



Department of Business and Management

Chair of Creative Industries and Business model Innovation

Network of actors and business model types in Music industry

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SUMMARY

This dissertation has the aim to describe all the different actors involved in the music industry, understanding how they interact together and what kind of networks they create within the value chain. Moreover, the second goal is to find the different business model types used by the record labels and how they changed throughout the years according to the different needs and requests of the customers. About such topic, there will be different variables included in the analysis of the transformation of the business models; not only the endogenous elements of the choices and strategic activities of the firms, but, above all, the exogenous components of the “*digital revolution*” and the recent spread of the Covid-19 disease. In fact, it will be vital to understand the strong link between the two elements and how companies reacted to such phenomenon with the building of appropriate models, tailored to the opportunities given by a continuously changing external environment. In order to do that, there will be two introductory chapters totally devoted to the theoretical analysis of the tools that are required for such thesis: the concept of business model, in Chapter 1, and the theme of networking and, more in general, the building of network structures, in Chapter 2. This part represents the literature review framework that provides the conceptual model to further investigate the empirical evidence and results, emerging from the data collection analysis of the interviews conducted, in the fourth and last chapter of the work. In the first chapter there will be a paragraph dedicated to the specific definition of Business model, another one focusing on the connection between strategy and business models and finally, a third paragraph, that introduces the concept of “*Business model Canvas*” with an analysis of its specific components and an overview on its main functions. In the second chapter the focus shifts on the theme of networking and the concept of network structure, more in general. First of all, there will be an initial definition of social networks and the informal structure of organizations. Among the different networks that exist, the dissertation will deal with the informal ones and the open-boundary organizations, which often uses those types of relationships. Finally, the last paragraph has the intent to develop the concept of ecosystems, platforms and network effects. The third chapter is devoted to the description of the music industry more in general: its development and network of actors. It is composed by three paragraphs: a general overview of the music sector with the analysis of the history, vision, structure and a financial analysis of the overall market, the description of the main players involved in the music value chain, specifying their role, responsibility and rights and a final focus on the copyright concept and music editions. There is also a small part dedicated to the connection between brands and music. The aim of this chapter is to describe, in a precise and concise way, the music sector, how it works and the connections between all members that work behind the artists in the value chain. Only by doing so, it will be easier to understand the answers provided by the interviewees and the results shared in the fourth and last experimental chapter. As previously said, the last chapter describes the results provided by the analysis of the interviews and develops the topics of business model types associated with network structure changes in the music industry. There is first a description of the research methodology: an overview on data collection and the actors interviewed for

such aim. Then, the results about the network of actors and available business model types are shown separately to investigate their effects and understand how these two variables affect the entire music value chain. The last paragraph deals with a discussion on the digital revolution and Covid-19 disease and the way such exogenous elements changed network structures and business model types in the music industry. The conclusions just show the results found and reflections on the topic analyzed together with an overview on the possible future solutions and actions that could be taken to implement the model of reference.

Business model is an important, systematic tool used to better visualize the activity of the firm and its way of operating and working inside the market itself. However, it is important, as a prerequisite, to understand that not all the firms have one. Small companies have fewer boundaries, a less radicated cultural organization, small amount of capital to invest, so they do not follow a specific path while operating in their markets, and that is why such firms do not have a specific business model as the big companies. The reason of this explanation lies in the fact that those kind of companies are more flexible, can adapt easily to changing environments and are focused more on innovation, as they do not have big capital, so they need to continuously reinvent themselves. Having said that, it is now time to better explore the concept of business model understanding its main functions and use. Dealing with the analysis of its definition is not easy as there is not a unique definition of business model. If we want to find the one that most fits and resembles the idea and concept behind such tool, it would certainly be the one of Shafer, Smith, Linder of 2005, which is the one most diffused and used to analyze such tool. In this definition, the authors identify four main categories of a business model that are at the basis of any definition of such topic:

-*“Strategic choices”*

-*“Value network”*

-*“Create value”*

-*“Capture value”*.

The *“Strategic choices”* are composed of a great variety of actions such as dealing with customers and finding the different pricing mechanisms to increase the revenues. The second element of the *“value network”* is included by the authors as firms are not operating alone, they are always using other actors to operate in the business, other *“intermediaries that take part in the process such as suppliers and customers”*. The third and fourth element of the model, which are the part of *“Create Value”* and *“Capture Value”* are more economic driven and orientated towards the final achievement of the firm; it deals with finding ways to increase the creation of value (through resources, activities and assets) and then capture it with *“mechanism through which the firm is paid back by the customers” (cost, profit and other financial aspects)*. This model helps the company to find ways to capture the value back. In this way, the authors offer a new definition of business model, where business mainly refers to creating value and capturing returns from the value. The model is simply a representation of reality as defined by Shafer et al. in 2005, where he says, *“Business*

model is a representation of a firm's underlying core logic and strategic choices for creating and capturing value within a value network". Businesses need to be more customer-centric possible and, as previously said, technology has evolved to allow the lowest cost possible for the sharing of relevant information and enabling efficient customer solutions. Moreover, they need to address customer needs in the most effective way, understanding how to capture value from offering new services and products. In doing so, it is important to have a clear and well-defined business model implemented; without such activity, it is difficult for innovators to either deliver or capture the value created from their innovations. Overall, this process defines how the enterprise creates and delivers value to customers, and then converts payments received to profits; moreover, it is a circular process always going back and forth, the process can always be implemented according to the changing habits and tastes of the final customers.

The first concept to remark is that business model facilitates analysis, testing, and validation of a firms' strategic choices, but it is not itself a strategy. Then the first question that arises is the relationship that connects a firm's strategy and a business model. Business model, as previously said, is not a strategy; it is part of strategic choices, it allows to understand better the concept of strategic choices. Business models are tools to facilitate strategy; they facilitate the elements previously mentioned of analysis, testing, and validate cause-effect relationships that flow from the strategic choices that have been made. Having said that, we have different types of Business Model Innovation that have to be classified. The first one is the Industry model innovation in which the firm either changes the way its industry works or changes its value chain. The second model is called the Revenue Model Innovation, which is related to the changing of the value proposition or the way the firm price for productions/services. The third and last case is called the "*Enterprise Model Innovation*" where the company changes what it does and where it collaborates, it completely disrupts the way it is working. After having analyzed the different types of Business Model innovation, we can give a generic overview of the elements that make such tool successful in the long period. The first step is the segmentation of the market and the careful analysis of the customers that represent that particular niche in order to understand better the dynamic, which helps in the second process of the creation of a value proposition for each segment that best fits the needs of the consumers; only by knowing exactly the market of reference the firm can maximize the result at the highest level possible satisfying exactly the requests of each segment. The third step deals with the design and implementation of mechanisms to capture value from each segment, of course, such mechanisms have to be effective and continuously updated according to the changes in the market. Finally, the last step is the most difficult part for the company that has to figure out and implement "*isolating mechanisms*" to hinder or block imitation by competitors, and disintermediation by customers and suppliers. This last point is an important part in the making of a successful business model as it enables the firm to build a strong competitive advantage against the "*copy and paste*" strategy of the competitors. In fact, all business models might theoretically seem to imitate. It is important to remark the concept that an organization's business model is an ongoing process as

the strategies should always be continuously tested in an iterative way in order to increase the possibility of obtaining a long-term success. The idea behind this is that the more the firm tests its business models and strategic options with rigor and formality and the more it can achieve in the market in a sustainable way. That is why Business models provide a powerful way to analyze and communicate their strategic choices. All businesses have specific business models according to the market dynamic and characteristics of the computing environment. To use an effective and direct quote from Teece' paper to describe the importance of a business model, different from the strategy concept, "*it reflects management's hypothesis about what customers want, how they want it and what they will pay, and how an enterprise can organize to best meet customer needs, and get paid well for doing so*". The final aim was to highlight the importance of the business model tool and how it intertwined with the concept of business strategy and innovation management.

In this context, the main aim of the Business model Canvas is to help in how to make money in the business, allowing to understand which are the main building blocks on which to create the specific business model. Such tool is extremely important for investors and general stakeholders who have an interest in understanding what is the business of the firm, to have a general overview of the firm to which they will relate. A business model includes nine basic building blocks, nine elements that describes the entire business model, it is a Canvas because it is as if the firm were describing its business; the firm's objective is to put all the elements in the proper position, because in this way it means that the firm knows exactly what to do and how to proceed in the right direction. The first element to analyze is the "*value proposition*", which is central to the analysis of the overall business model Canvas. Probably it is the principal element for the firm in terms of priority; however, all the elements are interdependent between themselves. It represents the promise the company makes for its customers and the bundle of products/ services that create value for a specific customer segment; it is fundamental that the firm manages to satisfy the expectations and deliver products of high quality. The second element of the overall Business Model Canvas is the "*Customer segments*"; first of all, there is a differentiation between B2B (where firms sell products to other organization) and B2C market (where the company sell its product/ service directly to the customers, as the mass market). Such elements refers to the definition of the different groups or organizations a company/enterprise aims to reach and serve. As for the value proposition where the point of view was the customer's one, at the same level also the customer segments element refers to the same perspective. The third element of the analysis are the channels that describe how a company communicates with and reaches its customer segments to deliver its value propositions. Both physical and online stores. Here the model refers to both promotion and distribution channels connecting and bringing the value proposition to the different segments of the market. The final aim is to make accessible for the final customers in the market the promise that the company has made about the product realized. Basically, the distribution channel deals with the way the customers receive the value proposition, so the focus shifts towards such tool, which is a fundamental way of communication for the

delivery of the final message for the firm. For sure, the way the distribution channel works depends on the value proposition the company is delivering. The fourth element is represented by the “*customer relationship*” building block, which describes the types of relationships a company establishes with specific customers. There are three different strategies that the firm can pursue: attract new customers (the ones that are not part of the company’s community yet), retain customers (so the aim here is to maintain the present one) and, finally, increase revenues for customers already present (squeeze more value for the same customers) through the activity of up-selling or cross-selling. By doing such activity, the firm is asking the customers to buy different products in its category (portfolio of the firm) in different moments, not always together (different from bundles when the client buy different products together). The fifth and last element of the right part of the Business Model Canvas is the “*Revenue streams*” that represent the cash a company generates from each customer segment (revenue-costs= earnings/profits).

It is now time to analyze the elements that constitute the left part of the Canvas. The first one is represented by the “*Key resources*”. They describe the important assets required to make a business model work. There are several different types of categories among the resources available for the firm: physical assets (e.g. facilities, machines), intellectual resources (e.g. brands, copyrights and patents), human resources and financial resources and/or guarantees. It is fundamental for the firm to understand which key resources are required by the value proposition and needed, according to the distribution channels. In this phase, it is important to analyze correctly the type of customer relationships and the revenue streams that the company generates; only by doing so, it will be easier to understand the resources that are most valuable and precious in the business to obtain a significant competitive advantage in the market. The second element is the “*key activities*” tool. It describes the most important things a company must do to make its business model work. There are several categories of key activities. The third element is characterized by the “*Key partnerships*”, whose aim is to describe the network of suppliers and partners that make a business model work. No companies has unlimited resources, so they need to make some key partnerships and partners, only the one that can add value to the final products, that can increase the business activity; for all these reasons, it is completely strategic to make specific agreements with partners that can increase the efficiency of the firm. About this point, there are several motivations for partnerships: optimization and economy of scale, reduction of risk and uncertainty, and, finally, acquisition of particular resources and activities. The last element is characterized by the “*cost structure*”, which describes all the costs incurred to operate a business model. There are two different categories of cost structures. The first one is the cost-driven approach where the company wants to pursue a minimization process, while the second one is a value-driven strategy where the aim is to maximize the creation of value. Here the focus is to provide the best quality rather than quantity, and that is why such element is typical of the fashion industries where the firms concentrate on the final output rather than just the production of the final output per se. Now that the description of the whole Business Model Canvas is completed, it is important to understand the division made between the right and

left part of the model. The right part is characterized by elements that are related to the emotion and creative part of the activity while the left part deals with finding ways to learn how to develop the projects and the tasks assigned to the firm; It helps obtaining the efficiency, bettering the production process and increasing the logic and rationality behind the different activities that the company has to perform throughout the different periods.

The first element to understand is what is meant by the concept of Social networks. In fact, the most important goal in nowadays' world is to learn what a social network is and why it matters, learn how to diagnose and understand one's own and other's social networks and analyze how powerful social networks are so as to develop a toolkit to build own networks. Stanley Milgram was the first researcher to study such concept through the use of social graphs. A network is a "*web of ties between people*"; to represent network we use social graphs, circle people and arrow friendship. Social networks are complex and continuously moving, a network graph is only a simplification of the reality, a snapshot taken at one point in time. Social networks, as previously said, are webs of connections between people, organizations, or other entities through which important resources are exchanged. Resources can be different variety: money information, advice, trust, helping behaviors, emotional support (e.g. in friendship networks) and negative sentiments. Social networks have a wide range of application. The focus is always on the structure of connections. Dealing with the concept of "*informal structure of organizations*", the aim is to understand why networks matter. They underlie the informal structure of organizations. Formal structure is composed by positions and roles, departments and divisions. "*Ego networks*" is an important tool, embedded in the definition of the structure, and it deals with the different actors that are central; in this case, the analysis is made through their lens and point of view, with important characters, many connections with other agents. Network graphs reveal the informal structure of an organization in a social space. Exploring now the concept of the Network centrality, it is important to remember that social networks are shaped by the design and culture of the organization; the goal is to find the connection between the concept of social networks and power and how it is distributed within the organization. First of all, it is central to develop the "*power*" definition, it can have three different origins, from position, personal characteristic or, finally, from relationships. There are three different lens that are generally used to analyze the company through different perspectives. The general aim is to provide a high level view of the lens with details of each element analyzed. The "*strategic design level*" lens refers to organizations as deliberately design systems set up to achieve certain strategic goals, making the organization effective and efficient. The strategic design cycle has the intent to understand which are the strategies the organization will develop to reach those targets and how to coordinate action in the firm by creating groups (functions, products). The second lens, which is the "*cultural lens*", embrace the idea that organizations are viewed as systems of a shared meanings and beliefs. Norms and values form and shape the attitude and behaviors of the employees, it goes beyond the materialistic view, to emphasize the symbolic and subjective aspects of the organization. It is now time to explore the third and last element, the "*political*"

lens that focuses on power, as also previously said. Through this lens, researchers see organizations as collectives whose members are pursuing multiple interests. It requires focusing on stakeholders, the ability to negotiate and build coalition. The two different sources of power coming from the role are the role-based power, personal power and, finally, social networks.

After having analyzed the different sources of power, we can go back to the topic related to the network centrality. “Degree” centrality represents the number of connections “ego” has, relative to the maximum number of connections “ego” can have in a given network. It is given by the number of connections ego has divided by the number of people in the network. The quote that best summarizes the concept is that *“the more connections the agent has, the more access the firm can have to resources, and the more powerful it is”*. Being central in the network pays off. Peers perceive central people as having more power and influence. In fact, central people are more likely to receive promotions and advance in their careers, have higher job performance and salaries and have more chances to get promotion. Generally, the players that manages to get the central position in networks are the ones with higher education and emotional stability. To make a summary, there are basically two different ways for the firm to get the power, either with the degree/eigenvector centrality with the access to resources and the possibility to have higher vision and visibility or with the betweenness centrality that helps having more control on the flows of information and it also alters the dependent on ego. There are two different types of ties that can be created within the organization through the network structure. The first one are the strong ties. It could become a significant and important competitive advantage as it helps developing loyalty, trust and satisfaction, cohesion and a credible flow of information. On the contrary, it could also provoke redundancy and network fragmentation (create tension between members). Weak ties, on the other hand, are more effective in the short term. They require little time and no emotional intensity, intimacy or reciprocal service. Someone could argue that they are useless, however they have proven to be very strategic in specific cases. Compared to strong ties they are stronger and easy to manage, little time and efforts are required, thus maintaining a different number of weak ties is easier. The most important features of the weak ties are that they are easy to establish and cost less to maintain. In the workplace, for example, most of the networks are weak ties. They could become a sort of “bridge”, a “path” that connects otherwise unconnected parts of the networks transporting information across social spaces.

There are several different departmental grouping options available for the firms among the various structure design present. There is the functional grouping that places together employees who perform similar functions or processes, while divisional grouping means that people are organized according to what the organization produces. The Multifocused structure has the aim for the organization to embrace two different structural groupings simultaneously, like the matrix or hybrid structure. The fourth element is characterized by the Horizontal (process-based) grouping, where employees are organized around core work processes. They are grouped together rather than being separated. The last case is given by the virtual network grouping

where the organization is a loosely connected cluster of separate components. There are also other more innovative forms that are still developing during these years that will further analyzed in the future. The functional structure is appropriate when the organization either limits itself to producing a small number of similar products or when it produces those products in one or a few locations selling them to only one general type of client or customer. The functional structure has, on the other hand, some weaknesses. It may leads to poor horizontal coordination that need to be fixed with integrating mechanisms, slow response time to environmental changes (such changes need a cross-functional response). Moreover, there could be hierarchy overload as it can cause decisions to pile top. All the firms that adopt such organizational structure have generally restricted view of goals and invest less in innovation. It is particularly common in large organizations, as multinational corporations are organized by country and the divisions are organized according to the different locations in which an organization operates. It allows some functions to be centralized at one headquarters location and others to be decentralized to a regional level. It is particularly common in large organizations, as multinational corporations are organized by country and the divisions are organized according to the different locations in which an organization operates. It allows some functions to be centralized at one headquarters location and others to be decentralized to a regional level. The last example is the “*market*” structure; in this case, the control problem is due to the need to service a large number of different customer groups and the firm divides its activities by customer group. It aligns functional skills and activities with the needs of different customer groups; each customer division has a different marketing focus, and the job of each division is to develop products to suit the needs of its specific customers. Thanks to the increased flexibility, the organization can quickly sense changing needs in the market and react to them. The last structure is the matrix structure. It is a design that groups people and resources in two ways simultaneously, either by function and project or product or by geographic and client. Such structure is suitable when there is pressure for shared resources across the organization, also when two or more critical outputs are required, finally when the external environment is complex and uncertain. In the matrix structure, team members move to where their skills are needed; each team member has two superiors, the so-called “*two-boss employees*” phenomenon: employees report their functional manager and work in cross-functional product teams under the supervision of a product team manager. Among the different features, the matrix structure gives the organization the benefits of learning how to create specific products for different countries to satisfy the customers and the possibility to promote cooperation between divisions achieving cost reductions. The cross-functional teams help reducing functional barriers and facilitating communication between specialists of both functional and product agents. By having both the functional and product focus it promotes concern for both cost (function-oriented) and quality (product oriented demand). Finally, it enables the organization to effectively use the skills of its specialized employees who move from product to product as needed. However, the dual authority presence causes confusion; moreover, it is a time consuming process, as dual authority means more bureaucracy. There is a new structure form that is the “*project-based*” one, which is characterized by temporal horizontal dimension and permanent vertical

dimension. The high level of elasticity of this model allows a firm to survive in highly unstable environments characterized by fast-changing technologies where clients' needs change rapidly. As previously said, it is composed by a permanent functional structure and a temporal project structure with high decentralization in the decision making process. The model is ideal for medium-large companies that have products with a short life-cycle and respond to the specific and changing needs of groups of clients. In this model, the project manager has full authority to assign priorities, apply resources and direct the work of people assigned to the project. The members report to the project manager and to the functional manager. When the project ends, the project team is disbanded and team members and other resources are released. After the specific analysis of the different structures available for the firm, it is now finally time to explore the concept of network organizations. It offers many opportunities to reduce costs and increase flexibility; this is why the use of network organization is rapidly increasing among the firm, shifting the focus on the outsourcing field, which is becoming a significant trend, together with the use of network structures that constitutes a significant innovation in organizational design. The network organizations enables organizations to obtain resources worldwide, giving the company immediate scale without huge investments. Moreover, the organization can reduce its costs avoiding the bureaucratic expenditure of a complex organizational structure. The structure is very flexible and easily respond to changing needs as the core company can replace the network partners at any time if they do not perform up to standards. On the other hand, this high level of autonomy and independence requires a great deal of time to manage relationship. Moreover, the coordination process is very complex and there is a high risk of organizational failure, it is difficult for the managers to have the control over all the activities and employees.

Before exploring the theory of Ecosystems, it is first important to define what an ecosystem is. It is described as a *“complex network of affiliated organizations whose resources, activities and outputs are linked in multilateral ways that cannot be reduced to the sum of bilateral connections between ecosystem participants”*. The participants are strictly linked together by several dependencies that are generally linked to specific product/service that an agent possesses while the others do not; this gives the subject a significant competitive advantage in the relationship. In the platform dynamic, the role of the central hub is played by the platform that realizes the soft coordination mechanisms required to ensure complementarities and obtain positive returns and network effects (the most important examples are the firms of Uber, Airbnb, Facebook and Spotify). Platforms are key for the creation of links among the participants of the ecosystem; platforms generally set the terms of participation in the community and shape who gets what of the surplus generated. Platforms can be easily compared to real organizations; they invest in resources, produce value and try to get positive returns, monetizing from the profits obtained. Platforms can be considered as real markets; the participants have close relationships that resemble the idea of exchanges in the market. There are several business models used, usually users do not pay but are attracted to the platform through various strategies. Successful platforms are the ones that manage to attract as many users as possible, as in the example of

Google and Facebook. Platforms are known as “*two-sided markets*” as these types of businesses are composed by organizations that have the aim to work as matchmakers, they do not sell products or services; such firms collect the necessary data to provide facilities to participants, with the scope of finding other participants in the platform. In general, platforms work as “mediating spaces” between users or advertisers and users (as in the case of social media and networking sites like Facebook and Youtube); these types of markets, as previously said, are called “*two-sided*” or “*Multi-sided markets*” because of their function to connect different agents of the market. To make a summary, a platform is a business based on “*enabling value-creating interactions between producers (external to the platform) and consumers*”. The platform also imposes specific rules to follow and sets the conditions for the relationship between firms during the interactions in an “*open, participative infrastructure*”. The final goal of the platforms is to meet with the requests and demands of the consumers and satisfy the needs of both, thus increasing the value-creation for both parties. In fact, it helps the match between participants and facilitate the exchange of goods and services. What is significant to remember is that in the platform dynamic, bigger means more valuable to users as the market can connect a higher amount of people together. This gives a significant competitive advantage to firms that manage to obtain such feature and it is very difficult for other competitors to overcome it. What distinguishes such firms from the rest is that their value is not given by the tangible or intangible assets they have, the human capital or scarce resources they possess; it is all strictly directed to the number of users that take part in the platform. The more users the platform has, the more it can create connections between members and the more valuable it becomes. The function of being a matchmaker is essential. The aim is to find facilities and solutions that create an environment suitable for exchanges between participants: the role of intermediaries is essential in this context.

Before analyzing the results provided by the interviews conducted with the different actors of the Music industry, it is necessary to give a general overview of the sector in these recent years: How it works and the different business models used by the main actors as a response to the internal crisis of the sector due to the spread of piracy and the shift to the new digital tools. In the first part of this chapter, there is an overview of the industry before the “*digital revolution*”, without taking into consideration the technological inputs that will later modify and transform the market. Later on, there will be an introduction of the different new tools that enabled the “*digitalization*” of the music sector. It is thanks to the internet and the “*democratization*” of the hardware used to reproduce the music that there was a transformation of the music in a new “*liquid*” form. Along with the advantages that came together with the spread of the technology, there were also new problems that were rising: piracy and the disintermediation of the market that caused a significant drop in the revenues and a massive crisis. There will later be an introduction of the different reasons that led to such problems and how the firms reacted to this threat. The history of the music industry is divided into four different period:

- The birth and origin of the sector along with the invention of the gramophone by Edison at the end of the 19th century
- The “boom”, characterized by the spread of Vinyl, the rise of the “rock’n roll” genre and the introduction of the mass media as a vehicle to spread the songs among the people during the 50’s and 60’s of the 20th century
- The rise of the digital in the 80’s and the conversion of the products to record them on the CDs
- The crisis, caused by the diffusion of the so-called “liquid music” and the possibility to obtain songs through illegal ways that occurred starting from the 90’s until our recent days.

The structure of the record industry is characterized by the presence of the so-called Major and the independent labels. The first category is represented by multinational firms that operate on a global scale and are generally part of huge corporations working in the entertainment sector. All together form an oligopoly type of market in the industry. They are firms of significant dimension that were created through different mergers and acquisitions of numerous companies of the sector. Such labels are independent for what concerns the management side, they differentiate in many different music genres and are equipped with agents and key accounts who are responsible for the distribution aspect of the works done. The three companies are: Warner, Universal Music and Sony. They own a 75% share of the market, putting them all together it is fair to say that they form a cartel able to influence the cultural dynamics of the population and the economic growth of the sector. The organizational structure of the Majors is always the same, there is a specific division that is held responsible for the work on the music product. The work to be done on a given music product is characterized by four different levels:

- Artistic side: it deals with the development of the music product
- Marketing/promotion: the objective is to spread the artistic product to as many people as possible in the market and all the tactics, techniques and strategies available
- Publishing: the management side of the copyright on the product and its bureaucratic consequences
- Distribution: commercialization on the market of the artistic products

On the other hand, the “Indies” labels are significantly smaller than the Major, they generally tend to focus on specific target of the market developing niche genres to take care of. Often they are created by former managers that used to work for Major; driven by a strong passion, they decide to become freelance and start working on their own. The productive structure is smaller than the Major where employees generally perform different tasks simultaneously. One of the biggest and most important advantages of working in an independent label, for an artist, is the possibility they give to singers to be totally free to create the specific image they want to pursue and communicate to the audience without compromising it, as it is generally done

within the Major structure where the economic interest could prevail over the artistic one forcing the artist to take specific decisions. In a moment of crisis as the one that we have just suffered the role of Indies is significantly high as it gives possibility to unknown artist to spread their works in the market and be more active among the consumers. Such type of labels certainly helped accelerating the “*democratization*” process that is occurring these years in the music industry. The general costs that an artist usually incur are the advances given for the production of the album, the overall process of recording the album, production of video clips, general support given to the first tours of concerts and, finally, marketing&promotion. The financial figures that concern the revenues are generally referred mainly to the selling of albums, both in store and online, revenues from live performances and synchronization revenues. It was only at the beginning of this century that there has been a significant and major shift that completely disrupted the market: the transition from the solid to the liquid form favouring the fruition of the songs internet. The spread of the personal computer gave to the customers a new way of listening to the songs that they most liked. This is definitely the disruptive element that accelerated the advent of the “*digital*” period in the music industry, changing the rules of the game. The new standard of today’s world is the MP3; the digitalization and transition to the liquid form enabled the diffusion of new music in a relatively easy way. The downside of this phenomenon was the “*piracy*” effect: the illegal distribution of songs through the web. It is considered illegal as the file-sharing is done between users, without paying the ones that own the copyright over those songs. The negative aspect of the piracy is connected not only to the significant decrease of the revenue of the sector but also to the reducing availability of firms to offer job to new employees. There has been a huge revolution, in the recent years, with the introduction of the streaming platform in the music industry that significantly changed the market. The radical change relies on the fact that these platforms are not selling the songs, but the possibility to listen to them. The difference between download and streaming is that in the first case the file remains available for the user at any time, while, in the second case, there is also an online fruition possibility. That is why the streaming platforms are not selling a product to the customers anymore, but a service: listening to the music while connected online, anywhere, at any time, with the only limit of having an online connection. That is why they are known as “*Access-based*” platforms, while the ones previously mentioned were defined as “*ownership-based*”. The streaming platforms are categorized according to the different model they adopt for the remuneration of the service they provide to the customer. There are three different categories of streaming platforms:

-*Subscription*: such type of platforms enable the customers to listen to all the music available with the payment of a monthly or annual subscription fee

-*Supported by advertising*: the final customer doesn’t pay to listen to the music. This is possible because the streaming platform is financed by firms that require advertising on the platform itself

-*Freemium*: This kind of platform gives the possibility to the consumer to decide either to pay and listen to the favourite music without the presence of advertising, without any form of restriction of the platform that can be used or to listen to the music for free with the limitations previously mentioned.

At a global level, the record industry is facing a new period of transition in a new, digital market, that is constantly evolving at a rapid pace. The most important features that are characterizing the current market are the significant growth of the streaming services, the different “*revenue stream*” that are generated in the countries and the radical transformation of the old business models, based on the ownership of the songs, to the new ones based on the access concept. The streaming service has witnessed an increasing number of subscriptions, equal to 39%, for what concerns the “*subscription*” platforms and an increase of the 38,6% for all the other platforms base on the advertising process. Starting from 2015, the revenues generated from the online services have now surpassed the ones generated from the physical sale of assets, represented by Cds and Vynils.

It is now important to give the definitions and explanation of the role and rights of the most important actors involved in the music value chain. In this way, it will be easier to better understand the results that will be provided in the following chapter through the interviews conducted about the topic of the “*business model types associated with network structure changes in the music industry*”. There will be a generic overview about the theoretical and terminological premises in the record industry that will help the comprehension of the complex world that lies behind the music world and the mere singer. The first agent to introduce is, of course, the “*artist/band/singer/interpret/songwriter*”; he/she is the centre of the entire system and everything that is connected to the music industry. The second factor that needs to be described is the “*Management/Manager/Artist Manager*”. The manager is the person most closely connected to the artist. Every kind or sort of strategies (ranging from the discographic strategies to the promotional and creative ones) have to be seen and approved by the manager himself; any type of professional meeting, no matter with whom and where he/she is responsible for, has to be handled by the manager in order to exploit the best potential possible from it. The third actor to introduce is the “*Booking agency*”. Such figure is responsible for the organization of the single event or entire tour, offering economic, logistic and often also promotional guarantees. In cases of small companies there is an agreement that is made to define the percentage of gross revenues generated in a concert that goes to the agency, generally it ranges between 15% and 25%. In other cases, when dealing with “*big*” artists that have a large and solid fan base of people that will certainly go to his concert, the booking agency gives an agreed and predefined advance to the management team that is generally equal to the total value of revenues for a given amount of events. The selection of the booking agency is always up to the artist management. The fourth element to analyze in the definition of the network of actors that operate in the music industry is the “*Label*”. It is the duty of the label to invest in the process of making an album (recording phase/master) and in the promotion phase (marketing, social, video clips and press office). Usually record labels earn money according to the total volume of sales (both digital and

physical) and the use of the master. As previously said, in the new Italian record labels, the manager and the record industry executive are the same person as such type of labels are very dynamic, new and with less people that operate inside. Often, in independent companies, big or small, there are also revenues coming from the editions. Beforehand, a record contract was considered as an arriving point, today is a simple starting point. There are three different types of record contracts that exist: casting (also known as 360°), license and, finally, the one of distribution:

-“*Casting contract*”: The label makes an agreement with the artist, generally from two to five years, during which the artist is binded to produce one, two or even three albums according to the specific case. The artist is under the control of the firm from that time onwards and the label decides and organizes all the record processes to put in place. From the recording studio, to the creation of the specific identity, the choice of the collaborations and the promotional use of the songs, everything is under the control of the company. As the label is the only executive part, it is also the only one to own the master. In the independent labels often such type of contract also implies the acquisition of some editorial points, up to a maximum of 12 out of 24 (12/24) according to the arrangements and the investments made on the projects.

-“*Licensing contract*”: This type of contract is made between the label and the producer of an album (in many cases it is the artist the one in charge except for the situation in which the manager invested an amount of money that grants him the title of counterpart of the contract. The licensing contract is often a “*project-based*” contract and it is stipulated once the album is already made; that is why the property of the master does not belong to the label. It will only be held accountable for the phases of promotion and distribution of the album. The management of the rights of the master are under the control of the record label only for the predefined period of the license.

-“*Distribution contract*”: This agreement generates the duty for the label only for what concerns the distribution of the album, earning money from the royalties (percentage on the retail price) on the units sold. This type of contract is also limited in time and is the one that gives the highest level possible of independence from the artist’s point of view. The fifth element to describe in the whole picture of the network of actors is the “*Physical and digital distributors*”. The “*Digital distributors*” are fundamental for the music product. Thanks to the record labels, that often have intern digital offices or through firms operating in the digital distribution with registered office either in Italy or abroad (sometimes even thanks to internet sites that distribute independently music contents), the project of the artist, whatever it is, either a single, album or videoclip, can arrive directly to the audience. The digital market is divided into “*online purchase*” (e.g. Itunes, Amazon) and “*streaming*” (e.g. Spotify). The last agent that has to be described in the whole music market is the “*Promotion*”. There is the “classic” press office that promotes the album of single, reaserches and organizes interviews, communicative strategies, feedbacks of the album, exclusives with webzine or physical magazines; moreover, it manages the possible apparition of the artist in tv programs; it could be linked to the latest release of the album or, more in general, to the artist himself. It is also its duty to

handle and manage the official press interviews and all the promotional contents that are linked to the work done (photos, video clips and collaborations). There are also other figures that are behind the work of the artists and often support and assist them at different stages of the production process: a competent and trusted “*Lawyer*” and an “*Accountant*” expert in the music field. The administration, the management and the collecting process of the rights on the Italian country could be either private or given to specific societies of collective management (associations without any scope of return) that operate within the European country, and known as Collecting society. The most important firm that realizes such activity in Italy is the well-known “*SIAE*” (Società Italiana degli Autori ed Editori) that operates in the music industry and is responsible for collecting and divide all the income coming from the use of the different intellectual works both in the Italian and international country thanks to the agreements made with the similar firms operating in the rest of the world. It is important to remember that SIAE does not operate in a monopoly market any longer. The management and repartition of the music copyrights within the SIAE is divided into two different areas: DEM and DRM. When referring to shares of DEM, we generally refer to rights connected to the public execution of an intellectual work (concerts, musical works, theatrical play, private parties, and radio/tv play). The total for the entire work is equal to the 24/24. For the attribution of such shares, it is essential to respect the criteria and the relative minimum shares according to the internal law that SIAE enacted. On the other hand, the DRM shares are related to the mechanical reproduction of works (use of intellectual works on any kind of support). The sum for the entire work has to be equal to 100%. However, to attribute such shares, it is essential to respect the criteria and the minimum shares according to what the internal law stipulated. The Italian law, on this topic, forces the entities to use the official stamp that would certificate the official absolution of that specific right. As the function of the “*Publisher*” is to invest money on the publication, diffusion and promotion of the works, generally the author gives half of the shares to the publisher, that is the 12/24 for what concerns the DEM(Diritti di Esecuzione Musicale, that is to say the public use of the work) and 50% of DRM(Diritti di Riproduzione Meccanica, deriving from the recording of the work on the music supports).

As the aim of this research is to investigate phenomena within a real life context, the best choice to make was to opt for a qualitative research approach. That is why semi-structured interview techniques were utilized; they are usually preferred to encourage two-way communication, to confirm facts that are already known and provide opportunities for learning new things. This way the only way possible to select in order to obtain a dynamic perspective of the theme selected: the networks of actors and the different business model types in the music industry. Moreover, thanks to such technique, it is possible to expand the horizon by exploiting the experiences of the interviewee to relate new perspectives that are relevant to their problems of interest. This research selects Italy’s music industry as its case. Seven different people, working in the music business sector, were interviewed in the making of this research in order to gather as much data as possible. Each agent involved was from a different niche of the music creative value chain in order to

analyze the topic from different angles and perspectives and get various insights and information. The aim was to diversify the activity and bring significant and important insights to the cause. The action range is very different: a founder of a label, a record industry executive, a person working for a digital distributor, an agent operating for a live concert firm, an artist manager, a radio speaker and finally an Italian music export affiliated with SIAE. The Italian music's creative chain is comprised of four chains: creation, reproduction, distribution and consumption. This research focuses on the four creative chains in the Italian music industry. Such choice has been made for several reasons. First of all, it is fundamental to analyze and understand how the current business models in the four creative chains of the music industry work in order to identify the changes that occurred in the network structure. Secondly, such sector is very important in the national industry: in fact, it is one of the first industries among the Italian creative ones and the eventual increasing investment or final demand in this subsector will also increase the final output of the total national economy. Moreover, a significant share of sales from the Italian music market comes from Italian songs. This explains that the domestic music market is very appreciative of Italian music and could provide opportunities for the continuously evolving national sector. The study respondents are affiliated with companies actively involved in Italian music development. They are among the most involved and accessible music experts in Italy. Interview participants were mostly owners, directors, or people in managerial positions. The process of creation is a process where activities are based on the creativity of the people involved in it. The main actors in the process of creation are the most creative people and businesses engaged in the creative and artistic segments. It is important to remember that another central actor that is involved in such a process is the management artist, as he is the figure that coordinates personally all the activities of the assisted. Then, there is the *"reproductive process"*, that is the *"process of placing music on certain media that is physical or digital"*. The main actors of the process of reproduction are music labels and music publishers (publisher). It is important to analyze the main differences between the major companies (like Virgin) and the Independent ones (like Bomba Dischi), both in terms of structures, employees involved and way of approaching the projects to be released. There are also points in common; at a discographic level, there is continuous and non-stopping overflow of information, as there are certain schedule that have to be respected for the delivery of a finished product that will be sold on the digital and physical stores. Of course, in the major label such element is bigger and more complex. On the other hand, the number of actors involved in the whole music value chain is significantly different. In fact, one of the strongest points of the multinational firms is the possibility of reaching far more people in the process of making a project, many different professionals operating in various areas, that can really give that added value to the final output which could become a turning point for the artist himself, whatever he is, from a new rising singer to a "top priority" artist. However, there are a lot of strong bonds between the two elements as many artists that come from an independent label that decide to change destination once they need to take a step further in their career. Moreover, when referring to the collaboration or creation of possible synergies between different artists, another important difference is the presence of rigid rules and protocols to respect in the process of

communication and interaction (e.g. if an Italian A&R goes to Universal France proposing an artist that could work well and fit also the french demand he/she has to proceed by the book and follow the different steps requested). On the other hand, the independent companies have more difficulties in expanding their operational activities abroad to find the proper web of ties and network of actors, but they are significantly more flexible in the decision-making process, as they do not have a pyramidal structure.

