UNIVERSITAT JAUME I

Facultat de Ciències Jurídiques i Econòmiques · FCJE

THE COMPETITIVENESS BETWEEN RECORD LABELS "MAJORS & INDIES"

Author: Lluis Pitarch Ripollés

Tutor: Carla María Martínez Martínez

GRADO EN ADMINISTRACIÓN Y DIRECCIÓN DE EMPRESAS

AE1049 – TRABAJO DE FIN DE GRADO

CURSO 2018-2019

INDEX

A. GRAPHIC TABLE

1. INTRODUCTION

The following research work is based in the study of the competitiveness of record labels inside the recording music industry, starting with a theoretical framework to analyse the theoretical and historical point of view for the sector of musical recording industry, analysing the beginnings of the business model and the adaptation to the changes occurred trough time, and the research work it's completed with a comparative analysis of four very different firms, and a conclusions to identify which is the future of the industry and how a record label can improve his performance in the market. The case of study it's also related to the student, the last analysed company is the company that he completes his curricular practices and the firm decided to offer a contract to keep him to the company, therefore the research work have also a put in practice finality, studding which practices from the leaders of the industry can be developed in the firm and trying to redefine a good strategy to compete properly with the rest of the competitors.

2. THEORETICAL FRAMEWORK

2.1 The musical industry

2.1.1 The creation of a musical Industry

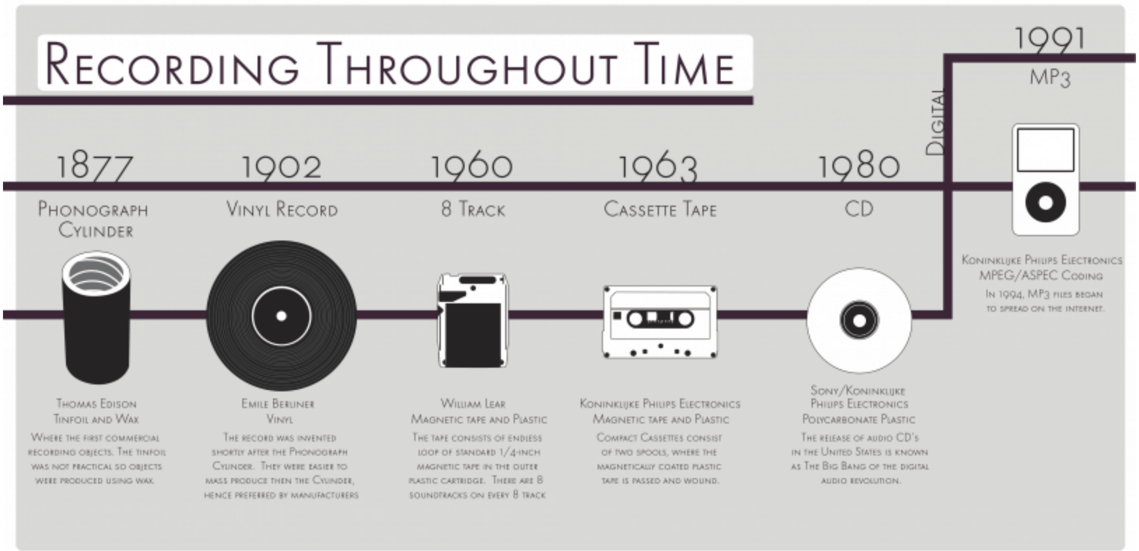
2.1.1.1 Music record label

The history of the record music industry and the evolution of technology have always gone hand in hand, the really first method to record sounds and music to reproduce was the Phonograph Cylinder, nowadays still being people that refers to the “music industry” like the “phonographic Industry”.

Like Alex Cosper (Cosper, 2006) describe on his blog History of Record Labels and the Music Industry: Thomas Edison invent of the Phonograph Cylinder in 1877, the invent consist to capturing sounds by a horn that goes to a diaphragm that move a needle and cuts a cylinder of tin foil, after this the sound can be reproduced by the same machine.
In 1886 the quality of audio was improved by the creation of wax-covered cardboard cylinders, after this in 1887 Emile Berliner creates a new invention similar to Edison’s bus based in Record Discs, through the years there was a battle between Edison’s and Berliner Company’s until appeared a new company called Columbia and Victor’s company that buy the Berliner company and the final name was Victor’s Talking Machine company in 1901, Edison go out of the music Bussines and concentrates in his new company called General Electric, so Columbia & Victor’s was being the biggest music records in the first years, In 1894 appears Billboard Adverting as entertainment trade magazine and elaborated monthly lists of music song’s

Nowadays the consumption of music is totally different like the descripted previously, the concept of Record Label is also different of the 1890 years, but record labels still being an essential figure of the musical industry.

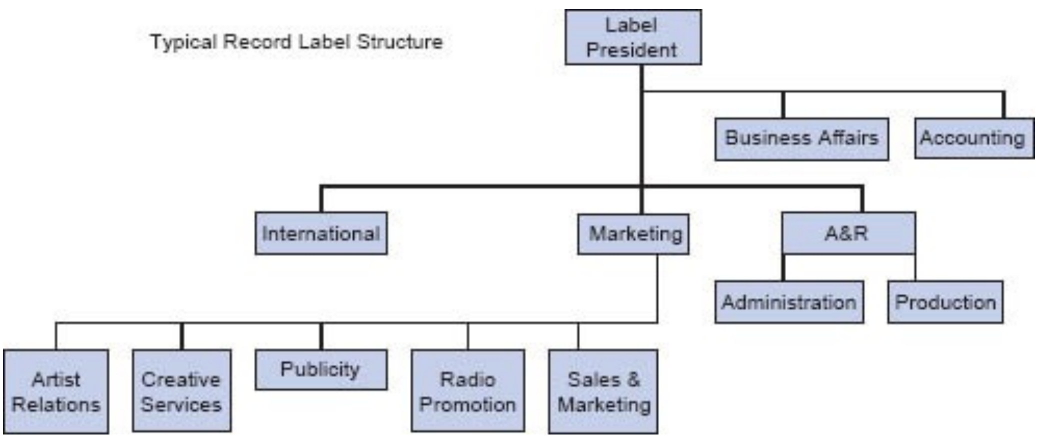
Graphic 1: Recording technology



Font: José Luis López from promocionmusical.es

The traditional description of record label is: Company that his activity is based in recording commercialise and distribute music, the Record Labels assume also a lot of functions as: Looking for new artists, produce music with artists, promote and invest in artists and bands, make and record promo material, produce and monitoring live music and concerts, promote in the entertainment media (radio, TV, Internet…) and many more functions. A record label have always diferent departments in order to the size of the company, in a small firm, the departments are combined or outsourced. Like (Scarpulla, 2002) appoints in his web page we can talk about the most habitual departments that you can find inside a Major (that's how are called the big size companies) record label

Graphic 2: Record organizational structure



Source: Tom Hutchison & Paul Allen (2009) "Record Label Marketing"

- **Business affairs:** This department takes care off legal issues derivate from the music business activity, that's a really important thing in Record Labels, the lawyers negotiate the best in the labels interest, they want to protect his from the risk ins a contract with an artist and maximize the return. The contracts with artists are one of the most important things in a label, the negotiation can be extended during months, as (Macy, Hutchison, & Allen, 2015) explain hi their book "Record label Marketing" the lawyers from the department usually negotiate other agreements: "(License of the recordings and samples to third party use, rights from the album art, point person when an artist asks for an accounting or audit of royalties, renegotiates artist contracts, contractual disputes such as delivery issues Conflicts with contract such as being a guest artist on a project for another label, vendor contracts and relations)". After a deal with an artist a label usually gives an advance to start investing in the artist's career, labels act as a investor who invest in a promising business company but in this case the company are musical artists that stand out and will be the next star, and will give back a enormous amount of returns.

Graphic 3: Typical investment by a major record company in a newly signed artist

Typical investment by a major record company in a newly signed artist

Advance	US$50,000-350,000
Recording	US$150,000-500,000
Video production	US$50,000-300,000
Tour Support	US$50,000-150,000
Marketing and Promotion	US$200,000-700,000
Total	US$500,000-2,000,000

Font: IFPI member record companies

- **Artist & Repertoire:** Usually abbreviated as A&R is the attendant "to direct the long and complicated creative process with the artist: choosing a producer, finding the right studio, deciding which songs you'll record, finishing the record with an engineer, sequencing the record, and then mastering it," according to (Scarpulla, 2002), The A&R department is the essence of the record label, they have in his hand the opportunity to find the next superstar or simply waste money in a failure artist, the record labels manage the risk of his releases according to the confidence with the artists and the level of the known of the artist by the market, there are a lot of risk in release a new album from an unknown artist but the record can obtain a big return if the album becomes super sold, against this example we have a famous artist to release in a record label, we know that his upcoming album will be sold good usually but the cost of publish the album and the conditions of the return will be less profitable than in the case of the unknown artist. Record Labels and the A&R usually work with a professional called producer, the producers are professionals that know the music market and usually have a lot of experience with music recording process, sometimes they are musicians or artists like Kayne West producer also from other artists like: Ludacris, Alicia Keys or Jay-Z, sometimes mixing engineers or only people with good taste of music that knows how to get the best of the artist for the actual market, the producer can be only a director or the songwriter, orchestrator, engineer, vocal arranger, choreographer, art director…

- **Artist Development/relations:** This department is called also the product development department or product managers, the function of the employees is bee the product manager of the artist inside the label, the artist product manager is sometimes in charge of the creative works and imaging, tour support, they develop a strong and personal relations with the artists and his managers, they take artists needs and communicate with the label trying to satisfy both parts.
- **Creative Services:** They can be a independent department inside in a record label instead the size of the company or the necessity of this type of services, if they didn't exists the functions of these usually are assumed by "Artists development department" or "A&R". The creative people are specialists in design, photo, video and other creative things, and they are the responsible to design the image if the artists in the music market, they work hand by hand with the marketing department to take a cohesive strategy.
- **Publicity:** This department function is to obtain and control artist media exposure, this implies: Interviews, reviews, articles, biography, etc. They have to define the message that the artist have to give to the market and fans, crate a Press Kit for each artist and coordinate with the artist the apparitions on the media press.
- **Radio Promotion:** There was one of the most important departments in the past, nonetheless still being useful to Record Labels to secure the apparition of his releases in Radio media, The main labour of the department is have relation with the radio stations, introduce the new music and secure that the radio is playing the music, sometimes this work is made via mail or phone and others like in old school via visits to the radio station and with this you can make a strongest relation with radio responsible.

- **Sales & Marketing:** The sales and marketing department is in charge to sell the music to the final clients & retailers, if the rest of the departments and the artists work properly the music will be sold easily. Usually this department work together with another company called distributor, this distributor will dispense the music to a net of retailers, directly to the final client or to online store portals. The distributor can be a different company or can be integrated in the record label; distributors and the department of sales and marketing usually work in the same direction and plan marketing strategies to the distribution of new releases.
- **New Media:** This department was created by the years in record labels and nowadays is one of the most important, today the work in Social Networks & Web Pages is crucial to release new music with success, this department work with the others to push the impact of the artist in new media sources.

2.1.1.2 Author Licences & Copyrights

Copyright concept was introduced in the XVI century with the royal privileges and letter patents, this stage is called proto-copyright, and the first legislation about it is in 1710 with the Queen Ana, that was looking for regulate the existent problems of copy and selling with the literary works. As (Frith & Marshall, 2004) explained in their article "Music & Copyright" the Copyright deny the use freely to third parties, this inadequate use was condemned since the 18th century like "Piracy". The Copyright tries to maintain the right of copy and distribution to the author of cultural content, and prevent the unauthorised copy by the stipulation of economic penalties, to protect the author's original's right.

The musical industry was grounded in the rights of intellectual property; the record label's business is based in the payment by the copy of a Song, there was a different types of licence the music but firs we have to distinguee what's the music composition of a song and what's the sound recording or "master" there are different parts from a musical work respect licences and also there are two independent right properties or licenses. Artists can license his musical pieces by his own or work with a companies called Publishing Companies that license the songs and be at charge of the process of get the license, obtain the royalties, accounting, etc.

Usually artists works with Publishing companies because they have some resources that an individual artist didn't have access and because this requires a full work to do. The licences types are:

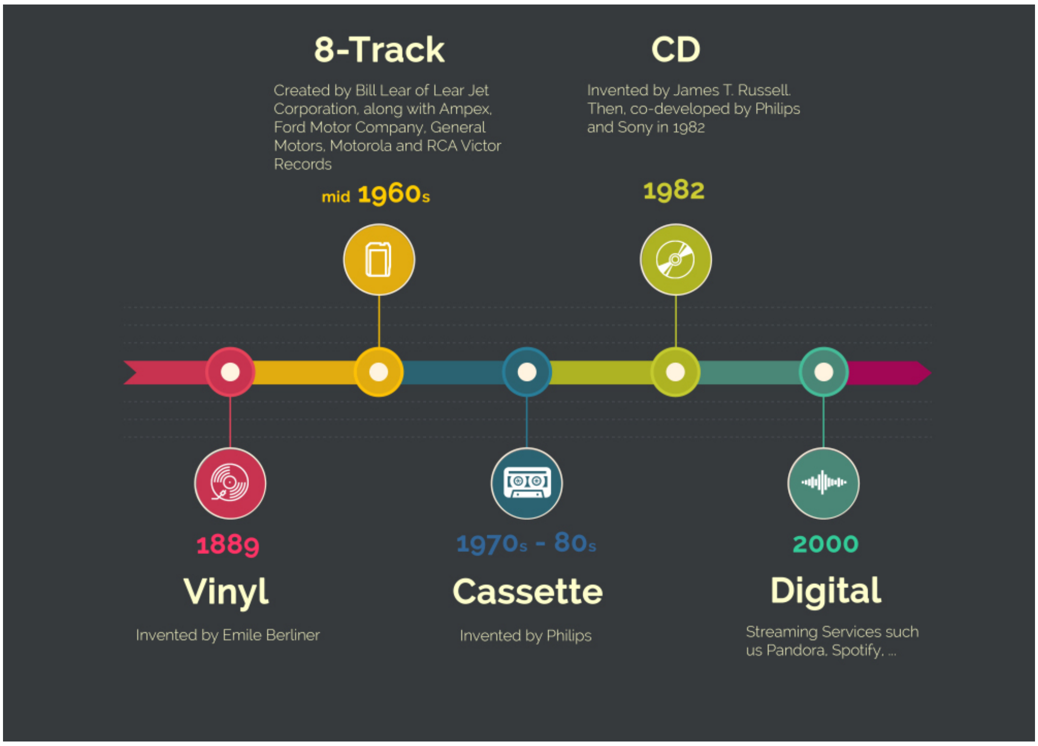
- Mechanical License: This is the basic license given by the artist to a record label in order to distribute the song, this license is from the master record, this license allows to the record to make copies and distribute in the market by a signed previously economic deal from each copy, called royalty, that is rewarded for the artist this amount is usually between 0,09€ to 0,20€ per song, in order to the power of the artist in the negotiations, and the law existent in each country.

- Performance License: This license is necessary to play or perform music in live, clubs, commerce places, this is used that the artist is member from an organization like in Spain SGAE (General Society of Authors) that is in charge to collect the royalties from this and distribute to the artists.
- Synchronization License: Those are the licenses that allow using the song in in third parties multimedia works, like movies, television, commercials and many more.
- Print license: This license is necessary to print the lyrics of a composition, and use this lyrics for another use, the royalties in this case are negotiated individually in each case.

2.1.2. Technological improvement and the adaptation of the industry

2.1.2.1 The evolution of music supports.

Graphic 4: Evolution of music supports



Font: Carolina Vazquez (2017), blog.bayanaudio.com

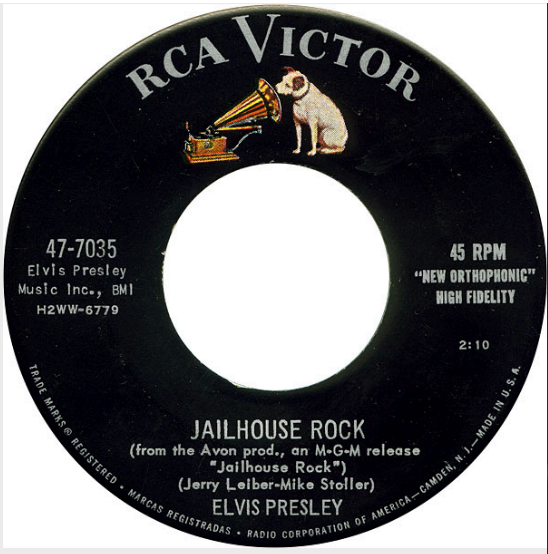
This timeline from Carolina Vazquez published in his blog, resumes perfectly the main music formats that are used trough the years, I previously talk about the first steps of the music recording technology with the phonographic cylinder and the first vinyl invented by E. Beriliner.

