture industries' and results in cultural products for a large mainstream audience. (Ibidem: 444 & 447)

The acquisition of creative content is the first activity in the business process of a company in the cultural industries. Under strong supervision, it is then altered and reproduced for the market. Afterwards the product is marketed and packaged and a particular promotional strategy is chosen depending on the sales expectations. (Hirsch, 1990)

Strategies to reduce uncertainty

Various strategies are used to deal with high risks and uncertainties. One of these on the production level is related to the recruitment and selection of creators. To ensure quality, these are selected on track record. Priority is given to artists who have been involved in a number of successful productions and have an established reputation. Actors who have acquired a star status, for example, will help attract more audiences and are therefore

selected in preference to less-known actors. (Caves, 2000: 7) Another strategy on the production level is to produce goods similar to those that achieved prior success for example, goods within a particular ‘school’, ‘genre’ or ‘style’. (Ryan & Wentworth, 1999: 180) Negus (1999) reports that record companies also use genre classifications to indicate what kind of music is produced by a new group or artist. Other strategies include best of CDs and sequels of films and the ‘buckshot approach’. In the first strategy, products are based on a ‘formula’. (Ryan & Wentworth, 1999: 180) In the ‘buckshot approach’ cultural products are permanently overproduced to enhance the chance that one of the products will appeal to the audience and will become very popular. (Idem) Huygens (1999), however, states that the dynamic market is not the only factor in defining the product strategy but that the operation of competing companies in that market also plays a role. New products or business opportunities may arise from the way other companies operate and develop over time. The extent to which this occurs also depends on the search for new competences within the firm.

There are also several strategies to deal with high risks and uncertainties on a company level. According to institutional theory, companies collectively develop concepts on how to cope with an unstable market. These concepts are used by individual companies to understand the behaviour of other companies and to guide their own business processes. Becker (1982) mentions the importance of the collective operation and interaction in cultural production processes and the significance of conventions in art worlds. These enable an easy and efficient coordination of the whole production process as creative people can work on the same product in different places and do not necessarily need to know each other. (Ibidem: 13)

Majors also form partnerships and alliances with content producers to reduce uncertainty and to spread risks. Small companies are hired to do specialised tasks such as producing a particular TV program or film or inventing new product formats. They are more flexible than large corporations and usually better informed about the preferences and customs of particular audiences. Furthermore, some companies adopt decentralised and teamwork structures to control and benefit from all activities from the creation to the consumption of a cultural product. (Sanchez-Tabernero and Carvajal, 2002: 77) A large number of other companies are continuously involved in mergers, acquisitions and joint ventures to obtain more content and to serve more audiences. (Vogel, 2004: 66) A joint venture with a local company, for example, is a strategy that is often used to start a successful operation in a new local market. (Sanchez-Tabernero and Carvajal, 2002: 94) In this case, the company is not the only risk bearer. Depending on the terms of the joint venture deal, the local company may bear most of the risks.

Recent trends

The disappearance of traditional boundaries of national markets, the emergence of multinational media and entertainment conglomerates, convergence and digitalisation have influenced the structure and the business of the cultural industries in the last decades.

The integration of cultural industry companies into multinational media and entertainment conglomerates has resulted in a 'portfolio of related industries'. (Hesmondhalgh, 2002: 140) These companies are structured as networks of different labels and cultural industries divisions. Risks can be spread over several divisions to ensure tighter control on the various stages of a creative product. Potential synergy effects such as cross-promotion, shared production costs and more distribution outlets are often the reasons for mergers and acquisitions. Picard, however, concludes that mergers between media firms or between a traditional media company and online companies have not led to real synergies. (2002: 204-205) Nevertheless, corporations, also have close relationships with several small companies for different productions. Consequently, there is a complex web of interdependences. Starkey, Barnatt and Tempest (2000) stress that in some cases these project organisations develop in latent organisations (project organisations that are sustained for a number of projects over time) to deal with the dynamic business environment. Latent organisations offer efficiency benefits due to shared knowledge and proven quality.

In some cases, cultural industry companies became part of worldwide corporations which were not primarily or exclusively interested in cultural products but in their content. Sony Music and Sony Pictures which are part of the overall Sony umbrella are a good example of this. Music, film and media products were a good complement to the hardware the corporation sells. In other cases, cultural industry companies were taken over by an equity group for investment purposes such as happened at Warner Music in 2004.

Majors generally dominated media and entertainment markets. Traditionally, new firms faced difficulties to enter these markets and to develop into new market players. The opening up of markets and digitisation, however, has reduced former legislative and technology-based market entry barriers. (Doyle, 2002: 20) An example of the latter is the music industry where home based equipment enables musicians to achieve studio-quality sound. Another effect of digitisation is the convergence of media and communication products. (Ibidem: 21) Media and entertainment content can now be used in different distribution channels: Internet (virtual), Radio and TV (broadcast services), books, magazines, CD, DVD (physical carrier) and merchandise (physical related product). Consequently, firms from various sectors now compete and cooperate in these markets.

The cultural industries are thus surrounded by complexities and opposing goals. On the one hand, companies are businesses that use different control mechanisms to cope with the turbulent environment, high investments and high number of failures. On the other hand, their core business is creativity and innovation for which too much control is detrimental. Companies in the cultural industries thus have to balance global integration vs. flexible specialisation, mass production of cultural goods vs. one-off artistic experiments and business vs. creative goals.

In this book special attention is paid to two aspects of two particular cultural industries: the recording division of the music industry and the theatrical distribution arm of the film industry. In the next two sections the distinctive characteristics of the music

and film industry respectively will be described more in detail whereby the focus is on the record companies and the theatrical distributors.

The music industry

Compared to other cultural industries, the music industry is the most unstable and also the most prominent. (Rothenbuhler & McCourt, 2004: 221 & 245) Consumers' music taste is not fixed; people like different music genres while today's hits may be old fashioned next month. The supply and turnover of products is extremely fast and offers consumers more choice than in other cultural industries. Demand, however, is difficult to predict and to anticipate. (Ibidem: 245) 'Nobody knows' and therefore record companies spread their risks across various music genres (Negus, 1999: 47; Frith, 2001: 46) Frith emphasises that the high number of failures (more than 90% of all released music products) results in a business where 'failure is the norm'. (2001: 33)

The record company

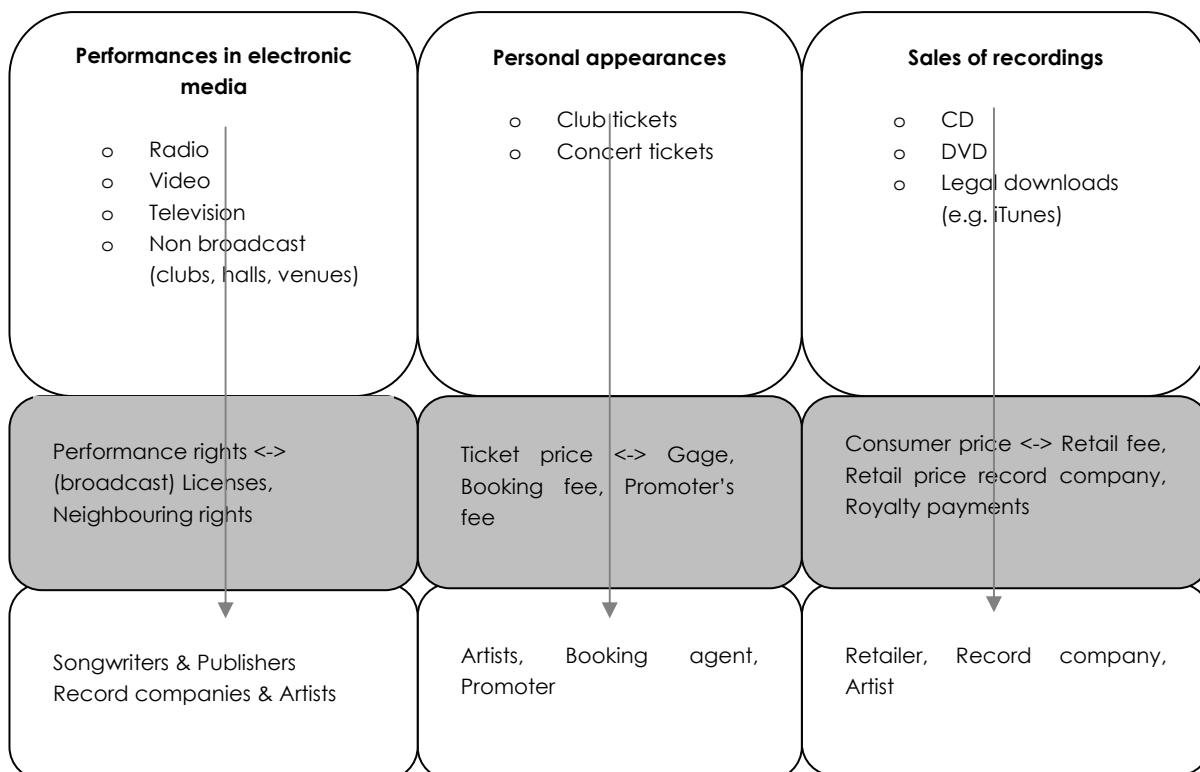
Record companies record and exploit music but do not create the music that is recorded themselves. (Rothenbuhler and McCourt, 2004: 226) They contract artists for their music performance, produce a recording of the music and promote and distribute this recording. Songwriters, who are not necessarily the performing artists, sign a contract with a music publisher for the copyrights. The performance and recording of their texts and music are part of the activities of the record company. The exploitation of the rights that are related to the text, the music and the performance of a song is the core business of the music industries, in particular the recording and publishing arm. Frith stresses that 'a song – the basic musical property – represents 'a bundle of rights'. (1990: 105) Rothenbuhler and McCourt (2004: 228) and Mol (2005: 58) suggest that music promotion through relationships with relevant selectors such as the broadcasting industry should be considered as one of the main activities of a record company as well. 'Record companies manufacture hits, positions on music charts, and popularity as much as they do recordings; hype is as important to the industry as music.' (Rothenbuhler and McCourt, 2004: 228-229) The activities of the record companies can thus be divided in three main areas: acquiring and contracting recording artists (A&R department), recording and packaging music, and reaching an interested audience (distribution, promotion and marketing).

The recording of music is just one of the activities of the music industry. Live concerts, artist management, concert promotion and booking and the broadcasting of music on radio or TV are part of the industry as well. Cusic points at three main money flows and consumption methods that cover all activities in the music industry: performances in electronic media, personal appearances and sales of recordings. (1996: 21) Figure 2.1 shows the flows with the related revenues and receivers of these revenues. The third box points at the sales of recording. Historically, record companies controlled the stream of physical carriers for music between artist and retailer. The retail fee was

divided among the retailer, the record company and the artist (via rights, reproduction costs and royalty payments). In the current digital age, music, however, can be downloaded and is also provided by new digital retailers such as iTunes or by artists themselves (e.g. Radiohead and the launch of their album *In Rainbows* in 2007).

Negus and Frith state that there is no need to sell music products to the audience. The exploitation of various rights by the circulation of music within different media forms is more profitable and important for the music industry. (Negus, 1996: 56; Frith, 1990: 105) Hesmondhalgh (2007b) concludes that new media technologies have expanded and offered new opportunities for the exploitation of the rights. He, however, emphasises that the majors will retain a crucial role in deciding which music global consumers are offered because of their global marketing and promotion machine. Dowd (2006) furthermore concludes that it is not a new technology such as MP3 that leads to transformation of the music industry but the strategies for using this new technology. The existing relationships in the music industry might change only if a large number of companies adopt a new product conception.

Figure 2.1 Money flows in the music industry: flow, revenue and receivers



Adapted from Cusic, D. (1996) '2 Watching the money flow' in *Music in the Market*, 21-30 [DVD and legal downloads under sales of recordings are added by the author.]

Global business

Theories on the music industry are generally based on the notion that it consists of a cross-national network in which nodes are connected by transactional lines. Some of these nodes

such as the United States (New York) and the United Kingdom (London) are central because here many lines come together. Others are peripheral and depend highly on transactions with the centre in order to remain within the system. According to Rutten (1991b), the scope of activities in the music industry has always been very international. He gives the example of the Dutch music industry in which the development and marketing of local artists has always been only one of the activities of international recording companies. (Ibidem) He concludes that the commercial value of local music is determined to a great extent by the structure of the national and the international music market. This structure depends on the size of the home market, the share of domestic music in the home market and the importance of domestic music in the international market. (Ibidem: 296) The United States and the United Kingdom are at one end of the continuum. They have a large home market, a large share of domestic music and an important role in the international music market. They play an influential role because important events in the history of popular music occurred in these countries and established their status that still lasts today. (Rutten, 1995: 277) At the other end are smaller (semi-) peripheral countries such as the Netherlands that have none of these attributes: no considerable music market, no big share for domestic music within their home market and no important role in the international music market.

Majors and independents

The distribution of recorded music is an essential element of the recording industry that forms the traditional difference between “majors” and “independents”. (Rothenbuhler and McCourt, 2004: 228-229) It stresses the asymmetric business relations in the recording industry. The majors are the large companies that are active in production and distribution, have big catalogues of music rights and a long and important standing. Independents operate on a smaller scale and they often have to contract majors or distribution companies to distribute their music products. They also lack substantial resources to invest in a large number of artists to spread risks and to generate profits. Control over distribution and promotion, vertical integration (the extent to which related activities in the supply chain are integrated) and economies of scale are all necessary to create successful music products that have access to national and international markets. Only the majors have these three components. The market structure of the recording industry is therefore often described as an oligopoly: a few major record labels (EMI, Sony-BMG, Universal and Warner) control the market, distribution and production while smaller independent labels have only limited control and access to distribution networks and the market (cf. Rothenbuhler and McCourt, 2004). However, this situation no longer holds for the digital distribution of music. iTunes is a good example of other companies than the majors gaining a substantial position in this market.

Frith already observed in 1990 that the traditional model of the music business in which the majors generally control the music market and only are contested by independent record companies during short periods of market change had changed into a

symbiosis between majors and independent companies. (1990: 110) ‘The smaller companies have gained a permanent and important though subordinate position in the music industry.’ (Ibidem: 106) They serve as the research and development departments of the majors. (Frith, 2001: 49) The majors are usually not ahead of trends and not flexible and dynamic enough to attract new and ‘fresh’ artists while independent companies are specialised in finding and developing new talents. (Negus, 1999) According to Dowd (2004b) and Lopes (1992), large music companies with a decentralised structure, subsidiary labels and those that cooperate with independent companies and freelance producers, can combine flexibility and innovation with the benefits of size. (Dowd, 2004b: 238; Lopes, 1992: 57) Dowd (2004b) calls the traditional system model a closed system of production; majors operate as strong bureaucratic organisations with many filters to generate music products. Current decentralised music companies in which new developments are absorbed via the subsidiary labels illustrate an open system of production.

It is now generally assumed that independent labels are embedded in one way or another into the structure of the majors. In this relationship, the majors provide the international distribution while the independents are a source for potentially successful acts. Rothenbuhler and McCourt argue that decision makers at record companies, however, still control the music product more than is assumed by the term ‘gatekeepers’. (2004: 238) According to them, label managers play a decisive role in the creative process; they stand at the end of a chain of selection processes. They do not only approve or reject completed products but also have a say in creative decisions. Frith states that they include conditions in artist’s contracts to be able to model the music product in line with their market perception. (Frith, 2001: 34)

Isolating and controlling sources of uncertainty

The structure of the major music companies is characterised by attempts to isolate and control sources of uncertainty. The open production system that was discussed in the last section is a strategy to access new music products while not bearing all the risks of finding and developing new musical talent. Within the music industry like in the cultural industries, activities that are part of the creative production process such as talent scouting and the development of artists are generally isolated from other activities such as finance and administration. Huygens concludes that ‘artist development is the grey area where musical creativity is combined with commercial pragmatism.’ (1999: 10) The scouting and development of artists is therefore performed by managers that have specific expertise in particular music genres: the artist and repertoire (A&R) managers. They are selected based on their track record of successfully developed artists and are continually monitored on how successful they are in signing and developing artists. (Rothenbuhler & McCourt, 2004: 237)

Merits are also an important criterion to minimise the risks of a new signing. Artists with a star status or who have become known are perceived as a safer investment

than an unknown talent. (Rothenbuhler & McCourt, 2004: 237) As a consequence, investments are high in those music products that are based on a successful formula and as a rule small in less ordinary or new music products. Signing successful artists, nonetheless, can be risky as well as star artists often negotiate higher royalties. Hence more of their CDs have to be sold before there are returns on investments for the record company.

Record companies generally organise their operations in catalogues, departments and promotional systems based on genres to ensure more order and transparency and maintain control in this rather uncertain business. (Negus, 1999) Genre provides a tool for market segmentation (which audience likes this music and will buy it?) and classification (what does it sound like and to which music tradition does it belong?). It has great impact on music production, as it is the way in which the industry rewards and recognises certain genre practices, sounds, combinations, cultures. Typically, Negus argues, companies attempt to reduce risk by spreading it among genres. A commonly used strategy is portfolio management. It divides the company's artists, genres and labels into clearly defined business units to make their performance, profile and profitability visible. Labels, genres or artists can be classified in a portfolio analysis, using terms as 'stars, dogs, cash cows and wild cats (or question marks)' to describe their performance and potential.⁹

Frith reports that record companies also divide artists in long-term and short-term acts and use this to define investments and promotion strategies for their artists. (1990: 109) The long-term acts have built a career over time and work in their own pace and quite independently on albums. Their albums still find their audience and sell substantially. These acts generate most of the long term revenues for the company. Short-term acts are marketed as new and trendy projects to attract a large audience at one particular moment. They are branded and marketed in a special campaign focused on the theme of the album. These albums can be the flavour of the month and sell extremely well during this short period of popularity. However, when the novelty has worn off, sales drop. A few world stars such as Madonna combine the characteristics of both acts; they have developed a career over time but still release their new album as a big event. Negus (1996) links the concept of genres and the division in long-term and short-term acts and concludes that record companies have developed commercial and aesthetic hierarchies. In the early 1990s, rock bands were, for example, prioritised over soul and dance in the British recording industry. Rock music and artists were developed and treated as long-term acts and consequently received considerable investments, soul and dance received less attention and were handled in a more ad hoc manner.

Despite strategies to increase predictability, apply order and enable monitoring, record companies still produce more records that fail than that become hits. (Negus, 1999) Strategies to control uncertainty and to run the business profitably therefore are a continuous focus in the music industry and in particularly at record companies. Negus

⁹ The terminology was initially developed by the Boston Consulting Group in 1970.

concludes that most record company staff, however, also looks for opportunities to develop new artists outside the corporate strategy system. (1996: 65)

The film industry

The film industry is also a complex, dynamic and risky business. Squire emphasises that there is ‘no other business’ where ‘a single product [is] fully created at an investment of millions of dollars, with no real assurance that the public will buy it’ and where the audience after consumption ‘take away with them merely the merit of it.’ (2004: 4) Ravid remarks that films are unique projects that show similarities with the development of a new product line or service. (1999: 464) As a consequence, procedures have to be adapted for each new film. The film industry is structured as a few large oligopolistic production and distribution organisations that cooperate and depend on a range of small specialised service and production firms. (Vogel, 2004: 47)

An unpredictable and risky business

De Vany and Walls (1999) argue on the basis of statistical evidence that there are no success formats for Hollywood and that even a sequel of a successful film can turn out to be a failure. Making strategic choices about the number of screens, budgets and the choice of a reputable producer, director and actors can only increase the chance on success. After the release of a film, the audience decides about its fate. Ravid, highlights that reviews and especially the number of reviews influence the attraction of an audience to a film. (1999: 488) Despite marketing and advertising campaigns, attracting audiences and generating reviews cannot be managed by the film company. (De Vany & Walls, 1999) However, generally millions of dollars or euros are invested to produce a feature film while it is usually only screened in cinemas for a few weeks. The film business is thus complicated by the fact that film is an experience good with an unpredictable performance. Consequently it is a very ‘expensive commodity’. (Ravid, 1999: 464) The combination of the unpredictable performance with the extremely high and sunk investments and low variable costs lead to the situation that about 5% of the films earn about 80% of the industry’s profits. (Vogel, 2004: 110) Vogel concludes that ‘ego gratification rather than money may often be the only return on an investment in film. Moviemaking is still truly entrepreneurial’. (Ibidem: 41)

Hollywood majors

Hollywood and the film majors have a pivotal role in the film industry as supplier of films for the international market and as the part of the film industry that grosses most of the revenues. (Vogel, 2004: 64) For example, the majority of the films in the European market is released by the majors and attracts at least 70% of the total number of cinema admissions in Europe. (Doyle, 2002: 105) The film industry in the United States is

historically based in Hollywood. The current majors are either still the traditional Hollywood studios or former ones that have become part of larger corporations. They include: Paramount Pictures, Universal, 20th Century Fox, Warner Brothers, Disney, Metro Goldwyn Mayer and Sony Pictures. The majors all operate from the United States and benefit from economies of scale because of the size of the American market. In the United States, the home market provides large revenues which in some cases can already offset the film's fixed production costs. Apart from some marketing costs, the release of an American film in foreign markets will then mainly generate additional returns. The size of the home market also enables American studios to make high-budget films which meet high quality standards and to rely on a large pool of talented and skilled people in Hollywood and New York. (Hollifield, 2004: 94) The power and dominance of the film majors is thus explained by their size (large domestic market and steady number of films) but also by their structure (production, distribution and frequent involvement in exhibition). Both offer a number of strategic advantages. In contrast to independent producers which often have to negotiate distribution abroad with various parties, major film companies have a guaranteed global distribution and no agency costs. Through control over distribution and strategies as block booking (popular films can only be booked in a package with less popular films) every film produced by the major, also those of inferior quality, is distributed and will generate some earnings. (Doyle, 2002: 109)

The relationship between producers and distributors

Vogel states that despite its image of a wealthy and large industry the film industry is split in a number of different parts that show large differences in structure and organisation. The majors operate on a large scale and gross most of the revenues while 'especially on the creative ends it remains a cottage industry...' (2004: 64) Next to the majors, there are also independent studios/distributors. Doyle concludes that independent film production companies in Europe, however, usually have to negotiate with majors to distribute and screen their films because the majors control most distribution. (2002: 114)

Production and distribution activities are often separately organised. Production companies produce the film while the distributors promote, market and release the film. Relationships between the two can vary in what is funded (production, promotion and advertising) and when the agreement is completed (prior to production, before the film is completed or after the film is completed). (Vogel, 2004: 145) Some production companies have signed a studio contract and produce films for the majors. Though, most producers do not have a production deal with a major and have to arrange financing in other ways. (Eliashberg, Elberse & Leenders, 2006) Funding is difficult due to sunk investment costs (there are no returns before the film is released). It is further complicated by the fact that far more film projects are developed than can be financed. (Vogel, 2004: 55)

Independent film producers usually pre-sell particular film rights to obtain funds, guarantees or commitments to finance and start a project. In exchange for ownership rights and control, broadcasters and distributors will finance part of the project. They try

to obtain a large bundle of rights that enables them to benefit to a full extent from all possible spin-offs and returns of the film. The downside of this strategy is that producers have to give away a substantial part of their entitlement to the profits of the film while they are already often the last party in the revenue scheme of theatrical releases. Firstly, exhibition and distribution costs and commission fees are covered and financiers are paid. Only if there are still revenues left, will the producer and the production company benefit. Hoskins, Fadyen and Finn (1997) conclude that the production fee is generally more important for the producer than making a profit.

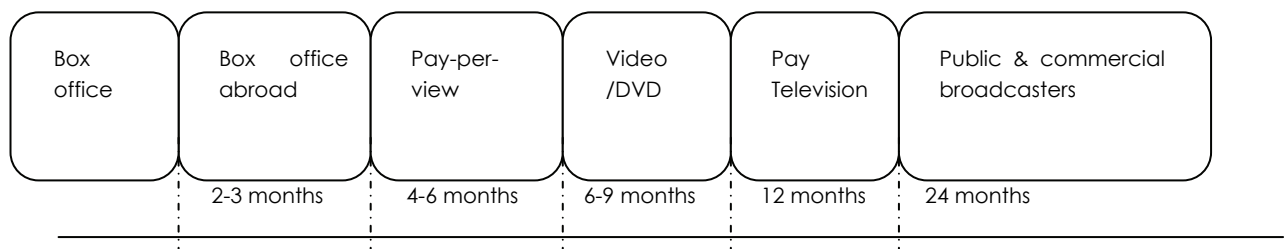
'Even if the project recoups nothing for the investors and the public agencies putting money into it, the producer may pocket all that he/she ever expected to from the project – the production fee.' (Hoskins, Fadyen and Finn, 1997: 59)

Sequence of release windows

A common feature of cultural products is that their content is used in multiple ways and therefore offers various revenue streams. The film industry has a sequence of release windows with a special order and timing to maximise revenues. (Doyle, 2002) A feature film is often first shown in cinemas in the home market. After it is released in cinemas abroad, it becomes available for rental and consumer purchase. This is followed by broadcasting on pay TV and screening on TV is the last exhibition window. Figure 2.2 shows these windows.

For a long time cinema was the most important exhibition window in terms of revenues. During the 1980s, the role of video for the exploitation of a film increased. A decade later, screening on TV and subscription channels also became more prominent. (Doyle, 2002: 102) Despite the increasing role of video and TV as exhibition windows, the cinema performance is still an important driver of the popularity of a film and for the selection of the next appropriate window. (Ibidem: 103)

Figure 2.2 Exhibition windows for feature film with time frame for a Hollywood movie



Based on: Doyle, *Understanding Media Economics*, 104 and figure 6.2, 104

Strategies to deal with uncertainty

Distributors use a number of strategies to operate in the turbulent film market and to increase the chance of attracting a large audience. Hoskins et al. discuss the 'high concept film' as one of those strategies; films with a Hollywood look, a star and associated

products by other divisions of the conglomerate. (1997: 54) These films are thus market-driven films, use stars to attract the audience and are developed together with associated media and merchandise products that cause a large spin-off.

Films with star actors and those with sequels are other frequently used strategies as the inclusion of familiar aspects gives consumers a sense of what they get. Particular promotion and marketing by the major can also have this effect. A big advertising campaign can give the audience the feeling that the film must be of good quality. A large number of screening locations (for example in every big city) and screening in prestigious cinema complexes can positively influence the awareness and the attraction of the audience. (Hoskins et al., 1997: 57; De Vany & Walls, 1999: 308) De Vany and Walls call a big opening a 'double-edged sword'. (Idem) Wide spread visibility of the film and a big opening stimulates a high ranking and also means less screen access for competitive films. This ranking in the weekly gross box office list is important to extend the run of the film in cinemas. A film is usually screened for a few weeks and is then out of the cinema circuit. Films that have good revenues in the first release week, however, are often screened in other cinemas or on more screens within the same cinema in successive weeks. (Ibidem: 295) De Vany and Walls stress that a long run is an important factor for a film becoming a real hit because it shows that the audience likes the film. (Ibidem: 308) They conclude that there are no success formulas and that most films that generate a relatively high return on investment do not feature stars and are produced on a low budget. However, the budgets of these films, are much smaller in absolute terms than those of high concept films. Compared to profits of successful high concept films, the absolute profit of successful low-budget films is consequently also small. (Ibidem: 300) De Vany and Walls emphasise that producers and distributors need to take risks, avoid copying successful films and take innovative steps to increase the chance of success.

'Experience may not be helpful because it cannot produce a rare event. (...) Past successes give executives an illusion of control. They become confident in their ability to manage risk and handle future events. (...) It is such an uncertain business that the distinction between casual factors, luck, or the sheer sweep of events is blurred. (...) Only risk and hazard analyses are well-defined for this business.' (De Vany & Walls, 1999: 314)

De Vany and Walls perceive a portfolio of different types of films as the best strategy to deal with the uncertainty that characterises the film industry.

European film industries

So far the focus has primarily been on the business practices and the role of Hollywood and the majors. This section addresses a film industry that differs significantly from the one in Hollywood: the European film industries. With the exception of the United Kingdom, France, Italy, Spain and Germany, the European national film industries and

film production companies are small scale.¹⁰ There are no major European film production companies. The sole focus of the majority of European distributors and producers on domestic markets is an important factor in this. (Doyle, 2002: 113; Hoskins et al, 1997: 60) European independent film production companies often work on a film-by-film basis and usually produce no more than one film a year. During the mid 1990s, Polygram, which was active in production and distribution of European films across Europe, was an exception to this. However, the acquisition of Polygram by Seagram in 1998 suddenly ended the development and operations of this European film major. (Jäckel, 2003: 110-111)

The larger European film industries such as France, Italy and Spain produce independent films which distinguish themselves from the production process and style of Hollywood films. Innovation, the artistic qualities of the film and the director play a prominent role. (Hofstede, 2000: 137-138; Jäckel, 2003: 14) The film industry in smaller European countries such as Denmark, Belgium and the Netherlands create national or regional orientated films that are often heavily subsidised by the state and co-produced with public broadcasters. (Hofstede, 2000: 139; Jäckel, 2003: 47)

Many of the American majors in Europe almost exclusively focus on US products and are reluctant to finance local products. (Doyle, 2002: 112) In combination with a small scale market, this results in a high dependence of film producers in European countries on state support. Due to the dominant position of the US majors in the European film distribution market, European independent producers have a weak negotiating position for distribution deals. Dutch producers, for example, are usually the last party in the revenue scheme of theatrical releases, although they tend to be the risk takers. (Rutten et al., 2005) Jäckel, furthermore, observes that the interest of European broadcasters in investments in films is decreasing. (2003: 58) Doyle explains that ‘broadcasters need films but it is far less risky and less costly to acquire the television rights for a second-hand Hollywood film than it is to invest in new production.’ (2002: 115) Acquiring funding is thus difficult and one of the main issues European producers have to deal with.

Local European films are most successful in their domestic market. (Ibidem: 119) This is not very remarkable as only one fifth of the films produced in Europe is released in other European countries. (Henning & Alpar, 2005: 232) British films are an exception to this as they generate success in several European countries. (Jäckel, 2003) The European film industries are thus fragmented. Productions are mainly created for the domestic market while domestic films have a small market share in most European countries. Since the late 1980s and early 1990s, the European Union and the Council of Europe have created support and development programmes for European co-productions to strengthen the European film industries. In the mid 1990s, individual European countries created tax breaks for private investments in domestic films to improve the funding opportunities for film productions. (Idem)

¹⁰ The United Kingdom, France, Italy, Spain and Germany all have a gross box office of more than €550m. (European Cinema Yearbook 2005)

Concluding remarks

Researchers from various disciplines in economics and sociology have used different approaches to characterise the cultural industries and to study how organisations in these industries operate. In this chapter, the work by researchers in cultural economics, the production of culture perspective and cultural sociology has provided insights in the operation of the cultural industries. The combination of creative and commercial activities has been a recurring theme. It is reflected in the products, the processes and in the organisation of the cultural industries.

The cultural industries are different from others because they produce goods that are consumed for their cultural and social meaning. The status and success of the content is only defined upon purchase and consumption. As a consequence, the quality and success of creative content for new products is difficult to measure and high investments need to be made while it is uncertain whether they will be returned. If successful, a large market (economies of scale) or multiple use of the content (economies of scope) offer the most chance to off set the costs. The major companies in the cultural industries benefit from these advantages and even try to further reduce risks and to control the activities within their company. For the creation and selection of new products, majors rely on proven concepts such as particular genres or artists and managers with specific expertise. These creative managers are hired to find and develop talent and new and innovative cultural products, although the success of their activities is highly uncertain. The role of the creative managers differs from company to company based on the individual company's strategy for dealing with risks and uncertainty, and consequently influences the kinds of goods produced. The role and degree of autonomy of these managers is thus key to understand a company's product portfolio. Majors with an entrepreneurial brokerage system are more likely to have a mix of international and domestic cultural products in the Dutch market because their creative managers know which domestic products can be profitable and how to develop them successfully. Majors with a centralised brokerage system are more likely to have international rather than domestic products given the semi-peripheral position of the Netherlands. In this system, the reproduction, distribution and marketing of creative content is much more controlled and rationalised to decrease risks and to improve predictability.

The music and film industry, which are part of the cultural industries, show similarities but also differences. Major companies in both industries do not develop and produce content themselves but acquire it for reproduction and circulation. Due to a high number of failures, music and film companies often apply a portfolio strategy to spread risks. Investments and risks of new products, however, are much higher in the film industry than in the music industry. Consequently, control and the avoidance of risks are likely to be more prominent in the film industry.

Especially Negus' works (1992, 1996, 1999) on the music industry showed that it is important to address the wider sociological and cultural influences when examining the operation of the cultural industries. Companies in the industries should not be treated as a

mechanical assembly line which filter and treat products on the basis of organisational conventions and commercial logic. (Negus, 1992: VII) Negus advocates exploring the informal world that shapes the production of cultural products; ‘the less orderly organizational life within the companies’ and ‘the many human mediations that come in between the corporate structures and the practices and sound of musicians’. (Negus, 1999: 16) He, therefore, investigates how ‘ideas, values and practices’ of people working in the cultural industries direct their work and emphasises the role of intermediaries within corporations. Negus focuses on processes in the music industry, especially the British music industry. His research approach will here be applied to the music and film industry in the Netherlands to further expand his views and to contribute to research by focusing on a country which is not in the centre but in the semi-periphery of the music industry.

Although the role of A&R managers is discussed in literature on the music industry, there is little attention for the role of creative managers at the theatrical distributor company in literature on the film industry. Researchers discuss promotion strategies for films and problems a producer faces when making a film. In some cases, producers might be indicated as creative managers as they arrange the organisation and funding of a film production. However, they, are not part of the distribution company and do not select the films for release in cinemas. I will focus on the selection of films by the majors in the Dutch film market and contacts between staff and the producers to provide insight in the role of local managers at the film majors.

A shortcoming in literature on the operation of majors in the music and film industry is the virtual absence of any attention for their operation in individual foreign markets.¹¹ Discussions and research on the operation of music and film majors are primarily based on their operation in the United States (film and music) and in the United Kingdom (music). Studies on the music and film industries in particular countries focus on the domestic companies and how they differ from the majors. They fail to describe how the majors operate in that particular market while they often have an important role. I hope to contribute to literature by exploring how the majors organise their activities in a local market.

Some of the insights that are interwoven in this chapter relate to concepts and conclusions discussed in the first chapter. The music and film industry both clearly show a centre-periphery structure. The focus on a large scale operation and the offering of the same good to a large audience which is associated with the market framework as described by Hannerz (1992) is also apparent in both industries. Especially in the film industry, the worldwide release of a film is a means to earn returns on the high investment. De Vany and Walls (1999), however, highlight the opportunities for the other variant of company behaviour in the market framework; looking for a competitive advantage by offering something different.

¹¹ Wallis and Malm (1984) *Big sounds from small peoples. The music industry in small countries* is the only exception that I know.

The important role of the local entrepreneurs and creative managers is emphasised in the first two chapters of this research. The first chapter describes how Hannerz (1992) and De Swaan (1991, 1995) focus on how local entrepreneurs adapt global cultural products to local environments and how they mix them with local resources. In this chapter, the intermediary acts of the creative manager primarily centre on the activities where creativity and business meet. Except for Negus' research, current theories do not explore how managers in the cultural industries combine the intermediation between business principles and cultural practices with the intermediation between international products and local conditions. In this book, I hope to shed light on how local managers of a local subsidiary of a transnational media and entertainment company actually combine both intermediary acts to a more or lesser extent.

Chapter 3

International Cultural Industries: Combining Worldwide Activities with Operation in Local Markets

The previous chapters have discussed the effects of globalisation on local cultural production and consumption and the combination of creative and commercial aspects in the cultural industries. International media and entertainment companies combine both these aspects. They operate on a global scale by producing and distributing international cultural products which are then released by their subsidiaries in various local markets. Their international operation raises a number of questions: How do they combine global competitiveness and economies of scale with differences in local market conditions? What is the relationship between the headquarters and its subsidiaries each being at one side of the corporate structure? What is the role of the subsidiary? How do international media and entertainment companies deal with the high risks and investments that are necessary to produce cultural goods? This chapter will answer these questions by examining the main strategies and structures of the international media and entertainment companies and how these affect their local operations. Companies in the cultural industries have distinctive characteristics but also apply general business strategies. Therefore first, general theories on the structures and strategies of worldwide companies and the implications for their operations in local contexts are briefly discussed. This is followed by a review of research on the operation and strategies of international cultural industries to examine which international strategies are used and how they affect the subsidiaries in local markets. Particular attention is paid to the music and film industry. At the end of the chapter, the research findings on international media and entertainment companies are related to the general international operation strategies and structures to conclude which of these are apparent in the international cultural industries over time and to forecast how they might operate in the Dutch market.

Multinational firms

The global operation of companies is the result of an evolutionary process in which a company starts at a local level, grows into a company which transports its goods to other countries and ends as a company with subsidiaries in foreign countries. The different steps in this evolution process are affected by decisions of company managers. As Doz states ‘worldwide industries are made, not born.’ (1986: 32)

Large companies that operate in the world market have to cope with complex situations. They usually have different product lines and operate in different countries which each have their own traditions, regulations and business climate and also differ in attractiveness and importance for the company. Companies that operate worldwide thus have to balance global integration and strategic coordination with local responsiveness. (Prahalad & Doz, 1987) Some have developed strategies to reduce this complexity and variety or more specifically how to deal with it. They focus on achieving one of the strategic goals such as global efficiency or local sensitivity. However, reducing the complexity coincides with a reduction in business opportunities. (Ibidem: 176) Other companies have anticipated the complexity and variety by differentiating roles and responsibilities and managing several processes simultaneously within the company. They approach the variety and complex relationships as a way to explore new business opportunities. (Ibidem) A company's history and its management significantly influence these choices and consequently also how a company is shaped and operates in the global market. (Bartlett & Ghoshal, 1998)

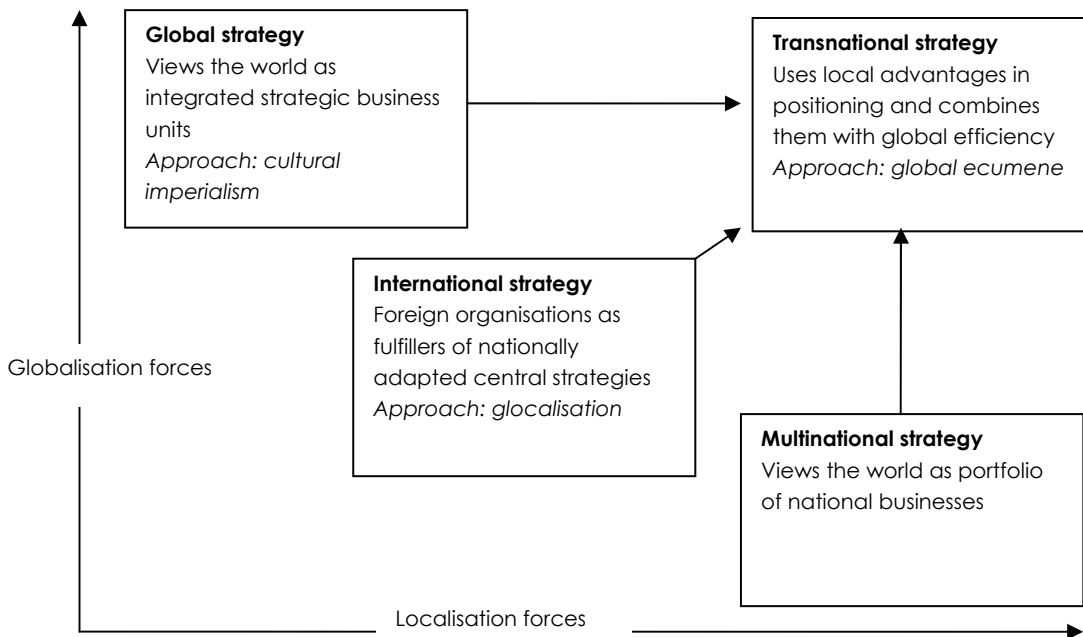
Strategies for worldwide operation

Traditionally, there were three strategies for the worldwide operation: multinational, global and international. (Bartlett & Ghoshal, 1998) They all focus on one of the three strategic goals that are important for a company that operates worldwide: global efficiency, national responsiveness and the ability to develop and exploit knowledge on a worldwide base. (Ibidem: 29) Companies with a multinational strategy concentrate on a good performance in local markets by offering goods that are specially developed for that market. They are based on different autonomously operating national units that together form the company. (Ibidem: 24) Companies with a global strategy focus on the worldwide sales of their products to achieve economies of scale. They approach the global market as one entity and scarcely address differences between countries. (Ibidem: 23) Their subsidiaries are distribution outlets for global products in the global network. Companies with an international strategy aim at the worldwide exploitation of skills and technologies that they have developed in their home country. They transfer these skills and technologies to subsidiaries that adopt them and adapt them to the local context. (Ibidem: 27)

In the last decades, technology and trade liberalisation have increased the global flows of goods, services and information but also global competition. Worldwide trade has become more complex. Bartlett & Ghoshal (1998) and Prahalad & Doz (1987) state that to compete in the contemporary global market, a company should achieve global efficiency, address opportunities in local markets and ensure that knowledge at the different levels of the company is shared and pooled to find new solutions. Bartlett & Ghoshal (1998) propose the transnational strategy as solution. A company with a transnational strategy strives to share knowledge and resources at all levels of the company to explore new solutions and opportunities. It also aims to ensure strategic and organisational flexibility

to easily adapt to new developments and opportunities. Flows and different parts of the organisation are therefore managed in several ways. (Idem) The transnational strategy differs from the traditional ones as it incorporates the multidimensional character of the industry – different businesses and different countries - in its coordination, management and processes. (Ibidem: 54) Figure 3.1 shows the different strategies, their focus and how they relate to the approaches on cultural globalisation that were discussed in chapter 1.

Figure 3.1 Strategies for worldwide companies and related theoretical approaches



Adapted from: (Walker 2004), 20 [The author included the theoretical approaches]

Operation structures worldwide companies

The four strategies have resulted in four different organisation structures: the multinational company, the global company, the international company and the transnational company. Table 3.1 summarises their characteristics. A multinational company is structured as a portfolio of independent national units that focus on their local markets. The emphasis in this model is thus on local responsiveness. The relationships between the headquarters and the subsidiaries are therefore personal and less formal. The decentralisation of key assets, responsibilities and decisions results in a ‘decentralised federation’. (Bartlett & Ghoshal, 1998: 56) Each subsidiary produces and/or distributes local goods. In the international organisation model activities are also decentralised but they are more strictly controlled by the headquarters. There are formal management and control systems as opposed to personal control. Subsidiaries operate as affiliates of the original organisation and adapt global goods or product formats to local market conditions. This model is indicated as a ‘coordinated federation’. (Ibidem: 58) In the global organisation model all strategies, decisions and worldwide activities are tightly controlled by the headquarters. The focus is

on an efficient global operation. Development and production activities are therefore centralised and the subsidiaries only have a distributive function; they release and market the global goods. The organisation structure is described as a ‘centralised hub’. (Ibidem: 60) The transnational company is a network organisation in which different businesses and subsidiaries are interdependent and the operation of the company is based on selective decisions. (Ibidem: 68) It is not based on a bureaucratic model in which relationships and activities are clearly defined and explicit (Prahalad & Doz, 1987) but can be characterised as a ‘portfolio of coordinating processes’. (Bartlett & Ghoshal, 1998: 80)

Contrary to the traditional organisational types, the transnational organisation structure is neither centralised nor decentralised. Since the best option is chosen for each activity, some activities are centralised in the home country of the company, others are centralised in one of the countries in which the company operates while others are decentralised because they are best served on a local basis. (Bartlett & Ghoshal, 1998: 68-69) Various innovation processes take place within the company and local and central resources and capabilities are integrated to stimulate joint development and knowledge sharing within the whole worldwide organisation. (Walker, 2004; 19) The headquarters, however, facilitate the innovation processes. (Bartlett & Ghoshal, 1998: 74) Differentiation of roles and responsibilities in various parts of the organisation is one of the core elements of this organisation model. (Ibidem: 71) Consequently, the subsidiary does not have a standard role or responsibility. Some still have a more traditional role as distributor of global products and have to operate in line with the decisions by the headquarters. Others are less controlled but have the responsibility to develop new products that can be distributed by the whole worldwide organisation. (Idem) The role of a subsidiary depends on consumer tastes, government regulations, an innovative climate with highly advanced technologies and competition in the market. (Idem)

Table 3.1 Organisational characteristics of worldwide companies with different strategies

Strategy	Multinational	Global	International	Transnational
<i>Structure type</i>	Decentralised federation	Centralised hub	Coordinated federation	Integrated network
<i>Configuration of assets and capabilities</i>	Decentralised and nationally self-sufficient	Centralised and globally scaled	Sources of core competencies centralised, others decentralised	Dispersed, interdependent and specialised
<i>Role of overseas operations</i>	Sensing and exploiting local opportunities	Implementing parent company strategies	Adapting and leveraging parent company competencies	Differentiated contributions by national units to integrated worldwide operations

<i>Development and diffusion of knowledge</i>	Knowledge developed and retained within each unit	Knowledge developed and retained at the centre	Knowledge developed at the centre and transferred to overseas units	Knowledge development jointly and shared worldwide
<i>Products</i>	Local goods	Global goods	Global goods or formats adapted to local context	Global and local goods adapted to specific context

Adapted from: (Bartlett and Ghoshal 1990), 65 [The author included the structure types and products]

It is important to note that these models are ideal types and static organisation forms (Bartlett & Ghoshal, 1998; Frenkel & Royal, 1998) and shaped from the researchers' cultural perspective. (Hofstede & Hofstede, 2005: 248) In reality, companies always differ in some way from these models and can also adopt new strategies and organisational structures over time. However, such changes are difficult and will only be successful and effective if the company's values and management practices are reshaped as part of the process. (Bartlett & Ghoshal, 1998: 61)

Corporate culture

Hofstede and Hofstede state that it is necessary to examine national and organisational cultures in which organisations are embedded to understand the operation of an organisation. (Hofstede & Hofstede, 2005: 20) National culture is learned and found in daily life activities while organisational culture is bound to a particular organisation and work related. Organisation culture can be defined as 'the collective programming of the mind that distinguishes the members of one organisation from another' (Ibidem: 282-283) but also as the collective established notions within an organisation of how to perceive, react and deal with problems in external and internal processes. (Schein, 2004: 17) It is 'the psychosocial "glue" that holds the organisation together'. (Ibidem: 293) Even planning and control systems, which are often considered as rational tools to reduce uncertainty and to direct processes, are strongly influenced by culture. Harzing and Sorge (2003) and Hofstede & Hofstede (2005) report that these 'uncertainty-reducing rituals' are bound to the culture of the country of origin of the corporation and will remain so when a company expands abroad.

Values of the founders and corporate managers also influence corporate culture. Küng-Shankleman stresses that 'even in mature companies, cultural assumptions can be traced back to the beliefs and values of founders and early leaders.' (2000: 14) Corporate activities in local markets are affected by these shared practices. Staff in local markets learn them but will relate and adapt them to their own values. (Hofstede & Hofstede, 2005: 286) They thus have to be bicultural; they need to combine their national culture with the business culture. Hofstede and Hofstede (2005) point at differences in the coordination strategy of most US and non-US multinational organisations. The majority of

American multinationals expect their foreign staff to be bicultural. Their coordination strategy is based on uniform and formal worldwide rules and methods that can be performed by different groups of international personnel. Non-American multinationals, on the contrary, expect their staff in the home country to be bilingual. Operations abroad are not dictated by formal procedures but are coordinated by home country staff that work as expats in that country. (Ibidem: 342) Küng-Shankleman states:

'... different organisation cultures, reflecting also different national cultures, mean that an identical mission is interpreted in different ways, and as a result gives rise to very different priorities, structures and processes.' (Küng-Shankleman, 2000: 214)

Harzing and Sorge (2003) state that corporate strategies, in contrast to the planning and control systems, are primarily influenced by the structure and size of the industry and not by the country of origin. According to Küng-Shankleman, organisation culture, however, does influence strategy:

'Culture is first and foremost a potential constraint on strategy, and it appears that an organisation's strategic processes and priorities can only extend as far as culture "permits", unless action is taken to resolve the tensions that result when strategic activities push outside the "boundaries of action" pre-ordained by the culture.' (Küng-Shankleman, 2000: 200)

'Culture is far more than the 'starting point' for strategy. ... it can be argued that culture effectively prescribes strategic activities, and that, in principle, the strategy of an organisation can only 'extend' as far as the culture will allow it.' (Küng-Shankleman, 2000: 221)

In the conclusion of her book, she distinguishes two kinds of organisation culture, adaptive and unadaptive and describes how they affect the operation of an (media) organisation.

'What appears to be critical is not the presence or otherwise of particular attitudes or values, but the culture's overall orientation towards its environment, its predisposition towards the world outside. This study would argue that in terms of influencing strategic processes, the significant issue is whether the culture is environmentally 'adaptive' and therefore 'enabling', promotion and orientation towards learning and self-development, or 'unadaptive' and therefore 'disabling', causing an organisation to insulate itself from its environment.' (Küng-Shankleman, 2000: 216-217)

Corporate cultures are affected by professional cultures, industry cultures and subcultures that exist next to the organisation culture or even 'cut across it'. They have to be recognised and integrated into the corporate culture to run the company effectively. (Küng-Shankleman, 2000: 13) The recognition and integration of different cultures is also important when companies merge or set up strategic alliances. Hofstede and Hofstede state that despite the increasing expansion in international mergers and ventures, cultural factors are often underestimated. Consequently, cross-cultural differences are one of the most important reasons for the failure of international mergers and ventures. (Hofstede & Hofstede, 2005: 346)

The role of the subsidiary

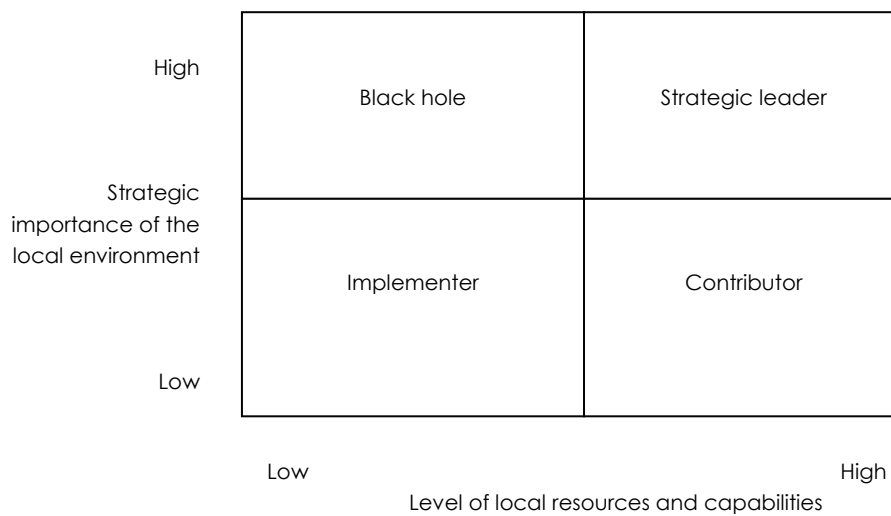
The relationship between subsidiaries and headquarters has already been described briefly. The role of subsidiaries is a research field in its own. It is generally assumed that the headquarters decide which particular role a subsidiary will play based on the conditions and qualities of that local market. (Birkinshaw and Hood, 1998) Birkinshaw and Hood, however, add that the role is also shaped by decisions that are made within the subsidiary and the environment in which the subsidiary operates. Three different factors thus influence the role of the subsidiary. (1998: 775) This section explores the assigned role of the subsidiary, the importance of the local environment in which it operates and its initiatives.

Different subsidiary roles

In the traditional organisation models subsidiaries of worldwide companies all have the same role. In the multinational organisation model a subsidiary develops, produces, distributes and markets products for that particular market. Subsidiaries in the global organisation model distribute and market international goods in local markets while in an international organisation model they adopt and adapt global technologies and skills to the local environment. Within these models, there is thus no differentiation in roles for subsidiaries that operate in different markets. However, within the transnational organisation model, subsidiaries can have different roles. Bartlett and Goshal (1998) distinguish four roles that headquarters of transnational companies assign to their subsidiaries: strategic leader, contributor, implementer and the black hole. Figure 3.2 shows these roles along two axes: the importance of the local environment for the parent company and the availability of local competences that are valuable for the overall operation of the company. The importance of the local environment is related to size, sophistication and technological developments but also dependent on whether it is a competitor's home market or not. A subsidiary can have competencies in a number of areas, such as marketing, production or technology. (Ibidem: 121)

A subsidiary that is perceived as strategic leader operates in an important market and possesses considerable resources and capabilities. It serves as a valuable partner for the headquarters. A subsidiary that is classified as a contributor also offers important resources, skills or technologies. In this case, the local market is less important for the headquarters. Subsidiaries that are mainly good additions to the company's market are called implementers. The exploitation of the companies' goods in these markets provides economies of scale. A subsidiary which plays a minor role in an important market is called a black hole. Small divisions of European and American corporations in Japan are good illustrations of this subsidiary role. They mainly monitor the market but do not operate successfully and actively. This is not a preferable situation but seems very difficult to change because it concerns a 'large, sophisticated and competitive national environment' in which the company has to gain a position. (Ibidem: 126)

Figure 3.2 Roles for subsidiaries



Source: Bartlett and Ghoshal, 1998: 122 – Figure 6.2 Generic roles of national organisations

A small market is often perceived as an unattractive local production site due to a limited number of consumers. (Hogenbirk & van Kranenburg, 2006: 60) Hogenbirk and Van Kranenburg, however, conclude that it is not the size of the market but the facilities and opportunities that the market offers which determine the role of the subsidiary. (Ibidem: 64) Consequently, subsidiaries in a small market can be attractive as they offer a large number of specific advantages such as infrastructure, specific knowledge and the presence of strategically interesting firms. They can even be a strategic leader in that specific market.

Birkinshaw and Hood state that a company can have a number of subsidiaries in one host country each operating independently and therefore developing in different ways. (1998: 774) Subsidiaries never develop in exactly the same way because their capabilities are always embedded in a particular geographic setting and a company’s history. (Ibidem: 781) The allocation of activities by the headquarters to the subsidiary, the subsidiary’s decisions and the characteristics of the local context together result in a charter, ‘a shared understanding between the subsidiary and the headquarters regarding the subsidiary’s scope and responsibilities.’ (Ibidem: 782) An alteration of one of these factors can cause a change in the charter.

Local environment

Andersson and Forsgren report that although the embeddedness of subsidiaries in local markets influences their role, the process of embeddedness is often overlooked in economic theory. (2000: 335) Zijderveld even argues that an organisation cannot be isolated from its environment. According to him, local staff are primary part of a local culture of which they speak the language and in which they have grown up; the organisational culture of the company they work for comes second. (1988: 30) Each

subsidiary also operates in a different and unique local environment. According to Birkinshaw and Hood (1998), this environment can hamper but also advance the activities of the subsidiary. The environment consists of different elements, which affect the role and operation of the subsidiary. These main elements are the business environment, local culture and consumption patterns, and local policy and laws.

A dynamic and attractive local business environment and specific local development programmes can positively influence the development of a subsidiary. (Birkinshaw & Hood, 1998: 780) Andersson and Forsgren (2000) researched the impact of business relationships between subsidiaries and their local clients and suppliers on their role within a multinational corporation. They concluded that the more a subsidiary is embedded in its business context, the more valuable, long-term and cooperative relationships it has. Also, the higher the degree of adaptation to clients and suppliers for the development of new products, the more important a subsidiary is for the corporation.

Local culture and local consumption patterns affect the demand for particular products and in turn influence their marketing. The range of globally distributed products may not completely satisfy the needs of local consumers. Kotler notes that the global “one size fits all” marketing logic is facing difficulties due to sophisticated consumers who have individualised needs. (2000: 256) He observes that several companies now use micromarketing to reach their customers. Hofstede and Hofstede conclude that even in global orientated companies, local sales departments ‘translate (sometimes literally) the marketing message to local customers.’ (2005: 350-351) Kotler (2000) as well as Hofstede and Hofstede (2005) primarily stress the role of local marketing and do not address the alteration processes of global or foreign goods to the local market that are described by Robertson (1995) and which were discussed in chapter one. Localised goods, however, are part of strategies to successfully operate in local markets.

Local policy and laws also affect the operation of a subsidiary. The objectives of the company and the host state can differ. The company’s main goal is a profitable business whereas the government in the host state is more concerned with the social and economic welfare of the country. (Wilson & Rosenfield, 1990: 376) It can introduce protectionist measures such as national product quota and import tariffs that affect the operation of the subsidiary. The legal system of the host country can also have a major influence as the company has to comply with local rules and regulations. This can be difficult for multinational organisations as their operations span a number of countries which may all have different legal systems. (Ibidem: 377) The differences in copyright laws in Europe and the United States are good examples of this within the cultural industries. A multinational thus has to comply with certain political and legal conditions in order to be able to operate in a certain host country. The business climate, local culture and local consumer preferences have less influence on the operation of a subsidiary. However, more attention to these issues may result in better integration into the local market. A combination of these elements defines the attractiveness of the local market and influences the charter.

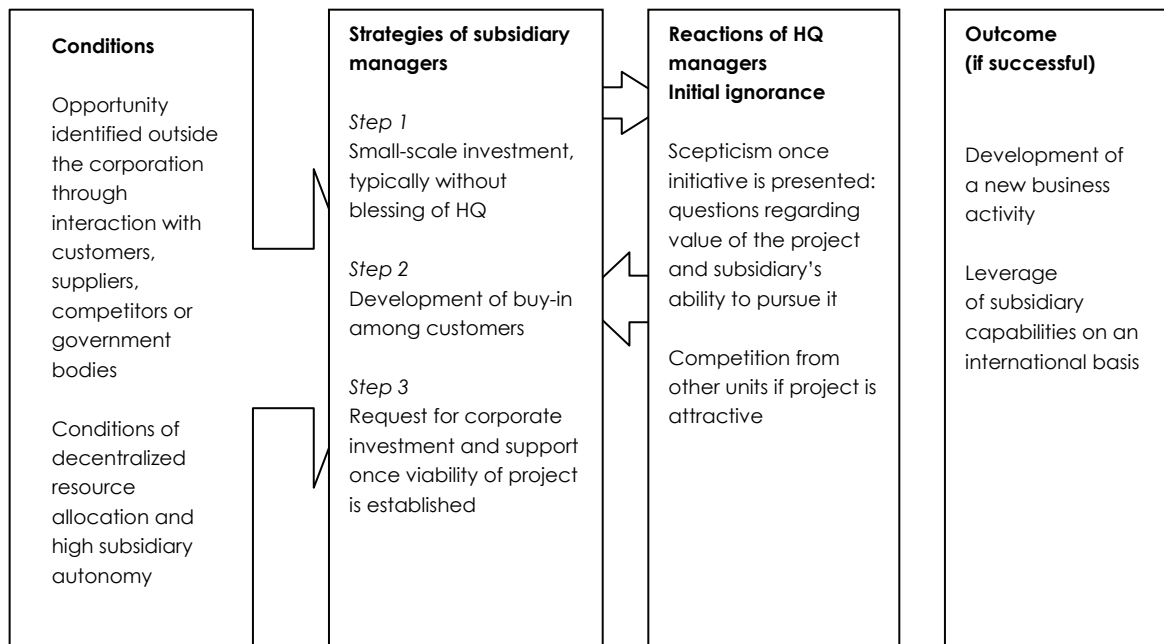
Subsidiary initiatives

Birkinshaw and Fry (1998) give an overview of subsidiary initiatives that result in the development of new markets. They state that these initiatives are very valuable for a multinational company but that they meet resistance from the headquarters and are often perceived as risky. They distinguish two forms of subsidiary initiative: externally and internally focused. In both forms, the subsidiary spots new business opportunities. When it is externally focused, new opportunities emerge through contacts with clients, suppliers and government organisations in the domestic market. The start of the production or distribution of domestic music and film products by international music or film companies is a clear example of this. The focus is internally focused when the subsidiary finds new or more efficient ways to execute activities that are already performed within the company. This is the case when a subsidiary of an international television production company, for example, sets up its own editing facilities that outperform and compete with the editing activities of the headquarters. Since this research focuses on how subsidiaries of international music and film companies deal with the local market and specifically with domestic products in that market, I will concentrate on Birkinshaw and Fry's findings on externally focused initiatives.

Birkinshaw and Fry emphasise that external and internal initiatives can only succeed when the manager who proposes them is entrepreneurial proactive, tactical, and persistently persuasive to headquarters. (Ibidem: 53) Another important condition for initiatives is that the subsidiary can operate autonomously from headquarters. (Idem) Birkinshaw and Fry discovered a consistent strategy of three steps for external initiatives in their four-year study of subsidiary initiatives in five countries. (Ibidem: 54) First, an idea is developed and tested on a small scale within the subsidiary. At this stage, the headquarters do not know about the idea. The second step is the presentation of the idea to a small group of clients who would be interested or to personal contacts at the headquarters. If the idea is feasible and shows potential, the idea is officially presented to managers at the headquarters and an application for corporate investment is submitted.

Birkinshaw and Fry also discovered that new initiatives almost always face collective resistance from other parts of the corporation. This is usually a kind of automatic reaction to a development that interferes with the common and established system. Sometimes a new initiative is immediately rejected. In other cases there is a 'passive indifference' and no reaction at all. (Ibidem: 54) Birkinshaw and Fry mention a number of points that can increase the acceptance of an initiative: the initiative should correspond with the reputation of the subsidiary; the local manager should focus on technical and economic motives instead of national ones to legitimize the initiative and should show understanding of the reasons for resistance by offering a win-win situation. (Ibidem: 60) Birkinshaw and Fry conclude instead of resisting initiatives, worldwide companies should encourage these since they have been proven to be beneficial to their global performance. (Ibidem: 55) Figure 3.3 shows external initiative process with the actions by the subsidiary and the reactions of managers at headquarters.

Figure 3.3 The external initiative process



Source: Birkinshaw & Fry (1998: 52) Figure 1 The external initiative process

Directions for future research on the role of the subsidiary

Research that examines the role and the features of subsidiaries in specific host countries is still scarce. (Hogenbirk & van Kranenburg, 2006: 57) Birkinshaw and Hood (1998), Frenkel & Royal (1998), Andersson and Forsgren (2000) and Hogenbirk and Van Kranenburg (2006) all suggest that future research should focus on local conditions since these have proven to be highly relevant and influential for a subsidiary's operation and role within the worldwide company. Frenkel & Royal (1998) emphasise that a sole focus on local factors is not a solution and propose a framework with three levels, corporate, subsidiary and workplace, to analyse the dynamics and development of a subsidiary.

