



Technology and Innovation Management

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New Technologies and Patterns

Technical change in the music industry: past, present and future

Learning objectives

Key concepts

- Platforms and platform governance
- Ecosystems
- Business Models

Methods

- Analysis of cases and critical discussion of examples

Abilities

- Critical assessment of platform/ecosystem dynamics in a given industry
- Identifying underlying patterns from different types of data
- Understanding connections between TIM topics

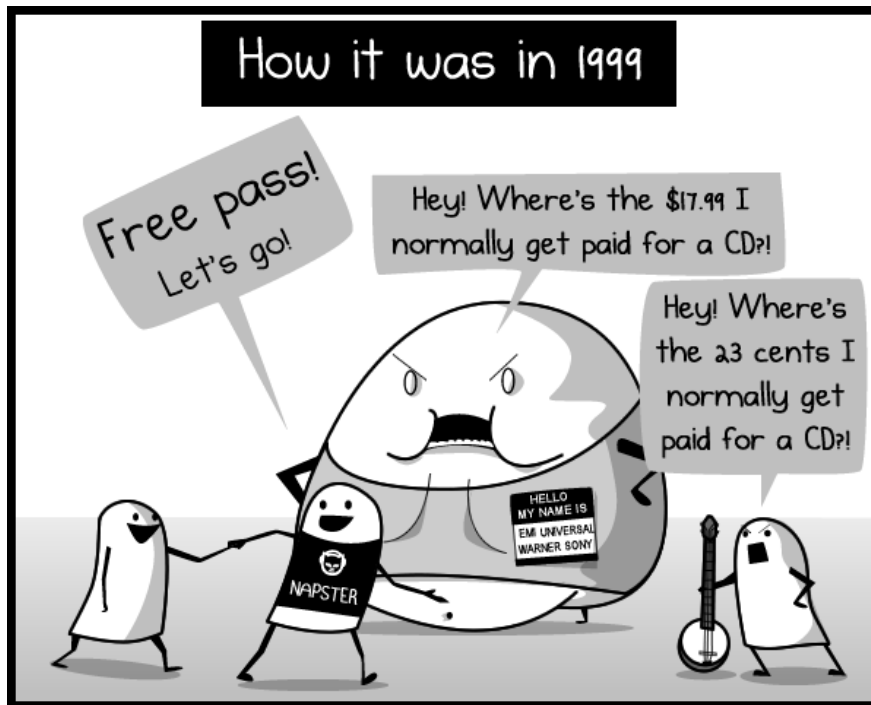
Required Readings for today

- Teaching case: Music Industry through the lens of Platforms, Ecosystems and Business Models