The initial phase, that is the one of recruiting the artists and finding the best condition possible to make them sign for the company, is done through the A&R agent. It is one of the most important figures in the artistic and discographic world and also the most delicate one: they are the ones in charge of enlarging the label roster; it is his/her duty also to follow the subject in the artistic steps of closing the whole project (music, master audio, master video, cover and the photographic shooting). Then, once all these steps are completed, the work is assigned to the marketing and promotion divisions that start to share and think about effective strategies to launch the product in the market and make it a big success. However, what is important to highlight, is that such division is not so stressed; there is a continuous exchange of ideas between the offices and all the information are communicated almost in real-time. Inside the Marketing department, there are people that work in “traditional” marketing tactics development while others take care of the social of the label. In this field, there is an actor called “*Content creative manager*”; he/she has to possess digital skills, whose tasks are to prepare “*stories*” on Instagram and Facebook, create digital postcards and an appropriate newsletter. On the other hand, within the promotion division, one of the most important activities is represented by the radio networking building, that is to say the job of speaking daily with the different national broadcasters that are part of the “*panel*” as the most important ones like RTL 102.5, Radio DeeJay, RDS. So, the final goal is to launch a latest release, album or single, on the radio closing interviews. After all these agents, there is a new department, that has been recently introduced that is the “*digital sales*” office. The third phase of the music value chain industry, as said before, is represented by the distribution. Distribution of products such as digital media products is aimed at spreading music in various forms into a wide variety of digital stores. The final form of digital products includes PDD (permanent digital download), limited download, webcasting, interactive streaming, tones (ring tones), peer to peer and ring back tones. Distribution of media products form continues to provide the reproduction process output to physical stores. For physical products, most of the distribution process is still run in conventional manners by the music labels and/or physical product distribution services. Basically, the distributor is the conjunction element between the production phase and the final consumer, it interfaces both with the labels, or directly the managers, in case of independent artists, on one hand, and with all the digital stores, on the other. The main goal is to take the final product and handle it over the different stores, such as Spotify and Apple Music, to make it ready to fruition and purchase from the clients. In the distribution step also the “*Music export*” actor is a very important agent; such agent interfaces with the artists, their manager, publishers and also the booking agency, as they are all involved in the export of the products at different levels; in fact, when the

singer has to release the album the label and the publisher are parts involved. On the other hand, the activity of organization of the tour is managed by the booking agency and also the manager that is always included in all the steps. Finally it also interacts with the press offices which give the news about the releases abroad. Other partners that take part in the connection with the export firm are the festival and showcase festival located abroad. The fourth and last element of the music value chain is represented by the consumption process; in such step, the purchase of physical products is usually at conventional stores where the primary function is to sell products such as music and music merchandise derivatives. The consumption can be of three different products: performance, physical and digital products. For what concerns the performance products, it is achieved through the work of the booking agency actor. The responsible for DNA Concerti company, clearly explains that the first aim to create an international network of international agencies when promoting a tour abroad, as the English and American companies manage the entire market splitting all the most important artists; either they are contacted by the the booking agency or by the foreign company because of the previous works realized together. The contact is generally taken with the the agent. Sometimes, when dealing with the multinational firms that have their divisions located in all the countries, there is also a direct relationship that is taken with the label that will later talk with the agency trying to arrange some shows for the promotion of the latest works the artists have done. For the Italian artists it is slightly different; it is the management or the labels that directly proposes the latest works of the artists for a possible collaboration. Another important intermediary in the process of digital consumption is represented by the Radio Stations. Dealing with the internal actors involved in the broadcaster, we have generally a director, a speaker, and a sound engineer when there are technical problems; on the other hand, there is the music department that is the division responsible for talking with the music labels. Although derived from the same chain and even engaged in the same type of business, it turns out that actors have different interests. The difference in interest is also driven from the different strengths of each actor, both in terms of capital and scope of operation. Not infrequently, the source of their revenue comes from consumers who do not normally become direct consumers, such as brands or companies. In addition, cooperation conducted by actors has also begun to widen and form cooperative relationships that involve more than two actors.

As described in the previous paragraph, the music creative chain is composed by different processes in the entire music value chain; before getting to the final step, the one of consumption chain, the project must pass through different points to be accomplished; the first one is the creative value chain. In such a chain, the actors involved have to find the sufficient funds to carry out the production of a creative work. There are several ways of obtaining these funds. The first one is the “*crowd-sourcing business model*”; with such method, the subject obtains resources platforms where fans or the general community decide to spontaneously give money to them. In general, in the music sector, as well as in all the other different business, exists three different types of crow-funding models available: equity, donation and, finally, debt crowdfunding. The second method available to music industries for funding the recording or business

operations of the company or other creative efforts is represented by the advertising business models. This model works by using the brand to endorse the creative work, for instance by putting their logo or advertisement before or after music videos, putting their logo on the artist's website or CD cover, and brand campaign by the artist at their live shows. Finally, for artists that prefer to self-release albums, the self-funded model is an option. This model has now become feasible to the artist through the availability of digital technology for music production which lowers the cost of music production.

After the completion of the first step of the music value chain, the one concerning the creative work, the next process is the license registration and reproduction. The efforts in this chain are usually done by a record label and publisher. In such a chain, the record label typically implements a 360-degree business model. Another model is the tailor-made model, which differs from the 360-degree model in that the artist and record label discuss the capabilities of each party and how they can complement each other. Such approach intrinsically contemplates the possibility to have a flexible structure and a dynamic label where it is possible to develop a one-to-one approach with the artists and their personal needs and different situations. Moreover, to increase the total value of revenues, Italian music companies usually operate in their activities through two different *modus operandi*: partnership business model or the vertical integration model. The vertical integration model is often used by record labels that have sufficient capital and resources. On the other hand, the partnership business model is implemented to explore new possibilities in the current market and exploit different sources of revenues by combining firms that offer complementary services. Another important model, which has provided opportunities for record labels is by gaining income from user generated content(UGC) monetisation. In Youtube or other licensed platforms, the revenues usually come from advertising in official videos. In the beginning, labels did not want to take these new platforms into consideration and integrate them into the business model; the market was very conservative and dominated by a myopic approach, firms wanted to continue making money in some way of the past without considering new opportunities and possibilities. Nowadays, even though their use has been significantly increased, there are still some gray areas around this topic. At a remunerative level, there are two different ways to get the money from the platform.

In the distribution chain, the third step of the entire music value chain, there are three different types of business models that are found in Italy, "*super distribution*", "*long tail*" and "*cross-platform*". The long tail business model is realized by a content aggregator that searches for artists and labels with most music in the digital stores. As the industry is still large, the aim is to make the products available easily, spreading in as many markets as possible and reaching the highest number possible of consumers; for such aim, the "*super distribution*" model is used. In this framework, the scope is to reach a capillary distribution of products through all the possible, available channels. It is important to remember that only labels with enough capital to invest can use this massive distribution method; when dealing with smaller record labels or totally independent artists there is another model used, the "*direct distribution*" model where the physical music

products are directly sold in the artist or label website and social media by the record label distributors or even artist management. The last chain of the music industry is represented by the consumption process; here we have different ways and methods of fruition of the works realized by the artists. The first and most simple one is the free business model, that is typical of the independent and small artists at the beginning of their careers. In order to spread their music, they generally sell their products for free to create word of mouth and increase the number of listeners and fan base; only once they have settled down, they will ask for subscription to their channels to buy songs and albums realized. Sometimes there could be an extension to the free business model, represented by the “*tipping*” methodology, more English or American-driven as an approach, where the artists offer their music for free to the consumers that can give a tip after hearing if they want; such approach is more used by basquers or performers on the streets. For what concerns the business model used by the streaming platforms, such as Spotify or Apple Music, it is composed by three different cases, as also said in the first chapter of the dissertation: Subscription, pay-per-download and advertisement-funded; it could vary according to the quantity, quality or duration of use. Apart from the pay-per-download example, where the listener has to purchase the single song, the difference between the subscription method and the advertisement-funded one relies on the tipology of membership. For example, in Spotify, the “*free*” subscription enables the customer to hear his/her favourite music for free, but he/she has will have advertisements that will show up during the use as it represents the only stream of revenues for the company. On the other hand, when paying for a monthly/annually subscription fee, the subject will have zero banners throughout the whole use as Spotify already earns money thanks to that operational process. The record industry executive also refers to a slightly different business model, the “*bundled*” one, where the partners with which the label collaborates tend to combine creative works of the artists with other similar products, selling everything together at a lower price. There is a final method that is massively used in the recent days by the record labels that is the “*Merchandising model*” through which creative firms gain income through the selling of other means than physical, performance or digital products. Merchandise is considered as a major added value to the music product as a way to attract more customers.

It is now time to explore, in this last paragraph of the dissertation, the different phenomena and exogenous variables that affected the entire music value chain and caused an increase/reduction on the actors involved in the network structure. That is why it will be first introduced the two main events that occurred in the last 20 years (“*digital revolution*” and “*Covid-19 disease*”) with the description of their implications, linkages to the firms’ business models and effects on the entire system and then, in the last part, in a direct cause-effect relationship, the results of such implications will be shown together with the prevision of the possible future dynamics of the sector, according to the analysis of the experts of the interviews. The first dynamic exogenous variable to introduce is the “*digital revolution*” that occurred starting from the beginning of the 21st century, with a first phase of transition and change from a “*tangible market*” (with the selling of CDs, LPs, Vynils and the property of physical assets) to a more “*intrinsic and intangible market*” (where firms

started to focus more on the download and streaming concept thanks to the advent of new platforms and possibilities). Moreover, during the last period, after the spread of the Covid-19 disease, there has been a huge and massive increase of the usage of the streaming platforms, as more people were forced to stay at home and listen to more music and this helped the raising of the digital platforms, even the new ones of Amazon Music and Amazon Unlimited that targeted a more adult market with the creation of ad-hoc rock, adult rock and classical music playlists with the joint use of new devices such as Alexa that increased the streaming phenomenon. The spread of the digital platforms, thanks to the previously mentioned phenomenon of “democratization”, increased not only the number of users and the fruition of music but, above all, the knowledge over what is happening in the market and the different new offers in the sector. All this process created a virtuous circle where the number of paying customers to attend the live concerts significantly increased. The digital basically impacted over a lot of different players operating in the music value chain. The second most important event that impacted the music value chain, as said before, is the recent spread of Covid-19 disease that is still completely revolutionizing the entire sector. There are several reflections and hypothesis that are formulated in this research even if the problem is still ongoing and it is has not been clearly formulated completely yet. Different actors shared their opinion and ideas on this topic bringing interesting thoughts, ideas and possible solutions to such issue. In the analysis of the possible, future dynamic of the market, post-pandemic, there is one general idea that is shared by all the actors interviewed; such event that occurred has certainly changed somehow the way things were done, and it will not be just a temporary phase. For sure there are certain elements, that represent the core business activities of the artists, that have to return back to their original functioning.

All these exogenous variables drastically changed the way actors interacted together in the network structures and the different business model types used. Based on the data provided, there are several types of business models that decreased the number of actors involved (reduction on actors) while others needed the introduction of more people (addition on actors). Most of the time, the cases regarding the reduction of the actors is linked to the decrease of the partnership of the artists with record labels. The agility, flexibility and “*democratization*” of the music industry has made the market much more open and easy to enter for the new artists, and such process is also corroborated by the latest news provided about the indie movement. That is why, the actors in the creative chain, mostly musicians, have now the tools to release their own music without the help of the label. The capital required for the creation of their works can derive from three different options: the funds of the artist, when accumulated (in this case we refer to already affirmed actors), the companies and sponsors that support his/her projects or, finally, the consumers that spontaneously give money to their favourite artists through the previously mentioned crowd-funding method. So, to make a summary, the musician have a wider range of possibilities to exploit to spread their works among the consumers, apart from the music labels. This is important because it completely modifies the approach to the operating working system and the recording sector. Another final example of reduction of actors is given by

the case of vertical integration of the labels; in fact, most of the firms have started to internalize the activity of distribution to self-release their artists, exploiting the synergies in creating the music products. As a general reflection, firms tend to reduce the number of actors to lower costs, increase operating margins and create virtuous, direct contacts with customers. On the other hand, there are also a lot of different examples where new actors and partners are added to the original value chain. The most common case, that was basically mentioned in almost all the interviews realized, deals with the introduction of new digital products; as soon as music started to be distributed through digital channels, record labels needed to adapt and implement their business models as it was impossible to provide such services independently. There is also another important concept that was developed by the senior marketer at Virgin group. He stressed the connection between the digital revolution and pandemic with the increase of the actors involved and, strictly related to it, a significant implementation and efficiency of the internal divisions, at a discographic level. The digital economy completely facilitated the work for the release of Cds, Vynils and cassettes; that is why the possibilities of the firms to sign artists and the number of employees hired increased because of the bigger amount of tasks to complete. In general terms, the process of addition on actors is realized to provide new offerings to the consumer to cover the lack of resources. Most of the time, record labels decide to cooperate with other firms to reduce the total level of risk and to exploit potential synergies from the partnerships. What can be understood from this analysis is that record labels decided to differentiate their businesses, whether major or independent, to explore new possibilities and increase the total value of revenues combining core and complementary activities. Moreover, as previously said, the market has become increasingly more flexible and dynamic thanks to the digital technology that expanded the possibilities of partnerships within the network of actors. However, it is fundamental to remember that, even though the number of independent and self-released artists has increased significantly and the spread of the digital tools have enabled them to distribute their products everywhere, the bargaining power of the major record companies remains dominant. The direct distribution process still cannot beat the network of the major label artist distribution. Finally, it is interesting to realize that the network structure changes described above are caused by two different elements: not only by the digital input but also by the different connections between the actors involved in the four creative chains of the music industry. In general terms, firms decided not to invest huge amount of money in the approach to the new business models in the digital area but to externalize such activity. In fact, record labels generally tend to use the same resources and then exploit partnerships with other companies as a solution to have access to the specific, new inputs they need. The case of Sony was a clear example of such strategy; it decided to partner with The Orchard, a digital music distributor, to communicate with the online streaming platforms to sell digital music and provide new content to customers instead of creating a new distributor and platform itself.

The final aim of this dissertation was to find all the different actors involved in the four music creative chains (creation, reproduction, distribution and consumption) and understand how they interact together in a

dynamic and constantly changing environment. Moreover, it was also important to realize how the different exogenous variables present in the market, namely “*digital revolution*” and “*Covid-19*” disease, impacted on the sector and changed the way firms were working and their business models. On a general perspective, based on the interviews realized with a number of experts, there are a lot of different business models types that have emerged due to the structural changes previously mentioned, many of which highlight the importance of the partnerships between different actors with the intent of share complementary assets and knowledge, thus exploiting the possibilities of synergies. In addition to this, the research also provides a general overview of the Italian music industry, with the description of the available network of actors and the current operational and managerial practices generally used within the companies. What was found is that the sector has evolved significantly over the last 20 years, forced by many external inputs, that brought much more complexity and interrelation between the different players, transforming the value chain from simple horizontal linkages to intricate and interconnected bonds. From the insights taken and the analysis conducted, one important result found in the strong dependency between the network of actors and the business model types; the more the actors involved change the way they operate and work together and the higher is the chance of creation of new business models, according to an eventual reduction or addition of actors. Of course, in many cases, such transformation is always economic-driven: firms naturally tend to seek for the best opportunities to maximize their profits, either by reducing the amount of costs or by increasing the level of revenues; in order to gain more opportunities they decide to change the operational scheme and this is what enables the market to be constantly updated and always regenerating itself in a complex and dynamic environment. Such innovation process is key for firms that work in the music industry and, in general, in all the media and entertainment sectors. It represents the only strategic tactic to survive in such a competitive and volatile market where the tastes and demands of consumers are continuously evolving and the direction for the imminent future changing. However, it is not an easy and simple task; it is, on the contrary, very demanding and requires a great effort and investments in research and development activities. What is difficult in today’s industry, according to what the experts stated, is the ability to understand the general dynamic and design the appropriate business model tailored for the needs and necessities requested. That is why the network of actors, their role, responsibilities and how they could potentially interact together is essential in reaching such a goal. By knowing exactly who the players are and what they do, firms can find suitable solutions to make them work and cooperate in the best way possible together understanding the general extent of the industry’s development. The aim is to ensure that the strategies of the firms are updated and in line with the trends of the market and the business model types represent a reflection of that; for this reason, they are always taken as an important guiding reference by the record labels. All the actors interviewed confirmed that the only way to create and adopt efficient business models is through the “*learn by doing*” process: it is thanks to the experience accumulated from the practices that operators can understand the successes and failures of the existing business models and then re-adapt and combine the elements in a different way according to the needs. One strength of this dissertation is the

fact that all the sources interviewed come from different professional backgrounds and working paths so it was possible to have the big picture of the industry and broad insights from all the different perspectives and angles of the four industry value chains, such as the founder of Bomba Dischi, the senior marketer at Virgin Records, the manager of Tommaso Paradiso, one employee at The Orchard, a digital distributor, one booking agent for DNA Concerti, one speaker for Radio Z and, finally, one employee working for Italian Music Export abroad.

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Network of actors and business model types in Music Industry

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INDEX

ACKNOWLEDGEMENTS	31
INTRODUCTION	32
CHAPTER 1: A CONCEPTUAL ANALYSIS OF THE BUSINESS MODEL TOOL	33
1.1: Definition.....	34
1.2: Business Model and Strategy.....	39
1.3: Business model Canvas	44
CHAPTER 2: NETWORKING: THE CONCEPT OF NETWORK STRUCTURE	53
2.1: Definition of social networks and the informal structure of organizations	53
2.2: Informal networks and open-boundary organizations.....	61
2.3: Ecosystems, platforms and network effects	68
CHAPTER 3: THE DEVELOPMENT OF THE MUSIC INDUSTRY AND ITS NETWORK OF ACTORS	74
3.1: A general overview of the Music Industry sector: History, vision, structure and a financial analysis of the overall market	74
3.2: Network of actors: role, responsibility and rights of the main actors involved in the music industry sector	82
3.3: Copyright and Music Editions; a little focus on the link between brands and music.....	91
CHAPTER 4: BUSINESS MODEL TYPES ASSOCIATED WITH NETWORK STRUCTURE CHANGES IN THE MUSIC INDUSTRY	95
4.1: Research methodology: methods, data collection and analysis; an overview on the actors interviewed	95
4.2: Results: network of actors and available business model types	105
4.2.1: Network of actors	105
4.2.2: Available business model types	114
4.3: Final discussion on Digital revolution and Covid-19 disease: two exogenous variables that changed network structures and business model types in Music industry	120
CONCLUSIONS	126
REFERENCES	129
APPENDICES	132

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INTRODUCTION

This dissertation has the aim to describe all the different actors involved in the music industry, understanding how they interact together and what kind of networks they create within the value chain. Moreover, the second goal is to find the different business model types used by the record labels and how they changed throughout the years according to the different needs and requests of the customers. About such topic, there will be different variables included in the analysis of the transformation of the business models; not only the endogenous elements of the choices and strategic activities of the firms, but, above all, the exogenous components of the “*digital revolution*” and the recent spread of the Covid-19 disease. In fact, it will be vital to understand the strong link between the two elements and how companies reacted to such phenomenon with the building of appropriate models, tailored to the opportunities given by a continuously changing external environment.

In order to do that, there will be two introductory chapters totally devolved to the theoretical analysis of the tools that are required for such thesis: the concept of business model, in Chapter 1, and the theme of networking and, more in general, the building of network structures, in Chapter 2. This part represents the literature review framework that provides the conceptual model to further investigate the empirical evidence and results, emerging from the data collection analysis of the interviews conducted, in the fourth and last chapter of the work.

In the first chapter there will be a paragraph dedicated to the specific definition of Business model, another one focusing on the connection between strategy and business models and finally, a third paragraph, that introduces the concept of “*Business model Canvas*” with an analysis of its specific components and an overview on its main functions.

In the second chapter the focus shifts on the theme of networking and the concept of network structure, more in general. First of all, there will be an initial definition of social networks and the informal structure of organizations. Among the different networks that exist, the dissertation will deal with the informal ones and the open-boundary organizations, which often uses those types of relationships. Finally, the last paragraph has the intent to develop the concept of ecosystems, platforms and network effects.

The third chapter is devolved to the description of the music industry more in general: its development and network of actors. It is composed by three paragraphs: a general overview of the music sector with the analysis of the history, vision, structure and a financial analysis of the overall market, the description of the main players involved in the music value chain, specifying their role, responsibility and rights and a final focus on the copyright concept and music editions. There is also a small part dedicated to the connection between brands and music. The aim of this chapter is to describe, in a precise and concise way, the music sector, how it works and the connections between all members that work behind the artists in the value

chain. Only by doing so, it will be easier to understand the answers provided by the interviewees and the results shared in the fourth and last experimental chapter.

As previously said, the last chapter describes the results provided by the analysis of the interviews and develops the topics of business model types associated with network structure changes in the music industry. There is first a description of the research methodology: an overview on data collection and the actors interviewed for such aim. Then, the results about the network of actors and available business model types are shown separately to investigate their effects and understand how these two variables affect the entire music value chain. The last paragraph deals with a discussion on digital revolution and Covid-19 disease and the way such exogenous elements changed network structures and business model types in music industry. The conclusions just show the results found and reflections on the topic analyzed together with an overview on the possible future solutions and actions that could be taken to implement the model of reference.

CHAPTER 1: A CONCEPTUAL ANALYSIS OF THE BUSINESS MODEL TOOL

1.1: Definition

Business model is an important, systematic tool used to better visualize the activity of the firm and its way of operating and working inside the market itself. However, it is important, as a prerequisite, to understand that not all the firms have one. Small companies have fewer boundaries, a less radicated cultural organization, small amount of capital to invest, so they do not follow a specific path while operating in their markets and that is why such firms do not have specific business model as the big companies. The reason of this explanation lies in the fact that those kind of companies are more flexible, can adapt easily to changing environments and are focused more on innovation, as they do not have big capital, so they need to continuously reinvent themselves.

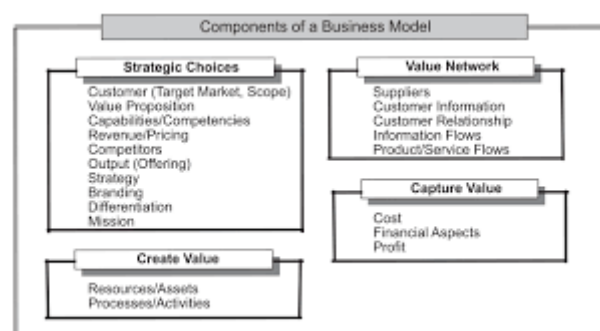
Having said that, it is now time to better explore the concept of business model understanding its main functions and use. Dealing with the analysis of its definition is not easy as there is not a unique definition of business model. If we want to find the one that most fits and resembles the idea and concept behind such tool, it would certainly be the one of Shafer, Smith, Linder of 2005, which is the one most diffused and used to analyze such tool. In this definition, the authors identify four main categories of a business model that are at the basis of any definition of such topic:

-“Strategic choices”

-“Value network”

-“Create value”

-“Capture value”



(Reference: “The power of business models” by Scott. M. Shafer, H. Jeff Smith, Jane. C. Linder, 2005)

The “*Strategic choices*” are composed of a great variety of actions such as dealing with customers and finding the different pricing mechanisms to increase the revenues. The second element of the “*value network*” is included by the authors as firms are not operating alone, they are always using other actors to operate in the business, other “*intermediaries that take part in the process such as suppliers and customers*”. The third and fourth element of the model, which are the part of “*Create Value*” and “*Capture Value*” are more economic driven and orientated towards the final achievement of the firm; it deals with finding ways to increase the creation of value (through resources, activities and assets) and then capture it with “*mechanism through which the firm is paid back by the customers*” (*cost, profit and other financial aspects*).

This model helps the company to find ways to capture the value back. In this way, the authors offer a new definition of business model, where business mainly refers to creating value and capturing returns from the value. The model is simply a representation of reality as defined by Shafer et al. in 2005, where he says, “*Business model is a representation of a firm’s underlying core logic and strategic choices for creating and capturing value within a value network*”. Starting from this quote, we can analyze the definition of Business Model dividing the definition in three parts.

The first one is the “*Core Logic*”, it suggests that a well- made business model has to “*make some key assumptions about cause-and-effect relationships and the internal consistency of strategic choices*”: if the firm makes a specific choice, it has to be consistent with it and follow that specific path undertaken.

The second element is characterized by the strategic decisions as business models reflects the strategic choices. Then the last element deals with the part of creating and capturing value: companies create value by doing things in a way that give them a competitive advantage in the market and make them differentiate from the competition either through “low cost” products or through extremely high-end products.

All this process occur within a value network (partners, suppliers and distribution channels).

After such definition given in 2005, there is the spread of a new important explanation given by Teece in 2010, which is the following: “*A business model articulates the logic and provides data and other evidences that demonstrate how a business creates and delivers value to customers. It also outlines the architecture of revenues, costs, and profits associated with the business enterprise delivering the value*”. The main difference between the first and the second definition is mainly given by the attention and massive concern of Teece to stress out the importance of the financial aspect, providing a specific description of the structure of revenues, costs and profit.

From the analysis, it is clear that the viewpoint is the customer; the business model is customer centric as it gives ways to capture value based on the understanding of customer needs in order to address value to them. It is thanks to the spread of technology that it is, nowadays, easier to understand the different requests in a much more efficient way, with less money and less time spent.

It is essential to understand that the first and most important paper on this topic, by Shafer, Smith and Linder, explored the concept of “*business model*” for the first time, despite having been used in a significant number of managerial issues before. The benefit brought by the three researchers was to delete the confusion about the definition and how it could be used. The business models can be important tools for analyzing, implementing and communicating strategic choices. While it was becoming quite normal to discuss business models, there was still confusion about how to use that concept. That is why the authors needed to explain what constituted a business model.

Businesses need to be more customer-centric possible and, as previously said, technology has evolved to allow the lowest cost possible for the sharing of relevant information and enabling efficient customer solutions. Moreover, they need to address customer needs in the most effective way, understanding how to capture value from offering new services and products. In doing so, it is important to have a clear and well-defined business model implemented; without such activity, it is difficult for innovators to either deliver or capture the value created from their innovations.



(Reference: “*Business models, Business strategy and Innovation*”, David J. Teece, 2010)

In the design of the business model, there are specific steps that the firm need to follow to implement a proper tool. The first two activities to be done are the “*identification of market segments*” to be targeted and the “*definition of the benefit*” to give to the customers using the product/service realized. In fact, these two elements are strictly interwoven. In the overall logic, thanks to the finding of the proper relevant market and also the benefit and needs customers have, the company manages to understand which are the values the

customers want more in that specific market, so the exact benefits to satisfy and what the client appreciate the most in that specific context.

The second step consists in a deep analysis of the different market segments that are more profitable in the long-run; the firm needs to understand if that segment has the willingness to pay the price for that offer in the long period so as to sustain the whole business, and that is why in such process the company has to *“confirm available revenues streams”*. In general, the two main components when searching the right market at the right time are the willingness of that market segment to pay and to do it consistently in the long run.

The third step is to *“find new ways of capturing value from the customers”* designing new solutions as it is important not only to create value but also to have the ability to find ways to capture that value back from the business.

Then the fourth, and last step, stresses the importance of *“selecting”* technologies and features to be embedded in the product/service. That is to say that firms need to always check what to produce, find technologies and specific features that could be included in the product, because the final aim is to provide customers with updated and modern solutions different from the average competitors.

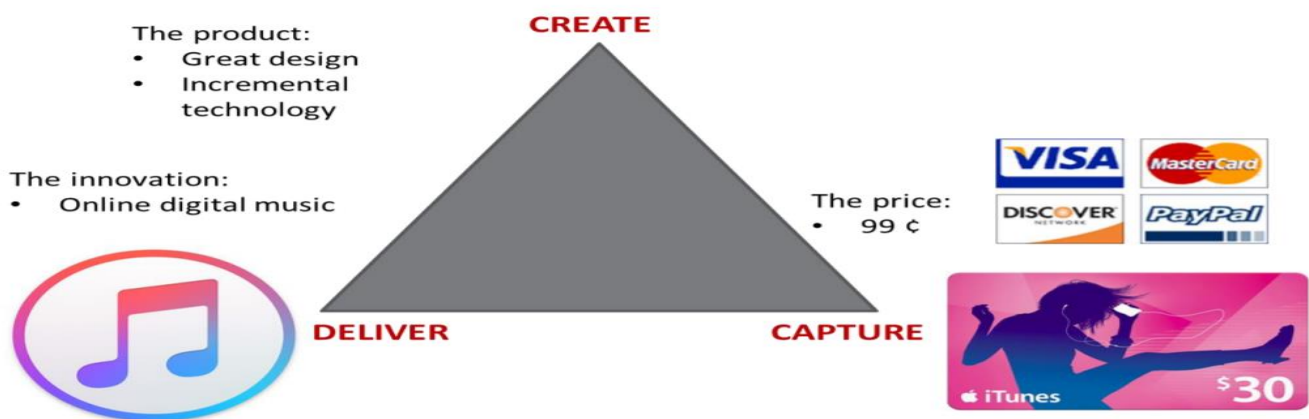
Overall, this process defines how the enterprise creates and delivers value to customers, and then converts payments received to profits; moreover, it is a circular process always going back and forth, the process can always be implemented according to the changing habits and tastes of the final customers.

Now the question that arises from this dissemination is why the spread of such concept and the implementation of business models in the literature of the papers is realized between the period that goes from 2005 and 2010. Why during this time Teece talks about Business model? The answer lies in the fact that in 2005 there was the launch of the *“Ipod”* (iTunes and Apple store). Such element was a very innovative disruption because it completely changed the fruition and dynamic of the music industry. After this event, customers did not need any longer to buy the whole album of the artists they prefer, but just select the ones they prefer and buy only some of them, even one sometimes.



(Reference: www.Apple.com)

However, it is fundamental to understand that the iPod was not revolutionary per se (it is just an empty tool when you buy it), what is really revolutionary for the Music industry (also for Music distributors) is the possibility to spend less and make a selection of the songs you prefer; by doing so, paying just the single song and not the entire album/cd. The only way of putting music on the iPod was through iTunes, so the customer is forced and locked in that specific business value. The iPod is a closed system where you can only listen to music through the iTunes service (generating new way of revenues from this market capturing the value created). In this way, Apple was creating product with a great design and delivering their services only through their specific platforms and channels. Therefore, to make a complete overview and summary of the whole concept analyzed, three are the pillars of every Business Model that are the processes of “*creation*” (in the case of Apple it was the product that shares the features of having a great design and an incremental technology), “*deliver*” (with the innovation of iTunes with the new online digital music platform) and “*capture*” (Apple designed specific mechanisms to retain that value through the creation of gift card to charge in order to pay the price of 0.99\$ to continue to listen to the music in the platform). All these elements were revolutionary and helped defined the concept of successful business model and how to implement them.



(Reference: www.apple.com)

1.2: Business Model and Strategy

The first concept to remark is that business model facilitates analysis, testing, and validation of a firms' strategic choices, but it is not itself a strategy. Then the first question that arises is the relationship that connects a firm's strategy and a business model. Business model, as previously said, is not a strategy; it is part of strategic choices, it allows to understand better the concept of strategic choices. Business models are tools to facilitate strategy; they facilitate the elements previously mentioned of analysis, testing, and validate cause-effect relationships that flow from the strategic choices that have been made.

On the other hand, the definition of a Strategy is based on the “4Ps” that characterize the strategy concept. It is a pattern of choices, in a backward looking (looking in the past), it is a plan, in a forward looking sense (looking in the future). The third element refers to the definition of Porter (1998) where he stated that it is a “*position*”. It relates to choices about which products or services are offered in which markets based on differentiation issues. Finally, the last element comes from Drucker that states that strategy is a “*perspective*”.

Now it is important to analyze how the business models have changed and being innovated throughout the years, focusing on the “*cause-effect analysis*” of understanding what is the result of an action that is happening.

Before doing that, it is essential to make a distinction between what it is meant by “*innovation*” and “*evolution*” because often these two terms are used in the wrong way. The latter is connected with the concept of “*incremental*”, so by using this term we mean that we face strategy changes that come from “*outside*”, they are exogenous forces related to the market and the whole industry to which the firm needs to adapt. The former is something embedded in the organization, something that comes from the inside, which is a disruptive endogenous idea. So, when the company is changing in an incremental way, it is only slightly changing what already exists, while the process of changing the business in a more radical way consists in destroying the previous elements, the past experiences and “*modus operandi*” of the firm to create new ones. This concept is built upon the so-called Resource-based view approach that is a managerial framework used to determine the strategic resources a firm can exploit to achieve sustainable competitive advantage. Such element is key in the strategic management approach of the firm.

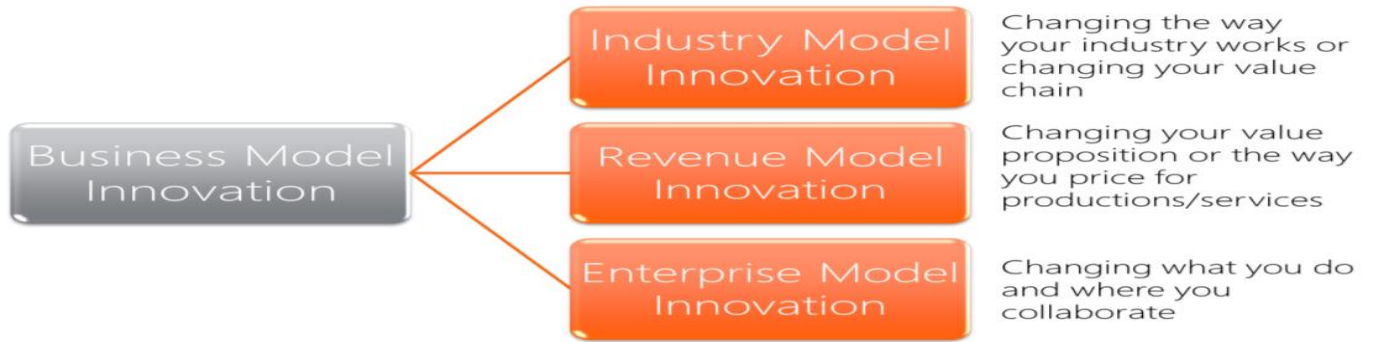
The resource-based view offers strategists a way to find important factors that could make the difference in the specific market of reference. According to the RBV theory of Barney's articles, written in 1991, not all resources are of equal importance, nor do they possess the potential to become a source of sustainable competitive advantage. Barney states that the central point is to find the sources that are most fitting for the environment in which the company has to work and it helps developing successful strategies that can be

sustainable in the long run. Of course, it is necessary, in such framework, that the firm has to invest a great effort in identifying and understanding which are the resources that are difficult to imitate or substitute and the ones that are more requested. The main goal for the firm is to build an organizational structure that helps maintaining such resources and competencies and selecting the most appropriate strategy that best exploits the internal resources and capabilities according to the external opportunities that are given. Such explanation is fundamental to understand, in the framework of innovation, which are the resources that most matter and how to make them sustainable in the long period using a managerial tool as a reference.

Having said that, we have different types of Business Model Innovation that have to be classified. The first one is the Industry model innovation in which the firm either changes the way its industry works or changes its value chain. One important example is given by the analysis of the rental movie industry of the clash between Netflix and Blockbuster; after the introduction of the new competitor, Blockbuster was soon forced to close because the market had changed completely and it was not able to foresee the imminent disruption of the new paradigm that Netflix was introducing. Instead of asking the customers to go to the stores and select DVDs, this new proposition enables the firm to deliver the product directly at the home of the consumer and by doing so the industry changed and the distribution system was completely disrupted.