In the next section, research on international media and entertainment companies is reviewed to explore the strategies and organisation structures of these companies.

Global media conglomerates

Technological, economic and political changes in the 1980s and 1990s such as digitalisation and the liberalisation of national markets stimulated the emergence of international media corporations. The contemporary media industry therefore comprises transnational corporations which operate in various countries and in various media sectors. Media economists (e.g. Gershon, 1997; Picard, 2002; Chan-Olmsted & Chang, 2003; Chan-Olmsted, 2004) have investigated the business strategies of these national media companies that have become global media corporations. They emphasise that the media and entertainment market is more complex and turbulent compared to other international business markets. This is caused by the development and production of media and cultural

products that are characterised by their public good character, high rate of circulation and a high number of failures. (See chapter 2 for an extensive discussion of both aspects.) Strategies of global media conglomerates are generally focused on how to create economies of scale and scope and how to organise and manage different divisions and operate in different markets. Some media economists (e.g. Andrews, 2003), nevertheless, highlight the important role of domestic products in foreign markets for the successful operation of global media conglomerates. These three strategies are now each examined in more detail.

Ensuring economies of scale and scope

Facing competition in the global market, media companies look for economies of scale and scope. International and product diversification are frequently used strategies to reach these economies and to spread risks. Diversification fits well with the unique characteristics of the media industry such as the combination of content and distribution, the marketing of media goods under a windowing process and the importance of local cultural preferences, communication infrastructures and regulatory control. (Chan-Olmsted & Chang, 2003) The demand and business opportunities for niche products have reinforced product and international diversification. The traditional strategy to create economies of scale, such as mass media products for large audiences, no longer meets the requirements of a highly competitive global media market. Media firms have therefore developed a diverse and broad portfolio with niche products that attract a variety of media consumers (Fu, 2003; Picard, 2004)

Media companies primarily diversify by expanding into related products and geographic markets to benefit from ‘acquired knowledge and relationships’ and regional media clusters. (Chan-Olmsted & Chang, 2003: 217-218) Transnational media companies usually do not operate in all local markets worldwide but have a few preferred geographic zones. (Gershon & Kanayama, 2002) They also expand and diversify their companies through mergers, acquisitions and strategic partnerships rather than through internal development. A greenfield start allows full control but is complex and requires high investments. A global audience can also be reached through licenses and exports, although the promotion and release of products is then hard to control. Mergers, acquisitions and strategic alliances, however, are an easy and efficient way to access local markets (Chan-Olmsted, 2004) creative content sources, distribution networks and market knowledge. The reduction of trade or regulatory barriers is another important driver. An alliance with a local company can enable a foreign company (especially for US firms) to operate in a local market without quota or import tax barriers created to protect local media products. (Gershon, 1997; Chan-Olmsted, 2004). The attractiveness of a country thus depends on local market conditions and the fit of the country with the markets in which the global media firm already operates. The attractiveness of cooperation with a company is defined by the capacities and resources (e.g. catalogues of rights) and the synergies.

Chan-Olmsted & Chang (2003) and Pathania-Jain (2001) conclude that global media conglomerates are increasingly creating strategic alliances with other leading conglomerates or smaller local media companies as opposed to mergers and acquisitions. The focus on niche products which are usually developed by smaller local media companies rather than majors might have influenced this. Chan-Olmsted and Chang (2003) researched the product and international diversification of the top seven global media conglomerates (Sony, AOL TimeWarner, Bertelsmann, Vivendi Universal, News Corp, Disney and Viacom) and their performance in 2000-2001. They concluded that the most geographically diversified companies are the non-US corporations. Presence in the North-American region proved to be essential for conglomerates in the media industry. (Ibidem: 224) Besides their operation in Europe or Asia, European and Asian-Pacific corporations also operated through mergers, acquisitions or strategic alliances in the North-American market and consequently, already applied an international diversification strategy. Another conclusion was that the most geographically diversified conglomerates, European Vivendi Universal and Bertelsmann, also had the widest product diversity. Having subsidiaries in a number of different geographic markets thus tends to imply that a corporation has access to a large pool of local content and people who can explore new media openings. The media and cultural industries are also characterised by some media ‘moguls’ or media magnates that are not only interested in the profitability of the company but also in the expansion of their media empire. Rupert Murdoch is a well-known example. (Gershon, 1997)

Global operation structures

The complexity and the turbulence of the global media market have created a dilemma for the organisation of the transnational media corporation. They have to combine global strategic coordination and national responsiveness but also have to consider the specific characteristics of the content on which their business is based. The efficient operation in the complex global market would be best served with a strong command and control structure to reduce and to deal with uncertainty. However, flexible and quick reactions are the best responses to market turbulence and are better suited to the production of creative and news content. One single strategy to cope with this dilemma does not exist. Each media firm has to develop a strategy based on its institutional setting, resources and capacities and needs to revise this over time. (Picard, 2004)

Gershon (1997) concludes that information technology has improved the communication opportunities and information exchange within a firm and that this has resulted in decentralised management and operation structures. He refers to Bertelsmann as a good example of a media conglomerate with a decentralised structure. All Bertelsmann’s subsidiaries can decide on their own operations and even operate under their own name. (Ibidem: 14) Bertelsmann is therefore able to serve a large number of different markets with differentiated goods that appeal to different consumers. This way of

operation reflects the characteristics of the multinational organisation model to some extent.

Eisenman and Bower (2000), however, state that decisions on strategic integration in the media industry need a top-down approach in which the CEO has an active role. They argue that the 'hit-driven' content production, the high 'upfront' investments, the rapid changes in technology and policy and the multidivisional structure of the company are not appropriate for a bottom-up approach. Of course, the divisions and local managers can give advice on how particular developments affect their market. According to Eisenman and Bower, local managers, however, are less inclined to make risky and capital intensive decisions and their sometimes slow decision making processes can delay important investments. A CEO is appointed to make risky decisions and can quickly decide on large integration strategies while keeping long term plans in mind. (Ibidem: 350) This operation structure is thus based on global efficiency and local staff carrying out the work. It shows similarities with the global organisation model. The influential role of a CEO in a media company is reflected in a number of media magnates who reign their media empire.

Gershon and Eisenman and Bower describe a company organisation structure based on either decentralised or centralised activities. Bartlett and Ghoshal (1998), who were discussed in the first part of this chapter, conclude that the transnational organisation which incorporates the organisation of different product divisions in different countries is a way to combine global efficiency but leaves room for activities that need to be more loosely organised. Some corporations may therefore prefer to operate as a transnational media organisation instead of an organisation structure based on centralised or decentralised activities (a global or a multinational company respectively). Andrews' research (2003) confirms that at least some media corporations adopt a global production and distribution network that offers room for local cultural practices and traditions.

The role of local culture

Andrews (2003) investigated the growth strategies of Australian News Corporation to become a global media entertainment empire as a case to learn how media corporations manage their expansion in multiple national markets. News Corporation operates with a global television network but some of the content such as sport is local. He stresses that the TV broadcasting of local sports, content which appeals to a local mass audience, is a crucial factor in the expansion strategy of News Corporation in national television markets in other countries. (Ibidem: 245) He therefore argues that the ability of media corporations to recognize the importance of local content for the successful operation of their subsidiaries is key to their success. The fact that there are local differences should be part of their global strategy. (Ibidem: 241) Andrews emphasises the importance of the local context by quoting Murdoch:

'You would be very wrong to forget that what people want to watch in their own country is basically local programming, local language, local culture ...' (Andrews, 2003: 241)

He concludes that media corporations that operate globally have to be engaged in local cultures to succeed on a global scale. Lee, however, is suspicious about the involvement in local culture and argues that local elements are only ‘incorporated into the global for the purpose of profit making in transnational systems.’ (2001: 66)

Picard emphasises that language is an important factor that shapes the scope of the circulation of communication products and services. He concludes that people prefer media in their mother tongue to media in a non-native language. (2002: 215) The particular combination of content and language in the cultural industries defines relative exportability. Newspapers are, for example, expected to offer national and mainly local news and therefore have a low exportability rate. The role of local content and language is smaller for music and films which makes them better export goods. Music is even the most successful media product that is exported in the original language. The film industry can overcome its language barrier by dubbing and subtitling films for markets abroad. (Ibidem: 215) Media divisions of a corporation can consequently adopt various operation structures based on their circulation of local content (multinational or international structure), a combination of global and local content (transnational or international structure) or only global content (global structure). Picard points out that besides the products by the international cultural industries almost every nation has its own domestic production, although this is limited by financial and talent issues. (Ibidem: 215)

Scenarios of globalisation in the cultural industries

Lampel and Shamsie (2006) distinguish two different approaches to deal with globalisation and two different impacts of globalisation on cultural goods. They touch upon concepts that have been discussed in chapters 1 and 2. According to them, some companies in the cultural industries react to the increasing global flow of products, ideas and economic flows by gaining control over a substantial number of creative and economic resources. Others focus on establishing networks and relationships in order to have a good access to valuable creative and economic resources. Furthermore, they notice that the main views on the impact of globalisation on cultural products are that cultural goods converge and become uniform products (homogenisation) or that through an increasing interaction and trade the array of cultural goods is more diverse and increasingly varies (diversification). The latter is closely related to the different product strategies to deal with risks and uncertainty and the different options that Hannerz (1992) describes for the market framework: gaining competitive advantage by the distribution of uniform goods globally or by specialising in niche products. Lampel and Shamsie (2006) developed four scenarios of globalisation in the cultural industries: monolithic conglomerations, symbiotic conglomerations, dominant agglomerations and virtual agglomerations. The conglomerations are based on the control of resources while the agglomerations are based on the access to resources.

The international media and entertainment companies have different roles in these scenarios. Monolithic conglomerations are based on control of resources and uniformity of

cultural goods. In this scenario, large hierarchical conglomerates dominate the cultural industries. As a global company, they centralise economic and creative resources in order to control the value chain from creation to consumption. Symbiotic conglomerations are also based on control of resources but differ in that they are also based on the production of diverse goods. Large hierarchical conglomerates are responsible for the distribution and control of cultural goods that are scouted, developed and produced by smaller creative production companies. The major in this scenario thus shows characteristics of a transnational company. For dominant agglomerations access to resources is prominent. Those with economic resources, for example majors, 'borrow and adopt what other cultures [or partners in the network] have to offer, but their outputs are relatively standardised in line with the needs of distribution and marketing efficiencies.' (Lampel & Shamsie, 2006: 283) This shows a mix of the global and multinational strategy as described by Bartlett and Ghoshal (1998). In the scenario of the virtual agglomerations, new organisational forms occur in which resources are dispersed and in which artists, cultural entrepreneurs and consumers define and manage production and circulation of cultural goods. The role of the major is absent in this scenario.

The four scenarios clearly show the way companies deal with the three complex relationships, global and local, commerce and creativity, and autonomy and control, and how they are related to the different organisation types and strategies. The two types of conglomerations show distinct similarities with the closed and open system accounts that were discussed in chapter 2. The monolithic conglomerate is an example of the closed system and applies a global and control strategy while the symbiotic conglomerate resembles the open system and uses a transnational strategy in which access is important. The dominant agglomeration scenario tends to depict an additional model to the closed and open system. It shows a mix of access to different resources but a strong control and adaptation to the reproduction and circulation afterwards. Besides the traditional majors, it describes other companies with large economic resources (a good example would be Apple with its iTunes) can have access to creative resources and therefore have an influential role in the cultural industries. This scenario addresses the convergence of media, ICT, telecommunications and the cultural industries. The virtual agglomeration is a scenario that might become reality in the future. Majors currently have still an important role in the international cultural industries but that might change in the future. Due to technological developments consumers already increasingly have become content producers. The next two sections will examine the structure and strategy of the international music and film industry in more detail and will describe how they deal with globalisation and operation in local markets.

International music industry

The international music industry consists of a cross-national network in which the United Kingdom and the United States have a dominant role. However, other countries have gained importance in new genres. Examples are reggae music from Jamaica, dance music

from continental Europe and salsa and meringue from Latin America. Global music majors have to find a way to promote and market their primarily British and American artists worldwide and to deal with artists from other countries and avoid pricing themselves out of the market by not paying attention to regional music trends and domestic developments. The next sections will explore the operation strategies of the music majors for global operation and the role of their subsidiaries in local markets in the 1980s and 1990s.

International marketing departments and corporate image (music majors in the 80s)

Most activities at local subsidiaries of the music majors are planned and managed by the headquarters and in particular by the international marketing department. Initially marketing departments of the music majors had a primarily administrative function. They coordinated the circulation of records and promotional material and arranged contacts between the worldwide offices. (Negus, 1999: 153-154) Due to the dynamic music market, these departments developed into experts in ‘knowledge, guidance and admission to “global” markets’. (Ibidem: 155) Since the 1980s, they have had a growing influence on the acquisition, prioritising and circulation of the music of artists that were signed worldwide. This was part of a larger development: the shift from a focus on developing new and innovative music acts to a focus on ‘what will sell’. Producing big hits and the marketing of products became more important. The influence of the marketing, promotion and sales department increased while the role of creative people such as artists and editors decreased. (Burnett, 1990: 165) The international marketing department made a global priority list with artists that have to be promoted worldwide by the subsidiaries and clear sales targets were set. Incentives such as bonuses for particular targets were offered to give priority to international repertoire. (Negus, 1999: 163-164) In this way, the music majors operated as global companies but the operation was managed from a centralised hub. However, this mainly applies to the American majors. European majors such as Polygram and BMG operated differently; they were used to work decentralised and continued to do so.

All music majors had local subsidiaries in Europe because it was seen as an important market and cultural space. (Negus, 1993: 299) European headquarters in London, however, for and foremost persuaded European subsidiaries to release recordings of British and American artists while their own priorities and prejudices prevailed when making key decisions on local acts across Europe. (Ibidem) Negus concludes that continental European acts were perceived as ‘an unpredictable proposition’ and that they were only incidentally selected by the European headquarters for international exploitation. Furthermore, these releases were usually ‘courtesy releases’. The European act was released in the United Kingdom or other European countries without much promotion or marketing because the European headquarters wanted the local subsidiary to profitably release the international priority records. (Ibidem: 304) This did not hold for a

European act that was labelled as a European priority. The continental office had committed itself to releasing these records and to investing substantially in marketing and promoting them. (Rutten, 1991b: 302) The managing directors of the European subsidiaries set the European priorities during board meetings.

Negus (1999) gives a number of examples of majors that profess their global identity but whose operation is often related to a particular country and based on a few repertoire sources. Although international music companies present themselves as global companies, consumers and staff of other music majors often see them as a typical company from their country of origin. (Ibidem: 71) Bertelsmann Music Group (commonly abbreviated as BMG) is seen as a German music corporation or as too European to be successful in the USA. (Ibidem: 68) Warner Music, on the contrary, is perceived as an American owned company. (Ibidem: 69) Most of the artists on the global priority list are primarily British or American and therefore do not represent global diversity. An international director told Negus that ‘in theory an artist could come from any place in the world as long as they sing “in English without an accent”’. (Ibidem: 158)

It is often assumed that corporate culture, like corporate image, is the same throughout the worldwide organisation of a music major. Negus emphasises that corporate culture is only one element of the culture at a sub label or local company. (Ibidem: 81) Staff at the sub labels or local companies interpret corporate culture based on their own values and practices. Subsidiaries of music majors have different operations in domestic markets, these are not synchronised. However, the significant feature of subsidiaries is that their staff have to deal with a dilemma. They have to work with a global priority list whereas they would prefer to develop and produce their own national artists. It shows that local staff is heavily influenced by the local culture with which they have the most affinity as Zijderveld (1988) stresses. They are therefore likely to give local culture priority over corporate culture.

Attention for local repertoire (music majors in the 90s)

The dominant share of American music in the global music market diminished in the late 1980s. New genres such as world music appeared and European and Japanese markets grew. (Rutten, 1991; Huygens, 1999; Negus, 1999) As a result, the music majors started exploring foreign markets for profitable repertoire. (Burnett, 1990: 167) Domestic repertoire became part of the international sales and marketing. (Vogel, 2004: 199) European majors that had always concentrated on the development of local repertoire in European countries now had a lead on their American competitors. (Huygens, 1999: 200) Even the most American orientated major Warner, who had never focused on domestic music, became involved because of its growing popularity. (Ibidem: 191) This trend occurred in a period when ownership structures of major companies were also changing. Record companies became part of larger and often foreign multinational media and entertainment corporations which triggered them to operate more internationally. (Ibidem:

148-149) In addition to increasing their (local) A&R activities, majors acquired local independents to attain more local repertoire and expertise. (Ibidem: 200)

In 1990, Burnett noted that majors dominated the processes in the music market but that they relied on independent labels and subsidiaries to offer a constant flow of new styles and artists that attracted audiences. He concluded that ‘semi-independent production units’ and ‘speciality record labels’ were their tools to gain flexibility and to be well informed about new markets and opportunities. (Burnett, 1990: 161) The speciality record labels were therefore expected to operate in niches other than which were the focus of the majors. (Ibidem: 167) Music majors thus clearly applied diversification strategies and were involved in a number of strategic alliances which changed their operation from a closed to an open system.

Over time, the music industry also developed some labels that were no longer tied to a particular geographical area or continent and were orientated on releasing their products in the global music market. This strategy has led to an interesting paradox in the international music industry: increasing concentration in combination with musical diversity. Bakker (2003) and Dowd (2004a) argue that modern multidivisional companies have caused an increasing diversity.¹² Hull (2004) adds that the public benefits because more recordings by more artists than ever before have been developed and distributed.

Negus states that besides the increasing attention for local music products in the 1990s, an increasing number of music products travelled around the world without any interference of the major entertainment companies. ‘Much music is moving across the world through human cultural industry and not as a result of institutional corporate strategy. (...) It is facilitated by the activity of enthusiasts whose actions contribute to the formation of music industries but whose cultural industry is far from institutionalised.’ (Negus, 1999: 171) Negus also argues that world music, rap, country and salsa are more than commercial categories. They balance between the strategies of the music industry and the socio-cultural process in which musical identity has been constructed. (Ibidem: 169) In contrast to the international repertoire at the majors, these music genres include the affirmation of place. They are based on accents, languages and sounds that can be ‘placed’. They have traditionally been developed, recorded, released and licensed by independent record companies that operate alongside the majors in the music industry. These companies have developed worldwide networks as well in which they license music to each other and meet at international music trade fairs such as Midem, Popkomm but also the Amsterdam Dance Event.

¹² In business literature, the term multidivisional company is used in different ways. Bakker (1999) uses the term to refer to market segments and not to different geographic markets. Dowd (2004a) refers to decentralised production and firms that rely on a web of subsidiary divisions.

Case: The international strategy of Polygram

Bakker (2003) studied Polygram's international strategy between 1945 and 1998. The main findings provide insights into how one of the European music majors operated and how domestic repertoire and local market knowledge were the company's core assets. He concludes that alliances, acquisitions and technological know-how played a crucial role in the growth and success of Polygram. The alliances filled gaps in technological know-how, an international network (Philips Electronics), a role in the international music industry (Deutsche Grammophon Gesellschaft) and in Anglo-Saxon repertoire (CBS). (Ibidem: 38) Acquired companies were incorporated in an efficient international organisation and had a large degree of creative and local autonomy. (Ibidem: 3) Access to Philips knowledge and manufacturing facilities enabled Polygram to be a forerunner in new formats such as the LP and CD.

According to Bakker, Polygram's foreign investments should be seen as resource based investments (they generated copyrights) but also as a way to increase local market expertise which facilitated marketing and contacts at the local level. The substantial creative autonomy at the subsidiaries of Polygram and the centralisation of the non-creative business activities at its headquarters is an illustration of the general shift in management of majors in the international music industry from bureaucratic and centralised to multi-divisional and segment-specific functions. (Ibidem: 21) Polygram had a competitive advantage in the local market at each of their local offices that enabled the marketing of music (either local or international) in the right distribution channel and segment. Another change in the management of international music majors was the shift from geographical divisions to segment-based divisions. This trend was very beneficial for the development of Polygram as it had always had different companies who each had their own management and identity.

International film industry

The film industry is an international business. From the early days of the cinema onwards, films have been circulated abroad. Over time, certain countries and companies have been more prominent than others. For example, in the early 1900s, the large number of French films in the United States was considered a threat by the American film industry. (Uricchio, 1996: 68) However, after the First World War, the situation became reversed and the influential role and status of the European film industry faded and was taken over by the American film industry.

Since there is little literature on the international operation strategies of the Hollywood majors in relation to the role of local markets and offices, the following sections are mainly based on research that discusses European audiovisual industries and includes the operation of the film majors in Europe. Before the international strategies of the Hollywood majors are discussed, the world film system that shapes these strategies will be considered.

World film system

Bart Hofstede (2000) investigated the international circulation of films and the position of film countries and concluded that there are three models in the world film system. These

models are based on the distribution level on which the films are released and the position of the production centre: in the centre or in the periphery. Table 3.2 shows the models.

Table 3.2 World film system

	Centre production	Periphery production
Transnational distribution	Global mainstream film, Hollywood film (model 1)	Independent film, Film d'art et essai, festival film (model 2)
Local distribution	---	National film, for TV produced films, comedy (model 3)

Source: Hofstede, 2000: 139

The global Hollywood film or the mainstream film has a central role in the system. The production of these films is based on market conventions. The main aim is attracting mass audiences while the focus is not on nationality but on successful film genres. These films are distributed and watched worldwide. Hofstede calls this the 'standard' model. (Ibidem: 137 & 145) The second model is the independent film which is produced in the periphery but distributed internationally. Countries such as France, Spain and Italy are illustrations of this model. The purpose of the producers and directors is to make innovative and imaginative (original) films and to dissociate themselves from Hollywood. The production of these films is strongly influenced by government support. Hofstede concludes that this model is best characterised by the term 'distinction'. (Idem) The third model entails the local film that has a quite unimportant role within the international film market. (Ibidem: 136) The local distribution sharply distinguishes this model from the first two. These films depend on government support and are released on TV rather than in cinemas or art houses. They contain specific local humour and usually only receive credits in the country of origin. (Ibidem: 139) These films can be classified as 'identification'. (Ibidem: 145) Dutch cinema belongs to this model. It is not a choice or strategy but a consequence of the small scale (language) market and the position of Dutch cinema in the world cinema system. Several of the national films, nevertheless, are shown on international film festivals and sometimes bought by foreign broadcasters. (Ibidem: 140) An important explanation for the development of this model is the emergence of a niche market for these types of films. The first two models did not address specific local humour, culture and circumstances although there was an audience for films with those ingredients. (Ibidem: 142)

International operation strategies of the majors

Traditionally, the Hollywood film majors concentrated on the theatrical release of their films in the American home market and saw exploitation abroad as an additional source of revenues. They applied a global strategy; mainstream films were produced and selected in the United States and released by subsidiaries in foreign markets. However, globalisation, the saturation of the American market and the increase of box office revenues abroad

changed this operation strategy during the 1990s. Localised marketing became more important and subsidiaries were given more marketing autonomy. (Jäckel, 2003: 95) The film majors thus slowly changed their global strategy into a more international operation strategy.

Another response to globalisation was the creation of partnerships with independent producers in the United States in the 1990s to secure content for their 'distribution pipelines' in a highly competitive market. (Balio, 1998) These producers differed in many ways from the production studios of the majors. Most of them were small companies that only produced a few high-quality films a year (instead of a portfolio of different films) and relied on other parties to distribute these films. In a partnership, the major provided the distribution in the United States and partly financed the production. The partnerships either focused on the production of local blockbuster films or on specialised art films. In the first strategy, the involvement of the major guaranteed the distribution and marketing of the film and reduced the financial risks for the producer while the major shares in the profits. In the second strategy, the major diversified its product portfolio by acquiring independent films and was only involved in the financing and distribution. (Ibidem: 65) This development shows similarities with the general diversification trend in the media and cultural industries and with the creation of a web of subsidiary labels at the music majors. Developments in the European market further shaped the diversification of the film majors and their creation of strategic alliances.

Operation in the European market

From the 1980s onwards, European box office revenues increased for Hollywood films due to the improved quality of cinema theatres and new marketing opportunities after the launch of commercial television in Europe. This development in combination with the saturation of the American film market, the globalisation trend, the removal of EU trade barriers and tariffs in 1992 and successful domestic releases in European countries changed the attitude of film majors towards the European market. (Balio, 1998; Houcken, 1999; Jäckel, 2003) Majors started to take an interest in local European markets and created alliances with local distributors, international and national cinema exhibitors and independent producers. (Balio, 1998; Jäckel, 2003)

Partnerships between majors and independent producers were no longer exclusively for the American home market but were now also created between subsidiaries of the majors and independent producers in Europe. Jäckel (2003) concludes that traditionally few European and non-English language films were partly financed by the majors because these films, although this seems highly unlikely, had to generate better box office revenues to give the majors the same margin as on their Hollywood films. Film subsidies and a saturated home market reduced this barrier. Co-production deals also enabled the majors to overcome quota barriers. (Uricchio, 1996) Henning and Alpar (2005), however, note that the majors primarily acquired finished films from European film producers. They state that the majors were in a strong negotiating position and could

buy any content on attractive terms. (Ibidem: 236) Co-productions often did not resemble the traditional Hollywood releases with international stars and high-concept formats but were more ‘unusual material’ (Balio, 1998: 64), low budget films and ‘quota quickies’. (Uricchio, 1996: 76) The majors thus tapped in local films as a niche market but also treated them as such. Consequently the catalogues of the main film distribution companies in Europe are still almost exclusively filled with American films. (Jäckel, 2003: 96) For global media conglomerates, film is a business. (Ibidem: 111) The film division is therefore evaluated on its performance rather than on the quality of the films and is consequently involved in films that give them the best chance on high box-office returns.

Conclusion

In international business literature four main strategies for worldwide operation are distinguished: multinational, international, global and transnational. These differ in the role of the subsidiary and in the goods or services that are offered in the local market. Traditionally, companies focus on one particular strategic goal: global efficiency, local responsiveness or global integration. Some companies adopt a global strategy to enjoy economies of scale. The development and production of products and services is centralised in this strategy. Goods are transported from the central hub to subsidiaries worldwide for marketing and distribution in foreign markets. Other companies operate as a chain of different firms that each focus on their local market and operate relatively autonomously. They operate as a multinational company which covers all national businesses which specialise in the same product or service. Companies can also adapt globally developed products and services to local market circumstances. They then operate as an international company in which subsidiaries are coordinated by the headquarters but are valued for their local market expertise and adaptation practices. Convergence and globalisation have necessitated an organisation structure that combines different divisions and operation in different markets. A new transnational strategy emerged, besides the traditional ones. This strategy is based on different local contexts in which the company operates and is flexible to adopt centralised and decentralised organisation structures for different activities. The role of the subsidiaries of a transnational company is based on their competences and on the conditions and assets in the market in which they operate.

The choice for a particular strategy and structure for worldwide operation is influenced by the organisation culture of a company which is shaped by the company’s history, founding fathers and early leaders and the country where the company started. Especially the latter highly influences how the company perceives and operates in other countries. Within the media and cultural industries, there is a main distinction between American and non-American conglomerates. (Chan-Olmsted & Chang, 2003) The traditional operation of American companies shows similarities with the global organisation model: global goods are developed at the headquarters and then distributed worldwide by the subsidiaries. The subsidiaries have a promotion and sales role and are not expected to

develop domestic cultural goods. Non-American companies show the characteristics of a transnational company. The creative resources and market knowledge of their subsidiaries contribute to the overall performance of the company. The operation of companies in the cultural industries is complicated by the high uncertainty and risks of the products and the high rate of circulation of goods. US companies therefore tend to focus on the control of creative and economic resources while European companies tend to concentrate on access to valuable creative and economic resources.

In the mid 1990s, the majors changed their strategies as a result of globalisation, changing consumer preferences and increasing success for domestic cultural goods. The global distribution of international cultural products was no longer sufficient for a good performance. The global sales for international star products decreased while revenues in the home market declined. Consumers also became more differentiated in their preferences for cultural goods. Therefore, the majors had to expand their activities in local markets and local and niche products to retain their position and to be able to face the global competition. They increasingly adopted strategies to control a large number of activities in the value chain of cultural goods and to be involved in goods that appealed to different market segments. They merged with and acquired other majors at an international level to secure their market position. Instead of releasing global cultural goods worldwide, it became important to serve different market segments and markets with domestic and niche products. Consequently the majors created partnerships with independent producers or local production companies. Majors that had traditionally applied a global strategy, now increasingly adopted an international or transnational strategy. In the future, another change in strategy can be expected due to increasing technological developments such as Internet and downloading.

Differences between the music and film industry also affect the strategy for worldwide operation. Within the international music industry, traditionally there is a mix of companies with either a global or multinational strategy. Since the early 1990s, due to decreasing success for American stars and increasing success for music from Europe, Asia and Latin America, all music majors have become transnational to some extent. In the film industry, majors that have adopted a global strategy prevail. During the 1990s, some of them created partnerships with domestic film production companies in Europe to be able to release a few domestic films and consequently benefit from the success for domestic films and national subsidy programmes but also to by-pass quota and other protective measures. At majors that traditionally applied a purely global operation strategy, domestic goods were perceived and treated as inferior to the traditionally released global goods. I assume that all music majors in the Netherlands will have domestic repertoire besides their international repertoire and will show a more varied international artist roster from the early 1990s onwards. However, it is unlikely that all film majors will have domestic films in their product portfolios since this is considered to be more risky. Changes in the operation strategy of film majors in the Dutch market seem to be more in line with policy changes than is the case for music majors. There has been little research on the role of the subsidiary and the operation of a major in a particular market, especially a small market.

Attention has mainly been focused on the role of the subsidiaries of the majors in general and changes in their role due to broader market developments. Local market conditions, local initiatives or the way local staff interpret and deal with global priorities, factors which according to Birkinshaw and Hood (1998) affect the role of the subsidiary, have rarely been explored. The influence of corporate culture on the worldwide operation of a company and its operation in local markets is another issue which has not been extensively addressed in current studies on the cultural industries. I hope to shed a first light on these aspects in the case studies on the operation of the subsidiaries of three music and film majors in the Netherlands in chapter 7 and 8 of this book.

Chapter 4

Researching International Cultural Industries in the Netherlands

After the theoretical chapters, I now focus on combining the insights from these chapters and deciding on the methods to empirically explore the actual operation of international cultural industries in a local market. First, I develop a conceptual framework and formulate expectations on how certain internal principles and external influences affect the local operation. Afterwards, I define the research questions, discuss the research strategy and describe the research design step by step. In the final sections, I review my experiences, the validity and reliability of the research and consider the ethical responsibility.

Conceptual framework

How does a global entertainment company operate? What are the relations between headquarters and subsidiaries and between different divisions within this worldwide company? And what is the ‘playing field’ for local companies and local entrepreneurs? Do they need to abide by the priorities of the headquarters or are they free to take initiatives themselves? I will answer these main questions to investigate how and why subsidiaries of international music and film companies operate in a local market in a climate of both globalisation and an increasing demand for local cultural products. The previous chapters focused on the important role of local entrepreneurs, the organisation culture and the wider sociological and cultural context in which companies in the cultural industries operate. These factors will be incorporated in the conceptual framework.

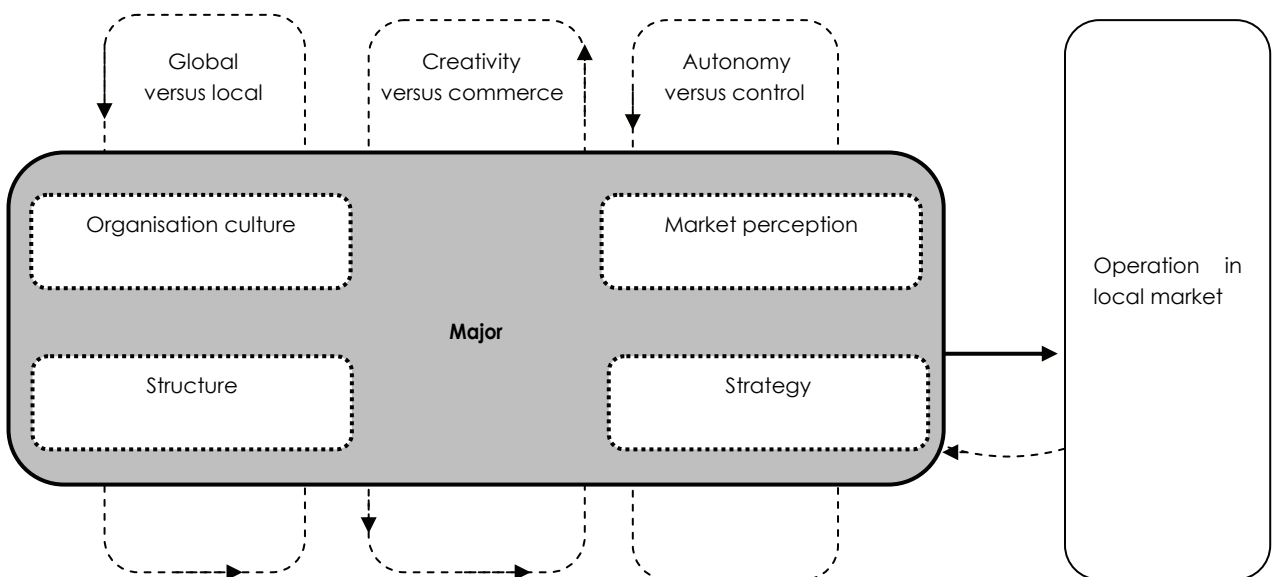
The conceptual framework is based on the three complex relationships that I assume to be characteristic for the international cultural industries. Firstly, the global products of global entertainment companies and the local market in which they are distributed and consumed continuously influence each other. Secondly, the cultural industries deal with goods which have economic as well as cultural characteristics. Companies therefore look for ways to combine commercial potential with creative content in goods or services. Thirdly, the headquarters and subsidiaries of international media and entertainment companies are connected through a corporate network structure. However, they might have different ideas about the local operation and to which extent the subsidiary can operate autonomously. These three complex relationships, global and local,

creativity and commerce, and autonomy and control, are part of the conceptual framework.

The conceptual framework is a simplified and theoretical reflection of the processes and factors that define the operation of an international media and entertainment company in a local market. Certain aspects such as organisation culture and strategy are therefore given more emphasis than others such as the worldwide economic situation at a particular moment. Organisations in the cultural industries operate in a dynamic and complex field in which different actors, processes and developments are interwoven but not usually visible. In the framework, they are therefore disentangled to understand how and which factors affect the operation of these companies. In reality, the different actors, processes and developments are thus always related and in interaction with each other.

When majors start their operation in a local market, they theoretically all start from the same departure point: a dynamic field in which they have to find trade-offs between global and local processes (in products as well as in the international operation structure) and economic and cultural incentives. Their operations, however, are different. The conceptual framework serves as a toolkit to explore how and which internal principles guide the way the major operates in a local market.

Figure 4.1 Conceptual framework



The three boxes in the background reflect the complex relationships that majors have to deal with in different operation processes. Decisions on corporate strategies versus local markets become apparent in international processes. These processes are inherent to a global operating company. It has to compete on a global level but also needs to deal with local sensitivities. In companies in the cultural industries, there is a distinction between processes related to creative content production and selection and organisation processes. The creative processes are shaped by product decisions: does the company choose for

artistic or mass entertainment products? How do they deal with the need for new and innovative products on the one hand and consumer's preference for familiar goods on the other? The organisation processes define how different activities in the cultural industries are set up and managed.

The four elements in the framework, organisational culture, market perception, structure and, strategy, define the internal principles theoretically. They relate to the industrial organisation model and to the way Kung-Shankleman (2000) describes the relations between an organisation's culture, its (changing) environment and its strategy. The industrial organisation model is often used in media economics to analyse different media industries. It assumes that the structure of the market influences how a firm behaves in that market. This in turn then defines how successful it is and how its operation affects society in terms of allocation and diversity of goods. (Hoskins, McFayden & Finn, 2004: 145 & 150) Kung-Shankleman, however, emphasises the influence of organisation culture on strategic activities. She concludes that an organisation's culture defines the perception of and response to the environment but also the acceptability and commitment to strategic responses. (2000: 218) My conceptual framework builds on the industrial organisation model and Kung's insights in the role of organisation culture. In my research, I focus on the cultural industries whose core activity is developing and exploiting creative content. The company culture is crucial for both the development as well as finding good trade-offs between creative and commercial aspects as it defines whether the working environment inspires and stimulates creativity. (Ibidem: 221) Corporate culture is therefore an important element in my research and will be combined with some relevant elements of the industrial organisation model in the conceptual framework.

The four elements each occur in a broad range of variations that affect how a particular international media and entertainment company in theory deals with the three complex relationships that cut across its operations. The unique interplay of organisation culture, market perception and structure and strategy results in the way a corporation operates in a local market, the degree of autonomy of the subsidiary, the opportunities for local entrepreneurs and the choice of domestic products if any. This interplay is dynamic and can change over time because the elements change. The operation in a local market, however, is also part of the activities of the major and shapes the role of the local subsidiary (cf. Birkinshaw and Hood, 1998). It thus indirectly also influences the interplay. There is therefore a feedback loop from the operation in a local market to the box of the major in the conceptual framework.

Organisation culture

In this research, organisation culture refers to the values and heritage of a company that are shared and applied by its employees and to that which distinguishes the company from other companies. The heritage of the company encompasses ideas and goals of the founding father(s) and early leaders as well as the values and attitudes of the country of origin.

Market perception

Market perception covers two issues: the company's impression of the local market and its reaction to developments in this market. It is related to the risks and opportunities for operation and can be influenced by the scale of the market, growth potential and revenues but also state support. The environment in which companies in the cultural industries operate is dynamic and will change over time. During the 1990s, deregulation, convergence, mergers and digitalisation caused new dynamics. The reaction of the major companies to these developments also forms part of the market perception in this research.

Structure

The third element refers to the structure of a company and is divided in three aspects: ownership structure, corporate structure and the relationship between headquarters and subsidiary. Ownership structure indicates whether the company is part of an entertainment corporation or whether it is one of the businesses of a large corporation. Corporate structure refers to the way the worldwide company is organised. The relationship between headquarters and subsidiary indicates how they influence each other's activities and what the internal power relationships in terms of autonomy and control are.

Strategy

Strategy refers to the way a company aims to reach its business goals. It is divided into three aspects: product strategy, investment strategy and international operation strategy. Product strategy highlights the kinds of products the company produces and supplies to the market. Investment strategy is related to product strategy but includes investments in human resources and divisions. It describes the number and kinds of investments. International operation strategy defines how and why the international company enters and then operates in foreign markets.

Operation in a local market

The hypothetical interplay between the elements of the framework such as local market developments and the international operation strategy can provide clues for how and why a company in the international cultural industries operates in a particular market. The operation in the local market consists of the activities and the variation in products of the local subsidiary and thus shows the nature and the degree of involvement in domestic products.

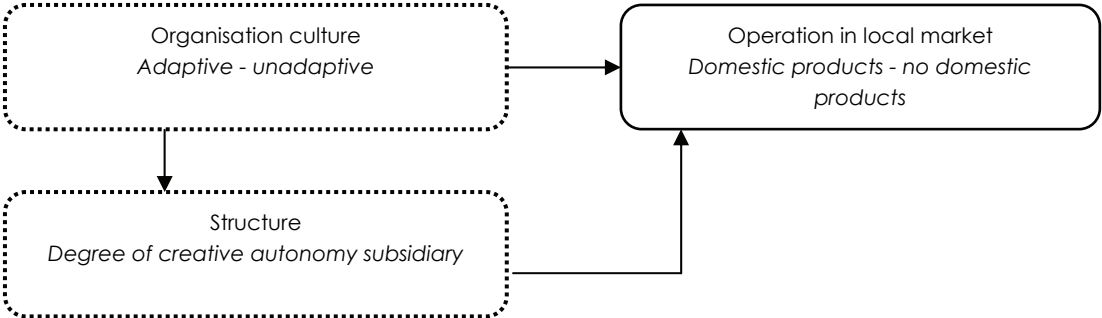
In chapters five to eight, the operation of the music and film division of Sony, Universal and Warner in the Dutch music and film market is explored. Based on the discussion and the review of relevant theories in the previous chapters, six links between the variance of the four elements and the related operation in a local market are now

formulated. These links are a selection of many possible ways of interplay between the four elements. They are the most prominent for the role of organisation culture, local entrepreneurs and the wider sociological and cultural context in which a company operates.

Link 1: Organisation culture and structure: the issue of adaptability

Generally, majors in the cultural industries strive for continuity and design control strategies to spread risks and uncertainty. The global distribution of international goods from the centre of the industry and the distribution of products that are generated via partnerships with important content producers are examples of these strategies. (Ryan and Wentworth, 1999) Some majors in the cultural industries, however, adopt flexible and adaptive processes and ensure good access to various creative sources to deal with risks and uncertainty. (Frith, 1990; Lampel & Shamsie, 2006) The preference for control or flexibility is reflected in the centralised or decentralised structure for the creative and business activities within a corporation. (DiMaggio, 1977)

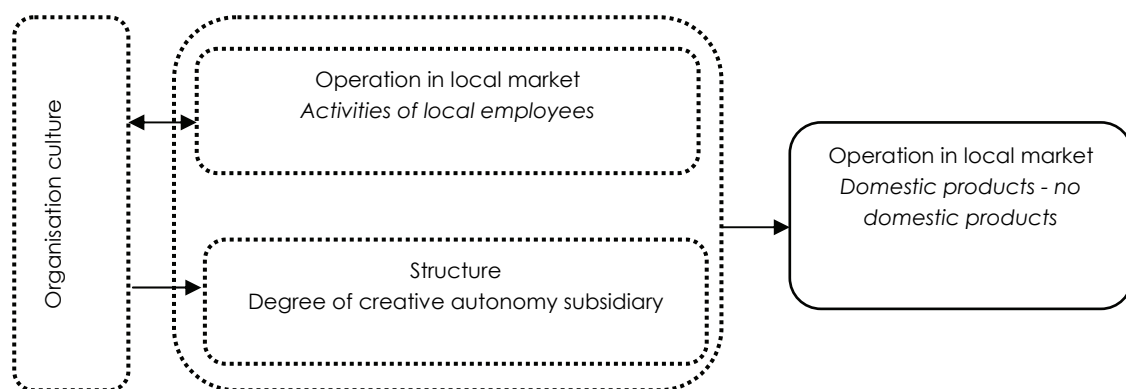
Küng-Shankleman distinguishes two kinds of organisation culture that define the way companies deal with their environment: adaptive and unadaptive. (2000: 217) A company with an adaptive organisation culture tends to offer room for exploration of external opportunities that have added value for the development of the company. On the other hand, a company with an unadaptive organisation culture tends to focus on the internal operation isolating itself from its environment. These two kinds of organisation cultures can be linked to the two main approaches in the cultural industries to cope with uncertainty and risk. A major in the cultural industries with an adaptive organisation culture in which flexibility and access to various economic and creative resources are part of the internal logic, is expected to have a higher chance of being involved in domestic products in local markets and of offering its local subsidiaries a large degree of creative autonomy to explore new products. I thus suppose that the organisation culture of a major in the cultural industries has a strong influence on whether a subsidiary has domestic products and room to develop these.



Link 2: Organisation culture and structure: the issue of local initiatives

Literature on the global society emphasises that individuals form and develop global networks. They live and work in a particular local environment but are also part of a global network and are accustomed to shifting orientations constantly. (Hannerz, 1992; De Swaan, 1995) Their actions and reactions start and shape global flows of goods, information and capital. The particular role of local entrepreneurs is very important in this. They combine global goods or influences with local resources to create new hybrid forms. (Idem) In the cultural industries, creative managers are the ones who operate in the grey area where creativity and commerce meet. (cf. Huygens, 1999) They acquire, develop and decide on creative content based on their specific market knowledge. The company structure dictates how much autonomy they have and consequently what kind of products they can select or develop. (DiMaggio, 1977) Global and local influences and creative and business activities are combined in the international cultural industries.

Local managers can spot and react to new business opportunities because of their knowledge of local market conditions. Birkinshaw and Fry (1998) stress that such local initiatives only succeed if the local manager is entrepreneurial and proactive and if the subsidiary can operate autonomously. However, Zijderveld (1988) and Negus (1999) state that employees always mix corporate culture with local culture and with their own values and practices. If local employees base their decisions on local values and their own insights in the local market, it can be expected that products and business practices are more locally sensitive. The particular combination of activities of local employees and the degree of creative autonomy of the subsidiary thus likely defines the number and the type of domestic products of the subsidiary.



Link 3: Organisation culture and strategy: the centre-periphery issue

Companies are influenced by the culture, values and attitudes of the particular country in which they were established. (Harzing & Sorge, 2003; Hofstede & Hofstede, 2005) A company in the international cultural industries is influenced by the way these are organised in their home country (market driven or state intervention). It is also affected by the role of the home country in the global media and entertainment market (ranging from a central node to a position in the periphery). Although the United States and the United

Kingdom have a central role in the music industry, the majority of the revenues in the film industry is earned by the majors with headquarters in Hollywood. In their research on the product and international diversification of the top seven global media conglomerates Chan-Olmsted and Chang (2003) conclude that the most geographically diversified companies are non-US corporations and that the most diversified of them also have the widest product diversity. Based on this theory, I assume that non-US majors have a broad portfolio of non-US repertoire and do not focus primarily on American repertoire. I thus assume that the country of origin of the company in the global media and entertainment market affects its product strategy and consequently the range of different products offered in the local market.

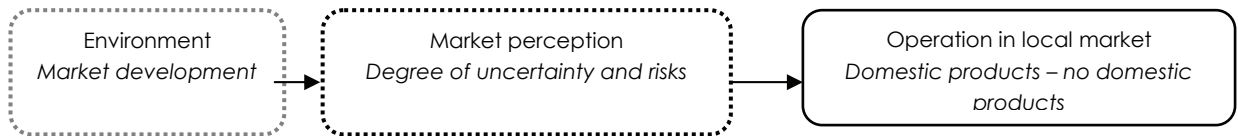


Link 4: Market perception: the issue of uncertainty

The worldwide music and film industry focuses on international products. Their successful development, production and distribution are the main priority for majors. Given the dominant role of economic logic (such as economies of scale) and a global corporate structure, it would seem unlikely for these companies to join the production and/or the distribution process of domestic music and film, especially not in relatively small countries with a small language market such as the Netherlands.

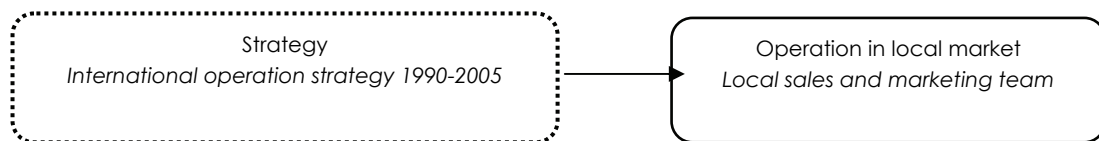
Traditionally, the film majors were not interested in domestic films in Europe. (Doyle, 2002) European subsidiaries of music majors had local A&R departments but the release of British and American artists was top priority while domestic European artists hardly attracted attention and support of the European headquarters. (Negus, 1993) In the 1990s, the home market for American films was saturated and the global share of American music diminished. In the same period, the number of successful domestic music and film releases increased in European countries. New European and national film subsidies were introduced and the high risks and high costs that had traditionally hampered investments of the majors in domestic films in Europe were also reduced. As a result the music and film majors started to take an interest in local markets.

Based on these developments and observations, I assume that the extent to which companies in the international cultural industries are involved in domestic products largely depends on the degree of uncertainty and the financial risks of domestic products. Changes in the market can affect these and consequently the involvement in domestic products. In other words, market perception would determine whether a company in the global media and entertainment market has domestic products in a local market.



Link 5: Strategy: the issue of transnational operation

Globalisation has transformed national media companies into transnational media corporations to benefit from economies of scale and scope and to retain competitive advantages in the current global media market. Operation and management processes have become more internationalised and are increasingly structured by corporate structures and strategies. Hofstede and Hofstede, however, conclude that even in global orientated companies, local sales departments adapt marketing messages to the local market. (2005: 350-351) Music and film are experience goods. Music and film marketing focuses on persuading consumers to buy CDs, downloads or film tickets. During the 1990s, localised marketing became more important in the international cultural industries due to larger revenues from foreign markets and shifts in company priorities (from product development to marketing). (Burnett, 1990; Jäckel, 2003) Hence I assume that from 1990 onwards a local marketing and sales team is involved in the operation of a subsidiary of an international media and entertainment company irrespective of the organisation culture or structure of the company.



Link 6: Market perception: the influence of state policy

According to new institutionalism theory, companies are not isolated units but part of an environment with which they interact. Other companies but also governments and the cultural and historical context of the environment influence the processes of the organisation. Hannerz (1992) reports that there might be a conflict of interest between the flow of cultural products of companies that operate in a particular market and the host government. In Europe, international and primarily non-European films distributed by the film majors often have a dominant share in domestic film markets. European governments are concerned with preserving and developing national film culture and have therefore developed policies to protect national film production and to guarantee diversity. Some countries have implemented quota while all European countries subsidise national film productions. Film productions in smaller European countries are mostly funded by public funds and often co-produced with public broadcasters. (Hofstede, 2000; Jäckel, 2003) Film subsidies consequently replace part of the investment and revenue streams from the market and reduce the financial risks of investing in a film production for distribution companies. During the 1990s, new national and European financial incentive schemes were launched. These film subsidies were reasons for film majors in Europe who had

previously been reluctant to start co-production deals for domestic films. I assume that the higher the degree of state policy for one of the cultural industries, the higher the chance this influences the activities and kinds of products of a subsidiary in the local market and that this interferes with the organisation culture, strategy and structure of the company.



These six links all show a hypothetical interplay between elements of the company and the operation of an international media or entertainment company in a local market. The operation of the subsidiary has to be researched to explore if the links actually do occur. In the next section, research questions are therefore formulated.

Research questions

The conceptual framework focuses on understanding the operation of international majors in the media and entertainment industry in a particular local market. The Dutch music and film market from 1990 until 2005 serve as cases. The main research question therefore now reads as how and why do the subsidiaries of international music and film companies operate in the Dutch music and film market between 1990 and 2005. It includes two questions that are presented below.

- How did the subsidiaries of international music and film companies operate in the Dutch music and film market between 1990 and 2005?

This question addresses the activities of the company in the local market. It includes the following sub questions: What were the activities of the subsidiary in the Dutch music or film market? What was the market share of the subsidiary in the Dutch music or film market? What kind of music and film products did the subsidiary have on offer in the Dutch market between 1990 and 2005? And what was the relation between global and local products?

- Why did international music and film companies operate in the Dutch market and why did they operate in this way?

This question investigates the strategies, decisions, perceptions and processes that determine and precede the activities and products of the subsidiaries in the Dutch music and film market. Sub questions to answer this question are: How, when and why did the

international music and film companies start their operations in the Dutch music or film market? How did they perceive the Dutch music or film market? Which role was assigned to the Dutch subsidiary by the corporations? What was the position of Dutch subsidiaries in the global corporations? Which factors played a role in the decision making process for investment in Dutch music or film products? And how did developments in the Dutch music or film market affect the operation of the Dutch subsidiaries?

The two research questions only focus on the activities of the music and film majors in the Dutch market and the perceptions that affected these local activities. They do not provide information on the field in which the company operates; the business behaviour of other companies in the market and changes in policy and market conditions that could affect their development in the Dutch market. My research is inspired by the new institutionalism in organisational analysis in which not only the internal principles of a company but its interaction with other actors in the market and the collectively developed market notions are highly important for its operation. I have therefore added a third research question on the local environment and market in which the international music and film companies operate in the Netherlands.

- What was the local environment in which the international music and film companies operated in the Netherlands between 1990 and 2005?

This question provides an understanding in the position of international music or film companies in the Dutch market and in the external factors such as policy and industry developments that can influence the operation of the company. The local environment is investigated by four sub questions: What were the most popular products in the Dutch music and film market and what was the relation of global and local products in this? How can the Dutch music and film market be characterised in terms of numbers of companies and concentration? What kind of policy and support structures did the Netherlands have for the music and film sector? What were the main developments in the Dutch music and film market between 1990 and 2005?

These three research questions are the departure points for the empirical research. The next section describes the strategy to find the answers to these questions.

Research strategy

Given the neo-institutionalist approach in organisational analysis that inspires my research, I address the operation of the subsidiaries of international music and film companies in the Dutch music and film market but also focus on the environment in which they operate. The research therefore contains two elements: a sketch of the Dutch music

and film market between 1990 and 2005 and a description of the operation of subsidiaries of music and film majors in these markets. The operation, decisions and perceptions are explored in case studies of a number of the subsidiaries.

Applying the case study method

The case study method is chosen because it is the preferred strategy to understand how decisions are taken and implemented and what their outcome is. (Yin, 2003) A case study focuses on the behaviour and operations of a company while taking in account the context and the process that led to a situation. (Yin, 2003; Peters, 2006) It is a useful method to explore processes and activities in organisations that have not yet been researched and documented and which require a combination of research techniques. (Doyle & Frith, 2006)

For this research, a multiple case study is chosen. Sony, Warner and Universal, three multinational entertainment companies which are active in the development, production and/or distribution of music and film products in the Netherlands have been chosen as case companies. They have been purposively selected since they all have a music and film division but they vary in local music and film products (local music, local film and local film and music respectively). It is expected that these three majors operate differently in the Dutch music and film market due to their different backgrounds and histories (started and developed in the United States or Europe, entertainment company or part of an electronics company, small or large player in the Dutch market). The individual case studies address specific characteristics and processes of that particular company. Similarities and differences in the operation of the local subsidiaries are described on a more general level. Specific company circumstances play a minor part in the comparison.

A case study is usually based on a small number of companies that can provide an initial view on a particular field or situation before more extensive research follows. However, in this research, the case study method is applied to all international companies in the Dutch music and film market that have both a music and film division. The case studies therefore serve another purpose as they focus on the different approaches and dynamics of these international companies for operation in the Dutch market. The outcome can only result in theoretical hypotheses of how other international music or film majors might operate in the Dutch market and how subsidiaries of the case companies might work in other small countries.

A combination of quantitative and qualitative research methods

The research is divided in a quantitative and a qualitative part. Market and chart data sketch the market, the role of companies and the popularity of cultural goods quantitatively. Desk research and interviews complement these figures with qualitative information on the environment in which these products are produced and distributed, how and why subsidiaries of international music and film companies make their decisions and

how they are affected by the role of corporate culture and control of the headquarters. Observing the processes within a company is the best method to research and understand how decisions are made within the company and how the company operates. Hollifield (2001) and Wikström (2006) conclude that it is difficult to get permission to observe these processes within the music industry and transnational media corporations and that the second best option is to conduct personal qualitative interviews. I have therefore opted for interviews as well.

There are a number of reasons for the choice for a combination of quantitative and qualitative research. Market data on the most popular products and their origin (local or global) provide an indication of the relation between global and local music and film products and the market shares of companies in the Dutch music and film market. However, they do not give information on the reasons for this mix of international and local products and the market share of a particular company. Desk research and interviews can provide these answers. A combination of only two qualitative methods, desk research and interviews, would be an option. However, market data can show the outcomes and success of the product decisions of a company. The combination of quantitative and qualitative research thus complements each other.

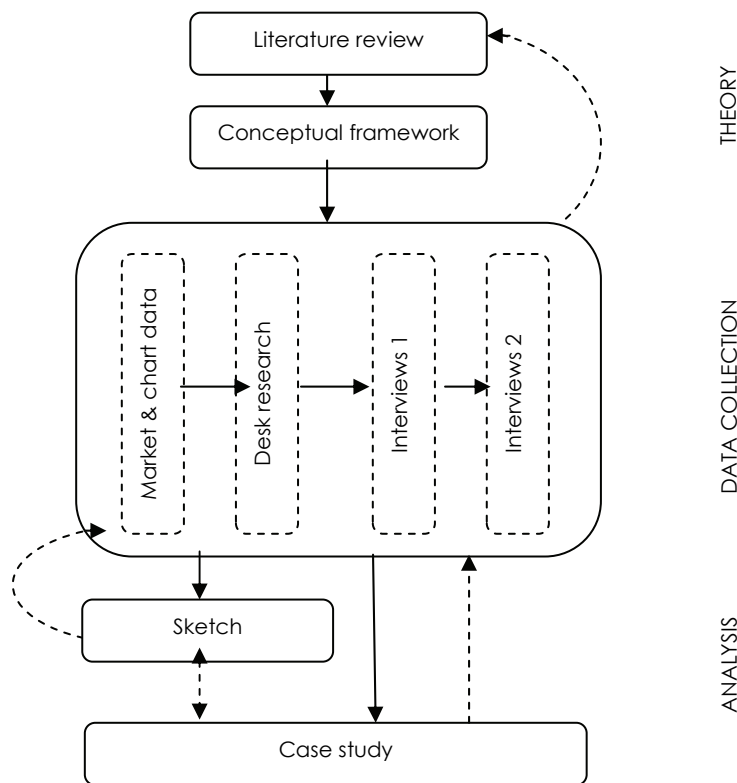
Two methods are used in the qualitative part. Interviews give information about processes and relations, about how problems are solved and about the culture within a company. Interviews, however, are individual accounts of processes in the organisation. (Yin, 2003: 76) Desk research, therefore, provides the data to sketch the broader environment (market, institutions, regulations, developments and changes) and the organisation structure in which the interviewed people work and the corporate goals and philosophies that influence their decisions. An important caution for desk research is that documents and secondary data sources are written or analysed with another purpose in mind than this research and therefore are not necessarily reliable. (Yin, 2003: 87; Doyle & Frith, 2006: 569) The interviews and the desk research are combined to supplement each other.

Various research methods and different kinds of data sources enable data-triangulation. (Yin, 2003: 98; Peters, 2006: 638) Results from interviews can be checked with newspaper and trade journal articles and even with interviews about specific business changes. Chart data, provide a more objective view of the success of particular CD albums or films and the mix of international and national music and film products and also show the shares of other companies. A brief research plan with the questions that needed to be answered, the necessary data resources, access to these and a time schedule was created for each of the three data collection methods before they were applied. The data for the case studies were collected simultaneously and not separately for one case after another. The conceptual framework shaped the analysis and the writing of the case studies.

Research design

Figure 4.2 shows how the different methods were used during the research project. They were employed in a certain order but sometimes also ran simultaneously. Findings derived from one method were also used as input for a more critical reconsideration of the findings of another. It was an iterative process. Continually, new findings and insights raised questions of how they were related to other findings and how they affected and altered them. Unexpected findings also resulted in alteration of the original theoretical assumptions. Such ‘redesign’ is important to avoid reporting data that only fits with the initial conceptual framework and that ignores unexpected findings. (Yin, 2003: 51) The market and chart data and the desk research led to a sketch of the local environment and provided information on the market in which the majors operate for the case studies. The results of the two different rounds of interviews were only used in the case studies. The next sections describe the quantitative and qualitative methods in more detail.

Figure 4.2 Research design



Quantitative research: market and chart data

In the quantitative part of my research, market and chart data were used to explore the role of the case companies in the Dutch music and film market in terms of their market share and their popular music and film products. Table 4.1 summarises the two methods, the data sources and what is measured.

Table 4.1 Quantitative research part

	Role company	Popular products
<i>Method</i>	Overview industry figures and concentration indexes	Analysis charts
<i>Source</i>	Music industry: NVPI ¹³ Film industry: NFC, NVF ¹⁴	Music industry: Album top 100 (1990-1998) & GFK Mega Album Top 100 (1999-2005) Film industry: top 20 and overview of Dutch feature film cinema releases (based on data Dutch Film Fund, NFC, NFDB and Filmjaarboek) ¹⁵
<i>Indicators</i>	Division of record companies/theatrical film distributors in market in major and independents Market shares Concentration indexes (CR4, CR8, HHI) Share in domestic products	Share in charts/ top 20 Country of origin of most popular products Relation international to local products Most prominent genres of most popular products Most prominent genres among the most popular local releases

Role of the company

The role of the company is thus measured in individual market shares and in concentration indexes for the whole market. The division in major and independent record companies and theatrical film distributors gives a first impression of the players in the market. The market share shows the individual role of the company while concentration indexes reveal to which extent the music or film market is controlled by a small number of companies.

During the research period of 1990 to 2005, many music and film labels and companies integrated through mergers and acquisitions or did not exist for the whole period. Sometimes the different labels of a record company were shown and not the overall market share. This complicated the data analysis. Individual market shares for labels were recalculated in market shares for the record company to which they are

¹³ The NVPI is the Dutch Association for Producers and Importers of Image and Sound Carriers and is affiliated to the International Federation of the Phonographic Industry (IFPI). The NVPI members represent the majority (74-88%) of the companies in the Dutch music sector between 1990 and 2005. The NVPI shares have therefore been recalculated according to the percentage of the total number of companies that are members of the NVPI. There are no statistics available for 2001.

¹⁴ NFC: Dutch Federation for Cinematography (www.nfcstatistiek.nl), NVF: Dutch Film Distributors Association. The market shares for 1991 were based on incomplete box office figures and are therefore an indication. Market shares of film distributors in the Dutch film market for 1990 were not available anymore in 2006.

¹⁵ NFDB: Netherlands Film Database (www.nfdb.nl), Filmjaarboek: Hans Beerekamp in cooperation with other film critics compiles an annual overview of all films released in Dutch cinemas with descriptions and fact sheets for each film.

related. Companies that merged are indicated as a new company whereas those that were acquired have been added to the name of the company that acquired them.

Popular products

Music charts and the annual top 20 for films were analysed to explore trends in popular music and films, the relation between local and international products and the stake of the companies in these products. An overview of all Dutch feature films was made to analyse the involvement of theatrical distributors in local feature films because the top 20 only shows a small share of the releases in the Dutch film market.

The use of charts as a source of information for the music industry has always been a point of discussion. On the one hand, charts are the information source for people in the music industry on which they base their decisions. On the other hand, charts can be manipulated and may be unreliable. (Anand & Peterson, 2000: 275) Moreover, charts only reflect commercial transactions and not how often the music is played and where it is played (at home, in a restaurant, on radio or TV). (Parker, 1991: 208) Before an album reaches the charts, it has passed different gatekeepers (the record company, media and consumers). (Christianen, 1995: 56) Charts, therefore, do not provide a complete overview of the supply in a market. (Christianen, 1995; Strobl & Tucker, 2000) Nevertheless, they, have been chosen as data source because they are indicators for what is popular and commercially successful (Rutten, 1991a: 39-40) and thus the most appropriate data source to study trends in the Dutch music market.

