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**TAKE A WALK ON THE BRAZILIAN
MUSIC ECOSYSTEM WILD SIDE**

Rio de Janeiro

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TAKE A WALK ON THE BRAZILIAN MUSIC ECOSYSTEM WILD SIDE

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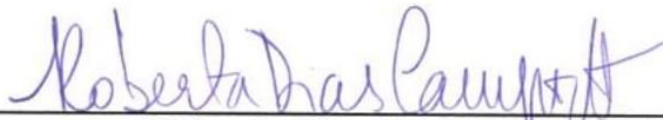
TAKE A WALK ON THE BRAZILIAN MUSIC ECOSYSTEM WILD SIDE

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Instituto Coppead de Administração,
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*“Baby slow down
The end is not as fun as the start
Please stay a child somewhere in your heart”
(U2)*

For my loved ones

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ABSTRACT

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The relations between the players in the music ecosystem have changed substantially since the beginning of this century, as the popularization of the internet and other technologies have disrupted the music business. Newcomers – new companies structured to explore an opportunity in a ecosystem - are proposing new business models and delivering services more suitable to the aspirations of end users. Artists now have lowered barriers to build their own recording facilities and manage their careers. These factors impact in different levels the existing players of the ecosystem, obligating them to adapt to this new paradigm. This research has focused on analyzing the strategy of the players in the music business in Brazil using an ecosystem approach, evidencing its changes since the end of 1990's decade. This qualitative exploratory study also proposes four possible scenarios for the landscape of this ecosystem ten years from now. From the analysis of the data gathered through the interviews with managers of diverse players of the ecosystem, we have identified two waves of innovation in the period. We have also drawn the ecosystems of each wave and have detailed the changes occurred in each cluster of players. Then, we have analyzed the actions took by the Recorded Labels using the incumbents' traps framework. Besides verifying the validity of the existing categories in the literature, we have proposed a few strategic remarks, namely “Influencing instead of Making,” “Plasticity of the players,” “Envelopment Possibility,” and “Consumers’ Behavior Change.” Finally, we have drawn four possible scenarios in a ten-year timeframe based on the main trends and uncertainties identified during the process. Among them, the evolution of technologies (low pace/high pace) and Market Segmentation (low segmentation/high segmentation).

Keywords: innovation, music business, ecosystem, strategy, music ecosystem, platform, Brazil

RESUMO

Vital, Renan Santos. Take a walk on the Brazilian music ecosystem wild side. Rio de Janeiro, 2018. Dissertação (Mestrado em Administração) – Instituto de Pós Graduação e Pesquisa em Administração, COPPEAD, Universidade Federal do Rio de Janeiro, 2018

As relações entre os atores do ecossistema da música mudaram substancialmente desde o início deste século, à medida que a popularização da internet e de outras tecnologias provocaram a disrupção do negócio da música. Os *Newcomers* - novas empresas estruturadas para explorar uma oportunidade em um ecossistema - estão propondo novos modelos de negócios e fornecendo serviços mais adequados às aspirações dos usuários finais. Artistas agora enfrentam menos barreiras para construir seus próprios estúdios de gravação e para gerenciar suas próprias carreiras. Esses fatores impactam de diversas formas os atores já existentes no ecossistema, obrigando-os que se adaptem a esse novo paradigma. Esta pesquisa teve como foco a análise da estratégia dos players do negócio da música no Brasil utilizando a abordagem de ecossistema, evidenciando suas mudanças desde o final da década de 1990. Este estudo qualitativo e exploratório também propõe quatro possíveis cenários para a paisagem deste ecossistema daqui a dez anos. A partir da análise dos dados coletados através de entrevistas com gestores de diversos atores do ecossistema, identificamos duas ondas de inovação no período. Desenhamos também os ecossistemas de cada onda e detalhamos as mudanças ocorridas em cada *cluster* de empresas. Em seguida, analisamos as ações tomadas pelas Gravadoras usando a estrutura dos *incumbents' traps*. Além de verificar a validade das categorias existentes na literatura, propusemos algumas recomendações estratégicas, a saber: “Influenciando em vez de Fazer”, “Plasticidade dos atores do ecossistema”, “Possibilidade de Envelopamento” e “Mudança de Comportamento do Consumidor”. Por fim, desenhamos quatro possíveis cenários em um horizonte de dez anos, com base nas principais tendências e incertezas identificadas durante o processo, como por exemplo, a evolução de tecnologias (baixo ritmo / ritmo elevado) e Segmentação de mercado (baixa segmentação / alta segmentação).

Palavras-chave: inovação, negócio da música, ecossistema, estratégia, ecossistema da música, plataformas, Brasil

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1 INTRODUCTION

1.1 Background

“Hi music industry, hi all of you who on a daily basis must endure an unbalanced debate on distribution of music, and hi dear music fans.

The future of music as an art form looks brighter than ever before. There has been a democratization, and the possibility for musicians to reach out to interested parties is a lot greater compared to just a few years back. Above all, the interest during the last year has grown rapidly. It is not by mere coincidence that this has happened. Music distribution has gone through a change of paradigm. The product has been degraded and the content has ended up in greater focus.

We in the music industry have shown ourselves unable to follow in this change. Some of us have even waged war against those the music is recorded for – the listeners. The rift between producers and consumers has never been bigger. Our contemporary period is not black or white, pro or con. The truth is that Internet has provided us with a fantastic grey scale of possibilities! ...”

(Swedish Model Manifesto, 2008)

Much has been said about the changes undergoing in the music ecosystem, through different lenses, to rationalize this phenomenon. The Swedish Model Manifesto (2008) is an example of a cluster of players, the small Labels, relocating themselves to this new reality to remain relevant, or ultimately not die.

Taking a closer look towards the big Record Companies, also known as big Labels, that are exploring the market since its inception, it is possible to verify that they have passed through different debuts of new technologies and have dealt accordingly to maintain their relevance and keep capturing the value of the market. Thus, it is possible to imagine that these companies were prepared to face the challenges of dealing with the creation of the Internet and the mp3 audio format, but the crisis of the music business became a reality with the adoption of these technologies by their consumers at the end of the 1990's decade.

On the artists' side, the technological advances have brought new possibilities for them to explore not only their artistic capabilities but their business capabilities as well. The digitalization of the recording studios and the development of the Internet gave them the freedom to choose how to manage their careers.

Some bands chose to extend their actuation towards the overall process of production, publishing, promoting, and distribution without intermediaries, as the British band Radiohead (Elberse & Bergsman, 2009) and the Brazilian musical group O Teatro Mágico (Cechella, 2015). Other musicians chose to perform part of these roles, as the singer Ivete Sangalo, which had built a company to produce and deal with the image rights of the singer but left the copyright and distribution affairs with a traditional business company.

The other players are also adapting themselves to this new paradigm, so the roles of each participant are not determined as before. The myriad of changes also involved the business models formed on top of new technologies. Part of them is built as platform-based networks (Eisenmann, 2006), as the Radio Broadcasters and Spotify, with its subsidized free tier service.

Therefore, the traditional value chain model - characterized by companies that receive the raw material from their suppliers, and after a transformation process sells to their clients the final product – does not fit the requirements to describe the relations between part of the players of the ecosystem. Thus, the ecosystem model (Iansiti & Levien, 2004) is more suitable to analyze the possible strategies for a company in the paradigm where the players and their interactions influence the revenues of each other, and there are not many studies using this perspective in the Brazilian music field.

This country was chosen as the focus of the research due to the fascinating singularity of its ecosystem. It behaves distinctively from the principal markets of the world, presenting a group of characteristics that blended makes Brazil a unique case:

- The consumption of local music is high, accounting for 65% of all music heard in Brazil in 2015. Brazilian artists provide companies exploring this facet an expressive market share, as local musicians released 9 out of 10 bestselling albums in 2013 (Lhermitte et al., 2015). A leading example is Som Livre, a Brazilian Recorded Label in which the majority of artists of its roster are local (they have commercialization rights of a few international artists) and a market share of 27.7% in Physical and 18.3% in Digital in 2014 (Som Livre, 2014) of the recorded cluster.
- Despite the late launch of download and streaming services in Brazil – Apple iTunes launch happened in 2011, and it only accepted payments in dollar until 2018 (G1,

2017) - the adoption of digital services is fast among its population, and it took attention of the major streaming services lately. This situation is leveraged by the characteristic of a developing country that has many mobile subscribers of services, led by the 106 mi subscribers out of a population of 207.7 mi in 2016 (Music Ally, 2017).

- In 2017, 85% of smartphone users listened to music using the device in the country (IFPI, 2017a). The significant market for telecommunications offerings as ringtones and ringback tones since the beginning of the 2000's also marks the music landscape of Brazil.

This research will discuss the changes of the music ecosystem from 1999 onwards and how the Record Companies have dealt with the new business landscape during the first years of this century, culminating in the creation of possible scenarios on how the relations on this ecosystem will evolve.

1.2 Objective of the study

The primary goal of this study is to analyze the status of the Music Ecosystem in Brazil, identifying its main players and the transformations undergoing in the business models, and propose future scenarios. Also, the following secondary goals are proposed:

- Draw the ecosystem;
- Define and delimitate the actual context of the music ecosystem by investigating its historical timeline;
- Revise the existing literature in the music ecosystem field, verifying its dynamics, nowadays players, and the trends;
- Define and delimitate the primary forces that drive the music ecosystem in Brazil by gathering data through comprehensive interviews with workers from the diverse players of the ecosystem;
- Conclude with theoretical and managerial implications of how the music ecosystem is functioning today and the trends associated with the near future movements of its players.

1.2.1 Relevance

The music ecosystem seems to have a prominent status on human beings lives. The global market value of the Recorded Music companies worth US\$16.1 billion in 2016, according to MIDia Research (Mulligan, 2017), and US\$15.7 billion in 2016, according to IFPI (2017b).

These values do not represent the total value of the ecosystem, according to a comprehensive census of the creative industries made by the audit company EY, The United Nations Organization for Education, Science and Culture (UNESCO), and The International Confederation of Societies of Authors and Composers (CISAC). This report presents a total market value of US\$65 billion in 2015 for the Recorded, Publishing, and Live Music industries, employing a total of 3.98 million people worldwide (Lhermitte et al., 2015).

These numbers provide a useful measure, but they are non-conclusive about the total size of the market, for some reasons. Firstly, some companies do not disclose their data; secondly, informality on some sectors that make it difficult to measure their value; and thirdly, the ever-changing boundaries of the ecosystem, that may expand or retreat due to cooperative and competitive relations between participants, advances in technologies, and changes in social factors, as consumption patterns.

The music ecosystem is an enticing subject to study, primarily because of the facts that arose in the last two decades, which brought several new elements to the participants. The most important ones are the emergence of the Internet and the creation of a tool for direct transfer of musical pieces directly from a computer to another, regardless of copyright boundaries. These new technologies have forced the incumbents – companies that already explore the ecosystem - to take action in order not to be banished by the concurrence, but their lateness has opened space for newcomers – new companies structured to explore an opportunity in an ecosystem - to gain a relevant place in the ecosystem.

These facts induced the academia to produce several studies on the theme, including in the business field; for instance, the number of publications at EBSCO for “music business OR music industry” in peer-reviewed journals was 169 from 1967 to 1987, and 1,117 from 1997 to 2017. However, the investigation of the music business in Brazil using a strategic approach is rare, and it is even more difficult to find a study that presents a comprehensive view of all the participants in the field. The research focuses on case studies about a company, like the one

about Som Livre (Trinta, Altaf, Abdalla, & Troccoli, 2011), or focuses on artists and music genres, as can be seen in the Teatro Mágico research (Cechella, 2015).

For all the points presented, particularly about the number of people involved directly and indirectly with this business branch, it is clear that such a theme needs more attention and a more profound discussion from the academic research perspective.

1.2.2 Organization of the work

The previous sections have introduced the motivations and context of the present study to indicate the relevance of the addressed topic in this and further research.

In Chapter 2 a revision of the academic literature created in the Music Business topic is presented.

In Chapter 3 it is possible to verify the methodology used in the present research, detailing each step and pointing out the limitations of the work.

In Chapter 4, the analysis of the data acquired throughout the research is shown in a detailed level, and the results of the study are presented, divided into three sections: ecosystem analysis, incumbents' analysis, and scenario analysis.

In Chapter 5, the conclusions along with the theoretical and managerial implications are shown.

2 LITERATURE REVIEW

It is necessary to verify the historical facts and forces that drove the main changes in the field and the overall behavior of the consumers, especially in the last 20 years, to establish an accurate and holistic analysis of the current scenario of the music ecosystem.

The chosen time frame is due to a trend that influenced the last movements in the ecosystem: the adoption of the Internet by the consumers of music. In 2000, the digital music downloads plus Compact Disc sales through the Internet have reached US\$500 million (Calvin & Bernard, 2001), and the uptrend in digital formats continued, along with the emergence of new forms of commercialization, as the streaming subscription services. In the World, the digital format represents US\$7.8 billion, representing 5% of the total revenues of the Recorded Music industry in 2016 (IFPI, 2017b).

In sum, two main facts have forced a change on established companies and the creation of new business models for incumbents and, especially, the appearance of newcomers (Easley, Michel, & Devaraj, 2003; Rodman & Vanderdonckt, 2006).

- The creation of the portable digital format MP3 by the Fraunhofer Institute, which enabled the compression of the audio file in archives with a fraction of the full spectrum uncompressed size (Sterne, 2012);
- the broad use of the Internet peer-to-peer sharing files services, and in a second moment, the improved infrastructure of the Internet as a whole, that brought more speed to already connected and also reach new users.

2.1 (History of the) Music business: An ever-changing industry

“Why would anyone continue to toil away mastering the piano when they can enjoy music with the flip of a switch? Will there be a piano industry for much longer?”

William Mehlin, piano maker in the beginning of 20th century
(Music Trades, 2015)

The piano producer William Mehlin made this alert after the start of large-scale sales of the first music players to the general public at the beginning of the 20th century (Music Trades, 2015). In this epoch, the sales of musical instruments in the US, especially pianos, represented

US\$69.6 mi in 1905, comparing to US\$36.9 mi in 1890 (North, 1908), and the manufacturers were the most relevant players in the industry. As Thomas Edison's Talking Machine (Scientific American, 1877) and Emile Berliner's Gramophone (Wile, 1990) introduced in the market, the traditional industry became apprehensive about the implications of the new inventions on consumers' minds and habits.

Developments of this nature have repeatedly occurred in specific periods of the recent history, always with the concern of the leading companies that were exploring the business at that time not to lose their market share.

2.1.1 The Sharing-Internet era

In the late 1990's, whichever kind of music one appreciates, it became possible to download it in a question of minutes. New companies appeared to the business of music providing newly born Download services, as well as reproduction software that enabled users to aggregate these new files to their day-to-day lives.

An idea from the beginning of the 20th-century - of transferring music over telephone lines - was the motto for a study at the Fraunhofer Institute that, among other outcomes, took form as the MP3 file format in 1992 (Sterne, 2012), conceived to be the standard form to transfer music over the Internet. However, the portability of the files compromised the business model this Institute chose to commercialize the format, the same feature the Institute wanted to leverage their revenues. The model consisted of charging more for the encoder software than the decoder software, allowing the technology to be widespread and keeping the control of the content owners. However, one person in Australia in 1997 reverse engineered the encoder algorithm and made it public on the Internet (Rose & Ganz, 2011; Sterne, 2012), changing the plans of the Institute, which forcedly reduced the price of the encoder (Rose & Ganz, 2011). Notwithstanding, the patent was capable of absorbing over US\$112.5 mi a year by the mid-2000s (Wheatley, 2016). After two years, Napster came into the scene with its peer-to-peer software (Rodman & Vanderdonckt, 2006), reaching the attention of the potential users, the Record Companies, the media, and eventually the law courts.

The company was built on the fringe of the established businesses in the ecosystem, allowing users of the software to share with other users the music files they want, wherever they might be. As Napster was a server-based service, it was deemed to be neglecting to deny transfers of copyrighted material and held liable in the US court case *A&M Records, Inc. v.*

Napster, Inc. in 2001 (Kurtzman, 2016), an iconic case of the music industry winning against this new technology offer. However, at that point there were other services available, including non-server based applications enabling users to exchange even more types of files, not being restricted to music files, as Gnutella (Kover, 2000) or KaZaa (Rodman & Vanderdonckt, 2006) were.

Amongst all the lawsuits against Napster and other peer-to-peer services, its users became targets of the Record Companies' actions for copyright infringements, also used as a form to persuade other users to stop sharing this kind of material. In 2003, the companies sued 261 users in the US for sharing songs, and that number escalated to a total of 30,000 people (Kurtzman, 2016). In 2006, the primary forms of journalists to call file-sharing users were "thieves" or "pirates," as remarked by Rodman and Vanderdonckt (2006).

Figure 1 provides an overview of the changes in the size of the Recorded music industry until 2014. It is possible to verify in this timespan the up's and down's occurred in the last 40 years, highly dependent on the support formats developed, among other macroeconomic factors as the decline in sales at the beginning of the 1980's due to the global economic recession.

