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THE INFLUENCE OF DIGITAL TRANSFORMATION ON THE MUSIC INDUSTRY

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ABSTRACT

The music industry includes a large number of players, segmented by the publishing, recording, distributing and live organizations. Traditionally driven by physical sales of record music, the music industry's ecosystem has been disrupted by digital transformation these last years, thus transforming music business models and activities as well as relations among players.

This dissertation addresses the transformation of the music industry. The value of music has evolved through innovation and is now offered as an immediate and interconnected service, supported by the progress of ICT. Since 2018, streaming represents the main source of record music revenues. That is why, understanding these evolutions and transformations is critical to correctly understand how music is marketed. As a result, seven propositions have been formulated as lines of investigation.

The main purpose of this research is to understand the offer point of view. Complemented with quantitative analysis of market data and literature review, an in-depth qualitative research was conducted towards music professionals following an interview guide. From the analysis, it was possible to understand that, despite the adoption of the digital business model, there still are several limitations. Under the influence of external factors, and in particular the sanitary context of this year, the study suggests the influence and promising trend of technological innovation in the evolution of the music industry business model. The study also reveals the growing active participation of consumers, which contributes to the artistic success and the music market.

Keywords: business model, digital transformation, music industry, record music

JEL: M31, O33

RESUMO

A indústria musical incluindo vasto leque de profissionais, segmenta-se nas indústrias que gravam, publicam, distribuem e organizam concertos ao vivo. Tradicionalmente impulsionada pela venda física de música gravada, esta indústria viu o seu ecossistema transformar-se pela tecnologia digital nos últimos anos, que trouxe inovação disruptiva a modelos de negócio, atividades e relacionamentos entre os seus agentes.

Esta dissertação analisa a transformação da indústria da música. O valor da música evoluiu com a inovação, sendo hoje percebido como um serviço de oferta imediata associado ao progresso das TIC, pelo que é crucial compreender a evolução e tendência do mercado musical. Desde 2018, o *streaming* representa a principal fonte de receita do segmento da música gravada. Em resultado, sete proposições são formuladas enquanto linhas de investigação.

O principal objectivo desta dissertação é compreender o ponto de vista dos profissionais, relativamente à tendência e correta comercialização da música. Complementada com a análise quantitativa de dados do mercado e da revisão de literatura, foi realizada uma pesquisa qualitativa aprofundada junto dos profissionais de música, seguindo um guião de entrevista. Pela análise, compreende-se que, apesar da adopção do modelo de negócio digital, ainda se constata várias limitações. Pela influência de actuais factores externos, em particular do contexto de pandemia viral, esta pesquisa evidencia a influência e promissora tendência da inovação tecnológica na evolução do modelo de negócio da indústria da música. O estudo revela, ainda, o papel de participante ativo do consumidor, o qual contribui para o sucesso artístico e do mercado musical.

Palavras-chave: modelo de negócio, transformação digital, indústria musical, música gravada

JEL: M31, O33

INTRODUCTION

1. Purpose and main objectives of the study

The main purpose of this dissertation is to characterize the influence of digital music on the music industry evolution, regarding the music industry business models as well as industry innovations. The study of this main proposition will go through the analysis of the changes implied by digital transformation in the music market by raising the influence of digital music consumption over physical music consumption. The aim of this thesis is to approach the influence of digital music on the music market and see how the current digital model, the streaming, finds its current success and potential for the future.

The main objectives of this investigation are:

- To identify the major changes of the music industries' business models from the 20th century to today
- To understand how digital transformation influenced the way music is marketed, distributed or consumed
- To identify the determinants and value creation of digital music, especially of the streaming
- To recognize current trends and the central place of consumers in the industry innovation
- To try to apprehend how music will likely be marketed, distributed or consumed in the incoming future

2. Research motivation

This investigation comes from a strong motivation to identify and understand the evolution of the music industry business models, as well as the determinants or drivers of innovations that led to the digital transformation of the music industry and more precisely the streaming.

The question of the business models evolution and the transition to digital music consumption is relevant as to understand how music was marketed in the 20th century in order to know how to adapt music marketing in today's digital era. As a music consumer myself and a music business student and worker, I decided to study this research proposition from a business perspective as to explain how music is nowadays created and delivered to consumers.

This research topic is at the same time a project of great curiosity, and a project of passion, that I have pleasure to share with you.

This thesis is also relevant for developing personal knowledge of the industry and in the same time to help in orientations and understanding of the market model for the different players. In fact, several studies are published about the consumer behavior aspect of digital music. For this reason, this business orientation research has as a goal to provide some literary and concrete inner information about the whole digital music ecosystem.

3. Structure of the thesis

This present dissertation is composed by six chapters.

- The introduction: This chapter gives an overview of the thesis proposition and objectives, research motivation and structure.
- The contextualization: This chapter aims at providing an overview of the music industry by defining music industries, presenting the dimension and evolution of the record industry, as well as its key players and relations. The music industry revenue sources will also be presented in this section.
- The literature review: In this part is provided scientific and academic information on the evolution of business models of the music industry and the influence of digital transformation on the music industry innovation.
- The framework: This chapter includes the elaboration of a framework, set of propositions and objectives based on the literature review. The framework will approach the drivers of business model changes with a focus on the digital business model. The influence of digital transformation on marketing strategies and the influence of the pandemic on music consumption will be raised.
- The methodology: This chapter reports on the methodological and reflection path taken to analyze the propositions and model as to have a deeper understanding. This involves an empirical study directed towards music business professionals, presented under the shape of qualitative individual interviews.
- The results analysis: In this chapter will be presented the main findings regarding the research propositions based on the qualitative interviewees answers.

- The conclusions: The aim of this final part is to draw conclusions of this research study by confronting the exploratory findings and findings from the literature review. Contributions, limitations and topics to be studied in further research will also be raised.

CHAPTER 1 CONTEXTUALIZATION: MUSIC INDUSTRIES AND RECORD INDUSTRY

This first chapter has the objective to provide some context information about the music industries. Therefore, a brief presentation of the music industries will be given, after what the industry and market evolution with a focus on the record industry will be set as a frame of reference. Finally, will be presented the structure and revenue streams of the music industry, as it was in the traditional era and as it is today in the digital era.

1. Definition and organization of the music industries

Before the beginning of its commercialization, music had a religious ambition. Formerly celebrating God, according to the composer J.S. Bach (LeFigaro.fr, n. d.), it then became profane, played by troubadours (agricultural age (Hull *et al.*, 2011). From the baroque era to the romanticism era, music began to be marketed and broadcast to its audience in the 19th century (Choueiry, 2020).

The music industry, since its consecration in the 1920's, can be identified as “a network of partnerships between companies and individuals on the music creation side (singers, songwriters, and producers), the customer-facing side (streaming platforms, venues and public performance platforms like radio) and the business side connecting the two (labels, managers, publicists, Performance Rights Organizations, distributors, booking agents and more)” (Soundcharts, 2019 (a)), “encompassing a range of economic activities, or revenue streams” (Shuker, 2016). As any other organizational structure, it must be profit-driven but is also influenced by societies and its cultural behaviors, and reflects the economy and political context of a country (Anderton *et al.*, 2012).

According to Hull *et al.* (2011), the music industry, or music industries, are often referred as plural for the reason that it includes three main industries which are:

- The recording industry;

The role of record labels is to scout and sign talented artists (A&R department), produce records or acquire master recordings (producer department), to promote and market artists and releases (marketing and international departments; Soundcharts, 2019 (b)) and finally, to ensure the right diffusion of recordings (publicity, sales, promotion, advertising departments); as we can see the structure on Figure 1.1. Influenced by all economic and technological advances, it is the most volatile industry among music industries (Soundcharts, 2020). Historically,

the majority of recorded music released was produced by a small number of companies, referred to as “majors”. These majors are Universal Music Group, Warner Music Group, Sony Entertainment and EMI Music Group (Anderton *et al.*, 2012).

Figure 1.1. Typical label structure



Source: Hull *et al.*, 2011

- The live industry;

The industry for representations, is composed of booking agents (also called bookers, talent agent) who, in alignment with the artist, label and manager’s strategy, book venues (clubs, concert halls, arenas, stadiums) for artist live appearances. The show is then promoted by promoters, who therefore, take care of the successful completion of the show at a specific venue, while sometimes taking care of ticket selling (see Figure 1.2). This part of the music industries can generate high revenues. Following the systems of the majors in the recording industry, only a few players concentrate the heart of the revenues, as for example Live Nation and AEG, counting for 77% of the gross sales of the entire top 25 worldwide promoters in 2008 (Anderton *et al.*, 2012).

Figure 1.2. Live entertainment players



Source: Hull *et al.*, 2011

- The publishing industry;

The role of music publishers is to acquire rights to authors/composers/songwriters in order to ensure the exploitation and licensing of a song ((as musical work, not as a master (recorded version)), and collect royalty payments through Performance Rights Organizations called PROs, such as SACEM in France or ASCAP/BMI/SESAC in the US (Hull *et al.*, 2011; Soundcharts, 2019 (a)). Royalties were the first source of income after the Great Depression and the WWII. Music publishing revenues come from public performances (performance royalties), sales of recordings (mechanical royalties), music placement (synchronization royalties), print (music sheets) and digital uses.

2. Dimension and evolution of the record industry

2.1. Brief history of the record industry until the 21st century

The record music industry has been very turbulent over the last century. Edison's phonograph introduction in the 19th century is the first system to allow music recording on a physical support as well as reproduction and listening on a device.

As soon as the 1920's, music industry faces a first crisis with the appearance of the radio as a free substituted for record music. The first and renowned record labels of erstwhile Victor and Columbia are then bought by radio players (respectively by RCA in 1929 and CBS in 1939), and state the beginning of several merges. This type of merging activity illustrates vertical integration (Soundcharts, 2019 (b)), which is, a firm trying to acquire several links of the

distribution chain in order to concentrate its efforts and have more bargaining power (Hull *et al.*, 2011; Negus, 1999). At that time, radio becomes a promotional tool for labels and a mass media for consumers (Soundcharts. 2019 (b)). In 1948 and 1949, CBS and RCA compete on the new segment of the vinyl: 33rpm for CBS and 45rpm for RCA. This duality of supply for the same medium generates confusion among consumers. Later, the audio cassette propels music sales with its portability innovativeness. The model of the majors at this time is profit driven as for maximizing sales (Anderton *et al.*, 2012; Bourreau & Labarthe-Piol, 2004).

A second crisis wipes out the industry in the 1980's following the misuse of audio cassettes and exorbitant marketing expenses. The RIAA (Recording Industry Association of America) fights against unlimited copies on blank tapes with its campaign « Home Taping Is Killing Music ». Despite marketing and promotion efforts from record labels, the album sales are falling until 1983 with the release of the CD (MTV and the Walkman too). The Sony Walkman is a resounding success, proof that consumers recognize the portability of music (Bourreau & Labarthe-Piol, 2004; Hull *et al.*, 2011). In 1988 and 1989, Sony Corporation acquires CBS and Columbia in order to offer complementary products and thus, more diverse activities (technology with hardware and music). This other type of merging activity illustrates horizontal integration, that is to say, when a firm buys out or controls competing companies at the same level (usually through marketing and distribution deals), as for insuring a larger total share of the market (Hull *et al.*, 2011; Negus, 1999).