Box office figures are often used as an indicator for success in studies on the film industry. They are mainly compared in relation to the winners of important film awards or potential success factors such as the inclusion of star actors, the reputation of the director and film reviews. (e.g. Vany & Walls, 1999; Basuroy, Chatterjee & Ravid, 2003) However, box office lists are an important source of information for market developments and for predictions of the success of a film. In this research, box office lists (top 20) serve as indicators for developments in the markets and also as indicators for the most successful films to analyse the most important distributors and the countries of origin of the most popular films. Appendix A describes the choice for particular chart lists, the set up of music and film databases with the individual music and film products of the charts and the different variables that were included for each case.

The quantitative data were first analysed for an overview of the Dutch music and film industry. Preliminary conclusions about developments in the Dutch music and film market and findings on the case companies served as input for the desk research and interviews for the case studies. The analysis of the local market conditions was supplemented by desk research on developments and policy in the Dutch music and film industry.

Qualitative research: desk research and interviews

The qualitative part of this research focuses on the processes at the local subsidiaries and the context in which these subsidiaries operate. The conceptual framework serves as an analytical tool. Table 4.2 shows how elements of the conceptual framework are operationalised. Appendix B gives a detailed overview of the operationalisation and the various data sources for these elements. Qualitative resources are mostly used and are sometimes retrieved by one research method (either desk research or interviews) while at other times both resource methods are necessary. In a few cases also quantitative data that was already collected is included.

Table 4.2 Operationalisation of the components of the conceptual framework

Component framework	Operationalisation
Organisation culture	Origins and corporate history company Role of economic & cultural values Goals & business philosophies
Market perception	Role local market View on competitors & their business behaviour Reaction to developments in the market Description market changes and impact on company View on government policy on national & European level
Structure	Corporate structure Relations between HQ & subsidiaries Ownership structure
Strategy	Product divisions & product portfolio Decision processes New products Mergers & acquisitions Geographic expansion International structure Structure, goals & role local subsidiaries
Operation in local market	Local products Role of the company: activities Initiatives by local employees

Desk research

Desk research is important to describe the market in which international music and film companies in the Netherlands operate and also as corroboration for interview material.

Context factors such as cultural policy, available funds and changes in the media sector can explain changes in business behaviour of the international music and film companies. The corporate structure and ownership can also partly be investigated by desk research.

The main sources during the desk research include articles in the entertainment business journals *Billboard*, *the Hollywood Reporter*, *Music Business International*, *Music & Copyright* and *Variety*, international and domestic newspapers and magazines (e.g. *New York Times* and *Filmkrant* (Dutch magazine on film)) and reports on the music and film industry. Transcripts of interviews conducted in the mid 1990s by Michael Christianen were included in the desk research for the music industry as well.¹⁶ Corporate websites, websites of industry and branch organisations and national and European government websites also provided useful information. Corporate websites and documents are in the first place of course a display window for the company in which they present themselves in the best possible light. (Doyle & Frith, 2006) The analysis of this material was therefore done careful and critically.

Interviews

Interviews were conducted to gain insight in how the different international music and film companies perceive the local market, make decisions and give room to local subsidiaries to make their own decisions. Forty-two (former) managing directors (12) and managers (8) of international music and film majors in the Netherlands and key players in the Dutch music and film industry (22) were interviewed in two rounds.

The first 14 interviews had an explorative character and took place between 13 April and 13 June 2006. They were mainly held with key persons in the music and film industry who were no longer employed at international music and film companies. The interviews with two film distributors and a film producer provided more in-depth answers. Discussion points for these first interviews included the role of small countries for the operation of a major entertainment company, decision making processes for investment in local products, the Dutch music and film market between 1990 and 2005 and the opportunities for Dutch music and films in foreign markets.

The second round of in-depth interviews (28 interviews) took place between 26 April and 20 September 2007 and involved mainly (former) managing directors (6) and managers (7) of the case companies in the Netherlands and producers and broadcasters (5) that were involved in the Dutch film releases of these companies. In addition, three interviews were held with managers and presidents of continental and even worldwide divisions of international music and film companies. Discussion points for these interviews included the view on the Dutch music and film industry, reasons for investment

¹⁶ Michael Christianen interviewed 25 marketing, promotion and product managers between 1992-1995 for his research on structure, dynamic and cultural aspects of the (Dutch) music industry at the Erasmus University Rotterdam. He has given permission to use the interview transcripts for this research.

in local products, criteria in local decision making processes, the relation with the headquarters and the activities and the degree of autonomy at the local office.

The interviews were semi-structured. Open questions were formulated to stimulate the respondent to describe a process or event in his own words and to have room to elaborate on this. An example of one of the questions is ‘Can you tell me something about the role of this local office for the worldwide corporation?’. Respondents were encouraged to illustrate their experiences with examples of music products or films. Table 4.3 shows which people were interviewed in the music and film sector and in which year. Appendix C explains the selection and contacting procedure.

Table 4.3 Interviews held in the Dutch music and film industry

	Case	Other music company /Other distributor	Producer	Branch	Total
Music 2006	3	3		2	8
Music 2007	12	0		1	13
<i>Music total</i>	<i>15</i>	<i>3</i>		<i>3</i>	<i>21</i>
Film 2006	2	0	2	2	6
Film 2007	3	3	3	6	15
<i>Film total</i>	<i>5</i>	<i>3</i>	<i>5</i>	<i>8</i>	<i>21</i>
Music & Film total	20	6	5	11	42

Except for Warner Music, current managers (often managing directors) of all case companies were interviewed.¹⁷ In the film sector only a small number of managers and former managers at the case companies were interviewed. An important reason for this is that the teams for theatrical distribution are small whereby the managing director takes most of the decisions about local products. The managing directors of the film majors have all been in their position for more than five years, some even more than twenty years. There are thus also fewer opportunities to interview former managing directors. The local subsidiaries of the film majors are also companies which if involved in domestic films only distribute them. They acquire these from local film production companies. Three local film producers and two heads of drama and film departments of public broadcasters that participated in those films have therefore also been interviewed to understand decision processes and behaviour of the film majors. Additionally, also managers at other theatrical film and home video distribution companies were interviewed. In 2008, additional information was retrieved by phone and e-mail from two former Sony Picture marketing managers that had not been interviewed in 2006 and 2007. Their names only became apparent in 2008 during extensive desk research on significant developments at Sony Pictures.

¹⁷ To have enough data to write the case study of Warner Music, additional desk research has been undertaken.

The majority of the interviews was face-to-face at the office of the interviewee. Sometimes a hotel restaurant proved to be a more convenient location. Three were phone interviews and one respondent replied to questions by two e-mails. All interviews except the phone interviews were recorded. All interviews with managers, managing directors and former managers of the case companies were later transcribed completely and sent to the interviewees for verification and permission to be used. For the other interviews, notes were taken while listening to the recording and only important quotes were transcribed.

All interview transcripts were imported into the qualitative data analysis programme atlas.ti. Sections of each interview were then subject-coded based on the four elements in the conceptual framework. Each code contained a list of quotes that were related to a topic. These lists were used to analyse what was said about a particular subject by interviewees who were still working or used to work for the company and interviewees who were in the same industry. The case studies were afterwards structured based on the elements in the conceptual framework whereby the description of each one was based on the quotes that were coded for that element. Unfortunately this method led to rigid case studies that did not show the interesting insights in processes at the companies that could be derived from the interviews. These were more interwoven through the whole interview transcript and did not become apparent when exploring the items for one code. They also differed from initial assumptions. The interviews were therefore analysed a second time by focusing on connections between certain processes and important developments that were characteristic for that company and that could enhance the view that resulted from the first analysis. Important developments and changes in the operation that became apparent in the market data analysis and the desk research shaped the focus of the second interview analysis. A more detailed description of the interview analysis with atlas.ti and the more flexible analysis that was used additionally can be found in appendix D.

Research experiences

Although most of the questions in each of the rounds of interviews were the same, I experienced some differences when conducting the interviews. Firstly, the interviewees are all unique individuals who all have their attitudes, manners and visions. Some interviewees were passionate about their work and enjoyed talking about their experiences. These interviews usually took longer than the hour planned and sometimes even lasted two and a half hours. Other interviewees (mainly managers working at international level) thought that it was important to cooperate in this research project. They also considered the interview to be a good way to reflect on the activities of the company ('why do we do what we do?') and to see in which company issues or activities the researcher was interested. Again other interviewees cooperated and showed interest in the research project but were more formal. Sometimes they had not started their career in the cultural industries and tended to answer the questions briefly and more business like without elaborating on examples or events spontaneously.

During the interviews, I experienced that former managers spoke more openly about the processes and the decisions at the case company. Because they were no longer involved in the company, they were able to compare the operation of the case company with other majors and to reflect on its operations. Usually these interviews took longer and added new insights into the company that had not been apparent before. Interviews with current managers were more often time limited and more formal. The story of a former manager gave me a clue for this difference. He mentioned that he had signed a confidentiality agreement and could not talk openly about company activities for two years after leaving the company. Our first meeting was cancelled. In retrospect, the cancellation was very opportune because at the newly arranged meeting the two-year period had elapsed and he was free to talk about his experiences.

The focus of this research is on the dealing of international music and film majors with the local market in a period of globalisation and an increasing interest for local cultural products at the same time. These developments were the main issue in the cultural industries in the 1990s but were followed up by new digital distribution technology that challenges the traditional business models of the music and film majors since the early 2000s. However, file sharing and new business and revenue models were more important topics of discussion for staff in the Dutch music industry than those active in the Dutch film industry. It is not very remarkable as in the music industry CD sales were declining while the Dutch film industry only experienced a temporary drop in cinema admissions. Both industries are very different in many other ways as well. For example, government policy and financial support was a recurring theme in the interviews about the Dutch film industry, while lack of policy and legislation for illegal downloads was a topic in the music industry.

Validity and reliability of the study

The use of market and chart data as well as interviews is somewhat flawed since they are based on people's interpretation or analysis of a situation. Furthermore, my interpretation is added to this. I studied the methodology (if possible) that was used to obtain secondary data to check the reliability and quality. In some cases, I contacted the organisation that collected the primary data to discuss their methods. The charts and the top 20 that are used in this research moreover do not show the whole supply in the Dutch music and film market. However, the music and film majors themselves are mainly concerned with their most successful products. These are mostly international but sometimes also domestic products. The analysis of the charts and top 20 thus only shows that part of the market which is successful and the extent to which the international music or film companies play a role in these products.

Interviews have been an important data source in this research. A number of interviews with the same person would have resulted in a more detailed analysis of the operation of the company. Unfortunately, the managers and managing directors of the international music and film majors were busy and only had time for one interview at best.

The accounts of the interviewees are subjective and coloured. In some cases, I asked former managers or managing directors about their work which they had done more than ten years earlier. The interview transcripts have been an important data source but show a somewhat distorted view. I have, therefore, tried to verify these oral accounts with details from other transcripts and articles and with interviews in trade journals and newspapers. However, stories in the music and film industries have sometimes become institutionalised while they may not report what actually happened. They could be distorted by for example, prejudices, business interests, and both a sincere and selective loss of memory and come to lead a life of their own. It was then difficult to find out what really happened.

The assignment of a certain artist or film (e.g. Marco Borsato and *Abeltje*) as a turning point for developments in the industry is an illustration of the creation of certain stories and coloured reports of events in the past. In my report of the developments at Warner Bros, I highlight the catalyst role of *Abeltje* and the managing director for the operation of Warner Bros. Though, a number of preceding developments such as the release of *Filmpje* at Polygram by this managing director in 1995 and the successful cooperation between Warner Home Video and Bos Bros took place before this climax.

The quantitative data analysis and the interviews were guided by a research design which had already been made before the analysis started to ensure that it was done systematically. Facts and events mentioned in one source, for example an article in a trade journal, were also checked in another source such as an interview or in market data. The conceptual framework for this research and the whole research process is described in this chapter in order to make the research process transparent, to show the sequence of research steps and to clarify concepts. The research findings are presented in the next chapters. I have tried to do this in such a way that it is clear where the data are from, how they are related to the concepts of the research, how I interpreted these data and how they confirm or disconfirm the overall picture.

In this project, I have mapped decision processes which had not been researched before. As a consequence of the explorative character I was unable to discuss in-depth case studies. The case studies presented in this book are a first attempt to understand the operation of music and film majors in the Netherlands. Future research can depart from these and study the individual companies in more detail. The three cases in the two industries show that there are differences between the industries and between the companies. The case studies sketch the differences in operation of the majors in the Dutch music and film market that have both music and film products. These findings can help to better understand the operation of music and film majors that only have either music or film products. Some general patterns on how to combine commerce and creativity in cultural goods and how to cope with high risks also hints at the way processes run in other cultural industries (e.g. television or book industry) in the Dutch market and in the same industries (music and film) in other markets.

Ethical responsibility

The interviewees were informed about the project by an introduction e-mail or letter and at the start of the interview. At the end of the interviews, I gave them the opportunity to ask questions and to make comments. Their position and the period (1990-1994, 1995-1999 and 2000-2005) in which they were working or used to work for the company is added to the transcripts so that it is clear whose experience or vision it is and to which time period it refers. Names are not included because it was easier to obtain permission to use the quotes and also to ensure privacy. The transcripts of the key interviewees (people that were working or used to work for the case companies) were sent to give them the opportunity to check and correct them. Some interviewees asked me to contact them again if I used quotes from their interview in my research which I did. Chapter 5 and 6 describe the main players, developments and the relation between global and local products in the Dutch music and film market between 1990 and 2005. The studies on the operation of the music and film divisions of Sony, Universal and Warner in the Netherlands are presented in chapter 7 and 8.

Chapter 5

The Dutch Music Market, 1990-2005

Before the decisions and processes at the music and film subsidiaries of Sony, Universal and Warner are explored, this and the next chapter provide an overview of the Dutch music and film market and its institutional context from 1990 to 2005. These chapters are based on the analysis of the market data (including the chart analysis and the analysis of the film top 20) and desk research of reports, trade overviews and policy documents. They provide insights in the most successful products and position of the music and film division of Sony, Universal and Warner and their competitors in order to assess how the majors operate in the Dutch market. In chapter 7 and 8, the reasons for this local operation strategy and how it is affected by market developments, corporate culture and strategies, and company changes are analysed to understand why they operated in this way. In the conclusion, the combination of insights derived from these four chapters will shed light on how and why companies in the international cultural industries operated in a local market in a climate of globalisation and an increasing interest for domestic products.

This chapter focuses on how different companies operate in the Dutch music market. It examines the role of the different companies and the most popular music products between 1990 and 2005 based on album chart analysis, especially in terms of the relation between local and global repertoire. After a brief introduction of the market, the main policy and market developments are described. This is followed by a discussion of the majors and the main independent companies and their particular role in the market. Each company is described in terms of historical development, position in the Dutch music market and most popular repertoire sources, artists and genres. This chapter ends with a characterisation of the music market in terms of the relation between local and global repertoire, most important genres, most important companies and their music products. The Dutch film market is discussed in the next chapter.

The Dutch music market

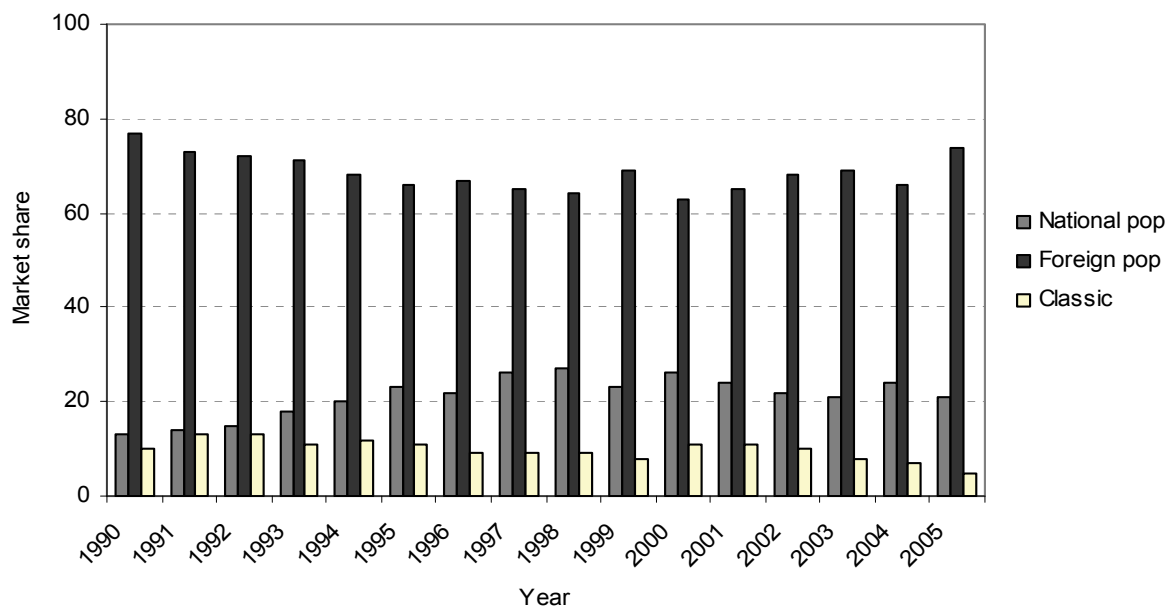
The Netherlands is a relative small country with 16.3 million inhabitants in 2005.¹⁸ It is, however, often ranked in the top 10 of the most important worldwide music markets in terms of sales volume in dollars. (IFPI) The Dutch music market generally follows

¹⁸ CBS (Central Bureau Statistics, the Netherlands)

worldwide trends. In the early 1990s, it (Dutch and foreign releases) grew in terms of volume and sales. The CD was then still a relatively new sound carrier and Dutch consumers replaced music from LPs to CDs. They were among the early adopters of the CD and replaced their LP collection rapidly. From 1992 onwards, the volume and sales of CDs generally showed a downward trend but there were temporary recoveries in 1997 and 2000. (NVPI Marktinformatie Audio 1990 and 2005) At the end of the 1990s Dutch consumers also rapidly adapted to downloading and storing music on their computer or MP3 player. Their (illegal) downloads often substituted the purchase of a CD and this resulted in a further fall in CD sales. (NVPI Marktinformatie Audio 2005)

NVPI figures show that between 1990 and 2005 the market share of national pop fluctuated between 13% in 1990 and 27% in 1998. (See figure 5.1) From 1991 to 1998 the market share increased but decreased after 1998. In 2005, it was down to 21%. (NVPI) Foreign popular music thus was always more important than national popular music between 1990 and 2005. Classical music had a steady minority share of on average 10% during this period.

Figure 5.1 Market shares for national and foreign pop and classical music in the Dutch music market, 1990-2005



Source: NVPI

Policy

The Dutch music sector has always been more a private market as opposed to a sector which depends on subsidies such as the Dutch theatre and film sector. In Dutch cultural policy, popular music has long been supported for youth culture reasons: to entertain the youth and avoid public nuisance. (Nuchelmans, 2002: 123) Instead of subsidising musicians, venues were supported to schedule concerts of Dutch bands. Stichting

Popmuziek Nederland (SPN – Netherlands pop music foundation) was subsidised by the national government to develop and promote Dutch popular music that was not produced by the major companies in the Dutch music market. From 1997 to 2007, the SPN was called the Dutch Rock and Pop Institute (NPI) while the support and focus remained the same. It was still a publicly funded organisation for the development and promotion of national pop in the national and international market.¹⁹ Conamus is an important market initiative for the support of Dutch music.²⁰ It was founded in 1961 by Buma, the association of Dutch music authors and music publishers, and has since organised events to showcase Dutch music acts to a national and international audience (e.g. Amsterdam Dance Event and Noorderslag) and had stands to promote Dutch music at national and international music industry trade fairs such as Midem and Popkomm. Conamus and Stichting Popmuziek Nederland each had individual activities but also jointly developed projects.

During the 1990s, however, Dutch popular music was quoted in Dutch cultural policy as an example for other art sectors. Rick van der Ploeg, State Secretary for Education, Culture and Sciences (responsible for Culture, Heritage and Media) from 1998 to 2002, saw popular music as a sector that was keen to survive, to succeed with less money and to attract young people. (Nuchelmans, 2002: 125) In co-operation with the Ministry of Foreign Affairs export programs to support performances of Dutch bands abroad were created. MusicXport that was introduced in 2001 is an example of this. It is an initiative of Conamus and the NPI that includes providing information about Dutch bands to foreign bookers, festivals and agents and advising Dutch acts on releases and gigs abroad. In 2005, the innovation platform (national platform initiated by the Dutch government to stimulate innovation in the Netherlands) labelled the creative industries and the popular music sector in particular as leader for economic growth for the following few years. The platform classified these sectors as driving forces to create a distinct profile for the Netherlands abroad and for growth of the information economy.

Dutch popular music was thus supported by subsidised venues, promotion by sector organisations and by tour support for Dutch artists and seen as an innovative sector and engine of growth. However, there, was no real direct government intervention in the Dutch music industry as there was in France with radio quotas for national music and in the United States with its policy against illegal music downloads and copies.²¹ Consequently, Dutch popular music policy neither directed nor encouraged the operation and the number of Dutch artists signed at majors. State interference in facilitating

¹⁹ From 1 January 2008, the Dutch Rock and Pop Institute merged with other Dutch music organisations (e.g. classical music and jazz) into Music Centre the Netherlands (MCN).

²⁰ From 1 March 2006, Conamus continued its activities under the name Buma Cultuur.

²¹ 'Federal law provides severe civil and criminal penalties for the unauthorized reproduction, distribution, rental or digital transmission of copyrighted sound recordings. (Title 17, United States Code, Sections 501 and 506). The FBI investigates allegations of criminal copyright infringement and violators will be prosecuted.' (http://www.riaa.com/physicalpiracy.php?content_selector=piracy_online_the_law)

performances of developing acts and market forces that defined music production and distribution were two separate processes.

Developments

At the beginning of the 1990s, the CD was the main music carrier in the Dutch market. In 1992, it was responsible for 95% of the turnover in the album and single market in the Netherlands. (Rutten et al, 1996) In line with the fall of global record sales, the volume and sales of CDs in the Dutch music market declined over the years. However, this decrease in music sales started early in the Netherlands as the Dutch CD-player market was already saturated in the early 1990s. At this time the Dutch music market also faced two other problems that were related to the decline in CD sales: parallel imports and piracy. Importers bought the CDs that were released by subsidiaries of the majors in the Netherlands abroad and then sold them at a lower price than the release by the Dutch subsidiary. Illegal CD compilations and pirate CDs also competed with legal releases. In 1994, 8% of all albums that were sold in the Dutch market were pirate products. (*Music and Copyright*, 1995 (71): 10)

The share for national music repertoire decreased in the mid 1980s but regained this market share in the early 1990s. In 1995, the market share was bigger than in 1985 after which the downward trend started. (Rutten et al, 1996) Dutch popular music rose in popularity and now compensated the decline in music sales. The popularity of domestic repertoire was part of a wider European trend of an increasing demand and success for local popular music. It became successful in other European countries such as Germany, Belgium and Spain but also in other continents. The Polygram Annual Report concluded that ‘...1995 was a big year for domestic pop almost everywhere.’ (Polygram, 1996: 14) The decline in sales for successful international megastars is an explanation for this development. Other explanations include the start up of small companies that focused solely on Dutch music and the improved quality and professional approach of Dutch music products. (Rutten et al, 1996)

Changes in the Dutch broadcast media sector also affected the popularity of Dutch popular music. In 1992, two new radio stations entered the Dutch music market: Radio 538 and Radio Noordzee Nationaal. The former used a hit-format while aiming at a youth audience and developed into an important dance radio station. The latter focused on Dutch mainstream popular music. In 1995, this accounted for 94% of their broadcasting time. (Rutten et al, 1996: 66) Radio Noordzee Nationaal did not initiate this revival of Dutch popular music but rather encouraged the continuation of this trend. The radio station started when Dutch popular music had already become increasingly popular. The Music Factory (TMF) started in 1995 as the national competitor of international MTV. TMF became an important platform for dance, hip hop and R&B music and for breaking domestic artists. It distinguished itself from MTV by offering Dutch speaking presenters, by focussing on pop events in the Netherlands and by playing more popular ‘top 40’ tunes and Dutch music. According to Van der Rijt, d’Haenens, Jansen and Vos, TMF better

adjusted their programmes to local target groups such as the Dutch house and hip hop youth cultures than MTV. (2000: 79) The expansion of media channels thus improved promotion opportunities and media attention for Dutch artists. It further stimulated the popularity of music by Dutch artists but also offered room for new genres to develop and break into the Dutch market.

The most important genres in the revival of Dutch music were (Dutch language) middle of the road music, folk repertoire and dance music. (Rutten et al, 1996) Dance music was then a new genre but Dutch dance rapidly developed a worldwide reputation. In 1995, there were about 200 independent dance labels active in the Netherlands. Their genres ranged from house to techno and from hardcore to trance. (*Music and Copyright*, 1995 (71): 8) Ten years later, dance music provided about half of the added value of Dutch music export in 2004 (€ 31.6 million). (Rutten & Hogendoorn, 2006) *Music Business International* (October 1997) and *Music & Copyright* (September 1998) both also observe a growth in R&B and soul music in the Netherlands which is mainly produced by the county's ethnic groups. Worldwide, the popularity of local music started slowing down in 2001. (IFPI, 2003) The market share for Dutch music, nevertheless, had already been falling since 2000.

Technological changes such as Internet, CD-burning, mobile technologies and the introduction of the MP3 format at the end of the 1990s influenced CD sales. Unauthorised copying and file-sharing caused declines in sales and resulted in an increase in piracy initiatives. (IFPI, 2002) Bakker (2004), however, concludes that is not clear how much this decline was an effect of downloading. The economic recession could also be an explanation. (Bakker, 2003a) On the contrary, Dutch music products gained popularity, the number of concerts and music festivals increased and the price for concert tickets rose. (Bakker, 2004) Dutch consumers continued spending money on music, but perhaps they no longer spent it on CDs anymore. (Idem) Music DVDs were introduced at the time of the technological changes and their sales grew rapidly worldwide. However, they accounted for a very small share in the total album sales in the Netherlands between 2002 and 2005 (not more than 200,000 units in a year according to NVPI overviews).

The music companies in the Netherlands were thus faced by a number of developments. Dutch music products became more popular, new music genres developed, CD sales declined and MP3 and downloading became more widespread. These developments caused a dynamic and uncertain music market.

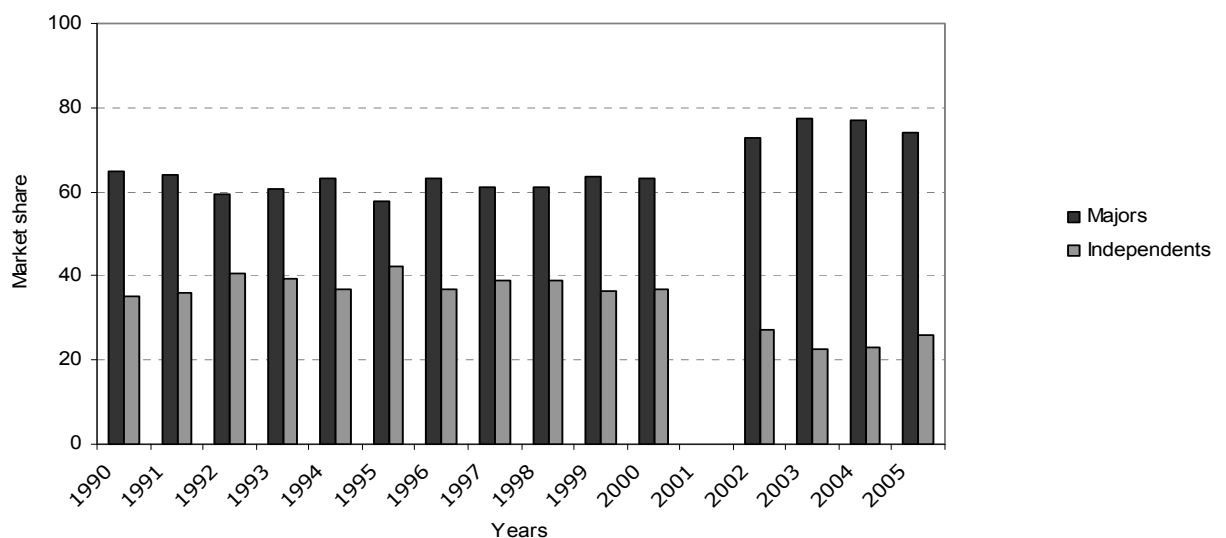
Main players

In the description of the music industry in chapter two, I stressed that a few major record companies have a dominant role in the international recording market while smaller independent ones play a minor role. Figure 5.2 shows that the major record companies in the Dutch music market together always had a majority share between 1990 and 2005. In 1990, five major record companies: BMG, EMI, Polygram, Sony and Warner controlled 65% of the Dutch music market. In 1994, MCA entered the Dutch market which was

renamed into Universal in 1996. Polygram has also been part of Universal since 1998. Sony and BMG merged into SonyBMG in 2004. Consequently, in 2005, there were four majors in the Dutch music market, EMI, Sony/BMG, Universal and Warner, that accounted for three-quarters of the market (74%). The number of major music companies thus decreased from five to four between 1990 and 2005.

Although the majors have a majority share in the Dutch music market, independent music companies play a role as well. The independents had the highest market share between 1990 and 2005 (42%). In this year only major Polygram had a bigger market share than independent Arcade which had an extremely high market share of 13% due to a large number of very successful Dutch artists. After 1995, the independents lost market share but had an average of 38% for a number of years. From 2002 to 2005 their average market share was 25%. There are a number of local independent record companies, some of which started in the 1950s (Dureco, Munich and CNR), while others emerged in the 1980s (Dino, Disky, PIAS). Dance labels are the latest addition. For some years the biggest independent music company Arcade (start in the early 1970s) was bigger than the smallest majors. Arcade was very successful in its release of compilation albums with successful tracks it had licensed from majors and independent companies.

Figure 5.2 Market shares for major and independent record companies in the Dutch music market, 1990-2005



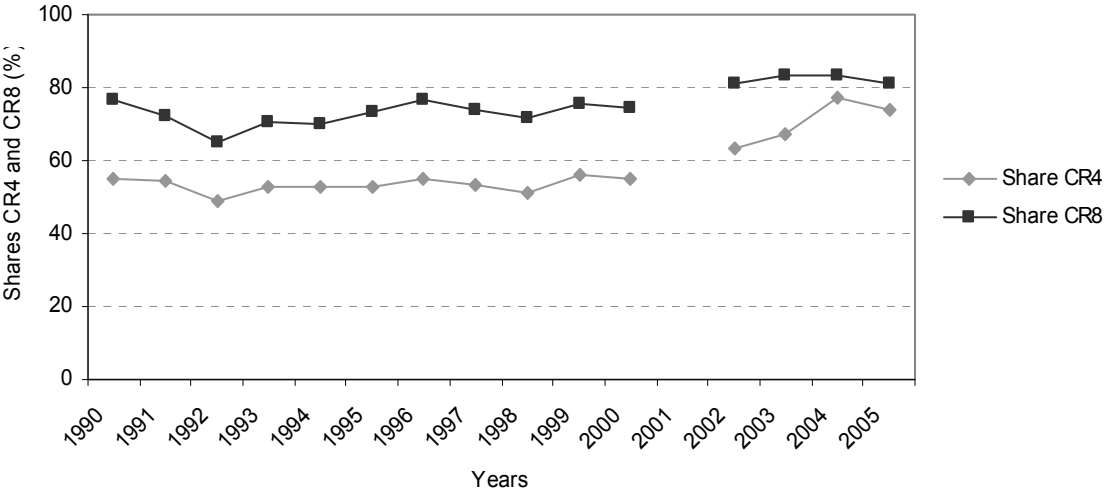
Source: NVPI audiomarkt 1990-2000, 2002-2005, *Music and Copyright*, 1995 (68): 5

These bars are based on the sum of market shares for majors and independent companies as published in NVPI overviews (The NVPI is the Dutch Association for Producers and Importers of Image and Sound Carriers and is affiliated to the IFPI). The NVPI members represent the majority (74%-88%) of the companies in the Dutch music sector from 1990 to 2005. The NVPI market shares have therefore been recalculated according to the percentage of the total number of companies that are members of the NVPI. There are no statistics available for 2001.

Figure 5.3 and 5.4 show the four and eight-firm concentration ratio and the Herfindahl-Hirschman Index for the Dutch music market from 1990 until 2005 to indicate how power and success is divided among the record companies. The four and eight firm concentration ratio (CR4 and CR8) measures the accumulated percentage of the four or

eight largest firms respectively in a particular market. In its calculation the Herfindahl-Hirschman Index (HHI) includes the total number of firms and their market shares.²² Besides the firm concentration ratio, the HHI is used because the use of the CR4 and CR8 is flawed by the small number of majors in the market. There are only four or five large international music companies. They are likely to be the four largest firms in the market. The HHI takes the number of companies in the market into account and also their size. The more the companies in the market are equally sized, the more likely it is that there is significant competition. Large differences in size between the company's in the market, for example a major company and a few smaller ones, will result in power concentrations and less competition between the firms. It holds that the higher the share of a large company, the higher its squared market share which then indicates a high market concentration. During the 1990s, the Dutch music market can be described as moderately concentrated. In 1992, it was least concentrated due to a relatively high number of independent companies. From 1990-2000, the four largest firms (Polygram, BMG, Sony and Warner) had a share of 49% of the market while the eight largest firms (also EMI, CNR, Virgin and EVA²³) had a market share of 65%. From 2002 onwards, the market was highly concentrated with a peak in 2004 when Sony and BMG merged. In 2004, the four largest companies were the majors. EMI, Sony/BMG, Universal and Warner together accounted for 77% of the market. The four largest independent companies only added 9.5% market share. Between 1990 and 2005, the number of majors decreased while their role in the Dutch music market increased. In the new millennium, the four largest firms were always four majors that reached a market share that was approximate to or even equalled the share of the eight largest firms (majors and independents) in the 1990s.

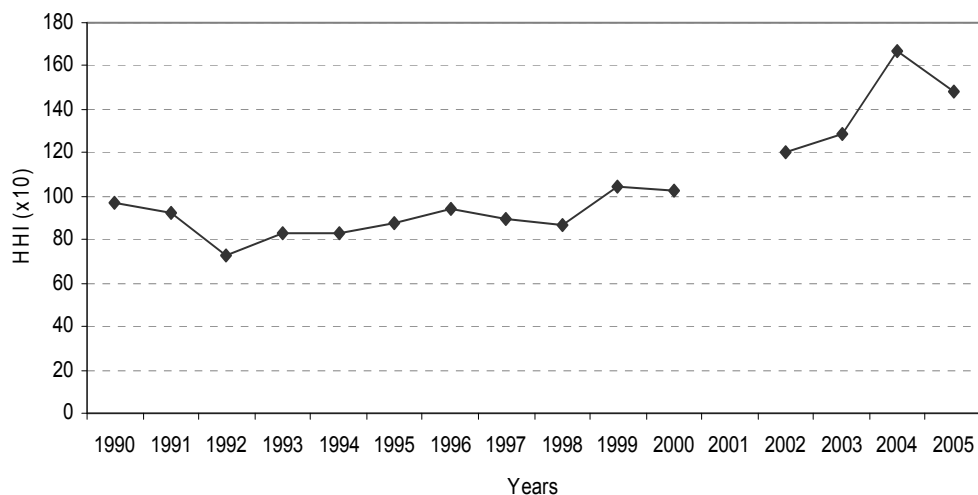
Figure 5.3 Concentration rate of the Dutch music market, 1990-2005 (CR4 and CR8)



²² The HHI is the sum of the squared market share. $HHI = \text{market share company A}^2 + \text{market share company B}^2 + \text{market share company C}^2 \dots$

²³ EVA, however, is a label that is created by EMI, Virgin and BMG to release compilation albums together.

Figure 5.4 Concentration rate of the Dutch music market, 1990-2005 (HHI)



Source: NVPI Audiomarkt 1990-2000, 2002-2005, *Music and Copyright*, 1995 (68): 5

These concentration graphs are based on the market shares for majors and independent companies as published in NVPI overviews. See note figure 5.2 for more information.

The majors

At present all music majors have a local office in the Netherlands and are located in Hilversum or Baarn where the majority of the Dutch media and entertainment companies is clustered. Some majors have their origins in local music companies (EMI and Sony) which had a roster of local artists and licenses for foreign labels. During the 1960s, these local companies were partly taken over by major foreign music companies. At the beginning of the 1990s, the original local music companies were completely owned and controlled by the majors. Other major record companies set up a company in the Netherlands (Polygram) or immediately opened a sales office in the Dutch market (Ariola – later BMG), or had licensing deals even before they started their own sales office (RCA – later BMG and MCA - later Universal) or were distributed for a long period by different distributors in a row before they started their own sales office (Warner). These majors are now discussed in more detail in alphabetical order. First, an historical overview is given of how the majors operated in the Dutch market. This is followed by a description of their market share and the number of albums they had in the album top 100 in three different periods: the early 1990s, the mid 1990s and the first years of the new millennium. These albums are further analysed in terms of their ranking in the album top 100 and the countries of origin of the artists. The most popular Dutch and international artists and their various music genres are described.

BMG

Bertelsmann Music Group (BMG) was the music subsidiary of the German Bertelsmann Media Group that initially primarily operated in Europe. However, it acquired stakes in or took over whole American record companies over time to operate competitively

worldwide. The acquisition of the American label Arista at the end of the 1980s is a good example of that. BMG emerged in the Dutch market after the merger between American RCA (Radio Corporation of America) and Bertelsmann label Ariola in the 1980s. Both companies had already been active in the Dutch music market before operating under the BMG name. RCA had had licensing deals for its American repertoire since the 1950s before it started its own sales office in 1982. Ariola opened a sales office when it entered the Dutch market in 1969. (Christianen, 1994) BMG bought some shares in independent music companies in the 1990s. In 1994, it bought a 50% share in independent Dino. Dino mainly focused on repertoire by Dutch artists. In 2001, EMI took a majority share in Dino. In 1996, BMG acquired a stake in independent Zomba which resulted in a complete take over in 2002. After a merger with Sony in 2004 it became known as SonyBMG. In October 2008, Sony bought BMG out and announced that the company would be renamed as Sony Music Entertainment.

In the early 1990s, BMG was the second main major music company in the Netherlands. While there was an approximate 10% difference with Polygram in 1990, there was only a 5% difference three years later. In 1994, Sony surpassed BMG in terms of market share. Until 2000, BMG remained the third major in the Dutch music market. In 2002 and 2003 EMI surpassed Sony while Sony still had a slightly larger market share than BMG. In 2004 and 2005 when BMG was part of SonyBMG, it was the major player in the Dutch music market. BMG's market share was quite stable during the research period with a standard deviation of 1.4 and a smallest market share of 9.3% in 2000 and the biggest of 14.1% in 2003.

A majority of the 154 BMG albums in the Dutch annual album top 100 between 1990 and 2005 were from the United States (27.7% - 41 albums), the Netherlands (22.3% - 33 albums) and the United Kingdom (14.2% - 21 albums). Belgium (10.1% - 15 albums), Ireland (9.5% - 14 albums), Italy (4.7% - 7 albums) and Germany (4.7% - 7 albums) were also important repertoire sources. During the research period, BMG, a German company, only had seven albums from Germany in the Dutch annual album top 100. The prominence of BMG albums by American artists and the position of these albums in the charts is also visible in the development over time. (See table 5.1) The shares in table 5.1 represent the portion of the maximum score of all albums in the top 100 in that period (all positions taken by companies together) and are thus not the percentage of albums of BMG that reached this top in that period. Over time, the success of albums by UK artists declined while it increased for albums by Dutch artists. Besides these three most important repertoire sources, several European artists also reached the Dutch album top 100 with their BMG albums. The success of BMG albums by Belgian artists (Vaya Con Dios, Helmut Lotti and K3) was remarkable. They were most successful in the last period and least successful between 1995 and 1999. Italian singer Eros Ramazotti (1990-1994) and Irish artists Clannad (1990s) and Westlife (2000-2005) were less popular. The success of albums by German artists (e.g. dance acts Snap and Modern Talking) was already relatively small and decreased between 1990 and 1999. Between 2000 and 2005 there were no BMG albums by German artists in the album top 100.

Table 5.1 Share of success (%) and number of albums of BMG in album top 100 by top 5 most important countries (based on positions in a year)

	1990-1994 (N=41)		1995-1999 (N=49)		2000-2005 (N=64)
UK	1.64 (8)	USA	3.07 (13)	USA	3.35 (20)
USA	1.62 (8)	NL	2.36 (12)	NL	3.19 (18)
Belgium	1.01 (4)	UK	1.28 (8)	Belgium	2.00 (8)
NL	0.75 (3)	Belgium	0.73 (3)	UK	1.05 (5)
Italy	0.73 (2)	Ireland	0.45 (5)	Ireland	0.42 (7)
<i>Germany</i>	0.72 (4)	<i>Germany</i>	0.41 (3)	<i>Germany</i>	0

In the last period only albums until 2003 are included. Afterwards albums on the BMG label are included in the SonyBMG figures. UK: United Kingdom, USA: United States, NL: the Netherlands

The share is based on positions of all albums of a company in the top 100. The album in the first position in the top 100 receives 100 points. The album in the 100th position receives one point. Per company all album scores for each of the three periods (1990-1994, 1995-1999 or 2000-2005) are added up and divided by the total number of points (maximum score) for that period. For 1990-1994 and 1995-1999, the calculation is: $(\text{points_sum}/25250)*100$. For 2000-2005, the calculation is: $(\text{points_sum}/30300)*100$.

BMG had a varied roster of artists with albums in the top 100 between 1990 and 2005. They had a large number of successful female singers and bands that focused on a particular audience. Except for one Dutch pop band, Volumbia! (successful in the second and third period), the most successful BMG artists in the charts were different for the three periods. Between 1990 and 1994 Belgium pop act Vaya con Dios was their most successful act. Saxophone player Candy Dulfer with her funk music was the most successful Dutch artist. Between 1995 and 2000, the most successful artists were Dutch with pop/dance group Total Touch being the most popular. Other successful BMG artists in the Dutch album charts were TLC and Toni Braxton (the international successful R&B females of that moment) and British boyband Take That. In the last period, a Belgian children's act, K3, was the most successful followed by Kane, a Dutch rock band. K3 is not developed by BMG Belgium but licensed from Studio 100, the Belgian children and family entertainment company, that developed the act. Female singers Alicia Keys (USA – R&B/Soul) and Dido (UK – pop) were the most popular international BMG artists in the Dutch charts in this period. The successful BMG artists performed in a range of popular music genres. Their pop albums were always very popular. In the first two periods, dance was also a successful genre while in the last two periods R&B/Hip hop became more popular. In the first period, world music (e.g. Clannad and Eros Ramazzotti) was also quite successful whereas in the last period rock (Avril Lavigne and Kane) was a prominent genre.

Table 5.2 Share of success (%) and number of albums of BMG in album top 100 by top 3 genres (based on positions in a year)

	1990-1994 (N=41)		1995-1999 (N=49)		2000-2005 (N=64)
Pop	3.11 (13)	R&B/Hip hop	2.82 (11)	Pop	3.84 (25)
World music	1.69 (6)	Pop	2.12 (12)	Rock	2.64 (15)
Dance	1.03 (4)	Dance	1.69 (7)	R&B/Hip hop	1.65 (9)

In the last period only albums until 2003 are included. Afterwards albums on the BMG label are included in the SonyBMG figures. The catalogue of the Central CD library Rotterdam was used for the genre classification of the albums. For explanation of the calculation of the shares, see note table 5.1.

In summary, BMG's most popular artists were thus either from Belgium or the Netherlands. In general American repertoire was always more successful than Dutch repertoire but the difference in success diminished over time. British repertoire was popular as well but became less prominent in the last two periods.

Classification of the genres

The indication of the genre of an album is based on the genre classification in the online catalogue of the central CD library in Rotterdam (CDR), the Netherlands. They have distinguished main genres and subgenres. I have primarily used their main genres to analyse the genres of the most successful products. One of the genres, however, was "various". I have chosen to include the relevant subgenres of this main genre as a genre. Sound effects, historical documents, karaoke and religious pop were indicated as subgenres of the genre "various" but did not appear in the data and were therefore not included. Below, the main genres are shown with their subgenres.

The online catalogue of the CDR was selected as source for the classification of the albums in genres because the catalogue contains all albums that are released in the Netherlands. The use of different reference sources for the classification of the albums in genres could have led to inconsistencies. The genre classification of the CDR unfortunately also has some flaws. In some cases, the genre in which a particular album is classified is less straightforward than it would usually be classified as. This is especially the case for albums that are classified as world music which also includes artists from Europe in the CDR. The genres therefore have to be read as an indication. The focus is here on the relationship between domestic and international products and specifically American and British products. Future research could analyse the differences in genres between the different majors in detail.

Avantgarde: avantgarde, ambient

Children's repertoire: children's repertoire, songs, fairy tales, Sinterklaas

Classical music

Dance: dance, disco, drum & bass, house/techno/trance, jazzdance, breakbeat, downtempo, lounge, electro/synthipop

Films and musicals: film music and musicals, musical, soundtrack, TV serie

Instrumental: fanfare, instrumental, mechanical music instruments

Jazz: jazz, mainstream and swing, modern avant-garde jazz, old jazz revival

Pop: popular music, boyband/girlband and Dutch product

R&B/Hip hop: R&B, Hip hop, neo soul, reggaeton

Rhythm & Blues: Rhythm & Blues, funk, soul, reggae/ska/dancehall, doo-wop, gospel/spiritual

Rock: rock, alternative pop/rock, sixties/beat, progrock/symfo, hardrock/metal, punk/hardcore, nu-metal

Roots: Roots/Americana, blues, country (& western), folk, rock&roll/rockabilly, singer/songwriter

Various: Cabaret, Christmas, New Age

Vocal: German vocal, English vocal, French vocal, vocal other languages, Dutch-language

World music: Western Europe, Eastern Europe, South and South-Eastern Europe, North Africa and Middle East, West Africa, Central and South Africa, North America, Asia, other regions and compilation albums, rai, latin

Bold labels are used in this research and chapter.

EMI

The British company Electric and Musical Industries (EMI) entered the Dutch music industry by taking a share in Dutch distributor Bovema in 1969 and took over the company in 1973. Bovema had already imported EMI repertoire into the Dutch music market since just after the Second World War. Bovema had a local artist roster which was combined with the EMI repertoire within the EMI Bovema company. In 1992, EMI Bovema became EMI Music Holland BV, a 100% owned subsidiary of EMI. EMI bought the Virgin Music Group in 1992 but both companies operated separately in the Dutch music market until 2002. At the end of 2000, EMI announced that it would take a 75% share in Dutch independent record company Dino Music. In April 2004, it acquired the remaining 25% share and Dino became one of the EMI labels. It always had a large roster of local artists and had been owned by BMG for 50% since 1994. Between 1990 and 2000, EMI had an average share of 9% in the Dutch music market and was thus one of the smaller major companies. During the second period its market share was significantly higher with an average of 18% which was probably due to the addition of Virgin in 2002 and EMI's share in Dino. The increased market share resulted in a second market position in 2002 and 2003.

The chart analysis shows that most of the music products by EMI in the Dutch annual album top 100 from 1990 to 2005 (212 albums) were from the United Kingdom (40% - 85 albums), its home country. The share of Dutch products was in second place (30.7% - 65 albums) while the United States was the third repertoire source for its most popular products (13.7% - 29 albums). Belgium, France and Sweden followed at quite a distance (respectively 3.3% (7 albums), 2.8% (6 albums) and 2.4% (5 albums)). However, a more refined view emerges when the positions of the albums are taken into account and the research period is split into three parts, 1990-1994, 1995-1999 and 2000-2005. (See table 5.3) Products from the United Kingdom and the United States were more successful in 1990-1994 and 2000-2005 than in 1995-1999 while the success of Dutch EMI music products increased during the research period. The Netherlands was even the most successful repertoire source in the last two periods. In all periods American artists were less successful than British ones and in the period 1995-1999 even just as successful as Belgian artists (Clouseau and Dana Winner). The high share for Sweden in 1990-1994 was caused by the popularity of the Swedish rock band Roxette, which was a very popular act of EMI Holland at that time. British and Dutch EMI albums were most successful in

the Dutch charts in the period 2000-2005. This success might reflect the acquisition of Virgin and Dino that specialised in music by British or Dutch artists respectively.

Table 5.3 Share of success (%) and number of albums of EMI in album top 100 by top 5 most important countries (based on positions in a year)

	1990-1994 (N=57)		1995-1999 (N=45)		2000-2005 (N=110)
UK	4.03 (23)	NL	2.86 (12)	NL	8.18 (43)
USA	2.32 (12)	UK	2.24 (16)	UK	8.14 (46)
NL	1.47 (10)	USA	0.76 (4)	USA	2.44 (13)
Sweden	1.28 (4)	Belgium	0.74 (4)	France	0.83 (4)
Spain	0.62 (2)	Germany	0.73 (2)	Australia	0.31 (2)

In the chart analysis products on the Virgin label are only included in the EMI figures after 2001 when EMI and Virgin operated as one company in the Dutch music market. Dino albums are included in these figures after 2000. For explanation of the calculation of the shares, see note table 5.1.

When analysing the most popular artists in the album chart lists, it can be concluded that EMI had a roster with some big established UK stars and bands (Joe Cocker, Queen and The Beatles), golden oldie Tina Turner (USA) and Dutch singers (André Hazes and Rob de Nijs) but also up and coming British, American and Dutch artists (Coldplay, Robbie Williams, Norah Jones and Bløf). In the first period, Queen, Roxette (rock band from Sweden) and Tina Turner were EMI's most successful artists in the Dutch music market. The most successful Dutch artist was Jan Vayne (piano player). In the second period, the most successful EMI act was the Dutch pop rock band Bløf. British R&B group Eternal, French singer Emma Shaplin and Belgium pop group Clouseau were EMI's most successful international artists. British pop singer Robbie Williams ranked top in the third period while the most popular Dutch act was André Hazes (Dutch popular songs). Bløf, Norah Jones (American pop-jazz singer) and Anouk (Dutch rock singer) were also highly successful EMI artists in the last period. EMI's most successful products were in the rock and pop genres. In the first two periods, their R&B/Hip-hop albums were also quite popular (Beastie Boys and Eternal). In the last period, EMI's share in rock and pop increased significantly and jazz (Norah Jones) became more popular.

Table 5.4 Share of success (%) and number of albums of EMI in album top 100 by top 3 genres (based on positions in a year)

	1990-1994 (N=57)		1995-1999 (N=45)		2000-2005 (N=110)
Rock	6.97 (32)	Rock	3.09 (18)	Rock	8.26 (49)
Pop	2.10 (12)	Pop	2.34 (12)	Pop	6.22 (30)
R&B/Hip Hop	0.86 (5)	R&B/Hip Hop	0.86 (5)	Jazz	2.27 (9)

In the chart analysis products on the Virgin label are only included in the EMI figures after 2001 when EMI and Virgin operated as one company in the Dutch music market. The catalogue of the Central CD library Rotterdam was used for the genre classification of the albums. For explanation of the calculation of the shares, see note table 5.1.

In summary, EMI's most popular artists were either British or Dutch. Dutch repertoire became as successful as or even more successful than British repertoire for EMI in the Netherlands. American artists were popular as well but generally less prominent EMI artists.

Polygram/Universal

Polygram originated from a 1972 merger between the German label Polydor (owned by Siemens) and the Dutch label Phonogram (owned by Philips). Both electronic manufacturers had created a record label to stimulate their sales of record players. In 1962, they created a joint venture by taking a 50% share in each other's label. It resulted in the 1972 merger. In 1987 Polygram became a wholly-owned subsidiary of Philips. Phonogram started as Philips Phonographic Industry in 1950. Philips already had sales offices all over the world for their electronic products and now started signing local artists in these countries. The local office in the Netherlands focused on signing local artists and also on acquiring classical music for worldwide distribution. Polygram was thus rooted in the Netherlands with both the Dutch subsidiary as well as the international headquarters of the globally operating record company located in this country. However, it acquired a number of American and British labels over time that provided them American and British back catalogues. (e.g. Mercury Records in 1960, Island Records in 1989, A&M in 1990 and Motown in 1993) In May 1998, Philips announced the sale of Polygram to the Canadian company Seagram. Seagram, which started as a spirits and wine company, already owned Universal Music (the former MCA). Polygram as brand name was replaced by Universal Music while the sub labels of Polygram (e.g. Polydor, Mercury) were added to the MCA label. The repertoire of MCA was first distributed in the Netherlands by the major BMG. In April 1994 MCA opened its own sales office in the Netherlands and in 1996, MCA was renamed into Universal Music. From 1990 to 1998, Polygram had the biggest market share of the majors with an average share of 18.7%. From 1999 to 2003, Universal held that position with an average market share of 22.3%. In 2004, the merged company SonyBMG took the largest share of the market.

Between 1990 and 2005 most of the music products in the Dutch album top 100 were by Polygram (152 albums) and Universal (277 albums). Most popular music products of Polygram came from the Netherlands (37.5% - 54 albums), its home country. The United Kingdom (22.9% - 33 albums), the United States (20.1% - 29 albums) and Italy (4.9% - 7 albums) were also important countries for Polygram. The most popular Universal music products came from the United States (41% - 111 albums), and thus played a prominent role. Universal artists from the Netherlands (16.6% - 45 albums), the United Kingdom (13.7% - 37 albums), Ireland (7.0% - 19 albums) and Italy (6.3% - 17 albums) were also very successful. With the positions of the albums taken into account and the research period split into three periods, the following developments are visible in table 5.5. Albums from the United Kingdom and the United States were more successful than the Dutch albums of Polygram in the period 1990-1994. However, the ranking was

reversed in the second period when the most successful albums came from the Netherlands. During that same period, Andrea Bocelli from Italy was the fourth most successful repertoire source. Besides these countries, artists from different European countries such as Abba from Sweden, Bjork from Iceland and Era from France were popular Polygram artists in the Netherlands as well. In the period 1990-1994, Universal had no Dutch albums in the charts and their most successful music products primarily came from the United States and other Anglo-Saxon countries (United Kingdom, Ireland, Canada). (See table 5.6) In the first part of the 1990s, Bob Marley and the Wailers from Jamaica were an exception to this. The Netherlands and Italy were added to the Anglo-Saxon countries in the period 1995-1999 when Polygram became part of Universal and gained importance in the third period. The Netherlands then held the second position after the United States in the ranking of countries with most successful albums for Universal Music Netherlands. These two repertoire sources illustrate the origins of the MCA and Polygram catalogue that are combined in Universal as well.

Table 5.5 Share of success (%) and number of albums of Polygram in album top 100 by top 5 most important countries (based on positions in a year)

	1990-1994 (N=73)		1995-1999 (N=79)
UK	4.41 (20)	NL	6.31 (36)
USA	3.53 (16)	USA	2.65 (13)
NL	2.83 (18)	UK	2.20 (13)
Sweden	0.68 (3)	Italy	2.02 (6)
Iceland	0.51 (2)	France	0.50 (2)

Polygram shares include all albums released by Polygram until 1998. In that year, it was taken over by Seagram and became Universal Music. Since 1999, Polygram is seen as label of Universal Music and therefore counted as Universal. Albums by various artists from different countries such as on compilation and soundtrack albums are excluded from this table. For explanation of the calculation of the shares, see note table 5.1.

Table 5.6 Share of success (%) and number of albums of Universal in album top 100 by top 5 most important countries (based on positions in a year)

	1990-1994 (N=44)		1995-1999 (N=62)		2000-2005 (N=171)
USA	5.99 (30)	USA	4.52 (24)	USA	9.72 (57)
UK	1.61 (7)	UK	1.44 (8)	<i>NL</i>	6.03 (38)
Ireland	1.83 (3)	Ireland	1.25 (5)	UK	3.92 (22)
Canada	0.53 (2)	Canada	1.01 (4)	Ireland	2.63 (11)
Jamaica	0.36 (1)	Italy	0.95 (4)	Italy	2.35 (12)
<i>NL</i>	0	<i>NL</i>	0.94 (7)		

The shares for Universal include albums by MCA from 1996 onwards and albums by Polygram from 1999 onwards. For explanation of the calculation of the shares, see note table 5.1.

The most popular Polygram artists in the charts were a mix of artists from various countries and in several genres. However, Dutch artists became more important over time in terms of popularity. During the first period, Polygram's most successful acts were Dire Straits (British pop/rock band) and Metallica (American hard rock band). The most

popular Dutch act was the mainstream band BZN. Dutch artist Marco Borsato was a rising star and Polygram's most successful act in the charts during the second period. In that period, Andrea Bocelli (Italian singer) was the most successful international act although Dutch BZN and American pop rocker Bon Jovi were very popular as well. In the Dutch charts, the United States accounted for more successful Universal artists than successful Polygram artists. Universal, nevertheless, had an increasing number of artists in various genres and from different countries. Though, the American artists that Universal and Polygram released in the Netherlands were often signed and developed at one of the American labels that they had acquired. In the period 1990-1994, their main artists were Guns 'n Roses (American rock band) and Lionel Richie (American pop singer). They did not have successful Dutch artists during this period. The most successful Universal artists in the period 1995-1999 showed a more varied mix. American alternative rock band Live was their most successful act but The Cranberries (British alternative rock band), Boyzone (Irish boy band) and U2 (Irish rock band) were also very successful. In 1999, Dutch Marco Borsato and Italian singer Andrea Bocelli were added to these successful acts. In the last period, 2000-2005, a number of successful Universal and former Polygram artists (U2, Andrea Bocelli, Bon Jovi, Live and Marco Borsato) were still successful. Eminem (American hip hopper) and Mark Knopfler (British rock singer) were the new successful acts.

Polygram's most popular genres were rock, pop and vocal (Abba and Andrea Bocelli). The positions of rock and pop were reversed in the two periods. (See table 5.7). Rock decreased in popularity while the pop albums became more successful. Polygram's vocal albums also became more important. Although Universal's main popular genres were similar, their popularity showed a dissimilarity. Polygram had more popular pop albums whereas Universal was stronger in rock. R&B/Hip hop (e.g. Black Eyed Peas) replaced vocal to become one of three most successful genres of Universal during the last period.

Table 5.7 Share of success (%) and number of albums of Polygram in album top 100 by top 3 genres (based on positions in a year)

	1990-1994 (N=73)		1995-1999 (N= 79)
Rock	8.28 (42)	Pop	5.25 (25)
Pop	2.88 (15)	Rock	4.17 (24)
Vocal	1.18 (6)	Vocal	2.03 (7)

Polygram was taken over by Seagram in 1998 and became Universal. The catalogue of the Central CD library Rotterdam was used for the genre classification of the albums. For explanation of the calculation of the shares, see note table 5.1.

Table 5.8 Share of success (%) and number of albums of Universal in album top 100 by top 3 genres (based on positions in a year)

	1990-1994 (N=44)		1995-1999 (N=62)		2000-2005 (N=171)
Rock	6.29 (27)	Rock	6.11 (25)	Rock	10.53 (63)
Pop	1.73 (7)	Pop	2.00 (9)	R&B/Hip hop	4.80 (27)
Vocal	0.90 (3)	Vocal	1.71 (8)	Pop	3.51 (19)

From 1996 onwards albums by MCA and from 1999 onwards albums by Polygram are included in these figures. The catalogue of the Central CD library Rotterdam was used for the genre classification of the albums. For explanation of the calculation of the shares, see note table 5.1.

In summary, while Dutch repertoire was thus quite successful or even more successful than American and British repertoire at Polygram, it only gained this position in the last period at Universal when Polygram was part of Universal. The American repertoire that Universal released was always more popular than its Dutch repertoire in the Netherlands.

Sony/SonyBMG

Columbia, one of the labels of later Sony, was first distributed in the Netherlands by Philips Phonographic Industry (PPI). PPI and Columbia made a deal in 1951 that Philips would distribute Columbia records under its own label names outside Northern America while Columbia would sell Philips records in the United States. In 1961, the deal expired. Although Columbia wanted to continue the deal, PPI decided to cancel it. (Christianen, 1994) In 1956, Dutch record company Artone Gramophone started importing foreign records and it took over the distribution of the Columbia repertoire in 1963. When Columbia decided to set up its own marketing and sales office in the Netherlands in 1968, Artone became CBS Records and continued as a label and mainly distributed music by local artists. The managing directors of CBS Records Holland, however, combined the distribution of American artists with the signing of successful Dutch artists for CBS Records. Japanese hardware company Sony acquired CBS Records in 1988 as part of their strategy to set up an entertainment division to promote the sales of their hardware. Then it was Sony Music that operated in the Dutch music market. In 2004 Sony Music and BMG merged into SonyBMG. (Four years later in 2008, Sony took over BMG's stake and announced that SonyBMG would be renamed as Sony Music Entertainment.) Sony was an important player in the Dutch music market. From a third position among the majors active in the Dutch music market in the early 1990s, it became the second most successful major in 1994. Only eight years later in 2002, did Sony lose this position to EMI. While in second position, its market share was on average 13.8%. In 2004 as SonyBMG it was the market leader with a share of 26.4%.

Most of the 203 Sony albums in the Dutch annual album top 1000 1990-2005 were from the United States (49.2% - 97 albums), the country of origin of the former Columbia company. A large number of albums was also by Dutch artists (22.8% - 45 albums). A smaller number were by British artists (10.2% - 20 albums), by Canadian artists (8.1% - 16

albums) and Spanish artists (3.6% - 7 albums). The 67 SonyBMG albums that reached the Dutch annual album top 100 in 2004 and 2005 were mainly from the United States (40.3% - 27 albums) and the Netherlands (32.8% – 32 albums). A smaller number was from a British (13.4% - 9 albums) or Belgian artist (6.0% - 4 albums). When the positions of the albums are taken into account, the United States remains the country of origin of the most successful Sony and SonyBMG albums in the Dutch charts. Albums by Dutch artists were popular in all periods but most successful in the last period. British albums accounted for a smaller market share than American and Dutch artists. In the period 1995-1999, Canada (Celine Dion) ranked second, surpassing British artists who were then most popular. Each period has one or two Sony acts from a non-Anglo-Saxon country that were quite popular in the Netherlands. In the first period, it was the vocal “world music” from Julio Iglesias (Spain) and the Gypsy Kings (France). In the second period, the Belgian alternative rock group K’s Choice was quite successful, while in the last period Latin-pop singer Shakira (Columbia) was popular and reached the annual album top 100.

