Major Labels in the Digital Era: Exploring Business Strategies in a Changing Market

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Certificate of Original Authorship

I, ROSSELLA IBRAHIM, declare that this thesis is submitted in fulfilment of the requirements for the award of Doctor of Philosophy in the Faculty of Arts and Social Sciences at the University of Technology Sydney.

This thesis is wholly my own work unless otherwise referenced or acknowledged. In addition, I certify that all information sources and literature used are indicated in the thesis.

This document has not been submitted for qualifications at any other academic institution.

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Acknowledgements

I selected this thesis topic because of my lifelong passion for music. I have chosen to examine the music business, specifically delving into the transformation of traditional intermediaries within the recorded music industry. My approach involved analysing this topic through a political economy lens, which is cognisant of questions of power, accumulation, and ownership in the market. I aimed to understand the strategies that oligopolistic corporations employ to maintain their market dominance in a rapidly evolving environment. Through this research, I not only sought to enhance understanding of market dynamics and competition, but also contribute to the broader knowledge in various dimensions of the field.

Over the years, my interest in political economy has centred around luminaries such as Susan Strange (1985, 1986, 1996, 1998), who deepened the exploration of market power and its inherent ability to perpetuate itself. The music industry, particularly the realm of the Major Music Companies (MMCs), emerged as the perfect canvas for this investigation due to my wider interests in the sector. In the early 2000s, during my teenage years, I recall reading music magazines and listening to radio stations that echoed predictions of an impending end of "the business". Being exposed to what was later called "the piracy panic narrative" by Arditi (2019, p. 619), I wondered about a world where music business revenue could totally collapse. Would music tours truly halt? Could my favourite bands continue to write and perform music without financial support? Amidst the dramatic projections, the teenage me felt like it was an impending apocalypse. Fast forward to today, and we can identify a very different story. Recorded music revenues and the MMCs' earnings have experienced the eighth consecutive year of growth, rising to pre-digitisation levels (see Figure 1). This profound evolution prompts essential questions: How did we shift from steady decline to this revitalisation? How did the once apparently fading major labels reassert their role in the current music market?

Fuelled by these passions for music and for understanding how economics works, I set out on this research to look closely at how the MMCs – the traditional oligopolistic intermediaries of the recorded market – managed to survive market restructuring and re-assert their market dominance throughout the digital disruption.

This thesis has been a truly solitary journey, filled with numerous challenges, particularly as I happened to live in a city with the longest lockdown. However, as the saying goes, "No one is an Island," and I wouldn't have made it through without the unwavering support of many incredible individuals.

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I also want to acknowledge all the individuals who have fought and continue to fight to build a more inclusive society. Without their present and past work, it would have been impossible for a kid like me, born in a disadvantaged area to a single mother on a minimum salary, to achieve what I have. I hope to be a good example of the resilience and determination that they represent because there is still much work to be done, and the battles we won yesterday may not be considered won forever.

To all the writers, scriptwriters, and musicians who manage to remind us that we are not alone in this world, I am grateful. The pandemic has reaffirmed how essential their work is, and I wish there were a fairer way to compensate their invaluable contribution to life.

Lastly, I want to say a heartfelt thank you to myself for enduring through all the challenges and uncertainties. *Un augurio per il prossimo capitolo della mia vita* (best wishes for the next chapter of my life).

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Thank you to all who have played a part in this journey, and here's to new beginnings and continued growth.

Statement Indicating the Format of the Thesis

This thesis is in the form of a conventional PhD thesis.

Contents

Chapter 1
Introduction to the Thesis

1.1 The Resilience of Major Music Companies

In the early 2000s newspapers carried headlines denouncing a bleak future for major record labels. In 2003, Wired wondered whether it would be "The Year the Music Dies", and in 2009 The Guardian (2009) asked, "Who Needs Major Labels These Days?" In this period, the major music companies (MMCs) were grappling with diminishing revenues and market influence due to the transformative impact of digital technology. At the same time, a growing number of artists began producing, distributing, and promoting their music independently, challenging the dominance of major labels as intermediaries of the recorded music market.

Fast forward to today, and newspaper headlines present a starkly different picture. They now emphasise the "Incredible Resilience of the Music Industry" (*Financial Times*, 2023) and highlight the impressive financial success of the key labels, stating that “The Three Major Music Companies Are Now Jointly Generating Approximately $2.9M Per Hour” (*Music Business Worldwide*, 2023).

The scenarios predicted at the turn of the millennium, did not materialise. The three Majors – Universal Music Group (UMG), Sony Music Entertainment (SME), and Warner Music Group (WMG) – continue to dominate the music industry today (Ingham, 2023; Mulligan, 2023). In fact, while digitisation led to a wave of consolidation in the 2000s, these three companies (which I will also refer to as “the Majors”) have maintained their position of market power. All principal market indicators suggest that these companies have not lost ground and still exert significant influence in the music industry.

Although the increasing influx of independently uploaded tracks on streaming platforms has diluted their market share, the three Majors still hold a substantial portion of the recorded music market – the overall value of which has increased, given the size of the overall market (IFPI, 2023). Today the Majors hold the 74.67% of the global recorded music market share, with UMG 29.5%, Sony Music Group 26.87%, and Warner Music 18.30% (Billboard, 2023a). As will be shown in Chapter 2, the revenue flow for these MMCs has been steadily increasing since 2015. Additionally, they continue to dominate the most-streamed songs on top music charts (Billboard, 2023b). These outcomes are a testament to the resilience and adaptability of the Majors, who have maintained their market power despite significant technological and economic changes.

This thesis contributes to music business literature by investigating the transition of the Majors from a period of decline in the early 2000s to their current state of prosperity. Specifically, through the case study of the brand partnership (BP) sector, it examines the business strategies these companies have employed to maintain their relevance as intermediaries in an evolving music market. After the final series of mergers and acquisitions in the 2000s, today's Majors have been established as Universal Music Group, Sony Music Entertainment, and Warner Music Group. These companies have been chosen as the subject of this investigation due to their historical significance as traditional oligopolistic intermediaries of the recorded music market. Specifically, I demonstrate that, rather than succumbing to obsolescence or yielding to emerging players, they have reinvested revenue derived from copyright exploitation into acquiring new competencies. This reinvestment supports related diversification strategies that enhance complementary value chains (Goto, 2011).

This thesis contributes to the field of music business literature, specifically adding to the contributions that analysed the Majors after digitisation (Guichardaz, Bach, & Penin, 2019; Marshall, 2012; Rogers, 2017; Roger & Pascal, 2016; Tessler, 2016; Wikström, 2020). In taking a political economy approach, I am attentive to how companies have strategised to maintain accumulation, profit making, and market power, surviving the cycle of intermediation, disintermediation, and reintermediation (IDR) (Chircu &

Kauffman, 2000). I provide a practical case study illustrating how market power is reproduced through business integration, quasi-integration strategies, and market relationships (Dietrich, 1994; McWilliams & Gray, 1995). These business strategies enable established companies to update their capabilities, maintaining relevance in a changing market, and ensure their survival – in effect enabling them to effectively "internalise disruption" (Kanellopoulou, 2021, p. 48).

1.2. Geographic and Temporal Scope of the Study

This thesis explores the complex dynamics of IDR within the traditional recorded music industry as a part of the for-profit market system in the Global North. Historically, this sphere has been characterised by the dominance of the Anglo-American music market, which extended its influence to encompass Europe and Japan in the latter half of the 20th century (Tschmuck, 2006). This research primarily examines the Anglosphere and Western Europe, overlooking the impact in regions such as China, India, Africa, and Russia. The thesis centres on the MMCs, historically the gatekeepers of the recorded music market (Bishop, 2005) in the Global North. They all began their rise during the Western industrial revolution, especially in the United States and Europe. However, they are now expanding their influence internationally, while maintaining control from their original bases.

The initial promise of an "internet utopia", which envisioned the removal of borders as constraints for music and digitised content (Flichy, 2004), has not fully materialised (Zook & Shelton, 2016). While it was argued that musicians would be able to freely expand and sell their content across international boundaries, reality has demonstrated that this vision fell short in practice (Elkins, 2019; Kenney & Zysman, 2020). Instead, the music industry remains significantly intermediated by influential entities that wield considerable power over the selection and promotion of content and artists for local markets and for internationalisation. In complementary sectors, including BPs, the influence of local dynamics continues to have a primary role. Furthermore, factors such as distinct market dynamics, legal frameworks safeguarding copyright (Elkins, 2019), emerging challenges in promotion (Tofalvy & Koltai, 2023), and geoblocking all contribute to the enduring presence of country-based systems within the music industry.

In terms of the historical timeframe of this research, the project primarily focuses on countermediation strategies that occurred during the latter half of the 2010s. During this period, both the recorded music sector's revenues and those of the MAJORSs shifted from decline to growth. A significant turning point around 2015 marked the end of revenue decline and the beginning of an upward trend. Correspondingly, relevant annual reports and my research interviews reveal a shift in discourse among the MMCs at this time. These companies moved away from solely combating piracy and increasingly emphasised the importance of actively investing in emerging or growing complementary sectors. In essence, the market entered an expansionary phase characterised by revenue and investment growth. This thesis investigates a period characterised by the MAJORSs' expansion strategies, which encompass both internal capability development and business integration strategies, as well as the establishment of market relationships, to access complementary market sectors.

Drawing on the insights of Hesmondhalgh and Meier (2018), who built upon Mulligan's (2015) work, the post-digitisation history of the recorded music business can be delineated into three distinct phases:

1999–2003: *Peer-to-peer file sharing and piracy, and the MAJORSs' revenue decline*

During this period, internet-linked file sharing and peer-to-peer technologies that were primarily centred on personal computers emerged. Piracy and peer-to-peer file sharing became significant factors contributing to the decline in the MMCs' revenue. This decline was in a stark contrast to the peak revenues experienced by the Majors in the 1990s.

2003–2008: *iTunes and the legal transformation of music consumption*
In this period, the convergence of copy-protection systems with unified playback and retail interfaces gained momentum through the collaboration of personal computers and iPod/MP3 players. These years were characterised by the rise of the Apple iTunes Store, as highlighted by Hesmondhalgh and Meier (2018), who underscored Apple's disruption of the conventional music industry business model. Its "unbundling" of albums challenged traditional album sales, offering consumers the option to purchase individual songs. Despite this transformation, the model retained the essence of music ownership, resembling a digital adaptation of long-standing retail traditions (Kjus, 2016). As a pioneering and user-friendly platform for legitimate digital downloads, iTunes eventually gained acceptance from major players in the music industry (Mulligan, 2015).

2008–Present: *Redefining music revenue models*
This era is marked the rise of streaming services, notably via mobile apps. The launch of on-demand streaming services, including Spotify and the Apple App Store in 2008, delivered substantial growth around 2012 and has characterised this phase. The prevalence of mobile devices and ready access to wifi has defined this stage. This shift signalled a fundamental change in how people engage with recorded music, transitioning from ownership to access (Marshall, 2015). While the revenue model still hinges on rights ownership, a new commercial framework emerged. The major corporations holding these rights receive compensation from streaming services via licences and often substantial advances. Simultaneously, music services gather user data, offer advertising opportunities, and collect

subscription fees. Despite streaming services positioning themselves as music discovery agents through algorithms or human-curated systems, their purpose is not direct music purchases. Users invest in the music service itself, financially or through exposure to advertisements. Streaming has blurred the line between music promotion and consumption, creating a unified platform for exposure and purchase (Kjus, 2016).

The research conducted for this thesis – the analysis of Annual Reports and confirmation by interviewees – has identified another shift in the latter half of the 2010s. This was a shift in the Majors' investment mindset, initially triggered by revenue declines in the early 2000s, which gained significant momentum after revenue stabilisation. This trend has persisted and, according to most interviewees, has even deepened concurrently with the Majors' rising revenues.

Key scholars, including Hesmondhalgh et al. (2023), spotlight 2015 as a crucial turning point. In the authors' analysis, after that year, discussions about the "open" internet infrastructure faded from academic and media discussions. As music streaming platforms solidified their position in recorded music commerce, beginning around 2015, the discourse surrounding the "open web" ideals finally faded away. The investigation conducted in this thesis, also shows an increasing trend of reintermediation and countermediation in developing complementary markets at this time.

1.3 Research Objectives

The intention of this study has been to comprehend the strategies by which the Majors have preserved their market dominance as intermediaries in the wake of significant disruptions. Despite partial instances of disintermediation and reintermediation, these companies have managed to maintain a central position in the market. And despite the market indicators confirming the maintenance of their power position, the exploration of the resilience of the Majors has been relatively secondary in the literature, particularly in regard to the phenomenon of countermediation.

The objectives of this research were to

1. Critically analyse the growth of the brand partnership business as a complement to the traditional recorded music business
2. Contribute to the theory of intermediation dynamics in the music economy, provide an understanding of how the Majors integrate and coordinate different value chains to increase the overall value of music.

The key research question posed to investigate these objectives is:

> How has the growth of brand partnerships complemented the traditional recorded music business, and what role do major music companies (MMCs) play in integrating and coordinating different value chains to increase the overall value of music in the music economy?

1.4 Justification for the Study and Contribution of the Thesis

The recorded music industry is a highly valuable and culturally influential sector. It currently boasts global revenues of US$26.2 billion (IFPI, 2023). The industry is also a major employer, with the International Federation of the Phonographic Industry (IFPI,

2020) reporting that in 2018 the sector provided jobs for two million people across the 27 EU Member States and the UK.

This thesis contributes new knowledge regarding the music business through my investigation of the business expansion of the MMCs during the period of digitisation, focussing on the role of the Brand partnership sector. My research also contributes to a deeper comprehension of overall market dynamics and competition, thus advancing this field of knowledge in the following three key dimensions.

First, the Brand Partnership sector within the MMCs has received limited research attention, making it an important topic to explore. With the rapid evolution and expansion of BPs, the sector has become a complex area of the music industry where – according to critical literature in communication – music is commodified for its affective power and its ability to create experiences that connect brands to consumers (Andrejevic, 2011; Brodmerkel & Carah, 2016; Carah, 2010; Zwick et al., 2008). This thesis seeks to illuminate the evolving role of the MMCs as intermediaries within this sector, along with their strategies to navigate market changes and survive the IDR cycle caused by digitisation.

Second, this thesis expands knowledge on the music market and the commodification of music by examining it within the context of convergence culture and the experience economy – encompassing music as both a commodity and a service. As Rogers (2017) points out, major music labels are dynamically adjusting to the technological shifts and market challenges by transforming their core structures and practices. This strategic evolution aims to not only harness revenue from traditional media but also to capitalise on the diverse opportunities presented by new digital platforms and physical venues, ensuring a broader exploitation of their copyrights and brands. Such adaptations have led to a fundamental reshaping of the music industry's architecture. By extending their influence across a multitude of platforms and forging strategic mergers and partnerships, these companies continue to reinforce their traditional power structures while simultaneously tapping into new revenue streams and fortifying their market dominance. Specifically, the analysis in this thesis of the inception, development, and growth of brand partnership units in the MMCs demonstrates an important example of how these companies have expanded their business model beyond the traditional production-to-consumption (P2C) model to include a business-to-business (B2B) model, which is ultimately progressed to consumption P2C + B2B(2C) (Tessler, 2016). This expansion into B2B sectors is strategic to the P2C model due to its promotional effect on recorded music, the primary commodity of the MMCs.

Third, while this thesis situates itself within the field of music business, it addresses the role of MMCs by investigating their strategies to reassert market power during the IDR cycle through a political economy lens. This thesis uses conceptualisations from two distinct research literatures that investigate market dynamics and business strategies: the literature on IDR, and the literature on business expansion strategies, through internal development and business integration. In particular, my analysis establishes the usefulness of connecting these two streams of research. While most of the literature on music business has focussed solely on the initial stages of the cycle, specifically on disintermediation or reintermediation processes typical of the early 2000s, fewer contributions have examined the countermediation strategies implemented by the MMCs in recent years to survive the current IDR cycle (for important examples see Guichardaz et al., 2019; Kask & Oberg, 2018; Rogers, 2017; Tessler, 2016). By employing a political economy lens, this thesis provides an important contribution on value chain integration and market power. It examines business expansion strategies, through internal development and business integration, as a means to maintain market power and internalise disruption within the context of IDR cycles (Kanellouppoulo, 2022). The thesis demonstrates how the process of dis-integration and re-integration of part of the value chain play a pivotal role in enabling corporations to navigate and thrive within these cycles of market transformation.

1.5 Note on Data Analysis and Research Methodology

This research adopts a qualitative analysis approach, underpinned by a political economy framework, to explore the enduring market power of Major Music Corporations (MMCs) amidst rapid industry evolution and external market pressures. The methodology is designed to capture the multifaceted nature of market dynamics, leveraging a blend of case studies, semi-structured interviews, and critical document analysis to achieve comprehensive insights aligned with the research objectives.

- *Comprehensive literature review*: The data analysis began with an extensive review of both business and academic literature. This step established a foundational understanding of existing perspectives on the subject and identified gaps in the explanations of the strategies of market adaptation employed by traditional businesses within the music industry.

- *Public Documents and Business Literature Analysis*: Initiating the methodological approach, an analysis of public documents, including annual reports from the IFPI and major music companies, as well as selected business literature, was undertaken. This step aimed to anchor the study's exploratory phase in empirical data, providing foundational insights into industry trends, strategic movements of major music corporations, and the broader market dynamics. As the research progressed, this document analysis evolved into an iterative process.

It continually informed and refined the study's findings, ensuring that the investigation was deeply grounded in both theoretical frameworks and real-world industry practices and outcomes.

- *Expert interviews*: To investigate these gaps and gain insights that would complement the literature findings, a series of expert interviews were conducted. Primary data consisted of in-depth interviews with 28 key informants. These were market experts who hold different positions in the recorded music and music and brand partnership market. These interviews were meticulously transcribed and analysed, allowing for a close examination of the information shared by the key experts and workers. The analysis involved identifying recurring themes, patterns, and discrepancies within the interview responses. Interview transcripts were reviewed numerous times and research themes emerged from interviews and broader project.

- *Triangulation*: The findings from the interviews were cross-referenced, not only with the initially reviewed literature but also with additional sources obtained later in the research process. This approach was supplemented by interviews specifically conducted to serve the purpose of triangulation. As Fusch, Fusch, & Ness (2018) argue, triangulation mitigates against bias, enhances reaching data saturation, and adds depth to the data collected. The iterative process of revisiting and investigating literature, combined with insights gained from these additional interviews, facilitated a comprehensive validation of emerging themes and patterns.

- *Contextualisation within theoretical frameworks*: Throughout data analysis, insights were situated within the theoretical frameworks of political economy and business integration. This contextualisation allowed for a holistic understanding of how the strategies of market adaptation and the dynamics of market power operated within the broader landscape of the music industry.

- *Narrative synthesis*: The qualitative findings were synthesised into a coherent narrative, which provided a comprehensive account of the strategies employed by traditional businesses in adapting to evolving market conditions within the music industry (Barnett-Page & Thomas, 2009).

In sum, the data analysis of this thesis focussed on detailed analyses of expert interviews and iterative investigation of sources, culminating in a narrative synthesis that aligned with the research objectives and theoretical frameworks.

1.6 Key Findings

This research produced the following five key findings:

1. *The MMCs have developed a new value chain based on the coordination of interrelated value chains, effectively adapting to the changed market landscape.*

One of the primary strategies adopted by the MMCs to maintain their market dominance is their ability to expand into, integrate and coordinate multiple interrelated value chains. The traditional linear vertical process of the recorded music value chain is transforming into diverse and interconnected value chains. Traditionally, the value chain is characterised by a linear vertical process in which music is produced, recorded, promoted, distributed, and finally sold to consumers. After digitisation, the recorded music market has become more intertwined with other market sectors, leading to the rise of new value chains. The MMCs are adapting to this new environment by incorporating new capabilities and integrating these value chains into their overall business structures.

2. *Through coordination and control over the new music value chain, the MMCs have maintained and increased their market power and increased their resilience.*

By expanding into, integrating and coordinating complementary value chains, the MMCs are able to maintain – and further increase - their central position as intermediaries of the new music market and increasing their profits by coordinating every aspect of artists' careers. This level of control and market power is often marketed to both musicians and investors as a point of strength, which can serve to attract both the supply of labour (musicians) and capital (investors) to these companies. Furthermore, by integrating complementary value chains, the MMCs reassert their market power in different ways, including through comparative resilience against competition, increasing and diversifying revenue streams, and using their power in market transactions with other companies at every stage of the value chain.

The expansion of major music companies (MMCs) into complementary value chains reflects a process akin to the disintegration and integration described in "Cycles in Symbol Production" by Peterson and Berger (1975). Just as cultural symbols undergo fragmentation and reintegration, MMCs diversify their operations, exerting control over various aspects of artists' careers. This integration reinforces their market power by diversifying revenue streams, increasing resilience against competition, and enabling favourable transactions throughout the value chain.

3. *The business expansion and value chain integration in the MMCs' business structure of the Brand Partnership sector demonstrates the growing importance of accessing this sector for reinforcing the MMCs' market position.*

The music and brand partnership sector has played a key role in the countermediation strategies employed by the MMCs, and significant effort and resources are being devoted to gaining access to and control over this new rising sector. Brand partnership is a strategic priority for two reasons: first, it provides new revenue streams for the MMCs; and second, it has a promotional ability that increases the value of the MMCs' primary asset, which is recorded music. In order to achieve these ends, the MMCs have developed in-house competencies and dedicated business units to successfully intermediate between the demand and supply sides. These efforts have successively commodified music for its affective power and its ability to create experiences that connect brands to consumers. By doing so, the MMCs have expanded their traditional production-to-consumption (P2C) model to include a business-to-business (B2B) model, ultimately leading to consumption – B2B(2C) – which adds to their revenue streams and helps them to maximise profits.

The market entry strategies of the MMCs focus on timing their penetration into various market sectors as a means to mitigate risks.

Business expansion strategies are the primary method adopted by the MMCs to maintain their market dominance. This strategy – either of internal development or business integration – enables the MMCs to incorporate new capabilities, thus maintaining access to all new strategic sectors of the music market. By expanding into and integrating complementary value chains, the MMCs can reassert their market power in several ways, such as by increasing their resilience against competition and potential market shocks, maximising profits by coordinating every aspect of artists' careers, and attracting both the supply of labour (musicians) and capital (investors) to these companies. By implementing business expansion and divestment strategies, the MMCs have successfully adapted to the changing market, surviving the cycle of disintermediation and reintermediation. With the timing of business expansion organised to be at a later stage of the development of new markets, the MMCs can gain the access to new sectors but avoid the high-risk investment typical of investments in establishing new markets. This risk is consequently externalised to new entrants in these emerging markets.

3. *An expanded theorisation on business expansion and contraction and integration and disintegration of parts of the value chain as countermediation strategies is needed.*

This research has cast some more light on the strategic use of integration strategies beyond transaction cost economics, which has traditionally been used to explain the motives behind business integration. It shows how the IDR framework can be usefully extended by analysing how the MMCs are using business expansion strategies not only to reduce transaction costs but also to reproduce market power and adapt to disruptive changes in the music industry. By expanding into complementary markets and divesting other parts of the value chain when they are no longer strategic or profitable during the disintermediation phase, these companies manage to internalise disruption. This research sheds light on the link between business expansion and divestment strategies an d the cycle of IDR.

1.7 Establishing Clarity: Definitions in the Music Industry Landscape

Although these terms are often used interchangeably, this section aims to provide clear definitions for key terms used in the discussion.

Music Industry: The music industry encompasses all aspects of creating, producing, distributing, and consuming music. It includes a wide range of activities, such as recording, publishing, marketing, live performances, and merchandising. Essentially, the music industry represents the entire ecosystem surrounding the creation and dissemination of music.

- Music Business: The music business specifically refers to the commercial activities within the music industry. It involves the buying, selling, and marketing of music products and services for profit. This includes activities such as record label operations, artist management, concert promotion, music publishing, and licensing.

- Record Industry: The record industry is a subset of the music industry that focuses on the production and distribution of recorded music. It primarily involves record labels, which sign artists, produce recordings, and distribute them to consumers through various channels, including physical sales, digital downloads, and streaming platforms.

Furthermore, it's essential to define the term "Major Music Companies" (MMCs) for clarity in our discussions:

- Major Music Companies (MMCs): MMCs refer to the largest and most influential record labels in the music industry. These companies typically have significant market share, extensive catalogs of recorded music, and substantial financial resources. Examples of MMCs include Universal Music Group, Sony Music Entertainment, and Warner Music Group.

1.8 Structure of the Thesis

This thesis is organised into the following eight chapters.

Chapter 1: Introduction

This current chapter has provided an overview of the study, the research questions, the research methodology, and the findings.

Chapter 2: Review of Literature: The Music Industry and Brand Partnership

This chapter explores the key themes and concepts that form the foundations of this research by focussing on two key areas: 1) It examines the impact of digitization on the music industry, focusing on the roles of major music companies (Universal Music Group, Sony Music Entertainment, and Warner Music Group) within the evolving music market and how digitization has transformed the music value chain. 2) It explores the role of brand partnerships in the music market, detailing the strategic value of music and musicians for brands in terms of emotional branding and immersive experiences, drawing on studies from marketing, branding, and music industry research to underscore the significance of music in enhancing brand connection and loyalty.

Chapter 3: Theoretical Framework of Analysis

This chapter lays the analytical foundation for the thesis, adopting the Intermediation, Disintermediation, and Reintermediation (IDR) cycle as a framework to analyze the business strategies of major music companies (Majors). Additionally, it reviews foundational literature on business integration and disintegration strategies. This review serves as the basis for investigating the primary strategies of Majors and how they managed to reassert their market power in a market that has undergone the IDR cycle.

Chapter 4: Research Methodology

This chapter illustrates the research methodology, detailing the methodological approach from adopting a political economy framework to employing qualitative data-gathering methods such as case studies, semi-structured interviews, and industry document analysis. The thesis explores Majors' strategies for maintaining market power during IDR and how market power thus manages to reproduce itself. Therefore, this methodological chapter also highlights the role of qualitative research in understanding complex market dynamics and the IDR cycle within the music industry.

Chapter 5: Music and Brand Partnerships; Market Characteristics and Dynamics of Intermediation

This is the first findings chapter, presenting data on the music and brand partnership market with a focus on Major Music Companies (MMCs) as intermediaries. Split into two main parts, the chapter first provides an overview of brand partnership market, including its evolution and dynamics. The second part investigates the demand (brands) and supply (musicians) sides of this market, analysing their needs, interests, and how MMCs serve as intermediaries, balancing these with their own interests. It underscores the skills and capabilities MMCs must develop for effective intermediation in this market, setting a foundation for subsequent chapters that will further examine MMCs' development of these capabilities.

The chapter emphasises the brand partnership market's strategic significance, highlighting music's role in the experience economy and its commodification based on "affective power." This focus aims to illuminate the relatively unexplored sector of brand partnerships within Majors and its importance in sustaining the brand economy.

The findings presented here underscore the growing significance of the Brand Partnership sector within the overall recorded music value chain, a crucial aspect for understanding how Majors access and coordinate this sector to maximize its complementary benefits—a topic that will be further explored in subsequent chapters.

Chapter 6: Majors' Reintermediation: Accessing and Coordinating the Brand Partnership Market

The second findings chapter exposes the in-house development of brand partnership capabilities within Major Music Companies and the establishment and expansion of dedicated business units for these partnerships. It discusses how these units, specialised in brand partnerships, engage not only in competition within the BP market against other Majors but also against a wide range of external actors, managing projects independently and through collaborations. The chapter further highlights the strategic coordination of these complementary value chains with others in the new recorded music value chain, enhancing profitability through mutual asset enhancement. Additionally, it explores the broader implications of such coordination, extending to the conglomerates owning the Majors and providing them a competitive edge, particularly for those part of media conglomerates, allowing access to sectors like the gaming industry.

By reconstructing the development of brand partnership units from their inception to their current role as creative hubs, the chapter utilises interviews and literature to offer insights into the evolving dynamics of brand partnerships, including the decline in the use of 360-degree contracts and how music's affective power is commodified to benefit brands. Through examples like Adobe's UGC and KFC's live music sponsorships, it demonstrates the strategic application of music in branding, situating these findings within the broader context of the IDR cycle and countermediation strategies employed by MMCs to maintain market relevance and profitability.

This chapter reveals Majors' business strategies to become intermediaries in a rising strategic sector, showcasing their comprehensive access to and coordination of this complementary value chain. Achieved through in-house capability development, Majors not only gain full access but also coordinate this value chain within their organizations and conglomerates, optimising its complementarity to enhance overall value chain profitability. Thus, the chapter highlights the critical role of intermediating and coordinating this strategic complementary chain within the recorded music value chain, underlining that such coordination lead to Majors' market competitive advantage. It posits that without access to such diverse and complementary value chains, other actors miss out on the significant profitability benefits this coordination provides.

Chapter 7: The Major Music Companies Re-intermediating in the Evolving Music Value Chain

This chapter exposes the findings on Majors' expansion into emerging strategic sectors like film and TV synchronization, social media, gaming, and Web3. It explains how these complementary value chains, once peripheral, now significantly contribute to the industry's overall value proposition, amplifying the primary value chain's impact. Through interviews and analysis, the chapter emphasises the increasing importance of these sectors in Majors' strategic planning, underscoring their role in enhancing market presence and profitability. It also examines the Majors' cautious yet strategic approach to integrating these new sectors, reflecting on the broader trends of the experience economy and media convergence, and how music's pervasive emotional appeal and ubiquity across modern life play into these dynamics.

This investigation into Majors' countermediation strategies reveals their efforts to maintain a central market position by accessing and coordinating these emerging complementary chains, attracting investment and talent in the rapidly evolving music industry landscape.

This chapter consolidates findings to show Major Music Companies' (MMCs) strategic integration of complementary value chains into their operations for five main objectives:

1. Gaining Access to Complementary Sectors: MMCs have tapped into areas like TV/movie synchronization, gaming, and social media, enhancing their competitive stance and reaffirming their role as digital era intermediaries.

2. Diversifying Revenue: Integration has opened new revenue streams from virtual concerts to merchandising, strengthening MMCs' financial base and unlocking new market opportunities.

3. Boosting Promotional Impact: Complementary sectors not only generate revenue but also significantly promote MMCs' primary asset—recorded music—across a wider range of platforms.

4. Attracting Talent and Investment: Control over the entire value chain attracts artists for the exposure it offers and investors for the revenue expansion and increased music value.

5. Expanding Business and Navigating IDR: Through strategic market relationships and internal capability development, MMCs expand their reach and reinforce their intermediary role, utilizing business integration to navigate the intermediation, disintermediation, and reintermediation (IDR) cycle effectively.

Majors' integration of complementary value chains into their business model enables them to control the evolving recorded music value chain, securing their role as intermediaries in this dynamic market. By maximising these complementarities, Majors achieve a competitive advantage over other players lacking comprehensive access to these chains. Business integration strategies emerge as key mechanisms through which Majors maintain and reproduce their market power amid the cycles of intermediation, disintermediation, and reintermediation.

Chapter 8: Analysis and Conclusion

This chapter analyses and discusses the data and findings from Chapters 5 to 7, extending the analysis by examining the link between cycles of IDR and the processes of business expansion and divestment in the MMCs. The chapter first examines the strategic approaches of business integration, disintegration, and reintegration in the value chain adopted by MMCs in response to the evolving cycles of intermediation, disintermediation, and reintermediation in the music industry. It then summarises the key findings of the research project these findings outline the contributions of the thesis to scholarly knowledge.

The final section offers theoretical insights and suggests areas for further research informed by the study's findings. It applies the IDR cycle concept to show how the MMCs might utilise expansion and disinvestment strategies in response to technological shocks, to maintain control over a changing value chain. Additionally, it explores the potential impact of these strategies on competition policy, emphasizing the need for a deeper understanding of how MMCs can effectively "internalise disruption." This aligns with Kanellopoulou's (2021) conclusion that:

Majors possess the ability to internalise disruptive forces and turn them to profit (Kanellopoulou, 2022).