The point now is focused in how the industry grow up to be one of the most powerful industries in EEUU and the rest of the world, the record labels are one of the fundamental piece of this industry and they make a lot of money in the golden era of music industry. Technological improvements are affecting the musical industry from always, the vinyl was the format that allows the development of the music industry and the big profits in the industry and the start of digital formats after 2000's become the piracy and highly amount of loss for the music industry that can't be easily able to respond to this tendency, now we are looking that records labels have to adapt to the market new tendencies and find a competitive and sustainable advantage that can be sustained in time. The future is really unknown and the industry is very competitive.

In music always divide the time in decades, starting in 1940 these are the starting point of the music industry as we known nowadays, this years vinyl was the common format for music and people became to have own record players in his individual house, this years the most big record corporations are Decca Records, RCA and Columbia, at the end of the decade, Les Paul, one of the most influent person in music industry introduces the multi track recording. Multi-Track allows recording a song with the individual components performing individually, this also implies a giant improving in the recording quality and the possibility of using sound effects in recordings as: delay or phaser. As (Smith, 2012) write in his article "A Brief History of The Music Industry" in the web page "Music Think Tank" (2012) "Record labels, who brought together the composers from the publishing industry and the musicians from the live industry and created a vinyl for the recording industry, would employ people to find the upcoming talent: to put the right musician with the right song in the right studio with the right producer or sound engineer and to release the record at the right time. These people became known as Artist & Repertoire Representatives (or A&R reps)" this was the beginning of the A&R paper.

Before this start of the Industry beginnings becomes the consolidation of an industry. In technological context, Les Paul developed the first commercial electric guitar and the first polyphonic synthesizers appeared thanks to the development of the morse code due to the war, also the famous 8-Tracks was developed in the mid of the 60's. This years appeared the first superstars, icons of the music that we still playing nowadays, there was the years of Elvis Presley, Cliff Richards and The Beatles. First Elvis Presley becomes the first international musician to achieve this size; the Hits from him become best sellers and Elvis was the first artist that works in promotion of live performances achieving a dimension never seen before. Cliff Richards become a similar development in UK, and The Beatles, probably the most famous band in the history of music become the first "super" band and must mark out the way forward to successful business model, all of this together with the emerge of firms like CBS, RCA, Polygram or Warner Communications allows to consolidate an industry, this firms become giants by the absorption of little companies taking profit of large economies of scale and a vertical integration.

Graphic 5: Elvis - Jail House Rock



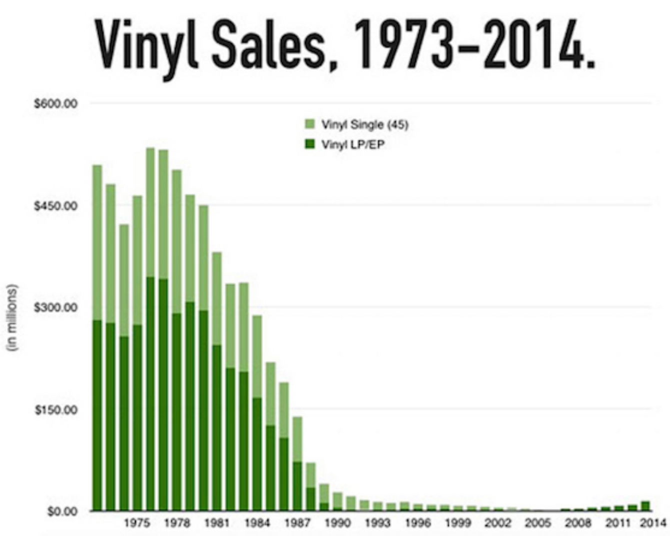
Font www.45cat.com

Graphic 6: The Beatles - Please Please

Font: beatlesite.blogspot.com/

Following with the image "Music formats trough time" the "Cassette" introduced by Philips was the next successful invention this becomes popular during 70's and 80's with the stereo tape decks and the introduction of the "Walkman" by the hand of Sony, that supposes the first portable music player, this years also appears the first way to record digitally the music that allows to make cheaper the recording process, this implied a fall in prices of the music and the consumers respond positively increasing the consume of music per person, in 1981 with a lot of Disco & Rock & Roll and new music époque coming, was founded the MTV (Music Television Network) immediately gains a amazing popularity and record labels become to use it as a way to promote his releases, without anyone's knowledge the 80's where the last years of a glorious music Industry day's, the sales of analogue physical format reaches amazing values, and the record label's become a really big corporations establishing also a lifestyle and the owners and directors coexist with the "fat-cats" of Wall Street.

Graph 7: Vinyl Sales From 193 - 2014



Font: www.darko.audio

In the 90's appeared the Compact Disc or simply "CD", this was the killer of the Vinyl format and the Cassette Tape, as Theo Smith highlight in "A brief of music history" (2012) available in his Web musicthinkthank.com: "A new concept known as the internet, designed as a Cold-War failsafe for national government communication became publicly available in 1990 when Tim Berners-Lee invented the WorldWideWeb web browser. Commercial use was not allowed until 1995 when Amazon and eBay were established. As the internet had been restricted commercially for 5 years" That supposes a final of an era, the selling's of CD's become massive in the 90's and the industry respond's as fast as they can but in only two years the CD achieve to sold 7$ Billion value copies, the consumers change fast his behaviour and the industry still changing his production chain.

2.1.2.2. Piracy and how we stopped to pay for music

The title of the chapter is reference to the book of (Witt, 2016). How Music Got Free: The End of an Industry, the Turn of the Century, and the Patient Zero of Piracy, Stephen Witt's book talks about the evolution of the music industry becoming in the 90's, we took this point from the consolidation of the CD as the King of the physical audio format, the internet opening in 1995 as we talk before and the introduction of the MPEG-1 and MP3 changed everything, MP3 was and still being the most used audio digital format to commercial use, the digital format allows to users to have a big amount of songs using a small of disk data but this was in expense of the sound quality the format allows to convert the lossless quality CD audio to a MP3 file that weights only 10% of the size in the hard disk of computers, also the MP3 become the first open standard encoding system, Stephen Witt says in his book that the MP3 unfortunately becomes the standard audio format for the industry.

To explain how become this the digital audio format par excellence, we have to introduce the Napster apparition 1999 by the hand of John Fanning, Shaun Fanning and Sean Parker, this platform was the first Peer to Peer (P2P) of music in the history, that immediately allows to file sharing have free access to huge collection of music with the only necessity of a computer and internet collection, a user can buy a CD "Rip it" the songs and share to all Napster users. Napster becomes a revolution and the first way to obtain illegally music to the normal users, to this follows the apparition of users that work in records labels and have priority access to media content and they share it before in Napster than their commercial launch, one of this persons was Dell Glover, a worker of Polygram Records, after absorbed by Sony, in the CD's copy process, he decided to take illegally unreleased material and take profit of this becoming the most important music pirate in internet and selling physically thousands of CD's with a net of colleagues inside the manufacture plant of Polygram Records.

This context changed the consumer tendency very fast, Napster become famous within music consumers and they stopped to buy CD's in physical format because they are able to find all his wished albums for free and in one single device, so the sales of CD go down, according to IFPI decreased more than 19% between 1999 – 2002, that was the start of the describes as many authors like "the destruction of music industry" Record Labels cant react appropriate with this fast changes in the consumer attitude and they didn't receive the support from artist that look the Labels like a intermediary with the public that takes too much piece of cake from the royalties generated from the music, In the 90's the famous band Backstreet Boys didn't receive any Royalties from the million records that they sold, and the consumers are against the policy of align the prices between the different record labels. In conclusion the record label firms where in a crisis allowed by the Internet revolution, they try to respond to the music piracy with a campaign about the ethical dilemma of downloading illegally music that consumers didn't take in consideration, and also started to take legal actions to the Napster services and users that share illegally music content in internet with the aim to intimidate the users and finish with piracy, both two actions didn't work as they expected but also the music piracy got worst with more users in the first years of 2000's.

2.1.2.3. Actual context and the industry 2.0

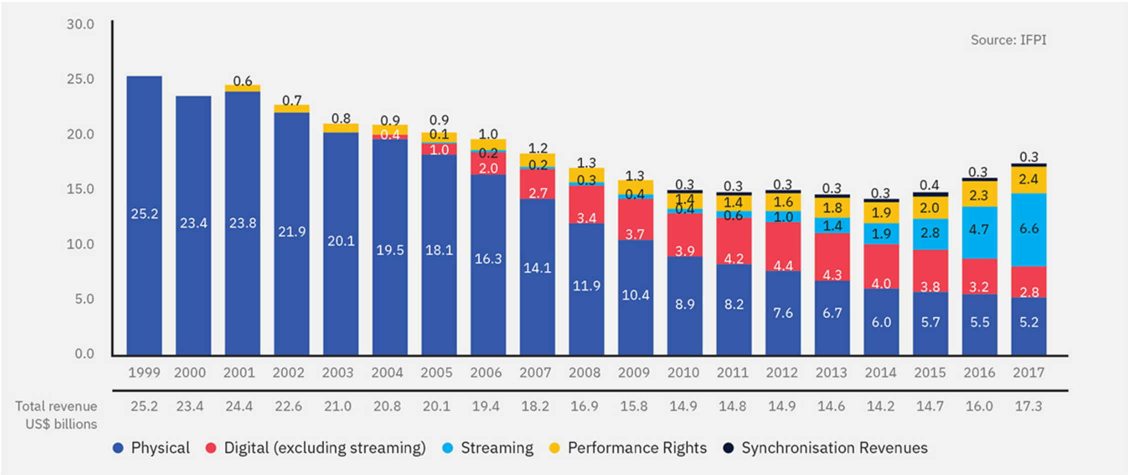
In Mid the 00's the apparitions of much similar to Napster (P2P) platforms like Bittorrent, Vuze, TorrentZ and more difficulties the legal search from the RIAA (Recording Industry Association of America) to the piracy, the consumer changed his preferences of buying music by the phenomenon of the "Single", the Album decrease and with the apparition of Online selling portals like ITunes by Apple in 2005 becomes a new era, the consumers started to buy only single songs in detriment of full Albums allowed by the online selling music portals where the consumers can find his favourite songs by only 0,99$, ITunes becomes the legal alternative tot (P2P) and the leader of the industry in only 2 years following to this amazon presented Amazon Music, similar to the ITunes from Steve Jobs but this introduce algorithms that recommend to the user similar songs based in buyers musical taste, this supposes the start of something new, Amazon not only makes money selling music, also sell the information of his customers making more efficient the adverting based in the profile of each customer.

As (Bielas, 2013) explains in his Senior Thesis: “The rise and fall of Record Labels”. The English Alt-Rock band Radiohead, change the rules of Music industry in October of 2007 with the release of his album “In rainbows” directly to the consumers, the band release an album without a Record Label, they distribute directly online without a fixed price, the fans can also establish the price that they consider including a free download, the Recording industry didn’t take this in positive and they didn’t thought that the album was going to be succeed, Nonetheless the album reaches to 3 millions of dollars revenue to Radiohead, and they decide to make a physic album copy that immediately go to the tops. That also opens a new way of possibilities to distribute music without record labels.

The Social Media becomes another fundamental tool for artists & bands to promote their releases and a way also to release independently new music, Internet is nowadays the channel of music distribution, the apparition of Streaming services to listen music draw the nowadays music consumers habits and trends, the apparition of Youtube and the VEVO service by the idea of Doug Morris CEO of Universal Music Group become successful and the consumer move to listening the music in the cloud, the apparition of Spotify that since 2006 become more and more popular until today to consolidate as the world leader of streaming music platforms.

All of this was allowed by the ITC technologies development essentially by the improvement of the bandwidth of Internet and the mobile data associate at the mobile phones from 2G, 3G to 4G or the 5G new devices. This changes forced record labels to redefine this paper in the industry, the revenues nowadays where coming first for streaming revenues in second position from physical sales, third for digital music sales, followed by performance rights, the Streaming has consolidate in the last years and looks the future of the industry, but if something is known in this industry has a very volatile environment.

Graphic 8: Global recorded music industry revenues 1999-2017 (US$ Billions)



Source: IFPI 2017 Global Report

<u>2.2.The competitiveness in the companies</u>

The competitiveness is the capability of a country or a firm to improve his economy and the distribution of wealth or offer better Jobs and grater social cohesion.

2.2.1. Macro-economic perspective

If we take a macroeconomic point of view, the term of competitiveness is not as easy to define as in microeconomic point of view, as (Kraugman, 1994) describe in his Book "Competitiveness: A dangerous obsession" we can compare a firm to a Nation, so the competitiveness in macro and microeconomic point of view can't be the same. Kaugman based his article in three main points:

1. We can't compare a nation to a company: For example the nation can't go out of business as a firm can do.
2. If a nation improves his success is destroying the opportunity to another country.
3. The competitiveness is not the same than productivity, but productivity determines in a high rate the growth of living standards.

> "*A nation's competitiveness is the degree to which it can, under free and fair market conditions, produce goods and services that meet the test of international markets wile simultaneously expanding the real incomes of its citizens*" *The Report of the president's commission of competitiveness (1984)*

To study the competitiveness there was several economic theories during the years in macroeconomic models, there are models that take for granted Key assumptions, Key driving factors, and the theory give some implications.

The most usual macroeconomic model is the "Classical Theory" given by the principles of the economic theory from Adam Smith (Smith A. , 1776) about the division of labour, the economies of scale both mixed with the comparative advantage from (Ricardo, 1817), the theory sustains that:

- The differences between the technology of nations provides incentives to international trade.
- A better technology doesn't guarantee that an industry will be successfully. Although a country with superior technology development than other inferior can disappear if that didn't have a comparative advantage.

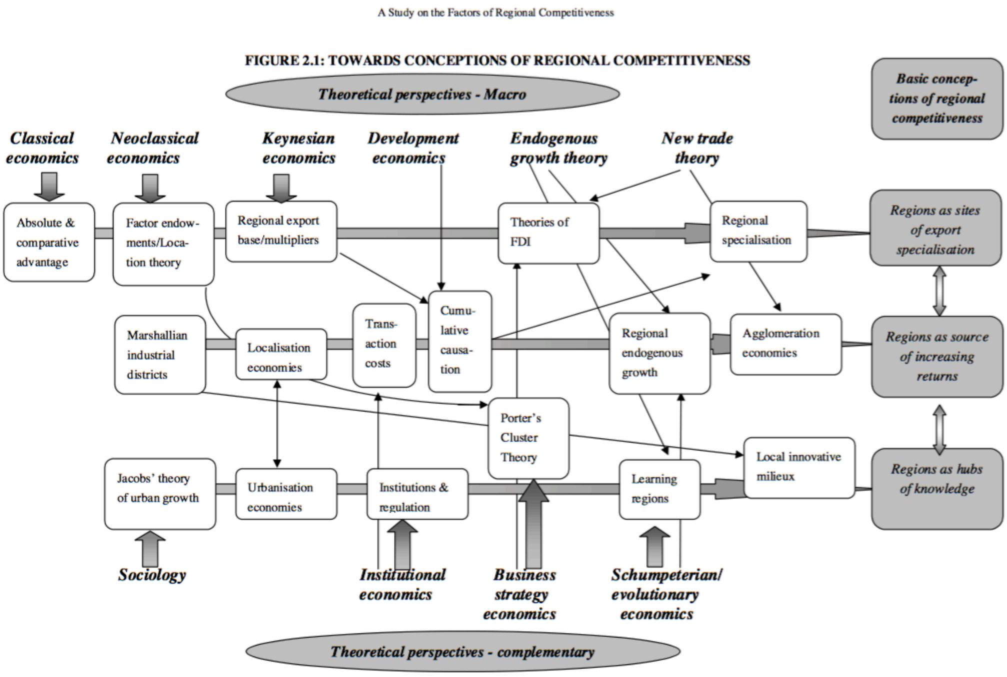
Graphic 9: Key elements of classical theory

<table>
<tr>
<td>Key assumptions
• Division of labour enables technological differences across countries (i.e. cross country differences in productivity)
• Trade based on absolute advantage (Smith) and later comparative advantage (Ricardo).
• Within countries, factors of production (labour) are perfectly mobile across industries.</td>
<td>Key driving factors
• Investment in capital (i.e. improved technology) enhances the division of labour (specialisation) and, hence, raises productivity.
• Trade (move from autarky to free trade) provides an engine for growth (static gains from trade).</td>
</tr>
<tr>
<td colspan="2">Implications for (regional) competitiveness
• All countries have a role in the division of labour based on their comparative advantage. But if technology, and hence productivity, is the same across countries (regions) then no basis for trade.
• Even though a country may be more productive (absolute advantage/productive efficiency) in the production of a good, it may nonetheless see this industry decline with free trade.</td>
</tr>
</table>

Source: A Study on the Factors of Regional Competitiveness, University of Cambridge, prof: Ronald L. Martin

This is the first and the Classic Macroeconomic model, but after this several economic theories appeared: Neoclassical economic model by (Olin & Heckscher, 1933) based in the international trade balance by the price. The Keynesian economic theory based the aggregate demand and employment and Keynes also introduce the expectations and the imperfect market. The Development economic by (Rostow, 1960), based in his model that classifies the nations in five different stages: traditional, transitional, take-off, maturity or high mass consumption. New economic growth theory, this theory considers the technology as endogenous factor and allows investing in R&D and Knowledge to obtain long term rents. New trade theory that introduce monopolistic models and Marshallian economies of scale.