Table 5.9 Share of success (%) and number of albums of Sony in album top 100 by top 5 most important countries (based on positions in a year)

	1990-1994 (N=73)		1995-1999 (N=76)		2000-2005 (N=54)
USA	9.1 (41)	USA	9.54 (31)	USA	4.30 (25)
NL	2.61 (13)	Canada	3.24 (12)	NL	2.93 (19)
UK	1.4 (7)	NL	2.3 (13)	Canada	0.92 (4)
Spain	1.07 (4)	UK	2.05 (11)	Columbia	0.55 (2)
France	0.47 (2)	Belgium	0.68 (2)	UK	0.20 (2)

In the last period only albums until 2003 are included. Afterwards albums on the Sony label are included in the SonyBMG figures. For explanation of the calculation of the shares, see note table 5.1.

Table 5.10 Share of success (%) and number of albums of SonyBMG in album top 100 by top 5 most important countries (based on positions in a year)

	2000-2005 (N=67)
USA	4.01 (27)
NL	3.43 (22)
UK	1.84 (9)
Belgium	0.69 (4)
Columbia	0.24 (2)

SonyBMG is the result of a merger between Sony and BMG in 2004. From 2004 onwards albums by the labels of Sony and BMG are included in these figures. For explanation of the calculation of the shares, see note table 5.1.

The most popular Sony artists in the charts (based on positions) were female and male superstars and Dutch and Belgium acts. Michael Jackson and Mariah Carey were successful Sony artists in the first two periods. In the first period, Gloria Estefan (USA) was also very successful while Paul de Leeuw (Dutch singer) was the most popular Dutch Sony act. Celine Dion (Canada) and Acda and De Munnick (Dutch pop duo) were successful Sony acts in the last two periods. They were the most popular international and

Dutch act in the period 1995-1999. In the last period, new successful Sony artists and also the most popular international and national acts were Anastacia (American pop dance singer) and Frans Bauer (Dutch singer of sing along songs). Paul de Leeuw and Frans Bauer both were only distributed by Sony. They had signed a license contract. Their development and recording of their music was not a Sony activity. SonyBMG’s most successful artists in the Dutch album charts were mainly artists from Sony and BMG (Frans Bauer, K3, Alicia Keys and Kane) but there were also some new successful acts such as Il Divo (European classical singers) and Maroon5 (American pop rock band). Sony’s main music genres were pop and rock. The popularity of rock albums declined over time while their pop albums first increased and then decreased in popularity but remained the most important genre. In the last two periods, R&B/Hip hop also became a successful genre, especially in the period 1995-1999 (e.g. 3T and Fugees). In the first period, Sony albums with vocal music (Gypsy Kings, Julio Iglesias but also Barbara Streisand) ranked third. SonyBMG’s most successful genres were the same as Sony and BMG’s in the period 2000-2005 and ranked the same as the main BMG genres : rock, pop and R&B/Hip hop.

Table 5.11 Share of success (%) and number of albums of Sony in album top 100 by top 3 genres (based on positions in a year)

	1990-1994 (N=73)		1995-1999 (N=76)		2000-2005 (N=54)
Pop	4.88 (24)	Pop	6.28 (27)	Pop	3.46 (19)
Rock	4.32 (21)	R&B/Hip hop	3.52 (18)	R&B/Hip hop	2.25 (13)
Vocal	2.08 (9)	Rock	2.97 (15)	Rock	1.27 (10)

In the last period only albums until 2003 are included. Afterwards albums on the Sony label are included in the SonyBMG figures. The catalogue of the Central CD library Rotterdam was used for the genre classification of the albums. For explanation of the calculation of the shares, see note table 5.1.

Table 5.12 Share of success (%) and number of albums of SonyBMG in album top 100 by top 3 genres (based on positions in a year)

	2004-2005 (N=67)
Rock	2.46 (15)
Pop	2.4 (17)
R&B/Hip hop	2.31 (14)

From 2004 onwards albums by the labels of Sony and BMG are included in these figures. For explanation of the calculation of the shares, see note table 5.1.

In summary, Sony’s and Sony BMG’s most successful artists and repertoire sources were American and Dutch with the exception of Canadian Celine Dion. In contrast to other major companies, the success of Dutch repertoire at Sony and SonyBMG did not significantly fluctuate during the research period. American repertoire was always most successful.

Warner

In the 1970s, three American labels, Warner/Reprise, Elektra/Asylum and Atlantic decided to operate together as WEA records. They operated with eight offices worldwide, one of which was opened in the Netherlands in 1975. Only Atlantic had been distributed before in the Netherlands by a range of different labels that varied every two years. The other two labels, Elektra and Warner Brothers, were not or to a lesser extent distributed by different labels in the Netherlands. (Christianen, 1994) WEA Records was later renamed as Warner Music. Warner Music did not always have a local A&R department in the Netherlands. One was reopened in 1998 but closed again in 2004. Between 1987 and 1998, Warner only released international artists. Warner was always among the smallest of the majors and often even the smallest. From 1990 to 1997, its market share decreased from 10.9% to 4.7%. From 1998 onwards when they were involved in domestic repertoire, it increased and became more stable. From 2002 until 2005, Warner's average market share was 9.7%.

Although most of the 178 Warner albums in the Dutch annual album charts 1990-2005 were by artists from the United States (48.3% - 83 albums), Warner's home base, artists from other Anglo-Saxon countries had a large share as well. 40 albums were by British artists (23.3%), 13 by Canadian artists (7.6%) and 12 albums by Irish artists (7.0%). Dutch artists (15 albums - 8.7%) accounted for a slightly higher number of albums than Canadian and Irish artists. Table 5.13 shows that when the positions of the albums are taken into account and the research period is split into three periods that the most successful Warner albums in the Dutch charts were always from the United States. Anglo-Saxon repertoire had a dominant position although there was one exception which were two popular albums by Italian Laura Pausini. Albums by British artists were very successful in the first period but became less so in the later two periods when Ireland and Canada gained a bigger market share. In the first period Warner did not release Dutch albums but after opening a local A&R office in 1998 Dutch albums became quite successful and increased their market share during the last period.

Table 5.13 Share of success (%) and number of albums of Warner in album top 100 by the top 5 most important countries (based on positions in a year)

	1990-1994 (N=66)		1995-1999 (N=46)		2000-2005 (N=66)
USA	6.15 (37)	USA	4.03 (20)	USA	3.52 (26)
UK	4.97 (19)	UK	1.79 (12)	NL	1.98 (12)
Italy	0.78 (2)	Canada	0.79 (4)	Ireland	1.57 (8)
Canada	0.63 (4)	NL	0.94 (3)	UK	1.26 (9)
Ireland	0.29 (2)	Ireland	0.34 (3)	Canada	0.96 (5)

Warner Music Benelux only had a local A&R department in the Netherlands from 1998 until 2004.

For explanation of the calculation of the shares, see note table 5.1.

Warner's successful artists in the Dutch charts vary for the three time periods. In general, they can be characterised as established and rising male and female stars and a

smaller number of bands with their own distinctive style and with more than one successful album. Warner's star Madonna (USA) was popular in all periods and increased in popularity. Phill Collins (UK) was a successful Warner act in the first and last period. In the first period, Eric Clapton, however, was the most successful in the Netherlands. Alanis Morissette (Canada), Ilse DeLange (Dutch country singer) and Enya (Irish Celtic new age music) were successful between 1995 and 2005 (two periods). Ilse DeLange was the most popular national act in both periods. Alanis Morissette was the most successful international Warner act in the second period while the American alternative pop rock band Red Hot Chilli Peppers took over that position in the third period. Warner only had three Dutch acts in the annual album top 100 between 1998 and 2005. Besides Ilse DeLange, these were Krezip (rock band) and Jochem van Gelder (TV presenter - music for children for the Sinterklaas season). Like the other majors, the most successful genres for Warner in the first two periods were rock and pop. Both were most popular in the first period and decreased in market share in the second period. The roots genre was distinctive for Warner and was quite popular in the first and last period (Chris Isaak - Americana and Ilse DeLange – country). In the second period R&B/Hip hop was also a successful genre while in the last period dance (Madonna) was quite popular.

Table 5.14 Share of success (%) and number of albums of Warner in album top 100 by top 3 genres (based on positions in a year)

	1990-1994 (N=66)		1995-1999 (N=46)		2000-2005 (N=66)
Rock	7,10 (33)	Rock	3.1 (17)	Rock	4.08 (26)
Pop	2,33 (9)	Pop	1.7 (9)	Roots	1.81 (10)
Roots	1,33 (7)	R&B/Hip hop	1.22 (6)	Dance	0.99 (7)

The catalogue of the Central CD library Rotterdam was used for the genre classification of the albums. For explanation of the calculation of the shares, see note table 5.1.

From not being involved in Dutch repertoire during the first period, this became quite successful for Warner between 1995 and 2005. Although American repertoire was always most popular, Anglo-Saxon acts had a substantial share of success in the Dutch market as well.

The independents

The main independent labels in the Dutch music market during the period 1990-2005 were Arcade (1990-1999), CNR (1990-1993), Dino (1990-2004), PIAS (1990-2005), Virgin (1990-2002)²⁴, Roadrunner (1990-2005) and Zomba (1990-2002). Some of these were taken over by other independent labels or became wholly or partly owned by the majors between 1990 and 2005.

²⁴ EMI owned Virgin since 1992. In the Dutch market Virgin and EMI, however, operated independently until 2002.

Arcade

Arcade started off in 1974 as a company that essentially produced compilation and greatest hit albums. It licensed successful tracks from the majors and combined them on their albums. In fact, Arcade developed the concept of compilation albums in the Netherlands by heavily marketing and promoting releases on TV. Arcade rarely had its own repertoire. When the major companies stopped the licensing of their songs at the end of the 1980s, Arcade therefore had to look for record companies they could take over. In 1993 they acquired CNR. In contrast to Arcade, CNR had a roster of local artists. Later on, Arcade also became involved in publishing, media, film and retail and Arcade Music became part of the Arcade Entertainment Group. The Arcade Entertainment Group was part of the Wegener Arcade Consortium which was formed in 1996 when Wegener (one of the main Dutch publishers) acquired Arcade. The managers that initiated this new holding aimed for becoming the 'TimeWarner of the low countries'. (Rutten, 2000: 13) Due to decreasing CD sales, Wegener sold the Arcade Music division in December 1999 to record company WBG Beheer, the parent of Roadrunner. Arcade did not become a member of the NVPI until 1995. The NVPI annually lists the market share of the record companies in the Netherlands but only includes the shares of their members. Therefore no market shares are available for Arcade for the period 1990-1994. From 1995 to 1998 independent Arcade, however, was larger than major Warner. In 1995 it even ranked second after Polygram (due to a large number of successful Dutch artists), and in 1996 Arcade had a larger market share than Warner and EMI. However, its market share decreased during the whole period 1995-1999 but was only smaller than the individual market shares of all majors in 1999. Nevertheless, during those years Arcade was the largest independent company in the Dutch music market with an average market share of 8.8%.

Arcade is obviously a record company with a focus on Dutch repertoire. Twenty-four out of the 59 (40.1%) albums in the Dutch annual album charts 1990-1999 were by Dutch artists. Albums by American or British artists had a small share in the number of popular albums (5 albums - 8.5% and 2 albums - 3.4% respectively). The remaining 28 albums were compilation albums with songs by various artists from various countries. The development over time (See table 5.15) shows that in the first period Arcade's compilation albums were very popular while later when CNR became part of the company, Dutch repertoire gained a more prominent market share. Arcade's American and British artists were far less successful in the annual album top 100 than the compilation albums and their Dutch repertoire.

Table 5.15 Share of success (%) of Arcade in the album top 100 by countries (based on positions in a year)

	1990-1994 (N=43)		1995-1999 (N=16)
Compilations	4.13 (28)	NL	3.19 (15)
NL	1.16 (9)	USA	0.08 (1)
USA	0.85 (4)		
UK	0.19 (2)		

From 2000 onwards Arcade albums are included in the figures for Roadrunner. For explanation of the calculation of the shares, see note table 5.1.

The most popular Arcade album in the period 1990-1994 was ‘The Bold and the Beautiful Duets’ by Jeff Trachta and Bobby Eakes (American actors of the television soap). Twenty 4 Seven (dance) was the most popular Dutch act during this period. In the second period, the Frysian (regional language in the Netherlands) pop group De Kast was the most successful Arcade act. The only successful international album was by American singer Lutricia McNeal. Arcade’s most successful genres in the album top 100 1990-2005 were pop (1.38%- 27 albums), dance (0.56% - 11 albums) and rock (0.40% - 8 albums). However, pop albums, were more than two times more successful than dance and rock. This is especially apparent in the large number of pop compilation albums released by Arcade.

CNR

CNR was one of the oldest independents and was founded by Cornelis Nicolaas Rood just before the Second World War. The label developed over time and expanded into other European countries (Belgium, France, Germany, Sweden and Norway). In 1993, the company was nearly bankrupt when it was acquired by Arcade. CNR continued working under the CNR name but as CNR Music. This label had a broad local roster with Dutch language popular music, very popular Dutch songs (‘volks’) and English singing Dutch artists. After the takeover of Arcade by Roadrunner, CNR became a label of Roadrunner/Arcade. From 1990 to 1993, CNR was the second most successful independent in the Dutch music market of the independents that were members of the NVPI. In 1994, CNR had already become part of Arcade but was still represented as CNR in the overview of the market shares of NVPI members. During this period (1990-1994) it was the most important independent with an average market share of 3.5%. From 1995 onwards, Arcade was included in the NVPI overview.

CNR had ten albums in the Dutch annual album charts between 1990 and 1994. The majority and the most successful were by Dutch artists (7 albums). The other albums contained music by Belgian artists, two of which were by Belgian pop group Clouseau. The most successful Dutch artist was Corry Konings (popular tearjerkers). CNR’s genres in the album top 100 1990-2005 were pop (0.61% - 8 albums), cabaret (0.08% - 1 album) and dance (0.04% - 1 album). CNR was the only record company of the main players in

the Dutch music market with cabaret as a successful genre and thus distinguished itself in this way.

Dino

Dino Music started in 1986 and initially, like Arcade, specialised in the creation of compilation albums with hits from other record companies. The compilation albums were heavily promoted on TV. When the majors stopped licensing their hit songs to Dino for compilation albums, Dino shifted its focus to the development of a local roster. The marketing tools that were first used to promote the compilation albums such as TV advertisement were now applied to the albums of the locally signed artists. In 1994, BMG acquired a 50% share in Dino. In 2000, EMI took a 75% share and in 2004 Dino became a 100% owned label of EMI. According to NVPI overviews Dino's market share was 3% in 1993 and it was the second largest independent record company in the Dutch market. In 1994, Dino's share is included in the share of BMG/Ariola in the NVPI overview. In a Dutch report on the revival of Dutch music in the mid 1990s, Dino, however, is highlighted as one of the larger independent companies next to CNR. (Rutten et al., 1996: 82) Dino had 34 albums that reached the Dutch album top 100 between 1990 and 2005. All were by Dutch artists except for one which was by Danish act Whigfield and released in 1995. Rene Froger was the most successful Dino artist and his albums reached the album top 100 in all periods. Ruth Jacott (soul and R&B pop songs) was a rising artist in the early 1990s and later developed into a successful artist. In the same period, Dutch rock artist Anouk became popular and continued her success in the new millennium. Dino's most successful albums were in pop (1.17% - 20 albums), rock (0.44% - 5 albums) and vocal (0.34% - 5 albums).

PIAS

Play It Again Sam (PIAS) started in Belgium in 1983 as an independent distributor of mainly British alternative music for the Belgian market. The company developed into an international company with distribution, publishing and recording activities. Their first office abroad was set up in the UK in 1988 while they opened an office in the Netherlands in 1990 followed by offices in other European countries such as France and Germany. The Dutch office was part of a European network with its headquarters in Brussels. PIAS held licensing and distribution deals for the Benelux for many well known independent labels such as Epitaph and Sanctuary. PIAS Netherlands had its own A&R department that focused on alternative music, rock and dance. The market shares of PIAS were only published in the NVPI market overviews from 1996 onwards. At the end of the 1990s, it had a small share of the market (1.4% on average) but in the first years of the new millennium PIAS was one of the most successful and sometimes even the most successful independent (on average: 2.6%).

American artists accounted for six out of the 13 albums in the Dutch album top 100 and the most successful were in the first and third period. Between 1990 and 1994, the two albums by American rocker Willy Deville were the only PIAS albums in the album top 100. In the second period, PIAS had only one album by the Dutch punk rock band de Heideroosjes in the charts and it was not until the new millennium that PIAS had more successful albums and more albums by artists from various countries. Besides American and Dutch artists, British Muse and French group St. Germain reached the top 100. In the new millennium, Moby, an American techno artist was the most popular PIAS act. Racoon (acoustic rock band) was the most successful Dutch act in this period. PIAS' genres in the album top 100 1990-2005 were rock (0.26% - 6 albums), dance (0.25% - 4 albums), pop (0.12% - 2 albums) and R&B/Hip hop (0.04% - 1 album).

Table 5.16 Share of success (%) and number of PIAS in the album top 100 by countries (based on positions in a year)

	1990-1994 (N=2)		1995-1999 (N=1)		2000-2005 (N=10)	
USA	0.07 (2)	NL	0.21 (1)	USA	0.65 (4)	
				NL	0.47 (3)	
				France	0.22 (1)	
				UK	0.20 (2)	

For explanation of the calculation of the shares, see note table 5.1.

Roadrunner

Roadrunner started in 1983 in the Netherlands when Cees Wessels took advantage of a niche in the European music market for heavy metal by releasing young heavy metal bands from the US and Japan. Roadrunner soon started band signings. Over the years, the company expanded into the US, Australia, Japan and four other European countries. As a Dutch independent with offices in all continents they were unique. They specialised in rock and metal but very rarely signed a Dutch act. In 1999, Roadrunner took over Arcade/CNR, an independent music company that was owned by music publisher Wegener. Outside the Netherlands, the Arcade name was adopted for the European activities of Roadrunner. Roadrunner remained a separate identity. (Tilli, 1999) Since 2001, when Universal sub label Island Def jam took a 50% share in Roadrunner, Roadrunner's records are distributed by the Universal Music Group. Until their take-over of Arcade, Roadrunner had been among the smaller independent companies in the Dutch music market but after 1999 it became the most important independent company in the market with a market share of 4.1%. In the 2000s, the number of independent companies decreased but Roadrunner survived with a small share of between 2% and 3%.

Although Roadrunner's albums did not reach the top 100 in the early 1990s, 14 albums reached the Dutch album top 100 in the last two periods. Most of these (10 albums) and the most successful ones were by Dutch artists. In 1995-1999, the Frysian (regional language in the Netherlands) pop group De Kast was the most popular act and in

2000-2005 recordings of the cabaret programme by Hans Teeuwen did very well. These acts reflect the focus of CNR that became part of Roadrunner in 1999. The other albums were all single albums from one country: United States, Canada, Sweden and Brazil. In the second period, they were by American heavy metal band Dog Eat Dog and Brazilian hard rock group Sepultura. In the last period, Canadian rock group Nickelback and Swedish pop act Bubbles were international Roadrunner acts that reached the album top 100 in the Netherlands. Roadrunner had a varied mix of hard rock and heavy metal bands that reflect its origins. Dutch acts and international pop acts mirror the heritage of Dutch companies that they took over. Roadrunner's three main genres in the album top 100 1990-2005, therefore, were rock (0.22% - 5 albums), pop (0.20% - 4 albums) and rhythm and blues (0.11% - 2 albums).

Table 5.17 Share of success (%) and number of albums of Roadrunner in album top 100 by countries (based on positions in a year)

1990-1994 (N=0)	1995-1999 (N=6)	2000-2005 (N=8)
	NL	0.53 (4)
	USA	0.22 (1)
	Brazil	0.19 (1)
	NL	0.81 (6)
	Canada	0.13 (1)
	Sweden	0.09 (1)

CNR and Arcade albums from 1999 onwards are included in these figures. For explanation of the calculation of the shares, see note table 5.1.

Virgin

Virgin Records was founded in the UK in 1972. It was first licensed in the Netherlands by Ariola and opened an office in Hilversum in 1982. Ten years later it was bought by EMI. Until 2002, EMI and Virgin operated independently in the Dutch market. During this period, in 1997, Virgin also started a local A&R division. (Tilli, 1998) In the 1990s, Virgin's market share was 3.3% on average and until 1994 it was the most successful independent in the Dutch music market of the independents that were members of the NVPI. Although CNR had a larger market share in 1994 and Arcade took over this position after 1995.

Thirty-nine out of the 69 Virgin albums (57.4%) in the Dutch album top 100 1990-2005 were by artists from the UK, Virgin's home country. Eighteen albums were by American artists (26.5%), four by French artists, four by Spanish artists, two by Irish artists and one by a Dutch group. Table 5.18 shows the United Kingdom followed by the United States were the main repertoire sources while albums by artists from a few European countries were popular as well. British albums increased in popularity between the first and the second period but dropped sharply in the last period. The success of the American albums decreased over time. Virgin albums by Spanish dance act Enigma were less successful than British and American albums but kept a position in the Dutch album charts during all periods. In the first period, Virgin albums by Irish rocker Gary Moore and the Dutch rock/rap collective Urban Dance Squad also reached the charts. In the last two periods, a number of French artists were listed as well.

Table 5.18 Share of success (%) and number of albums of Virgin in the album top 100 by countries (based on positions in a year)

	1990-1994 (N=29)		1995-1999 (N=29)		2000-2005 (N=11)
UK	2.99 (17)	UK	3.60 (18)	UK	0.52 (4)
USA	1.72 (6)	USA	1.47 (8)	USA	0.51 (4)
Spain	0.66 (2)	France	0.13 (2)	France	0.25 (2)
Ireland	0.44 (2)	Spain	0.10 (1)	Spain	0.16 (1)
NL	0.20 (1)				

From 2003 onwards Virgin albums are included in the figures for EMI. For explanation of the calculation of the shares, see note table 5.1.

Virgin's popular albums can be described in mainstream and alternative genres by established British and American artists and new upcoming European artists (including British ones). Although UB40 (British reggae/ska group) and Lenny Kravitz (American rocker) were most successful during the first period, they were popular in all three periods. Golden oldies Genesis and the Rolling Stones (both British rock) were also popular between 1990 and 1994. Urban Dance Squad was the only Dutch band that reached the charts. During the second period British girl band The Spice Girls was the most successful Virgin act in the Dutch album top 100. British alternative pop act Skunk Anansie and British star George Michael were also quite popular. The American ethno classical music project Adiemus was also a new Virgin act that reached the Dutch album top 100 during this time. In the last period, Lenny Kravitz and UB 40 were the most successful Virgin acts. Manu Chao (French world music), Melanie C (mainstream pop - one of the former Spice Girls) and Daft Punk (house/techno music from France) were Virgin acts that were new and quite popular as well. Virgin's most successful genres in the album top 100 were rock (2.16% - 39 albums), dance (0.89% - 13 albums) and rhythm and blues (0.45% - 2 albums). Its share in these genres is high in comparison with the other independents and their share in dance is also high in comparison with the majors.

Zomba

Zomba, a British recording corporation, operated independently in the Dutch music market in the early 1990s when it also had a prominent position in the European dance market. (Fuller, 1996) BMG bought a minority stake of 20% in 1996 and it acquired Zomba completely in 2002. Two years later it became a label of SonyBMG Music Entertainment. Zomba is still a distributor and the parent company of a group of labels. During the 1990s, Zomba's market share increased from 0.4% in 1990 to 3.1% in 2000. From one of the smallest independents it became a midfield independent player in the Dutch music market. Although most of the 27 Zomba albums in the Dutch annual album charts 1990-2003 were from the United States (73.1% - 19 albums), four were by Dutch artists (15.4%). Table 5.19 shows that Zomba albums were most successful between 1995 and 1999. It had successful albums by American artists in each period and had popular albums by Dutch artists in the last two periods. In the first period a German album

(Haddaway - German dance music) reached the album top 100. In the second period, a British album by female dance group Solid Harmony and a Swedish album by dance act Rednex were among the top 100.

Table 5.19 Share of success (%) and number of albums of Zomba in the album top 100 by countries (based on positions in a year)

1990-1994 (N=3)		1995-1999 (N=15)		2000-2005 (N=9)	
USA	0.33 (2)	USA	2.74 (10)	USA	0.86 (7)
Germany	0.03 (1)	NL	0.67 (2)	NL	0.55 (2)
		UK	0.24 (1)		
		Sweden	0.13 (1)		

In 2002 and 2003 Zomba albums are included in the figures for BMG. In 2004 and 2005 Zomba albums are included in the figures for SonyBMG. For explanation of the calculation of the shares, see note table 5.1.

Zomba's albums in the Dutch album top 100 showed a mix of popularised boy/girl bands and R&B/hip hop acts. R. Kelly, an American R&B artist, was a successful Zomba artist in all periods and the most popular act in the first period. In the second period (1995-1999), the Backstreetboys (American boy band) were the most popular. During this period the Dutch Vengaboys (dance pop) and Britney Spears (USA) were rising acts and continued to be successful in the last period. Britney Spears was then the most successful Zomba artist in the Dutch album charts. K-otic, a Dutch pop group that was formed in a Dutch TV programme, ranked second most popular album in the last period. Zomba's genres in the album top 100 1990-2005 were pop (1.06% - 13 albums), R&B/hip hop (0.42% - 8 albums), dance (0.34% - 5 albums) and film/TV/musical (0.08% - 1 album). Despite its image of being specialist in dance, Zomba had a smaller share for dance albums in the Dutch album top 100 than Virgin and Arcade.

New labels and companies

Two important independent dance labels in the Dutch music market are Armada Music (DJ Armin van Buuren) and Black Hole Recordings (DJ Tiësto). They emerged in 2003 (Armada) and 1997 (Blackhole Recordings) and were set up by well known Dutch DJs to release their own recordings. Two albums by Tiësto (Black Hole Recordings) also reached the Dutch albums charts in 2004.

Besides the major and the independent labels, a new kind of company emerged in the Dutch music market which started to look after the management and bookings of some Dutch artists. Instead of a label or record company, the company held all the merchandise rights and managed the artist as a brand. Artist and Company is one of these companies. They solely focus on Dutch artists. They reached a 1% market share in 2005 and one of their albums (jansmit.com by Jan Smit) ranked fourth in the Dutch annual album charts in 2005. Another prominent company that is more specialised in marketing and management of Dutch entertainers is the Entertainment Group. Successful Dutch artists such Marco

Borsato (Universal) and Guus Meeuwis (EMI) are managed by this company whereby the Entertainment Group also organises their concerts and arranges sponsor deals.

Characterisation of the Dutch music market, 1990-2005

During the period 1990-2005, the Dutch music market was dynamic and uncertain. Government policy on Dutch popular music was the least influential factor as it changed very little in terms of subsidies and direct intervention. The number of Dutch signings at the majors was also not related to policy initiatives. During the 1990s, the share of local music rose, CD sales declined and a new music genre ‘dance’ arose. At the end of the 1990s, Dutch Polygram became international Universal, a new music format ‘MP3’ was introduced and people started to download music. In the new millennium, the Dutch music market became more concentrated, especially after the merger between Sony and BMG, while the growth for domestic repertoire stagnated.

Main players

International major record companies had a prominent role in the Dutch music market between 1990 and 2005. Table 5.20 shows their average market share for the periods 1990-1994, 1995-1999 and 2000-2005 based on the market shares in the NVPI annual overviews. The number of majors decreased during the research period while their share in the Dutch music market increased. During most of the period, Polygram (1990-2003) and its successor Universal were the most important music majors. For 2004 and 2005, this position was taken over by SonyBMG. Sony and BMG were always midfield players whose market share did not change very much during the research period. Warner had a smaller market share that decreased in the period 1995-1999 but recovered between 2000 and 2005 to reach their market share of the early 1990s. The most significant change in market share of one of the majors was the jump of EMI from 8.4% in 1995-1999 to 15.9% in 2000-2005.

Table 5.20 Average market share majors for 1990-1994, 1995-1999 and 2000-2005

	Poly-gram	MCA*	Universal	EMI	Sony	BMG	Sony BMG	Warner
1990-1994	18.72	1.85		9.89	11.85	12.03		9.19
1995-1999	18.64	2.37	7.88	8.36	13.71	11.15		6.41
2000-2005			22.22	15.94	14.62	10.98	24.55**	9.55

Source: NVPI, *Music and Copyright*, 1995 (68): 7

* Operated in the Dutch market in 1994 and 1995 and became Universal in 1996.

** Based on market share in 2004 and 2005

Independent companies that originated in the Netherlands (Arcade, CNR and Roadrunner), however, had an important share in the Dutch music market between 1990 and 2005 as well. Arcade, which was the most successful of the three, sometimes had a larger market shares than the smallest majors. Virgin and Zomba were the most important international independent companies.

Most important repertoire sources

The United States, the Netherlands and the United Kingdom were the most important repertoire sources for music releases in the Dutch market between 1990 and 2005. Albums by Dutch artists were most successful in the period 1995-1999. They then clearly gained market share over albums by American and British artists, which were the traditional most important repertoire sources of the music industry and also the number one and two in the Dutch music market in the period 1990-1994. In the new millennium (2000-2005), the United States and the United Kingdom regained some of their market share, which they had lost in the previous period. The share of Dutch albums moved to a second position, after the United States and above the United Kingdom. Dutch albums were thus more successful when the popularity of American and British artists decreased. Albums by artists from Belgium, Ireland, Canada and Italy were also quite popular in the Dutch music market between 1990 and 2005. Repertoire from Anglo-Saxon countries (United States, United Kingdom, Canada and Ireland), nevertheless, had a more significant influence. Continental European repertoire (The Netherlands not included) played a minor role and was most successful in the early 1990s. In the last two periods only Italian and Belgian artists were still quite popular.

Table 5.21 Most important countries per period (share of success of more than 2%) and their share and number of albums in the album top 100, 1990-2005

Country of origin	1990-1994		Country of origin	1995-1999		Country of origin	2000-2005	
	Share (%)	N		Share (%)	N		Share (%)	N
USA	32.32	161	NL	32.23	159	USA	29.66	187
UK	22.38	107	USA	26.7	130	NL	29.58	175
NL	16.42	91	UK	15.19	89	UK	19.18	110
Sweden	2.88	10	Canada	5.74	22	Ireland	4.62	26
Ireland	2.88	12	Italy	3.92	14	Canada	3.6	21
Spain	2.68	10	Ireland	2.54	14	Belgium	3.39	19
Italy	2.32	7	Belgium	2.24	11	Italy	3.18	18
Belgium	2.30	9						
Canada	2.03	10						

Total N = 1518 (no compilations and albums by various artists included)

For explanation of the calculation of the shares, see note table 5.1.

With the exception of BMG, the most successful albums of a record company (either major or independent) reflect the country of origin of that company. Polygram and

later Universal were, for example, the majors with the most Dutch albums in the album top 100 while EMI's most popular albums were by British artists. Acquisitions and mergers, however, resulted in a broader or diverse catalogue of successful albums for a company. When EMI acquired Dutch Dino and when Roadrunner took over Arcade/CNR, their share of successful albums by Dutch artists increased. EMI was consequently the most successful major for Dutch albums in the Dutch market in the period 2000-2005. It took this position from Polygram that had the highest share of success for Dutch albums in the periods 1990-1994 and 1995-1999. The acquisition of Polygram by Seagram and the successive operation as Universal resulted in another A&R climate in the 2000s. BMG had a smaller share of successful albums by Dutch artists but its share was relatively high in the periods 1995-1999 and 2000-2005 in comparison with the success of its foreign albums. The two majors (MCA and Warner) that started their own sales offices in the Dutch market later than most others had no Dutch albums in the album top 100 in the period 1990-1994 and had some only after local albums became more popular. Universal (successor of MCA and Polygram), Warner and also Sony had high market shares for foreign albums in the album top 100 but also showed the largest differences between success of foreign and Dutch albums. Majors with European origins (Polygram, EMI and BMG) had successful albums by Dutch artists and a more balanced mix of successful Dutch and foreign albums than majors with a large American catalogue (Universal, Warner and Sony).

Table 5.22 Share of success and number of albums per company for Dutch and foreign albums per company per period in the annual album top 100, 1990-2005

	1990-1994				1995-1999				2000-2005			
	NL		Foreign		NL		foreign		NL		foreign	
	%	N	%	N	%	N	%	N	%	N	%	N
<i>majors</i>	7.66	44	65.17	310	15.71	83	54.29	274	25.74	152	64.01	380
EMI	1.47	10	9.73	47	2.86	12	5.52	33	8.18	43	11.91	67
Universal	0	0	9.68	44	0.94	7	11.23	55	6.03	38	23.17	133
Warner	0	0	13.33	66	0.94	3	8.25	43	1.98	12	8.07	54
Sony	2.61	13	12.72	60	2.3	13	13.1	63	2.93	19	6.15	35
BMG	0.75	3	8.25	38	2.36	12	6.88	37	3.19	18	7.58	46
Polygram	2.83	18	11.46	55	6.31	36	9.31	43				
SonyBMG									3.43	22	7.13	45
<i>independents</i>	8.76	47	18.41	99	16.5	67	13.48	76	3.84	23	6.41	45
<i>total</i>	16.42	91	83.58	409	32.21	150	67.77	350	29.58	175	70.42	425

Total N = 1518 (no compilations and albums by various artists included)

For explanation of the calculation of the shares, see note table 5.1.

Except for Sony, the market share of Dutch albums of the majors, nevertheless, increased over time. In the new millennium, the major's share of success for Dutch albums even rose while it fell for independent companies in the Netherlands. The most successful Dutch artists at the majors, however, were primarily artists who had already

been successful earlier and who continued their career. At EMI, the share in Dino and finally the incorporation of Dino in EMI was also an important factor. The majors (except Universal) showed a fluctuating market share (decreases and increases over time) for their foreign albums in the album top 100. Generally, there is a decrease in success in the period 1995-1999. This is especially apparent for the albums by their British and American artists. Only Universal's share of success for foreign albums increased during the whole research period. The independent companies all have smaller shares for foreign albums than the majors but their share for Dutch albums is equal or higher than the majors. In the second period, the Dutch albums of the independent companies together were even more successful than their foreign albums. In the last period, their shares were in line with their market share remarkably smaller than the two periods before. At that time, independents Dino and Virgin were incorporated in EMI while Zomba became part of BMG. The number of independents thus decreased during this period. The independent's share of success for foreign albums decreased during the research period. However, in the early 2000s the foreign albums of the remaining independents were more popular than their albums by Dutch artists.

Most successful genres

Between 1990 and 2005 rock was the most successful music genre for the majors (except for Sony and BMG). The second most popular genre was pop. Sony and BMG's main genre was pop. Sony's second most successful genre was rock whereas it was R&B/Hip hop for BMG. This was also the third most successful genre for a number of other majors. At BMG the genres were different from the other majors. Apart from having no rock in the genre top 3, they also had dance in their top 3 which only Warner listed in their top 3 as well. The main independent companies showed more variation in genre. Except for Roadrunner, they all had dance in their top 3. Dance music is thus a more successful genre at independent companies than at majors in the Netherlands. Virgin and Roadrunner also had rhythm and blues in their top 3, a genre that none of the majors had.

Most successful artists

Dutch artists accounted for four out of the ten most successful artists in the album top 100. The other six were each from one of the most important repertoire sources for albums in the Dutch album top 100; Italy, Canada, United Kingdom, Ireland, Belgium and the United States. Two out of the four Dutch albums were at EMI while the other two were signed at TipTop/Sony/SonyBMG and Polygram/Universal. These three companies all have Dutch and foreign artists in this top 10. K3, a group of three Belgian women with music for children, was BMG's only act in this top while Warner was absent. Polygram/Universal had the largest number of albums (4) in the top 10. Dutch artist Frans Bauer was the most successful artist in the album top 100 1990-2005. He had 24 albums in the annual charts. He was signed at independent label Tiptop and licensed his music to

Sony for distribution. All other artists in the top 10 were signed at a major when their albums reached a position in the annual album top 100 during the period 1990-2005.

Table 5.23 Top 10 most successful artists in the Dutch album top 100, 1990-2005

	Artist	Company	Country of origin	Total points	Number of albums in album top 100	Share (%) in album top 100 '90-'05
1	Frans Bauer	Tiptop/Sony/SonyBMG	NL	1244	24	1.54
2	Andrea Bocelli	Polygram/Universal	Italy	1132	17	1.4
3	Celine Dion	Sony	Canada	1038	15	1.28
4	Marco Borsato	Polygram/Universal	NL	996	14	1.23
5	Robbie Williams	EMI	UK	990	13	1.23
6	U2	Polygram/Universal	Ireland	841	11	1.04
7	Bløf	EMI	NL	833	12	1.03
8	K3	BMG/SonyBMG	Belgium	816	12	1.01
9	André Hazes	EMI	NL	812	15	1
10	Bon Jovi	Polygram/Universal	USA	767	13	0.95

Total N = 1518 (no compilations and albums by various artists included)

All these artists had more than ten albums in the top 100 between 1990 and 2005. Their share of success is based on the positions of these albums in the top 100 and not on total sales figures. The position of the album is calculated into a score. An album in first position in the top 100 receives 100 points. An album in 100th position receives one point. The total score for all albums by one artist during the whole research period is then divided by the total number of points (maximum score) for the whole period. The calculation of the share in the top 20 1990-2005 is: (points sum/80800) *100

Most successful Dutch artists

The Dutch artists at EMI were most successful in the album top 100 between 1990 and 2005. Table 5.24 shows that they held four positions in the top 10 of most successful Dutch artists. The most successful artist in the album top 100 1990-2005, however, was not an EMI artist but Frans Bauer who was licensed to Sony (SonyBMG) for the distribution of his most recent albums. Besides Frans Bauer, Sony had two other acts, Acda & De Munnick and Paul de Leeuw, in the top 10. Polygram/Universal had two artists in the top 10, Marco Borsato and BZN, while Warner had one artist, Ilse DeLange. BMG was absent in this top. Their most successful Dutch act was Kane who ranked 12th. Two of the EMI artists, Anouk and Rene Froger, were first signed at Dino. Dino was an independent label that was partly owned by major companies since 1994; first by BMG and later by EMI. Paul de Leeuw like Frans Bauer also first distributed his music via an independent label before he gave his music in license to Sony. Not all successful Dutch artists were thus developed at a major record label. Some were only released by a major after becoming successful. There were no Dutch artists in this top 10 that were only signed at and distributed by an independent company during the period 1990-2005. The number 13 Rowwen Heze was the most successful artist for which this is the case.

Most of the artists in the top 10 were not popular before 1990. Only BZN and Andre Hazes were already popular artists long before while Rene Froger achieved national

fame with a Dutch hit song in 1989. All other artists became popular between 1990 and 2005. Frans Bauer became popular in the mid 1990s with the kinds of songs that are also sung by Andre Hazes (†), Dutch tearjerkers and sing-along songs. Marco Borsato started with pop songs in Italian but became highly successful with a Dutch language song in 1994 and developed a successful career afterwards with successful pop songs in Dutch. After his Dutch hit, Rene Froger primarily sang English language songs. Marco Borsato and Rene Froger have become popular Dutch artists who repeatedly sold out football stadium concerts. Anouk and Ilse DeLange became popular Dutch female artists at the end of the 1990s with English language songs. Anouk developed into a Dutch rock diva while Ilse Delange specialised in country music. BZN's success dates back to the 1970s. They did not often reach very high positions in the chart with their albums but they had a steady fan base that bought their CDs. BZN performed songs in different languages (e.g. French and Spanish) which had their origins in world music. Acda & De Munnik and Paul de Leeuw come from a cabaret background. Paul de Leeuw started as a Dutch TV presenter. At the beginning of the 1990s, CDs with songs from his TV programmes were successfully released. Acda & De Munnik and Dutch pop/rock band Blof became popular Dutch artists at the end of the 1990s.

The top 10 shows a mix of artists in different genres (mainstream pop, popular songs and pop/rock) and artists who perform in Dutch, English or other foreign languages. The four most successful artists, however, primarily performed Dutch songs while all artists were part of a mainstream genre. The acts were not cutting edge but appealed to a large audience. The table shows that the most successful Dutch acts were eventually signed or distributed at the majors.

Table 5.24 Top 10 most successful Dutch artists in the Dutch album top 100, 1990-2005

	Artist	Company	genre	Total points	Number of albums in album top 100	Share in album top 100 1990-2005
1	Frans Bauer	Tiptop/Sony/SonyBMG	Popular songs	1244	24	1.54
2	Marco Borsato	Polygram/Universal	MOR	996	14	1.23
3	Bløf	EMI	Pop/rock	833	12	1.03
4	André Hazes	EMI	Popular songs	812	15	1.00
5	Anouk	Dino/EMI	Pop/rock	783	11	0.91
6	Acda & De Munnik	Sony	MOR	736	15	0.91
7	BZN	Polygram/Universal	Popular songs	712	18	0.88
8	Paul de Leeuw	Brommerpech/Varagram/Sony	MOR	654	13	0.81
9	Ilse DeLange	Warner	Pop/rock	650	11	0.80
10	Rene Froger	Dino/EMI	MOR	631	12	0.78

64 Albums by various artists from different countries such as on compilation and soundtrack albums are excluded from the analysis that has resulted in this table. MOR: Middle of the Road. For explanation of the calculation of the shares, see note table 5.23.

Concluding remarks

This chapter showed that the popularity of Dutch music rose during the 1990s but declined in the first part of the new millennium. Most of the successful Dutch repertoire in the 1990s was signed by independent companies in the Dutch music market. In the period 1995-1999, their share of success for local repertoire was even larger than that for international repertoire. The most successful Dutch artists, however, were or became signed at the majors. In the new millennium, the individual share of success for local repertoire of EMI and Universal was larger than the collective share of the independents. The acquisition of independent Dino by EMI in 2004 and the incorporation of Polygram in Universal in 1999 were important factors for their high share of success for Dutch repertoire. Mergers and acquisitions in the Dutch music sector thus reduced the number of independents in the market and resulted in majors that had “bought” domestic repertoire by incorporating a company that is strong in local. Changes in the market rather than government policy thus changed major’s involvement in Dutch repertoire.

Polygram (later Universal) had the most successful albums by Dutch artists of the majors in the 1990s while EMI took over that position in the new millennium. In 1998, the only major that had no local repertoire in the first part of the 1990s, Warner, also started a local A&R division but it was closed again in 2004. For all majors, international repertoire was more successful than local repertoire. Their most successful genres were rock and pop. R&B and hip hop became successful in the second part of the 1990s. Independent labels and new companies were more successful in the new and rising genres such as dance. In the next chapter, the role of the different major and independent film

distributors, the most popular film products, film policy and developments in the Dutch film market between 1990 and 2005 are analysed.

Chapter 6

The Dutch Film Market, 1990-2005

This chapter focuses on the companies that were active in the Dutch film market between 1990 and 2005. It gives an overview of the most successful domestic and international products of the different companies, how that has developed over time and which market developments might have affected that. It thus provides insights in the activities of the film majors in the Dutch market, the kind of products they release and the operation of their competitors. In chapter 8, it is analysed why Sony Pictures, UIP and Warner Bros released these domestic and/or international films and which developments have indeed affected their operation. In this chapter, after a brief description of the market and institutional conditions, the main film majors and independent distributors are introduced and then discussed in terms of historical development, position in the Dutch film market and most popular products, repertoire sources and genres. At the end of the chapter, a characterisation of the Dutch film market from 1990 to 2005 is given whereby special attention is paid to the relation between Dutch and foreign companies and products. First comparisons are also made with the Dutch music market during that period.

The Dutch film market

The Netherlands is classified as a small producing film country in the worldwide film industry. (Unesco, 2000) Compared to other European countries, it is a midfield player which has a film production that is similar in size to that in Sweden and Denmark. (Brakman, 2006) From 1990 to 2005, on average 28 Dutch feature films (including co-productions) were released per year. This is much higher than the number of productions that were released in Dutch cinemas in the decades before. In 1970, four Dutch feature films were screened in cinemas while in 1980 the number had risen to seven. (*Screen Digest*, June 2004) In terms of box office, the Netherlands has a midfield position in the European film market. (European Cinema Year Book 2005) In the early 1990s, the downward trend of the 1980s still resounded. The number of admissions for cinema (foreign and Dutch films) reached its lowest point in 1992 when 13.7 million people went to the cinema in the Netherlands.²⁵ From 1993 onwards, there was an upward trend in

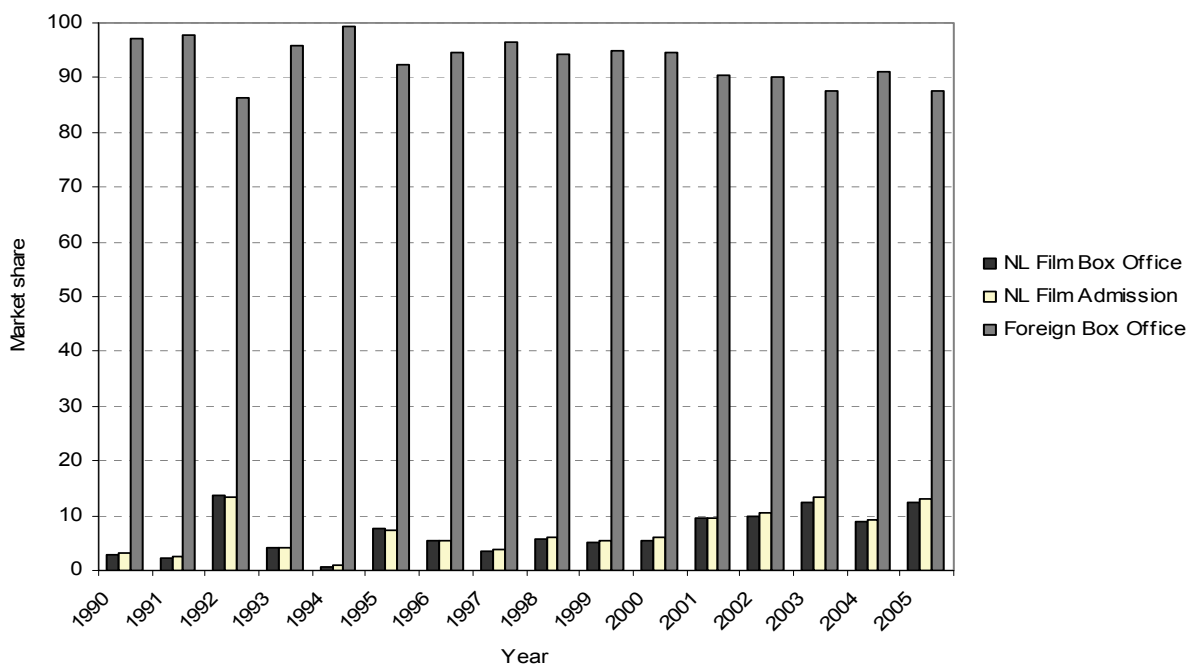
²⁵ The number of admissions decreased from the 1960s onwards when television was introduced in the Netherlands. (KPMG, 1996: 21)

terms of box office hits, admissions and number of new films that were released. The Dutch film market flourished from 1999 to 2003. Although, the box office and number of admissions declined again in 2004 and 2005, the number of new films continued to rise. (Jaarverslag 1999 NFC, 2000; Jaarboek 2005 NVB/ NVF, 2006)

Dutch films accounted for a market share of between less than one percent (1994) and 14% (1992) in the Dutch film market. (See figure 6.1) Annually two or three successful Dutch films were responsible for the high box office figure. Most Dutch films only attracted a small audience. The market for Dutch films was thus highly skewed with a few megahits and more films with small success. From 1997 to 2003, there was an upward trend whereby more successful Dutch films contributed to the rising market share. After a peak in 2003 (13%), the market share for Dutch films dropped to 9% in 2004 (box office). This trend can be attributed to the introduction of a new support programme in 1999 and the termination of this programme in 2004. The market share of Dutch films in the Dutch film market, nevertheless, bounced back to 13% (box office) in 2005. Despite the fluctuation, Dutch films always have a minority share in their home market.

It is important to note that in 1992, the year that the Dutch film market reached it lowest level in terms of number of admissions, the market share for Dutch films was at its highest during the research period. The transition period of two film funds that became one in 1993 is one of the reasons for this high market share since more films were funded during this transition period. The big success of the comedy film *Flodder in Amerika* (UIP) with 1.5 million admissions and a box office of 8.3 million euros, however, was the main reason.

Figure 6.1 Market share of Dutch films (based on box office and admissions) and foreign films, 1990-2005 (based on box office)



Source: Jaarverslag NBB 1990, NFC jaarverslag 1999 and jaarboek 2005 NVB/NVF

Policy

Dutch film policy started with the introduction of a cinema law in 1926 which censored film screening. Over the years, it focused on supporting productions and releases and creating education and training programmes. The film censorship itself changed in 1977 into the certification of films for screening to people under the age of twelve and sixteen. Given the small language market and the competition of foreign films, the Dutch government decided to subsidise Dutch film productions and policy was aimed at preserving a Dutch film culture, improving the quality of Dutch films and producing Dutch films.

The support structure for films in the Netherlands is more complex than in other European countries. There are several funds for audiovisual productions, some of which require cooperation with a public broadcaster. (See appendix E for an overview of the support structure for the period 1999-2005) In the early 1990s, there were two film funds. The Dutch Film Production Fund (founded in 1956) supported Dutch film production, especially Dutch feature films, by offering advantageous financial conditions to secure continuity in production. The Fund for Dutch Film Culture (founded in 1983) provided support for the development and distribution of aesthetic film productions that contributed to Dutch film culture. The Dutch Cultural Broadcasting Fund (Stifo - founded in 1988) and the National Broadcasters Coproduction Fund (COBO – founded in 1986) are not limited to film, but cover all audiovisual productions. Stifo stimulates cultural television productions by offering subsidies to develop and produce cultural programmes such as drama series, films, documentaries, art and children's programmes. Films that are specially produced for screening on television but also film productions in which a public broadcaster participates can apply for a grant from Stifo. CoBo encourages co-productions between national broadcasters and independent film producers. It gives financial support to co-productions. The cooperation of public broadcasters is a requirement for obtaining financial support from these two funds.

During the 1990s, the focus of Dutch film policy changed. The support for Dutch films was no longer only legitimised for art and cultural reasons but also for economic reasons. Film was also seen as the product of a sector that would increase its role in the knowledge economy and that could as such offer new employment opportunities. Film policy increasingly became a combination of cultural and economic imperatives. Two important developments are related to this change in mentality. In 1993, the two film funds, the Dutch Film Production Fund and the Fund for Dutch Film Culture, merged into the Dutch Film Fund. In 1998, a more market driven support programme was introduced with the cooperation of three governmental ministries: the Ministry of Education, Culture and Science, the Ministry of Finance and the Ministry of Economic Affairs. The Dutch Film Fund (founded in 1993) aims to stimulate film production in the Netherlands and to encourage Dutch film culture. For example, the fund, runs support schemes for the development and the production of documentaries and animations but also for the

distribution, marketing and promotion of Dutch films. Consequently, distributors can receive a contribution of up to 60% of their distribution costs for a Dutch film.²⁶

The special governmental support programme to develop the Dutch film sector into a more economically viable sector started in 1999. A development agency called FINE (Film Investors Netherlands) was set up for commercial film projects and tax incentives (Film CV) were introduced for private investors in films. The position of ‘commercial intendant’ was created at the film fund to advise producers, directors and script writers on the development of commercially interesting film projects. The project Telefilms was launched to encourage cooperation between the film sector and the public broadcasters. Each year, a fixed number of films that are coproduced with a public broadcaster and first screened on TV are partly funded through this project. Initially, the support programme was to run until 2003. The tax incentives were prolonged for 2004 and were replaced by a matching fund in 2006. The intendant and Telefilms have become part of the film sector infrastructure.

The Dutch city of Rotterdam and the European Union have also developed film policy and support schemes. The Rotterdam Film Fund was created in 1995 to encourage a successful audiovisual production environment in the city and to promote Rotterdam as an attractive film location. In the late 1980s, the European Union depicted the audiovisual industries as potential growth sectors that could generate more employment in Europe. At the same time, it was concerned about the scattered distribution structure for films in Europe and the expression of the creative abilities and identities of European nations in audiovisual productions in an era of increasing globalisation. (KPMG, 1996: 29) The European Union, therefore, encouraged a stronger position for the European film industry. In 1991, this resulted in the introduction of the Media programme, a support programme for the development and distribution of European films and for the training of professionals in the European audiovisual sector. Since 1988, the Council of Europe also runs Eurimages, a European fund for co-production, distribution and screening of European films.

The Netherlands has no quota for the screening of Dutch films in Dutch cinemas as is the case in France and Spain for French and Spanish films respectively. (Ibidem: 26) Dutch public broadcasters, nevertheless, have to devote at least 25% of their broadcasting time to culture and arts which may include Dutch and foreign films. (*Cultural policy in the Netherlands*, 96) Only a very small number of films is not partly financed by subsidies. According to Hofstede, only one out of ten Dutch films is not subsidised during the development, production or distribution process. (2000: 92) Dutch film productions are consequently shaped by national support and to a lesser extent local and European support funds rather than by market incentives. A KPMG report on economic policy for the Dutch feature film industry (1996) concluded that Dutch film producers aim for continuity when running their business and that they therefore choose for a safe strategy of producing films that are in line with the criteria of the Dutch film fund and public broadcasters.

²⁶ For more details, see http://www.filmfund.nl/distributie_nederlandse_film

Developments

Until the beginning of the 1980s, Dutch feature films were mainly financed by film distributors and private investors. In the 1970s and 1980s, film admissions, however, dropped due to the development of TV and video and Dutch films lost market share to their American competitors. (KPMG, 1996: 25) Film distributors and private investors were therefore less inclined to invest in films and stopped the majority of their investments and their large distribution guarantees in the 1980s. (Hofstede, 2000: 85) The production of Dutch films ended in a vicious circle. Smaller budgets led to Dutch films that were less successful than the high budget American films while less successful Dutch films made investments again less attractive for investors. The market share for Dutch films decreased from about 8% to 10% in the 1970s and 1980s to an average market share of 5% in the first part of the 1990s. (KPMG, 1996: 21) The bad loss of the Credit Lyonnais Bank Netherlands in their loans to the film company of Piretti and Fiorini further led to the declined interest of private investors in Dutch feature film productions. (Ibidem: 25) The Dutch Film Fund and public broadcasters became the most important financiers. Smaller budgets, decreasing admissions and less successful films also resulted in smaller investments in cinemas. They became outdated and some of them closed. Producers faced problems since even a very successful film was no guarantee for the funding of the next film and the funding of films primarily depended on government support. (Legein, 2004) In the early 1990s, the Dutch film market was in a depressing state and some Dutch film directors, therefore, decided to make low budget films: films that were not supported by the Dutch Film Fund or a public broadcaster. In Dutch publications on the Dutch film sector 1995 is frequently described as a turning point. The number of cinema admissions increased, old cinemas were renovated, the first multiplex cinemas opened and two Dutch films (*Flodder 3* and *Filmpje!*) attracted large cinema audiences. Low budget film *Zusje* became a surprising success and attracted nearly 125,000 viewers while the international co-production *Antonia* won an Oscar. The Dutch film sector slowly revived. Two years later, *Karakter* (1997) won an Oscar as well. The increasing number of commercial broadcasters also expanded the market for television rights of Dutch films.

The support programme that started in 1999 reinforced the revival of the Dutch film. It was created to make the film sector self supportive and although it did not reach this goal, it led to a number of positive effects. Higher budgets and the availability of film funding led to continuity in film production and work for people in the Dutch film sector. (Ruyters, 2004) In peak year 2000, €164.6 million was invested in films through the tax scheme. (Wils & Ziegelaar, 2005: 52) More Dutch films were produced and released while the film sector became more professionalised. Producers became more aware of their audiences and determined production and marketing budgets with their target audience in mind. (Ebbers, 2007) Dutch films still did not measure up to Hollywood films but attracted larger audiences and created a more favourable image. (Legein, 2004) Although the audiences did not change in size, Dutch films based on books, family films and commercial films with soap actors were now released in large numbers as well and

attracted large cinema audiences. Films based on a book and family films were not new strategies but now became part of the marketing strategy of Dutch films. The increase in success for Dutch feature films and financing facilities for these films also attracted the interest of some major film distributors that operated in the Dutch market. Buena Vista and Warner Bros both became actively involved in the distribution of local films at the end of the 1990s. Screen Digest reported that majors needed to distribute local feature films to secure their market shares in a time when national films were highly popular in Europe. (Screen Digest, 1998)

Due to changes in the regulations and criteria for tax advantages for private investments in films and as a result of a period of economic recession, the number of films that were produced through a Film CV (a limited partnership for a film) decreased after 2000. (Wils & Ziegelaar, 2005: 62) Financiers only appeared to be interested in investing in films because of the guaranteed returns and they stopped their investments once the initially very favourable tax incentives changed. (Out, 2004) Consequently, the market share for Dutch films shrank in 2004. Only a few Dutch films became a hit while they did not reach box office figures as high as the Dutch film hits of the preceding years. The number two (*Pietje Bell 2*) was also already released in 2003. However, the market share for Dutch films recovered in 2005. More Dutch films had a high box office figure while the most successful ones were also all released in 2005. It highlights the influence of successful Dutch films on its market share.

Internet is a new release window for Dutch films. It offers new opportunities but can also be seen as a threat. File sharing of films is widespread in the Netherlands while there are no barriers in terms of slow data transmission anymore. (Derksen & Driessen, 2007) Besides the impact of digitalisation on distribution and financial sources, changes in the role, financing and the organisation of public broadcasters have also affected the Dutch film sector. (Ebberts, 2007) In 2003, government support for public broadcasters was cut. (Wils & Ziegelaar, 2005) Consequently, the budget of public broadcasters to invest in film declined and it became more difficult for producers to find a public broadcaster that would financially participate in their film project.

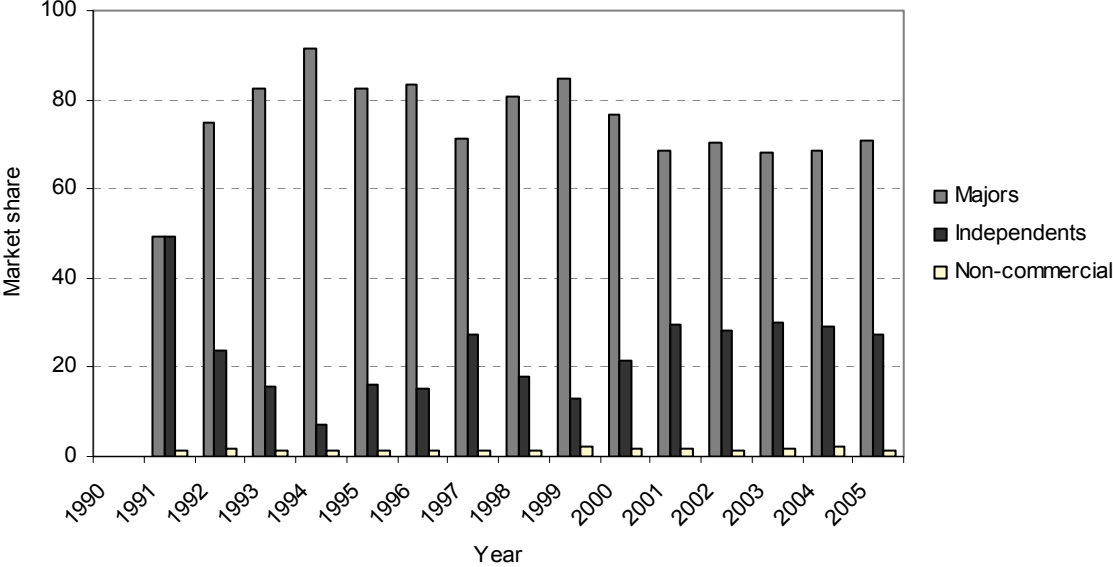
In summary, between 1990 and 2005, changes in funding mostly affected the Dutch film industry. After the difficult period in the early 1990s, the success of an increasing number of Dutch films together with a new support scheme contributed to the professionalisation of the Dutch film industry and the production of Dutch films that attracted large audiences. However, in the new millennium, tax incentives were reduced and the budget for public broadcasters was lowered which made the funding of Dutch films more difficult.

Main players

The film majors that have an influential role in the international film market also have a strong presence in the Dutch market. During the research period 1990-2005, they had a majority share. (See figure 6.2) In the 1990s, they had an average market share of 75%

and between 2000 and 2005, it was 71%. In comparison, the majors had a market share of over 60% in the top five European markets (Germany, France, Italy, Spain and the UK) in the 1990s. (*Screen Digest*, 1997) The number of film majors that operated in the Dutch film market was relatively stable during the research period. In 1990, Buena Vista International, UIP, Warner Bros, Sony Pictures Releasing and Universal Pictures all operated as film distributors in the Dutch film market. In 1992, Fox joined them. However, in 1997 and 1998 it had a joint venture with ColumbiaTristar (Sony Pictures) to distribute Fox releases in the Netherlands. In 1999, they operated independently again. In the same year, the theatrical distribution arm of Universal was closed and from then on, films by Universal Studios were only distributed by UIP. In 2005, the major film companies were Buena Vista International, UIP, Warner Bros, Sony Pictures Releasing and 20th Century Fox (Fox).

Figure 6.2 Market shares (based on box office) for major, independent and non-commercial film distributors in the Dutch film market, 1990-2005



Source: NFC, NFC jaarverslagen 1997 - 2003, Jaarverslag 2004 NVB/NVF and Jaarboek 2005 NVB/NVF
 The market shares for 1991 were based on incomplete box office figures and are therefore an indication. Market shares of film distributors in the Dutch film market for 1990 were not available.