The Music Industry case

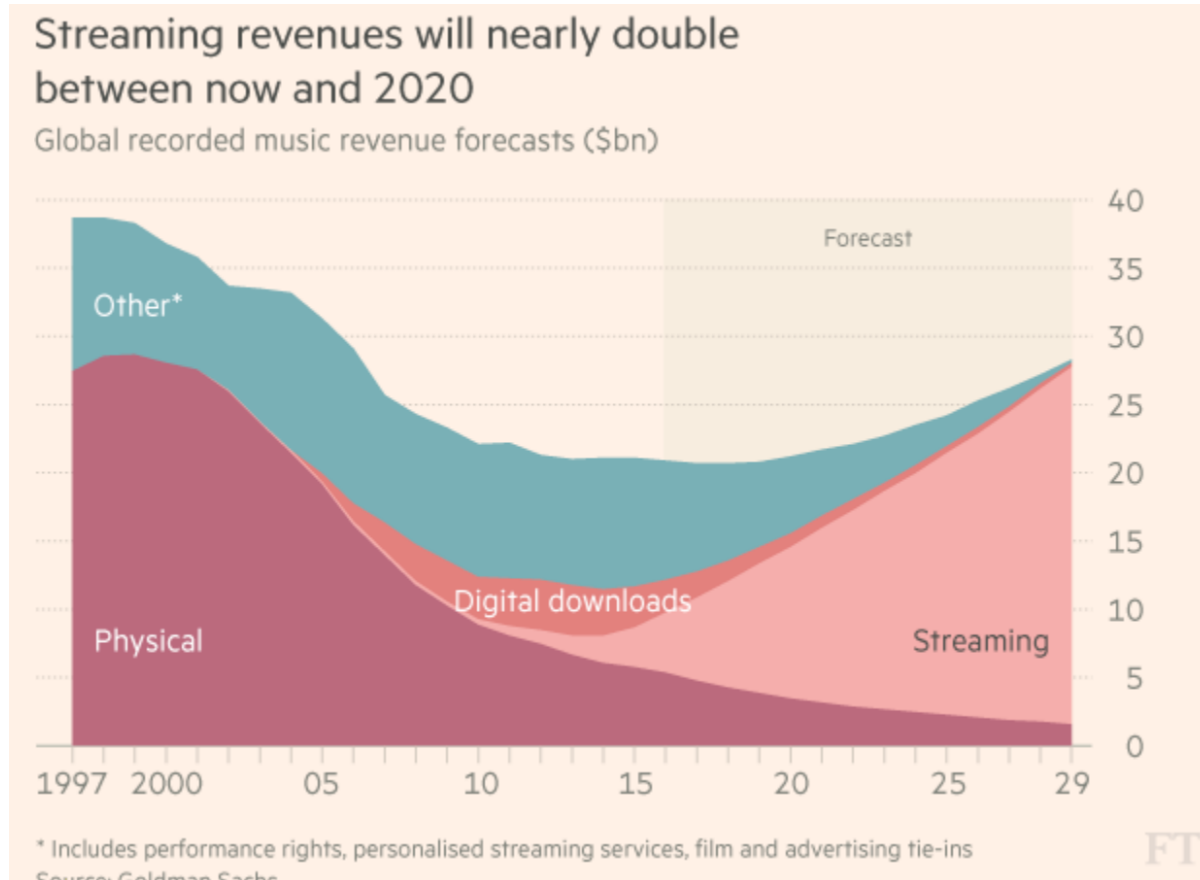
1. Ecosystem (rules) in the music industry
 - What has changed, and why?
 - How do ecosystem actors use their leverage?
2. Competing platforms in the music industry
 - How are different platforms set up, and why?
 - Can different models work?
3. A closer look at Spotify as a platform
 - Do the rules of the game change if the ecosystem changes?
 - Who benefits, and who loses?
4. The future of the music industry
 - What can technological change do, and what are the limits?

Part 1: Ecosystem (rules) in the music industry



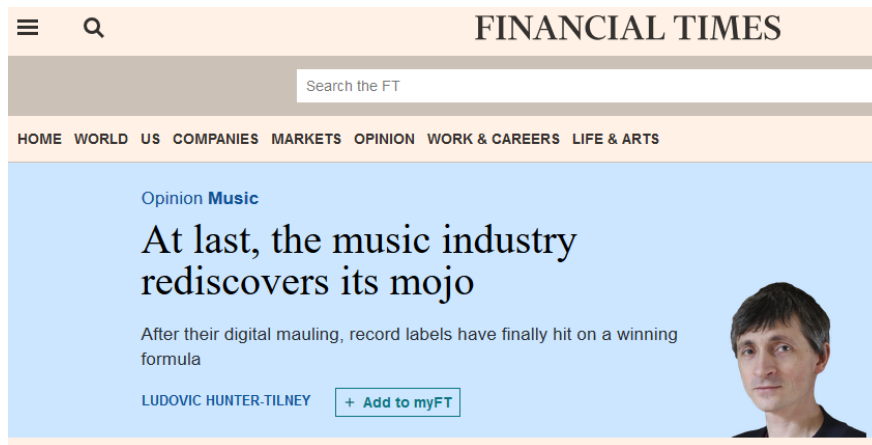
Source: Theoatmeal.com

Revenue in the music industry:

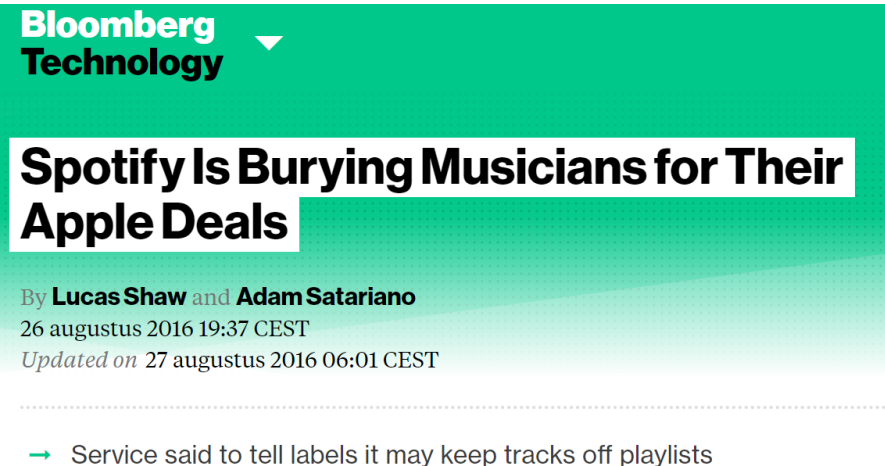


Ecosystem (rules) in the music industry:

How do ecosystem actors use their leverage?



