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What Has Been Learned from Emergent Music Business Models?

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ABSTRACT

The article investigates lessons learned from the emergence of new music industry business models and assesses how these might inform the rapidly developing online video and television marketplace. It describes the background and traditionally prevailing business models for both content processes, providing a context against which technologically mediated changes can be understood. The practical effects of technological changes are illustrated through a series of case studies, subsequent to which alternative frameworks for music and video content online are proposed. The initial results of these changes are thus demonstrated, and the article identifies requirements for further research in this rapidly changing and increasingly turbulent field of research.

Keywords: *digital media; emerging ebusiness models; e-value frameworks; online music industry; online video industry*

INTRODUCTION

Recent technological advances in video and television broadcasting over the Internet have signalled a period of radical transformations for the market, resulting in innovative services like YouTube and new applications like Television over the Internet Protocol (IPTV). The initial evidence of coupling audiovisual broadcasting with the Internet is already prompting a re-evaluation of frameworks and perceptions within the context of the network economy. In particular, changes in viewing preferences and habits have had a significant impact on what is broadcast and how this is done, effectively redefining what television is all about.

This article will focus on the value creation mechanisms and how new business models could underpin this ongoing transformation. Our discussion will be complemented by short case studies that will be compared with similar cases from the music industry. This will allow us to use the experience gained since new business models were introduced in the music industry and discuss the similarities and differences when compared to the emerging models for video broadcasting.

The article starts by outlining a few influential definitions of e-business models before putting the online music, video, and television markets in context. While doing so, we ask what "television" is and look at how video broadcasting has been affected by technology and more specifically by the Internet. Answers to these questions are presented by adopting a four

level discussion framework. For each level we present cases from both the video broadcasting market and the music industry. We then move on to discuss their similarities and differences, before concluding with opportunities for future research.

E-BUSINESS MODELS

In 1985 Porter and Millar highlighted the strategic significance of information technologies, which were:

Transforming the nature of products, processes, companies, industries, and even competition itself. Until recently, most managers treated information technology as a support service and delegated it to EDP departments. Now, however, every company must understand the broad effects and implications of the new technology and how it can create substantial and sustainable competitive advantages.

Importantly, Porter and Millar (1985) identified three ways in which technology directly affected competitive advantage: by altering industry structures, supporting cost and differentiation strategies, and creating entirely new businesses. The concept of the business model is of particular importance in this regard and many definitions have been proposed. To start with, Timmers (1998) suggested that a business model is "an architecture for the product, service and information flows, including a description of the various business actors and their roles; a description of the potential benefits for the various business actors; and descriptions of sources of revenues," while Applegate (2001) proposed that a business model is "a description of a complex business that enables study of its structure, the relationships among structural elements, and how it will respond to the real world". Osterwalder and Pigneur (2002) defined a business model as:

a description of the value a company offers to one or several segments of customers and the architecture of the firm and its network of partners for creating, marketing and delivering this value and relationship capital, in order to generate profitable and sustainable revenues streams.

Yip (2004) suggested that "a business model embraces the target customer, the nature of the business and how revenues (and hopefully profits) are generated". Rappa (2004) stated:

a business model is the method of doing business by which a company can sustain itself – that is, generate revenue; the business model spells-out how a company makes money by specifying where it is positioned in the value chain.

Finally, Mansfield and Fourie (2004) proposed that "a business model most commonly describes the linkage between a firm's resources and functions and its environment; it is a contingency model that finds an optimal mode of operation for a specific situation in a specific market".

In the context of this article we will adopt the definition by Afuah and Tucci (2003), who suggested that a business model is "the method by which a firm builds and uses its resources to offer its customers better value than its competitors and to make money doing so". This definition encompasses two fundamental elements on which most of the aforementioned definitions agree, that is, the transformation of resources into value and the extraction of profit from it. Following the dot com bubble, the element of profit extraction became more central for e-businesses, as a result of rationalizing the selection of business models adopted for Internet-related ventures. What is often thought difficult is how to identify where exactly the value is for the stakeholders, especially in complex markets, like the markets we will be considering in this article. When it comes to presenting the case studies, we will also adopt their proposed taxonomy, which results in seven major business models, each having a number of variants: commission, advertising, mark-up, production, referral, subscription, and fee-for-service.

If bandwidth is considered as a core element of the value generated by e-business models,

one could argue that the video broadcasting business models and subsequently television business models could be seen as evolutionary models spawned from the music industry. If that was the case, though, then why have video broadcasting services like YouTube only recently become popular, when the vast majority of their content is comparable in size to MP3 files that have been around for many years? Before attempting to answer this question, it is worth putting the music and video markets in context, and following the directions set by the definition proposed by Afuah and Tucci (2003), by discussing in more detail how resources are transformed into value and how this is extracted in order to benefit the stakeholders.