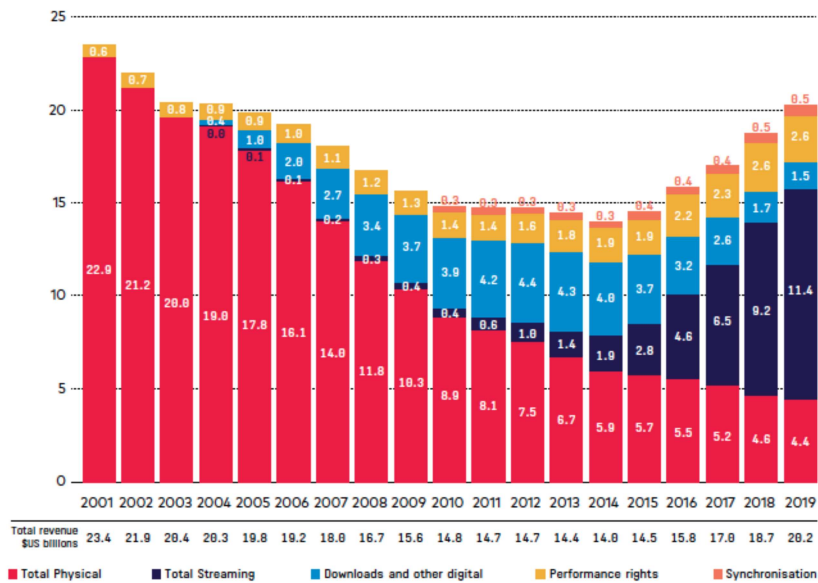
From these miscellaneous consolidations and conglomerates were born the 'Big Four', major players in the market which maintain a competitive advantage to counter threats and new entrants (Frith, 1978; Garofalo, 1999; Porter, 1979). However, the group has not always had the market oligopoly (Garofalo, 1999; Hull *et al.*, 2011; Peterson & Berger, 1975). There had been cycles of innovation and concentration over the years, correlated with diversity and musical homogeneity. These periods of homogeneity are associated with periods when the majors, profit-driven, were taking over the market. As for the boom times of independent labels, referred as entropy « a state of business or physics in which there is total disorganization and chaos », Hull *et al.* (2011) support that their creativity and innovativeness drew more musical diversity.

2.2. Dimension of the record market

While it represented 97% of total revenues in 2001, the disc market starts to decline in 2002, in favor of downloading, supported by the success of the iPod, music-to-mobile consumption

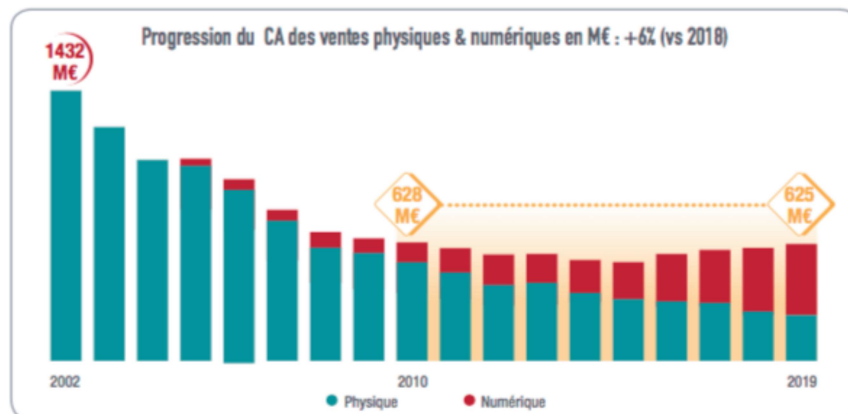
(M2M, ringtones) and the development of illegal and then legal online music offers (Hutchison *et al.*, 2009). As we can see on Figure 1.3 and Figure 1.4, the disc turnover lost 60% of its value between 2002 and 2014, both globally and in France (Donnat, 2018). In the 2000's, downloading becomes a standard and reaches up to 800 million music files downloaded online (Bourreau & Labarthe-Piol, 2004).

Figure 1.3. Global Recorded Music Industry Revenues 2001-2019 (US\$ Billions)



Source: IFPI, 2020

Figure 1.4. Progress of physical and digital sales turnover in millions of euros (€)



Source: SNEP, 2020

Whereas Deezer and Spotify hit the market respectively in 2007 and 2008, the platforms will experience exponential growth a few years later. Streaming grew by 700% between 2010

and 2015) while download is losing consumer interest and 40% of its turnover (Donnat, 2018; IFPI, 2019 (a); Lesniak, 2020; SNEP, 2019; SNEP, 2020; Soundcharts, 2019 (a)).

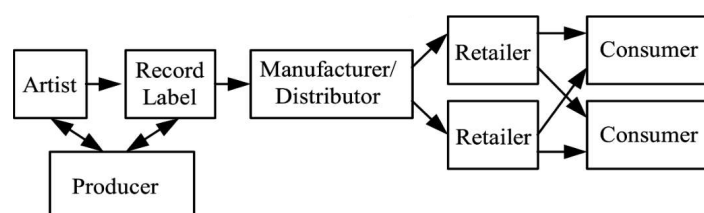
As a result, streaming has not only become the most widespread consumption mode in the world – 56.1% of global revenues or US\$11.4 billions in 2019– but has also become the engine of the industry, compensating its losses since the disc crisis (IFPI, 2019 (a); IFPI, 2020). In 2018, streaming becomes the primary source of revenue both in France and worldwide, driven by its paid version (SNEP, 2020).

Although physical sales have declined in recent years, it is interesting to note that vinyl sales are growing. In France, as in the world, the market resumed its growth but still did not reach its former turnover of the 2000’s (IFPI, 2020; SNEP, 2020).

3. Key players of the record industry and relations

The traditional structure of the record music industry was based on several activities in order to deliver music to consumers (Figure 1.5). First, artists, musicians and composers create music, that will be recorded in studio with a label producer (if the artist has signed a contract with a music label). Then, the label takes care of mastering the record with the goal of making it marketable. Once the record is mastered comes the steps of the manufacturing and packaging. This is the step where the record is fixed on a physical support and duplicated. Later entrusted to retailers for sale, which are the main and unique players in the sales of CDs to consumers, discs are sold to consumers (Bockstedt *et al.*, 2006; Findikian, 2020).

Figure 1.5. Traditional Music Industry Market Structure



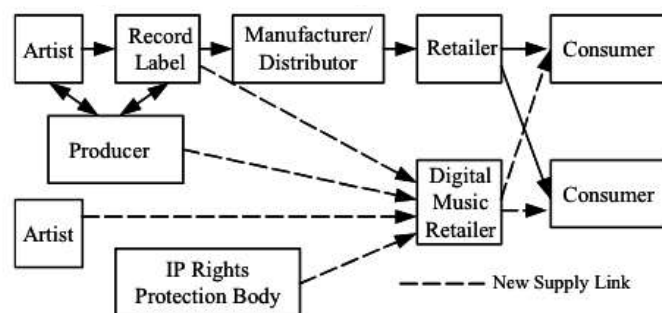
Source: Bockstedt *et al.*, 2006

The digitalization of music has altered the structure of the industry through disintermediation (see Figure 1.6). Technology has enabled artists to become “DIY artists”, capable of bypassing some of the players in this chain (Soundcharts, 2019 (b)). The artist can now easily be in touch distributors (digital music retailers, digital service providers (DSPs), aggregators) such as on-demand listening platforms (YouTube, Soundcloud, Bandcamp,

Spotify) in order to offer their music directly to consumers (Soundcharts, 2019 (c)). As presented on Figure.6, there are more possibilities for players such as the artist, producer and label to create supply links directly with the consumer. Nevertheless, this practical and direct access needs to have more careful protection and law systems in aim to protect artists and their music (Bockstedt *et al.*, 2006).

Originally rather record-oriented, the new structure approaches an artist-oriented model. The objective of record labels today no longer resides in the recording of music but in the development of the artist’s career and the creation of audiences, contributing mainly to distribution, marketing and promotion (Bockstedt *et al.*, 2006). Michele Anthony, Executive Vice President of Universal Music says: “Our most important job remains to be flexible and to innovate so we can provide our artists with the tools and infrastructure to champion their success. » (IFPI, 2020). Despite the independence of artists, they still need funding and media relations that only record labels can provide.

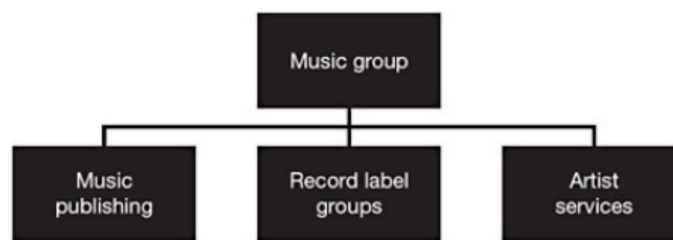
Figure 1.6. Digital Music Industry Market Structure



Source: Bockstedt *et al.*, 2006

Lately, record companies have extended their activities to other interdependent activities (live, publishing, image, distribution, etc). This extended activity model is called the 360° model (see Figure 1.7), allowing them to minimize financial risks and losses and maximize their sources of revenues: recording, publishing, touring (Garofalo, 1999; Hull *et al.*, 2011). One of the largest 360 deals was concluded by Live Nation, the world leader on the concert promotion and production market, which has internationalized its processes and now operates on the live, ticketing, merchandising, marketing and management markets (Marshall, 2012).

Figure 1.7. Typical « 360 deal » music group organization



Source: Hull *et al.*, 2011

4. Sources of revenues of the music industry

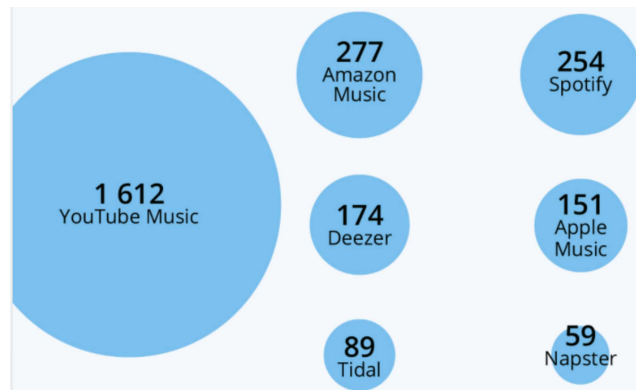
While the sources of revenues were concentrated on the sale of physical albums, concert tickets and merchandising, the advent of digital has diversified these sources. The three main sources of revenue today are publishing, live and recording, in their various forms. In addition to artist's fees delivered by the labor law for recordings and live performances, artists and labels earn income through the commercialization of music (ADAMI, 2006; Hull *et al.*, 2011).

With regard to publishing, artists, labels and publishers receive related rights, mechanical reproduction rights for any sale of recordings (generally 25% author, 25% composer, 50% publisher), and public performance rights when the song is performed or broadcast in a public space (1/3 author, 1/3 composer, 1/3 publisher). Commissions are also collected on synchronizations, sponsoring and partnerships between brands and artists (Hindermeyer, 2020; Millet, 2020; SACEM, n. d.). Among publishing remuneration, we can also find what is called equitable remuneration in France: designed to compensate for the uncontrolled broadcasting of music in public places, radios; as well as private copying: created to compensate for the losses generated by the copies of phonograms and broadcast performances, strongly needed in the era of peer-to-peer and stream ripping. These last royalties are paid by manufacturers and importers of blank music carriers (Hindermeyer, 2020; Rolland, 2017).

Artists and stakeholders receive other income from the sale of recordings, also known as royalties. Previously based on the sales action model, they now mainly follow the model of service purchase or culture flow. Sales action model is associated with a unit of account in an album, and can be represented by the purchase of a physical album or MP3. The culture flow is based on the unit of account of the single and can be represented by the monthly subscription to a streaming platform. The purchase and consumption moments in this model are inseparable, unlike the physical model (Donnat, 2018; Soundcharts, 2019 (c)). Until 2003, physical sales followed the model of three-tiered pricing by presenting the most recent releases from top artists

on the front line or full line, catalog tracks in mid line, and the least popular tracks in budget line. Shaken by Universal's initiative to introduce the US\$9.99 CD starting in 2009, Sony and WMG were forced to follow the trend in order to be competitive. Meanwhile, the drop in revenues generated by physical sales was at first slightly offset by digital sales (Hull *et al.*, 2011; SNEP, 2019). iTunes also followed this pricing model for its download tracks by offering an album for US\$9.99, US\$11.99 for new albums and US\$14.99 for top new albums. iTunes also differentiated itself from other digital retailers by offering US\$0.99 for a track, adopting a competition-based pricing strategy in order to be the leader on the market. Since the advent of streaming, platforms have become a central element in the remuneration of recordings. However, the value gap is a major threat to the future of the music industry. The value gap is a "growing mismatch between the value that user extracts from video streaming music, and the revenue returned to the music community". In 2017, the estimated annual revenue per user on Spotify (audio streams) generates US\$20, whereas YouTube (video streams) generates less than US\$1 (Findikian, 2020; IFPI, 2018). As far as streaming audio services are concerned, Spotify, Apple and Google Play use a per rata (share) or platform centric payout distribution model. Gathering all revenues in a pool, the split is made between all artists on the platform according to their share of content, corresponding to the number of the artist streams divided by all streams on the platform. For example, Spotify keeps 30% of that pool, recording owners get 57% for the master royalties and publishers 13% for the performance and mechanical royalties. However, not all streams are equal. Spotify's ARPU (average revenue per unit) values around US\$4.81 (4,86€) for premium accounts and US\$0.51 for ad-supported accounts (Richaud, 2019) but its payout dilution results of freemium and premium subscriptions from everywhere in the world (subscriptions are cheaper in some countries like India in order to adapt to local market) (Findikian, 2020; Soundcharts, 2019 (e)). Lately, Deezer launched its own payout distribution model, called the UCPS (user-centric payment system). This system is considered to be fairer to artists as consumers' streams are directly going to the artists they listen to, without going through a gathered pool of payouts. It is also a way to prevent fraudulent accounts adding streams for gaining more weight in payments (Deezer, 2020; Findikian, 2020). As we can see on Figure 1.8, Napster is the best remunerating platform, nevertheless it would need 59 streams to make an artist earn 1 euro (0,017€ per stream in average), but is less likely used by consumers in France, unlike Spotify and Deezer (Statista, 2020 (c)).