Besides the major film distributors, independent and non-commercial distributors also released films in the Dutch film market. The total market share of the independent distributors was often bigger than the individual market shares of the major distributors. Between 2001 and 2005 their total market share was continuously higher than the individual market shares of the major film distributors. The release of the *Lord of the Rings* trilogy by A-Film was an important factor in this. The main independent film distributor in a particular year also always had a higher market share than the smallest major distributors. In the early 1990s, Concorde was the main independent distributor and in the second part of the 1990s, RCV and Polygram Filmed Entertainment (only in 1997) were the most important independent distributors. In the first years of the new millennium,

there was more variation. First RCV, then A-Film and in 2005 Independent Films were the most important independent distributors. Only RCV operated during the whole research period. All other independent distributors (except for Paradiso) either operated in the 1990s or between 2000 and 2005. The non-commercial distributors, Cinnemien, the Dutch Film Museum and Contact Film were small but stable subsidised players in the market. They accounted for average market shares of 1.1%, 0.5% and 0.1% respectively. For quite a long time, these distributors mainly supplied films to subsidised film theatres and had a separate association. During the mid 1990s, this changed when subsidised distributors were allowed to become members of the Dutch Film Distributors Association (NVF). (Huijsdens, 2006)

Figure 6.3 shows the four and eight firm concentration ratio (CR4 and CR8) and the Herfindahl-Hirschman index (HHI) for the Dutch theatrical film distribution market from 1992 to 2005 to indicate how power and success is divided among the various distributors.²⁷ Although the Dutch film market was highly concentrated, especially in the 1990s there was a decreasing concentration trend in the long term. The highest concentrations were measured from 1992 to 1994 and in 1998. In the first two years, UIP had a relatively high market share of on average 32% with a peak in 1994 (36%). In 1998, ColumbiaTristar operated in a joint venture with Fox films and had a relatively high market share of 34%. It shows that the film industry is a hit-driven industry where the success of one company can highly affect the market. The eight-firm concentration rate only ranged between 92% (2001) and 99% (1998). The independent distributors together, nevertheless, accounted for an average market share of 22% from 1992 to 2005. The Dutch film market is relatively small. Consequently, when a film is released that proves to be very successful the market share of that major or independent will soar. Examples of such situations are the jump of ColumbiaTristarFox's market share when it released *the Titanic* in 1998, the sharp rise in A-film when it released the first part of the *Lord of the Rings* trilogy in 2001 and the increased market share of Independent Film when it released *Het Schnitzelparadijs* in 2005.

²⁷ The four and eight firm concentration ratio (CR4 and CR8) measures the accumulated percentage of the four or eight largest firms respectively in a particular market. The Herfindahl-Hirschman Index (HHI) uses the total number of firms and their market shares in its calculation of the concentration of power at certain companies in the market. For more information see page 110-111.

Figure 6.3 Concentration rate of the Dutch film market, 1992-2005 (CR4 and CR8)

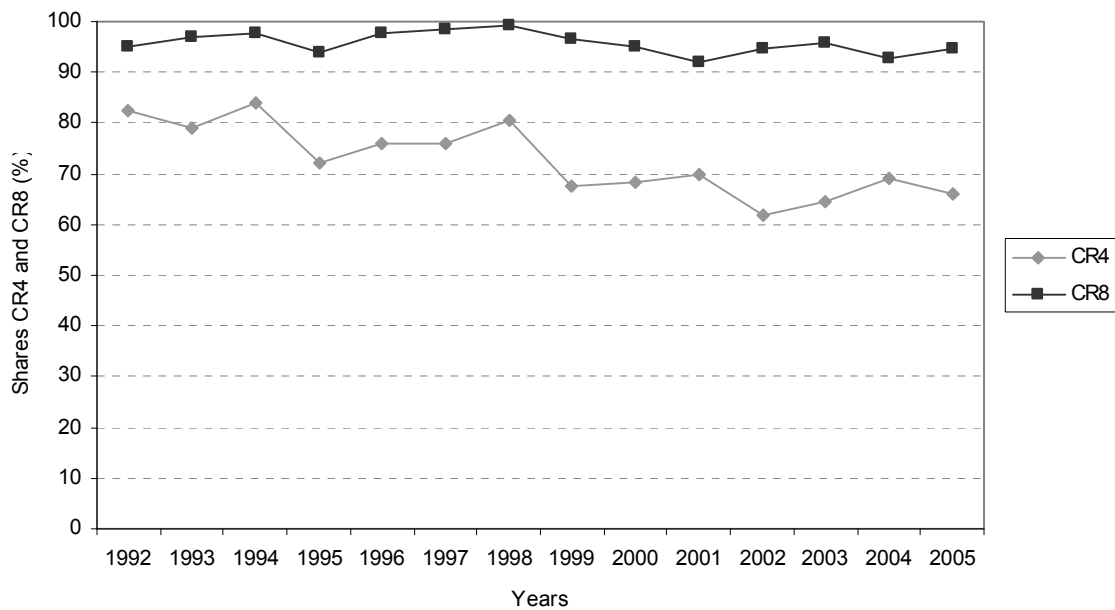
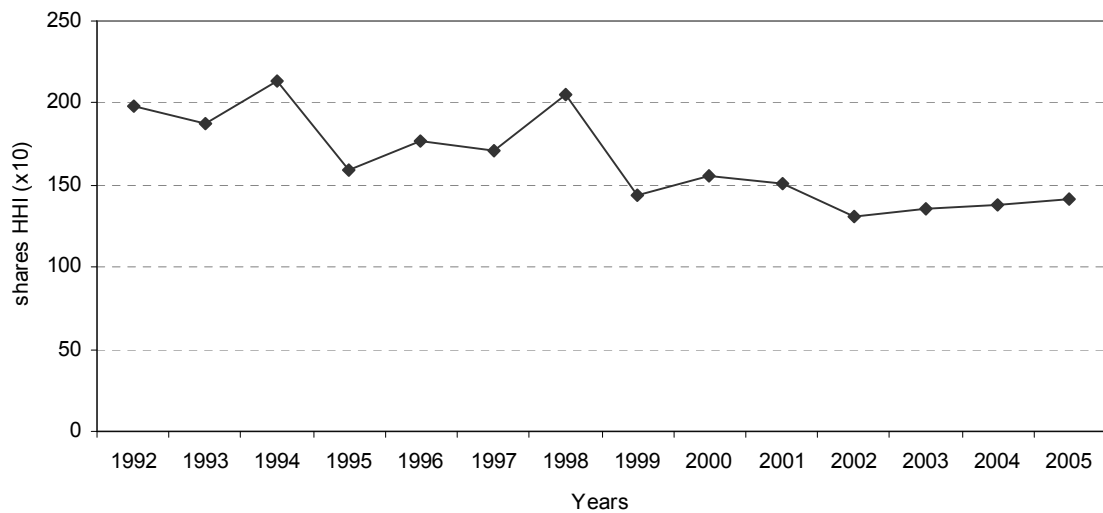


Figure 6.4 Concentration rate of the Dutch film market, 1992-2005 (HHI)



Source: NFC, NFC jaarverslagen 1997 - 2003, NVB/NVF Jaarverslag 2004 and NVB/NVF Jaarboek 2006

The figures for 1991 were not complete while the figures for 1990 were not available. The concentration indexes for 1990 and 1991 could therefore not be calculated. The figures for the market shares based on box office for 2004 varied in different sources. For these calculations the figures from *Jaarverslag NFC 2004* were used.

Apart from market share and concentration indexes, the main players in a film market can also be identified by the number of prints of a film. Films can be divided in mainstream films (*publiekfilms*) and art or author films. Mainstream films are usually heavily marketed and released in a large number of prints. In the Netherlands, most mainstream films are released with 80 to 100 prints. Art or author films are generally released in a smaller number of cinemas or film theatres, usually fewer than 10 prints.

(Croon, 2006) In the description of the main distributors, the number of prints for Dutch films will be given to indicate the belief that distributors have in the success of the films.

The majors

Film majors acquire the distribution rights of films from producers and circulate the prints to cinema exhibitors for screening. All film majors active in the Dutch film market between 1990 and 2005 had American origins and consequently had a large number of American films at their disposal. However, during this period, not all of them had a local subsidiary in the Netherlands who could circulate these films locally. Sony Pictures Releasing mainly operated as a Benelux organisation while most Universal, Metro Goldwyn Mayer (MGM) and Paramount films were distributed outside the United States by their joint venture UIP. Sony Pictures Releasing, however, had a small sales unit in the Netherlands. Universal had its own local office and its joint venture UIP office in the Netherlands during the 1990s. The subsidiaries of the majors in the Netherlands or Benelux did not distribute all films of the parent company. Independent distributors such as Concorde during the 1990s and more recently A-Film also had 'first look' and distribution deals for particular films. The Dutch offices of the majors and the sales unit of Sony are located in Amsterdam and Hoofddorp. The majors are now discussed in more detail in alphabetical order. First, a historical overview is given of how the film majors operated in the Dutch market. This is followed by a description of their market share and the number of its film titles they had in the top 20 in three different periods: the early 1990s, in the mid 1990s and the first years of the new millennium. The films are further analysed in terms of their ranking in the top 20, and the countries of origin. The most popular Dutch and international titles and their genres are analysed. This is followed by an overview of all Dutch films distributed by the majors between 1990 and 2005.

Buena Vista International

Buena Vista International (BVI) is the international distribution division of American company Disney. For a long time, Disney films were distributed by the Warner Bros office in the Netherlands. (Huijsdens, 2006) Buena Vista did not consider it necessary to have its own subsidiary to market the theatrical release and rental of their films in the Netherlands. When the home video market started to develop, it became apparent that new local strategies had to be devised and that a local office was essential for this process. In December 1991, Buena Vista International therefore opened an office in the Dutch market. (registration in commercial register) Buena Vista International has had a fluctuating share in the Dutch film market. In 1991 and 1992 it had a small share of less than 5%. After 1993 onwards its market share was more than 10% and even peaked in 1995 (25.5%) and 1997 (24.3%). In these years, it was market leader. In other years, it ranked alternately second or third. Its average market share (15.5%) for the whole period was a little larger

than Warner Bros which alternated with them for the second or third position for most years.

Buena Vista International had 64 films in the film top 20 between 1990 and 2005. Most of these films (59 films - 92.2% of all Buena Vista International films in the top 20) were from the United States. Three films were of Dutch origin while one was a coproduction between the United States and the United Kingdom and the other a coproduction between the United States and Japan (*Teigetjes Film* – Dutch version of *The Tigger movie*). Table 6.1 shows that the most successful Buena Vista films in the Dutch film market were always from the United States and that they were extremely popular in the period 1995-1999. The shares in table 6.1 represent the portion of the maximum score of all film titles in the top 20 in that period (thus all positions taken by the various companies together) and are thus not the percentage of film titles of Buena Vista international that reached this top in that period. In the last two periods (1995-1999 and 2000-2005), Dutch Buena Vista films also reached the top 20. They were most successful in the last period. Buena Vista International thus mainly released American films in the Dutch market and to a lesser extent distributed Dutch films and American co-productions.

Table 6.1 Share of success (%) and number of films of Buena Vista International in top 20 by countries (based on positions in a year)

	1990-1994 (N=11)		1995-1999 (N=29)		2000-2005 (N=24)
USA	9.90 (11)	USA	25.43 (27)	USA	16.51 (21)
		UK/USA	1.81 (1)	NL	2.14 (2)
		NL	0.67 (1)	USA/Japan	0.16(1)

The share was based on positions of all films titles of a company in the top 20. The film title in first position in the top 20 receives 20 points. The film title in 20th position received one point. Per company all film title scores for each of the three periods (1990-1994, 1995-1999 or 2000-2005) were added and divided by the total number of points (maximum score) for that period. For 1990-1994 and 1995-1999, the calculation was: (points_sum/1050) *100. For 2000-2005, the calculation was: (points_sum/1260) *100

From 1990 to 1994, Disney family films *Aladdin* (1993), *Beauty and the Beast* (1992) and *The Lion King* (1994) were the most successful BVI products in the Dutch market. In the second period, *The Lion King* was still a popular film, even the most popular one. The other two most successful films were the action films *Die Hard With a Vengeance* (1995) and *Armageddon* (1998). *Kruimeltje* (1999), a Dutch family film reached a 14th position in the top 20 in this period. *Kruimeltje* even became more popular in the last period and was accompanied by another Dutch family film *Pietje Bell* (2002). The most successful BVI film in the period 2000-2005, however, is animation film *Finding Nemo* (2003). Drama film *The Sixth Sense* (2000) and action and war film *Pearl Harbor* (2001) were also BVI films that reached high positions in the top 20. The most successful Buena Vista films in each of the three periods were in various genres. Animation which reflects Disney's heritage, however, was successful in all periods. Table 6.2 shows that in the early 1990s, Buena Vista was most successful in the comedy genre. In the second part of the 1990s, action was the most successful. In the new millennium, Buena Vista proliferated more in drama films.

Table 6.2 Share of success (%) and number of film titles of Buena Vista International in top 20 by top 3 genres (based on positions in a year)

	1990-1994 (N=11)		1995-1999 (N=29)		2000-2005 (N=24)
Comedy	4.76 (5)	Action	10.57 (10)	Drama	5.71 (6)
Animation	4.19 (4)	Animation	8.10 (9)	Animation	5.40 (9)
Thriller	0.67 (1)	Family	4.19 (4)	Action	4.60 (5)

The classification of the films in genres is based on the genre indication at imdb.com.

Buena Vista International distributed from 1990 to 2005 fourteen Dutch films in the Dutch film market. (See table 6.3) Buena Vista released their first Dutch film in 1997 and distributed most films in 1999 and 2001 (in each year 3 films). The film that it distributed in 1997, *Karakter*, won an Oscar. Most of the Dutch films were only distributed by Buena Vista in a selective number of cinemas. Three family films (all based on a book), however, were distributed with more than hundred prints while the non-family film *Do Not Disturb* was also released as a mainstream film (80 prints or more). Five out of the 14 Dutch films were family films while also five out of the 14 were based on a Dutch children's book or novel. However, BVI, showed a wide range of different Dutch films: thrillers, dramas, family films and a documentary. It had a large number of Dutch films that were produced by First Floor Features (5 films) and Shooting Star Filmcompany (4 films). Shooting Star Filmcompany produced the three family films (including *Kruimeltje* that reached the top 20) that were widely released in Dutch cinemas.

Table 6.3 Dutch film releases by Buena Vista International Netherlands, 1990-2005

Year of release	Title	Producer	Number of prints	Main genre	
1997	Karakter	First Floor Features	18	Drama	<i>book</i>
1998	Serengeti symphony	Nature Conservation Films	14	Documentary	
1998	Winter '89	Idtv Film & Video Productions	4	Drama	
1999	Kruimeltje	<i>top 20</i> Shooting Star Filmcompany	114	Family	<i>book</i>
1999	Do not disturb	First Floor Features	79	Comic thriller	
1999	De rode zwaan	First Floor Features	17	Family	<i>book</i>
2000	Babs	Kassander Film Company	35	Musical comedy	
2001	Down	First Floor Features	35	Thriller	
2001	Baby Blue	Shooting Star Filmcompany	26	Thriller	
2001	Morlang	Phanta Vision Film InternationalL	9	Psychologic drama	

2002	Pietje Bell	top 20	Shooting Star Filmcompany	136	Family	book
2002	Tom en Thomas		First Floor Features	53	Family	
2003	Pietje Bell 2		Shooting Star Filmcompany	128	Family	book
2005	Johan		Egmond Film & Television	46	Romantic drama	

The genre indication is based on the description in the Dutch film database (www.nfdb.nl) and the Internet Movie Database (www.imdb.com)

In summary, Disney animation films were BVI's most popular films. After 1995 it successfully released a number of Dutch family films. American films, however, were always more successful but the difference in success decreased between the mid 1990s and the early 2000s.

ColumbiaTristar/Sony Pictures Releasing

Columbia started in the Netherlands in 1934 (registration in commercial register). In 1987, Columbia set up the film company Tristar Pictures with HBO and CBS to share the production investments of a film. After 1989, Columbia and Tristar together formed the film division of the Sony Corporation. The company operated in the Netherlands under several names. From 1990 to 1996 it operated as Sony Pictures Releasing. In 1997 and 1998, it also distributed Fox films in the Netherlands and operated as ColumbiaTristarFox Holland. From 1999 to 2004, it operated as ColumbiaTristar while in 2005 when MGM was acquired, it was renamed Sony Pictures again. ColumbiaTristar mainly operated in the Netherlands under a Benelux management. Only from 1996 until 1999 when it had a joint venture with Fox, did ColumbiaTristar operate with a Dutch office and a general manager for the Netherlands and Belgium separately. ColumbiaTristar/Sony Pictures never released Dutch films in the Dutch film market. During most of the years from 1991 to 2005, ColumbiaTristar was a midfield player with an average market share of 13.4%. In 1997 and 1998 when it also distributed Fox films, it had a remarkably higher market share (19.8% and 33.7%). It was market leader in 1998 after releasing *Titanic*. All 42 ColumbiaTristar films in the top 20 from 1990 to 2005 were from the United States. Table 6.4 shows that the number and success of these films decreased over time and that the company became less successful. There is a difference of 11% between 1990-1994 and 2000-2005.

Table 6.4 Share of success (%) of ColumbiaTristar/Sony Pictures Releasing in top 20 by countries (based on positions in year)

1990-1994 (N=17)		1995-1999 (N=14)		2000-2005 (N=11)	
USA	17.52	USA	12.67	USA	6.51

These figures include the titles of ColumbiaTristar (1999-2004) and Sony Pictures Releasing (1990-1996 and 2005). For the years 1997 and 1998 all titles that were released by ColumbiaTristar Fox were included in these figures. For explanation of the calculation of the shares, see note table 6.1.

The most popular ColumbiaTristar films in the top 20 in the period 1990 to 1994 were *Look Who's Talking* (1990- romantic comedy), *Total Recall* (1990 - science fiction action film) and *Speed* (1994 - action thriller). In the second period, both *Titanic* (1998 – Fox- romantic drama) and *Independence Day* (1996 – Columbia - science fiction action film) were real box office hits for ColumbiaTristarFox while *Men in Black* (1997- science fiction action comedy) was also quite successful. In the last period, *Spiderman* (2002 - science fiction action movie), *Charlie's Angels* (2000 – comic action film) and *Hitch* (2005 – romantic comedy) were the most popular ColumbiaTristar films in the Dutch market. They were followed by *Spiderman 2* (2004 – science fiction action movie) and *Men in Black 2* (2002 - science fiction action comedy). *Men in Black* and *Spiderman* were thus successful in their original version as well as in their sequel. The most successful films of ColumbiaTristar/Sony Pictures from 1990 to 2005 were action films. However, comedies ranked second in the 1990s. Crime films were popular in the early 1990s and family films accounted for a small share in the late 1990s. In early 2000s, the popularity of ColumbiaTristar/Sony Pictures action films decreased but drama films and horror films showed occasional success. In summary, ColumbiaTristar also known as Sony Pictures Releasing was first and foremost a distributor of Hollywood action blockbusters. It did not release any Dutch films.

Table 6.5 Share of success (%) and number of film titles of ColumbiaTristar/Sony Pictures in top 20 by top 3 genres (based on positions in a year)

1990-1994 (N=17)		1995-1999 (N=14)		2000-2005 (N=11)	
Action	7.33 (8)	Action	7.90 (8)	Action	3.89 (5)
Comedy	3.90 (3)	Comedy	3.53 (4)	Drama	1.19 (2)
Crime	2.57 (2)	Family	1.05 (1)	Horror	0.56 (1)

The classification of the films in genres is based on the genre indication at imdb.com.

Fox

The American major Fox has operated as a Dutch limited liability company (NV) since 1923. In 1985 it became part of Rupert Murdoch's News Corporation and operated as a division of the Fox Entertainment Group. From 1996 to 1999, Fox had a joint venture with ColumbiaTristar for the Benelux market with a separate Belgian and Dutch office. At present, it is headed by a managing director for the whole Benelux. Fox was the smallest

major in the period 1990-2005 (average market share 5.1%) and reached its highest market share of 12% in 2005. During its joint venture with ColumbiaTristar, it had a more substantial market share and was market leader in 1998. From 1990 to 2005, seven Fox films reached the top 20. Six of these films were of American origin while one film was a British/American co-production. Table 6.6 shows that Fox had no films in the top 20 in the early 1990s and that it was most successful in the last period. Fox never distributed Dutch films in the Dutch market.

Table 6.6 Share of success (%) and number of films of Fox in top 20 by countries (based on positions in year)

1990-1994 (N=0)	1995-1999 (N=1)	2000-2005 (N=11)
	USA	1.81 (1)
		USA
		8.65 (10)
		UK/USA
		1.51 (1)

In 1997 and 1998 Fox films were distributed by ColumbiaTristar Fox. These film titles were not included in these figures. For explanation of the calculation of the shares, see note table 6.1.

The first episode of Star Wars (1999 – science fiction action film) was the Fox film in the top 20 in the period 1995-1999. In the last period Bond film *Die Another Day* (2003) was the most successful Fox film. The second and third episodes of Stars Wars (2002 & 2005) were also quite successful. Fox most successful films were action films with the exception of *What Lies Beneath*, a horror film released in 2000. In summary, Fox’s most popular films in the Dutch film market were episodes of Star Wars which were produced in the United States.

UIP

United International Pictures (UIP) started its operations in the Netherlands in 1982 (registration in commercial register) as a joint venture of Paramount Pictures Corporation, Universal Studios and Metro-Goldwyn-Mayer Inc. UIP was the international distributor for Paramount, Universal and MGM films for all cinemas outside North America. In 1999, MGM left the worldwide joint venture while former Polygram Filmed Entertainment became part of UIP in the Netherlands. Universal and Paramount have distributed their films individually again in the Netherlands since January 2007. UIP has distributed Dutch films since 1988. UIP was the most important major and film distributor in the Dutch film market in terms of market share (average of 23.9%). However, it was not market leader in 1995, 1997 and 1998 when BVI (*Lion King*) or ColumbiaTristarFox (*Titanic*) had the highest market share.

With 89 films, UIP had the most films in the top 20 of 1990-2005 of all distributors in the Dutch film market. The majority of these films was of American origin (74 films – 83.2% of all UIP films in the top 20). However, UIP also released a few successful British films and co-productions and occasionally a Dutch or a French film. Table 6.7 shows that the most successful UIP films were from the United States. The Dutch film *Flodder in Amerika* was the only UIP film from a non-American country that reached the top 20 in

the early 1990s. UIP's American films dropped in popularity in the second part of the 1990s but regained some popularity in the first part of the new millennium. From 1995 to 1999, British/American co-productions were also quite successful while British UIP films gained popularity in the new millennium.

Table 6.7 Share of success (%) and number of films of UIP in top 20 by countries (based on positions in year)

	1990-1994 (N=31)		1995-1999 (N=25)		2000-2005 (N=33)
USA	32.57 (30)	USA	18.19 (17)	USA	20.56 (27)
NL	1.90 (1)	UK/USA	7.33 (5)	UK	4.60 (5)
		Australia/USA	1.05 (1)	USA/UK	1.03 (1)
		UK	0.95 (1)		
		France	0.38 (1)		

For explanation of the calculation of the shares, see note table 6.1.

The most popular UIP films in the Dutch market in the early 1990s were fantasy comedy *Ghost* (1990) and science-fiction action film *Back to the Future* (1990). *Schindler's List* (1994 – historical drama), *Jurrassic Park* (1993 - action and adventure film) and the Dutch comedy film *Flodder in Amerika* (1992) were also highly successful. In the second period, UIP's Bond releases *Goldeneye* (1995) and *Tomorrow Never Dies* (1998) were most popular. Other action films *Twister* (1996), *The Lost World* (1997) and *Saving Private Ryan* (1998) had important rankings in the top 20 in that period as well. In the new millennium, UIP was quite successful with animation films. *Madagascar* (2005) was their most popular film. It was followed in popularity by *M:i-2* (2000 – action & adventure film), *Bridget Jones' Diary* (2001 – romantic comedy), *War of the Worlds* (2005 science-fiction action movie) and *Shrek 2* (2004 - animation). From 1990 to 2005, UIP most successful genres were action and comedy. (See table 6.8) In the 1990s, UIP also had successful drama and family films. In the period 2000-2005, it distributed animation movies that became quite popular (e.g. *Madagascar* and *Shrek*).

Table 6.8 Share of success (%) and number of film titles of UIP in top 20 by top 3 genres (based on positions in a year)

	1990-1994 (N=31)		1995-1999 (N=25)		2000-2005 (N=33)
Action	14.48 (13)	Action	16.76 (12)	Action	8.33 (10)
Comedy	6.86 (6)	Comedy	5.14 (5)	Comedy	5.40 (6)
Family	3.24 (3)	Drama	4.00 (4)	Animation	4.84 (5)

The classification of the films in genres is based on the genre indication at imdb.com.

UIP distributed the most Dutch films (17 films) of all majors in the Dutch film market between 1990 and 2005. However, there was only a small difference between this number and the number of Dutch films released by Warner Bros (16 films) and by Buena Vista International (14 films). UIP released the most Dutch films in the first years of the 2000s, especially in 2003 and 2004 (three films in each year). The release strategy

differed; some were released with around 10 prints, others with about 60 prints while four films were released with more than 80 prints.

From 1990 to 2005, UIP released three Dutch family films and five Dutch films that were based on a children's book or novel. It also distributed Dutch drama films (particularly in the period 2001-2003) and comedy films (most concentrated in the period 1990-2000 including *Flodder in Amerika* that reached the top 20). UIP released Dutch films by various producers. Most of the films, however, were produced by Egmond Film and Television and released between 2000 and 2005. In the early 1990s, UIP also distributed two productions by First Floor Features which were distributed by Buena Vista International at the end of the 1990s.

Table 6.9 Dutch film releases by UIP Netherlands, 1990-2005

Year of release	Title	Producer	Number of prints	Main genre	
1992	De Noorderlingen	First Floor Features	17	Drama	
1992	Flodder in Amerika <i>top 20</i>	First Floor Features	99	Comedy	
1993	De zevende hemel	Added Films International BV	75	Comedy	
1993	Oeroeg	Added Films International BV	25	Drama	<i>book</i>
1996	De zeemeerman	Verenigde Nederlandse Filmcompagnie BV	65	Fantasy	
1998	Het 14e kippetje	Ijswater Films	15	Tragic comedy	
2000	8 1/2 women	Movie Masters	6	Dramatic comedy	
2001	Nynke	Egmond Film & Television	41	Drama	
2001	De vriendschap	Sigma Pictures Production	12	Drama	
2002	Oesters van Nam Kee	Egmond Film & Television	86	Drama	<i>book</i>
2002	Qui vive	Egmond Film & Television	9	Drama	
2003	Polleke	Egmond Film & Television	58	Family	<i>book</i>
2003	Kees de Jongen	Sigma Pictures Production	59	Family	<i>book</i>
2003	Rosenstrasse	Get reel productions	30	Drama	
2004	Feestje!	PV pictures	89	Romantic comedy	

2004	Erik of het klein insectenboek	Egmond Film & Television	86	Family	book
2004	Fighting Fish	Three Kings Productions	25	Action	

The genre indication is based on the description in the Dutch film database (www.nfdb.nl) and the Internet Movie Database (www.imdb.com)

In summary, UIP primarily distributed American and American co-produced action blockbusters. It, however, also released Dutch films. *Flodder in Amerika* (1992) was the only Dutch film that could meet the success of its American releases, albeit to a lesser extent.

Universal Pictures

Universal Pictures started as a Dutch limited liability company (NV) in 1918. It was the first American studio that expanded its operations in the Dutch film market. Universal Pictures operated in the Dutch market until 1999 when UIP took over the distribution completely. Between 1982 and 1999, Universal had already distributed some of its films through their joint venture while it also had its own distribution subsidiary in the Netherlands. In 2007, UIP stopped its operations in the Dutch market and Universal Pictures is operating independently again. Universal Pictures was one of the smaller majors between 1991 and 2000. (average market share of 6.4%) In 1995, it had a market share of more than 10%. Universal Pictures had only one film in the film top 20 between 1990 and 2005. This was the American thriller *Arlington Road* (1999). Universal Pictures distributed one Dutch film during this period, *Nachtvliinder*, (a fairy tale) in 1999.

Warner Bros

Warner Bros Holland started to distribute its Hollywood films in the Dutch film market in 1933 (registration in commercial register). Before 1997, it only very incidentally released a Dutch film but after 1997 it became an active player in the Dutch film market. Since 1998, Warner Bros has distributed a number of Dutch family films that were mainly produced by Dutch production company Bos Bros. Warner Bros was never market leader but often ranked second or third in the Dutch film market from 1991 to 2005 (average market share of 15.1%). However, there were also years in which it had a market share of less than 10% (1991, 1997 and 2000). It reached its highest market share (more than 20%) in 1992 (the year of *Bodyguard*) and in 2002 (release of first two *Harry Potter* episodes).

Warner was the third company in row with the largest number of films in the top 20. The majority of the 56 films had American origins. (43 films – 76.8% of all Warner films in the top 20) It had a relatively high number of Dutch films (6 films) in the top 20 between 1990 and 2005 as well. The other films were French American (3 films), British/American (2 films) or Peruvian/American (1 film) co-productions or of Japanese origin (1 film). Table 6.10 shows that the American productions were also the most successful Warner Bros films in the Dutch market between 1990 and 2005. This decreased

between 1995 and 1999 but increased slightly in the new millennium compared to the level of the early 1990s. Co-productions with France²⁸ in the first period and with the UK in the last period were also still quite popular Warner films. During the second part of the 1990s, Warner also had Dutch films that reached the top 20, two of which even reached the top 20 in two successive years. Their success thus lasted for more than a year. The Dutch films, however, just took a small share of success in comparison with the American films while their success decreased in the new millennium. The Peruvian/American thriller *The Specialist* (1994) and the Japanese animation film *Pokémon* (2000) reached the top 20 but were the least successful ones. Warner thus primarily distributed American films but also released Dutch films, American co-productions and occasionally films which were produced outside Europe and the United States.

Table 6.10 Share of success (%) and number of films of Warner Bros in top 20 by countries (based on positions in year)

1990-1994 (N=21)		1995-1999 (N=14)		2000-2005 (N=21)	
USA	14.95 (17)	USA	11.71 (12)	USA	15.4 (14)
France/USA	2.67 (3)	NL	1.90 (2)	UK/USA	2.70 (2)
Peru/USA	0.48 (1)			NL	1.75 (4)
				Japan	0.95 (1)

For explanation of the calculation of the shares, see note table 6.1.

The most successful Warner titles in the first part of the 1990s were romantic drama *Bodyguard* (1992), romantic comedy *Pretty Woman* (1990) and action comedy *Lethal Weapon 3* (1992). In this period also some Disney titles such as *The Little Mermaid* and *Oliver and Company* were distributed by Warner Bros Holland in the Dutch market and reached the top 20. From 1995 to 1999, the most successful Warner Bros film was the Dutch family film *Abeltje* (1998). It was followed by *The Matrix* (1999 – science fiction action film), *Disclosure* (1995 – drama thriller), *Lethal Weapon 4* (1998 – action comedy) and *Space Jam* (1997 – family film). The films of Harry Potter (number 1 to 4) were by far the most popular Warner films in the first part of the new millennium. Only *Ocean's Twelve* (2004 – crime comedy) and *The Matrix Reloaded* (2003 – science fiction action film) reached a similar size audience. Dutch family films such as *Minoes* (2001) reached the top 20 as well but were much less popular than the Harry Potter movies. The sequels of *Lethal Weapon* were very popular too as the third and fourth version both reached the top 20. The success of the *Matrix* (1999) led to a sequel in 2003. In this case, both movies were very popular. Warner's most successful films in the 1990s were in the action genre. In the early 1990s, comedy and romance were also successful Warner Bros film genres. In the second part of the 1990s, drama ranked second after action. In the new millennium,

²⁸ The French American co-productions were family film *Free Willy* (1994), historical drama *JFK* (1992) and drama film *Sommersby* (1993).

adventure films (e.g. the Harry Potter episodes) were the most popular followed by action and comedy films.

Table 6.11 Share of success (%) and number of film titles of UIP in top 20 by top 3 genres (based on positions in a year)

	1990-1994 (N=21)		1995-1999 (N=14)		2000-2005 (N=21)
Action	5.24 (5)	Action	6.19 (7)	Adventure	9.13 (7)
Comedy	3.33 (3)	Drama	3.43 (3)	Action	6.03 (5)
Romance	2.86 (2)	Adventure	1.90 (2)	Comedy	3.49 (5)

The classification of the films in genres is based on the genre indication at imdb.com.

Warner Bros distributed 16 Dutch films between 1990 and 2005. The highest number of Dutch films (4 films) was distributed in 1999. Three Dutch films were released in both 1998 and in 2005. Table 6.12 shows that Warner Bros Holland mainly released Dutch family films (10 films) and Dutch comedies (5 films). One action film and one thriller were exceptions to this release strategy. In general, Warner thus had a more specialised Dutch film roster than UIP and Buena Vista. Six family films (four of which were based on a book) were released with more than 100 prints and reached the top 20. Another family film was distributed with 89 prints. All other films were released with a much smaller number of prints (ranging between 6 and 28 prints). All family films but two were produced by Bos Bros Productions. Besides Bos Bros, Lemming Film was the only producer of whom Warner released more than one film.

Table 6.12 Dutch film releases Warner Bros Holland, 1990-2005

Year of release	Title		Producer	Number of prints	Main genre
1997	Dying to go home		Taiga Films	6	Comedy
1998	Abeltje	<i>top 20</i>	Bos Bros	106	Family <i>book</i>
1998	Kleine Teun		Graniet Film	17	Black comedy
1998	Siberia		Siberia Film CV	25	Comedy
1999	The delivery		Two Independent Film BV	28	Action
1999	De bal		Sigma Pictures BV	6	Family
1999	Jezus is een Palestijn		Lagestee Film BV	9	Comedy
1999	No Trains, No Planes		Jos Stelling Films BV	10	Tragic comedy
2000	Total Loss		Lemming Film	14	Thriller

2001	Minoes	<i>top 20</i>	Bos Bros	127	Family	<i>book</i>
2002	Ja zuster, nee zuster	<i>top 20</i>	Bos Bros	102	Family	
2003	Verder dan de maan		Isabella Films	12	Drama	
2004	Pluk van de Petteflet		Bos Bros	121	Family	<i>book</i>
2005	Het paard van Sinterklaas	<i>top 20</i>	Bos Bros	89	Family	
2005	Lepel		Lemming Film	110	Family	
2005	De griezelbus		Bos Bros	114	Family	<i>book</i>

The genre indication is based on the description in the Dutch film database (www.nfdb.nl) and the Internet Movie Database (www.imdb.com)

In summary, Warner Bros most successful productions were Hollywood action, comedy and family films. Family films such as Harry Potter and those produced by Dutch Bos Bros became the most popular Warner Bros films in the Netherlands between 1990 and 2005. However, the share of success for American films and co-productions exceeded the share of success for Dutch films.

The independents

During the 1990s, Concorde (early 1990s), Polygram Filmed Entertainment (especially 1997) and RCV (late 1990s) were the most important independent distributors in the Dutch film market. In the early 1990s, Independent Film also had a substantial role while Paradiso developed its role as independent distributor from the mid 1990s onwards. In the new millennium, two new independents, A-Film and Independent Films gained an important role in the Dutch film market.

Concorde

Concorde, a Dutch film distributor in the Hague, started in 1972. It distributed international box office hits such as the first James Bond films but also art and Dutch films. (www.concordefilm.nl) Concorde went bankrupt in 1998 and was taken over by Indies Entertainment Group in 1999. From 1992 to 1995, Concorde was the most important independent film distributor, although its market share mainly decreased over the years. It continued its downward trend until 1998. In 1992 Concorde's market share was 12.6% while in 1998 it was only 0.2%.

Eight Concorde films that were released between 1990 and 1998 reached the top 20. More than half of these films (5) were American or American co-productions (one with France and one with Italy and France). Two films were Dutch and one film was a coproduction of Australia, New Zealand and France. In the early 1990s, the French/American co-productions *Basic Instinct* (1992) and *Terminator 2* (1991) were the most successful Concorde releases. The French/Italian/American thriller *Cliffhanger* (1993) and Dutch drama *De kleine blonde dood* (1993) were also popular. In the second part of the 1990s, the Dutch comedy *Flodder 3* was highly successful. Concorde had also distributed the first *Flodder* film in 1986 whereas UIP had distributed the second *Flodder* film. In the early 1990s action and crime films were Concorde's most successful releases whereas in the late 1990s comedies were more popular. These films were often productions that were released by major distributors in the United States.²⁹

Concorde released 23 Dutch films between 1990 and 1999, two of which reached the top 20. They were also released with a high number of prints. *De kleine blonde dood* was released with 48 prints while *Flodder 3* was released with 95 prints. Most of the Dutch films, however, were released with less than ten or between ten and twenty prints. A high number of the Dutch films distributed by Concorde was based on a book (6 in total, including *De kleine blonde dood*). Five of these films were produced by Sigma Film Productions, which also made two other productions that were distributed by Concorde. Concorde distributed two Dutch family films *Beertje Sebastiaan* (1991) and *Lang leve de koningin* (1993) (neither based on a book) in the early 1990s when Dutch family films were only occasionally released.

Meteor Film/Polygram Filmed Entertainment

Meteor started in the Dutch market in 1920 as a small independent film distributor of French art films. It developed into a large independent distributor of artistically and commercially interesting films over the years. In 1993, Meteor film was sold to Polygram and became their label for artistic films while Polygram Filmed Entertainment distributed the international supplied box office hits. (Beerekamp, 1997) It operated as an independent subsidiary until 1997. (www.cinemacontext.nl)

Music major Polygram created a film production and distribution company in 1979: Polygram Pictures. The first films did not meet expectations. Polygram lost money on its investments and closed the operation. At the end of the 1980s, a new attempt to make inroads in the film industry was made by Polygram by establishing Polygram Filmed Entertainment. This company had its headquarters in the UK but had a Dutch office as well. In 1993, it acquired Meteor Film. Its operational structure was based on the label structure of the record company Polygram and thus differed from the traditional majors and independent film distributors. There were labels for various film genres and

²⁹ *Basic Instinct*, *Terminator* and *Cliffhanger* were all films that were distributed in the United States by Tristar or ColumbiaTristar.

each label was responsible for its operations. Polygram Filmed Entertainment was the first European film studio that seriously attempted to compete with Hollywood. In 1998 when Polygram was bought by Seagram, Polygram Filmed Entertainment became a label of Universal Pictures. In 2001 the label disappeared.

Meteor was a very small player and independent distributor in the Dutch film market. From 1991 to 1996, their average market share was 0.15%. It released a Dutch and an American adventure film that both reached the top 20. The American adventure drama film *Dances with Wolves* (1991), however, was much more successful than the Dutch adventure horror film *De Johnsons* (1992). Between 1990 and 1997, Meteor Film released 18 Dutch films including Oscar winner *Antonia* (1995) (released abroad as *Antonia's line*). Most of these films were in the drama genre. Meteor Film, nevertheless, also distributed three thrillers and three films based on a book. A number of Dutch production companies produced more than one film that was distributed by Meteor Film. Meteor Film distributed most productions of Lennox Holding Productions (3 films). *De Johnsons* was released with 64 prints. All other films were released in a smaller number of prints. Some films even came out with one print.

Market shares for Polygram were only available for 1997 and 1998. In 1997 Polygram was market leader of the independents with a share of 12.2%, while it was the second independent distributor in 1998 with a share of 6.5%. Nine Polygram releases between 1990 and 1999 were so successful in the Dutch film market that they ranked in the top 20. Three of these films were from the United States and three from the United Kingdom. Two of these films were Dutch while one film was a Polish/British coproduction. In 1994, British romantic comedy *Four Weddings and a Funeral* was the most successful Polygram release while American action comedy *The Mask* also reached the top 20. In the second part of the 1990s, Dutch comedy *Filmpje!* (1995) was most popular and ranked in the top 20 two years in a row. British romantic comedy *Notting Hill* (1999) and comedy film *Bean* (1997) were also quite successful. American drama *Nell* (1995), thriller *Seven* (1995) and crime drama *Sleepers* (1995) reached the top 20 but were less popular than the Dutch and British films. Based on their films in the top 20, Polygram was successful with comedies followed by action films (thriller/crime films).

Polygram released seven Dutch films between 1995 and 1997. *Filmpje!* was one of them. The films reflected the successful comedy and thriller genre for the international releases but also included a film based on a book and two war dramas. Examples of these films are comedy *All Stars* (1997) which was released with quite a high number of prints (65), war drama *Left Luggage* (1998) and *Zusje* (1996). *Left Luggage* was based on a book and was shot in the English language. It was released with 21 prints in the Netherlands and received a number of prizes at international film festivals (e.g. 3 prizes at the Berlin International Film Festival). *Zusje* was a low budget movie with a crew of young talents in their twenties which did surprisingly well in the Dutch cinemas.

RCV

RCV was primarily founded as a video film distributor in 1978. In 1989, when the rental video market saturated, it expanded its activities and started distributing films for theatrical release. A 50% share was sold to VNU Wegener (important Dutch publishing conglomerate) in 1997. In 1999, it became a 100% subsidiary of VNU and was sold to Finnish publisher Sanoma in the same year. In January 2008, Canadian independent film distributor Entertainment One bought RCV. In the early 1990s, RCV played a marginal role in the Dutch film market (average market share of 0.5%). However, it developed into the leading independent film distributor (average market share of 10.8%) from 1996 to 2001. Polygram's high market share in 1997 was an exception to the leading position of RCV in this period. After 2001, RCV ranked second and later third of the independents in the Dutch film market.

Ten RCV films reached the top 20 between 1995 and 2005. Seven of these were American, two were Dutch and one was Italian. In the second part of the 1990s, four American films in the top 20 were most successful while also Italian war drama *La vita è bella*, (1999) reached the top 20. The most successful American films were adventure drama *Seven Years in Tibet* (1997) and romantic war drama *The English Patient* (1997). In the new millennium, the two Dutch films *Discovery of Heaven* (2001) and *De tweeling* (2003) (both based on books) were slightly more successful in the top 20 than American horror comedy *Scary Movie* (2001) and American comedy *What Women Want* (2001). Adventure, drama and comedy genres accounted for RCV's successful films in the top 20 from 1995 to 2005.

From 1990 to 2005, RCV released 24 Dutch films. One in four of these films were based on a book (novels, children's books or biographies). Three films were documentaries; one was based on the Amsterdam football club Ajax while the other two featured two famous Dutch music acts André Hazes and Normaal. RCV films were directed by the main Dutch film directors of the 1990s and the new millennium. RCV thus offered room for films and documentaries that were directed by talented Dutch directors and was therefore an important distributor for Dutch films. One film based on a book by popular Dutch writer Ronald Giphart *Phileine zegt sorry* (2003) was released with 81 prints. Three other films (two of which are also based on a book) were released with about 60 prints. The other Dutch films were released with a varying number of prints ranging from 2 up to 41 prints.

Independent Film

Independent Film was the biggest independent in the Dutch film market in 1991 (a market share of 11.8%) based on the indicators for the role of various distributors in that year. In the years afterwards (1992-1996), it had a much smaller and fluctuating market share (on average 3.1%). After 1996, it no longer operated in the Dutch market. In 2000, a new independent started under nearly the same name, Independent Films, but there was no relation between the two companies. None of the films distributed by Independent Film

reached the top 20 in the period 1990-1997. Independent Film distributed one Dutch film in this period, *Kracht* (1990), a rural drama.

Paradiso

Paradiso was founded in 1994 as an independent distributor for the Benelux market. At the start, it mainly focused on Belgium and Luxemburg and distributed its films in the Dutch market via a partner distributor. At the end of the 1990s, Paradiso opened a Dutch office in Amsterdam. It was the first independent distributor that operated in Belgium as well as the Netherlands. Paradiso offers a mix of art house and mainstream films acquired from large international producers and sales companies (e.g. New Line (affiliate of Warner)). (www.paradisofilms.nl). Paradiso had a very small share in the Dutch film market in 1997 and 1998 but became the third independent player in 1999 and a midfield independent player afterwards (average market share of 2%) between 1999 and 2005). *The Blair Witch Project* (1999 - USA) was the only Paradiso film that reached the top 20 from 1994 to 2005. It reached the 19th position in the top 20 of 1999. Between 1990 and 2005 Paradiso released two Dutch films: the detective film *The Quarry* (1999) and *De verlossing* (2002) which was based on a book. Both were released with a small number of prints (2 and 4 prints respectively).

A-Film

In 2000, a new independent, A-Film, entered the Dutch film market. A-film was founded in 1999 and aimed to release quality films with commercial potential. (www.a-film.nl) It produced films through its own production company, Fu Works, but it also bought the rights of international films at international festivals and industry fairs. In some cases, these films were produced by major studios but not released by their distribution subsidiaries in the Dutch market. A-film started in 2000 as the third independent in the market, it ranked second in the following year and by 2002 it was the main independent distributor. The rocketing market share, from 6.7% in 2001 to 13% in 2002, was caused by the successful release of part one of the Lord of the Rings trilogy (2001). A-Film's market share remained high (12.5% and 14.6% respectively) when the second (2002) and the third episode (2003) of the trilogy were released. In 2005, there was a new independent market leader: Independent Films (the independent distributor that started in 2000) and A-film became the second independent distributor in the Dutch film market.

Eight A-film movies reached the top 20 between 2000 and 2005. The Lord of the Rings trilogy (released in 2001, 2002 and 2003) formed the major part of these films and were the most successful. Each part appeared in the top 20 two years in a row. The Dutch romantic youth comedy *Costa!* and the American drama *The Passion of the Christ* also reached the top 20 in 2001 (position 6) and in 2004 (position 19) respectively. The most successful genres were action films followed by comedies.

From its start in 2000 until 2005, A-film released a remarkably high number of 48 Dutch films in the Dutch film market. These films include three Belgian/Dutch co-productions, two international co-productions by Lars von Trier in which the Netherlands took part (*Dogville* (2003) and *Manderlay* (2005)) and an American/Dutch/French co-production. The majority of these Dutch films and co-productions were dramas, some were thrillers and a few were documentaries. Only two films were based on a book and another two primarily focused on a youth audience (including the successful *Costa!*). Like RCV, the Dutch films of A-film were directed by the main Dutch directors of the 1990s and 2000s. In contrast to RCV, a number of directors made two films for A-film in the period 2000-2005. Four Dutch films were released with more than 80 prints, one of which is the family film *In Oranje* (2004) that was even released with 115 prints. The other three films include the two films that were specially produced for a youth audience *Costa!* (84 prints) and *Snowfever* (2004 – 95 prints) and the Dutch remake of a Danish box-office hit, the comedy *Vet hard* (2005 – 82 prints). A-Film thus distributed a diverse range of Dutch films and adapted the number of prints to the genre and expected market potential.

Independent Films

Independent Films Nederland started in 2000 as the Dutch division of the Belgian company Independent Film Distribution, which is not related to Independent Film that operated in the Netherlands in the first part of the 1990s. Independent Film Distribution was founded in Belgium in 1986. Independent Films in the Netherlands was actually the result of a merger between the theatrical division of former Polygram Film Entertainment and UIP. One of the founders of the Belgian company was manager of the Polygram team and decided to take advantage of the gap in independent distribution in the Dutch film market. He opened a Dutch division that was operated by the former Polygram team. From 2000 to 2003, Independent Films was the third independent company in the Dutch film market (average market share 5%). In 2004, it ranked second and by 2005 it had become the independent market leader with a market share of 12.3%.

During the period that Independent Films operated in the Dutch market (2000-2005) eight films reached the top 20. The majority of these films (6) were of Dutch origin whereas the other two were from the United States (*American Pie* - 2000) and Belgium (*K3 & het magische medaillon* – 2004 – family film). The Dutch films were most successful in the top 20. Three of these were based on a book: *Schippers van de Kameleon* (2003 – family film), *De Kameleon 2* (2005 – family film) and *Het Schnitzelparadijs* (2005 - romantic comedy produced for a multicultural youth audience. The other three Dutch films in the top 20 also each focused on a particular audience: *Volle Maan* (2002 – romantic comedy produced for a youth audience), *Shouf shouf habibi* (2004 – comedy produced for a multicultural youth audience) and *Zoop in Africa* (2005 – family film). Comedy, adventure and family films accounted for Independent Films' most successful releases.

In addition to these six very successful Dutch films, Independent Films distributed another 13 Dutch films between 2000 and 2005. Four of these were based on a book, two were produced for a family audience and two films were comedies. The two family films were based on a former TV series for children (*Pipo en de p-p-parelridder* (2003)) and a remake of a film (*Floris* (2004)). A thriller and two documentaries were exceptions to these successful Independent Film releases. Five films were released with more than 100 prints. These were either produced as family films or for a youth audience and in three cases were also based on a book. Three of them reached the top 20: *Volle Maan* (114 prints), *Schippers van de Kameleon* (120 prints) and *De Kameleon 2* (114 prints). The other two were the family films *Pipo en de p-p-parelridder* (121 prints) and *Suske & Wiske en de duistere diamant* (2004 – 105 prints – based on a comic book). Only six Dutch films were distributed to a small number of cinemas (between 2 and 13 prints). The Dutch films of Independent Films were thus primarily family films or for a youth audience and in many cases widely released and based on a book. From its start in 2002, Independent Films mainly focused on the marketing opportunities of Dutch films.

Non commercial distributors

Three non-commercial distributors were structurally subsidised for their distribution activities. Cinemien, Contact Film and the Dutch Film Museum played a small role in the Dutch film market. None of these companies released films that reached the top 20 but each continuously distributed Dutch and international films in a small number of prints from 1990 onwards.

Cinemien started in the 1970s as a feminist film organisation and developed in the 1980s into an important distributor of quality movies for film theatres. It selects films at international film festivals and its catalogue consists of films in various genres and from various countries. Cinemien had a stable but very small market share of on average 1% during the 1990s and 1.2% in the new millennium. Cinemien released 20 Dutch films between 1990 and 2005. Half of these were documentaries while the majority of the other half were drama films. One drama film, *Valentin* (2003), was released with 12 prints whereas other Cinemien releases averaged three prints.

Contact Film specialised in the distribution of foreign films from non-English and usually also non-Western countries that were released in film theatres. Between 1990 and 2005, it distributed only three Dutch films. In the first part of the 1990s, it had a very small market share (0.1% on average). From 1998 onwards, its market share was no longer separately shown in the overviews of the branch organization NFC as Contact Film was no longer member of the Dutch Film Distributors Association.

The Dutch Film Museum is the main centre for cinematography in the Netherlands and has an important collection of Dutch and international films. It organises exhibitions and screenings in the museum building in Amsterdam but also distributes film classics and new Dutch films. During the 1990s its market share was on average 0.4% and at the beginning of the new millennium, it rose slightly to about 0.6%. The Dutch Film Museum

distributed the most Dutch films (62 in total) of all distributors in the Dutch market between 1990 and 2005. It released a number of films as a re-release, had a large number of documentaries (21) and also a relatively high number of experimental films. Most of the producers whose films were distributed by the Dutch Film Museum had all their films released by the museum, although a few producers had some of their films also released by Cinemien or independent distributors. There is thus a division in the Dutch film sector. On the one hand, a few Dutch films are distributed and marketed by majors and larger independent distributors with a substantial number of prints. On the other hand, a larger number of Dutch films are released by the non-commercial distributors, have only one or two prints and are not screened in the mainstream cinema complexes. Furthermore, there is also a large number of Dutch films that is released by majors but especially independent distributors and that is screened in cinemas in the larger Dutch cities.

Characterisation of the Dutch film market, 1990-2005

Between 1990 and 2005, the Dutch film market developed from a market that lacked successful Dutch films and funding for film productions into a more professionalized sector with films that attracted a large mainstream audience. The change in film policy which was mainly based on cultural incentives to a combination of cultural and industry policy in the late 1990s had a huge impact on this process. The international success of Dutch co-productions, Dutch films that appealed to the Dutch audience and modernised and better facilitated cinemas also had a positive effect on the Dutch film market. The first years in the new millennium showed a relatively big market share for Dutch films, a large number of Dutch film productions and majors that distributed Dutch films in Dutch cinemas. The growth in market share for Dutch films and the number of Dutch film productions declined as a result of the economic recession and the end of the tax incentives scheme. Internet and the downloading of films became a new challenge for the Dutch film sector at the same time.

Main players

Film majors had a substantial role in the Dutch film market with a collective share of more than 70%. UIP clearly had the largest market share in the Dutch film market between 1990 and 2005. Of the other majors, Buena Vista came closest to UIP's market share in the late 1990s. In the first part of the 1990s, UIP, Warner and Columbia were the main majors while Buena Vista International, Fox and Universal Pictures were the smaller ones. In the second part of the 1990s, the three main majors in the Dutch film market were UIP, Buena Vista International and ColumbiaTristar(Fox). Warner Bros was then part of the group of smaller film majors. In first part of the new millennium, five instead of six film majors (Universal was incorporated in UIP) were active in the Dutch film market. UIP, Buena Vista International and Warner all distributed Dutch films and were the main players during that period.

Between 1990 and 2005, the number of film majors in the Dutch film market was more stable than the number of the music majors although their market share fluctuated more. During the 1990s, UIP, the largest film major in the Dutch film market had a larger market share than the most important music major in the Dutch music market. The market shares of the majors in the film industry were mostly influenced by the number of films released and the success of these films, whereas the market shares of the music majors were besides successful releases of artists highly influenced by mergers and acquisitions in the industry.

Table 6.13 Average market share majors for 1990-1994, 1995-1999 and 2000-2005

	BVI	UIP	Warner Bros	ColumbiaTristar (Sony Pictures)	Fox	Universal Pictures
1990-1994	8.96	29.06	17.20	15.48	0.01	3.88
1995-1999	20.49	22.42	11.98	18.17	2.6	9.83
2000-2005	15.71	21.68	16.28	8.04	8.81	

Based on: NFC, NFC jaarverslagen 1997 - 2003, NVB/NVF Jaarverslag 2004 and NVB/NVF Jaarboek 2006

The largest independent distributors, however, always had a larger market share than the smallest major film distributors (which included Warner Brothers and Buena Vista International for some years as well). The largest independents, except for Polygram, all operated solely in the Dutch or Benelux market. There were thus no international independent companies such as is the case in the Dutch music industry. The largest independent distributors often released Dutch films in the Dutch film market while the smaller major distributors did not. The share of the independent and non-commercial distributors together accounted for a substantial share: 26% in the early 1990s (excluding 1991: 15.6%), 19.2% in the second period, and 29.2% in the early 2000s.

Most important countries of origin

The majority of the films in the top 20 (255 out of 320) in the Dutch film market in the period 1990-2005 were produced by American companies. (See table 6.14) Their success reflected the country of origin of the major distributors but decreased over time. In the 1990s, French or British American co-productions were second most successful although, they followed at a great distance. Dutch films reached the top 20 in all three periods and the number of films (from 3 in the first period to 6 in the second and 15 in the last period - total of 24 films) as well as their success increased over time. The number of successful Dutch films thus doubled or more than doubled between the different periods. Dutch films were most successful in the first part of the new millennium. Films from other European countries (except for the UK) were less successful and did not increase in popularity over time. One Belgium film (comedy film *Koko Flanel* - 1990) was, nevertheless, more

successful than two British films in the early 1990s. The number of the UK films in the top 20 increased over time (total of 10 films) and were most successful in the second part of the 1990s. Only six films in the top 20 between 1990 and 2005 were not from the United States (including co-productions), the United Kingdom (including co-productions) or the Netherlands.

The most successful films in the Netherlands show less variation in country of origin compared to the most successful music albums during the research period. In contrast to the highest success for local music in the Netherlands in the second part of the 1990s, the success of Dutch films increased over time. The majors Warner Bros and Buena Vista International only really started distributing Dutch films in 1997 whereas Fox and ColumbiaTristar/Sony Pictures never distributed any Dutch films.

Table 6.14 Countries per period in top 20 and their share of success and number of titles in the top 20, 1990-2005

1990-1994			1995-1999			2000-2005		
Country of origin	Share (%)	N	Country of origin	Share (%)	N	Country of origin	Share (%)	N
USA	85.08	86	USA	78.19	82	USA	69.52	87
France/USA	6.10	5	UK/USA	9.14	6	NL	11.11	15
NL	3.24	3	NL	6.19	6	New Zealand/USA	8.33	6
Belgium	1.62	1	UK	4.76	3	UK/USA	5.24	4
UK	1.52	2	Australia/USA	1.05	1	UK	4.60	5
Italy/France	1.43	1	France	0.38	1	Japan	0.95	1
Australia/New Zealand/France	0.57	1	Italy	0.29	1	USA/Japan	0.16	1
Peru/USA	0.48	1				Belgium	0.08	1

Total N = 320 For explanation of the calculation of the shares, see note table 6.1.

UIP was the only major with Dutch films in the first part of the 1990s. In the second part of the 1990s, UIP released Dutch films as well but they did not reach the top 20. In this period, first Warner and then Buena Vista were the most successful majors with Dutch films. UIP was the most successful with foreign films between 1990 and 2005. It was also the company with the highest difference between the success of Dutch and foreign films and the only major with British films in the top 20. Warner and Buena Vista International also showed a significant difference between the success of their Dutch and foreign films but it was smaller than at UIP. Only Buena Vista's share of success for Dutch films increased over time. Although the majors were the main players in the Dutch film market during the period 1990-2005, the success for foreign films (primarily American films) distributed by UIP and ColumbiaTristar/Sony Pictures Releasing declined over time. Buena Vista International first saw a steady increase in success for their foreign films and then a decrease as opposed to Warner Bros that experienced the opposite situation (decrease/increase). Fox' share in success for their foreign releases only increased.

Table 6.15 Share of success and number of titles per major for Dutch and foreign titles per company per period in the top 20, 1990-2005

	1990-1994		1995-1999				2000-2005					
	NL		foreign		NL		foreign		NL		foreign	
	%	N	%	N	%	N	%	N	%	N	%	N
<i>Majors</i>	1.90	1	78.09	79	2.57	3	81.34	80	3.89	6	78.58	94
BVI	0	0	9.90	11	0.67	1	27.24	28	2.14	2	16.67	22
UIP	1.90	1	32.57	30	0	0	27.90	25	0	0	26.19	33
Warner Bros	0	0	18.10	21	1.90	2	11.71	12	1.75	4	19.05	17
Columbia/Sony	0	0	17.52	17	0	0	12.67	14	0	0	6.51	11
Universal Pictures	0	0	0	0	0	0	0.10	1	-	-	-	-
Fox	0	0	0	0	0	0	1.81	1	0	0	10.16	11
<i>Independents*</i>	1.33	2	18.67	18	3.62	3	12.38	13	7.22	9	10.32	11
total	3.23	3	96.76	97	6.19	6	93.81	94	11.11	15	88.9	105

Total N = 320 For explanation of the calculation of the shares, see note table 6.1.

* None of the films released by non-commercial distributors reached the top 20.

In the second part of the 1990s and the first part of the 2000s, the independent distributors in the Dutch market together accounted for the largest share of success of Dutch films in the top 20. The individual share of the main independent distributor (Polygram and Independent Films respectively) for Dutch films was also larger than the individual shares of the majors with Dutch films in the top 20 in those years. Independent Films had the largest number of Dutch films (6) in the top 20 of all distributors (majors and independents) between 1990 and 2005. At the independents, the share of success for foreign films was also larger than that for Dutch films. However, their share of success for Dutch films more than doubled between the first and the second part of the 1990s and the second part of the 1990s and the first part of the new millennium.

In the first part of the 1990s, three independent companies had successful films in the top 20: Concorde, Meteor Film and Polygram. They were successful with films from one particular country: Concorde with its French/American co-productions, Meteor Film with an American film and Polygram with a British film. In the second part of the 1990s, Polygram was the most successful independent with British and Dutch films in the top 20 while RCV had the highest success of the independents with American films. In the first years of the new millennium, Independent Films was the most successful distributor (majors and independents) of Dutch films, while A-Film was the most successful independent distributor of American films and co-productions. None of the independent distributors had successful British films during this period. Between 1990 and 2005, RCV had the largest number of American films (7 in total) in the top 20 of the independent distributors while Polygram had the largest number of British films (3 in total). Over time, the success of American releases by the independent distributors decreased while the success for Dutch films increased. The success of releases of British films by independent distributors only increased between the first and second part of the 1990s and were mainly Polygram releases.

Most successful genres

The most successful genres in the top 20 between 1990 and 2005 are action followed by comedy. In the first part of the 1990s, crime and drama were also popular while drama and animation ranked high in the top 20 in the second part of the 1990s. With the exception of Buena Vista International, the majors all had action as their main genre. UIP, ColumbiaTristar/Sony Pictures Releasing and Warner were also all quite successful with comedy films. They each also had a third successful genre that differed over time. Animation films were a stable genre for Buena Vista although their most successful releases however, were comedy (1990-1994), action (1995-1999) and drama (2000-2005) films. The independent distributors were also quite successful in action and comedy films but also in the adventure genre. A-film was really successful with action films (The Lord of the Rings trilogy) in the first years of the new millennium. Like the independent companies in the Dutch music industry, the independent film distributors showed a more varying range of successful genres over time than the major companies.

Most successful titles

Dutch films did not account for any of the top 10 most successful titles during the research period. They are all American or American co-productions. UIP and A-film both had three films in the top while Buena Vista International and Warner Bros both had two. The position of A-film in this top 10 is remarkable. Usually films that are released by independent distributors are not as successful as the heavily promoted high concept films of the majors. In the Dutch music market, the top 10 most successful music albums in the annual album top 100 also only included artists who were released by the majors. In the Dutch film market, the success of the Lord of the Ring films, however, positioned A-film in the top 10 among the majors. Sony Pictures is absent in this ranking. However as ColumbiaTristarFox it released *Titanic* in 1998 which reached the highest box office figure (23.6 million euros) for a film released in the Netherlands. It had a run in Dutch cinemas for a few months after its release but failed to reach a ranking in the top 20 in 1999 while all films in table 6.16 had a position in the top 20 in two years. Disney's *The Lion King* was the most successful film between 1990 and 2005. Except for *Bodyguard*, all films in the top 10 are episodes of longer running film projects (Lord of the Rings and Harry Potter) or part of a brand (Disney and Bond). It shows the use of high-concept films, films based on a familiar concept and sequels in the film industry to increase the chances of success for a film.

Table 6.16 Top 10 most successful titles in the top 20, 1990-2005

	Title	Year of first release	Distributor	Country of origin	Total points	Share (%) in top 20 1990-2005
1	The Lion King	1994	BVI	USA	39	1.16
2	Lord of the Rings 2	2002	A-film	NZ/USA	38	1.13
3	Lord of the Rings 3	2003	A-film	NZ/USA	35	1.04
4	Harry Potter 1	2001	Warner Bros	UK/USA	34	1.01
5	Aladdin	1993	BVI	USA	33	0.98
6	GoldenEye	1995	UIP	UK/USA	33	0.98
7	Lord of the Rings 1	2001	A-film	NZ/USA	32	0.95
8	Bodyguard	1992	Warner Bros	USA	30	0.89
9	The world is not enough	1999	UIP	UK/USA	30	0.89
10	Tomorrow never dies	1997	UIP	USA	27	0.80

All these titles had a position in the top 20 in two years between 1990 and 2005. Their share of success is based on their position in the top 20 and not on real box office figures. The position of the film is calculated into a score. A film title in first position in the top 20 receives 20 points. A film title in 20th position receives one point. The score for the film title is then divided by the total number of points (maximum score) for the whole period 1990-2005. The calculation of the share in the top 20 1990-2005 is then: (score film title/3360) *100. NZ: New Zealand

Most successful Dutch titles

The ten most successful Dutch films in the top 20 between 1990 and 2005 (see table 6.17) characterise the relation between the distributors in the Dutch market and Dutch films. The three Dutch major film distributors that release Dutch films each have one of their Dutch films in the top 10. The independent distributors that release most of the Dutch films also released the majority of the films that are shown in table 6.17. Concorde and Independent Films were the most successful independent distributors for Dutch films in the first part of the 1990s and the first part of the 2000s respectively.

