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Case Study

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Abstract

This case study examines Beats by Dr. Dre on how to infuse the entrepreneurial spirit in today's college students, given the backdrop of hip-hop culture. In more than 10 years, the legendary music record producer Jimmy Iovine and hip-hop icon Dr. Dre has turned a small subculture success into a multibillion-dollar business. With that growth of Beats by Dre, there are opportunities for universities to learn from this company. Through the lens of hip-hop, readers can observe the characteristics of effective entrepreneurship, which is essential for success in the business world. The result of this investigation is significant because the results can better assist scholars and practitioners on how to inject the entrepreneurial mind-set in young business professionals.

Keywords: Beats by Dr. Dre; Hip-Hop; Entrepreneurship; Business students.

1. INTRODUCTION

How does an individual make millions by tapping into popular culture and starting one of the more profound entrepreneurial ventures in modern society? In more than 10 years, legendary music record producer Jimmy Iovine and hip-hop icon Dr. Dre have turned a small subculture success into a multibillion-dollar business. In 2006, Beats by Dr. Dre (Beats Electronics) was founded by co-owners Dr. Dre (a popular rap artist) and Iovine. Their motivation was derived from the inability of cheap headphones to get the job done, and as Dr. Dre put it, they "destroy the feeling of what I've worked on." Blue (2016) also mentioned that "the duo promoted the headphones by claiming that listeners were not able to discern all of the sounds and nuances in a song with most headphones on the market."

Today, Beats by Dr. Dre headphones controls over 70% of the headphone market (Helm, 2014). Beats was created to ensure the perfection of the "beat" behind each note played in a song. According to Alex V. Blue (2016), the headphones "enable their listeners to hear what the artists intended for them to listen to, while also decreasing ambient noise through a method known as active noise control." The company expanded tremendously and reached consumers worldwide, drawing much attention to themselves. In July 2014, Apple acquired Beats for the sum of \$3 billion (Greenburg, 2018). With this acquisition, Dr. Dre became the first "hip-hop billionaire" and a role model to future, young entrepreneurs (Blue, 2016). This case study examines Beats by Dr. Dre to assist today's universities in infusing the entrepreneurial spirit in the next generation of business professionals.

2. METHOD(S)

This case study analysis investigates Beats by Dr. Dre. In the case study analysis, individuals simulate a real business situation to understand how businesses operate (Ellet, 2007). Case study analysis utilizes

the following outline: (a) identify the critical issues in the case, (b) identify the key problems(s), (c) specify alternative(s), (d) evaluate each possible action(s), and (e) make the preferred recommendations (Laudon and Laudon, 2017). Additionally, strategic analysis such as SWOT was also utilized to gain a better understanding of this social media platform.

3. REVIEW OF LITERATURE: ENTREPRENEURSHIP

From developing countries to superpowers, entrepreneurship is the financial linchpin to jumpstart economies across the globe. The subject of entrepreneurship is very diverse, especially among academic institutions. In the United States, the definition of an entrepreneur is one who starts his or her own business. Every new businessperson is considered an entrepreneur (Drucker, 1985).

Among scholars and practitioners, entrepreneurship has become a relevant research field (Bygrove and Zacharakis, 2014). In fact, the right entrepreneurial venture can revitalize a stagnated economy and provide hope with unemployment problems by creating new job opportunities. Entrepreneurship sparks technological progress and marketing innovation (Bygrove and Zacharakis, 2014). In most cases, the United States leads the world in entrepreneurial education; the number of colleges and universities that offer entrepreneurship courses has grown from a small amount in the 1970s to over 1600 in 2003 (Bygrove and Zacharakis, 2014).

Yet, entrepreneurship is a more essential role in the economies of developing countries because it is viewed as an engine of economic opportunity, job creation, and social mobility (Gurol and Barboros, 2006). Thus, formalized institutions such as governments and universities can facilitate business growth by promoting national economic policies to stimulate economic growth and wealth creation, as well as educating others for greater effectiveness (Gurol and Barboros, 2006).