INTERNET AND ITS IMPACT ON THE MUSIC INDUSTRY

The structure of the music industry at the end of the 20th century was totally dependent upon there being a strong copyright framework. The music industry was oligopolistic, with over 75% of market share owned by only four major labels. There were a handful of large independent labels and thousands of smaller independent labels. Copyright was crucial to all of them. It enabled them to recover the investment they made in songwriters and composers. Without copyright there would be no financial incentive for music publishers to invest in composers and musical works, and this could be to the detriment of artists, who depended upon publishers to manage the business of exploiting musical works and administering their royalty payments.

Copyright was increasingly seen as a "pop commodity" (Frith, 1988), almost entirely defined in economic terms, a way of ensuring that revenue was derived from usage of a work and a means of establishing and enforcing legal ownership of a work. The privilege which came with this ownership was the exclusive right to make copies of the work, disseminate it, alter or adapt it. Copyright ensured that a flow of revenue was generated which went back to the rights holder. For the major record labels, with 100% ownership of the rights in a sound recording, and 50% ownership of rights in the composition (through their wholly owned subsidiaries the publishing houses) copyright generally established them, and not the author, as legal rights holders of a work.

This was challenged by peer to peer file sharing technologies, which enabled the free sharing and exchange of music files between anyone, anywhere, who downloaded an easy to use free program onto their computer. This coincided with rapid increases in storage capacities, equally rapid increases in broadband availability and connectivity, and the development of compression technologies that enabled high quality music to be distributed over the Internet. This assemblage of technologies created a far more open marketplace in which copyright was almost impossible to impose. More importantly, from a small number of large, globally integrated companies producing the vast majority of available content the music industry suddenly opened up, creating new value-creating opportunities.

Suddenly, consumers could get the music that they wanted freely, quickly, and in a format that enabled them to copy each track over and over again. The artist and the consumer could create their own communications environments, through Web sites, blogs, social networking Web sites, instant messaging, wikis, and e-mail, in which they could contact each other directly. Artists were empowered not only to make, but also to reproduce, distribute, promote, and sell their own music (in the process retaining far more of the profits than would be the case if they were signed to a record label) directly to the end user. Established artists such as Prince, David Bowie, and Marillion walked away from record label contracts and established their own Web presence, creating a direct contact with their fans. Some new and unsigned artists shot to fame through exposure on their own and others' Web sites and the sheer volume of word of mouth (increasingly rephrased as "word of mouse" to imply a conversation which occurs online and therefore at greater speed, and with far wider reach, than traditional face to conversations).

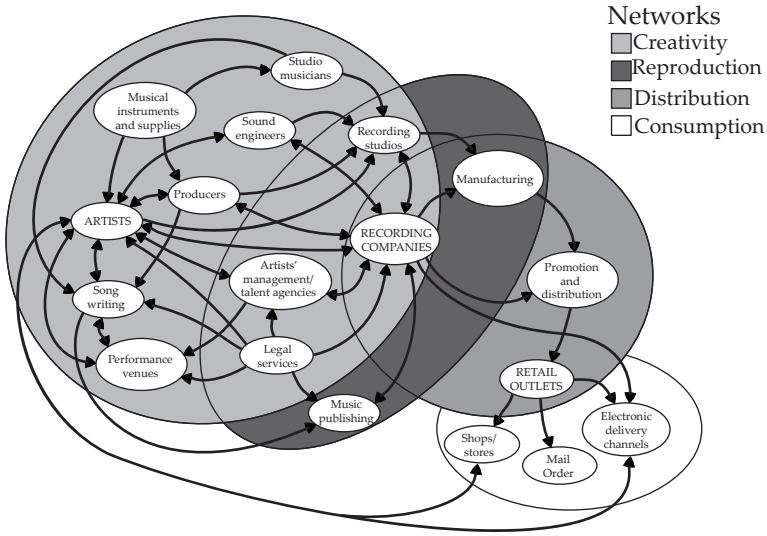
The consumer, while also being able to reproduce, distribute, and promote their own favorite music, could contribute to the act of creation as well. Traditional music industry business models were based on a network of value-creating activities; the artist created music, then traded their copyright to the record company in return for a cash advance. In return for this, the record company then owned (and therefore profited from) all uses of that music, and was expected to provide production support, manufacturing, reproduction marketing, and promotion of the artists work, to a greater or lesser degree dependent upon the nature of the individual contract. This was a complex operation involving many different interested parties, as illustrated by Leyshon (2001) in Figure 1.