The second model is called the Revenue Model Innovation, which is related to the changing of the value proposition or the way the firm price for productions/services. There are relevant examples in the current market that best represent such revenue model innovation; the first one is provided by Espresso company. Beforehand when a customer needed the coffee pods he/she had to buy them directly in the store, now, there are subscriptions to have a certain amount of pods directly at home, so the nature of revenues completely changed in the new model provided. The second example is related to the automotive industry; in this case, before the introduction of new payment method, such as the leasing contract, one could only buy the car in one shot, now every person can rent a car, use it for a specific amount of time, and then change it without being the owner.

The third and last case is called the “*Enterprise Model Innovation*” where the company changes what it does and where it collaborates, it completely disrupts the way it is working. Zara Company gives the most important significant example: they worked with seasoning products (preparing products three or four months before the period), so, by doing in that way, Zara was not exactly applying the tastes the customers had. Now Zara is trying to collect as much data as possible, so as to understand them bringing exact value to the suppliers so they can analyze in real time the tastes of the customers adapting them to the changes that occur, on an average, every two weeks in the “*Fast-Fashion*” industry where the value chain needs to be flexible and to react immediately to the external changes.



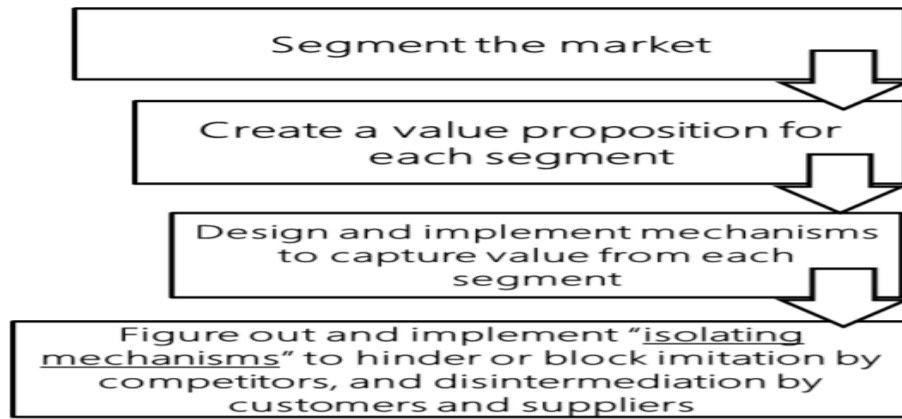
(Reference: “Business model innovation: a review and research agenda” by Boumediene Ramdani, Ahmed Binsaif, Elisa Boukrami, 2019)

After having analyzed the different types of Business Model innovation, we can give a generic overview of the elements that make such tool successful in the long period.

The first step is the segmentation of the market and the careful analysis of the customers that represent that particular niche in order to understand better the dynamic, which helps in the second process of the creation of a value proposition for each segment that best fits the needs of the consumers; only by knowing exactly the market of reference the firm can maximize the result at the highest level possible satisfying exactly the requests of each segment.

The third step deals with the design and implementation of mechanisms to capture value from each segment, of course such mechanisms have to be effective and continuously updated according to the changes in the market.

Finally, the last step, is the most difficult part for the company that has to figure out and implement “isolating mechanisms” to hinder or block imitation by competitors, and disintermediation by customers and suppliers. This last point is an important part in the making of a successful business model as it enables the firm to build a strong competitive advantage against the “copy and paste” strategy of the competitors. In fact, all business models might theoretically seem to imitate; however, there are three elements that can avoid such behavior, which could erode the advantage of the first mover in the market that managed to create a completely new business model paradigm.



(Reference: “Business model innovation: a review and research agenda” by Boumediene Ramdani, Ahmed Binsaif, Elias Boukrami, 2019)

There are three different strategies available to the firm. The first one consists in implementing a business model that require systems, process and assets that are hard to replicate; this view stresses the importance of having resources that are unique and difficult to replicate as described above in the “*Resource-Based view*” of Barney. The main goal of the firm is to find specific ways to combine the physical assets together so that it is difficult for others to replicate exactly that final output; the most important part of this first mechanism comes not from the physical asset per se, but how you combine those elements together in a specific way difficult to replicate.

The second mechanism deals with the level of “*opacity*” or “*uncertain imitability*”, that makes difficult for outsiders to understand in sufficient detail how a business model is implemented; such element of “*uncertain imitability*” refers to the ability of the company to create a barrier that doesn’t give the perfect idea of how the business model works for the company. It is also known as the “*casual ambiguity*” process where the firm is vague on something that is happening in the making of the whole process. One important example is given by the case of Sony: it invented the flat television that was something very revolutionary for the period; in order not to be copied, the firm decided to put fake elements in the TV so that it was not easy for the competitors to know exactly how it works, they needed a lot of time and experts to analyze the single components and understand the process; it required time and money spent.

The last example of “*isolating mechanisms*” is related to the fear of incumbents who could be reluctant to create a new product if it involves cannibalizing existing sales and profits. The clear example is given by the Linkedin-Facebook case history. In fact Linkedin could easily transform its business model in a “social platform” like Facebook, it was transparently obvious for them how to replicate the business model, but then there would be problems in terms of competition with a strong opponent like Facebook and such activity would obviously cannibalize existing customers.

To sum it all up, summarizing the concept of strategy, there have been several definitions given during the years by different authors, which can coexist together in a perfect way. In his paper about the dissertation on the strategy concept, Mintzberg states the “*need for Eclecticism in the definition*”, there are various relationships that exist among the different definitions, but no one of them is dominant over the others. They are perfectly complementary to one another, each definition adds important elements to our understanding of strategy encouraging the strategists to understand the organizational structure of the specific firm. As one definition of the strategy is to be a “*plan*”, it involves the capacity of the leaders to establish specific direction for the organizations, to set them on “*predetermined courses of action*”. Strategy as plan also raises the fundamental issue of cognition (how intentions are conceived in the human brain and what intentions really mean). That is why, in studying strategy as plan, it is fundamental to understand exactly the mind of the strategist, to find out what is really intended. As pattern, strategy focuses on action, reminding us that the concept is not relevant if it does not take behavior into account. Another important element is such perspective is the attention in the organizations that there is consistency in behavior from every component, the so-called “*convergence*”. Finally as perspective, strategy also focuses on the intention and behavior in a collective context. In fact, organizations have a specific goal of pursuing a common mission through collective action; in this view, such definition stresses the importance of the actions undertaken by the collectivity, how people form norms and shared values, thus creating a specific “*organizational mind*” where everyone knows exactly what to do and how to do it. Thus, strategy is not just a theory to study to understand how to behave in a specific market or how to face the competition, it also analyzes one of the most fundamental issues about organizations as “*instruments for collective perception and action*”. As final thoughts, the survival and prosperity of all organizations is directly linked to the ability of the firms to create business models able to deliver successful strategies in line with the firm’s age, industry, concentration of the market and finally customer type. However, it is important to remark the concept that an organization’s business model is an ongoing process as the strategies should always be continuously tested in an iterative way in order to increase the possibility of obtaining a long-term success. The idea behind is that the more the firm tests its business models and strategic options with rigor and formality and the more it can achieve in the market in a sustainable way. That is why Business models provide a powerful way to analyze and communicate their strategic choices. All businesses have specific business models according to the market dynamic and characteristics of the competing environment. To use an effective and direct quote from Teece’ paper to describe the importance of a business model, different from the strategy concept, “*it reflects management’s hypothesis about what customers want, how they want it and what they will pay, and how an enterprise can organize to best meet customer needs, and get paid well for doing so*”. The final aim was to highlight the importance of the business model tool and how it intertwined with the concept of business strategy and innovation management.

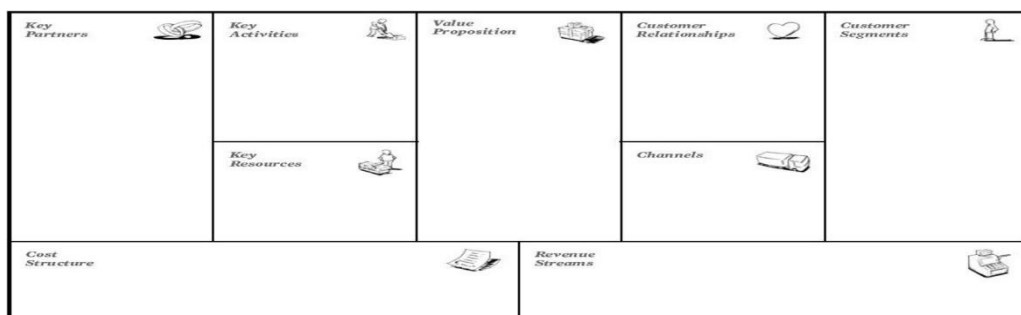
1.3: Business model Canvas

After having analyzed the concept and definition of Business model and the relationship with the strategy tool, it is now time to put the attention on the Business model Canvas tool, whose term has been used frequently but without understanding completely and well enough the true meaning.

First of all, the importance of such element comes from the possibility to use it in a bottom-up approach that creates a strong and bond environment where every actor can operate together in the whole process and every single step that constitutes the Business model Canvas. In this perspective, there is a strong difference between the “*deliberative strategies*” and the “*emergence strategies*” which are very close and similar to the used philosophy behind the introduction of the Canvas instrument. The former follows a “*top-down*” approach where CEO and Board of directors just know the general perspective and view that the company wants to pursue. However, it is the highest level of deliberation, so it is very far from the market, they are not very integrated, and they do not know exactly how their decisions are implemented. The latter, on the other hand, helps the actors to apply the decisions in a practical way, directly as every “*bottom-up*” kind of approach.

In this context, the main aim of the Business model Canvas is to help in how to make money in the business, allowing to understand which are the main building blocks on which to create the specific business model. Such tool is extremely important for investors and general stakeholders who have an interest in understanding what is the business of the firm, to have a general overview of the firm to which they will relate.

A business model includes nine basic building blocks, nine elements that describes the entire business model, it is a Canvas because it is as if the firm were describing its business; the firm’s objective is to put all the elements in the proper position, because in this way it means that the firm knows exactly what to do and how to proceed in the right direction.



(Reference: “*Business Model Generation: A Handbook For Visionaries, Game Changers, and Challengers*”, by Osterwalder, Alexander; Pigneur, Yves; Clark, Tim, 2010)

The first element to analyze is the “*value proposition*”, which is central to the analysis of the overall business model Canvas. Probably it is the principal element for firm in terms of priority; however all the elements are interdependent between themselves. It represents the promise the company makes for its customers and the bundle of products/ services that create value for a specific customer segment; it is fundamental that the firm manages to satisfy the expectations and deliver product of high quality. By keeping the “*promise*”, the customers are going to re-buy the products thus becoming loyal to the brand. In this way, a circular process is activated thanks to which the task achieved by the firm brings the client’s satisfaction which creates a positive feedback that spread the word. This final step of the word of mouth is the highest achievement for the company, as others will talk about the service increasing the level of popularity. On the other hand, if the company do not deliver the promise, the dissatisfaction and negative feedback loop will bring to an erosion of the profits in the long run. By creating a graph that is given by a combination of price and benefit together (developing a matrix with the price in the X-axis and benefit in the Y-axis), it is immediately easy to understand that, on a customer perspective, it is better “*more for less*”; however, in this way, the company is delivering more value to customers at a lower price. On a company perspective, it depends on the company and type of business the company wants to develop to understand the best combination of the matrix. So the best combination for the customer would be the one of “*More for less*”, which is a winning value proposition, while the worst scenario would be the one of “*Less for More*” which leads to an increase of value just for the company.



(Reference: “*Business Model Generation: A Handbook For Visionaries, Game Changers, and Challengers*”, by Osterwalder, Alexander; Pigneur, Yves; Clark, Tim, 2010)

Describing the bundle of products/services that create value for a specific customer segment, with the analysis of the perspective of the clients, there are specific types of value propositions (quantitative and qualitative), which constitute the main element on which the Value Proposition is built. Here are some of them: newness, performance and customization. The first one refers to the pioneer concept, when the customers are willing to pay more to have a newer product before. The second one is related to the quality of the product. In the movie industry, the name of the actors involved in the projects are the only elements that can be used as a performance driver both in the movie industry and also in the music industry. In fact the analysis is made before the awards are given, so the viewer has to rely only on the name of the actors, it is the only feature that can be assessed to attract people to see it. Other features are the price, design, convenience and, finally, the accessibility. In the music industry, for example, the analysis is assessed based on qualitative elements: the “newness” features is calculated according to the date/ period of release, while the “*customization*” issue is related to the specific features/ patterns different from the normal product (Netflix and Spotify).

This particular theme is very important and recent as it deals with the mechanism of the Playlist and suggestions that personalizes the contents. There has been a significant abundance of contents and an immense diversity of selection; such process increased the level of competition between firms, consumers wanted a lot of contents, so the expectations significantly raised. For all these reasons, personalization became the only way to sustain the overall business. This “*appetite*” for personalized contents, in terms of different selection of choices, according to what the customer like, brought the need to create “*algorithms of digital platform*”. In this way, the customers are at the “*center*” of the value chain and the level of involvement and engagement raised developing a one to one relationship with numerous interactive tools available. When evaluating such elements there are certain specific questions that the firm need to ask in order to follow the right path: the type of value to deliver to the customers, the clients’ problems and needs the company wants to satisfy and, finally, the competitive advantage that increases the overall value created. Of course, while in the clients’ perspective, as previously said, the winning value proposition is to have “*more*” benefits for “*less*” price, on the other hand, the losing position is to have “*less*” benefits for “*more*” price (more for the same and same for less), on the other hand, it would be ideal for the firm to offer the “*same*” benefits for “*more*” price or “*less*” benefits for the “*same*” price.

The second element of the overall Business Model Canvas is the “*Customer segments*”; first of all, there is a differentiation between B2B (where firms sell products to other organization) and B2C market (where the company sell its product/ service directly to the customers, as the mass market). Such elements refers to the definition of the different groups or organizations a company/enterprise aims to reach and serve. As for the value proposition where the point of view was the customer’s one, at the same level also the customer segments element refers to the same perspective. In terms of types of segments, there are four different categories.

The first one refers to the “*Mass market*” concept where the consumer products are sold. The aim here is to provide just one global product to all customers; the “*niche*” market, on the other hand, is typical of the luxury items where the firms create products for different needs and different requests of customers.

Finally, the last two types are associated with the “*diversified*” market and the “*Multi-sided*” industry. The former is the case of Amazon making the products different to differentiate their offer so that everyone can buy what they want. The latter refers to the Credit Cards example where there are more than two parts/side: a unique customer, a business firm and a bank, for the commission/transition. Therefore, these types of firms need to develop three different value propositions. The final aim is to understand for whom the company is creating value and the level of money they earn to spend then in new products. Two different companies studied the market in order to find the different qualities that represent the numerous segments present in the market. Claritas is the society that is responsible for the American market while the Acorn company is held accountable for the English market. These firms stress the importance of the role of segmentation and they are renowned for their way of doing it with the use of different variables and specific formulas (like the ROE and ROI) to do such activity.

The third element of the analysis are the channels that describe how a company communicates with and reaches its customer segments to deliver its value propositions. Both physical and online stores. Here the model refers to both promotion and distribution channels connecting and bringing the value proposition to the different segments of the market. The final aim is to make accessible for the final customers in the market the promise that the company has made about the product realized. Basically, the distribution channel deals with the way the customers receive the value proposition, so the focus shifts towards such tool, which is a fundamental way of communication for the delivery of the final message for the firm. For sure, the way the distribution channel works depends on the value proposition the company is delivering. How consumers are treated on the specific store is different, for example, between Apple and Xiaomi. Such tool, in general, has important and different functions to realize, not only, as previously said, to make the good available for the customers, but also to always be able to communicate the beliefs, value and message conveyed by the company, that it wants to pursue.

There are specific steps that customers follow when they approach the product; the “*customer decision journey*” is not linear and, even though there are specific touch points with the products, the relationship is not so linear. When referring to the distribution channel, it is important to study the whole customer experience, because it covers different stages and phases that are involved in the whole process.

Channel Types			Channel Phases				
Own	Direct	Sales force	1. Awareness How do we raise awareness about our company's products and services?	2. Evaluation How do we help customers evaluate our organization's Value Proposition?	3. Purchase How do we allow customers to purchase specific products and services?	4. Delivery How do we deliver a Value Proposition to customers?	5. After sales How do we provide post-purchase customer support?
		Web sales					
		Own stores					
Partner	Indirect	Partner stores					
		Wholesaler					

(Reference: “*Business Model Generation: A Handbook For Visionaries, Game Changers, and Challengers*”, by Osterwalder, Alexander; Pigneur, Yves; Clark, Tim, 2010)

In the first step, which is the “*awareness*” process, the goal is to spread the name of the company between the customers, to raise awareness about the company’s products and services. Awareness can be obtained both with physical and online stores.

For the first case, it refers to the increase number of flagship stores that are located in the different cities. Such presence increase the possibility of getting the costumers to know that brand as it can be spotted when going for a walk and after you enter there the subject will remember the name and what it is. For the second case, the “*awareness*” through the online stores, the model talks about the possibility to search for a product without knowing in which brand to buy it and the company is among the first three choices which will lead to a higher probability for the customer to remember the company.

For the second step, the one of “*evaluation*” of different brand and competitors between themselves, the importance is related to the experience made in the physical store in the moment of trying the products. Here the goal is to help customers evaluate our organization’s value proposition. It is not necessary to buy them, you can also just test the quality, design and fitting of the item (the comparison is valid for both physical and online store). In the “*purchase*” phase, the product has to be available when the customers need it, if they want to buy it. Now that the competition is tough, it is central to make the products always available, otherwise customers will easily and immediately switch to different similar products.

The delivery stage is an important and distinctive part that is different from the “*purchase*” phase. While the former deals with the logistic part of transportation, the element of efficiency of time and way of delivery, the latter simply examines ways to allow customers to purchase specific products and services.

Finally, the last step refers to the “*After sales*” process, which describes how the company provides post-purchase customer support. In general ,such channel types could be direct, when the company directly sells to consumers, or indirect channels. The difference lies in the fact that the “*DOS*” involves only three agents, producer, retailer and consumer, while the indirect channels has an additional element, the wholesaler, who

receives the products from the producer and sells it to the retailer. The channels can be owned or in partner; that is why, in general, there are three different options available for the firm: to sell directly to consumers, to sell through retailers and, finally, to sell through wholesalers. In total we have five elements: sales force, web sales, own stores, partner stores and wholesaler. The company must understand through which channels the customers want to be reached, the way to reach them, how to integrate the different channels and, finally, which channels work best in terms of cost-efficiency. For example, in the contemporary art market the channel can be both direct and indirect, which explains the flexibility of both tools. The convenience of one element in contrast to the other depends also on the specific case analyzed. For example, in the art industry, it depends on the power of the artist; the young artist use indirect channel to exploit the power of galleries as they are less famous, while direct channel are used by strong artist that are famous and are able to sell directly to the market their paintings.

The fourth element is represented by the “*customer relationship*” building block, which describes the types of relationships a company establishes with specific customers. There are three different strategies that the firm can pursue: attract new customers (the ones that are not part of the company’s community yet), retain customers (so the aim here is to maintain the present one) and, finally, increase revenues for customers already present (squeeze more value for the same customers) through the activity of up selling or cross selling. By doing such activity, the firm is asking to the customers to buy different products in its category (portfolio of the firm) in different moments, not always together (different from bundles when the client buy different products together).

There are different types of relationship to analyze. The first one is a “*personal assistance*” type of approach, where the relationship is 1 to 1 and there are people that actually are behind the assistance; in such case, there is a person that is going to answer the client but it will be not always the same person, it could change. On the other hand, in the “*dedicated personal assistance*” there is the same person behind, like a real “*personal shopper*”, there is still a 1 to 1 approach, but the assistant following the customer serves only that specific customer for the entire staying in the shop. In the Dedicated personal assistance, one is served in a private way, always with the same person from the beginning to the end. So this kind of approach is specific for the high-end luxury companies where everyone is served in a private way; on the other hand, in the Fast fashion world, the approach most used is the “*personal assistance*” one as there are less people for more customers, like in Zara, for example, where not always the person that serve is the same.

The third category is the “*Self- service*” one. It seems a little bit strange to connect with people and create a relationship with customers without having any form of engagement. However, it depends on the customer segment you are targeting, there are someone that do not want to have a “*personal assistance*” or “*dedicated assistance*” and prefer this kind of approach. The most significant examples are the ones of Autogrill or the Vending Machine; what is important to remember is that even in this category there is a form of interaction, it might still require that the employee is doing something.

The “*automated service*”, on the other hand, does not require any form of activity. The client receives an answer from the Computer (through Bot) and it is an automatic answer, the so-called “*frequently asked questions*”. Generally, the company provides the automated service together with another customer relationship (personal assistance, for the most of the times) to better the customer journey.

The fifth component is given by the “*customer communities*” category. Such community is generally created by someone who is represented by a member of the company. There are two different examples of firms that uses this approach; the first one is Ryanair, which mixes the “*customer communities*” and the “*personal assistance*” approach; in fact, in the moment when the client wants more answers to deepen the knowledge, the firm will have employees answer to the requests in a more detailed way. Moreover, it is generally used also in the telecommunication and video games systems. There are forums created by members of the company in order to analyze and understand the product and, in general, the firm. It is important, finally, to remember that the customer relationship approach is slightly different from the networks and the network business such as Herbalife.

The last element to analyze is the “*Co-Creation*” type of approach. Here the customer is at the center of the product development. When talking about this definition, what we mean are the elements of involvement and collaboration; the most important example is the firm of Lego because in this case the customer can contribute to the production of the item, Wikipedia also is another important example of Co-Creation. In the overall analysis of the different types of Customer relationships, it is important for the company to understand which relationship is most suitable according to the customers and the costs related to use those kind of strategies.

The fifth and last element of the right part of the Business Model Canvas is the “*Revenue streams*” that represent the cash a company generates from each customer segment (revenue-costs= earnings/profits). There is a first important difference to make between the “*one shot*” and “*repetitive*” revenue streams types. Among the different typology of cash flows, the asset sale represents a one shot revenue streams where the person buys the product and becomes the owner so he/she can do whatever he/she wants with the item bought. Subscription and usage fee are two types of “*repetitive*” revenue streams; the first one is when one has the right to use that element that product/service where you want and when you want for a specific amount of time, you pay a specific monthly subscription fee. On the other hand, the usage fee is something like Blockbuster, where you are going to pay a rent to watch a movie (a month), then you have to repay for it. Usage fee is more cash up after the use depending on the actual time. It is very similar to the concept of lending with the difference that in this case you specify the extent of the use before. Then there is licensing, when the subject has the right to use the brand of that company (like the case of the Simpson image used to produce video games/t-shirts and films). Franchising, on the other hand, is a different concept, because in this case you have one person that is the owner of the company you want to spread in the market (comparing with the licensing process you lose a little bit of control, but you can earn money from the products and the

operating costs are much lower). The last two examples are the ones of Brokerage fees and advertising. In the former case, there is an intermediate person between the buyer and the sellers, someone that earns from the facilitations of selling the product. The latter represents a type of financing the company has based on the messages paid for by those who send them and are intended to inform or influence people who receive them. In the revenue streams, there are different types of pricing mechanisms. The first one is the fixed “*menu*” pricing where there are predefined prices that are based on static variables. They are list prices, that is fixed prices for individual products, services or other value propositions, product feature dependent, as price depends on the number or quality of value proposition features. Finally, they are customer segment and volume dependent, so the price depends on the type and characteristic of a Customer segment and it is a function of the quantity purchased. In the fixed “*menu*” price, firms often use the “*skimming*” price strategy where some products, in different time, are sold at different price. Therefore, even if the price is fixed, it can change in relation to different strategies (as this one previously described). For example, when selling a new I-phone, the early adopters are willing to pay more, then you see the same products later to a lower price (like a sort of discrimination price approach).

On the other hand, the “*dynamic*” pricing mechanism is based on market conditions. The negotiation is the first element, the price is bargained between two or more partners depending on negotiation power and/or negotiation skills. Other relevant factors are the yield management, where price depends on inventory and time of purchase (normal used for perishable resources such as hotel rooms or airlines seats) and real-time-market that form the price dynamically based on supply and demand. Finally, in the auctions, price is determined by outcome of competitive bidding.

It is now time to analyze the elements that constitute the left part of the Canvas. The first one is represented by the “*Key resources*”. They describe the important assets required to make a business model work. There are several different types of categories among the resources available for the firm: physical assets (e.g. facilities, machines), intellectual resources (e.g. brands, copyrights and patents), human resources and financial resources and/or guarantees. It is fundamental for the firm to understand which key resources are required by the value proposition and needed, according to the distribution channels. In this phase, it is important to analyze correctly the type of customer relationships and the revenue streams that the company generates; only by doing so, it will be easier to understand the resources that are most valuable and precious in the business to obtain a significant competitive advantage in the market.

The second element is the “*key activities*” tool. It describes the most important things a company must do to make its business model work. There are several categories of key activities. Production deals with the phases of Designing, making and delivering a product; Problem solving, on the other hand, consists in Coming up with new solutions. Finally Platform/ Network is represented by the service provision delivered, interface management and platform promotion. Again, just like the activity realized for the resources, also for the key activities it is fundamental to understand which activities are most required according to the

value proposition, distribution channels used, customer relationships and revenue streams present in the market.

The third element is characterized by the “*Key partnerships*”, whose aim is to describe the network of suppliers and partners that make a business model work. No company has unlimited resources, so they need to make some key partnerships and partners, only the one that can add value to the final products, that can increase the business activity; for all these reasons, it is completely strategic to make specific agreements with partners that can increase the efficiency of the firm. About this point, there are several motivations for partnerships: optimization and economy of scale, reduction of risk and uncertainty and, finally, acquisition of particular resources and activities. In order to find appropriate partnerships, first the company must understand who the key suppliers are and which resources to acquire from partners. Such activity is completely different from the outsourcing strategy where the company gives another strategic player the possibility to realize a specific activity, while in partnership the firm cannot give another player the possibility to control the pipeline, the activity, this remains up only to the firm itself.

The last element is characterized by the “*cost structure*”, that describes all the costs incurred to operate a business model. There are two different categories of cost structures. The first one is the cost-driven approach where the company wants to pursue a minimization process, while the second one is a value-driven strategy where the aim is to maximize the creation of value. Here the focus is to provide best quality rather than quantity and that is why such element is typical of the fashion industries where the firms concentrate on the final output rather than just the production of the final output per se. The costs that are generally incurred are the fixed costs, that are present independently from the activity realized and the variable costs that are strictly linked to the output realized by the firm. The final aim for the firm is to realize either the economies of scale or economies of scope. The former represent cost advantages reaped by companies when production becomes efficient. This happens because costs are spread over a larger number of goods. Costs can be both fixed and variable. The size of the business generally matters when it comes to economies of scale. The latter means that the production of one good reduces the cost of producing another related good. Economies of scope occur when producing a wider variety of goods or services in tandem is more cost effective for a firm than producing less of a variety, or producing each good independently. The most important element, for the company, in general, is to understand what are the most important costs inherent in the business model of the company, which key resources and key activities are the most expensive.

Now that the description of the whole Business Model Canvas is completely, it is important to understand the division made between the right and left part of the model. The right part is characterized by elements that are related to the emotion and creative part of the activity while the left part deals with finding ways to learn how to develop the projects and the tasks assigned to the firm; It helps obtaining the efficiency, bettering the production process and increasing the logic and rationality behind the different activities that the company has to perform throughout the different periods.

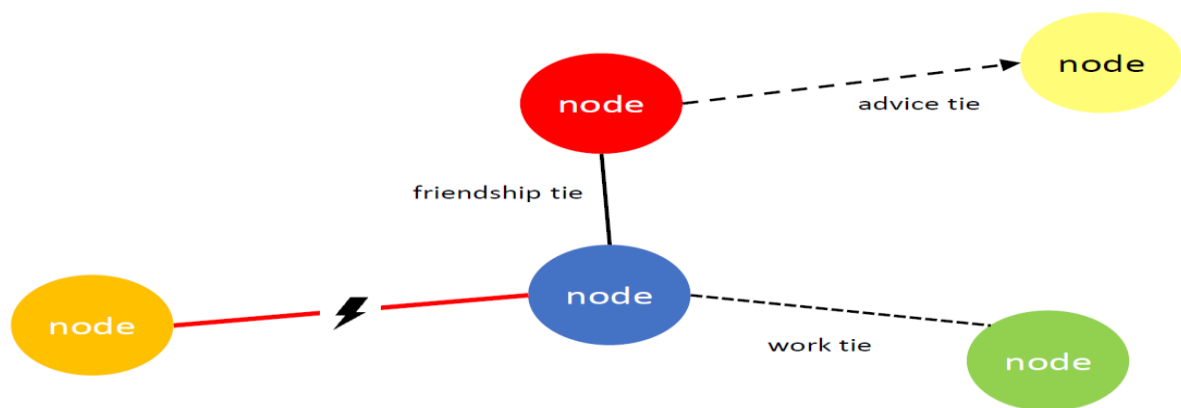
CHAPTER 2: NETWORKING: THE CONCEPT OF NETWORK STRUCTURE

2.1: Definition of social networks and the informal structure of organizations

The first element to understand is what is meant by the concept of Social networks. In fact, the most important goal in nowadays' world is to learn what a social network is and why it matters, learn how to diagnose and understand one's own and other's social networks and analyze how powerful social networks are so as to develop a toolkit to build own networks.

Stanley Milgram was the first researcher to study such concept through the use of social graphs. A network is a “*web of ties between people*”; to represent network we use social graphs, circle people and arrow friendship. One example is provided, for instance, by the case of friendship not reciprocated, that is why such tool can represent groups, teams and not only people.

Social network analysis (SNA) tend to focus on ties between people and groups including organizations. Ties can represent any type of relationship (strong tie, weak tie, in fact, also weak ties are crucial, especially for leading organizations). Ties can be bidirectional (mutual friend) or unidirectional (not reciprocal) positive or negative relationship. Therefore, nodes and ties (“*vertices*”) represent the whole social network concept; depending on the type of node and ties one can end up with different typologies of representation of an actual social network



(Reference: "Social network analysis: a powerful strategy, also for the information sciences", *Journal of Information Science*, by Otte, Evelien, Rousseau, Ronald, 2002)

Social networks are complex and continuously moving, a network graph is only a simplification of the reality, a snapshot taken at one point in time. Social networks, as previously said, are webs of connections between people, organizations or other entities through which important resources are exchanged. Resources can be different variety: money information, advice, trust, helping behaviors, emotional support (e.g. in

friendship networks) and negative sentiments. Social networks have a wide range of application. The focus is always on the structure of connections.

Dealing with the concept of “*informal structure of organizations*”, the aim is to understand why networks matter. They underlie the informal structure of organizations. Formal structure is composed by positions and roles, departments and divisions. “*Ego networks*” is an important tool, embedded in the definition of the structure, and it deals with the different actors that are central; in this case, the analysis is made through their lens and point of view, with important characters, many connections with other agents. Network graphs reveal the informal structure of an organization in a social space.

The “*formal structure*” concept is also very important and produces its most significant effects through the hierarchy and pyramid definition; however, the informal structures need a deeper and more significant focus as it is more important in the firm’s dynamic of competition. Joel Podolny gives us the definition of “*networks as pipes*” with two different metaphors. In the first one, networks can be considered as pipes, what flows through the pipes are resources and information.

In the second one, networks are associated to prisms: networks reflect signal of identity and status, individuals and organizations can increase their own status by interacting with higher actors. The negative element is that social ties can also negatively reflects on the own status of the firm. Social networks matter mainly for four different reasons. They can shape the informal structure of the organization, social networks act as conduit for information, they convey status/identity and, finally, they affect the opportunities and constraints the company will get.

Exploring now the concept of the Network centrality, it is important to remember that social networks are shaped by the design and culture of the organization; the goal is to find the connection between the concept of social networks and power and how it is distributed within the organization.

First of all, it is central to develop the “*power*” definition, it can have three different origins, from position, personal characteristic or, finally, from relationships. There are three different lens that are generally used to analyze the company through different perspectives. The general aim is to provide a high level view of the lens with details of each element analyzed.

The “*strategic design level*” lens refers to organizations as deliberately design systems set up to achieve certain strategic goals, making the organization effective and efficient. The strategic design cycle has the intent to understand which are the strategies the organization will develop to reach those targets and how to coordinate action in the firm by creating groups (functions, products). Then, different linking are built, horizontal and vertical ones, in order to make the information flow bottom-up and top-down. The fourth element is the aligning process; once the links are created, it is fundamental that any members work through the same objective. It requires management to set goals for any department. The last part is the fitting

process. Once everything is done, it is fundamental to check whether it fits the external environment or not, if it could be sustainable in the long period.

The second lens, which is the “*cultural lens*”, embrace the idea that organizations are viewed as systems of a shared meanings and beliefs. Norms and values form and shape the attitude and behaviors of the employees, it goes beyond the materialistic view, to emphasize the symbolic and subjective aspects of the organization. How to analyze and understand culture? There are several approaches to tackle such aspect, the first model is called the “*Iceberg model*”.



(Reference: “*Organizational culture and leadership*” by Edgar H. Shyne, 2004)

Shyne argues that one can only see the tip of the iceberg; what is underneath is less visible and hard to define. The “*tip*” is readily observable things like language used, logo, but they exist because of a specific reason behind. It embodies the underlying values of the organization; values are not random but based on specific meaning of the firm. The final aim is to understand the depth and strength of an organization through the analysis of cultures and other related subcultures and the study of the cultural orientation and how it is realized within the firm itself.

There are two different approaches that study how it could be shaped and changed. The first one, developed by Schneider, explores the importance of the recruitment and selection step. The second one, studied by Louin, discusses how to change the system and processes that keep the culture as it is and move to the desired new culture. The key to obtain success is to form norms based on collaboration and helping with everyone being equal. Creativity is achieved by bringing people from completely different background together sharing ideas.

It is now time to explore the third and last element, the “*political*” lens that focuses on power, as also previously said. Through this lens, researchers see organizations as collectives whose members are pursuing

multiple interests. It requires focusing on stakeholders, the ability to negotiate and build coalition. The two different sources of power coming from the role are the role-based power, personal power and, finally, social networks.

The first one represents the ability to reward (control over budgeting), ability to coerce (discretion over sanctions) and legitimacy. The second one comes from the specific expertise of the subject involved, the social qualities and body language he possesses while, the last one, is simply connected to the structural power element. Power comes from information flows and it derived from the formal and informal networks. In essence social entities are built by human and for humans to interact with each other. In organizations, power depends on the kind of network the firm is embedded in and on the position the company has within the network.

Dealing again with the third lens of the political perspective, it is important to make a focus on the power tool and its analysis. The political perspective highlight that our life is characterized by different power dynamics. Resources are limited, firms have to compete with each other to acquire those resources. Organizations are often seen as collections of Individuals with diverse goals and interests (people want different things) and, in such framework, the role of the manager is to find balance interests of different individuals, groups and teams and to engage in political action to ensure collective action building coalitions, negotiating, using power and influence. Power is the ability to have things your own way, to exert influence on others not being influenced by others (having full autonomy) and to mobilize other's best efforts for goals achievement, even if they have their own different ideas. There are different sources of power.

In the “*social exchange theory*” by Emerson, realized in 1962, he states that “*power resides implicitly in the other's dependency*” and the extent to which one (B) needs the other (A) to obtain something that B values. In the past, the classic power theory developed a different view that power came from the resources itself, if one had large amount of resources, it meant the agent had automatically great power over the others. The development of this new theory has completely changed such approach. Power comes from the dependency, it does not come from the resources per se, it comes from how dependent the person is from the subject to acquire that resource.

French and Raven (1959) explored the different sources of power; as previously said, there are three different options, from the position, personal characteristic and, finally, from relationship. In the first case, the “position” power, according to the position you have, you can access certain sources of power. Reward power, that is the first example, is the perceived ability to give positive outcomes with tangible rewards, assigning a specific financial value, or intangible, with elements such as recognition and emotional support. It is relatively loose from the position one has in the company in terms of leadership and hierarchy. Among the cons, there is the possibility to create an healthy competition and to increase the commitment and loyalty

in the workplace; on the other hand, it could bring significant cost organizational resources and, if such process is not aligned, it could increase sense of unfairness.

The “*coercive*” power, on the other hand, is the perceived ability to punish those who do not conform with a given idea. It is the opposite in relation to reward power, the subject gain authority not by positive feedbacks but by threatening others of negative outcomes. By doing so, the firm can get immediate responses and effective signs for clear and simple missions. However, such process could bring low job satisfaction and high turnover and there is no room for creativity and innovation, that is why it is not sustainable in the long period.