Chapter 2

Review of Literature: The Music Industry and Brand Partnerships

As described in Chapter 1, this thesis aims to contribute to the music business literature, particularly investigations into the Majors as intermediaries in the recorded music market. It addresses the following questions:

1. How have music market intermediaries navigated market cycles and regained their industry influence?
2. What emerging market sectors shape the music value chain, and how do the Majors develop the necessary skills to mediate effectively?
3. What countermediation strategies do the Majors use to reassert market dominance?

This literature review is divided into the following two parts, each associated with a discrete part of the analysis.

1) The impact of digitisation on the music industry:

The chapter begins by defining the music business and examining the main actors of this study, namely the major music companies (MMCs, or "the Majors), specifically Universal Music Group (UMG), Sony Music Entertainment SME) and Warner Music Group (WMG). Recognised as major labels, with publishing branches included, these companies have been chosen as the subject of this investigation due to their historical significance as traditional oligopolistic intermediaries of the recorded music market. This part of the chapter continues with a literature review of the main studies on the role of the Majors in the recorded music market and the impact of digitisation in this market. It concludes by introducing the literature on experience economy and convergent media environment, and how these phenomena have impacted the music value chain. The literature discussed in this section of the chapter, which concentrates on the role of Majors in the music business, is the area to which this thesis aims to contribute.

2) The Role of Brand Partnership in the Music Market

The chapter continues by detailing a literature review centred on the intersection of music and brands, illustrating the strategic value music and musicians hold for brands. This section lays the theoretical groundwork for understanding the dynamics within the brand partnership sector, which is critical for analysing the development of such partnerships by major music companies (MMCs) like Universal Music Group (UMG), Sony Music Entertainment (SME), and Warner Music Group (WMG).

The academic literature here presented, explores the multifaceted roles that music plays in branding strategies, from emotional branding to the creation of immersive brand experiences within the experience economy. The literature spans various fields, including marketing, branding management, and music industry studies, to provide a comprehensive overview of how brands utilise music to connect with their audiences on a deeper emotional level, thereby enhancing brand loyalty and differentiation.

2.1 The Music Business and the Majors as Intermediaries of the Recorded Music Market

Throughout the evolution of communication studies and the political economy of communication, various definitions have emerged to describe the music and culture industry. These definitions correspond to the diverse analytical approaches applied to the subject. The term “culture industry”, for example, was coined by Horkheimer and Adorno of the Frankfurt School in 1944 for critiquing cultural standardisation as a capitalist tool for social control, with examples in music, literature, and radio dramas. However, during the 1970s and 1980s, the French School of Communication redefined “cultural industries” more positively, highlighting their potential for democratisation and their dynamic nature, balancing commercial and artistic interests (Wikström, 2020).

Several research avenues within the Political Economy of Communication adopted a Marxist lens. According to Christian Fuchs (2015) media’s political economy is deeply rooted in Marxist Political Economy. Winseck (2017) highlighted that diverse research on media industries extends beyond traditional disciplinary borders of communication, encompassing economists, legal experts, business historians, and more. These scholars address media-related topics ranging from monopolies and antitrust issues to privacy concerns.

My research explores the adaptive strategies of the Majors in response to the digital disruptions in the recorded music market. Digitisation posed challenges to the MMCs’ dominance by reducing production and distribution costs while enabling direct connections between fans and musicians. As a result, from the turn of the millennium, scholars and artists began envisioning the decline and eventual elimination of major labels as intermediaries in the music market (Arditi, 2014; Morris, 2015; Negus, 2019). While the number of major music companies reduced from five to three due to rounds of mergers and acquisitions, the overall market share did not decline. Instead, the consolidation of Majors resulted in a redistribution of market power among the remaining players.

The music industry is traditionally segmented into three core areas: live, publishing, and recorded (Hesmondhalgh, 2002). However, it's essential to recognise that integration between and across these sectors has always been present to some extent. Digitization has not only intensified this integration but has also added layers of complexity to an already intricate landscape. Yet, as Kanellopoulou (2021) highlights, the boundaries among these sub-sectors are becoming increasingly interwoven in the digital era. Historically, the Majors dominated the recorded music sector, a legacy embedded in the 20th-century Western musical arena. While the sector has been interpreted in various ways over time, there remains a consistent emphasis on the MMCs' central role in both recording and publishing. This distinction continues to be a primary reference for competition policies and regulatory bodies (Kanellopoulou, 2021). However, with the industry's undeniable transformation, my research seeks to illuminate the shifting power dynamics within the contemporary music landscape.

This thesis focusses on the MMCs (or ‘the Majors’), which, in contrast to independent recording companies, are structured as conglomerates or multinationals with many subsidiaries owned by a holding company (Shuker, 2022). These companies have played a significant role in the history and structure of the recorded music market, their integrated business structures positioning them as the primary intermediaries within the value chain of the music industry. As Shuker (2022) emphasises, these companies also have consequences for middle and small independent labels: “Middle range record companies have been absorbed by the majors (e.g. Virgin, Motown and Island), while the smaller independent labels are frequently closely linked to the majors through distribution deals” (Shuker, 2022, p. 214). Digitisation, by lowering costs and enabling direct artist–fan links, has led to predictions since 2000 of a reduced role for the major music labels (Arditi, 2014; Garofalo, 1999; Morris, 2015; Negus, 2019).

Currently, although the increasing influx of independently uploaded tracks on streaming platforms has diluted their market share, the Majors still hold altogether around three quarters of the global recorded market share. To explain the reasons for this, some authors have emphasised copyright and intellectual property as crucial concerns (Hesmondhalgh & Meier, 2018). Some scholars have tackled music within broader discussions of copyright challenges in the digital age (e.g., Vaidhyanathan, 2001), while others have delved into the specific copyright struggles stemming from the digitalisation of music (Hesmondhalgh, 2009). These MMCs have established a dominant position as intermediaries in the recorded music industry (Garofalo 1999).

Following a wave of mergers and acquisitions in 2012, including the breakup and subsequent sale of EMI Music, the global recorded music market has been dominated by UMG, SME, and WMG. Contrary to the predictions of their decline, together these Majors still control most of the recorded music market, accounting for approximately 74.67% of the market share: UMG 29.5%, SMG 26.87%, and WMG 18.30% (Billboard, 2023). Significantly, since 2015, the revenue of the recorded market sector has been on the rise. By 2022, this sector's revenue had returned to its pre-digital levels (see Figure 1). This resurgence is largely attributed to the burgeoning streaming economy, as depicted in Figure 1, which shows a dramatic escalation in total streaming revenues, overtaking physical sales and becoming the music industry's most significant revenue stream by a substantial margin. Also, the revenue generated by the Majors has constantly increased (see Figure 2).

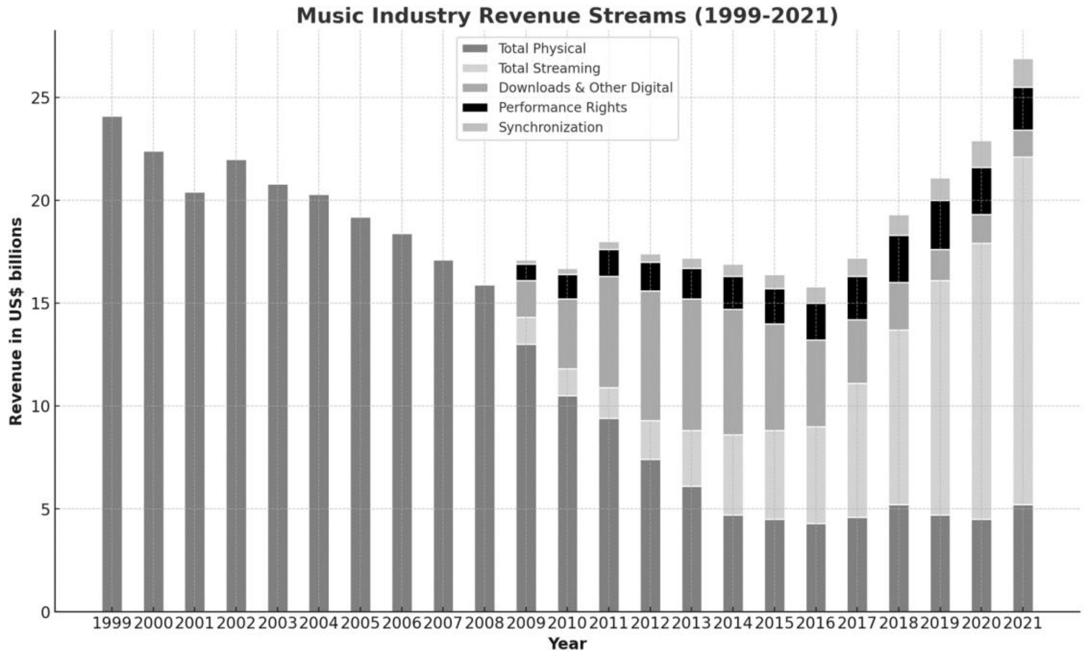

Figure 1: Global recorded music industry revenues 1999–2021 (US$ Billions). Source: (IFPI, 2023).

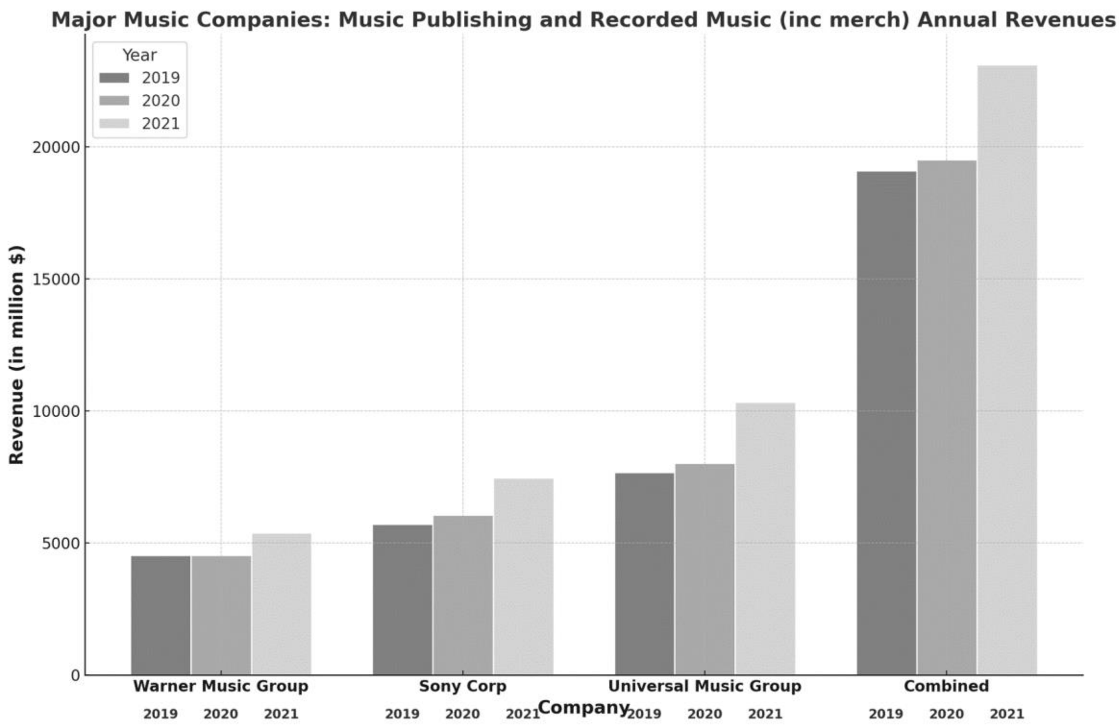

Figure 2: Upward trend in revenue of the Majors. Source: Music Business Worldwide, 2023

The ongoing dominance of the MMCs in the recorded music industry is not only attested by their market share, but also by their dominance in the global charts (Billboard, 2023) and their significant achievements in major industry awards and prises. These companies consistently demonstrate a higher likelihood of securing nominations and winning prestigious prises such as Grammy Awards (PopVortex, 2023) and the Brit Awards (BritAward, 2023).

In response to the challenges presented by digitisation, these companies underwent restructuring processes that involved shifting their focus from predominantly engaging in recording activities to adopting a more comprehensive involvement in the music sector (Wueller, 2012). They firstly implemented contract restructuring strategies, including the adoption of multiple rights (360-degree) deals. The 360-degree deals were designed to capitalise on diverse aspects of a musician's career, encompassing various art forms and revenue streams, including recording, touring, merchandising, and other revenue streams, rather than just record sales (Gervais & Kilgore, 2011; Marshall, 2013; Negus, 2019; Rogers, 2017; Tessler, 2016). The next section of this chapter provides an overview of the evolution of the major labels' market positions as intermediaries in the recorded music industry, along with an analysis of the impact of digitisation on their market positions.

The Majors have historically been part of holding companies, which is what labels them as ‘Majors’ rather than being considered independent entities. UMG and WMG have traditionally enjoyed conglomerate integration with the movie industry, granting them a competitive advantage in placing their music within films. Additionally, SME has consistently benefited from its affiliation with technology companies, facilitating connections with sectors such as Walkman and PlayStation (Tschmuck, 2017). Presently, UMG and SME remain integrated within media conglomerates, as depicted in Figures 3 and 4, respectively. Until 2021, Vivendi was the primary shareholder of Universal Music Group (UMG), holding an 80% stake, while Tencent owned 20%. In September 2021, UMG was separated from Vivendi and listed independently on the Amsterdam stock exchange (Music Business Worldwide, 2023) . Despite this change, Vivendi’s influence remains notable. After the listing, Vivendi retained a 10% interest in UMG, and Vincent Bolloré, former Vivendi Chairman, maintained an 18.01% share through his holdings (Music Business Worldwide, 2023). With Bolloré's significant control in Vivendi and his direct stake in UMG, the combined interests of Vivendi and Bolloré still constitute the largest shareholding entity in UMG (Music Business Worldwide, 2023).

WMG's position has taken a divergent path, as evident in Figure 5. The market position derived by this conglomerate integration will be investigated in Chapters 6 and 7.

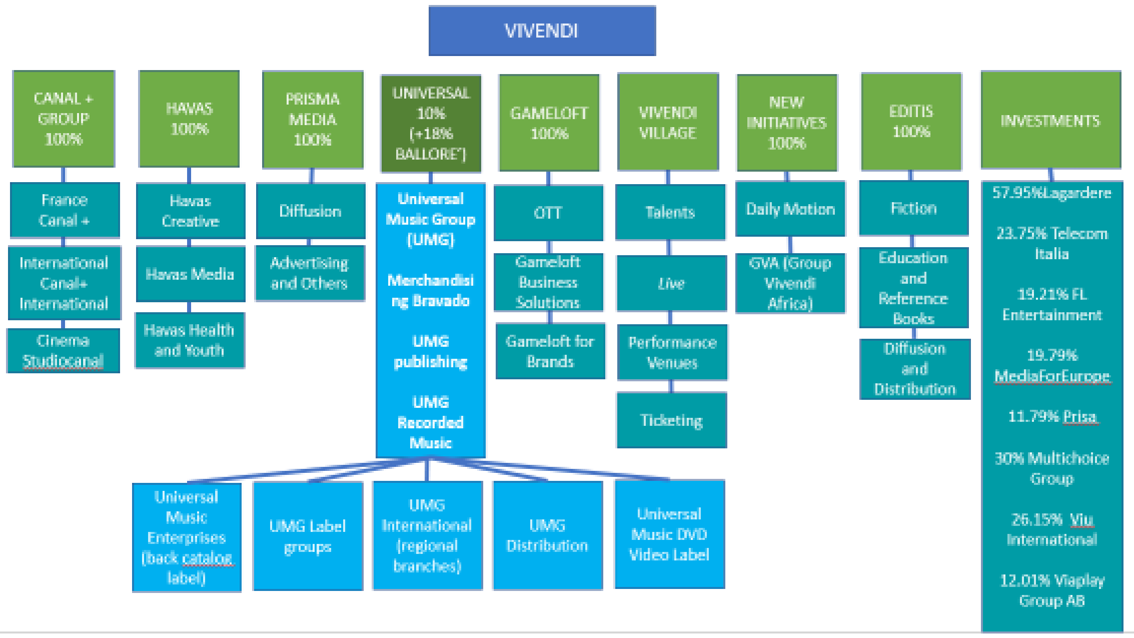

Figure 3: Organisational structure of Vivendi and Universal Music Group, 2023. Source: Author, (Data: Vivendi, 2023; Tschmuck, 2017).

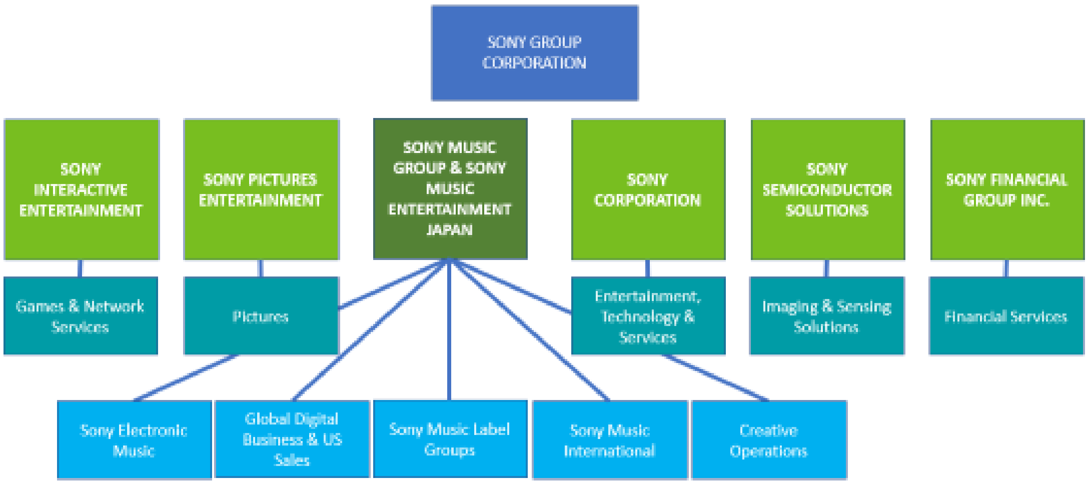

Figure 4: Organisational structure of Sony Group Corporation and Sony Music Entertainment. Source: Author, (Data: Sony Group Corporation, 2023; Tschmusck 2017).

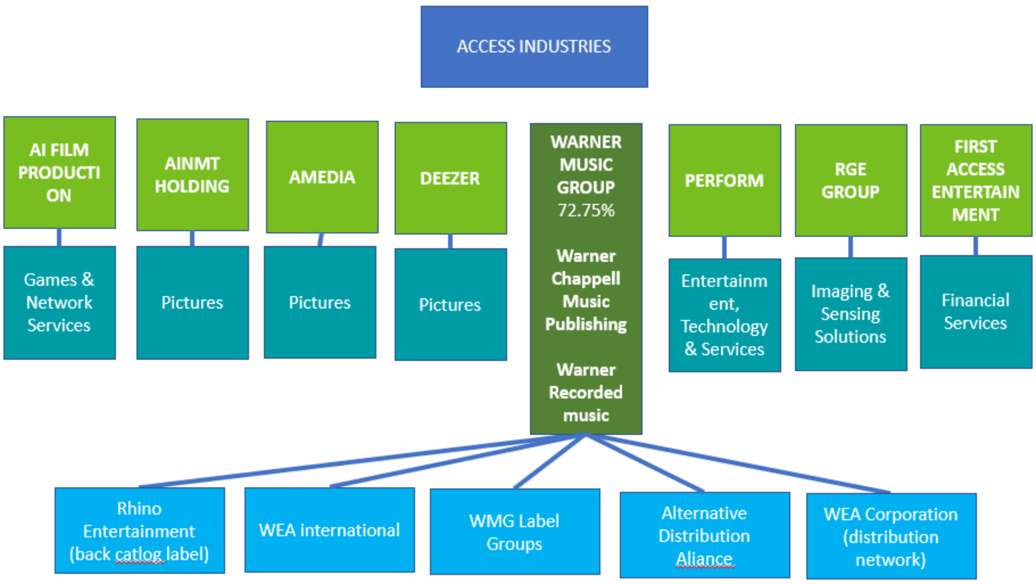

Figure 5: Organisational structure of Warner Music Group, March 2016. Source: Author, (Data: Tschmusck, 2017).

2.1.1 The Major Labels as Traditional Intermediaries of the Recorded Music Market

From the 1960s, through mergers and acquisitions and a strategic blend of vertical and horizontal integration, major labels solidified their roles as oligopolistic gatekeepers of the recorded music market. This era saw these entities owning and orchestrating every facet of the music production process, from A&R to distribution and marketing-promotion. Tschmuck (2012) highlights how these strategies increased market share and power, while Peterson and Berger (1975) note the emergence of big music corporations controlling the entire music creation and distribution chain. Such manoeuvres have led to a market dominated by a few major labels, each with extensive networks covering music publishing, recording, marketing divisions, and distribution businesses, often managed through a network of subsidiaries (Burkart, 2005). High production and distribution costs have traditionally created barriers to entry, further entrenching the majors' market position (Rayna & Striukova, 2009).

Moreover, the drive for vertical integration and intra-firm synergy has enabled larger labels to navigate competitive pressures efficiently, controlling the music production spectrum (Bishop, 2005; Herman & McChesney, 2001). Nelson (2007) points out that the nature of the music product itself motivates majors to integrate vertically to prevent opportunistic behaviours. This strategic control over the value chain has granted these majors competitive advantages, allowing them to dominate distribution channels and stifle the rise of independent labels (Tschmuck, 2017).

The turn of the millennium marked a pivotal shift for the music industry with the digital distribution onset, challenging the Majors' profit peaks experienced after the CD's advent. The rise of online piracy and the advent of digital distribution led to a significant revenue decline for major labels from 1999 to 2007, prompting a risk-averse strategy that saw a reduction in artist portfolios by about 30%. This strategy aimed at cost reduction and operational streamlining, focusing on promoting a smaller number of artists (Alexander, 2002; Casadesus-Masanell & Hervas-Drane, 2010). Digitisation profoundly impacted the music market, lowering music production and distribution costs and fostering direct artist-fan connections. This era celebrated the potential of "DIY artists" and "artpreneurs," enabling musicians to bypass traditional market intermediaries and directly engage with fans online. Notable examples include Radiohead's "In Rainbows" and Nine Inch Nails' "Ghost I-IV," showcasing artists' independence from major labels (Bernardo, 2013; Hracs, 2012).

2.1.2 The Post-Digitisation Music Market: Recorded Music in The Experience Economy and Convergent Media

Since the advent of digitization, the recorded music market's value chain has dramatically evolved, marked by the commodification of music within the context of the experience economy and convergent media environments. Digitization has redefined the music industry's landscape, introducing new market segments, functions, and intermediaries, thus complicating the majors' control over the music distribution process. This shift saw digital platforms supplanting traditional physical distributors, altering consumption patterns towards access over ownership (Shapiro & Varian, 1999), and leveraging social media and user-generated content (UGC) as pivotal marketing and promotional tools (Cartwright, 2002; Gamble & Gilmore, 2013).

The transformation into the experience economy, as outlined by Pine & Gilmore (2011), signifies a broader economic shift where experiences become the primary economic offering, transcending the agrarian, industrial, and service economies. In this realm, music consumption aligns with experiential values—its sensory qualities, emotional resonance, and social context—reinforcing its role not just as a product or service but as a holistic experience (Tschmuck, Pearce, & Campbell, 2013).

Simultaneously, the convergent media environment has further commodified music, blending technologies and platforms to enhance music's accessibility and distribution across diverse media channels. This convergence, facilitated by multi-function devices like smartphones, broadens music's reach and integrates it seamlessly into the digital lifestyle (Han et al., 2009).

Tschmuck (2012) observes this period as one where traditional production, distribution, and consumption models are disrupted by "system-alien" creativity, introducing a new digital value-added network. This network's complexity heightens uncertainty and leads to the rise of new intermediaries, managing specific interactions within the evolving music ecosystem. Despite the initial disintermediation phase—where traditional middlemen are bypassed—new intermediaries invariably emerge, embodying the dynamic, cyclical nature of the digitised music market. This ongoing evolution underlines the music industry's adaptation to the experience economy and convergent media, framing music as an increasingly commodified element within these broader socio-economic transformations.

2.1.3 The Majors' Strategies to Reassert Market Power

The discourse on the role of major labels in the digitised music industry has evolved significantly over time. Initially, at the turn of the millennium, academic consensus leaned towards the prediction that major labels would become redundant and potentially disappear, overshadowed by new market players and digital distribution methods (Leyshon et al., 2005). This perspective was rooted in the transformative potential of digitization, heralding a more democratised landscape for music production and distribution, seemingly diminishing the gatekeeping role of Majors.

In contrast, more recent analyses present a nuanced perspective, recognising that Major Music Companies (MMCs) are neither disappearing nor becoming redundant. Instead, they are actively reforming and adapting to new market dynamics shaped by the cycles of Intermediation, Disintermediation, and Reintermediation (IDR) and strategies of business integration and disintegration (Kask & Oberg, 2018; Guichardaz, Bach, & Penin, 2019; Tessler, 2016). This revised viewpoint acknowledges the resilience of Majors and their strategic responses to digital challenges, marking a significant shift from earlier narratives.

This thesis situates itself within the recent narrative, focusing on how Majors navigate the IDR cycle through strategic integration and disintegration within the music value chain. Far from becoming obsolete, Majors have leveraged their extensive catalogs, strategic partnerships, and "360-degree" strategies to maintain and even expand their market dominance amidst digital disruptions (Kask & Oberg, 2018; Tessler, 2016). Tessler (2016) argues that, far from being at the verge of obsolescence, the MMCs are now

> rethinking [their] core competencies and developing strategic partnerships throughout the music and creative industries, moving away from a model based almost exclusively on consumer sales and towards one based on a range of business-to-business partnerships across the creative industries. … Under the 360-degree model, labels aren't just "silent partners" but instead active owners or at least part-owners with influence over how each element within an act's career is developed. (Tessler, 2016, p. 35)

Contemporary scholarship underscores the adaptability and strategic ingenuity of Majors, challenging the early predictions of their decline. These studies highlight the majors' ability to sustain their market influence through strategic control over copyright assets, oligopolistic structures with streaming services, and comprehensive business models that go beyond mere consumer sales (Guichardaz, Bach, & Penin, 2019; Tessler, 2016). Owning their own supply chains, the Majors have strong competitive advantages with other actors, including independent labels, enabling them the maximum level of flexibility and synchronisation of the required tasks. As the authors explain with regard to SME:

> When a music product is in the process of becoming a hit, other associated products must be conceived and distributed very quickly because of their dependent life cycle. This ensures to the firm that each project and subproject is as close as possible to this lifetime in order to transact all products at the optimal moment. Such coordination is not always possible for independent labels since their release agenda is partly controlled by the distributor. This exemplifies the high level of complementarity between the new value proposition and the supply chain resources of the firm in developing transactional capabilities for performing the 360-deal strategy. (Guichardaz, Bach, & Penin, 2019, p. 854).

The competitive advantage of coordination of complementarities, enables SME to efficiently exploit all the new revenue streams:

> Sony Music aims to exploit all complementarities that music can offer with other related products such as concerts, merchandising, and advertising Whereas in the past these complementarities were occasional and entirely handled by other actors (management company, show producer, etc.), they are now optimised by the firm. (p. 853)

This evolving discourse reflects a transition from the initial view of majors' impending obsolescence to an understanding of their strategic evolution and continued dominance in the digital age. By examining the strategic manoeuvres of Majors within the IDR cycle and their implications for business integration and disintegration strategies, this thesis contributes to the updated discourse, particularly in the context of the brand partnership sector. Through this analysis, it aims to enrich the understanding of how oligopolistic firms navigate digital transformation and maintain their stronghold in the industry, thereby adding to the contributions of Kask & Oberg (2018), Guichardaz, Bach, & Penin (2019), and Tessler (2016) in the literature.

Taylor (2015) provides an insightful analysis of the external influences on music as a cultural commodity within the global capitalist framework, emphasizing the music industry's strategic responses to these overarching forces. In contrast, my research explores the internal dynamics of Major Music Corporations (MMCs), focusing on their strategies for integration and market relationships as they navigate the cycles of intermediation, disintermediation, and reintermediation (IDR).

Using a political economy perspective, my study diverges from Taylor's by highlighting how MMCs consolidate market power. This is achieved through strategic processes of integration and disintegration, which not only create barriers to entry but also shape competition dynamics and ensure corporate resilience in the face of market-transforming innovations.

2.2 Music and Brand in Academic Literature

This section provides a foundational literature review on the strategic significance of music and musicians for brands, serving as a theoretical precursor to a detailed examination of the brand partnership sector. Through an exploration across disciplines such as branding management, and critical theory, it highlights how music's emotional resonance is crucial to branding strategies. This interdisciplinary scrutiny reveals how music not only fosters emotional connections but also significantly enhances brand experiences, thereby affirming its strategic value in consumer engagement and the cultivation of brand communities within the experience economy. Emotional branding theories, which advocate for the establishment of profound, affective relationships with customers, recognise music as a key element in achieving brand differentiation and fostering loyalty.

Moreover, this analysis acknowledges the commodification of music in the capitalist framework, focusing on how brands harness music to forge deeper connections with consumers. It delves into the concept of affective labour, positioning music and musicians as essential in generating emotional experiences that are instrumental in developing brand identity and facilitating consumer engagement. This literature background elucidates the strategic role of music in branding, setting the stage for an in-depth exploration of the brand partnership sector's development within major music corporations, which constitutes the central case study of this research.

2.2.1. Music and Brand in the Academic Literature

The utilisation of music by brands has attracted scrutiny from diverse academic disciplines, spanning branding management (Kirti, 2012; Yuen, 2022), critical theories (Andrejevic, 2011; Carah, 2010; Taylor, 2007), psychology (Wong, 2018) and sociology (van Krieken, 2018). As a potent vehicle of communication, music can elicit powerful emotional responses, rendering it an indispensable component of effective branding. As described by David Hesmondhalgh (2009): “Music, with its strong links to the emotions and to values of personal authenticity, may well have become bound up with the incorporation of emotional self-realisation, authenticity and creativity into capitalism” (p. 3).

To thoroughly understand the data presented in this chapter, it is essential to reference key literature on the role of music in today's branding landscape. This will allow deeper insights into the evolving demands of brands and comprehend why there is a growing emphasis on music, musicians, and related partnerships, as supported by both business literature and expert interviews conducted for this research.

2.2.1.1. Emotional Branding and Experience Economy

Larson et al. (2010) explored the symbolic consumption of music in its socially constructed nature as a tool for self-affirmation in a social context and for creating communities of practice based on mutual social engagement and shared repertoires. Other scholars have drawn a link between this social function of music and the role of brand communities, which are broadly defined as a social aggregation of brand users and their relationships to the brand itself as a repository of meaning (McAlexander, Schouten, & Koenig, 2002).

Both the administrative and critical literatures on branding highlight the importance of cultivating strong brands by establishing an emotional connection between the brand and the consumer and then fostering it through experience. The contemporary consumer's inclination, as outlined by the experience economy theory (Pine & Gillmore, 1998), is to place greater value on the experiences that accompany the purchase of products or services, rather than on merely the products or services themselves (Morrison & Crane, 2007). In line with the experience economy theory, experience is at the core of the current capitalist phase, and the ability to offer superior experiences is key to brand success and differentiation.