Artists created work as singers or songwriters, and, increasingly frequently, as both, and then signed over the copyright in this work in perpetuity to the record label, which in return paid an advance to the artist and supported them through the expensive process of recording, manufacturing, promoting, and distributing their work to consumers. As the Internet reduced the cost of every element of this process, except for the initial creative aspect, it became possible for the artists to reach out directly to their audience, and for the audience to contact their favorite artists directly. This changed the nature of the traditionally linear and restrictive value chain, which had run from creation, manufacture, reproduction, distribution, and finally to consumption. Although this linear value chain was still a necessary part of the creative process for some artists, and it provided a source of valuable content to a large proportion of music consumers, alternative processes of value creation were possible, which broadened the musical landscape in ways that could not have been foretold, and which could not be controlled.

WHAT IS TELEVISION?

Television is the transmission of pictures and sounds via electric or electromagnetic signals and traditionally the word has been associated with the electrical appliance that can be found in most households these days. With the introduction of the Internet, many existing broadcasters found a means to reach audiences

Figure 1. Traditional music industry business models were based on a network of value-creating activities (Adopted from Leyshon, 2001)



outside the physical borders imposed on them by their infrastructure. Many new channels also appeared which broadcast solely over the Internet. Their appearance prompted us to define Internet-only TV channels as channels that broadcast continuous streams only over the Internet (Papagiannidis, Berry & Li, 2006). The time element was added in order to distinguish them from video-on-demand approaches that bundled clips together, effectively creating a "channel.". Since then, interactive television services that offer video-on-demand features have appeared, blurring the boundaries between new and traditional definitions of television even further.

An answer to the question "What is television?" may simply be that the question actually does not matter any more. Consumers have been increasingly looking for short-span entertainment (Skrebowski, 2004)—not just what they want, but when they want it and how—and "traditional" television broadcasting may not be as appealing as it used to be. If this is the case, and the value creation opportunities that television used to offer are not as effective as they used to be then broadcasters and content producers would need to re-evaluate their strategies and shift their focus accordingly. Such a shift would probably need to be underpinned by enhanced customer and community interactions which could provide not only ample direct feedback, but also an opportunity for the viewers to participate actively in the creative process.

Early signs are already visible. For example, there is increasing demand for broadcasts over mobile devices, like mobile phones, PDAs or personal entertainment units such as iPods that can be accessible on demand from any place at any time. Timeshifting and placeshifting technologies are now widely and increasingly available and one would expect that in the future such technologies would be the norm and not the exception. These changes are effectively preparing the ground for next generation television services, like IPTV, which is discussed in the next section.

TRADITIONAL TELEVISION BROADCASTING VS. INTERNET PROTOCOL BASED BROADCASTING

Against recent technological developments, the traditional television business model appears very static: captive audiences watched a relatively small selection of content and had little choice or flexibility in what they watched or when. Most television was advertising or subscription funded, with later models incorporating pay-per-view alternatives. Advertisers could predict with great accuracy how many people would be watching their advertising, and program makers could create many variations on hit programs to ensure that the advertisers who funded them captured the audiences that they were targeting. This also applied to subscription-based channels that could estimate with great accuracy the number of people who would pay to watch live events, hit movies, and key television shows. Technological developments such as the introduction of cable television and the ongoing reduction in production and distribution costs produced an explosion in the number of television channels and a consequent increase in content—of variable quality and consistency—which often fragmented audiences' attention. However, hit programs and live events were still important to the television networks, as they drew large audiences, which in turn attracted advertisers.

The emergence of the Internet protocol (IP) as a universal protocol for transmission of information and the success of the Internet created an environment in which it was possible to distribute and promote a program at minimal cost one-to-one, rather than the one-to-many distribution model of traditional television (Papagiannidis et al., 2006). With television over the Internet Protocol (IPTV) available either via the public Internet or over private networks, viewers can potentially select from thousands of sources of televisual information and entertainment from around the world, even though various restrictions still apply. For example, Akimbo Channels (www.

akimbo.com), which consists of collections of programs from Akimbo's partners, are currently only available in the United States and Canada. Still, the diverse set of shows available, which range from Discovery Channel documentaries to video blogs and sport events, provide a taste of what the future holds.