Graphic 10: Towards conceptions of regional competitiveness



Source: A Study on the Factors of Regional Competitiveness, University of Cambridge, prof: Ronald L. Martin

Furthermore, we have to measure the level of competitiveness of the different nations, nowadays the established and standard way to measure the level of competitiveness of the countries is the annual report given by “The World Economic Forum” called “Global competitiveness report”, this institution has been measuring the competitiveness level of the countries since 1979.

The measurement of the competitiveness level is the result of 12 different criteria that we can group in three groups

- Basic requirements: This group includes Institutions (Protection of property rights, efficiency and transparency of public administration, independence of justice, business ethics & physical security), Infrastructure (Quality and availability of transport, electricity and communications), Health and primary education (The quality and the quantity of primary education & the state of the public health) and Macroeconomic environment (Fiscal monetary indicators, savings rate and sovereign debt rating)

- Efficiency enhancers: Higher education & training (The quality and quantity of higher education and job training), goods market efficiency (Factors that drive the intensity of domestic and foreign competition), Labour market competition (Labour market efficiency, flexibility, meritocracy and gender parity indicators), Financial market development (Efficiency an stability of financial sector), Technological readiness (Adoption of technology by individuals and business), Market size (Size of domestic and export markets)
- Innovation and sophistication: Innovation (Capacity for and commitment technological innovation) Business sophistication (Efficiency and sophistication of business processes of a country)

Graphic 11: Global competitiveness report criteria

Source: The Global Competitiveness Report 2017-2018

The World Economic Forum establishes a annual ranking from the countries valued with higher degree of competitiveness to the countries with a minor degree of competitiveness or les competitive.

According to The World Economic forum (2017-2018) we can talk that the most competitive country in the world has been this year Switzerland, followed by United States. See the top 10 classified countries in the following graphic.

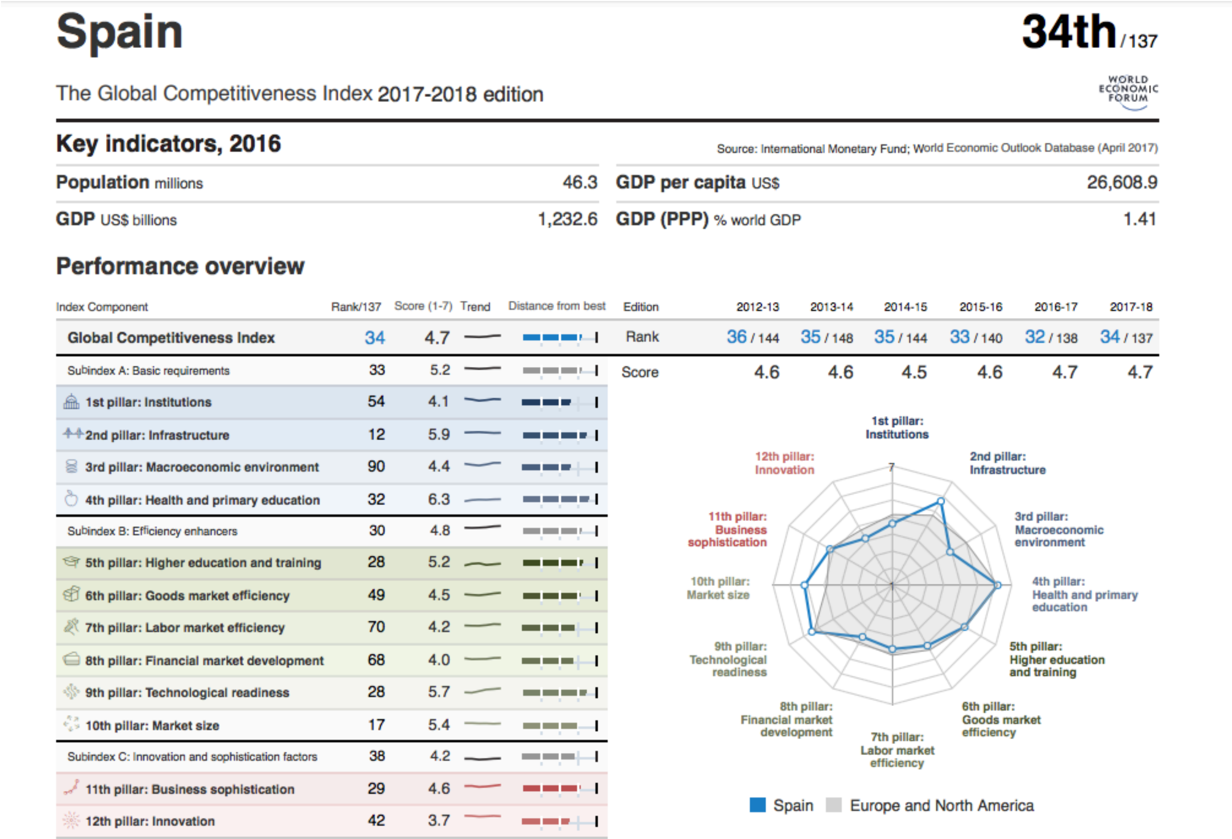
Graphic 12: Top 10 competitive economies (2017-2018)

	Economy	Score[1]	Prev.[2]	Trend[3]
1	Switzerland	5.86	1	
2	United States	5.85	3	
3	Singapore	5.71	2	
4	Netherlands	5.66	4	
5	Germany	5.65	5	
6	Hong Kong SAR	5.53	9	
7	Sweden	5.52	6	
8	United Kingdom	5.51	7	
9	Japan	5.49	8	
10	Finland	5.49	10	

Source: The Global Competitiveness Report 2017-2018

If we take a look to Spain, we can see that the position in the ranking of this year is number: 34th, meanwhile the position of the last year was the 32th most competitive country but we didn't change our value still being 4,7 of 7 points, we can see the value of all the criteria descripted before, and a graph of the score of all criteria compared with the average of Europe and North America.

Graphic 13: Spain competitiveness (2017-2018)



Spain **34th** /137

The Global Competitiveness Index 2017-2018 edition

WORLD ECONOMIC FORUM

Key indicators, 2016

Source: International Monetary Fund; World Economic Outlook Database (April 2017)

Population millions	46.3	**GDP per capita** US$	26,608.9
GDP US$ billions	1,232.6	**GDP (PPP)** % world GDP	1.41

Performance overview

Index Component	Rank/137	Score (1-7)
Global Competitiveness Index	34	4.7
Subindex A: Basic requirements	33	5.2
1st pillar: Institutions	54	4.1
2nd pillar: Infrastructure	12	5.9
3rd pillar: Macroeconomic environment	90	4.4
4th pillar: Health and primary education	32	6.3
Subindex B: Efficiency enhancers	30	4.8
5th pillar: Higher education and training	28	5.2
6th pillar: Goods market efficiency	49	4.5
7th pillar: Labor market efficiency	70	4.2
8th pillar: Financial market development	68	4.0
9th pillar: Technological readiness	28	5.7
10th pillar: Market size	17	5.4
Subindex C: Innovation and sophistication factors	38	4.2
11th pillar: Business sophistication	29	4.6
12th pillar: Innovation	42	3.7

Edition	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Rank	36 / 144	35 / 148	35 / 144	33 / 140	32 / 138	34 / 137
Score	4.6	4.6	4.5	4.6	4.7	4.7

Source: The Global Competitiveness Report 2017-2018

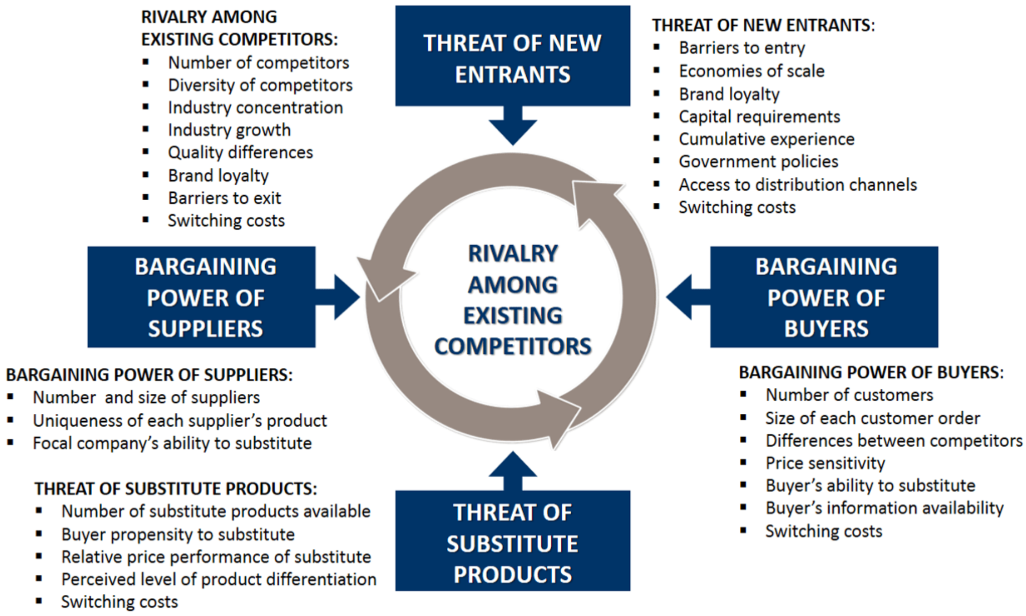
2.2.2. Microeconomic perspective

In the microeconomic point of view the competitiveness is referred to the capability of companies to produce products according to the requirements of the market, compete with the rest of the firms, be profitable and grow.

If we talk about competitiveness between different firms, we are talking directly about Strategy, and the most important economist of the competitiveness and strategy is Michael Eugene Porter, Porter was the creator of the most important methodology to analyse the competitiveness between firms and economic sectors.

Porter born in 1947 was a professor in Business Harvard School, author of the model of Porter five forces (Porter, 1979), the Cluster, Value chain or the concept of comparative advantage.

Graphic 14: Porter five forces



Source: web "business to you"

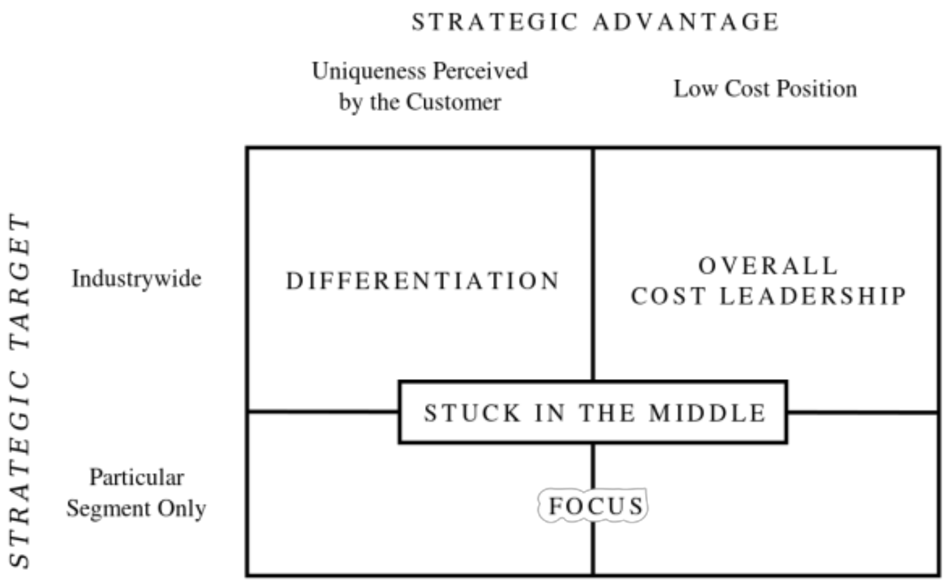
The model of Porter 5 forces is a model allows analyse a firm and a specific market to see what are the current state on a company and relatively with the competitors. The model is based in 5 forces:

- Bargaining power of suppliers
- Threat of new entrants
- Bargaining power of buyers
- Threat of substitute products
- Rivalry among existing competitors

According to the level of the competence in the five forces of porter you can determine if the sector is highly competitive or not, usually the investors are more interested in sector where the level in competitiveness are lower because usually the average of the benefits margin is usually higher.

Michael Porter also talks about the competitive advantage, he introduce this concept that allows competing to the rest of the firms with an advanced position. As introduce (Porter, Competitive Strategy, 1980) the comparative advantage is a distinguishing feature referred to the competitors, this feature allows competing advantageously and as a result this firm obtains a higher profit. The competitive advantage has to be a successful characteristic in the market, has to be substantial to put the firm that owns in advantage position respect to the competitors and has to be sustainable in time to guarantee the success of the company.

Graphic 15: Porter Strategic advantage



Source: Porter, M.E. (1980) Competitive Strategy, Free Press, New York, 1980

Porter classified the competitive advantage in two main sections: differentiation and overall cost leadership:

- Differentiation: This type of firm have a distinction from the rest of the competitors and this firm can compete properly because the buyers feel different his service or product value. It can set also a different price higher than the rest of the competence.
- Overall cost product: This strategy is based on offering low price than the competitors to attract the customers, it's usually related to big size productions that allows to take profit from economy scales, proprietary technologies, preferential access to raw materials…

Porter also study the strategic target that a firm is focused, the firms can be focused in Industry Wide or focused in a particular segment only that allows to specialize in a determined market segment.

To sustain the competitive advantage we have to attend to three forces:

- Barriers to imitation: There are obstacles that keep out the competitors to obtain the competitive advantage; the main feature is usually the inexistence of information of a competitive advantage based in combination of resources, capacities and abilities.
- The capacity of competitors: there can be three barriers; first is that the competitors see unachievable the level of the leader firm, the second is related to the low capacity to analyse the most competitive firma of the industry and to imitate this firm, and third is the fault of resources and capacities to assume the leadership of the sector.
- Dynamism of the industry: In a dynamic industries is more difficult to maintain the competitive advantage for long time, this industries usually require to the firm to be constantly reinforcing his competitive advantage and creating a new one.

3. THE CASE OF STUDY

3.1 The study approach

The aim of the following study is to compare how different record labels compete in the recording music industry, I choose completely different firms inside the industry to be the subject of the analysis, two of this 4: Sony & Universal are two of the majors actually formed by three biggest companies that have more than 2/3 of the market share, they are a big groups formed by a lot of different sub labels that are more focused on specifically music subgenres, but the main revenue is given by the Main artists usually Pop music artists.

In the other side we have the known as Indies or Independent music Labels, this labels work in a different way compared from the 3 majors, they are much smaller size less resources and capabilities, they work usually in a more specific market sector and his aim is not to publish commercial music. The Indie Labels usually are specialized in one type of music (Electronic, Indie, Rock, Alternative, Pop-Rock…).

3.1.1 Objectives

With those 4 labels I'm going to search what are the differences between how they work, paying special attention to the Porter five forces to analyse how they compete in a common market with a lot of segments, the aim it's obtain the differences that we can find between this companies and try to learn how work each label, also obtain key points or practices to apply in the future to the student's working routine inside the company Sincopat Music to improve the performance of the label.

3.2 Sony Music Entertainment (SME):

Graphic 16: Sony logo

Source: www.sonymusic.com

Sony Music is one of the 3 major record labels property of Sony, this is a multinational conglomerate from United Estates, Sony Music was founded in 1929 with the name "American Record Corporation" and after was renamed as "Columbia Recording Corporation" in 1938 following to this was restructured with the name CBS in 1996, finally the name was changed to the actual name in 1991 after the acquisition of the company by the hand of the Japanese company “Sony Corporation”.