Figure 1.8. Music streaming: who pays artists the most?



Source: Statista, 2020 (c)

Following this structure disintermediation, crowdfunding in the music industry has allowed many artists to produce themselves and to make their music known to everyone. This type of participative financing works on a principle of donation from the fans, who may benefit from a special offer in return (credits in acknowledgements, participation to the recording session, exclusive songs, etc). KissKissBankBank and MyMajorCompany are the pioneers in the sector. If at the time almost 90% of the projects financed on these platforms were about music, today only 17% of them are (Louis, 2019). The crowdfunding platforms supporting music projects today are mostly PledgeMusic, Indiegogo, Patreon and Kickstarter (Miller, 2019).

After setting a frame of how the music industry has evolved in terms of its history, structure, market and remuneration politics, the literature review in the next chapter of this thesis will bring information about the influence of digital transformation on the business models and industry innovation.

CHAPTER 2 LITERATURE REVIEW

Verhoef & Bijmolt (2019) discuss in their study the concept of digital transformation, which, according to them, is a three-step process leading to the new digital business model. First phase being qualified as “digitization”; firms mainly adopt digital technologies in this phase. In the second phase called “digitalization”, specific functions are affected to each service of the firm. The last one, the one of “digital transformation”; firms change their value creation by applying digital on their activities. The study suggests that digital transformation implies developments in technologies, as well as in competition and customer behavior.

In this chapter, we will identify the influence of the digital transformation on the industry evolution first through the evolution of business models and value creation. Then, the digital influence on the industry will be approached through industry innovation, highlighting the role of consumers, becoming more and more important in the music industry.

1. Business models and value creation

In order to analyze the influence of digital transformation on the music industry evolution, we will first discuss about its influence on business models and value creation by discussing the concepts of business models, product life cycle and value chain.

1.1. Business models

Whereas the firsts experts intended to approach the concept of business models in the early 1857, the definition of this concept still remains a blur today as many authors are still trying to set a clear framework to this concept (Wirtz *et al.*, 2015).

According to Wirtz *et al.* (2015), three different perspectives of this concept have been drawn in the 2000's: a technology-oriented perspective, an organization theory-oriented perspective and a strategy-oriented perspective. Authors such as Amit & Zott (2001), Chesbrough (2006), Magretta (2002), Johnson *et al.* (2008), refer to those perspectives in their research. Nonetheless, an increasingly converging definition of the business models has risen up these last years, preserving those three perspectives while presenting a large spectrum of action going from the very product level to the industry level (Wirtz *et al.*, 2015).

A dynamic dimension is added by Demil & Lecocq (2010), claiming that a business model includes dynamics in its core components. Vendrell-Herrero *et al.* (2018) support the idea of

dynamics elements into business models. As a matter of fact, they consider creative industries as a highly dynamic context to capture value.

Al-Debi *et al.* (2008) put forward that a part of the confusion to define this concept comes from the shift from a traditional business world to a digital business, creating a gap between the business strategy and the business processes.

Considering the deep mutation of the economy, referred to as “digital revolution” (Bourreau and Gensollen, 2006; Peitz & Waelbroeck, 2005), we will apply the definition of Verhoef & Bijmolt (2019) of digital business models: « Digital business models are situations where digital technologies have fundamentally affected the firm structures and carries out its business and thereby creates value for customers, the firm itself, and its partners » (Verhoef & Bijmolt, 2019).

As the “most comprehensive and widely used framework to structure the case studies” according to Li (2020), the Business Model Canvas of Osterwalder et Pigneur (2010) remains limited when studying emerging trends in creative industries.

Vendrell-Herrero *et al.* (2018) based themselves on DaSilva and Trkman’s definition of business model (2014) and validated their assumption of considering music format as the central element of a business model for the recorded music. As a consequence of technology innovation, consumption depends on music formats, thus generating other revenue streams and new value creation.

Through the various mutations of the music industry and market, Vaccaro & Cohn (2004) distinguish 3 major business models of the music industry. First, the traditional model based on physical goods and brick-and-mortar distributors (era of the CD). The second is called the renegade model, and is represented by the illegal and unauthorized peer to peer file trading activity (Napster being the pioneer). Finally, the third and new model, in which music is legitimately distributed online as digital products. Hull *et al.* (2011) also refer to different business models based on the physical music industry versus digital music industry as the « industrial age », with music delivered by products and mass media; and « information age », with music as content, digital delivery and use of information.

1.2. Product life cycle

1.2.1. The physical support of record music

During the 20th century, music was a product of the publishers. Sheet music publishers were running the industry before music was sold as a cassette, a vinyl, or a CD (Soundcharts, 2019 (b)). In the 1990's, the CD was described as the product of music, ready to be marketed and sold. Music product is physically symbolized by the medium of the CD but also by its image linked to celebrities, demand, emotions and desires of the audiences (Shuker, 2017). In 1997, 90% of recorded music sales came from CDs (Santini, 1998).

Moe and Fader (1999) describe the CD as a hedonic and tangible product, giving the consumer “something to take home and experience at his/her convenience, possibly repeatedly”. Physical recorded music (vinyl, CD), is also a collector's item. Garofalo (1999) points out that the arrival of the CD has given rise to a product substitution. Retailers have repackaged and remarketed the back catalog music in the late 1980's/1990's so as to answer customer demand, replacing their music library with the new format. Whilst the industry made profits from the sale of records, these sales have steadily declined since the download arrived in 2004 (Figure 2.1). In 2018, physical sales made up less than 1/4 of all global recording revenues (IFPI, 2019 (a)).

As expressed by Levitt (1965), products when entering the market, go through a product life cycle and thus encounter four different phases which are: the development, consumers try the new product although there was not necessarily a demand for it; the growth, consumers show a preference for their choice of products and the sales are increasing; the maturity, most of the target market already possess the product and a price strategy is needed to appeal to consumers; and the decline, sales are decreasing and companies are intending techniques of mergers or buy-outs in order to minimize losses.

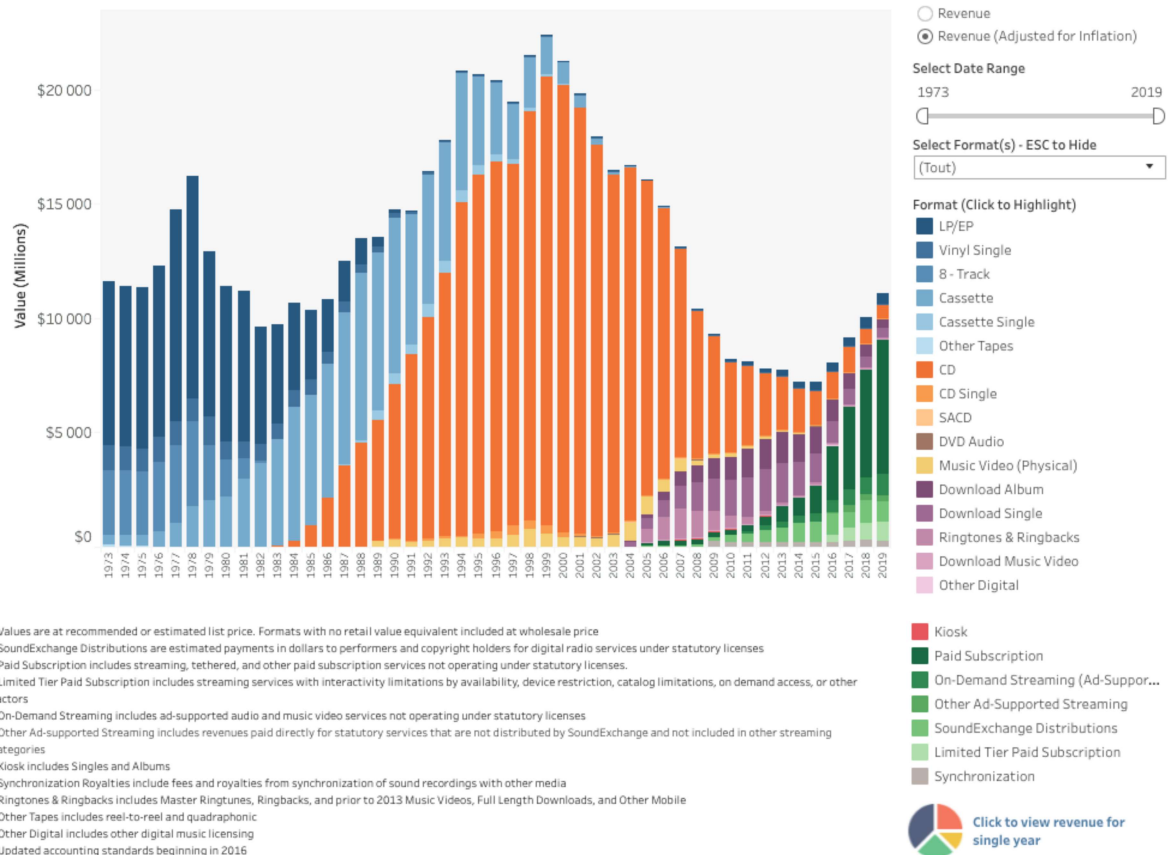
As shows Figure 2.1, the drop in CD sales is not linked to a loss of interest on the part of consumers but rather to a change in the way music is consumed. This trend shows in the beginning of the 2000's, the end of the product life cycle of the physical music product. More recently, we can also see the product life cycle of the download on this graph, whilst the streaming is still growing.

Figure 2.1. U.S. Recorded Music Revenues by Format

U.S. Recorded Music Revenues by Format (Adjusted for Inflation, 2019 Dollars)

1973 à 2019, Format(s): Tout

Source: RIAA



Source: RIAA, 2019

1.2.2. The first digital support of record music: the peer-to-peer

In 1993, the MP3 format was introduced to the music market, reducing file size by 95% (Soundcharts, 2019 (a)). Napster initiates peer-to-peer in 1999, by providing an online platform that allows music files to be shared in MP3 format. The arrival of ICT (Information and Communication Technologies), through the high-speed internet connection, reduced reproduction and distribution costs, and created new sources of entertainment/leisure (web radio, creation of online content, transmission of instant messages, online games...) ((Bourreau & Labarthe-Piol, 2004; Waelbroeck, 2006). The internet and digitalization have not only changed the way music is produced, distributed, marketed and consumed, but have also taken a prominent position within the industry (Hull *et al.*, 2011).

Because of its insecure use towards copyright, numerous measures have been taken to counter this illegal practice. The RIAA shuts down the illegal activity of Napster in 2001 for

inadequate copyright disclaimers (Lam & Tan, 2001). In France, we will see the rise of similar protection units and laws such as the DADVSI in 2006 and the HADOPI in 2009 (Hindermeyer, 2020). Despite the closure of Napster, other players have come to persevere in this sector (Kazaa, Gnutella, LimeWire, eMule) (Bourreau & Labarthe-Piol, 2004). DRMs (digital rights management), an encrypting or lock technology limiting the file lecture to a geographical zone, device used or the device manufacturer, is then created (Findikian, 2020; Hutchison *et al.*, 2009). In 2001, the DRM technology protected online music platforms like Rhapsody, iTunes, and the legal version of Napster began to appear. With a monthly paid subscription, Rhapsody introduces the beginnings of streaming (Statista, 2020 (a)). The digital paid per track offer (99 cents per track on iTunes for example), caused an unbundling of music albums. Despite the measures taken to reduce piracy, the industry was collapsing, losing a lot of revenues. By 2008, 95% of all digital music was downloaded illegally (IFPI, 2008). In the meantime, other digital platforms such as Myspace, Facebook, YouTube and Soundcloud emerge, drawing attention to counts and likes as a way to monitor success (Soundcharts. 2019 (a)).