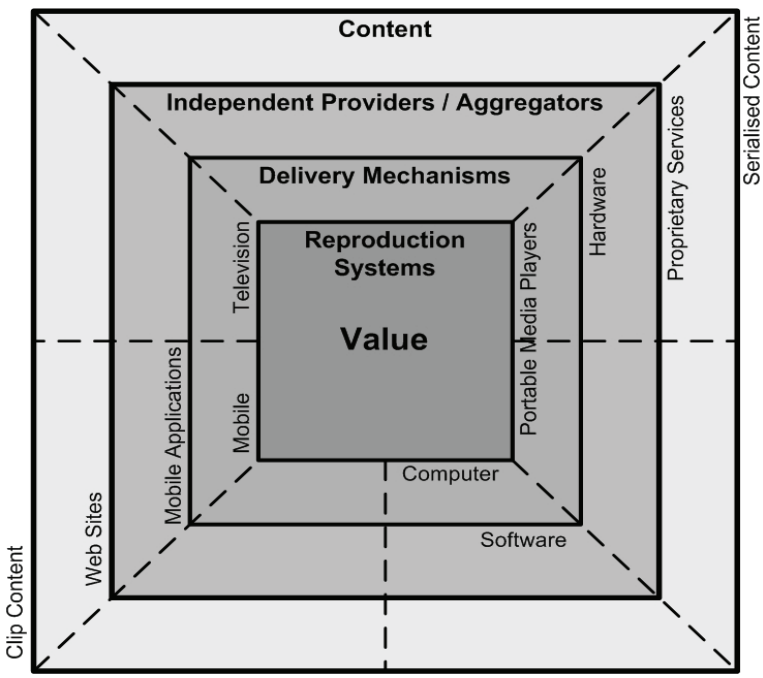
In the following section we will present a number of other cases from the music, video, and television markets, focusing on the value creation mechanisms and the business models that these facilitate.

THE VALUE CREATION CHAIN OF VIDEO BROADCASTING

Until recently video and television broadcasting was the playground of a few companies that had the necessary infrastructure to deliver audiovisual content, either via a "live" mechanism or by distributing it on various formats, such as VHS and DVDs. The Internet was destined to challenge this, especially as bandwidth cost became increasingly cheaper. The transformation of the music industry in this respect could be seen as an evolutionary step in the move toward a fully Internet-based distribution of audiovisual content. Equally importantly, the Internet allowed smaller companies, which had the means to create content but lacked the distribution channel, to reach a global market. It also encouraged amateurs to create content of their own and distribute it via the emerging channels.

In this section we will use the framework illustrated in Figure 2 to present case studies on the value creation chain of video broadcasting over the Internet market. As illustrated Figure 2, there are four levels: the content creation stage, the independent or aggregated distribution mechanism, the hardware or software delivery mechanism, and finally the reproduction system itself. An offering has to go through these stages in order to reach the audience and create value.

Figure 2. The web of relationships in video broadcasting over the Internet (Adopted from The big picture, 2006) with modifications



Each stage offers a number of options and each combination of options among these four levels could provide a different type of offering. For example, serialized content could be available over a Web site, downloaded by the user, and then reproduced on a portable media player. For each one of the levels we will also present a case from the music industry, demonstrating the similarities and differences.

Content

Video content can either be one-off clips, as in the humorous and viral video clips seen on YouTube, or part of a series of clips (for example, episodic content which relies on knowledge of the preceding clip to explain events as they unfold in the current clip). This serial approach to video content could allow distributors who have a direct relationship with the audience to adopt subscription-based models revolving around a specific creator or creation. Audio content like podcasts are ideal for subscription models and many are supported by advertising or sponsorships.

However, episodic content is not typical of the music industry, and subscription models in the music industry were a relatively new phenomenon (Pogue, 2005). Where serialized video content may come from commercial producers who would upload either old content or even brand new episodes, the serial nature of subscription music is very different. In the context of music, the subscription simply provides a choice of what to listen to next, as opposed to facilitating viewing of the next instalment in a piece of episodic content. Consumers were able to "rent" unlimited music from the provider of their choice, but this meant that if they stopped paying their subscription, they would lose access to everything they had previously enjoyed, not something that everybody desired (Garfinkel, 2002).

These models were mere reflections of existing thinking onto a new medium. Soon, the Internet's potential to completely transform traditional, linear, and static industry models emerged, putting forward a new, more flexible value framework which blurred not only the stages of the value chain, but also the roles of the actors. The consumers were able to participate, becoming involved in activities traditionally in the domain of the industry, creating, distributing, and promoting their own content that caters for a wide variety of tastes and interests. This had significant implications for the notion of value in the market, as value was now not necessarily associated with financial profit, but with intangible benefits such an increase in self-esteem, kudos and peer recognition. This "co-creation of consumer experience" (Li, 2006) is reflected both in the music and the television industry. Star Trek New Voyages (www.newvoyages.com) is a good example of this, while the plethora of video blogs stands testimony to the spread of the phenomenon, as far video broadcasting is concerned. These are often significantly more complicated to produce than audio clips and may require substantially more resources. Content created by the "audience" is usually distributed for free and in cases where revenues are generated this is usually through advertising or sponsoring.