Emotional branding theories suggest that building an emotional bond with customers is a crucial aspect of creating a lasting and loyal customer base (Gobe, 2001). This approach transcends the conventional benefits that arise from purchasing and consuming a product, which, given low product differentiation and the possibility of technological imitation, would not deliver a sustainable competitive advantage. Rather, emotional branding is a strategy aimed at fostering deep emotional connections with customers, ultimately leading to brand loyalty and affiliation, and thereby securing a sustainable competitive advantage in the long term. The spectrum of the music audience extends beyond the realm of mere customers and consumers, including fans. These enthusiasts, characterised by their profound emotional connection to music, are a fundamental force within the industry. The dynamic interplay between music and its fans, a subject of extensive exploration in scholarly works such as those found in the *Journal of Fandom Studies*, transcends conventional consumer interactions. Fans' fervent loyalties and active engagements shape market movements and drive innovative branding strategies in the music sector, demonstrating fans' indispensable role.

As outlined by branding management scholars, awareness and image are the main determinants of a strong brand. Keller et al. (2008) note that these two factors are critical to the persuasion power of strong brands, as they allow a brand to play a role in the purchase decision. Brand awareness is the necessary condition for this, as a product of a brand unknown to consumers will typically not be considered a relevant option to buy. The brand image goes beyond awareness and is defined as the perceptions about a brand held in consumer memory and reflected in brand associations (Keller, 1993). Consumers tend to prefer brands that hold strong, favourable, and unique images (Keller, 1993; Keller et al., 2008; Keller & Lehmann, 2009). Thus, building and maintaining brand awareness and image are the ultimate goals of brand management. To achieve these goals, brand management must follow psychological principles and utilise effective communication tactics.

The key communication tactics of attention, liking, comprehension, and retention are described by McGuire's (1968) information-processing model and explained by the branding and advertising literature (Scott Armstrong, 2011; Keller, 2008; Rossiter & Bellman, 2005). Attention refers to getting in contact with the target group, as the first obstacle a brand must overcome is becoming noticed. Liking is about fostering positive emotional associations with the brand, ensuring that the audience not only notices but also develops a favourable emotional response. Comprehension refers to the needs of the message to convey relevant information, and retention refers to capacity of a brand or marketing message to remain salient in the minds of consumers over an extended period of time.

Eliciting emotional responses and fostering affection is a crucial component of successful branding. Research has highlighted the importance of creating an emotional connection with consumers (Heath et al., 2006; Poels & Dewitte, 2006). Moreover, critical theories of branding underscore that brands aim to ignite affection and establish a relationship with their customers, and for this reason, they often use musicians and other creative means to elicit an emotional response. Brands aim to forge an emotional connection with consumers, creating a perception of a deep connection and trust in the brand. In the consumer's mind, this emotional connection transcends the mere material satisfaction of purchasing and using a product, instead creating a comprehensive and profound experience of the brand (Gobe, 2001).

In the present context of the experience economy, emotional branding strategies assign a pivotal role to music for its capacity to evoke emotions that can shape consumers' awareness, feelings, attitudes, and overall brand experience. These factors can influence consumers' response to marketing activities and ultimately determine the success of a brand (Keller, 2003). Brakus, Schmitt, and Zarantonello (2009) observed that incorporating music in advertising campaigns can strengthen brand evaluations and intensify emotional engagement, thereby facilitating brand loyalty. North, Hargreaves, and McKendrick (1999) demonstrated in their examination of music and atmosphere in a retail setting that the integration of music into physical spaces can heighten sensory experiences and foster a distinctive brand identity. Similarly, Klein (2020) explored the intersection of music and commerce, highlighting the changing dynamics of "selling out" and its impact on consumer perceptions and brand associations in the music industry.

2.2.1.2 Music and Brand in Critical Theory

Critical theories on branding draw particular attention to the active role that consumers play in generating brand value. Smythe's (1977) political economy of communication which relied on a Marxist analysis, specifically examined the exploitation of free labour from audiences and analysed the resulting generation and extraction of surplus value. Smythe's (1977) research on the concept of "audience labour" discerned that an audience's free labour constitutes the living attention of the audience that mass media organisations generate and sell to the advertising industry.

Building upon Marxist and post-structuralist perspectives, diverse contemporary analyses within critical theory and the political economy of communication have investigate consumer free labour in the context of the digital platform economy. These authors observed that consumers are no longer merely "doing the work of watching," thereby generating attention, but are now actively participating in the production process by generating content and data (Andrejevic, 2002). By performing these activities, consumers produce data about their tastes, moods, and activities, which are utilised to train algorithms to hyper-target advertising (Andrejevic, 2011; Fuchs, 2015). In generating content, consumers freely contribute to online communities by sharing their knowledge, experience, and creativity while also producing content and data that corporations can leverage to create value. This phenomenon extends into the realm of fandom studies, as explored by Rahma Sugihartati (2017) in her study "Youth fans of global popular culture: Between prosumer and free digital labourer". Sugihartati's research illustrates how the digital fandoms of global popular culture, like those of "The Mortal Instruments" in Indonesia, exhibit forms of resistance within the system but ultimately contribute to the capitalist hegemony by engaging in free digital labour for the global culture industry. This highlights the complexity of consumer involvement in the digital platform economy, where the exploitation of the free labour of audiences in contemporary branding is increasingly facilitated through their active participation.

Arditi's (2019) work builds on Smythe's (1977) notions by redefining media consumption as labour rather than leisure. Smythe asserts that audiences work when consuming media because the audience compensates for programming by engaging with advertisements. This aids media producers by creating content that resonates with specific audiences, streamlining it for advertisers based on demographics. In essence, advertisers primarily target the audience rather than the general public, aligning with Herman and McChesney's (1997) perspective. Grouping individuals within distinct audiences assists advertisers in linking music preferences with beverage choices, further bolstered by big-data insights. According to Arditi (2019), building upon Aglietta's (2001) insights, the context reveals an extension of exploitation within the framework of capitalism. Beyond Aglietta's proposition of widened consumption avenues, the digital music sphere not only facilitates consumption but also exploits labour concurrently. Arditi (2019) references Karl Marx's delineation of exploitation, where capital inadequately compensates workers for the full value of their labour, extending its relevance here. Arditi further extends this conceptual framework to the realm of the Internet, underscoring the resemblance between online advertisement viewing and conventional TV practices. In the end, the widespread presence of music corresponds to the widespread influence of the factory, reflecting the idea of the factory's limitless impact: “The digital music trap allows for the perpetual exploitation of listening-labor through the expanded means of music consumption” (p. 625).

As music and musicians possess significant value as affective catalysts that can ignite and drive audience affect and brand resonance, they have become an essential resource for companies seeking to build emotional connections with their customers. This value hinges on the concept of affective labour, which refers to work designed to produce or modify emotional experiences. The concept of affective labour is rooted in post-operaismo (post-workerism) thought and has been developed primarily by scholars such as Michael Hardt and Antonio Negri in their works *Empire* (Hardt & Negri, 2000) and *Multitude: War and Democracy in the Age of Empire* (Hardt & Negri, 2004). Affective labour often involves human contact and interaction, such as in the service, care, and entertainment industries. In the realm of music, this labour doesn't produce tangible goods but instead generates feelings, relationships, and emotional experiences in listeners. In this context, the performance of a musician, for instance, can produce feelings of joy, sadness, or excitement in an audience. Furthermore, service industries, such as those centred on entertainment or customer experience, often rely on workers to manage or even suppress their own emotions to ensure a desired emotional state in the consumer. This commodification of emotions and relationships has become increasingly significant in post-industrial economies where intangible experiences hold economic value. Consequently, as Carah (2014) shows, music and musicians are commodified for their affective capacity – a manifestation of this affective labour – and are crucial components of the current expression of capitalism; they serve as both a sector of the economy and a strategic tool for market structure reproduction to sustain the brand economy.

While this thesis does not aim to contribute to this existing literature on branding, the administrative and critical literature is summarised next to highlight the importance of music as a strategic tool in brand building. This knowledge is fundamental in comprehending the factors that shape and drive the demand for music by brands in this market. Understanding why brands seek out music and musicians is particularly significant, as it sheds light on the changing nature of the final music related product exchanged in this context. This concept is exemplified by the recent examples of Beyoncé's multi-year, $50 million contract with Pepsi, and Harry Styles's lucrative collaboration with Gucci (Forbes, 2022).

Chapter 3

Theoretical Framework of Analysis

This thesis adopts a political economy lens, drawing from literature on business expansion, value chain integration, and market power. Specifically, this thesis shows how strategies of integration and disintegration from the value chain, have been used to navigate the cycle of intermediation, disintermediation and reintermediation (IDR), which describes the evolving market dynamics where intermediaries are first introduced, then bypassed by direct interactions of supply and demand side, and finally re-introduced with new value-added roles due to technological advancements (Chricu & Kauffman, 1999).

Herein follows the theoretical framework of the thesis, which focuses on the cycles of intermediation, disintermediation, and reintermediation (IDR), along with a comprehensive review of literature on value chain integration and disintegration strategies. This thesis intertwines these two distinct frameworks of analysis, demonstrating the link between them through the practices of integrated companies, such as the Majors, as they navigate the complexities of the IDR cycle. This integration of frameworks is pivotal, as it highlights how the strategic execution of integration and disintegration within the value chain acts not merely as a response to market changes but as a primary strategy for these companies to reproduce their market power. Specifically, this chapter explores:

1) The IDR cycle:

The next part of the literature review introduces the theoretical framework that illuminates the investigation into the IDR cycle. Following Chircu and Kauffman (1999), the IDR cycle refers to a recurring pattern of changes in the roles and functions of intermediaries in a market. It involves a sequence of stages where intermediaries are initially established, then disrupted or bypassed (disintermediation), and subsequently re-established or replaced by new intermediaries (reintermediation) in response to market shifts. Countermediation refers to the strategies employed by traditional intermediaries to maintain their relevance and market power, and counteract the challenges posed by disintermediation and reintermediation. This framework explains the market dynamics that have occurred within the music market following the advent of digitisation. It sheds light on the current expansion strategies implemented by the Majors to reaffirm their market power as intermediaries within a dynamically evolving market landscape. While this theoretical framework has often been employed to explain changes in electronic markets, its application within the music industry has been underutilised (Guichardaz, Bach, & Penin, 2019). Furthermore, while analyses of the music industry during the phases of disintermediation and reintermediation, particularly in the early 2000s, have been numerous, the focus on these actors in the current phase of reintermediation has diminished. Yet, this analysis of the present moment is strategic to understanding how intermediaries can strategically employ business expansion strategies to access and integrate complementary value chains, enabling them to countermediate and maintain their market power during the IDR cycle.

2) Value chain integration strategies:

The last part of the literature review concentrates on value chain integration strategies and market power. It explores the literature on how firms adjust their boundaries to gain control over a shifting value chain. This literature closely mirrors the actions of the Majors. This thesis leverages insights from these analyses to delve deeper into the primary business strategies employed by the MMCs to maintain control over a changing value chain. These strategies are, according to this analysis, the main countermediation strategies employed by the Majors to survive IDR.

By investigating these dynamics, this thesis contributes to the understanding of the changes faced by the MMCs in response to digitisation. It explores the interplay between countermediation strategies, value chain integration, and the dynamic phases of the IDR cycle, offering valuable insights into these market dynamics, specifically applied to the transformations occurring within the music industry.

3.1 The IDR Cycle and Countermediation Strategies as the Framework of Analysis

This section introduces the concept of intermediaries, the theories explaining their presence in the market, and the literature on the IDR cycle. The present research focussed on the Majors, which have traditionally functioned as intermediaries and gatekeepers within the recorded music market (Bishop, 2005). However, with the advent of digitisation around the turn of the millennium, the market experienced a significant exogenous shock, leading to the emergence of the IDR cycle. Consequently, the previously established power positions of the Majors as intermediaries became vulnerable within this cycle. The selected framework of analysis for this study is the IDR cycle and countermediation strategies theories. The interplay of the IDR cycle's market-level focus and value chain integration is crucial in this analysis, as it highlights how individual MMCs strategically adapt to their vulnerable intermediary positions within the dynamic IDR environment.

The IDR cycle describes a recurring pattern of changes in the roles of intermediaries within a market. It involves a series of stages where intermediaries are initially established, then disrupted or bypassed (disintermediation), and eventually re-established or replaced by new intermediaries (reintermediation) in response to shifts in the market landscape. Countermediation refers to the strategies employed by traditional intermediaries to maintain their relevance and market power, effectively counteracting the challenges posed by disintermediation and reintermediation. This framework has been chosen due to its ability to elucidate and provide insights into the dynamics surrounding the changes that pose a threat to the power position of the Majors. By employing these theories, this study has shed light on the strategies adopted by the MMCs to navigate and survive these transformative changes in the industry. Within the IDR framework, value chain integration and business expansion strategies are particularly relevant in illuminating how Majors maintain their market dominance amidst the IDR cycle.

3.1.1 IDR and Countermediation in the Economics and Management Literature

In a traditional market, intermediaries are independent profit-maximising economic agents that connect and lead the market exchange between buyers and sellers (Schwartz 1988). Economic exchanges often require an independent structure to lead intermediary functions such as brokers, retailers, and wholesalers. The academic literature adopts two main theoretical perspectives when analysing the roles of intermediaries in the economy, namely, transaction cost theory (TCT) and resource-based view (RBV).

TCT considers the intermediation process as a way of reducing the cost of using market mechanisms. This theory was first proposed by Coase (1937) and then developed by Williamson (1975, 1979, 1981, 1985). Coase (1937) claimed that market exchanges generate costs depending on the properties of the transactions and the behaviours of the economic agents involved. Intermediaries decrease these transaction costs by performing the functions of information asymmetry reduction, contract enforcement, and other forms of risk reduction. This stream of the literature suggests that the primary reason for the existence of intermediaries is their ability to reduce opportunistic behaviours and hazard issues of market exchanges (Brousseau, 2002; Riordan 1985). According to TCT, in a hypothetical market where buyers and sellers can connect and lead a transaction disposing of perfect information, optimal prices, and free from risk of free-riding behaviours, the market would experience the disappearance of intermediaries due to the redundancy of their functions. There would be no need for intermediaries to have any specific expertise, but even their mere presence in warranting the transaction would be sufficient to reduce transaction risks.

On the other hand, RBV explains the existence of intermediaries with their specific capabilities and resources, and the ability to use them (Helfat Peteraf, 2003; Peng, 2001). An intermediary controls valuable resources for the economic agents involved in a transaction, including information, networks, and reputation. These resources are not perfectly mobile and can be difficult to acquire or imitate by other firms. When firms control these resources, they can add – and possibly appropriate – economic value to the transaction. This competitive advantage can impact market competition and create barriers to entry, while enabling intermediaries to charge higher prices for profit maximisation (Barney, 2001).

The term intermediation refers to the process of establishing intermediaries that facilitate the matching of supply and demand sides within a particular market. In contrast, disintermediation is the process of elimination of intermediaries such as distributors or agents that previously connected a business with its clientele. (Chaffey, 2009). This happens when intermediaries become redundant in a market in which new and more efficient ways to conclude the transaction are created (Clemons et al., 1996).

Although the study of disintermediation in the economics literature began in the 1960s (Welch, 1980) and was deepened in the 1980s, the literature analysing the IDR cycle started only at the end of the 1990s. In her PhD thesis, Alina Maria Chircu (1999) investigated the benefits of electronic commerce (e-commerce) intermediaries through a multi-level, multi-method analysis. For the context of this thesis, e-commerce is defined as the utilisation of electronic tools and platforms to carry out commercial transactions. (Manzoor, 2010). Chircu's (1999) analysis is one of the first attempts to understand the impact of information technology on the role of intermediaries in a market. She explained:

> Disintermediation involves the replacement of traditional trading mechanisms with alternate trading mechanisms that can be managed either by suppliers (resulting in *direct electronic markets*) or by new, IT-enabled intermediaries (resulting in intermediated electronic markets). … However, since intermediaries significantly increase the costs of the products, there is a strong incentive for their elimination from the value chain and the emergence of direct electronic markets. (Chircu & Kauffman, 2000, p. 7).

Chircu (1999) affirmed that if the value brought to the transaction by intermediaries is lower than the cost of the intermediatory services, these intermediaries will disappear from the market. This is a phenomenon that Chircu analysed in electronic markets, where digitisation enabled sellers and first-time buyers to connect and lead transactions without the need of an external agents, which would increase the price of the transaction. Chircu's analysis shows that reintermediation can – and often does – occur after a phase of disintermediation. Reintermediation sees the creation and establishment of new companies into the new value chain, providing new services that best enable market exchanges in the new setting. These new middlemen can either establish themselves in a disintermediated market or become the competitors of traditional intermediaries. In theory, to avoid being replaced by new and more fitted market agents, traditional intermediaries would have to implement a process leading to business model innovation in order to compete in the new market. The term *countermediation* – a phenomenon this thesis explores – indicates indeed the creation of new intermediation functions by pre-existing intermediaries.

Chircu and Kaufmann have identified four major competitive strategies that firms utilize in the IDR cycle: partnering for access, technology licensing, partnering for content, and partnering for application development. Employing these strategies, and often a combination of them, intermediaries can maintain their market relevance.

As Chircu and Kauffman (2000) explained, established companies have the potential to rapidly shift their focus to new channels, adding new value propositions to their traditional ones. By analysing two traditional financial intermediaries, namely, Merrill Lynch and American Express Financial Advisors, Chircu and Kauffman showed that existing players can compete in their traditional markets while also expanding their capabilities to compete in electronic markets. This analysis is important for understanding and framing the dynamics that happen in a music market impacted by an external shock such as digitisation While increased the ability of musicians and fans to directly connect, bypassing traditional middlemen, it also introduced new intermediaries, including early digital platforms and illegal music-sharing sites. Major labels' early ventures into MP3 stores faltered due to licensing hurdles, highlighting the complexities of this new digital environment. Platforms like MySpace served as necessary intermediaries, illustrating that the direct musician-fan connection was nuanced, and the landscape had shifted to include new forms of distribution within the industry. This is in accordance, with Chircu and Kauffman theory in which market do not usually stay disintermediated for long (Chircu and Kauffman, 2000).

In conducting their investigation on the digitisation effects in the brokerage industry, Chircu and Kauffman (2000) addressed the following questions:

1. How does the Internet affect intermediated markets, and how does the firm strategy of traditional competitors in an industry need to change?
2. What conditions lead traditional players to enter the new digitally intermediated markets of the Internet? What conditions will ultimately determine their success or failure?

From an RBV perspective, both firm-specific assets (including reputational and relational assets) and complementary assets, drive the success of countermediation strategies (Madhani, 2010). Complementary assets are defined very broadly as the resources, capabilities, and assets that are needed to profit from an innovation (Matsuyama, 1995). Firms that control co-specialised complementary assets are in a better position to appropriate benefits. Chricu and Kauffman (2000) explained that imitation and weak appropriability of innovations is one of the main factors that can lead to countermediation. When innovation cannot be easily protected, first movers are significantly threatened by other companies that may develop similar systems, thereby eroding the competitive advantage initially gained through their innovation.

This thesis explores market dynamics, specifically within the IDR framework. Value chain integration and business expansion theories are employed here to shed light on how these strategies impact and interact with broader market dynamics during periods of change. The next section analyses how Porter's (1985) value chain analysis and theories concerning market power is particularly relevant and insightful for this purpose.

Porter's (1985) value chain analysis has provided a framework for understanding how the Majors manage and coordinate different activities in their production processes to create and maintain competitive advantage. This approach was particularly useful for analysing how the MMCs' strategies at the organisational level affect and are affected by broader market shifts, especially in the context of the IDR cycle. Theories focussed on market power may give a more direct understanding of how the Majors use their influence to shape market dynamics. Value chain and business expansion and integration theories help explain how the MMCs maintain their dominance in the music industry despite the disruptive forces of digitisation and changing market structures.

3.2 Value Chain Integration Strategies and Market Power

This section reviews the theories analysing the links between value chain integration strategies, boundaries management, and market power. It first presents an introduction to the concept of value chain and firm boundaries, accompanied by an examination of the literature on strategies of business integration, quasi-integration, and market relationships that control the value chains and the forms of market power that arise as a result. It ends with an examination of the contribution on the timing of integration and disintegration, specifically in response to the rise of new value chains or emerging market sectors. This is crucial for understanding how firms can sustain market dominance and control over a rapidly evolving value chain.

In the realm of management, the concept of business integration typically revolves around the idea of achieving integration through acquisitions. However, this thesis takes a broader perspective by encompassing internal capability development as an equally significant form of business integration. Ultimately, the goal remains consistent: expanding the business into new sectors and integrating the value chain. This can be accomplished through direct acquisitions of other companies or by recruiting individuals with the necessary skills, as is commonly practiced by major organisations.

This literature review is essential to investigate the role of value integration strategies in enabling the major music labels to withstand the disruptive impacts of market restructuring, ultimately internalising disruption and reasserting their market power (Kanelloupoulu, 2022).

3.2.1 Value Chains and Firm Boundaries

A central aspect of the theoretical analysis of the firm is the examination of its boundaries. Firms are established through the aggregation of strategic bundles of complementary assets and activities, which, when combined, generate value for the entity (Zenger, Felin, & Bigelow 2011). The boundaries of a firm define the scope of its operations and the division of labour between the firm and its external partners in the value chain.

Since the publication of Coase's (1937) article "The Nature of the Firm", the boundaries of firms have been analysed as resulting from competing forces, some of which drive the expansion of these boundaries through business integration, while others drive their contraction through disinvestment or externalisation of activities in the market.

Additionally, there are also forces that result in a mixture of both integration and externalisation, such as forms of tapered integration (Harrigan, 1983), quasi-integration (Blois, 1972), or market alliances (Rothaermel, 2001). Decisions on which activities should be managed within the firm's hierarchy and which should be managed by the market are what ultimately shapes the boundaries of a firm. The boundaries of a firm are therefore a matter of decisions on value chain integration or disintegration.

The literature on business integration in the fields of management and economics classifies the main forms of integration as follows:

1. Vertical integration, where a company acquires ownership of different stages of the supply chain to streamline operations and internalise decision making and economic transactions (Diamantopoulos et al., 1987; Hart & Tirole, 1990; Ordover et al., 1990; Salinger, 1989, 1991).

2. Horizontal integration, where a company takes control of another company operating at the same level of the value chain to increase its market share in a specific stage (McChesney, 2016).

3. Diagonal integration, where a company expands its provision of auxiliary goods and services for its main processes (Higgins, 1997).

4. Conglomerate integration, where a company expands through merger or acquisition in different industries or sectors, either internationally or within the same industry for product or market extension (McChesney, 2016).

In this thesis, I explore business integration through both internal capability development and external acquisitions, highlighting that the ultimate outcome – business expansion and value chain integration – remains consistent regardless of the approach chosen. The concept of firm boundaries and integration strategies is closely linked to the concept of the value chain – the choice of which activities to internalise and which ones to handle through market exchange, as well as the degree of integration along the value chain, ultimately shapes a firm's boundaries and competitive position in the market.

First introduced by Michael Porter (1985), a value chain describes a series of activities that a firm undertakes to bring a product or service to the market, where value is added at each stage of the chain. It consists of primary and support activities. The primary activities encompass all those involved in transforming inputs into outputs, including production, sales, distribution, and service delivery. The support activities encompass various functions such as human resource management, procurement of inputs and resources, technological advancements within the organisation, and the firm's overall infrastructure. Initially, the value chain was conceptualised as a linear and orderly sequence of interrelated value-adding activities. However, in recent years, with the reconfiguration of many industries into more interconnected and dynamic structures, various interpretations of the value chain have emerged. One of these interpretations, the vertical architecture value chain, specifically focusses on the relationship between a firm and its suppliers and customers in creating value. It highlights the significance of the interconnectivity between a firm's internal activities, such as production and logistics, and the activities of its suppliers and customers.

3.2.2 Forms of Business Integration, Market Alliances and Market Power

Porter (1985) argued that examination of the value chain is a comprehensive methodology for analysing corporations and their competitive advantage, which he describes as comprised of five competitive forces:

> The five competitive forces-entry, threat of substitution, bargaining power of buyers, bargaining power of suppliers, and rivalry among current competitors-reflect the fact that competition in an industry goes well beyond the established players. … All five competitive forces jointly determine the intensity of industry competition and profitability, and the strongest force or forces are governing and become crucial from the point of view of strategy formulation. (Porter, 1985)

According to Porter (1985), a company can enhance its competitive advantage through the effective construction and internal coordination of the elements comprising its production process, known as value chain management:

> [Competitive advantage] stems from the many discrete activities a firm performs in designing, producing, marketing, delivering and supporting its product. … A systematic way of examining all the activities a firm performs and how they interact is necessary for analysing the sources of competitive advantage. (Porter, 1985)

Different streams of analysis have examined firms' boundaries and their vertical integration. Transaction cost economics, the dominant theory used, explains a firm's decision on integration by focussing on the trade-off between the costs of transactions within the firm compared to the market. The transaction cost economy theory suggests that a firm's decision to integrate certain activities within its boundaries or to outsource them to the market is based on an assessment of the costs of transactions in both settings. This theory is a dominant stream in the literature analysing the boundaries of firms.

In addition to the transaction cost economy theory, two other prominent theories that explain business integration decisions are the knowledge-based view and property rights theory. According to the knowledge-based view, a firm's decision to integrate certain activities is driven by the need to internalise and protect its unique knowledge and capabilities. In other words, a firm is more likely to integrate activities when these activities are based on valuable and inimitable knowledge assets (Wernerfelt 1984). The property rights theory, on the other hand, focusses on the role of ownership in the integration decision (Hart Moore, 1990). According to this theory, a firm's decision to integrate is influenced by the degree to which it can establish and protect property rights over valuable assets. This suggests that a firm is more likely to integrate when it can secure property rights over valuable assets, as this provides a greater degree of control over these assets and reduces the risk of opportunistic behaviour by other parties (Kim & Mahoney, 2006).

The concept of vertical integration is often viewed as a mechanism for a firm to exert control over its inputs and outputs, with the goal of reducing costs through the elimination of intermediaries. According to this model, linking and coordinating the value chains of a firm, its suppliers, and customers is crucial for creating value and achieving a competitive advantage. Consequently, a firm that is highly vertically integrated may possess an advantage in managing relationships, while a firm that is less vertically integrated may need to develop additional capacities to manage these relationships effectively. Strategies for augmenting control over a value chain extend beyond the scope of mere forms of business integration – whether total or partial. This holds particularly true for scenarios involving complementary value chains.

While the transaction cost economy theory, the knowledge-based view, and the property rights theory all provide insights into business integration decisions, they fall short of addressing the specific market dynamics and power structures. The knowledge-based view, which focusses on the internalisation and protection of unique knowledge assets (Wernerfelt, 1984), and the property rights theory, which emphasises ownership's role in integration decisions (Hart & Moore, 1990; Kim & Mahoney, 2005), don't fully illuminate the strategic manoeuvres of intermediaries, particularly the Majors, in retaining market dominance. Instead, this study has analysed how these intermediaries have adapted and positioned themselves within the value chains to maintain relevance and control in the face of technological disruptions and market evolution. According to this analysis, it is the focus on market dynamics and the exertion of market power that guides business expansion decisions, rather than an emphasis on knowledge internalisation or property rights.

Ansari and Krop (2012) emphasised the advantages of incumbents forming effective partnerships with emerging challenger firms to better navigate radical innovations. Firms have a suite of strategies at their disposal. They can engage in collaborative efforts with external innovators to enrich their innovation locus, especially when industry knowledge expands (Powell et al., 1996). This can manifest in cooperative networks, licensing agreements, and service value networks, detailing interactions between stakeholders delivering an innovation (Rosenbloom & Christensen, 1994). Additionally, strategic alliance networks can bolster incumbents' market positions (Lambe & Spekman, 1997). To keep an edge over newcomers, established firms might concentrate on early-stage innovations and strengthen supplier ties, allowing them to home in on their main business while outsourcing secondary components (Brusoni et al., 2001). For sectors with lax intellectual property safeguards, incumbents might boost their innovative pace via corporate ventures (Dushnitsky & Lenox, 2005). Mergers and acquisitions can solidify their competitive stance, while financial prowess allows them to either buy out or collaborate with innovators (Helfat & Lieberman, 2002).

Recently, drawing from the insights of Ansari and Krop (2017), Trabucchi et al. (2017) identified market partnership strategies that the MMCs have employed as incumbent actors to increase innovation and specifically address the emergence of digital distributors iTunes and Spotify.

3.2.3 The Timing of Integration and Disintegration of Value Chains

The decision of whether to integrate or disintegrate (divest) in the value chain is crucial for firms competing in both emerging and mature industries. Different studies have analysed the relationship between these decisions and the timing of industry development. Porter's (1980) "Competitive Strategies" notes that a company's investment decisions are influenced by the level of risk and opportunities present in the market or specific value chain. The timing of entry into emerging industries is particularly important, as early entry or pioneering can offer a large return, but it involves high risk. The success of early entry depends on various factors, such as the importance of the firm's image and reputation to the buyer, the ability to initiate the learning process in the business, and the potential for customer loyalty. However, early entry can also be risky if there is early competition with small firms that will be replaced by more formidable competition later, if there are high costs associated with opening up the market, or if technological changes make early investments obsolete.

The presence of early barriers in emerging industries explains why new companies are frequently created in these markets. Teece (1986) first proposed the concept of complementary assets, which are the support assets necessary for commercialising technological achievements, including manufacturing, marketing, and after-sales services. Taylor and Helfat (2009) expanded the concept of complementary assets to include tangible and intangible assets and organisational capabilities. Dyer and Singh (1998) defined complementary assets as unique resources of alliance partners that collectively generate greater rents than the sum of individual partners' resource endowments. Zhou (2019) divided enterprise assets into core and complementary assets, with core assets supporting a firm's core products or core businesses and complementary assets playing a role in the production and management activities of the enterprise.

The existence of early barriers in emerging industries is often not derived from a requirement for substantial resources, but instead stems from the ability to accept risk, display technological creativity, and make proactive decisions to secure inputs and distribution channels. Established firms may not be pioneers in new industries, despite their significant strengths, as they often assign a higher opportunity cost to capital and may not be equipped to take on the technological and product risks inherent in the initial stages of industry evolution. The transition to maturity can often signal important changes in an industry's competitive environment, such as slowing growth and increasing competition for market share. Maturity is not fixed and can be delayed by innovations or other events that fuel continued growth. Moreover, in response to strategic breakthroughs, mature industries may regain their rapid growth and thereby go through more than one transition to maturity. Structural change often accompanies transition to maturity and implies that firms must respond strategically. Steingraber (1990) discussed how vertical disintegration, the selling of vertical lines of businesses, reverses the established trend towards high levels of vertical integration. The purpose of vertical disintegration is to solve the competitive problems caused by over-integration and restore competitive advantage.

The timing of integration and disintegration decisions in the value chain depends on the stage of industry development, the level of risk and opportunities present, and the existence of complementary assets. Early entry into emerging industries involves high risk but can offer a large return if certain conditions are met, while disintegration in mature industries may be necessary to restore competitive advantage.

Various scholars have investigated the decisions of companies to integrate, yet there have been few attempts to analyse the decision to disintegrate parts of the value chain. Even fewer researchers have addressed holistically the decisions made by companies throughout their existence to integrate and disintegrate.

The theories presented in this thesis, such as the concepts of power dynamics, inter-firm relationships, and the timing of business integration and disintegration, are integral to understanding the strategic manoeuvres of the Majors in enduring the IDR cycle. In this study, I found that value chain integration, is a pivotal strategy for the MMCs to sustain their central role in a music market experiencing an IDR cycle. By strategically incorporating new elements into their value chains, the Majors have effectively maintained their intermediary positions, demonstrating adaptability and strategic foresight in the face of market dynamics following the exogenous shock of digitisation. This research not only contributes significantly to the literature on IDR cycles and value chain integration strategies, it also bridges these domains, providing a comprehensive view of how the MMCs manoeuvre to sustain their market power and relevance (Kennedy et al., n.d.).