After the broad adoption of the MP3 format and until the end of 2014, the market suffered a steep decline in sales of the CD format and did not recover. However, the graph shows that an inflection point can be reached later due to the emergence of another form of sales, like digital Download and Streaming services.

Music Industry Overview 1972-2014 Adjusted for Inflation (In Millions)

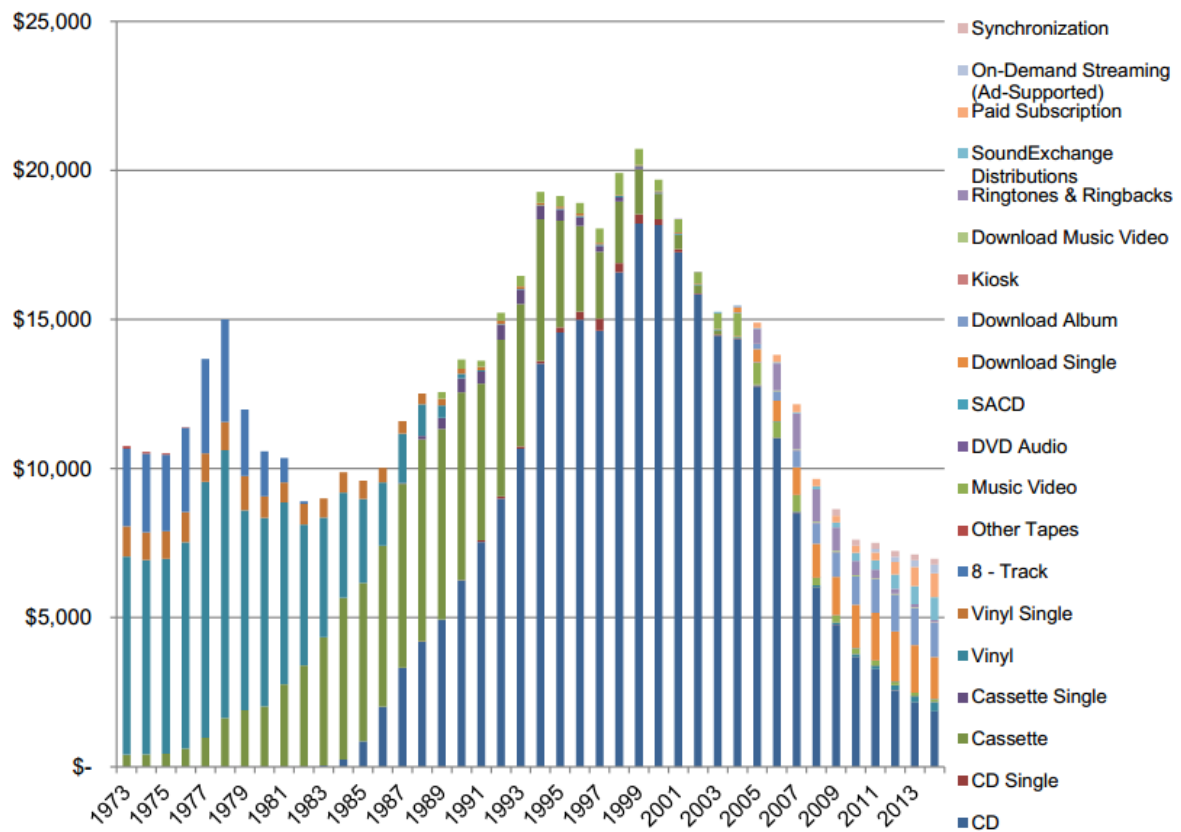


Figure 1 - Music Industry Overview 1972-2014 Adjusted for Inflation (Fly, 2016)

Hope for the struggling Record Companies surprisingly came with an incumbent from the technology sector named Apple. It introduced a paid Download service which allowed their users to have their quality music for a fee, keeping control of distribution by delivering the music files with a digital block for copies called Digital Rights Management (DRM). This movement allowed Apple to acquire leverage on the new technologies available in a lucrative endeavor, reaching an outstanding number of 35 billion tracks downloaded by 2014 (Kurtzman, 2016), positioning itself as a relevant player of the business ecosystem of that time.

The relevance of the service gained traction year over year, despite the free option provided by the piracy's peer-to-peer concurrence and also the cheap mp3 players that low-cost factories started to build and flood the markets all over the world. This situation gave some relief for the Labels that were dubious at that time about the new technologies, with some people inside the organizations favoring and experimenting new ventures in the digital world and some people against it.

These doubts also occurred with musicians, including ones that exerted substantial influence on Record Companies, as Metallica (Uhelszki, 2000), Brian Eno (Rodman & Vanderdonckt, 2006), Radiohead (Elberse & Bergsman, 2009), and Taylor Swift (Dickey, 2014). The singer Amanda Palmer rationalized this moment as a return to the time when musicians and public intimately connected with each other, even before the assembly of the Record industry back at the beginning of the 20-century. For her, the creation of the Record Industry transformed musicians into icons, which placed themselves in a higher and distant position from their fans (Palmer, 2013).

Even with this turbulent scenario, new ventures created by newcomers to explore the digital field, associated with the improving speed of the Internet's connection that more users were experimenting all over the world, built services that were capable of giving the same or improved benefits as peer-to-peer services gave initially. Pandora is a prominent example of these companies: launched in 2005 as a solution that brought the possibility of listening to music without the need of user intervention - the algorithm used knew what would be the next music to play after the learning the preferences of the client -.

The incumbents did not take a successful movement to explore this new path of income, only in other fields as improving the online presence for their artists with news, tour schedule, mailing lists and online interviews that augmented the engagement with fans (Easley et al., 2003).

Streaming is one of the promising services created by newcomers, and the library analogy made by Rodman and Vanderdonckt (2006) to exemplify how Download services work can be extended to analyze how streaming services function. One can enter in a library and use the material for free, but as more material is copied, more it will reward the producers of the duplication technology. While Download services users must transfer the audio files to their computers before being able to use, Streaming services users can use any material contained in the service as long as they want without taking it out of the "service premises." With this point of view, the library analogy fits more the Streaming services, but it is still not accurately: while the library has the operational expenses paid integrally by a third party, as the government for public libraries, users have to pay a monthly fee to have the total access as described.

Some services offer the freemium option for listeners to use it without charging a fee, by applying restrictions that vary from service to service, which usually is the need of hearing ads between a batch of music heard or limitations on the number of skips the listener can use for unwanted music. About this business model, in 2010 Warner Music's chief executive Edgar

Bronfman Jr said (Youngs, 2010): "Free streaming services are clearly not net positive for the industry and as far as Warner Music is concerned will not be licensed." But just two years later, the streaming services already represented 8% of total revenues for the company (Solomon, 2012).

Artists like Taylor Swift have been testing the freemium model, who pulled out her catalog from Spotify back in 2014 to pressure services that offered the free option for users for better remunerating the artists and improving the perception of the value of music (Dickey, 2014). The singer has kept their material only on paying services and also has seen other artists initiatives into this direction, as the creation of Tidal's pay-only service by a collective of mainstream artists (TIDAL, 2015), for the same reasons of trying to reach a sustainable payment model for artists. Only two and a half years later Taylor Swift came back to Spotify, without a clear statement if the payment share for the singer increased, or it was only because of the growing user base of Spotify that attracted the singer back (McIntyre, 2017). However, this was not a full dig into the streaming world, as the free access to her new launches is still limited during the first weeks. She used this windowing strategy in her latest album release on Nov 10, 2017, which was not available on Spotify until Dec 1, in an effort to impulse the sales of the album as an exclusive feature (Horan, 2017).

In 2016, the companies exploring the digital sector shared a market of US\$ 7.8 bi worldwide (IFPI, 2017b). In Brazil, the digital companies Spotify, Deezer, Apple Music, Claro Musica, Google Play Music, Groove Music Pass, Napster, SoundCloud, iTunes, Microsoft Music Store, Mundo Oi and Tidal (Pro-Music, 2017) earned a total of US\$ 117.7 mi in 2016. The streaming services correspond to US\$ 90.8 mi of this total (Pró-Música Brasil, 2017).

Overall, the music ecosystem shares a total of US\$ 25.3 bi, divided between Recorded, Live, Synchronization, Licensing, and Broadcasting. The Revenue of the Recorded Music Industry in Brazil totalized US\$229,8 mi (Pró-Música Brasil, 2017).

The advent of the mp3, the internet and the enterprises created around it, like Napster and other file-sharing apps, as well as Streaming services, characterizes the disruption occurred recently. It was not the first change lived by the participants of the music business, but these changes fostered the need to use the ecosystem viewpoint to understand all the dynamics occurred at the beginning of this century.

2.2 Theoretical Background

2.2.1 Ecosystem Conceptualization

Instead of developing the whole strategy of the company focusing specifically on the market share increase, a common practice of the western companies' strategists (Collis & Montgomery, 1997; Porter, 1996), there is another approach that managers can rely on. The ecosystem model verifies all the connections a company has, independently of which industry it belongs, for them to build the enterprises' strategy for the future, be it in near- or long-term (Nishino, Okazaki, & Akai, 2017). It was proposed by Moore (1993, p. 75), who affirmed that "executives must develop new ideas and tools for strategizing, tools for making tough choices when it comes to innovations, business alliances, and leadership of customers and suppliers."

In his vision, an excellent form to develop this approach was to be inspired by nature, visualizing how the actors relate to each other and how these relationships evolved during a time in a competitive and also cooperative environment, in the same form as natural ecosystems functions. He uses insights from Bateson's definition of co-evolution and Gould's remarks about the collapse of leadership in abrupt changed ecosystem and interchange in direction after these transformations (Moore, 1993).

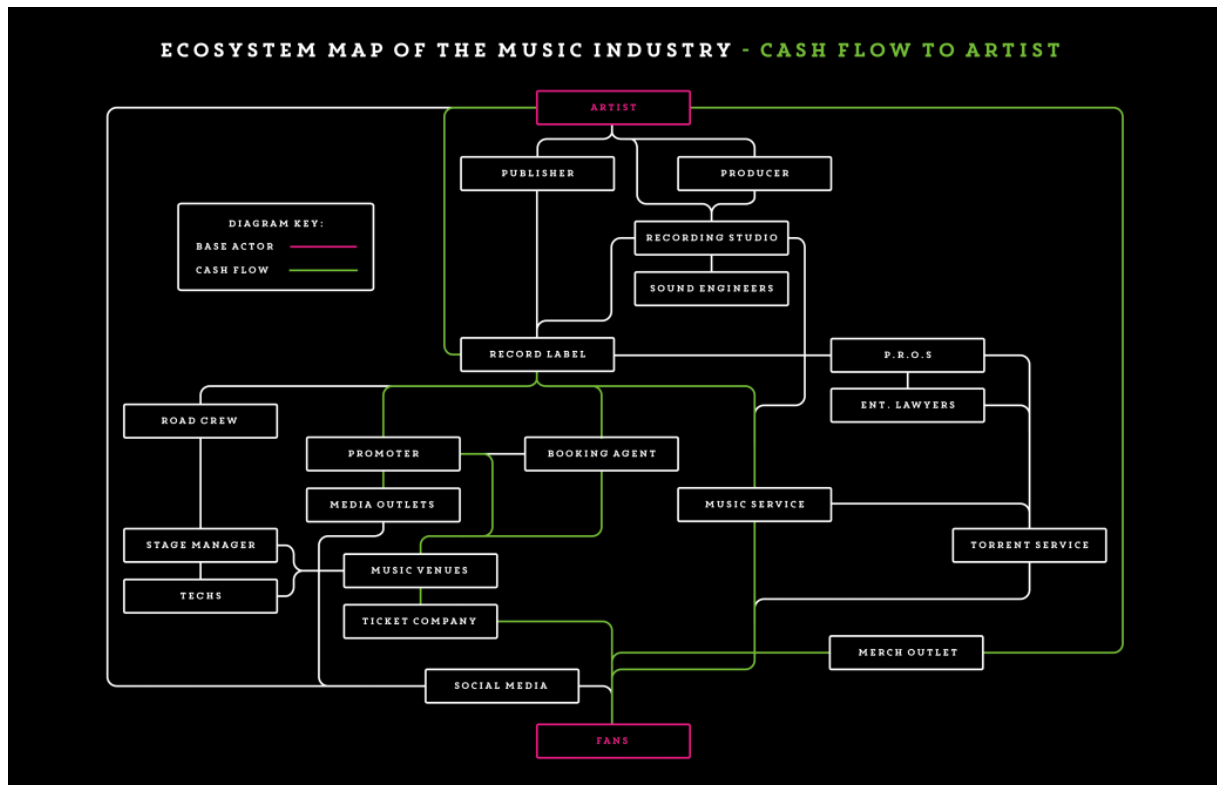
The main point is that the businesses can be subject of influences comparable to the ones of a natural ecosystem, and the companies that are aware of this scenario are more able to delve into the cooperative and competitive arena typical of these systems. Moore (1993, p. 76) affirmed that "In a business ecosystem, companies coevolve capabilities around an innovation: they work cooperatively and competitively to support new products, satisfy customer needs, and eventually incorporate the next round of innovations." In other words, innovative businesses must create cooperative networks by attracting capital, suppliers, partners, and customers, to promote a healthy ecosystem since there is the possibility of the whole system to seize due to one of their component's failure like a natural ecosystem (Iansiti & Levien, 2004).

The Business Ecosystem is especially useful to have a broad understanding of a landscape that a plentiful of innovative players are working, whether they are incumbents or new entrants (Day & Schoemaker, 2000). Iansiti & Levien (2004) and Moore (1993, 2006), among many others, wrote about several examples of such systems that, using this logic, provide us a complete knowledge on the movements of the participants. The frameworks that have described such networks in the past did not allow managers to understand the strategic mechanisms of the relations among companies profoundly.

2.2.2 Participants of the ecosystems

A Business Ecosystem is composed by a higher number of players when compared to a traditional value chain point of view that evaluates only the industry the company is within (Iansiti & Levien, 2004; Moore, 1993; Van Alstyne, Parker, & Paul Choudary, 2016). Instead of having only suppliers and distributors taken into account when designing the strategy of the company, using the logic of gaining power in the market by controlling the resources also known as Supply-Side economies, as described by Alstyne et al. (2016), it also considers other companies of the market. Namely, the outsourced companies - that provide services for the company as technology providers, financial institutions -, the companies that make complementary products, the competitors, the customers - as an active player influencing the company's products or services -, the regulatory agencies, and the media outlets (Iansiti & Levien, 2004). In other words, the logic is in gaining power by offering a higher average value per transaction in the ecosystem, denominated demand-side economies of scale, also known as network effects (Van Alstyne et al., 2016).

In the music business, representations were made to rationalize which companies were participating in the ecosystem they belong, but the authors segment these illustrations according to the authors' focus on analysis. In **Figure 2** it is possible to verify Killoran's (2016) approach analyzes specifically the cash flow to artists. It is a high-level view of the Record and Live Events industries, leaving aside other participants as synchronization, licensing and merchandising actors.



Besides Killoran's efforts, Siemer & Associates (2013) has built an ecosystem view limited to the digital businesses of the whole music landscape, and it only cites the companies and the core market they explore, as can be seen in **Figure 3**.

Digital Music Ecosystem



Figure 3 – Digital Music Ecosystem (Associates, 2013)

A smart company has to provide leverage to other enterprises to gain more power inside an ecosystem. By doing this, these companies can create value inside the system, and by sharing it among the participants, they offer a favorable condition for the whole ecosystem to thrive and face other systems, guaranteeing its continuity (Iansiti & Levien, 2004). In the next topic, we will discuss one of the forms to achieve this by creating a platform.

2.2.3 Analyzing the access to the music through a platform lens

After the 1920's, to have access to different kinds of music without the need of owning a victrola, one would buy a radio and start listening to music right away. These box-shaped devices enable consumers to listen to the content for free until the end of its lifespan, after paying upfront for the device.

Iansiti (2004) defined a platform as an asset that offers solutions to others in the ecosystem. It can be in the form of a service, a tool, or a technology. The business model of the radio consists of a two-sided platform mediated by a provider: the radio station. This model is sustainable because one of the sides, the listeners, is subsidized by the other side, the advertisers (Eisenmann, 2006). The former lends money to the platform owner to be announced in commercial time, which is the time allocated for advertisement inside and between radio programs. The model works by leveraging on the advantage of the cross-sided Network Effects, which makes possible for one side of users – the subsidy side - to pay less to access the platform features. Therefore, expanding the user base of this side, and augmenting the other side users' Willingness To Pay to access that expanded user base, leaving space to the platform provider to charge more from these users – the money side users -.