Traditional broadcasters have also embraced the new broadcasting platforms to varying degrees. For example, in June 2006, the BBC broadcast the World Cup games live to U.K. Internet users for free (BBC, 2006a). Other broadcasters provide their entire program online, albeit in low resolution due to bandwidth restrictions. More importantly, such television broadcasts may be limited, usually due to content licensing, within certain geographical boundaries, which forbids broadcasting them worldwide through the Internet.

Perhaps among those involved in content creation the independent producers and those catering for niche markets would benefit the most. Using the Internet they can distribute their creations for a fraction of the cost that a traditional supply chain would have demanded and at the same time reach a much bigger audience that could be big enough to render their efforts worthwhile (Berry & Papagiannidis, 2006). Many examples of independent artists reaching out directly to their consumers exist in the music industry. A good example is that of

David Bowie and others, who monetized their future success by releasing financial instruments known as bonds (in David Bowie's case these inevitably became known as "Bowie Bonds") in which their fans could invest. The value of these bonds was predicated on the past success of their music, and consumers' investment in them provided sufficient income to ensure the artists' continued independence and future music output (AcidPlanet, 2004; Holland, 2006), The American band Clap Your Hands Say Yeah provide another example (Anonymous, 2006; Hasty, 2006; Leeds, 2005); their songwriter, Alec Ounsworth, said:

I asked record labels, what exactly can you do for us that we're not doing for ourselves? And nobody had a reasonable answer. So it seemed to me if we could handle it, we could handle it.

Whether their example is followed by Hollywood producers is probably questionable, as the risks inherent in multimillion dollar productions do not allow deviation from best practices easily. Still, there will be cases where smaller producers consider alternative distribution methods like the YouTube Director service that we present in the next section.

Independent Providers and Aggregators

Content creators are now able to sell directly through their Web sites or via aggregators. Aggregators are services that gather information about content in one place, effectively creating a marketplace for digital content, which makes searching and subscribing easier. Aggregators benefit from the economies of scale, overcoming the barriers of setting up and maintaining separate points of sale for each creator, even if these barriers are much lower than traditional distribution barriers.

Legal Music aggregating services, introduced mainly as a response to illegal peer to peer downloading, managed eventually to gain momentum and many of them, such as iTunes, have become very popular. This was reflected by the introduction of download charts in September 2004, and their continued successful development since then, as over a million tracks were downloaded every week by mid 2006 (CMUnlimited, 2006).

When it comes to video over the Internet, one of the most popular aggregators is YouTube (www.youtube.com), which in autumn 2006 was bought out by Google – its popularity perhaps underlined by the $1.6 billion price tag. YouTube originally started as a personal video sharing service and has since then grown into a service that allows users to watch daily more than 70 million videos. According to Alexa's Traffic Rankings (www.alexa.com) YouTube is in a great position to capitalize on its popularity and server advertising as it is the 17th most popular site on the Internet. This kind of success would not have been possible if YouTube had not empowered users to set up and build communities around their content. The service allows users to upload, tag, and share videos worldwide with family, friends, or the public. It also allows them to browse millions of original videos uploaded by other members and submit their comments on each clip they watch. Users can subscribe to channels that group together clips either by the same user or are thematically related. They can also join a group that has a specific interest, for example, comedy.

A natural evolution of creating communities with an interest in distributing and sharing digital content would have been to allow users to gain financially from their creations and YouTube has already moved in this direction. YouTube Director is a free service which allows musicians, amateur filmmakers, video-bloggers, and professional content producers to distribute content that lasts over 10 minutes. Google Video already offers such a service, albeit only in the United States. Similar music services have been around for some time. A good example is Garageband (www.garageband.com), a music label that facilitates the distribution of music for independent artists. Garageband was founded in 1999 and initially operated as a record label. Suffering the fate of many companies at the time of the dot-com boom/bust, it shut down in February 2002, relaunching the following month.