The characteristics of an effective entrepreneur are essential for success in the business world. Some people might argue that the entrepreneurial skill set is best learned through practical work experience; Spinelli and Adams (2016) maintained that entrepreneurs do not need specific inherent traits, but rather a set of acquired skills. Yet, Silvestrini (2016) advocated for more entrepreneurship classes for the formation of the right environment to create a culture of innovation in undergraduate students on university campuses. In fact, Bygrove and Zacharakis (2014) argued that anyone with a desire to become an entrepreneur can be successful if he or she has taken a course on how to start and grow a business. Most entrepreneurs face daunting challenges when their companies have little or no market share and a confined geographic market presence. Bygrove and Zacharakis (2014) argued for several personality characteristics to define the entrepreneurial profile of students due to the need for achievement, locus of control, risk-taking propensity, tolerance for ambiguity, innovativeness, and self-confidence. Spinelli and Adams (2016) outlined the following attributes of effective entrepreneurship, including commitment and determination; courage; leadership; opportunity obsession; tolerance of risk, ambiguity, and uncertainty; and creativity, self-reliance, and adaptability. In reviewing the current literature, it can be found that creating an entrepreneurial mind-set is not by chance.

4. ORGANIZATIONAL BACKGROUND

Beats by Dre became a major success not only because of the product, although the company grew in popularity due to the massive amount of celebrities that endorsed the headphones, their prime start-up location, and two innovative minds collaborating. Jimmy Iovine and Andre Young's (aka Dr. Dre) relationship is what made the product unique and original. They have both collaborated with or overseen the careers of some of the biggest names of hip-hop and pop music. They have had several Grammy awards and hundreds of millions of record sales to their names (Eells, 2015). Together, they both have the perfect agenda: talented artist and music industry maniac. Once the product was finalized, Iovine and Dr. Dre located themselves in the NYC Soho District for the launch of Beats by Dre. This location was most suitable for two reasons: (1) NYC is the birthplace of hip-hop, and (2) young adults, from ages 17 to 35, were their target market. Once students would leave school for the day, they would easily be able to visit the Beats Electronics storefront—brick

and mortar—due to its convenient location. Different from most headphones, Beats by Dre was able to be bolstered by numerous public figures, such as Pharrell Williams, Michael Phelps, Lebron James, and many more. For example, Beats sent Lebron James a pair of their headphones customized to his liking for the USA Olympic team (Mothersbaugh and Hawkins, 2016).

LeBron, being a supporter of the Beats, requested that the entire team has the headphones. This contributed largely to their growth in sales. There is no doubt that proper communication benefits a workplace tremendously. Dr. Dre and lovine found a way to communicate with one another and work together to envision their company (Beiko *et al.*, 2018). Fans of celebrities desired to have the same item as their idol. The more celebrities that sponsored Beats by Dre, the larger the sales. The company did face struggles in the beginning when they mistakenly chose to launch the product during an extensive recession. Yet, this was not a major drawback. They have become a billion-dollar business. Beats by Dre control 70% of the headphones market because of the marketing strategies and smart grasp of hip-hop and pop culture (Helm, 2014). The main goal Beats by Dre did was having quality and making it valuable to the people. At first, skeptics did not think customers would be willing to pay \$200 for headphones, but they were wrong. In closing, Beats by Dre increased the number of music lovers by adding its own twist on headphones. According to Mothersbaugh and Hawkins (2016), Dr. Dre and lovine “saw an opportunity to increase the numbers of consumers who listened to music primarily on mobile devices.” They dreamt of increasing the use of mobile devices while decreasing digital music download piracy. Yet, to achieve this goal, the two designed a set of headphones that carry a “cool factor” and an emphasis on the “bass” sound (Fields, 2014). Along with this cool factor among popular culture and innovative thinking, Beats represented how an entrepreneurial mind-set can reshape an industry.