3.3 Conclusion

This chapter introduces the theoretical frameworks that underpin this thesis, focusing on the intermediation, disintermediation, and reintermediation (IDR) cycle, alongside the exploration of value chain integration and disintegration strategies. These frameworks are pivotal for analysing how major music companies (MMCs) navigate and adapt within a digitised and evolving market landscape. The discussion sets the stage for an in-depth examination of the survival strategies employed by the Majors in response to digitization and market shifts.

The chapter then introduced the literature analysing value chain integration strategies, market power, and the links between integration strategies and various forms of market power, with a specific focus on how firms adjust their boundaries to control a shifting value chain. In synthesising the frameworks of the IDR cycle and value chain integration and disintegration strategies, this thesis sets out to examine the strategic evolution of major music companies within the shifting paradigms of the music industry. Specifically, through the case study of brand partnership strategies within the Majors, this analysis delves into the organizational transformation required to navigate and remain pertinent as intermediaries in a rapidly changing market.

This focus on brand partnerships as a lens to study the MMCs' strategic adaptability aims to dissect how these entities reassess and realign their organizational structures. The inquiry centres on identifying the aspects of their operations that have been phased out in response to the digital transformation and the emerging functions that have been integrated to fortify their market position and ensure long-term sustainability. This nuanced examination sheds light on the mechanisms through which Majors evolve, highlighting their strategic shifts to maintain influence and continue intermediating effectively in an industry marked by continual innovation and disruption.

Chapter 4

Research Methodology

4.1 Methodological Approach

While situated within the field of music business literature, this study utilised a political economy framework as its overarching research framework, providing a critical lens for data collection and analysis. Within this framework, the primary aim was to comprehensively explore why traditional intermediaries, such as MMCs, can retain their market power in the face of exogenous shocks and subsequent market restructuring. Instead of succumbing to obsolescence and yielding ground to emerging players, as orthodox economic theories of competition would suggest (Hunt, 2000), these intermediaries first harness their market influence, ensuring a steady revenue stream, then re-invest part of this revenue to acquiring new competencies for related diversification (Markides & Williamson, 1994). In doing this, these companies ensure the continued relevance of their functions within an evolving market while safeguarding the entrenched institutional framework of the corporation.

In a market based on the exploitation of copyrighted material, the MMCs reproduce their market power and capital accumulation through the implementation of business expansion strategies and integration of complementary value chains. Within a broader context, this research therefore constitutes an exploration of the replicability of market power wielded by oligopolistic actors. It used an analytical lens that is attentive to the dynamics of market competition and to the processes of market power within capital accumulation. It examined how these business strategies sustain the market relevance of intermediaries and augmented their potential for capital accumulation through value chain coordination. This, in turn, has repercussions for their distinctiveness compared to smaller players which only possess partial access to this value chain. This examination of access and the potential for coordination in complementary chains sheds light on the reassertion of market power, resilience in the face of market shocks, and a reduced likelihood of competition within the market – which is, of course, actively sought by these companies. As Chapter 3 explored in greater depth, this thesis draws on and contributes to the research in political economy that investigates the determinants of firm boundaries in terms of market power.

To investigate these historical processes and the IDR phenomenon, three main qualitative data-gathering methods were used in this research: (1) a case study focussed on the brand partnership sector, (2) semi-structured interviews, and (3) industry document analysis. As Yin (2003) highlights, qualitative methods are particularly well-suited for exploring new phenomena, such as the impact of technological breakthroughs on economic actors.

The qualitative approach adopted in this study is justified by the nuanced understanding and depth of insight it offers into this complex phenomenon. While it is acknowledged that both qualitative and quantitative studies on this topic have contributed significantly to our understanding over the past two decades, the rationale for choosing a qualitative methodology in this instance stems from its strength in exploring the subjective experiences, meanings, and interpretations of individuals and groups within the music industry.

This decision is motivated by a desire to delve deeper into the intricacies of market dynamics, beyond what can be captured through quantitative measures alone. By focusing on qualitative data, this research aims to uncover the underlying mechanisms, stakeholder perspectives, and contextual factors that influence dis-/re-intermediation processes. This approach allows for a rich, contextually grounded exploration of how individuals and organizations within the music industry navigate changes, adapt strategies, and perceive their roles and opportunities within an evolving market landscape.

Furthermore, the choice of a qualitative approach is strategically positioned against the backdrop of existing research by emphasising its ability to provide complementary insights that fill gaps left by quantitative analyses. While quantitative studies have been instrumental in identifying trends, patterns, and correlations within the music economy, a qualitative investigation offers a detailed, interpretive understanding of the complexity and subtleties that underpin these phenomena. Given the significant and ongoing changes within the music industry, the choice to use qualitative methods was crucial in enabling investigation of the complexity and nuances of these changes.

4.2 Case Study Approach

Following Kask and Oberg (2018), Siggelkow (2007), and Eisenhardt (1989), I determined that a case study approach would be an essential element of my inquiry. Eisenhardt (1991) recommends that case presentations should be guided by a desire to offer a narrative that enhances comprehension of the phenomenon under study. Understanding the strategies of market adaptation employed by traditional businesses requires the collection and analysis of dynamic and contextually rich stories. Kask and Oberg (2018) specifically applied this approach to investigating a parallel aspect of my study, namely, the survival and prosperity of record companies.

The central focus of this thesis centres on a case study of the development within MMCs of the BP sector. This case study illuminated the process through which the MMCs venture into new complementary sectors. It is worth noting that while there exist other complementary sectors undergoing development and transformation, conducting a comprehensive investigation across all market sectors was infeasible within the scope of a doctoral research program.

It is important to clarify that the case study method, which focuses specifically on the three Major Music Corporations (MMCs) and their strategic developments within the brand partnership sector. This focus is not on the broad business area of brand partnerships generically, but rather on a deep, contextual investigation into how these three MMCs individually and collectively navigate, develop, and integrate capabilities to engage with emerging market sectors, with a particular emphasis on brand partnerships.

The case study method employed is not merely descriptive but is integrally linked to the exploration of reintermediation as a significant theoretical concept. This exploration is aimed at uncovering how MMCs, as traditional intermediaries, navigate and influence the complexities of reintermediation.

4.3 Semi-Structured Interviews

- Grounded Theory as Foundational Theory

The methodological approach of this study is deeply rooted in grounded theory, emphasising the significance of theoretical sampling as a pivotal aspect of qualitative research. Grounded theory, particularly as it pertains to interviewing, serves not only as a tool for data collection but as an integral process for the development of a comprehensive theoretical framework. This approach is informed by the principle that theoretical sampling is essential for the conceptual development of the study, guiding the selection of participants and the generation of data through interviews (Foley et al., 2021).

Interviews conducted for this research were designed with the flexibility and openness characteristic of grounded theory. This methodological choice aligns with the guidance of Green and Thorogood (2014) and Edwards and Holland (2013), who underscore the versatility of qualitative interviewing in capturing the nuanced experiences, perspectives, and contextual realities of participants. The interviews, predominantly semi-structured in nature, were developed to adapt and evolve in response to emerging data, facilitating a co-constructive process between the researcher and participants.

The process of interviewing was strategically used to implement theoretical sampling, allowing for the iterative exploration and expansion of concepts identified as central to the study's theoretical pursuits. This approach was bolstered by the works of Charmaz & Belgrave (2012) and Corbin & Strauss (2015), who highlight the iterative nature of data collection and analysis in grounded theory, where emergent concepts guide the continual inquiry.

The analytical phase commenced with a thorough transcription of the interview data, adhering to the practices recommended by Bryant & Charmaz (2019) for achieving verbatim accuracy and including non-verbal cues where possible. Following transcription, a detailed iterative review was undertaken to identify recurring themes, patterns, and discrepancies within the data. This review process, while not explicitly termed coding, resonated with the principles of open coding and constant comparison, fundamental to grounded theory's analytical strategies.

As the analysis progressed, the focus sharpened on achieving data saturation - the point at which no new themes emerged from the data, indicating a comprehensive encapsulation of the concepts under study. This pursuit of saturation was guided by the foundational works of Glaser & Strauss (1967) and further informed by the insights of Corbin & Strauss (2015), emphasising the significance of reaching a depth of understanding that fully contextualises and the emergent theoretical constructs.

- *Semi-structured interviews*

I conducted semi-structured interviews with 28 key industry players and experts. The Appendix details the interviewees' roles and music business sectors. These interviews provided valuable insights and perspectives on countermediation strategies, as well as knowledge on the transforming brand partnership sector not accessible through available public and scholarly materials. By conducting interviews with key industry players and experts, I was able to gather rich and detailed material and evidence, including diverse perspectives on the music industry. This approach facilitated a deeper understanding of the business strategies implemented by the MMCs to maintain their market power, as well as the role of the brand partnership sector in this process.

Semi structured interviews are used to investigate complex phenomena, and they provide rich and detailed data (Guichardaz et al., 2019; Kanellopoulou, 2021; Kask & Oberg, 2018; Tessler, 2016). The semi-structured format was chosen due to its flexibility for exploring emerging themes and issues that may not have been initially anticipated, and for the gathering of valuable insights and perspectives that would not have been possible through other research methods. The back-and-forth nature of the interviews, where the researcher would ask questions and the interviewee respond with their thoughts and experiences, facilitated in-depth exploration of the complex dynamics at play in the music industry.

It is important to acknowledge that this semi-structured interviewing has limitations, including the potential for bias, unreliability and lack of dependability (Queirós, Faria, & Almeida, 2017). To reduce the risks of bias and increase the objectivity of the study, I adopted measures (discussed below) to construct a diverse sample that included actors from both within and outside major labels, as well as market experts. By including a range of perspectives, I aimed to provide a more comprehensive and unbiased picture of the music industry and its dynamics. This approach also helped me to ensure that the findings and conclusions of the study were not solely based on the perspectives of a single group, company, or interest. The use of complementary sources such as industry publications, corporate documents, and reports from public institutions or phonographic associations, helped to triangulate the data and provide a more comprehensive understanding of the music industry. However, it's important to note that the sample of interviews may not fully represent the diversity of views and experiences within the music industry, although saturation of the sample – the point at which no new themes or insights were emerging from subsequent interviews – was sought and appeared to be achieved. Despite these limitations, the benefits of the semi-structured interview method in this research context outweighed the drawbacks. The flexibility of the format allowed for a deep exploration of the research questions, ultimately providing detailed and nuanced data on an under-researched and complex topic.

- *Purposive Sampling Strategy*

To recruit interviewees, I adopted a purposive sampling strategy, which consisted of identifying individuals in the following three main categories:

Top management and directors from the MMCs (12 participants from the three major labels);

Market experts who work as analysts and provide a general perspective on changes in the market (eight participants); and, Individuals who work in the same field as the MMCs but outside of them, thus providing an external perspective on market dynamics (eight participants). This approach was followed to ensure a diverse and comprehensive sample that could provide a range of insights and perspectives on the music industry.

Additionally, I employed the snowballing effect to expand the pool of participants, asking initial interviewees to refer me to other individuals I might not have otherwise been aware of who might have relevant knowledge or experiences related to the research topic.

The first round of interviews served as an exploratory phase. The aim here was to comprehend, in conjunction with business and academic literature, the primary shifts and strategic domains relevant to the MMCs within the market. Subsequently, as the understanding solidified that the focus should be on the underexplored brand partnership sector due to its pivotal role within the new value chain, I conducted further rounds of interviews to delve into the intricacies of the sector, the MMCs' intermediary roles within it and their countermediation strategies.

The inclusion of participants from different businesses within the industry helped to mitigate potential biases and provided a more well-rounded picture of the market dynamics. By selecting individuals who possess valuable insights and perspectives on the industry, I aimed to capture the complexity and nuances of the changes occurring within the music industry. The interviews were conducted predominantly online, with 27 out of 28 participants engaged through platforms such as LinkedIn or via direct contact through corporate websites. This strategy was necessary due to the unique circumstances prevailing at the time: the data collection phase occurred amidst the 262 days of COVID-19 lockdowns in Melbourne, where I was living. These lockdowns only allowed residents to leave their accommodation for medical appointments and one hour a day of solo exercise. These unprecedented conditions prompted the adoption of virtual engagement methods that enabled my research to continue. Furthermore, the global uncertainty, especially concerning the live music sector, was a backdrop to these discussions. However, most interviewees recognised that despite the challenges, investment in the brand partnership sector continued. This resilience suggests that while the pandemic undoubtedly impacted the broader music industry, the brand partnership sector remained a strategic focus for many companies.

While the sample cannot be considered statistically representative of the target population, the purposive sampling strategy enabled me to select individuals who would best answer the research questions and meet the objectives of the study. The use of different categories within the sample, including senior management, market experts, and individuals outside of the MMCs, facilitated variation and a comprehensive view of the market dynamics. Saturation was used as a criterion to determine the adequacy of data collection.

The methodology of this thesis strategically incorporated interviews from a varied group of experts within and outside major music companies, as well as consultants, analysts, and academic experts in the music business field. This inclusive approach aimed to gather diverse perspectives on the majors' strategies in the brand partnership sector, ensuring a multi-faceted understanding that transcends a singular viewpoint. The expert insights were pivotal in capturing the complexities and nuances of MMCs’ engagement in brand partnerships, offering a balanced analysis grounded in the collective expertise of industry insiders, observers and critics alike.

Reaching data saturation signified a critical milestone in the research process, indicating that the accumulation of interviews had provided a comprehensive depth of information, with additional interviews unlikely to introduce new themes or insights relevant to the study's objectives. This methodological rigor underpins the validity of the research findings, as the consistency in insights across varied expert testimonies confirms the robustness of the conclusions drawn about the MMCs' role in the brand partnership market.

4.4 Analysis of Public Documents and Business Articles

The selection of public documents and business literature for analysis was guided by their relevance to the research objectives and their potential to offer insights into the strategies of MMCs, market dynamics, and the impact of technological innovations and brand partnerships on the music industry. This encompassing selection includes annual reports from the IFPI and major music companies, which provide authoritative data on industry trends, financial performances, and strategic directions. Business literature articles from reputable sources such as Billboard, Forbes, and The Guardian, among others, were selected for their in-depth analyses of specific instances of innovation, strategic partnerships, and market shifts that reflect broader industry trends.

Textual Analysis Approach

The textual analysis of these documents involved several steps:

- The analysis of the selected documents was conducted through a comprehensive review, where key themes relevant to the research objectives were identified. This review process involved several iterative steps:

- Initial Scanning: Each document was initially scanned to assess its relevance and to identify preliminary themes related to MMC strategies, market dynamics, and the impact of technological innovations.

- Detailed Reading and Notation: A more detailed reading followed, where notes were taken on specific insights related to the research questions. This step facilitated the identification of patterns and discrepancies within and across the documents.

- Thematic Categorization: Data extracted from the documents was then categorised according to emerging themes. This categorization enabled the organization of data for ease of analysis and comparison.

- Comparative and Contextual Analysis: Insights were compared across documents and analysed in the context of the study's theoretical frameworks. This comparative analysis highlighted consistencies and variances in strategies and perspectives within the industry, providing a nuanced understanding of the research phenomenon.

- Integration with Primary Research Findings: Finally, the insights from the document analysis were integrated with the findings from case studies and semi-structured interviews. This integration offered a multi-dimensional view of the industry, reinforcing the validity of the research findings through triangulation.

The insights gleaned from the document analysis were not standalone but were interwoven with the qualitative data obtained from case studies and semi-structured interviews. This integrative approach ensured that the study's conclusions were not only grounded in empirical evidence but also reflective of the broader industry context, thereby reinforcing the research findings' validity.

The methodology of this research included a qualitative analysis framework characterised by several pivotal steps. Initially, a deep analysis into both business and academic literature laid the groundwork, uncovering key insights and gaps related to market adaptation strategies within the music industry. This was enriched by engaging with 28 industry experts through in-depth interviews, whose insights were rigorously transcribed and analysed to understand recurring themes and discrepancies. The process of triangulation further enhanced the robustness of the findings, leveraging additional sources and follow-up interviews to refine and validate emerging patterns. Central to the analysis was the contextualization of these insights within the broader theoretical frameworks of political economy and business integration, offering a comprehensive view of the industry's dynamics. Finally, the synthesis of qualitative findings into a cohesive narrative marked the culmination of the research process, effectively mapping the strategies of traditional businesses against the backdrop of an evolving industry landscape. The methodology of the thesis was inherently iterative, incorporating all previously mentioned components.

Chapter 5

Music and Brand Partnerships: Market characteristics and Dynamics of Intermediation

This chapter presents research findings on the music and brand partnership market, focusing on Major Music Companies as intermediaries.

Drawing from interviews and market data, this foundational chapter lays the groundwork for an in-depth exploration of why the Majors have chosen to insert themselves as key intermediaries in this sector.

Drawing on Chircu's (1999) insights, we explore how incumbents in markets affected by cycles of intermediation, disintermediation, and reintermediation (IDR) can leverage their existing influence and financial resources to secure and maintain their roles as intermediaries. While IDR theory typically predicts the replacement of existing intermediaries by new entrants, Chircu points out that incumbent players can use their power to avoid this outcome. Indeed, majors in the music industry have successfully done so. By investing in and accessing strategic complementary market sectors like brand partnerships, these entities not only compete with emerging players but also preempt their potential displacement. This chapter examines how, through strategic reinvestment and reintermediation, the majors have managed to sustain control over the recorded music value chain and its associated sectors, all of which have been significantly reshaped by digitization.

Among the different emerging strategic markets complementary to the recorded music market, this thesis centres its attention on the brand partnership market. This deliberate focus stems from several reasons: The first reason is to shed light on the novel role of music in the experience economy (Pine and Gilmore, 1998) and on a new form of commodification centred around its "affective power" (Carah, 2010; Taylor 2007). Because of their intrinsic characteristics, music and musicians are particularly valuable as affective catalysts. Brands aim to attune to their capacity to ignite and drive an audience's ability to affect and be affected. Hence, commodified for their affective capacity, music and musicians are integral to the current expression of capitalism as sectors of the economy and they strategically function as tools of market structure reproduction that sustain the brand economy (Carah, 2010; Taylor, 2007).

Secondly, the brand partnership sector within the Majors remains relatively unexplored, marking it as a crucial area deserving investigation. Scholars such as Zwick et al. (2008), Carah (2010), Andrejevic (2011), and Carah and Brodmerkel (2016) have analysed how, in line with the evolution of brand partnerships, music has transformed into a product-service commodified for its "affective power" (Carah, 2010). While the existing literature critically examines this phenomenon and the ensuing commodification of music, limited attention has been given to the role the Majors play as intermediaries within this market.

Thirdly, and most crucially, central to this thesis's contribution to IDR cycle in music business literature. This aspect offers a significant case study on the business expansion strategies employed by these corporations. As explored in the following chapters, by developing these capabilities, the thesis shows that Majors can effectively mediate across crucial complementary chains, coordinating them to optimise the exploitation possibilities of the entire value chain, which is composed of complementary value chains.

By investing in these complementary market sectors, these companies are updating their capabilities and managing to maintain their relevance as intermediaries in these increasingly important sectors. As Chircu and Kaufmann explore (2000), these companies can engage in partnering for access, content, and more. Therefore, the findings explored in this chapter, especially those related to brands and majors' roles as intermediaries, show the strategic importance of these partnerships to provide majors access to the market, reach new audiences, and develop new distribution channels. Partnering for content often sees music companies working alongside other media companies or brands to create new or exclusive content that can drive engagement.

5.1 The Brand Partnership Market

This section presents the main characteristics of the music and brand partnership market, including the definition of the sector, the available market data, and competition and pricing dynamics. It also explores how the sector and its main actors' interests and perspectives evolved.

5.1.1. Market Overview I: Market Data and Characteristics

Numerous interviewees noted that partnerships between musicians and brands are becoming increasingly diverse and widespread (Interviewees 5, 6, 7, 8 and 11). The brand partnership sector is witnessing a surge in actors joining the market, with specialised agencies facilitating the connections between artists and brands. As most of the interviewees working in this market sector emphasised, this trend is fuelled by the brands' growing demands for unique and authentic ways to connect with audiences, as well as the escalating influence of social media platforms.

Social media has emerged as a critical channel for engaging with fans and building brand awareness, with direct connections between musicians and their audiences proving a key driver of growth in the industry. It has facilitated an unprecedented level of access to musicians, allowing fans to engage with their favourite artists and brands on a more personal level. This has created new opportunities for musicians to build loyal fan bases, promote their music, and grow their personal brands, while simultaneously allowing the brands to leverage the power of these musicians' fan bases to drive their own brand awareness and reach.

5.2.1.1. Definition and Unavailability of Data on the Size of the Market

Interviewee 8, a brand partnership sector expert in an MMC, defined the current convergence of music and brand partnership within the MMCs as “business units that create special projects with brands, agencies, or media centres. These projects aim to engage with customers and promote brands in the context of music, leveraging both the profiles of the artists and their music” (Interviewee 8). These special projects encompass a broad range of initiatives, ranging from small-scale actions, including product placement in music videos, which are often the initial points of contact due to their lower commitment and ease of execution, to the growing trend of social endorsements. brand partnership projects can also extend to comprehensive campaigns across digital platforms, TV, radio, and billboards. In certain instances, an artist might take on the role of a brand ambassador and contribute tailor-made content, including photoshoots, for the campaign.

The MMCs have expressed great enthusiasm for the opportunities arising from the brand partnership sector, as well as the anticipated growth. In the 2022 IFPI Global Music Report, Michele Anthony, Executive Vice President of UMG, stated, "The opportunities for artists and for record labels have never been greater than they are today” (IFPI, 2022). Universal's perspective on their role in this landscape is portrayed in their 2019 Annual Report by Vivendi:

> Universal Music Group & Brands (UMGB), a specialist in brands, strategic partnerships, brand content, events and experiences, social networks and media, continues to develop projects with partners in more than 70 countries and across a

> variety of industries, including consumer goods, airlines, carmaking, banking, hospitality, luxury and telecommunications. … Offering a single entry-point to the complex world of entertainment, UMGB helps its clients define strategies to improve their voice in music and culture, increase audience reach and build brand awareness and differentiation to drive long-lasting engagement with customers and fans. (Vivendi, 2019)

As this quotation demonstrates, despite the importance of the sector, finding comprehensive data on the global market of music and brand partnerships has proved challenging. One market expert suggested that the absence of publicly available information is a deliberate strategy employed by the MMCs to increase their price-setting power over brands: "The music industry is intentionally confusing and intentionally secreted because the more secreted they are, they more they can charge from brands" (Interviewee 9). As a market expert expected to understand this sector, this interviewee argued it was impossible to do so, mainly because the MMCs are not transparent: "There is not a lot of public information out here and that's part, honestly that's part of the problem" (Interviewee 9).

Interviewee 10, another market expert, also acknowledged the same lack of data on music and BPs, estimating that the global licensing market for these collaborations may be valued at around $6 billion, not accounting for the various forms of contracts between musicians and brands, in addition to licensing. This estimate highlights the potential size and significance of the music and brand partnership market. Nonetheless, the lack of available data on this topic makes it difficult to obtain a complete understanding of the market share of the different companies in this increasingly important sector.

Despite these challenges, there is agreement between the interviewees' comments, the industry literature, and the annual reports that BPs in the music sector are becoming more detailed about what is taking place and how the market is growing, not just in the number of deals and partnership projects but also in the variety of brand sectors. As a result, "there are more lanes to operate in than ever," according to Bob Workman, SVP of International BPs for Warner Music (IFPI, 2023).

5.2.1.2 Competition and Pricing Dynamics in the Music and Brand Partnership Market

All the industry professionals and experts consulted for this thesis agreed that the music and BPs market is highly competitive and dynamic, with various actors competing for a share of the market. Competition is primarily driven by the increasing number of intermediaries that facilitate connections between brands and music, especially the companies who have varied business models, all playing in the same space and wanting to connect musicians and brands.

In contrast to the recorded music market, the MMCs do not hold exclusive rights over the images of musicians. This allows for a highly dynamic market in which various actors can engage with artists. Interviewee 8, a brand partnership professional in an MMC noted:

> This sector is a jungle. Because brand partnerhips are a jungle, because anyone at any level and condition can say "I have the contact with the artist, we do a project" even outside labels, because us [labels] do not have the exclusivity in this sector. (Interviewee 8)

According to Interviewee 8, this happens in all the market sectors dealing with artists' images. Other sectors, for instance the synchronisation sector, are vested with control over the master recordings of albums or songs created by artists. Consequently, if a specific song from an artist is sought, engagement and authorisation with both the artist's record label and the publishing entity are needed. But, in terms of the artist's image, exclusivity is not prevalent, primarily to prevent any adverse impact on artisits' creative pursuits. This lack of exclusivity implies that record labels are not the sole participants in this domain. Agencies and brands must collaborate with other stakeholders to devise and execute such projects (Interviewee 8).

According to all the brand partnership professionals interviewed for this thesis, this lack of exclusivity creates a highly competitive environment in which the actors can initiate BPs with musicians at various levels and in various conditions. brand partnership experts based in the US (Interviewees 12, 13, 14 and 16) said although the MMCs in the US continue to utilise 360-degree deals, their frequency has decreased. According to brand partnership experts operating within these secondary markets (Interviewees 5, 6, 7, 8, 11, 13 and 18), these contracts are present but less common in those markets. Interviewee 7, a brand partnership director at an MMC explained that when they entered the music industry around 2005, 360-deals were the standard. Almost every major label pursued such rights. However, artists began to question the advantages of these deals, as not all labels offered support in areas like merchandise or live performances; they wondered why labels would take a cut from their live ticket sales without offering any corresponding support. This scepticism extended to BPs. If the labels weren't actively promoting them, artists felt they were getting a raw deal (Interviewee 7).

There are distinct examples of music and BPs that occur between artists signed to the major labels and brands outside those labels. For instance, Australian singer-songwriter

Jessica Mauboy, who is signed with Warner Music Australia, became a brand ambassador for the hair tool company ghd. This 12-month social media partnership was established independently of the major label.

According to the interviewees, the lack of exclusivity in many brand partnership deals results in intense competition among labels, agencies, and brands for music and brand partnership agreements. While many of these deals are signed by the internal agencies of the MMCs, a significant number occur independently outside of them. Interviewee 7 explained:

> For us, it's essential to have rights, even if they're not exclusive to [their] brand partnership. If we receive a briefing, we might think, "[The artist] would be perfect for this, let's go." However, given [their] established reputation, we're more than content allowing her to manage her own affairs. Clearly, [their] management and the people around [them] likely have many connections, or they might want to maintain the existing relationships [they] have. (Interviewee 7)

Interviewee 14, with a long career in the brand partnership sector in different MMCs, explained that in most situations,

> There are four types of people who claim they represented artists for brand partnerships and they only want you to call them first, these for actors are: the artist's manager – or different management companies – the label, the agency and one music and brand partnership company. While not all of these actors are involved in every brand partnership project, it is not uncommon for multiple types of actors to be involved in a single project. (Interviewee 14)

According to several interviewees, there does not appear to be a significant degree of competition between music labels in this market sector. As Interviewee 7 explained, music labels operate with different policies, revenue forecasts, and budgets based on the artist repertoire, and they approach BPs from a brand perspective. These differences, combined with variations in their primary strategies for audience engagement, lead to the development of distinct types of projects, reducing competition among them (Interviewee 11). Further, as expressed by Interviewee 11, a director of brand partnership at a Major, “[The] nice thing about music labels is that we are not playing the end game against other labels” (Interviewee 11).

Competition in the brand partnership sector is particularly intense among agencies and other companies that focus solely on this aspect of the music industry. As these entities rely heavily on brand partnership deals as their primary source of income, they are more exposed to market dynamics and thus more vulnerable to pricing pressures. As Interviewee 9, the CEO of a music and brand partnership company, stated, the evolution over the last 10 to 15 years presents a significant transition. He noted that initially it appeared to be a race to the bottom, with a surge of new companies entering the market: “Everybody got scared and started to give their music away for less and less and less. And now you have artists almost giving their music away for free in many cases and that’s not good for anybody” (Interviewee 9).

Interviewee 9 emphasised that this trajectory has led to an environment where the value of music is eroded, resulting in an unhealthy ecosystem characterised by a mixture of confusion and uncertainty. In contrast, the MMCs have multiple revenue streams related to music, which makes them less reliant on BPs and better able to weather changes in this particular sector, which is not their primary market sector. As stated by Interviewee 5, a director of brand partnership in another Major:

> Music will survive without brands: music can exist without brands if every brand you know turn off all the lights tomorrow music would still happen and so therein lies the opportunity because it's not as involved in some way it's not cookie cutter … I'd say there is so much opportunities in music. (Interviewee 5)

In the context of individual deals, the landscape has witnessed competition between independent musicians and companies, leading to a reduction in the overall value of brand partnership agreements. Interviewee 10, an industry expert, remarked that with an increasing number of companies entering the same domain, many of them seeking to secure deals at any cost, a downward spiral has been triggered such that the value of music is progressively decreasing.

Interviewee 9 echoed this sentiment, affirming that the heightened competition among independent agencies has driven down the general value of brand partnership deals. Despite the surging demand from brands for licensing deals within the music industry, the funds available for each individual musician or placement have diminished:

> [The market] it's growing and shrinking at the same time. I think there is more opportunities for musicians but there is less money for each individual musician, for each individual placement or brand partnership.

> Before the entire music industry was based around and charging per scarcity, so there were you know less access to musicians, a smaller pool of big musicians, of meaningful musicians, so the labels could charge anything they wanted, really, they could charge a lot more. (Interviewee 9)

However, the pricing of a single brand partnership deal can vary significantly, with no universal rule governing pricing. As noted by various interviewees, a single licensing deal for a song by a well-known artist in the US, which is the largest market for BPs, can cost around $600,000. Sometimes there may be no money exchanged, the collaboration made purely for promotional reasons. As one market expert who consults for BPs in the MMCs explained: “Oftentimes [the musicians] will partner with the brand where there's sometimes no direct revenue involved but there's a marketing commitment” (Interviewee 12). Certain brands may opt to invest in media spend through a major radio promoter, a strategic move designed to amplify the artist's visibility significantly. For instance, this strategy is prominent in the US, where brands might engage with iHeartRadio, a top radio promoter. Collaborating with brands like Pepsi and participating in programs such as iHeartRadio's "sound drought" can provide exposure that surpasses what most other channels can offer. In some cases, artists and record labels might establish partnerships where the direct exchange of revenue is not the primary focus. However, such partnerships can often involve revenue components, the specifics of which are contingent on the elements involved in the arrangement (Interviewee 12).

The pricing of BPs in the music industry is complex and dynamic, impacted by factors such as the size and reputation of the artist, the specific brand and its objectives, and the level of competition for similar deals in the market. According to industry professionals, one of the most significant factors impacting pricing is whether the brand chooses to work with a local artist or a global star: "Overall, the prices for BPs can vary depending on the type of activation and project, with the most significant factor being the use of a local artist versus a global star” (Interviewee 11). In addition to well-established brands, an increasing number of clothing and makeup startups are contributing to the demand for music in BPs. Interviewee 13, the global director of brand partnership at an MMC, said, "These startups often offer equity as compensation for artists, rather than providing cash payments, as they seek to build their brands and capitalise on the appeal of popular musicians" (Interviewee 13). 50 Cent's partnership with Vitamin Water is a well-known example of an artist receiving equity as compensation, which led to significant earnings for the artist when Coca-Cola acquired the company (Forbes, 2015).

As explored in the section on musicians' preferences, the pricing dynamics of brand partnership deals are not solely determined by competitive forces, but also by the strategic importance of such projects for promotional purposes. This can result in brands offering lower cash compensation to artists, a trend that is increasingly accepted by music companies due to the significant promotional value that BPs can provide.