After this Sony didn’t stop to absorb other companies, BMG’s Labels, RCA records, positioning SME as the second biggest record company in the world until this year 2018, that SME acquired his old competitor EMI, now Sony is leading the big three being the biggest record label in the World.

The company contains nowadays the following sub record labels:

Arista Nashville, Beach Street Records, Black Butter Records, BPG Music, Bystorm Entertainment, Century Media, Columbia Nashville, Columbia Records, Day 1, Descendant Records, Disruptor Records, Epic Records, Essential Records, Essential Worship, Fo Yo Soul Recordings, House of Iona Records, Insanity Records, Kemosabe Records, Legacy Recordings, Masterworks, Masterworks Broadway, Ministry of Sound Recordings, Monument Records, OKeh, Polo Grounds Music, Portrait, RCA Inspiration, RCA Nashville, RCA Records, Relentless Records, Reunion Records, Sony Classical, Sony Music Latin, Star Time International, Syco Music and Verity Records

Graphic 17: Sony Sub-labels

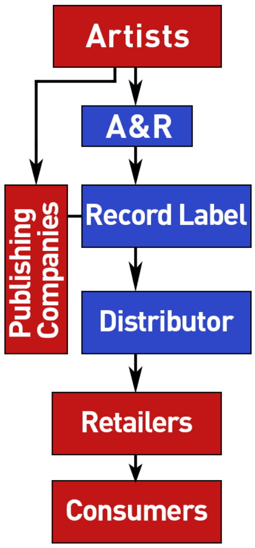
Source: www.sonymusic.com

Also Sony Music have his own publishing company called “Sony ATV Music Publishing” created in 1995 as joint venture between Sony Corporation & Michael Jackson, nowadays is the number one music publishing company having a catalogue bigger than 3 million copyrights, including iconic artists like: The Beatles, Bob Dylan, Michael Jackson, Carole King, Queen and The Rolling Stones and also contemporary superstars such as Taylor Swift, Pharrell Williams, Lady Gaga, Kanye West, Pink, Sam Smith and Ed Sheeran.

To analyse the industry of music business I’m going to take the model of porter five forces as a reference analysing the sector in order to determine how competitive is this model of business attending to the competence.

First of all we have to consider that the product that is sold in the business is an artistic product, and this implies to adopt another point of view in the economic analysis that we usually didn't consider, the suppliers are not existing like in another type of business, they are the artists that will sign a contract with us to distribute their music, each of them artists are different, with different power of negotiation and special requirements, this we can apply also to the buyers and substitutive products, in conclusion the music business is a special case to analyse.

Graphic 18: Music Operation



Source: Own developed

This graph illustrates how is the supply chain in typical music distribution and what is the paper of the different agent involved in.

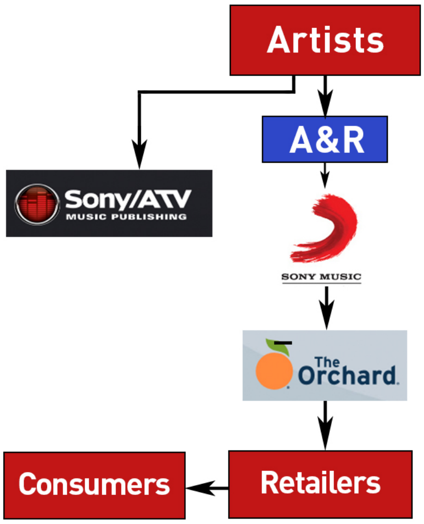
The artists act like a suppliers for record label, they are the agent that provide the input for create the main product of the record label, the music. The A&R department form the record label are the department in charge to select and obtain the best input for obtain a great product to distribute in the market, they have a different criteria to select and sign a contract with a potential artist.

We have also the publishing companies that can be inside or outside of the record label, in the case of Sony Music, they own his company Sony ATV that is responsible of the publishing assets.

The record Label takes the input form the artists and transform this in a adequate product for the market, once finish they work with distributor, that can be inside the Record Label company or outside, in the case of Sony Music the Group owns also a distributor called The Orchard founded in 1997 and acquired by Sony in 2017, before this the distribution of Sony Music was made by the sub-company of the group called RED-distribution. The Orchard in this case distribute digital, and physical the music from the label, including all the online platforms like (Spotify, Tidal, Apple Music, Youtube…) digital distributions (Itunes, Beatport, Amazon…) and a chain of Physical Retailers (Free Record Shop, Media Markt, Müller, Virgin Records, Saturn…)

Retailers, they are the small distributors to the final client; they can sell online or physical music.

Graphic 19: Sony Music Operation



Source: Own developed

1. **Bargaining power of suppliers:**

The negotiation power of suppliers depends of the role that represent each artists and the reputation of the record Label, and the negotiation capability of each side, what concerts to the artist we can find 3 types of artist basically:

- Novel artist: That is usually the artist that can have less power to negotiate a good position respect the record label, the exception can be a trending artist that knows his amazing potential an receive a lot of offers from different record labels.
- Artist with a standard career, this artist have a position that allows to negotiate but not too much.
- Super Star: this type of artist have a lot of choices and resources to publish his music in the label that they want, instead of this the artist have a big power to negotiate a trade to publish his music in a record label.

On the other side of the negotiation we find the record labels, they can join different papers in the negotiation based in the position that they represent to the artist:

- Major records: This is the case of Sony, the label is the biggest label in the world, having a lot of capacity and resources to make a really big release of music and the artist perceive this and valuates, this is the most advanced role of a record label can have instead to negotiate.

- Exclusive and respected record label: This type of record labels only release the music that they like, or the music that fits in the style of the label, this type of record label have also a good position to the negotiations with artists because usually they are very respected in the market and the artist is the most interested to publish his music in the label, due to the reputation and recognition that the label can contribute to his career.
- Small and mid size record labels: They usually have a mid/low power to negotiate with the artists and usually the have standard contracts to all the artists and releases.

In Sony Music case, we are in front of the biggest record label in the world, the record have a lot of power to negotiate the conditions of release music, they only launches artists with a really big potential to be next superstars and also consecrated stars, one example of this:

- Consecrated artists: Megan Trainor, Elvis Presley, Paul Simon, Michael Jackson
- Upcoming artists: Arnau Griso, C. Tangana, Gemeliers

2. Threat of new entrants

The music business is open to all new entry companies in fact it's really easy to found a record label, there is no big requirements of resources but, its really difficult to make a success record label, and the major record label aren't afraid to new competitors, it's this the case of Sony Music, they are a really big groups with an amazing quantity of economic resources and a big structure. So there are no barriers to entry but companies like Sony Music have economies of scale, capital, experience that make impossible to a new company that try to get in the music business and compete in the same situation respect a big corporation like Sony Music.

3. Bargaining power of buyers

The consumers of music have a really big power inside music industry business, the product sold didn't satisfy a basic need for a customer, we are talking about a market that offers infinite possible substitutes of different music types, there are no perfect substitutes for a particular song but there are a lot of similar music that can complain as well as the consumer. The consumers are setting what are the trending music genres and style of music that become popular in each moment of the history. Also the record Labels, and his A&R departments fundamentally, have also the responsibility of create a tendency in music especially after the success of the Top's and Chats phenomenon. Record labels drive the global music tendency to new state each moment in the history and the consumers approve this or not, making this style last over time or not.

So the customers have a lot of power in the music business, in the case of Sony Music, the company represents a major that by his repercussion can drive the tendency of the music global, and also have to create high impact music products that become globally popular, so they have power respect the consumers based in his resources and capacity but have to really attend to customers to release music that get into the global charts and tops.

Another topic is that nowadays the music tendency is in constant evolution and the preferences of consumers evolve really fast and there's no switching cost associated to change the consume of one type of music, so the record labels have to be very dynamic and adapt to the changes very fast.

4. Threat of substitute products

The music is a product that satisfies the need of entertainment of customers, there are a lot of products that satisfy also this need like: Cinema, TV, Read, Sport, Games…

But consuming Music is thought all times one of the most basic ways that the persons have to entertain and is used in a lot of ways that can be out of the entertainment, we can say that the consume in music it's incipient to human behaviour. This point have to be discussed also to the different ways that the industry offers to consume music nowadays, in the 21th century we have an amazing different ways to consume music, the music becomes free consuming for users that can listen free in some streaming services but also producing revenues for the record labels and artists.

5. **Rivalry among existing competitors**

The record labels are extremely competitive among them, this conclusion can be extracted by seeing how the actual 3 major record labels compete among them, this three labels are fighting for the 2/3 parts of the global revenue from music business, one of the most competitive areas are negotiation to sing artists, the magic of the business is highly represented in sign a new gem or a super star, in this point usually different record labels talk with the personal manger of the artist an the artist to offer attractive deals, and once the contract is signed usually the record labels try to offer better contracts to the artist to persuade to being part of the record label.

Another key point to see how compete the industry is how the companies invest in technology looking for the future of music business, that's a main point because in this sector the technology changes the way of consuming, and the company that adapts better and faster to the new consuming ways have a great advantage to compete with the others. Sony Music is property of the group Sony Corporation, a giant of technology & entertainment; they covered his back properly and always are a step forward.

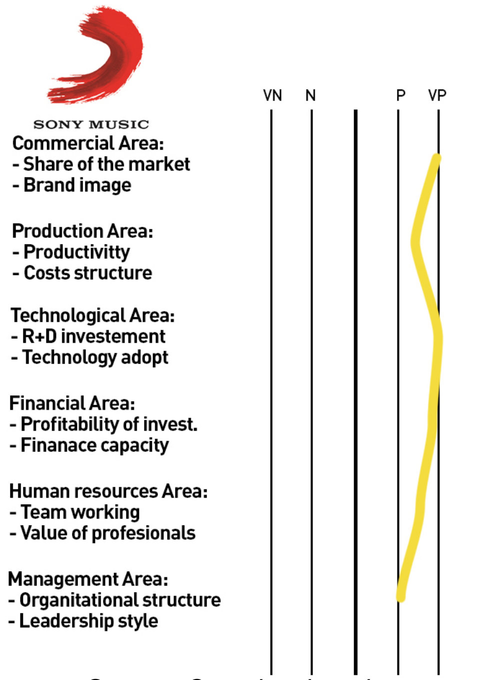
We can extract some conclusions from this really particular industry, the competition inside this is high and is very volatile industry that changes immediately with new technological developments, against of this the Record label business is nowadays really solid with a big companies leading this, this companies have a big amount of market share and it's a situation that can hardly change.

Possible esquema con características de la industria 5 fuerzas de porter.

Next step is analyse Sony Music with the internal point of view to determine which are the strengths and weaknesses of the company, looking to the characteristics making a chain of value inside the industry to obtain which are the competitive advantage and the positioning inside the market.

Strategic profile:

Graphic 20: Sony strategic profile



Source: Own developed

In this strategic profile we try to identify the resources and capacities by functional areas. Inside the commercial area of Sony we can highlight his share of the market and brand image, as we said before, Sony is the biggest record label in the world with a really big reputation inside the industry known by everyone and the company, and the company owns more of the 25% share of the global music market revenue, In terms of production Sony Music is the biggest and one of the company that publish more music into the market thought all his sub-labels, working together with the financial area they can maintain a sustainable cost for each music launch, the financial department works hand by hand to all departments valuing each project and assigning a determined budged, we are in front of one of the most capable in financial terms department of the music industry, Sony also is known by his adoption of technology and I+D investment taking advantage of his owner group Sony Corporation. Managements and human resources are the points more standards in the industry, the both departments work properly bus as the biggest corporations of the world they have to achieve concrete objectives and sometimes they can take some risk in projects that can be interesting to take, they work properly but sometimes a hierarchical strict structure didn't allow to this.

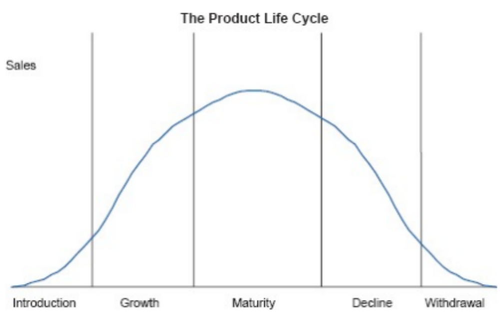
4p Marketing Mix

Product: In the record label music business, the department in charge to search of new talent artists is the: Artist and Repertoire (A&R) department, they act in order to find artists that fitted in today's market according to record's customers taste. This is the paper that in industry companies does the Research and Development (R&D) department.

The product launched to the market has to be perceived by the clients like different and special front the competitors products. This work I done by marketing department inside the company, they have to be sure that customers understand why their product is selected front the competitors product. This work is called *Product positioning,* the perception of the product by the clients.

In today's music business we have to stay alert in every moment because the consumer tastes change really fast. To answer this need, we have to release constantly new music products to marketplace. Nonetheless the technology change also constant nowadays can provide to our old products a new live, for example the introduction of the CD allows to Record Companies to sell the same music songs only available in Vinyl to sell it again in CD.

Graphic 21: Product life cycle

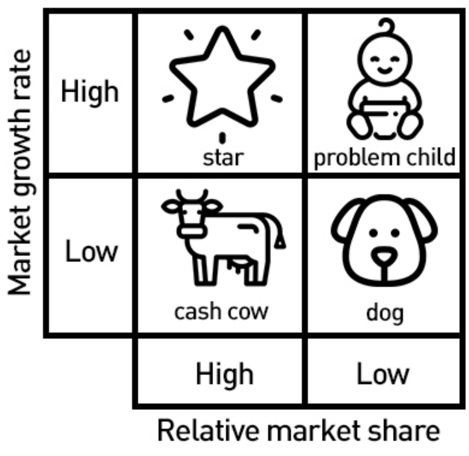


Source: Tom Hutchison & Paul Allen (2009) "Record Label Marketing"

This is related to the Product Life Cycle (PLC), in the last years the consumption of music is going up and consequently the life of a music product is being shorter, this is due by the changes of technology and the accessibility of consume music and the new ways of consuming like the Streaming services. But we can also relate to the different music genres, is not equally long the life of a Techno Music launch compared of a Jazz Music release.

We can also classify a Music launch instead the market share and the growth potential with the "*Boston Consulting Group growth-share matrix"*

Graphic 22: Boston C. G. Growth-share matrix



Source: Own develop

This matrix allows us to classify the products, and its really adequate to classify music launches.

- Star, this implies that the music product has to be now a high market share and a high market growth, in music business we usually talk about super-selling releases usually made by super-stars, example: "Shakira" new release.

- Cash Cow, this product have a high market share but is not growing up more, this can be a classical release, one example can be “Michael Jackson” Bad album.

- Problem child products are, products that need a investment to obtain returns from the market, one example: Arnau Griso before sign with Sony Music Spain.

- Dog, the dog is a product that didn’t have success and didn’t promise to have it, in record labels this type of product it’s deleted or it’s delegated to niche sub-labels that can redesign a plan for launching new music in the future. One example can be the trending of release “Dubstep” music some years ago.

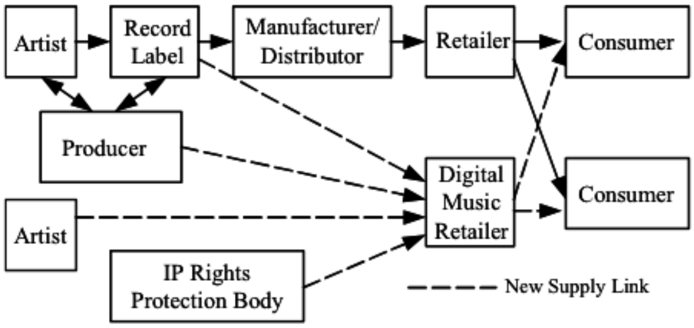
Sony Music is focusing in launching “Star” products; in music business this implies a capacity and resources to invest in an artist that requires one amazing campaign to release his music, we are talking about Music Super Stars that involve their music products only in a very respectful record labels, and record companies that can provide to they the resources and satisfy their launches needs. A star product can be also a new talent that becomes viral, this usually is the most profitable launch that a record label can have, it’s unusual, but a big record company can with their resources and structure made a unknown artist and release a work and become super-profitable. This is usually only achievable by big companies or by an extraordinary product that shocks the market. Sony also work with “cash cow” product like classics, and “problem child” products that can convert to “star” products, also with their sub-label companies can launch and revive “dog” products focusing in a very segmented markets.

Price: Set a specific price is always difficult, the pricing structure have to be focus in maximize the marketing success also, and there is the retail price of music products based in a price plus the incentives that retailer will consider appropriate; There exist three main methods to establish the price: Cost-based pricing, Competition-based pricing & Value based pricing.
In music industry the price of a normal release I usually already established or fluctuate a little bit, there were exceptions like the special editions or collector boxes where the price is higher and the product is priced by the method of Value-based pricing. The case of Sony is not different, the digital releases are at the same price than the rest of label releases, and we can find special releases as we comment that like “The Kinks – The

mono collection. 10x12” Box” that is selling at the price of 193,24€, this is a special edition with all The Kinks discography.