In response to consumer complaints over DRMs, Apple and EMI teamed up to offer a paid and DRM-free version of EMI's catalog through iTunes in 2007. This practice became widely used and Amazon joined the competition a year after. By 2009, DRM protection was coming to an end (Hull *et al.*, 2011; Hutchison *et al.*, 2009). The success of the iPod's introduction to the market for its quality, portability and storage has anchored music in MP3 format. Like the Walkman, it provides a 'privatized auditory bubble' (Anderton *et al.*, 2012; Bull, 2007; Donnat, 2018).

1.2.3. The current digital support of record music: the streaming

As a mean to offset the use of digital piracy, we observed the rise of streaming platforms, taking streaming in the modern/new business model according to Vaccaro & Cohn (2004), in which music is not only a service but also an informational good. 62% of people using illicit means would choose streaming as a way to listen to music if piracy no longer existed, according to the IFPI report on world music consumption (IFPI, 2019 (b)).

As a way to make themselves known to the general public, streaming platforms bundle with telecommunication companies (for example Bouygues with Spotify, or Orange with Deezer in France). This strategy is widely used in emerging countries (Findikian, 2020). Olivier Nusse, President of SNEP and CEO of Universal Music France, supports the affirmation that bundling operations generated a higher subscription rate (Tous pour la musique, 2019).

Music then moved from a product manufacturer to a service provider in a context of flow culture (Soundcharts, 2019 (a); Soundcharts, 2019 (b)). Consumers can have immediate access to music by benefiting from the free streaming service (ad-supported streaming) or via a fixed-cost subscription (monthly subscription). Among the world leaders in audio streaming in 2019, we can mention Spotify (35% of streaming subscribers worldwide), Apple Music (19%) and Amazon (11%) (Statista, 2020 (b)). Many players in video streaming (SVOD) now use the same principle: the leader Netflix, Amazon Prime Video or the latest Disney+ (Statista, 2019).

Digital music encourages consumers to “become the average of his or her own listening tastes” by selecting his or her own tracks and creating playlists of it. The streaming allows the hyper-personalization of music (Jones & Benett, 2015), and DSPs contribute to it. Indeed, the example of Spotify’s algorithmic playlists show how the suggested music can be different from a user to another. The algorithm selects your favorite music according to your past listening (Wino, 2020).

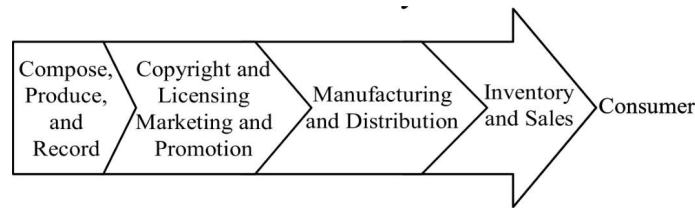
Despite the emerging importance of streaming in recent years, a new form of online music copyright infringement has come to cause problems in 2016, that is the stream-ripping. This practice consists in converting internet audio and video streams to MP3 files, without paying royalties to right holders (Rolland, 2017). YouTube-mp3.org, world leader in this category having around 60 million visitors per month worldwide, was shut down after RIAA lawsuit (IFPI, 2017). Grokster’s president rightly says that the MP3 is like tap water: it is free and will always be available. But that doesn’t stop bottled water makers from earning money (translated from Waelbroeck, 2006).

Lately, another form of streaming had come to light because of the pandemic COVID-19: the livestream. It is certainly possible to broadcast a live show from home, it is however more complex to bring the presence of the public, as well as the alchemy that operates during a concert. Travis Scott and DJ Barbara Butch tried to bring this dimension into streaming by inviting themselves in Fortnite’s game virtual reality for one, and offering to join a Zoom meeting and have fun on DJ mixes for the other. From social media to video games, the live stream has expanded the scope of music (Gonneau, 2020).

1.3. Value chain

According to Hadida & Paris (2014), value chain acts as a cognitive framework on how to organize the various activities and value creation processes.

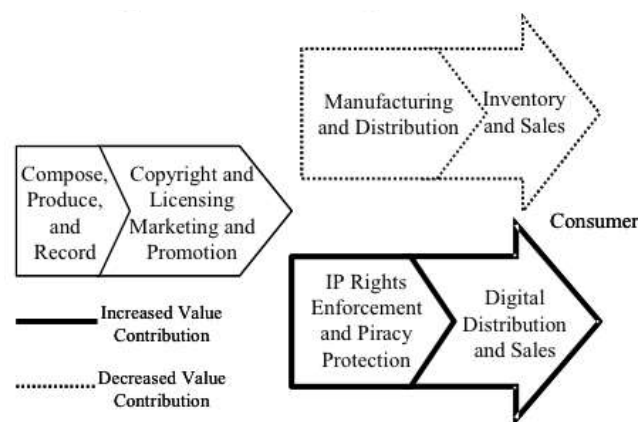
Figure 2.2. Traditional Music Industry Value Chain



Source: Bockstedt *et al.*, 2006

Figure 2.2 illustrates the central position of the CD or the vinyl in the traditional music industry value chain. This former possession model refers to mass consumption of music as mass production of CDs or vinyls. The model consisted first in the creation of music from artists, musicians and producers. Then, publishers register the music in terms of rights management and music labels market and promote the music. Later, the manufacturers produce the recorded single or album and distribute through brick-and-mortar retailers (record stores) to finally reach the final customer. Bourreau et al. (2008) identify the role of meta-information as a way to make supply and demand meet regarding the production and the promotion of music. They propose four structures of works: the star system model, the structured push model, the structured pull model and the free pull model. The main production and promotion channels result here of a star system model or a push strategy, record labels adopt a centralized promotion strategy by the mass media, without or with a subjective selection of media or promotion channels. Their aim is to obtain rotation on radio and television, at that time, a good way to propel the artist into a famous career and generate high revenues (Soundcharts, 2019 (a)).

Figure 2.3. Digital Music Industry Value Chain



Source: Bockstedt *et al.*, 2006

Figure 2.3 shows that by going digital, the music industry value chain has become disintermediated and it is in this disintermediation that resides added value (Hadida & Paris, 2014). More and more labels, especially independent ones, tend to adopt a structured or free pull model of production and promotion. This means promotion is decentralized and there is either a selection made by professionals or no selection at all, leaving the choice directly to the consumer (Bourreau *et al.*, 2008). Value propositions are diverse and simultaneous and all actors are co-creators of value, especially fans and artists who co-create together for mutual benefit (Choi & Burnes, 2013). The lack of need for a manufacturer and physical distributor increased the value contribution to final customers, able to get access to music faster than before while production and manufacturing costs have been reduced. Whether it is digital promotion, or pitching to platforms, these processes are cheaper compared to renting billboards and manufacturing a CD (Huffpost, 2017). Indeed, although the cost for producing an album varies (US\$600 for Nirvana's *Bleach* vs. US\$13 million for Guns'N'Roses' *Chinese Democracy*), the average recording investment has decreased (Soundcharts, 2019 (b)). For this reason, the increased costs of marketing efforts in the digital era are balanced by the savings in manufacturing and distribution costs (Lam & Tan, 2001).

Music became a service: lyrics and sheets were available online, the internet allowed self-creating and mix, YouTube tutorials caused the emergence of auto-produced artists (Donnat, 2018; Huffpost, 2017). Music became easily and immediately listenable, but also easily reproduced, transferred, stored and modified/customizable (Donnat, 2018). Indeed, digital files have the advantage of being durable, this means they are not destroyed by the act of consumption (Bourreau *et al.*, 2008). Consequently, to preserve the added value of digital content, IP rights enforcement and piracy prevention must be set up. After seeing the results of Radiohead offering their album online for whatever amount the customer chooses to pay, it appealed for customers to get free access to music and as so, the illegal download and file sharing made musicians and record companies lose revenues instead of purchasing it (Huffpost, 2017; Sandoval, 2013). Some key players are even adopting as a marketing strategy to offer their songs for free in order to attract more consumers and thus generate revenue through advertising (ad-supported streaming).

Waelbroeck (2006) puts forward two theories regarding the value of piracy. First, several studies show that MP3 files and piracy have had negative impact on music sales. IFPI (2004) and Zentner (2008) show the correlation between downloading and the probability to purchase music, as well as between the expansion of broadband Internet, the use of illegal downloading and the withdrawal of record stores. Indeed, the appeal for consuming free music with

immediate access disrupts any efforts made on the marketing or promotion (IFPI, 2004; Waelbroeck, 2006). For many consumers, digital music file is an attractive product substitute for physical CD. Majors too, fear that peer-to-peer reduces physical sales (Hadida & Paris, 2014). On the other hand, other theories support the positive impacts of piracy. Although Peitz and Waelbroeck (2006) highlight that downloading reduced CD sales by 20% between 1998 and 2002, they put forward that music is an experience good, which should be tested and tasted before purchase or determine its value. In this way, peer-to-peer is a discovery network where customers get to try the music before consciously buying it, and as a matter of fact, this benefits the same way to artists and record labels (Bounie *et al.*, 2005). In that sense, Lee *et al.* (2016) sustain in their research that online streaming services benefits to offline record sales as a tool of promotion. Koh *et al.* (2010) also supports that it is not piracy that substituted to physical album sales but rather legal channels for digital music like iTunes.

To put it in a nutshell, the introduction of digital music altered the value chain and business model by disintermediating processes and key players. There seem not to be a clear correlation between the decline of CD sales and the appearance of piracy. However, there is a clear transition leading CD sales to the digital consumption of music and in particular, to streaming. Although some law reinforcement has been needed as to protect digital files, the digital music industry settled as the new business model. We should keep in mind that a business model does not necessarily mean a change in every way, but rather a variation of the old model, towards innovation of the product, needs and the way it is brought to the market (Magretta, 2002). In the next chapter of this literature review, we will characterize innovation, see its application to the music industry and identify how the role of consumers became essential in the industry innovation.

2. Digital technology influence on industry innovation

In this next sous-chapter, we will characterize different types of innovation and see how external factors influence the music industry in order to identify how digital innovation influenced the music industry. Finally, will be raised the central position of consumers in the whole music industry innovation and marketing.

2.1. Innovation

Several researchers' concepts of innovation are brought to light in this thesis.

Schumpeter's model of innovation (creative destruction), illustrated by Sato (2014) explaining the obsolescence of the 78rpm and 45rpm by the arrival of the CD, shows that innovation mechanism replaces old and outdated products by new products (Schumpeter, 1942).

Christensen (1997) supports this reference to innovation with his concept of disruptive technologies, according to which the rhythm of technological progress is not necessarily that which can be absorbed by the demand of a market and that marketing must therefore, adapt to technological innovations. Music, as a product or a service, must satisfy customer's needs or desires. Themselves changing over time, technologies' disruptions are essential for market growth and innovation (Hutchison *et al.*, 2009).

Hadida & Paris (2014) identify three main dimensions of innovation in the music industry. Value can be created by the innovation of the use (proposing new ways to experience music), of the supply (offering a richer supply), and of the prescription (introducing new prescription modes). In this study, overall results turn to innovate on prescription, that is to say, the nature of their intermediation between suppliers and consumers. Indeed, technological innovation led to giving consumers full access to music, disposing of complete choice of the music they want to consume or using technical customized prescription to help them through their choice (smart playlists, machine learning, artificial intelligence). Chaney (2012), and Dellyana & Simatupang (2013), also approach the business model innovation in the music industry.