5.1.2 Market Overview II: The Evolution on the Dynamics of Music and Brand Collaborations

This section examines the evolution of the brand partnership market, with a specific focus on how the market has changed in terms of the perspectives of both musicians and brands towards such partnerships, as well as the role of the Majors in mediating these collaborations. It highlights how the inquiry, "Will you work with brands?" became an integral part of shaping an artist's overall creative vision and strategy in the 2000s (Interviewee 2). Through the analysis of the interviews conducted for this research, this section explores the shifting attitudes and styles of collaboration in this market, underscoring the critical role played by key stakeholders in the Majors towards facilitating brand partnership initiatives over time.

A notable music journalist (Interviewee 2) described the development of the brand partnerships sector in the music industry as a complex and nuanced phenomenon that has changed over time. At the beginning of this sector, in the 1960s and 1970s, collaborations between musicians and brands were viewed as selling out both from the music community and from the general audience. The journalist recalled an example of this sentiment the case of John Densmore, from The Doors, who took legal action against the band over the use of their music in brand partnerships (Billboard, 2003). The journalist explains that this prevailing attitude persisted throughout the 1970s, as artists enjoyed substantial revenue from record sales, reducing the need for collaborations with brands.

Interviewee 14, an SVP of brand partnership for an MMC, explained that in 1981, when he started his career in the sector, a shift began in the brand partnerships sector with Jovan Inc., a major perfume manufacturer, sponsoring the Rolling Stones tour (*Rolling Stone*, 1982), marking the first time a brand sponsored the tour of a British band. While Michael Jackson's major deal with Pepsi in the 1980s set a precedent (Capparell, 2007), the trend of collaborations between major brands and Black Americans from underserved communities was more pronounced during the early 1990s. This coincided with the ascent of hip-hop as a dominant cultural force. During this period, prominent figures began to see these partnerships as symbols of success (Interviewee 2, Nicholson, 2021). According to this music journalist, this shift in perception is further evidenced by the growing trend of product placement in music videos. Interviewee 2 also explained that the changing landscape of brand partnerships during the 1990s is recognised as a period marked by a greater degree of commercial involvement. This trend is exemplified by the Spice Girls, who became emblematic of extensive brand endorsements during that era (*Marketing Week*, 1997).

Transitioning into the early 2000s, the music industry underwent a discernible structural transformation. This transformation was characterised by the establishment of dedicated brand partnership units within record companies (Interviewees 6, 7, 8 and 13), coupled with the growing prominence of brand partnerships during the process of artist signings

(Interviewee 2). The literature also emphasises the growing importance of this sector during those years, with examples of the rise of product placement in videos (Sánchez-Olmos & Castelló-Martínez, 2020) and brand mention in lyrics (Craig, Flynn, & Holody, 2017).

The decline in record sales during the early 2000s prompted artists and the MMCs to explore alternative sources of revenue, which became one of the earliest driving forces behind the industrial shift towards brand partnerships. While the Majors initially focused on halting the impact of digital file sharing on their revenue, they eventually invested in alternative sectors as a means of increasing other streams of revenue. These deals involve the MMCs securing a percentage of the income generated from all revenue streams associated with musicians. A noteworthy development during these years was the escalating significance of brand partnerships within record deals. Interviewee 2 recalled that around 15 to 20 years ago, working with brands transitioned into a standard practice in the realm of popular music, and the landscape shifted to a point where artists were explicitly signed by the Majors based on their willingness to collaborate with brands. This marked a departure from the conventional approach, where brand partnerships were typically sought once an artist achieved a certain level of success. Instead, the integration of brands started much earlier in the process, effectively becoming a component of the artist and repertoire (A&R) process. It became intertwined with other creative considerations, such as the artist's musical direction, video concepts, touring plans, and target audience. Although this transition started 15 to 20 years ago due to the MMCs' increased revenue requirements, the next chapter will show that only since around 2015 has this trend evolved into a more sophisticated internal professionalisation within major entities. As will be explained in Chapter 6, most of the brand partnership business units currently operate as internal agencies, employing data analysts and creative professionals who provide professional services to both musicians and brands.

As the brand partnership sector continues to evolve, key stakeholders, including brands, agencies, and music companies, have become increasingly aware of the counterproductive effects of brand promiscuity. Market experts (Interviewees 2, 5, 7 and 18) identified the perception of inauthenticity as one of the primary challenges to avoid in the development of brand partnership projects. According to these experts, brand promiscuity presents a problem due to the negative image it portrays. The lack of proper guidance and a focus solely on financial gains can give the impression of insincerity. They noted that working exclusively with brands offering the highest payment can impact the entire project, creating an air of desperation.

Interviewees 2, 5, 7 and 18 also identified two significant trends in the brand partnership market that are currently shaping its development, as well as the nature of collaborations and the role and capabilities of intermediaries. The first significant change has occurred in artists' attitudes towards brands and vice versa, as observed particularly by a director of the brand partnership sector in a major label. According to this director, a shift has occurred in the styles of collaborations between artists and brands, characterised by established artists being more willing to participate in brand partnerships (Interviewee 7), while emerging artists being even more familiar with brand partnership dynamics. Brands have also evolved in their approach to working with artists, recognising the commercial value of artists' unique way of communicating, encompassing both their music and personas (Interviewees 7, 8 and 11). The MMCs and brand partnership units play active roles in changing these attitudes, and clients have learned to trust artists to convey brand messaging ways that better align with their artistic vision and therefore appear more genuine to the final audience. This evolution has resulted in collaborations where the artists have more creative freedom, resulting in increased audience engagement and better marketing results, according to multiple sources.

As most of the interviewees have pointed out, the second important macro trend occurring in the brand partnership market sector is the increasing diversification of technological platforms and tools that are required to execute impactful branding campaigns. As a result, in addition to the heightened creativity and artistic involvement demanded by clients, intermediaries in the brand partnership sector must develop and master an increasingly complex skill set. According to interviewees working in the music and brand partnership sector (Interviewees 7, 9, 10 and 11), this skill set includes the ability to track, manage, and coordinate the use of different technological platforms and tools, while analysing the relevant data. Data analysis to develop brand partnership projects that reach the target and also track the success of the campaign are, according to interviewees, essential capabilities for intermediaries to effectively mediate the demands of the clients and the supply of the musicians and to create successful brand partnership projects that align with the clients' branding goals.

The next section delves deeper into the aforementioned trends, as well as the interests and demands of both the demand-side (brands) and the supply-side (musicians and the Majors themselves), which are mediated by the MMCs. Section 4.4 then investigates how the MMCs act as intermediaries between the two sides. The final section provides concrete examples of brand partnerships to further illustrate these concepts.

5.2 Exploring Market Dynamics: Supply, Demand, and Intermediation Strategies

This section analyses both the demand and supply sides of the brand partnership market, with a particular focus on the interests and requirements of both parties. The demand side is composed of brands, while the supply side is composed of musicians and music, mediated by the Majors who ultimately own the music. It also investigates the countermediation strategies employed by the Majors to mediate the supply and demand sides of this emerging sector. Included is an analysis of the development of relevant capabilities required to effectively operate in this market.

Brands' requests involve both technical and creative management of a project, because a successful campaign in the brand partnership market requires a balance between both creativity and technical expertise. Creativity plays a crucial role in engaging fans with perceived genuine and authentic content, which serves the dual purpose of creating an emotional bond while also winning the "competition for attention". Technical expertise is vital for managing and utilising data to make informed decisions on targeting, with the potential to re-use and even sell this valuable data.

To achieve the objectives of both the musicians and the Majors who own the music, a blend of creative and technical expertise is needed. Creative proficiency in crafting brand partnerships is crucial, particularly in shaping projects that appear engaging and authentic, despite any underlying commercial objectives. While these collaborations still fundamentally involve musicians "selling out" to brands, effective creative strategies can significantly lessen this perception. By emphasising artistic integrity and authenticity in these projects, musicians can maintain an image of genuineness. Meanwhile, technical expertise is vital for identifying and targeting the appropriate audience segments and coordinating promotional activities to ensure maximum impact, while analysing and managing the relevant data.

5.2.1 The Demand side: Brands' Goals and Expectations

This study's interviews with business professionals in the sector provided insights into brands' goals and expectations when engaging with the music industry. Additionally, it examines the roles of musicians in these collaborations. The interviews revealed that perceived authenticity and audience engagement are the main objectives of brands when collaborating with musicians. Gary Cohen, the head of brand partnerships at ATC Management – one of the prominent artist management and music consultancy company – explained:

> We certainly found that the campaigns that work the best are the ones where the artists have the opportunity to really contribute to the final output. ... What we do when we work with brands is we try to bring artists to the table as soon as possible, so they know what's expected from the brand side, but also so they are able to get their creative input into the final campaign. (*The Drum*, 2020)

The literature also emphasises that perceived authenticity is one of the main goals of brands in this sector (Eldom, 2020). Direct involvement of the artist or perceived involvement from fans is one of the main strategies employed to convey this authenticity. In some cases, it is important to strike a balance between authenticity and pretension, as this can be a fine line to navigate.

Moreover, in such projects, brands rely heavily on data-driven approaches to target the relevant audience and ensure successful activation. Therefore, brand partnership units need to satisfy both creative and technical needs, developing relevant skills to meet brands' objectives and serve as intermediaries in this emerging market. It is important to note that in the context of the present thesis, the focus is solely on collaborations between musicians and external brands, not on musicians as brands themselves or their individual brand ventures. This discussion is about the dynamic that occurs when musicians partner with brands, leveraging their artistic influence in marketing efforts.

5.3.1.1 Technical Requirements: Data-Driven Strategies for Effective Brand Partnerships in a Social Media-Dominated Market

According to the interviewees, the market for brand partnerships has undergone a significant transformation, with the proliferation of social media emerging as the primary platform for such initiatives and traditional media losing its significance. In response, brands are seeking innovative ways to engage with their fans, and many organisations have emerged to facilitate these collaborations. While such partnerships have always existed, the challenge for brands and agencies is to continuously develop novel and effective methods to connect with their target audiences.

To engage with fans effectively in this social media-dominated market, brand partnership units have developed a combination of technical and creative capabilities. They increasingly focus on data analysis-driven approaches to inform their decisions on what artist is the best fit for a brand and how to engage their audience (Interviewees 8, 7, 13 and 10). These include analysing data on fan engagement, streaming numbers, social media metrics, and other relevant information to determine which musicians or celebrities are the best fit for a particular brand or campaign. Particularly useful are insights from social media engagement and interactions (Forbes, 2023) as well as data-driven insights on fan behaviour and merchandise preferences (Music Week, 2021).

Data analysis can help brands and agencies identify which musicians are most popular among their target audience, and which are most likely to generate the desired responses. For instance, engagement data coming from social network campaigns allows brands to gain insights into the types of content that resonate with their audiences, and thus make decisions about the creative directions of a campaign. Data are also used to track the success of brand-musician collaborations, allowing brand partnership units to measure the impact of these initiatives and make data-driven decisions about future collaborations (Interviewees 13, 10, 8 and 7).

5.3.1.2. The Need for Perceived Authenticity in Music and Brand Partnerships

Another recurring theme revealed through the interviews is the importance of authenticity, or perceived authenticity, of the artist in representing the brand or product. The academic literature also emphasises the importance for brands and musicians to be perceived as authentic (Eldom, 2020; Moore, 2002). Brands seek to associate themselves with musicians who can project a genuine and authentic image that resonates with their target audience. Brands need to focus on the emotional connection that music can provide, rather than the rational connection with their consumer base. If a brand can connect with an artist in an intuitive way that resonates with the fans, then the brands will hopefully gain their loyalty. As pointed out by Interviewee 14, a former SVP of brand partnerships at a major music company with an extensive career in the field:

> Brands have a rational connection with their consumer base, the music has an emotional connexion with their fans and the idea is if you can get the right brand to connect to an artist in an intuitive way then hopefully brands will get some love back. (Interviewee 14)

This source also highlights that in the social media era working with music is becoming increasingly crucial, because “brands are starting to realise that they can't control the narrative of social” (Interviewee 14). Fans of an artist are more open-minded towards a brand that is working with their preferred artist or enhancing their experience, and brands are understanding this power and leveraging it to connect with their target audience.

Interviewee 7 is another industry professional who emphasised the importance of involving local artists in brand collaborations. They noted that local artists can create a more meaningful connection with consumers compared to traditional influencer marketing strategies. This perspective values the distinct and authentic engagement that local artists offer, setting them apart in their ability to resonate with consumer audiences.

> Brand perspective [changed] as well: they need to be reaching audience in a really authentic, genuine way and it's all good to get influencers that get good following but ultimately artists bring more to the table that just their following, they also got their craft, they also got their brand, they also got their world in some ways … About the whole offering I feel is much more appealing to brands that either a local artist that maybe doesn't have a following. [Or of] influencer that has following but that doesn't have anything authentic to say. (Interviewee 7)

Interviewee 5 also reflected on how working with musicians offers distinct advantages for brands, especially when compared to brand partnerships in sports, such as sponsoring events and teams. This industry expert with experience in both music and sports brand partnerships pointed out that while sports are heavily reliant on brand sponsorship, music offers unique customisation and brand-building opportunities. As a result, brands can leverage music to shape their image in ways that are perceived as more authentic and customisable:

> I think music is becoming more appealing than it ever has been, so sport has done a wonderful job of commercialising their products, they typically do it by a sponsorship right which certainly works but it's also quite cookie cutter … sport is

> dependent on brand dollars to survive … music can exist without brands if every brand you know turn off all the lights tomorrow music would still happen and so therein lies the opportunity because it's not as involved in some way it's not cookie cutter. (Interviewee 5)

5.3.1.3. The Creative Involvement of Musicians

A significant development in the brand partnership market has been the growing importance of musicians' direct involvement in branding campaigns. During the 2010s, brands began to serve as a means of discovering new music, as exemplified by companies like Converse offering studio space to unsigned artists in exchange for social media posts (The New York Times, 2011). However, it quickly became apparent that such programs were challenging to mount without the participation of well-known artists. Consequently, there has been a cultural shift towards brands launching partnerships with artists, with the artists sometimes acting as entrepreneurs and creating their brands in fields such as beauty or fashion (Interview 12). A recent example in Australia is Converse's collaboration with local musicians to create a merchandise range through a direct engagement approach, featuring artists' designs and returning profits to them (Fashion Journal, 2022). These trends underscore the evolving role of artists in brand partnerships, who often take on creative direction or ambassadorship roles.

Such expectations can create a delicate balance between authenticity and pretension, with experts cautioning against over-professionalising the relationship between musicians and brands. Interviewee 2, a well-known music journalist, commented this phenomenon:

> This is the Will.I.Am-isation of brand: he seems to kind of take on all of these advocacy roles and you're not kind of really sure what he means. I think did Lady Gaga got involved on tech companies as an ambassador?! and Alicia Keys had done

> some deal with BlackBerry … and then she posted on Twitter and obviously it said "sent from my iPhone" and that was what kind of ruined the entire thing …! In the fashion world when they say that some pop star has designed a fashion line for H&M or whatever and you're wondering how involved were they? Did they just got showed 50 products and they say "pick your favourite" and they say that they designed them, I don't think yeah I think what's up what that's trying to do is trying to kind of over professionalised this world with think there's an element of it's not just an endorsement or a partnership, they are creatively involved. (Interviewee 2)

Interviewee 8, a brand partnership director in an MMC, observed that in the evolving media landscape there's a heightened emphasis on authenticity in brand partnerships, and this changing paradigm underscores the risks artists face when they take on business titles or advocacy roles that could be perceived as ostentatious or insincere. They affirmed that the surge in artist participation in branding initiatives has also made brands re-evaluate their strategies, increasingly giving artists more creative autonomy. Brands are coming to understand that artists have a distinct communication style, rooted primarily in their music, and the initial resistance, where brands dictated product presentation, has lessened (Interviewee 8). Contemporary consumers are highly observant, noticing even subtle placements in content and quickly expressing their opinions and brands. Interviewee 8 described a shift in brand strategies: initially, brands exerted strict control over their product portrayals; however, as consumer behaviours evolved, there has been a gradual loosening of this control.

With brands exerting less control and focusing on creating content that appears authentic and engaging, the brand partnership market is continuously evolving. It now offers a variety of projects that involve musicians in creative and unique ways. This evolution has transformed the market into a platform for experimenting with new forms of collaboration between brands and musicians. These collaborations range from product endorsements and sponsorships to more in-depth partnerships, where artists have significant influence in shaping the campaign's narrative.

5.2.2 The Supply Side: Value of Brand Partnerships for Musicians

The current music market has moved beyond the control traditionally held by radio, music TV, and music magazines. This shift, driven by the rise of new media forms, has presented unique challenges and altered the ways music reaches its audiences. Streaming platforms have resulted in the unprecedented abundance and accessibility of music, but algorithmically driven listeners tend to concentrate on a smaller number of sources of popular music, making it challenging for emerging artists to gain exposure (Anderson et al., 2020). However, brand partnership projects are emerging as an essential tool for music promotion, providing a significant boost in the promotion and visibility of a musician's work, which can lead to increased revenue from recorded music. This increased promotional value ultimately benefits the MMCs, as they receive royalties from recorded music. In addition to brand partnerships, other previously less related industries such as movies, series soundtracks, and video games are also becoming more important for music promotion.

In essence, brand partnerships serve a dual purpose, providing both an additional stream of revenue and a means of promotion for music and musicians. Promotional efforts increase the revenue generated by recorded music, which is the primary asset of the MMCs.

5.3.2.1 Promotional Value for Music

Before the advent of streaming platforms, the traditional promotional strategies implemented by labels depended on heavy rotation on the radio. Alongside this, marketing plans were activated for musicians, including press interviews, TV appearances, promotional tours, and industry events, with music videos released to gain good exposure. Although radio has remained a vital component of the music industry, serving as a platform for artists to gain exposure and expand their fan base, it is no longer the main way artists can gain exposure. Diverse audiences and different demographics are often drawn to cross-platform music listening rather than just one media form.

The payola scandal of the 20th century, primarily occurring in the United States, underscored the necessity for the major labels to have control over radio as a critical promotional part of the music value chain, without which music sales would not be possible.

> The main things that we did back in the early days we were trying to get exposure for music now whether that's putting an album cover in retail location with a brand or so in a TV commercial we basically thought “well we don't know why somebody buys a record you know isn't probably a million different reasons but they certainly can't buy a record if they don't they don't know it's out!” so we were trying to make sure … that they knew it was out. The record, back in the record business, used to have this process: Put a song on the radio, a video on MTV, appear in the nightly variety show, tour, get good press, and then, maybe, when that kid went to a record store or download store once a week, which was the average, maybe he remembered the song and had enough money to buy more than one. That's when you made the sale. (Interviewee 14)

According to the interviewees and the industry literature, with the decline of radio's influence, brands – as well as a previously unrelated industry, i.e. videogames – are stepping in to fill this void in promoting music (Klein, 2020; Prey, Esteve Del Valle, & Zwerwer, 2022). Interviewee 14, who has significant and extensive professional experience in brand partnerships both within and outside of the MMCs, reflected on the evolution of promotion within brand partnerships. They noted that promotion has always been an integral part of brand partnerships, even in their early days, although they were not considered a primary promotional tool because there were other traditional methods. However, with the decline of traditional promotional tools, such as radio, music TV, and music magazines, brand partnerships have become increasingly important in terms of promotion: "When radio started dying, it was a very unique opportunity for brands" (Interviewee 14).

While in the past the effectiveness of promotion was difficult to measure, in the current digital landscape, the impact of brand partnership projects on promotion can be more easily tracked and analysed. Thanks to digital tracking tools and metrics, the success of brand partnerships can be more easily evaluated, providing valuable insights into the effectiveness of these projects in driving promotion and increasing revenue.

> Before we never knew if [brand partnership] was affecting the primary business ... selling the shiny little discs. Now [with] streaming, everybody knows that [brand partnership] absolutely affect streaming and labels are starting to try and compromise with the traditional way to do brand partnerships if the exposure is correct. (Interviewee 14)

The interviewees explained that the ability to track the effectiveness of these partnerships is reflected in the negotiation of project pricing. Musicians are now more likely to engage in brand partnerships, often encouraged by their record labels, for lower or no fees, if they believe that the promotional value for their music is significant. As Interviewee 14 put it:

> Brands know about it now, and I certainly think [that] for the first time labels and artists representatives are realising that money is great, and money is something you get when you're famous but exposure in brand partnerships helps get you famous. (Interviewee 14)

The promotional value of brand partnership projects increases the value of the artists' and especially the Majors' primary asset: recorded music. Interviewee 14 elaborated on this trend:

> I did something with glade … We had a brand-new artist write the theme song for a 2-year global campaign, and it wasn't a lot of money. And the reason the label did it, and the artist did it, is because the song that he wrote for this campaign – that he cut into eight different commercials – was going to be played globally, rolling out into markets over two years with a $116 million ad campaign. Now, the fact that [the artist] even got paid is brilliant. (Interviewee 14)

The following quotation highlights a scenario where the timing misalignment between a campaign and the release of a new song led to an increased partnership cost. This occurred because the newer song's inclusion, which could have enhanced the campaign's promotional impact, necessitated renegotiation due to its higher perceived value:

> There was an artist we were negotiating campaign he was going to be in with his latest single and by the time the deal got struck it was three months later and the artist has new single out, and the label and the manager say, "Well can be used in a

single" … *because* they couldn't change the creative to match the new song. So the manager said, "Well I'll still give you the old song but you gotta charge more if you want the original price you need the new single" because he knew putting that song in a TV commercial was gonna Shazam and maybe help break the song. (Interviewee 14)

This example illustrates the importance in brand partnerships of timing and coordination with the artist's overall promotional strategy to increase the value of recorded music.

5.3.2.2 Promotional Value for Musicians

Brand partnerships have emerged as a pivotal avenue for promoting recorded music and musicians alike, offering them a platform to connect with fresh audiences and garner exposure through collaborations with well-established brands. Despite the advancements in technology enabling direct artist-to-fan interactions, an essential aspect remains unchanged: artists still need a devoted fan base and active audience engagement to flourish (Interview 16).

A paradigm shift has occurred in the music industry's narrative for musicians, as underscored by Arditi (2019). Daniel Ek, the founder of Spotify, encapsulated this shift, stating, "When I look at the future of music, I don't think scarcity is the model anymore. We have to embrace ubiquity – that music is everywhere" (Levine, 2015). Arditi's (2019) work further illustrates the evolution from the era before digitalisation, which was characterised by limited music consumption through physical formats, to the contemporary landscape where music's ubiquity is pronounced.

As labels increasingly sign new artists based on their fanbase and music reach, such projects can even help small independent musicians secure deals with major labels. One example provided by Interviewee 9 involved a brand partnership project that resulted in the launch of an indie band from New Zealand. One McDonald's Olympics campaign featuring a rap song by the band went viral, leading to their success and a major label deal. As noted by the interviewee, who had followed that brand's partnership projects: "It's actually funny to think that just placing the song in commercial can have such a profound effect on the musician lives … McDonalds helped people discover this band from New Zealand that would have never discovered otherwise (Interviewee 9).

Brand partnerships are increasingly used to promote both emerging and established artists, depending on the target market, marketing strategy, and budget. According to Interviewee 12, a leading expert in the sector, the trend among big brands is currently shifting more towards partnering with and creatively involving established musicians, particularly in the United States. In the 2010s, a proliferation of big brands launched programs specifically designed for discovering new artists, such as Converse's New York record label (*The New York Times*, 2011), which aimed to capture the unique talents of emerging musicians and incorporate them into the brand's overall strategy. These programs, which included Red Bull's Sound Select (*Concrete Playground*, 2016), Taco Bell's Feed the Beat (*Billboard,* 2013), and American Express Unstaged: Artists in Residence (*Forbes,* 2014), showcase the success that can be achieved through brand partnerships, not only in promoting emerging artists, but also in fostering collaboration between brands and established musicians.

Interviewee 14 shared an anecdote from the early days of brand partnership in the music industry, where they had an epiphany that they could generate revenue from musicians through avenues unrelated to music. The interviewee received a call from Kellogg's wanting to create 4 million CDs for bagging into packs of cereal. After realising that the brand had little budget per CD and therefore the cost of music publishing would have made the project unfeasible, the interviewee initially walked away from the deal. However, talking directly with Kellogs, Beyonce's father, who was managing Destiny's Child at the time, discovered that Kellogg's only wanted content related to Destiny's Child, not actual recorded music, for the CDs. Interviewee 14 vividly recalled a pivotal moment during when Beyonce's father proposed providing Kellogg's with a mere 10 minutes of what they referred to as "crappy footage". This content consisted solely of the musicians' voices discussing some of their songs, with no actual music involved. Remarkably, this content resulted in $400,000 payment to the musicians. The interviewee remembers in that moment thinking, "Wait a second, we can sell 'music' to brands, and it has nothing to do with whether or not we sell a CD?!" This revelation marked a turning point in their perspective, opening up new possibilities for monetising music-related content through brand partnerships:

> It was in that moment I had a Eureka moment: Oh, we don't have to do everything to sell music on in the traditional sense, we can generate revenue independently [from music contents]. And that's when things kind of changed. (Interviewee 14)

5.2.3 Between Demand and Supply: The Role and Skills of MMCs as Intermediaries in the Brand Partnership Sector

Brands have become an important component for both new and established artists, as they offer opportunities to generate additional revenue while also accessing promotional budgets and opportunities that would have been inaccessible otherwise. Musicians, on the other hand, are vital for brands because they can generate emotional connection with audience, increasing brand value. To perform the role of intermediaries between demand (brands) and supply (musicians), the MMCs need to provide the skills and services for crafting brand partnership initiatives that align with the interests and objectives of all stakeholders.

The contemporary brand partnership landscape is characterised by several challenges, and according to the interviewees, the competition for attention being the most significant. When consumers engage with multiple platforms and exhibit fragmented attention spans, capturing and maintaining an audience's attention is increasingly difficult:

> The biggest challenges … is the attention span of everyone, everyone is running, everyone is busy. … it's about you capturing the attention of the client at the right time right. It's just a matter of that, that's what marketing is all about. (Interviewee 10).

All the professionals working in brand partnership who were interviewed for this thesis, acknowledged that capturing and retaining the audience's attention is the most significant challenge in this sector. Given that people multitask among various platforms, achieving effective promotion and reaching the target audience demands the development of creative and diverse projects that rely heavily on audience engagement. Furthermore, the emergence of new music platforms has led to the dissolution of traditional market barriers, increasing accessibility to music production and uploading. The market has experienced an overwhelming influx of recorded music, which has intensified competition for audience attention among musicians. To address this challenge, the MMCs must provide creative skills and strategic data management support to their musicians. They must not only focus on creative aspects but also adopt data-driven matching strategies to know how to effectively communicate their message to the appropriate audience at the optimal times. As such, the brand partnership industry, particularly in prominent markets such as the UK and the US, has employed individuals with key skill sets: creativity, media knowledge, management, and data management. These skills may be integrated into other units of the major labels and conglomerates or they may derive from the global unit or headquarters (Interviewees 5 and 7).

According to Interviewee 5, the director of a brand partnership unit in an MMC, currently these units within major labels comprise four prominent components: creative, “responsible for generating and executing ideas”; media experience, “the ability to know how to distribute content”; and data management and analysis (in this case not developed in the unit but externally coordinated with the label and in the conglomerate); and operational management functions, “everything from artist conversations to contracting, to workload immediate plans to client”. To effectively use and develop these capabilities, brand partnership units often coordinate with the broader label or the conglomerate:

> We got other teams that we lean on, so we've obviously got a whole research inside of the division that I can lean on to provide data insights throughout Brand and artist to match them up and then obviously you got the music business”. (Interviewee 5)

brand partnership units, as well as the Majors, need to maintain pace with the rapidly evolving landscape of technology, platforms, and emerging trends. This demands sustained investment and ongoing commitment to creative skills and strategic data management. As noted by Interviewee 10, "The landscape is changing all the time”, thus necessitating that the Majors remain agile and adapt quickly to new developments. The challenge of market instability further exacerbates this, with the sector experiencing continuous shifts in technology, actors, and platforms.

In terms of contractual agreements, as will be discussed further in the next chapter, when artists engage in brand partnership agreements within the Majors, their contracts typically outline the specific terms and financial arrangements. In addition to these contractual agreements, the so-called 360-degree deals by the Majors grant them the right to a percentage of any deal the musician makes (Gervais & Kilgore, 2011; Marshall, 2013; Negus, 2019; Rogers, 2017; Tessler, 2016). Based on insights gathered, 360 deals remain a significant practice for major artists in the US, whereas variations in their adoption are observed in other markets. These comprehensive contracts enable management and record companies to diversify income by acquiring a share from all of an artist's revenue streams, such as sales, tours, and merchandise. This strategy not only broadens the companies' financial base beyond traditional sources like music sales but also tightens their influence over the artists' total earnings.

5.3 Conclusion

The findings in this chapter have shed light on the music and brand partnership market, emphasising on the pivotal role of the MMCs as intermediaries. Their function in this market serves as the primary case study for this thesis, which is aimed at understanding the Majors' countermediation strategies to maintain their market relevance in a shifting music landscape marked by the rising significance of complementary value chains. For this reason, the MMCs have developed intermediary skills that can match market demand from brands with the supply from musicians.

Chircu suggested that incumbent and powerful actors in a market undergoing an IDR cycle can attempt to become intermediaries of the changed market as well, thus avoiding being replaced by new intermediaries as IDR theory would suggest. Reflecting on Chircu's (1999) insights, the case of brand partnerships discussed in this chapter demonstrates that Majors—as well-established companies—are uniquely positioned to leverage their considerable influence and revenues to invest in accessing and re-intermediating in this strategic market. In this case, they are not only competing with new players but also avoiding their replacement as intermediaries in a music market experiencing IDR. The efforts and success of Majors in accessing this increasingly strategic complementary market sector demonstrate that these well-established actors have indeed maintained control as intermediaries over the recorded music value chain and its complementary sectors, which have been impacted by digitization and have undergone the cycle of intermediation, disintermediation, and reintermediation.

This chapter has shown that brand partnerships have evolved significantly, that now music's increasing commodification of its 'affective capabilities', emphasising its deep connection to emotional resonance now being embraced more broadly by both the industry and the public. Consequently, musicians are commodified to cater to the needs of brands, thereby gaining new revenue streams and enhanced promotional value for their music. At the same time, the MMCs profit from increased revenue and via targeted promotion they amplify the value of their core asset: the recorded music they own. By developing the capabilities to intermediate in the complementary sector of brand partnership and coordinating the overall value chain, the MMCs can increase the value of each individual part.

Therefore, these findings clearly illustrate how partnerships between majors and brands are strategically beneficial for majors seeking market access and audience reach. Specifically, partnering for access often involves collaborations with brands that can open new distribution channels or tap into new audiences. Additionally, partnering for content frequently sees music companies joining forces with other media companies or brands to produce new or exclusive content that can enhance engagement. These partnerships also extend to leveraging technology in terms of accessing music consumption data and enhancing engagement, thus underscoring the comprehensive benefits these strategic alliances bring to major music corporations in navigating the dynamic digital landscape.

This is in line with Chircu and Kaufmann's theory, presented in 2000, that identifies four types of strategic partnerships: partnering for access, technology licensing, partnering for content, and partnering for application development.

The next chapter will show how this control over the entire music value chain is also utilised by the MMCs to attract both capital (investors) and labour (musicians).

Chapter 6

Majors' Reintermediation: Accessing and Coordinating the Brand Partnership Market

The findings exposed in this chapter show the in-house development of the brand partnership capabilities within Major Music Companies, and the establishment and expansion of dedicated business units. These units, tailored exclusively for brand partnerships, compete not only with other Majors in the BP market, but also with a broad spectrum of external actors. Their operations range from managing brand partnership projects independently, as well as fostering collaborative efforts with external market players, showcasing their comprehensive access to this market.