(11-1-2017)



What does the new ecosystem look like?

What's new, really?



The screenshot shows the Urban Dictionary website. At the top, there's a dark blue header with the 'URBAN DICTIONARY' logo in white and yellow. To the right of the logo are links for 'Browse', 'Vote', and 'Store'. Below the header is a search bar with the placeholder text 'Type any word...'. Underneath the search bar is a light gray section. On the left side of this section, there's a yellow box labeled 'TOP DEFINITION'. To the right of this box are social media sharing icons for Twitter, Facebook, and a generic share icon. The word 'payola' is written in large, bold, blue letters. Below it, the definition is provided: '1) Payola is [Music Biz](#) Prostituion. Pimps and hoes (radio and record labels) [run](#) this [game](#) and, of course, it's all about [money](#). Music doesn't matter. Artists don't matter. Music fans don't matter. The [playing](#) field of payola is the vile and corrupt [music](#) industry. Keeping music fans unaware, keeping artists scared, and keeping radio's pockets [fat](#) are what's keeping this bulls**t alive and well.'

How 'Playola' Is Infiltrating Streaming Services: Pay for Play Is 'Definitely Happening'

8/19/2015 by [Glenn Peoples](#)

Billboard



Recap part 1: Ecosystem (rules) in the music industry

- Initial effect of digitalization: everyone lost money (people were not paying for physical music anymore)
 - Technical change alone does not automatically restructure industries
- The invention of music platforms was in part the reinvention of how to make money
 - Industries need organizational change to cope with new technology, and this organizational change lags behind
- Music platforms draw power to the platforms, because of their concentration
- The link between record labels and listeners seems broken
 - There is a link between the industrial structure and dependency relationships between actors in the industry

So who is making money here?

Part 2: Competing platforms in the music industry



DER JÜNGSTE IN DER STREAMING-FAMILIE

Describe music streaming services as platforms/business models

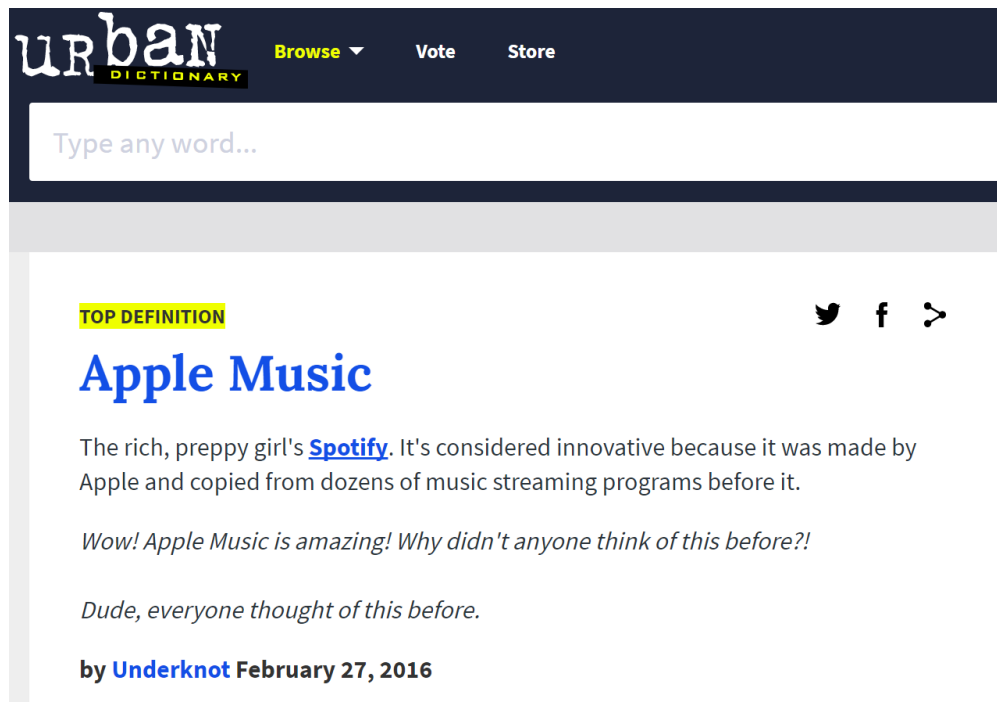
- How do they position themselves?
 - How many sides are brought on board?
- How are platforms designed?
 - What do users see?
 - What is the intended value?
 - What challenges does the platform solve, what does it leave to others?
- What are the governance choices?
 - What are users allowed to do?
 - What are complementors allowed to do?
- What is the pricing structure?
 - How does the platform make money?
- What is the growth strategy?
 - How does it achieve leverage over the ecosystem?