The new version of Garageband purported to base all of its offerings on an innovative review process with thousands of listeners testing and rating new songs to a degree impossible before the advent of technologies which supported the development of online communities. This lead to a natural process of selection performed directly by the listeners and as such it could be argued that it is more real and reliable. Nobody was able to upload a track of their own until they had rated and reviewed 30 other tracks in an anonymous process. Those acts which were most highly rated were made highly visible and were therefore more likely to be offered recording, publishing or licensing deals. However, Garageband did not operate as a label itself, but as a promotional vehicle for the independent musicians who used the Web site. Its revenue model was supported through artists' payments for placing their music within the voting engine, at different costs for each level of activity supporting the artist (bronze, silver, and gold). Advertising and paid downloads also supported the site's revenue model.

Delivery Mechanisms

Delivery mechanisms fall into three categories: mobile, software, and hardware, although it is often difficult to say in which category a mechanism actually falls. A good example is the Slingbox (www.slingmedia.com), which allows place shifting of a video signal that may come from any source. The signal is then transmitted over the Internet and the user can view it using a personal computer, a PDA or a Smartphone. As Slingbox provides mobility using a combination of software and hardware, it actually fits in all three mechanisms. The user only has to pay for the equipment in order to watch all the channels that one usually has access to at home anywhere that an Internet connection is available.

When it comes to time shifting TiVo (www.tivo.com) can take care of recording programmes. Users set up rules, for example, by specifying their favorite series or keywords and then based on them TiVo records any relevant broadcasts. TiVo knows the TV schedule by automatically connecting to the TiVo service, which is subscription-based, to download the information it needs. Users can then watch the recorded programs on the television or transfer them to their PC or mobile devices, or even burn them on DVDs.

An example of a software delivery mechanism is that of Apples iTunes (www.itunes.com) store. In addition to music videos, the iTunes Music Store in the United States features television shows from many of the biggest and most popular networks. These are available one day after they are broadcast on television for a small fee. Users can watch them on their computer or transfer them to their iPods to watch them on the go. Other aggregators do not use their own software to deliver the music files, but rely on third-party software in order to do so.

Finally, when it comes to mobile delivery mechanisms, mobile phones are the first candidates to host video broadcasting. In fact, mobile phone users in Japan can watch digital TV on compatible mobile phones, through a service which may not the world's first, but it has the potential to be the biggest by reaching more subscribers than in any other country (BBC, 2006b). Mobile phones have supported audio playback for some time and a number of them also support video playback. Not many, though, were destined to replace MP3-like players, mainly due to the limited storage space.

Reproduction Systems: The Screens

As the name suggests, reproduction systems include devices that can display the content. These include television or computer screens, portable media players like iPods, mobile phones, and others. In most cases these screens are part of the delivery mechanisms, but in the future one could envisage a scenario in which "screens" stream content wirelessly from a pool of sources and simply act as terminals. Perhaps the most interesting attribute of a reproduction system is its mobility, which is related to its physical size, as it often determines what, when, and how the viewers watch a programme. For example, a PDA screen may not provide the thrill

and excitement of a full size television when watching a movie, but it can allow the viewer to carry it easily and watch the movie on the go. Perhaps a compromise could be achieved by using wearable display systems that would provide the benefits of large scale displays without limiting the user's mobility.

This is not an issue with music reproduction systems. A portable MP3 player can store thousands of tracks and reproduce them as a full-size HiFi system would have done only limited by the quality of the speakers. As earpieces can usually provide a good enough experience for users on the move, reproducing music is intrinsically much easier.

COMPARISON OF MUSIC MODELS VS. VIDEO AND TV MODELS

Although it can therefore be seen that video and music can, in general terms, map onto each other in the way that they are created, distributed reproduced and delivered, the preceding sections illustrate fundamental differences in the detail which militate against a closer comparison of the two industries within this framework.

If one looks at the audio and video industries as one industry, that of digital media, a possible explanation can be found as to why the audio one developed first, when the majority of available video clips are of comparable size. This may be due to the following reasons:

1. Consumers can relate to and easily appreciate the value of a stand-alone music track.
2. Consumers are more used to swapping music than video content.
3. The equipment required to swap music has historically been more readily available, portable and accessible.
4. P2P file sharing technologies were predated by consumers ripping their CDs to their computer to facilitate burning and sharing music in a more localized context. Because of this, they already had digital music libraries; so it was easier to put them online.
5. It also made sense for consumers to continue to grow their existing digital libraries as an alternative storage approach.
6. Consumers were more used to paying for video and getting their music for free.
7. Videos require that the user both listen and watch—music tracks could be listened to while the user was performing any number of other tasks. This may explain why viewers shifted their preference towards short duration content, that is often watched in order to 'fill' the gaps between two tasks, for example, while waiting for the bus or during lunchtime.