The last example, is the “*legitimate*” power, the perceived legitimacy of a position in the hierarchy. In this case, the power is gained just from the position you have, only high rank employees can achieve such status, even if it means that there is too much reliance on rules and it could become significantly bureaucratic. The second source of power is the “*personal characteristics*”. It could be “*expert power*”, based on the distinctive knowledge, ability or skills of the individual. It comes from others’ belief that the individual possesses something unique and rare that others do not have. That is why the high level of skill sets is not enough, it is necessary also the recognition. Such status is easy to build, as expertise is easy transferable to other political assets (reputation, social network and charisma). The cons are given by the fact that the ability needs to be constantly updated and it diminishes as rivals improve (if it is easy to gain, it will be the same also for the competitors to obtain).

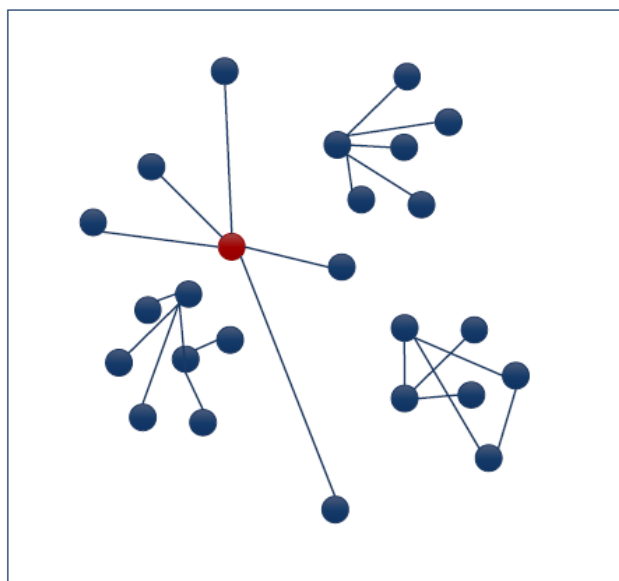
“*Referent*” power, on the other hand, is built upon the respect and admiration of others. Celebrities are an important example, they can create strong commitment as the employees are eager to follow leaders they admire but it would be difficult to build in a context of large companies. The last source of power is from the relationship the agent manages to create within the environment.

The “*relational*” power is based on a position in the web of connections through which important resources are exchanged. Resources can be money, information or social support. What matters is the quantity and quality of the social relation, it could be influenced by how powerful context you have and how connected your web is.

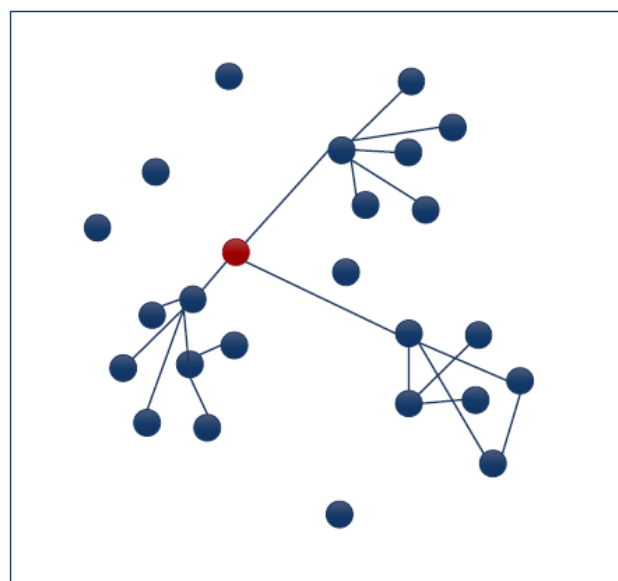
After having analyzed the different sources of power, we can go back to the topic related to the network centrality. “*Degree*” centrality represents the number of connections “*ego*” has, relative to the maximum number of connections “*ego*” can have in a given network. It is given by the number of connections ego has divided by the number of people in the network. The quote that best summarizes the concept is that “*the more connections the agent has, the more access the firm can have to resources, and the more powerful it is*”. Being central in the network pays off. Peers perceive central people as having more power and influence. In fact, central people are more likely to receive promotions and advance in their careers, have higher job performance and salaries and have more chances to get promotion. Generally, the players that

manages to get the central position in networks are the ones with higher education and emotional stability. These two core values are the key predictors of centrality. On the one hand, highly educated individuals have more chances to get friendship and expand their network. On the other hand, the personality traits play also a significant role in shaping who become central.

Another important concept is the “*eigenvector*” centrality tool that represents the extension of degree centrality, it accounts not only the number of ego contacts but also for the centrality of these contacts. It gives a precise value of the power measure and such element is explored also in the definition that states that such person is “*a big fish and he/she is connected to other big fish*”.



(Moderately) high degree centrality,
low eigenvector centrality



Low degree centrality,
high eigenvector centrality

(Reference: “*The mathematics of networks*”, by M. E. J. Newman, 2006)

There is a last third dimension of power that is the “*betweenness*” centrality which represents the number of times, “*ego*” can control the connection between two other people, relative to the maximum number of connections ego can control. It is the “*extent to which the networks depend on ego for connections*” and the more other people depend on that person to make connections with other people, the more control he/she has.

To make a summary, there are basically two different ways for the firm to get the power, either with the degree/eigenvector centrality with the access to resources and the possibility to have higher vision and visibility or with the betweenness centrality that helps having more control on the flows of information and it also alters the dependent on ego.

There are two different types of ties that can be created within the organization through the network structure. The first one are the strong ties. The strength of such ties depend on four characteristics: amount of

time, emotional intensity, intimacy (mutual confiding) and reciprocal service as stated by the researcher Granovetter in 1973. Maintaining a strong relationship is very difficult, it requires attention and continuous effort. In fact, strong ties require time and they do not form randomly. However, once they are formed, strong ties can create cohesion, solidarity and trust among the employees. Strong ties are generally formed between family and close friends, in small number. It could become a significant and important competitive advantage as it helps developing loyalty, trust and satisfaction, cohesion and a credible flow of information. On the contrary, it could also provoke redundancy and network fragmentation (create tension between members).

Weak ties, on the other hand, are more effective in the short term. They require little time and no emotional intensity, intimacy or reciprocal service. Someone could argue that they are useless, however they have proven to be very strategic in specific cases. Compared to strong ties they are stronger and easy to manage, little time and efforts are required, thus maintaining different number of weak ties is easier. The most important features of the weak ties are that they are easy to establish and costless to maintain. In the workplace, for example, most of the networks are weak ties. They could become a sort of “*bridge*”, a “*path*” that connects otherwise unconnected part of the networks transporting information across social spaces. Such bridges not only transport information but they could pass news to a larger amount of people to enlarge the base of job opportunity while the little circle has less power (of closest friends). This is the only way to make the information spread through the weak ties, the “*bridges*” that can pass across social distances and are the most valuable vehicle to the creation of larger networks. The advantages are the uniqueness in the creation of new information and the creativity and innovation; of course, when creating only weak ties there is a lack of trust and the level of cooperation and cohesion is very slow.

Social networks are made of (few) strong ties and (more) weak ties, both strong and weak ties have value; weak ties are critical in conveying new opportunities, element that is a fundamental pre-requisites for innovation and creativity. Weak ties are also a form of power, they form bridges connecting otherwise disconnected actors. In the development of social networks, three important sources of “*capital*” become valuable in the connection of different people together. Human capital (knowledge and skills), cultural capital (understanding and mastery of cultural codes) and, finally, social capital, that is, according to the definition of Bordieu 1980, “*the sum of the resources, actual or virtual, that accrue to an individual or group by virtue of possessing a durable network*”. There are two forms of “*social*” capital, first one is “*closure*” (strong ties) and it gives the access to critical resources and manages to obtain trust and support. The second one, “*brokerage*” (weak ties) gives access to novel idea and control over information.

In the analysis of the optimal network, generally it is said that “*closure*” ties are beneficial in early careers yet may turn detrimental later on. Brokerage position tend to be problematic with junior management but are decisive for senior positions. Learning about social capital matters. In order to develop the specific networks valid for the firm, it needs to look for “*brokerage*” opportunities (disconnected from the firm’s own

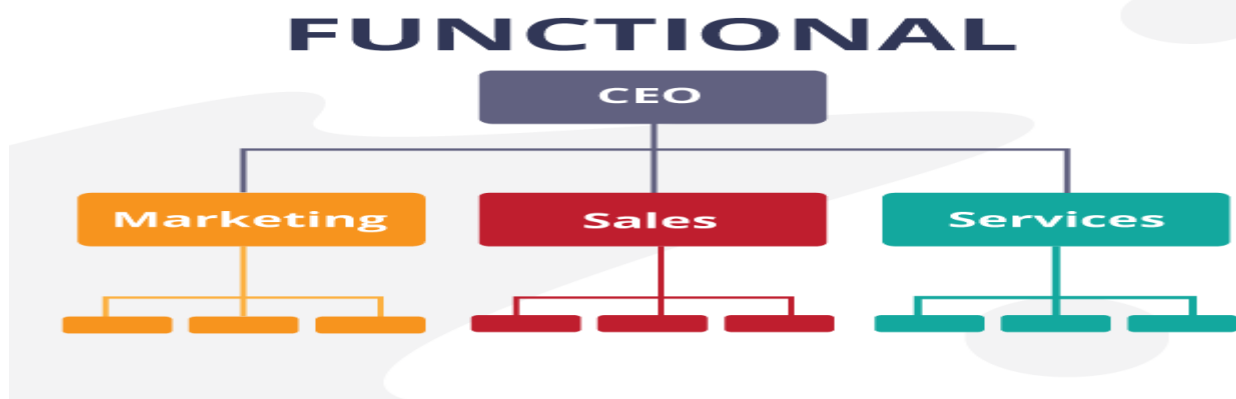
network), identify super-connectors (key players of the platform to create proper contacts), understand the network and, finally, diversify the connections giving proper value to the weak ties present in unrelated fields.

So, the final aim for the company is to always know the style and context in which it is working building mutually beneficial relationships and understanding the environment that surrounds the firm. To make a summary it is now clear that power arises from the connections the company manages to establish and the knowledge of the network landscape. In order to do so, one must develop its own network, understanding different routes to gain power and influence and combining strong and weak ties maintaining them in the long term. Finally, it is vital to follow the right path, the one that is suitable for the mission of the firm, feeling comfortable with who you are and where you are.

2.2: Informal networks and open-boundary organizations

There are several different departmental grouping options available for the firms among the various structure design present. There is the functional grouping that places together employees who perform similar functions or processes while divisional grouping means that people are organized according to what organization produces. The Multifocused structure has the aim for the organization to embrace two different structural groupings simultaneously, like the matrix or hybrid structure. The fourth element is characterized by the Horizontal (process-based) grouping, where employees are organized around core work processes. They are grouped together rather than being separated. The last case is given by the virtual network grouping where the organization is a loosely connected cluster of separate components. There are also other more innovative forms that are still developing during these years that will further analyzed in the future.

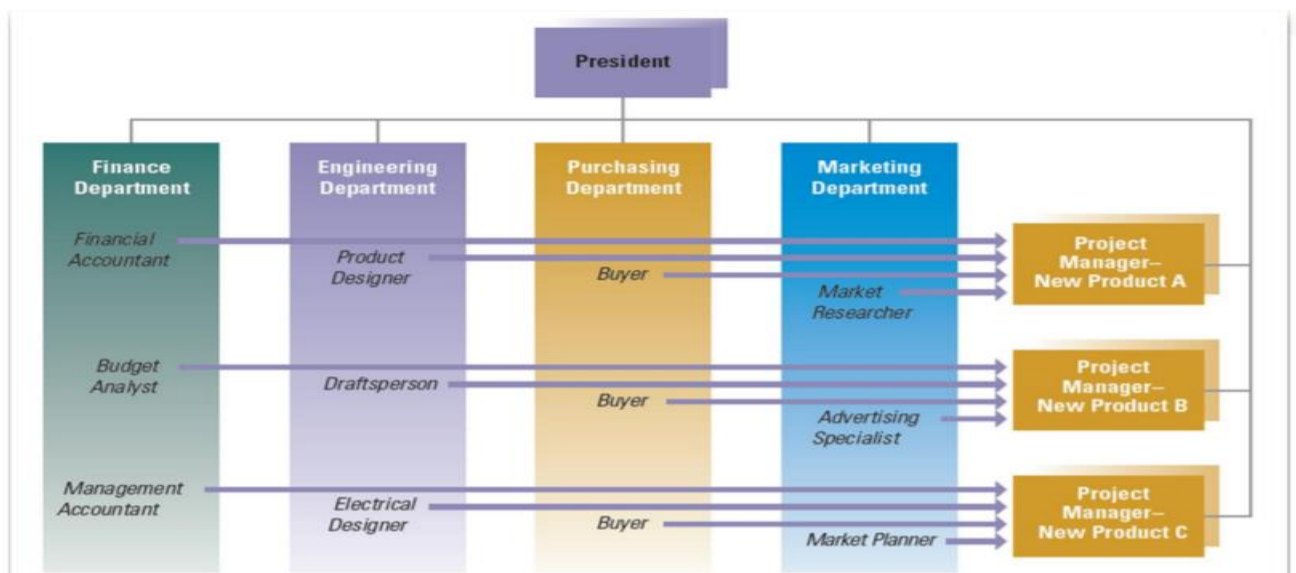
It is now time to explore deeply each fundamental organizational structure previously mentioned. The first and most important one is the functional structure. It is a design that “*groups people together on the basis of their common expertise and experience or because they use the same resources*”. For example, all engineers are located in the engineering departments; functional structure is the bedrock of horizontal differentiation.



(Reference: “*Causes of Failure in Network Organizations*”, *California Management Review*, Summer, by Raymond E. Miles, Charles C. Snow, 1992)

There are specific functional strengths associated with such design. It allows economies of scale within functional departments because people are specialized, hence productivity increases. Moreover, it enables in-depth knowledge and skill development (people work together over extended time periods) and helps organizations accomplish functional goals. Each function controls its own activities. Such design is the best when the organization produces only one or a few products. The functional structure is appropriate when the organization either limits itself to producing a small number of similar products or when it produces those

products in one or a few locations selling them to only one general type of client or customer. For example, GE produces hundreds of different products, and this implies a number of different customers that may, in turn, require offices and factories in different geographic locations. The functional structure has, on the other hand, some weaknesses. It may lead to poor horizontal coordination that needs to be fixed with integrating mechanisms, slow response time to environmental changes (such changes need a cross-functional response). Moreover, there could be hierarchy overload as it can cause decisions to pile up at the top. All the firms that adopt such organizational structure have generally a restricted view of goals and invest less in innovation. One solution with such structure is to integrate the functional structure with the previously mentioned horizontal linkages; in this way, companies can respond to the external exogenous elements coming from the environment using integrating mechanisms, such as task forces and teams to improve coordination between subunits. The improved horizontal coordination dramatically improved productivity and through the use of the horizontal linkages the companies can effectively overcome some of the disadvantages of the functional structure. The transition from the functional to the divisional structure is necessary for the companies that increase their dimension. In fact, when firms grow and problems arise, organizations tend to use such structure as they serve more regions and customers. The final aim is to create smaller, more manageable subunits within an organization.



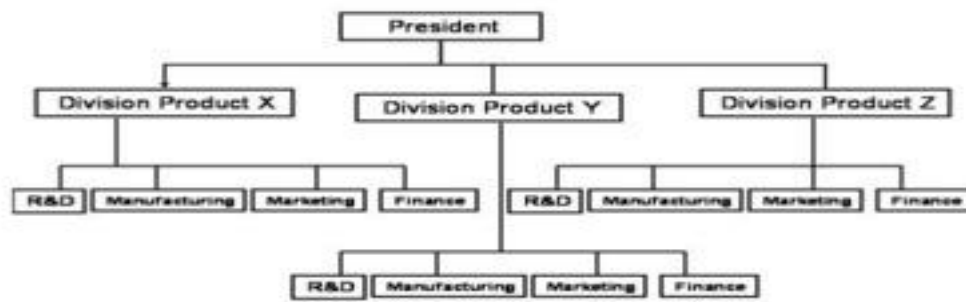
(Reference: “Causes of Failure in Network Organizations”, *California Management Review*, Summer, by Raymond E. Miles, Charles C. Snow, 1992)

There are three types of divisional structures: product, geographic and market structure; the choice of the type depends on the specific control problems. If control problem is due to the number and complexity of

products, the organization divides its activities by product and uses a product structure, or strategic business units. In this model, products (goods or services) are grouped into separate divisions according to their similarities or differences. Whether an organization opts for centralized control or creates multiple support functions depends on the degree of complexity and difference among its products. It is generally used by food processors, furniture makers and companies that make personal care products or, in general, companies that produce goods that are broadly similar and use the same set of support functions. On the other hand, if the control problem is due to the number of locations in which the organization produces and sells its products, the organization divides its activities by region and uses a geographical structure. It is particularly common in large organizations, as multinational corporations are organized by country and the divisions are organized according to the different locations in which an organization operates. It allows some functions to be centralized at one headquarters location and others to be decentralized to a regional level.

The last example, is the “*market*” structure; in this case, the control problem is due to the need to service a large number of different customer groups and the firm divides its activities by customer group. It aligns functional skills and activities with the needs of different customer groups; each customer division has a different marketing focus, and the job of each division is to develop products to suit the needs of its specific customers. Thanks to the increased flexibility, the organization can quickly sense changing needs in the market and react to them. Each division makes use of centralized support functions. In order to communicate, organizations adopting a divisional structure need to decide how to coordinate its activities with support functions. There are two options available: centralize them so that they serve all divisions or create multiple sets of support functions, one for each division. Again, the choice depends on the degree of complexity and difference among the markets. On the one hand, a centralized set of support functions serves the needs of a number of different divisions. Each division manager has responsibility for coordinating with each support function. On the other hand, in decentralized support functions, support functions are placed in self-contained divisions. The two main features are the independence of each division and the corporate headquarters staff are responsible for overseeing the activities of the managers heading each division. It is functionally organized and plays an integrating role. Such solution allows a company to operate in many different businesses and each division can have a different structure; there are three levels in the hierarchy: corporate, divisional, functional. The first strength of the divisional structure is the suitability of such tool to fast change in unstable environment. There is a strong interface between the customers and those that are working on the product so it also leads to higher customer satisfaction. It is the best option for large organizations with several products and it involves high coordination. It helps obtaining a significant level of decentralization in the decision making process. However, it eliminates economies of scale in functional departments and also in-depth competence and technical specialization. Finally, it helps making integration and standardization across product lines difficult.

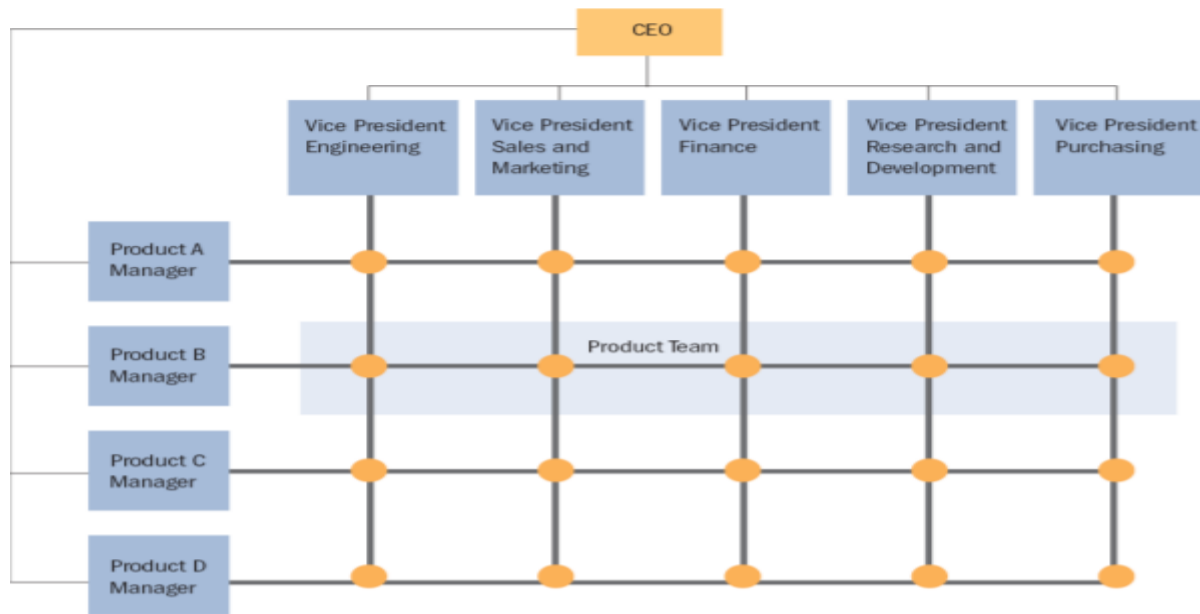
THE DIVISIONAL STRUCTURE



(Reference: “Causes of Failure in Network Organizations”, *California Management Review*, Summer, by Raymond E. Miles, Charles C. Snow, 1992)

The last structure is the matrix structure. It is a design that groups people and resources in two ways simultaneously, either by function and project or product or by geographic and client. It is represented by a rectangular grid that shows a vertical flow of functional responsibility and a horizontal flow of product responsibility. The lines pointing down represent the grouping of tasks by function, those pointing from left to right represent the grouping by product. The organization itself is very flat, with minimal hierarchical levels and decentralized authority, and maximal horizontal control from the use of integrating mechanisms. Such structure is suitable when there is pressure for shared resources across the organization, also when two or more critical outputs are required, finally when the external environment is complex and uncertain. In the matrix structure, team members move to where their skills are needed; each team member has two superiors, the so-called “two-boss employees” phenomenon: employees report their functional manager and work in cross-functional product teams under the supervision of a product team manager. Among the different features, the matrix structure gives the organization the benefits of learning how to create specific products for different countries to satisfy the customers and the possibility to promote cooperation between divisions achieving cost reductions. The cross-functional teams help reducing functional barriers and facilitating communication between specialists of both functional and product agents. By having both the functional and product focus it promotes concern for both cost (function-oriented) and quality (product oriented demand). Finally, it enables the organization to effectively use the skills of its specialized employees who move from product to product as needed. However, the dual authority presence causes confusion; moreover, it is a time consuming process, as dual authority means more bureaucracy. Such structure forces the participants to have strong sense of common understanding and good interpersonal skills

among managers. The high level of independence requires great effort of team members who report high levels of stress.



(Reference: "Problems of Matrix Organizations", Harvard Business Review, by Davis, Stanley M.; Lawrence, Paul R., 1978)

There is a new structure form that is the “*project-based*” one, which is characterized by temporal horizontal dimension and permanent vertical dimension. The high level of elasticity of this model allows a firm to survive in highly unstable environments characterized by fast-changing technologies where clients’ needs change rapidly. As previously said, it is composed by a permanent functional structure and a temporal project structure with high decentralization in the decision making process. The model is ideal for medium-large companies that have products with a short life-cycle and respond to the specific and changing needs of groups of clients. In this model, the project manager has full authority to assign priorities, apply resources and direct the work of people assigned to the project. The members report to the project manager and to the functional manager. When the project ends, project team is disbanded and team members and other resources are released. The level of specialization is very high for the different projects and focused on a specific area of development, or have different broad specializations in many areas of development. There is also a significant need for coordination: it require to bring unity to the various elements that make up a project. The work environment can be stressful because there is always a deadline, resources may be duplicated. Moreover, team members have a sense of insecurity because once the project finishes, they may lose their jobs. When the firm has multiple projects, there is very poor communication and cooperation among the different project teams.

After the specific analysis of the different structures available for the firm, it is now finally time to explore the concept of network organizations. Such concept is related to the theme of “*Open boundary*” design: it means that organizations accept that other participate in the productions process of the company, at different stages. It offers many opportunities to reduce costs and increase flexibility; this is why the use of network organization is rapidly increasing among the firm, shifting the focus on the outsourcing field, which is becoming a significant trend, together with the use of network structures that constitutes a significant innovation in organizational design. There are several exogenous elements that enabled the diffusion of the network organizations; among the various elements, the most important point is the globalization and the changing market dynamics which facilitated the rise of emerging economies, exploiting the skilled expertise in performing specific tasks and the low-cost level of manufacturing. It is a common habit, in today’s environment, to create start-up organizations responsible for a specific number of tasks which are performed externally. Managers are used to the idea that organizations are no longer able to perform efficiently all the tasks required, so they need to outsource same phases of the value chain process. This type of market is characterized by a large number of unrelated buyers and sellers, the agents know exactly the characteristics of the transactions and the price is the element that best summarizes all the relevant information to communicate (Hayek, 1937, with his theory of “*relative scarcities*”).

Generally, such type of market, is either a monopoly or an oligopoly activity, where there is no room for profit and the activities are very concentrated. On the other hand, the hierarchies are characterized by costs involved in participating in the market, such as search costs and exchange costs. The former deals with the time and effort to discover the range of prices while the latter specify and enforce the terms of exchange. Dealing now with the external boundaries, the analysis has to take into consideration the inter-organizational networks (such as the activities of sharing resources with the assembly of complementary resources to meet projects beyond immediate capabilities, sharing routines with the joint product development and the sharing activities with the supply chain interactions). There are several examples of collaborative forms: alliances, joint ventures, licensing and outsourcing. These types of virtual organizations tend to focus on core competencies, managers are responsible for the processes of coordination and control of external relations. Such form of linkages extend the concept of coordination and collaboration beyond the boundaries of the organization. The core company generally makes many agreements with different companies, suppliers and manufacturers. Such company can be considered as a “*central hub*” surrounded by a network of outside specialists. All the other complementary activities and services such as accounting, design, and marketing are outsourced to separate companies that are connected to the central firm; in this way, the hub maintains control over all the different processes while the partners continuously exchange data and information, thus creating one unique company operating in a coordinated and efficient environment. The network organizations enables organizations to obtain resources worldwide, giving the company immediate scale without huge investments. Moreover, the organization can reduces its costs avoiding the bureaucratic

expenditure of a complex organizational structure. The structure is very flexible and easily respond to changing needs as the core company can replace the network partners at any time if they do not perform up to standards. On the other hand, this high level of autonomy and independence requires a great deal of time to manage relationship. Moreover, the coordination process is very complex and there is a high risk of organizational failure, it is difficult for the managers to have the control over all the activities and employees. Finally, the corporate culture is very weak as the different companies do not feel part of the same mission and the employee loyalty is very low. The internal boundaries are formed by intra-organizational networks.

The formal structure constitutes the solution adopted most of the time by the companies; it constitutes a desired pattern of behavior and interactions between organizational members; the result is therefore an actual patterns of interactions (the realized structure) that may be different significantly from the specified formal structure. The divergent elements of the realized structure constitutes the informal structure. Formal structure is the tool that facilitate the emergence of expertise. In fact, such structure creates the repetition of specific tasks, as specified in job descriptions that lead to the increase of competence and expertise. Such expertise is an important component of the informal structure as it is manifested in an emergent pattern of behavior not reflected in the official job description. Through the formal structure there is an emphasis on some interactions over others that creates a priority list with the use of two basic mechanisms of organizational design, such as grouping and linking. Grouping collects individuals together within the organizational unit boundaries, according to the activities realized, outputs or the kind of market served. Such mechanisms are the elements that shape the emergence of informal structure and the formation of informal ties (like friendship and advice ties). Informal ties can be defined as “*informal patterns of interactions among organizational members*”. These elements can be friendship, advice, communication, collaboration or even trust. The most important element is that they emerge spontaneously, they are not represented in a formal organizational chart but they significantly affect organizations and organizational members at various levels.

2.3: Ecosystems, platforms and network effects

The analysis of the ecosystems has to start with the definition of the background context: the organizational design and bounded systems, and then the concept of platforms and ecosystems.

The theory of ecosystems is the tool used to understand what the ecosystems are and how they differ from other types of network organizations. The standard organizational design has always been linked to the features of “*bounded*” and “*concentrated*” systems. Organizations have been distinguished from their environments based on different elements such as the specific practices used, physical spaces and investments realized (investments, plants, buildings). In general terms, traditional organizational designs such as the functional, divisional or matrix forms are suitable for the internal relationship management process. Jobs and positions are grouped into units and department in order to establish activity and reward systems; here, specific rules are imposed through the use of different governance models that enable the imposition of lines of communication and command. Moreover, such designs are useful for the regulation of the relationship with the external environment thanks to the safeguarding of the boundaries of the organizations. For instance, in the divisional form, there is a significant level of independence of the different divisions that are responsible for specific markets and have the authority to manage the relationship with those areas. There has always been a strong link between the design used and the boundaries that are created within the organization; such tool define how to handle the contact with other actors in the environment understanding what is inside the firm and what remains outside. The technological developments that has occurred in the last twenty years, such as the diffusion of Internet, help the spread of new organization forms, such as the one designated with the terms of “*Platforms*” and “*Ecosystems*”; in this new form, the boundaries between the internal controlled space and an external environment are less evident. The concept of bounded and concentrated forms is replaced by diffused and distributed organizations that have many connections with the environment. Such transformation was a disrupted change that radically transformed the way organizations were managed. In this new framework, the presence of numerous external links permits many participants to take part in the production and consumption side; some new agents are the operating systems/ apps/ users in the social media. Technological developments also completely changed the way products and services are bought and consumed by the customers.

In this new paradigm, there are core component often combined with complements that create a completely new consumer experience; the examples are given by the case of operating systems and apps or computers and hardware components. There are several different ways to use such complements together with the core product. Most of the time Ecosystems and Platform-based Ecosystems are the tools generally used to manage and coordinate the productions process. That is why organizational designs are seen as coordination architectures that favor specific connections between the affiliated organizations.

Before exploring the theory of Ecosystems, it is first important to define what an ecosystem is. It is described as a “*complex network of affiliated organizations whose resources, activities and outputs are linked in multilateral ways that cannot be reduced to the sum of bilateral connections between ecosystem participants*”. The participants are strictly linked together by several dependencies that are generally linked to specific product/service that an agent possesses while the others do not; this gives the subject a significant competitive advantage in the relationship. There are three different typologies of Ecosystems that are available in the market and each one has specific features and settings.

The first case is given by the economic activity of vertical integration; the supply chain that is created gives the possibility to the firm to create a community of interacting actors that all affect each other in the environment through their unique resources.

The second example is the “*innovation network*” where the core product and its complementary services are strictly linked together to increase the value created for the customers; such interdependency is what creates the innovation that are later commercialize in the market giving benefit to the end customer.

Finally, there are the “*Platform-based Ecosystems*” with the platform playing the role of a central hub and then there are the other participants that gravitate around it. The most important examples of such type of market are Facebook and TripAdvisor; generally, they are semi-regulated markets defined as multi-sided markets. As a general concept, in order to sustain such ecosystems need another firm that provide the complementary products that help innovating the market, which is a first prerequisite. These companies can also belong to completely different industries and the form of relationship between one another is completely loose, often there are not any contractual arrangements that regulate the process even if the level of interdependence is significant high.

The ecosystems are completely different from the classical theory of firm-supplier relationship and it also differs from the Porter’s (1980) value system concept of firm’s strategic network. That is why, as a completely new concept, it is important now to better illustrate the different types of relations such term entails and how the interdependence occurs and is managed. First of all, when referring to the term of “*Complementarity*”, we mean the idea of combining different components together increasing the value of the overall product. Such combinations emerge spontaneously without the need for the different actors to collide or collaborate, it is something that automatically happens in the market. There are three different types of complementarities.

The first one is the “*Generic*” form of complementarity; in this framework, the parties involved do not act as a group, that is why such kind doesn’t lead to the formation of ecosystems. The second case is the “*unique*” complementary form. The relationship is described by the formula that A cannot function without B. The relationship can be one or two-way and be weaker or stronger. In this case, the collaboration of the participant is fundamental within the organization. The final product realized is the result of several

components bundled together by the focal firm and the customer buys the final product assembled together. The third case is the so-called “*super-modular complementarities*” where the value of a product is given by the relationship with another complement element: it is considerably enhanced by the presence of such complement product. The formula is that “*more of A makes B more valuable, A gets better by B*”. Such type of complementarity can happen both on the production and consumption side.

While the production side generally involves coordinated investments to obtain higher returns or lower costs, on the demand side this type of complementarities are the basis of the direct and indirect “*network effects*”. To make a final summary and recap all the different combinations together, ecosystems are groups of firms that share the feature of having to face the unique or super-modular type of complementarities; such element requires the creation of structures and help the development of relationships to align all the members together increasing the value created in the company.

Another significant feature of ecosystems is that it enables the coordination between autonomy and independent organizations. Generally, coordination occurs indirectly through standards and interfaces realized through sophisticated systems governed by modular architectures.

Modularity is a fundamental feature in the creation of ecosystems; technological modularity gives significant flexibility to the different producers that can realize the interdependent components of a system with no coordination required. The “*central hub*” designs the parameters needed for the overall architecture and then all the other organization have a large degree of autonomy in defining the price as long as they interconnect with others in agreed and predefined ways. Often there are new problems of coordination and communication that could arise; in this case, ecosystems provide ways to resolve them through alignment processes and rules of engagement and standards to follow. It is important to remember that technology is significantly involved in the ecosystem formation through data management systems, modular architectures and data links. In the current digital world, data are essential in the making of complementarities (as in the case of TripAdvisor that combines several sources of data in the booking service process). Data are the most important assets to involve in the creation of new services; there is a significant and strong relation between social media and Ecosystem and the flow of data across platforms is constantly growing and users become the main sources of production for their preferences through the opinion they share on the social platforms. That is why, to conclude this topic, platforms and ecosystems are often intertwined together as two connected elements; in fact, platforms often provide key hubs around which ecosystems emerge.

Ecosystems, as also previously said, are “*networks of affiliated organizations that feature soft coordination mechanisms that link relatively independent ecosystem participants together*” through the use of specific rules, regulations and procedures. Soft coordination mechanisms ensure that unique and super-modular complementarities on the production and consumption side are realized, this allows consumer freedom and it is easy to obtain compatibility of the different components.

In the platform dynamic, the role of the central hub is played by the platform that realizes the soft coordination mechanisms required to ensure complementarities and obtain positive returns and network effects (the most important examples are the firms of Uber, Airbnb, Facebook and Spotify). Platforms are key for the creation of links among the participants of the ecosystem; platforms generally set the terms of participation in the community and shape who gets what of the surplus generated. Platforms can be easily compared to real organizations; they invest in resources, produce value and try to get positive returns, monetizing from the profits obtained. Platforms can be considered as real markets; the participants have close relationships that resemble the idea of exchanges in the market. There are several business models used, usually users do not pay but are attracted to the platform through various strategies. Successful platforms are the ones that manage to attract as many users as possible as in the example of Google and Facebook. Platforms are known as “*two-sided markets*” as these types of businesses are composed by organizations that have the aim to work as matchmakers, they do not sell products or services; such firms collect the necessary data to provide facilities to participants, with the scope of finding other participants in the platform. In general, platforms work as “*mediating spaces*” between users or advertisers and users (as in the case of social media and networking sites like Facebook and Youtube); these types of markets, as previously said, are called “*two-sided*” or “*Multi-sided markets*” because of their function to connect different agents of the market.

To make a summary, a platform is a business based on “*enabling value-creating interactions between producers (external to the platform) and consumers*”. The platform imposes also specific rules to follow and sets the conditions for the relationship between firms during the interactions in an “*open, participative infrastructure*”. The final goal of the platforms is to meet with the requests and demands of the consumers and satisfy the needs of both thus increasing the value-creation for both parties. In fact, it helps the match between participants and facilitate the exchange of goods and services. Such types of business models have specific features different from the classical economic theories.

In such framework, the platforms need to develop ad-hoc strategies that help attracting two or more types of actors facilitating the interaction on terms that are convenient to both parties with direct interactions between different types of agents. Generally, the traditional value-creating systems are characterized by two different economic theories that constitute the whole market; the “*supply economies of scale*”; firms are driven by production efficiencies reducing the unit cost of producing a good as the total volume produced increases. On the other hand, there is the “*Demand economies of Scale*” that takes advantage of the technological improvements. This feature is typical of the multi-sided platform that we are analyzing in this paragraph. The most important example in this field are the social networks where the technological tools increase the dimension of the networks. What is significant to remember is that in the platform dynamic, bigger means more valuable to users as the market can connect a higher amount of people together. This gives a significant competitive advantage to firms that manage to obtain such feature and it is very difficult for other

competitors to overcome it. The demand economies of scale are at the basis of the positive network effects. However, it is not easy for companies working in these markets to maintain the same level of profit and to anticipate exactly the level of production needed for the consumer's demand. In fact, the demand growth follows a non-linear pattern. That is why companies such as Facebook, Uber, Wikipedia need to constantly update themselves if they want to survive. It is common for users to massively abandon the platform leading to a significant decrease of value for the company; famous is the case of Blackberry or Nokia that shared the same pattern, which explained the convex decline they have. What distinguishes such firms from the rest is that their value is not given by the tangible or intangible assets they have, the human capital or scarce resources they possess; it is all strictly directed to the number of users that take part in the platform. The more users the platform has, the more it can create connections between members and the more valuable it becomes. The function of being a matchmaker is essential. The aim is to find facilities and solutions that create an environment suitable for exchanges between participants: the role of intermediaries is essential in this context.