Recap part 2: Competing platforms in the music industry

- Platforms can be set up in different ways, with different business models
 - ‘western’ platforms as multisided markets or products, Tencent as a matchmaking platform
 - Spotify as a standalone platform, Apple Music as loss leader
- There is no such thing as a ‘best platform design’, it depends on what the platform is supposed to achieve
 - Tencent dependent on social media features, Spotify phasing out social features
 - The importance of culture and context in choosing platform features
 - Once a certain design is chosen, it is hard to change.

Do platforms really have a free pass to disrupt the industry?

Part 3: A closer look at Spotify as a platform:



A closer look at Spotify as a platform:

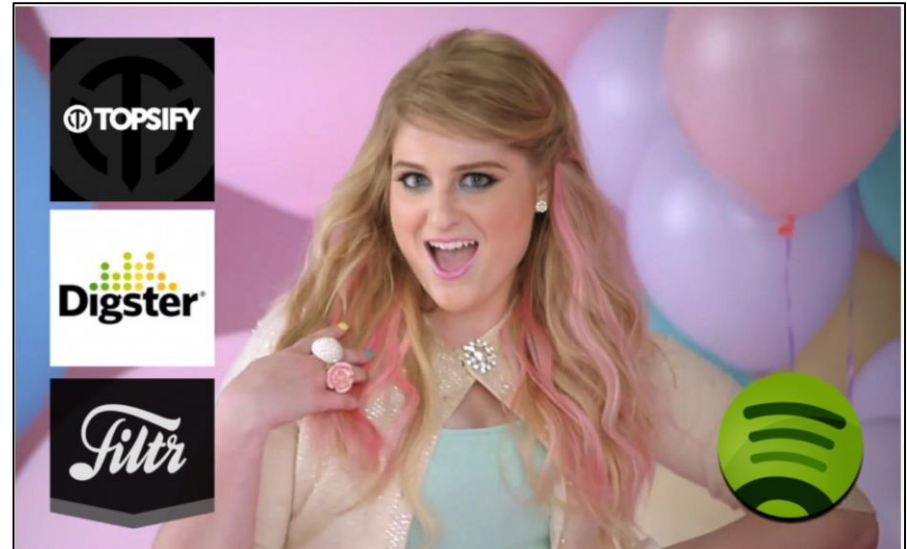
Do the rules and options change if the ecosystem structure changes?

Universal Music Group Makes Playlist Power Move, Hires Industry Veteran Jay Frank

8/5/2015 by Glenn Peoples



Billboard



Who Owns the Editorial Voice on Spotify?

New Slang Media, 26-03-2015



PLAYLIST

Monday Motivation

Get your week off to a strong start!

Created by Spotify • 80 songs, 4 hr 24 min

PLAY

FOLLOW

FOLLOWERS
448,370

Q Filter

TITLE

ARTIST

ALBUM



Drive (feat. Delilah Montagu) - Edit

Black Coffee, David Guetta, Delilah Montagu

Drive (feat. Delilah Montagu)