The fifth point may also give an explanation for the rapid growth in user-contributed videos online which still drive the growth of the market. In order for services like YouTube to become successful a critical mass had to be reached, which meant time had to pass building up video libraries that attracted more users. The more users joined, the more attractive it became to publish content, creating a virtuous cycle.

However, there are more similarities than differences between the traditional music and television industries. To start with, both industries had business models based upon control and mass distribution of easily-digitized information. Control was retained by the major broadcasters or labels respectively through ownership of capital intensive industrial processes, and the doctrine of copyright; distribution was only hindered due to bandwidth limitations. Although distribution will be less of problem as faster connections become available and less capital is required for digitally-mediated manufacturing and reproduction in particular, the issue of control becomes paramount, as consumers become more integrally involved in the creative processes of both music and video, and often both.

Historically both industries have been controlled by a small number of large, vertically integrated companies. In all cases, the major record labels were subdivisions of large entertainment corporations which also had television interests. Both smaller television

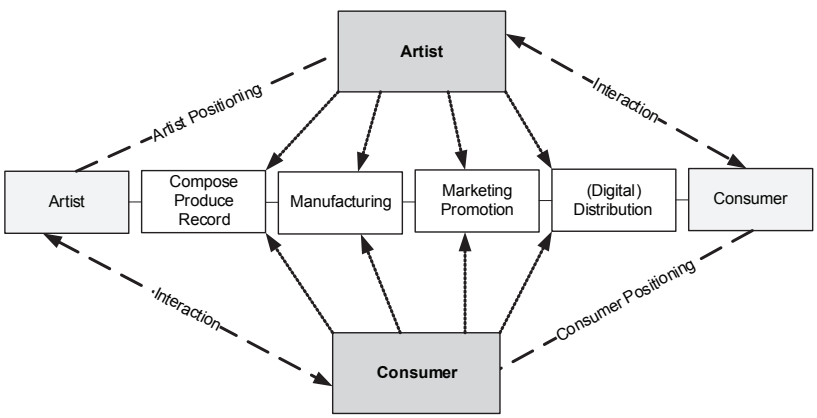
companies and independent record labels tended to produce niche, specialist content, and were frequently owned in part or full by one of the larger companies in their industry. And the process of creating content and distributing it to the consumer was strictly controlled and frequently prohibitively expensive for an individual to undertake. Talent was contracted to each type of company with restrictive contracts, and ownership of the content produced; while contracts were in force they remained, in general, with the company.

The Internet challenged this. Distribution methods became more effective and efficient, entry barriers were lowered, and artists and content creators were able to reach the audiences directly. The new business models advocate open platforms that are primarily based on sharing content in order to capitalize on their popularity indirectly, usually through advertising and occasionally subscription fees. These models had a fundamental difference from the traditional ones: they were built around a community instead of the content. This holds true more for video than music as the community effectively decides what is relevant to them and filters everything else. This is highlighted by Jarvis (2006) while discussing the strategies of broadcast networks:

Broadcast networks thought their value was in controlling precious distribution and content. But in this post-scarcity media economy, the real job of a network is to find us the good stuff. Doing that no longer requires owning studios or transmitter towers. Today, a network is born with every link. When you recommend shows to friends, you're a channel.

In fact, many of the successful services rely heavily on the community to rate and return feedback not only during the post-creation stage while searching for content, but increasingly during the creation stage too. As far as the music industry is concerned, this is a perfect example of the increasing interaction between the artists and the community of consumers. The traditional record label value chain continues to exist and underpins developing relationships: artists can still sign to a record label and in return for giving copyright in what they create away to the label in perpetuity they are provided with financial, promotional and artistic support. Consumers can still listen to, support, and buy music from artists signed to major or independent labels. This business model is unlikely to alter dramatically; however, there are signs that some artists and consumers are moving away from their positions at either end of a linear value chain, and taking up a position above it. The artist is

Figure 3. Artists and consumers repositioning themselves on the value chain



able to contribute to not only the creation, but also the reproduction, distribution, and promotion of their work. The consumer is similarly empowered, and a previously impossible (and unthinkable) technologically-mediated direct relationship between these two stakeholders is becoming visible. This could be seen as a classic example of e-commerce disintermediation, perhaps, yet this article proposes that it reflects a far deeper and more fundamental shift of the positioning of and relationships between major stakeholders within and along the traditional value chain. These new relationships appear (in early light in Figure 3) to be far more flexible and yet at the same time more resilient than the fads and fashions which pervaded the music industry in the late 20th century.