There was a slow revival of Dutch films in the 1990s which first peaked in 1995 when two Dutch films reached the top 10. 2001 was another successful year for Dutch films as can be seen in table 6.17. The strategy of producing films based on books is clearly shown in the table as well; half of the top 10 most successful Dutch films between 1990 and 2005 were based on books. Films specially produced for a youth audience (*Costa!* and *Volle Maan* – new millennium) or a mainstream audience (*Filmpje*, *Flodder in America* and *Flodder 3* – first part 1990s) were also successful. From the end of the 1990s onwards, more successful Dutch family films were produced, the most successful being *Kruimeltje* which is also based on a book.

Table 6.17 Top 10 most successful Dutch titles in the top 20, 1990-2005

	Title	Year of first release	Distributor	Total points	Number of times title in top 20	Share (%) in top 20 1990-2005
1	Kruimeltje	1999	BVI	25	2	0.74
2	Filmpje!	1995	Polygram	24	2	0.71
3	Abeltje	1998	Warner Bros	20	2	0.60
4	Flodder in America	1992	UIP	20	1	0.60
5	Costa!	2001	A-film	15	1	0.45
6	Flodder 3	1995	Concorde	14	1	0.42
7	Schippers van de Kameleon	2003	Independent Film	13	1	0.39
8	Volle Maan	2002	Independent Film	12	1	0.36
9	De Kleine Blonde Dood	1993	Concorde	11	1	0.33
10	De Tweeling	2001	RCV	10	1	0.30

All these titles had a position in the top 20 between 1990 and 2005. For explanation of the calculation of the shares, see note table 6.16.

Concluding remarks

This chapter has shown that the popularity of Dutch films increased between 1990 and 2005. Its share of success doubled between the first and the second part of the 1990s and the second part of the 1990s and the first part of the new millennium. Dutch films were mostly distributed by independent distributors of which Independent Films was the most successful. Between 1990 and 2005, Warner Bros and Buena Vista International added Dutch feature films to their product range. Besides the successful release of the family film *Abeltje*, a change in support schemes for Dutch films was a major factor in this. Contrary to the Dutch music sector, there is thus a relation between the number of Dutch films at the majors and Dutch film policy. One major (UIP) already distributed Dutch films but was not very successful. The most successful Dutch films were comedies, family films or films based on a book.

The majority of films in Dutch cinemas and the most successful ones, however, were American. They were either distributed by the majors or the independents with the majors having the largest stake. UIP was the most successful. There was only a very small number of foreign films that were not British, American or an American co-production. The most successful films of the majors were either action or comedies. Buena Vista was traditionally also strong in animation. Independent and non-commercial companies showed a more varied range of genres (e.g. also documentaries and thrillers), although action films and comedies were also the main genres for the larger independents. Despite Warner Bros and to a lesser extent Buena Vista International were also successful in family films, there was little focus on this genre from the independents.

Chapter seven examines the decisions and processes at the Dutch music and film divisions of three case companies (Sony, Universal and Warner) and will analyse their choice whether and how to include Dutch music and film in their product range.

Chapter 7

Dealing with the Dutch Market. The Operation of the Music Divisions of Sony, Universal and Warner in the Netherlands, 1990-2005

The previous two chapters analysed the developments and products in the Dutch music and film market in the period 1990-2005. This chapter examines specific characteristics of and developments at the music divisions of Sony, Universal and Warner in the Netherlands in the same period and analyses why they offered this mix of international and local products and how this was affected by market developments. The aim is to gain insight into how the organisation culture, market perception, strategy and structure of these majors influence their operation in the Dutch market. This qualitative analysis is based on desk research and on interviews that were conducted in 2006 and 2007. The data for the desk research include transcripts of interviews that were conducted by Michael Christianen³⁰ in the mid 1990s, corporate websites and documents and articles in trade journals and newspapers.

Each of the three cases starts with a brief outline of how the subsidiary operated in the Dutch market from 1990 to 2005 and how this was affected by the company's organisation culture, market perception, structure and strategy. This is followed by a more detailed analysis and comparison of the operation of the three music subsidiaries. Chapter 8 examines the operation of the three subsidiaries in the Dutch film market. The first case is Sony Music, from 2004 onwards SonyBMG.

Sony Music/SonyBMG Music Entertainment

'...in fact primarily a marketing and distribution company for essentially Anglo-American repertoire, (...) and of course the development of local talent.'³¹ (Managing director SonyBMG, 2000-2005, interview 2007)

Sony Music's operation in the Netherlands was defined by its organisation culture of American origins, a catalogue of American labels and related strategy of distributing and developing international stars. The Dutch market was perceived as a good distribution

³⁰ See note 16, p.99.

³¹ These and all subsequent interview quotations have been translated from Dutch into English by the author.

market. Therefore, Sony Music's strategy was to promote and sell international artists based on the local market knowledge at the subsidiary. Due to a market entry through a partnership with a Dutch company, Sony Music always had a small local artist roster. However, it applied an opportunistic strategy for domestic repertoire. It only actively signed Dutch artists and acquired licenses of successful Dutch artists when international sales decreased and the share for local music rose. Until the preparatory stage for the merger with BMG (Bertelsmann Music Group) in 2004, Sony Music operated with a decentralised structure in which the staff of the Dutch subsidiary could select and adapt international priorities to local market conditions. Afterwards, it had a more centralised structure and the operation of the subsidiary was more controlled by headquarters. During the transition phase there was no clear strategy for local repertoire. Sony Music but also SonyBMG thus primarily worked on the promotion and sales of their international artists in the Netherlands while Dutch repertoire was a way to enlarge market share during periods of growth for domestic product. Continuous declining CD sales led to a change in strategy. SonyBMG changed into an entertainment company to benefit from other music related revenue sources.

Concentration on the promotion of international talent

Sony Music's repertoire is based on the American music catalogue of CBS which it acquired in 1987. The large American catalogue and home market are reflected in the highest success for American albums among all Sony releases in the Dutch market (e.g. Michael Jackson). The main priority of the Dutch subsidiary was the promotion and distribution of international priorities. Due to its initial distribution deal with Dutch Artone in the 1950s, Sony (then Columbia) had always had Dutch repertoire from the start as well. However, until the early 1990s Sony's concentration on the promotion of its international talent left less room for the development of domestic artists. The signing of a new Dutch act often depended on the persistence of an A&R manager. The difficult process of releasing the single 'You' by Ten Sharp in 1991 illustrates this. Although one A&R manager was convinced of the hit potential of this song, all other members of the weekly A&R meetings did not consider it worth releasing. In the end, the A&R manager was granted permission to release the single on a small scale. The single was a number one hit in The Netherlands, followed by Scandinavia and became an international success. Ten Sharp was not the only Dutch Sony act that suddenly achieved international success in the early 1990s. Mathilde Santing with her Randy Newman album 'Texas girl and pretty boy' (1993) is another example. Both, however, are exceptions in terms of international success for Dutch Sony acts and in terms of the focus of the subsidiary to promote international talent. During the early 1990s, signing local artists was a sideline.

'You were allowed to sign local repertoire as long as you didn't make a loss.' (Former managing director Sony Holland, 1990-1994, interview 2007)

More active policy for local repertoire

The sudden priority that was given to the release and development of Dutch acts at Sony Music in the mid 1990s confirms the conclusions of Huygens (1999), Negus (1999) and Rutten (1991b) that the sales opportunities of domestic music were only explored by the majors when the dominant share of American music in worldwide sales declined. To retain market share, Sony adopted a more active policy for local repertoire. They needed local artists to fill their pipelines. This was in line with the European strategy drawn up by the director of European creative operations Decam in 1992 to increase the number of local artists at European subsidiaries and to boost their releases in other territories. (*Music Business International*, 1992 (12): 16) However, the Dutch subsidiary started with some distribution deals for Dutch artists (Paul de Leeuw and 2 Unlimited (techno-dance pop)). This enabled them to enlarge their market share without taking high risks. The artists developed and recorded their music while Sony released their CDs in the Dutch market. In fact, they thus bought market share since revenues on artists in license are much smaller than revenues on signed and developed artists. The success of some Dutch artists such as Marco Borsato (Polygram) in the mid 1990s altered the policy for domestic repertoire. Sony Music started a special label for domestic repertoire SMART. The first two Dutch acts that were signed at this new label, Van Dik Hout and Acda en De Munnik, both became very successful. Aiming to repeat these success stories, more Dutch acts were signed and expanding the domestic artist roster became a goal in itself. There was a kind of euphoric mood at that time which is illustrated by the following quote.

'Suddenly Dutch artists sold hundreds of thousands of CDs. (...) All at once it became clear that it was possible. And not just scoring a reasonable success, but scoring genuinely huge successes. Yes, and then everybody is starting to expand its domestic artist roster and the problem is that (...) for every success there are ten failures.' (Former marketing manager Sony and general manager Sony and SonyBMG, 2000-2005, interview 2007)

However this overconfidence in signing Dutch acts did not prove to be realistic and most newly signed Dutch acts fell short of expectations and made a loss. The signing of a distribution deal for Frans Bauer, however, did pay off. He became a very successful artist who was prominent in the Dutch charts and sold high numbers of CDs.

Room for local autonomy

The confidence of headquarters in local market knowledge resulted in more autonomy for the Dutch Sony Music subsidiary. The Dutch office was given certain tasks and guidelines to sell and market international artists and local managers could decide how to deal with these tasks and were given free reign to develop domestic artists. The quotes from interviews with former managers below illustrate the important role of managers with specific knowledge of the local market and the music scene and the autonomy they were given to deal with these tasks and guidelines.

'And they thus expected you to do your best, if they had signed a big artist in the United States again or someone they thought would become famous worldwide. In reality, the fact that, you didn't really do your best was more or less taken for granted.' (Former marketing manager Sony and general manager Sony and SonyBMG, 2000-2005, interview 2007)

'There was a playing field for the marketing manager. The better you do your job, the more freedom you have. It's all about proven success.' (Former marketing manager Sony, 2000-2005, interview 2007)

These quotes contradict the theories on the cultural industries and the music industry that describe processes in these industries. (c.f. Peterson and Berger, 1971; Hirsch, 1990; Hesmondhalgh, 2002). They generally assume that promotion and distribution were more tightly controlled than activities on the creative product side. However, these quotes illustrate that local managers also enjoyed some autonomy for distribution and promotion activities.

Towards a cost-efficient operation

Between 1990 and 2005, there was a shift from decisions based on mainly creative grounds to those based on market expectations and revenues. The Netherlands had been an important distribution market for Sony Music for a long time and a market where new sound carriers were adopted earlier than in most other countries. However, around 2000 it was one of the first music markets that experienced a serious decline in CD sales due to digitisation which offered opportunities such as downloading and home copying. This led to cuts in its local artist roster and redundancies in the Netherlands. Declining CD sales and a globally changing music market resulted in a merger with BMG. In preparation for this merger, the operation became more cost-efficient and the profitability of the company was improved. Between 2001 and 2004, the Dutch and the Belgian subsidiary became a fully integrated Benelux operation. Decisions on domestic repertoire were taken more cautiously and the focus was on cost management rather than on creative development. Simultaneously, the role of international superstars also regained importance at Sony. Sony's American singers Anastacia and Jennifer Lopez and Columbian Shakira gained popularity over domestic artists in the Dutch market in the period 2000-2005.

SonyBMG

A quite decentralised and large Sony developed into a more centralised and hierarchical SonyBMG. The actual merger with BMG in 2004 led to a period of transition and redefinition. The company became more internally focused and developments in the market were of lesser importance. Before the merger, BMG had operated in the Dutch music market as well but with a different organisation culture. BMG was part of media content company Bertelsmann, had German roots and was more European orientated whereas Sony Music was part of a hardware company and was more American orientated.

'It was difficult because the company SonyBMG fell between two worlds. You had two shareholders, two mothers, you weren't Sony, but you weren't Bertelsmann anymore either.' (Former managing director SonyBMG, 2000-2005, interview 2007)

The new company lacked a clear strategy for local artists and a strong local roster. The local repertoire was merely a combination of the local repertoire of Sony and BMG. Only former Sony acts Acda en de Munnik and Frans Bauer (in license) were prominent SonyBMG artists in 2004 and 2005. Fewer new domestic acts were signed and if they were, they were already established artists or based on a multimedia format. Krezip, a former Warner act, is an example of an established act that was released as SonyBMG act in 2005. The signing of new musicians at SonyBMG who started their career in the television show *Idols* (RTL) is an illustration of music acts that were based on a multimedia concept. Due to the connections with Bertelsmann, new musicians who were successful in *Idols* were signed at SonyBMG Music Entertainment Netherlands. This signing was part of an overall synergy strategy in which other divisions of Bertelsmann were responsible for related activities such as the publishing rights (Bertelsmann publishing) and the television rights of the programme format (FremantleMedia – content production company). The declining market and the merger thus resulted in a focus on risk reduction and marketability of artists by choosing for proven successes. This sharply contrasts with how A&R decisions were made at the end of the 1990s at Sony Music as described before. A managing director of SonyBMG also described the relationship between headquarters and the European office as a love-hate relationship. According to him, there was always tension between what they wanted you to do and what you could actually do. (Interview 2007)

Becoming an entertainment company

After the transition years, SonyBMG adopted two different strategies to deal with the turbulent market. Their investments in a number of specialised Dutch music labels that serve as repertoire units resemble the decentralised structure as described by Burnett (1990), Lopes (1992), Frith (2001) and Dowd (2004a). However, SonyBMG also started to refocus and became more of an entertainment company in the Netherlands which arranges a wide variety of activities for artists. The decision to sign artists is no longer purely based on their qualities as musicians but also on their competence for being a style icon or entertainer. However, there is more dependence on what was internationally supplied, less space within the company to really develop local repertoire while the production structure of the local subsidiary has become more decentralised. At the same time, headquarters develop policy on how to deal with digital developments.

Polygram/Universal Music

'Think globally, act locally.'

'If you always take the safest decision, nothing will happen.' (Marketing director Universal Netherlands, 2000-2005, interview 2007)

Polygram's and Universal's operation in the Netherlands was heavily influenced by Polygram's Dutch roots. As non-American major Polygram had developed an organisation culture in which subsidiaries worldwide and later American labels as well were responsible for signing and developing the company's new repertoire. It therefore offered a wide diversity of Dutch and international music in the Dutch market. The Netherlands was perceived as a good market for breaking international acts but also for local signings. The success of these signings even prevented the Dutch subsidiary from closing down its A&R department during worldwide reorganisations in the early 2000s. Polygram had a network structure whereas Universal had a decentralised structure. In both cases the Dutch subsidiary had relatively large autonomy whereby headquarters was only responsible for international business issues. Polygram/Universal's strategy was to rely on the market knowledge of local staff when promoting and releasing international artists and to take risks when signing and developing artists in order to get successful artists and unique acts. Consequently, the Dutch subsidiary, at Polygram in particular, always had a (relatively) large A&R department and Dutch artist roster. Due to a decline in CD sales, Universal reduced the number of staff, cut its local artist roster and increasingly signed joint ventures with local artists and their management office in the 2000s.

Domestic artists and American labels

Polygram operated differently than the other major record companies due to its origins in Dutch electronics multinational Philips (music division Phonogram) and German electronics firm Siemens (music division Polydor).³² The company was geographically diversified and had a wide product diversity such as Chan-Olmsted and Chang's (2003) characterise non-US media corporations. Phonogram did not benefit from a large home market such as the American record companies but had a large worldwide distribution network through Philips and actively involved subsidiaries in signing and developing domestic artists to build the company's catalogue and to develop the company. The headquarters in the Netherlands only recorded some classical music for worldwide distribution. However, Philips and later Polygram acquired a number of American and British labels over time (e.g. Mercury Records in 1960 and A&M Records in 1990) to build their international catalogue. The local subsidiaries and the American and British labels were expected to discover new talent and unique acts. In this way, it was the

³² Both electronic firms had created a joint venture by taking a 50% share in each other's label in 1962 while they merged in Polygram in 1972. In 1987 Polygram became a wholly-owned subsidiary of Philips.

network of the subsidiaries and labels that shaped the company's operation, not the headquarters. The network as a distinctive organisation form for a non-American media corporation is not highlighted by Chan-Olmsted and Chang (2003) but this significantly affected Polygram's operation. Its tradition in domestic artists resulted in signing and selecting artists for a successful career in the long run and involved taking more risks. Polygram, consequently, had a broad roster of various Dutch, European (primarily British) and American artists in the Netherlands. The Dutch market was perceived as strong in local repertoire and was even seen as the 'Gateway to Europe' during the Polygram era. International acts that did well in the Netherlands had a relatively high chance of attaining success in other European countries.

Room for initiative

The initial emphasis on local expertise and local operation and a facilitating role for headquarters led to a decentralised network structure. For example, it was very common for subsidiaries to exchange marketing and product information. Polygram thus clearly showed the characteristics of a company with a transnational strategy. (cf. Bartlett and Ghoshal, 1990) Headquarters arranged international agreements with parties such as MTV and addressed international trends. The Dutch subsidiary, on the other hand, had room to develop domestic talent but also to create new business opportunities and to arrange the promotion for international artists based on its knowledge of the market. Polygram focused on an approach that fitted the Dutch market and which resulted in a successful operation.

'In principle the local office was reasonably autonomous but had to be able to justify what they did. It was all about achieving the main principles. At Polygram it was 'think globally, act locally'. The local office understood the market. You can't use a top-down approach and say this is the repertoire you have to sell like they do at Warner. There they said "failure is no option" in a promotion directive for an artist. At Polygram failure was an option. Of course you then had to offer something else that did well.' (Former staff member corporate marketing research and planning department, Polygram, 1990-1994 & 1995-1999, interview 2007)

The initial company goal to discover and develop new talent and unique acts was strongly reflected in A&R decisions at the local company. These were taken by a team but it was always down to the label manager's confidence in the expertise of his A&R managers.

'... then I said "OK guys, prove me wrong, show me that you're right". I think that when people work for you [referring to the A&R team - MK] you have to give them space. If they have certain responsibilities within their tasks, I believe you have to give them space, I always say, in order to succeed you have to be able to make mistakes.' (Former managing director Polydor (label Polygram), 1990-1994 & 1995-1999, interview 2006)

The important role for local A&R expertise and the opportunity for local decisions were illustrated by the Dutch signing of Italian singer Andrea Bocelli at Polydor, one of the labels of Polygram. He was initially only offered a licensing deal by an Italian company. The Dutch Polydor team was impressed by his quality and signed a highly exceptional Benelux licensing deal (traditionally they signed deals for worldwide distribution). Based on this initial belief in the artist, the Italian company later offered the Dutch Polydor team a worldwide distribution deal for Bocelli. The Italian singer became a very successful international artist and a strong asset for the Dutch office. The signing of Andrea Bocelli is a good example of Polygram's focus on artists with the potential to have a lasting performance for the company. His signing also shows that in some cases international contacts and activities took place at Polygram subsidiaries without the involvement of headquarters.

A lead in the revival of Dutch repertoire

The growth of domestic repertoire in the mid 1990s did not change the operation of Polygram in the Netherlands. It just continued its traditional way of operation. With a large local artist roster, it took a lead in the revival of Dutch repertoire. It is striking to see that the first Dutch single of its domestic artist Marco Borsato had a huge impact on the Dutch music market. Borsato who had sung Italian songs before was advised by Polygram to change his repertoire to Dutch songs to become more successful. The single *De meeste dromen zijn bedrog* became a real hit in 1994 and had a number one position for 13 weeks.³³ Partly due to his success, local artists singing in Dutch became accepted while the appreciation for domestic repertoire increased. In line with company strategy, Borsato was further developed into a Dutch star act who released a range of very successful Dutch albums during the period 1995 to 2005. The sales of these albums were an important contribution to the company's results. According to a former Polygram manager, his albums even accounted for two or three percent of the Dutch music market and could therefore cause market fluctuations. (Interview 2007) The need to have local artists who contribute to the development of company's portfolio and performance resounds here.

Universal music

Polygram changed from a Dutch based international record company into a foreign owned international record company when Philips sold Polygram to Seagram in 1998. Seagram had earlier acquired the American record company MCA and merged both into Universal Music. The combination of two large back catalogues with a majority of American repertoire slightly changed the market perception. The Netherlands was no longer the home market where a large number of Dutch artists was signed but became an important market with good local signings. This is reflected in the highest success for Universal

³³ For a case study on this particular success of Marco Borsato in 1994, see Rutten et al. (1996).

albums by American artists in the Dutch market during the research period between 1990 and 2005 and a more prominent focus on Anglo-American artists. Dutch repertoire, however, remained a core activity at Universal Music Netherlands while the local office still enjoyed quite some autonomy. The company had a different parent company but most of the staff were still the same in first years after the take-over.

'...there was not a big difference in the overall structure of the company; the most important people have always had a Polygram background.' (Former promotion manager Polygram/Universal, 1995-1999, interview 2007)

Changing A&R climate

Policy towards local product and changes in the operation of the Dutch subsidiary only slowly appeared after the take-over. The reorganisations that were a consequence of declining CD sales had more impact on these. Cuts were made in the local artist roster and in the number of staff at the Dutch subsidiary. In other small countries, local A&R departments were closed during the worldwide reorganisations in 2003. However, the Dutch A&R department shrunk in size but could continue its operation because it had two strong locally signed artists, Marco Borsato and Andrea Bocelli, who still sold well and boosted the performance of the subsidiaries substantially.

After the reorganisation in 2003, the domestic product portfolio mainly included Dutch artists who already had a long successful career that dated back to former Polygram. The declining market and the reorganisations resulted in a more careful strategy for signing new artists. In 2005, only one new act, Ch!pz, reached the annual album top 100. The act CH!pz was firstly developed at an independent label before it was signed at Universal. Since 2000, the development and marketing of Dutch acts such as Marco Borsato have been increasingly taken over by the Entertainment Group, a company that specialises in the marketing and management of Dutch entertainers. Former Warner act Ilse DeLange, therefore, signed a joint venture with Universal and with the Entertainment Group to continue her career after Warner closed its local A&R department. The original focus on discovering and developing new domestic talent themselves thus changed. The Polygram roots, however, still quietly resounds in A&R decisions to sign new domestic acts in a market under pressure although it increasingly has to cooperate with other companies to release these artists profitably.

'In the end it's Universal's company culture that if the A&R manager, I or even the managing director has a bright idea like for example, this is green tomato soup, you think it's red, but I have green tomato soup, and thinks this is going to be a hit, then the company policy is to let him go ahead with it.' (Marketing director, Universal Netherlands, 2000-2005, interview 2007)

Warner Music

'You have to invest in British and American product, but nobody can force you to invest in Dutch music.'

(Former managing director, 1995-1999 & 2000-2005, interview 2006)

Warner Music's organisation culture of American origins and a focus on international superstars was strongly reflected in its operation in the Netherlands. Between 1990 and 2005, the Dutch subsidiary primarily promoted and distributed Warner's international stars and only had a Dutch artist roster when domestic music was very popular. The Dutch market was perceived as small and one which offered scarce opportunities for domestic repertoire. When a new managing director was appointed at the Benelux office in 1998, Warner, however, set up a local A&R department to benefit from the increasing market share for Dutch music. A few local artists were signed and strongly developed and promoted in line with Warner's strategy for the development and promotion of international artists. Warner had a centralised structure in which the promotion of international releases was very strongly monitored and controlled. When it was taken over by an equity group in 2004, cost management became even more important. It had always been Warner's strategy to strongly promote and sell a few international superstars in the Dutch market and to operate very cost-efficiently. When sales declined in 1994, it cut its operation by becoming a Benelux office. Declining CD sales in the early 2000s and the cost-control strategy of the new owners resulted in the closure of the A&R department in 2004. Warner Music saw no opportunities for Dutch music while worldwide CD sales were declining. It thus operated in the Dutch market to sell its international superstars and only had a few Dutch artists when domestic music was a real market opportunity.

Focus on promotion international superstars

Warner Music's operation in the Netherlands between 1990 and 2005 clearly reflects the centralised and more anonymous corporation that Warner Music had become after the Time-Warner merger in 1988 as described by Negus (1999). He states that before the merger Warner Music had been a non-bureaucratic company that inspired its staff and artists and gave them a lot of autonomy. (Ibidem: 69-70) Though, the small scale Dutch market had always served mainly as a release market, also before the Time-Warner Merger. Warner Music started as a music company in the American market and always focused on American stars. Originally operation in foreign markets was primarily a strategy to expand the distribution of its American artists. Over the years, the focus changed slightly to the strong promotion of international stars, mostly from the traditional music centres, the United States and the United Kingdom. With a large home market and a focus on the promotion and distribution of international superstars, the small scale Dutch market was primarily only interesting as a release market. The main focus of the Dutch subsidiary was to operate cost-efficiently in order to maximise revenues. Signing and developing local repertoire had no priority and could even be problematic as it interfered with the

need to work on the promotion of the international superstars which was strongly supervised by headquarters. In 1987, the Dutch managing director therefore decided to close the A&R department because of disappointing returns on the time and effort that was invested in Dutch artists. Consequently, in the early 1990s, the Dutch subsidiary was solely a promotion and sales office of Warner Music.

Struggle with scale

A cost-efficient operation in the relatively small Dutch market is a recurring theme that defines Warner Music's operation in the Netherlands. When the CD market saturated in 1994 (most Dutch consumers had replaced their LPs by recordings on CD), Warner Music decided to combine the operation of the Belgian and Dutch subsidiary into a Benelux organisation. In this way they were able to operate more cost-efficiently and to retain a lucrative operation in the Benelux. Profitability was also the most important deciding factor for Warner Music to have domestic repertoire in the Dutch market and it was essential that the risks of a small scale Dutch market would be superseded by the revenues of the locally signed artists. Even in the 1990s, when the new president of Warner Music International, Lopes, changed the repertoire strategy to develop local products in addition to American repertoire, local repertoire did not become a priority in the Benelux. Only when the market share for domestic music had increased for a successive number of years and a new managing director insisted on being allowed to develop local repertoire, did Warner Music Benelux start a local A&R department. As a former manager explains:

'And that importance is seen at the moment that it does give good returns. The moment that you can make good returns or that the market share for local product is large enough, then there is the spirit to do that.' (Former A&R manager, 1995-1999 & 2000-2005, interview 2007)

Former managers of other music majors in the Dutch market, however, stressed that the market share of domestic repertoire was so high at that time that Warner Music could not afford it to ignore the local market.

A new managing director: the restart of the local A&R department

In 1997 a new managing director was specially appointed to inject new life in Warner Music Benelux. Although the subsidiary's role had been clearly defined by headquarters, the new director insisted on changing some of its activities. He stressed: 'I did not like solely being the product manager of Madonna in the Netherlands. They accepted reluctantly.' (Interview 2006) The cost-control approach of the Benelux office with a strong focus on promotion was replaced by an approach that addressed creative developments and in which promotion and marketing were more balanced. The creation of a local A&R department, however, was the most important change and probably would not have occurred without this new appointment.

'[He] was in fact the person who wanted to set it up. If that hadn't happened, I wonder, I don't know, whether Warner would have ever said, guys, we've got to get involved in domestic products again.'
(Former A&R manager, 1995-1999 & 2000-2005, interview 2007)

Warner Music's concern with risks and scale and its focus on star acts were also reflected in the strategy of the local A&R department. Only a few high potential artists were signed and subsequently intensively marketed and developed into superstars by an experienced A&R manager. In this way, Warner Music could most certainly supplant its necessary investments for the development of these local artists by their revenues. The strong promotion of these artists, which was in line with Warner Music's organisation culture, was part of this strategy and was quite successful during the first years of operation of the A&R department. The first artist they signed, Ilse DeLange, became highly successful with her first album ranked in the album top 100 for four years.

Division between creative and business activities

The organisation structure of Warner Music corresponds with the traditional division between creative and commercial activities in a company to isolate risks and uncertainty as sketched by Hirsch (1990) and Peterson and Berger (1971). At Warner Music, the distribution and promotion of international superstars was strictly controlled and hierarchically managed. The high frequency with which the Dutch subsidiary had to report its activities and financial figures to headquarters reflected the desire of headquarters to be informed and to have a tight grip on an unfamiliar market. However, the changes that were initiated by the new managing director in 1997 show that there was room to deviate from corporate strategies. The local A&R manager who signed domestic Warner repertoire also enjoyed a great deal of autonomy. He was expected to be an expert in local music scenes who needed autonomy to fully express his talent to sign and develop new successful acts but who would be fired if he failed to meet these expectations. The expertise of the A&R manager resulted in signing artists that he could work with well instead of signing artists based on a given format.

'I could operate quite autonomously at Warner. [The managing director] appointed me to this position and told me, you're going to do this and if you don't succeed in three years, then we'll say goodbye.'
(Former A&R manager, 1995-1999 & 2000-2005, interview 2007)

Warner Music Benelux obviously created more room for initiative when it had its own local A&R department. During those years, it was also perceived as a full member of the Dutch music industry. When it did not have a local A&R department, it was mainly depicted by its colleagues as a strongly regulated company in which activities were dictated by headquarters and as a company that was not really part of the Dutch music industry.

Closure of the A&R department

At the beginning of the new millennium, it was increasingly difficult for Warner Music Benelux to run its local A&R department profitably due to decreasing CD sales and a declining market share for domestic pop music. In 2004, worldwide Warner Music became a stand alone company that was owned by an equity group. Both circumstances led to reorganisations and to the closure of the A&R department of Warner Music Benelux. The quote below illustrates that again a cost-efficient operation was the main concern.

'... the reason that Warner wanted to make company leaner, or at least wanted to stop its involvement with local artists? They thought the market is decreasing; we have to upgrade the value of our company. How do you do that? You have to cut all the fat so that there are only muscles and bones so that it can move. That's what happened.' (Former A&R manager, 1995-1999 & 2000-2005, interview 2007)

Both the managing director and the A&R manager who worked at Warner Music Benelux at this time stressed in the interviews that they understood that it was financially the right decision. Personally and in terms of strategy, however, they would not have closed the A&R division. It shows the different market perception of headquarters and the managers at the subsidiary.

A focus on cost-control returned in which the subsidiary only handled international marketed 'front/top line' products and even outsourced the activities for classical music. It became the company that everybody in the Dutch music industry characterises as a 'lean and mean' company based on the exploitation and marketing of its American superstars.

Sony Music (SonyBMG), Universal Music (Polygram) and Warner Music in the Dutch music market, 1990-2005

The analysis of the operation of Sony Music/SonyBMG, Polygram/Universal Music and Warner Music in the Dutch market shows that organisation culture in terms of country of origin and adaptability is a determining factor for their dealing with this market in the long run and in particular for having domestic repertoire. Organisation culture defines the way they perceive the market and react to market changes such as increasing success of Dutch music and declining CD sales. The relationship between headquarters and subsidiary in the corporate structure and the strategies for international operation and operation in the Dutch market are derivatives of the organisation culture. Changes in company structure and market changes modified the operation of the music majors in the short run. Appendix F gives a schematic overview of the characteristics of the three music majors in terms of organisation culture, market perception, structure and strategy and their operations in the Dutch market. This section discusses the most important findings about the relationship between organisation culture and the operation of the three music majors in the Netherlands as well as the modification of that operation due to changes in company structure or market changes.

Comparison of the operation of Sony Music, Polygram/Universal Music and Warner Music in the Dutch market shows that the more a music major is embedded in the Dutch market based on its background (e.g. country of origin) the more domestic music they sign and the more successful they are in domestic music. *Polygram/Universal* originated from Dutch Philips and was set up as network of worldwide Philips subsidiaries that signed local repertoire to develop a music division. Polygram (later Universal) saw local repertoire as one of its priorities from the start and was inclined to take some risks and signed artists in various genres and in several markets. Consequently, Polygram/Universal Music was the largest or second largest major with domestic repertoire in the Dutch market between 1990 and 2005. On the contrary, *Warner Music* and *Sony Music* both have American origins and a large American catalogue. They benefitted from a large home market whereas the Dutch market was primarily seen as generating additional revenue. Involvement in domestic products in the Netherlands was not a priority or the major goal of their operation. However, *Sony Music* entered the Dutch market through the cooperation with a Dutch company which provided them with a domestic artist roster. Sony Music's main priorities were international artists but domestic acts in the mainstream pop genre (in some cases also only in license) could enlarge the market share and add to the subsidiary's performance during periods of growth for domestic product. *Warner Music* was always very American orientated and focused its operations in the Dutch market on the promotion of the international superstars. Only during seven out of the sixteen years research period, it had a local A&R department which signed a few Dutch promising acts. In line with its stronger embeddedness in the Dutch market, Sony Music had a larger share of success for Dutch albums than Warner Music.

Polygram/Universal and *Warner Music* have contradictory organisation cultures and consequently they operated in a different way in the Dutch market. Polygram's organisation culture can be characterised as adaptive. The success and operation of the company was based on the fit of their music products with the local market. Therefore, local staff were given a large degree of autonomy and were expected to sign domestic repertoire. Warner Music's organisation culture, however, was rather unadaptive. International music products were synchronically promoted and released worldwide and local staff had a clearly defined role to promote the international releases and reach target sales. Except for the years 1998-2004 when it had a local A&R department, there was no room to sign or develop domestic repertoire. As a result, *Polygram* always had a large Dutch office and a significant number of Dutch artists that had built a career at Polygram. *Warner's* focus on the international commercial success of its international superstars led to a top-down and closely monitored promotion strategy for the Dutch office. Local repertoire only became an additional activity when Dutch stars became very profitable acts.

Sony Music did not have a distinctive adaptive or unadaptive organisation culture. The company had a number of international artists that had to be promoted worldwide but subsidiaries had local A&R departments and were expected to tune the marketing and

promotion of the international artists to local market conditions. The Dutch subsidiary had to work on global priorities in line with the corporate strategies but still had a certain amount of autonomy while it applied an opportunistic strategy for domestic repertoire. The room for the local initiatives and the number of domestic signings were related to the music sales in the Dutch market. For example, it more actively signed and developed local artists when sales of American artists decreased and the popularity of Dutch artists rose. When the success for domestic repertoire fell, the opposite happened; fewer or no new Dutch artists were signed and only the music of established Dutch Sony acts was released and promoted. The analysis of the operation of Sony Music/SonyBMG, Polygram/Universal Music and Warner Music in the Dutch market shows that the more adaptive an organisation culture of a music major is the more domestic products it will have. For a music major that has neither a distinctive adaptive or undaptive organisation culture, the development of the market share for domestic music defines the number of its domestic products.

Changes in company structure between 1990 and 2005 affected the operation of the three companies. The influence and the effects of these changes differed for the companies. While *Sony's* operation became leaner in the build-up to the merger with SonyBMG in 2004, the Dutch operation of *Polygram* hardly changed when it became Universal in 1998. However, worldwide reorganisations in the early 2000s due to decreasing CD sales led to cuts in Universal Music's local staff and its domestic artist roster. The operation of *Warner Music* changed in other ways and more drastically. Unlike Sony and Polygram/Universal, Warner did not merge and was also not taken over but it faced internal company changes on a local and international level. In 1994, Warner Music Holland became a Benelux organisation while in 1997 a new managing director changed the company's operation by starting a local A&R department. Seven years later in 2004, Warner Music was acquired by an equity group. In combination with the decreasing CD sales, this led to the closure of the Dutch A&R department and the company continued as a small marketing and promotion company in the Dutch market. Organisation culture thus defines the operation in the local market to a large extent. However, changes in the company structure can modify the operation. Music majors with an unadaptive organisation culture usually do not have domestic products but this can be influenced by changes in local management.

Local market changes related to changes in music consumption also affected the local operation of the music majors in different ways. In the 1990s, the popularity of American superstars decreased while the demand for domestic music products increased. This development mostly influenced *Sony Music's* operation in the Netherlands as it applied an opportunistic strategy for domestic repertoire. For *Polygram*, it was only an advantage and no incentive for change as it had always had a large domestic catalogue. *Warner Music* which did not have a local A&R department at that time initially remained focused on international repertoire. In the mid 1990s, the CD market saturated while in the new millennium, the new MP3 sound carrier was introduced. However, it did not replace the sales of its predecessor, the CD, as new sound carriers had done before. People

increasingly downloaded music but often did not pay for the download. The saturation of the CD market mainly influenced *Warner Music's* operation. Its cost-efficient operation resulted in it becoming a Benelux organisation. Declining CD sales affected the three companies. They all economized by cuts in local staff and activities and were in the dark about a new business model. Even *Polygram/Universal* that had hardly changed its operations when the Dutch music market evolved, now adapted its operation to new market conditions. The majors thus reacted in line with their organisation culture and general strategy for operation in the Dutch market to local market changes related to music preference and physical sound carriers. The introduction of a digital sound carrier, on the other hand, cut across these practices. The organisation culture and the traditional operation strategy were no longer sufficient to automatically define the company's reaction to market changes.

The subsidiaries continuously had to deal with the complex relationships between global and local, between creativity and commerce and between autonomy and control in their operation. The differences and similarities in the way they deal with them in their operation in the Dutch music market are now summarised. Digitisation as such is not a complex relationship but the possibilities it offers for the recording and distribution of music challenged the music industry between 1990 and 2005. It is therefore added as a fourth dimension.

Global and Local

The international music industry has traditionally two important centres, the United States and the United Kingdom. Successful artists from those countries are widely released worldwide. Artists from other countries, often classified as the periphery, face severe competition from these artists when they try to become successful internationally. The dominance of these two repertoire sources also affects the operation of international music majors in a local market: are they purely intermediaries that release the music of American and British stars or are they also to some extent involved in domestic music?

Warner Music and *Sony Music* both originate from one of the centres of the music industry, the United States. They developed into international music majors whereby their worldwide operation is primarily based on the successful release of a number of international superstars. They therefore mainly perceived the Dutch market as a revenue market in which it is essential to have a good local sales and promotion department to successfully release the international acts. *Warner's* international superstars did quite well in the Netherlands between 1990 and 2005. Given their small scale operation, local repertoire was for a long time perceived as too risky and too time-consuming. Only a new managing director and a stable growth in market share for Dutch music for a number of years persuaded Warner Music to open a local A&R division in 1998. Warner Music then had domestic repertoire but only signed a few very promising acts to develop into commercially successful local stars. International priorities and strategies thus drove

Warner Music's Dutch operation between 1990 and 2005. *Sony Music* had a local A&R department from the start through its partnership with Artone. Only when the sales of international stars decreased and domestic repertoire gained popularity in the 1990s, Sony Music developed a more active policy for domestic repertoire. Local repertoire then offered lucrative market opportunities and helped to retain and to increase its market share. Some of this repertoire was by very successful Dutch artists who were not signed and developed at Sony but had a distribution deal. Their success added to Sony's market share but Sony shared in the revenues to a lesser extent. Between 1990 and 2005 Sony Music/SonyBMG was always involved in domestic repertoire in the Dutch market but only pro-actively when Dutch repertoire was on the way up.

Polygram, which is a non-American major, dealt differently than Warner Music and Sony Music with a global operation and competition and local sensitivities between 1990 and 2005. From the start, Polygram had a global network but it did not originate from one of the centres of the worldwide music industry. In fact, it operated globally by having local subsidiaries that signed successful domestic acts and American labels that provided Anglo-American repertoire. Over the years and later as part of Universal, the international promotion and release of acts became more important. Local repertoire, however, remained one of the core activities of the Dutch office and an important characteristic of the company globally.

Creativity and Commerce

The music industry is shaped by the uncertainty and risks for investments in artists as it is never known what the next hit will be while failure is the norm (Frith, 2001). Most consumers listen to mainstream pop, but also look for new artists and new sounds. Record companies thus have to balance familiarity and novelty to attract audiences. The subsidiaries of the three music majors in the Dutch market deal differently with uncertainty and risks and the demand for new sounds. This affects if and how they manage domestic music products. *Polygram* and *Warner Music* are each other's opposites in this respect. Warner Music focused on a competitive advantage in economies of scale while Polygram tried to gain a competitive advantage by offering a diverse range of music products. They thus resemble the two options, gaining a competitive advantage in scale or diversity, as described by Hannerz (1992) for the operation of a company in the global market. Besides, Warner Music applied an administrative approach of cost control and a strongly directed organisation to deal with market dynamics and uncertainty while Polygram applied an adaptive approach of taking advantage of local business opportunities based on the market knowledge of their A&R managers. Consequently, *Warner Music* focussed on the promotion of a few very successful international acts that would attract a large audience and whose worldwide distribution could offer them economies of scale. Local artists were only signed when there was a substantial market share for domestic product which gave best chances for a profitable release and when the managing director was enthusiastic for domestic repertoire. However, *Polygram's* A&R

managers, based on their local knowledge, signed acts that would attract local and international audiences worldwide. This market knowledge and the local embeddedness of the subsidiary or label dispelled some of the market uncertainty. Polygram, furthermore, had to take risks in order to develop and have new and successful artists that could compete with the superstars of the other majors. When Polygram became *Universal*, the strategy to deal with the dynamic market changed towards more priority for the distribution and promotion of international artists that offered advantages of scale. Fewer new local artists were signed and developed. To gain more control and to reduce investment risks on domestic artists, mainly CDs by established Dutch artists that had been successful were released. Instead of operating as a transnational company as Polygram had done, Universal increasingly showed more characteristics of a traditional major that capitalises on economies of scale and proven success acts.

Sony Music's operation stands midway between Warner Music and Polygram. The promotion and release of successful international artists was Sony Music's most important activity in the Dutch market. Dependent on the success of domestic repertoire, Dutch acts were taken in license or signed and developed. Sony Music had distribution deals for a number of successful acts. SonyBMG currently operates in a kind of similar way by having small stakes in independent companies which can scout Dutch talent early on. Sony Music thus ensured that it had access to interesting domestic acts without being locked up in high investments and fixed-term contracts. This clearly illustrates Frith's conclusion (2001) that independent producers and record labels increasingly serve as research and development department of the major.

Autonomy and Control

The relationship between headquarters and subsidiary often defines how much room local subsidiaries have to plan and design activities in their own way. Do they have to promote international artists according to strict promotion and release plans or is their operation also inspired by the local market knowledge and initiatives of the local staff? The subsidiaries of the three music majors show different relationships with their headquarters.

Warner Music's strength was its well-coordinated worldwide promotion and release strategies for its international stars. The Dutch subsidiary was therefore closely monitored on its activities and financial figures although the A&R manager enjoyed a large degree of autonomy from 1998 to 2004. Likewise, the A&R department at *Polygram/Universal* also experienced a large degree of autonomy and headquarters relied on local A&R expertise. Polygram similarly allowed its subsidiaries a great deal of autonomy to develop local operations successfully. As Universal, this autonomy changed slightly and breaking international artists became more important. However, the room for initiatives was still high compared to subsidiaries of other music majors. While *Warner* thus streamlined its worldwide activities, the headquarters of *Polygram/Universal* facilitated local activities and only coordinated activities for which international decisions were necessary and more efficient. *Sony Music's* local operation in the Dutch market

between 1990 and 2005 was positioned between the operation of Warner Music and Polygram/Universal. Global priorities were important and dictated by headquarters. Though, a good performance gave the Dutch subsidiary room to define its own effort for international priorities. A more active local policy from the mid 1990s onwards also offered them a larger degree of autonomy to sign and develop Dutch artists. Reorganisations and the merger with BMG, however, led to a tighter grip by headquarters.

The room for autonomy at the local subsidiary and the control of the headquarters over the subsidiary is primarily defined by the organisation culture of the company. Is the local subsidiary an important partner for headquarters due to its local market knowledge and expertise or do the activities of the subsidiary primarily follow from headquarters' decisions and strategies? There is furthermore a clear distinction between activities related to the promotion and distribution of international acts and the signing and development of local artists. In general, activities for international acts are more strongly monitored and directed by the headquarters than activities for local artists. A good performance and headquarters faith in local market expertise could offer the Dutch subsidiary room for the serving of own initiatives at the less hierarchically-led music majors. However, the market situation also affected the opportunities for subsidiary initiatives. Increasing sales for domestic repertoire resulted in more local autonomy, even at Warner Music. In a decreasing market, on the contrary, activities at all majors became more controlled by headquarters. This is illustrated by worldwide reorganisations, centralisation of activities and cuts in local activities at Warner, Sony but also Universal in the early 2000s.

Digitisation

New technologies resulted in digital sound carriers, MP3s, which succeeded CDs and DVDs. The digital format has large implications for the major record companies that are traditionally based on the worldwide sales of music on physical sound carriers. CD sales have been declining since the 1990s but have not been off-set by sales of MP3s, as was traditionally the case in the music industry. Consumers have taken advantage of the opportunities to upload and share music online. The music majors usually do not receive revenues for this distribution of their music. The music industry has not yet found a new business model to deal with and profit from these new technological opportunities but is obviously affected by the developments. Music in the digital format MP3 is non-exclusive and non-rivalry. The music industry therefore faces problems to generate returns on investments. The drop in CD sales is not only caused by file sharing. The competition of music with other leisure activities and music that is perceived as less attractive than music that was released before might be other factors. (Huygen, 2009)

For *Warner Music*, declining CD sales and facing an insecure future were reasons to close its local A&R department. At *Sony Music* it led to reorganisations and was one of the reasons for the worldwide merger with BMG. *Universal Music* reorganised worldwide to operate more cost-efficiently. SonyBMG and Universal Music, both still have a local A&R department but the room to sign and develop artists has decreased and the activities

of the department are changing. *SonyBMG* hired some entertainment industry experts (bookers, concert organisers) at its local subsidiary to be able to develop local acts as a full entertainment concept (360-degree-deal). *Universal Music* still primarily promotes and distributes CDs but increasingly has joint ventures for artists with artist management, concert and booking companies, in particular the Entertainment Group. They market and develop Universal's biggest domestic artists (e.g. Marco Borsato, Ilse Delange) and organise their Dutch concerts, bookings and sponsor deals. The approaches of SonyBMG and Universal Music differ somewhat from what one would expect based on their previous operation in the Dutch market. Polygram/Universal was always very much embedded in this market while Sony focused more on the international priorities and usually had a small domestic artist roster. Now it is SonyBMG that creates facilities for Dutch entertainment products internally while Universal set up joint ventures for artists with external artist and booking companies. It shows that former notions of adaptability become outdated and new notions have to be developed when the market is challenged in an unforeseen way. Due to the merger, SonyBMG went through a transition phase when declining CD sales and the digital sound carrier MP3 challenged the traditional business model of the majors. The redefining of company values and operations offered the opportunity to set new standards and to develop new institutional forms. BMG was always part of synergy strategies with other media and entertainment divisions of Bertelsmann. The profiling of SonyBMG as entertainment company might be a small-scale copy of the Bertelsmann multimedia operation strategy. Flexibility and a large degree of local autonomy for the subsidiaries served Polygram/Universal well for a long time and resulted in being the main player in the Dutch music market with a strong local artist roster. However, declining sales, cuts in the local artist roster and a changing music business led to the situation that Universal's traditional strong local signings did not longer secure a good performance. Universal had to set up partnerships with other entertainment companies to retain its position in the Dutch market. SonyBMG and Universal Music thus started to adapt their business models by focusing on alternative revenue sources to remain a player in domestic repertoire in the current music market. For Warner, a local A&R department in a small market was obviously no longer an option. Instead of exploring new revenue sources for domestic repertoire, it reorganised its worldwide operation to best serve and benefit from its core activity, the development, promotion and distribution of a few international superstars.

Concluding remarks

Warner Music's operation in the Dutch music market between 1990 and 2005 corresponds with the traditional business model of the music industry. In this model, majors in the US and the UK control the global flow of music with their distribution of music by international superstars. They primarily focus on gaining economies of scale and prefer not to be involved in domestic music. Only when domestic music became a very important part of the Dutch music market, did it start a small A&R department. *Universal Music* and

Sony Music resemble the modern multidivisional company that has different labels and activities in different geographic markets to spread risks and to benefit from a broad portfolio. They focus on gaining a competitive advantage by having access to different worldwide and domestic repertoire sources. Some of the music products are distributed globally while others remain within the domestic music market. *Sony Music/SonyBMG's* policy for domestic repertoire was based on benefiting from opportunities in the Dutch market. It had a local A&R department and only had distribution deals for some of its most successful artists (e.g. Paul de Leeuw, Frans Bauer). Polygram/Universal, on the contrary, always had a relatively large number of Dutch artists that it signed and developed. Though, from 2000 onwards the development and marketing of some artists (e.g. Marco Borsato) was increasingly taken over by the Entertainment Group.

Sony Music and *Warner Music* both have American origins but apply a different strategy for operation in the Dutch market. This was influenced by their different market entry. *Sony Music* entered the market through a partnership with Artone and could benefit from the domestic artist roster of its partner and its local market expertise. *Sony Music*, however, did not actively develop and sign domestic repertoire until the mid 1990s. Then it also first signed distribution deals for domestic artists before it signed and developed artists themselves. *Sony Music* then changed from an international strategy to a more transnational strategy. *Warner Music* did not have this partnership advantage and mainly applied a global strategy, except between 1998 and 2004 when it had a local A&R department and operated more as an international company. *Polygram* that was set up as a transnational company still operated as such when it was Universal. Though its operation in the Dutch market had changed into a more international company; the subsidiary was more coordinated by headquarters and changed from a role as strategic leader to contributor.

The analysis of how *SonyMusic/SonyBMG*, *Polygram/Universal* and *Warner Music* deal with the complex relationships between global and local, commerce and creativity and autonomy and control in their operation in the Dutch market shows three additions to the analysis of the operation in terms of the conceptual framework. It emphasises that the music majors' operations are not static but develop over time and are adapted to significant market changes. Music majors with an adaptive organisation culture, tend to explore local market opportunities less when the market shows a significant downward trend. Music majors with an unadaptive organisation culture, on the other hand, develop a strategy for domestic music when the market for domestic repertoire significantly increases. In both market situations, the degree of autonomy or the control of headquarters is altered as well. In a market where sales are increasing, subsidiaries enjoy more autonomy, even if the organisation culture is traditionally very hierarchical and centralised. In a market in which the situation is the opposite (decreasing sales), all subsidiaries have to account for their performance more frequently and are closely monitored by headquarters. This also applies to those subsidiaries that are used to adjusting company activities to fit the local market based on their local market knowledge.

Besides significant market changes, new local management can alter the local operation strategy into one which may not be in line with the organisation culture. A new managing director at a music major with an unadaptive organisation culture and a strong focus on international superstars can react to an increasing market for domestic repertoire by setting up a local A&R department. The Warner Music case shows that such an initiative may not be well received by headquarters but is allowed as long as it gives good returns and added value to the subsidiary's performance. A shrinking market in combination with new company owners may limit this autonomy and can result in a return to the operation that is in line with the organisation culture and related strategies.

Digital developments also affect the directive role of organisation culture for the operation in a local market. Majors in the music industry experience that their traditional business model which is based on the recording of music and the promotion and sales of the music on physical sound carrier has become outdated. The organisation culture of the music majors is based on and developed in line with this traditional business model. The analysis of the operation of SonyBMG, Universal and Warner in the mid 2000s shows that SonyBMG and Universal developed new strategies to deal with the changing music market that were not in line with their organisation culture. The organisation culture based on the traditional business model of the music industry thus tends to become less determining for the operation in a local market. The organisation culture is also likely to change with the emergence of new business models for the music industry. The next chapter discusses and analyses the operation of the three film divisions of Sony, Universal and Warner in the Netherlands.

Chapter 8

Dealing with the Dutch Market. The Operation of the Film Divisions of Sony, Universal and Warner in the Netherlands, 1990-2005

How did the film divisions of Sony, Universal and Warner operate in the Netherlands between 1990 and 2005? Did they operate similar to the music divisions of these majors or are there important differences? Chapter 6 provided insights in the products of these majors and the developments in the Dutch film market. This chapter examines specific characteristics of and developments at the film divisions of Sony, Universal and Warner in the Netherlands between 1990 and 2005 and analyses how they affected the operation and why particular decisions were taken. The organisation culture, market perception, structure and strategy serve as tools to disentangle the internal principles. Like in the previous chapter, the three film majors are first analysed individually. This is followed by a comparison of how they deal with the Dutch market. The case studies are based on desk research and on interviews that were conducted in 2006 and 2007.³⁴ The data for the desk research include corporate websites and documents, government documents and articles in trade journals and newspapers.

Each case has a similar structure. It starts with a characterisation of the operation of the subsidiary in the Dutch film market based on the interplay between the company's organisation culture, market perception, structure and strategy. This is followed by a more detailed description of the subsidiary's operation and how this developed over time.

Columbia Tristar/Sony Pictures Releasing

'The first aim of our company is to distribute our films in the market as they are supplied by Sony Pictures Releasing.'³⁵ (Managing director, 2000-2005, interview 2007)

Sony Pictures Releasing's operation in the Dutch market was characterised by its organisation culture as an American film studio and by its market perception that the

³⁴ In 2008, additional information was retrieved for the analysis of Sony Pictures operation in the Dutch market. Two former marketing managers who were not interviewed in 2006 and 2007 were contacted by phone and e-mail. Their names only became apparent during extensive desk research on significant developments at Sony Pictures in 2008.

³⁵ These and all subsequent interview quotations in this chapter have been translated from Dutch into English by the author.

Dutch market was small and risky. In line with this, its strategy was to successfully release American films and to operate either as a Benelux organisation or in a joint venture with Fox to operate cost-efficiently. However, local knowledge was perceived as an important asset for the marketing of international films. When it operated as a Benelux organisation, it therefore had a Dutch marketing and sales unit, although it never acquired the distribution rights of Dutch films. Sony Pictures Releasing was part of the larger Sony Corporation and had a strong top-down structure. Sony Pictures changed its worldwide structure from a decentralised into a centralised one around 2000. It led to direct contact lines between the headquarters and the Benelux subsidiary and more recognition of the subsidiary's local market knowledge. However, it did not change the room for local initiatives for the Dutch marketing and sales team. For Sony Pictures, the Netherlands was a release market for its American films and was considered too small for the distribution of Dutch films.

Representative of the American company

Columbia Pictures has a long history as one of the major American film studios. Having started in the United States, its main focus has always been on American films. However, these were already being distributed in foreign markets as early as the 1930s. Columbia, for example, started its operation in the Dutch market in 1934. The Dutch market always served as a small distribution market where the local subsidiary was a 'representative of the American company'. Columbia Pictures and Tristar Pictures, a subsidiary label created with HBO and CBS for telefilms in 1982, were taken over by Sony in 1989 as part of its strategy to move into the content industry. Blockbuster films became important to promote the sales of Sony's hardware.

In 1990, Sony Pictures Releasing operated in the Dutch market as part of a small Benelux operation and distributed mainly American films that were commissioned or acquired by the American headquarters. Until 1996, it was a midfield player in the Dutch market. The Dutch unit of the Benelux office only had executive tasks which required local market knowledge. The sales division maintained contacts with Dutch film exhibitors for film releases while the marketing and PR managers were responsible for promotion and publicity in the Netherlands. The focus of Columbia Pictures on efficient marketing, promotion and sales offices for the distribution of its blockbuster films abroad required local market experts in foreign markets but did not justify large offices. The Benelux operation illustrates this.

Turmoil at the headquarters

Globally Sony Pictures faced huge financial problems during the 1990s. The lack of film expertise at Sony's headquarters had led to a situation of great autonomy and very favourable financial conditions for Columbia Tristar's managers in Hollywood. Instead of highly successful blockbusters, the result was overspending, bad management, a large

number of failures and huge financial losses. As a consequence, a new management team was appointed in 1996 to stabilise the operation and to increase the feasibility of the company. Control from the Japanese headquarters became tighter and policy centred on improving company performance. The \$3.2bn write-off in 1994 (Weinraub, 1996) which had its repercussions on the number of films and budgets for marketing and promotion was the only time the turmoil affected the operation of Sony Pictures Releasing in the Dutch market. Between 1994 and 1995 its market share dropped by more than 6%. Hence the Sony Pictures' films that were released in the Dutch film market in the early 1990s did not show a large number of failures. This was probably because only a selection of the films that were screened in the American market, likely the most successful ones, was released in the Netherlands. However, the policy centred on improving the company performance that was introduced in the mid 1990s was reflected in the activities of the Benelux subsidiary between 1995 and 2005; films were cautiously released and opportunities to operate independently in the Dutch market or to distribute Dutch films were always weighed against corporate expectations.

ColumbiaTristarFox

The struggle with scale defines ColumbiaTristar's operation in the Netherlands. It had two options to gain a certain scale. It could either operate as a Benelux organisation with a special team for the Netherlands or set up a joint venture with another major for the Dutch market. After a long period as Benelux organisation, ColumbiaTristar started a joint venture with Fox in 1996. Their Benelux office was split in a Belgian and a Dutch company that operated independently. The joint venture of the small major Fox and the midfield major ColumbiaTristar in the Benelux market provided the scale for separate operation in both markets. This is reflected in a collective prominent market position in 1997 and even a market leader in the Dutch film market in 1998 when it released *Titanic*. The film reached a box office of nearly €23.6 m which is still the highest ever box office figure for a film released in the Dutch market.

In 1999 when the joint venture with Fox expired, both companies decided not to renew the contract but to operate separately again. The two studios had faced internal competition at the Dutch subsidiary for promotional attention for their films; the staff could not promote all films as high concept films and therefore had to divide their attention. Instead of competing with other majors for screens and consumer attention, the two studios thus also had to compete for promotion activities in the joint venture. The main reason for abandoning the joint venture was that this internal competition outweighed the advantages of scale of the joint venture.

Having lost the advantage of scale, ColumbiaTristar immediately became a 'combined, singularly managed Benelux company' again. (Torres, 1999). This structure change especially affected the Dutch company. After three years of independent operation, it once again became a sales and marketing unit that was directed by the Benelux office in

Brussels. The independent operation of the Dutch office from 1996 to 1999 was thus just a small exception to a further Brussels managed Benelux operation.

Changing local market conditions but no distribution of Dutch films

Sony Pictures' reaction to changing market conditions for Dutch films is in line with Doyle's conclusion that majors primarily distribute American films and show reluctance to finance domestic films in European countries. However, this is not the case for other majors in the Dutch film market such as Warner that made inroads in the distribution of Dutch films in 1997. ColumbiaTristar then operated independently as ColumbiaTristarFox in the Dutch film market but decided not to tap into this market for a number of reasons. Firstly, it focussed on the successful promotion of American films of two studios but operated with a small office. Besides, it was tightly controlled by headquarters which focused on good performance and a cost efficient operation. Furthermore, domestic films were not a priority for the headquarters of ColumbiaTristar and Fox at that time.

"We have enough of our own products and we have our hands full. This doesn't mean that we're not interested in local product, but for the time being we're going to concentrate on our own American product." (Managing director ColumbiaTristarFox in: Stienen, 1997)

In 1999, a new film policy was introduced in the Netherlands which offered opportunities to reduce investments risks for the distribution of domestic films. Warner Bros and Buena Vista International (Disney) successfully released Dutch family films at the same time. Both developments, however, did not change the earlier decision. The general manager in Brussels considered it to be too risky to distribute Dutch films and emphasised that it was not the company's target. According to her, it was quite expensive to release a film and she doubted whether the necessary investments would be recouped in the Dutch market. She also perceived the Benelux operation as too small for the distribution and promotion of Dutch films and did not expect headquarters to approve this strategy. (Interview 2007) The responsibility for the distribution and promotion of the American films and a profitable performance of the local office thus prevailed in the subsidiary's decision to not distribute Dutch films in the mid and late 1990s.

Direct contact with the headquarters

Between 1990 and 2005, Sony Pictures changed from a hierarchical and decentralised company into a more centralised company. In the 1990s, the European office of Sony Pictures served as an intermediary between headquarters and the European subsidiaries. At the beginning of the 21st century Sony Pictures reorganised worldwide. There were changes in senior management in Los Angeles and a more cost-efficient policy was introduced. The European regional office in London was closed and direct contact lines were set up between headquarters in Los Angeles and the Benelux subsidiary in Brussels. As a consequence communication within the company improved. This was a unique step

for a film major; all other film majors still had European regional offices. Through this new operation structure, Sony Pictures headquarters showed their trust in the local management team. The Benelux subsidiary now had more responsibility to select international films for release and to define its promotion and sales activities. Nevertheless, the sales and marketing unit in Amsterdam was still managed by the Benelux office in Brussels.

Stable operation

Decreasing cinema admissions in 2004 and 2005 did not affect Sony Pictures Releasing operation significantly. It did not result in becoming a Benelux organisation to operate more cost-efficiently as it was already a Benelux organisation. Stopping the distribution of domestic films on the other hand was not an option either as it did not distribute domestic films. Being keen on ways to operate more cost-efficiently, Sony Pictures Releasing Benelux, on the contrary, considered the opportunities of digitisation for marketing and the digital release of films in cinemas. However, for Sony Pictures Benelux digital developments were mainly something for the near future ('Later with digital...').

UIP

'...having a large number of American and British films. ... we don't need Dutch film products and ... we'll probably won't make a great effort to acquire Dutch films ...' (Managing director, 1990-2005, interview 2006)

UIP's operation in the Netherlands was characterised by its organisation culture of being a joint venture of three American studios for the cost-efficient distribution of their American films. Due to this operation structure, it was considered to have a too dominant position and had to apply for an exemption of EU anti-trust laws. This affected its product and operation strategy to a large extent. Although its first priority was international films, it was also obliged to release Dutch films. Due to UIP's decentralised and top-down structure this responsibility was delegated to the Dutch subsidiary. The Netherlands was considered a good revenue market for international films during the 1990s and most of the 2000s. However, it saw fewer opportunities for local films and therefore showed an ambivalent approach towards domestic products. It mainly adapted its local product strategy to genres in which other majors had been successful and to the financial opportunities offered by Dutch film policy. Between 1990 and 2005, UIP hardly released any successful Dutch film and distributed domestic films only because of its commitment to the European Commission.