This chapter explores the market strategy Majors use to navigate the dynamics of reintermediation, focusing on countermediation—the methods incumbent firms employ to prevent displacement by new intermediaries during the reintermediation phase. Chircu and Kauffman (2000) identify four key strategies: partnering for access, technology licensing, partnering for content, and partnering for application development. Each strategy provides a distinct pathway for established companies to strengthen their positions within their respective markets. Furthermore, this chapter, along with the previous one, demonstrates how these strategies manifest through collaborations with external actors in the brand partnership market. Such collaborations are crucial as they allow majors to access new strategic components of the evolving music industry value chain.

Furthermore, the chapter illustrates the Majors' strategic coordination of this complementary value chain with the other value chains that form the overall new recorded music value chain. A specific characteristic of complementary value chains is that they mutually enhance each other's assets (Goto, 2011). Because complementary value chains augment the value of each other's assets, such coordination leads to increased profitability.

This coordination, the chapter shows, extends beyond the confines of individual Majors to encompass the broader conglomerates to which they belong.

Understanding the coordination of complementary value chains is vital, as actors without access to these networks do not benefit from the enhanced profitability that such integration offers. Additionally, with two out of three Majors part of media conglomerates, they have the advantage of accessing and coordinating with sectors beyond their primary focus, including the gaming industry, granting them an extra competitive advantage over others.

Having explored the main market characteristics and dynamics of the music and brand partnership sector in Chapter 5, this chapter reconstructs the internal development of brand partnership units in the Majors. It utilises interviews conducted with sector experts in the Majors and other key informants (see Table in Appendix), along with business literature, to reconstruct the initial setup of these business units in the 1990s, their development in the 2000s, and their recent professionalisation as creative hubs capable of being central intermediaries in this increasingly specialised sector.

This chapter is divided in four parts: the first explores the in-house development of BP units in MMCs, the second their coordination within Majors and conglomerates. The third part explores a change in dynamics in the use of the of the 360-degree contract with musicians, noting a marked decline in its utilization. Once hailed as the quintessential tool for commodifying musicians and ensuring access to multiple revenue streams tied to recorded music, this mechanism appears to be waning in popularity and effectiveness.

In the fourth part, through the analysis of two illustrative examples of BP projects, this chapter shows the processes through which music and musicians are commodified in the brand partnership market. These examples shed light on the diverse ways in which music's affective power can be harnessed to drive brand interests. The first BP project, involving Adobe, demonstrates the strategic use of User-Generated Content (UGC) by musicians to foster deeper engagement and connectivity between the brand and its consumers, leveraging Adobe's own software suite in the content creation process.

Conversely, the sponsorship of live music events, as exemplified by Kentucky Fried Chicken's (KFC) initiative in Australia, offers a glance into how live music's emotional sway can serve as a potent branding strategy. This approach, aimed at rekindling KFC's historical brand identity while tapping into contemporary cultural trends, underscores the enduring relevance and impact of live music sponsorship in forging deep, emotive connections with audiences.

Through these explorations, this chapter aims not only to chart the course of MMCs' strategic engagements in the BP market but also to contextualise these moves within the broader theoretical framework of IDR and countermediation strategy. This chapter indeed shows access and coordination of BP as a process of market adaptation, a competitive strategy serving as the primary countermediation strategy for MMCs in their quest for relevance and profitability in a digitally-transformed music landscape that has experienced the IDR cycle.

6.1 The Majors' In-House Development of Brand Partnership Capabilities

The development of specialised brand partnership units, distinct from the general marketing departments, began in the 1990s. Initially, this development was primarily in the US and on the periphery of the MMCs' operations. Nowadays, these units function both autonomously and in conjunction with agencies external to the MMCs. Additionally, in larger markets, external consultants are often hired by majors contribute to their operation as well as managing specific projects (interviewees 5, 6, 7, 8, 20, 28). This section details the findings on the process of in- house establishment and development of brand partnership units, and the development of their skills and capabilities. It explores the origins and growth of these units within the MMCs from pre-digital era to the current consolidation of these units as specialised creative agencies in the MMCs. It shows that, however the length of their evolution, their strategic importance for recorded music, and the relevant investment of the MMCs to increase the specialisation of these units, happened only in the most recent phase of their development.

It is worth noting that an exploration of the conglomerate integration of this sector was partially halted by the IPOs of two of the main MMCs. This impeded the interviewees working in the Majors from describing these types of strategies. The reconstruction of the in-house highlighted development of the brand partnership sector shows that, once again, the Majors aim to control the entirety of the recorded music value chain, including the promotional sectors, and they do this by implementing business expansion strategies. They maintain their intermediary role in a changing market by expanding and coordinating strategic parts of the new music value chain.

6.1.1 In-House Development of the Brand Partnership Sector

It was widely recognised by interviewees that specialised brand partnership units continue to operate in the MMCs, similarly to independent agencies within these companies (Interviewees 5, 6, 7, 8, 13 and 14). Interviewee 8 pointed out that this unique operational setup fosters a cross-functional approach, allowing these units to collaborate effectively with different internal divisions and units, maximising the promotional impact of their projects. Furthermore, since their inception, brand partnership units operating within the

MMCs work either independently or in conjunction with external units, both within the MMCs and across their affiliated conglomerates (Interviewees 5, 6, 7, 8. 13 and 14).

Before the formalised brand partnership units emerged, individual professionals within the major labels – mainly in key markets the US and the UK – had sporadically explored collaborative agreements between music and brands from the 1980s, and in the live music sector even earlier. However, during this initial phase, the role of BPs within the discography landscape remained ancillary. The subsequent advancement of these units highlights distinct disparities between historical units and their modern counterparts. Present-day brand partnership units exhibit heightened specialisation and have a global presence across multiple countries.

This analysis underscores the ongoing strategic efforts by the MMCs to cultivate specialised expertise in this market sector with the intention of maintaining intermediary functions in the recorded music market and attracting musicians. According to most interviewees, the possibility of accessing the brand partnership market sector – along with all the other new relevant sectors (as will be outlined in Chapter 7) and being managed in all those sectors by professional teams – is, along with the financial possibilities, the most important factor for musicians in deciding to sign with a Major.

6.1.1.1 Historical Development of the Brand Partnership Units in the MMCs

Since the late 1980s, the MMCs have engaged in some degree of brand partnership work. Interviewees 14 and 24 were pioneering figures in brand partnership roles within some of the Majors in the US. They said that during the early stages, there was no dedicated department – just a single individual tasked with overseeing collaborations between musicians and brands. Interviewee 14 emphasised the significance of the US market from its inception. He traced the sector's evolution within the Majors, recounting its modest beginnings and its ascent to the lucrative partnerships evident today.

The industry was still relatively embryonic during this time. The landscape was novel and untapped, and BPs remained a small aspect of the MMCs during this decade. In 1991, Interviewee 14 founded the first brand partnership unit in one of the most important MMCs, which was called the Strategic Marketing department at that time. Despite being a pioneer, Interviewee 14 navigated the field as a "one-man band" until 1996, when another person was hired at a sister company. This scarcity of staff, and the absence of a concrete framework for BPs, characterised the early days of the sector (Interviewees 2, 14 and 24).

The evolution of BPs from the late 1980s to the early 2000s was marked by a gradual shift towards profitability. Interviewee 14 recalled that the turning point was around 2000 when brand partnership units, at least the one in their Major, began to generate revenue. Collaborations with bigger brands and musicians, including the 2004 collaboration between Bob Dylan and Victoria's Secret, not only generated significant revenue but in many ways signified a departure from the earlier nascent stage.

The inception of brand partnership units within the music industry was marked by a lack of data analytics and tracking mechanisms. Unlike the present landscape, where sophisticated tools provide insights into consumer behaviour, exposure, and engagement, the earlier paradigm followed a sequential pattern for music promotion. This involved broadcasting a song on the radio, featuring it in a music video on platforms like MTV, showcasing it on nightly variety shows, and supporting it with tours and positive press.

The ultimate hope was that consumers, who might visit record stores or download platforms on a weekly basis, would recall the song and make a purchase. As Interviewee 14 recalled:

> The main things that we did back in the early days were trying to get exposure for music, whether that's putting an album cover in a retail location with a brand or in a TV commercial. We basically thought, well, we don't know why somebody buys a record. There are probably a million different reasons, but they certainly can't buy a record if they don't know it's out! (Interviewee 14)

This traditional model emphasised exposure and repetition, assuming that familiarity would drive sales. Interviewee 14 recounted how, as the brand partnership approach began to evolve, the MMCs would address brands' practical challenges by approaching them with diverse types of brand partnership projects that used music. One of the first examples of this was in 2007, when Citibank launched a rewards program called "Thank you". This initiative saw customers redeem points for products, but a challenge emerged as users saved points for the major rewards, which led to budgeting complexities. Recognising the opportunity, Interviewee 14 proposed using music as a solution. By allowing customers to redeem points for instant music downloads, he addressed Citibank's problem while tapping into the trend of digital downloads. He said, during those years this strategy of using music to address different business challenges became more common in brand partnership units, increasing the diversity of their projects.

The genesis of brand partnership units in the MMCs straddled the 1980s and 1990s, primarily within the US. During this nascent phase, interactions with brands were sporadic and relatively basic, often managed by a minimal workforce and typically ranging from one to two individuals (Interviewee 14). Subsequently, as most of the interviewees working in brand partnership within the MMCs revealed, an increase in the engagement of these units and the diversification of processes occurred around the mid-2000s, reflecting the imperative of the MMCs in the US to adapt and innovate in response to evolving market dynamics.

All interviewees engaged in the brand partnership market concurred that the initial surge in growth within this sector, particularly within the MMCs, started during the recorded music sales downturn that began around the year 2000 and persisted until 2015. Despite the emergence of Spotify in 2011, the trajectory of sales remained low, only achieving stabilisation in 2015 and increasing in the years since. Consequently, as artists and labels navigated the decrease in revenue, alternative ways to bolster income were sought. This period was marked by concerted efforts in the MMCs to augment revenue streams by diversifying them, albeit without significant investments on the part of these companies (Interviewees 1, 2, 14 and 24). Even as sales and revenues reached new peaks after 2015, the adding of new streams of revenue and maintaining percentages of it, in many cases with 360-deal contracts, was maintained. Interviewee 14 put this way:

> I compare this to airlines that started charging for everything when fuel prices went up and all the free stuff that they once gave you, they started charging for everything. It lasted for a couple of years, and then when gas prices went down, they were like, "Well, we gotta be careful if the gas price is going up again, so we have to continue to charge these fees." (Interviewee 14)

6.1.1.2. Brand Partnership Units as Creative Agencies

Over the past decade, the landscape of BPs within the MMCs has undergone significant transformation. The interviewees described that initially, the exploration of the brand partnership market was primarily motivated by the need to boost revenues without substantial investments. As the market developed and the demand for music from brands increased, the brand partnership units evolved from ancillary components to integral elements of the value chain. This transition marked a shift towards greater sophistication in initiatives and tools for monitoring partnerships. All interviewees working in the MMCs and in the brand partnership sector agreed that the MMCs responded by increasing their investment to cultivate sector-specific expertise, consequently assuming a pivotal role in this evolving market.

Since the mid-2010s, these units have been established by the MMCs across various mid-sized markets, including in most European countries, significant countries in South and Central America, and Australia. Interviewees noted that what was once a niche sector has now become ubiquitous, with every major label employing either in-house brand partnership specialists or consultants dedicated to this domain. Key interviewees, who are heads of BPs or at executive level in the MMCs, noted that further investment in the sector has occurred over the last 5 years, resulting in the establishment of brand partnership units in new markets, particularly in South East Asia and the Middle East. Simultaneously, further investments and transformations within brand partnership units have taken place in prominent markets such as the UK and US (Interviewees 5, 12, 13 and 22).

As these investments have gained momentum, units have expanded to offer comprehensive creative solutions. According to interviewees working both within and outside the MMCs in larger markets, these units are increasingly capable of producing fully realised creative products. This development is contributing to a more complete integration of the brand partnership sector into the B2B part of the value chain. In larger markets, this integration can often be accomplished independently, while in smaller and medium-sized markets, these units often collaborate with external agencies (Interviewees 5, 6, 7, 9 and 10).

Organisational structures within these units reflect the varying market sizes. The largest markets for BPs are the US, followed by the UK, while mid-sized markets encompass countries like Italy, Spain, Germany, and Australia. Interviewees note there has been rapid growth in Asia, where brand partnership divisions have been established within the last 5 years and are currently expanding (Interviewees 7, 11 and 13). Universal leads in unit size, a reflection of its substantial financial resources. This is followed closely by Sony and Warner, with the latter involved in significant activity, especially in the UK.

Most of the interviewees emphasised that the proliferation of brand partnership units and professionals in the sector is meeting the demands for developing innovative projects that are becoming more sophisticated and multifaceted: “The innovation is just coming from the fact that there are more dedicated folks you know that are building these things” (Interviewee 11). Interviewee 5, a director of a brand partnership unit, highlighted how innovation serves as both a revenue generator and a promotional vehicle:

> In terms of why we exist, we exist to make money you know. We are own private or PNL I run it like it like an agency, or for the artist though, essentially our primary purpose is to essentially market them via brand channels so if I can get a brand on board to partner for music … or increase their exposure then that’s really valuable to the label and so that’s the other reason that we exist. (Interviewee 5)

This industry expert also explained that in a competitive environment where the major labels lack exclusive rights to an artist’s image, adapting to this reality has led to a transformation. To remain competitive, brand partnership units have expanded and cemented their creative and technological capabilities, and they are now equipped to provide comprehensive project development services, rivalling those of specialised agencies. According to Interviewee 13, his evolution has been accompanied by the strategic hiring of professionals from these agencies:

> We have to have the right skill sets, the right offering, we work in a non-exclusive environment so we don't have exclusive rights to work with our artists name and likeness, so we're only as good as the people we have doing the work and progressively specialised thereby enhancing our ability to secure opportunities for artists … In this MMC I chose to build a creative set up because that gives us more currency, it creates more opportunities arguably and it gives us some ownership because if we're creating IP if we're creating ideas then we can own those opportunities and bring them to the market. (Interviewee 13)

This shift in focus, from merely revenue generation to holistic artist promotion and access to an increasingly central market, underscores the MMCs' changes in their business strategies.

6.1.1.3 Skills and Team Compositions in brand partnership Units

The landscape of BPs within the MMCs has recently transformed into a specialised creative domain needing distinct skill sets, primarily involving creative and data analysis abilities (Interviewees 1, 14 and 24). This trajectory is accelerating in parallel with the increasing importance of the sector for music promotion and the sophistication and diversification of the brand partnership projects and the platforms utilised (Interviewees 5, 11 and 13). As demonstrated earlier, changes in the music and brand partnership market have catalysed corresponding developments in brand partnership units. This evolution has been strongly driven by the MMCs, with specific music genres and musicians (such as RnB) showing a particular propensity to embrace these opportunities (Interviewee 2).

According the interviewees and the business literature, during the 1960s and 1970s, collaborations between musicians and brands were often perceived as compromising artistic integrity by both the music community and the general audience (Klein 2020; Negus 2011). However, the landscape began to shift in 1981 when Jovan Inc., a major perfume manufacturer, sponsored the Rolling Stones' tour (Interviewee 14). Since the early 2000s, the decline in record sales prompted artists and the MMCs to explore alternative revenue sources, accelerating the growth of brand partnerships. This transformation led to the differentiation of brand partnership projects (Interviewees 9, 14 and 24).

The interviewees agreed that since the latter half of the 2010s, a third phase has been maturing rapidly, positioning the brand partnership market as an invaluable complement for the Majors, largely due to its promotional potential for recorded music (see Chapter 5). Responding to this evolution, the MMCs have instituted specialised teams, fortifying their foothold in this progressively specialised sphere. The interviewees working in brand partnership units in the Majors described how these units now operate as internal agencies, employing data analysts and creative professionals to provide comprehensive services to both musicians and brands. Directors of brand partnership units (Interviewees 7, 8, 11 and 13) explained that they have expanded their technological capabilities in response to the growing variety of technological platforms and tools available. These units now handle the complexities of data management, coordinate various technological components, and meticulously analyse the data they gather, ensuring that they harness the full potential of both creative and technological advancements.

Creative ideation and execution are pivotal in these brand partnership units, with creative managers crafting campaigns aiming at matching music and brand messaging. Experts in platform management optimise the utilisation of digital platforms. Negotiation, contract management, and artist liaising skills are also developed to manage contracts and collaborations. Interviewees also said they often draw on the skills of legal teams (Interviewees 5, 7, 8 and 10).

Interviewee 13, the global director of brand partnership in an MMC, explained the transformation of the brand partnership units in internal creative agencies and the consequent re-branding of many of these units under different names:

> We re-branded because we needed to help ourselves be identified as a destination for creative work between music and brands and artisan brands I think previously we were a more traditional BPs team we were doing talent deals effectively and at more often than not the creative work or the production or whatever was pretty determined that it was being run by the brand or an agency or what have you we had then started to pick up clients where we were doing the creative work ourselves and doing production and so on so we were running you know whole campaigns and we wanted to be recognised as a destination for to creative partnerships … we have hired people over the last couple of years we have a full-time pair of creatives we have a people who specialise in product placement in videos we we've sort of sophisticated our offering. (Interviewee 13)

Another MMC director also said:

> The primary reason for [having different names] is we need to be agnostic and what I mean by that is, as [one of] the biggest music company of the world and we have

> over half the world’s artists but we can't be compromised by that and so we've gotta represent the brand first. (Interviewee 5)

According to many interviewees, the MMCs are recognising the increasing centrality of BPs and are enhancing their teams accordingly. Within these companies, rebranding indicates an expansion towards comprehensive creative specialisation involving the recruitment of professionals skilled in creative development, intellectual property ownership, and campaign execution. It emphasises the nurturing of in-house capabilities for conceptualisation, execution, and strategic guidance (Interviewee 24).

6.2 The Coordination of Brand Partnership Units in the MMCs

From the business literature and the interviewees working in BPs in the MMCs, it is possible to broadly reconstruct the main differences between the MMCs in this area.

Universal Music

Universal is the largest the major music labels, leveraging its substantial budget to develop extensive brand partnership units that span 60 countries (Vivendi, 2022), although varying in size and number across the different territories. Their focus is strongest in key markets, mostly the US and UK, with recent investments and developments in the Asian market. Most of these units are grouped under the general name of UMGB (Universal Music Group for Brand), while some more creatively driven brand partnership units have individual names like “Globe”, “Bring” and "The Shed". In middle-sized markets such as Australia, "Bring" stands out as the largest. The expertise required includes marketing, agency-related skills, media distribution knowledge, and a strong connection to global research and music labels. According to interviewees, there is internal collaboration with other units, including the legal team and the marketing team.

Sony Music

Sony Music, also present in the major markets such as the US and UK, has distinct strategies for different regions. In the UK, a brand partnership team was established in 2014 to closely collaborate with brands and creative teams to generate diverse marketing solutions. The UK-based 4th Floor Creative acts as an in-house creative and strategy hub, working across the BPs Sync, Visual Creative, Podcasting, Digital, and Audience Development. The team consists of around 60 professionals whose varied expertise fosters cross-unit collaboration.

Warner Music

Warner Music's investment in the brand partnership sector has been steadily growing over the years. Leading units include WMX in London, which focusses on sync and brand partnerships. Middle-sized markets like Italy and Australia have units with one or two personnel. Warner Music's innovative approach is exemplified by the appointment of a Chief Innovation Officer and the rebuilding of brand partnership units. WMX, for instance, has evolved to become a destination for creative collaborations between music and brands. The shift includes hiring creative personnel and engaging in the entire creative process. The synergy between Warner's units is notable, especially in smaller markets, where different units with few personnel cooperate to handle marketing, BPs, and synchronisation. International coordination and collaboration involve regular global meetings, particularly when markets are close and related, for example, those of Germany, Spain, and France.

International Collaboration and Business Coordination

According to interviewees, the brand partnership units in all the MMCs maintain high levels of coordination and synergy among various countries. Regular global meetings facilitate the sharing of best practices, case studies, and opportunities. The COVID-19 pandemic highlighted the adaptability and effectiveness of these collaborations, with joint efforts to promote artists through BPs that extend beyond traditional media channels (Interviewees 7 and 8).

Collaboration between brand partnership and other operational units within the MMCs plays a crucial role in the effective functioning of the contemporary music industry. Despite the independent nature of brand partnership units, engagement and coordination with other divisions are fundamental to ensuring the integration of music within diverse media platforms (Interviewees 5, 6, 7, 8, 11 and 14). Interviewee 8, a professional with a long career in BPs in different MMCs, said that even though brand partnership units operate independently, they consistently engage with other units. This collaborative approach bolsters the holistic integration of music branding across various parts of the recorded music value chain. Similarly, Interviewee 7, a director at an MMC, described that, while brand partnership units maintain their autonomy and are less related to more integrated components of the recorded music value chain – primarily parts of the supply chain – they are essential for promotional purposes of recorded music. Thus, coordination with other units, including production, marketing and promotion, is imperative for successful marketing and exposure (Interviewees 6 and 15).

Collaborations can, and often do, extend beyond internal units to encompass engagements with external agencies, artists management, and consultants. They happen more often with projects that involve well-known international artists whose projects need substantial collaboration. The scale and complexity of these projects require a multifaceted approach that leverages the expertise of the various stakeholders (Interviewee 12).

6.3 The Decline in the Use of the 360-Degree Deals

360-degree deals are contracts where record labels gain rights to the multiple revenue streams of an artist – not just from record sales but also from concerts, merchandise, endorsements, and the musician's image. This discussion of 360-degree deals is crucial for several reasons. Foremost, these deals, as reflected in both academic and industry literature, play a central role in the modern music industry's dynamics. They have reshaped the economic relationships between musicians and the MMCs, allowing for the commodification of not just the music but also the musician's image across multiple revenue streams (Stahl & Meier, 2012). By understanding 360-degree deals, we can gain insights into how the MMCs have broadened their financial interests in artists beyond just music sales to live shows, merchandise, endorsements, and, most notably for our discussion, BPs.

The changing preferences of musicians for these deals, especially in secondary markets, offer a window into the evolving industry dynamics. Interviewees highlighted that many artists are moving away from these all-encompassing agreements. This trend underscores a critical aspect of market competition: given the existence of agencies and service providers and other business opportunities, artists cannot be confined or limited in their market opportunities, especially if they can secure the needed support from other entities. Consequently, the Majors cannot expect a substantial share of artists' revenue without offering unique and comprehensive support in return (Interviewee 7).

Based on the interviews, the use of 360-degree contracts exhibits a dual trend. In primary markets like the US, these contracts – although declining - continue to be significant for the major labels, serving as a crucial strategy by extending their involvement beyond traditional music distribution to encompass diverse revenue streams (Interviewees 9, 12 and 13). However, in secondary markets, their adoption seems less pronounced due to evolving strategies and market dynamics.

The adoption of a 360-degree contract appears to depend on an artist's fame. Among more established artists, especially those with substantial management teams and existing revenue streams, and thus more contractual power, the use of these contracts seems to be less frequent. Instead, these artists tend to opt for customised contractual arrangements that closely align with their unique brands and career trajectories. In addition, the MMC directors in secondary markets, including Australia and Italy, explained that almost all the 360-degree deals in these markets have been substituted by standard contractual agreements:

> [In the 2000s] there was that idea of 360 marketing and 360 contracts which they kind of took up but didn't really work, [because] we are not good at DtC [direct to consumer], you know we're not really very good at merchandise, it's not a global thing it's very much down to the territories, and most of the territories fail at it. (Interviewee 6)

Initially considered a standard practice, industry dynamics evolving over time have prompted a shift in the prevalence and utilisation of 360-degree contracts. Their adoption now varies across regions and artist profiles, reflecting changing strategies and market dynamics. Interviewee 2, a renowned music journalist, acknowledged that the music industry has gone through phases where 360-degree contracts were common, with brands being an essential part of artists' revenue generation strategies. However, changes in the industry landscape, including artists' desires for greater autonomy and control over their work, have led to shifts in the prevalence and structure of 360-degree contracts. This is particularly evident in the trend of artists owning their masters and exploring direct licensing deals with labels.

Interviewee 7, a director of brand partnership in an MMC in a secondary market, explained reasons behind this dynamic:

> When I first started in music [in the early 2000s] there was basically the precedent and every deal that would be seeking through 360 rights so in just about every label and I think that that fast became uncool in the artist sector because they realised that those labels they wouldn't be able to facilitate all those things you know, not every label had a dedicated merch section or department, not every label was able to help with live and so they'd ask the question "Why you are taking cut of my live ticket sales when you are not really doing anything to help that?" and also brand partnership was a part of that as well, so if you were seeking the exclusive right for brand partnership and endorsement and things like that, if they were not actively promoting it and showing how proactive they were been, then I think that made the artists feel like they probably get a raw deal. So, I think they definitely reshaped a lot of those deals to make them a bit more flexible. (Interviewee 7)

Notably, 360-degree contracts appear to be less common among more prominent artists. Those with robust management teams and existing revenue streams often opt for more tailored contractual arrangements that align closely with their brand and career trajectory (Interviewees 7, 8 and 11). As Interviewee 11, a director of brand partnership in a Major, explained:

> The vast the majority do [have a 360 deal], and then from an international offices perspective it really depends. Dua Lipa, we'll never going to be able to sign Dua Lipa exclusively to us from a brand partnership perspective because she has already management, or she has her own team, and she's so big that people want to go straight at her, which is fine. (Interviewee 11)

These insights underscore the contextual nature of 360-degree contracts. While prevalent in certain regions and for specific artist profiles, their usage varies based on market dynamics, regulatory factors, and the evolving preferences of both artists and record labels.

The academic literature emphasises the importance of 360-degree deals as a key mechanism for understanding the MMCs' commodification strategies in today's music environment. The nuanced application of these deals, as observed by numerous interviewees, provides insightful additions to the existing discourse. Such a trend suggests that artists now possess the leverage to engage with various market sectors independently, retaining their earnings. Yet, while artists can venture into multiple sectors, only the MMCs have comprehensive access to all strategic complementary market sectors and are thus the sole entities capable of coordinating these sectors to optimise musicians' promotional and business opportunities.

6.4 The Strategic Use of Music in Brand Partnership Projects: Examples from the Majors

6.4.1. Showcasing Product Value Through User-Generated Content: Adobe's Strategy

The first example of a music and brand partnership project shows the role of musicians in driving UGC, a strategic approach that creates deeper engagement and a sense of connection with the brand by the consumer. In the case of Adobe, this strategy is particularly effective because the UGCs are produced using the same company's programs. The brand can therefore showcase the capabilities of these products through the free labour of consumers.

6.4.1.1. The User-Generated Content Market Sector and Its Strategic Importance for Driving Consumer Engagement

UGC refers to content created by fans that either features or enhances professional content. Different brands, including the instance of Adobe analysed here, leverage UGC and collaborations with musicians to resonate with their target audiences. As will be explained in the next section, through "creative challenges" they prompt fans to experiment with their latest products, while musicians enhance emotional engagement.

UGC is becoming increasingly important for music marketers and artists who engage young audiences that use social media platforms like Instagram, Facebook, YouTube, and TikTok. According to MiDia report, "The Rising Power of User Generated Content" (Mulligan, Joplin, 2020), the COVID-19 pandemic has further driven the growth of UGC and the consumption of digital entertainment content, including music-related UGC. UGC generated $1.2 billion in revenue for the global recorded music industry in the spring of 2019, with YouTube being the major driver of this revenue. The MiDia report shows that the industry has capitalised on this trend, with Facebook, which has a 40% larger global user base than YouTube, entering into significant licensing agreement with the Majors. The revenue of social media platforms reached US$119 billion in 2019, with 7.7 billion users. TikTok, the newest social media giant, has over 1.53 billion users as of 2023 (Mulligan, Joplin, 2020).

UGC is changing the way fans not only discover and share music but also create it, contributing to the increasing growth in music consumption through dance, lyrics, and other uses of the artists' works. UGC's role in the music sector has been instrumental in driving music's overall growth through the "halo" effect of audio streaming platforms such as Spotify, Apple Music, and Amazon Music. Social media and UGC platforms have given fans a behind-the-scenes look into artists' lives, creative pursuits, and homes, particularly during the absence of structured content like live shows, official promo videos, and finished albums. Through these apps relying on UGC, the new growth for digital music is actionable by users, "music put to purpose", music as a "meme" of TikTok and Triller, virtual concerts on Fortnite or Twitch, and the booming digital fitness, health, and wellness sector (MiDia Research, 2020). This new interaction between artists and users has driven additional growth in music consumption (MiDia Research, 2020).

Figure 7: Weekly active use of leading UGC apps, US, Canada, Australia, UK. Source, MiDia Report

As MiDia reports, although the social media and UGC app marketplace is changing and evolving, overall usage continues to grow at a strong pace. UGC has become vital for attracting the attention and loyalty of younger audiences. To achieve this, music marketers are now focusing their marketing efforts, both organic and paid, on social media platforms like Instagram, Facebook, YouTube, and TikTok, rather than on streaming services. These social media platforms allow artists and music marketers to create and distribute content, as well as to engage with audiences and receive feedback on their efforts in terms of audience engagement, follows, posts, and reactions.

UGC is critical for brands, particularly in the context of music, as it allows them to connect with their audiences on a more personal level, building in them a perception of community and shared experiences. By involving musicians in the creation of UGC, brands can tap into the emotional resonance and cultural significance of music, further strengthening the bond between the audience and the brand. This can result in increased revenue streams for artists and the Majors through brand partnerships, music sales, licensing opportunities, and enhanced fan engagement. Such an approach has proven to be remarkably successful in fostering brand loyalty and increasing the perceived value of the company's products.

There exists a multitude of brands that incorporate UGC as a crucial aspect of their branding campaigns; however, for Adobe, this approach is particularly strategic, as the UGC is created using the Adobe's own products. Therefore, participants in these campaigns not only engage in the branding process but also provide a showcase of the capabilities of their software to potential customers. This tactic is often referred to as "showcasing product value through UGC", and it has become increasingly popular among software and technology companies because it serves as a powerful form of advertising that not only displays the product's features but also highlights its usability and accessibility to a wider audience.

6.4.1.2. Adobe's Engagement with the UGC Market Sector: The Pivotal Role of Musicians in Driving Consumer Engagement

Adobe has successfully utilised UGC and collaborations with musicians such as Imagine Dragons, Presets, and Billie Eilish to connect with their target audiences and showcase the capabilities of their software through the work of prosumers (ADweek, 2020). This is achieved through a series of "creative challenges" that encourage fans to utilise the latest Adobe products to participate in competitions, the musicians emotionally engaging them while also showcasing Adobe's products to a wider audience. Although there are prizes for competition winners, this strategy primarily obtains free labour to showcase Adobe's products and create an emotional bond between prosumers and the brand. Adobe has implemented this branding strategy on multiple occasions over the recent years. This section presents a comprehensive overview of their major projects, from their earliest initiatives to their most recent campaigns.

The first example of such a marketing approach from Adobe is their 2017 branding campaign with the band Imagine Dragons, conducted without the direct involvement of the major labels in the process, but through an external creative agency. Interviewee 8, a member of the campaign team, revealed that the original plan was to launch a contest in which fans could produce videos for the new Imagine Dragons' single – "Believer" – with the winning entry becoming the official video for the song. However, releasing a song without an official video could have adversely affected the song's promotion, and the label was reluctant to go through with this plan. As a result, the campaign team decided to launch the contest a week after the video's release to capitalise on the exposure and create a successful campaign. The interviewee recalled:

> You're never going to stop the label from releasing the first video of an artist new album and song but if we run the contest a week after the video comes out then all the exposure of the video benefits the Comcast, and so we did that and for the band was the most successful campaign. (Interviewee 8).

This campaign was defined by Interviewee 8 as a success, garnering 8000 entries, 30,000 free samples, and free downloads of Adobe Pro, and winning several awards. Subsequent to the triumph of its initial campaign involving UGC, Adobe has since persistently included such content in its branding campaigns and in various music and brand partnership projects, including those outside the major labels.