The platform theory (Eisenmann, 2006; Negoro & Ajiro, 2012), coined several decades after the golden era of the radio, also conveys the basis for the approach of Apple to the industry of music. The business established by the company set itself as the sponsor – the player who has the rights to define the platform's participants and technology - and provider – the enterprise that mediates the interactions between the sides - of a multi-sided network which has several content providers, advertisers, and listeners. This model is similar to some of the streaming services that have risen in the last few years, using a different landscape now: the transmission medium is the internet instead of the free air, but the characteristics of platform networks still apply.

2.2.4 Evaluation of the Pitfalls of Emerging Technologies

As technology evolves, the possibilities of its use can change among different areas of application. The incumbents need to be aware of the new advances in humans' knowledge to get leverage and improve their offerings. They also need to protect their interests by anticipating the appearance of newcomers, which are willing to develop similar solutions on the ecosystem.

However, Day and Schoemaker (2000) verified in field research that many incumbent companies do not monitor adequately and take timely action when a new technology emerges, leaving space for newcomers to explore and thrive, even though they often have fewer resources to use. This result agrees with Christensen and Bower findings (Christensen & Bower, 1996) which affirmed that newcomers often thrive in disruptive competitive scenarios, and incumbents usually succeed in incremental ones. Day and Schoemaker have categorized the rationale for this to happen to several enterprises, organizing them into four traps and plans of action explained below.

The first trap is Delayed Participation, which can be explained regarding the usual behavior of humans to be sure that a new environment is safe before taking action. The principle is the same when applied to management because managers create mental models to make decisions based on past experiences, and a new and uncertain situation can lead to a mistaken evaluation and conclusion, leading to a waiting posture.

When deciding to take further action, it is common to evaluate the market on the grounds of the same project restrictions as the ones using established technologies, as well as underestimating the potential of the emerging tech, which can lead to an early dismissal of the exploration of the emerging tech.

The strategy to avoid this trap is to always focus on the ultimate potential of the technology, as Day and Schoemaker (2000) states, considering adequately the forecast of when the technology will reach this level to decide if it is worthy for the company to develop a solution with the new tool or not.

The second trap is named Sticking with the Familiar. Managers of the companies tend to verify the feasibility of new technologies looking for their past successes and failures, and also to their internal capabilities to fit the existing know-how to the new challenges and developing solutions. These are limiting factors when companies have to deal with disruptive technologies, because their resources may not have the knowledge needed to create or evaluate the possible lines of action adequately. Another factor is the uncertainty about the evolution of the emerging technology, considering proprietary and competitive factors when simultaneous technologies are competing to become the standard.

Even when they consider the risks diligently, and the emerging technology started to prove itself as rentable for other players in the ecosystem, the incumbents usually choose to stick with the familiar and try to overcome their losses leveraging on their traditional resources.

The third trap is the Reluctance to Fully Commit. It is a phase in which companies that have passed the evaluation stage and decided to invest in developing a solution with the new technology, but the majority of these firms make contended investments in this sense, giving the newcomers space and time to build awareness of their offerings to the customers.

It is important to notice the real risks managers face when deciding to invest:

- the eventual cannibalization of the firms' core business,
- the tendency to focus only on current customers' needs even when tapping into new markets,
- the paradox in managerial risk-taking – if the forecast of investment is bold, the confidence is high, and the risks undermined; on the opposite side, low levels of investments lead to risk-aversion behavior –,
- the low incentives for them to explore new riskier markets with lower margins when compared to today's established markets – the authors call it “certainty effect,” that is the propensity to a higher valuation of the investment on incremental technologies instead of more risky investments in emerging markets –,
- the limitation of the companies to serve appropriately a new market that has different requirements than the current one, in which the firm has its resources optimized to explore.

The fourth and last trap is Lack of Persistence. The unpredictability of when the positive monetary results will appear when an emerging technology is successful is an attention point for managers that decided to make investments in the development of solutions using disruptive technologies, as the pressure for quarterly results can lead the firms to withdraw from the investments made. Also, it is not rare that the most invested incumbents in a new tech are the ones that pull the plug before the new market present positive returns.

2.2.5 Evaluating possible lines of action: Scenario Planning

Due to the uncountable possibilities of results the future can bring, the military intelligence during the World War II created a methodology that built scenarios to convey the different courses of action they could take in the future, considering external factors that can influence the projected aim. The tool was helpful for them to change the mindset of setting a specific goal towards building a more comprehensive view of the future considering multiple possibilities (Schoemaker, 2002; VARIAN & SHAPIRO, 1999). The businesses strategists of Shell then adopted the technique that proved to be a powerful means to thrive in this very competitive industry (Garvin & Levesque, 2005).

Scenario Planning consists of evaluating the possible scenarios that can emerge from the analysis of the world's major forces that can influence and change the organization in the future. Garvin and Levesque provided a methodology with five stages that are shown in Figure 4 which consists of Orientation, Exploration, Scenarios Creation, Options Consideration, and Integration. The explanation of each stage is.

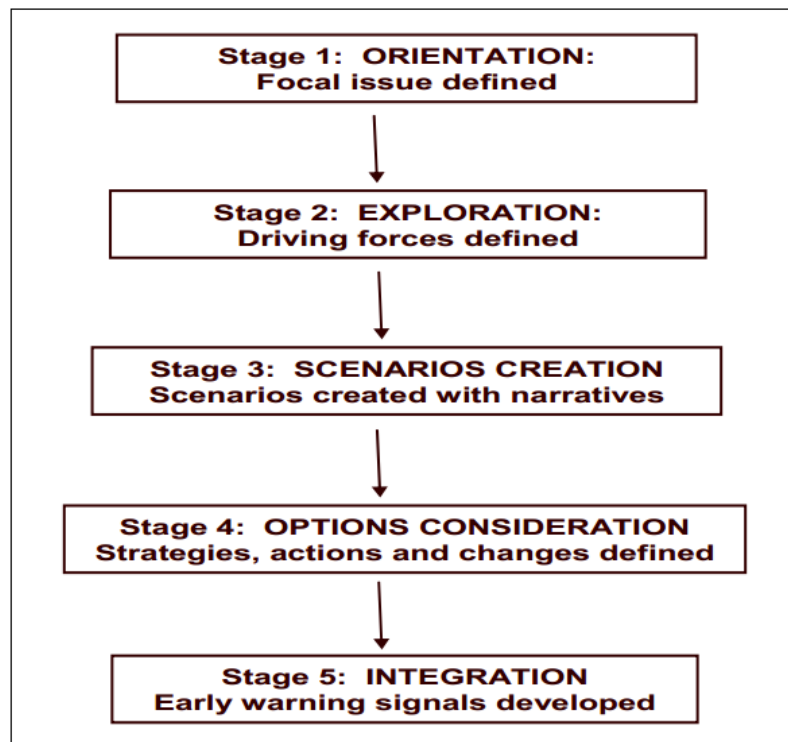


Figure 4 – Scenario Planning Stages (Garvin & Levesque, 2005)

The first stage, named orientation, is the step where the Key Focal Issue is determined. This element is conceived in the form of a question and carries an uncertainty that needs to be

solved because it leads to consequences for the future of the organization. The Key Focal Issue is a result of the determination of the scope of the uncertainty and the time frame

The second stage, named Exploration, is the phase where the driving forces are discovered and ranked. The driving forces are determined after interviewing the leading actors of the ecosystem to achieve sound reasoning of the main trends and uncertainties that have the power to affect the Key Focal Issue substantially.

After listing all the trends and uncertainties, the two critical uncertainties that are not correlated with each other will serve as the basis for the analysis.

The third stage, named Scenarios and Narratives Creation, is the phase where scenarios are designed, and the narratives are written. To do this, it is needed to use the critical uncertainties and create a 2x2 matrix, resulting in four possible scenario frameworks that will be fulfilled by the narratives which will describe the outcome of the ecosystem vividly in the future for each combination of uncertainties.

The fourth stage, named Options Consideration, is the phase where the Key Focal Issue is evaluated in each of the scenarios created, to verify what are the consequences for the company if those scenarios take place in the reality. Thus, the scenario framework is used to organize what are the implications of the emergence for each scenario and also what are the possible action plans available for the company.

The fifth stage, named Integration, is the step that will assure that the scenario planning process is utilized further inside the company. It is the step to ensure that the senior management considers the possible scenarios in future discussions and acts as a promoter of the possible scenarios, to make the whole corporation aware and prepared for detecting any environment signal. It is also possible to actively organize an early warning system to identify these changes in an organized corporate level.

The force of storytelling leverages this technique, which provides the narratives step, as depicted in Figure 4, a more vivid and close association for who is reading the history and evaluating the message it conveys. As described by Schoemaker (2002, p. 41), “To really internalize the future, you cannot just speculate in the abstract about it. If you are like most people, you need to live in it before it becomes meaningful. In a sense, scenario planners use one bias (our penchant for concrete and vivid information) to overcome another bias (our limited ability to imagine multiple futures)”. This last sentence gives us an insight of why it is essential to delve into the specifics of each scenario created. As we cannot manage to wonder about multiple futures, the framework helps us to envision the whole picture of each one of the

possibilities, answering correctly the question: How the participants of the ecosystem would stand for each one of the possible futures?

3 METHOD

Since the beginning of the research, its motto relied on the idea that the analysis of an ecosystem implies looking into a context that is in constant movement. Thus, the chosen approach was to conduct a qualitative study with an exploratory nature to induct a meaning of a phenomenon (A. M. Bento & Ferreira, 1983; Creswell, 2014; Phyl & Harris, 2002). As noted by Creswell (2014), it is paramount to consider all possible means of relevant information available for the analysis, which includes interviewing people acting in companies of the music ecosystem specifically in the Brazilian context and gathering diverse forms of secondary data, as documents and audio-visual material. After presenting the Interviews'

3.1 Interviews' Mechanics

As Johnson and Harris (2002) noted, qualitative research may comprehend gathering elements to envision the whole picture of the subject studied, as well as gaining the perception of the studied phenomenon using the opinion of their actors. The present study embraces these aspects in an endeavor to unveil a portrait of the possible future scenarios of the music ecosystem since there is a scarcity of research about this theme in Brazil regarding a Business point of view.

The researcher has conducted taped one-to-one personal and Skype interviews with participants of the ecosystem. They were unstructured to give more freedom for the interviewees to elaborate their narrative on their own. The interviews started only after the express agreement by the interviewees for the sessions to be taped. Thus, the researcher has made efforts to create an environment where the ideas could be freely generated due to the presence of a recorder in front of them all the time. At the Interview Questions Section, it is possible to retrieve the open-ended questionnaire used as the basis for the meetings.

In total, nine interviews with an average duration of 1 hour were conducted with Managers, Directors, and Presidents of Live Music, Recorded Music, Licensing, Streaming, as well as an Editor of a specialized Magazine, and all of them had several years of experience. The number of interviews performed was considered satisfactory when any new detail emerged from the interviewees.

3.1.1 Interviewees Selection

Particular attention was taken to the selection of interviewees to enrich the study by obtaining answers with a strategic point of view. The role performed by distinct companies of the ecosystem was the criteria to select the invitees, and they are composed of management personnel and entrepreneurs acting in Brazilian enterprises.

As it was needed to gain a plural perception of the ecosystem, the firms chosen acts in different clusters such as Live Events, Recorded, Digital, and Licensing Music Companies. The sessions occurred in a window of 7 months in the year of 2017 and were scheduled according to their convenience due to their time restriction, as they occupy management positions on these companies. Following there is a list of the interviewees and the position they occupy in their organizations. Their names are not disclosed due to the confidentiality terms agreed with each one of them.

Table 1 – Profile of interviewees (Elaborated by the author)

Interviewee	Position	Market
1	President	Record
2	Director of Marketing and Sales	Record
3	Head of Digital & International	Record
4	Manager – Legal Affairs	Record
5	Head of Music Industry Relations	Digital
6	President	Live
7	President	Live
8	Chief Editor	Magazine
9	President	Licensing

3.2 Analysis

The analysis of all the material gathered followed the five steps proposed by Yin (2011) to get a structured outcome from the research, namely Compiling, Disassembling, Reassembling, Interpreting, and Concluding data. The phases are interconnected and are not sequential, as depicted in Figure 5.

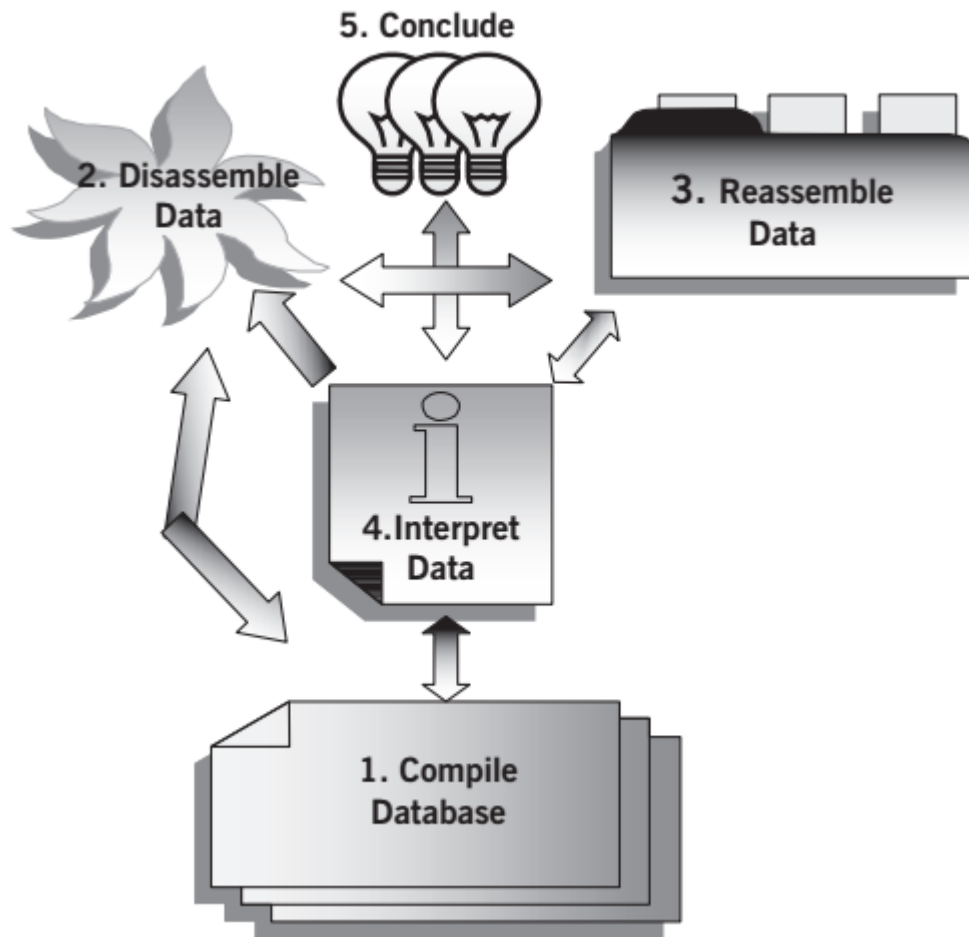


Figure 5 – Five phases of analysis and their interactions (Yin, 2011)

The first phase of the analysis, Compiling, began with the transcription of the audios taped during the interviews, as well as aggregating secondary data into the research to acquire a more accurate context. This added layer of information improves the confidence of the analysis by confronting the data gathered in diverse sources, resulting in a study with higher validity (Yin, 2011).

The Disassembling and Reassembling, which consists in breaking down the data into smaller fragments and labeling these parts, and after reassembling by classifying the data into meaningful classifications, were done with the help of NVivo software. The use of the software leveraged the data organization and made it possible to get more insights and find emergent patterns in a faster time frame (Phyl & Harris, 2002).

The narrative of the analysis was created in the fourth and fifth phases, Interpreting and Concluding, where the analysis gain its final format including the creation of the ecosystem and the scenarios.

3.2.1 Ecosystem

From the elements gathered during the interviews and analysis of the secondary data, considering as well the remarks noted in the literature review, it was possible to draw the music ecosystem in an inductive process since the beginning of this study.

The ecosystems created in this study offer a simplified high-level view of the actual ones, due to the limitation of the research. It was used the Gephi software to create the schematic drawings. The size of each player is a representation of the money value it can capture from the ecosystem, and its interrelations represent the money flow. Finally, the colors used corresponds to the cluster they belong.

3.2.2 Scenarios

As with the creation of the ecosystems, the scenarios' building process used the interviews and secondary data to organize the driving forces acting on the ecosystem. After a thorough evaluation, these forces were organized and separated in trends and uncertainties and described in the next chapter.

The uncertainties were ranked, and the two critical ones were used as the axis of the 2x2 matrix, as described in the Theoretical background section. Each scenario was described textually and graphically, using a drawing that represents the players using the same colors scheme of the ecosystem.

In the following sections, it is possible to verify these thoughts that conceived the understanding of the phenomenon studied.

4 ANALYSIS

During the interviews, it was noted that the players in the ecosystem are evaluating themselves regarding the value proposition they are offering now, and how they can improve it in the near future. Throughout the analysis, it was possible to ratify these movements and to explore possible scenarios as the technology evolves and the behavior of the consumers continues to change.