The last topic that needs to be analyzed in the platform field are the network effects. There are four kinds of Network Effects available.

The first one is the *“Same-side (direct) network effect”*; they are *“networks effects created by the impact of users from one side of the market on other users in the same side of the market- the effects consumers have on other consumers and those that producers have on other producers”*. On the other hand, there are the *“cross-side (indirect) network effects”* which are *“network effects created by the impact of either side of the market on the other-the effects that consumers have on producers and those that producers have on consumers”*. Among the direct network effects, we have both positive and negative effects. The former case can be represented by the telephone example: the more people use that instrument the more its value grows as it connect more contacts together: automatically, this positive loop will attract more people, which, again, increases even more the value of the service to its participants; the presence of more people has a positive impact on others. The diffusion across the user population of a product or a service raises the level of utility that such service has for a consumer, thus creating positive externalities. Many products share this feature depending strongly on the number of platform participants that permits the company to survive in the market. On the other hand, the negative case could be exemplify by the dating sites; the more people you have on one side the more difficult it will be for each party to find an available match thus decreasing the overall value created.

Dealing with the indirect network effects, the most significant case is the one of a positive result. In this context, the presence of both parties is so essential and important that not only one side is able to reinforce the other and vice versa but the positive feedback is so crucial for the company that it could be strategic for it to attract people on the side with less participants even with huge and significant discount; it could lead to financial losses on the short term but such increase of members will certainly attract the other side to enter

the platform thus bringing a positive outcome in the long run. To conclude this topic we can affirm that platforms are like real hybrids, they embody in their operations the principles of the market focusing on obtaining the demand economies of scale that could guarantee network effects that are essential for such companies. Finally, it is important for the organizations that work in this environment to find ways to operate efficiently, taking advantage of the current digital economy, and to find suitable ways to design and manage the platforms.

CHAPTER 3: THE DEVELOPMENT OF THE MUSIC INDUSTRY AND ITS NETWORK OF ACTORS

3.1: A general overview of the Music Industry sector: History, vision, structure and a financial analysis of the overall market

Before analyzing the results provided by the interviews conducted with the different actors of the Music industry, it is necessary to give a general overview of the sector in these recent years: how it works and the different business model used by the main actors as a response to the internal crisis of the sector due to the spread of piracy and the shift to the new digital tools. In the first part of this chapter, there is an overview of the industry before the “*digital revolution*”, without taking into consideration the technological inputs that will later modify and transform the market. Later on, there will be an introduction of the different new tools that enabled the “*digitalization*” of the music sector. It is thanks to internet and the “*democratization*” of the hardware used to reproduce the music that there was a transformation of the music in a new “*liquid*” form. Along with the advantages that came together with the spread of the technology there were also new problems that were rising: piracy and the disintermediation of the market that caused a significant drop in the revenues and a massive crisis. There will later be an introduction of the different reasons that led to such problems and how the firms reacted to this threat.

The music industry is divided into two different elements, the record industry and the promoters that organize the live events. The discography part is the most important to analyze in the whole market. It is its duty to record the artists’ songs on a physical support (generally the most important ones were the vinyl and CD-Rom) and distribute them. The main role played by such element is to intermediate with as many actors as possible in the market, from the artist and his management to realize the product and the different contents to the audience and media for what concerns the spread of the work done. The history of the music industry is divided into four different period:

- The birth and origin of the sector along with the invention of the gramophone by Edison at the end of the 19th century
- The “*boom*”, characterized by the spread of Vinyl, the rise of the “*rock’n roll*” genre and the introduction of the mass media as a vehicle to spread the songs among the people during the 50’s and 60’s of the 20th century
- The rise of the digital in the 80’s and the conversion of the products to record them on the CDs
- The crisis, caused by the diffusion of the so-called “*liquid music*” and the possibility to obtain songs through illegal ways that occurred starting from the 90’s until our recent days.

The main vision of the record industry is to re-elaborate the true meaning of the music and to adapt it to the context of today’s world. This important objective makes it easier to find new artists to launch in the market that will not only increase the overall revenues of the industry but will also forge and affect significantly the

culture and habits of the environment in which they operate. However, by doing so, there could also be the risk to make the recent productions flat, consolidating the already used “*winning strategies*” and exploiting the opportunities that the market offers. In this way, the artistic possibilities that are given are not used properly and the lack of originality and innovation could damage the value of the market. The structure of the record industry is characterized by the presence of the so-called Major and the independent labels. The first category is represented by multinational firms that operate on a global scale and are generally part of huge corporations working in the entertainment sector. All together form an oligopoly type of market in the industry. They are firms of significant dimension that were created through different mergers and acquisitions of numerous companies of the sector. Such labels are independent for what concerns the management side, they differentiate in many different music genres and are equipped with agents and key accounts who are responsible for the distribution aspect of the works done. The three companies are: Warner, Universal Music and Sony. They own a 75% share of the market, putting them all together it is fair to say that they form a cartel able to influence the cultural dynamics of the population and the economic growth of the sector. The organizational structure of the Majors is always the same, there is a specific division that is held responsible for the work on the music product. The work to be done on a given music product is characterized by four different levels:

- Artistic side: it deals with the development of the music product
- Marketing/promotion: the objective is to spread the artistic product to as many people as possible in the market and all the tactics, techniques and strategies available
- Publishing: the management side of the copyright on the product and its bureaucratic consequences
- Distribution: commercialization on the market of the artistic products

Quota di Mercato		
Major 60% <i>di cui, le principali sono:</i>		Indies 40%
Universal Music Group	24,90%	<i>Troppo numerose e di piccole dimensioni per elencarle. (Solo in Italia se ne contano 600).</i>
Sony Music Entertainment	20,90%	
EMI Music	14,20%	

(Reference: Music & Copyright – The International business news service of global music copyright)

On the other hand, the “*Indies*” labels are significantly smaller than the Major, they generally tend to focus on specific target of the market developing niche genres to take care of. Often they are created by former managers that used to work for Major; driven by a strong passion they decide to become freelance and start working on their own. The productive structure is smaller than the Major where employees generally perform different tasks simultaneously. One of the biggest and most important advantages of working in an independent label, for an artist, is the possibility they give to singers to be totally free to create the specific image they want to pursue and communicate to the audience without compromising it, as it is generally done within the Major structure where the economic interest could prevail over the artistic one forcing the artist to take specific decisions. In a moment of crisis as the one that we have just suffered the role of Indies is significantly high as it gives possibility to unknown artist to spread their works in the market and be more active among the consumers. Such type of labels certainly helped accelerating the “*democratization*” process that is occurring these years in the music industry. Generally, it is often said that Major and Indies cannot cooperate together but it is not always like that. Promoters represent the other type of firm that is generally used in the music industry, even if sometimes they can also be part of a record company. When they are not part of a record company they still have to coordinate with them as they operate in the same world and are in deep contact with both artists and their music. They have complex industrial structures. Often they not only work in the music sector but, more generally, in the entertainment business which is strictly intertwined with it, even if they generally tend to operate in the record industry mainly. Such organizations generally work in four different kind of products:

- Single events: this is the case where there are more synergies with other fields of the entertainment sector, media-event in the television and “*one-off*” events, which are prestigious and single shows
- National tour: they are specific productions realized by the promoter that are asked by the manager of the artist and are later sold to local promoter and owners of the facilities where the concerts are usually held
- National production of international tour: such type of work is usually characterized by negotiations between national promoters, the artist management and the web of international promoters of foreign artists, with whom they generally bargain the acquisition of a specific number of shows to realize on the national territory
- Big festivals: these types of events are generally represented by the concerts that are held outdoor on summer that can last one or more days. They often reunited more artists on the same stage during the whole performance.

Often there are also improvised promoters who organize live music concerts for smaller events such as village fete, festivals using public grants to organize the local events. On the other hand, the majority of promoters have a fixed structure. Here, we can find two different categories:

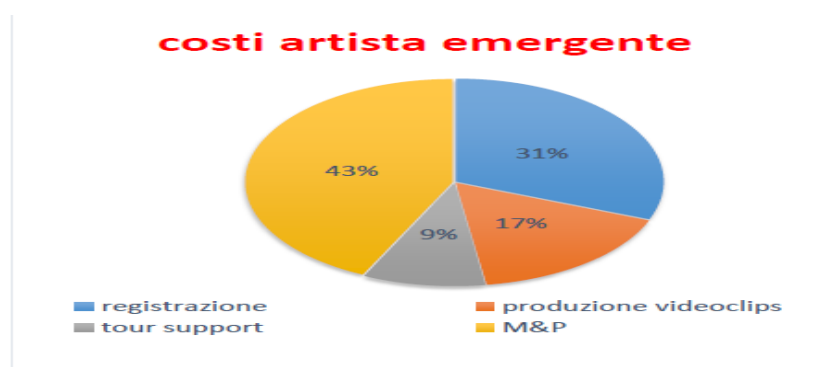
-Promoter

-Club



(Reference: "l'industria musicale", Gianni Sibilla, 2006)

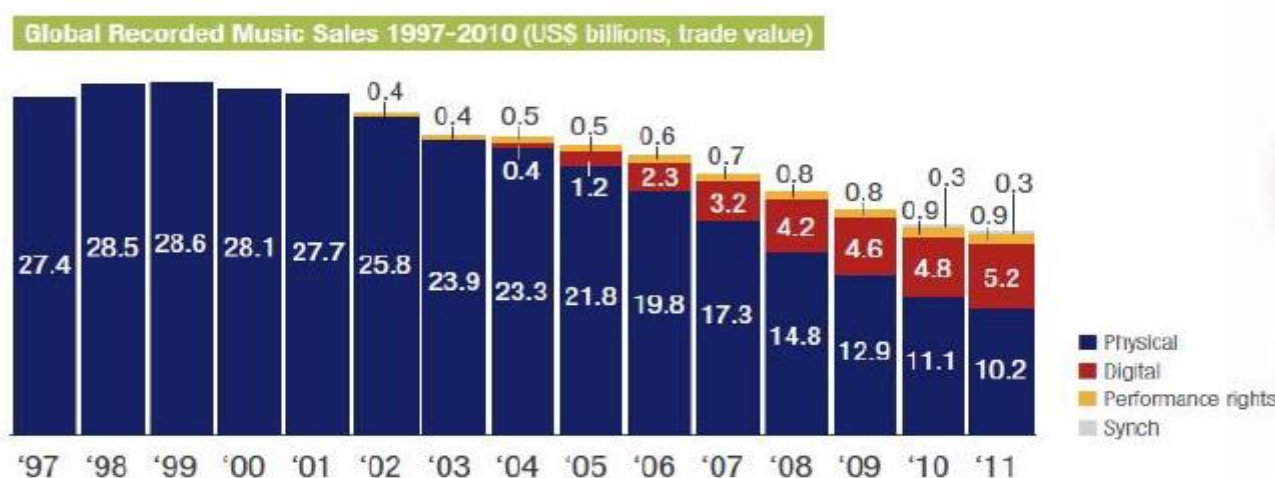
The productive process of a promoter that aims to organize a live event is divided into five categories: booking, production, promotion, marketing and financial administration. Such sector has a significant volatility and operating risk as it is necessary to continuously invest huge amount of money in new artists and new artistic productions in order to always be updated to the requests of the market. Moreover, it is often common that such investments are not repaid by the final revenues. Generally only two or three albums out of 10 become successful for the record company repaying all the total costs incurred for the global projects, thanks to their income that are far above the standards of the others that fail in the market.



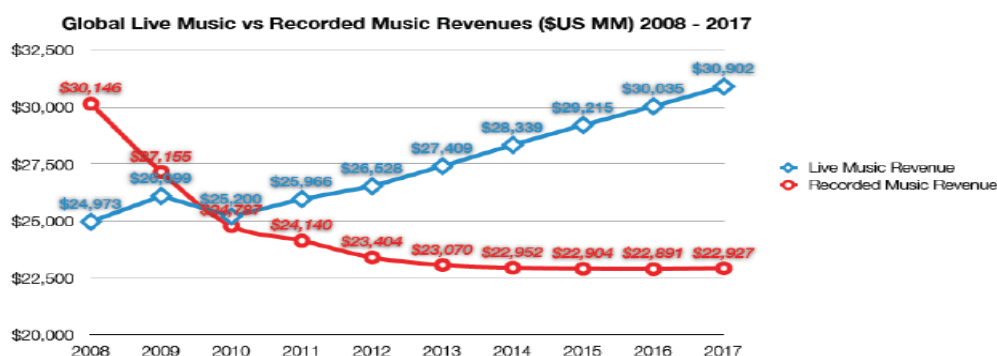
(Reference: rapporto Ifpi 2015)

The general costs that an artist usually incur are the advances given for the production of the album, the overall process of recording the album, production of video clips, general support given to the first tours of

concerts and, finally, marketing&promotion. The financial figures that concern the revenues are generally referred mainly to the selling of albums, both in store and online, revenues from live performances and synchronization revenues. If there has been a significant drop in the amount of total revenues for what concerns the recorded music, over the last years, it is completely the opposite for what regards the organization of live music, that is significantly growing and becoming one of the most important aspect of the music industry in the recent years. There are several reasons behind the explosion of the live music sector, ranging from technical aspects to emotional values that are embedded within such activity. In the digital period, the music industry has gained the full control on its products both for what concerns the artistic works, the songs, the instruments used to reproduce the song, the hardware, becoming the only technological and communicative intermediary.



(Reference: report industria musicale, Ifpi 2014)



(Reference: PriceWaterhouseCooper Global entertainment and media outlook; 2013-2017)

The first digital tool that has been introduced was the CD, becoming the most important mean diffused to reproduce the music. It was only at the beginning of this century that there has been a significant and major

shift that completely disrupted the market: the transition from the solid to the liquid form favouring the fruition of the songs internet. The spread of the personal computer gave to the customers a new way of listening to the songs that they most liked. This is definitely the disruptive element that accelerated the advent of the “*digital*” period in the music industry, changing the rules of the game. The new standard of today’s world is the MP3; the digitalization and transition to the liquid form enabled the diffusion of new music in a relatively easy way. The downside of this phenomenon was the “*piracy*” effect: the illegal distribution of songs through the web. It is considered illegal as the file sharing is done between users, without paying the ones that own the copyright over those songs. The negative aspect of the piracy is connected not only to the significant decrease of the revenue of the sector but also to the reducing availability of firms to offer job to new employees.

Tabella C – Perdite causate dalla pirateria in Europa alle industrie creative (2008)¹

	Mancati ricavi (Mld€)	Posti di lavoro perduti
Totale 27 UE	9.9	186 400
GB	1.4	39 000
Francia	1.7	31 400
Germania	1.2	34 000
Italia	1.4	22 400
Spagna	1.7	13 200

(Reference: Analysis TERA Consultants)

However, despite this negative comment, there are others, still inside the Eurozone, that noticed a strong correlation between the piracy and the increasing number of revenues. It is the London School of Economics that clearly showed that the period of crisis was not due to piracy but to the radical changes that whole sector was going through. Moreover, thanks to the use of new digital platforms, the market is witnessing a significant growth over the last years. Even the artists themselves are divided regarding the consideration over such theme. There have been a lot of actions taken against the diffusion of this phenomenon; there are currently different european directives on the theme of copyright: it is, in fact, difficult nowadays to protect the rights of the artists and be able to later receive the relative earnings created. The actual European Commission is willing to invest more in this field of the copyright at an international level. In order for the copyright to be respected by the users, many different technological tools have been introduced thanks to which the owners of the right over the specific song, can manage, protect and use the copyright for their own purposes: it is the so-called DRM, digital rights Management. It consists of security measures that are incorporated in the devices used to reproduce the music. Such devices can protect and identify all the songs protected by copyright. The main aim of this process is to encode and encrypt the music works to ensure a

controlled distribution process, make the duplication less easy and give the possibility to customers to use the products in a predefined way, limited both in time of modality of use, according to the specific subscription available. With the advent of the DRM systems, the record labels have started to see the technology and digital innovation provided not only as a threat but also as an incredible opportunity to exploit in order to reformulate the business model already used in this market. The web channel, regarded as the principal element that caused the destruction of the record labels, it is now slowly becoming the main tool of the sector through which the firms can obtain a sustainable growth to resist in such a dynamic and constantly changing market. The first form of distribution that took place in the web was the so called “*E-Tailing*”; it was the first step to the online sale of music songs. It can be regarded as an hybrid instrument between the music industry, media system and the retail market. The “*E-Commerce*” shop considers different variables; on the one hand the database are taken into consideration giving the possibility to gather as much information as possible and have a broader view on the list of album available in that specific moment. On the other hand, it also becomes very appealing for the customers providing them all the news and feedbacks to make their purchasing experience more entertaining and enjoyable. The main advantage is to give to the customers all the albums and different versions they wanted with a simple click of the mouse. Another step ahead was done with the transformation of the CD in MP3. During the last twenty years many studies have been conducted in order to understand how to improve the online selling of the music works to limit the diffusion of the piracy phenomenon. Mark Katz, researcher in this field, published an empirical study in 2005, called *Capturing Sound*, where he listed all the features that a digital channel must have to convince the customers to purchase the music instead of buying it illegally:

- 1) Speed
- 2) Easy of use
- 3) Legality
- 4) Quality of the file
- 5) Reliability
- 6) Ownership of what you buy
- 7) Significant choice
- 8) Presence of complementary services
- 9) Direct convenience for customers

Such concepts have been used by the online platforms that implemented such elements together with the help of the record companies. Such platforms works as aggregators and distributors. The record companies give their list of artists and album to a provider such as Apple. In this way they become new intermediaries of the music world, giving to the sector a technological skill to manage the DRM and, on the other hand, to the final user, the possibility to use a service that incorporates all the features previously described by Katz. This new concept gave birth to new players in the music industry. From that time on, a consumer could buy

single song or entire albums; it is only up to them to decide what to do. In this way the customers feel to be really free to purchase only what they desire. Once the purchase has been completed, the download is sent to the buyer who obtains an unlimited ownership of them with a perpetual availability, also when online. The record companies get a revenue over the song that are sold on the online platform; it is generally a specific percentage over the total value of revenue generated with the selling process of the song. There has been a huge revolution, in the recent years, with the introduction of the streaming platform in the music industry that significantly changed the market.

The radical change relies on the fact that these platform are not selling the songs, but the possibility to listen to them. As previously mentioned above, the difference between download and streaming is that in the first case the file remains available for the user at any time, while, in the second case, there is also an online fruition possibility. That is why the streaming platforms are not selling a product to the customers anymore, but a service: listening to the music while connected online, anywhere, at any time, with the only limit of having an online connection. That is why they are known as “*Access-based*” platforms, while the ones previously mentioned were defined as “*ownership-based*”. The streaming platforms are categorized according to the different model they adopt for the remuneration of the service they provide to the customer. There are three different categories of streaming platforms:

-*Subscription*: such type of platforms enable the customers to listen to all the music available with the payment of a monthly or annual subscription fee

-*Supported by advertising*: the final customer doesn't pay to listen to the music. This is possible because the streaming platform is financed by firms that require advertising on the platform itself

-*Freemium*: This kind of platform gives the possibility to the consumer to decide either to pay and listen to the favourite music without the presence of advertising, without any form of restriction of the platform that can be used or to listen to the music for free with the limitations previously mentioned.

At a global level, the record industry is facing a new period of transition in a new, digital market, that is constantly evolving at a rapid pace. The most important features that are characterizing the current market are the significant growth of the streaming services, the different “*revenue stream*” that are generated in the countries and the radical transformation of the old business models, based on the ownership of the songs, to the new ones based on the access concept. The streaming service has witnessed an increasing number of subscriptions, equal to 39%, for what concerns the “*subscription*” platforms and an increase of the 38,6% for all the other platforms base on the advertising process. Starting from 2015, the revenues generated from the online services have now surpassed the ones generated from the physical sale of assets, represented by Cds and Vynils.

3.2: Network of actors: role, responsibility and rights of the main actors involved in the music industry sector

It is now important to give the definitions and explanation of the role and rights of the most important actors involved in the music value chain. In this way it will be easier to better understand the results that will be provided in the following chapter through the interviews conducted about the topic of the “*business model types associated with network structure changes in the music industry*”. There will be a generic overview about the theoretical and terminological premises in the record industry that will help the comprehension of the complex world that lies behind the music world and the mere singer.

The first agent to introduce is, of course, the “*artist/band/singer/interpret/songwriter*”; he/she is the centre of the entire system and everything that is connected to the music industry.

The second actor that needs to be described is the “*Management/Manager/Artist Manager*”. The manager is the person most closely connected to the artist. Every kind or sort of strategies (ranging from the discographic strategies to the promotional and creative ones) have to be seen and approved by the manager himself; any type of professional meeting, no matter with whom and where he/she is responsible for, has to be handled by the manager in order to exploit the best potential possible from it. It is his duty to find and select the team to work with and ensure that the entire music and creative value chain is coordinated and focused on the same goals. It is responsibility of the manager to run all the economic operations concerning all the negotiations connected to the record contracts (with the label), concert agency (with the booking firm) and, finally, to any brand willing to realize promotional campaigns with the artist. It is his duty also to verify that all the payments to the singer/band have been correctly and regularly realized in the forms and quantity planned. The percentage fee of the total revenues that goes to the management varies according to the negotiation made with the singer. However it ranges generally between 10% and 25%. There are specific skills that are required for this position; the manager has to know and understand how the record industry world works and how to run marketing and promotional campaigns for the artist. The highest the level of notoriety for the band is, the most difficult the tasks of the manager become, as he becomes one of the most important agents to represent the credibility and professionalism of the singer he represents. Usually, in the independent or small labels the manager has also the role of the record industry executive. Sometimes, inside big companies or with very well-known and productive artists, there are also other figures behind the manager:

-“*Personal manager*”: also known as “*personal*” (he has the duty to manage the needs and schedule of the artist. The activities done by the “*personal manager*” have the aim to reduce the amount of work of the artist and the manager). He is always a trusted person, a friend of the artist or someone close to him or the manager that is chosen for the guarantees he gives to them. The cost of the “*personal manager*” is up to the artist.

-“*Business manager*”: he manages all the economic transactions of the artist, from the revenues generated by the artist to the investments and accounting related topics.

-“*Product manager*”: he is responsible for all the marketing campaigns realized for the product; he is the one that realizes all the promotional and communicative strategies.

-“*Co-manager*”: in the case of big artists, just one manager is not enough; that is why, in these case, there could be another person that works together with the manager, that is part of the team. In such context we defined it as a “*shared management*”, where each manager is responsible for 50% of the entire work.

Generally, the variables that constitute the so called “*marketing mix*” are the 4P; they are very useful also for the definition of the product management path in contrast to the single projects (artist, song, album, tour).

The description of the 4Ps is the following:

-“*Product*”: who/what/when. The product, in this case of the music industry, could be the song, album, tour or the promotion of the artist himself. The aim is to identify the strengths, identity and possible target to reach with the artist.

-“*Price*”: how much/how. What kind of distribution will the music product have? How much will the album cost, according also to the audience? The hypothetical cost of a single ticket for the show? How much is the customer willing to pay to see the artist? What is the perceived value for the project/project from the clients’ and suppliers’ point of view?

-“*Place*”: social network strategy, massive or selected distribution?

-“*Promotion*”: creation of a strong and unique identity and differences from the competitors.

-“*People*”: the aim is to analyze and understand which could be the most appealing target for the artist, according to his music and genre, and to enlarge the fanbase as much as possible. It is important to realize if the target selected could constitute a profitable market. It is duty of this phase also to recruit the people that seem to be interested to work in the project.

-“*Process*”: analyze and understand ex-ante which are the production phases that are needed in the development of the product, also find ways to maximize the quality minimizing the cost incurred.

-“*Physical evidence*”: Creation of proper and credible advertisement. The creation of hype and interest combined with tangible experiences of people that have listened to the album or seen the final product. They can be the “*physical evidence*” of the quality of the product (e.g. live video of a band to show how good they are, people/reporters/influencers who have already listened to the latest songs and talk well of them).

The whole management process is defined by all these different roles that can be separated between the different actors, as mentioned above, or even reunited in one single person.

The third actor to introduce is the “*Booking agency*”. Such figure is responsible for the organization of the single event or entire tour, offering economic, logistic and often also promotional guarantees. In cases of small companies there is an agreement that is made to define the percentage of gross revenues generated in a concert that goes to the agency, generally it ranges between 15% and 25%. In other case, when dealing with “*big*” artists that have a large and solid fan base of people that will certainly go to his concert, the booking agency gives an agreed and predefined advance to the management team that is generally equal to the total value of revenues for a given amount of events. The selection of the booking agency is always up to the artist management. Inside a booking agency there are several tasks to be accomplished, each one of them is realized by different actors:

-“*Booking agent*”: he is the one responsible to organize the tour and to book the different days for the show, negotiating the cost and the economic value of the artist in accordance with the artist and his manager.

-“*Tour manager*”: he goes with the artists on tour and he runs the day-by-day operations and the personal requests of the artist. Booking of the hotel, restaurants, coordinating the events and the logistic issues and, finally, managing the personal requests of the artists are only a few examples of the responsibilities of the tour manager. He is in charge of the organization of the event and that everything goes smoothly, ensuring the safety and punctuality of the artists. Finally, he verifies that the activities and all the aspects related to the performance in the clubs are done by the book and that the schedule and the agreement made are respected.

-“*Production director*”: often this figure coincides with the tour manager. When dealing with big events, however, it is generally split into two different actors. It is as if he were an hall director; at his disposal we find the stage sound engineer, the FOH engineer and the backliner.

-“*Management*”: We talk about people with competencies in the accounting and fiscal area. It is as if he were the internal accountant of the structure. He deals with the management of the money accumulated through the concerts.

The fourth element to analyze in the definition of the network of actors that operate in the music industry is the “*Label*”. It is the duty of the label to invest in the process of making an album (recording phase/master) and in the promotion phase (marketing, social, videoclip and press office). Usually record labels earn money according to the total volume of sales (both digital and physical) and the use of the master. As previously said, in the new italian record labels, the manager and the record industry executive are the same person as such type of labels are very dynamic, new and with less people that operate inside. Often, in independent companies, big or small, there are also revenues coming from the editions. Beforehand, a record contract was considered as an arriving point, today is a simple starting point.

Before continuing in the analysis of the actors involved, it is important to better analyze and understand what a “*Master*” is. Such term, in the music sector, represents the phonogram, that is to say the recording of the interpretation of the artist, songwriter and interpret of the text and sound of the song. In better words it is the

recording of the songs (and also the sounds) recorded in a high quality way so that they could be directly transfer to enable the duplication of them. The master could be realized also directly by the artist, who becomes a producer of himself. There are several forms of revenues that could be generated by the selling of the master:

1. The producer sells for a fixed price the master and, by doing so, he loses any kind of property on the future earnings on the projects
2. There is an agreement that is made according to which the revenues will be calculated on the basis of the album sold and the cost of production
3. The record label gives a specific amount of money (according to the costs realized with the projects) that will cover all the production costs sustained by the artist and the management team. By doing so, the label also obtains the royalties on the selling of the phonogram.

Another way of diffusion for the master is through the concession of the rights over the reproduction and distribution of the master through licence for a specific amount of time. In this case, differently from the contract for the selling of the master, the producer maintains the property of the master and of all the rights connected also when licence expires.

There are three different types of record contracts that exist: casting (also known as 360°), license and, finally, the one of distribution:

-“*Casting contract*”: The label makes an agreement with the artist, generally from two to five years, during which the artist is bound to produce one, two or even three albums according to the specific case. The artist is under the control of the firm from that time onwards and the label decides and organizes all the record processes to put in place. From the recording studio, to the creation of the specific identity, the choice of the collaborations and the promotional use of the songs everything is under the control of the company. As the label is the only executive part, it is also the only one to own the master. In the independent labels often such type of contract also implies the acquisition of some editorial points, up to a maximum of 12 out of 24 (12/24) according to the arrangements and the investments made on the projects.

-“*Licensing contract*”: This type of contract is made between the label and the producer of an album (in many cases it is the artist the one in charge except for the situation in which the manager invested an amount of money that grants him the title of counterpart of the contract. The licensing contract is often a “*project-based*” contract and it is stipulated once the album is already made; that is why the property of the master does not belong to the label. It will only be held accountable for the phases of promotion and distribution of the album. The management of the rights of the master are under the control of the record label only for the predefined period of the license.

-“*Distribution contract*”: This agreement generates the duty for the label only for what concerns the distribution of the album, earning money from the royalties (percentage on the retail price) on the units sold.

This type of contract is also limited in time and is the one that gives the highest level possible of independence from the artist's point of view.

Before continuing in our journey with the description of the other network of actors included in the music sector there is comparison that needs to be done: the difference between “*executive producer*” and “*artistic producer*”. The former is the person (even more people) that is in charge of paying the recording session (e.g. the record label or the band itself) or that participated in the process. To make the example more precise, he is the one who “*puts the money*”. He is the one that finances first and invest in the project of recording, merchandising, video and all the other elements that are behind the album. The latter, on the other hand, is the one that takes care of the artists: he follows them in the whole process of creation from the composition of the songs, to the creation of a specific identity to give to the whole work.

In technical words, there is also another concept that has to be clarified: the difference between the “*right of option*” and the “*right of first refusal*”. The option gives the owner the possibility to extend the contract unilaterally, for the period represented by the clause itself, at the same exact condition that were decided at the beginning of the agreement. The “*right of first refusal*” gives the owner the possibility to be preferred to others in the case of making arrangements, given the same condition, when the artist negotiates a new contract. In that case the past agreement expires and there is a new contract. In other words, while the “*right of option*” consists in the possibility that is given to the record label to extend the period of validity of the contract, even with different condition from the one previously agreed, with the “*right of first refusal*” also admits the possibility that the artists could receive different offers from third parties, in any time, after the expiration of the contract.

There are different record labels that are present in the Italian country, and each of them has a strong culture, identity and different way of approaching their work. There is a differentiation between the “*Majors*” and the independent companies; here is a list of some of them:

Multinational:

- 1) SONY MUSIC
- 2) UNIVERSAL MUSIC
- 3) WARNER MUSIC
- 4) BMG

Italian independent companies (historic ones):

- 1) CAROSELLO
- 2) SUGAR

Italian independent companies (recent ones)

- 1) MACISTE DISCHI
- 2) BOMBA DISCHI
- 3) 42 RECORDS
- 4) GARRINCHA DISCHI
- 5) WOODWORM
- 6) LA TEMPESTA DISCHI
- 7) UNDAMENTO
- 8) ASIAN FAKE

The fifth element to describe in the whole picture of the network of actors is the “*Physical and digital distributors*”. The “*Digital distributors*” are fundamental for the music product. Thanks to the record labels, that often have intern digital offices or through firms operating in the digital distribution with registered office either in Italy or abroad (sometimes even thanks to internet sites that distribute independently music contents), the project of the artist, whatever it is, either a single, album or videoclip, can arrive directly to the audience. The digital market is divided into “*online purchase*” (e.g. Itunes, Amazon) and “*streaming*” (e.g. Spotify). Every digital distributor has, or at least should have, a division specifically devoted to the creation and management of the “*playlist*”, that is to say the possibility to add the products of the label inside the target playlist. Every streaming platform has, indeed, a section curated by the “*editor*” who decides the editorial path to follow in the creation of the playlist.

On the hand, with “*physical distribution*” we refer to the process of commercialization and distribution of a physical product like CD or Vynils. Such products are sold in the main stores and chains of the music sector (e.g. Feltrinelli, Mondadori, Media World) and also through the internet sites of the record label, distributor and even Amazon. The royalties (percentage over the units sold) represent an important part of the economic and contractual agreement between the artist/management and the record label. The label invests a significant amount of money for the project and the royalties recognized to the artist can vary between 4% and 20% according to the agreement made. It is important to remember that the percentage of the royalties are calculated on the PPD and not on the selling price. The PPD (Published Price to Dealer) is the price paid by the dealer. It is the unitary gross price of a recorded work. It is often used by the record labels, in the making of contracts, as a starting point when defining the fee to give with the royalty. If the artist has a strong bargaining power (e.g. sales guarantee) or even if the record label strongly believes in the album realized by the artist, there is usually an “*advance*” (both from the physical and the digital) that is given to the artist in the amount that has been decided according to the agreements made with the manager. There are specific elements that have to be delivered on time to the digital distributor: *COVER 3000 X 3000 jpg, ISRC CODE, SIGNED LABEL COPY AND THE SONG IN HQ.WAV*. Here is the definition of the terms used:

-“*ISRC Code*” (Standard code for the International registration”): it is a way of creating equal audio and music video supports so as to be identified at an international level. By making a simple but effective

example, we could say that the ISRC code is a sort of fiscal code of a citizen. The ISRC code is composed by 12 alphanumeric digits.

-“*Label Copy*”: it is the list of music songs that the device can contain. It has to be filled in anytime a song is realized, even if it is a cover (in this case it is necessary to insert the name of the original author and the one who realized the cover). Inside the label copy we find the name of the song, the list of the author, the exact length and the number of catalog. The Lable copy is similar to the Identity Card of a citizen.

-“*Delivery time*”: it is the necessary period that the distributor needs to insert and schedule the exact release date on the digital platforms of the song or album. Any song has to be accompanied by the release that states the possibility of duplication; it has to be done by the authors(original songs) or the executors(cover).

The most important streaming platforms in Italy are:

- 1) SPOTIFY
- 2) APPLE MUSIC
- 3) TIM MUSIC
- 4) TIDAL
- 5) DEEZER

In Italy, the most important firms of digital distribution, besides the ones that operate internally the Majors, are:

- 1) ARTIST FIRST
- 2) BELIEVE
- 3) THE ORCHARD

On the other hand, the main firms of physical distribution again besides the ones of the Majors are:

- 1) ARTIST FIRST
- 2) BELIEVE
- 3) SELF DISTRIBUTION
- 4) AUDIOGLOBE

If we want to make a short analysis of the current situation, at a global scale, of the world of streaming and the new emerging platforms, we can state that in 2017, according to the numbers released by the “*Recording Industry Association of America*”, streaming represents the 65% of the entire record music industry, generating 8772 billions of dollars. With the strong rise of the platform services, the traditional format has witnessed a strong and significant drop in sales; download dropped by 24,7% while the physical versions (mainly CD and Vynils) dropped by 2,7%. That is why, in contrast to the results of 2016, the physical support has overcome the download service in terms of sales: 1495 billions of dollars against 1330 billions

for the download. Vinyl is the only activity, together with the streaming platforms market, that closed 2017 with a positive sign in contrast to the previous year. The selling of Lp and Ep has grown by almost 10%. Dealing with the Italian situation of the current music market, the physical segment has dropped in sales by 17% while the digital has witnessed a stable performance, even if it suffered the negative decline of the download segment (-10%). The streaming sector has grown by 3%, reaching the biggest market share of always and it represents nowadays the 44% of the entire record music industry and the 79% of the total digital sector. In the last seven years, from 2010 up until 2017, the digital segment (that represented the 55% of the whole sector during the first semester of 2017) has now increased its volume of the 200% and the streaming of almost 1000%. The niche market of the Vynils is still constantly growing: it now represents almost the 10% of the entire market, with a growth of the 44% compared to the same period of last year.

It is also very important to understand the criteria that are used in the Italian market to give the certification to the songs and albums; in doing so we use as a source “*FIMI*”, the acronym use to describe the Federation of the Italian music industry that represents almost 2500 productive and distributor firms in the music and record sector. The number for the certifications are as follows:

-*GOLD*: above 25.000

-*PLATINUM*: above 50.000

-*DOUBLE PLATINUM*: above 100.000

-*TRIPLE PLATINUM*: above 150.000

-*QUADRUPLE PLATINUM*: above 200.000

-*5 PLATINUM*: above 250.000

-*DIAMOND*: above 500.000

Comparing those numbers with the digital market, one single download of a song equals 130 streams of the same song. From 2018, Fimi has stated that the streaming coming from the free users are not considered in the counting process. Also the streams that come from the premium users (the ones who pay a regular subscription) are valid for the the certification to reach the “gold” reward.

The last agent that has to be described in the whole music market is the “*Promotion*”. There is the “classic” press office that promotes the album of single, reaserches and organizes interviews, communicative strategies, feedbacks of the album, exclusives with webzine or physical magazines; moreover, it manages the possible apparition of the artist in tv programs; it could be linked to the latest release of the album or, more in general, to the artist himself. It is also its duty to handle and manage the official press interviews and all the promotional contents that are linked to the work done (photos, videoclip and collaborations). There are three different figures that can be found in the promotion world:

- 1) *“Promo tour”*: it is the press office that organizes the local and national promotion of tour and, more in general, of the live dimension.
- 2) *“Promo marketing”*: it is the press office or the agency that invests in the important promotional campaigns, such as digital banners or physical billboards on the streets or busses.
- 3) *“Promo-Radio”*: it is the press office that organizes and manages the radio interviews of an artist and through professional radio promoters it is responsible of presenting the latest song to the main radio broadcasters to put them in the list (from the simple presentation to the heavy rotation).
- 4) *“Social Media Manager”*: it is the person or the agency in charge of the management of the social networks of the artist or the band (Instagram, Facebook, Twitter), trying to find unconventional strategies to interact with the audience to always keep the fan base active with the latest releases, tour or promotional strategies.