2018-09-17

3:11



Nostalgia - Single Version

MØ

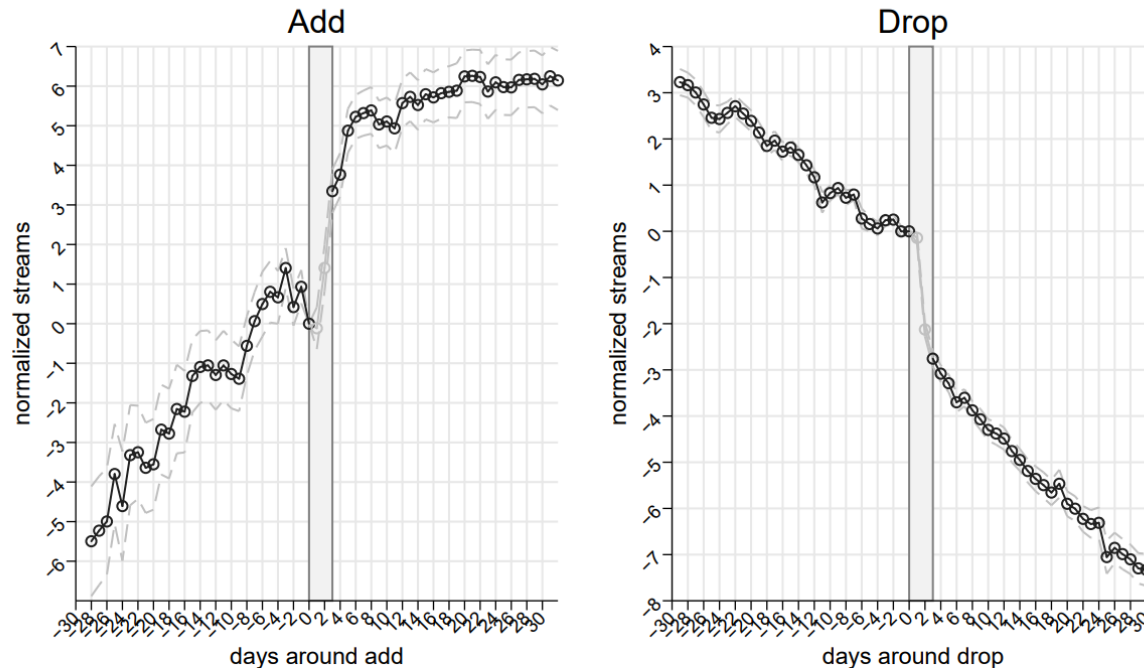
Nostalgia

2018-10-29

3:48

The effect of inclusion in big playlists

Today's Top Hits Events



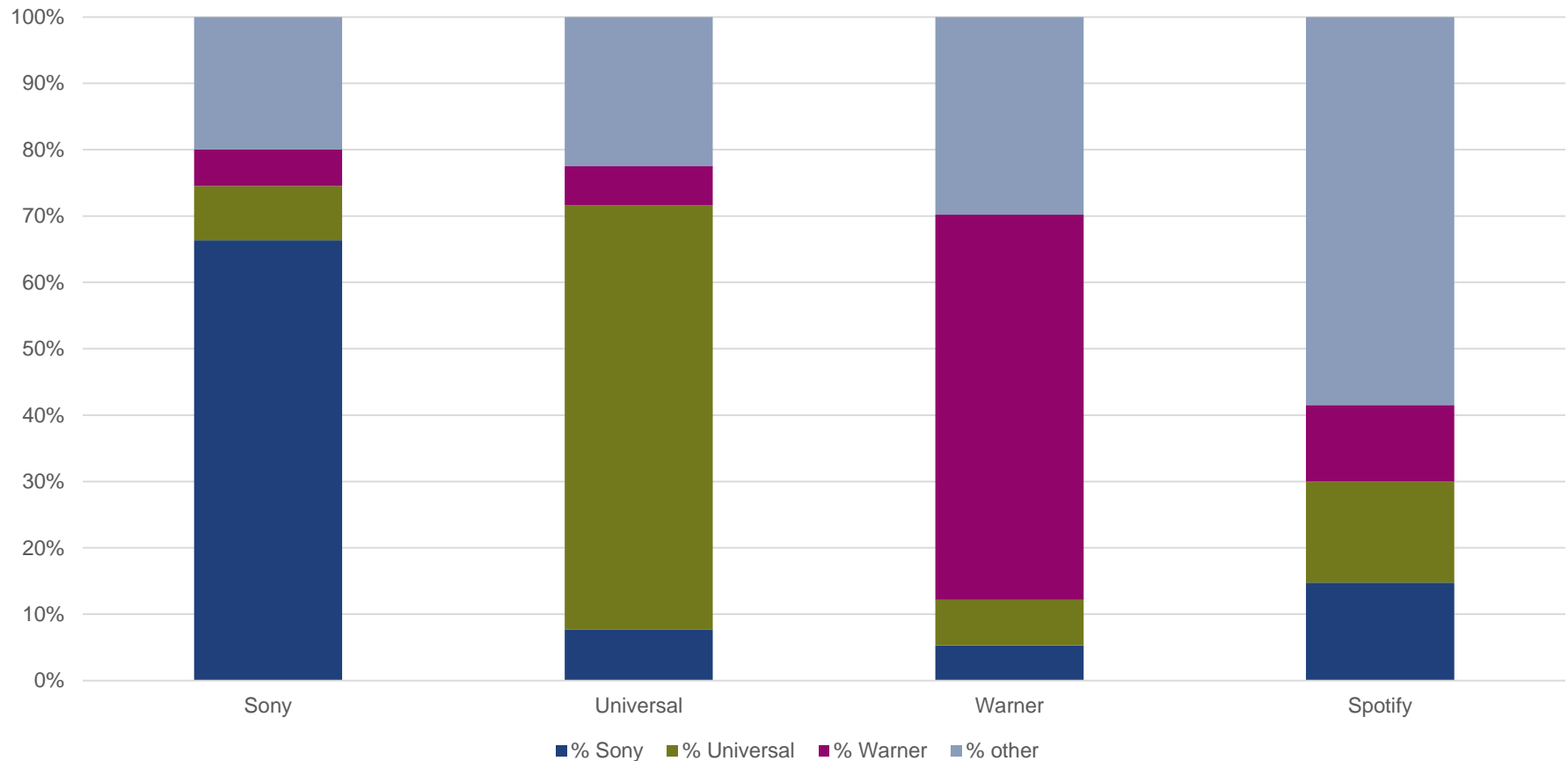
Note: 0 days around the event date corresponds to the last fully untreated day. 3 days after the event date corresponds to the first fully treated day. Observations within the gray bands therefore correspond to partially treated days.