The Music Ecosystem has changed significantly in the first years of this century due to technological advances that brought new possibilities of musicians to connect with their users. This shift has affected the old participants on the ecosystem, as well as paved the condition for further endeavors to be built. In the following paragraphs, we are proposing the analysis regarding two waves of innovation represented in the following Figure 6, which contains highlighted points previously described in the Theoretical Background chapter.

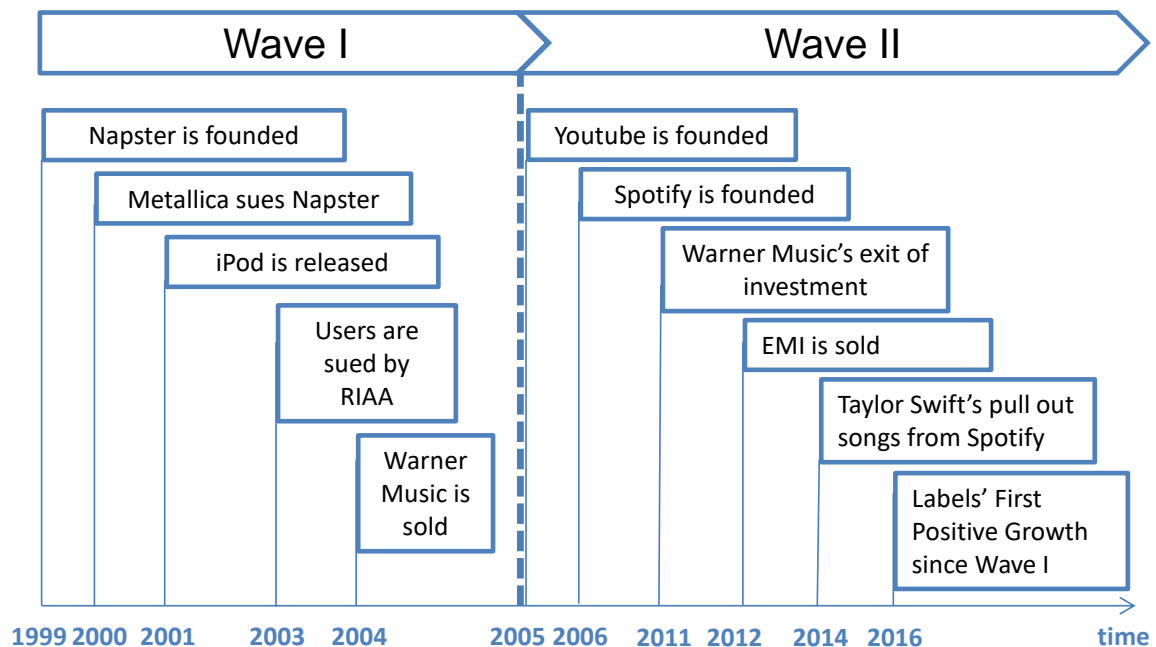


Figure 6 - Waves of Innovation in the Music Ecosystem. (Elaborated by the author)

The first one, denominated Wave I, took place between 1999 and 2005 and is characterized as the phase which the sales of the Labels were profoundly affected by the competition of newcomers and the widespread piracy, as explained in the Theoretical Background and will be further discussed in the Incumbents' Trap section in this chapter.

The second one, namely Wave II, started with the foundation at the end of 2005 of Youtube and in 2006 with Spotify, the prominent Streaming video and music services that are attracting a growing number of users at the same pace as they are gathering the attention from all the participants of the ecosystem. This new wave of innovation has a distinct dynamic of relationships between players imposed by the Streaming services when compared with the Wave I, and this happens in different levels for each cluster of players as follows:

- the Record Companies are evaluating the Streaming companies as a path for recovering the losses observed in the Wave I;
- the newcomers that offer other services than Streaming, as the Download companies, are considering them as relevant competitors and are adapting their business models to provide this new option to their clients;
- the Associations that are obligating to coordinate themselves to create a unique database of copyright owners to be able to be played by the Streaming services;
- the final users, which are adopting this new form of consuming music – shifted from a proprietary to a subscription logic.

The points depicted here will be better detailed in the ecosystem analysis.

4.1 Ecosystem Analysis

Each player in the ecosystem is evaluating its value proposition to improve the offering to its clients. In this sense, it is necessary to analyze the players carefully, due to the uneven depth of changes in each business.

The Ecosystem for the Waves I and II were created according to what was explained in the Theoretical Background and Method section and are showed below in Figure 7 and Figure 8, respectively. The players are represented according to their function in an aggregated form, as the thorough analysis with each player would be above the scope of this study. Also, for better visualizing the relations in the ecosystem, the Government is shown without any connection, but it needs to be read as connected with all the other players.

Wave I:

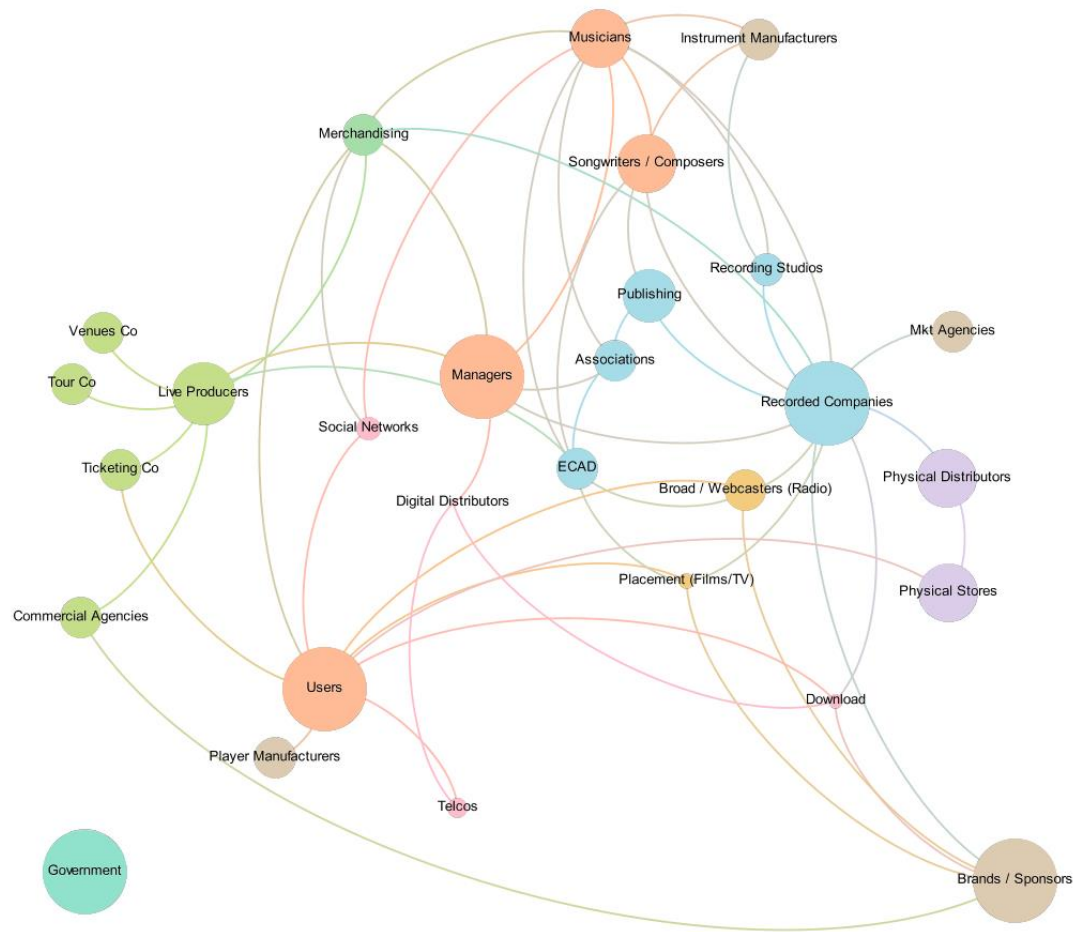


Figure 7 – Ecosystem Wave I (Elaborated by the author)

Wave II:

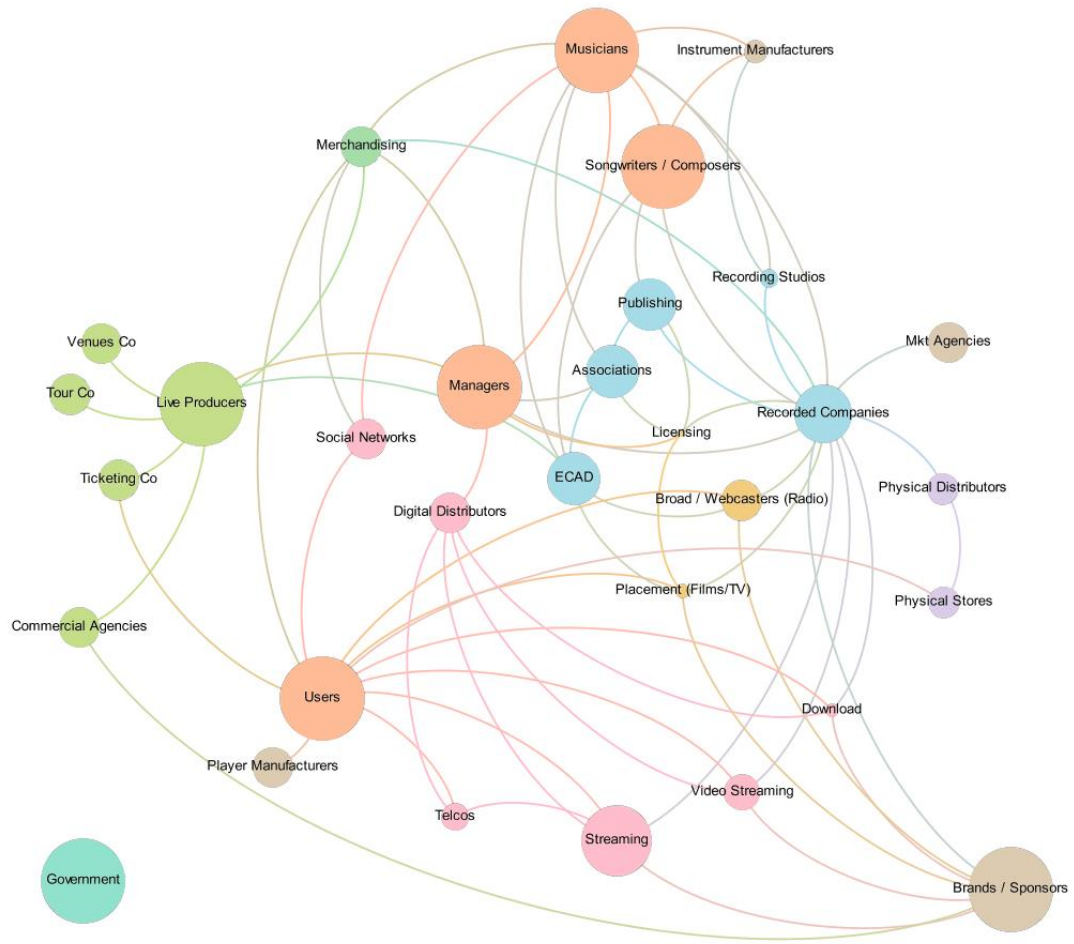


Figure 8 – Ecosystem in Wave II (Elaborated by the author)

Both schemas use different sizes for the players to reflect the monetary relevance of them in each of the waves, except for the Users, Managers, Brands / Sponsors, and Government, which are represented in a fixed size for both waves as their importance does not change over time. Also, the connections represent the money flow between the diverse players of the ecosystem.

It is possible to verify the increase in the complexity of the Ecosystem from Wave I to Wave II. The companies were grouped in functional clusters to analyze in detail the movements of the players and the relations between them as follows:

Traditional Record - Record Companies, Physical Distribution, and Physical Stores

Traditional Media – Placement (Films/TV), Broad / Webcasters (Radio), ECAD, Associations, Publishing, Licensing

Live - Live Events, Venues Co., Tour Co., Ticketing Co., Commercial Agencies

Music Development - Musicians, Managers, Songwriters, Composers, and Record Studios

Digital – Download, Telcos, Streaming, Video Streaming, Digital Distributors

4.1.1 Traditional Record

(Record Companies, Physical Distribution, and Physical Stores)

WAVE I

The Labels are profoundly transforming their approach to diminish the revenues lost in the physical supported music sales (Myrthianos et al., 2014). In a first moment, during the Wave I, these companies were reactionarily dealing with the new landscape of the music ecosystem, taking legal actions towards service providers that offered content without the license to commercialize them. After prosecuting several companies without diminishing digital piracy, the companies started to sue users that shared their own archives over the Internet. Concurrently, initiatives to launch their services to explore the new digital channel of sales were unfruitful, as well as the long efforts to create a mechanism to avoid legal audio files to be copied without authorization.

The scenario of decreasing sales of physical supported music, without any other new promising revenue line, occurred during the entire Wave I period in Brazil and contributed to the downsizing of the companies involved in the commercialization of physical copies. Even with the launch of the iTunes Store in the US, which could represent an alternative to regain part of the lost revenues, bankruptcies and mergers of Labels occurred worldwide.

In 2005, the Record Companies' revenues in Brazil totaled R\$ 615,2 mi (US\$ 265 mi), down from R\$891 mi (US\$ 383.8 mi) in 1999.

WAVE II

During the Wave II, newcomers and still stumbling incumbents shared a new ecosystem scenario, but the companies that explored the sales of physical supported music have seen their revenues declining year over year. This situation led the labels to outsource their production facilities of discs to focus on more rentable formats of selling music.

There were factors by the Labels to recover the lost revenues: they have changed the relationship with the artists, celebrating a higher number of 360-degree contracts with them, slightly recover of physical supported music with the change of perception of the vinyl discs as memorabilia

Several factors helped the Labels to recover part of the lost revenues: the changes in the relationship with the artists, celebrating a higher number of 360-degree contracts, the slightly recover of physical format music brought by the shift in perception of the vinyl discs as memorabilia and the emergence of new Download services. However, it was only with the streaming services that the labels were able to change the trend of revenues' losses.

In 2015, the measured revenues for the recorded music companies by the IFPI were positive for the first time since the beginning of the Wave I (IFPI, 2016). In 2017, the total revenue of the Brazilian market was US\$ 229,8 mi, with the physical channel corresponding to US\$33 mi (IFPI, 2017b), only a fraction of what it was in 1999.

4.1.2 Traditional Media

(Placement (Films/TV), Broadcast and Webcasting (Radio), ECAD, Associations, Publishing, and Licensing)

WAVE I

Overall, there were no substantial changes on the established players of this cluster during the Wave I. All of them were able to keep their relevance in the ecosystem.

The Associations did not change their modus operandi profoundly, maintaining their roles of protecting the interests of the rights' owners of musical materials in the society.

The Radio Broadcasters were able to keep attracting and increase advertising investments from 2002 onwards (Montagna, 2012) and continues to be the primary channel for discovering music. Also, radio over the internet – Webcast - is a new form of consuming music, and these players are striving to provide quality music because of two main factors: the low speed of internet connections available for consumers and the still ongoing development of technology for transmitting streaming music over the network.

WAVE II

The changes in this wave came from the development of a central database at ECAD and the launch of a new venture in licensing.

With the emergence of streaming music and video services, the companies that offer these services have pushed the Associations in Brazil to create an integrated database with copyright ownership information to address the payments for the rights' holders. The Central Bureau for Collection and Distribution (ECAD) - a private institution backed by the Associations which is responsible for collecting and distributing performing royalties – became responsible for organizing and maintaining the database.

Even with its creation, specialized companies were built to offer the service of clearing the licensing negotiations, as the creation of the database did not simplify the process of connecting the service providers (as film producers, advertising agencies) with the copyright holders. Licensing takes time and resources to be done, as several contacts in different publishing companies, or sometimes the artists need to be directly contacted to earn the clearance for use.

Radio is represented in the ecosystem with their overall value captured from their sponsors, which totaled £ 20.2 bi in 2016 (Statista, 2017). It is equivalent to US\$ 24.93 bi using 31/12/2016 rates.

4.1.3 Live

(Live Events, Venues Co., Tour Co., Ticketing Co., Commercial Agencies)

WAVE I

Before Wave I, the companies that produced live events were exploring a market that had several risk factors, as foreign currency oscillations, the economic situation of the country, meteorological risks, and ticket fraud. The technological advances have mitigated part of these factors and also promoted the rise of new specialized companies in this historically unstructured market.

“...in the live entertainment market, there is (...) much technological innovation as the LEDs regarding lighting, the sonorization (...) Formerly there was no wireless microphone, now where is the microphone of the artist? Today the monitor, the box that you put on the stage, many artists do not use that; they use an ear monitor...” Interviewee #6

This disorganization is the reason for the scarcity of measurements in this cluster, even though there are several companies involved in the production of live events and capturing value in the ecosystem.

The entrance of the international player CIE in 2000 has contributed improving the formalization of the cluster of mega concerts and marked the beginning of a more constant flux of international events coming to Brazil.