Finally, there is a last element that also needs attention and takes part in the creation of added value for the artist: the *“Merchandising”*. Merchandising can represent one of the most important sources of revenues for the artist and the management. Often the core-business related to the merch is independent and autonomous from the record label and it ideally substitutes the selling of CD in the concerts and online. T-shirts and accessories of different nature are vital for the creation of a unique identity of the artist and also for the corroboration of the link with the fan base.

There are also other figures that are behind the work of the artists and often support and assist them at different stages of the production process: a competent and trusted *“Lawyer”* and an *“Accountant”* expert in the music field.

3.3: Copyright and Music Editions; a little focus on the link between brands and music

The legislation in Italy regarding any form of intellectual work is regulated by the law n. 633 of 22nd of April 1941 on the Copyright them. On this basis, in order to protect the copyright and the neighbouring rights, the government has enacted coordinated laws with the modifies apported with the Law of 16th of October 2017, n.148, later converted with modifications, with the Law of 4th of December 2017, n.172. The administration, the management and the collecting process of the rights on the italian country could be either private or given to specific societies of collective management (associations without any scope of return) that operate within the European country, and known as Collecting society. The most important firm that realizes such activity in Italy is the well-known “*SIAE*” (Società Italiana degli Autori ed Editori) that operates in the music industry and is responsible of collecting and divide all the income coming from the use of the different intellectual works both in the italian and international country thanks to the agreements made with the similar firms operating in the rest of the world. It is important to remember that SIAE does not operate in a monopoly market any longer. The management and ripartition of the music copyrights within the SIAE is divided into two different areas: DEM and DRM.

When referring to shares of DEM, we generally refer to rights connected to the public execution of an intellectual work (concerts, musical works, theatrical play, private parties and radio/tv play). The total for the entire work is equal to the 24/24. For the attribution of such shares, it is essential to respect the criteria and the relative minimum shares according to the internal law that SIAE enacted.

On the other hand, the DRM shares are related to the mechanical reproduction of works (use of intellectual works on any kind of support). The sum for the entire work has to be equal to 100%. However, to attribute such shares it is essential to respect the criteria and the minimum shares according to what the internal law stipulated. The italian law, on this topic, forces the entities to use the official stamp that would certificate the official absolution of that specific right.

As the function of the “*Publisher*” is to invest money on the publication, diffusion and promotion of the works, generally the author gives half of the shares to the publisher, that is the 12/24 for what concerns the DEM(Diritti di Esecuzione Musicale, that is to say the public use of the work) and 50% of DRM(Diritti di Riproduzione Meccanica, deriving from the recording of the work on the music supports). However, such shares can be modified in the contract between the two parties, adding or reducing the total value, as long as they leave to the authors the minimum shares that protect the rights of the artist, as is stated behind any official report (Model 112). So the revenues that the artists receive from the rights concerning the copyright

have a double identity: on the one hand they refer to the concerts, spot tv, Tv, cinema synchronization and radio play (which represent the 24/24 of the DEM), on the other hand, the nature of the revenues are the official SIAE stamps connected to the sales of CD and the number of units printed and sold (100% of the DRM).

It is important, at this point of the analysis, to make a comparison between two different rights that are connected to the composition of songs for the artist: copyright and neighbouring right. They are often confused and associated together even if they have a completely different nature and composition.

The so-called “*Copyright*” represents the right to exploit economically the intellectual work, known in an abstract world, as it was thought and realized (music score and/or the original text). Such kind of right was up to the author and the publisher and it is protected by the SIAE (also Soundreef) that collects the economical revenues which are property of the owners of the right.

On the other hand, the “*Neighbouring right*” is the economical right to exploit the work recorded on a physical or digital support (interpreted by the artist thanks to the investment and the business organization of a producer). It is property of the artist and the phonogram producer and it is generally protected by some firms of collective management that some artists and record producers joined. In Italy, the most important ones are *SCF, ITSRIGHT, NUOVO IMAE*.

That is why, on a music composition, there are two different types of rights that are generated, 4 different giuridic subjects and, in general, at least 2 different entities responsible for the collecting of the revenues generated. About the relationship in the edition field, there could also be more than one single publisher: this phenomenon is known as the “*co-edition*”, where the role of the publisher is managed by more people simultaneously (each of them specialized in specific activities). In this case the different publishers will divide among them the shares declared at the beginning, without interfering again in the revenues generated by the author. There is also another possible case which is the one of “*Sub-Edition*”: it occurs when the publisher gives, for a given amount of time, the role of publisher of the work to an foreign publisher, for a time, in some specific countries for some (or even all) the rights on the intellectual work. In this case it will still be the original publisher to control and run the relationship and the revenue pertaining the author. Often big publishing firms decide to buy parts of the right of the albums from independent and emerging artists and to make agreements with the author/composition/ producer as as to become “*exclusive author*”, and by doing so, write for others. There are different publishing firms that operate in the italian country, some of them are multinational companies others are italian, here is the list:

Multinational

- 1) *SONY ATV*
- 2) *UNIVERSAL PUBLISHING*
- 3) *WARNER CHAPPEL*

Italian firms:

- 1) *CURCI*
- 2) *EDIZIONI SUGAR*
- 3) *ALABIANCA*

Dealing now with the analysis and strong relationship that connects the music world and the fashion market, there are specific phenomena that made this bound possible, and the aim here is to describe such element trying to understand in which way brands use music in their processes.

The first one is the “*Product Placement*” step, which is a form of commercial communication that consists of inserting or referring to a specific product (a service or a brand name) in an explicit way inside a narrative content already realized. That is the case of the Official Videoclip of “*Volare*” by Fabio Rovazzi with Girella Motta, the Official Videoclip of “*Giovane Fuoriclasse*” by Capo Plaza with Nike; in all these types of relationships the “*contact cost*” is also very important, that is to say the cost of a single youtube visual.

The second element is the “*Endorsement*”, that is the support given by someone (in the case of the “*celebrity endorsement*” of a public figure) inside one’s own social pages (tag, cit, link).

The third case is the one of “*Testimonial*” where there is a well-known and famous person who is close to the target audience of the firm that realizes himself a campaign with his face to promote a product or a service, becoming indirectly a clear sign of credibility of the quality of the product or service through the public announcements realized.

The last example is the one of “*Brand ambassador*”; it is often connected to a specific campaign (new product) and the most important difference with the testimonial case is often the exclusivity, for a limited amount of time, to use a particular product or to promote it in the communicative strategies. The ambassador does not use only the new media but also the collaboration with events and targeted participation to important occasions.

There are important differences in the definition of some key and strategical words that characterize the record marketing world and is a priority to first understand them before analyzing the other information. The first one is the term “*Brand Advocate*”: it refers to a client that is so satisfied that to promote actively the brand and the good reputation of it, on the social pages and through word of mouth. Sometimes the brand contacts the free devoted clients and gives them goods for free as a sign of recognition. The second element is the “*Influencer*”, people that have a huge fan base and can influence their purchasing behaviour through their charisma and credibility over specific themes and fields of interests. The last concept is the one of “*Brand Awareness*” that identifies how much the audience knows that specific brand. It is expressed with the

number, expressed in percentage, of people belonging to that target group who remember that brand without any form of help (spontaneous recall) or that remember it after an help (aided recall).

There are specific touchpoints between any brand and the musical events in which the two elements can cooperate together, here is an example of five different situation:

-“*Sponsor*”: there is an agreement that guarantees the highest level of visibility possible and the highest number of communicative initiatives. There is an exchange between the two parties and behind the payment of a specific amount of money they offer visibility on the place and on the social platforms (e.g. one entire stand in a festival)

-“*Partnership*”: it is a relationship and collaboration between brand and festival/event in which there is not an economical exchange but an exchange of resources

-“*Technical Sponsor*”: there is a supply of technical, sports and logistic materials in exchange for visibility or promotional initiatives

-“*Media Partner*”: they are used for communication purposes. The sponsor promotes the event and helps it through events and viral campaigns(e.g. giving tickets for the radio for free, or to enter the changing room with social contests). There is a huge amount of exchange of visibility especially in the period before the event takes place.

-“*Joint Venture*”: it is a situation where two different and independent entities decide to work together towards the achievement of a common, shared goal.

CHAPTER 4: BUSINESS MODEL TYPES ASSOCIATED WITH NETWORK STRUCTURE CHANGES IN THE MUSIC INDUSTRY

4.1: Research methodology: methods, data collection and analysis; an overview on the actors interviewed

As the aim of this research is to investigate phenomena within a real life context, the best choice to make was to opt for a qualitative research approach. That is why semi-structured interview techniques were utilized; they are usually preferred to encourage two-way communication, to confirm facts that are already known and provide opportunities for learning new things.

This way the only way possible to select in order to obtain a dynamic perspective of the theme selected: the networks of actors and the different business model types in the music industry. Moreover, thanks to such technique, it is possible to expand the horizon exploiting the experiences of the interviewee to relate new perspectives that are relevant to their problems of interest.

This research selects Italy's music industry as its case. Seven different people, working in the music business sector, were interviewed in the making of this research in order to gather as much data as possible. Each agent involved was from a different niche of the music creative value chain in order to analyze the topic from different angles and perspectives and get various insights and information.

The aim was to diversify the activity and bring significant and important insights to the cause. The action range is very different: a founder of a label, a record industry executive, a person working for a digital distributor, an agent operating for a live concert firm, an artist manager, a radio speaker and finally an Italian music export affiliated with SIAE.

No.	POSITION	LENGTH OF INTERVIEW
1	Founder of the record label “ <i>Bomba Dischi</i> ”	40 minutes
2	Marketing and international Repertoire at “ <i>Virgin Records</i> ”	2 hours and 15 minutes
3	Employee at the digital distributor “ <i>The Orchard</i> ”	2 hours
4	Booking Agent at “ <i>DNA Concerti</i> ”	1 hour and 30 minutes
5	Manager of Tommaso Paradiso	1 hour
6	Speaker at Radio Z	40 minutes
7	Employee at “ <i>Italian Music Export</i> ”	1 hour

(Reference: Personal rielaboration)

The first interviewee was the founder of a record label. He is the one of the four business partners of the record label they own called “*Bomba Dischi*”. “*Bomba Dischi*” is a “*record label, publishing company, management and booking firm*” as stated by himself; he adds that “*they operate at 360° degrees, covering all the phases and steps of the creative chain in the music industry*”. Such label is one of the most important firms within the independent Italian scene. Situated in Rome, it was founded in 2013, aiming at expanding its business as much as possible, it is now becoming the largest firm operating in Rome. It has important artists within its roster that became important big composers in their niche thanks to the work of the company. We find Calcutta, Franco 126, Gianni Bismark and the latest discoveries of Ariete and the Psicologi that are receiving important feedbacks from the audience. “*Bomba Dischi*” was born in 2012 from the mixture of different realities already active in the Roman soil. After a first release, in 2012, the label started to produce and realize many different projects until the turning point of 2015 when Calcutta finished its work called “*Mainstream*”. This album is a watershed not only for the definitive explosion of the label but, above all, for the Italian independent music scene. Thanks to this success, the label starts to acquire more followers and become very renowned in the music world. The biggest hits realised after this first period, are the albums of Franco 126, “*Stanza Singola*” of 2019 and “*Multisala*” of 2021, the CD of Gianni Bismark called “*Nati Diversi*” and the discoveries of the new generation of artists with the duo called “*Psicologi*” and the singer Ariete. The former published an EP in 2019 and their first album “*Millennium Bug*” in 2020 while the latter released an EP in 2020 known as “*Spazio*”. As the interviewee also stated, “*he is one of the four founders and business partners and he takes care of all the processes directly*”.

The second person interviewed was working for Virgin in the Senior local marketing and International Repertoire division. Virgin Records is an extremely important and symbolic music label, founded by Richard Branson, in England at the beginning of the 70's. At the beginning it was active in the progressive rock area and in 1977 they signed the Sex Pistols, considered as the founder of the Punk Rock music genre. Richard Branson decided to found such label in order to diversify its business, in the 90's he sold the firm to EMI Music. After that there has been a new recent acquisition of Universal that acquired all the rights over EMI Music label and all its labels including Virgin Records 2012. His activities, as mentioned before, are the ones of Senior Local marketing and International Repertoire: the former represents the sum of all the works that concern communication, sponsoring and advertising campaigns that have the aim to make the brand as close as possible to the customers to make them buy the products. The latter involves all the actions of management and strategy tactics to support the works and albums of the foreign artists in Italy.

He describes the new structure of Universal to which Virgin belongs to, stating that "*Universal has been divided into three different labels, before that, the label was simply split into italian and international repertoire and that meant that if you were assigned to one of them you could not go to the other one and the other way round*". He, then, starts to describe his professional background since 2000, the year when Virgin had been just acquired by EMI Music. He just worked either in the italian or the international repertoire (working only either for italian or international artists). His first clients were artists like Caparezza, Lenny Kravitz or the Chemical Brothers. Starting from a point back when Virgin was merged with other internal labels, he began to follow not only artist of the Virgin but also international artists like Coldplay and Rolling Stones together with his new job of label manager for Mute, an important english company that was founded by Daniel Miller and signed important big players such as the Depeche Mode. The aim was to find someone responsible for the label in the italian country and that is why he was appointed to follow all the artists belonging to the britpop/electropop british scene such as Moby, Goldfrapp as Mute records was acquired by EMI at an international level. At this point, as also previously mentioned, EMI music was merged with Universal and all the people that were in the marketing and promotion division in EMI were moved to the new international repertoire in Universal. As a marketing manager and senior marketing, he followed all the artists belonging to that target that were increasingly adding because of the merger between the two firms (EMI that already had labels like Capital, Virgin and the repertoire of the major Universal. He directly listed all the artists he worked with during those years, from the english country with Stan Smith, U2, Metallica, Rolling Stones to the american artists like Madonna, Kety Perry, Paul McCartney, Justin Bieber, Shawn Mendez, the Weekend and Jay-Z. The recent transformation of the company brought the "*creation of three different labels, Island, Virgin and Polidoro within the Universal Group that started to follow all the new emerging italian and international stars; Virgin, for example, signed specific italian artists, from Vasco Rossi, Tiziano Ferro, Cesare Cremonini, Max Gazzè and Fabio Rovazzi to the new proposals of Willy Peyote, Dark Polo Gang, Boro Boro and Michele Bravi*". He adds that, at an international level, it follows

all the european scene, apart from UK, with artists such as Alvaro Soler in Germany or all the scandinavian artists and Djs and the american west coast, with all the labels of Interscope, such as the famous Geffen records. Some examples of this sector are Billie Elish, One Republic, Imagine Dragons, Lady Gaga and Sting, all performers signed by Interscope. It is important to remember that such firm is strongly related to the urban underground, having brought rapper extremely famous rapper artists such as Kendrick Lamar and Eminem. Of course, given the immense workload assigned to such division, it is important to spot that works that could function more in the country and give more priority to them in terms of resources assigned to specific marketing campaigns. The company is in charge also of the Latin American market with JBalvin, Daddy Yankee, Luis Fonsi and Karol G, the canadian artists and the Kpop asian movement. Together with this genres, Universal is also in charge of managing all the repertoire of Disney and Hollywood with all the film soundtracks, ranging from the Marvel films with Avengers, Dumbo and Mary Poppins to the single artists signed directly by Hollywood Records that is the Walt disney label. By having such a strong diversification, in terms of nations and artists, there are many advantages that come along with such process: the creation of synergies and intimate relationships with the most famous international artists, getting to know them in person and also their representatives and personal managers when they come to promote their works in Italy. Thanks to this virtuous cycle, one can create a solid and long lasting friendship trying to reach agreements for international featuring with the italian roster of artists). On this topic, it is the senior marketer working for Virgin that states different examples that occurred to him: *“I personally got to know with Sting and his manager, who is also the manager of Shaggy, clearly I can directly talk to him persuading that his assisted collaborates with my singer, Willy Peyote, as it, in fact, happened in the song called “Algoritmo”. I can relate also to the cases of the One Republic with Tiziano Ferro and the Imagine Dragons with Elisa, thanks to the strong web of international relationships that only such huge multinational companies can create”*.

The third interviewee was an employee of *“The Orchard”*, a multinational firm that operates in the field of music distribution in all the world, that is part of the Sony Group. It works in the physical and digital distribution process, even if, in some case, it is involved only in the digital step, as in the case of Italy. They way of working of this firm is quite structured and well defined: as we refer to independent distributors, most of the times such companies make agreements with important artists directly, as in the case of Universal and Sony, that decide to replicate such kind of business model on a vast scale. That is why Orchard decided to open the division called *“Artist Services*, through which the company itself signs new independent artists as long as they already have a referent team, a well defined structure behind them that could guide the work. Another way of working is to sign also the record labels directly, as in the case of Carosello. The interviewee, then, describes her task in the firm stating that: *“she takes care of the Artist and services coordination, managing all the services that the company offer to the artists and labels”*. On a general perspective, an independent distributor like Orchard, buy the license to distribute and exploit, at an

economical level, the phonograph records of their clients. The revenues are represented by a specific fee, a percentage of economic rights that is generally between 20 and 30%, according to the agreements with the client, considering also the entity of the songs made by the artist. Nowadays most of the revenues come from the music catalogue; with this name we mean all the discography of the artist, that has been recorded in the previous years within the label. The labels, then, acquire the economic copyrights and the neighbouring rights of the songs; later distributors, such as Orchard, buy them in license, for a given period of time, according to the contract, making money out of the digital distribution of the songs. In general, as the interviewee also stated, *“the music industry is witnessing a phase of transition; apart from the Vynils that are still used, the CDs are already quite obsolete and, for this reason, digital products are gradually making their way in the market. By digital, what is meant is the streaming phenomenon; also the download is gradually declining until the time where it will definitely disappear, in 4-5 years’ time (as in the case of Itunes and Amazon Prime with the download of the files)”*. However, one single download is still more remunerative than the streaming process, it is also more clear the division of the revenues among the agents involved: in fact the cost of download is 0,99 and one part of it goes to the store (it is usually around 30%). The duty of Orchard is to interact with the digital stores and to take the digital songs of the clients giving them to all the virtual stores that have relationships with it. That is why its duty is also to take all the revenues coming from download and streaming; once the digital store (Itunes or Google Store) receives its percentage, the store gives the net share to the distributors. Given the services it offers to the clients, there is a binding *“fee”* that has to go directly to the distributor (20%-30%), later it gives the remaining part to the record label that will take care of the share of the revenues among the artists.

On a general perspectives of the division of the activities involved in the Orchard firm, Rebecca said that her job is coordinate the services offered by the firm, a pure strategic task, as the firm gives help on how to handle the releases and how to exploit their catalogue. That is why there is also a division called *“Digital Marketing and Advertising”* and another department called *“Retail marketing”* with the task of promote the contents of the clients to the digital stores bringing *“speeches”* to enter the different playlists. It is also involved in the process of finding promotional opportunities in the digital stores (streaming). She continues by giving practical examples: *“If Spotify arranges live sessions in their stores, it is up to the Retail Marketing division to identify such opportunities, finding the best solution possible for the artists to expand their fan base”*. The placement in the playlist has now become the main focus of the entire work. There is, then, the department of *“Digital Marketing and advertising”* that focuses mainly on the sponsorship process, in the social platforms, above all Facebook and Tik Tok. It is interesting to notice, from what the interviewee directly says, that *“Tik Tok is the best music platform, according to the Data provided, as it has the best conversion rate; when organizing the advertising of a new song, the artist generally proposes a challenge where the latest song is linked to a new narrative proposition. The conversion rate, given by the total value of impressions divided by the interactions on that post, is incredibly high on Tik Tok and it also generates an*

increase in the streaming numbers on Spotify". After these three important divisions, there is another area within the company that is called "*Tech*", the group that is in charge of developing all the programs that are made available to the clients. In fact, the firm gives the possibility to the artists signed to access to the wallstation, that is a web application through which they can release their audio/video contents, see the insights of the streaming and download in a very precise way together with the accounting numbers, how much they have earned and the value of daily income from their activities. That is why Orchard is considered as a very diversified company, it decided to create an internal department that works like an agency instead of leaving the work to an external partner of "*Digital Marketing and Advertising*". Such process of internalization instead of outsourcing the activity was very important for the firm as it gets a 10% fee on the activity realized. Finally there is also a "*Synchronization*" division, in New York, that helps the spreading of the songs of the catalogue on Tv, Radio and Advertisements. The work of synchronization consists in the exploitation of the songs in other audio/visual products, such as soundtracks in Films, Tv series and advertising songs).

The fourth person interviewed is one member of "*Dna Concerti*", an agency responsible for the production of tour, concerts and events internally, but it is also a proper booking agency, where we sell our artists to other organizations. These two activities, as stated by the interviewee himself, "*are very complementary and interwoven together, as we either sell our clients to different firms, in the case of booking, or we arrange the concerts for the artists that we receive*". Producing a concert is a very complex and broad activity that goes from the decision of the cachet to give to the artist for the performance, finding the best condition possible for them, to the process of renting the space where he will be singing, the logistics, production, selling of the tickets and, finally paying the artists. The final aim of the firm is, of course, to try to earn something over this all process, considering also that there are a lot of other external people that are hired along this activity. The structure of the firm is quite dynamic and flexible, the company is independent from all the multinational firms operating in the field of live concerts. What is interesting about the experience of the interviewed actor, is that Dna Concerti is continuously evolving its internal structure according to what is happening outside, which shows great amount of elasticity and managerial spirit. The interviewee, then, starts to describe the exact number of employee within the firm stating that "*he is the CEO, the one that handles all the internal mechanisms, in terms of organizational and informational overflow, and also the main Booker, together with another person, so he is also in charge of finding the artists and dates for the tour. Then, there is the founder, who is the main partner and the one who invented the whole business described. Generally, he handles the international artists, while Nicola manages the italian ones with some cases of reciprocal exchanges, as in the cases of Calcutta, when there was the necessity to book larger spots, like stadiums, or sports halls and the help of more people was key. Then, there are two or three junior agents, that work for the company in specific occasions to promote international artists through our structure. Moreover there are a responsible of the production that takes care of the coordination of all the*

logistics needs of the tour, an accountant for the financial management and, finally the promotion department". It is important to remember that just like an official press, it coordinates the advertisement processes and the digital and social campaigns to promote the products. Such activity was appointed to an external agency; however, after the spread of the new sanitary emergency of Covid, such division has been partially suppressed because of the lack of work to do; in fact, as the concerts were stopped there was less work to do and less contents to communicate to the audience.

The manager is the following person that was interviewed in the making of this research. He starts the conversation by analyzing his professional background. He founded "*Foolica*", that was born as a publishing firm in 2008 and slowly started to make discographic releases itself, with 20 albums more or less, some Ep for free and singles. Later, it was gradually transformed into a Management agency because of the attitude of the founder. This new vision made him abandon his company, trying to build a new professional path in the field of Artist management, as he preferred to be the person directly involved in the building of the singer and the managerial aspects related to him instead of focusing on the release of new albums and hits. He later joined "*Edipo*", from 2013, a firm in which he operated as a pure manager. The turning point for him was when he started to work with the band called "*The Giornalisti*", that joined his company. Nowadays, after they split, he is the artist manager of Tommaso Paradiso. As he personally describes himself and his society, "*Edipo is a boutique firm, a management agency that does not aim to grow but rather to find suitable artists that satisfy their needs*". He adds that "*he only wants to follow one big artist as he does not want to become an artistic secretary, rather a person involved 24/7 in all the processes, to be always available for every need and request*".

The sixth interviewee is one speaker at Radio Z, that is part of the group of RTL. Talking about the professional figures that are needed within a professional Radio, she affirms that there must be an editorial board, depending on the type of radio the person works in; in fact, in the "*stream radio*" where there are less contents and guests it could be less relevant. Then, there always is a director, a sound engineer, which could be two different people or even the same sometimes, a speaker and all the workers related to the administration board, who are responsible to find sponsors as most of the radio based their income on the advertising process. As she prefers to say, in the radio there are usually "*three different parts: technical, administrative and, finally, artistic. The division responsible to interface with the artists is always the administrative one where the press office send emails to the managers, make a selection of performers that can join the program and contact the different labels*". Later the set of following questions is more driven to understanding which are the most valuable features requested to work in the field of the Radio. Referring to her own experience and personal example, to be a speaker there are certain qualities demanded that are subjective and innate, like the tone of voice, how extroverted you are and the way of relating to others; it depends also on the tastes of the artistic director and publisher of the Radio. Of course, the more you are natural and fluent and the more chances you will have to succeed. Especially when working in a network,

that is to say a national radio broadcaster, the diction is what matters significantly. On the other hand, there is also a certain amount of work that the speakers have to do and know beforehand, some techniques to respect. She later gives a concrete list of the different typologies of Radio that exist; *”there are Radio like Radio 24, where there are long basis and a lot of different contents, then we have stream radio, like RTL and RDS where there is more importance given to the songs instead of the contents. In both cases the work of the editorial line is also very important because it is its duty to understand the reference target, according to the time to choose the most appropriate news and song to broadcast”*. There are also other techniques that are requested in the stream radio, like the knowledge of knowing how to get the intro, outro, which are the seconds that come just before or after the song, and a good speaker should know exactly when to speak and how to disannounce the song once the song has finished.

The last person involved in this project for the interview was an actor who has been working for more than 10 years in the Music business and is now in the *“Italian Music export”*. It is an office that aims at sustaining the italian music abroad both in terms of artists and firms. For what concerns such office, it was founded back in 2017 with the help of SIAE that is financing it and it has strongly devoted itself to supporting the export abroad of the italian works through different means. The first one, of course, is the financial support; the office gives the possibility to firms, operators and singers to ask for money to use to realize activities around the world, such as concerts, tour, participation at festival showcases. The firm generally gives reimbursement of expenses also to the actors of the music industry that participate to big music events to create their network, keep updated and expand their contacts. The second important thing the company is doing is formation, that is to say the organization of courses, workshops, tutorials, video on how to work properly in the music industry abroad. Such activity is very similar to the consulting process, where the firm uses its experience to help the people in the field of export: from the implementation and building of a strategy abroad to the creation of powerful web of ties in the international market. As last service that is offered, the company also guarantees the promotion of italian music abroad through the use of its channels, and the connection with important journalists abroad to whom the firm regularly sends the latest news about the most important releases, tour and dedicated press magazines published. The interviewee, then, adds that the *“Italian music export”* also does many other international activities, like the *“songwriting camp”*, which is a session where italian and foreign artists can meet and get to know each other in a contest of expansion. In fact, besides the core activity of SIAE, that is the one of management and intermediation of the copyright, SIAE sustains and helps the music industry with the financing and sponsorship of a lot of festivals and live concerts. Finally, during this last period of sanitary emergency, SIAE gave help and financial aids to the artists and publishers involved in the music industry. Moreover, she adds that *“in order to be part of the export activity there are certain features that each worker in this field needs to have. First of all, what is requested is the exact knowledge and general broad overview over the functioning of the Italian music industry both inside and abroad, together with the comprehension of all the different roles.*

Moreover, it is fundamental to be constantly updated over what is happening in the Italian scene, all the genres that compose it and what most interest the audience abroad. However, this has to be done without forgetting the big picture of the other countries and what they are currently proposing in the market. Finally, the knowledge of different languages is also very advised, not only English but also French, Spanish and German”.

The Italian music's creative chain is comprised of four chains: creation, reproduction, distribution and consumption. This research focuses on the four creative chains in the Italian music industry. Such choice has been made for several reasons. First of all, it is fundamental to analyze and understand how the current business models in the four creative chains of the music industry work in order to identify the changes that occurred in the network structure. Secondly, such sector is very important in the national industry: in fact, it is one of the first industries among the Italian creative ones and the eventual increasing investment or final demand in this subsector will also increase the final output of the total national economy. Moreover, a significant share of sales from the Italian music market comes from Italian songs. This explains that the domestic music market is very appreciative of Italian music and could provide opportunities for the continuously evolving national sector. The study respondents are affiliated with companies actively involved in Italian music development. They are between the most involved and accessible music experts in Italy. Interview participants were mostly owners, directors, or people in managerial positions as shown in the Table. In order to achieve the aims of this study the research questions were as follows:

- *(RQ1): What are the available networks of actors in the music industry?*
- *(RQ2): What are the available types of business models within the four creative chains of the music industry?*
- *(RQ3): What are the available changing network structures in the music industry?*

Regarding the data collection process and analysis, interviews were all held by telephone and via Google Meet. An interview protocol was created and applied to guide each activity in this research and ensured the gathering of necessary information regarding the proposed theoretical model and related research questions. The analysis of the interview protocol includes two main focuses on the network of actors and the business model types. For the first topic, respondents were asked exploratory questions about the actors that are actually engaged with their company, and also the emerging actors that have potential but are not yet engaged with their company. For the business model types variable, respondents were asked about business models currently and will be applied by their company. They were also asked about potential business models available in the industry. Interview lengths varied, the shortest being around 40 minutes while the longer lasted more than two hours. The interviews were conducted during the period January-June 2021.

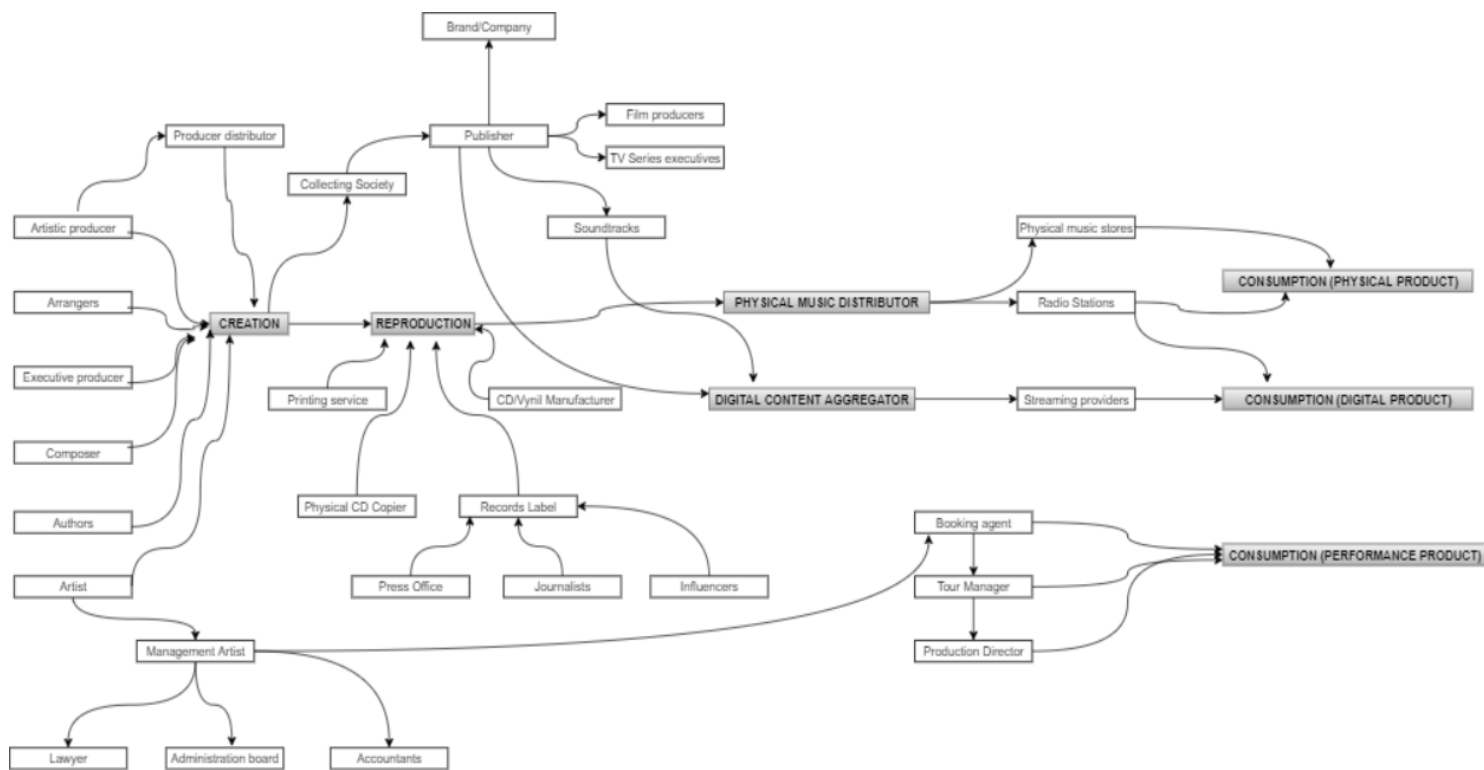
Although interview protocol was provided, questions were sometimes enhanced to deepen the interview results. For instance, when respondents were asked about potential business model types available in the

industry, their answers were usually unclear. However, when providing leads, for example about collaboration, the answers became more elaborate and needed to be categorised further to get the expected answers. Throughout the interview process, the interviewer always wrote fields note to avoid misinterpretation of the transcribed interviews. After interviews were finished, they were then transcribed and analysed. When data was completely gathered, a data analysis was conducted. This analysis process was conducted by managing the focus of data, reading and annotating the data, and categorising similar data, then the data output of the previous process was categorised, linked and connected. Finally, the data was then corroborated as evidence for the results that will be shown in the following paragraphs.

4.2: Results: network of actors and available business model types

4.2.1: Network of actors

The figure below shows the network of actors in the Italian music industry based on the four creative chains, creation, reproduction, distribution and consumption. It includes the main industry players' relations in music sub-sectors with the industry players that provide supply to the major industry players (backward linkage) and the industry players that provide requests (demand) to the main industry player (forward linkage).



(Reference: Personal rielaboration)

The process of creation is a process where activities are based on the creativity of the people involved in it. The main actors in the process of creation are the most creative people and businesses engaged in the creative and artistic segments. It is one of such category, the founder of “*Bomba Dischi*”, that clearly describes all the agents involved in the whole value chain: “*there are the artists, artistic producers, executive producers, composers, authors and arrangers; besides, above all these figures, there is the distributor producer that organizes all the work done by the previous actors and close the entire project;*

from that moment, once the project is closed, it becomes a discographic work and it is given to the record label that will take care of it". In addition, there are also players from the industry segments, including recording studio providers. The activities in this chain require music education to provide qualified musicians and other creative people.

It is important to remember that another central actor that is involved in such process is the management artist, as he is the figure that coordinates personally all the activities of the assisted. As the manager also states himself, *"he is the one that has to deal with all the actors of the entire value chain; especially in the creative part, he assists his artist in every step, from the writing of the lyrics in the studio (attending all the writing sessions) to the creation of the imaginary, the videoclips (talking directly to the executive producer of the Video) and the organization of strategies and graphics"*. On the other hand, however, the manager also follows all the work more industry-related, such as the collaborations with press office, booking agency, record company, music publisher and any kind of PR agencies that want to make advertisements on their brands with the artist. That is why the Management team is the conjunction element between the creative and consumption phase as he is the one in charge of everything that is related to the artist that later develops branching into all the other different actors involved. He is the one that *"centralizes"* all the steps that have to be realized.

Then, there is the *"reproductive process"*, that is the *"process of placing music on certain media that is physical or digital"*. The main actors of the process of reproduction are music labels and music publishers(publisher).When viewed from the perspective of the size and structure of the business, there are different types of music label companies that operate in Italy. Again, he makes a clear list of all the firms working in Italy according to their sizes and different nature: *"there are the three major labels, Sony with all its internal divisions like Columbia and Epic, Universal, with all its internal divisions, like Island, Virgin and Polydor and then we have Warner. Such firms are characterized by the fact they are major music labels that have a larger parent company abroad. Then, comes all those important and historical major-independent labels, like Carosello, Sugar, Honiro and Bomba Dischi, that are native to Italy and have their own sources of financing, although the operating scale cannot compete with international labels. Finally, there are the so called Independent labels, which are small organizations that distribute the products themselves or through independent distributors. They have very few employees and are not affiliated with a major music company. Such label are often operating with a minimal budget and often are financed by the owner and/or their investors"*.