Aguiar & Waldfogel, 2018

Playlists

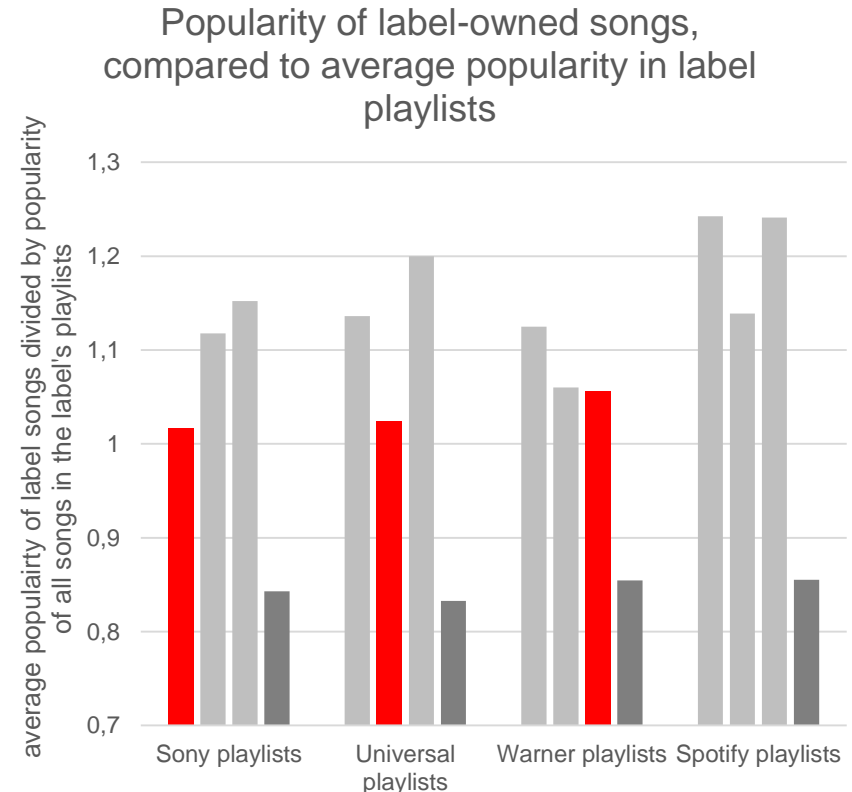
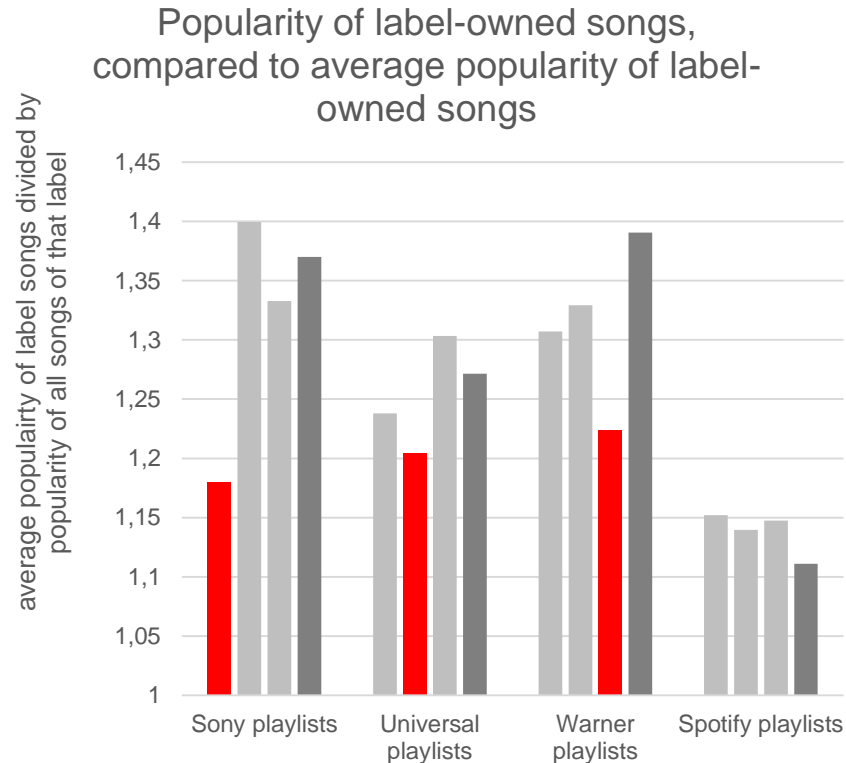
More exposure, more money, right?