WAVE II

During this period, the participants of the ecosystem have perceived an increase in revenues worldwide.

In Brazil, the economic stability since the Plano Real and the increasing formalization of the companies that provide services in this cluster contributed to higher capitalization of the producers of small sized events, which reinvested in successively larger concerts and gained prominence in the ecosystem. Nowadays, some of these producers are aligning their interests with the labels, in a mutual accord to produce together high caliber festivals, as the collaboration between Workshow and Som Livre with the “Festeja” festival (Som Livre, 2017).

In this sense, some Labels are taking a further step and are producing their Live Events, acting as the Producers, as of Sony Music is making with the launch of Filtr (Bertão, 2016).

In 2011 the player T4F was the first company in the cluster to be listed in the stock market, in a time that several other international live music producers started their operations. Thus the competition between these players has grown, consequently increasing the costs for hiring overseas artists. Therefore, the producers needed to restructure their actuation to deal with this added cost on top of all the inherent risks already mentioned.

The amount of money generated by the Live music ticketing worldwide totaled US\$ 18.47 bi in 2016 (Chapple, 2017), a steep rise from the US\$ 1.6 bi of sales in 2000 (The Economist, 2010). According to PwC (2017), the spending with live music in Brazil will achieve US\$ 143 mi in 2021.

4.1.4 Music Development

(Musicians, Managers, Songwriters, Composers, and Recording Studios)

Musicians and Songwriters are the core of the ecosystem, as they bring the raw material that will be transformed into the final product. Before Wave I, the costs of acquiring equipment

and renting a studio to produce music were prohibitive for artists, and the only path for the majority of them was to sign a contract with a Recorded Label, which would advance money to cover the costs to record and promote their discs.

WAVE I

At the end of the 1990's decade, the technological evolution lowered the costs of recording the musical pieces on their own, and many of the Musicians started to question the need to be associated with a Record Company. Several of them entered in this path and declined to sign a contract with a Label, starting to perform not only as Musicians but as Managers too. The ecosystem depicts the roles separated, but the artists in this situation have to be considered according to their functions, as Musicians and Managers at the same time.

WAVE II

The situation continues to happen in Wave II, with some examples of prominent artists establishing consolidated bureaus for managing their careers and new talents.

Ultimately, Managers are performing a cooperative role towards Record Companies, as the latter is still functioning as a source of new talents for the Labels; but Managers are also conducting a competitor role, as they are going to the negotiation table with Labels offering musicians they have already invested, released songs and provided structure for promoting them.

Below there are three typical profiles of these Managers:

- 1) Pure Managers that have made their careers in sourcing new talents for the Labels;
- 2) Musicians that have the capital to invest in new talents and are supplying the latter with the needs of recording their album and promoting their works;
- 3) Established Live Event producers that are amplifying their degree of actuation in the ecosystem and are also specializing in cultivating the careers of musicians, especially in the "Sertanejo" genre.

"...nowadays those (artists) who are on the street arrive faster. The guy already arrives with a bus and a recorded DVD on his behalf. (The manager) Arrives here to negotiate the new artist who is already having some expression in Goiás, Mato Grosso, Pernambuco or wherever. Somehow they are also my competitors, but we are also

partners because they are entrepreneurs of my artists. It is a complex relationship as competitors and partners.” Interviewee #1

4.1.5 Digital

(Download, Telcos, Streaming, Video Streaming, Digital Distributors)

WAVE I

Download services were the face of the new businesses that the introduction of the mp3 format and the widespread use of the internet have brought for the consumers of music.

At the beginning of Wave I, the majority of services that offered the option to download music were illegal, and the ones that provided legal services were struggling to achieve the licensing deals with the big Labels. After Napster was released, the Record Companies themselves started their own services, called MusicNet and PressPlay, but failed to offer a compelling service that would attract an affordable number of customers.

The innovative and lucrative business model that Apple introduced with the 2001 launch of the iPod and with the 2003 launch of the download service iTunes Music Store, the first one to offer legal music from all big Labels (Langer, 2014), attracted the necessary attention of the stakeholders to make the model to thrive. Established as a platform, the Download music service aggregated Labels, Apple itself, the Sponsors and the Clients. The Labels provided the needed licensed music while Apple acts as both device maker and service provider, the Sponsors injected money, and the Clients consume the products and services.

During Wave I, the revenues for this business model was consistently increasing in the world, but in Brazil, there were no assessable revenues of Download services made from official Associations, even though the Brazilian company iMusica was selling its products since 2000 (I. da C. Bento, 2010).

WAVE II

In 2005, the revenue of the 335 legal music services summed \$1.1 bi in revenues worldwide (Koranteng, 2006). In Brazil, the first measures of the market were made in 2006, and the telecommunications services (Telco) absorbed R\$ 8.2 mi out of R\$ 8.5 mi in digital services revenues – only R\$0.3 mi corresponded to Download revenues - (ABPD, 2009).

iTunes started to operate in Brazil only in 2012, with only the payment option using a credit card in the dollar currency. Even so, Download music services experienced its peak in 2015 with R\$65,80 mi of revenues (ABPD, 2016), but the change in the mindset of the consumers to access music instead of owning them enabled the rise of streaming music services, consequently decreasing the number of users of the other services.

On top of the traditional sale of ringtones and ringback tones, Telecommunication companies have associated themselves with Streaming Companies to provide services for their subscribers, so they are still capturing part of the revenues of the ecosystem as an intermediary between the users and the streaming providers. Claro is the only company with operations in Brazil that has verticalized the service after buying the iMusica service in 2014. (Marchi, 2017).

The audio and video streaming services gained traction in Brazil in 2015, only one year after Spotify's launch in Brazil, with an increase of 192.4 % comparing to the former year. In 2016, given the increasing relevance of the audio and video streaming services, the government has evaluated the theme and legislated to tax these services.

The video streaming also became relevant throughout the world: in 2008 half of the most popular videos streamed on Youtube were music videos, only three years after its debut. In 2009 Youtube already had 7 million of subscribers, at the time of the launch of agreements with major labels to create their own channels, with Universal and Sony launching Vevo, and Warner Music Group with its homonym channel (IFPI, 2010).

4.2 Incumbents' Analysis

4.2.1 Background

Labels are the most affected businesses in the music ecosystem over the last decades due to technological advances and changes in the consumers' behavior. The new landscape of shrinking physical supported music sales, led by Compact Discs sales, obliged these companies to modify their strategy to restore part of their lost revenues. The incumbents that did not address such changes in time were absorbed by established competitors or market investors, as happened with Warner Music that was sold to a group of private equity firms in 2003 by Time Warner, after presenting poor financial results (KIRKPATRICK, 2003). Eventually, these new owners have reorganized its financials indicators and exited the investment by selling the

company to Access Industries in 2011 (O'Malley Greenburg, 2011), after presenting satisfactory results.

EMI had a different fate because it was sold to Terra Firma Capital Partners in 2007 after dramatic losses of £260 mi in the late year (BBC NEWS, 2008; Wueller, 2013). After a couple of years of restructuring and changes in ownership, the firm was broken up and sold to their competitors Universal Music, Warner Music, and a consortium led by Sony/ATV for its Publishing assets (Sisario, 2013).

In general terms, the movements of the big record labels were reactive at the beginning of Wave I, fighting against music piracy through the legal system and enforcing copyright protection. They have concentrated the efforts against the first platforms that enabled peer-to-peer transfer more accessible, being Napster the first and most iconic easy-to-use Download service with the purpose of transferring music files between computers connected to the Internet (Kover, 2000). Other services also had their owners prosecuted, and the same happened with a small share of users of these services (Kurtzman, 2016). The Digital Rights Management (DRM) security systems is also a tool for copyright enforcement that prevents the reproduction of the music by another person besides the buyer, which in theory would diminish the music sharing by peer-to-peer services (Kurtzman, 2016; Sterne, 2012).

The big Labels were entrapped in the pitfalls depicted by Day & Schoemaker (2000) and started late to explore the digital arena. Most of their first initiatives were not successful, and only after their restructuration and diligently observations of the market from the privileged standing point they had, some of them changed the strategy and started to bid for shares of newcomers such as SoundCloud, bought by Warner Music Group (Greenburg & Messitte, 2015). Such companies had initiatives that could improve the offerings of the incumbents to their clients, and with the acquisitions they ultimately could conquer new clients on the way, reversing the trend of only losing value and clients started in the late 1990's.

All in all, some companies looked not only outside to reach more value in their offerings. The visionary ones were able to surpass the "incumbent's curse" (Day & Schoemaker, 2000) and start to experiment how to deal with the new digital landscape that was opened in front of them, preparing themselves to extend their online presence. Some independent Record Companies, as Trama, have invested in building digital capabilities and have been able to create a digital service to focus the attention and capture value of customers, as well as new bands for their roster (I. da C. Bento, 2010).

Diversification plays an essential role in the restructuration of the Labels, which have changed the contract clauses to aggregate revenues from more sources than the traditional agreements settled until the beginning of this century. The companies started to delve into the options available, then they have changed their products, improved or begun to develop new services, and started to couple products and services in new offerings. Ekananda (2014) verified a movement of the Record Companies to offer the CD bundled with other products or services. This movement went further to provide services in other areas not explored since their foundation, as Merchandising and Live Events, in the so-called 360-degree deals between the Labels and artists (Brereton, 2009; Ekananda, 2014).

Following, we will analyze the incumbents in more detail using the Incumbent's Traps as a framework for the changes occurred during the Waves I and II.

4.2.2 Incumbents' Trap Analysis

This section is organized in two main lines: It starts with the compilation of the discoveries made during the interviews regarding the categories of the Incumbents' Traps theory: Delayed Participation, Sticking with the Familiar, Reluctance to Fully Commit, and Lack of Persistence, as shown in the Theoretical Background chapter. The research also provided us more categories for the findings that could be extended from the theory. They are applied to this particular research and named as Strategic Remarks: Influencing instead of Making, Plasticity of the players, Envelopment Possibility, and Consumers' Behavior Change.

The categories of the Incumbents' Traps theory are used in this section as a framework to convey the findings from the interviews. Each subsection is organized towards the relevant common points found in the analysis.

4.2.2.1 Incumbents' Trap – Delayed Participation

DURING THE WAVE I

The Record Companies were aware beforehand of all the movements of the other players of the music ecosystem since the beginning of the 1990's decade. Even those made by newcomers, which appeared in the landscape using new technologies to provide new products and services for the final users.

Attempts on tapping into the new digital possibilities and build a profitable business were made by several newcomers, even before 1999 when peer-to-peer sharing came into reality, but technological limitations were in place, as discussed in other chapters.

The lack of will to participate in new initiatives is acknowledgeable as the Labels followed the same value chain rules for more than one century. Thus, it is rational to take a long time evaluating what is going to happen to these newcomers instead of embracing something that could not lead to the same excellent profits as they perceived in the sale of physical media.

The Record Companies started to dig into the Digital arena only after Napster came into the scene, launching their own initiatives, without good results. They just started to receive significant revenues after Apple's approach to offer a Download service called iTunes to their clients, so this is the moment when the ecosystem began effectively to change in favor of the Labels, even though they would continue suffering expressive sales decay some years after this shift.

In this sense, it is possible to notice common points in the interviews that verify the position of the Record Companies not to participate right away in incursions of the technology and its effects.

One of these effects was the shift of power towards Apple regarding the launch of a new album in its services: the company imposed strict rules about the mechanics of an album debut, as well as the price tag.

This situation has changed since then, as new competitors have entered the arena, and the Record Companies as well have developed new forms of negotiating with their stakeholders and players of the ecosystem.

DELAYED PARTICIPATION EVEN IN WAVE II

The Labels, even now in the Wave II, are still reactive when dealing with the Digital arena. Even though they are closely looking to the development of the sector, sometimes they are caught with surprise on some movements and achievements of the other players. However, this makes sense, as they are not in the day-to-day operations to have the full view of the horizon.

It is possible to verify that specific technologies and frameworks are cited and are accompanied by the participants of the market, but they are not timely developing the capabilities internally for actual use of its capabilities:

“...the music industry has to adapt itself and is adapting to Big Data. To create reports, to analyze information and to generate value from the information available is very important. This is a reality in which the music industry and the major record companies have to improve...” Interviewee #2

Youtube: A Business Model not Tapped by Record Companies

Youtube is a different case, as this is a service that allows any user to upload a video. It is possible, then, for the Labels to use the music videos in a new form of business that was never explored before in the music ecosystem before Wave I, as the Interviewee #5 explains:

“...YouTube had gained so much importance also because before the clips did not generate any revenue for the music industry, it was a cost: you used to shoot the video to promote yourself and sent free of charge for the television, and the TV did not pay anything (to you). (It) paid ECAD in Brazil, so the author and composer received.”
Interviewee #5

Thus, as the Record companies were not participating in the development and evolution of digital solutions to bring music towards the consumer, it was difficult for them to envision this kind of solution to develop in-house, be it a music-only solution or complementary solutions associated with other technologies, as it is the case of Youtube.

4.2.2.2 Incumbents’ Trap – Sticking with the Familiar

In general, it is possible to depict from the interviews that the Record Companies tend to explore only the business lines they master. As incumbents, they would not take risks to tap into new technology and develop new business solutions even in a low-risk scenario or, as stated by Day & Schoemaker (2000): “even if they have compelling arguments for making a change.”

WAVE I - GOING AFTER ALTERNATIVE REVENUES

The process of starting to tap into the new possibilities of revenue lines was critical to the Record Companies since the beginning of Wave I, when the profits started to diminish and

the digital download services from third parties were emerging. As commented by Interviewee #4:

“...the possibility of this income line was not being perceived. Moreover, obviously the focus was on the revenue coming from the sale of music, CD, DVD, vinyl before digital (...) The digital provides a meager income; the vinyl is even lower; CD and DVD are down the hill. (The companies) had to open its head to reinvent itself, like a store that reveals photos, like the taxi, like any branch has to reinvent itself to survive”

Interviewee #4

Among the attempts to recover the revenues lost, the Labels have focused mainly on retrieving the potential monetization that was not being addressed by their core capabilities and offerings. The reevaluation of the terms of contracts with musicians proved to be a winning strategy. Now when the company is signing up a new artist or renewing the contract with an old one, the revised terms must be observed to comply with the new business model of the Labels. The objective is to get a more substantial return on the upfront investments from sources that were not being considered profit centers, as participation in concerts and merchandising.

MOVEMENTS DURING WAVE II

This process has not ended, because until today in the Wave II the Labels are still not comfortable with the compensation from their revenue lines, so the negotiation process to search for the optimum point is still ongoing.

When asked if the Labels have created their own festivals as a consequence of the Internet and the new digital technologies, Interviewee #1 affirmed:

“No, it happened with the crisis, we have stopped and thought: " but I invest heavily in this artist and (the revenues) comes only from discs? And discs (revenues) going down the slope ", to continue investing, I need returns, and then started to create (different) formats, 360-degree contracts.” Interviewee #1

Youtube: If you did not create it, Monetize on it

A specific situation is in course at Wave II, as the Majors are pressing Youtube to receive more royalties for each played song on the system. They claim that comparing with the amount received from licensed Streaming services, or even the physical sales, the fraction coming from Alphabet's subsidiary is tiny:

"... Spotify, for instance, pays US\$ 0.007 per play that goes to the artist, to the publisher...to the owners of that song; it is a shallow value, and this is being discussed. However, in YouTube's case, this value is US\$ 0.001 for each play. (...) Each country must take its legal actions regarding Youtube so that the remuneration could be fairer.
" Interviewee #8

4.2.2.3 Incumbents' Trap – Reluctance to Fully Commit

WAVE I – TIMID INITIATIVES

The incumbents of the ecosystem were participating in initiatives to develop solutions within the electronic landscape since the beginning of the Wave I, but the first practical solutions were launched only after the creation of several solutions by newcomers, including the appearance of Napster. The operations were initiated in 2002 by joint ventures between Sony Music and Universal Music Group, called Pressplay, and between BMG, EMI, and AOL Time Warner, called MusicNet (Gordon, 2011).

Even with this movement towards a more digitalized offering of their catalogs, not all stakeholders of the Record Companies were satisfied with the agreement of compensation given by the Labels. Part of the musicians on their roster determined to pull out their material from the Download services, with the primary concern of not receiving enough compensation from the sales made (Strauss, 2002).

WAVE II – STICKING WITH THE CONTENT

During the Wave II, the position of a part of the Labels continue the same: keep adapting to the new reality, but not entirely committing to the creation of digital capabilities internally. This situation emerged in different interviews, and illustrated in these two passages from Interviewees #1 and #4:

“No. We do not develop anything. We have content. What we develop are artists and songs.” Interviewee #1

“...(The Label) Is very focused on the core business of a record company, obviously reinventing itself to continue generating revenues.” Interviewee #4

The need to stick within the development of the core business is evident in these phrases, as it is clear the definition of what is taken out of the core business for the company: the development and maintenance of in-house digital solutions for consumers.