Joint venture for the worldwide distribution of American films

UIP was a joint venture of three American studios, Paramount Pictures, Universal Pictures and MGM, for the distribution of their films outside the United States and Canada. As a subsidiary of this joint venture, the purpose of the Dutch UIP office was clear: successfully distributing and promoting their American films in the Netherlands. The Dutch subsidiary was given a large number of films for release which made them the major player in the Dutch film market. Due to the large supply of American films and the highest market position there was no need for UIP to distribute Dutch films as well. However, the same factors, were the reason that the European Commission investigated UIP's dominant position which led in 1989 to UIP's guarantee to produce, finance or distribute domestic films in European countries.

UIP and the EU

The joint venture UIP was seen as a cartel and actually not allowed to operate in the EU. Upon its creation in 1982, UIP therefore applied for an exemption to the Treaty of Rome¹ at the anti-trust department of the European Commission. (Handelingen Commissie voor de Media, C12-Medi 1-26011994, 1994) The European Commission investigated the aim and operation strategy of the joint venture and initially objected to UIP's request. In consultation with the commission, UIP took a number of measures such as the involvement in and support for local films. These measures in combination with the depressing state of the European film market in the late 1990s and the possibility of cost-efficient distribution by the UIP network resulted in the five-year exemption granted in 1989. (Trouw, February 7, 1998)

Between 1993 and 1999, UIP's activities in Europe were again investigated by the anti-trust department of the European Commission to decide whether to grant a new five-year exemption. These investigations focused on the business autonomy of the partners, UIP's involvement in local film industries and the fairness of UIP's agreements with exhibitors. (EC Commission, IP/99/681: 1999) During the 1990s, UIP was accused of obliging exhibitors to buy less popular films in addition to the films they wanted to have. However, no evidence was found in the official investigation. After ordering UIP to further expand its development and distribution activities for domestic films, the European commission renewed the exemption for another five years in 1999. The exemption procedures were long drawn out and reveal UIP's precarious situation. Its operation was allowed but only for a five-year period and was always carefully monitored. This situation is also reflected in the way the managing director talks about its activities.

'There are a lot of examples of very successful films in the past, and we wanted to benefit from the growth. That's one reason. Secondly, we're a Dutch subsidiary of a large corporation and we think it's also our task, not just philanthropy but as a company that operates in the Netherlands, that has a global scale, to give something in return at the local level. We're taking a lot of money out of the country and we want to do something in return. For a while it was a kind of commitment to the EU, that we as a large American company, a joint venture of a couple of American studios weren't accused of only being involved in pricing others out of the market, but that we were also actively involved in local films.' (Managing director, 1990-2005, interview 2006)

This quote shows a huge contrast with how producers and distributors in the Dutch film industry discuss UIP's relation with the European Union.

'...UIP has a deal that it has to release a certain percentage of Dutch films. So I think it's obliged to release a number of Dutch films a year.' (Dutch producer, 1990-2005, interview 2006)

Dealing with Dutch films

The distribution of domestic films thus became a condition for being able to operate in Europe. The headquarters delegated this task and responsibility to its local subsidiaries. They only checked and controlled the financial results and relied on the local managing director's assessment when investing in domestic films. The Dutch UIP subsidiary had already become involved in the distribution of Dutch films in 1988. According to the managing director, the local office wanted to benefit from the market potential of Dutch films. (Interview 2006) However, it was probably more a tactical move to demonstrate it was already involved in Dutch films before it officially had to in 1989.

The Dutch subsidiary signed and distributed domestic films besides promoting and distributing American films. The latter, however, remained its first priority. The Dutch subsidiary consequently applied a safe strategy for the involvement in domestic films: it did not provide large distribution guarantees for domestic films, in some cases acquired final products and opted for mainstream films in popular genres. UIP initially signed a number of Dutch drama and comedy films. During the 1990s, only the release of comedy *Flodder in Amerika* in 1992 was a huge success (1.5m admissions and a box office of €8.3m). According to the managing director, it gave “*the financial and moral injection that the company needed*” (*Algemeen Dagblad*, July 7, 1992). At that time, admissions for Dutch cinemas had reached the lowest point of a continuing downward trend that had started in the 1960s. The number of admissions and the revenues of this UIP film were therefore a welcome change that boosted the market share of the company and of Dutch films in general.

In 1997, UIP's position as the only major that released Dutch films was contested. Warner Bros started with the distribution of Dutch films by signing the rights of a slate of domestic film productions. The UIP managing director was surprised by the large number of Dutch films that were signed and stressed that in his opinion there were not many opportunities to successfully exploit Dutch films. His suggestion that it was maybe a political move is most likely related to EU's interference with UIP's operation.

“Actually there's no clear reason why Warner is doing this on such a big scale. You can't really say that Dutch feature films are doing well. Honestly, I think they're a bit overconfident, but maybe it's a political move.” (Managing director UIP in: Stienen, 1997)

Operation led by lucrative opportunities

At the end of the 1990s, Dutch family films distributed by Warner Bros and Buena Vista International proved to be a lucrative genre and UIP also decided to get involved in this genre. It distributed a number of family films (*Polleke* (2003), *Kees de Jongen* (2003) and *Erik of het klein insectenboek* (2004)) but was less successful than Warner Bros and Buena Vista. While Warner Bros and Buena Vista had both made a deal with a Dutch production company for a slate of family films, UIP could only acquire family films from

different Dutch film producers on a film by film base. Furthermore, UIP lacked the expertise that Warner Bros and Buena Vista had in the promotion of family films.

The new film support programme that started in 1999 also changed UIP's distribution strategy for Dutch films. It distributed two or three Dutch films a year between 2001 and 2004 while it had only released a maximum of two a year in the 1990s. This illustrates that financial risks played a major role in UIP's decision to invest in Dutch films. Once these risks were reduced due to the new lucrative support schemes, UIP increased the number of local film releases.

After the successful release of *Nynke* in 2001, UIP distributed three other films by the same Dutch producer, Egmond Film and Television. The relationship between UIP and this producer illustrates UIP's ambivalent approach towards local product. On the one hand, they usually worked together well and UIP was involved in the script phase and advised the producer. On the other hand, sometimes there was friction between the two especially when the Dutch producer released a film simultaneously with an important film from one of the American studios. This usually resulted in less promotional attention for the Dutch film and UIP's first priority then became apparent. The position of Dutch films in UIP's release scheme distracted attention from the more important American films.

'We aren't going to see whether we can fit the film in [our release scheme MK], because we have these from America as well. That's not the way we look. Besides, this is something that's got to be decided a long time in advance, sometimes I'm involved in a film project two years in advance. And you don't even know what you're going to be releasing at that time. What we can do and that's what I also did, even quite recently, is reject a Dutch film just because I already had too many Dutch films in that period.'

(Managing director, 1990-2005, interview 2006)

UIP had a small number of successful Dutch films but a larger number that did not meet expectations. The difference in priority for a domestic film and an important international blockbuster might be an important factor for the less successful run of UIP's domestic films. The successful release of Dutch films at Warner Bros and Buena Vista International changed their approach for these films. However, UIP's involvement in Dutch films did not affect its ambivalent approach for Dutch films.

Downward trends

After the successful release of *Nynke* in 2001, UIP's Dutch film releases were not very successful. According to UIP's local managing director, the increasing use of home cinemas and a rising number of illegal downloads led to a downward trend in admissions for Dutch and international films after 2003. The once steady revenue market became an increasingly difficult market to operate profitably. (Interview 2006) After a few years with a relatively large number of Dutch film releases, UIP did not distribute a single Dutch film in 2005. The Dutch film market recovered in the second part of 2006 although UIP was not very successful with its Dutch film releases. It released *Woeden der gehele wereld* and

Sportman van de eeuw during the spring of 2006 but neither attracted large audiences. Despite the Dutch film market's recovery, UIP thus still faced difficult times.

UIP finally split up in 2007. Paramount and Universal abandoned the joint venture and divided up the markets in which they had operated as UIP.³⁶ Universal Pictures International now distributes its own films and international Paramount films in license in the Dutch market. Having too many films for release and not being able to handle films other than international blockbusters were not only factors that affected UIP's operation in the Netherlands but also led to the split up of UIP in 2007. The growing importance of a film's release in overseas markets was another reason for having an own subsidiary. (McNary, 2005)

Warner Bros

'Our motto is not to choose just anything but to choose something that we're really good at. And that's family entertainment.' (Managing director, 2000-2005, interview 2007)

Warner Bros' operation in the Netherlands between 1990 and 2005 was characterised by its organisation culture of a well organised and streamlined American company. In line with this, it had a hierarchical worldwide structure in which the Dutch subsidiary was closely monitored on the promotion and distribution of international films. Warner Bros applied a strategy of control systems and internationally tuned campaigns for worldwide blockbusters to deal with the dynamic market. The Dutch market was initially perceived as a good revenue market for international films but without opportunities for domestic films. The threat of European or national interference in its operations as an American major led to the approval of the release of a small number of Dutch films by the subsidiary. The new managing director in 1997 primarily disregarded Warner's organisation culture and related control structure and strategy in his release of a Dutch family film. Due to the success of this film and a new film support programme, the market perception of domestic films changed. Consequently, in line with its organisation culture, Warner Bros developed a domestic product strategy for Dutch family films. However, a decrease in film admissions in the mid 2000s and the perception of file sharing as a serious threat resulted in considering cost cutting measures whereby Dutch family films would be the first to suffer.

Focus on control

Warner Bros started its operation in the United States where it developed into one of the major film distributors. Having a large home market, foreign markets served primarily as distribution markets for the American films. Its operation in the Dutch market started in

³⁶ MGM had left the joint venture in 1999.

the 1930s. In 1990, it still operated as a traditional subsidiary of a major film distributor. Films and promotion campaigns were supplied by headquarters while the subsidiary marketed and released films in the small Dutch market in line with corporate strategies.

Warner Bros had a distinctive focus on control. Decisions were taken rationally, based on company plans and risk calculations. Plans for all activities and promotion campaigns were created at the rather hierarchical ‘and traditional’ headquarters and communicated to the local subsidiary via a top-down approach. Consequently, the Dutch office had a clearly defined role which was controlled by the regional headquarters in London to ensure that all acquisition, marketing, sales and promotion activities were in line with Warner’s strategies. Warner Bros thus tried to be in full command of the highly volatile and risky film market by being a well organised and streamlined company. An example of the strict and streamlined organisation that is based on rational decisions is the use of software programmes at the headquarters in Burbank, California with variables of earlier films (of Warner and its competitors) to predict success for new films. The president of Warner Bros Pictures Domestic Distribution in the United States, Daniel Fellman described the ‘sophisticated movie marketing system’ as:

“Our customized system can display the box office history of any actor, producer or director or film in seconds; we can analyze a marketplace, release schedule, daily grosses, reviews, demographics, trailers, TV spots, print ads, posters, websites and year-to-date box office performance. Whatever information is needed regarding talent, box office receipts or research to aid in the decision making process, it’s in there. It’s also persuasive when talking with filmmakers and making a case for critical decisions, such as release date.”(Fellman, 2004: 366)

The use of special software programmes for the marketing of films indicates that activities at Warner Bros were very much based on rational decisions. There was little room for initiatives or deviations from company plans. Staff was expected to be loyal to the company and to fit into its culture.

A new managing director: the start of Dutch films at Warner Bros

During the early 1990s, Warner Bros’ operation in the Dutch market remained unchanged. As before, it successfully distributed American films and American co-productions. This situation changed when a new managing director was appointed in 1997. He had worked at the European independent film distributor Polygram where he had been responsible for acquiring domestic films and had built a solid reputation for successfully releasing them (e.g. *Filmpje* (1995)). Warner Bros decided he could continue his acquisition of Dutch films at Warner Bros as long as it was a small scale activity. The investigations of the European Commission into the operation of UIP and GATT negotiations on the protection of national audiovisual industries³⁷ influenced this decision to a great extent. The few

³⁷ During talks on the GATT (General Agreement on Tariffs and Trade) in 1993, American and European negotiators could not come to an agreement for a common policy for audiovisual productions. The United States was in favour

domestic films that Warner Bros Holland released were meant to improve its external image of large American distributor.

The acquisition of Dutch films by the new managing director reflected the business philosophy of Polygram and his personal vision on domestic films rather than that of Warner Bros. He believed in local talent and growth for Dutch film and was confident that *'one can take economically responsible risks and have very good returns'* in the distribution of domestic films. (Interview 2007) In 1997, he signed the distribution rights for four films by novice or developing Dutch feature film directors. The managing director acknowledged that he did not expect these four films to generate *"millions of dollars"* but he emphasised that there was quite some talent in the Netherlands and *"the only way to show this is continuous marketing and ensuring that it will result in a big feature film production."* (Stienen, 1997) It was the large promotion campaign and the release of the Dutch family film *Abeltje* in the 1998 Christmas season that served as a catalyst for change in the operation of Warner Bros Holland. However, it first led to a huge conflict between headquarters and the Dutch managing director.

The story of Abeltje

Warner Bros Home Video and Dutch TV and film production company Bos Bros initially cooperated for the distribution of *Pipi Longstocking* (in Dutch: *Pipi Langkous*) films on video. It showed Warner Bros that the video distribution of family content was highly profitable in the Netherlands while Bos Bros experienced that the marketing of a major made a huge difference for the number of videos sold. Bos Bros had developed plans for the film *Abeltje*, based on a well known children's book by Dutch writer Annie M.G. Schmidt. It had initially contacted the Dutch subsidiary of Disney for distribution but it did not dare take the high investment risks. Given the good cooperation for the distribution of children's videos, the script was presented to Warner Bros as well. So it happened that Warner Bros Holland made its first inroads in the release of family films in Dutch cinemas.

It was not only the entrepreneurial spirit of the new managing director of theatrical distribution and the managing director of the home entertainment division of Warner Bros that led to the extensive release of *Abeltje* in the Christmas season but also the drive of the producer. He aimed at making a good Dutch family film that would be commercially successful and that could compete with Disney's family film that traditionally dominated the Dutch film market during the Christmas season.

"For me, *Abeltje* is about the combination of quality and commerciality." (...) "*Abeltje* is actually a pilot project, a very expensive super pilot for the future. I'd like to establish a new tradition, namely a Dutch Christmas family film." (...) "Of course we could have released the film in a less dynamic period, for instance in spring, but then you still don't know if you can deal with the competition. If we win from Disney now, we've really won." (Burg, 1998)

The producer and managing directors at Warner both believed in Annie M.G. Schmidt's success as a writer of children's books and in the Dutch audience's interest in a Dutch family film. Both

of a liberalisation of the European audiovisual market while the European Commission pleaded for a cultural clause that enabled them to preserve individual European audiovisual cultures. (Hemel, 1996: 189-190)

also aimed to show that it was possible to release a successful Dutch family film but acknowledged that it would only work if the film was well marketed and promoted extensively. Warner had never been involved in family films during the Christmas period (it had not yet released the Harry Potter films) while Bos Bros needed a major to successfully market its family films.

Annie M.G. Schmidt can be described as the Dutch Astrid Lindgren. Her books for children have been read by generations of Dutch people and thus offer good marketing opportunities. It is telling that Warner Bros and Bos Bros initially cooperated to release Pipi Longstocking films (based on the books by Astrid Lindgren) on video and afterwards started with the development and release of films by the Dutch Astrid Lindgren, Annie M.G. Schmidt. The choice for the release of a family film based on a book was also in line with Warner's earlier developed local marketing experience for the Disney family films that it distributed in the Netherlands in the early 1990s.

However, headquarters was not at all happy that the local managing director had spent the largest promotion budget ever (more than Dfl 1m or €453,780) on a Warner distributed Dutch family film. The fact that it did not conform to its sophisticated marketing system and was released in the highly competitive Christmas season exacerbated the issue. Headquarters had lost control over the operation of its Dutch subsidiary and quickly tried to gain it back as illustrated in the quote below.

'I spent a budget of more than one million guilders, which was a phenomenal amount. It was the highest print and advertising budget [P&A budget] that Warner Bros had ever spent in the Netherlands. My reasoning was that I needed the money to be able to compete with Disney's *Mulan* and UIP's *Prince of Egypt*. Those films were known in Los Angeles and they thought I was a complete fool, even a dangerous individual because I'd spent one million Warner guilders on one film to compete with what they thought were two unbeatable Christmas films. Rejecting the P&A budget two weeks before the first run is not done. You really can't do that because 80% of the budget had already been spent. In desperation I invited Edward Frumkes to Amsterdam to attend the royal premiere. He came to Amsterdam but never left his hotel room. This was his way of telling me that he didn't agree. They told me in London, that I'd made the biggest professional mistake ever. I would be fired as I had ignored an order from Burbank.' (Former managing director, 1995-1999, interview 2007)

Abeltje, nevertheless, became a huge success. It failed to meet the low expectations of the headquarters as it outperformed Disney's *Mulan* and UIP's *Prince of Egypt* which attracted 324,000 and 132,000 visitors respectively. The Dutch family film that was released by Warner attracted nearly half a million children, parents and grandparents to Dutch cinemas.

The aftermath of *Abeltje*

The success of *Abeltje* improved the relationship between headquarters and the Dutch managing director. However, he resigned and joined an independent company to develop new Dutch film projects. The room for creative decisions was obviously too limited for him at Warner Bros. After his departure, Warner's approach towards domestic films changed: some of the films he had signed were released, others were cancelled. The company's focus on control and on films with a very high commercial market potential regained importance.

Warner's reaction to the success of *Abeltje*, however, disconfirms Doyle's conclusion (2002) that majors primarily distribute American films and show reluctance to finance domestic films in European countries. The successful release of *Abeltje* had shown Warner Bros a way to produce domestic films that were profitable in this small market and

that corresponded with its own expertise: Dutch family films. Immediately after the success of *Abeltje*, the theatrical and home entertainment division had already signed a contract with Bos Bros (which owned the film rights of Annie M.G. Schmidt's books) to ensure a steady supply of family films for the next few years. Warner was thus willing to invest in a number of domestic films but focused on one genre and cooperated with one producer.

Contrary to his predecessor, the new managing director who was appointed in 1999 had worked at Disney, a major with family film expertise. He was made responsible to ensure that Warner would continue to be the major player in the Dutch market for family films. After four non-family films in a row flopped between 1999 and 2000, family films became the sole focus of the Dutch Warner Bros subsidiary. The way Warner Bros released these family films in the Netherlands is in line with the way Hoskins et al. (1997) and De Vany and Walls (1999) describe the high concept film; a film with familiar aspects that is promoted by a big advertising campaign and released in a large number of prints that can be screened in important film locations. Everything is thus designed to stress that it is an important family film that must be seen.

At the end of the 1990s, the increasing success of domestic films in Europe resulted in the set-up of a special European Warner division for local acquisitions in order to streamline these with their strategies. In this way, Warner incorporated this new activity into its existing control structure. From then on, scripts for domestic films were checked in Paris and financial plans and revenues assessed in London. Warner Bros Holland was responsible for signing Benelux theatrical and DVD distribution rights for Dutch films. Headquarters could not accurately assess Dutch films as it had no reference material and therefore assigned this responsibility to the local managing director. Even Warner Bros that was so focused on control thus had to trust their local managing director in this task.

'...because it's not something that fits in the existing structures. It's a project that I'm responsible for and have to direct.' (Managing director, 2000-2005, interview 2007)

Opportunities and threats in the Dutch market

The introduction of a new support scheme for Dutch films in 1999, led to the distribution of two films that were not part of the deal with Bos Bros. One of these films was not even a family but a drama film. The new support scheme contributed to print and advertising costs and as a consequence, Warner's investment risks for releasing Dutch films decreased. The headquarters, therefore, approved the distribution deals for these two Dutch films and Warner Bros thus departed from its local product strategy of only releasing Bos Bros productions for a while.

In 2004 and 2005, the Dutch subsidiary was confronted with declining cinema admissions. It perceived this as a direct consequence of piracy such as file sharing. (Lierop, 2005) Therefore it joined and was actively involved in *Filmwereld*, a confederation of Dutch cinemas, entertainment, movie and video companies that lobbies for national legislation to combat the circulation of illegal copies of films and film sharing

activities on Internet.³⁸ Local managers expected that illegal downloads would put the return on investments of films under too much pressure and that Warner Bros would cut costs by stopping its distribution of domestic films. The fact that Dutch family films would be hit in the cost saving operation clearly shows Warner's priority for international products with only a small and local role for domestic films at Warner Bros Holland. However, the decline in cinema admissions of 2004 and 2005 changed in an upward trend from 2006 onwards and Warner Bros still distributed one and two Dutch family films in 2007 and 2008 respectively.

Sony Pictures, UIP and Warner Bros in the Dutch film market, 1990-2005

The analysis of Sony Pictures', UIP's' and Warner Bros' operation in the Dutch market shows that their operation is determined by their organisation culture and in particular the country of origin. Given their American origins, the three film majors all benefited from a large home market and perceived the Dutch film market mainly as an additional source of revenue. The country of origin of the film majors was thus an important factor for their market perception. However, other factors also played a significant role. Market perception was also influenced by threats and opportunities in the market such as policy, increasing market share and successful domestic film genres. Structure and strategy were primarily derivatives of the organisation culture whereby the local operation strategy could also be affected by European conditions such as the EU intervention at UIP. Appendix G gives a schematic overview of the organisation culture, market perception, structure, strategy of the three film majors and their operation in the Dutch market.

Organisation culture influenced the long term operation of the three subsidiaries. This included their American origins, their corporate history and related business philosophies such as the cost-efficient distribution of blockbusters or international films (Sony Pictures, UIP respectively) or a focus on control (Warner Bros). *Sony Pictures* is based on ColumbiaTristar that was acquired by the Sony Corporation as part of a strategy to tap into entertainment content that could promote the sales of its hardware products. It, therefore, focused on the distribution of mainstream films and an efficient operation in the Dutch market. *UIP* was a joint venture specially designed as a cost saving strategy for three American studios to release their films outside the United States and Canada. Its business goal for operation in the Netherlands was to distribute and promote films of the parent studios. *Warner Bros* developed its company to distribute American films and to make them successful by a clear and very carefully developed promotion and marketing system. The distribution and promotion of Warner Bros films in the Netherlands was therefore strictly controlled and directed.

Sony Pictures' operation in the Dutch film market was also defined by its market perception. While UIP and Warner Bros both had a Dutch subsidiary, Sony Pictures primarily operated as a Benelux operation with a small sales and marketing office in the

³⁸ www.filmwereld.nl

Netherlands. It perceived the Dutch market as small and expensive for the release of films. To gain advantages of scale, it either operated as a Benelux subsidiary or as joint venture with Fox between 1990 and 2005. Local marketing, nevertheless, was perceived as an activity that had to be done by local market experts and it therefore had a sales and marketing team in the Netherlands. Only when it operated in a joint venture with Fox in the Benelux, did it have an independent Dutch office that also had a larger role in terms of market share. However, it was never involved in Dutch films.

UIP, on the contrary, was the largest film major in the Dutch market and perceived it to be a good revenue market for the release of the films of its three parent companies. However, its operation was highly influenced by its application for exemption of EU cartel laws. Although its priority was the distribution of the films of the three (from 1999 onwards two) American studios, it was obliged to distribute and promote Dutch films as well. It struggled with this EU condition; domestic films were considered to be a distraction from its international films while most local films flopped.

Warner Bros was a midfield player in the Dutch film market. A strong focus in its organisation culture, structure and strategies on a streamlined and controlled promotion and distribution of its international films mainly drove its local operation between 1990 and 2005. The Dutch market was perceived as revenue market for the highly promoted and globally marketed Warner films. A new managing director who had a different business philosophy and style quite drastically changed Warner's operation in the Netherlands in 1997 and 1998. He started the distribution of domestic films and heavily promoted the release of the first Dutch family film in the Christmas season. The very successful Dutch family films, however, were incorporated in the company structure and became a local product strategy when the managing director left the company. The operation of *UIP* and *Warner Bros* in the Dutch market show that the operation of a film major which is in line with its organisation culture can be off-set by EU intervention or by local management initiatives.

The increase of the market share for Dutch films, the successful release of Dutch family films and a new film support scheme affected the operation of *UIP* and *Warner Bros* but did not change *Sony Pictures*' operation. It perceived the scale of the Dutch film market and the size of its office as too small for the release of Dutch films. *UIP*, however, increased the number of Dutch films when the market share for Dutch films grew and the film support scheme offered favourable opportunities. It also tapped into family films when *Warner Bros* and *Buena Vista International* had proven the success of this genre. The EU investigations into *UIP*'s operation, on the contrary, influenced the decision of *Warner Bros*' headquarters to approve the distribution of Dutch films at the end of 1990s. Growth in market share, the new support scheme and the success of its first family film later increased the number of Dutch films. *UIP* and *Warner Bros* thus indirectly influenced each others activities while the threat of EU interference also affected their operation albeit in a different way. *UIP* distributed Dutch films in various genres while *Warner Bros* chose to focus solely on family films. Market perception and the size of the subsidiary thus define whether the subsidiary reacts to changing market conditions which are

beneficial for domestic products. Furthermore, the threat of EU intervention was an important trigger for larger film majors to release domestic films.

The three subsidiaries deal with the complex relationships between global and local, creativity and commerce, and autonomy and control in their operation. The next sections analyse how they address these relationships that are interwoven in their activities. A fourth challenge, business and consumer's use of digital technologies emerged during the research period and is added to this discussion.

Global and local

Within the global film industry and in terms of film production, the Netherlands is a small country but a good revenue market for the larger majors. The larger international film distributors therefore have a Dutch office while the smaller ones operate as a Benelux organisation. Local marketing is acknowledged as essential for the successful release of international films in the Dutch market. However, except for *UIP*, local films were not considered an essential activity. For *Warner Bros* they became an additional activity but only after a new local managing director suggested distributing Dutch films and the threat of EU intervention made it a tactical move. In both cases, the international and especially the American produced films remained the highest priority and dominated the product portfolio. *Sony Pictures* never distributed Dutch films in addition to its internationally supplied films.

The decision of *Warner Bros* (and also Buena Vista) to release domestic films in the small-scale Dutch film market is partly a reaction to the increasing success of domestic films. It thus adapted its local operation to the consumption preferences of the local audience to some extent. It only became involved in domestic films when there was a critical mass for Dutch films that offered the local subsidiary of Warner Bros the scale that was necessary to release them profitably and probably would not have happened had there not been an entrepreneurial managing director who recognised and took advantage of this opportunity. Moreover, Warner mainly distributed films in one genre that attracted a large Dutch audience, family films. For *UIP* and Warner Bros the distribution of domestic films was purely a local activity; the films were not distributed abroad. Domestic films thus did not benefit of the international distribution network that the majors have at their disposal. They were consequently, like most other European films, most successful in their domestic market. (cf. Jäckel, 2003) The type of domestic films distributed by the majors was furthermore influenced by the corporate tradition in certain genres and the market potential of a particular genre rather than the different kinds of films produced in the Netherlands.

For *UIP* and to a lesser extent for Warner Bros, even the release of domestic films in the domestic market was not always successful and this affected their local product strategy. From 2000, *Warner Bros* solely focused on family films. *UIP* were committed to release domestic films due to its EU agreement but reduced this number in 2004 when the film support schemes were stopped and admissions declined. Having domestic films was

thus primarily defined by their contribution to a profitable operation of the subsidiary in that market and by EU policy.

Creativity and commerce

The three film majors partly fund films in exchange for exploitation rights and distribute films to cinema exhibitors for screening but do not produce them. Their operation is therefore mainly focused on the marketing and sales of a film. Consequently, commercial imperatives resound in all their activities while creative aspects play a more minor role in the operations of the company and are most apparent in decisions on domestic products. Film majors traditionally distribute mainstream films that are produced by American companies. These majors do not differ in this respect. They chose mainstream and blockbuster films based on stories and in genres that are familiar to the audience to increase the chance of good returns on investments.

The core business of the corporation affects the role of commercial and creative imperatives in activities and decisions. Jäckel (2003) states that the film division of a global media conglomerate is just one of its businesses and it is therefore involved in films that give them the best chance on high box office returns. For a hardware company such as *Sony Pictures* this was also the case. Domestic films in a small market do usually not offer these opportunities. It is therefore logical that Sony Pictures was not involved in the distribution of Dutch films.

The situation of *UIP* is a different story. As a joint venture for the worldwide distribution of films by three American studios (MGM, Paramount and Universal), *UIP* released its parents' blockbuster and commercially successful films. However, in Europe it was committed to be involved in the development, funding and release of domestic films. It is very likely that it would not have distributed Dutch films if it had not had these commitments towards the EU. This explains its ambivalent approach towards local products. *UIP*'s policy of acquiring films only if they fitted in its release scheme and did not require too much budget illustrates Balio's (1998) and Uricchio's (1996) conclusion that majors often comply with policy for domestic products by releasing a small number of domestic films that do not meet the company's standards for international films. However, for *UIP* releasing domestic films was not a tactical move such as Balio and Uricchio describe but a requirement for its operation in Europe. *UIP* did not choose one mainstream genre for its films like Warner Bros. It, nonetheless, released a number of family films after Warner Bros and Buena Vista had shown that they could be profitable.

The new managing director of *Warner Bros* operated as a cultural entrepreneur in a centralised system at the end of the 1990s. He chose to become involved in the distribution of Dutch films because he saw commercially interesting opportunities. At that time, the market share for Dutch films rose while Bos Bros offered him the Dutch family film *Abeltje* for distribution in the Christmas season. He knew that this well-known book by Annie M.G. Schmidt could work as a kind of brand in a promotion campaign and also observed that there were no Dutch family films in the Christmas season while going to the

cinema during that period is a Dutch family tradition. In his view, the combination offered good market opportunities. It indeed was successful. *Abeltje* was more successful than the two other international family films (Disney's *Mulan* and Dreamworks *Prince of Egypt*) that were released at the same time. Warner Bros and Buena Vista quickly reacted to the success of Warner's family film *Abeltje* by signing contracts with Dutch film production companies to produce a slate of family films based on books. Family films were not only a successful local genre but also offered good marketing opportunities and fitted in the companies' expertise in the promotion of international family films. *UIP* recognised this market opportunity too late; it acquired Dutch family films for release but did not benefit from a production deal with a family film producer. The family films it released did not attract a large audience. It shows that the family film genre is not a success formula for the release of Dutch films. The guarantee for success lies in the close cooperation with a producer that is specialised in this genre. Some Dutch subsidiaries of international film majors thus found a way to distribute domestic film productions (acquisition of creative content) and to make a profit (business goal) in the small Dutch market while others did not manage.

However, initially the majors took a passive stand before becoming involved in Dutch films. Only when independently released Dutch films and Warner's first domestic family film had proved successful, did Warner Bros and Buena Vista really tap into the distribution of Dutch films. Contrary to Balio's (1998) and Uricchio's (1996) observations, they selected films in successful genres, films that offered good marketing opportunities and those that were likely to attract mainstream audiences. As a Dutch producer stressed: '*If you're a producer who makes films that attract an audience, then you're are a perfect dance partner.* (Interview 2007) Economic potential rather than artistic aims were thus most decisive in product decisions. The signing of films by novice and developing directors at Warner Bros in 1997 and 1998 were an exception to this. They were signed by the managing director who had worked for independent distributors before and who later signed *Abeltje*. Their signing tends to be interpreted as a continuation of an independent way of running a film distribution company rather than a new major's operation strategy.

Balio (1998), Houcken (1999) and Jäckel (2003) observe that favourable regulations changed the attitude of some majors towards local product. The CV regulation (part of the new Dutch support programme in 1999) is a good illustration of this as it influenced the degree of involvement of the majors in the distribution of domestic films. After the implementation of this regulation, *Warner*, *UIP* and *Buena Vista International* released Dutch films sooner and more often because part of the print and advertising costs were covered within the budget of the CV project. Due to reduced risks and growth in market potential, domestic films were now considered a new market opportunity for Warner Bros and Buena Vista instead of a risky and independent activity. *UIP*, however, perceived domestic films as a requirement and this remained unchanged after favourable policy regulations were implemented.

Autonomy-control

Major international film distributors traditionally supply international films and promotion campaigns to their subsidiaries by a top-down approach but the extent to which they control the release and promotion of international films in local markets varies. Differences also occur in the room for local initiative and the space created by local initiative. The Dutch teams of *Sony Pictures* and *UIP* receive international films and promotion materials and select those which they think best fit the local market. The Dutch subsidiary of *Warner Brothers*, on the contrary, is closely monitored and has to promote international Warner films according to the worldwide promotion and release strategy. The signing, distribution and promotion of domestic films is strongly supervised as well. This differs from the situation at *UIP* where headquarters only check the financial figures and rely more on the local managing director and his evaluation of the market potential of domestic films. Warner Bros thus is well organised and globally tuned to deal with the dynamic market. *Sony Pictures* and *UIP* give their subsidiary more autonomy; it can adapt marketing and promotion to local market dynamics. At both companies, trust in local market experts and their way of managing the local film market is important.

The choice to distribute domestic films depends on the enthusiasm and passion for Dutch films of the staff at the subsidiaries and the risks they are prepared to take to distribute these films. Birkinshaw and Fry (1998) describe that subsidiary's initiatives will face resistance from headquarters. For Sony Pictures, the headquarters' focus on their performance was therefore one of the reasons to not become involved in the distribution of Dutch films. The heavily promoted release of *Abeltje* at Warner Bros Holland, an initiative of the local managing director, is an example that shows the opposite situation. The new managing director of Warner Bros was persistent in his plan to successfully release a Dutch family film. His entrepreneurial spirit, proactive stance and persistence in persuading headquarters was in line with the competences that Birkinshaw and Fry list for managers that have the most chance to succeed in their initiative. Birkinshaw's and Fry statement that a large autonomy for the subsidiary is an important condition for initiatives, however, does not hold in the Warner case. Warner Bros was the most controlled subsidiary. The director's policy to release domestic films shows that a local initiative can temporarily breach even such an organisation culture.

Digitisation

New digital technologies affect the way consumers watch films and can cause the traditional business model of the film industry to become outdated. The subsidiaries experienced downward trends in cinema admissions in 2004 and 2005 and took a gloomy view of the future. Until 2004, *UIP* and *Warner Bros* had profited from the favourable CV regulation which reduced their risks on investments in Dutch films. Declining cinema admissions then did not affect the distribution of domestic films. *UIP* and *Warner Bros* managers, however, foresaw in summer 2005 and spring 2006 respectively that their distribution of domestic films would be the first to suffer if they had to economize on their

Dutch operation. They perceived home cinema sets and file sharing as important factors for the decline in cinema admissions. However, *Sony Pictures* which only distributed international films and had already faced a cost-saving operation perceived the new digital technologies as a way to make marketing and distribution more cost-efficient. The Dutch film market, nevertheless, recovered in the second half of 2006 and showed an upward trend. New digital opportunities and threats for the film industry still continued to develop but these were not yet reflected in a continuous downward trend in cinema admissions. Cinema going was not yet replaced by legal downloading, film on demand services or file sharing.

Concluding remarks

Sony Pictures Releasing's operation in the Dutch market resembled the model of the traditional Hollywood major. Films were acquired for the American market and after their run in the home market released abroad to gain additional revenues. The company focused on the worldwide distribution of global mainstream films and was (initially) not involved in the distribution of domestic films in foreign markets. Sony Pictures' Benelux operation highlighted its focus on having an effective global distribution network.

Until 1997, *Warner Bros* operated as a traditional Hollywood major as well. Though it did not have a Benelux company but a Dutch subsidiary, it focused on the release of its international Warner films in the Dutch market. The headquarters was even more of a centralised hub than at Sony Pictures. Subsidiaries had no other choice than to implement the strategies of the parent company. However, the increasing success for domestic films in Europe and the threat of European interference resulted in domestic products becoming part of the operation in an increasing number of foreign markets. After the start of the distribution of domestic films, the strong monitoring system remained an important feature of the company. Domestic products were all tuned in line with corporate strategies and competences. Warner thus changed from a global company into an international company, a coordinated federation.

Through its joint venture structure, *UIP* was more a coordinated federation that applied an international strategy. The three studios that had created the joint venture each supplied their films and expected the local subsidiaries to promote and release the film successfully in their market. Besides their international films, they had to distribute domestic films in the European market due to their commitments towards the EU. This was not a free choice but an obligation which they delegated to their subsidiaries; they had to release domestic films in each European market but there was no corporate strategy for this. The fact that *UIP* had domestic films is thus deceptive.

The analysis of how the subsidiaries of the three film majors deal with the complex relationships between global and local, commerce and creativity and autonomy and control shows that market perception of the management of the local subsidiary and how they deal with the control of headquarters defined the operation of a major in the film industry in the short run. The factors that mostly affected the market perception are the

size of the subsidiary, European and national policy and the competencies of the managing director.

For smaller film majors in the Dutch market, successful releases of international films and a cost-efficient operation are their main business goal. They are either organised as a joint venture with another major or as a Benelux operation with a small marketing and sales team in the Netherlands. Their operation is mainly affected by the relationship between autonomy and control. In a joint venture construction with another small major, the headquarters of both majors compete for the endeavour of the staff of subsidiary to promote their films. As part of a Benelux subsidiary with headquarters in another country, the Dutch team had to cope with both company and Benelux directives. In both cases, the focus on good performance for headquarters and a small local team did not leave room for the distribution of domestic films.

The operation of larger film majors in the Dutch market is more influenced by policy, which is sometimes perceived as a threat while in other cases it can provide opportunities. The EU investigation into UIP's operation and its agreements with the EU are a clear illustration of policy in terms of a threat for the majors' operation. UIP had to distribute domestic products while Warner started the distribution of domestic films to prevent EU intervention. In this case, domestic products were perceived as an obligation and a necessary evil. New film support schemes were seen as an opportunity because it reduced the risks of distributing domestic films. Larger film majors viewed domestic films as a pleasant addition to the release of their international films. However, there was a difference in the way larger majors dealt with Dutch films. *Warner Bros* and also Buena Vista ensured good access to the family films of one Dutch film company by signing a production deal with them. They thus controlled that access. Due to its commitment towards the EU, *UIP* already distributed and invested in Dutch film productions before the rise in popularity of domestic films and Dutch film support. It only increased the number of films when the market grew and the new support scheme was introduced. It released Dutch films of various production companies and to a much lesser extent ensured access to Dutch films. In summary, domestic films were part of Warner's operation strategy for the Dutch market while they were a sideline activity for UIP.

The Warner Bros subsidiary was the most closely monitored by headquarters and had the least autonomy to define its own operation. However, it was at this subsidiary that a new managing director took advantage of the opportunities for domestic films in the Dutch market. He disregarded the control structure and sustained in his initiative to release a Dutch family film while facing resistance from headquarters. Due to the success of the film, the authority of headquarters was undermined and it was forced to change its policy on domestic product. Although control was soon restored, domestic films were embedded in the company structure and strategies. The next chapter will compare and discuss the operation of the music and film divisions of Sony, Universal and Warner in the Dutch market in a broader perspective.

Chapter 9

International Cultural Industries in Local Markets

In the Dutch music market as well as in the Dutch film market, the share of domestic product is small. Between 1990 and 2005, the market share for Dutch popular music fluctuated between 13% and 27%. The market share for Dutch films was even smaller during this period. It fluctuated between less than one percent and 14%. In this period Dutch music and film products thus always had a minority share in their home market. International music and film products, on the contrary, took the main share of the market. The majors dominated in both markets. Music majors generally had Dutch repertoire in addition to their international products. Film majors only started to release domestic films in the Netherlands in the 1990s. The reasons for involvement in Dutch products and the explanation for differences between the majors' dealing with the local market are discussed in this concluding chapter.

International cultural industries

There are two ideal types for majors in the international cultural industries. They are based on the organisation structures for international companies in business theories and the analysis of the operation of the music and film division of Sony, Universal and Warner in the Netherlands. They deal very differently with a local market and local products. The first type is the *American Star Company*, a major that is founded in the United States and that is strictly organised for an efficient global operation. It focuses on American star artists and products developed at the headquarters. These products are promoted and released by its subsidiaries under strong control. For this major, local markets are revenue markets for its American star products. It does not explore opportunities for local products. The other ideal type is the *European Talent Network* that has European roots and is set-up as a network of subsidiaries to stimulate joint development. It focuses on identifying and taking advantage of global and local market opportunities to develop new talent and products. It actively explores opportunities in the local market. Being involved in local products comes naturally.

The *American Star Company* is based on the notion of the global company. The global company is described in business theories as the company that is adjusted to an efficient global operation whereby products are developed and produced at the headquarters and distributed by the subsidiaries. The subsidiaries at the *American Star Company* not only have a distributive function but are also strictly controlled and

monitored by headquarters. The *American Star Company* has American roots, handles American entertainment products and focuses on their global promotion and distribution. The headquarters develop these as top line products based on proven success formats and strongly coordinate and control their worldwide promotion and release. The subsidiaries have to implement the corporate strategies and ensure that the American entertainment products become highly successful in their market. The *American Star Company* operates in markets with high consumer sales and is not involved in domestic products in foreign markets. Only a persistent entrepreneurial local manager may be able to temporarily change this. This ideal organisation type clearly fits in the cultural imperialism and centre-periphery theses; international companies located in the centre of the cultural industries heavily promote and distribute their products in foreign markets with the sole purpose of worldwide success and increasing profits. They are not interested in local goods and accordingly do not offer opportunities to facilitate the development of local products in these markets.

The *European Talent Network* is based on the notion of the transnational company. In business theories, the transnational company is characterised as a network organisation where activities and responsibilities of subsidiaries are adjusted to local markets and the pooling of resources is intended to stimulate joint development. However, at the *European Talent Network* the development of local products primarily remains a local activity that is based on the specific market conditions. The *European Talent Network* has European roots, and its subsidiaries and labels each have specific market knowledge in order to best serve different markets. Subsidiaries offer a mix of domestic and European products that are adjusted to the local market. The headquarters coordinates the international activities while the subsidiary is encouraged to take risks to find new domestic products or to develop new business models. If the new business models are successful, these are adopted by the headquarters to improve the overall operation of the corporation. Local staff is thus expected to operate as local cultural entrepreneurs. Subsidiaries also have mutual contact to share experiences and best practices in the promotion and distribution of particular products. The *European Talent Network* operates in markets with interesting local creative resources. It reflects the idea of a global ecumene (Hannerz, 1992) in which each actor is part of more than one culture (local culture, industry culture and corporate culture). The actors are influenced by their differing backgrounds and this shows through in their activities. Through this continuous exchange and interaction a diverse range of cultural goods emerges.

Table 9.1 shows the two ideal types. A middle group labelled the *Global Opportunist* has been added. This group resembles the reality of how most majors operate and has characteristics of both the *American Star Company* and the *European Talent Network*. However, its characteristics are less prominent than the two ideal types and vary from company to company. The *Global Opportunist* is thus not an ideal type but shows the span between the two ideal types.

Table 9.1 Types of majors in the cultural industries

Type	American Star Company	Global opportunist	European Talent Network
Origins	USA	USA or non-USA	Europe
Catalogue	American	Primarily based on content from centre cultural industries	European
Approach to foreign markets	Distribution	Distribution & local when profitable	Part of global network & distribution
Relationship headquarters – subsidiary	Directive	Varies	Interactive
Dealing with commerce & creativity	Control over creative & economic resources	Varies for global & domestic activities	Access to creative & economic resources
Market perception European markets	New market	Entry by partnership & familiar market	Familiar market
Local products	Contested	When profitable	Natural
Local entrepreneur	Contentious	Not prominent	Common

In reality, majors in the cultural industries are never purely an *American star company* or a *European talent network*. They generally develop in the direction of one of the ideal types and can change over time due to mergers, acquisitions and new corporate management. Based on their operation in the Netherlands, Warner Music and Warner Bros show most similarities with the *American Star Company* while Polygram most resembles the *European Talent Network*. When Polygram became part of Universal, it moved away slightly from the *European Talent Network* and instead moved in the direction of the *American Star Company*. Sony Pictures operated more like the *American Star Company* than like the *European Talent Network*. Sony Music, although an American major, had more characteristics of the *European Talent Network*. Contrary to Sony Pictures, it had a local A&R department and released domestic products. Some majors such as UIP and SonyBMG also operate midway between these two types. They adapt corporate strategies to local conditions and develop local copies of successful international products. In the case of UIP, this is highly influenced by the EU investigations in its operation in the European market. These majors resemble the idea of glocalisation. (Robertson, 1995) They are not indifferent to local values and traditions but they do not use this market knowledge as a strategic resource to develop new products. They only use this knowledge in order to sell their international products more effectively and to launch local products that are based on a successful international product format more successfully. Other

majors that have not been a specific subject of research can also be characterised in terms of the *American Star Company* and the *European Talent Network*. The music majors EMI and BMG both have European roots and most resemble the *European Talent Network*. On the other hand, Fox, like Sony Pictures, never distributed Dutch films and primarily released American blockbusters. Fox therefore shows more similarities with the *American Star Company*. Buena Vista International (Disney) is an American film major but has released a number of different Dutch films since the end of the 1990s. It shows most characteristics of the *American Star Company*. However, compared to Fox, Sony Pictures and UIP it has developed more in the direction of the *European Talent Network*. The presence of the two types of majors in the Netherlands results in a prominent position for American cultural products and an important position for British and Dutch products. These countries are the three main repertoire sources. However, products from other European and Anglo-Saxon countries are also offered, especially in the music industry where some majors operate more in line with the *European Talent Network*.

Conditions for involvement in domestic products

Involvement in domestic products depends on a number of conditions. The two ideal types can help to determine the conditions for involvement in local products. At majors that mostly resemble the *European Talent Network*, being involved in domestic products is part of their organisation culture. They actively sign and develop domestic products in local markets. At majors that show most similarities with the *American Star Company*, market conditions and economic considerations determine whether the subsidiary becomes involved in domestic products. Being involved in domestic products is not a natural activity for these majors. To some extent they have a blind spot for domestic product and generally perceive it as a too small sub market. They are only interested in becoming involved in domestic products when the market share for these products is above a certain percentage. In addition, favourable government policy can trigger the interest for local products at film majors but often only leads to an increase in the number of domestic products at majors that have already tapped into these markets. The way subsidiaries deal with local products strongly reflects the organisation culture of the major. A major that focuses on global superstars or Hollywood blockbusters, only allows its subsidiary to tap into this market when the market share and returns for domestic products are increasing. For other majors the involvement in domestic products is embedded in the organisation culture.

The characteristics of the industry also define the conditions for a major to become involved in domestic product. Film majors, for example, face high financial risks and investments. They therefore try to gain advantages of scale for their successful films. They traditionally release their international high concept films with an intensive promotion and marketing campaign in local markets in order to attract a large worldwide audience. For them, domestic films are perceived as too risky. Compared to the film industry, the investments needed to develop a new product are relatively modest in the music industry.

As a consequence, the scale that is necessary to break-even is also smaller while the development of new products is less risky. In general, music majors are therefore more inclined to be involved in domestic products than film majors. For the latter, there are consequently two conditions for becoming involved in domestic films. Not only is market growth a necessity, a favourable film support scheme is also an important condition.

Another way to look at international cultural industries

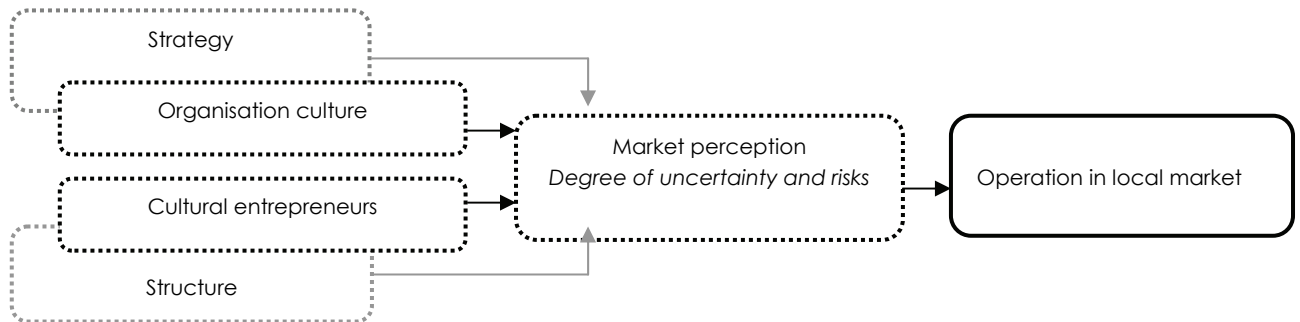
Research on international cultural industries or transnational media corporations mainly addresses the international operation of these companies and usually focuses on the overall operation strategy and structure. The analysis of the operation of the music and film divisions of Sony, Universal and Warner in the Dutch market shows that the local operation of a major is not only based on international principles of the global economy. How the major operates locally is influenced by the organisation culture of the major and local interpretations and adaptations of corporate strategies and local initiatives by local management. Strategy and structure, for example, are not isolated company elements, as they are often viewed in business theories, but are developed based on the company's organisation culture. The actual operation of a major in a local market is less static than business theories assume. It still holds that companies primarily base their operation on market opportunities and profitability. However, issues such as a company's market perception, its management and its reaction to market opportunities also affect the local operation. These in turn are defined by its founding fathers, the company's origins and how the organisation has developed ways to deal with the dynamic market of the cultural industries.

The cases show that insights, experiences and views of local managers at the level of the subsidiary of a major also influence how the major operates in the local market. International changes in structure or strategy, for example, do not become apparent as long as local employees remain the same and do not change their activities. Furthermore, a new managing director can adopt the business philosophy of his former employer at his new company. His background then influences the activities of the local subsidiary. This happened at Warner Bros where the new managing director had worked for a number of independent film distributors and who was very familiar with the marketing, promotion and release of Dutch films. Based on their local market knowledge, local managing directors may also identify and exploit opportunities for successful domestic products. At majors that most resemble the *American Star Company* such initiatives are likely to meet resistance from headquarters. However, the two Warner cases show that if a local managing director is persistent, the policy for domestic products can change at these majors. The local managers and especially the managing director thus strongly affect the local operation while this role has not often been addressed and investigated in research on international cultural industries.

Processes that have mostly been perceived to be primarily guided by economic logic are thus heavily influenced by these two cultural factors and actually result in

different and unexpected outcomes such as involvement in domestic music or film products in a small local market. Future research on the cultural industries should focus on how (local) staff perceive the local market and how they interpret and adapt corporate strategies and products to this market.

Figure 9.1 Another way to look at the operation of international cultural industries



The market perception of a major, especially in terms of opportunities for domestic products, is also affected by the operation of the other majors in the market. One major's expansion of activities in a local market can show others new opportunities. On the other hand, the discontinuation of domestic products by one major can offer new opportunities for other majors. When Warner Music closed its local A&R department in 2004, it offered opportunities for the other music majors in the Dutch market to expand their local artist roster. They had less competition for domestic repertoire and were able to sign successful domestic Warner artists (proven success acts). Warner Bros' successful release of *Abeltje* showed the other film majors that Dutch family films were a lucrative genre which could compete with foreign family films. UIP's dominant position in the European market and the procedure at the European Commission for an exemption to anti-trust laws warned Warner Bros that its operations could also come under review. This led to Warner Bros taking a more active role in Dutch films which might otherwise not have happened. The strategies and policies of competitors in the local market thus highly influence the policy of the majors' subsidiaries in the local market.

Organisation culture

The important role of organisation culture becomes especially apparent in three aspects of organisation culture: the country of origin of the company, adaptability and the way the company deals with uncertainty and risks.

Country of origin

There is an important distinction between majors with American origins and non-American origins. The central position of the United States in the cultural industries, in combination with its large home market, resulted in some American majors focusing

solely on American artists or films and having a less adaptive approach to the Dutch market. Other American majors showed little interest in domestic music or film except during periods of market increase for domestic product. At that point they actively benefitted from this growth. There is thus a differentiation in American majors as they do not all deal with domestic products in the same way. It highlights that not only the country of origin but also the adaptability of a major, another element of the organisation culture, influences its operation in the local market.

Contrary to the Dutch film market where only American majors operated, the Dutch music market included a number of European majors. For them the local market was not only a revenue market for their international repertoire but also a market in which developing Dutch acts was a serious (additional) activity. Not benefitting from a (very) large home market, they tried to achieve competitive advantages of scope by offering their international audience a broad portfolio of national and international artists. They acquired American labels for international repertoire but also explored business opportunities and markets that were not the focus of the American majors. In summary, European majors focused on economies of scope whereas American majors developed economies of scale. This was reflected in their product portfolios. Some American majors only had products from central repertoire resources while other American majors primarily had products from these repertoire sources but applied an opportunistic approach and tapped a few products from peripheral repertoire sources when they were profitable market opportunities. European majors, on the contrary, had a more diversified portfolio with products from central and peripheral repertoire sources.

Adaptability

It is generally assumed that majors that have an adaptive organisation culture do not only focus on the internal operation but also explore opportunities outside the company. (cf. Küng-Shankleman, 2000) The operation of the music and film majors in the Netherlands shows that the stronger the focus on a few high potential cultural products, the more a company is traditionally unable to adapt to the local environments in which it operates. This focus on internal operation is apparent at some American majors. Non-American majors on the other hand are more externally focused to be able to compete within the international cultural industries. Their organisation culture is adaptive; it is developed to include interesting products from foreign markets in their product portfolio and to develop new markets. However, the operation of the music and film majors in the Dutch market also shows that organisation culture is not the only factor that defines whether the subsidiary is adaptive to local market opportunities such as domestic products. Market growth and a good performance also enlarge a subsidiary's autonomy to adapt its operation more to the local market. Furthermore, a rise in market share of domestic products and a decline in sales for international top products can make domestic products an interesting market opportunity even for a major with an organisation culture that is unable to adapt. A managing director who has an affinity with domestic product is an

important factor for actually seizing the opportunity. However, these majors are likely to only select those domestic products that fit into their international product strategy.

The operation of the music majors in the Dutch market shows that adaptability institutionalises over time as well. The way a company explores certain opportunities becomes part of the company. When the market is challenged in an unforeseen way, former notions of adaptability wane and new notions have to be developed. The current state of the Dutch music industry where majors, due to declining CD sales and the introduction of a digital sound carrier, have to look for new revenue sources that are not based on their traditional worldwide sales of music on physical sound carriers led to such a situation. It is well illustrated by Universal's operation during the last few years. Polygram/Universal's characteristic flexibility and local autonomy led to strong local signings and has always ensured a good performance during recent decades. The strong local signings even prevented the major from closing down its local A&R department during worldwide organisations in the early 2000s. However, the flexibility and local autonomy were mainly focused on signing and developing local artists and therefore do not serve as a cure this time. Universal still releases and signs Dutch artists but does not benefit from other activities of the Dutch artists that they have signed and that increasingly become a more important revenue source.

Dealing with uncertainty and risks

International cultural industries have developed institutional principles to reduce uncertainty and to deal with high risks. Some majors have designed a hierarchical and streamlined company that acquires, promotes and distributes a small number of music and film products that have a high chance of becoming successful. They focus on the control of successful resources. Other majors ensure access to different resources that enable them to pick up successful products. It offers them the flexibility to join new trends but it also contains the risk of having no successful products. They perceive taking risks as an essential way to explore new business and product opportunities. Instead of being subjected to control, the subsidiaries of these majors enjoy a large autonomy to choose the best way to promote international products and to sign and develop interesting domestic products. Birkinshaw and Fry (1998) state that this local autonomy is an essential condition for successful local initiatives. However, the operation of the music and film division of Warner in the Netherlands shows that the degree of creative and commercial autonomy is an important condition but not a requirement for involvement in domestic products in the local market. At these strictly controlled subsidiaries it was the local managing directors who reacted to local market opportunities. These cultural entrepreneurs changed the company's local policy by starting the development of local goods that generated business.

Cultural entrepreneurs

All majors have to deal with the selection of content and local marketing, but they often lack the necessary knowledge. They therefore need to employ creative managers with specific knowledge and have to trust them and give them some autonomy. Within the local subsidiaries there are three main activities in this respect: the selection of international products that fit with the local market, local marketing and promotion and the selection of domestic products. Especially the latter requires a large degree of autonomy because the quality of domestic products is difficult for headquarters to assess. Except for providing a format for domestic products, a major is entirely dependent on the activities of their local staff. The lack of information and expertise at international headquarters provides local managers with room to exercise initiatives, even at highly streamlined and hierarchically led companies.

The organisation culture of a company defines a major's operation to a large extent. In the cultural industries, majors continuously have some form of product innovation as every film, book or CD is a new product. Process innovation or new ways for distribution, however, rarely occur because internal institutional structures have developed over time and have become common standards. They usually ease the processes and decisions within the major but offer less flexibility to tap into newly emerging market opportunities. However, a (new) manager at a local subsidiary can perceive the local market differently and operate as an entrepreneur. The major may focus on the threats such as barriers and risks whereas entrepreneurs may centre on the opportunities and discover new (niche) markets. Two new managing directors at Warner were entrepreneurial and seized the opportunity to become involved in domestic music and films. They were not yet used to the organisation culture, dared to think out of the box and to disregard the traditional strategies of headquarters. It is remarkable that they had both worked at Polygram and were hired by the very streamlined Warner in the late 1990s because of their industry experience.³⁹ Both had a clear perception of domestic goods and started to develop local products at Warner when the market for domestic products had developed and sales of international products had decreased. This offered room for the inclusion of other products in the local product portfolio. In the film industry, the threat of EU intervention also influenced headquarters to consider distributing domestic films. Besides, the managing director for Warner Music was hired to improve the performance of the Dutch subsidiary. These conditions offered room to negotiate about becoming involved in local products. The local market knowledge of the managing directors enabled them to identify the most lucrative domestic genre or best A&R manager. The managing directors thus negotiated with Warner headquarters about becoming involved in local products. Reluctantly they allowed them to do so. These cases show the importance of local entrepreneurs in developing domestic products at the most tightly organised

³⁹ Polygram Music as well as Polygram Film were distinct from other majors because they were organised as a network in which the different subsidiaries were responsible for their market and products. At Polygram Music and Polygram Film local and European productions were an important part of the company.

companies which have no affinity with local products. It is their initiative and persistence that can change the local operation strategy. However, the organisation culture of these companies does not change. After a short interruption caused by the local initiatives, headquarters regained control. Warner Bros incorporated Dutch family films in its local operation strategies but closely monitored the Dutch subsidiary to minimise risks. Warner Music ran its local A&R department until 2004 when new owners reorganised the worldwide company and returned to the traditional global strategy in which subsidiaries were only implementers of corporate strategy and activities.

No cooperation between the music and film division

Although synergy is an important issue in business theories, the music and film division of the media and entertainment corporations in the Netherlands do not show any effects of this nature. Synergy arises when a combination of resources offers more benefits than when these resources are not combined. Synergy effects are therefore often used as legitimacy for mergers and acquisitions. Corporations that have different media and entertainment divisions as a consequence of mergers and acquisitions, are believed to benefit from cross-promotion, shared production costs and more distribution outlets. Hesmondhalgh (2002) concludes that during the 1990s companies increasingly built a portfolio of related industries and developed their company into a conglomerate to benefit from synergy effects. Given their focus on entertainment products, it is likely that music and film divisions of the same corporation would operate in a similar way and would tune strategies in a local market to reduce operation, marketing and distribution costs. However, in the Dutch market the music and film divisions of Sony, Universal and Warner operated independently of each other and hardly cooperated. There were no joint promotion campaigns and when both subsidiaries had Dutch products and the film division released a Dutch film, its soundtrack was not even produced at the Dutch music division of the same corporation. The operation of the music and film division of the same corporation in the same market thus did not result in any synergy effect. Decisions on the operation and involvement in local products of the music or film subsidiary were taken separately. The headquarters of the division set out the strategies for the local markets while the local managing director of the music or film subsidiary implemented and adapted them to the local market. Only the operation of Warner Bros and Warner Music in the Netherlands showed significant similarities; both focused on the promotion and successful release of top line international products and were closely monitored on their performance. Nonetheless, even they did not cooperate in the local market.

Influence of policy

Government policy highly affected the operations of film majors while it did not affect the operations of the music majors. Government support for the Dutch music sector was

indirectly organised via funds and mainly aimed at facilitating the performances of developing acts by subsidising pop venues and by providing tour support for concerts abroad. This support did not influence the number of domestic signings at the music majors. However, government policy highly affected whether larger film majors had domestic films. The European Commission's investigation into the operation of UIP led to the release of domestic films by UIP and created awareness that other majors might also be subject of investigation for their release of primary American films. For this reason some film majors became involved with a small slate of domestic films although this was not in line with their original operational strategy. In 1999, the introduction of a new support scheme for Dutch films reduced the risks for the distribution of domestic films. Larger film majors took advantage of the favourable market opportunities and expanded their activities for local films significantly. In both cases, policy thus prevailed over organisation culture, structure and strategy of the larger majors. For smaller majors, EU investigation is unlikely as it only investigates market dominance caused by large companies. Furthermore, the smaller majors did not have room for additional activities such as the release of domestic films besides the release of their international films. Favourable policy therefore did not affect their local operation. In summary, the size of the film subsidiary in the Dutch market defined the effect of policy.

The decision of majors to become involved in domestic goods is primarily economically driven. This is highlighted by the impact of the market share for domestic product, support schemes and (the threat of) EU intervention. Majors will enter the market only if there are profitable opportunities for local products, and will withdraw when sales decrease and it becomes difficult to release domestic products profitably. Consequently, cultural policy focused on artistic development activities does not really affect the operation of the majors in a local market. However, if cultural policy is combined with industry policy or economic measures such as distribution subsidies for domestic films, it might affect the majors' policy for domestic products.

Support schemes for domestic films indeed significantly influenced the number of domestic films released by a major distributor in the Netherlands. However, a government aiming to encourage national film production needs to consider how economic film policy affects the film market and if this has the intended effect. Do the measures indeed increase creative domestic film productions or do they only enable film majors to release Dutch films that are based on a success formula with few risks? And do they consequently, probably unintentionally, remove market incentives for larger distribution companies to adapt their operation to changing market conditions?

Future research

The departure point for this research was why majors become involved in domestic products while their whole operation seems to be based on economies of scale. The operation of the music and film divisions of Sony, Universal and Warner show that scale is important but that this is not the only factor that defines the profitability of a cultural

product or the involvement in domestic products. Some majors try to gain a competitive advantage in distinctiveness (scope) and have always had domestic products in the markets in which they operate. This implies that there have to be profitable market opportunities for majors in smaller local markets. Despite the small scale, the Netherlands is a market for Dutch subsidiaries. Their performance is based on the activities in this market. Local market conditions such as an increasing market share for domestic products, favourable government policy and content that appeals to a mass audience, such as family films or domestic popular songs, can actually offer profitable opportunities. In that case, domestic products can be an additional activity to the subsidiary's promotion and release activities of international products and can help to ensure a good performance for the subsidiary. The freedom that local managing directors are given to develop local products is crucial in this respect. Based on their local market knowledge, they can design new ideas and creative ways to deal with local products and make a profitable business. There are thus a number of reasons that determine whether majors invest in domestic products in a smaller market. Scale is only one defining factor. Besides local conditions and the role of cultural entrepreneurs, the organisation culture is important. It defines the way a major deals with uncertainty and risks and whether it is naturally open for local market opportunities. The size of the market, then, is not the sole reason for involvement in domestic products. Future research on the majors operation in local markets and their involvement in domestic products should also take the organisation culture, local entrepreneurs and local market conditions into account.

