The Role of Major Labels in the Building of a New Business Model in the Music Industry

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02-03-2009
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2 Levels of Analysis...
but 2 sides of the same coin

- The way the firm operates to create value & revenues
- Activity system

“"A business model depicts the content, structure and governance of transactions designed so as to create value through the exploitation of business opportunities” (Amit & Zott, 2001)

Value network
Traditional Distribution BM of the Major Labels before 1998

**R&C**
- Music Catalog
- Market Artistic Creation

**Activity**
- Intermediate position
- Production
- Promotion
- Distribution

**Offer**
- Music packaged on a physical support distributed through "brick & mortar" retailers

**CONSUMERS**
Traditionnal BM  
(Casadesus-Masanell & Ricart, 2007)
Technological disruptions in the late 90’s

New Consumption Patterns
New Distribution Networks
New entrants
Traditionnal BM
(Casadesus-Masanell & Ricart, 2007)
Impact of change on the traditionnal BM
(Casadesus-Masanell & Ricart, 2007)
New Entrants Introduce New Key Resources

CONSUMERS

Music Catalog
Market Artistic Creation

Hardware
Consumers (social network)
Network (Telecommunication)
Universal reacts by adjusting its external activities

Core Resources & Competences

Offer

Change its external activities

130-million £ pre-tax profit in the last trimester
Yahoo’s virtuous loop
Interdependences between Yahoo’s & the majors’ BMs
New Key Resources Modify the Offer

Hardware
- Bundle
- Pay-per-track

Consumers
- Ad-supported offers
- DRM-free tracks

Network
- Music included in Internet or Mobile services
- Unlimited Access
EMI Music transform its Resources & Competences

Acquisition of New Resources & Competences

88-million £ pre-tax profit revenues in the last semester (61% increase in revenue)
Results & Contribution

Industry level

→ Introduction of new resources radically impacts BM (dynamic effects within BM key elements)

→ Interaction between firms leads to new opportunity to create value → new BM

Firm level

→ Facing technological disruptions and new entrants from adjacent industries, firms that changed their BM have better financial performance than firms that didn’t...

→ Different leverage to adjust BMs in evolving industries:
  • Focus on core R & C/Diversification of external activities with partners that own new complementary R&C
  • Focus on new valuable R & C/Redefinition of the activity/Externalization of core R&C
...Thank you for your attention

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