In a macro level, the adaptation was not too fast. One of the interviewees' company has only recently outsourced the physical arm of its operation to focus exclusively on digital.

4.2.2.4 Incumbents' Trap – Lack of Persistence

Throughout the interviews, it was not possible to identify any mention to this point by the interviewees, but the research with secondary data has brought insights about this topic. The Labels are not participating as a provider of solutions for the final consumer of their products. They are intermediates focused on creating content.

The initiatives of the Major Labels on the beginning of the Wave I were focused on studying the scenario and the technologies that were available. However, the timing to tackle developing solutions was not chosen correctly, as we could verify in the launch of Pressplay and MusicNet as one of the countermeasures for the creation of Napster.

Going further on this case, we can verify that only two years after the launch of the initiative, Pressplay was sold in May 2003 to a technology company, with Sony and Universal remaining as minor stakeholders after the deal (Universal Music, 2003). This is a typical movement made by established companies that tapped in emerging technologies markets but does not want to continue committing resources to the endeavor.

4.2.3 Proposed Uncategorized Outcome

4.2.3.1 Strategic Remark: Influencing instead of Making

Instead of entering the game creating their full-service digital application, the Record Companies have developed an approach of exercising influence into the new players of the ecosystem, as these need to maintain a contract and pay royalties for the music executed within their services. Standing in this power position, the Labels are negotiating terms with Streaming companies that place them in a comfortable position on the uprising trend of the streaming consumption.

Old Songs are Easily Commercialized in the Streaming Media

Another positive aspect of the digital world is that it facilitates the sales of old songs from the Record Companies, called catalog music. In the physically supported era, the companies had to commit with money to create a new product – usually, it is named “best of” collection -, produce a new disc, distribute and promote it to have returns on old songs.

Nowadays, all the songs, new and old ones, are available for the consumer to listen right away, on the tip of their fingers. If the Recorded Label wants, it can commit money to promote the old songs, but the expenditure is smaller than a physical operation.

4.2.3.2 Strategic Remark: Plasticity of the players

Artists’ Power in the Ecosystem

The technological advances are not restricted to the advent of MP3 technology and the sharing of audio files through the Internet. The better processing of audio information due to improvements of the hardware capacity and software functionalities made it more accessible, and affordable to musicians access the tools necessary to create, produce, publish, and sell high-quality music pieces on their own.

This phenomenon has diminished the power of the Labels on the music creation process since the Wave I, and some artists have endeavored in making the whole process independently, from conceptualization to promotion, instead of associating themselves with a Recorded Label. The need to create an entire business operation has some success histories, as “O Teatro Mágico” did (Cechella, 2015), however, unsuccessful initiatives also exist.

“...we have examples of some well-known artists who have tried to leave the label aside to make the management of their career and have not succeeded, so the

record companies have a role, and they know how to do their job very well.” Interviewee #2

From the successful initiatives of Managers - musicians, as well as the non-musicians - that created healthy businesses of artists’ career management - it is possible to verify a better positioning towards the big Record Companies when negotiating the terms of contracts. This is due to the facilitated access to technological tools, which leads to fewer entry barriers in the ecosystem, favoring the development of the artists and the fan base before it gets in the sight of the Labels. Consequently, the artist has more power to discuss the terms when in a negotiation table facing Labels’ representatives.

Convergence of Record and Live Events Companies

The convergence of the Recorded and the Live Music Companies in the Ecosystem is cited in the interviews as a possible movement in the future, not accurately pointing which one will take others’ position or make a bid on the other part.

“...the business is starting to be fully 360-degree, the business is no longer one explores the album, the other explores the show, the actors are beginning to explore the artist: as a brand, as concert makers, as recorded music, as everything. If that happens and if that turns out to be a real trend, in 10 years from now Live Nation will be competing directly with record labels, and the record labels will be competing with Live Nation.” Interviewee #5

Record Companies Entering in the Live Events Field

All the possibilities are open as we can verify today when the Record Companies are changing the contracts with artists to receive part of the revenues on Live Events of their artists – the terms differ depending on the deal, going from earning profits in a specific number of events to receiving determined dates to commercialize -.

Going further, there are examples of Labels entering in the market and producing festivals on their own, like Sony with the Filtr (Bertão, 2016), or associated with an established producer, like Som Livre with the Festeja Festival (Som Livre, 2017).

Som Livre is offering since 2012 a “Sertanejo” Music Festival in a joint-venture with WorkShow. The former is not a major Label but plays an important role in the domestic market

of Brazil, and WorkShow is an established Live Events player from Goiânia, one of the big poles of “Sertanejo” music in Brazil. This arrangement gave Som Livre a new line of revenue that helped the company to maintain a prominent status in the music ecosystem.

Live Events Companies Entering in the Recorded Music Field

On the other side, Live Events Companies are investing in recording Live CD’s and DVD’s, as well as managing careers of artists.

Live Nation is a company that traditionally only explored the Live Events cluster but entered into the Record field using 360-degree deals as well. Starting in 2007, the Artist Nation is the arm of the company which signed a contract with Madonna as their first client of this kind of deal (Veiga, 2007).

4.2.3.3 Strategic Remark: Envelopment Possibility

The Risk of Envelopment by Newcomers

The envelopment risk exists when a player in the ecosystem gets more powerful and have money to invest in new capabilities, even if they are newcomers. Considering the size that platform based companies can reach in a short period, one of these players can start delving into other facets, even in the music creation landscape. Until now, there are some localized examples of content production by other players besides Record Companies:

As stated by Kanye West, an American singer, through his Twitter account: Tidal is funding a lot of his "scripted content ideas." (McAlone, 2016). Interviewee #2 also has remarked some examples of such initiatives:

“...Apple Music released on its own an album of Chance The Rapper (...) Spotify released material of Sabotage in Brazil.” Interviewee #2

The music ecosystem fits well with the strategy of big technology companies, not only Apple, but other companies that are also platform-based services are endeavoring to offer music solutions to consumers.

“...now Amazon wants to enter, Facebook seems to be preparing itself to enter, I do not know in which format, I doubt it will be a subscription service, it is going to be something to compete with Youtube...” Interviewee #5

As a platform service, it is possible that the boundaries of the role of the players can be blurred as the investment capacity of technology companies is high, thus offering them the possibility of experimenting to have capabilities that can be overlapped with the Labels capabilities.

4.2.3.4 Strategic Remark: Consumers’ Behavior Change

Renting versus Buying (Access versus Ownership)

The Streaming is a form of access of consumers to music that offers music through access to an internet-based service that has gained strength during the Wave II.

It is a consensus for all the interviewees that this business model will become the primary form of revenue of transacting music for the companies exploring it, not only for the Labels as of today, but also for the service providers that are perceiving negative results. The main reason is the change in the behavior of the clients that are adopting the renting logic of access to music.

“...with the reduction of the physical (sales) in more than 70%, we perceive a clear profile change from the consumption for possession to consumption for use. ”
Interviewee #3

Radio and Youtube

The easy access to music promoted by Youtube has changed how consumers’ consume music as well. Due to the evolution of the service and the possibility of listening to it in an ongoing basis when using the computer for other activities, during the Wave II this service became an alternative to the radio service for part of the end users.

4.3 Scenario Analysis

The Scenario Analysis framework presented in the Theoretical Background chapter will be used to answer the following Key Focal Issue: How will the Record Companies evolve, facing the uncertainties on the advancement of incumbents or newcomers in the Music Ecosystem in the next 10 years?

After presenting the trends and uncertainties that are affecting the music ecosystem, the scenario framework will be drawn, and the narratives will be presented in the following sections.

4.3.1 Trends

Big technological companies entering in the music ecosystem

Tech companies that are exploring different markets are already exploring or planning to invest in the music ecosystem. Apple was a pioneer in this movement in Wave I, followed by Alphabet that invested in the streaming video solution Youtube. In Wave II, the trend can be verified with further investments from Alphabet's launching download and streaming music solutions, as well as Amazon, a retail company. Facebook, the social media company, is also developing their solution in the sector after several hires of music executives and celebrating licensing deals with Labels.

Convergence of players in the ecosystem

As exposed in the Incumbents' Trap section, the convergence between Live Events Companies and Labels is happening in both directions. The pace of convergence is distinct for each player, but both sides are making substantial movements in this sense.

The Labels are changing their contracts with musicians to a 360-degree model to acquire a share of their live performances' revenues, investing in ventures with established producers or creating their own festivals.

Live Events Companies are leveraging on the reduced costs of producing recorded material and are recording live albums, as well as investing in new artists' careers, operating as a small label.

The possibility of a more consistent convergence of Streaming services and Labels also exists, as companies are advancing promotional money for artists to produce videos, as

YouTube (Ingham, 2018), and guaranteeing a window of days of exclusivity on album launches, as Apple Music did (Coscarelli, 2017).

360-degree contracts

The comprehensiveness regarding the deals celebrated between Record Companies and artists is changing since the Wave I, as the Labels are negotiating to receive part of revenues from digital formats reproductions, merchandising, and concerts in exchange for the advances given to the musicians for them to produce the songs and promote their work. Before 1999, the companies collected only part of the physical sales revenues, but with the plummeting sales of this format, they started to expand the revenue sources to equalize the money initially invested.

Nowadays, most of the renegotiations with old artists and new negotiations are signing with the Labels with this format of contract, called 360-degree, but depending on the relevance of the artist, some clauses are negotiable.

Social Media Integration

The success of Social Media networks is far from ending in a near future. Several networks are exploring this market and increasing their capacity of alluring more users each year. The movement of Facebook to offer a solution integrated with music is one more step in the integration of social networks solutions with music offerings, as happened before with other networks, like Google+ and MySpace.

Access over Ownership

The technological evolution of the Internet infrastructure that allowed higher transfer rates of music, as well as the creation of the mp3 and other compacted audio file formats, have brought a new perspective to the music field – the possibility of renting instead of buying music.

The changes were gradual during the two waves of innovation. First, the illegal and legal Download services dominated the landscape, offering users the possibility for owning the songs, but with the already mentioned evolution of technology, the improved Streaming services started to attract users with their any music at any time offer.

The habits of consumption are changing, being the main channel of music in diverse countries. In a consolidated view, Streaming is the primary source of revenues for the Recorded Music cluster nowadays (IFPI, 2017b).

Tax Legislation

Changes on the tax legislation are in course in Brazil. The discussions are moving towards a more regulated ecosystem after the law to tax Streaming services started to take effect at the end of 2016 (KPMG, 2017).

The legal environment is slow to provide an environment fully synchronized with the latest technological improvements, but the legislation is continuously changing.

4.3.2 Uncertainties

Power balance

This ecosystem is deeply rooted in agreements and contracts between the parties. In a changing landscape, the power relation between the players are also in debate and can reflect in new forms of settlements, even in areas with a “common practice of x% fee” as the fees historically charged by Associations or the division of the royalties shares between artists and Labels.

Initiatives of prominent musicians, like Taylor Swift and Jay-Z, to question the share of royalties they are receiving from new ventures as streaming services induce the whole ecosystem to debate about the theme and it can lead to distinct outcomes, including legal actions.

Jay-z and other prominent artists created the Streaming service called Tidal in 2015 as a response to the decreasing payments artists are receiving for their work (TIDAL, 2015). This service offers exclusive releases of high-quality music for paying users that are willing to hear their idols.

Taylor Swift has pulled out her catalog from Spotify back in 2014 (Dickey, 2014) for better artists remuneration as well as fighting to improve the perception of the value of music. Two years later she gave up and brought back her music to Spotify (Horan, 2017), with the condition to release her albums under the windowing strategy – making it available only for the paying users of Spotify for a specific period -.

In the legal arena, the evolution is slow but can be verified with the US court decision in 2017 to increase the percentage of mechanical royalties the songwriters receive by 44% (Music Business Worldwide, 2018) in the United States. At the same year, a judicial decision of a Brazilian court granted the right of the Associations to charge royalties for webcasting transmissions (Pedrosa, 2015; STJ - Notícias, 2017).

The superstars are making movements to raise the awareness of the value of music and endeavoring in the business side, creating niche services that grab the attention for their causes or from aficionados for the quality of music. The legal arena is changing slowly with the help of collective Associations, but it is not possible to assure that these changes will last and will benefit a more significant population of artists.

Market Segmentation

As stated earlier, the players are evaluating their roles on the ecosystem not to be caught by offenders or to provide new offerings to their clients. The strategic moves of each company resulted in changes on their influence inside the cluster they actuate, as well as on the entire ecosystem. The boundaries of the ecosystem are also expanding, as newcomers are bringing their capabilities in other fields, as technology companies, to assume a position in the music ecosystem.

These movements may result in segmentation of one or more clusters with several companies are competing and cooperating, or else one or a few companies can lead the development of one cluster and concentrate the offerings on itself.

Several possibilities arise when speculating about the shape of the ecosystem in the future. As more players enter into the ecosystem, more possibilities of management orientation can rise. Back in 2014, Spotify's CEO stated that he was not willing to offer exclusive content for one specific tier of clients, but he changed the idea, and the company started to offer exclusive offers in 2017 - new releases of albums for a specific period only for paying subscribers - (Blistein, 2017). It is uncertain if this will be a standard in the ecosystem or if this strategy will pave the way for a streaming service to be dominant.

Today, there are several strategies in place that could provide a prominent position to the services that applies them wisely. Among the options, we can point out:

- Streaming services segmentation
 - New releases of albums on only one streaming service, as Tidal, for a determined time frame or indefinitely
- Digital Bundle orientation
 - Release of the album only in paid download services for a determined time frame
- Exclusivity rights from one service

- Contract between artists and Service Providers to release their songs only on one service
- Contract between Labels and Service Providers to release their songs to specific artists only on one service

However, several questions take place over the dynamics of the music ecosystem in the future. If the market is segmented, will fans follow one specific musician and migrate platforms? Will clients subscribe to more than one service? If the market is concentrated, how much power of negotiation will the other players have? Will the artists still have less power than today?

Evolution of technology

During the interviews, it was a consensus that technology will play an essential role in the future of the music business, assuming a relevant position during the strategic discussions of the companies.

Streaming companies improving their hardware infrastructure for a seamless experience of the end user, or the development of new software that may create smaller files for faster transfers, are examples of incremental improvements of technologies already in use. However, the players are aware that disruptive technologies can be developed and implemented in the music business by existing or new competitors in the ecosystem.

There are examples of technologies in development that can be explored by the music business. Beginning in 2019, SpaceX will deploy 4,425 small sized satellites primarily to provide high-speed internet access worldwide (Klotz, 2016). A new company that wants to explore the ecosystem can use these satellites to create a global satellite radio service, providing worldwide stations in the mold as SiriusXM does only in the United States – using a platform business model can ensure significant revenues for the company that allure the higher number of users.

One of the interviewees predicts that Blockchain and Artificial Intelligence will be present in the ecosystem soon. These are promising resources that can be implemented by several players in diverse applications.

Blockchain can play a significant role depending on the level of implementation in the ecosystem. If it is applied to organize the ownership of the phonograms and the authorship of the music pieces, creating a public registry of transactions, it will influence and maybe disrupt

the music field, because it can be used to remunerate artists seamless, taking away intermediaries (Brustein, 2015).

Artificial Intelligence (AI) is a versatile tool that can be employed inside final solutions to improve its capabilities, and one of its prominent applications is machine learning, which uses a massive amount of data to refine the results given by a software. Nowadays it is already used in several applications throughout the music ecosystem, as educational tools for students learning how to play an instrument, or recommendation systems in Radio and Streaming Services (Grant, 2017).

Recommendation systems are algorithms that give a competitive advantage to a company. Services like last.fm, Grooveshark, and Pandora uses the code that “learns” how is the musical taste of each user after they use the system for a while. These examples show that AI is already used throughout the ecosystem by many players, but due to its plasticity, there is a vast opportunity to introduce AI in solutions that are not even thought nowadays.

The uncertainties were ranked and checked in function of their internal correlations. The technological development of technologies, be it incremental or disruptive, is on the horizontal axis, and the level of segmentation is on the vertical axis. In sum, the two most likely uncertainties to substantially influence the future were:

- Evolution of technologies (low pace/high pace)
- Market Segmentation (low segmentation/high segmentation)

4.3.3 Scenarios

The scenarios started to be created by combining the two critical uncertainties to form the framework as shown in Figure 9. Following that, it is possible to verify the narratives describing each one of the scenarios in detail. The stakeholders evaluated were the Record Companies, Associations, Musicians, Songwriters, Composers, Producers, Digital Services, Analog Services, Live Events Services, and Government.