This research shows that globalisation and the global operation of companies in the cultural industries do not automatically result in cultural homogenisation or cultural imperialism. There is a global flow of international entertainment products that are distributed by the majors from central countries to more peripheral countries. This, however, is not the only flow of entertainment products. There are also more diverse flows of domestic and niche cultural products. These are developed by local and international independent entertainment companies and by local entrepreneurs at the majors. Independent entertainment companies in the local market are often 'seedbeds' for new cultural products and specialised in certain domestic cultural products. Based on their local market knowledge, independents can gain a large share of the market and compete with the majors by successfully releasing international or domestic cultural products. In some cases, highly successful domestic products that are developed by these independent companies are taken over or distributed by subsidiaries of the majors. The different flows of entertainment products overlap. The international cultural industries thus show a global ecumene, as Hannerz (1992) would put it: a complex interplay between subcultures and global cultures. Addressing the interaction between and the working of these different flows of cultural products offers a more refined view on the effects of globalisation. Therefore, it would be very valuable for the understanding of international cultural industries to further investigate these flows of cultural products in future research. How do such different flows develop and how and where do they interact with and affect each

other? In addition, the role of cultural entrepreneurs as intermediaries between the different flows in the local market should be an important issue in such research.

Cultural industries are often researched from a media economics perspective. In this research, this perspective is combined with a cultural sociology perspective and approached more interpretatively. The addition of this perspective and the interpretative approach offered new insights. For instance, how companies operate is highly affected by their organisation culture and the way local staff perceive the environment and interpret corporate strategies. Especially the role of cultural entrepreneurs at very tightly organised companies is remarkable. This role also adjusted the idea that the scale of the market defines whether majors have domestic products by showing that it is actually a combination of different factors. The sociological view showed that the operation of a company is very much about interaction: interaction between managers at the headquarters and the subsidiaries, interaction between the company and its competitors in the local market, interaction between the company and its local consumers and finally interaction between a local manager's personal and local cultural background on the one hand and the organisation culture on the other hand. The focus on the operation of a major in a local market, furthermore, shows that certain local market conditions can reduce uncertainty and risks and consequently can override international strategies of the majors. These relationships between different actors in the local and global market that together determine the operation of the major in a local market were not found in previous research, because the strategies and structure were examined in industry and business terms and rational causal relations. The interpretative approach in this research shed light on these relationships by addressing organisation culture, local market conditions and the role of local staff. Future research on the cultural industries should therefore aim to depart from a multidisciplinary and interpretative approach. A combination of insights and concepts from media economics, cultural sociology and business will offer a much broader understanding of processes in these industries.

The results of this research also hint at a number of other suggestions for future research. The background and personal style of a local manager make all the difference to the degree of involvement in local products at tightly organised majors. Managers in the music and film industry have usually worked for a number of music and film companies. In some cases, they have worked for majors as well as for independent companies and in the music as well as in the film sector. It would be very valuable to map the networks and career paths of these local managers to further investigate how their backgrounds affect the operation of the subsidiary at which they are employed and to link them to their management of the subsidiary.

This project analysed the local operation of international music and film companies for one country. It would be interesting to investigate the operation of these majors in other local markets to examine how organisation culture affects the reaction to similar market developments in different markets. Moreover, this study could be repeated for other cultural industries, such as the international games industry, where products have always been digital. It would be interesting to investigate whether other global-local

operation patterns occur in this industry, or whether the global-local issue is even relevant. Polygram, which started as a company in a semi-peripheral country, obviously had a different operation strategy from the American majors. Future research on other entertainment companies that started in the (semi-)periphery and have become global players could shed light on the strategies that entertainment companies from (semi-) peripheral countries should use to develop into a global major.

The future of local

The operation of the companies in the international cultural industries is not static; they are continuously dealing with a dynamic market while mergers, acquisitions and new staff change their company over time. There have been two main developments over the last 15 years. In the 1990s, an increasing global operation and competition in combination with a growing interest for local culture affected their operation. Since the early 2000s, sales in the music industry have been declining and new digital formats for content distribution have been developed. Most companies now relate file sharing to declining sales and therefore perceive it as a threat. However, new digital developments are also expected to offer new opportunities in the long run but these have not yet been exploited. As a result, companies in the cultural industries now cautiously consider new business models based on opportunities to tap new revenue sources.

The increasing global operation and competition in the international cultural industries has led to mergers and acquisitions. A more concentrated and globally orientated operation, however, does not automatically result in a larger supply of similar cultural goods worldwide. Increasing market opportunities for domestic products and government support schemes stimulated the majors to expand their share in domestic products in the Netherlands. Moreover, declining sales for international stars and the increase in importance of foreign markets for American majors were a factor in this. Declining CD sales in the music industry and the end of the film support scheme in the Netherlands, nevertheless, led to discontinuation of domestic activities. The future of domestic products at the major is unpredictable, especially considering digital developments in the entertainment industry. Nevertheless, in the last 15 years, domestic music and films in the Netherlands have overcome their inferior status due to the success and professionalisation of the sector. They are still successful and currently have a steady share in the domestic market. It seems unlikely they will lose this market position. On the other hand, domestic music and film will probably not be developed, promoted and marketed by the majors, since the latter are currently focused on a good performance for their international products. New companies, often set up by former managers of the majors, are already playing an important role in the development of domestic products. In some cases these are distributed by the majors, although the new companies are also becoming involved with distribution, as is stressed in the dominant agglomeration scenario of Lampel and Shamsie (2006).

The mergers and acquisitions in the music industry in combination with the declining CD sales have forced the music majors to operate more cost-efficiently while the film majors have always been more cost conscious. They have always acquired only the distribution rights for domestic films and have never developed and produced films themselves. By taking shares in local labels and setting up joint ventures for artists, the music majors seem to be developing in the direction of decentralised production as well. Consequently, creative activities are increasingly taking place outside the company to reduce development risks. This illustrates that majors only tap into domestic products when they are economically profitable and that they perceive their music and film division as a business rather than as a cultural industry that needs a different approach. They are, therefore, less inclined to put much effort into developing and retaining domestic music or film once profitability is uncertain. However, local staff are often guided by their passion for music or film and therefore strive for domestic products because they then can be more involved in their development, promotion, marketing and distribution. It is therefore likely that music majors that still have domestic repertoire will continue their promotion and distribution activities for these products. However, the development activities for these products will likely shift to smaller labels or artist companies. Majors will then select the most promising ones for release as their artists. Nevertheless, there will be an incentive for local entrepreneurs at music and film majors to discover new ways to deal with domestic music and film based on the opportunities offered by digitisation. Here, new business models could emerge, that would enable the major to remain a player in the development of domestic music and film products.

More than in other industries, the operation of companies in the cultural industries in a local market is highly affected by local management and local market conditions. Local staff adapt and distribute international products to the local market and can use corporate facilities to develop and promote local products. It is here that corporate culture and local markets meet. The influence of corporate culture, structure and strategies is thus defined by local culture and local circumstances. It is important to understand that the major's status as a for-profit organisation affects its business behaviour in a local market. However, this research has shown that other factors also have an effect, more so than was previously expected. The business behaviour of the major also needs to be understood in terms of organisation culture, local cultural entrepreneurship, interpretation of strategies and interaction with the local market.

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APPENDICES

A: Analysing the music charts and the top 20 films

Analysing the music charts

There are music charts for singles and albums. The popularity of music products in this research is examined by analysing the annual album top 100 for 1990-2005 (1600 cases in total). For each case, the album, artist, genre, label and country of origin is included in the database. The choice for albums is explained by the fact that they formed a substantial part of the total sound carrier market during the research period while the sales of singles had only a minor share. Singles were also mainly used for promotion. (Christianen, 1995) Besides, in the single charts airplay is included which influences the positions.

The Album top 100 data (Stichting Nederlandse Top 40) are used for the period 1990 to 1998 because this is the only album chart available for that period. These data are based on sales figures but recoded into a 'point system' to create the weekly charts and the annual chart list.⁴⁰ The disadvantage of these charts is that there can be seasonal influences (e.g. Christmas) but that each number one album is treated equally notwithstanding the number of albums that were sold to reach the number one position that week. (Rutten, 1991a: 76) For the period 1999 to 2005 data from the GFK Mega Album top 100 are used. These data are directly based on the number of units sold.⁴¹ Consequently, all units of an album that are sold in one year are counted and then ranked among all other albums that were available in the market in that year.⁴² This chart list thus has not seasonal influences and does not treat each album at number one equally. The choice to work with two chart lists makes comparison more difficult. The GFK Mega Album top 100, however, is the best chart for the purpose of this research since it shows trends in the market, the main players and the best selling albums. The Album Top 100 has also become less important for the industry. The NVPI, for example, has used the

⁴⁰ Albums that were sold for less than €9.75 are not included in the charts.

⁴¹ GFK Megacharts uses a cross counter retail information system to produce their charts. Since 1998 music stores and other retail outlets that sell CDs with a barcode sales information system report their sales to GFK on a daily basis. In 2005, about 1,200 shops supplied sales information to GFK. Since 2006 downloads are also included in the charts.

⁴² Albums that were sold for less than €9.75 are not included in the charts.

GFK Megacharts for their annual reports since 1997. For this research, therefore, the GFK Megacharts were used from 1999 onwards while for the period before 1999, the Album Top 100 data was used.

Different genre classifications can be used for popular music. These are already in use at institutes for (popular) music in the Netherlands (e.g. Centrale Discotheek Rotterdam (CDR)/Central Music Library Rotterdam and the Dutch Rock and Pop Institute) and in Dutch books on popular music (Keunen, 2002; Van der Plas, 2003). The online catalogue of the CDR, *muziekweb*, is quite unique as it contains all albums that have been released in the Dutch music market. It thus theoretically includes all Dutch and international albums that are included as case in the research database. Other sources that could be used to indicate the genre of an album do not offer this information for all albums in the database. I have therefore chosen to use *muziekweb*, the online catalogue of the CDR, as the main source to find the genre of a particular album.⁴³ The country of origin of the artist(s) was also indicated in some cases. If the country of origin was not indicated, it was searched on www.allmusic.com. In a few cases further online research was necessary to check the genre of a certain album.

Analysing the top 20 films

There is a top 20 of box office hits and admissions for films (Annual report NFC). The top 20 of the most successful films based on box office was available for the whole period, while the top 20 based on admissions was only available from 1992 to 1997. Consequently, the top 20 based on box office was chosen in this research. The database of the most popular films in the Dutch film market includes 320 cases. Data on genre, distributor and country of origin is included and for Dutch films, the producer is also added. The analysis of the film top 20s for the period 1990 to 2005 is complemented by an overview of all Dutch feature films that were released in Dutch cinemas during this period. This database is based on overviews of Dutch films in the annual reports of the Dutch Film Fund, the Dutch Federation for the Cinematography, Netherlands Film Database (www.nfdb.nl), Dutch film year book 1990-1995 (Beerekamp, Doense & Lange, 1996) and the overview book *De broertjes van Zusje. De Nieuwe Nederlandse Film 1995-2005* (Graveland, Jong & Kempers, 2006).

Genre classifications are also used in the film industry and film genres are even a topic of academic research. Meers concludes that film critics use genres to clearly group films but that the audience and also the producers use more flexible classifications such comparisons with films they have seen before. (2004: 6) However, film guides such as The Dutch annual film book and *Time Out Film Guide*, do not use traditional genre indicators in their descriptions. The Internet Movie Database (IMDb), on the contrary,

⁴³ www.muziekweb.nl - They classify 12 main genres which are divided in several subgenres. The 12 main genres are: Pop, R&B/hiphop, Rhythm & blues, Dance, Rock, Avantgarde, Roots, Vocal, Films and musicals, Jazz, World music and Cabaret.

indicates the genre(s) for each film.⁴⁴ According to the *Time Out Film Guide*: ‘The IMDb isn’t always 100 per cent accurate, but is more comprehensive than any book could ever be, well designed and easy to use, and it doesn’t neglect international cinema.’ (*Time Out Film Guide*, 2004) Since there was no other source to identify the genres of all 320 films in the database, IMDb was used to trace the genres of these films. The countries of origins were indicated in the annual report of the NVB/NVF for the years 1996-2005. For the films that were released between 1990 and 1995, the country of origins was traced back in IMDb. The Netherlands Film Database was used to find the producers of Dutch films in the top 20.⁴⁵

⁴⁴ www.imdb.com

⁴⁵ www.nfdb.nl

B: Operationalisation of the components of the conceptual framework

Component framework	Component element(s)	Operationalisation	Data sources
Organisation culture	Heritage	Origins and corporate history company	Corporate website & documents, books, articles, reports & interviews
	Values	Role of economic & cultural values	Interviews
		Goals & business philosophies	Interviews, corporate website & documents
Market perception	Market perception	Role local market	Interviews
		Reaction to developments in the market	Corporate website
	Competition	View on competitors & business behaviour	Interviews
		Market shares Concentration indexes	Reports Trade overviews
	Deregulation	View on government policy on national and European level	Interviews Policy documents Government websites
	Convergence	Mergers Takeovers	Corporate websites Industry journals Newspapers
	Digitisation	Sales trends per sound carrier	Trade overviews
Reaction to developments in market		Industry journals Interviews	
	Impact of deregulation, convergence and digitisation	Description market changes and impact on company	Trade overviews Industry journals Interviews

Component framework	Component element(s)	Operationalisation	Data sources
Structure	Degree of centralisation	Corporate structure Relations between HQ & subsidiaries	Corporate website & documents Interviews
	Ownership	Ownership structure	Corporate website & documents Industry journals
Strategy	Product strategy	Product divisions Product portfolio Decision processes New products	Corporate website & documents Interviews Industry journals
	Investment strategy	New products Mergers & acquisitions Geographic expansion	Corporate website & documents Interviews Industry journals
	International operation strategy	International structure Structure, goals & role local subsidiaries	Corporate website & documents Interviews
Operation in local market		Local products	Corporate website & documents Trade overviews Interviews
		Role of company: activities	Corporate website & documents Interviews
		Initiatives by local employees	Trade overviews Interviews

C: Interview procedure

Conditions to use interviews as method and data source

The interview is the most important data source for a case study but also a method that needs to be carefully prepared and that requires the ability to create trust. (Yin, 2003; Schein, 2004; Doyle & Frith, 2006; Wikström, 2006) The interviewees could not be asked directly about values or assumptions or why certain things were done in a particular manner. The questions needed to inspire them to describe a process step by step. Yin stresses that the interviewer needs to operate at two levels at the same time during an interview: you have to guide the interview in such a way that the interviewee will provide you the information that you need and that the questions do not offend the person that is interviewed. (2003: 90) Negus (1999) emphasises that an interview is an ‘active social encounter’. I therefore also made notes during the interview and used these to write a draft report directly after the interview. This report also included personal observations and thoughts. I was aware that what people told me was their interpretation and memory of a situation. Comparison of the interviews about the operation of the same company was therefore necessary as was cross-checking facts with written sources. (cf. Negus, 1999; Yin, 2003)

Selection interview candidates

For the selection of the interview candidates a number of criteria were used:

- Person who is currently working or used to work for the music and film division of Sony, Universal or Warner in the Netherlands
- Person who has extensive experience in and/or knowledge of the Dutch music or film industry
- Person whose name was mentioned by other researchers or interviewees (snowball sampling)
- Person who is not employed at the case company but who has a professional relationship with the case company

Contacting potential interview candidates

Potential candidates were first contacted by e-mail with an introduction letter. In some cases, people responded by e-mail after which an interview was arranged. In other cases, people had to be contacted by phone. For the second round of interviews, most of the potential candidates were contacted at an early stage (a couple of months before the interview period) by an introduction letter by mail. After a few weeks, people were contacted by phone and asked whether they would cooperate in the research project. In most of the cases, an interview was arranged.

Non-response

Except for Warner Music, current managers (often even managing directors) of all case companies were interviewed. Potential interview candidates mentioned too busy or no interest as reasons for not cooperating. Two managing directors of film case companies who were interviewed in the first round and who were then willing to cooperate a second time unfortunately did not have time when they were contacted for a second and more in-depth interview. (One of the companies was in the process of reorganisation at that time.)

Questions

The interviews were semi-structured. All respondents received a list with open questions by e-mail prior to the interview. There was a difference between the questions for distributors, producers and members of the branch organisations. All interviews included a number of the same general questions. These were supplemented by some specific questions that were related to the company or organisation.

D: Interview analysis

All interview transcripts were imported into the qualitative data analysis programme Atlas.ti. This programme enables you to systematically analyse qualitative data and offers very useful tools such as the option to add research memos to the interviews and to print and save list of quotes for one topic in different formats. In atlas.ti two different files (*hermeneutic units* in Atlas.ti terms) were made: one for music interviews and the other for the film interviews. A list of topics (see figure D) based on the research question and the conceptual framework was included into the programme as codes.

Figure D Initial codes in Atlas.ti

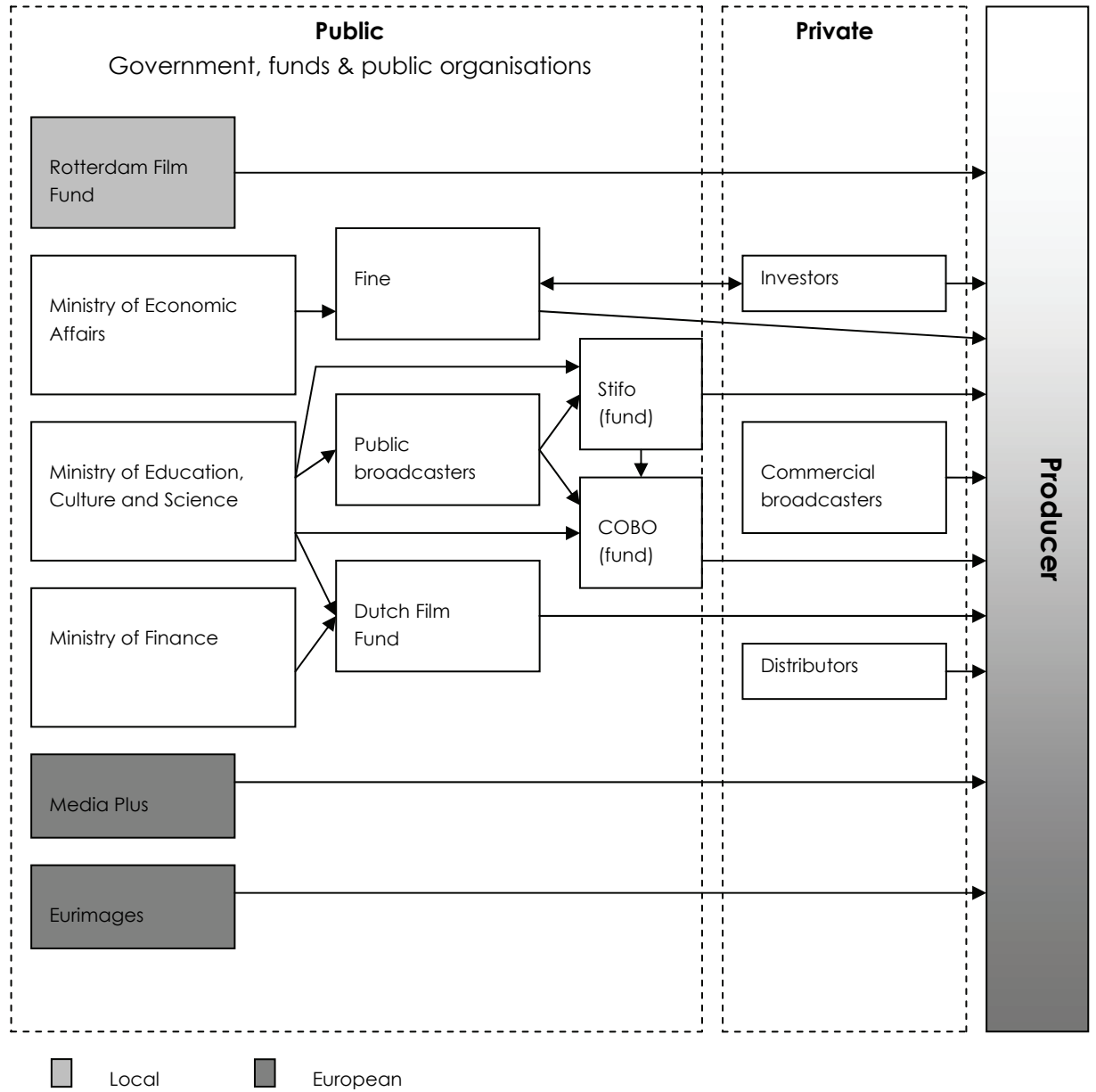
- Organisation culture [organisation culture] [view music industry] [view film industry] [Warner] [Universal] [Polygram] [UIP] [Sony] [SonyBMG]
 - Market perception (description and view on Dutch music or film market) [market perception] [view Dutch music sector] [view Dutch film sector]
 - Role of local subsidiary for worldwide corporation [role local subsidiary]
 - Relations between headquarters and subsidiary (frequency, nature, European office) [relation HQ_S]
 - Role of local repertoire [role local repertoire] [start local repertoire]
 - Decision processes for local repertoire [decision process] [decisive factor] [reason local repertoire]
 - Major developments in Dutch music and film market between 1990 and 2005 and impact on company [development Dutch music market] [development Dutch film market]
- [...] code used in atlas.ti

Each interview section was then coded. Topic codes were mostly related to the questions. However, interviewees also discussed other topics. This was due to the freedom they were allowed to add their personal experiences and to share important issues that arose during the interview. In some cases, subtopics were required to better indicate what was discussed. New topic codes were added to include new insights which had initially not been considered by the interviewer.

The interviews were coded a second time to check if the codes were appropriate and to be able to code sections with new codes that had emerged during the first coding process. After this, a list of quotes was printed for each code and important and interesting quotes were highlighted. These lists were used to analyse the statements of interviewees that were working or used to work for the company and interviewees that were in the same industry. The lists with quotes related to a particular topic enabled me to compare the interviews and to conclude whether there was one general view or whether there were different opinions about the decision making process and the description and operation of the company.

This analysis, nevertheless, resulted in rigid case studies that did not sufficiently address the specific characteristics and processes at the case companies to fully understand the way they operated in the Dutch market. After the analysis with atlas.ti, I therefore analysed the interviews again and focused on unique characteristics of the company such as connections between the four elements of the conceptual framework and the way decisions were made. This new analysis did not specifically focus on the organisation culture, structure, strategy and market perception of each individually but on how these were related and how the interviewees described the decision making process, how they coped with uncertainty and how they viewed the Dutch market. During this new analysis, I also looked for events or issues that were just briefly mentioned by the interviewee and that at first sight seemed to be minor points but in combination with results from the desk research proved to be an important key to understand the company's operation in the Dutch market. In addition, I investigated important developments that were discussed in articles in entertainment business journals and international and domestic newspapers. The combination of extensive desk research and the two different interview analyses enabled me to reconstruct a more in-depth picture of the operation of the particular company in the Dutch music and film market.

E: Model for funding Dutch film production, 1999-2005



Based on the model for funding Dutch national production and model for funding international coproduction, *Film Facts and Figures of the Netherlands 2005*, 4

F: Company characteristics and operation in the Dutch market for Sony Music (SonyBMG), Universal Music (Polygram) and Warner Music

Component framework	Sony Music (SonyBMG)	Universal Music (Polygram)	Warner Music
Organisation culture	Japanese owners	Dutch company	American company
	American catalogue	Dutch & American catalogue	American catalogue
	Distribute & develop international stars	Sign & develop successful local artists by subsidiaries and American labels to build catalogue	Distribute & promote international superstars
Market perception	Good distribution market with incidental good local artists	Market with good local signings and for breaking international acts	Small distribution market
	Local became interesting when international sales decreased and domestic sales increased	Local repertoire affects company performance	Only local when profitable
		From 1998 onwards: From important repertoire source and home market to important market	From 1994 onwards: Market that can be served by Benelux office
	Digitisation: Decreasing market but development into entertainment company	Digitisation: Decreasing market but joint ventures with domestic artists and their management agency offers opportunities	Digitisation: Closure A&R department

Component framework	Sony Music (SonyBMG)	Universal Music (Polygram)	Warner Music
Structure	Part of Sony Corporation	Until 1998 part of Philips From 1998-2000 part of Seagram, merged with MCA From 2000 onwards part of Vivendi Universal	Until 2004 part of Time Warner From 2004 onwards stand-alone company Warner Music Group
	2004: merger with BMG	1998: taken over by Seagram	
	1990s: quite decentralised 2000s: increasingly centralised	Until 1998: network From 1998 onwards: quite decentralised	Centralised distribution and promotion control, decentralised local A&R autonomy
	Coordinated federation	Integrated network	Centralised hub
Strategy	Promote & sell international artists based on local market expertise	Break international artists but also sign & develop local artists into long career artists to build catalogue – take risks	Promote & sell international superstars
	Increase local signings if local market share rises	Base market operation and A&R on Dutch market knowledge	Only local music when very profitable
	Market entry by Dutch company	Dutch office for Dutch market	Set up own subsidiary after distribution by licenses
	Increasing Benelux operation and later merger to save operation costs		Benelux operation to keep operation profitable
Operation in local market	Local music – degree depends on growth local	Local music from start	Local music from 1998-2004 (new MD)
	Dutch office	Dutch office	Dutch office in Benelux operation structure
	Local product to enlarge market share	Discover & develop local product to build catalogue	Focus on few potential Dutch artists

G: Company characteristics and operation in the Dutch market for Sony Pictures, UIP and Warner Bros

Component framework	Sony Pictures	UIP	Warner Bros
Organisation culture	Japanese owners	Joint venture of American studios	American company
	American catalogue	American catalogue	American catalogue
	Distribution mainstream movies to support sales hardware	Distribution American films	Well organised and streamlined company for successful release of international marketed films
Market perception	Small and expensive market	Good revenue market for international films	Good revenue market for international films
	No market for local product	Fewer opportunities for local films	Local family films can be profitable
		EU policy: undertakings for local product	EU Investigation in UIP & GATT negotiations: start local films
		New Dutch film policy 1999: increased number of Dutch films	New Dutch film policy 1999: increased number of Dutch films
		Successful family films WB & BVI: lucrative genre	
	Digitisation: Decreasing market but also opportunities for cost-efficient marketing and distribution	Digitisation: Decreasing market and reason to stop joint venture operation	Digitisation: Search for legal download model & local films under pressure

Component framework	Sony Pictures	UIP	Warner Bros
Structure	Part of Sony Corporation	Joint venture of three American studios	Part of Time Warner
	Hierarchical and decentralised 1990-2000 Open and centralised 2000-2005	Decentralised	Hierarchical and decentralised
	Top-down	Top-down (including responsibility for distribution of local films)	Top-down
	Centralised hub	Coordinated federation	Centralised hub
Strategy	Successful but cost-efficient release of American films	International films are the first priority	Distribute and promote internationally marketed films
	Operate as Benelux organisation to save costs	Operate as joint venture of three studios to save distribution costs Local products to be able to operate in the European market	Streamlined system to deal with the dynamic market Focus on Dutch family film – deal with Bos Bros
Operation in local market	No local films	Local films (obligation - EU)	Since 1997 local films (new MD)
	Benelux office with sales, marketing & PR unit in the Netherlands (1990-1996 & 1999-2005) Joint venture with Fox & Dutch office (1996-1999)	Dutch office Ambivalent approach for local products	Dutch office Focus on family film

Nederlandse samenvatting

Waar bedrijfscultuur en lokale markten elkaar ontmoeten

Muziek- en filmmajors in de Nederlandse markt, 1990-2005

Ondanks toenemende onderzoeks aandacht voor de strategieën en structuur van internationale media- en entertainmentondernemingen (bijvoorbeeld Gershon, 1997; Chan-Olmsted & Chang, 2003) is er weinig aandacht voor hoe zij opereren in specifieke lokale markten en wat de rol van hun lokale kantoren is. Eind jaren tachtig en begin jaren negentig van de afgelopen eeuw nam de invloed van mondialisering toe; steeds meer bedrijven richten zich in hun productie en distributie op de wereldmarkt. De productie van cultuur- en mediagoederen wordt gekenmerkt door hoge en verzonken kosten. De distributiekosten voor het uitbrengen van deze producten zijn echter relatief laag. Hun aandeel neemt naarmate de hoeveelheid verkochte exemplaren van een product toeneemt, steeds meer af. Er is daardoor sprake van schaalvoordelen. Veel internationale media- en entertainmentbedrijven brengen hun succesvolle producten om die reden wereldwijd uit en hopen daarmee de hoge investeringskosten terug te verdienen. Op basis van die logica ligt het niet voor de hand dat deze ondernemingen ook producten produceren, distribueren en markten die louter voor relatief lokale markten bestemd zijn (vgl. Rutten, 1991b). Nederland, met zijn kleine taalgebied is zo'n land. Sommige internationale ondernemingen actief binnen de Nederlandse media- en entertainmentsector brengen echter toch lokaal product uit. Midden jaren negentig was er in Europa een opleving van de belangstelling voor lokale producten en diensten waardoor het marktaandeel voor lokale muziek en film steeg.

In dit boek staat de vraag centraal hoe en waarom internationale media- en entertainmentbedrijven opereren in een lokale markt als de Nederlandse in een klimaat van mondialisering aan de ene en een toenemende belangstelling voor lokale cultuur aan de andere kant. Het onderzoek richt zich op de Nederlandse muziek- en filmindustrie tussen 1990 en 2005, in het bijzonder op de muziek- en filmtak van de major companies Sony, Universal en Warner.

In deze studie staan drie complexe relaties centraal die onlosmakelijk verbonden zijn met de mondiaal opererende culturele industrie:

- mondiale en lokale cultuur
- creativiteit en commercie
- autonomie en controle

De relatie tussen mondiale en lokale cultuur is verbonden met het vraagstuk van mondialisering en de effecten daarvan voor lokale cultuurproductie en –consumptie. De

relatie tussen creativiteit en commercie is inherent aan de culturele industrie. Ondernemingen binnen deze industrie zijn continue op zoek naar een goede mix van beide om succesvol in de markt te opereren. Internationale media- en entertainmentondernemingen opereren daarnaast wereldwijd door middel van een internationale structuur van een hoofdkantoor en lokale kantoren. De relatie tussen het hoofdkantoor en het lokale kantoor staat in het teken van autonomie versus controle; voert het lokale kantoor vooral richtlijnen uit van de centrale organisatie of heeft het vrijheid om naar eigen inzicht in de markt te opereren? Deze drie complexe relaties vragen om een combinatie van verschillende theoretische benaderingen en worden daarom benaderd vanuit de (cultuur)sociologie, culturele en media economie en bedrijfskunde.

Mondialisering

Internationale media- en entertainmentbedrijven bieden consumenten wereldwijd veelal dezelfde cultuurproducten aan om te kunnen profiteren van schaalvoordelen. Deze mondiale producten worden in lokale markten naast de lokale cultuurproducten aangeboden. Vaak is het aanbod van de mondiale cultuurproducten groter en worden zij ook sterker gepromoot dan lokale producten. De laatste hebben daarom dikwijls een kleine positie in hun eigen thuismarkt. De Swaan (1995) stelt dat er sprake is van een wereldcultuurstelsel waarin een paar landen een belangrijke rol hebben en tot het centrum van de culturele industrie behoren. Zij bepalen mede welke culturele goederen in andere landen die een minder centrale rol hebben beschikbaar zijn. Deze internationale producten worden in deze landen echter geïnterpreteerd en aangepast aan de lokale context. De invloed van internationale cultuurproducten op lokale productie- en consumptieactiviteiten hangt volgens cultuursociologen en cultureel antropologen (bijvoorbeeld Hannerz, 1992) daarom af van het gebruik en interpretatie door lokale consumenten, de beschikbaarheid van lokale alternatieven en van de aanwezigheid van lokale entrepreneurs die de internationale producten combineren met lokale invloeden en op die wijze gemengde producten tot stand brengen. Mondialisering leidt daarom niet tot een homogeen aanbod van cultuurproducten.

Culturele industrie

De culturele industrie onderscheidt zich van andere industrieën omdat zij symbolische producten voortbrengt. Daarbij gaat het om de betekenis die zij oproepen. Het marktsucces van deze producten is daarom moeilijk vooraf op waarde te schatten, terwijl alle investeringen vóór het op de markt brengen ervan gedaan moeten worden. Als antwoord op de verzonken kosten en op het feit dat niemand weet wat het nieuwe hitproduct is, zet de culturele industrie in op risicospreiding en mondiale exploitatie om schaalvoordelen te bereiken. Ondernemingen in de culturele industrie hebben daarom een internationaal distributienetwerk ontwikkeld zodat zij in vele markten tegelijk kunnen opereren. Zij hebben hun onderneming ook vaak uitgebreid door samen te gaan met andere ondernemingen in de media-, communicatie- en entertainmentindustrie om

creatieve inhoud op meerdere manieren te gebruiken. Voor het selecteren van creatieve inhoud die ze in productie nemen heeft de culturele industrie creatieve managers aangesteld. Op basis van hun kennis van culturele velden kunnen zij beter dan anderen, muziek, artiesten, scripts en films selecteren, ontwikkelen en produceren die een grote kans hebben om een succes te worden. Een andere strategie voor het omgaan met de hoge investeringskosten en de grote onzekerheid over succes is in het selectie- en productiebeleid aansluiten bij een succesvol genre of werken met bekende artiesten of acteurs. In de filmindustrie wordt daarom vaak ingezet op een publieksfilm in een succesvol genre met bekende acteurs. De muziekindustrie is vaak gericht op op- en uitbouwen van succesvolle artiesten die zich bij iedere nieuwe CD-release verzekerd weten van een omvangrijke markt, al laat de ervaring zien dat een sterstatus nimmer eeuwig duurt. In zijn onderzoek naar de muziekindustrie concludeert Negus (1992, 1996, 1999) dat het belangrijk is om oog te hebben voor de bredere sociale en culturele context waarin muziekondernemingen opereren wanneer men de processen in deze bedrijfstak wil begrijpen. Hij stelt onder andere dat de manier waarop managers, werkzaam bij de lokale vestigingen van major companies, omgaan met wereldwijde richtlijnen en prioriteiten in sterke mate bepalen hoe een internationale major company lokaal opereert en daarmee een stempel drukt op het lokale populaire muzieklandschap.

Strategieën voor wereldwijd opereren

Binnen de bedrijfskunde, gericht op het begrijpen van de strategie van mondiale ondernemingen, worden vier verschillende strategieën onderscheiden: mondiale, multinationale, internationale en transnationale strategie. De verschillende organisatiestructuren die daaruit voortkomen, variëren van een strak georganiseerd bedrijf dat wereldwijd dezelfde producten verkoopt tot een bedrijf waar activiteiten worden afgestemd op de mogelijkheden van de lokale markt en waar lokale managers worden aangemoedigd kansen in de lokale markt op te pakken en te ontwikkelen. De strategie die een bedrijf hanteert voor het internationaal opereren, beïnvloedt daarmee de rol van het lokale kantoor en de producten van het bedrijf in de lokale markt. De keuze voor een bepaalde strategie en wereldwijde organisatiestructuur wordt in sterke mate bepaald door de geschiedenis van de onderneming, in welk land en door wie een bedrijf is opgericht. Deze factoren bepalen de organisatiecultuur die het ene bedrijf van het andere onderscheidt en die het handelen van werknemers in belangrijke mate wereldwijd vormgeeft. Bedrijfskundig onderzoek laat zien dat initiatieven van de lokale medewerkers de strategie van een internationaal bedrijf in een lokale markt kunnen veranderen. Lokale managers kunnen op basis van hun marktkennis kansen in de lokale markt zien en daar producten voor gaan ontwikkelen. Het hoofdkantoor is meestal in eerste instantie niet gediend van dit soort initiatieven omdat het wil dat lokale managers zich op de internationale prioriteiten richten en de centraal uitgestippelde richtlijnen volgen. Een succesvol lokaal initiatief kan het bedrijf echter een nieuwe markt bieden en tot andere inzichten leiden.

Eerder onderzoek in de media-industrie toont aan dat vooral het land van herkomst veel invloed heeft op waar en hoe het bedrijf opereert. Door veranderingen in de markt

zoals teruglopende verkoopaantallen voor internationale artiesten in de muziekmarkt, toenemend succes voor lokale producten en de invoering van gunstige financieringsmaatregelen voor film hebben internationale muziek- en filmondernemingen hun strategie voor wereldwijd opereren veranderd. Van het voornamelijk afzetten van internationale muziek- en filmproducten zijn zij zich meer (muziek) of in kleine mate ook (film) gaan richten op lokale muziek- en filmproducten.

Conceptueel kader, verwachtingen en methoden

De inzichten uit de theorie over de drie complexe relaties vormen de basis voor het conceptueel kader en een reeks verwachtingen. Kern van het conceptueel kader is dat niet alleen strategie en structuur maar ook de organisatiecultuur en marktperceptie in onderlinge samenhang de operatie van een internationale media- en entertainmentonderneming in een lokale markt bepalen. Per onderneming kan de invloed en invulling van deze elementen anders zijn. De specifieke mix van de elementen bepaalt hoe er wordt omgegaan met de complexe relaties van mondiale en lokale cultuur, creativiteit en commercie en autonomie en controle. Op basis van de theorie lijken vooral de verschillende aspecten van de organisatiecultuur en activiteiten van lokale medewerkers de omgang met lokale producten te bepalen. Veranderingen in de lokale context waarin de onderneming opereert lijken daarnaast een belangrijke factor zijn. Het is verder de verwachting dat gezien het belang van lokale marketing iedere internationale muziek- of filmonderneming een lokaal marketing- en verkoopteam zal hebben voor het opereren in een lokale markt.

In het in het kader van deze studie uitgevoerde onderzoek is gebruik gemaakt van kwantitatieve en kwalitatieve methoden. Aan de hand van industrie-, markt- en hitlijstdata ontstaat een beeld van de markt. Gekeken wordt naar wie de belangrijkste spelers zijn, wat hun positie in de Nederlandse markt is, hoe die positie zich ontwikkeld heeft, wat hun meest succesvolle producten zijn en wat daarin de verhouding tussen Nederlandse en buitenlandse producten is. Een analyse van artikelen en rapporten over de Nederlandse muziek- en filmtak van Sony, Universal en Warner en 42 interviews met (oud) directeurs en managers in deze industrieën geven inzicht in beslissingen over lokaal product en de omgang daarmee bij de ondernemingen. Het helpt hun operatie in de Nederlandse markt te verklaren en reacties op belangrijke markt- en beleidsontwikkelingen te duiden.

Doorgaans wordt in casestudy onderzoek een klein aantal gevallen uitputtend onderzocht om een begrip te ontwikkelen van een bepaald fenomeen of een bepaalde ontwikkeling te onderzoeken. Op basis van die informatie worden dan nadere hypothesen ontwikkeld of conclusies getrokken die gelden voor een groter aantal cases. In dit onderzoek zijn alle internationale majors die in de Nederlandse markt een muziek- en filmtak hebben onderwerp van onderzoek. Er is daarom hier sprake van een ander soort case study. De methode dient hier om het omgaan van ondernemingen in de internationale culturele industrie met de Nederlandse markt, waarover tot dusver weinig bekend is, inzichtelijk te maken.

Resultaten

Zowel in de Nederlandse muziek- als filmmarkt is het aandeel nationaal product klein in verhouding tot het aandeel internationaal product. In beide markten zijn de majors, de grote traditionele internationale spelers, ook de spelers die het grootste deel van de markt in handen hebben. De independents waaronder lokale maatschappijen hebben een minderheidsmarktaandeel in de Nederlandse muziek- en filmmarkt.

De studie van de Nederlandse muziekmarkt tussen 1990 en 2005 toont dat Polygram/Universal tijdens de jaren negentig de belangrijkste major was voor nationaal muziekproduct. In het nieuwe millennium was dat EMI. Met uitzondering van Warner investeerden alle majors in de gehele onderzochte periode in nationale muziekproducten. Europese wortels of een entree op de Nederlandse markt door middel van een samenwerking met een van oudsher Nederlandse maatschappij blijken eerder te leiden tot investeringen in lokale producties. Het aantal succesvolle Nederlandse artiesten bij de majors blijkt samen te hangen met het totale marktaandeel voor het nationale popproduct. In tijden van groei krijgen veel Nederlandse artiesten een contract terwijl in tijden van dalende CD verkopen het doorgaan met deze artiesten als eerste kritisch wordt bekeken. Internationale muziekproducten zijn en blijven echter altijd het meest succesvol. Het grootste aantal nationale muziekproducten wordt door independents ontwikkeld en op de markt gebracht. De meest succesvolle nationale artiesten worden echter door de majors uitgebracht of staan bij hen onder contract.

De studie van de Nederlandse filmmarkt tussen 1990 en 2005 toont dat begin jaren negentig UIP de enige major in de Nederlandse filmindustrie was die Nederlandse films uitbracht. UIP was gedurende de onderzoeksperiode de grootste speler in de markt. Aan het eind van de jaren negentig toen Nederlandse films steeds succesvoller werden, stapten echter ook de majors Warner Bros en Buena Vista in Nederlandse films. Zij brachten vooral familiefilms uit. Een nieuw ondersteuningsprogramma voor de Nederlandse filmindustrie in dezelfde periode verhoogde het aantal Nederlandse films dat werd uitgebracht door deze drie maatschappijen. Sony Pictures en Fox brachten alleen Amerikaanse films uit gedurende de gehele onderzoeksperiode. Toch geldt voor alle majors dat de internationale films de hoogste prioriteit hebben en dat zij daar ook het meest succesvol in zijn. Net als in de Nederlandse muziekmarkt worden ook in de Nederlandse filmmarkt de meeste Nederlandse films door independents uitgebracht. Warner Bros en Buena Vista brachten echter enkele familiefilms uit die een kaskraker werden en ook een comedy van UIP was zeer succesvol in de bioscopen. De meeste succesvolle Nederlandse films kwamen echter voor rekening van de independent distributeurs.

De case studies van de muziek- en filmtak van Sony, Universal en Warner in Nederland laten zien dat alle takken op Polygram/Universal Music na geworteld zijn in de Amerikaanse muziek- of filmindustrie. Door verschil in organisatiecultuur en industrie opereren de ondernemingen echter verschillend. De muziek- en filmtak van Warner vormen het ene uiterste, omdat ze erg strak zijn georganiseerd en op die wijze trachten de internationale topproducten van de onderneming zo goed en zo succesvol mogelijk in de markt te zetten. Het muziek- en filmkantoor van Warner in Nederland hebben

voornamelijk een uitvoerende rol en brachten tot aan het eind van de jaren negentig geen Nederlandse muziek- en filmproducten uit. Polygram/Universal Music vormt het andere uiterste. Het bedrijf wordt vanaf de start gekenmerkt door een redelijke mate van vrijheid voor het lokale kantoor, omvangrijke investeringen in lokale producten en het ontwikkelen van lokale competenties om de onderneming wereldwijd tot een succes te maken. De operatie van de andere majors valt tussen deze twee uitersten in. Voor Sony Music/SonyBMG zijn internationale prioriteiten en repertoire het belangrijkste, maar de selectie wat daarvan wordt uitgebracht wordt afgestemd op de lokale markt door lokale medewerkers. Zij kunnen bij goede resultaten redelijk autonoom opereren. Lokaal repertoire wordt een prioriteit zodra de populariteit daarvan stijgt. Bij een opgaande markt gaan deze maatschappijen investeren in lokale producties. Sony Music/SonyBMG tekent dan voornamelijk distributiedeals en neemt pas later ook zelf artiesten onder contract. In de filmindustrie konden UIP en Sony Pictures lokaal vrijer opereren dan Warner Bros. Het lokale product was voor hen oorspronkelijk geen optie; voor Sony Pictures werd het dat ook nooit.

De case studies laten zien dat naast de organisatiecultuur, en dan met name het land waar de onderneming is gestart, ook Europees beleid en lokale culturele entrepreneurs een rol spelen in het wel of niet hebben van lokaal product. UIP was een samenwerkingsverband van drie Amerikaanse filmstudio's. De marktmacht van UIP leidde ertoe dat UIP een aanvraag moest doen voor een uitzondering op de Europese kartelwet om in de Europese markt te mogen opereren. Voorwaarde voor die uitzondering was betrokkenheid bij de ontwikkeling, productie en distributie van lokaal product met als gevolg dat UIP in Nederland Nederlandse films moest gaan uitbrengen. Zowel bij de muziek- als de filmtak van Warner leidde het aanstellen van een nieuwe directeur uiteindelijk tot de start van het uitbrengen van Nederlandse muziek en films. Beide directeurs opereerden als lokale culturele entrepreneurs. Culturele entrepreneurs combineren creativiteit met een bedrijfsmatige visie om culturele producten succesvol op de markt te zetten. Hun inzicht in de markt en in wat voor culturele producten potentie zit, geeft hen daarin een onderscheidend voordeel. Zij spelen in op marktkansen die zij zien en die anderen niet zien. De twee nieuwe directeurs bij Warner Music and Warner Bros zagen kansen in de Nederlandse markt, ontwikkelde daar initiatieven voor en confronteerden daar het hoofdkantoor mee. In beide gevallen leidde hun initiatief om aan lokaal te doen uiteindelijk, zij het niet van harte, tot toestemming van het hoofdkantoor voor het hebben van lokaal product. Familiefilms werden door een productiedeal met een Nederlandse producent zelfs het specialisme van Warner Bros in de Nederlandse filmmarkt. Warner's sterk op controle gerichte organisatiecultuur leidde er echter toe dat Nederlandse familiefilms geheel in lijn met de bedrijfsstrategie ontwikkeld werden en dat er door het Europese regiokantoor strikt op het gehele ontwikkel-, promotie- en uitbrengtraject werd toegezien. Warner Music was tussen 1998 en 2004 succesvol met een klein aantal Nederlandse artiesten. In 2004 werd de lokale artiestenstal echter gesloten als gevolg van de internationale overname van Warner Music door een groep investeerders en teruglopende CD verkopen. Een lokale entrepreneur kan dus tijdelijk de traditionele

strategie voor omgang met producten in een kleine markt doorbreken maar op de lange termijn voert de oorspronkelijke bedrijfsstrategie de boventoon.

Conclusies

Hoewel de verwachting was dat de muziek- en filmtak van majors op vergelijkbare wijze zouden operen en hun beleid en strategie op elkaar zouden afstemmen, blijkt het tegendeel het geval te zijn. De muziek- en filmtak van Sony, Universal en Warner werken niet samen in de Nederlandse markt en tonen ook vrijwel geen overeenkomsten in hoe zij in deze markt opereren. Alleen bij Warner Music en Warner Bros komt de strak geleide organisatie overeen. Bij beide takken zijn het ook lokale culturele ondernemers die ervoor zorgen dat Warner aan lokaal muziek- of filmproduct gaat doen. Het opereren in de lokale markt blijkt echter veel meer door de organisatiecultuur van de muziek- of filmdivisie en de lokale directeur te worden beïnvloed. Structuur en strategie blijken het resultaat van de organisatiecultuur. De organisatiecultuur maar ook de lokale directeur bepalen hoe er naar de markt wordt gekeken: worden er kansen gezien of wordt het als een markt met risico's ervaren waarin voorzichtig geopereerd moet worden? De Amerikaanse maatschappijen richten zich vooral op schaalvoordelen en het afzetten van internationale producten in de Nederlandse markt. De Europese muziekmaatschappijen proberen zich juist te onderscheiden door een breder aanbod van lokale én internationale muziekproducten. Overnames en fusies kunnen de strategie ten aanzien van lokale producten veranderen. Deze veranderingen in de structuur van de onderneming hebben echter nauwelijks effect op de operatie in de lokale markt zolang het lokale management hetzelfde blijft. Veranderingen in de operatie van andere ondernemingen in de lokale markt zoals het stoppen of starten met lokale producten daarentegen beïnvloeden de operatie wel. Het kan de dreiging van overheidsingrijpen zichtbaar maken (UIP) waardoor andere majors toch voorzichtig aan beginnen met het uitbrengen van lokale producten, in dit geval films. Maar het kan ook mogelijkheden bieden doordat een concurrent voor lokaal product wegvalt (het sluiten van de lokale A&R afdeling bij Warner Music) en succesvolle lokale artiesten daardoor beschikbaar zijn om onder contract te nemen. Strategie en beleid van concurrenten in lokale markten is daarmee een belangrijke invloed op het beleid van lokale kantoren van major companies. Voor het starten en opvoeren van investeringen in lokale producten blijkt vooral de rol van de directeur als lokale entrepreneur erg belangrijk. Zijn vastberadenheid en geloof in lokaal product kunnen zelfs in een strak georganiseerde internationale muziek- of filmonderneming daarvoor ruimte creëren. Een toenemende populariteit van Nederlandse muziek- of filmproducten, dreiging van overheidsingrijpen en ervaring en kennis van de directeur spelen hierbij een grote rol.

Er kunnen twee verschillende ideaaltypen van ondernemingen worden onderscheiden in de internationale culturele industrie wat betreft hun omgang met een lokale markt: de *American Star Company* en de *European Talent Network*. De *American Star Company* is ontstaan in de Verenigde Staten en richt zich op Amerikaanse cultuurproducten. De wereldwijde operatie staat in het teken van het succesvol promoten en uitbrengen van deze goederen om extra inkomsten te genereren bovenop hun succes in

de Amerikaanse thuismarkt. Het lokale kantoor heeft daarom een uitvoerende taak, die strikt is vastgelegd en sterk in de gaten gehouden wordt. Het biedt geen lokale producten aan. Een vasthoudende lokale entrepreneur kan dit alleen tijdelijk veranderen. Dit ideaaltype sluit aan bij de cultureel imperialisme en centrum-periferie visies over globalisering van cultuur; een internationaal bedrijf dat in het centrum van de culturele industrie opereert, promoot en verspreidt zijn cultuurgooederen in buitenlandse markten om meer winst te maken en biedt in lokale markten geen mogelijkheden voor het ontwikkelen van lokale cultuurproducten. De *European Talent Network* wordt gekenmerkt door zijn Europese wortels en operatie als netwerk van verschillende lokale kantoren en labels. In plaats van controle zoals bij de *American Star Company* staat ontwikkeling van producten en competenties centraal. Naast internationale producten en activiteiten zijn lokale producten, marktkennis en de ontwikkeling van nieuwe initiatieven daarom een belangrijk onderdeel van de wereldwijde onderneming. Het hoofdkantoor heeft meer een faciliterende rol terwijl de lokale kantoren onderling marktkennis en succesvolle producten uitwisselen. Het ideaaltype *European Talent Network* sluit aan bij het idee van een global ecumene (Hannerz, 1992) waarin verschillende actoren onderdeel zijn van verschillende culturen (lokale cultuur, sectorcultuur, internationale bedrijfscultuur) die hen beïnvloeden en die zij samenbrengen in hun activiteiten. Door continue uitwisseling en beïnvloeding ontstaat er een verscheidenheid aan goederen.

Warner Music en Warner Bros tonen de meeste overeenkomsten met de *American Star Company*, terwijl Polygram het meeste wegheeft van de *European Talent Network*. De andere majors hebben zich in de richting van één van deze twee ideaaltypen ontwikkeld. Sommige majors zoals SonyBMG opereren daarnaast meer in het midden van deze twee ideaaltypen. Zij passen de internationale bedrijfsstrategieën aan op de lokale marktomstandigheden en ontwikkelen lokale kopieën van internationale succesproducten. Zij tonen in dit opzicht overeenkomsten met het idee van glocalisation. (Robertson, 1995)

Bij majors die meer weg hebben van de *European Talent Network* zit het investeren in lokaal product als het ware in de genen. De meeste majors neigen echter meer naar de *American Star Company* dan naar de *European Talent Network*. Zij stappen alleen in tijden van groei voor het lokale product of afnemende risico's door gunstig ondersteuningsbeleid van de overheid in het uitbrengen van lokale producten. Zodra de markt krimpt en er geen overheidsbeleid is dat de risico's van lokaal product tenietdoet of dat dreigt met maatregelen op basis van ongeoorloofde marktmacht, staken of reduceren zij deze activiteiten echter weer. Door de mix van verschillende soorten majors en de aanwezigheid van independents en lokale entrepreneurs die meer betrokken zijn bij lokaal product is er naast een groot aanbod van internationale producten echter ook een, weliswaar kleiner, aanbod van lokale en internationale niche producten in lokale markten.

Suggesties voor vervolgonderzoek en implicaties

Verwacht werd dat schaal een reden is om in een kleine markt zoals de Nederlandse geen lokale producten te hebben. Dit onderzoek toont echter aan dat schaal niet de enige reden is die bepaalt of een major lokaal product heeft. Organisatiecultuur, de aanwezigheid van

een lokale entrepreneur en marktomstandigheden spelen een even zo belangrijke of belangrijkere rol. In vervolgonderzoek naar hoe majors opereren in de lokale markt is het daarom belangrijk om deze factoren daarin mee te nemen.

De analyse van het opereren van de majors in de Nederlandse markt toont aan dat mondialisering en het wereldwijd opereren van bedrijven in de internationale culturele industrie niet automatisch leidt tot culturele homogenisering of cultuurimperialisme. Naast een mondiale stroom van media- en entertainmentproducten van de majors zijn er andere stromen met lokale producten en niche producten. De verschillende stromen overlappen elkaar ook wanneer lokale producten of producten van independent maatschappijen worden overgenomen door de majors. Voor het beter begrijpen van de internationale culturele industrie zou het erg waardevol zijn om deze verschillende stromen beter in te kaart brengen om te zien hoe zij zich ontwikkelen en waar zij elkaar ontmoeten.

De combinatie van een media economisch perspectief met een cultuursociologisch perspectief en een interpretatieve benadering van de eerste om de culturele industrie te onderzoeken hebben nieuwe inzichten opgeleverd. De invloedrijke rol van organisatiecultuur en een lokale culturele entrepreneur werden hierdoor zichtbaar. Het bracht ook de vele manieren van interactie die de operatie van een onderneming in de lokale markt bepalen voor het voetlicht. Het is daarom aan te bevelen dat in toekomstig onderzoek naar de culturele industrie een multidisciplinaire aanpak en een interpretatieve benadering wordt gebruikt omdat deze een veel rijker beeld geven dan wanneer de culturele industrie alleen wordt bekeken vanuit een media economisch, cultuursociologisch of bedrijfskundig perspectief.

Dit onderzoek heeft aangetoond dat het belang van de organisatiecultuur en de rol van de lokale managers niet onderschat mag worden bij het beantwoorden van de vraag hoe internationale ondernemingen opereren in een lokale markt. De achtergrond en de persoonlijke stijl van een manager blijken bij een strak georganiseerde organisatie het verschil te maken voor het hebben van lokale producten. Het zou daarom waardevol zijn om de carrière van lokale managers te onderzoeken om zo een beter licht te kunnen werpen op hoe hun achtergrond de operatie van internationale ondernemingen in lokale markten beïnvloed. Dit onderzoek heeft het handelen van muziek- en filmmajors in één lokale markt onderzocht. Het zou interessant zijn om de operatie van deze majors in andere lokale markten te onderzoeken om te zien hoe groot de rol van de organisatiecultuur is bij dezelfde marktontwikkelingen in verschillende markten. Het onderzoek zou daarnaast herhaald kunnen worden voor andere bedrijfstakken in de culturele industrie, bijvoorbeeld de gamesindustrie om te zien of zich in deze industrie waarvan de producten altijd digitaal zijn geweest andere mondiale-lokale verhoudingen voordoen of dat die helemaal geen rol spelen. Polygram dat zich vanuit de semi-periferie heeft ontwikkeld tot een mondiale speler had duidelijk een andere strategie om wereldwijd te opereren dan de Amerikaanse majors. Onderzoek naar andere internationale spelers die zich vanuit de periferie daartoe hebben ontwikkeld kan licht werpen op de strategieën voor ondernemingen vanuit de periferie om een internationale speler te worden.

Betrokkenheid van muziek en film majors bij Nederlandse producten blijkt vooral afhankelijk te zijn van het marktaandeel van die producten. Overheidsbeleid voor muziek is vooral indirect geregeld en beïnvloedt het aantal Nederlandse artiesten dat is getekend bij de majors niet. Stimuleringsbeleid voor film dat een combinatie is van cultuur- en industriebeleid en/of ondersteuningsbeleid blijkt echter een sterke invloed te hebben op het aantal Nederlandse films bij de majors. Een overheid die de nationale filmproductie wil stimuleren moet zich echter afvragen hoe de inzet van economisch filmbeleid het gedrag van de majors in de Nederlandse markt beïnvloedt en of dat het gewenste effect is. Leiden de maatregelen tot meer creatieve Nederlandse filmproducties of stellen zij majors alleen in staat om zonder weinig risico's Nederlandse films die zijn gebaseerd op een succesformule uit te brengen? En neemt de overheid zo, waarschijnlijk onbedoeld, marktprikkels weg die de majors aanzetten om hun gedrag aan te passen aan marktontwikkelingen?

De toekomst voor lokaal product

In de afgelopen 15 jaar hebben zich twee belangrijke ontwikkelingen voorgedaan die het omgaan met lokaal product hebben beïnvloed. Tijdens de jaren negentig van de vorige eeuw zorgden mondialisering en een toenemende vraag naar lokaal product voor nieuwe uitdagingen voor bedrijven in de internationale culturele industrie. In de eerste jaren van het nieuwe millennium daalden de verkopen in de muziekindustrie en kwam er een digitale drager voor entertainmentproducten beschikbaar. De introductie van de digitale entertainmentdrager heeft de industrie veranderd: het tast het oude businessmodel aan en biedt nieuwe mogelijkheden maar een nieuw businessmodel dat daarop is gebaseerd ontbreekt nog.

Gezien de stabiele positie die lokaal product verworven heeft na de opleving daarvan midden jaren negentig is het onwaarschijnlijk dat zij deze positie in de toekomst snel zal verliezen. Het is echter wel de vraag of lokale muziek- en filmproducten door de majors ontwikkeld, gepromoot en uitgebracht blijven worden. Nu al worden de ontwikkeling en de marketing daarvan steeds vaker door andere bedrijven dan de majors gedaan voordat de majors de producten uitbrengen.

Internationale muziek- en filmondernemingen blijken alleen lokale producten uit te brengen als er een substantiële markt voor is. Nu de winstgevendheid van lokale producten onder druk staat, zijn zij geneigd om minder geld en energie te steken in het ontwikkelen en behouden van lokaal product. Lokaal personeel heeft echter vaak veel affiniteit met lokaal product. Het is waarschijnlijk dat majors die nu lokale producten hebben die activiteit daarom zullen behouden, ook al kan het beperkt worden tot alleen de distributie van lokaal product. De nieuwe digitale mogelijkheden kunnen echter ook een prikkel vormen voor lokaal personeel om op zoek te gaan naar nieuwe mogelijkheden om lokaal product te behouden en succesvol uit te brengen.

Meer dan in andere industrieën wordt het handelen van ondernemingen in de internationale culturele industrie sterk bepaald door het lokale management en lokale marktomstandigheden. Lokaal personeel past de internationale producten aan de lokale

markt aan en gebruikt de faciliteiten die een major heeft om lokale producten te ontwikkelen. Het is hier waar bedrijfscultuur en lokale markten elkaar ontmoeten. De invloed van organisatiecultuur, structuur en strategieën wordt dus bepaald door de lokale cultuur en omstandigheden. Het is daarom belangrijk om het gedrag van de majors in de lokale markt niet alleen te verklaren in termen van een op winst gerichte onderneming maar ook, en meer dan tot nu toe werd verwacht, in termen van organisatiecultuur, lokaal cultureel ondernemerschap, de interpretatie van strategieën en interactie met de lokale markt.

About the Author

Miriam van de Kamp (1980) was born and grew up in Alphen aan den Rijn, a town in the country side in the western part of the Netherlands. In 1999, after completing her secondary education at the Groene Hart Lyceum in the same town, she started Art and Culture Studies at the Erasmus University Rotterdam. In 2004 she graduated (cum laude) with a Master's thesis on the location choice process of small cultural producers in Amsterdam and Rotterdam. During her studies she studied for three months at the University of Essex in England, worked as city guide in Rotterdam and did an internship at CJP (the Dutch Euro < 26 card organisation) in Amsterdam. After the internship, she combined a part time job as a PR and marketing assistant at CJP with the writing of her Master's thesis.

Before starting her Ph.D. project in January 2005 she worked as a junior researcher in the research project Cultural Classification Systems in Transition at the Department for the Study of the Arts and Culture at the Erasmus University Rotterdam. During her Ph.D. project, she visited the Stirling Media Research Institute of the University of Stirling, Scotland as a research student. She also participated in research projects on the Dutch film industry, cultural industries and developments in digital media of TNO Information and Communication Technology, Delft and of the 'lectoraat' Media and Entertainment Management of Hogeschool InHolland, Haarlem. Since May 2009, she has been working as a postdoc at the Centre for Modern Urban Studies at Leiden University (Campus Den Haag).

Since the 1980s, media and entertainment companies have developed into large cross-media multinationals. Their international structure, strategy and operation have been investigated extensively. However, these majors operate globally by having local offices in various markets. So far, little attention has been paid to this aspect.

In *Where Corporate Culture and Local Markets Meet*, Miriam van de Kamp addresses the local operation of international music and film corporations in the Dutch market between 1990 and 2005. This study focuses on questions such as: Does globalisation lead to cultural homogenisation and cultural imperialism? How do international cultural industries deal with local markets, and domestic products in these markets? And is there a future for local cultural products in a market dominated by international media and entertainment companies and where sales for entertainment products on physical carriers are declining?

Special attention is paid to the operation of the music and film divisions of Sony, Universal and Warner in the Dutch market. An analysis of chart and industry data provides insights in the relation between successful international and domestic products and the major players in the Dutch music and film market. Drawing on extensive desk research and interviews with managers at the local divisions of the music and film majors, this book furthermore sheds light on decision and operation processes that led to the product portfolios and the positions of these majors in the Dutch music and film market. *Where Corporate Culture and Local Markets Meet* stresses the role of organisation culture and local cultural entrepreneurs for the local operation strategy. It demonstrates that interaction with the local market defines how a major operates in that market.