Copyrights of playlist songs, by playlist owner



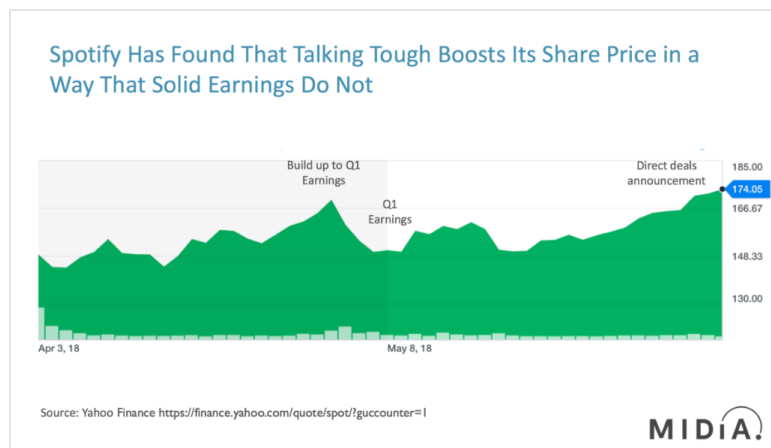
Playlists

... but the story might be more complicated than that



Spotify's (potential) long-term plans for the music industry

1. A new distribution channel along established rules
 - Partly owned by Majors
 - Market share of Majors high enough to veto any decision
 - Spotify losing money as a result of its deal with record labels
2. Changing the game from within
 - Direct uploads from artists: Finally making record labels obsolete?
 - Spotify's curation algorithms can protect against missing music



Recap part 3: a closer look at Spotify as a platform

- The importance of playlists as complementors
 - Spotify created the complementor function to make the platform more valuable
 - Playlists shape interaction between user and platform, so they shape how revenues are distributed
- Playlists give other ecosystem actors a way to take back control over the music industry
 - Labels making ‘playlist power move’, to compete in a new way
 - Playlists give labels (and other companies) a way to benefit from their own and others’ songs
- Firms like Spotify need an ecosystem strategy to change an existing industry
 - First collaborating, later competing
 - This is a difficult balancing act, especially if the firm needs to stay profitable

Are artists finally better off now?

Part 4: The future of the music industry:

YouTube, social media and even Bitcoin are allowing musicians to reject major labels and go it alone - but the industry is fighting back. Can artists use technology to stay truly independent?

by Eamonn Forde

The Guardian, 22-11-2017

Will Tech Startups Finally Make Record Labels Obsolete? Not So Fast

11/21/2017 by [Robert Levine](#)



(Billboard)

You in the shoes of investors:

Resonate describes itself as a blockchain-based streaming music company owned by artists, fans, labels, managers, agents, and anyone else... all as equals. Under the heading #stream2own, it has developed a new pricing model for music streams. Streaming a song for the first time is virtually free, then the cost doubles per play until the ninth stream, after which users own the track. On top of this, there is an annual membership fee of the platform of \$5, allowing users to vote on key issues with the platform, and share in the profits.