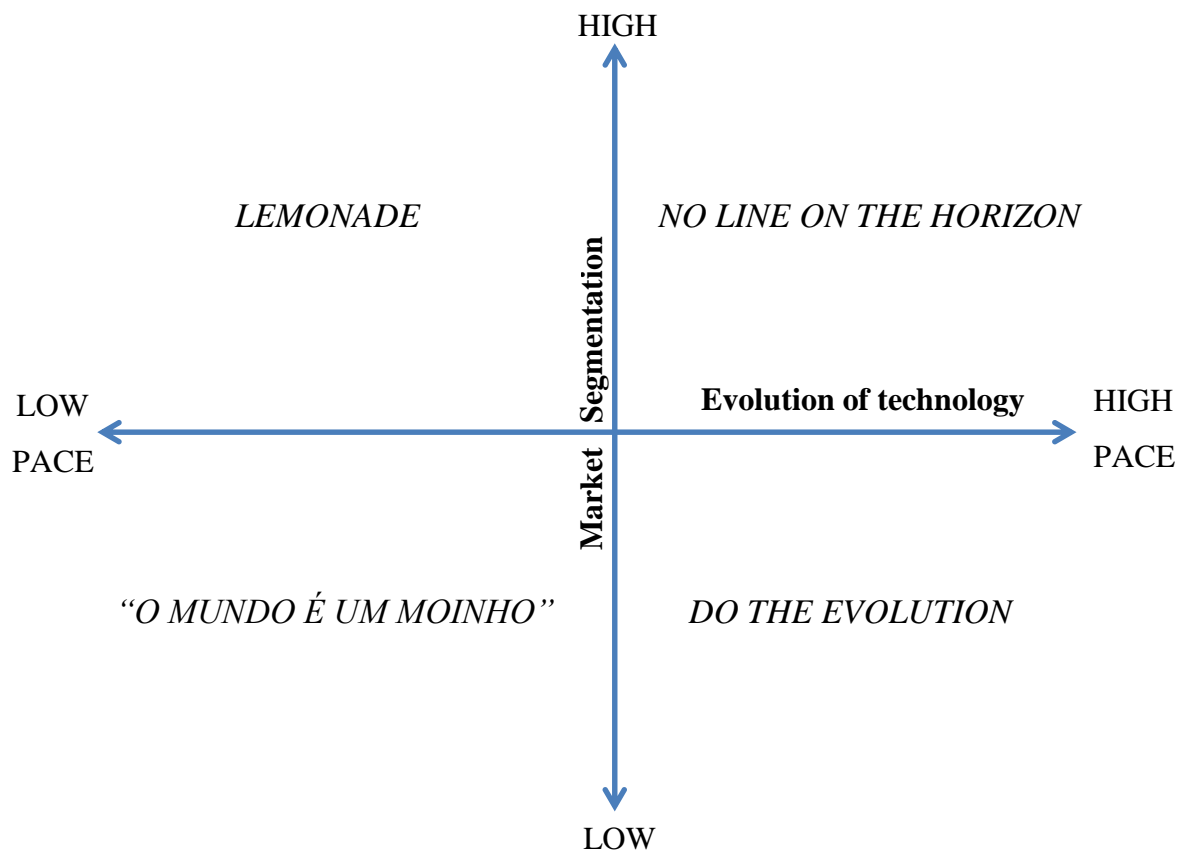


Figure 9 – Scenario Framework (Elaborated by the author)

“O MUNDO É UM MOINHO”

“O MUNDO É UM MOINHO” is a song released in 1976 by the prominent musician Angenor De Oliveira, better known as Cartola. It is a “samba” music that depicts someone advising a loved one about the ruthlessness of the world (probably his daughter) who intends to leave home in the near future.

In our context, the music chosen represents the challenges for artists to deal with a concentrated market context, as they have limited power to negotiate with strong Record and Streaming Companies. Following there is a schematic drawing of the scenario and the explanation:

“O MUNDO É UM MOINHO”

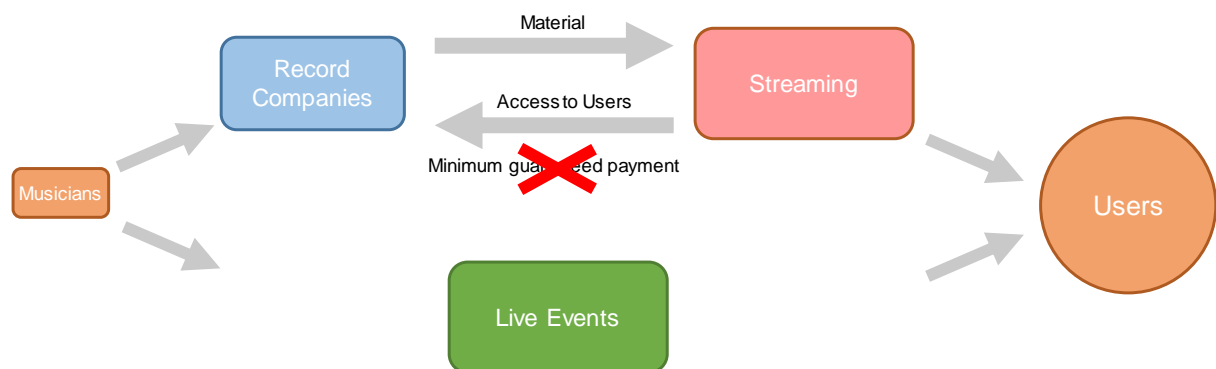


Figure 10 – Schematic for “O MUNDO É UM MOINHO” (Elaborated by the author)

In this scenario, the influence of the few big Record Companies and the Streaming is continuously increasing. The primary factor was the settlement of the streaming business model as the main source of revenue for the Labels, which helped them to recover the lost revenues due to the shifting landscape from the beginning of the century.

There is only one dominant Streaming Company in the ecosystem, as it provided the most customer-centric solution, with the help of massive investments in promotion and the positive network effects.

The fact that one leading service provider was able to attract more users than all other services by far affected the Record Companies in two forms. On one side, the Labels have acquired shares of the company and are receiving dividends and parts of artists’ copyright payments, as well as exerting some influence on the management. On the other side, negotiating the contract terms for the service is toughened ultimately, as both parties have one particular asset that the other need: Record Companies has the copyrighted material, Streaming companies has access to users. Considering the long-term relationship that Labels maintain with Radio Broadcasters, it is reasonable to consider this as a relation that different arrangements will be made for the Labels to have their material in evidence on the service.

Overall, the Record Companies have their power diminished inside the ecosystem in comparison with the Streaming services, as can be depicted in the fact that the non-refundable advanced royalties' payments received every beginning of the year was extinct. It was a minimum guaranteed payment, and thus if the Streaming service did not have enough plays, the Labels did not return the money -.

Live Events companies maintain the relevance and keep capturing value from the ecosystem. These companies are also relevant in their capacity of guaranteeing more income for artists that perform Live, as the market concentration takes out the negotiation power of musicians in front of Record and Streaming companies. Thus, they have not gained yet influence to capture better returns over the other revenue sources.

Even prominent artists, the superstars, have less negotiation power within this landscape of few Labels and only one major Streaming service. The Record Companies met part of the claims for not losing them to competition, but when they were made towards Streaming services, the negotiation was always unfruitful, including their old demand to finish the free tier option from their services. The Streaming services avoid this as it presents a risk for their clients to consider coming back to the pirate services and lack of means to keep attracting new users, among others reasons.

The technological evolution was not expressive in this scenario, and even trials of implementing technologies that already exist were unsuccessful, due to political measures of the dominant players to avoid any implementation that could treat their status.

DO THE EVOLUTION

Do the Evolution is a music piece released by Pearl Jam in 1998 which depicts their negative view of how the humans' evolution has affected the world.

In a free interpretation, it is possible to visualize this music as a portrait of how the humans evolved led by a few organizations that dominated the production modes and thus concentrating power and knowledge of any technology, existent or emergent, developed through time. Following there is a schematic drawing of the scenario and the explanation:

DO THE EVOLUTION

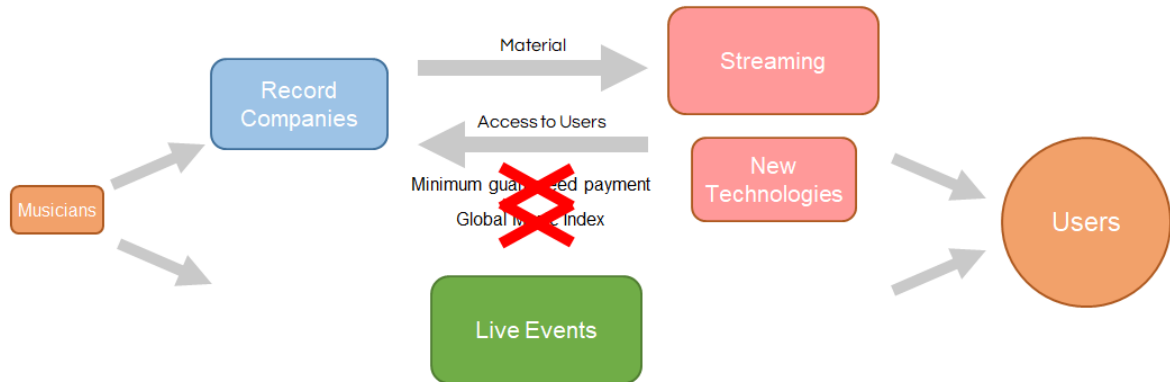


Figure 11 – Schematic for DO THE EVOLUTION (Elaborated by the author)

In this scenario, the primary source of revenues for the recorded music cluster continues to be the Streaming services, dominated by one primary player. Users now have more choices to consume music, as new companies are applying incremental and disruptive technologies to bring more options for consuming music. Thus, the leading Streaming Company is facing more competition but, at the same time, it is not susceptible anymore to Big Labels pressures.

The newborn technologies, pushed by research centers and the R&D departments of big tech companies, were able to co-habit with the established ones and are affecting clusters involved in the delivery of recorded music to the end user: Radio Broadcasters and Webcasters, the last few Download providers, and audio and video Streaming services.

The new solutions built on top of incremental and disruptive technologies have different uses throughout the ecosystem. The power of the worldwide satellite radio is uncontestable and has brought a new channel for discovering music, especially now with the reduced number of streaming providers.

The radio broadcast continues relevant, but among the generations that started consuming music through peer-to-peer from Wave I onwards, the novelty of experiencing a global satellite radio has attracted the curiosity of the early adopters. Nevertheless, this migration did not take away the dominance of the leading Streaming service.

Nevertheless, part of the technologies developed did not gain traction to be explored economically in this ecosystem, as it would diminish the power of the prominent players in the market. For instance, the Global Music Index, a worldwide listing of copyright owners using Blockchain – created to assure a smoothly licensing process and faster payment for artists - was slowly developed and is fragmented throughout the countries. This situation happened due to

the inertia of the Record Companies to participate, intending to maintain the status quo of the market on negotiations rules.

The Artists does not have enough power to negotiate their agenda with other players of the ecosystem, due to the same reasons for the former scenario: the high market concentration of few Record Companies and one leading Streaming service

Live Events Companies continues to be relevant as the bridge between musicians and their public, and a form to monetize the artists as well in a world where Streaming Companies and Labels set the rules.

LEMONADE

Lemonade is a visual album (a blend of music + music videos launched at the same moment) created by the musician Beyoncé in 2016. The name goes after the old saying “If life hands you lemons, make lemonade.” It represented a further step into the business positioning of her streaming service and form of selling her music, a response for her fans about her husband’s infidelity, and the discussion about the experience of being black women in the United States.

In the Lemonade scenario, the market superstars have more power, depicted here by the Beyoncé's album and force in the ecosystem that gave her the power to open a streaming service translating her beliefs of how the remuneration for artists should be. Following there is a schematic drawing of the scenario and the explanation:

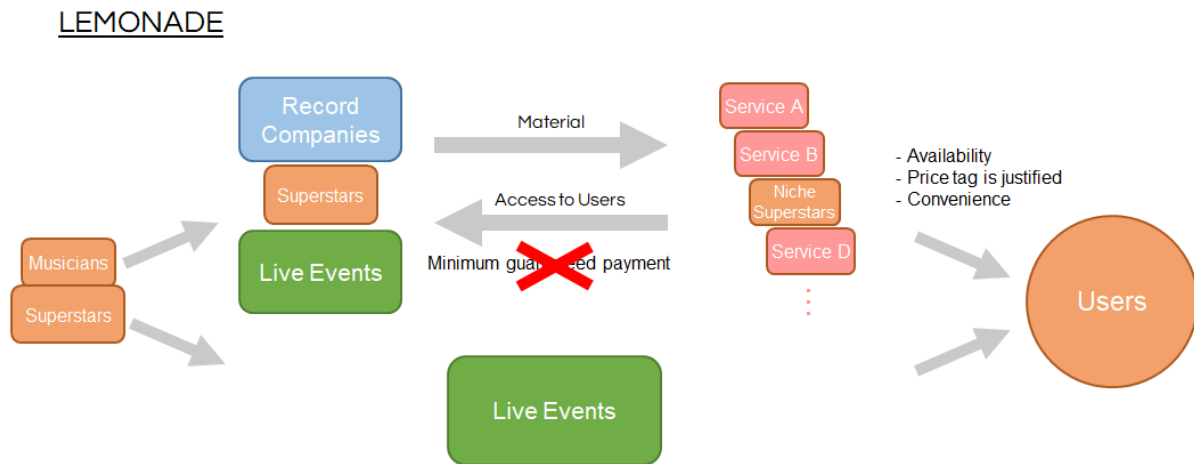


Figure 12 – Schematic for LEMONADE (Elaborated by the author)

At this moment, different services that offer an infinity of deals fulfill the landscape for users to choose from, making it difficult for them to be sure which one to choose, and some are not satisfied because they do not have a service to reach all their favorite artists in only one place.

In general terms, the consumers define which music service to use regarding:

- Restricted availability of their favorite artist to specific service(s),
- the price tag is justified and proportional to the number of titles available,
- the convenience of bundling with other subscriptions. For instance, the level of integration with their most used social tools, or if the e-commerce site they usually do their online shopping offers the service.

Consequently, the majority of the artists have less power in the ecosystem, as the space to display their products is pulverized. It is difficult for them to choose one service and negotiate the terms correctly to differentiate their offerings and push strategies as windowing the launch of a new album. So, they are obligated to sign contracts with different services as they cannot

afford to lose the future sales of new songs by attracting the attention of new potential fans in other services. They also cannot afford to underserve their real fans – and keep renewing it as the superfans may have signed to a specific streaming service because of the band -.

However, a small portion of them, the superstars, have a substantial fan base and can influence the services they are enrolled, which makes the Streaming companies that have this type of artists more susceptible to their claims, in order to retain them as a means of differentiation in the competitive arena.

One of the claims on their agenda they were able to impose was to gradually take the free tier of the streaming out of the scene, making it hard for the end user to find a suitable service in this pulverized market.

The Streaming Companies have made that move in first place alleging that the ecosystem had already surpassed the minimum number of users to maintain itself only with the paid subscription option. However, after verifying that their clients were turning themselves to pirate services as it was a relatively “easier” form of achieving all the music they want, instead of having to pay several different services to access a few songs of each musician, the Free tier option appeared again in several Streaming providers.

Live Events companies maintain the relevance and keep capturing value from the ecosystem. The high number of Streaming providers and the enhanced number of concerts in the last years have ignited the interest of the most prominent promoters to take a further step initiated timidly by Live Nation in 2007. Now it is a rule in the cluster to invest in the field traditionally explored only by Labels, signing up 360-degree contracts with artists and including money advances for recording and promoting their materials.

In this pulverized market, the Record Companies does not have enough money to face the high caliber proposals of the Live Companies, losing relevant artists to the incumbents. This situation once again gives the power of bargaining for high caliber artists, that can observe which player is giving the best conditions for them before choosing one.

The artists that are endeavoring in the business side, creating their own ventures as the creators of Tidal did, have made niche services that grab the attention of whom are attracted for their causes or aficionados for the quality of music. Some providers have made their way to acquire other services and expand their base, but even so, they have not got enough appeal to allure a substantial number of users.