Place or distribution Is the system that delivers the music from the record label to the final customer.

Graphic 23: Digital Music industry market structure



Source: Tom Hutchison & Paul Allen (2009) “Record Label Marketing”

Before the digital revolution the distribution system is like I all the sectors where there is a physical product that has to be delivered to smaller retailers, but nowadays the digital distribution becomes a reality and people consume music digitally and in the last years there was the on-line services revolution. Nevertheless the distributor still alive and his paper is evolving with the same aim, there where music distribution companies specialized in distribute the music launches to all digital platforms, on-line or streaming music platforms and also big and small physical retailers, they are sometimes property of a record company and sometimes external companies. One example is The Orchard property of Sony Music but the distributer firm also offer his services to another record companies.
In Sony’s case as we previously commented the distributor of firm’s music releases is the Orchard, this is one of the biggest distributors of the world, and the conditions of working are the best as a consequence of that they share the same property. The orchard have also a really big position with the distribution in “Spotify” they have a contract between the both to distribute Sony Music releases in a prior than others and highlighting this launches.

Promotion: This last “P” refers to advertising, sales promotion, personal and public relations. In music business this is one of the most important activities to do by a record label, the promotion of a launch is crucial to make a successful release and, consequently to obtain good return of the launch. There were a traditional ways to promote a music release: Radio promotion, advertising, sales promotion and publicity.
After this the promotion change completely the way to do it: The digital marketing become one of the essential and more powerful tools to work with, this includes Social Media promotion and adverting, Marketing with Influencers, Actions… Also the digital

distribution and merchandising inside this, the actions with brands, the street actions of promotion and the tour support are one of the most used nowadays by companies.

In all record companies or commercial companies excluding some supper-specific underground music record label companies the strategy used is the Push Strategy.

Sony known the importance of the promotion and have a lot of resources dedicated to promote a music launch and from the firm they create an specific promotion plan to each launching, they use promotion in each field that they can, they put some specific objectives to attach based in quantity of copies sold and achieve some followers quantity to his social media profiles, and determine some promoting tasks, using the resources needed and the budget assigned to this. Sony Music is using: Physical promo actions in music stores like the FNAC in Spain, Radio Promoting, Digital promoting (Playlists and generalist Web Media Press), TV presence in specific Shows (Late Night, Famous with shows…), Press promotions in music magazines and Posts, Exterior publicity like flyers or Led Screens ads & partner based promo actions.

This are one of the working promo actions where Sony Music is working, but the main objective of the promotion and the marketing plan is to position the artist an his music launch in the market and associate concepts to this, the marketing plan pretends to give to the consumers a image from the artist that can be accepted in different ways for the music consumers, sometimes the image has to be provocative or polemic, sometimes give a image of cute artist…

This image can be real or not but is a way to position the artist in the market and give a fresh image of it and his music to highlight this respect the rest of music.

SWOT analysis of Sony music.

Graphic 24: Sony Music SWOT analysis

Strengths	Weaknesses
- Resources & capabilities - Experience in Sector - Herritage of licences - Vertical Integration - Brand Image - Promotion network contacts - Leader of the industry - Solid financial structure	- Hierechical structure - Big company compromise - Brand Image
Opportunities	**Threats**
- New technology early adopt - Sign with future stars - Rising music consume - New music trends	- New technology - Decrease of music consuming - Inestable market - Underground tendecy becomes viral - The left of our artists - Competitors increase their market share

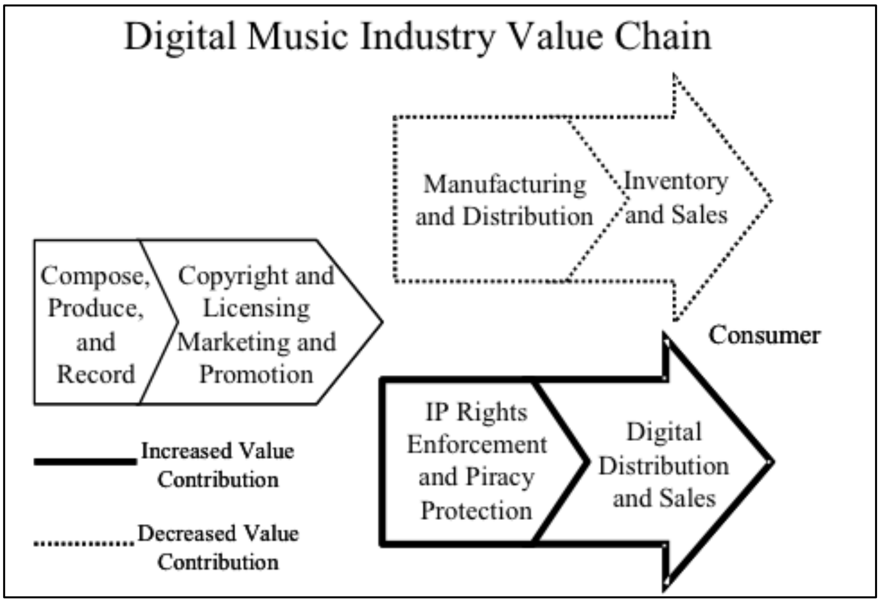
Font: Own developed

- **Strengths:** Sony Music has a lot of strengths that position the company to lead the record business, in the graph we can see one of the most important, it’s important to highlight the structure and the vertical integration that allows to Sony for launch their music products in a own based distribution channel, allowing to release products and absorb all the returns that can generate all of the steps from chain. To emphasize also the importance of the resources and financial capacity that allows to invest in products a really big amount of resources.

- **Weaknesses:** There is not too much bad things that you can find in the leader of the industry, the most relevant is that they are a really big company and it's structured hierarchically and this supposed to leave some of the advantages of a more flat structure, and the brand image can be an impediment to "indie" music consumers that see Sony only like a Pop record label only.
- **Opportunities:** The first opportunity is to be the first adopter of a upcoming technology, this would allow to Sony to increase their market share. Sign new contracts with "uncut diamonds", the yet predicted rising tendency of music consume, and new music trends can be also a opportunity to get returns of this new trend.
- **Threats:** New technology that puts the record business in danger, a decrease of music consuming, instability in the market, the underground music and the habits of the consumers become to look for music in independent labels, the dropout of some Sony's artists, the threat of increasing share of competitors.

Competitive Advantage

Graphic 25: Digital Music industry value chain

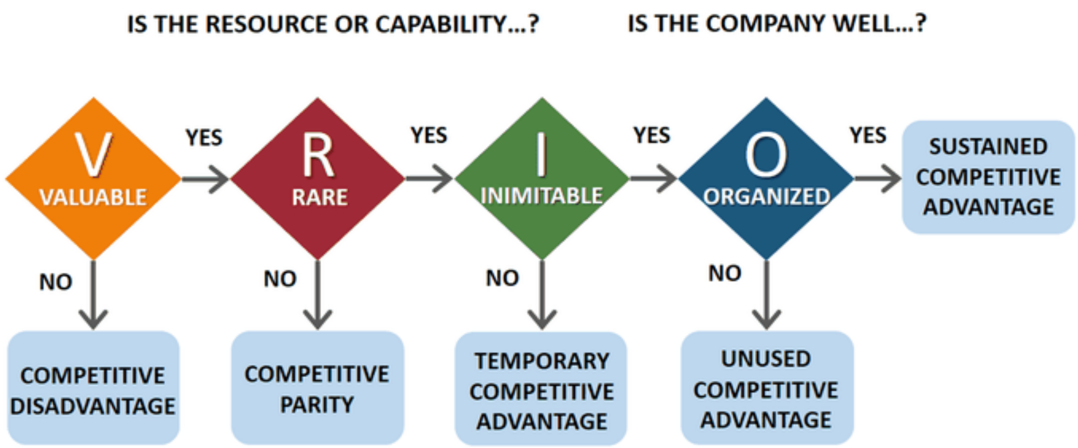


Source: Tom Hutchison & Paul Allen (2009) "Record Label Marketing"

Porter M.E. introduced the idea of the chain of value to achieve a competitive advantage that allows competing with an advantage position respect to the competitors. In modern recording industry the value of chain is usually related to digital music distribution system and publishing rights of the music products, in the case of Sony Music, the firm have his competitive advantage into his structure and the vertical and horizontal integration that the group Sony corporation made with this both integrations and the investment to position The Orchard and Sony/ATV publishing like the leaders of the industry in each specific sub-sector.

Is this competitive advantage sustainable? To discus about this we can take a look in the VRIO diagram that, allows us to analyse if the competitive advantage can be sustained in the future or not.

Graph 26: VRIO analysis



Source: business-to-you.com

Valuable: Yes, the Sony's competitive advantage is really valuable it supposes to obtain amazing profits of each level of distribution that record companies that didn't have this integration have to externalize, and this implies also to work together to concentrate in a launch of the record label and use all the capacity of Sony ATV and The Orchard when it was necessary, and supposes to work with the both company that lead the market.

Rare: Yes, this advantage it's unusual in a lot of record label's specially due to the value and the position of both companies already mentioned.

Inimitable: This can't be imitated in a short term of time, because this need's changes in the market and a really big investment.

Organized: The company works perfectly attending to exploit this advantage.
Instead the VRIO analysis we can conclude that Sony Music have a sustainable competitive advantage.

3.2 Universal Music

Next company is Universal Music Group, in this analysis and the next ones we are going to go strictly to the point avoiding theory yet explained in the first analysis of Sony Music.

Graphic 27: UMG logo

Source: www.universlmusic.com

Universal Music Group (UMG) is actually the second biggest record company in the world by the market share and revenue, this company used to be the leader of the industry before the acquisition of the operations centre of EMI, this was the 4th biggest record company in the past that was absorbed by UMG and Sony Music buy the Publishing services part. The history of Universal Music becomes in 1934 with the name of Decca records and MCA also is become to be a part of the company in the future, in 1996 is the first time that the company first DECCA receive the name of Universal Studios inc. also in 1998 Universal acquire the famous label PolyGram. In 2004 General electric buy Universal Studios and NBC, in 2006 Vivendi start buying the group and in 2007 the French group buy all the company. In 2012 the sale of EMI to UMG was approved and Universal absorb EM. This year (2018) Vivendi announce it was selling the half of the company.

Graphic 28: UMG sub-labels

Source: www.universlmusic.com

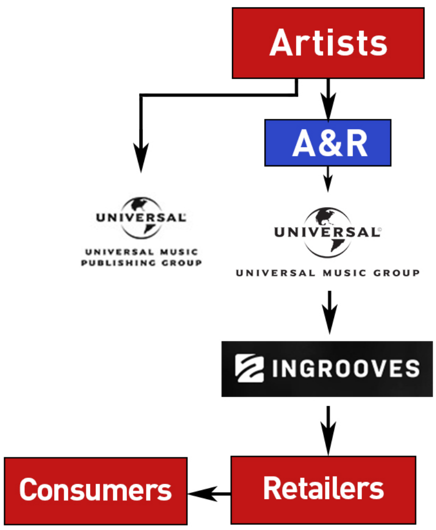
The UMG contains also the following sub-labels:

Discos Valiente, Quinlan Road, Pirca Records, Manhattan Records, Universal Music Publishingt. Mu Group, Universal Christian Music Group, Interscope-Geffen-A&M ,Island Def Jam Music Group, Universal Motown Republic Group, Universal Music Group Nashville, Afueguember Music, Verve Music Group, Decca Label Group, Universal

Music Latin Entertainment, Universal Music Enterprises, Show Dog-Universal Music, Polydor Records, Rolling Stones Records, Cash Money Records, Universal Music Japan, Universal Music Group Spain, Mercury Music Group, Island Music Group, Geffen UK, Universal Music TV, Universal Classics and Jazz, RMR Records, EMI, Capitol Records, Virgin Records, In-Tu Línea16, Blue Note Records, Tradecraft, Universal Music Spain, Vale Music, Funkytown Music, UnSin Records, Los Manejadores, Rodven Records, Gold Star Music.

The structure of Universal has being changing over the years, Universal owns his own publishing company inside the group, this is called “Universal Music Publishing Group” this represents one of the most powerful publishing companies of the world this contains references of music legends and historical songs of artists like The Rolling Stones, Prince, Coldplay, U2 and also Film, TV and media. Sony used to works for distribution with a company of his own property but this company stopped working in 2016 and now they made a partnership trade with an external company alled “Ingrooves” expert of music distribution.

Graphic 29: UMG operation



Source: Own developed

Porter Five Forces:

1. **Bargaining Power of suppliers:**

Universal is one of the three major records, universal have a lot of capacity and resources to launch globally music products to the global market this represents the dream of many artists, in consequence Universal have a big advantage in front of the smaller record labels to sign deals with artists and have a big economic capacity and resources to do big releases.

- Consecrated artists: Lana del Rey, U2, Lady Gaga, The Weekend, Elton John
- Upcoming artists: Morat, Maikel Delacalle, Aitana, Chelsea Boots, Rosalía

2. **Threat of new entrants**

Universal Music it's a big corporation and have an amazing legacy of music on his back, also a global image of their musical brand. This values and a big amount of capacities and resources typical from a big corporation allows to the company to be not afraid about the possible new entrants, the music business is open always and there are not big barriers of get in, but the leaders of this can't be afraid to new entrant in a short term.

3. **Bargaining power of buyers**

Like Sony Music Universal Music is a company that represent one of the three major record label, the aim of this company is sell as much copies and musical products as he can so he is prisoner of the demand of the consumers and he try to launch successful musical products, in the other hand this type of labels are leading the market trend and they are interested in change the habits of the consumers to introduce new artists and take the returns generated from this. But in conclusion Universal music have to take extremely care about the music consumers that have a really big power.

4. **Threat of substitute products**

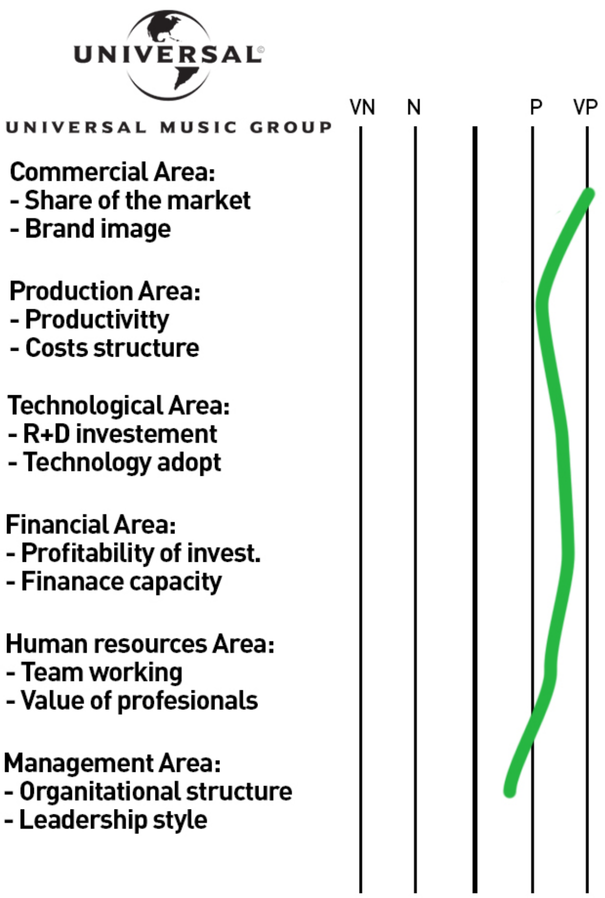
Nowadays the music represents a need for practically everyone, so the product can't be substitute, so the substitute product that can substitute a release is another release of music from the competence of maybe or our own company, so the main point of the labels is launch fresh music to the market that the consumers feel different and unique, and original.

5. **Rivalry among existing competitors**

Universal music has really hard rivals in their sector, the competence for become the leader of the sector was loosed by Universal in front of Sony Music, the competence is hard and the battles to sing artists are made by offers and contra offers with artists and managers, also the competence between the firms to develop and get in the newest technologies of distribution and publishing, also to take all the returns from the different fields of the industry is the key to become a leader of the sector.

Strategic profile of Universal Music

Graphic 30: UMG strategic profile



Source: Own developed

Universal music has a really powerful brand image and still having amazing market share, also a good productivity and a cost structure, the company is really worried about R+D and applying for the last technology and tendency of the market to their products, also the organization have a lot of sub-labels and a really important brands inside the group, so the structure and the managing of all of this is crucial to work in a same directions and to be aware of the needs of each of this, Universal use a division in different locations of the world to manage different brands and also have a brand called "Brarvado" in charge to do merchandise items, branding and consumer experience to different artists.