Update: as of November 2019, a few labels have signed up: Freedom To Spend, Paradoxe Club and Halcyon Veil

Maple Media is trying to revolutionise ticket sales with the blockchain. It is launching a platform for DJs to broadcast live streams from anywhere, building a community with their fans. They are hoping to monetize an untapped market, namely potential listeners all over the world interested in livestreams. Blockchain technology helps in coordinating supply and demand.

Update: no more coverage; website is down

Audius is building a “Soundcloud on the blockchain”. Users can earn tokens either by paying directly or earn them by listening to ads. These tokens are used for streaming, where artists receive money per stream (85% goes to artists, 15% to compensate hosts of the music and developers of the software). It was founded by DJs and initially focused on signing up independent electronic musicians.

Update: struggling with copyright problems, made bigger by blockchain’s decentralized structure

Fanbase is a blockchain-powered music fan-rewards platform. It targets artists, who can mint their own tokens, letting their fans access exclusive content, VIP tickets and merchandise. It is positioning itself as an alternative social media marketing tool, because music campaigns on traditional social media such as Twitter, Facebook and Instagram don't work well. The more users engage with or help promote artists, the more tokens they earn, rewarding fans for their involvement.

Update: no more coverage

eMusic started out as a subscription-based music downloads service, focusing initially on independent labels before adding the majors. Now that streaming has displaced music downloads, it plans to launch a new distribution and royalty-management system based on blockchain technology. Offering its eMusic Utility tokens is a way for eMusic to raise money, and start a system that lets artists be paid directly and transparently based on their royalty rights, and even trade shares of these royalties. According to the founder, “it is disruptive for the music industry because it is decentralized, so no one controls it”. eMusic’s distribution service is designed to link artists to all streaming platforms willing to get on board, and can be matched to other distribution services. Most importantly, the blockchain platform allows eMusic to introduce newer models.

Update: still in its roadmap, no more coverage

Blockchain-ticketing startup **Upgraded**, recently acquired by Ticketmaster, uses blockchain to convert concert tickets into secure interactive digital assets. Its solution provides event creators with more control and visibility over ticket distribution and protects fans against fraudulent tickets. For Ticketmaster, Upgraded will be part of its suite of tools for ticket security and verification.

Soundpruf is not building its own streaming platform, but aggregates every user's music listening portfolio and pays both artists and listeners in cryptocurrency for every streaming session (e.g. on Spotify). The idea is that users have the app installed on their phone or computer, as a new layer. Users can also get a direct stake in artist growth, generating rewards for streaming emerging music. Their slogan is "The music you listen to matters. Now you can prove it".

Update: launched for Spotify

The impact of technology

- Freedom for artists at last?
- Or from the frying pan into the fire?

Record labels are obsolete. They haven't kept up as music evolved from selling CDs to streaming songs to promoting concert tickets and merchandise. Labels were meant to help artists generate albums, fame, and money. But now anyone can record themselves and no one "buys" music. **So today that requires being a technology company, combining analytics with hyper-targeted advertising.** And the old labels don't have the engineering talent for it.

(describing UnitedMasters, Techcrunch 15-11-2017)

Does a better technology mean more efficient exploitation of artists?

Recap part 4: The future of the music industry

- New technologies often lead to many ideas, but most will not have an impact
 - We are in the phase of variation and experimentation with blockchain
- New technologies can either reinforce or change industry rules
 - Some tech startups want to compete with labels
 - Others want to build a new layer, from which everyone benefits

Recap: Music Industry case

1. Ecosystem (rules) in the music industry

What has changed, and why?

The development of platforms as a way to turn digitalization into a sustainable model for the music industry

How do ecosystem actors use their leverage?

Platforms have become more important because they concentrate access to users: they can make direct connections between artists and users

2. Competing platforms in the music industry

How are different platforms set up, and why?

Variety in models (multisided market, matchmaking platform), features (social or not), purpose (standalone or part of larger business model)

Can different models work?

Dependence on culture, dependence on factors beyond the platform (access to other platforms, larger company)

3. A closer look at Spotify as a platform

Do the rules of the game change if the ecosystem changes?

Record labels have a new way to reach users, and a new way to use their own (and competitors'!) property

Who benefits, and who loses?

So far, record labels have used Spotify's functionality for their own purpose, but that might be changing

4. The future of the music industry

What can technological change do, and what are the limits?

New technology either reinforces or changes industries, but most attempts will fail due to a mismatch with the existing ecosystem

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Next time:

Summary & Mock exam