On their side, Saragih *et al.* (2018), music industry relies on co-innovation (Lee *et al.*, 2012). Co-innovation invites relevant stakeholders to collaborate and innovate together, tackling existing challenges and as a consequence creating a productive co-innovation platform to ultimately enable these actors to co-create and co-capture value. Gamble & Gilmore (2013), Choi & Burnes (2013) as well as Gateau (2014), and Saragih *et al.* (2018), state that stakeholders, especially customers make part of value co-creation in the music business and in the marketing of music industries.

2.2. Environmental factors influencing the music industry

According to Hull *et al.* (2011), as the music industry interacts in the meantime with its external environment, it is therefore impacted by several factors. In order to see how it is impacted, we will go through a PESTLE analysis.

- Political: Political situation and music industry are interrelated.

The emergence of the rock and roll genre caused political reactions among societies, bringing out the payola law (ban record labels on paying radio stations for airplay) and economic issues (record companies had to invest more in promotion as a result of this law). Ten years later, the movement of peace and political awakening found expression in popular music (Anderton *et al.*, 2012). Feminists in the 1980's reacted against rap, perceived as misogynist and caused censure on labels and radio stations. Seen as violent and profane, the lyrics and music videos caused the rise of departments in charge of analyzing contents (organization of Parents Music Resource Center, PMRC) and see themselves compelled for setting up the warning label Parental Advisory Explicit Content in order to protect minors.

- Economic: Music business is a function of discretionary time and income.

Vulnerable to economic changes, the music industry survived through the Great Depression in the 1930's thanks to radio airplays and sale of recordings. During the 1990's, the growth of global economy leads the market to move from international to transnational, focusing its goal on the maximization of market share within every individual sub-markets, as Peter Drucker, worldwide reputation manager, explains (Drucker, 1992). Following this marketing strategy, Universal, Sony/BMG, EMI, Warner bought independent labels in many countries as for creating a transnational manufacturing and distribution system, constituting the 'Big Four' oligopoly in the 2000's, controlling the lion's share of the market (around 80% in 2008) (Garofalo, 1999). The global economic recession and introduction of new leisure technologies in the 2000's (DVD, home cinema, internet, computer games) affected a lot the music industry, as well as the appearance of piracy (Garofalo, 1999).

- Social: The social aspect of the music industry takes roots into the consumption of music.

The consumption of music by consumers illustrates the expression of tastes in desires. The explosion of rock and roll in the 1950's is mainly due to the interest that young populations found in this new genre, just like rap in the 1990's. The needs and desires of consumers also had an impact on technology, as shown by the appearance of MP3 files in 2000, and instant access to music on various mediums from the 2010's.

- Technological: The music industry has evolved in tandem with the evolution of technology.

From the invention of Edison's phonograph in 1877 to the smartphone today, the industry has been offered numerous technologies: both in terms of listening devices and music mediums (cylinder, 78rpm, 33rpm, 45rpm, audio cassette, CD, MP3 file...), as well as audio systems (mono, stereo, multitrack, optical laser, digital) and music production (MIDI). In order to ensure the good referencing of works, systems like the UPC/bar code (Universal Product Code), or the ISRC (International Standard Recording Code), ISWC (International Standard Musical Work Code) have surfaced (Anderton *et al.*, 2012). Today, softwares such as Popgun or FlowMachines contribute to music creation and composition with computerized artificial intelligence (Six, 2018). The Guitar Hero video game also introduced hundreds of artists through the use of the game (Soundcharts, 2019 (d)).

- Legal: The music industry maintains a close relationship with the law for the protection of its music owners.

Copyright is by definition, a property right in a creative work which allows the author and those who receive rights from the author, to control reproduction and other uses of the work (Hindermeyer, 2020). Copyrights are intangible personal property. Three stakeholders are concerned by copyright, called the 3C's of Copyright: the creators (authors), the commerce (publishers) and consumers (public). Copyrights are protected by the Copyright Act in the US, and by the Loi n°57-298 du 11 mars 1957 in France (Légifrance, 1992). There is no worldwide treaty able to protect the rights of the authors and their works through frontiers although the World Trade Organization and World Intellectual Property Organization state some international treaties and convention in order to prevent misuses of works: the Copyright Treaty, the Performances and Phonograms Treaty, the Berne Convention, the Rome Convention and the TRIPS (World Intellectual Property Organization, n. d. (a); (b); (c); (d); World Trade Organization, n. d.).

2.3. Market application of innovations

Promotion and distribution of the traditional model being disrupted, record labels must adopt a new business model (Vaccaro & Cohn's (2004) renegade model) in order to meet customer demand (Huffpost, 2017; Lam & Tan, 2001).

2.3.1. Distributors

The most impacted field by the digital transformation is that of distribution. Numerous during the disc era and considered as “social gathering places where music lovers congregate to interact in relaxed settings”, record stores get rare in favor of digital retailers and services providers (Lam & Tan, 2001). Online retailers such as streaming have extensive data regarding consumer behaviors. By using cookies technology, consumer preferences can be gathered and saved, after what marketing strategies are targeted. DSPs also use data in order to better meet customers’ needs and desires through the use of Machine Learning (Aquino & Głagowski, n. d.; Wino, 2020). While the position of a CD in premium shelf of the record store was formerly negotiated, the position of a new title is now negotiated by streaming editorial team (called trade marketing), curating playlists on platforms. Whereas algorithms create organic ranking, distributors pitch music to streaming editorial for better placement/for “premium shelf”, experimenting aggregation services, previously non-existent (Soundcharts, 2019 (c)).

From a disintermediation, we could say that the industry is moving to re-intermediation in the digital environment, since new players fill in the void left by record labels in the music distribution. In the 2000’s, major labels began to offer downloads of music or teamed up with online companies as for delivering online music, such as MusicNet, Duet, MusicBank, MP3.com (Findikian, 2020; Lam & Tan, 2001). Today, there are several music distribution systems among which the main ones are: direct distribution by in-house services of the majors through their 360 deal, for themselves (corporate distribution) or for external independent labels (administered distribution). High potential or big-sized label can turn to digital services such as Believe Digital, or Idol. Finally, the independent aggregators (CD Baby, DistroKid, Spinnup, TuneCore) are mostly demanded by auto-produced artists or small-sized labels. Another type of distribution are digital pure players such as AWAL and Amuse, offering online distribution services (Hutchison *et al.*, 2009; Soundcharts, 2019 (c)).

2.3.2. Artists

The artist profession is also reinventing itself as more and more of them self-produce or bypass links in the value chain. Artists want to have more control their career and earn more revenues by distributing through the net (Soundcharts, 2019 (b)). For example, David Bowie is the first major artist to bypass existing value chain and offer a song exclusively online in 1996 (Lam & Tan, 2001; Stuart, 2016). In 2007, Radiohead produces and releases its ‘In Rainbows’ album

online before traditional release and allows customers to pay the amount they want while offering a physical deluxe version of the album some months later. 64% of the downloaders didn't pay, it appealed to customers to get free access to music. The band said that illegal downloading never was a problem for them, as long as their music is listened. However, this album was a real success and generated more money than their six other albums (Franceinfo, 2014; Sandoval, 2013). Technology development also allows everyone with an artistic ambition to be assisted for music creation, leading the mass-consumption of music to mass-creation (Soundcharts, 2019 (d)).

2.3.3. Promotion

Promotion was also strongly impacted and is, since 2015, at its peak of abundance. The music industry has invested in promotion channels and new jobs have been created as a result of the digitalization of music. However, some traditional promotional channels are in jeopardy, like radio for example, but retains its power locally and is still widely used (IFPI, 2020). Online radio (iHeart, Bauer Media and SiriusXM), was put at risk following the arrival of the global streaming giants. DSPs are now considered promotion channels. In fact, for 90% of the artists, the promotional effect of streaming playlists and discovery algorithms is more important than the money they get (Soundcharts, 2019 (a)). Promotion doesn't limit itself to media coverage, pitching to playlists, radio promotion and retail promotion. Secondary components such as video, grassroots marketing such as word-of-mouth or viral marketing, are essential for artist career development (Anderton *et al.*, 2012; Hull *et al.*, 2011). Networking and public relations have always been an important role in the business, even more today (Soundcharts, 2019 (b)).

2.3.4. Licensing and Synchronization

Licensing and synchronization also represents a high share of music promotion while broadcasting recordings through other products or services (movies, video games, ads). For instance, Kavinsky's song 'Nightcall' featured in the movie 'Drive', today counts around 200 million views on YouTube (Soundcharts, 2019 (d)).

2.3.5. Brand partnerships

The boom in brand partnerships is relatively recent in France (around ten years) but has been more practiced in the United States under the shape of sponsorship since the 1990's (Perrier, 2020). We can remember Michael Jackson's Pepsi partnership in the 1980's for the 'New Generation' US\$5 million deal (Herrera, 2009). Instead of assigning a brand to an artist, today brands are trying to get closer to their areas of interest in order to ensure a long lasting collaboration. The partnership between Jain and the FIFA Women World Cup in 2019 illustrates the share of common values between the two, as well as her previous partnership with Adidas (Le Bureau Export Paris, 2019).

2.4. Active role of the consumer in the industry innovation

Relationships between artists and fans have always been a major point in an artist's career. The information age, thanks to the progress of technology has thus enabled consumers to be informed, to listen, or even to interact more directly and quickly with their favorite artist or with their community via social networks and online communities (MySpace, YouTube, Facebook) (Cool, 2011). As Stu Bergen, International and Global Commercial Services CEO at Warner Music points out: "Many of the digital tools we're using to connect artists and fans just didn't exist a decade ago. We now receive a ton of data in real time about how our artists' music is connecting with people", labels are therefore in charge of developing marketing strategies depending on this data (IFPI, 2020).

We have seen lately the emergence of UGC (user-generated content) on YouTube or new applications booming like Tik Tok (315 million people worldwide downloaded the application in the beginning of this year) (Duranton, 2020). This trend shows the interest consumers have in music and their ability and initiative to create content. Tuhin Roy, Universal Music's Senior Vice President of New Digital Business and Innovation insists on that fact: "Fans are no longer happy to be passive; they want to be partners in creativity with the artists they love" (IFPI, 2020). Music industry is no longer the music provider, it is the consumer him/herself that is seeking for information, replacing the former push strategy by a pull strategy. The fans are now themselves the media, part of the promotion techniques, and their presence is crucial to the artist's career (Hull *et al.*, 2011; Hutchison *et al.*, 2009; Waelbroeck, 2006). Labels then empower consumers and direct their budget towards B2C and C2C marketing strategies, in particular via word-of-mouth, newsletters, buzz marketing, viral marketing. Influence

marketing is also a good intermediary since it strengthens the individual bond (Anderton *et al.*, 2012; Hull *et al.*, 2011; PwC, 2019).

As a result of disintermediation and consumer empowerment, direct-to-fan has gained momentum in the industry. This practice involves interacting directly with fans by getting to know them and building a relationship with them, in order to establish a targeted strategy and monetize these loyalty relationships: for example, by offering exclusive merchandising or music, or any targeted marketing action adapted to this community (McDonald, 2019). Direct-to-fan can be able to intertwine physical and digital worlds. Erykah Badu is a good example as she successfully created her own livestream paid platform these last months (Sayej, 2020). Social networks, in addition to being the basis for building fan bases today, are widely used for direct-to-fan. The launch of Camila Cabello's solo career would not have had the same effect without her ability to interact with her fans on social networks (IFPI, 2018). Jean Mallory, EVP and General Manager of Columbia Records raises that "fan engagement is central to success" (IFPI). Another example is Stromae on YouTube in 2010, teaching how to play his famous song 'Alors on danse' (Soundcharts, 2019 (a)). YouTube allows artists to present their world to fans, for example via live video content, behind the scenes, or moments with fans; and thus generate potential sales of CDs or concert tickets (Jones & Bennett, 2015). This platform does not represent a large part of the revenues for artists but allows them to be visible to a large audience and constitutes a promotional tool in this DIY era (Soundcharts, 2019 (e); Statista, 2020 (c)). Other sites such as Bandcamp, Songkick allow distribution and direct sales. TopSpin is also an example of a platform that connects artists with their fans and uses this concept of D2C (direct-to-fan) or event direct-to-sales (Soundcharts, 2019 (a)).