It is important to analyze the main differences between the major companies (like Virgin) and the Independent ones (like Bomba Dischi), both in terms of structures, employees involved and way of approaching the projects to be released. In this sense, the analysis of the people interviewed was fundamental to immediately grasp the main differences between the two methods. This is what the record industry executive personally said; *"such theme has always been extremely important; apart from the market*

strategies, of how the market is changing, what matters the most is the accurate description of the job tasks that need to be done. It is fundamental, in a major company, to work on the numbers to make the projects in which we are working not only viral but even hits. On the other hand, there is always an extreme level of flexibility and operativity that is requested, because, in such large corporations, the amount of work is quite high and the higher the elasticity the better. In a difficult period like the one that we are currently facing, it is fundamental to be proactive giving clear signs of relaunch and in this case Sanremo was a significant moment of conviviality and union for many artists (like Peyote in my case) because it is fundamental to come back again to live music and concerts". There are also points in common; at a discographic level, there is continuous and non-stopping overflow of information, as there are certain schedule that have to be respected for the delivery of a finished product that will be sold on the digital and physical stores. Of course, in the major label such element is bigger and more complex. On the other hand, the number of actors involved in the whole music value chain is significantly different. In fact, one of the strongest points of the multinational firms is the possibility of reaching far more people in the process of making a project, many different professionals operating in various areas, that can really give that added value to the final output which is could become a turning point for the artist himself, whatever he is, from a new rising singer to a "top priority" artist. However, there are a lot of strong bonds between the two elements as many artists that come from an independent label that decide to change destination once they need to make a step further in their career. The interviewee, that has worked in Virgin for quite a long time, has plenty of examples about this topic and remembers that *"often from a simple distribution contract a lot of singers then move to the major label, with a cast contract, where the company manages all the operations at 360 degrees. The most common cases are represented by Carl Brave, Franco 126 and Gianni Bismark that were part of Thaurus and Bomba Dischi and later joined the roster of Universal through a direct relationship contract. Often there are also examples of agreements between label companies and not only between label companies and single artists; in such relationship between multinational companies and record labels. One important example is the latest deal with Sugar according to which Virgin is in charge of distributing all of its products, like the albums of Negramaro, Bocelli, Malika Ayane where the physical selling of CDs and Vynils in the stores or the digital distribution is up to our company. These are the main advantages of being inside a multinational company: the potential inside a major is higher than the other independent firms. Moreover, the artists have a significant larger roster of singers to work with, both italian and international; in fact, as a major firm, it has several sister companies abroad, it is easier to build a strong web of ties with foreign players increasing the chances of closing important features and global collaborations"*. On the other hand, when asked the founder of Bomba Dischi which are the most important features that the independent labels have to posses in the process of evolution and growth in the market, he states that *"as for all the industries, what is fundamental is the raw material. It is essential to spot the proper artists, to have a good sight to undertstand who are the most valid singers among the ones that propose themselves and even a bit of luck to be in the right place at the right time. We have built our own company, we have first analyzed the market;*

we already knew the dynamics as all the members of the company previously worked in the sector, so we built a fitting team where all the people involved covered the productive, administrative, comunicational and promotional side of the entire music value chain. That is why, when founding a new independent label, it is a pre-requisities to possess know-how and have the proper web of ties that one can obtain only by having worked in that field before. It is difficult to say how you can achieve that goal, but for sure you need to practice a lot, with a lot of passion. When combining the experience you possess with a managerial approach and a future looking perspective, it clearly become a good starting point for the foundation of an new label. Then, it was up to us to understand which was the right moment to start to operate”.

On this topic about the different approaches between the independent and major labels, it was very valuable the experience shared by the manager of Tommaso Paradiso, that witnessed with his own artist, in a concrete way, what it meant to change label and all the practical and operative differences that came along with such process of professional growth. In fact, at the beginning, together with “*The Giornalisti*”, they were working with Carosello, an historic independent label. Then, they moved to Universal, one of the three majors that operate in the music industry; here, there were not significant changes at the beginning thanks to the new restructuring process that Universal was facing: it was split into three different labels, “*Polydor*”, “*Virgin*” and “*Island*” and his artists were assigned to “*Island*” music labels. For this reason, it was as if they were working in an independent firm context, like in Carosello, there were nine different people that were behind the project and helped in the different activities. However, there were some important differences that the Personal Manager lately grasped as the time was passing: “*the main concerns are about the structure; a major label has a pyramidal structure, where there is a management board that does not take part in the artistic process and very disconnected from the artistic agents that are the directors of the record label. For my personal experience, my team was composed of only 8/9 people but, in a major company, the manager of important artists talks only with the leader of the recording department and it will be his/her duty to delegate later to the different sectors their tasks, such as the activity of promo-radio or the marketing-digital one; however, in any cases, the first person to relate with is the leader of the recording label. When working in Carosello, with smaller artists, it was possible to interact directly with the management team without always having to refer to the boss. Another important contribution that differs Island from Carosello is the bargaining power it possess in the market; it is always much more effective in the dealing of important operation to be done thanks to its experience, know-how and ability*”. However, in general terms, what is gathered from his insight, is that the choice of a major label is not always the right decision to make for an artist, it depends on the personal professional path that the singer decided to take. It is a matter of opportunities and different moments, in his case, he needed some new energies and synergies to create so he decided to move and thought that it was the right time to move to a bigger structure to look for new possibilities and see if they could become bigger in the music industry scene.

Finally, there is also another important experience, shared by the last interviewee, that helped to gather a different point of view in the topic of differences between the two types of label at an operational level. As her job is the export of Italian music abroad, she soon realized that one of the main differences was the fact that major companies have parent firms, branches, situated abroad that helped the collaboration and made the work much more easier and rapid as one simply has to speak to the referent colleague of the parent company in the country of interest. Moreover, when referring to the collaboration or creation of possible synergies between different artists, another important difference is the presence of rigid rules and protocols to respect in the process of communication and interaction (e.g. if an Italian A&R goes to Universal France proposing an artist that could work well and fit also the French demand he/she has to proceed by the book and follow the different steps requested). On the other hand, the independent companies have more difficulties in expanding their operational activities abroad to find the proper web of ties and network of actors but they are significantly more flexible in the decision-making process, as they do not have a pyramidal structure. That is why they have less bosses to whom report the information and the decisions are taken autonomously in a much more rapid way, the investments and resources to allocate are decided in an informal and more relaxed environment where there is higher freedom. In fact, while the major companies are bounded on certain types of investments as they have commercial binding necessities to follow, the indies can decide to risk on projects that do not grant an immediate return in the short-run but can guarantee a significant growth in the long period.

It is important, after having analyzed the different operational features that characterize the various labels present on the market, to describe and give a generic overview about the network of actors involved within the firm. The initial phase, that is the one of recruiting the artists and finding the best condition possible to make them sign for the company, is done through the A&R agent. It is one of the most important figure in the artistic and discographic world and also the most delicate one: they are the ones in charge of enlarging the label roster; it is his/her duty also to follow the subject in the artistic steps of closing the whole project (music, master audio, master video, cover and the photographic shooting). Then, once all these steps are completed, the work is assigned to the marketing and promotion divisions that start to share and think about effective strategies to launch the product in the market and make it a big success. However, what is important to highlight, is that such division is not so stressed; there is a continuous exchange of ideas between the offices and all the information are communicated almost in real time. Inside the Marketing department, there are people that work in “traditional” marketing tactics development while others take care of the social of the label. In this field, there is an actor called “*Content creative manager*”; he/she has to possess digital skills, whose tasks are to prepare “*stories*” on Instagram and Facebook, create digital postcards and an appropriate newsletter. On the other hand, within the promotion division, one of the most important activities is represented by the radio networking building, that is to say the job of speaking daily with the different national broadcasters that are part of the “*panel*” as the most important ones like RTL

102.5, Radio DeeJay, RDS. So, the final goal is to launch a latest release, album or single, on the radio closing interviews. After all these agents, there is a new department, that has been recently introduced that is the “*digital sales*” office. Its main concern is to be continuously in contact with Apple, Spotify, Deezer and Amazon Music that are the most important commercial partners. The aim is to give them the most important information on the latest local and international releases related to the label, to persuade the platforms to insert the songs in specific target playlists and, finally, to give them the master audio, cover and all the contents that are requested for the music to be put online. Then, there is also an “*office of production*”, that are the people that do not talk directly to the digital stores but handle the upload on the system of all the materials concerning the products; dealing with the physical products, such employees are also in direct contact with the graphics and all the people that will later have to later double check that everything is working well before each product is released. On the other hand, the “*commercial office*” is in continuous contact with the physical stores like Amazon, Mondadori, Feltrinelli, all the places where the CDs and Vynils will be later distributed. With them, there are several topics to deal with: visibility, exposure to the audience, trade-marketing operations and banner to hire. Then, there is another department, known as the division of “*brand partnership*” and “*product placement*”, that manages all the activities of endorsement with external brands that have to be approved ex-ante. The aim of closing such agreements is to recover from the operating costs that are incurred from the artists with the making of videos and promotional activities and, on the other hand, to increase the annual income revenues thanks to such diversification strategy. A major label generally internalizes also the publishing division, so if the company needs to realize editorial operations with new songs that will be used in new advertisements or spot of any commercial product on TV, it is up to them to do it. Even the “*legal office*” is internalized; its duty is to make the appropriate contracts that the artists have to sign and to verify to respect of the clauses that are contained in the disclaimers that are given by any media agency (TV or Radio) to allow the artists to perform in their shows, have relationships with Cinema, Tv Series and put their songs inside the soundtrack of a film to be later released. Moreover, concluding on the theme of internalization of a process for the major companies, in the digital area, there are several data analysts that are hired by the company, whose job is substituting the work of external agencies in the digital activity; also in the trade-marketing activity, when making the advertisement billboards, the creativity for the social campaign is realized by the team of the firm and the agency is called only to hire the places, buy the physical billboard and print the material that is needed to do the campaign.

The third phase of the music value chain industry, as said before, is represented by the distribution. Distribution of products such as digital media products is aimed at spreading music in various forms into a wide variety of digital stores. The final form of digital products includes PDD (permanent digital download), limited download, webcasting, interactive streaming, tones (ring tones), peer to peer and ring back tones.

Distribution of media products form continues to provide the reproduction process output to physical stores. For physical products, most of the distribution process is still run in conventional manners by the music labels and/or physical product distribution services.

It is interesting, on this topic, to get the insight of a digital distributor, such as The Orchard, with the words of an employer of such firm. Basically, the distributor is the conjunction element between the production phase and the final consumer, it interfaces both with the labels, or directly the managers, in case of independent artists, on one hand, and with all the digital stores, on the other. The main goal is to take the final product and handle it over the different stores, such as Spotify and Apple Music, to make it ready to fruition and purchase from the clients. Technically, its work is to get the physical files and add the “*Metadata*”, that is a series of information regarding the name of the artist, genre, credits. Then, the final product arrives to the platforms directly. Moreover, some distributor companies, including The Orchard, also collects the neighbouring rights connected to the songs realized. In fact, all the information transmitted to the store are important because, according to that data, a specific fee of those rights is directly given to the company for the service realized. It is different from the copyrights; in that field, digital stores pay SIAE and it will be up to it to distribute the percentages and managing the collecting phase. Then the employee of Orchard specifically describes all the network of actors with whom the firm collaborates in every different stages of the music value chain and how all the processes are intertwined and linked together. The first step is to get in contact with the label; in some case, the labels contact the distributor to rate the project, in other cases it is the company that search for the most fitting possible record company, in a scouting activity. After the agreement has been found, the materials that are required are the audio recordings and all the information present in the Metadata. Such information, as previously said, have a double utility: how to share the revenues of the streams between the different parties and to index the products. The level of attention given to each product and the amount of investments realized depend on the potential of the project so it changes according to the different situation. According to the opportunities that the client can give, there are different types of promotional tactics that are carried out. With big clients like Audioglobe there is so much content to share that it would be impossible to put the same attention on each activity; that is why, after having realized the binding duties described by the contract, it is up to them to decide where to focus. In this case, there are a set of information that are requested, the so called “*Marketing drivers*”; the final aim is to persuade the digital players that the project is interesting and could be positioned in important playlists, like “*New music Friday Italy*”. It is interesting to hear the point of view of the interviewee on the topic of the playlist and how they are significantly affecting the whole market, as she directly affirms; “*Nowadays, playlists are the new radio. There are two different types of playlists: editorial or algorithmic ones. In the latter case, it works according to the number of people that listen to the different songs; if the number is high then the system understands that it is viral and so it is automatically inserted within the choices. In the latter case, on the other hand, there are specific people that are responsible of creating the different compilations, according to*

tastes and choices. Finally there is also an hybrid form, where the editorial team of Spotify decides which songs to insert in the playlists, but then they are continuously changed and updated according to the tastes and preferences of each different client. It is very likely that each person will have different songs added”.

By looking at the insights of each artists, it has clearly proven that there is a direct relationship between the increasing number of streams and the insertion of the artists’ songs in the playlist; that is why the demand and pressure put by the labels to insert the works of their assisted in such strategic places is getting higher.

In the distribution step also the “*Music export*” actor is a very important agent; such agent interfaces with the artists, their manager, publishers and also the booking agency, as they are all involved in the export of the products at different levels; in fact, when the singer has to release the album the label and the publisher are parts involved. On the other hand, the activity of organization of the tour is managed by the booking agency and also the manager that is always included in all the steps. Finally it also interacts with the press offices which give the news about the releases abroad. Other partners that take part in the connection with the export firm are the festival and showcase festival located abroad.

The fourth and last element of the music value chain is represented by the consumption process; in such step the purchase of physical products is usually at conventional stores where the primary function is to sell products such as music and music merchandise derivatives. Conventional stores are commonly found in shopping malls or self-contained locations. In addition, there is now the emergence of unconventional music stores. Generally, the main function of these stores is not to sell music, but Fast Moving Consumer Goods products such as food and so on. Examples of unconventional music stores include Kentucky Fried Chicken (KFC), Texas Fried Chicken, Carrefour, Alfamart, cafes, clothing distributors, gas stations and other specialty outlets. Structures of music consumption in Italy are also experiencing a transition to digital formats. For music in the form of digital products, digital product providers store types can vary depending on the platform or base, such as web-based digital digital shops, store-based mobile digital, web-based digital shops and mobiles. In addition, through digital stores, music consumption can also be in the form of New Media. New Media is a way to consume music by purchasing certain goods or services that offer value-added music for free or at a very low price. The consumption can be of three different products: performance, physical and digital products.

For what concerns the performance products, it is achieved through the work of the booking agency actor. The responsible for DNA Concerti company, clearly explains that they first aim to create an international network of international agencies when promoting a tour abroad, as the english and american companies manage the entire market splitting all the most important artists; either they are contacted by the the booking agency or by the foreign company because of the previous works realized together. The contact is generally taken with the the agent. Sometimes, when dealing with the multinational firms that have their divisions located in all the countries, there is also a direct relationship that is taken with the label that will later talk with the agency trying to arrange some shows for the promotion of the latest works the artists have done. For

the italian artists it is slightly different; it is the management or the labels that directly proposes the latest works of the artists for a possible collaboration. Another important intermediary in the process of digital consumption is represented by the Radio Stations.

Dealing with the internal actors involved in the broadcaster, we have generally a director, a speaker and a sound engineer when there are technical problems; on the other hand, there is the music department that is the division responsible to talk with the music labels.

Although derived from the same chain and even engaged in the same type of business, it turns out that actors have different interests. The difference in interest is also driven from the different strengths of each actor, both in terms of capital and scope of operation. Not infrequently, the source of their revenue comes from consumers who do not normally become direct consumers, such as brands or companies. In addition, cooperation conducted by actors has also begun to widen and form cooperative relationships that involve more than two actors.

4.2.2: Available business model types

The music industry is one of 17 subsectors in the Italian creative industry, with innovation in business models. In general, there are three types of products derived from the music industry, namely digital products, physical products and performance products. The expected output of digital products is the format variety that can meet the standards of some available digital music platforms. As stated by the record industry executive, *“the expected output of physical products is some product formats such as CDs, LPs, cassette tapes and DVDs, while the expected output of performance products is a live show with music as the main component and other components, such as choreography, stage design and lighting as secondary components”*.

As described in the previous paragraph, the music creative chain is composed by different processes in the entire music value chain; before getting to the final step, the one of consumption chain, the project must pass through different points to be accomplished; the first one is the creative value chain. In such chain, the actors involved have to find the sufficient funds to carry out the production of a creative work. There are several ways of obtaining these funds. The first one is the *“crowd-sourcing business model”*; with such method, the subject obtains resources platforms where fans or the general community decide to spontaneously give money to them. In general, in the music sector, as well as in all the other different business, exists three different types of crowd-funding models available: equity, donation and, finally, debt crowd-funding. The first case represents the mechanism that enables broad groups of investors to fund startup companies and small business in return for equity. Investors give money to a business and receive ownership of a small piece of that business. Such process is generally realized by independent labels that are seeking smaller investments to achieve establishment; in such scenario, if the company starts to obtain significant results, its value increases together with the value of share of that activity. On the other hand, in the second case, the one of donation crowd-funding, firms ask to a large number of contributors to individually donate a small amount to it. In return, the investors receive rewards that increase in prestige as the size of the donation increases. Sometimes known as rewards crowdfunding, the tokens for donation may include pre-sales of items, such as CDs, merch and gadgets that will be produced funds raised. The main difference with the other form of crowd-funding, is that funders do not obtain any ownership or rights to the project. Finally, the last case of debt funding, represents an alternative source of capital for small businesses without giving up ownership of their company and provides incentive for communities to get involved. In such situation, a number of investors lend money to small labels, that are in the early stages of their activities. It is, generally, an alternative to traditional bank loans, often with more favourable terms and lower interest rates. However,

donation crowd-funding is one of the types commonly used by Italian musicians not by the available platforms but their own websites; some of the Italian indie bands using this model.

Product	Creative chain			
	Creation	Reproduction	Distribution	Consumption
Digital Product	<ul style="list-style-type: none"> • Crowd sourcing • Advertising • Sponsorship (investor) • Traditional (funded by records label) 	<ul style="list-style-type: none"> • 360-degree • Tailor made • Vertical Integration • UGC monetisation 	<ul style="list-style-type: none"> • Super distribution • Long Tail • Cross platform 	<ul style="list-style-type: none"> • Subscription • Free • Pay per download • Ad funded
Physical Product				<ul style="list-style-type: none"> • Bundle • Merchandise
Performance Product				<ul style="list-style-type: none"> • Sponsorship • Do it yourself

(Reference: Personal rielaboration from “Business model types associated with network structure changes in the music industry” by Dina Dellyana, Togar M. Simatupang and Wawan Dhewanto, 2017)

The second method available to music industries for funding the recording or business operations of the company or other creative efforts is represented by the advertising business models. This model works by using the brand to endorse the creative work, for instance by putting their logo or advertisement before or after music videos, putting their logo on the artist’s website or CD cover, and brand campaign by the artist at their live shows. Such process is described by the record industry executive, who affirms that, inside Virgin, the activities of “*brand partnership*” and “*product placement*” are very much used. The aim of this activity is to develop relationships with brands in the “*endorsement*” strategy framework; the intent was to “*alleviate and decrease the production costs for the making of the videos, on the one hand, and to create a completely new source of income for the artists and labels in a diversification strategy approach on the other. There could be different types of strategies, from a light placement activity to big and viral international campaigns*”.

Finally, for artists that prefer to self-release albums, the self-funded model is an option. This model has now become feasible to the artist through the availability of digital technology for music production which lowers the cost of music production. In fact, after having asked if the “*digital revolution*” had made the music industry more democratic and accessible for the artists, the employee of The Orchard started to explain how

the new tools available radically transformed the fruition and instrumental that could be used; *“there are new possibilities, nowadays, like DistroKid and Tunecore that enable the new raising and independent artists to spread their music with a very limited budget. Such self-funded method is useful to produce and record in a completely independent way the songs. That is why it would be fair to say that that the entry barriers are significantly lower today and the market has become more democratic; there are far more possibilities for talented performers to have a chance to spread their works and connect to the right people in the music creative chain”*.

After the completion of the first step of the music value chain, the one concerning the creative work, the next process is the license registration and reproduction. The efforts in this chain are usually done by a record label and publisher. In this chain, the record label typically implements a 360-degree business model. Such model is used by bigger record labels, like Virgin, where the company decides to bet on that artist and provide him/her significant financial support, such as direct advances as well as funds for marketing, promotion and touring. On the other hand, a percentage of the artist's income (considering all the sale of digital, physical and performance products) are given to the record labels. The senior marketer at Virgin also adds that the amount of advances given and the level of financial support assigned to each projects depends on the type of contract stipulated with the artist; in the *“cast”* contract, there is a significant financial, emotional and physical commitment to the work done; the level of independency reached in the *“licensing”* contract is higher as the label just gives the amount of money needed for the development of the work then it will be up to the single person to individually develop all the strategies. In this last case, as stated by the record industry executive, *“the engagement is lower and the amount of advances that the company has to invest is relatively smaller. Generally, the philosophy in our label, is to use such type of contract as a form of experiment, when we want to bet on an artist to see if it works or not; to make the decision less risky and dangerous, as a company, we propose to the singer a licensing contract where we produce just 3 songs or a single EP and then we wait to see how the market reacts to it. If it works, we, then, decide to upgrade him to a cast contract”*. Moreover, there is also another, final type of contract, that is the *“distribution”* one, where there is total freedom for the artists that generally works for another smaller label and uses the bigger agent just as mediator for the distribution process to make the products available both physically and digitally. Such option is used as a way to starting collaborating or to distribute projects in which the label do not want to put too much effort.

Another model is the tailor-made model, which differs from the 360-degree model in that the artist and record label discuss the capabilities of each party and how they can complement each other. Such approach intrinsically contemplates the possibility to have a flexible structure and a dynamic label where it is possible to develop a one-to-one approach with the artists and their personal needs and different situations. That is why it is very appropriate for the independent labels, where the roster is smaller and the arrangements can be discussed singularly, as in the case of the indie label Bomba Dischi, based in Rome.

Moreover, to increase the total value of revenues, Italian music companies usually operate in their activities through two different *modus operandi*: partnership business model or the vertical integration model. The vertical integration model is often used by record labels that have sufficient capital and resources. That is why such approach is generally conducted by major firms, such as Universal, as confirmed by the interviewee working for such company; it is one of the strengths of the multinational companies to have the possibility to access internally to all the different services and activities that are needed to complete an entire project. On the other hand, the partnership business model is implemented to explore new possibilities in the current market and exploit different sources of revenues by combining firms that offer complementary services. Such theme has become very actual in the current situation where it was impossible, up until few months, to perform in live concerts and this opportunity helped the firms of the sector to create a new business. An important example is provided by the employee of the digital distributor The Orchard: *“during the period of lockdown, there have been important contacts between Amazon, record labels and booking agencies. In fact, in order to arrange some concerts the labels decided to create shows that will be broadcasted online on the streaming platforms such as Prime Video, on demand with the payment to access that specific event.”* Also the member of Dna Concerti, who is another actor directly involved in that activity, witnessed this new experience. While strongly sustaining the idea that by doing such process the event loses the added value given by the conviviality and the human side of the aggregation, he also replicates that it could be an interesting and disruptive idea to follow in the immediate future as a corollary to the main live event and, above all, as an opportunity to share exclusive and well studied contents to link to the live concert.

For digital product processing in particular, there are some record labels that work together with content aggregators to perform the digitisation of music products. One example is given by The Orchard case; in fact, it has been recently acquired by Sony to work as the global distributors of its works abroad in all the countries where it has subsidiaries. In addition to performing the digitisation of music products, the distribution of the digital music products to digital stores can be conducted at the same time. The effort of a vertical integration process is considered effective and cost-saving; it generally consists of providing management services to the production of creative work from upstream to downstream.

Another important model, which has provided opportunities for record labels is by gaining income from user generated content(UGC) monetisation. In Youtube or other licensed platforms, the revenues usually come from advertising in official videos. At the beginning, labels did not want to take these new platforms into consideration and integrate them in the business model; the market was very conservative and dominated by a myopic approach, firms wanted to continue making money in the same way of the past without considering new opportunities and possibilities. Nowadays, even though the use have been significantly increased, there are still some gray areas around this topic. At a remunerative level, there are two different ways to get the money from the platform. Before saying that, it is important to underline that there is a

fundamental pre-requisite to the the exploitation of channels such as Youtube: the user needs to have 1000 subscriptions and 4000 hours of views accumulated during the last year. So, in the first case, when the artist does not have the minimum amount of values, as described before, it is the distributor that adds the content on its own platform and then directly devolve the fee to the owner once the revenues start to be generated. On the other hand, if there is an eligible account, the products are charged in the channel of the singer. However, there is a “*dark side*” of such process, the so-called “Value Gap” problem: there are billion of views, streams, and different functions but the value generated is significantly lower.

In the distribution chain, the third step of the entire music value chain, there are three different types of business models that are found in Italy, “*super distribution*”, “*long tail*” and “*cross platform*”. The long tail business model is realized by a content aggregator that searches for artists and labels with most music in the digital stores. Moreover, it is not enough for consumers to have all the music available, they also want the possibility to listen to those songs anytime, anywhere and on any device, making essential the introduction of the cross-platform business model; that is why the competition has become significantly tough, because as soon as the consumers understand that the song is not available on that platform it is easy for them to switch to another application. Another question is the market concerning the physical products; as we have previously said, there are still people that demand CDs, LPs, cassette and, above all, Vynils. As the industry is still large, the aim is to make the products available easily, spreading in as many markets as possible and reaching the highest number possible of consumers; for such aim, the “*super distribution*” model is used. In this framework, the scope is to reach a capillar distribution of products through all the possible, available channels. It is important to remember that only labels with enough capital to invest can use this massive distribution method; when dealing with smaller record labels or totally independent artists there is another model used, the “*direct distribution*” model where the physical music products are directly sold in the artist or label website and social media by the record label distributors or even artist management.

The last chain of the music industry is represented by the consumption process; here we have different ways and methods of fruition of the works realized by the artists. The first and most simple one is the free business model, that is typical of the independent and small artists at the beginning of their careers. In order to spread their music, they generally sell their products for free to create word of mouth and increase the number of listeners and fan base; only once they have settled down, they will ask for subscription to their channels to buy songs and albums realized. The manager of Tommaso Paradiso, is the fist one to remember the time when it was necessary for his artist, at the beginning of the career, to make the people listen to his works by using such strong and direct approach; “*when The Giornalisti started their career there was the explosion of the free download phenomenon back in 2008; as we started our career during the “digital revolution”, we took advantage of that tool to spread even more our works on Youtube. At the beginning, it was all done for free, but our aim was to increase the number of listeners and focus on a massive distribution to later sell the new products to a larger fan base*”. Sometimes there could be an extension to the free business model,

represented by the “*tipping*” methodology, more english or american-driven as an approach, where the artists offer their music for free to the consumers that can give a tip after hearing if they want; such approach is more used by basquers or performers on the streets.

For what concerns the business model used by the streaming platforms, such as Spotify or Apple Musis, it is composed by three different cases, as also said in the first chapter of the dissertation: Subscription, pay-per-download and advertisement-funded; it could vary according to the quantity, quality or duration of use. Apart from the pay-per-download example, where the listener has to purchase the single song, the difference between the subscription method and the advertisement-funded one relies on the tipology of membership. For example, in Spotify, the “*free*” subscription enables the customer to hear his/her favourite music for free but he/she has will have advertisements that will show up during the use as it represents the only stream of revenues for the company. On the other hand, when paying for a monthly/annually subscription fee, the subject will have zero banners throughtout the whole use as Spotify already earns money thanks to that operational process. The record industry executive also refers to a slightly different business model, the “*bundled*” one, where the partners with which the label collaborates tend to combine creative works of the artists with other similar products, selling everything together at a lower price.

There is a final method that is massively used in the recent days by the record labels that is the “*Merchandising model*” through which creative firms gain income through the selling of other means than physical, performance or digital products. Merchandise is considered as a major added value to the music product as a way to attract more customers. Financial resources for merchandising are generally obtained either externally, through sponsors, or with the realization of the performances. There are several actors interviewed that stressed the importance of the use of merchandising also in the creation of the identity and image of the artist. For example, the founder of Bomba Dischi, states that “*it is fundamental; however, as we can not have inventories and machines to produce t-shirts and sweatshirts, we generally realize the strategies, marketing and creativity part of the process, outsourcing the production to a specialized firm that takes part of the online store; in exchange, they obtain a fixed fee on the units sold*”. Also the record industry executive stresses the importance of merchandising, if properly used, inside the firm of Virgin. In his point of view, it is very profitable as the label, by controlling this aspect of the artist, can exploit several different collaborations, such as the launch of ad-hoc products for imminent tour, concerts, or the production of specific international products to celebrate the career of iconic artists, as in the cases of Taylor Swift, Vasco Rossi to target the most loyal fans.

4.3: Final discussion on Digital revolution and Covid-19 disease: two exogenous variables that changed network structures and business model types in Music industry

It is now time to explore, in this last paragraph of the dissertation, the different phenomena and exogenous variables that affected the entire music value chain and caused an increase/reduction on the actors involved in the network structure. That is why it will be first introduced the two main events that occurred in the last 20 years (“*digital revolution*” and “*Covid-19 disease*”) with the description of their implications, linkages to the firms’ business models and effects on the entire system and then, in the last part, in a direct cause-effect relationship, the results of such implications will be shown together with the prevision of the possible future dynamics of the sector, according to the analysis of the experts of the interviews.

The first dynamic exogenous variable to introduce is the “*digital revolution*” that occurred starting from the beginning of the 21st century, with a first phase of transition and change from a “*tangible market*” (with the selling of CDs, LPs, Vynils and the property of physical assets) to a more “*intrinsic and intangible market*” (where firms started to focus more on the download and streaming concept thanks to the advent of new platforms and possibilities). It is very interesting to understand how the different players involved reacted to such transformation and how different their comments were, according to their activity and different aims in the music industry. For example, in a founder’s point of view, such element was a clear and significant opportunity; the label he founded was born in 2012, so he didn’t have to adapt to such change, he already had that frame of reference. The free download phenomenon was a way, for them, to get to as many people as possible in a faster way, making the market more “*democratic*”. The real problem was for the big, major companies that had important artists in their roster where the democratization process reduced the value of their music. Caucci says that “*when the bargaining power and the possibilities to listen to the music for free increased, thanks to the advent of Internet, Social Network, Youtube, the strategical possibilities to earn more money from the selling of music decreased. The concern was more for artists such as Tiziano Ferro as the market became more flat and the price for music was the same for any artists. Paradoxically, his discography had the same selling value (the connection cost) of other emerging artists and it was significantly depreciated in contrast to the revitalized new life of the independent artists*”. The numbers given clearly showed that and the market share of the indie labels grew from 15% to 45% in just 5 years and the experience of Bomba Dischi exactly resembled this concept.

On the other hand, it was a completely different experience for the second interviewee, working for a major company, who witnessed the hard times and years of transition in a big and affirmed major label, such as Virgin, where this new variable was seen more as a restraint rather than an opportunity. At the beginning of the 21st century, Virgin, whose main activity was to sell physical assets and focus mainly on the CDs and Vynils segment, started to suffer from a big crisis as all the other Major companies that were active in that

period. The advent of the download and Itunes created, in parallel, a completely new problem of piracy and illegal download with the birth of Pirate Bay. There was a point where the digital didn't have the same numbers of the physical market and the traditional activity of selling albums drastically decreased, all in a contest of illegal and unregulated market. Such dynamic forced the firms to change the approach, realize an internal restructuring of the divisions and there was also a significant cut for the employees and all the people involved in the activities. Only with the introduction of the streaming platforms the problems started to cease, especially after the recent boom of the last 5/6 years, when all the competitors decided to focus on this activity and the idea of listening to music in streaming was becoming a habit; a lot of new platforms were born, not only Spotify, but also Apple Music and Amazon Music. According to his words, *"in the current situation, when analyzing the italian and international global music market, there is a new ratio that is 70% digital and 30% physical and this percentage will continue to change during the next years; inside the 70% of the digital music, it is divided between 90% streaming and only 10% download"*. Moreover, during the last period, after the spread of the Covid-19 disease, there has been a huge and massive increase of the usage of the streaming platforms, as more people were forced to stay at home and listen to more music and this helped the raising of the digital platforms, even the new ones of Amazon Music and Amazon Unlimited that targeted a more adult market with the creation of ad-hoc rock, adult rock and classical music playlists with the joint use of new devices such as Alexa that increased the streaming phenomenon. About this last element, also the employee that works for a digital distributor The Orchard, confirmed this theory. From what she says, after the pandemic, the digital streams increased significantly, and the firm witnessed an unprecedented growth; the crisis didn't affect much its activity and it managed to even expand its networks.

The "digital revolution" radically transformed also the live concert sector functioning. The interviewee working for Dna Concerti explains that the communication for the events was all done through posters, magazines and radio; now, it has completely moved to the digital side and the first main source of reference that is used when dealing with the analysis of the target market is done through those platforms. So the change was both at an operational, logistic and production side; it simplified a lot of activities, reduced the overall amount of operating costs and increased the artistic possibilities. The spread of the digital platforms, thanks to the previous mentioned phenomenon of "democratization", increased not only the number of users and the fruition of music but, above all, the knowledge over what is happening in the market and the different new offers in the sector. All this process created a virtuous circle where the number of paying customers to attend the live concerts significantly increased. The digital basically impacted over a lot of different players operating in the music value chain. Also radio broadcasters were significantly impacted by this huge transformation. The main example that is provided in the research is given by a speaker who works for Radio Z. In her point of view, the introduction of these new platforms clearly increased the level of competition for her firms; in fact, with services such as Spotify, Youtube and Apple music, people

developed a completely new habit and approach to the fruition of songs starting to listen to them on those devices rather than on Radio, as it was generally done before. When the radio editors started realising the problems, two different strategies were followed; some decided to completely differentiate from the offer of Spotify while others decided to replicate the winning format provided by the streaming platforms but also linking an added value. In that period, as the interviewee also remembered, there was a tough competition and the players that could not adapt and just emulated the business model started to collapse and exit from the market. The main strengths that the Radio tried to focus on were the selection of appropriate speakers trying to better the relationship speaker-listener, especially during the pandemic where all people were forced to remain at home; the aim was to develop a one-to-one approach, more human-centric.

A final reflection on this aspect can be done through the words of an employee who works for Italian Music Export: *“in my point of view there has been a process of democratization for sure, because it is now much more easier to create a solid fan base with less investments through the use of social media. However, it is important to understand that no matter how sophisticated and efficient the new tools are, it is still up to the actors to know how to use them properly, to understand the dynamics of the music industry and to realize when is time to operate and which strategies to follow”*.

The second most important event that impacted the music value chain, as said before, is the recent spread of Covid-19 disease that is still completely revolutionizing the entire sector. There are several reflections and hypothesis that are formulated in this research even if the problem is still ongoing and it is has not been clearly formulated completely yet. Different actors shared their opinion and ideas on this topic bringing interesting thoughts, ideas and possible solutions to such issue.

The first important outcome from the interviews comes from the founder of the record label Bomba Dischi; he thinks that the pandemic has been just an accelerator of the digital trends that were already spreading throughout the market and that the players that had understood this wave by preferring the release of the projects on the recent platform will clearly have a strong competitive advantage as there will be more customers using the digital apps. In the analysis of the possible, future dynamic of the market, post-pandemic, there is one general idea that is shared by all the actors interviewed; such event that occurred has certainly changed somehow the way things were done and it will not be just a temporary phase. For sure there are certain elements, that represent the core business activities of the artists, that have to return back to their original functioning.

Important is the reflection of the record industry executive that remember the crucial role played by the live concerts and events: *“The live sector is something extremely important for any actor involved in the music value chain, not only the artists, but, mainly, all that work behind the realization of the event. Moreover, for a consistent number of singers, a huge part of the revenues come from shows, especially for the historic italian and international bands for whom the tour organized are generally at an global scale, like Metallica*

and Rolling Stones. Moreover, there will be a lot of important changes for what concerns the operational and logistic dynamics; our company managed to run big promotion campaigns through Zoom, as in the case of Billie Eilish, Lady Gaga. The development of this new habit will be crucial as a new valid alternative in case of necessity”.

There are several methodologies that we started to use during this pandemic period that certainly revealed efficient and very useful also in the building of the artist’s image and the consolidation of the relationship with the fan base. The interviewee describes some of them in her personal reflection on what she saw with the artists that are collaborating with The Orchard; among all, the most important ones are the live sessions organized on Instagram, the creation of ad-hoc services, like “Dice”, that is a ticket reseller specialized only in the digital concerts. The aim that is stressed once more is to come back to the old operating method and implement it with these new tools that are now available which can enlarge the possibilities of growth for the creation of projects and contents. The only problem that now arises with these new technologies is to understand how to get money from it and to transform an idea into a profitable business and avoid the “value gap” problem of the depreciation of the artists’ works.