This results in a far more varied, but also a far more fractured and differently-textured, content landscape. From a relatively homogenous selection of processed popular records, the consumer is now able to select from a wide range of music either found online while browsing, recommended by friends from all over the world, or even through direct contact from the artists themselves. Equally, the artist is able to reach out to a wider and more international audience, which was previously too expensive in time or money to access without the support of an internationally networked record label behind them. Importantly, the artist and consumer are able to interact directly, without requiring any intermediaries, to shape the music as it is in the process of production. The content that emerges because of these communications is likely to be more to the taste of the audience and therefore will lead to the greater success of the artist.

All of these potential changes to the traditionally linear music industry value chains are as yet only ripples at the edge of an ocean, the first effects to be noticed from the deep impact of the Internet on an oligopolistic and conservative industry. However, each of the linkages seen in the new value framework discussed above can be examined through the lens of case studies, which are occurring with increasing frequency, showing how new models of business are springing up. The overriding feature of these new business models is the involvement of stakeholders at every level of the value creation. No longer can it be assumed that the consumer remains unimportant until the product is created. Their immediate and early input to the creation process will ensure a more successful product. Equally it is no longer possible to restrain artists behind a wall of copyright when they can simply walk around it and go directly to their fans through Web sites, blogs, instant messaging, e-mail—any number of technologically mediated ways to bypass the traditional music industry position. It remains the case, until the source of these minor disturbances on a hitherto calm and controlled industry starts to show itself, that the traditional record label business model of copyright ownership and exploitation will remain in place. But a fundamental problem facing these labels is that of copyright, which, although initially constitutive of the entire industry, is becoming less valuable as it is overtaken and ignored through technologically mediated processes such as peer-to-peer file sharing. Video broadcasting over the Internet has posed many similar challenges to those hoping to benefit by controlling copyright. Fans often have little respect for copyright when given the opportunity to download the latest episode of their favorite TV series, especially when this may not air in their country for months. Instead of trying to fight technology they could follow in the music industry's footsteps and embrace the capabilities that new technologies provide.

The emerging music value framework could be adopted to explain the changes in the online video marketplace. The repositioning of the creators and consumers is already happening and new relationships are formed every moment forming continuous feedback loops. Still, as with the music industry these are still ripples at the edge of an ocean. The experience of the music industry, even though it is still undergoing its own transformation, offers invaluable insights for those interested in exploring these unchartered waters. As one example of how this is starting to happen in the video industry, brands such as Coca-Cola are

starting to encourage their audience to go out and make video specifically in order to post it on the company's Web site, drawing in traffic and so building the brand. The BBC's Web site specifically asks for video footage of current events to upload onto its 24 hour news service Web site, adding color and consumer input into what has traditionally been a top-down controlled filter for news.

In comparison, the major labels, and therefore the vast majority of the global music industry, are still involved in a series of legal suits against their own customers, and imposing digital rights management software upon those people buying their CDs so that they can not be reproduced. It is possible that, although the music industry has been at the forefront of change in this respect, it is still fighting a rearguard action. The video initiatives of companies such as the BBC and Coca-Cola demonstrate an acceptance and understanding of the true value of consumer involvement in their products and services.

CONCLUSION

The video and television broadcasting markets are changing radically and the wider spread of faster broadband connection will only fuel these changes further. It could be argued that it is not a matter of whether it will happen. We have already presented a number of examples of this transformation. The real question is how quickly the market will move on to its next phase and equally importantly what the medium-term future will hold for it. In this article, we have discussed emerging music and video ebusiness models, complementing them with a number of cases.

The historical development and importance of music has lead to its position as a vanguard of change in this respect. Where video requires visual and aural attention, as well as a screen of sufficient size to view its content on, and stability, lighting, and technology to ensure that the visual effect is not lost, music in a variety of formats has been the soundtrack to humankind's evolution. It can be listened to, heard, and ignored but still registered. Developments in technology allow it to be heard any time, any place, anywhere, in whatever environment, and at a quality and efficiency of delivery that ensures its smooth and seamless integration into a variety of everyday activities. However, the business and revenue models which will support the continued production of this soundtrack are changing rapidly. Further research is required to analyze who will best be able to take advantage of the emergent relationships developing out of the new value framework facilitated by developments in Internet-based technologies. This applies to the video broadcasting market too. In addition, future research will be required to study emerging video and television business models in greater detail and depth. The search and filtering mechanisms that effectively decide what becomes successful and what does not should also be studied. Finally, the relationships between the creators and the audiences and to what extent they are influencing each other should also be looked at, especially when it comes to making business decisions.

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