The relationship to fandom also has changed. In the live sector, it resides in the environment: dancing, singing, sharing with friends, hairstyles. These elements clearly influence the individual experience and allow self-identification to the community and artist. The insertion of augmented reality through holograms in the live sector and in particular the creation of virtual artists like Hatsune Miku, has, in the same way, generated an audience affinity, an idolization and an involvement in the artist's universe. The particularity here is the free imagination of fans about the artist's personality as it is not clearly stated (no social or human interaction like normal artists) (Jones & Bennett, 2015). In the record music sector, it is the marketing experience, or the concept of user experience, that is highlighted. Indeed, creating an event around an album release or creating a pop-up shop are two ways for the consumer to live an experience and thus get closer to his favorite artist. As part of the album release 'When We All Fall Asleep, Where Do We Go?', Spotify organized an event called 'The Billie Eilish

Experience', featuring themed rooms representing the moods of each song and appealing to senses (smell, texture, temperature, sound...). The Asian streaming business model also put forward the user experience by providing consumer-oriented good quality information and interface, improving their experience compared to other streaming platforms (McKinsey, 2016).

To conclude, the digital transformation led to disintermediation and resulted in changing the way music is marketed and commercialized. As linked to external factors, disruptive technologies shook the music industry and enabled consumers to become co-creators in the co-innovation process of the digital music industry. Thanks to the use of new marketing trends and tools such as social networks, augmented reality, experience marketing, and data analysis, the artist-fan relationship is closer than ever and consumers now play an important role in the music industry.

CHAPTER 3 FRAMEWORK

In this section will be set propositions based on previous literature review and market context analysis, as well as the formulation of the thesis framework and objectives regarding the research topic of the influence of digital transformation on the music industry.

1. Framework and propositions

In order to complement the empirical studies of the literature review about the evolution of the music industries' business models, following the theories of Vendrell-Herrero *et al.* (2018) and Vaccaro & Cohn (2004) regarding the three business models based on formats and value, we analyzed the influence of digital innovation on the music industry sustained by the co-innovation (Lee *et al.*, 2012; Saragih *et al.*, 2018) and value co-creation (Choi & Burnes, 2013) concepts placing customers in the center of it. After identifying the value and impacts of download music on different segments of the industry, I intend to think that the streaming model is a more viable model and a solution to piracy, although some hurdles remain for artists and consumers. Combining these studies and personal experience in the music industry, I consider that digital transformation strongly changed the music industry by changing music consumption, and the way music was marketed including the roles and relations of the music industry stakeholders. Indeed, late marketing trends showed the rising importance of technology and consumer participation in the music industry.

With a view to shed light on this topic, some propositions have been elaborated as perspectives of analysis for the next phase of the study. All the following propositions will be addressed from a business point of view to music business professionals.

- Proposition n°1: The streaming business model implementation successfully succeeds to the download and physical models.

Vaccaro & Cohn (2004) identify three business models, according to three successive music formats and types of consumption which are: the traditional model of the CD/vinyl, the renegade model of the illegal digital music file, and the new/modern model of legal online music consumption, in our case, the streaming. IFPI (2020) illustrates how streaming consumption increased while physical and other download consumption decreased.

- Proposition n°2: The major limitation of the streaming is artist remuneration. It would need in average around 200 streams on audio streaming platforms to generate 1 euro for an artist (Statista, 2020 (c)).

- Proposition n°3: Technological innovation is the driver of business models evolution.

Garofalo (1999) exposes that the introduction of new leisure technologies in the 2000's affected the music industry. Bourreau & Labarthe-Piol (2004) and Waelbroeck (2006) also support that the progress and arrival of ICT (internet) altered leisure consumption for consumers.

- Proposition n°4: The association of technology innovation with the music industry has a strong potential.

Technological innovation created customized prescription for purposes of helping customers through their choice selecting music (smart playlists, machine learning, artificial intelligence) (Hadida & Paris, 2014). Technological innovation also allowed artificial intelligence and augmented reality to enter the music universe, as well as combining gaming and music (Gonneau, 2020; Six, 2018).

- Proposition n°5: Digital user-generated promotion and marketing tools are today essential for artist success.

Fans no longer want to be passive, as much as the artist-fan relationship has changed. Thanks to the explosion of social networks and digital technologies, consumers are now taking full part of the value chain of the music business (Waelbroeck, 2006). Consumers are co-creators of value of the music industry (Choi & Burnes, 2013).

- Proposition n°6: The world pandemic benefited to the streaming model.

Livestream gained importance towards the public. Indeed, many artists tried to make it look original during this world pandemic and found news ways of transmitting their music (Gonneau, 2020; Sayej, 2020).

- Proposition n°7: The streaming is likely to remain the future business model.

In 2018, streaming revenues overpassed all other revenues of the record market worldwide, became the primary source of revenue thanks to its paid version and is still growing (IFPI, 2020; SNEP, 2020).

The results of these inquiries and reflections will be exposed later for discussion and conclusions.

2. Objectives

This study intends to research and pinpoint what are the drivers responsible for business models' evolution in the music industry and in particular how the streaming model implemented itself in the music industry, attempting to bring out elements about the effects of digital

transformation on the industry as well as on its stakeholders. With the purpose of analyzing how evolved the businesses and the offer through technological innovations and combining the literature review with the scope of my professional experience in the music industry, this qualitative investigation takes business sides.

The main objectives of this investigation are the followings:

- To identify in what measure the digital consumption of music replaced the physical one even though there still are physical sales since the rebirth of the vinyl
- To analyze how the streaming model succeeded in implementing itself as the major business model, offsetting the online illegal and traditional physical consumption of music
- To point out the limits and challenges of the streaming, referring to those of the previous download model
- To identify the drivers of changes within music industry business models: driven by technology innovation, consumers, competition between companies, or else
- To characterize how technological innovation interacts with the music industry
- To understand how consumers are now active players in the music marketing and artist success. Indeed, when witnessing the explosion of social networks in music promotion, we must acknowledge the important place of consumers in participating in music diffusion and promotion
- To identify the influence of the pandemic COVID-19 on the industry and streaming model, considering how the use of streaming was emphasized during lockdown
- To suggest future business models and see in what circumstances the streaming model will take part in the industry

CHAPTER 4 METHODOLOGY

This fourth chapter relates of the methodology adopted for the study of this thesis: the different steps of primary and secondary data collection as well as the presentation of the qualitative study conducted.

1. Methods and techniques of data collection

For the purpose of this study quantitative data was used as a secondary source of information so as to help analyzing the market dimension and life cycle trend, and a qualitative study was conducted afterwards for the search of primary data.

As the first step, quantitative data was collected thanks to IFPI and SNEP studies that are conducted every year. These studies aim at reflecting the industry's numbers about the evolution of sales and shares for example, worldwide for IFPI and in France for SNEP (IFPI, 2019 (a); IFPI, 2020; SNEP, 2019; SNEP, 2020).

Then, scientific data was gathered in the literature review as for collecting elements about past studies on the evolution of music business models and the influence of digital transformation in the music business. Scientific data don't seem enough to fully understand issues regarding creative industries and especially music industry. That is why in the meantime, my current study program in music industries allowed me to gather and collect data directly from a scope of music professionals, helping me to better encompass this project's topic.

In a third step and pursuing the objective of gathering deep qualitative and real time data about business model drivers and digital impact on the music industry, the most appropriate research method was to conduct qualitative interviews. As a method "to answer questions about experiences, meaning and perspective, most often from the standpoint of the participant" (Hammarberg *et al.*, 2016) and so as to produce accurate, up-to-date, and specific data about the impacts on the music industry, the qualitative study was conducted towards professionals of the music business.

2. Qualitative study

2.1. Study interest

The particular interest of this qualitative study is to better understand and collect direct valuable data and personal insights from the field about what drove changes in music business models from the sample's experience, the impacts and limits of music digitalization they encountered at work, and to understand how they perceive the current streaming model to perform. Then, it was interesting to learn in what circumstances the association of technology with the music industry could be beneficial, and see how the current user-generated marketing and consumption trends are going to evolve from their opinion, particularly after the COVID-19 crisis. For the purpose of this investigation, it was essential to define the sample and ensure objectivity and heterogeneity speaking of genres, age, company and sizes, job, past experiences within that sample so as to have a 360° vision of the influence of digital music on business models and value creation.

In order to support each participant's standpoint and personal perspective, the method of in-depth interview was the most appropriate. As the sole data source for the qualitative research, the use of semi-structured format composed of open-ended questions was purposely chosen to deeply explore each of the respondent's feelings and perspectives on the subject (Guion *et al.*, 2001; DiCicco-Bloom & Crabtree, 2006). Usually audio recorded, the responses were in our case written under the shape of numerical notes using a computer. I considered taking notes during the interview was more relevant as for being flexible and responsive to the respondent's answers, making some soft alterations or reformulations possible. The paraphrasing technique (Guion *et al.*, 2001) was also used to confirm the interviewees discourse. Due to the pandemic, interviews were made by distance, some by video calls (Zoom, Skype, Facetime), the others were made by phone calls, and respondents remained available for any complementary information or back reflection by email or phone after the interview was conducted (Guion *et al.*, 2001).

2.2. Interview guide

Prior to the sample interview, an in-depth interview guide was constructed with the purpose of driving a logical and fluid discussion with the respondents. The elaboration of this guide was designed to cover the main propositions of the thesis. For better results, this guide interview

was pre-tested on 2 respondents in order to accommodate questions, point out some elements which were not considered, clarify concepts when needed and improve the validity of the process (Eckert & Bell, 2006). Following the structure of a semi-structured interview guide, two levels of questions were asked. First, main questions focusing on the objectives of the study, and then follow-up questions or further precisions helping to direct the respondent to the essential points of the research or when losing sight (Bolderston, 2012). As mentioned previously, questions were open-ended and asked in logical and consequential order. Considering the shared economic difficulty of the respondents due to the pandemic context and the relationships I maintain with the respondents of the sample, a professionally-friendly tone was adopted during these interviews.

The script was elaborated and presented to the sample under 4 parts:

- The first part is used for breaking the ice, setting a framework and identifying the relationship between music and the respondent.
- The second part essentially approaches the implementation of the digital music model, looking at the limits and changes incurred by the streaming on the industry and different stakeholders while referring to those incurred by the download.
- The third part is about the implication of technology in the business models evolution, as well as the association of technological innovation within the music industry. The growing importance of user-generated marketing strategies to market and broadcast music are mentioned in this part (experiential marketing (pop-up shops), artificial intelligence, virtual and augmented reality, social networks, Tik Tok, live streaming and others).
- Finally, the last part raises the impact of COVID-19 on the industry and the potential future business models.

2.3. Sample characterization

The question of conducting an analysis towards customers or professionals have been a true personal interrogation. However, I figured being more relevant to have insights from the heart of the industry, considering most of the published studies are from a customer's perspective and the business perspective mostly remains unexplored. In the same time, the aim of this study is to provide information and reflection tracks for future research. In regards to the actual sanitary situation, data collection from professionals appeared to be complex since managing

the respondents' availabilities between work from home and pandemic crisis was necessary. Among the twenty people solicited for this qualitative interview, I got the opportunity to interview nine of them by correspondence.

The sample is composed by both women and men, currently working in the music industry in France. They are all coming from different company sizes: from start-ups, to medium entities, to music majors; and from different working services: law, marketing, promotion, publishing, artistic, 360, live. All of them count in their career path several experiences in other companies and services before that. Their age is varied (from around 30 to 70 years old globally) and their city or origin in France varies too.

Some deeper information about the sample of this study is included in the table as follows:

Respondent identity	Current occupation	Previous occupations
François Millet	Founder and Publisher at Vital Song, Co-founder of 44 Paris	Former Administrator at SDRM and CSDEM
Karim Ech-Choayby	Head of A&R department of Universal Music Publishing Group	Artistic Director at Virgin and Universal Music
Pierre Niboyet	Founder and Digital marketing consultant at MatchPlay, Co-founder of Expli-zik	Former marketing positions at Sony Music and Warner Music, former Head of Artist Marketing at Deezer
Michel de Souza	Founder and CEO of MDS CONSEILS	Former General Manager at EMI Music and Warner Music Group, former Marketing and Commercial Director at Universal Music Group
Hervé Cocto	Founder and Director of Music Media Consulting	Former Promotion Director at EDEL and BMG, former Radio Host and Producer at NRJ, FUN, RTL, Hotmixradio, former Producer and Reporter at Qobuz
Daniel Findikian	Founder and Director of EMIC Creative Industries Management School, Senior	Former Marketing Director and VP Digital Sales, Business Development and New Business at

	Consultant at Qobuz, Founder and Consultant at Garine	EMI Music, former Head of Marketing and Label Manager at Universal Music Group, former General Manager at Sony Music
Benjamin Rittner	Head of Booking at Astérios Spectacles	Booking at Astérios Spectacles
Alexandra Pils-Hayot	CEO of Savoir Faire	Former International Marketing Manager at V2 Music, former Product Manager at Canal+
Anne Hindermeier	Head of Legal at Believe Digital Group	Former Legal and Business Affairs Manager at EMI Music and Warner Music, former Legal Counsel at BMG

Complete guide interview is available in appendix A.