The second campaign of this type, named Lyricals Masters, was run by Universal's Australia brand partnership Unit, Bring. It involved a collaboration with the Australian band Presets, resulting in the world's first user-generated lyric video. The idea behind Lyrical Masters was to engage university students in designing the lyric video of Preset's new song "Tools Down" (Campaign Brief, 2019). The campaign began with a call to action from the band, which was then amplified through media partnerships, social media and a mix of outdoor and targeted media to reach students in areas where they frequently visit. To further amplify the content, Adobe partnered with two media partners, Spotify to reach music fans, and Monster Children to reach the creative community. The campaign was rolled out in two phases: the first phase allowed fans to submit their Adobe produced videos, and the second phase was dedicated to enhancing the winning videos, which were then released through Universal marketing channels to a wider audience. By promoting winning videos, Universal's Bring and Adobe were simultaneously promoting Preset's new song, as well as showcasing Adobe programs. The campaign successfully reached 1.5 million total video views, 15 million total impressions, and 660,000 earned reach. According Interviewee 7, a director of a brand partnership unit in another major label, that project was "definitely on brand for Adobe. They were talking to the right kind of audience." The interviewee also praised the partnership with Presets, as their film clips and staff are known for being "quiet pioneering and very tech-heavy", making it a suitable collaboration.

The use of UGC from Adobe's campaign also received some criticism. In particular, Adobe's 2021 collaboration with Billie Eilish for the "Make the Merch" contest has been object of controversy (Creative Bloq, 2022). The contest asked the audience to produce material for merchandise designs for the artist's upcoming tour. The winning consumer would receive USD10,000, tickets to the Eilish's tour, and a year of Creative Cloud membership. However, Adobe would have maintained ownership of the winner's art, and the artist would not receive any payment from the sale of any merchandise containing their art. Additionally, every single participant would grant Adobe a non-exclusive, transferable, perpetual, irrevocable, royalty-free, unconditional, fully paid license to their work, according to the context rules. This has widely been criticised in different social media by fans and participants as an exploitative practice and a way to take advantage of young creators during the pandemic.

Although such criticisms of the exploitation of unpaid labour by consumers in social media campaigns are common, the critical literature has already identified and critiqued other aspects of the co-creation of brand value by the general public that demonstrate the complex power dynamics and politics of affective labour in branding (Carah, 2018; McStay, 2013). These sentiments reflect a wider industry shift where brands are not just commercial entities, they are also repositories of public sentiment, engagement, and loyalty. As Ardvisson (205) points out, the multifaceted attachments consumers form with brands – be they emotions, experiences, or loyalty – have pivotal economic and social implications:

> Building brand equity is about fostering a number of possible attachments around the brand, be these experiences, emotions, attitudes, lifestyles or, most importantly perhaps, loyalty. How to build and manage these subjective meaning and social functions that constitute brand equity has acquired centrality in the social-economic management disciplines and practices. Consequently, the real impact of communicative interactions on values of shares traded in financial markets and that consequently the management of public communicative action has become a central element to economic and social governance. (Ardvisson 2005)

From a critical theory perspective, the commodification of musicians' affective power is sold by the Majors to the branding industry through the co-creation of projects aimed at pre-setting experiences that generate consumer engagement and increase in brand equity:

> Identifying the category of affective labor allows one further step: to consider it together with the various other forms of labor whose products are in large part immaterial, that is, to think together the production of affects with the production of code, information, ideas, images, and the like. This analytical recognition suggests new political possibilities, bringing to light new and intensified forms of exploitation that are shared among a range of laboring activities and, most important, opening up avenues for political organising and collective practices of refusal and liberation. (Hardt, 1999, p. 96)

Although the present research focuses on the access and control of the Majors to the evolving value chain of music, it is important to acknowledge that the critical literature has already defined and critiqued other aspects of the co-creation of projects, including the exploitation of consumers in the digital platform economy, the harnessing of affective labour, and the creation of managed forms of consumer life desired by capital.

6.4.2 The MMCs' Strategies in Sponsoring Experiences to Convey Key Messages: The Case of KFC's "Bucket Why Not" Rebranding Campaign.

Sponsorship of live music is a prevalent branding strategy that has been extensively studied in both branding management and critical branding literature, due to the ability of live music to exert a pervasive emotional power on an audience, which in turn enables brands to establish deep and lasting connections with their audiences. Kentucky Fried Chicken used this strategy and sponsored many live brands events in Australia as a part of a wider rebranding strategy. The fast-food chain is currently making a branding change in Australia by re-utilising its original name, Kentucky Fried Chicken, which it had abandoned almost 30 years ago as part of a rebranding strategy aiming at increasing sales of fried chicken. This rebranding strategy is using Australia as a test market for the wider English-speaking culture market, mainly the US.

Beginning in 1991, KFC underwent a rebranding process that led to the company being widely known by its initials, "KFC," instead of its full name, Kentucky Fried Chicken (Bloomberg, 1991). The shift in branding was motivated by the company's desire to reduce the focus on the word "fried" in its name, which had become unpopular among health-conscious consumers. The company's recent decision to re-embrace its full historic name, "Kentucky Fried Chicken", is seen as an attempt to tap into the public's nostalgia and its growing interest in so-called "dude food", which is a rejection of constant messages encouraging people to eat healthier. To support this rebranding effort, the company has also trademarked several retro-themed logos.

The revival of KFC's "Finger Lickin' Good" slogan, which had been abandoned in the early 1990s, and the company's sponsorship of live music events, appear to reinforce the company's new branding strategy, which is to promote the idea that choosing an unhealthy food, such as KFC, is a “free-spirited” and “fun” decision to just enjoy the moment, not think about the consequences. This “why not” type of thinking permeates the branding project.

Partnering with Bring, the brand partnership Unit of Universal Australia, KFC launched the campaign #bucketwhynot. This campaign aims to convey the idea of “fun, spontaneity, and living in the moment, regardless of the consequences” central to the re-branding efforts of KFC. As the campaign description states, the project will “Reward free-spirited fans with spontaneous music experiences … the goal was to reward those people brave enough to throw a little caution to the wind with brand new experiences, memorable moments and of course some tasty, tasty chicken." According to Bring's website:

> KFC is a brand that embraces its free spirit. It's cheeky, bold, out there and not trying to be something else. With their new brand platform – Bucket, Why Not? – ready to launch in market, the fast-food brand wanted to make a big statement. Their goal was to reward those people brave enough to throw a little caution to the wind with brand new experiences, memorable moments and of course some tasty, tasty chicken.

The website explains the role of Bring as Universal Music Group's business unit and the use of live music for this scope:

> Our brief was to bring this platform to life in the music space; a space where the most engaged fans are willing to do just about anything to get a little closer to their favourite artists. We needed to get chicken in the hands of those fans who wear their passion on their sleeve and are willing to say "Bucket, Why Not?"

The campaign consisted of three live music events held in iconic Australian venues: Icebergs Bondi Beach in Sydney, Federation Square Rooftop in Melbourne, and Story Bridge in Adelaide. The core idea of the campaign revolved around the "coolness" of making fun and spontaneous decisions. Furthermore, the music genres selected for each gig – drum and bass for Rudimental in Sydney, dance music for PNAU in Melbourne, and hip-hop for Illy in Adelaide – effectively conveyed a cheerful and free-spirited message.

The process involved the musicians promoting the event on their social media platforms 24 hours before their undisclosed performances. Fans were encouraged to visit specific KFC stores located in Bondi, Melbourne, and Adelaide. Upon arrival, attendees were given the option to participate in a surprise excursion to a secret location for live performances. Those willing to take the risk were escorted to the undisclosed venue, where they were treated to exclusive shows. Additionally, the performances were broadcast on Facebook for wider access. The campaign had more the 300,000 livestream views across the three concerts, more than 33 million in social and PR reach, and the videos of the concerts had 1.5 million views.

In this case, music – and especially fun live music – was the means to convey freedom and wildness, the mindset that KFC wants linked to the idea of eating unhealthy food. The campaign's sponsorship of live music and its emphasis on free-spiritedness subtly encouraged consumers to make fun and indulgent choices, such as consuming KFC's fried chicken. This initiative is part of the brand's broader efforts to refocus on its traditional fried chicken origins and to embrace its identity as a chain restaurant.

6.5 Conclusion

This chapter examined the MMCs' genesis and development of brand partnership units over time. While some units have the capabilities to operate entirely in-house, others coordinate with external agencies. An assessment of the present state of these units' development within Universal, Sony, and Warner was presented. These business strategies expand the boundaries of the MMCs by enabling them to access the relevant complementary markets of recorded music (Kodama, 2009). These markets are often business-to-business (B2B) sectors, contributing to the expansion of the business-to-production-to-consumption model. As a result, the business model of the MMCs has transitioned from a “production to consumption” (P2C) approach to one that combines “production to consumption” with “business to business to consumption” – represented as P2C+B2B2C (Tessler, 2016).

The process here exposed of internal development of capabilities is distinct from the process of business integration through direct acquisition (Homburg & Kuehnl, 2014). This concept of internal development is a business expansion strategy, which does not rely on directly acquiring other companies but involves a company developing new business units from within “adding new capabilities or products and services using a firm’s resources or hiring those resources” (Kennedy et al., 2020). This thesis shows that internal business development strategies are essential countermediation tactics used by the MMCs to avoid being replaced by emerging intermediaries in the industry, thereby ensuring their survival through the ongoing cycle of IDR.

This chapter has detailed how the development of internal capabilities represents a primary strategy of countermediation for major companies, aimed at forestalling replacement by new intermediaries during the reintermediation phase of the digital music market.

The examples shown in this chapter illustrate how majors partner with brands to develop content that can drive engagement and music consumption, access lucrative and strategic markets, and exploit data and technology to better target audiences and further increase consumption. These strategic partnerships harness the four approaches identified by Chircu and Kaufmann (2000) — partnering for access, technology licensing, partnering for content, and partnering for application development — to maintain relevance and competitive advantage in a rapidly evolving digital landscape.

The chapter also scrutinised the coordination dynamics between these units and other components of the MMCs, noting that the ability to coordinate complementary value chains is key to the Majors' competitive advantage in the market. Actors lacking access to such diverse and complementary value chains cannot achieve the potential profitability that arises from this coordination.

Furthermore, another competitive advantage of Majors is revealed here, which stems from coordinating BP as a complementary value chain with sectors not managed internally by MMCs but by the conglomerates to which the Majors belong. This unique market position is something that smaller actors cannot leverage, thereby giving Majors a significant competitive advantage.

This chapter highlights two main effects of the countermediation strategies of MMCs: firstly, countermediation through access to strategic complementary sectors such as BP maintains the market relevance of Majors, reasserting their roles as intermediaries in rising value chains. Secondly, the coordination of these new chains, as illustrated by the example of BP and other units within Majors and their conglomerates, increases the competitive advantage of Majors. They can effectively profit by fully exploiting the complementarity, an opportunity not available to other actors that lack overall access to all these complementarities.

The next chapter will delve into the exact countermediation strategy of MMCs—access and coordination—across all rising strategic complementary value chains to investigate if these companies are applying this approach in all these other chains as well. While the focus of this thesis remains on the BP sector, it allows us to zoom out and gain a more comprehensive perspective on the access and coordination of all the most strategic and prominent value chains.

Chapter 7

The Major Music Companies Re-intermediating in the Evolving Music Value Chain

The previous chapters showed how Majors gained access to the brand partnership sector and managed to coordinate this complementary value chain with other value chains in recorded music, both within the Majors themselves and within their broader conglomerates. This chapter follows that trajectory but zooms out to investigate how these companies are replicating this strategy with other emerging strategic complementary value chains, aiming to maintain their relevance and profitability within this evolving music landscape.

Specifically, the chapter demonstrates the increasing move of the MMCs into the emerging complementary sectors, namely, film and TV synchronisation, social media, the gaming sector, and the Web3 space. Historically, these sectors have functioned with a degree of independence from the recorded music industry. However, as highlighted by scholars (Tessler, 2016; Gamble & Gilmore, 2013), there has been an increasing convergence between these sectors and the music industry. Instead of functioning as isolated entities, these new value chains have evolved a greater interconnectedness, and they are now better understood as complementary value chains for recorded music, the principal commodity for the Majors.

The rise in media outlets and the consequent audience fragmentation necessitates that music firms intensify their marketing efforts to maintain visibility across a diversified media landscape. The heightened competition among these outlets further compels firms to deliver content that is deemed superior by increasingly segmented audiences, a task that has grown more complex due to the cautious approach media outlets have towards new and unproven content (Wikström, 2009). This strategic landscape underlines why it is essential for Majors to penetrate sectors such as film and TV synchronisation, social media, gaming, and Web3 (Wikström, 2009). These sectors, once peripheral to the core business of recorded music, have now become integral to the industry's value chain and can be referred to as complementary value chains.

A complementary value chain refers to a series of activities or industries that, while not directly a part of a primary value chain, add value to it by enhancing, supporting, or augmenting its products or services. These complementary chains can significantly amplify the value proposition of the primary value chain (Goto, 2011).

According to most of the interviewees consulted for this thesis and supported by publicly available data and the business literature, the most crucial and rising sectors are synchronisation in movies and TV shows, the gaming industry, and new social media, all of which can be regarded as complementary value chains. These sectors have now assumed significant importance in the strategic considerations of the Majors, driving their growth and value creation within the music industry. Furthermore, my findings indicate that Web3 technology is also becoming a notable area of interest for the MMCs, and although its development is at an early stage, the MMCs are increasingly exploring the opportunities and possibilities that Web3 technology can offer in terms of enhancing their operations and expanding their reach within the evolving music market.

This chapter offers a detailed overview of these rising sectors, outlining for each the market data characteristics, along with findings that underscore their significance to recorded music. It also reveals how much the MMCs have penetrated these market sectors. The academic literature illuminates two major trends in the current phase of countermediation in the recorded music business: the dominance of the experience economy (Pine & Gilmore, 1998), and the convergence of media (Jenkins, 2004; Jenkins & Deuze, 2008). Scholars have shown that in the experience economy, music plays a crucial role due to its emotional connection and affective power (Carah, 2010); hence, it is being increasingly commodified for its power to influence consumer preferences and behaviours (Andrejevic, 2002; Carah, 2010; Taylor, 2007). As well, in the convergent media culture, and due to its pervasive presence within the experience economy, music has become ubiquitous, permeating almost all aspects of modern life. "Music is now literally everywhere" (Arditi, 2019, p. 617).

Investigations into the resilience of the MMCs and their countermediation strategies have shed light on the reasons these companies continue to occupy a central position within the recorded music market. These reasons include the adoption of 360-degree deals (Tessler, 2016), the development of transactional capabilities (Guichardaz, Bach, & Penin, 2019), and the dependency paths in supply chain dynamics, particularly the dependencies between streaming platforms and companies (Kask & Oberg, 2019). This chapter adds to these valuable insights a comprehensive examination of the MMCs' effective access to and coordination of emerging complementary chains as primary countermediation strategies. It shows that ensuring access to these complementary value chains, and the coordination of them, are used by the MMCs to attract both labour (musicians) and capital (investors). These findings emerged through an in-depth analysis of business literature and the interviews. Given the rapid evolution of the music industry, new sectors are constantly emerging. The sectors explored here are those that have been consistently emphasised by interviewees as being of strategic significance.

The period since 2015 has delivered increased activity and investment in these sectors. The COVID-19 lockdown further accelerated these trends. While the Majors have ventured into and invested in these emerging sectors, their approaches have been measured. Key interviewees working in business development at the MMCs (Interviewees 17 and 18) and in music market analysis for a renowned consultancy (Interviewee 1) outlined that while the MMCs have initiated expansion in some of these sectors, they have also shown caution regarding complete integration in the value chain.

As a business development manager in one major label explains, the dual challenges of satisfying shareholder expectations and strategically navigating the new terrain have informed this caution (Interviewee 18).

7.1 The Rise of Complementary Value Chains and the Access of the MMCs

According to Shuker's (2022) conceptualisation of commercialisation and commodification in popular music culture, a distinctive characteristic of popular music as a commodity form is reproducibility. While the creation and promotion of new music is a costly process, its reproduction is relatively cost-effective. As a result, popular music has undergone increasing commodification, with formats such as vinyl, CD, digital files, and videos widely disseminated through radio airplay, clubs, TV music video shows, live performances, and internet streaming.

In the mature streaming landscape of the latter half of the 2010s, marked by the experience economy (Campbell, 2013; Pine & Gilmore, 2011; Tessler, 2016) and a convergent media environment (Jenkins, 2004; Jenkins & Deuze, 2008), the line between music promotion and consumption has become increasingly unclear (Lanz et al., 2019; Mulligan, 2015). This shift has given rise to a new relationship between exposure and sales, merging both aspects into a single service (Kjus, 2016). For instance, Hesmondhalgh and Meier (2018) point out that streaming services position themselves as platforms for music discovery, driven by algorithms or "curation" systems involving greater human input (Kjus, 2016; Morris & Powers, 2015). However, within this framework, the aim is not direct music purchases. What users invest in, whether through payment or exposure to advertisements, is the music service itself. Streaming has blurred the distinction between music promotion and consumption, resulting in "a fresh connection between exposure and sale, united within a single service" (Kjus, 2016, p.

129). The convergent media culture has resulted in music's widespread presence within the experience economy, making it ubiquitous and influential in many aspects of modern life.

The scope of the music value chain extends beyond conventional realms, intertwining with sectors previously seen as unrelated, though this integration has been present since the 1960s, masked by the preeminence of record sales and considered mere supplementary revenue. This interconnection, especially highlighted in the digital era, challenges the perception of synchronization as a solely post-digital development (Arditi, 2019; Tessler, 2016). The annual reports of the MMCs and the International Federation of the Phonographic Industry (IFPI) show these shifts in the music industry. The sectors that now form the core of these companies' investment strategies include music synchronisation (sync), gaming, and new social networks. For instance, in its 2022 annual report UMG highlighted the importance of these new sectors in their business strategy:

> The very definition of music consumption has evolved and deepened. Music is a vital ingredient in a wide range of media: feature-length films, television, short-form video on social networks, "fit-tech," health/wellness apps, NFTs and blockchain innovations, gaming and the new frontiers of the metaverse. (UMG, 2021, p. 5)

The annual reports of the three MMCs and the IFPI have emphasised these new investment areas since the latter half of the 2010s. This shift marks a departure from the previously central piracy issue, which had been the main concern in the reports since the early 2000s, and corresponds with the analytical framework proposed by Hesmondhalgh and Meier (2018), which builds on Mulligan's (2015) analysis. This framework categorises the post-digitisation music business into three periods, each marked by transformative technologies. In the first two periods, these technologies disrupted the copyright-based model of the Majors, and around 2012 the industry entered a transformative third period fuelled by paid subscription-based models. Annual report data shows that during the mature phase of streaming platforms, there was a significant increase in revenues for the MMCs, providing reliable and steady income streams for these them (see Figure 1, in Chapter 2). According to the annual reports and most of the interviewees, as this phase stabilised and revenues witnessed constant growth the MMCs intensified and stabilised their investments in key sectors. While the initial impetus to explore new revenue streams arose from the revenue collapse experienced during the early 2000s, the focus on investments in novel sectors appeared to exhibit greater constancy and strategic intent in the latter part of the 2010s.

Sony, Warner, and Universal's annual reports, along with the IFPI annual report, consistently point to social media, gaming, livestreaming, and brand partnerships as key sectors of interest. This was confirmed by most of the research interview participants. The remainder of this chapter delves into these sectors, with the exception of brand partnerships, analysed in Chapters 5 and 6. Additionally, recent reports and discussions with industry experts emphasise increased investment in Web3, the findings of wh ich will be presented in the final section of this chapter.

7.1.1 Music Synchronisation in Films and Series and the MMCs Access to the Market Sector

7.2.1.1 Music Synchronisation in Films and Series

Synchronisation, also known as "sync", involves the process of aligning music with visual imagery (Interviewee 3). A music synchronisation licence is a legally binding agreement whereby the copyright holder of a specific composition allows the licensee to synchronise the music with various forms of visual media. These include films, television shows, advertisements, video games, website music, and movie trailers. In cases where an artist's recording is involved, two licences are required: one for the rights in the master recording, typically administered by a record company, and the other for the use of the composition, usually administered by the publisher (Rutter, 2016).

With their integrated label and publishing capabilities, the MMCs are well-positioned to negotiate and administer these synchronisation licences because they manage both the master recordings and the underlying compositions of various artists. Unlike certain rights, such as mechanical rights, where payments are based on a set percentage of the product price, sync licensing terms are subject to commercial negotiations between the parties involved (Interviewee 5). As the market rapidly expands into new media and creates new products that align with that format, such as short videos, the legal frameworks in these markets are adjusting at a comparatively slower pace (Goodyear, 2022).

Sync licensing is pivotal in many industries, notably advertising that uses music. This specific aspect is discussed in relation to brand partnerships in Chapters 5 and 6. While music's role in the gaming sector goes beyond just sync licensing, that broader relationship will be addressed in later in this Chapter. This section concentrates exclusively on music synchronisation in movies and TV shows.

7.1.1.1 The Value of the Sync Sector

Both the academic and business literature increasingly recognise the importance of the sync sector for musicians and corporations, in terms of both user-generated and professional content. This is also evident in the increasing importance of agents who play crucial roles in maximising revenue through the exploitation of synchronised music with visual imagery (Morrow, 2011; Loraine, 2020; Prétet, Richard, & Peeters, 2021; Rogers, 2020). This trend has experienced further acceleration following the COVID-19 pandemic (Goodyear, 2022; IFPI, 2019-2023).

The escalating significance of this sector is also evident through the examination of revenues derived from synchronisation, as indicated in the IFPI annual reports (IFPI, 2023). Prior to 2009, the IFPI did not disclose data about synchronisation licences. However, they revealed that this industry segment generated a global revenue of US$ 202.1 million in 2009, which increased to US$ 342 million in 2011. By 2023, the revenue from syncs further escalated to US$ 0.6 billion (IFPI, 2023). In parallel, the closely associated Performance Rights revenue stream experienced significant growth, from US$ 300 million in 2000 to over US$ 900 million in 2011 (Rutter, 2016), and further to US$ 2.5 billion in 2023 (IFPI, 2023).

Estimates of the value of the global music synchronisation market vary between the sources and the specific market segments under consideration. However, estimates indicate that the global music synchronisation market was valued at approximately $2.1 billion in 2019 and is projected to reach US$3.1 billion by 2025, exhibiting a compound annual growth rate of 6.2% during the forecast period (Mordor Intelligence, 2020). This growth can be attributed to the escalating demand for music in the media and entertainment sectors, particularly in advertising and film industries. Furthermore, the proliferation of streaming platforms and digital media has played a significant role in expanding the music and sync market (Mordor Intelligence, 2020). According to the IFPI (2023) report on the state of the industry, the synchronisation sector accounted for 2.4% of the recorded music market in 2022. Revenues from the use of recorded music in advertising, film, games, and television have continued to show robust growth, surpassing

20% and reaching US$640.4 million. This underscores the significant contribution of synchronisation to the overall music industry.

Billboard's (2022) analysis notes that the growth of synchronisation revenues in the music industry has been remarkable, defying expectations during a period of industry downturn during COVID-19 pandemic. While streaming revenues surged over the past decade, recorded music sync revenues remained relatively stagnant until 2018 when sync revenues experienced a dramatic spike of 23%, reaching US$285.5 million. This growth was followed by declines in both 2019 ($281.1 million) and 2020 ($265.2 million), but the overall trend indicates a significant increase in sync licensing. Additionally, in 2022, synchronisation revenues involving television, movies and advertisements experienced a remarkable year-over-year growth of 29.9% at the mid-year mark. This growth rate surpassed the improvements seen in all other sectors, including limited-tier paid subscriptions (up 16.6%), ad-supported on-demand streaming (up 16.4%), and vinyl records (up 22.2%). Such unprecedented growth in synchronisation revenue demonstrates its increasing importance within the industry, solidifying its position as a lucrative market segment (Billboard, 2022). According to most of the interviewees, and supported by music market analysis generally, the synchronisation sector has not only gained significance, it is also expected to become increasingly central to the industry (Thakrar & Cirisano, 2022).

The Billboard (2022) analysis also reveals that the reported figures provided by the Recording Industry Association of America (RIAA) may not fully capture the actual revenues generated. This discrepancy likely arises due to the classification of revenue streams within the industry. Notably, performances by artists on platforms like Roblox are not considered sync revenues by the RIAA, while licensing revenues from games such as Grand Theft Auto are included in their calculations.

7.1.1.2 The Promotional Effect of Synchronisation Deals

Sync placements have the power to introduce music to a broader audience, potentially resulting in increased streams, downloads, and sales, along with heightened visibility for artists or bands (Iliya, 2020; Lorraine, 2020; Morrow, 2011). As stated by Interviewee 1, a prominent market expert based at a world-renowned media consultancy:

> I always say to all decent artists I know, a good sync deal can set you up for the rest of your career, is the best avenue. But if more people are competing and less content, it becomes more competitive and less profitable. (Interviewee 1)

Consequently, musicians and the MMCs, as music rights holders, gain from sync licensing in two ways: from the fees collected, and from the enhanced value of their recordings, including back catalogues.

The synchronisation of music in movies and TV shows holds a significant position within the music licensing landscape. Because soundtracks can enrich storytelling and evoke specific emotions in viewers, the role of music in enhancing the emotional impact of movies and TV shows has been long recognised (Chen et al., 2018; Gillick & Bamman, 2018; Wallmark et al., 2021) (Interviewee 2). While this sector is not new, its importance has grown due to the proliferation of streaming platforms and the intensified competition between them. According to the Billboard (2022) analysis,

> Film and TV deserve most of the credit for synch's recent upswing, though. And as the streaming wars between Netflix, HBO Max, Disney+, Peacock, Paramount+, Hulu caused a boom in original content with shows like *Stranger Things*, *Euphoria*,

> *The Bear*, *Pam and Tommy*, *She Hulk*, *Atlanta*, *Severance* and hundreds more, music is emerging a winner. (Billboard, 2022)

Christine Barnum, Chief Revenue Officer at CD Baby/Soundrop, Downtown Music Holdings, explained that streaming services are not only focussed on creating new content but also on actively investing in sync licensing. Their aim is to attract and engage new subscribers by offering a diverse range of music paired with visual media (Billboard, 2022).

In an interview with The Hollywood Reporter (2022), Tim Miles, Senior VP Sync for the UK and Europe at Warner, emphasised the transformative impact of global streamers and digital platforms on the music industry:

> We have seen this increase in interest in music. If you rewind 10 or 15 years, in the UK we just had the BBC and ITV, and the sorts of dramas they were making didn't really use music in the way that we see music being used now. So it has been really fascinating to see this acceleration. (*The Hollywood Reporter,* 2022)

The sync business model operates on a compensation basis, where music rights holders are paid when their songs are used in visual productions. The fee charged for sync licences is often based on the film budget, and the negotiation process takes into account factors such as the specific use of the music, duration of the segment, and the importance of the song (Interviewee 20). Sync licensing fees can start at a minimal cost and reach up to millions of dollars, influenced by factors such as the music's popularity and its role in the visual production. Copyright owners receive both upfront fees and ongoing public performance royalties when their songs are used in audiovisual works.

Although comprehensive data on the exact size of this market segment is currently unavailable, a decade ago Rolling Stone (2012) reported that the licensing of highly popular songs to television programs generally fell within the range of under US$100,000. However, SynchTank (2022) has highlighted a trend in which sync fees are being frozen or reduced for lower-tier placements. Furthermore, deal terms are being extended, resulting in syncs being utilised across longer terms and multiple platforms, all while receiving the same or even lower compensation.

In an interview for SynchTank (2022), Susan Schwartz, founder of music supervision and licensing company Get Music, explained that there is a noticeable divergence occurring within the sync market. This division is driven by the fact that highly popular songs command increasingly higher fees, while lesser-known tracks experience slipping rates. Schwartz attributed this phenomenon to major catalogues being acquired at significant multiples, resulting in more extensive usage of these catalogues, alongside the viral impact of streaming platforms including TikTok: “If you look at the various companies who are purchasing iconic [catalogues], they’re buying them at such inflated multiples that we’re seeing these songs priced at a premium.” Schwartz also outlined that the determination of sync licensing has traditionally been influenced by factors that include the music's characteristics, the specific usage parameters, the identity of the user, the intended purpose, the audience reach and the budget. While these fundamental aspects remain unchanged, a clear evolution has occurred in which several companies are now incorporating within their sync licensing departments non-traditional sync uses such as podcasts, even if the podcasts are solely audio-based. Moreover, there is an increased focus on limited internet, and social media licensing. Due to the prevalence of unlicensed online platforms, licences often encompass additional usage restrictions with respect to certain platforms (SynchTank, 2022).

3.2.1.2 The MMCs' Access to the Synchronisation Market

The business literature examined for this project, and most of the participating interviewees, emphasise the increasing role and growth of sync in the recorded music market. The MMCs are actively navigating this growth by forging partnerships with film and TV production companies, internally managing the complex process of clearing royalties and developing products and strategies to facilitate licensing agreements. Through these strategies, the Majors have positioned themselves as key players in the sync market.

Clearing Royalties

The MMCs aim to manage and exert control over a critical aspect in sync licensing, the complex and fragmented process of clearing royalties. The process extends beyond a simple agreement to feature a song in a movie; it involves navigating the complexities of obtaining publishing clearances and identifying and securing necessary permissions for any sampled content. The Majors possess the advantage of having in-house publishing branches and dedicated teams that can efficiently coordinate the intricate clearance processes required for sync agreements (Interviewees 6 and 14). This capability grants them a competitive advantage over other market participants. As highlighted by Miles, a Senior Vice President at WMG, the MMCs recognise the significance of establishing streamlined clearance procedures in sync licensing:

> There's a really complicated clearance process. Plenty of people can go and agree to put a song in a movie, but can they help get the publishing cleared? Can they track down the sample that needs clearing? We handle the whole thing. (IFPI, 2023)

All the MMCs have consolidated teams dedicated to the streamlining of this process. Universal Music Publishing (UMPG) has introduced Solutions, which integrates its global sync and custom music services for film, TV, and advertising, providing a centralised point of access in each local market and a streamlined approach for clients seeking synchronisation and custom music solutions. Sony/ATV Publishing and Warner Chappell, the global publishing arm of WMG, each have dedicated Sync teams that simplify the clearance process. These teams ensure that content producers can legally use music from Sony/ATV's extensive catalogue in their productions.

The MMCs' Network Strategies and Conglomerate Integration in the Sync Market

Access to the sync market also requires extensive networks and knowledge of the industry, including studios and agencies (IFPI, 2023). According to Mulligan (2019), the sync market operates as a complex and tightly interwoven network, driven by trust and personal relationships and connections. For Miles of WMG,

> Sync is all about networks. It's about knowing the film studios, knowing the game developers, knowing the agencies, and having the experience to know when to push and pull. I've seen lots of people fail at sync because they have smaller catalogues, and they therefore send the same music to the same people over and over again (IFPI, 2023)

The 2020 Vivendi Annual Report emphasises UMG's extensive access and reach in the sync sector. They assert their long-standing relationships with the leading film and television studios, global brands, and digital service providers that utilise their music and arrangements in various content and products. UMG partners with renowned film and TV content studios Warner Bros., NBC Universal, Disney, HBO, MGM, Banijay, Paramount, Lionsgate, Viacom, and STX. Furthermore, the company has expanded its network of collaborations by establishing a new global partnership with Univision, showcasing their broad and diverse presence in the sync industry (Vivendi 2020). As will be shown later in this chapter, these relationships are also leveraged internally in a relationship where both Universal and Sony are part of a media conglomerate that owns movies and TV outlets.