5. ANALYSIS AND RESULTS

Strategic analysis is a vital instrument for evaluating Beats by Dr. Dre. The effective analysis breaks down several key factors, such as environment, key obstacles, and critical assumptions, impacting organizational strategies (Harris and Lennox, 2013). Furthermore, evaluating the strategic direction of an organization is critical. Beats by Dr. Dre spent less on advertising (\$82 million in 2014) but was aided by many sports/celebrity adopters of the brand. According to Sanburn (2013), consumers have begun to wear the headphones as more of an accessory rather than a listening device. Beats by Dr. Dre’s success was not by accident (any sources that support this action).

In Table 1, the research demonstrates the organization’s commitment to strategic planning.

Table 1. Organizational Strategy Analysis.

Critical element	Analysis	Comments/Noted
Strategy (low-cost, differentiation, niche)	Differentiation	Beats by Dre have differentiated themselves from the rest of the market by selling a high-quality product at a premium price.
Structure (i.e., vertical-bureaucratic, horizontal- entrepreneurial)	Horizontal	Horizontal structure—Dre, lovine, and the designers all work on a level where they can communicate easily.
Culture (describe value and belief systems)	Value of emotion	lovine and Dre have a mission to incorporate the emotion from the studio room into their headphones. This allows the listener to hear and feel the depth of an artist’s song.
Overall impression of the organization (do all of these elements work together?)	Yes	All of these elements combine for a very successful business. Profits are able to be maximized, while the customer is able to connect with the musicians on a more personal level. These high-quality headphones are expensive.

Table 2. SWOT Analysis for Beats.

S (Strengths)	W (Weaknesses)	O (Opportunities)	T (Threats)
Credibility Popularity Strategic networks (i.e., Celebrities, Media)	Inattention to other competitors Similar products in market	Strategic partnerships Other new technological innovations Demand for electronics manufacturers to continue to produce chips for products	Humans looking to “unplug” can hurt demand for electronics and chips Other competitors

In understanding the position Beats holds in the market, the researchers used the SWOT analysis tool to provide insight about Beats about the internal and external environments shaping the organization (see Table 2).

The strengths that Beats by Dre possess are the credibility of Dr. Dre and Jimmy Iovine and the determination to create a one-of-a-kind headphone. Their connections to athletes, celebrities, and musicians for endorsements created a platform for their product. One weakness that could hinder Beats by Dre is that Apple can now create similar products to the original Beats headphone (Mothersbaugh and Hawkins, 2016). Other companies can create similar products that can take away from the originality of Beats by Dre. Apple has many opportunities to expand as they can partner with new companies, new faces, and sports to create specified designs that fit the different fields.

With Apple's buying power and global brand, the company has unlimited opportunities for Beats to propel their headphone quality and market dominance. Other potential threats to Beats by Dre include Bose, Panasonic, Sony, Original Apple, Doppler, and Jaybird X3. Beats by Dre created an innovative headphone that brought the level for headphones to the next level (Mothersbaugh and Hawkins, 2016). The appreciation for this product is felt by anyone that purchases them. The dedication to take the power of the music listener to the next tier has definitely paid off for Beats by Dre.

6. STRATEGIC IMPLICATION

Thinking strategically is essential in creating an entrepreneurial mind-set. Beiko *et al.* (2018) explained that the strategic planning process starts with gathering input from key stakeholders to ensure that all relevant issues within the organization are captured. The following strategic implications were observed:

6.1. Beats Must Continue to Innovate

Beats should continue innovating. Beats headphones tend to be bass heavy. That is usually great for most hip-hop/rap fans, but there are also a lot of people who do not listen to music that sounds good with heavy bass. According to Mothersbaugh and Hawkins (2016), Dr. Dre and Iovine “saw an opportunity to increase the numbers of consumers who listened to music primarily on mobile devices” when they first started. Beats could consider coming out with a line of headphones that would sound better with different types of music. Additionally, one consideration would be to the lower prices of some of their headphones to more reasonable prices or develop a more affordable line of headphones for the “ordinary person.” In either case, dropping prices would allow them to move a lot more product, as well as gain many new customers.