CHAPTER 5 RESULTS

The next section will be the presentation of the results gathered thanks to the data extraction from the qualitative study. Following the sections of the script and the propositions defined in chapter 3, we will approach the results in that same logic order in order to see if such propositions are valid.

In order to analyze the results, we must keep in mind that the respondents all consume music through varied different ways because of their job in the music business. All of them consume online music today thanks to paid subscription to digital platforms (Deezer, Spotify, Qobuz, Apple Music, YouTube Music) but some also dispose of a CD/vinyl collection they don't often listen to (mostly buying vinyls when they really like an album). Some of them also used Napster in the 2000's. They all go to gigs from an occasional basis to a very regular basis depending on their field of work. Some of them listen to the radio or listen to podcasts.

1. The streaming business model implementation successfully succeeds to the download and physical models (P1)

The majority of the respondents mentioned in general that digital transformation transferred physical music consumption into digital music consumption. According to them, the transition to the streaming model in the music business presented more benefits than drawbacks, although the majority of them experienced difficulties to cope with this new model or were not confident about this model at that time.

Indeed, this model is implemented as a remedy to piracy and gives a logical continuation to the physical model (Daniel Findikian). Alexandra Pilz-Hayot highlights the natural evolution of this model, which is more relevant than the possession of an MP3 file, "there is no need to pay for buying music if we can rent it" (translated from Pierre Niboyet's words). Many of the respondents say to work differently but more efficiently thanks to the streaming model (François Millet, Hervé Cocto). With access to a greater diversity of music and easier access to discovery, some of the respondents pretend to be able to accomplish new things they couldn't be able to do otherwise (DJ mix, virtual relationships with artists, work from home). Although less concerned by the streaming model, the live industry also finds the advantage of being able to listen to demos more easily, to discover new artists without having to do much research (Benjamin Rittner). The streaming model, and therefore the digital transformation, also has the

advantage of being open to the world and allows for specific music genres to build a worldwide audience, not limited to the local niche anymore.

On the other hand, many respondents point out the difficulty of this business models succession. Digital innovation remains a relatively technical field and therefore cannot be addressed to everyone (Anne Hindermeyer, François Millet). Right owners and artists were a bit lost and reluctant to have their music available everywhere on the internet and lack of knowledge in this field. Step by step, they become more comfortable with this method (Anne Hindermeyer). Concerning the music business workers, the point of the intertwining of personal and professional life as an influence of the digital transformation has been raised. Indeed, no training course has been provided for them to cope with this new model emergence and caused a lot of mistakes and misunderstandings before it was fully adopted (François Millet, Karim Ech-Choayby, Michel De Souza).

Some respondents mention having felt disappointed by this model. Hervé Cocto points out that the transition to the streaming model was slow, the 50/50 equilibrium between digital and physical music should have happened sooner than in 2018 in his mind. A part of the respondents also compares the playlists of the streaming model to radio stations in the traditional model. Supposed to be a revolutionary way to generate music discovery, the streaming model is becoming a mainstream and controlled model where music is pitched by majors to the DSP for their artist diffusion and cover their fees (François Millet, Karim Ech-Choayby, Hervé Cocto). “Digital music became a vicious circle” (translated from François Millet’s words).

2. The major limitation of the streaming is artist remuneration (P2)

Almost all of the respondents agreed to say that the main limitation of streaming is the artist remuneration. Whereas higher revenues could be perceived through physical record certifications, the current streaming remuneration models tend to be more beneficial to the most famous worldwide pop stars and to producers rather than composers, artists and musicians themselves (Hervé Cocto, Michel De Souza, Pierre Niboyet). Pierre Niboyet even illustrates that an artist would better be independent in order to be profitable and gives the example of the NeilYoungArchives website, giving access to fans for a 2€ monthly subscription fee, to his entire catalog including exclusive versions of his music, generating around 50 000€ per month only for the artist. Michel De Souza sees the remuneration model to be improved within the next years, indeed YouTube shows itself as a high competitor offering loads of music for free (Daniel Findikian). Even though Deezer’s introduction of the UCPS seems to be a fairer

solution for artist remuneration (Michel De Souza), many of the respondents feel dubious about its effectiveness (Pierre Niboyet, Daniel Findikian). Some emerging markets don't work with monetized streaming systems, so it is complex to ensure a fair remuneration (Daniel Findikian, Anne Hindermeier). Another relevant element raised by Alexandra Pilz-Hayot is that there is a low level of streams and consequently of remuneration for adult music or catalog music, considering that the audience on streaming platforms is mostly young. On the contrary, Anne Hindermeier stresses the transparency and immediateness of this remuneration model compared to previous models. Significant revenues can be found in artist advances, synchronization, publishing, collaborations, partnerships, etc. For this reason, she does not see the streaming remuneration model as an obstacle.

The second limitation resides in a problematic of concentration of key players. Indeed, as it happened with radio stations in the traditional business model, streaming platforms are acting as a monopoly (Benjamin Rittner, Pierre Niboyet, François Millet). They state that music majors and right owners are partly responsible for this concentration. Music majors being tributaries of the platforms, they pitch platforms to convince algorithms and editorial teams for their artists' appearance in playlists as for covering their investments. The disappearance of medias set DSP in both roles of distributor and media for discovery too, which insists on this concentration issue (Alexandra Pilz-Hayot).

Another limit raised was technology itself, representing a limit to the model. With full access to around 50 million songs, is it less likely for consumers to know what to listen to, to find what they are looking for, or to discover new music (Karim Ech-Choayby, Pierre Niboyet). Artists too are expressing difficulties with this new technology and could perform better if they had more knowledge about it (Hervé Cocto, Karim Ech-Choayby). Playlist creation and curation is essential to address music to consumers (Pierre Niboyet).

The sound quality is also a problem lifted by the respondents (Daniel Findikian, Michel de Souza). DSP provide a low CD quality of sound whereas Qobuz provides a high quality of sound. The lack of information about right owners or the lyrics, can also represent a drawback (Michel De Souza).

3. Technological innovation is the driver of business models evolution (P3)

Almost all of the respondents agreed on technology being responsible for changes in business models, "music has always been about adaptability and agility" (translated from Karim Ech-Choayby's words). It is technological improvement that drives business models, whether it

comes from right owners, music labels, publishers, or even the consumers (François Millet, Daniel Findikian, Alexandra Pilz-Hayot). The common example of iTunes has been raised by some of the respondents: the innovativeness of its 0.99€ per track model was unexpected and supposed to be the cash cow of the industry but possessing a file has appeared to be useless (François Millet, Pierre Niboyet). As we were able to observe with the CD and the download models, technological and internet progress improved and evolved business models (Pierre Niboyet, Michel De Souza). Music professionals must be curious about new technologies and tools not to be left behind (Benjamin Rittner). “What is important in terms of music and business model is that music is always ahead of tomorrow” says François Millet when referring to the business models evolution.

Technology is not the only driver of change, music is also social, economic and politic and thus influenced by the market evolution (François Millet). Consumers and competition also were significant answers when asking about the drivers of business models evolutions. First, consumers are the ones having control over the success of something. If they like it, they will ask for more and if they don't, they will go look somewhere else (Michel de Souza, Hervé Cocto). On the contrary, Benjamin Rittner stresses that consumers will buy anyway and that it is the competition between companies that drive change. In the live industry, as in the record industry, key players are in an oligopoly situation and most of them owned by big multinationals. Of course, it is not one or the other that has the whole responsibility of altering business models but a mix of several factors (Anne Hindermeier). Majors tend to push what producers and artists want, but in the same time artists don't necessarily know what they want to do nor how, so business models evolution does not only rely on one element.

4. The association of technology innovation with the music industry has a strong potential (P4)

Some of the respondents completely agree with this proposition as regards the gaming and smart speakers. As seen during the pandemic, Travis Scott's introduction in the game Fortnite was a good call but it was just sketch of all the links and common opportunities that are going to appear between artists and the gaming universe (Pierre Niboyet, François Millet). In addition to this, smart speakers could be the main future challenge for the ten coming years. There won't be any push strategy from the music labels towards radio stations or streaming platforms, it will be from an active consumption that the consumer himself chooses to listen to a particular song or not. The stake here is to know how to make people discover new music (Michel De Souza).

Some of the respondents partly agree with this proposition, as Karim Ech-Choayby stresses that it is not the innovation itself that is beneficial but the “event it creates” around it. Content has value but the form of how it is presented to the audience has even more value, storytelling is crucial. Technology innovation in the marketing and promotion can be beneficial in the sense of it being an artistic proposition, it will not replace the basics. The artificial intelligence and virtual reality also aroused varied opinions. Regarding the use of smart playlists or mood playlists, the use of artificial intelligence could be a great reflection track (François Millet), although the evolution of this technology is very slow (Michel De Souza). The respondents don’t think that AI or VR are going to be major trends in the future (Daniel Findikian, Benjamin Rittner). Applied to the live industry, the use of this technology will still be a technical representation of a live show. Hence, it will bring technique and creativity to it but the core element remains the artists playing live in front of people (Benjamin Rittner).

5. Digital user-generated promotion and marketing tools are today essential for artist success (P5)

The majority of the respondents feel and recognize that user-generated content tools has high stakes in the success of an artist. Today, we are in a song economy, in opposition to the album economy of the former traditional model (Pierre Niboyet). This means that an album release was at that time, the opportunity to make a catalog album or song re-appear and benefit from this new release. Thanks to Tik Tok, Instagram, synchronization and other social networks, there are a lot more ways to make catalog titles profitable today, as he illustrates with the example of the song “Moon” of Kid Francescoli, which became a huge success thanks to consumer choreographies on Tik Tok. However, Tik Tok was destined towards children before the pandemic crisis. It became a general consumption, promotion, communication and even a creation tool generated by consumers only during this special context (Karim Ech-Choayby). Considering the viral and buzz effect that user-generated content may have on an artist success or music, music labels should allocate some part of their budget for these marketing actions. As a matter of fact, there wasn’t any Top 10 Billboard song not having its Tik Tok challenge during the lockdown (Pierre Niboyet). By calling to creativity, connection with the audience and construction of the artist universe, this type of tools meets in the same time business objectives and consumer desires, and is profitable for everyone in the value chain (Karim-Ech-Choayby, Alexandra Pilz-Hayot, Pierre Niboyet). Karim Ech-Choayby also points out that streaming on its own, wouldn’t make an artist profitable. Artist success relies on consumer satisfaction, and

that is why artists need consumers to participate and interact with their universe as for developing an artist-fan relationship and satisfy their desires. Only electronic music, called “the music of the against”, could work on its own via streaming.

On the other hand, despite acknowledging the efficiency of these consumer-focused tools on music marketing and promotion, some of the respondents do not feel comfortable with the idea of leaving control in the hands of consumers and the internet. Besides of being time consuming, the immediateness and buzz effect that the internet and social networks have can represent a drawback. As Anne Hindermeier explains, everything and anything can be broadcast about the artists as they have no control over it. “In thirty seconds, a reputation can be destroyed”. She reckons that this type of marketing tools is generational and will keep interfering in marketing strategies but will not take the lead over other marketing strategies.

6. The world pandemic benefited to the streaming model (P6)

Most of the respondents were expecting a slight increase of the streaming consumption during the crisis but it was not, except for freemium accounts, whose subscription increased (Karim Ech-Choayby). People’s rhythm of life being disrupted; it is mainly their way of consuming music that has been impacted. Music consumption peaks, usually observed during rush hours (going and coming back from work) disappeared and let space for people to listen to music anytime during the day (François Millet, Daniel Findikian, Anne Hindermeier). Golds and Soundtracks’ catalog appeared to benefit from a growth in streaming volume (partly due to the increased use of Netflix) (Karim Ech-Choayby).