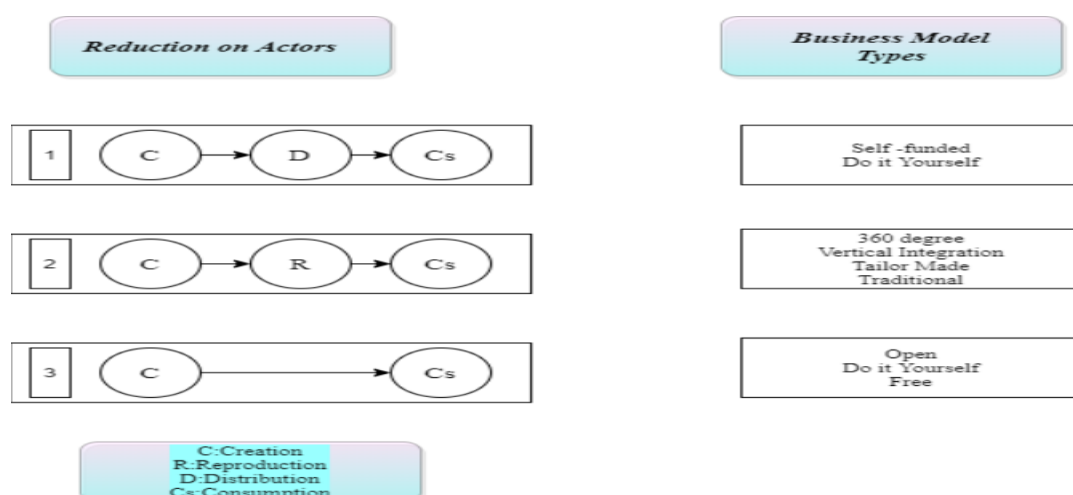
There are also important statements and suggestions that are proposed among the interviewees; very interesting is the point of view of the operating director at DNA Concerti, that gives hints to try to go back to the situation before the pandemic disease. Such element is very relevant for two reasons; first of all, all the ideas were said in April, 2021, before that the Government actually decided to pursue that path to restore a normal fruition of live concerts (so it was predictive in some ways); secondly, the actions proposed by him received a great amount of consensus highlighting also the recent important political role played by the music sector in trying to give concrete and valid solutions. This is what he said: *“I am very hopeful that it will all come back to normal within 3 years, that there will be ideas put in place to guarantee the safety of the fans, with vaccinal passports, social distancing and more swabs done. Our firm started to propose concrete solutions from the beginning, even in summer of 2020, when we made negotiations with Asso Musica stating that it was vital to find protocols that enabled the attendees to easily come back to concerts with agile and flexible measures adopted. It is our aim to develop, in the meantime, internal solutions to try to manage this all new process and adapt to the new operating activities when selling tickets for a national and international concert”.*

Even the manager of Tommaso Paradiso, feels that the live streaming process will not substitute completely the live concerts but it will only be a complementary instrument to try to arrange shows in specific locations. The human side of the event is a fundamental pre-requisite for him that is key for the survival of the music sector. Without this aspect of the market, there is a clear lack of information for what concerns the real, big picture of the overall value chain; he affirms that *“the longevity of an artist relies on the Live aspect, it is the only thing that makes the music survive in the long-run. Nowadays, it is all too much dynamic and not experiential, it is a non-stop war on the streams but it is not a clear sign of the validity of the artist. If Capo*

Plaza has bigger numbers than Jovanotti, but then Jovanotti can have sold out stadiums it makes you understand how useless the streaming numbers are. Moreover, what really counts is the quality of the streams, whether it is an occasional and passive audience or a more conscious and mature one". This important topic of the re-start of the concert and events affected not only the people involved in the organization of the shows and those who manage the artists but also collaterally other actors in the value chain. In fact, as the pandemic stopped all the festivals, travels and different occasions to meet, there couldn't be the possibility for international companies, such as Italian Music export, to arrange meetings between the different actors of the industry with the intent of creating meetings and networking. According to the experience of the employee at Italian Music export, directly involved in such process, *"the operators didn't respond well to the switch of the experience, from physical to digital, and prefer to wait for the return to the real life context"*.

The pandemic decreased significantly the work and, for that reason, the investments realized were cut and a lot of players suffered from that. One example is provided by the speaker of Radio Z, who realized that there are less funds for radio broadcasters as there were less firms spending money in advertisements, which represents one of the most important core business for financing. On the other hand, due to the lockdown where people were forced to remain at home, there was an important strengthening for what concerns the relationship speaker-listener which represents a significant differentiation point in contrast to the streaming platforms and the building of the human connection aspect.

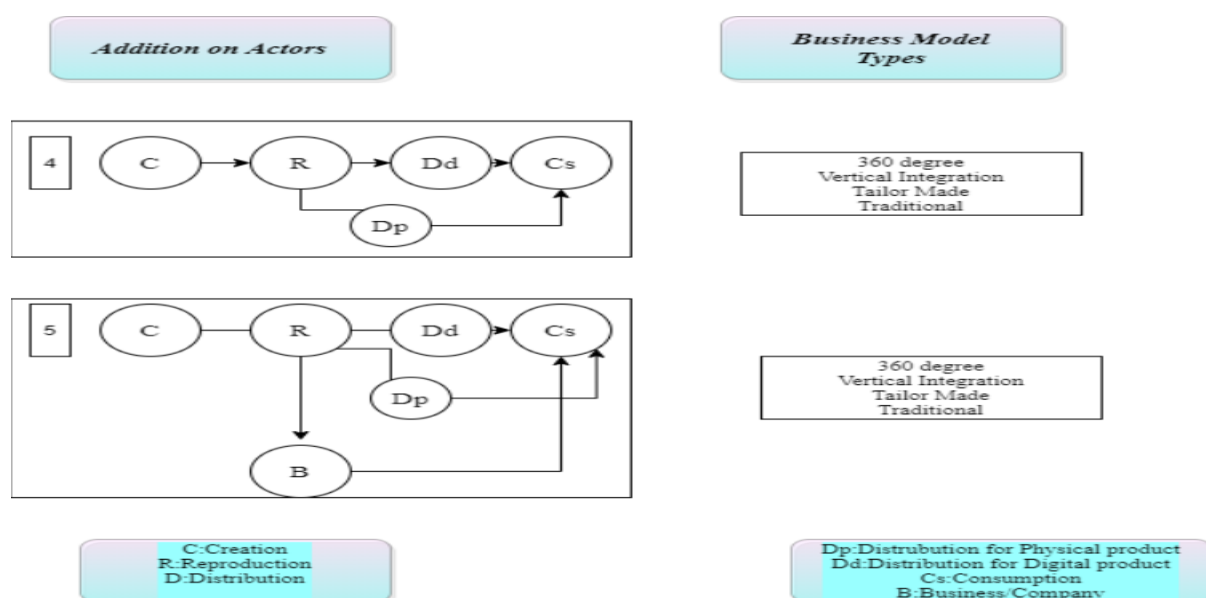
All these exogenous variables drastically changed the way actors interacted together in the network structures and the different business model types used. Based on the data provided, there are several types of business model that decreased the number of actors involved (reduction on actors) while others needed the introduction of more people (addition on actors).



(Reference: Personal rielaboration)

Most of the time, the cases regarding the reduction of the actors is linked to the decrease of the partnership of the artists with record labels. The agility, flexibility and *"democratization"* of the music industry has

made the market much more open and easy to enter for the new artists, and such process is also corroborated by the latest news provided about the indie movement. That is why, the actors in the creative chain, mostly musicians, have now the tools to release their own music without the help of the label. The capital required for the creation of their works can derive from three different options: the funds of the artist, when accumulated (in this case we refer to already affirmed actors), the companies and sponsors that support his/her projects or, finally, the consumers that spontaneously give money to their favourite artists through the previously mentioned crowd-funding method. So, to make a summary, the musician have a wider range of possibilities to exploit to spread their works among the consumers, apart from the music labels. This is important because it completely modifies the approach to the operating working system and the recording sector. Another final example of reduction of actors is given by the case of vertical integration of the labels; in fact, most of the firms have started to internalize the activity of distribution to self-release their artists, exploiting the synergies in creating the music products. As a general reflection, firms tend to reduce the number of actors to lower costs, increase operating margins and create virtuous, direct contacts with customers.



(Reference: Personal rielaboration)

On the other hand, there are also a lot of different examples where new actors and partners are added to the original value chain. The most common case, that was basically mentioned in almost all the interviews realized, deals with the introduction of new digital products; as soon as music started to be distributed through digital channels, record labels needed to adapt and implement their business models as it was impossible to provide such services independently. Very significant is the case of Bomba Dischi as described by the founder himself: “At the beginning we didn’t need to have a social media manager; also the

rise of actors such as the Media Specialist began to grow after the digital revolution. Moreover, thanks to this new tool, there are a lot of new possibilities that can be explored. One example is given by the introduction of the new Business division that is responsible of creating synergies with different brands and the Digital agencies, which develop specific marketing strategies for products. Finally, as the music market is becoming more and more liquid, penetrating all the different aspect of the life, at 360 degrees, the record labels have changed their attitude, from simple seller of Albums to content producer, with the creation of podcasts and different types of format to bring more value to the artist himself". There is also another important concept that was developed by the senior marketer at Virgin Records. He stressed the connection between the digital revolution and pandemic with the increase of the actors involved and, strictly related to it, a significant implementation and efficiency of the internal divisions, at a discographic level. The digital economy completely facilitated the work for the release of Cds, Vynils and cassettes; that is why the possibilities of the firms to sign artists and the number of employees hired increased because of the bigger amount of tasks to complete. In general terms, the process of addition on actors is realized to provide new offerings to the consumer to cover the lack of resources. Most of the times, record labels decide to cooperate with other firms to reduce the total level of risk and to exploit potential synergies from the partnerships.

What can be understood from this analysis is that record labels decided to differentiate their businesses, whether major or independent, to explore new possibilities and increase the total value of revenues combining core and complementary activities. Moreover, as previously said, the market has become increasingly more flexible and dynamic thanks to the digital technology that expanded the possibilities of partnerships within the network of actors. However, it is fundamental to remember that, even though the number of independent and self-released artists has increased significantly and the spread of the digital tools have enabled them to distribute their products everywhere, the bargaining power of the major record companies remains dominant. The direct distribution process still cannot beat the network of the major label artist distribution. Finally, it is interesting to realize that the network structure changes described above are caused by two different elements: not only by the digital input but also by the different connections between the actors involved in the four creative chains of the music industry. In general terms, firms decided not to invest huge amount of money in the approach to the new business models in the digital area but to externalize such activity. In fact, record labels generally tend to use the same resources and then exploit partnerships with other companies as a solution to have access to the specific, new inputs they need. The case of Sony was a clear example of such strategy; it decided to partner with The Orchard, a digital music distributor, to communicate with the online streaming platforms to sell digital music and provide new contents to customers instead of creating a new distributor and platform itself.

CONCLUSIONS

The final aim of this dissertation was to find all the different actors involved in the four music creative chains (creation, reproduction, distribution and consumption) and understand how they interact together in a dynamic and constantly changing environment. Moreover, it was also important to realize how the different exogenous variables present in the market, namely “*digital revolution*” and “*Covid-19*” disease, impacted on the sector and changed the way firms were working and their business models. On a general perspective, based on the interviews realized with a number of experts, there are a lot of different business models types that have emerged due to the structural changes previously mentioned, many of which highlight the importance of the partnerships between different actors with the intent of share complementary assets and knowledge, thus exploiting the possibilities of synergies. In addition to this, the research also provides a general overview of the Italian music industry, with the description of the available network of actors and the current operational and managerial practices generally used within the companies. What was found is that the sector has evolved significantly over the last 20 years, forced by many external inputs, that brought much more complexity and interrelation between the different players, transforming the value chain from simple horizontal linkages to intricate and interconnected bonds. From the insights taken and the analysis conducted, one important result found is the strong dependency between the network of actors and the business model types; the more the actors involved change the way they operate and work together and the higher is the chance of creation of new business models, according to an eventual reduction or addition of actors. Of course, in any cases, such transformation is always economic-driven: firms naturally tend to seek for the best opportunities to maximize their profits, either by reducing the amount of costs or by increasing the level of revenues; in order to gain more opportunities they decide to change the operational scheme and this is what enables the market to be constantly updated and always regenerating itself in a complex and dynamic environment.

Such innovation process is key for firms that work in the music industry and, in general, in all the media and entertainment sectors. It represents the only strategic tactic to survive in such a competitive and volatile market where the tastes and demands of consumers are continuously evolving and the direction for the imminent future changing. However it is not an easy and simple task; it is, on the contrary, very demanding and requires a great effort and investments in research and development activities. What is difficult in today’s industry, according to what the experts stated, is the ability to understand the general dynamic and design the appropriate business model tailored for the needs and necessities requested. That is why the network of actors, their role, responsibilities and how they could potentially interact together is essential in reaching such goal. By knowing exactly who the players are and what they do, firms can find suitable solutions to make them work and cooperate in the best way possible together understanding the general extent of the industry’s development. The aim is to ensure that the strategies of the firms are updated and in line with the trends of the market and the business model types represent a reflection of that; for this reason,

they are always taken as an important guiding reference by the record labels. All the actors interviewed confirmed that the only way to create and adopt efficient business models is through the “*learn by doing*” process: it is thanks to the experience accumulated from the practices that operators can understand the successes and failures of the existing business models and then re-adapt and combine the elements in a different way according to the needs.

One strength of this dissertation is the fact that all the sources interviewed come from different professional backgrounds and working paths so it was possible to have the big picture of the industry and broad insights from all the different perspectives and angles of the four industry value chains, such as the founder of Bomba Dischi, a senior marketer at Virgin Records, the manager of Tommaso Paradiso, one employee at The Orchard, a digital distributor, one booking agent for DNA Concerti, one speaker for Radio Z and, finally, one member working for Italian Music Export abroad.

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APPENDICES

1. INTERVIEW 1 (FOUNDER OF THE RECORD LABEL BOMBA DISCHI)

- 1) *CHI SEI E COSA FAI? DI COSA TI OCCUPI NELLO SPECIFICO*
- 2) *TU DI COSA TI OCCUPI ESATTAMENTE ALL'INTERNO DI QUESTE FUNZIONI? GESTISCI TUTTO A 360 GRADI?*
- 3) *RIESCI AD ELENCARE, PIU' O MENO, IL NUMERO DI ATTORI CON CUI TE HAI A CHE FARE NELLA TUA ATTIVITA', MAGARI DISTINGUENDOLI ANCHE TRA LE VARIE FASI? (CREAZIONE, DISTRIBUZIONE)*
- 4) *QUALCHE NUOVA FIGURA POTENZIALI CHE A SEGUITO DELL'INTRODUZIONE DEL DIGITALE, O COMUNQUE DELLE DINAMICHE MODERNE HA PORTATO ALLA NECESSITA' DELL'INSERIMENTO DI NUOVI ATTORI*
- 5) *TU PER LA TUA ETICHETTA QUANDO CERCHI PERSONE, SIA DAL ALTO DIPENDENTI CHE DAL LATO ARTISTI CON CUI COLLABORI, COME LI SCEGLI? QUALI SONO LE CARATTERISTICHE CHE DEVONO AVERE? METODO DI SELEZIONE PER LA SCELTA DEGLI ARTISTI?*
- 6) *PER QUANTO RIGUARDA LA RIVOLUZIONE DIGITALE DEL MERCATO MUSICALE DEGLI ULTIMI DIECI ANNI, COME HA IMPATTATO SUL VOSTRO BUSINESS, SULLA VOSTRA OPERATIVITA' ED IL CONCETTO DI FREE MUSIC DOWNLOAD?*
- 7) *PUOI NOMINARE LE ETICHETTE DISCOGRAFICHE CHE TI VENGONO IN MENTE, SIA A LIVELLO MAJOR CHE INDEPENDENT LABEL, CHE OPERANO NEL MERCATO DISCOGRAFICO ITALIANO, ANCHE MAGARI IN RELAZIONE AL GENERE ARTISTICO DI RIFERIMENTO*
- 8) *TAPPE DI EVOLUZIONE E CRESCITA DI UNA LABEL INDIPENDENTE COME LA TUA, PER RIUSCIRE AD AFFERMARSI NEL MERCATO DISCOGRAFICO*
- 9) *PROCESSO DI DISTRIBUZIONE PER I DISCHI, FISICI E DIGITALI, E VARIE TIPOLOGIE DI DISTRIBUTORI A CUI TU TI APPOGGI E CHE UTILIZZI*
- 10) *PARTNERSHIP NEL MERCATO MUSICALE, CON BRAND DI ABBIGLIAMENTO E UTILIZZARE MUSICA NEI VIDEOGIOCHI. CHE NE PENSI? E' PROFITTEVOLE?*
- 11) *CHE TIPOLOGIA DI MODELLO OPERATIVO UTILIZZATE?*
- 12) *PRODOTTO SU CUOI PUNTATE MAGGIORMENTE? FISICO O DIGITALE?*

- 13) *PER QUANTO RIGUARDA LA PARTE DEI LIVE, SE E' GESTITA DIRETTAMENTE DA VOI, OPPURE SE E' ESTERNALIZZATA AD ALTRE SOCIETA'. COME FUNZIONA IN TERMINI DI GUADAGNO?*
- 14) *RIPERCORRERE TUTTI GLI STEP CHE PORTANO AL COMPLETAMENTO DI UN PRODOTTO MUSICALE ALL'INTERNO DELLA CREATIVE CHAIN, CHE DETERMINANO POI L'USCITA FINALE DEL PROGETTO DA VENDERE SUL MERCATO*
- 15) *LA FASE DI REGISTRAZIONE DELLE LICENZA PER L'UTILIZZO DI UN BRANO*
- 16) *CHE PENSI PER LE DINAMICHE DI SVILUPPO FUTURO DEL SETTORE, SOPRATTUTTO A SEGUITO DELLA PANDEMIA? CAMBIERA' RADICALMENTE IL SISTEMA COME HA FATTO LA RIVOLUZIONE DIGITALE OPPURE RITORNERA' TUTTO COME PRIMA?*
- 17) *RUOLO DEL MERCHANDISING, LO UTILIZZATE? QUANTO E' PROFITTEVOLE?*
- 18) *QUANTO E' IMPORTANTE LA COSTRUZIONE DELL'IMMAGINE PER UN ARTISTA AL GIORNO D'OGGI CON L'UTILIZZO DI NUOVE PIATTAFORME E QUANTO PENSI SIA IMPORTANTE QUESTO ASPETTO RISPETTO AL PROGETTO ARTISTICO IN SE PER LA CRESCITA DEL CANTANTE? INOLTRE QUALE E' L'UTILIZZO CHE VOI FATE DELLA PIATTAFORMA DI INSTAGRAM, E' REMUNERATIVA E DA POSSIBILITA' EFFETTIVE DI CRESCITA*

2. INTERVIEW 2 (SENIOR MARKETING AND INTERNATIONAL REPERTOIRE AT VIRGIN RECORDS)

- 1) COINVOLGIMENTO ATTORI NELLA REALIZZAZIONE DI UN PROGETTO MUSICALE (ANCHE IN UN FESTIVAL VEDI SANREMO)
- 2) DIFFERENZA DI APPROCCIO TRA ETICHETTE DISCOGRAFICHE INDIPENDENTI (VEDI BOMBA DISCHI) ED ETICHETTE MAJOR COME PUO' ESSERE LA VOSTRA (VIRGIN)
- 3) NOMINA TUTTE LE FIGURE CHE SONO COINVOLTE NELLA CREATIVE CHAIN MUSICALE CON CUI TU SEI PRINCIPALMENTE E MAGGIORMENTE COINVOLTO
- 4) A LIVELLO DI TAPPE E FASI IN CUI LA SUA ETICHETTA E' COINVOLTA?
- 5) DIVISIONE DELLA VOSTRA LABEL UNIVERSAL
- 6) A LIVELLO DI SCELTA DEGLI ARTISTI SCELTI DALLA ETICHETTA, COSA CI CERCA E QUALI SONO LE CARATTERISTICHE MAGGIORMENTE RICHIESTE?
- 7) COME LA RIVOLUZIONE DIGITALE HA IMPATTATO SUL BUSINESS E SULLE ETICHETTE?
- 8) LA RIVOLUZIONE DIGITALE PER TE HA SEMPLIFICATO L'ATTIVITA' DIMINUENDO IL NUMERO DI ATTORI COINVOLTI CAMBIANDO ANCHE IL NETWORK DEGLI ATTORI PRESENTI A SEGUITO DELL'INSERIMENTO DEL DIGITALE?
- 9) UNIRE AL DISCO QUALCHE PRODOTTO DI MERCHANDISIGN, QUALE E' QUINDI, SECONDO LEI, LA SUA FUNZIONE? E' REMUNERATIVO?
- 10) PER QUANTO RIGURDA IL VERSANTE LIVE E CONCERTI, E' GESTITA DIRETTAMENTE DA VOI? ESTERNALIZZATA?
- 11) BUSINESS MODEL CHE APPLICA LA VIRGIN
- 12) A LIVELLO DI CURA DELL'IMMAGINE DI UN ARTISTA QUANTO PER LEI E' IMPORTANTE A LIVELLO DI PERCENTUALE RISPETTO ALLA PRODUZIONE ARTISTICA STESSA? COME VIENE AFFRONTATA E CURATA DA VOI?
- 13) COME VEDE LE DINAMICHE DI SVILUPPO FUTURE DEL MERCATO POST-PANDEMIA? LO CONSIDERA UN CAMBIAMENTO DEFINITIVO OPPURE TUTTO TORNERA' COME ERA PRIMA E QUINDI E' STATA SOLTANTO UNA FASE TRANSITORIA?
- 14) CARATTERISTICHE CHE RICERCHI NELLA SCELTA DELLO STAFF ED ELEMENTI DI SUCCESSO PER FARCELA IN QUESTO MERCATO.

3. INTERVIEW 3 (EMPLOYEE THE ORCHARD)

- 1) *COSA FAI E DI COSA TI OCCUPI/SI OCCUPA LA TUA SOCIETA'?*
- 2) *QUALI SONO LE ATTIVITA' CHE THE ORCHARD SVOLGE, IN UNA PANORAMICA DI DIVERSIFICAZIONE DEI SERVIZI OFFERTI DALLA SOCIETA', ED ANNESSE FIGURE PROFESSIONALI PRESENTI.*
- 3) *CON QUALI FIGURE PRINCIPALMENTE HA A CHE FARE LA VOSTRA SOCIETA' (E TE IN PARTICOLAR MODO) ALL'INTERNO DELLE VARIE FASI DELLA VALUE CHAIN MUSICALE? CON CHI VI INTERFACCIAE PRINCIPALMENTE?*
- 4) *COME LA NASCITA DEL DIGITALE E DEL FREE DOWNLOAD HA IMPATTATO SUL VOSTRO BUSINESS?*
- 5) *CON QUALI ETICHETTE PRINCIPALMENTE COLLABORATE NEL MERCATO ITALIANO? INDIPENDENTI E MAJOR*
- 6) *A LIVELLO DI COSTRUZIONE DELLA VOSTRA ATTIVITA', DI COSA AVETE BISOGNO PER SVOLGERE IL VOSTRO COMPITO, PER DISTRIBUIRE POI I PRODOTTI FINITI ALLE PIATTAFORME DI RIFERIMENTO?*
- 7) *COLLEGAMENTO TRA MUSICA-VIDEOGIOCHI? UTILIZZO PIATTAFORME NUOVE (COME TWITCH, AMAZON) PER FARE EVENTUALI CONCERTI VIRTUALI, SIA A LIVELLO OPERATIVO CHE A LIVELLO PRATICO /FUNZIONALE COME STRUMENTO DI REALIZZAZIONE EVENTI O MODO PER SPONSORIZZARE LA PROPRIA MUSICA.*
- 8) *BUSINESS MODEL DA VOI APLICATO*
- 9) *PENSI CHE LA NASCITA DELLE PIATTAFORME DIGITALI ABBIATO RESO IL MERCATO PIU' DEMOCRATICO ED ACCESSIBILE PER GLI ARTISTI?*
- 10) *A SEGUITO DELLA "RIVOLUZIONE DIGITALE", PENSI CHE QUESTO ABBIATO SEMPLIFICATO IL NUMERO DI ATTORI COINVOLTI? E SE QUESTO HA RIVOLUZIONATO IL VOSTRO BUSINESS MODEL?*
- 11) *COSA NE PENSI DELLE DINAMICHE DI SVILUPPO FUTURO DEL SETTORE, POST-PANDEMIA, E PENSI CHE QUESTA RIVOLUZIONE PORTERA' A CAMBIAMENTI DEFINITIVI NEL MERCATO, OPPURE E' SOLO UNA FASE DI TRANSIZIONE?*
- 12) *SAI QUALCOSA A LIVELLO DI EDIZIONI MUSICALI?*

4. INTERVIEW 4 (BOOKING AGENT AT DNA CONCERTI)

- 1) *COSA FAI E DI COSA SI OCCUPA LA TUA SOCIETA'? CHE FIGURE CONTEMPLA E COSA SVOLGE?*
- 2) *QUALI SONO LE FIGURE PROFESSIONALI CON CUI VI INTERFACCiate NELLA VOSTRA ATTIVITA', ALL'INTERNO DELLA FILIERA MUSICALE?*
- 3) *CON QUALI ETICHETTE PRINCIPALMENTE COLLABORATE IN ITALIA, SIA MAJOR CHE INDIPENDENTI? C'E UNA DIFFERENZA NELL'APPROCCIO OPERATIVO IN BASE ALLA TIPOLOGIA DI RIFERIMENTO?*
- 4) *A LIVELLO OPERATIVO COME FUNZIONA LA GESTIONE ED ORGANIZZAZIONE DEL SINGOLO CONCERTO/ TOUR? QUALI FIGURE VI SERVONO A LIVELLO DI PROFESSIONISTI PER LE ESIGENZE RICHIESTE DA TALI ATTIVITA'?*
- 5) *A LIVELLO ECONOMICO INVECE COME FUNZIONA? CON CHI SONO PRESI GLI ACCORDI?*
- 6) *COSA NE PENSI DELL'UTILIZZO RECENTE DELLE PIATTAFORME DI STREAMING PER LA REALIZZAZIONE DI CONCERTI VIRTUALI? PENSI SIANO PROFITTEVOLI, LE UTILIZZATE?*
- 7) *QUALE BUSINESS MODEL ADOTTATE VOI?*
- 8) *PER QUANTO RIGUARDA IL MERCHANDISING, COME FUNZIONA? CHI LO CURA? TATTICHE UTILIZZATE, A LIVELLO DI MARKETING, PER IL LANCIO DI UN TOUR/ SINGOLO CONCERTO?*
- 9) *QUANTO E COME HA IMPATTATO SULLA VOSTRA ATTIVITA' LA RIVOLUZIONE DIGITALE CHE C'E' STATA NEL MERCATO MUSICALE?*
- 10) *COLLEGAMENTO CHE C'E' STATO TRA L'INTRODUZIONE DEL DIGITALE ALL'INTERNO DEL MERCATO MUSICALE E COME QUESTO HA IMPATTATO NELLA VOSTRA ATTIVITA' ED IN GENERALE ANCHE IN UN EVENTUALE AUMENTO DEI PAGANTI AI CONCERTI?*
- 11) *A LIVELLO DI CATEGORIE/ GENERI, CON QUALI ETICHETTE ED ARTISTI COLLABORATE?*
- 12) *NELLA SITUAZIONE DI STALLO ATTUALE DEL MERCATO DELLA MUSICA, IN CHE MANIERA STATE OPERANDO VOI, COME UN PO' TUTTE LE AGENZIE DI BOOKING? DI COSA VI STATE OCCUPANDO ORA CHE E' UN PO' TUTTO FERMO?*
- 13) *COSA NE PENSI DELLE DINAMICHE DI SVILUPPO FUTURE DEL MERCATO MUSICALE? A SEGUITO DELLA PANDEMIA PENSI TUTTO TORNI COME PRIMA OPPURE CI SARANNO DELLE MODICHE PERMANENTI NEL SETTORE?*
- 14) *QUANTO VIENE REALIZZATO UN CONCERTO/TOUR, A LIVELLO DI SCELTA DEL PALCOSCENICO, CURA DELL'ARTISTA, CHI SE NE OCCUPA?*

5. INTERVIEW 5 (MANAGER OF TOMMASO PARADISO)

- 1) *CHI SEI E COSA FAI? DI CHE TI OCCUPI E QUALE E' IL TUO BACKGROUND PROFESSIONALE?*
- 2) *ATTORI CON CUI SEI COINVOLTO NELLA TUA ATTIVITA'*
- 3) *QUANTO LA "RIVOLUZIONE DIGITALE" HA IMPATTATO IL VOSTRO BUSINESS MODEL?*
- 4) *DIFFERENZE, A LIVELLO OPERATIVO, TRA UNA MAJOR E TUTTE LE VARIE ETICHETTE INDIPENDENTI CON CUI HAI COLLABORATO?*
- 5) *A LIVELLO DI SCELTA DI AGENZIA DI BOOKING, A LIVELLO OPERATIVO COME FUNZIONA? CON CHI VI INTERFACCiate E COME FUNZIONA A LIVELLO DI ACCORDI ECONOMICI?*
- 6) *INTERNAMENTE, RISPETTO AI RICAVI DELL'ARTISTA, COME CI SI COMPORTA PER LA SPARTIZIONE DEI GUADAGNI? LATO MANAGER-ARTISTA ED ARTISTA-DISCOGRAFICA/AGENZIA DI BOOKING ECC... COME VENGONO REGOLATI I RAPPORTI E LA GESTIONE DELLE OPERAZIONI AD ESSO INERENTI?*
- 7) *A LIVELLO DI DIRITTI D'AUTORE COME FUNZIONA IN TERMINI DI GUADAGNO?*
- 8) *COME FUNZIONA IL PROCESSO DI MARKETING CHE C'E' DIETRO AD UN PROGETTO SIA SINGOLO O ALBUM? QUALI SONO LE TAPPE/ATTIVITA' CHE VENGONO PORTATE AVANTI?*
- 9) *CHE NE PENSI DELLE DINAMICHE DI SVILUPPO FUTURO DEL SETTORE? A SEGUITO DELLA PANDEMIA PENSI CHE VI SARA' UNA RIVOLUZIONE DEL SETTORE, COME E' STATA PER LA "RIVOLUZIONE DIGITALE", OPPURE SOLO UNA FASE TRANSITORIA E TORNERA' TUTTO COME PRIMA?*
- 10) *BUSINESS MODEL CHE APPLICA LA TUA SOCIETA' A LIVELLO OPERATIVO*
- 11) *COME FUNZIONA, IN TERMINI DI GUADAGNO, L'ASPETTO DELLA DISTRIBUZIONE FISICA E DIGITALE? COME E' REGOLATO?*
- 12) *BRAND-MUSICA: COME OPERATE E QUANDO VALUTATE UNA COLLABORAZIONE OPPORTUNA A LIVELLO DI "ENDORSEMENT" O "PRODUCT PLACEMENT" OPPURE DI UTILIZZARE LA PROPRIA MUSICA IN ALTRI CONTESTI (SERIE TV, FILM)*
- 13) *QUALE E' LO SCOPO/L'OBIETTIVO DELL'EDITORE, QUALE E' LA SUA "MISSION"?*
- 14) *QUANTO PENSI CHE LA COSTRUZIONE DEL PERSONAGGIO INCIDA NELLA CARRIERA DI UN ARTISTA? POSSONO ESSERE COMPLEMENTARI LE DUE COSE?*

6. INTERVIEW 6 (SPEAKER AT RADIO Z)

- 1) *CHI SEI E COSA FAI? DI COSA TI OCCUPI?*
- 2) *IL NUMERO DI ATTORI CON CUI SEI COINVOLTA NELLA TUA ATTIVITA' A LIVELLO SIA DI RADIO CHE POI DI ATTORI CON CUI SEI COINVOLTA AL DI FUORI DELLA RADIO (FIGURE PROFESSIONALI)*
- 3) *QUALI SONO LE FIGURE PROFESSIONALI CHE SERVONO ALL'INTERNO DI UNA RADIO?*
- 4) *CARATTERISTICHE CHE VENGONO RICHIESTE PER POTER LAVORARE IN QUESTO SETTORE (QUELLO RADIOFONICO)*
- 5) *A SEGUITO DELL'INTRODUZIONE DELLE PIATTAFORME DIGITALI, SE PENSI SIA CAMBIATA LA FIGURA DELLA RADIO? PENSI CI SIA STATO UN AUMENTO DEGLI ASCOLTI?*
- 6) *MI PUOI NOMINARE LE ETICHETTE PRINCIPALI CON CUI VOI COLLABORATE?*
- 7) *COME SI FA AD INSERIRE UNA CANZONE NELLA "SCALETTA" DI ROTAZIONE DI UNA RADIO? CON CHI VENGONO PRESI GLI ACCORDI? (ANCHE DI PROMOZIONE DISCOGRAFICA E STRATEGIA COMUNICATIVA DI UN ARTISTA)*
- 8) *PENSI CHE L'INTRODUZIONE DELLE PIATTAFORME DIGITALI ABBIÀ RESO IL MERCATO PIU' DEMOCRATICO?*
- 9) *QUALI PENSI SIANO GLI ELEMENTI CHE PERMETTONO AD UN BRANO DI UN ARTISTA DI DISTINGUERSI IN RADIO? PENSI CHE IL LIVELLO DI COMPETIZIONE SIA ARRIVATO AD ESTREMI VALORI CHE HANNO PORTATO AD UNA SATURAZIONE DEL MERCATO STESSO? PENSI SI SIA APPIATTITO O CI SIANO ANCORA NOVITÀ?*
- 10) *COSA PENSI DEGLI SVILUPPI FUTURI DEL MERCATO? NOTI CHE LA RADIO SI SIA MODIFICATA A LIVELLO OPERATIVO? A LIVELLO DI ATTORI COINVOLTI NOTI UN AUMENTO O UNA DIMINUIZIONE? CHE DINAMICHE FUTURE VEDI PER IL SETTORE RADIOFONICO A SEGUITO DELLO SCOPPIO DELLA PANDEMIA? PENSI CHE RIMARRA' INVARIATO O PORTERA' A DEI VERI CAMBIAMENTI? VI SONO NUOVE STRATEGIE CHE VERRANNO ADOTTATE DALLA RADIO DOPO QUESTO PERIODO?*

7. INTERVIEW 7 (EMPLOYEE AT ITALIAN MUSIC EXPORT)

- 1) *CHI SEI? COSA FAI E DI COSA TI OCCUPI?*
- 2) *QUALI SONO IL NUMERO DI ATTORI CON CUI TI INTERFACCI NELLA TUA ATTIVITA'? A LIVELLO DI ALTRE FIGURE NELL'AMBITO DEL MERCATO MUSICALE CON CUI TU HAI A CHE FARE ALL'INTERNO DELLA TUA ATTIVITA'?*
- 3) *QUALI PENSI SIANO LE CARATTERISTICHE E COMPETENZE RICHIESTE PER POTER SVOLGERE QUESTA ATTIVITA'?*
- 4) *A SEGUITO DELLA RIVOLUZIONE DIGITALE, QUESTO HA IMPATTATO SULLA VOSTRA ATTIVITA'? (MAGARI MUSICA PIU' FACILMENTE CONOSCIUTA ALL'ESTERO E MAGGIOR FACILITA' NELL'ESPORTARLA)*
- 5) *CON QUALI ETICHETTE DISCOGRAFICHE PRINCIPALMENTE OPERI? SE MAGARI C'E' UNA DIFFERENZA OPERATIVA TRA ARTISTI CHE STANNO IN MAJOR ED ARTISTI CHE STANNO IN ETICHETTE INDIPENDENTI?*
- 6) *DIRITTO D'AUTORE, CHE TIPOLOGIE CI SONO? COME FUNZIONA PER LA RIPARTIZIONE DELLE QUOTE IN TERMINI MONETARI? PUOI NOMINARE TUTTE LE TAPPE CHE PORTANO L'ARTISTA DALLA REALIZZAZIONE DEL BRANO FINO ALLA SUA FRUZIONE DAGLI ASCOLTATORI (IN TERMINI DI RAPPORTO CON LA SIAE)*
- 7) *A LIVELLO DI BUSINESS MODEL, COME GUADAGNATE VOI, DA DOVE RICAVATE LE VOSTRE ENTRATE? PER QUANTO RIGUARDA LE DINAMICHE DI SVILUPPO FUTURO DEL SETTORE, COME VEDI QUESTO MERCATO, SOPRATTUTTO A SEGUITO DELLA PANDEMIA?*
- 8) *NOTI CHE CON L'AVVENTO DI PIATTAFORME DIGITALI IL MERCATO SIA PIU' ACCESSIBILE E DEMOCRATICO? PIU' FACILITA' PER GLI ARTISTI DI EMERGERE?*
- 9) *A SEGUITO DELLA PANDEMIA, E' AUMENTATO O DIMINUITO IL NUMERO DI ATTORI NELLA TUA ATTIVITA' (ANCHE A SEGUITO DI UNA SEMPLIFICAZIONE POST DIGITALIZZAZIONE DEL SETTORE)? COSA ATTIRA MAGGIORMENTE ALL'ESTERO PER QUANTO RIGUARDA IL MERCATO DI MUSICA ITALIANA?*