4 p's Marketing Mix

Product: The product is the main preoccupation of each record firm; the product of Universal is for the main label launch really powerful music products to the market, the group us usually launching Singles, Albums and Ep's from Pop trending artists and classic bands and single artists, but each sub-label is in charge of different types of music and everyone has their own style, one example of this can be the world famous sub-label "Motown", this was an historical label that build his own style and defines an style not only in music also in the culture and society, this label was specialized in Soul, Gospel, Rock & Jazz usually coming from black music. So looking to the "*Boston Consulting Group growth-share matrix"* that also presented in the analysis of Sony Music we can talk about "Star products" in the case of the main label of UMG and also "Cash

Cow products” they are very popular in the catalogue of Universal Music, we find a lot of releases that still giving returns to the company as: Prince, Metallica, B.B. King, Bee Gees or Brian Eno for example. Are also relevant products that we can identify with “problem child”. Universal has a lot of resources to lead several projects to star products or take little profit for different products that can also work properly in the marker without becoming Star products.

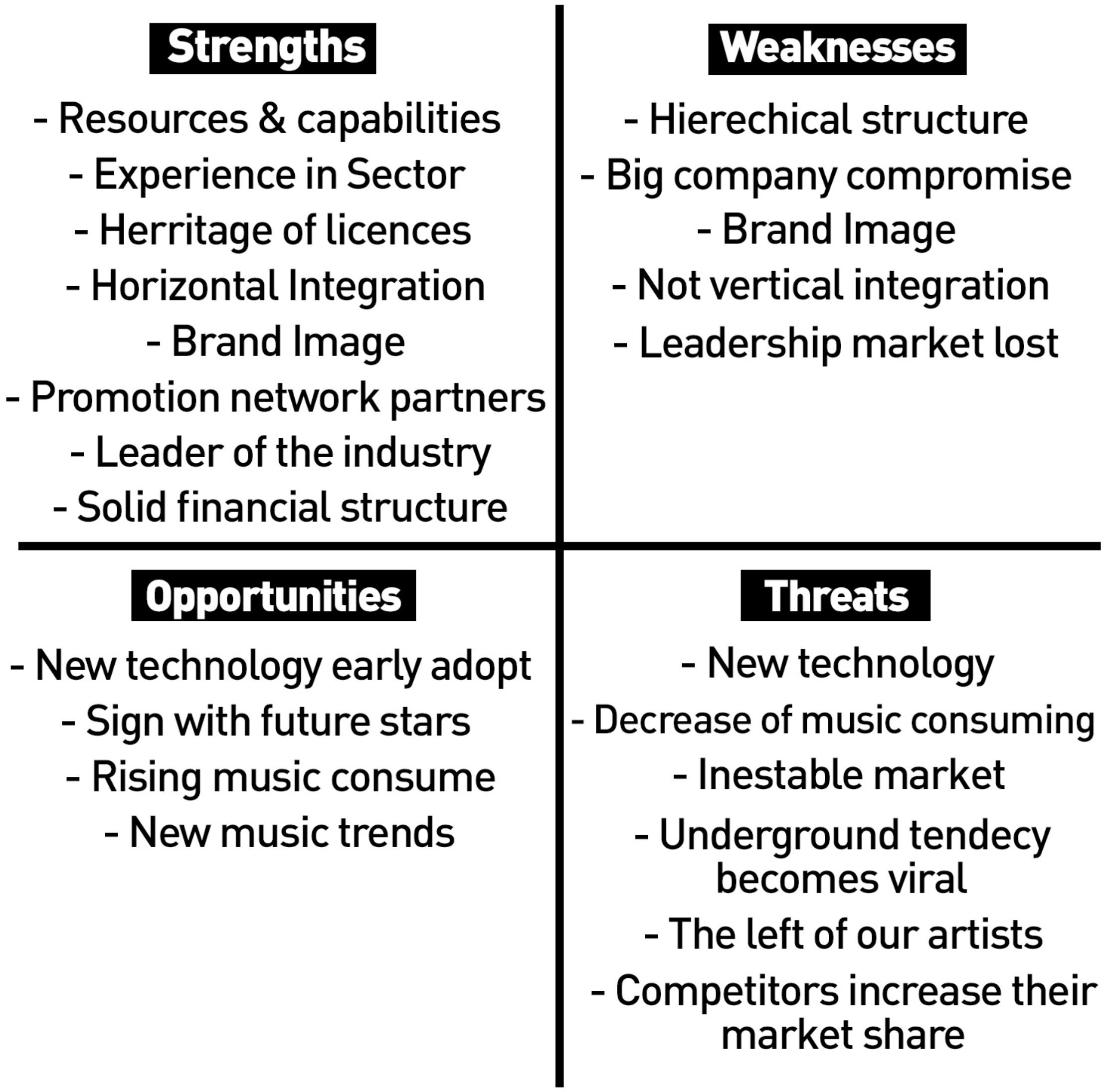
Price, Similar to Sony Music the price of the products are similar to the market without any difference and also we can find different special products launched for collectors or special editions that are value-based products that have higher prices than usual music products: one example of this is “Barry White - The 20th Century Records 10 x 7" Singles (Ltd. Edt.)” selling by 80,63€ in an online store.

Place or distribution, Universal is working with the company “Ingrooves” the company have a team of digital operations and physical production experts managing their partner’s digital content and physical inventory to be set up, formatted and optimized properly. This is a solution that UMG defined as getting the best way to distribute music with a next generation distributor. UMG start working with this from 2007 and when the Universal Music Distribution Group stopped working in 2015 Ingrooves assume the main task to distribute a big amount about the references of Universal music. They’re working well together but this is different from the situation of Sony Music. Hopefully Universal covers his back with a good external distribution services.

Promotion, UMG have a powerful promotion department instead to work in his musical launchings, Universal is also using the “Push” strategy, they’re using new cutting edge and disruptive techniques to get in multi-platform successful musical launchings. Is also using brand building to position the artists in the sector, social media promotion, and building networks of influential media contacts, this type of new trending promotion practises combined with the more traditional promoting actions like the cited before in the analysis of Sony Music, this companies work with his internal department promotion and in some cases they also can work with external experts in promotion and marketing services, one example of this is Music Promo Today company.

SWOT analysis of UMG.

Graphic 31: UMG SWOT analysis



Source: Own developed

As we can see the SWOT analysis is very similar to Sony Music's previous one, it's due to a lot of similarities that they share, both are the main companies of the industry, It looks like Sony is living his best days from two years ago and Universal in trying to fight for the leadership of the record music industry as he can.

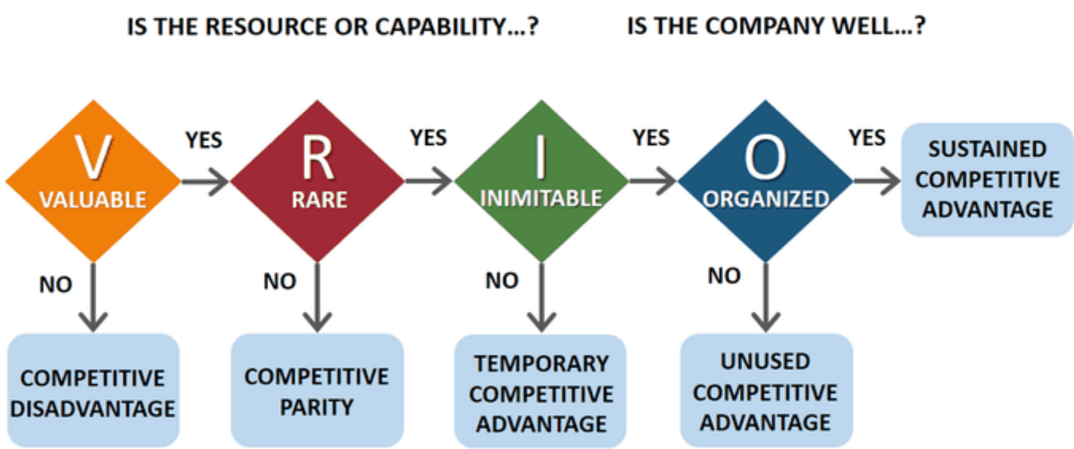
The differences from the previous SWOT analysis is that the integration is only horizontal with the presence of Universal Music Publishing Group, this is one of the main differences between firms, and also the lost of the leadership becomes a weaknesses for UMG, apart from this the analysis remains really equal and position the company to a strong competitor from the market.

Competitive advantage

The main competitive advantage of UMG is the heritage and inheritance that the company owns combined with the experiences and the immaterial value of the main brand and the different sub-brands known in all the world, brands as Motown, Capital records, EMI, Virgin records or Abbey Road Studios, this set of things represents a really big record that it's respected in the business.
So the brand value and the resources and references owned by the company and references represent the competitive advantage.

VRIO analysis

Graph 25: VRIO analysis



Source: business-to-you.com

Valuable: Yes this advantage allows to the owner to have a benefit position in a negotiation with artist to make a deal, and also allows taking returns without investing too much in the classic references of the Universal's extended heritage.

Rare: Yes the advantage it's rare.
Inimitable: Another company can't also take this advantage firm without buying the heritage of the company.
Organized: Yes Universal is taking revenues of his competitive advantage.
So we can conclude that, the competitive advantage of Universal Music is going to be sustainable in time.

3.4 PIAS recordings

Graphic 32: PIAS logo

Source: pias.com

"Play It Again Sam" was the name of the following record label, Kenny Gates and Michel Lambot founded in London the company in 1981, and the mission of this is "champions and supports the best independent music in the world across our unrivalled international network." The company can divide by three sections:

- PIAS Recordings is a group in-house recording music division that contains 8 sub-labels
- PIAS Cooperative Long commercial partnerships with an associated record labels
- PIAS artists and label services, this is the sales and distribution division that provide also services like marketing to independent and their own labels at national and international level.

The company is property also of a bigger group of independent music centralized in Australia called Inertia the group owns another recording labels like the following:

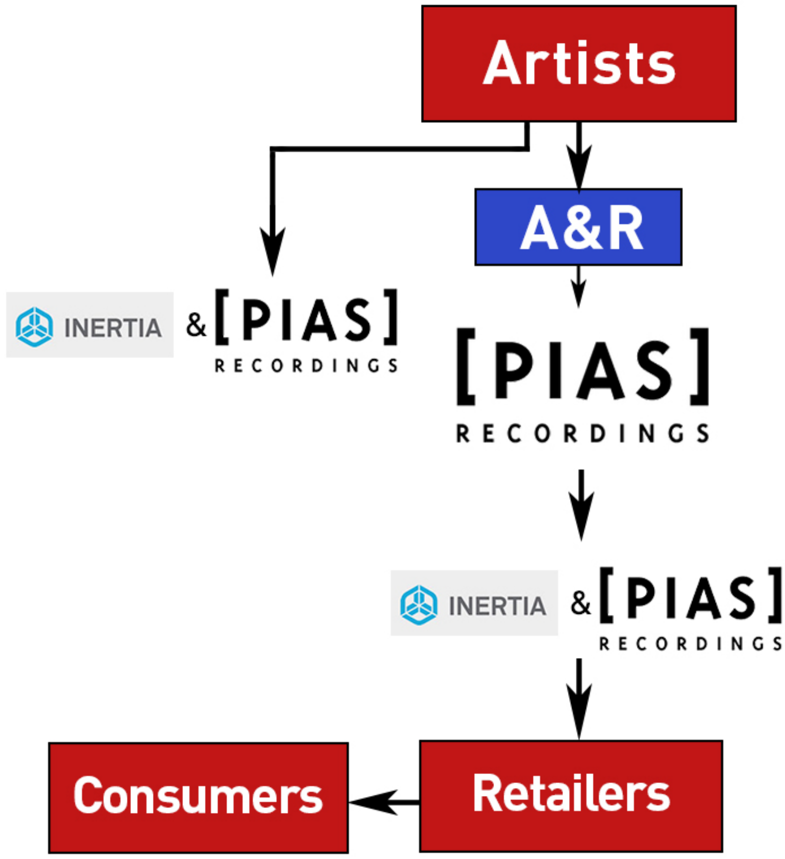
37 adventures, 1965 records, 4AD, XL recordings, PIAS recordings, Acid Jazz, Asthmatic Kitty, AWAL, Bella Union, Big Dada, Black Crow records, Brainfeeder, Break Even recordings, Cartell Music, Chapter Music, City Slang, Counter Records, Dead Ocean, DFA recordings, Dinosaur City Records, Dot Dash, Elefant Traks, Erased Tapes, Fat Possum, Flightless, Foreign Family Recordings, Heavenly recordings, Hotel Motel, Inertia Recordings, Innovative leisure, Jagjaguwar, Light in the atic records, Lukyme, Midnight feature, Mistletone, otema music, Mute, Ninja Tune, Partisan records, Other music recording, Pieater, Pod, Remote control, Rice is Nice, Rough Trade, Secretly Canadian, Self Portrait, Silo Arts, Soul Jazz records, Spirit Levels, Warp Records, Young Turks, Wichita recordings, WerkDiscs.

Graphic 33: Inertia Music Sub-labels

Source: inertiamusic.com

Inside this PIAS play a crucial paper been one of the most important labels of the corporation, PIAS is a record label but also made a cooperative with independent external record label to help to start working or providing some help in specific things, Is also offering services of publishing, promotion and distribution for another companies.

Graphic 34: PIAS operation



Source: Own developed

PIAS recordings, work to distribute their own Musical products with an internal service of distribution supported also by the group that owns the label "Inertia" they distribute in digital and physic including vinyl pressing.

PIAS Corporative and Inertia have their own services of publishing being an all in one solution for the copyrights and license management affairs. PIAS Corporative was recuperated to Universal Music in the year 2012 after selling this part years ago due to the bad situation in the company provided by the digital and piracy crisis.

Porter five Forces

1. **Bargaining power of suppliers**

PIAS recordings operates in the independent music environment, and he has a recognition and respect for the industry, this allows to negotiate in a prior position with the suppliers that are always interested in sign a contract in a reputed and historical company, there is also an advantage respect with the Major record labels the artists and his managers and representatives are expecting to get a big amount of privileges from big commercial labels because they known that they have a really big capacity and in independent record labels like PIAS, people try to be more fair with the deals, so there PIAS have a good condition to negotiate with the suppliers.

2. **Threat of new entrants.**

Usually in the record music brands appears form nowhere a competitor to the same inquiry, it’s easy if they have a really good product, but PIAS have a legacy under his name and a organisational structure that allows to be successful in the business for a long term.

3. **Bargaining power of buyers.**

The indie music market is different that the mass consuming music market their segment of consumers expect different music always following the “independent” parameters but the public of the music is more open to new proposals and they didn’t follow trends as well as the popular music market, so the record labels in the independent market niche have more power respect to the buyers that the commercial ones.

4. **Threat of substitute products.**

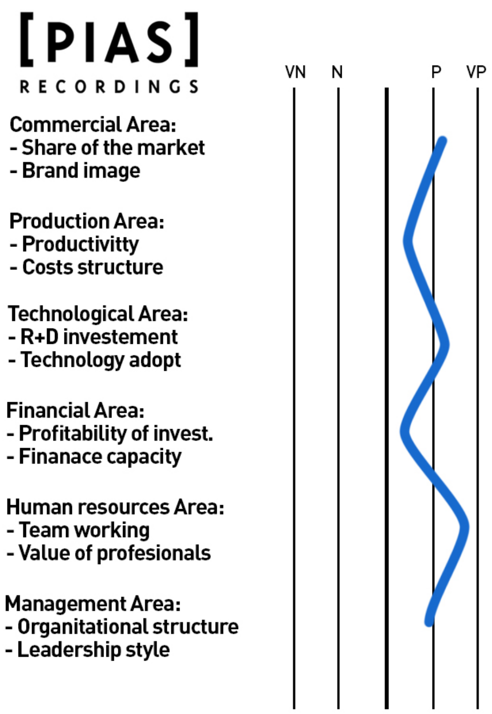
It’s extremely necessary in independent music to be original in the musical launchings or be a referent in a certain own style, PIAS have great artists from independent sound like: Mogway, Editors, Dinosaur Jr., Bonobo, Bon Iver, Floating Points, Soulwax..

5. **Rivalry among existing competitors.**

The music business is very volatile and the competition inside the market is really high but looking inside the independent niche of the market we see less rivalry, main competitive aim is to be successful and generate enough income to stay in business, but we can se that the independent labels are no fighting as commercial in the global market business, it's maybe due to the amount of the money generated from the artists it's considerably lower in the majority of the launchings.