NO LINE ON THE HORIZON

NO LINE ON THE HORIZON is a music piece from the band U2 released in 2009. In the band's drummer The Edge words: "It's an image, Bono tells me. It's like when you're moving forward, but you're not exactly sure what you're heading towards — that moment where the sea and the sky blend into one. It's an image of infinity, I suppose — a kind of Zen image." (Kreps, 2008)

The choice of this music for the scenario is the possible interpretation as a moment when all the possibilities are open for every player in the ecosystem, due to the pulverization of the market and the development of new technologies. Following there is a schematic drawing of the scenario and the explanation:

NO LINE ON THE HORIZON

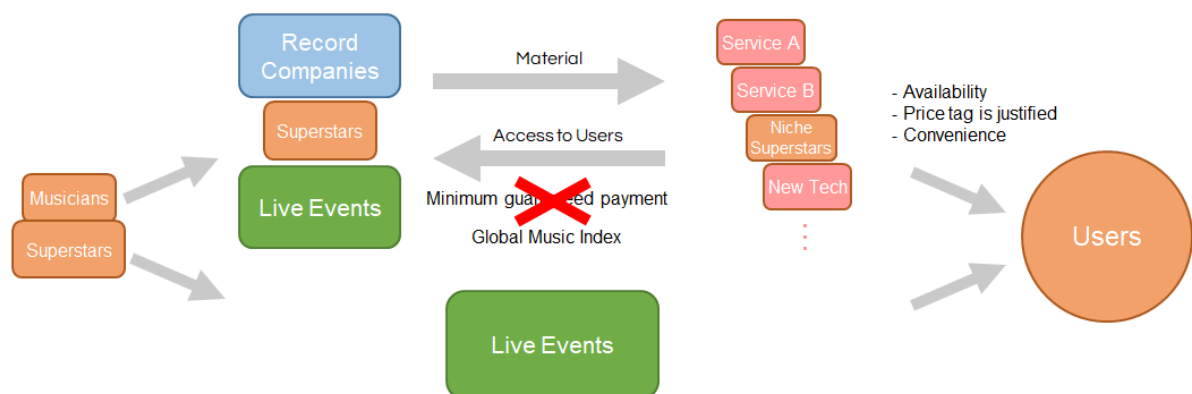


Figure 13 – Schematic for NO LINE ON THE HORIZON (Elaborated by the author)

Each new service launched has the aim to lure the most number of users, but the competition is fierce. With the myriad of offers that the technological advances have brought, it is virtually impossible for the companies to stand from the crowd and explain faster than the competitors the positive factors they are bringing to their prospective users.

At the same time, it is difficult for consumers to choose which service will fulfill their requirements, opening the way for decisions made by indirect approaches, as the convenience of using the same provider of another subscription they already have.

Overall, the plethora of services and products available is relatively favorable for users, because they have different possibilities of finding a service provider that will meet their expectations. Be it a radio channel or a streaming service, these companies will focus on

differentiating from the competitors to meet determined user types - which considers, among others, ethnographic, demographic, and consumption habits factors –. So, using the knowledge achieved by collecting or buying users' habits data, the providers can provide a better service for their target clients.

Different from the scenario DO THE EVOLUTION, here the artists have more freedom to negotiate with the Streaming services, because of the market decentralization. However, only the prominent artists will have a relative power in the ecosystem, because of their capacity to attract new users for a service provider that is focusing on a specific user segment.

The considerable number of different companies makes it difficult for the Labels to invest in every endeavor that appears on the scene, forcing them to make a bet in which enterprise they think will evolve to a big outlet. This situation happened in the past as well, but now the landscape has more competitors in both traditional and innovative solutions.

The Labels have lost part of their influence over other players, but the situation is different from the beginning of the century because the terms for each new service can be diligently negotiated, after all, they still have the raw material needed by the services to work.

Nowadays already existing and new technologies have evolved and business was absorbed them into their operations, as the Music Recommendation systems that facilitate the experience of the end user, the Global Music Index created with Blockchain used to provide seamless payment flow to content all over the world, the new uses of Artificial Intelligence embedded in the service providers' systems, the optimized algorithms used in transmitting music over the Internet, and increased speed of Internet connection available worldwide, among others.

One of these technologies is the global satellite radio that offers a subscription service featuring an infinite number of channels with less advertising as compared with terrestrial broadcast radio.

As always happened with the companies exploring Live Events, the tech evolution has been beneficial for them, used as an input for delivering better experiences for the public. Live Concerts continue relevant even in this multifaceted world where the end users have infinite manners of consuming music in their lives. Maybe it happens because the experience of attending a Led Zeppelin live concert will always be unbeatable...

4.3.4 Early warning signals

Following there is a list of movements of the ecosystem that can help the players to analyze which scenario will happen in the next 10 years. It is necessary to revisit these points continuously to evaluate which ones will leverage the actual scenario in the future.

- Technological companies are deploying their music services in the ecosystem, like Amazon, with the Amazon Music, and Google, with Youtube and the Streaming service Remix to be launched on March 2018 (Shaw, 2017).
- New startups are entering the market to compete in the digital field.
- SpaceX announced new fleet of satellites to be deployed (Klotz, 2016).
- Royalties compensations have increased in 2017 for US songwriters (Music Business Worldwide, 2018).
- More artists use windowing and tiered strategies for deploying new albums.

5 CONCLUSIONS

The relations between the players who provide the connections between the creators of music and their public have changed substantially since the beginning of this century. The popularization of the internet and other technologies made the music flow through other ways, and new intermediaries came into the scene, proposing new business models – or, in some cases, proposing the total disruption of the music business -.

During the literature review, it was verified a lack of studies about the strategy of music business using an ecosystem approach in Brazil. On top of that, a comprehensive analysis of how the players dealt with changes occurred in the last years, using frameworks such as ecosystem (Iansiti & Levien, 2004) and platform based networks (Eisenmann, 2006) were missing.

The aim to fulfill the research gap proposed in this study was achieved by performing a qualitative study using the points identified in the literature review to create the basis of the open-ended interview questionnaire. Analyzing the responses from the field along with secondary data it was possible to draw the ecosystem to evaluate the myriad of business models that took place in the music business and the new strategies used by incumbents and newcomers.

Then, it was discussed which actions the incumbents took with the emergence of the new technologies at the end of the 1990's using the incumbents' trap framework. The exploratory nature of this study created the conditions not only to verify the categories that already exist in the literature but also to extract a few strategic remarks from the interviews, contributing to picture better the moment from the Record Companies' perspective. Namely "Influencing instead of Making" (about the Labels choice not to develop internal capabilities, but settle profitable contracts with 3rd party service providers, as Streaming companies), "Plasticity of the players" (discussion about the companies' movements to internally create new capabilities), "Envelopment Possibility" (about the risk of the Record Companies to be acquired by other player), and "Consumers' Behavior Change" (a remark about the need to be aware on the changes of consumers' habits with the introduction of new technologies).

After that, the possible scenarios that may take place in the music ecosystem were drawn, bringing to the discussion what would be the relations between the players in the future according to the main driving forces identified in the ecosystem. The two main uncertainties identified were the evolution of technologies (what will be the pace of evolution of existing and

new technologies?) and Market Segmentation (What will be the shape of the ecosystem regarding segmentation?).

5.1 Theoretical Implications

This study contributes to the academic research by providing an overview of the music ecosystem in Brazil, describing the relations between its actors and analyzing the impacts of the deployment of new technologies on its players.

These results are presented using a bird's eye view of the players of the system. In this sense, it contributes to build some insights about how the ecosystem evolved during the first years of this century and what would be its state in the future. On top of that, the study went into detail on one specific cluster, the Record Companies, analyzing the behavior of these players as incumbents of the system.

Such investigation represents an advance in the field due to the limited number of studies on the topic, mainly because it aligns the investigation of the music business in Brazil with a strategic approach that uses the ecosystem model.

Howsoever, an exploratory study focuses only on specific cases to understand a phenomenon. Thus the results may not be extended to other players and ecosystems. Another limitation resides on the focus of the investigation only on the Brazilian environment. As a final remark, the interviews were interpreted by only one researcher, then the findings may be biased as it can be contaminated with his experiences and beliefs.

Future research is necessary to build a more comprehensive panorama of the music field. The proposed ecosystem along with the four possible future scenarios creates a base of new discussions using other methods to validate or enhance the results on a bigger scale.

It is possible to depict some points to be validated or refuted, as undergoing a more in-depth analysis within each cluster, and further, each player of the ecosystem, as well as extending the analysis of the Strategic Remarks proposed in a broader and measurable study.

Overall, it is essential for researchers in innovation to build knowledge about the strategies of Brazilian businesses that are on the verge of one of the last disruptive innovations.

5.2 Managerial Implications

The primary goal of the study was to build knowledge and incite new thoughts that can be used inside the strategic discussions of all the players of the ecosystem because it offers a composed view of the music landscape in Brazil and the relations between the players.

For incumbents, the points discussed provide insights to evaluate how to design the best strategies for dealing with the emergence of new technologies, as well as with the new businesses that can derive from their evolution. The awareness is created analyzing the movements made by these companies in the past.

There are particular points in this study for the Record Companies, which has consistently been late in taking action over new technological developments. Even when competitors, incumbents or newcomers, already started to build their solutions, these players consistently chose a passive position. Such behavior was verified during the Wave I and Wave II, and it may persist if the managers do not make changes to internal procedures and management orientation towards innovation.

For newcomers, the study provides a practical presentation of the changes undergone in the ecosystem during these last waves of innovation. It is possible for them to consider what were the actions took by the participants of the ecosystem, independently of their roles as incumbents or other newcomers, to structure the strategy that can mitigate the risks of thriving in this competitive field.

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APPENDIX A

INTERVIEW QUESTIONS (IN PORTUGUESE)

- 1) Fale um pouco sobre você. / Qual sua relação com o mercado da música? Desde quando?
- 2) Quais os grandes marcos de transformação na indústria?
Explorar internet, digitalização, modelos de negócio, hubs, pirataria
- 3) Quais os principais complementares do seu negócio hoje? E concorrentes?
Explorar mudanças nos papéis dos atores radiccionais, novos atores no ecossistema, plataformas, dinâmicas de competição, publicidade, mídias
- 4) Qual a sua visão do mercado da música atualmente?
Explorar: Tamanho do Mercado, Tipos de modelo de negócio existentes
- 5) Quais as formas de comercialização de música que na sua opinião irão perdurar nos próximos anos?
Explorar: streaming, digital downloads, recorded music, live events
- 6) Quais os maiores desafios que a sua empresa enfrenta hoje?
- 7) Quais as grandes tendências e incertezas para o setor em 10 anos?
- 8) Como a sua empresa está se preparando para este futuro?
Explorar: Mudanças acontecendo na estratégia, Novos produtos / serviços, métricas
Alianças estratégicas com outros players do ecossistema, fatos
- 9) Num cenário hipotético, o que você mudaria na sua empresa?
- 10) Se você tivesse com recursos disponíveis, que tipo de negócio você abriria no setor?

APPENDIX B

TRANSLATION OF THE INTERVIEWS

Inter viewee	Portuguese	English
6	<i>“...no mercado do entretenimento ao vivo há (...) muita novidade tecnológica como os LEDs em termos de iluminação, a sonorização (..) Antigamente não tinha microfone sem fio, agora onde está o microfone do músico? Hoje o monitor que é aquela caixa que você bota no palco, hoje em dia muitos artistas não usam aquilo, usam um monitor de ouvido...”</i>	<i>“...in the live entertainment market, there is (...) much technological innovation as the LEDs regarding lighting, the sonorization (...) Formerly there was no wireless microphone, now where is the microphone of the artist? Today the monitor, the box that you put on the stage, many artists do not use that; they use an ear monitor...”</i>
1	<i>Quando eu ia na rua procurar artistas há 20 anos atrás, hoje em dia quem está na rua chega mais rápido. Já chega pra mim com ônibus, o cara já gravou um DVD por conta dele, já chega aqui para negociar o artista novo que já está tendo alguma expressão em Goiás, Mato Grosso, Pernambuco ou onde for. De alguma forma também são meus concorrentes, mas somos parceiros também porque são empresários de meus artistas. Existe uma relação dupla como concorrentes e parceiros”</i>	<i>“...nowadays those (artists) who are on the street arrive faster. The guy already arrives with a bus and a recorded DVD on his behalf. (The manager) Arrives here to negotiate the new artist who is already having some expression in Goiás, Mato Grosso, Pernambuco or wherever. Somehow they are also my competitors, but we are also partners because they are entrepreneurs of my artists. It is a complex relationship as competitors and partners.”</i>
2	<i>“...a indústria da música tem que se adaptar, e está se adaptando, ao Big Data. Ter relatórios, fazer análises em cima das informações e gerar valor em cima desta informação é muito importante. Esta é uma realidade em que a indústria da música e as grandes gravadoras tem que melhorar...”</i>	<i>“...the music industry has to adapt and is adapting itself, to Big Data. To create reports, to analyze information and to generate value from the information available is very important. This is a reality in which the music industry and the major record companies have to improve...”</i>
5	<i>“...o Youtube ganhou tanta importância também porque antes os clipes não geravam receita alguma para a indústria musical, era um custo: você fazia o videoclipe para se promover e mandava de graça para a televisão e a TV não pagava nada (para você). (Ela) pagava o Ecad no Brasil, então o autor e compositor iam receber”</i>	<i>“...YouTube had gained so much importance also because before the clips did not generate any revenue for the music industry, it was a cost: you used to shot the video to promote yourself and sent free of charge for the television, and the TV did not pay anything (to you). (It) paid ECAD in Brazil, so the author and composer received.”</i>

Inter viewee	Portuguese	English
4	<i>“...só que não se percebia a possibilidade dessa receita. E obviamente que a receita era em cima da venda da música, CD, DVD, vinil antes do digital (...) O digital gera uma renda muito baixa; o vinil nem se fala; CD e DVD ladeira abaixo. Teve que abrir a cabeça pra se reinventar, como uma loja que revela fotos, como o taxi, como qualquer ramo tem que se reinventar pra sobreviver.”</i>	<i>“...the possibility of this income line was not being perceived. Moreover, obviously the focus was on the revenue coming from the sale of music, CD, DVD, vinyl before digital (...) The digital provides a meager income; the vinyl is even lower; CD and DVD are down the hill. (The companies) had to open its head to reinvent itself, like a store that reveals photos, like the taxi, like any branch has to reinvent itself to survive”</i>
8	<i>“...o Spotify, por exemplo, paga 0,007 centavos de dólar por play que vão para o artista, pra editora, enfim...para o dono daquela música ali; é um valor muito baixo e isso está sendo discutido. Só que no Youtube esse valor é 0,001 centavo de dólar para cada play. (...) Cada país deve tomar as suas ações legais referentes ao Youtube para que a remuneração seja mais justa.”</i>	<i>“... Spotify, for instance, pays US\$ 0.007 per play that goes to the artist, to the publisher...to the owners of that song; it is a shallow value, and this is being discussed. However, in YouTube’s case, this value is US\$ 0.001 for each play. (...) Each country must take its legal actions regarding Youtube so that the remuneration could be fairer. ”</i>
1	<i>“Não. Nós não desenvolvemos nada. Nós temos conteúdo. O que a gente desenvolve são artistas e músicas.”</i>	<i>“No. We do not develop anything. We have content. What we develop are artists and songs.”</i>
4	<i>“...(A gravadora) é muito focada no business gravadora, obviamente se reinventando para continuar com renda.”</i>	<i>“...(The Label) is very focused on the core business of a record company, obviously reinventing itself to continue generating revenues.”</i>
2	<i>“...temos alguns exemplos de artistas grandes que tentaram deixar a gravadora de lado para fazer a gestão de sua carreira e não conseguiram, então as gravadoras tem um papel e sabem fazer seu trabalho muito bem.”</i>	<i>“...we have examples of some well-known artists who have tried to leave the label aside to make the management of their career and have not succeeded, so the record companies have a role, and they know how to do their job very well.”</i>
5	<i>“...o negócio está começando a ficar mais 360o, o negócio não é mais um explora o disco, o outro explora o show, os atores estão começando a explorar o artista: como marca, como show, como música gravada, como tudo. Se isso acontecer e se isso virar uma tendência real, daqui 10 anos a Live Nation está competindo diretamente com as gravadoras e as gravadoras competindo com a Live Nation.”</i>	<i>“...the business is starting to be fully 360-degree, the business is no longer one explores the album, the other explores the show, the actors are beginning to explore the artist: as a brand, as concert makers, as recorded music, as everything. If that happens and if that turns out to be a real trend, in 10 years from now Live Nation will be competing directly with record labels, and the record labels will be competing with Live Nation.”</i>

Inter viewee	Portuguese	English
2	<i>“...A Apple Music lançou sozinha um álbum do Chance The Rapper (...) A Spotify lançou no Brasil um material do Sabotage”</i>	<i>“...Apple Music released on its own an album of Chance The Rapper (...) Spotify released material of Sabotage in Brazil.”</i>
5	<i>“...agora a Amazon está querendo entrar, o Facebook parece que está se movimentando pra entrar, não sei em qual formato, duvido que seja assinatura, vai ser alguma coisa pra concorrer com Youtube...”</i>	<i>“...now Amazon wants to enter, Facebook seems to be preparing itself to enter, I do not know in which format, I doubt it will be a subscription service, it is going to be something to compete with Youtube...”</i>
3	<i>“...com a redução do físico de mais de 70%, a gente percebe a mudança clara do perfil de consumo de posse para um perfil de consumo de uso.”</i>	<i>“...with the reduction of the physical (sales) in more than 70%, we perceive a clear profile change from the consumption for possession to consumption for use. ”</i>
1	<i>“Não, aconteceu com a crise, da gente olhar e falar "mas eu invisto horrores com esse artista e só vem de disco? E disco descendo a ladeira", para eu continuar investindo eu tenho que ter um retorno e aí começaram-se a achar formatos diferentes, contratos 360”</i>	<i>“No, it happened with the crisis, we have stopped and thought: " but I invest heavily in this artist and (the revenues) comes only from discs? And discs (revenues) going down the slope ", to continue investing, I need returns, and then started to create (different) formats, 360-degree contracts.”</i>