During this particular period, we were also able to see the rise of livestreaming. According to the respondents, it is a good thing because it allows specific genres to reach a worldwide audience (François Millet), and diversify the artists’ revenue sources (Pierre Niboyet). Hervé Cocto even mentioned creating an app called AKIUS, based on storytelling and livestreaming experience. Nevertheless, all the respondents agree on the fact that depending of the quality of this livestreaming activity, it could be very interesting to “very boring” (Michel De Souza). Some of them really liked the interaction and the DIY characteristic, on the other hand many of them were tired of its expansion and poor interest, quality and content. Yet, it changed artists’ attitudes towards social networks (Michel De Souza). All of the respondents agree on the fact that the livestreaming corresponds to an epiphenomenon and that it will not change the business model, nor replace the live experience, “I will never watch a live show on my computer with headphones instead of going to a live show” (translated from Benjamin Rittner’s words). It is

the artist that appeals to fans, a group of friends willing to go to a live shows works better than any sponsored post on social networks (Benjamin Rittner). Though, this model could remain part of the music industry propositions if it is improved (Hervé Cocto, Michel De Souza).

7. The streaming is likely to remain the future business model (P7)

Ending the interview with a very open proposition about the potential future business model provided some very interesting insights.

First, some suggestions were made concerning the interest of the consumers. Pierre Niboyet mentioned some hybrids models, crossing roads between the download and the streaming where payment happens in nine times or listenings. The first is free and the price gradually increases until reaching 1€ in the end of the nine listenings. This method allows consumers to discover music as well as to pay for something they really like. The other model brought by the respondent is the one mentioned previously, the NeilYoungArchives website. Referring to the Asian business models and WeChat, some respondents stressed that new business model should focus on user experience and on satisfying the fan by providing a complete access to the artist universe in an artist-centric vision (Pierre Niboyet, Daniel Findikian). Michel De Souza too, supported this idea of user oriented business model and adds that he would be willing to pay more his monthly subscription to streaming platforms if there was more relevant information on that one, making the DSP the only meeting point for everyone. Podcasts, as extracts of radio replay, can find an unfulfilled demand audience and be a relevant media too (Hervé Cocto).

From a business orientation defending the artists' interests, artist services and blockchain were mentioned. Artist services' expansion in music labels can be a solution for artists looking for accompaniment on other sectors in order to find other sources of revenues (Anne Hindermeier). As regards the blockchain, a whole ecosystem with the artist in the center of its activity could be an interesting solution for artists (Alexandra Pilz-Hayot).

Most of the respondents said that all the different ways to consume music will coexist, with the need for music companies to work on an old school strategy and a modern digital strategy (Hervé Cocto). Paid streaming and the live experience will remain the most spread music consumption for the upcoming years (Daniel Findikian, Karim Ech-Choayby, François Millet, Anne Hindermeier, Michel de Souza). Even if we are assisting to the rebirth of the vinyl, some respondents think that this trend will soon reach its maturity phase and its consumption will soon decline in France. They explain this by the fact that French people are less music lovers than before (Michel de Souza, François Millet).

CHAPTER 6 CONCLUSIONS, CONTRIBUTIONS, LIMITATIONS AND FURTHER RESEARCH

In conclusion of the whole secondary and primary data collected and analyzed, this section will present the combination and conclusions of the findings regarding the proposed framework and purpose of this research.

1. Overall conclusions

The study gives insights about how transiting to the streaming model was beneficial but the transition presented some obstacles as far as music business professionals and artists are concerned (P1). The major limitation of this model appears to be the artist remuneration, closely monitored by the concentration of players and by technology itself, rendering the use of this model's tools complex for non-tech-savvy people (P2). Indeed, technology takes important stakes in business model evolution. Technological innovation is clearly the main driver of business model evolution, even though competition and consumers remain to have influence on business model evolution (P3). The implication of technology within the music industry seems to be positive for the most of it (P4). Digital user-generated promotion and marketing trends such as social networks and apps are henceforth part of the value chain and should not be neglected (P5). Against the expectations, the pandemic crisis didn't really affect the streaming model and its level of consumption but rather its consumption mode. The exploding trend of the livestreaming does not seem to be able to resist to real live experience once everything will go back to normal (P6). In fact, paid streaming combined with live experience will be the future business models and sources of revenues. Some other innovations might be interesting to explore for future business models. On the overall, the different music consumption modes will co-exist altogether, while the current trendy appeal of the vinyl will diminish in the coming years (P7). In the next sous-chapters will be explained the most significant result topics of the study.

1.1. The streaming model: a viable but criticized model succeeding to the CD and download

The traditional business model of the music industry has given an end to its dependency over the sale of records. Progress of the internet changed for a first time the music industry and gave

birth to the renegade model of Vaccaro & Cohn (2004) with the possibility for consumers to consume music under the shape of an MP3 file with immediate possession. Lately and since 2018, the streaming changed for a second time the music industry and now represents the major revenue sources of the record industry (IFPI, 2019 (a)). Seen as a revolutionary succession, the streaming model does not as much replace the consumption of the previous models. More of a natural consequence and remedy of the past business models, industry professionals attest the effectiveness of this model however the transition was not an easy task because of the complex technological aspect of the model, until then not very adopted by the company's culture. Technology is one of this model's limitation, yet it is artist remuneration that represents its major challenges. Indeed, the streaming only represents a slight share of artist revenues (Findikian, 2020; Statista, 2020 (c)), enlarging their scope of revenue sources through a 360 model (Garofalo, 1999; Hull *et al.*, 2011) as well as synchronization, brand partnerships and independent distribution. Competition between platforms is becoming intense, reflecting the situation of the Big Four (Garofalo, 1999), as the artist distribution success depends on their performance on digital platforms.

1.2. Technology: driver of music business evolution and a high potential for the future of the music industry

In coherence with the study of Vendrell-Herrero *et al.* (2018) setting the evolution of formats responsible for the evolution of music business models, we can infer here that technology plays an important role in the evolution of music business models. Technological innovations such as the iTunes 99 cents track, DRM-protected MP3 files, as well as holograms in live shows and digital music libraries, are then assimilated by music professionals and integrated in business models and music marketing strategies. Recent technologies such as augmented reality and artificial intelligence have been introduced into the music industry (Gonneau, 2020). Music creation and assistance are starting to be developed and machine learning methods are already successfully used for smart playlisting (Aquino & Glagowski, n. d.; Wino, 2020). The rising consumption of smart speakers might let us think that music could interfere in that area too, delete the entire chain of intermediaries between the music and the consumer. Virtual reality such as Travis Scott's introduction into Fortnite videogame and holograms (augmented reality) in live shows are promising areas of study for the upcoming music industry business model. Indeed, with millions of players listening to background music during games, music and gaming are more and more linked (Soundcharts. 2019 (d)). As long as technology is used in an artistic

perspective, technology and the music industry will collaborate, without necessarily become the core of the future music business models.

1.3. Consumer growing stakes in the music business

As mentioned before with Lam & Tan (2001), disintermediation brought alongside the emergence of user-generated technologies or digital tools. Thanks to those user-generated platforms such as YouTube, Facebook or Instagram, consumers can generate content and co-create value, and thus interfere with the artist's environment (Choi & Burnes, 2013). In this song economy, the success of Tik Tok is undeniable. From promoting last single release to digging into back catalogue, the most famous successes on Tik Tok are top hits today. The relationship to fandom and the mode of consumption have changed, putting consumers at the center of the creation of artists' universe. Music professionals support the fact that consumer active participation in artist promotion and marketing should not be ignored when elaborating strategies (Hull *et al.*, 2011; Hutchison *et al.*, 2009). As a consequence, artist-fan relationship has never been so strong. By engaging through these digital tools, consumer data is collected and allows music companies to better meet customers' needs and desires (IFPI, 2020). With a more evolutionary look of the music business models, the study revealed that user experience could be the focus of the business model in the upcoming years. Indeed, if we take the reference of the Asian models of digital platforms, consumers could have access to a higher quantity and quality of exclusive information about the artist's universe, making the experience more unique (McKinsey, 2016).

2. Suggestions and contributions

The present research not only aims at analyzing the influence of digital technology on the evolution of the music industry, but also at clarifying it from a business point of view, especially with regard to the impact on the music businesses, as much on working methods and latest trends resulting from technological innovation than on the changes generated in the roles of industry players and their relationships with each other and with artists.

- The participation of music business professionals in this study, currently working in the music industry, gives a concrete dimension and a sure value of what the current model represents within the industry.

- The approach of the implementation of the streaming model at the level of music professionals operating in different departments, allows to take into account the difficulties of each one in its department, and to see how to avoid or face this difficulty.
- The reading of this study by artists would also make it possible to present the various possible opportunities concerning the creation, distribution and commercialization of their music in today's digital context.
- The pooling of opinions on the latest technological innovations and their involvement in the industry could give rise to collaborations between technology, video games and music companies.
- A consideration of the future of business models and of the streaming model also allows to apprehend the possible changes from various angles and why not allow players to initiate one of them if the model seems plausible.

3. Limitations of the study

This study contains limitations that should be addressed for a better understanding of results, which could be used for further research.

Firstly, the conceptualization of a research question for this dissertation has been refined. Encompassing at first the evolution of business models in the music industry, the analysis of this topic was too broad and consequently could not be completed with a qualitative study from only one part of the market (from the offer perspective).

The sample interviewed for this study is not very large. Although there is no concrete information about how many interviews to conduct in a qualitative research as it depends on several factors (among other things heterogeneity, the number of selection criteria, types of data-collection methods (Ritchie *et al.*, 2013), the sample size of this study could have been larger (from 1 to 5 more people interviewed) in order to fully englobe the diverse opinions and experiences of music industry professionals.

The pandemic context also represented a limitation in this thesis. The sample size must have been reduced compared to original expectations and data collection has only been carried out by distance.

Furthermore, as an ISCTE master student enrolled in a French work-study MBA with a full time job in the music live industry, time management has been a major brake.

The methodology framework did not consider the artist's perspective. Indeed, it was a choice to focus on the business or the offer position but with the rise of self-produced and independent artists, they are consequently representing an important part of the music business.

Finally, the last limitation has to do with the phenomenon itself. As an emerging trend and in constant evolution, there was no concrete spinoffs of the impacts of new technologies on the music industry yet, making it trickier to generate assumptions for future trends and business models.

4. Further research

Considering the approached research question, we could address the following aspects for further research.

- Instead of focusing on its limitations, identify the key success factors of the streaming model
- Analyze how technologies and the music industry interfere and the potential of their collaboration
- Investigate the association of gaming to the music industry and the outputs this collaboration could lead to
- Characterize independent and self-produced artist solutions and services in the digital era
- The influence of COVID-19 on the music industry and especially on the live music industry

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ANNEXES

Annex A: Interview guide

Introduction. Brief personal presentation / Please introduce yourself: Passions, education, job, professional experiences...

Q1. How do you consume music and why?

Further precisions: Paid subscription to a streaming audio or video platform, purchase of physical product (CD, vinyl, or else), radio, live shows, gigs...

Q2. How did you live the transition to the streaming model in the music industry?

Further precisions: In terms of value (from a product to a service, from possessing music to access music), artist remuneration, job, partners, key players, rights... Talk about the streaming model in your daily work in general.

Q3. We have seen the limits/challenges of the download (piracy); what are the limits/challenges of the streaming?

Further precisions: Artist remuneration, complexity of technology, abundance of information...

Q4. What drives a business model to change according to you?

Further precisions: Competition, companies/businesses, consumers, stakeholders, technology, innovation...

Q5. What do you think about the last trends implying technology in the industry?

Further precisions: Livestreaming, experiential marketing, virtual reality, augmented reality, artificial intelligence...

Q6. What do you think about the user-generated promotion and marketing of artists through social networks and apps?

Further precisions: Facebook, Instagram, Tik Tok...

Q7. What do you think about the influence of COVID-19 on the music industry and its business model?

Q8. How do you see the next business to be like?

Further precisions: Qualify in terms of value, remuneration methods, roles, how will an artist be put forward...