Strategic Profile of PIAS recordings

Graphic 35: PIAS Strategic profile



Source: Own developed

We're attending to one of the leaders of the independent music sector, the main characteristic is a good positioning of his brand image and a good share of the market and his good structure of the music business with their partners property of the same group, the workers and the professionals that work inside the companies. Needs a mention also the most negative points referred to the financial capacity and the profitability of the inversions are a lot lower that the major records labels previously analysed, nonetheless they still being good.

Marketing 4 P's

Product: PIAS record company it's focused to independent music sector launching different genres of music like Alternative-Rock, Rock, Country, Alternative-Pop or also Electronic music like "Soulwax's" music. The personality of the label to have a very big amount of different genres under a same brand, be coherent with this and communicate to the consumers it's difficult, but as the label proves it, not impossible. PIAS is not launching Music Super Stars, but he is launching some of the most relevant artist from the independent music scene, PIAS is launching dog products, problem child products, and some star's that by time were converted into cash cow type of products.

Price, the price it's like in all the music industry not relevant because there exist a standardisation of the prices.

Place or distribution, PIAS is distributing music by his own property services working also in some cases with the group owner of the company "Inertia" that have also a distribution system, also PIAS offers to another independent labels a distribution services. They do a digital distribution to a big amount of portals and also to streaming services as Spotify, TIDAL, and a long etc. also distributing to physical retailers in different audio physical supports (CD, Vinyl, USB or also Tape)

Promotion, being a key point in the industry, PIAS is doing a great work in this aspect, the assumption of new technologies and a good-moderate budget and resources allowed to the firm to work properly, and promote their launchings without wasting too much money and achieving a good amount of impacts with this.

SWOT analysis of PIAS recordings

Graphic 36: PIAS SWOT analysis

Source: Own developed

- Strengths: PIAS recordings still have a big amount of resources but not comparable to the major record labels like Universal or Sony, they have a god advantage that represent the vertical and horizontal integration inside the company, a solid brand image, is one of the leaders of the independent music business.
- Weaknesses: The size of the company is small if we compare with the big ones, they have a big dependence from their music artists, the number of music launchings is not comparable to the majors labels, the potential public is not as wide as the commercial recording companies have.

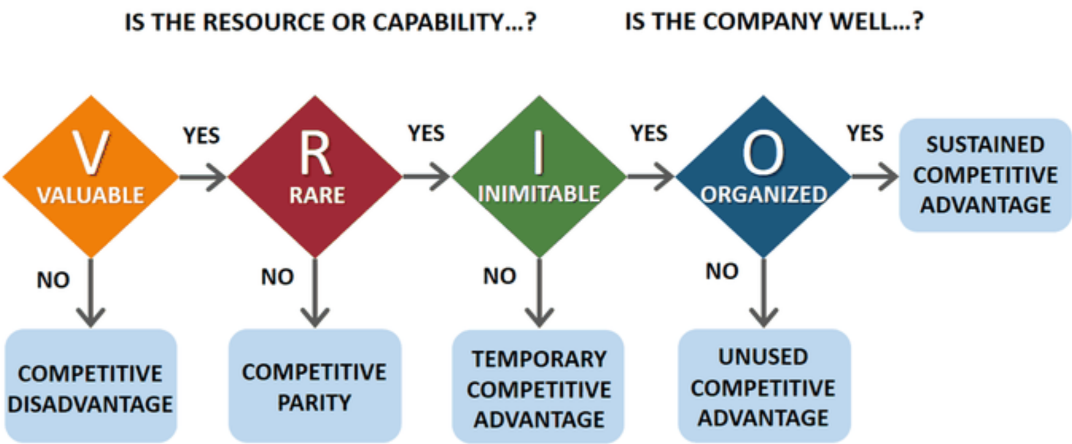
- Opportunities: They are the same to the major records previous analysed but including the increase of the amount of “indie” music consumers.
- The threats: Also the threats are similar but we have to highlight the dependence of the market because PIAS like the other indie companies didn’t have a rally powerful economic stability to resist as the major record firms have.

The competitive advantage

The competitive advantage of PIAS is the structure of distribution and his leadership inside the sector, PIAS have the capacity to administrate the copyrights doing a publishing company task and distribute the music with his resources and Inertia’s structure (company that owns also PIAS).

VRIO analysis

Graph 25: VRIO analysis



Source: business-to-you.com

Valuable: Yes
Rare: the competitive advantage is rare inside the independent labels
Inimitable: The build of a similar capacity requires of a big investment, so it’s hard to imitate
Organized: Yes

The capacity of PIAS can be sustained in time but it’s not as easy as the major record labels to sustain, and the advantage is detected respect the rest of independent competitors not in the whole music market.

3.5 Sincopat Music

Sincopat initially comes up as an adventure of the Valencian composer and producer Marc Martínez Nadal. He decided to create an eclectic music record label of electronic music after his experience with Barraca's record label, this was the record label of the most important electronica club of Valencia that achieve to be the number one in his music genre, Marc Martinez also founded Sincopat with his friend and teammate inside Barraca, Alberto Sola.

Graphic 37: Sincopat logo

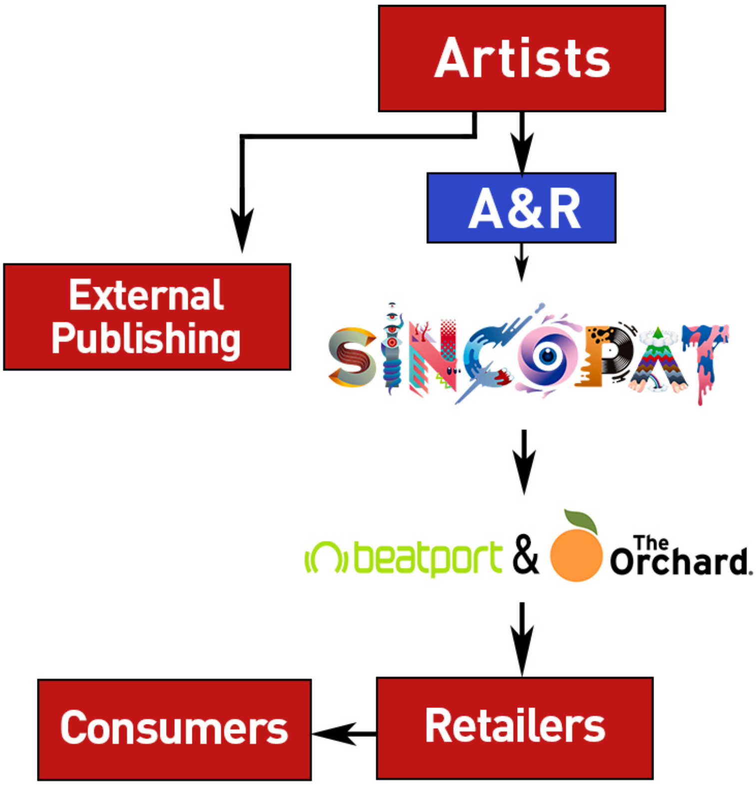
Source: sincopat.com

Also known as AFFKT, for outputting other related new artists' sounds and personal projects. The name Sincopat, syncopation in Valencian, represents its own essence, its land's and the music's, that actually serves as a starting point for the label.
After than seven years of work and with more than one hundred releases, the label is in a moment of maturity, being a worldwide benchmark of avant-garde electronic music.

Sincopat release works by artists like: Darlyn Vlys, John Talabot, UNER, Audio Junkies, Third Son, Raxon, Wareika, Ramiro López, Tiger Stripes, Upercent, Demarzo, Dave Seaman, Pezzner, Jaw, Alli Borem, Westboy, Mathias Kaden, dOP, Pete Oak, Sutja Gutierrez, Ten Ven, Tim Engelhardt, Vince Watson, Kruse & Nuernberg, etc.

Sincopat is a micro-company that operates legally under a company called Pobla cop., Pobla is recording ownership of Marc Martinez also, Sincopat have 4 workers actually that are attending the different tasks of a record label, with a flat structure attending to the functions of each person.

Graphic 38: Sincopat operations



Source: Own developed

Sincopat works to distribute with the Sony Music's distributor "The Orchard" to distribute in a big amount of digital platforms like Spotify, Itunes, Amazon Music… and also directly with the digital store Beatport, this store is the most important digital store for the electronic music worldwide, the return coming from Beatport represents more than the 70% of the income that provides a release. Sincopat have an agreement with Beatport to work directly with the store due to personal relations of Marc Martinez had in the first years of the German store.

Sincopat didn't usually take publishing tasks; the label only manages the rights of the master record.

Porter Five Forces:

1. **Bargaining Power of suppliers:**

In electronic music market the paper of the labels it's crucial, usually one label represents a really specific style of music or a way to understand music for certain people, the artists send their music to the labels that they think their music fits, the relevance of a record label attracts a different level of artists, Sincopat is a mid class label, they have a reputation and releases good Ep's and albums, in fact with this, Sincopat receive mid (in terms of reputation) artists, his power to negotiate with the providers of music is mid.

2. **Threat of new entrants:**

In this case the entry of new entrants it's easy and the competence is high, there are no big obstacles to get in the same type of business, a new company can easily compete with Sincopat with a not necessary big amount of resources, the only way to defend this is the brand-image that have the label and the perception of the client as a reference during this 7 years.

3. **Bargaining power of buyers**

In this case the aim of Sincopat it's release the music that the label and hence the people that are behind this like. There are no a big preoccupation for the success of a launching as the bigger record companies, so the buyers that choose consume their music have the same taste that the owners, attending to the the consumers have a low bargaining power.

4. **Threat of substitute products**

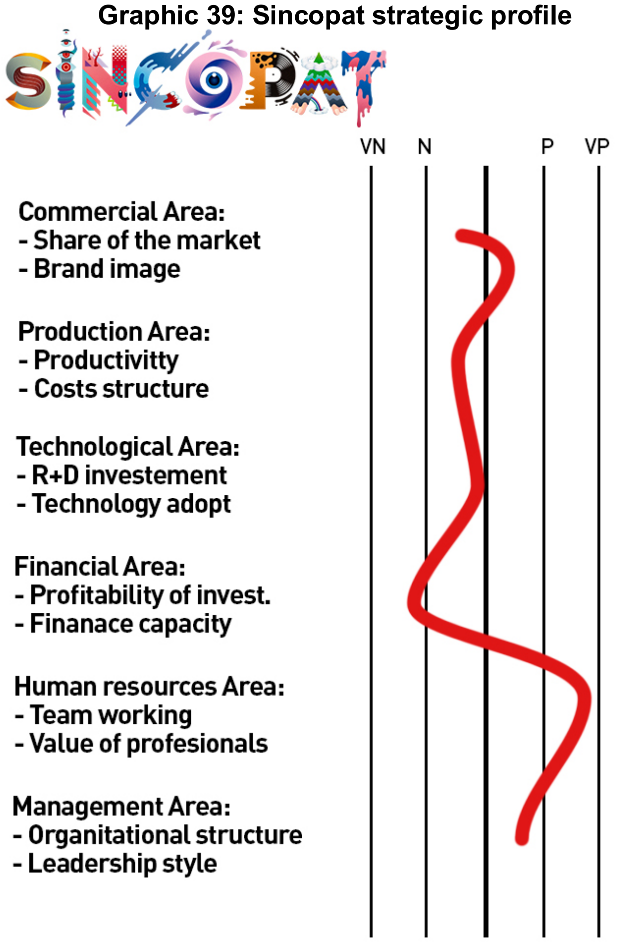
As we said previously, the music, as a product can't be replaced by another way of entertainment, the only way to replace music is by more music, Sincopat have his own music style and the best way to compete in terms to be original is to crate a unique and solid sound, the label is doing it but the production of electronic music is massive and the life length of music it's really short, only the best tunes live years in charts and clubs.

5. **Rivalry among existing competitors**

The rivalry among competitors it's really big, as I said, the amount of music released nowadays it's really massive and the half-live of one musical launch is no more than two months, so the unique way to compete is to create a unique sound solid thought the years trying to be different respect the competence. The competition it's in fact really high to have tracks into the top charts of selling music.

Strategic profile of Sincopat

Graphic 39: Sincopat strategic profile



Source: Own developed

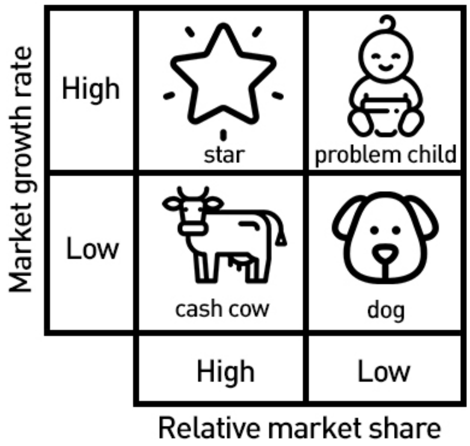
The share of the market of Sincopat is not really big, the label have a small piece of it, it's little more powerful his brand image, the record is known by the quality of the music and how interesting are their releases, in terms of productivity the labels have only one team to work with only a small amount of releases as the same time, instead of this Sincopat release a musical product every 15 days, the technological adoption it's not a really big point of the label but they are working on change this. The worst point it's the economic one, the label is not really profitability but there is not the aim of this, also the finance capacity it's really low. Against all of this the human resources area it's really good, and the workers are multi-task and they do all that they can do to achieve all the tasks, also the structure completely flat and the leadership style it's a really good point that allows to create new things every time and be different to the competence.

4 p's Marketing Mix

Product: The product launching by Sincopat Music it's a really specific, Sincopat have his sound inside the underground melodic electronic music, we can classify as Melodic Techno, Progressive House or underground indie electronic music the sound of the label.

So looking to the "*Boston Consulting Group growth-share matrix"* in the case of Sincopat. We are talking of "dog" type products in the majority of the cases and "problem child" also, the last ones can be converted to star products if the label have enough amount of resources to do it, this is not the habitual context. The aim of the firm it' looking for a Star product but, it's difficult and obtain it can be a year's work to obtain a recognition inside the industry and attract this type of producs. It's important to highlight that we are comparing each firm inside their real possibilities; a star product for Sincopat can't be the same for Sony music.

Graphic 21: Boston C. G. Growth-share matrix



Source: Own developed

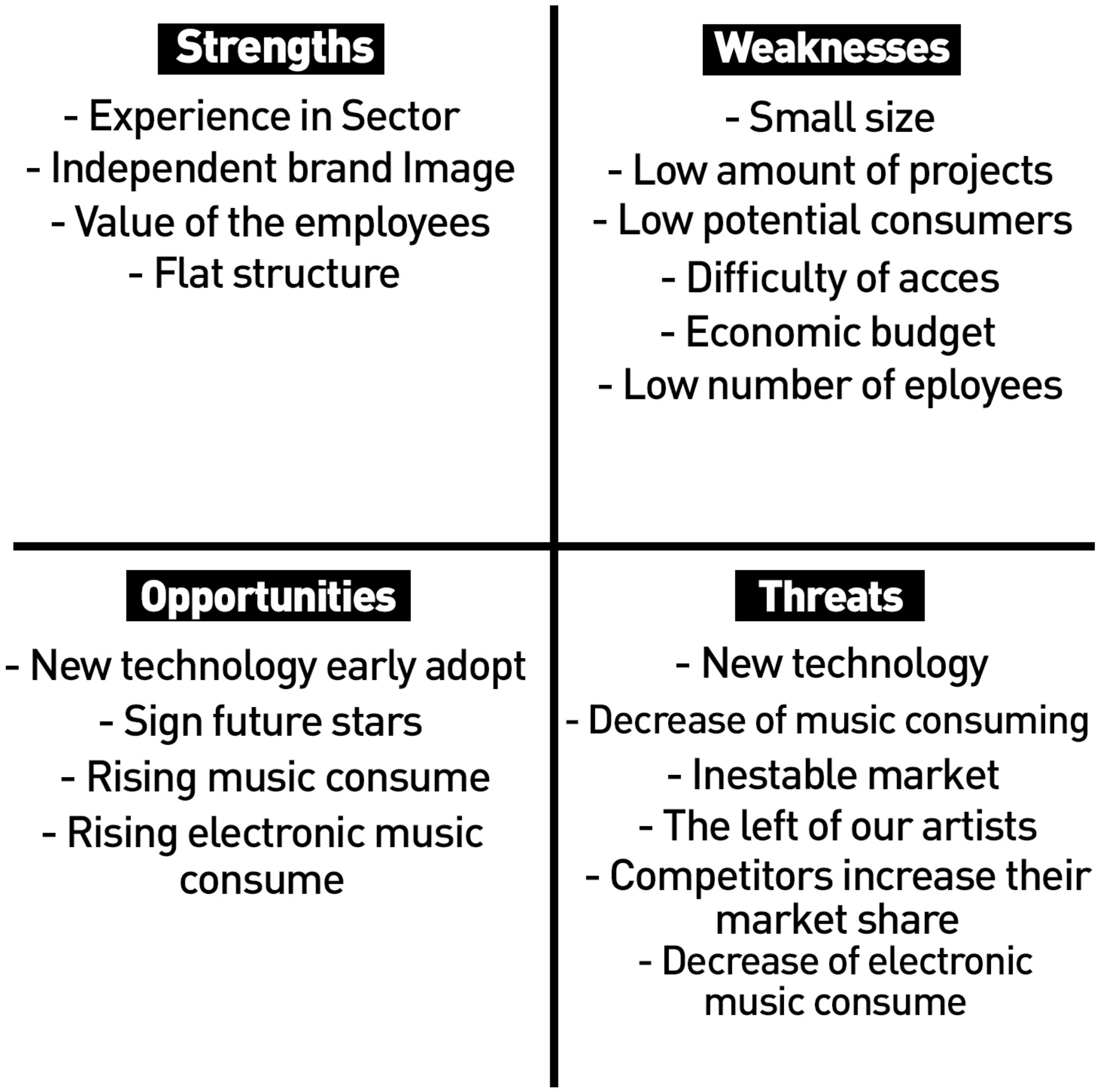
Price, Similar to the rest of the competence the price of the products are similar to the market without any difference.