6.2. Entrepreneur Should Focus Meeting Unmet Needs with Innovation

To that end, Beats Electronics has introduced portable and wireless speakers, co-branded smartphones—and in January, it even launched a new streaming music service, Beats Music, to compete with the likes of Spotify. Beats Electronics, despite some fierce competition, still controls almost 70% of the market for premium headphones. For that fact, the company can thank lightning-fast marketing and an unbeatable grasp of pop culture (Mothersbaugh and Hawkins, 2016). In summary, teamwork will be essential to grasp unmet needs with innovation.

6.3. Universities Must Create Entrepreneurial Climates

Universities that create the right environment for entrepreneurial mind-set will be more successful. Silvestrini (2016) suggested that effective leadership in conjunction with a community of passionate students for business and innovation can be cultivated with the right entrepreneurial environment. If today's universities are to be successful in equipping today's college students with entrepreneurial knowledge, they must be strategic. Yet, past achievements provided no future guarantees for future success in the market. Finally, the best way that universities can help students achieve such success is by giving students more relevant course content and staying current on technology. When students launch out with their original ideas in the marketplace, thereby taking some risks, students can look to role models such as Dr. Dre and Iovine as a road map to successful entrepreneurship.

7. CONCLUSION

In today's hypercompetitive environment, governments and businesses are looking at ways to jumpstart their economic position. Creating an entrepreneurial mind-set in current and future students in the United States can provide innovation and creativity in the marketplace. Overall, Beats by Dre has been a very successful business (Mothersbaugh and Hawkins, 2016). As this case study showed, this organization expanded enormously and achieved shoppers around the world, attracting millions to this hip-hop craze. Dre and Iovine had a clear entrepreneurial vision, customers believed them, celebrities bought into their vision, and even traditional businesses could not argue the success of this entrepreneurial venture. In 2014, Apple acquired Beats for more than \$3 billion. This case study demonstrated the relevance of Beats by Dre to assist today's universities in infusing the entrepreneurial spirit in the next generation of business professionals.

Universities that want to build an entrepreneurial mind-set among students must be strategic. Westphal (2018) further argued that organizations need to leverage their strengths while focusing on making improvements to their weaknesses. Entrepreneurship is not a strength of most universities. With that growth of Beats by Dre, there are opportunities for universities to learn from this company. The result of this investigation is significant because the results can better assist scholars and practitioners on how to infuse the entrepreneurial mind-set in future generations.

Conflict of Interest

The author(s) declare(s) that there is no conflict of interest regarding the publication of this paper, and it has been approved by all co-authors.

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AUTOBIOGRAPHICAL NOTE

Daryl D. Green is an assistant professor in the College of Business at Oklahoma Baptist University (OBU). He is a former U.S. Department of Energy program manager with over 25 years of professional management experience. He is a nationally syndicated columnist, where he writes in the areas of leadership, decision making, and culture. He has a doctoral degree in strategic leadership from Regent University.

Braden Dwyer is a marketing major attending OBU. He is a third-year student who will be graduating in December 2019. When he is not in class, he is busy being an athlete on the men's soccer team at Oklahoma Baptist University.

Sinai Gomez Farias is a graduate of OBU, studying multilingual communications with a minor in marketing. She will be living in France starting from January 2019, with a pursuit of being perfectly trilingual with English, Spanish, and French. This will open more opportunities for her to get an international marketing job. Besides going to classes, she works at the RAWC (Recreation and Wellness Center) as a head lifeguard.

Cade Lauck is a marketing student at OBU. When not in class, he spends most of his time at work.

JoziRose Mayfield is a student attending OBU. She is a junior studying communication while minoring in marketing. She thoroughly enjoys the rigorous education system at OBU and genuinely admires her professors' passion for teaching their students. When she is not attending classes, she spends a large sum of her time training at the J.P. Chance Track and Field Building with her team.