Place or distribution, Sincopat it's working directly with Beatport to distribute inside this portal, the most important in the world, it's interesting this because not all the labels are able to do it, this implies skip an intermediate "aggregator" that would take a piece of the cake, and in this case it's avoid. Also The Orchard, the Sony Music's property distributer service, does the distribution of the rest of the portals and services.

Promotion, That it's usually a key point to obtain more returns form a musical launching, Sincopat is also using the "Push" strategy, but the budget of Sincopat for the activities of promotion it's really reduced, the label do Social Media promotion actions, promo in specialized magazines.

SWOT analysis of Sincopat.

Graphic 40: Sincopat SWOT analysis



Source: Own developed

The SWOT analysis of Sincopat highlights the same values analysed in the strategic profile, the company has several weaknesses, the small size and the economic budget and different threats that put this to an uncertain success based in the economic point of view, I the other hand we have various strong points as the brand image and value, the experience and the value of the employees, and also some opportunities to take, to highlight "Sign future stars" this is the main point of a record label of this characteristics, have a really successful musical products and become known for many people.

COMPETITIVE ADVANTAGE

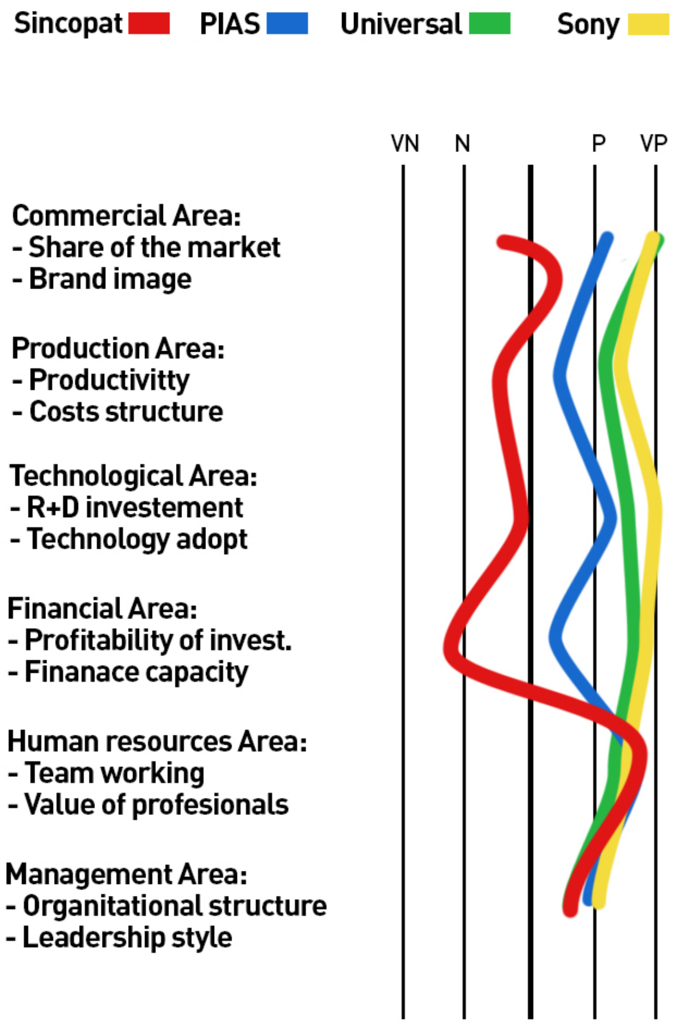
In Sincopat case it’s difficult to identify a real competitive advantage to compete with the competitors, is not easy to survive in the business and maybe the value of the employees and the constant work are the things that allowed to the record label to be here 7 years after his birth, I think that the company is looking to this competitive advantage, looking for some original and solid sound and a different way to understand music and share it with the consumers to implement their competitive advantage, this advantage always have to be in the value of the brand and the quality of their musical products.

It’s not necessary to do a VRIO analysis if there’s no competitive advantage for the firm.

Conclusions

The analysis of the four firms gives to us a good reference about how it's working nowadays the recording companies. There four record labels are very different among them, we are comparing companies like Sony music that obtain 7,27 billion $ revenue last year with Sincopat a company of 4 workers that the revenue of the past year it's around 10.000$, in fact the tasks that everyone is devolving are the same, both are releasing musical products to the market and maybe the quality of the launches between both are not as different as we are thinking. So this can be one of the most relevant things to highlight inside the conclusions of this work, in this industry the capacity of a company and his budget it's not as decisive as in anther type of industry, it's important but not decisive.

Graphic 41: Strategic profile comparison



Structure and revenue adoption, I said that the budget and the size of a company not determinate the quality or the value of a musical launch, luckily for all of us this it's true, but the budget and the dimension of a company it's directly proportional to the return that provide each musical launch. We can find some extraordinary examples but in the majority of the cases this is the way to operate. The structure and the size of the company conditions the size also of the musical launch, the companies use all of this resources and capabilities to push the product to the market.

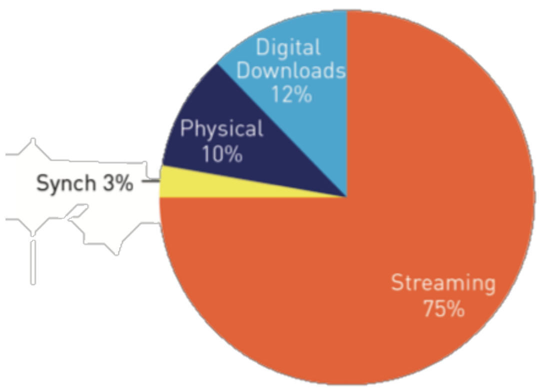
4. CONCLUSIONS

The crucial adoption of technologies, this was a key point from the beginnings until now, the adoption of the last technology on distribution and the adapt to the consumers last habits it`s really important, like Stephen E. Swiek, points in the report: The U.S. music industries: *“much of this recent growth has been driven by the rise of streaming technology. Intra-industry competition also provided new models for music industry growth and innovation”* (RIAA, 2018). It’s important to highlight that importance of this technological has democratized the possibilities to get in the business a lot of record labels, this allows to small companies to do the same tasks that the biggest record companies are doing years before with a lot of more resources.

Creativity and brand image as a flag, we are comparing in this work commercial recording companies and independent labels, the most important difference resides in the way to operate and to obtain the competitive advantage, the resources and capacities like the structure are really important in the major record labels or commercial, meanwhile in the indie ones they have to focus in create a solid and representative brand image to attract the more specialized consumer and create a customer loyalty. The task it’s not easy but the successful record companies that follow this main point have marked the way, so the road it’s be different and special and as important as this: be able to communicate this message to the market.

The future of the industry, the music industry is changing in every moment, we can’t imagine to achieve this point two years ago, with the streaming consolidation that looks the end of the musical piracy, this supposed the consolidation of a new model of consuming music. In the revenue report of the RIAA music of the half 2018, they highlight that Streaming achieve the 75% of the percentage of the revenue of the industry, so the steaming services grow a 28% respect one year ago. Also the battle between major record labels and independent record labels will continue now in this format. The major record companies reinforce their positions providing them with stronger set of assets, but in the other side, Independent companies obtain a good partner with the streaming that supposes

Graphic 41: U.S. Music industry revenues 1H 2018



Source: RIAA

for indies a good way to improve their share in the market and position their music products in the market.

6. BIBLIOGRAPHIC REFERENCES

Vazquez, C. (2017). *Bayan Audio*. Retrieved June 19, 2018 from bayanaudio.com: https://blog.bayanaudio.com/2017/09/11/the-evolution-of-music-formats-from-1889-to-present-day-from-vinyl-to-digital-music/

Vogel, A. (n.d.). *Jot Down.* Retrieved April 20, 2018 from http://www.jotdown.es/: http://www.jotdown.es/2018/04/coca-medios-tiendas-de-discos-y-wall-street-razones-del-colapso-de-las-discograficas/

WIN. (2017). *Winterl Worldwide Independent Market report 2017.*
WIN: Worldwide Independent Network. (2016). *The Global Economic & Cultural Contribution Of Independent Music Report 2015.*

Witt, S. (2016). *How Music Got Free: A STORY OF OBSESSION AND INVENTION.* Penguin Books.

Woolcott, O., & Florez, G. (2014). La paradoja del derecho de autor en el entorno de la industria musical frente a las nuevas tecnologías. *Prolegómenos. Derechos y Valores*.

World Economic Forum. (n.d.). *World Economic Forum*. Retrieved July 13, 2018 from weforum.org: http://reports.weforum.org/global-competitiveness-index-2017-2018/countryeconomy-profiles/#economy=ESP

Arobinaday. (2012). *Arobinaday*. Retrieved April 20, 2018 from arobinaday.wordpress.com: https://arobinaday.wordpress.com/2012/02/12/the-structure-of-the-music-industry/
Busines to You. (2017). *Busines to you*. Retrieved April 17, 2018 from business-to-you.com: https://www.business-to-you.com/top-5-business-frameworks/

Bustos, J. C., & Arregocés, B. (n.d.). *Fundación Telefónica*. Retrieved July 9, 2018 from Fundación Telefónica: https://telos.fundaciontelefonica.com/telos/articuloperspectiva.asp@idarticulo=2&rev=68.html

Bielas, I. (2013). The Rise and Fall of Record Labels . *The Rise and Fall of Record Labels* .
Cool, D. (2015). *Band Zoogle*. Retrieved June 22, 2018 from bandzoogle.com: https://bandzoogle.com/blog/major-vs-indie-what-really-happens-when-you-sign-a-record-deal

Cosper, A. (2006, December 12). *Playlist Research*. Retrieved June 28, 2018 from Playlist Research: http://www.playlistresearch.com/history/labels1900s.htm

El país. (2008). *El País*. Retrieved April 20, 2018 from elpais.com: https://elpais.com/diario/2008/04/29/radiotv/1209420004_850215.html

Deloitte Access Economics. (2017). *Australian independent music market report 2017.*

Dertouzos, J. N. (2008). Radio Airplay and the Record Industry: An Economic Analysis. *National Association of Broadcasters*.

Fouce, H. (2009). *Un largo verano de festivales. Categorías de experiencia y culturas productivas en la industria musical española .* LAboratorio de Tecnologías de la Información y Nuevos Análisis de Comunicación Social .

Frith, S., & Marshall, L. (2004). Music and Copyright. *Edinburgh University Press* , 2018.

Gronow, P., & Saunio, I. (1999). *International History of the Recording Industry.* A&C Black.

IFPI & WIN. (2016). *Investing in music.*

IFPI. (2017). *Global Music Report 2018: Annual state of the industry 2017.*

IFPI. (n.d.). *IFPI*. Retrieved July 15, 2018 from ifpi.org: https://www.ifpi.org/how-record-labels-invest.php

Ingham, T. (2018). *Music Business Worldwide*. Retrieved September 13, 2018 from musicbusinessworldwide.com: https://www.musicbusinessworldwide.com/universal-now-generating-50-an-hour-from-streaming-as-label-revenues-jump-xx-in-h1/

Jaumandreu, J. (2009). What explains the evolution of productivity and competitivenss? The innovation link. *IESE Business School – University of Navarra*.

Jenkis, D. (2018). *Dj Mag*. Retrieved July 23, 2018 from djmag.com: https://djmag.com/content/how-survive-independent-record-label-2018

Kraugman, P. (1994). *Competitiveness: a dangerous obsession.* Foreign Affairs.

Light, A. (2015, Jul 21). *New York Times (Online).* From New York Times: http://www.nytimes.com/2015/07/26/books/review/how-music-got-free-by-stephen-witt.html?partner=bloomberg

Nellis, S. (2018). *US News*. Retrieved July 23, 2018 from usnews.com: https://www.usnews.com/news/technology/articles/2018-06-28/independent-record-labels-get-boost-from-streaming-music-services

Macy, A., Hutchison, T., & Allen, P. (2015). *Record Label Marketing: How Music Companies Brand and Market Artists in the Digital Era.* Focal Press.

Martin, R., Kitson, M., & Tyler, P. (2006). *A Study on the Factors of Regional Competitiveness.* Routledge.

Mcglynn, D. (2018). *Dj Mag*. Retrieved September 13, 2018 from djmag.com: https://djmag.com/content/what-does-spotifys-new-upload-service-mean-producers-and-labels

Millard, A. (2015). *America on record.* Cambridge University Press.

Palmeiro, C. (2004). La Industria Discográfica y La Revolución Digital . *Seminario de Integración y Aplicación de la Licenciatura en Economía de la Universidad de Buenos Aires*.

Pearson. (n.d.). *Company of the Month: The Music Industry Part One.* Retrieved July 15, 2018 from PearsonELT: https://it.pearson.com/content/dam/region-core/italy/pearson-italy/pdf/inglese/scuola-secondaria-secondo-grado/ITALY%20-%20DOCENTI%20-%20ENGLISH%20LANGUAGE%20TEACHING%20-%202016%2012%20-%20The%20Music%20Industry%20SSSG%20-%20PDF.pdf

Porter, M. (1980). *Competitive Strategy.* Free Press.

Porter, M. (1979). *How Competitive Forces Shape Strategy.* Harvard Business Review.

PromocionMusical.es. (n.d.). *Promocion Musical*. Retrieved June 29, 2018 from Promocion Musical: https://promocionmusical.es/industria-musical-que-es-historia-modelo-negocio/
Observatorio Industrial del Sector Construcción. (2012). *Estudio de la competitividad de la industria de la construcción en España.*

Olin, B., & Heckscher, E. (1933). *Interregional and International Trade.*

RIAA. (2018). *Jobs & Benefits April 2018.*

RIAA. (2018). *Mid-year RIAA music revenues report.*

Ricardo, D. (1817). *On the Principles of Political Economy and Taxation.* John Murray.

Riquelme Leiva, M. (2015). *5 fuerzas de Porter*. Retrieved April 17, 2018 from 5fuerzasdeporter.com: http://www.5fuerzasdeporter.com/

Rojas, P., Romero, S., & Sepúlveda, S. (2000). *Algunos ejemplos de cómo medir la competitividad.* Serie Cuadernos Técnicos / IICA.

Rostow, W. W. (1960). *The Stages of Economic Growth: A non-communist manifesto.* Cambridge University Press.

Scarpulla, M. (2002, January 27). *Starpolish*. Retrieved July 15, 2018 from tiwary ent: https://www.tiwaryent.com/

Schwab, K. (2018). *The Global Competitiveness Report 2017–2018 .* World Economic Forum.

Sisario, B. (2018). *New York Times*. Retrieved September 13, 2018 from nytimes.com: https://www.nytimes.com/2018/09/06/business/media/spotify-music-industry-record-labels.html

Smith, A. (1776). *An Inquiry into the Nature and Causes of the Wealth of Nations.* Londres: W. Strahan & T. Cadell.

Smith, T. (2012). *A Brief History of The Music Industry.* From Music Think Tank: http://www.musicthinktank.com/mtt-open/a-brief-history-of-the-music-industry.html

Stephen, E. (2018). *The U.S. Music Industries: Jobs & Benefits.*