One notable example of a conglomerate relationship in the music and sync sector is the collaboration between two subsidiaries owned by Vivendi: Universal and Canal+. As detailed in the 2019 Vivendi Annual Report, in 2018 the Canal+ Group collaborated with UMG to create Deutsche Grammophon+, a channel centred on the catalogue of the classical music label.

The MMCs' Technological Advancement in the Sync Market

The MMCs have recently developed new creative and technical tools aimed at building music sync opportunities. Warner has implemented a creative tool called Colour Clue, designed to establish connections between different moods and musical works. The primary goal is to streamline communication between music executives and sync agents during the song-selection process. With this platform, Warner aims to effectively communicate with creators and enhance the visual interpretation of music. The conceptualisation and implementation of Colour Clue was described by a representative from Warner to the *Hollywood Reporter* (2022) as consisting of 50 cards, each assigned a different colour. For instance, green signifies natural, beginning, unity, and building themes. The categorisation of music is based on scientific studies into the correlation between music and colour. It allows Warner to classify their music based on its visual representation, thereby aiding discussions with directors and creators searching for the perfect song to complement the visual elements of their projects (Hollywood Reporter, 2022).

In short, the MMCs are becoming increasingly prominent in the TV and film sync sector. Their dedicated teams provide comprehensive assistance in legal, creative and technical matters. Simultaneously, these companies are focussing on cultivating market relationships to develop collaborations, both within and outside their conglomerates.

7.1.2 Social Media

This section presents an overview of the MMCs involvement in the development of new social media. In particular, the incorporation of user-generated content (UGC) and artificial intelligence (AI) algorithms to deliver tailored recommendations have significantly altered music consumption patterns (Anand et al., 2021; Xu & Yin, 2015). Through licensing deals and collaborative projects, the MMCs have increasingly established partnerships with social media platforms, while UGC and AI algorithms have enhanced the reach of music and expanded the MMCs' market presence and revenue streams.

3.2.2.1 Social Media and the MMCs

The scholarly and business literatures emphasise that the integration of music into social media platforms has transformed how individuals discover, consume, and interact with music (Dewan & Ramaprasad, 2014; McGrath, Chamberlain, & Benford, 2016). Social media has evolved into a dynamic and interactive space where artists can share their music, engage with their audiences, and foster dedicated followings. Over time, music creation tools have also become more social, further contributing to this paradigm shift.

These trends are being accelerated by changes in consumer behaviour and the integration of AI within new social media platforms.

From viral challenges to live performances, music's presence on social media has become an integral part of contemporary culture, influencing trends and reshaping the way we experience and appreciate music. In this context, AI is enhancing interactivity and user engagement with music content, with platforms such as TikTok standing out for their exceptional incorporation of AI technologies (Zhang, 2023). According to Interviewee 1, a music market analyst, TikTok employs sophisticated AI within its algorithms to curate personalised feeds, presenting content that aligns with users' interests and preferences, including music choices. This has led to a highly interactive approach to engaging with music, significantly different from the conventional static nature of traditional social media.

The business literature and the market experts interviewed for this study have emphasised that these new social networks, in particular ByteDance's TikTok and Amazon's Twitch, are transforming the landscape of UGC and music interactions. These platforms' advanced AI capabilities generate personalised content that is tailored to users' preferences and aligned with current trends. This creates a more dynamic and engaging environment, driving the popularity of music-related content on the platforms. Twitch in particular is experiencing significant growth. However, the issue of licensing deals remains a matter of debate, with some of the MMCs aiming to maintain safe-harbour positions to shield the tech companies from liabilities related to user-generated music content (Interviewees 1, 2, and 16).

TikTok, and more recently Twitch, have become the dominant platforms for UGC and music (Sachs, Wise, & Karell, 2021; Vizcaíno-Verdú & Abidin, 2022; Vizcaíno-Verdú & Aguaded, 2022). Between 2020 and 2022, the MMCs entered into licensing agreements with Meta, the parent company of Facebook and Instagram, and with TikTok and Twitch (Stassen, 2021). The 2022 UMG Annual Report outlines their strategic partnerships with major social media platforms. Beginning with a commercial alliance with Facebook in 2017, Universal solidified its stance in the social media sphere through subsequent deals. In 2021, global agreements with TikTok and Snap Inc. were established. The Snap Inc. partnership allowed Snapchat users to weave Universal's music into their tools, boosting artist–fan engagement and monetisation. The TikTok collaboration enhanced their mutual strategic objectives, allowing users to feature Universal's music and offering valuable fan engagement data. The report underscores that "these agreements enhance our strategy of monetising social engagement and deepening relationships between fans and artists" (Universal, 2022).

These agreements have enabled the MMCs and their artists to obtain a portion of the revenue derived from the licensed music utilised on these social networks and within the posts created by their users. Notably, "snippets", which are abbreviated segments of songs specifically tailored for social platforms, have also become an integral and coordinated aspect of production within the major labels (Interviewees 6, 15 and 17).

Merchandising and e-Commerce

The agreements between the MMCs and the social media platforms discussed above also signify the expanding influence of e-commerce strategies, including in-stream shopping tools, to create revenue opportunities for high-profile creators. TikTok has extended its capabilities beyond music promotion and now allows global music superstars to directly sell physical merchandise through their channels. A recent marketing trial with Billie Eilish and Lizzo, as reported by TikTok's Global Head of Music, yielded positive results according to the musicians' representatives (Music Ally, 2021). This move is a significant aspect of TikTok's e-commerce strategy, which seeks to enhance the platform's shopping features and create a more engaging experience for high-profile creators. By integrating in-stream shopping tools, TikTok aimed to generate revenue for creators and contribute to ByteDance's broader goal of facilitating over US$20 billion in e-commerce annually by 2022 (Reuters, 2023). These digital platforms have effectively boosted the promotion of catalogue music. Illustrative instances, such as the resurgence of Fleetwood Mac's "Dreams" on the Billboard charts in 2020 – due to a viral video where Nathan Apodaca lip-synced the song while skateboarding and drinking cranberry juice along a highway – demonstrate how older tracks can experience renewed popularity and access new audiences through these platforms (Forde, 2022).

User-Generated Content (UGC)

The partnerships between TikTok and the MMCs now play a significant role in facilitating the use of music within the platform's UGC. An industry expert (Interviewee 2) highlighted the benefits of licensing structures on platforms like TikTok, which enable users to incorporate music into their content. The platform's short-form nature, limited to 15 seconds, allows for quick musical snippets, encouraging users to explore and discover full-length tracks on platforms like Spotify or Apple Music. Similarly, a director in an MMC (Interviewee 13) discussed TikTok's potential as a platform for audience participation and creative engagement. TikTok's mechanics and user base make it effective at generating viral challenges and hashtag campaigns. Notable examples include projects with artists like Dua Lipa and AshNiKa, where user-generated choreographed videos and creative content were integrated with the promotional campaigns. The integration of UGC and music promotion on these platforms has resulted in a substantial increase in viewership and interactions, which, in turn, have had a positive impact on artists' visibility and recognition, contributing to the expansion of their online presence and to the revenue of the artists and the MMCs.

A trending song on TikTok or a well-placed song with the right creative context can lead to multiple sync placements, exponentially increasing exposure and recognition for the music and artists involved (Interviewees 1 and 20). A recent trend outlined by one market analyst (Interviewee 2) is the utilisation by the MMCs of micro-influencers to promote music. By leveraging micro-influencers, who possess smaller but highly engaged and devoted followings, the MMCs aim at reaching and connecting with targeted audiences in the digital landscape.

7.1.3 Music and the Gaming Sector

The relationship between video games and music has a rich history. Between the late 1960s and mid 1970s Japanese companies such as Kanomi and Square Enix paved the way by creating iconic video game music for titles such as Castlevania and Metal Gear Solid (Mangiron, 2021; Picard 2013). Up to the end of the 1990s, video game music was often referred to as "Bitcore" or "Chiptune" because it was characterised by rudimentary electronic timbres and a limited number of voices (Focht, 2023). However, advances in technology, including increased memory capacity and faster processor speeds, have enabled video game composers to break free from these constraints, leading to a diversification of the genre (Munday, 2007). Both the business literature and the interviewees highlighted gaming as a prominent and lucrative sector for promoting musicians and capitalising on fandom. For the past decade video games have integrated into the music marketing landscape. Among the various types of games, participatory music games have demonstrated noticeable impacts on sales.

3.2.3.1 Data on the Music and Gaming Market Sector

In 2020, the gaming industry generated nearly four times the revenue of the global music industry, and this trend is expected to continue (World Economic Forum, 2022). Although in 2023 the growth rate slowed, the gaming industry has experienced 20 years of significant growth and become the largest and fastest growing sector in the entertainment business. In 2021, valued at US$176 billion, the gaming industry surpassed the revenue of the Hollywood film industry and is still witnessing notable growth. With total video games revenue (excluding e-sports) reaching $214.2 billion globally in 2021 and expected to rise to $321.1 billion by 2026, games revenue was nearly four times larger than the entire global music industry, and this trend is expected to persist to grow even faster. The video game industry has become the medium favoured by the young and has become one of just three sectors that have added more than $100 billion in revenue to their base over the forecast period, alongside internet advertising and internet access. Video games revenue, which rose 32% between 2019 and 2021, is predicted to rise at an 8.4% compound annual growth rate through 2026, creating a US$321 billion industry (PWC, 2023).

In my research, I found general agreement across the business literature and the interviewees that the gaming industry is one of the most important potential sources of growth for the music industry today. Some limited academic literature also emphasises this trend (Rykała, 2020; Waldner, Zsifkovits, & Heidenberger, 2013). The growth potential of the music industry extends beyond simply licensing music for use in the gaming sector. The gaming industry's ability to generate revenue through in-game purchases provides an opportunity for the music industry to adopt similar models, monetising fan support through virtual online concerts, merchandise sales, sponsorship, and advertising (Rieple, DeFillippi, & Schreiber, 2023). Musicians are recognising that livestreaming shows allows them to reach a global audience, establish meaningful connections with their fans and increase their incomes. Some musicians earn more from a 3-hour session on platforms like Twitch than they would from a million streams of their music (MIDia, 2021).

3.2.3.2. Integration of Music in Video Games

Data show that the integration of music and video games has become a highly profitable and sought-after product in the entertainment sector. The fast growth of the video game industry has created new avenues for musicians to showcase their work, increase their profits adding new revenue streams and reaching wider audiences (Deloitte, 2022). According to business literature (Deloitte, 2022; MiDia, 2021, 2022), the development of the market has witnessed a rise in both the quantity and diversity of collaborations with musicians. Notable examples of this market's evolution include the increasing popularity of video game soundtracks, partnerships with platforms such as Spotify, and the substantial revenue generated by renowned musicians through their associations with video game companies.

A prime illustration of the phenomenon is the FIFA series, a football/soccer product known for featuring international artists and producing highly anticipated and widely viewed soundtracks. These soundtracks reach millions of people annually, exemplifying the fusion of music and gaming (Knopper, 2022). Similarly, the video game Guitar Hero sold over four million copies in 2008, with Activision CEO Bobby Kotick declaring that the rock band Aerosmith – who collaborated with the game – "generated far more in revenues than any Aerosmith album ever has" (Ambrosino, 2015). The GTA Radio feature in the Grand Theft Auto series is another example of music and video games integration. It enables players to listen to music while playing the game, providing a unique gaming experience. The popularity of the GTA series has led to millions of people listening to music while playing the game, exposing them to new artists and increasing their popularity and revenue (Fogel, 2018).

Many of the research participants argued that video games are increasingly crucial platforms for musicians to engage with, as they can develop a growing and enthusiastic audience through live-streaming opportunities. Musicians have recently embraced video games as a novel medium for performances and fan interaction. Some prominent examples are the Tones and I and Travis Scott performances in video games (Interviewees 1, 2 and 5). Tones and I's performance in the Roblox game Splash garnered over 50 million views on social media platforms while, in 2020, the American rapper Travis Scott hosted a 9-minute concert in Fortnite, attracting over 12 million concurrent players and establishing it as one of the largest in-game concerts to date. This concert surpassed the record-breaking success of the Fortnite concert by American music producer Marshmello, which was attended by 10 million people.

The business literature emphasises how the gaming industry presents a strategic market for the music industry due to its unique attributes and characteristics. The overlap between gamers and music fans creates a convergence of interests, making it a valuable target audience for music industry players. According to MIDia (2021), the most valuable segment within the gaming industry consists of dedicated gamers who, despite dedicating an average of 10.8 hours each week to gaming, also listen to music for 7.6 hours, which is more than twice the rate of the general consumer population. Approximately half of them regularly stream music and have subscribed to a music service, which also double the rate of the average consumer. According to a recent report from Deloitte conducted on US consumers, 49% of gamers say they often discover new music through games. Another notable area of engagement is gamers' purchasing music merchandise, with 20%

of gamers participating, compared to only 8% of the general consumer population, thus demonstrating their willingness to invest in expressing their fandom (Deloitte, 2023).

Most of the global in-game spending is on so-called cosmetic items, such as avatars, badges, and skins, which demonstrates that gamers are utilising in-game spending as a means of displaying their identity. With an estimated value of £138 billion, 68% of which is generated through in-game monetisation, the music industry can also potentially add this model to capitalise from a new stream of revenue (MiDia, 2021). According to the business literature, gaming companies have effectively catalysed gamers into consumers who spend money to express their fandom, and the relationships that gamers have with their favourite gamer creators demonstrate this dynamic. Gamers have become acclimated to ad-hoc spending as a means of expressing fandom, while gaming creators have used video streaming platforms to create deeper relationships with their audiences (Deloitte, 2021). Gamers also directly support their favourite creators through donations, tips, subscriptions, and virtual items on video platforms such as Twitch and YouTube, and within the games themselves. For example, Fortnite enables gamers to direct a portion of their in-game spending to their favourite creators (Interviewee 1).

As analysed in the MiDia (2021) report, the gaming industry presents the music industry with the potential to emulate its model of monetising fan engagement by translating its successful methods into the music arena: "Music companies managed the transition from sales to access by monetising that access through subscriptions, while games companies saw access as a means to monetising fandom." The report explains that this dynamic between game creators and fans exists for two main reasons: first, gamers have become accustomed to ad hoc spending as a way of expressing their fandom, and second, game creators have leveraged video streaming platforms to forge deeper connections with their audiences. As explored in the next two sections of this chapter, especially in the metaverse

– a virtual, immersive environment where users interact within a computer-generated space – the genre-neutral nature of video platforms has made monetisation and engagement tools equally available to both gamers and music artists.

Another prominent example of monetisation of fandom through gaming platforms is the Swedish pop star Zara Larrson, who generated $1 million revenue on the video game platform Roblox through the sale of virtual merchandise. Embracing the platform's virtual gaming metaverse, she hosted a virtual "dance party" within the game in May 2021, allowing fans to hang out, watch her perform, and take part in an online scavenger hunt (Interviewee 19). As the BBC described, Larsson capitalised on the in-game marketplace by offering her followers a diverse array of digital assets, including outfits, hairstyles, dance moves, and a customisable avatar bearing her likeness. Prices for these virtual collectibles ranged from 60 Robux (approximately £0.67) for basic items to 400 Robux (£4.95) for the personalised Zara Larsson avatar (Savage, 2021).

The business literature shows that one of the most prominent ways for musicians to capitalise in the gaming space is through virtual concerts, which have gained prominence in terms of generating revenues and enhancing promotional capabilities, especially during the COVID-19 restrictions in 2020. A key distinction between virtual and livestreams events, which I investigate later in this chapter lies in their real-time occurrence. Virtual events are pre-recorded or pre-scheduled, granting viewers the flexibility to access them at their convenience from any location with an internet connection. Interviewee 1, a music market analyst, emphasised that this accessibility and convenience have been vital for the popularity of virtual concerts:

> Travis Scott's gig has been seen by a million people and this is more he has ever seen in a tour and all he had to do is sing into a mic and the developers to do the

> rest. … In Fortnite at Travis Scott's concert, you are part of something that was unreal. I know it is hard to say "look at the reaction of people", because they are pressing a button, but this is how they do it and there are people going crazy. (Interviewee 1)

3.2.3.3 The MMCs Access to the Gaming Market

The business literature shows that the MMCs play a significant role in the music and video game industry (Billboard, 2023; Deloitte, 2022; MiDia 2021). They are responsible for licensing and distributing music for use in video games. This can include popular songs, original compositions, and licensed tracks from upcoming and established artists.

The MMCs support video game developers and publishers not only through licensing and distribution but also by promoting and marketing games. They utilise their networks, including social media and traditional media, as well as partnerships with streaming services and online retailers, to enhance game visibility. Additionally, these companies are involved in producing and distributing soundtrack albums for video games, featuring both original compositions and licensed tracks.

The IFPI (2004) recognised this potential when it acknowledged the emerging opportunities for music promotion and marketing through games. Consequently, the recording industry adopted the strategy of embracing the video game industry, recognising that licensing music in video games could prove highly profitable. Prior to this, Dance Dance Revolution (DDR), launched in 1999 as a widely available rhythm video game, demonstrated the viability of this approach, even without initially featuring major American recording artists (Millard, 2011).

As detailed by many interviewees, all three MMCs have now established their presence in the gaming sector, and they are continuously increasing their investments in this domain (Interviewees 1, 2, 5, 6, 11 and 18), with a focus on penetrating both the English and US markets, as well as expanding into the Asia Pacific region (IFPI 2018–2023). A director of one MMC acknowledged that their investments are now targeting third-party gaming platforms, virtual platforms, and gamified experiences, given the shift of the audience towards these avenues. This mirrors the audience migration seen a decade ago towards platforms like YouTube, Facebook, and Instagram, albeit with the current scenario displaying more fragmentation (Interviewee 18). In this context, the MMCs have entered numerous partnerships with key industry stakeholders to secure prominent placements for their music offerings.

Universal Music Group (UMG)

Universal's 2022 annual report highlights their active leveraging of mass audience participation to explore the metaverse opportunity that is evolving in gaming. Their innovative projects in 2021 included Post Malone's headlining performance in the Pokémon 25 event and Ariana Grande's 2021 appearance in Fortnite for the Rift Tour, a 3-day immersive event that attracted millions of fans globally. In conjunction with that event, Fortnite released a playable Ariana Grande-inspired “skin” and other related items for gamers to use during the Rift Tour (Universal, 2022).

UMG has adopted a range of innovative strategies to penetrate the gaming sector, a notable example being the recent launch of Gamescape Audio. Developed under Universal Production Music, a division of the Universal Music Publishing Group, Gamescape Audio presents an interactive music licensing solution and a specialised music catalogue tailored explicitly for game developers. According to the website (GameScape Audio), the services offered under Gamescape Audio include custom music composition, sound design, voiceover and dialogue production, audio direction, mixing and mastering, orchestral recording, and soundtrack album production. The catalogue features a selection of music composed by game songwriters.

Universal has also leveraged internal relationships within its conglomerate in the gaming sector. A notable example is their 2021 partnership with Gameloft, a subsidiary of Vivendi. This collaboration resulted in the development of the first official Queen game for mobile platforms. This dedicated mobile experience, titled Queen: Rock Tour, enables fans to engage with the band's music while eagerly anticipating their return to the live stage. While Queen's music has previously been featured in popular mobile music games, this marks the first time the band has released their own exclusive mobile game.

Both UMG and SME have also recently entered into a partnership with Reactional Music Group AB, a Sweden-based company developing a technology known as the Reactional Music Engine. This patented technology synchronises the music with the on-screen events. Gamers can personalise the in-game music to align with their preferences and thus program how the music dynamically reacts to gameplay (Tencer, 2023).

Sony Music Entertainment (SME)

Sony has made numerous other significant investments and strategic partnerships to capitalise on the gaming sector. In 2022, for instance, Sony Group Corporation, the parent company of SME, invested $1 billion in Epic Games, the developer of Fortnite, with the objective of building a metaverse social platform that creates immersive experiences, connecting gamers, musicians, and brands. The aim was to capitalise on the previous successful experiences of other musicians. As discussed earlier, leading artists such as Ariana Grande, Marshmello, Tones and I, and Silk Sonic have performed in Fortnite, which, due to in-game item sales, reportedly provides substantial financial rewards to participating creators (Smith, 2022).

SME is actively engaged in the gaming industry beyond financial investments (Music Business Worldwide, 2020). Interviewees advised, and the business literature outlines, that the company has assembled a team of technical executives dedicated to including and shaping music within immersive media. One notable expansion within SME is the establishment of the 4th Floor Creative, a London-based team that serves as the in-house creative and strategy hub for SME UK (https://www.fourthfloorcreative.co). Launched in 2018, this initiative unifies various aspects such as brand partnerships, sync, visual creative, podcasting, digital, and audience development to foster a collaborative environment for innovative projects. These teams frequently collaborate with other entities within the Sony conglomerate to promote and enhance artists' revenues through their gaming initiatives. An example of such collaboration is the partnership between SME's 4th Floor Creative Sync Team and Sony Interactive Entertainment. Together, they have secured numerous music licences for the PlayStation game Sack Boy, featuring songs from renowned artists, including Mark Ronson's “Uptown Funk” featuring Bruno Mars; Foster The People's “Houdini”; and Britney Spears's “Toxic", all of which elevate the gameplay experience by enriching the journey of the endearing character.

Warner Music Group (WMG)

WMG has also strategically invested in various gaming and metaverse ventures, forging partnerships that aim to enhance audience engagement and drive monetisation opportunities (Interviewees 1 and 13). One notable investment in 2021 was in the online gaming platform Roblox. This marked Warner's entry into the blockchain space, with the investment reportedly amounting to a significant eight-figure sum, as reported by Music Business Worldwide (Stassen, 2019). Speaking to Forbes, Jeff Bronikowski, WMG’s VP, Global Digital Business Development and Head of Innovation and Emerging Technology, stated that “the main goal [of the blockchain investment] is to create new avenues where the fans of our artists can explore their fandom and engage with the artists in new and different ways that they haven’t done before” (del Castillo, 2019). Warner also invested in the metaverse startup Anything World, whose platform leverages AI to construct 3D environments that can be utilised in augmented reality (AR) and virtual reality (VR) experiences. Elsewhere in the AI space, Warner has invested in the company LifeScore (Stassen, 2022).

Universal, Sony and Warner have therefore gained access to the gaming industry, demonstrating their commitment to exploring new avenues for growth and capitalising on the evolving landscape of gaming and metaverse technologies.

7.1.4 Music Livestream

3.2.4.1 Livestream Sector Market Data

Fuelled by changes in consumers’ behaviours during the pandemic, the livestream sector has emerged as an increasingly important area within the music industry. According to Vantage Market Research, the global livestreaming market size was valued at USD 988 million in 2021, and it is projected to attain a value of USD 4,290 million by 2028 at a compound annual growth rate of 23.50% during the forecast period of 2022–2028 (Vantage Market Research, 2022).

During the COVID lockdown and social distancing years of 2020 and 2021 there was a global disruption of the in-person live music sector, and livestreaming became a rising market. According to Mark Mulligan, music market expert and founder of MiDia research:

> In many respects, livestreaming was not ready for primetime when COVID-19 hit. Unlike sectors such as video conferencing and home fitness tech, which had become well established before, music livestreaming was a bit of an industry backwater. A whole host of new entrants swept in to tap the new opportunity, while pre-existing ones that had been limping along pre-COVID, gave themselves a new lick of paint. (Mulligan, 2021)

Currently, livestreaming offers a wide range of possibilities, encompassing regular sessions and extended sets lasting typically 2 to 3 hours. These longer sets have gained popularity, particularly on platforms such as Twitch (Johnson & Woodcock, 2018). Artists are exploring diverse approaches to engage their fans during these sets, incorporating more interactive elements such as co-creation projects and fan competitions. These innovative methods of fan involvement contribute to the growing appeal and success of livestreaming experiences (Mulligan, 2021).

Furthermore, the integration of livestreaming capabilities into video game platforms has opened new avenues for entertainment and fan engagement. This phenomenon has emerged as a significant trend in the music business, as underscored by insights from six research participants (Interviewees 1, 2, 5, 11, 18 and 19). According to sector experts, livestreaming goes beyond mere live performances to the establishing of a distinctive connection with the audience. This in turn reshapes the conventional artist–fan relationship. As elucidated by Interviewee 1, a music market analyst, the fusion of gaming and platforms significantly diverges from linear gaming structures like Super Mario, and virtual spaces now provide users with access to clothing, music, and merchandise.

Driven by the effects of the pandemic, 2020 delivered a notable transformation in the livestreaming sector. Particularly in the latter part of the year, there was a substantial shift from free streams to professionally produced and ticketed events (Interviewees 1 and 2). Notably, between June and November 2020, the proportion of live-streamed concert listings on Bandsintown surged from 1.9% to 40.7%, and ticketed revenue in December experienced a remarkable growth of 292% compared to June (Mulligan, 2021).

According to market experts, the potential for the MMCs to utilise livestreaming economically significant. Interviewee 2, a world-renowned music journalist, reported that livestreaming has emerged as a lucrative and promising opportunity for artists to tap into a global audience, and to make substantial earnings and cost savings by reducing the need for extensive tours. The concept of paid livestreaming opens up a promising business avenue, while also serving as a new creative platform for artists. The business literature gives notable examples of professionalised livestreams during the pandemic, such as Dua Lipa's Studio 2054 virtual show in 2020, which garnered 5 million views, with more than 1.9 million unique log-ins from China and 95,000 from India. Over 263,264 tickets priced at $10 were sold across various ticketing platforms (Aniftos, 2020). A livestream event featuring Nile Horan from One Direction drew audiences from an astounding 150 different countries. In contrast, traditional world tours usually cover around 30 countries, often focussing on major cities and leaving out many potential fans who are unable to attend physical concerts due to geographical constraints and costs. The emergence of livestreaming has allowed the inclusion of these overlooked audiences. “There is an audience there who cannot physically get the gates and I think they've been ignored for so long just because of the economics of Touring” (Interviewee 2). This same expert also underlined the implication of this digital development for the main players of the music industry to develop their business globally:

> The music industry has tended to be very small in its outlook, if you look at the global picture they go 'Oh we are global' and then it's really just 20 big markets … even if you look at the way the IFPI tabulates its numbers it does not have country break for anywhere in Africa. … Now we've got the technology to think and behave globally and that kind of ties into livestreaming as well … yeah you go to the 20 biggest markets in the world but that's still a tiny fraction of your potential audience. (Interviewee 2)

Traditional live events are characterised as scarce, high-value offerings that constitute a significant source of income for many artists. In contrast, the advent of the livestreaming boom initially emphasised free content, resembling the early days of music's internet presence. Especially in a lockdown scenario, the ability of livestreaming to serve as a meaningful revenue driver for artists became crucial, potentially alleviating some of the financial challenges resulting from the absence of traditional live performances – but likely only for well-known artists.

For Mulligan (2021), the current landscape of the livestreaming sector remains fragmented. However, a discernible trend is emerging, wherein major integrated companies are taking significant strides to enter the sector with the objective of attaining control over interconnected value chains:

> The vendor landscape is complex and increasingly fragmented. But most importantly, it is characterised by companies wanting to own as much of the value chain as possible and striving to achieve significant progress before the established giants of the traditional live sector regain their footing. (Mulligan, 2021)

3.2.4.2 The MMCs in the Livestream Sector

The annual reports of the three MMCs, a tendency accentuated during the pandemic show that through the establishment of creative agencies, as well as through market relationships with external actors, these companies launched partnerships to expand in the livestream sector, alongside their agreements with the platform Twitch.

UMG increased its presence in the realm of digital livestreaming by partnering with Big Hit Entertainment, YG Entertainment, and Kiswe. This collaboration resulted in the launch of a global digital livestreaming platform called VenewLive. The 2022 UMG annual report offers a comprehensive overview of their activities and initiatives in the livestreaming space:

> UMG responded quickly to marketplace developments and expanded its livestreaming capability. We have successfully carried out more than a thousand livestream music events with dozens of partners since the onset of the COVID-19 pandemic, providing a great benefit to our artists and songwriters and other partners at a time when other live music activities were severely curtailed. Our focus on developing opportunities in this category is reflected in our co-venture with Big Hit Entertainment and YG Entertainment in 2021. One objective of this collaboration is to expand VenewLive, a livestreaming platform that uses digital technology to provide immersive concert experiences. (Universal Music Group, 2022)

In response to the pandemic and the cancellation of in-person concerts, Sony Music Solutions, in partnership with Brightcove, a livestreaming technology provider, launched Stagecrowd, an online livestreaming platform,. During this period, Stagecrowd gained significant popularity, with Sony Music reporting that it attracted millions of viewers.

Since its inception, Stagecrowd has livestreamed 351 performances, which Sony Music states have generated substantial revenue. At the time of writing, Sony Music Solutions plans to expand Stagecrowd by offering international artist performances in Japan and improving streaming quality (Brightcove, n.d.).

WMG has formed a strategic partnership with virtual entertainment company Wave, as well as making a financial investment in the company. Wave has gained recognition for its immersive livestream performances featuring popular artists such as the Weeknd, John Legend, and Tinashe. This partnership aims also to develop novel ticketing systems, sponsorship arrangements, and interactive features for consumers during virtual shows (Warner Music Group, 2021).

7.1.5 Future Development: Music and Web3

7.1.5.1 Music and the Web3 Market

Web3 is an emerging phase of the internet that utilises blockchain technology and cryptocurrencies to transform how online interactions and transactions occur (Murray, Kim, & Combs, 2023). It originated from the launch of the first blockchain in 1991 and gained momentum with the introduction of Bitcoin in 2009. Unlike traditional web platforms, Web3 operates on decentralised, permissionless blockchains, enabling users to transact directly without relying on intermediaries (Belk, Humayun, & Brouard, 2022). According to its main investors and developers, Web3 represents a paradigm shift in the internet's structure, utilising blockchain technology and cryptocurrencies to create a more decentralised and user-centric online environment. The initial emphasis of the developer was on transparency, security, and ownership for users, challenging the model of centralised control and data exploitation (Stackpole, 2022).

Interviewee 16, an expert in music and Web3, emphasised that this space had increased in importance for musicians, who are using available products to directly engage fans and increase revenues from sustainers. As such, Web3 symbolises an emerging frontier where artists and fans can directly engage with each other. Although initially intermediated by new companies connecting music and fans, the major labels have already commenced investing and developed their own products within this realm.

The pandemic served as a catalyst for increased investments in the metaverse arena by the MMCs, and currently there is a growing interest among them in exploring the potential of Web3 for revenue (Interviewees 16, 18 and 19). The rising importance of the sector is evident not only from quantitative evidence, but also from the increasing attention and recognition that music-related activities in the virtual space are receiving. This development has become so significant that it prompted MTV Video Music Awards to introduce a new category called "Best Metaverse Performance". The inception of this category occurred during the 2022 VMAs, with the inaugural honour bestowed upon the prominent K-pop group, Blackpink (Marr, 2023).

Interviewee 16 also underlined the current existence of a “metaphorical Cold War between artists and music labels in the context of direct-to-consumer strategies”. Artists aim to establish direct connections with their fans, treating them as partners in their music business, while labels seek to identify ways to bolster their bottom lines through such interactions. According to this expert, the key question to resolve in this dynamic is the extent to which intermediaries should be involved in the fans’ and artists’ experiences. For instance, artists may choose to monetise fandom by offering exclusive perks and rewards to their supporters, thus bypassing traditional intermediaries. Interviewee 16 explained that this can be achieved through various means, such as selling concert tickets using blockchain-based NFT platforms that track attendance at events, effectively providing proof of their patronage. This expert emphasised it is important to note this current approach may not be the final iteration, as the industry will continue to explore novel applications and possibilities. They argued that while Web3 can facilitate innovative royalty distribution methods, artists must still build, cultivate and retain a loyal fan base, even in the Web3 landscape. Therefore, while the advent of Web3 may present groundbreaking opportunities for the music industry, an artist's engagement with their audience will continue to be an essential factor in achieving sustainable success.

3.2.5.2 The MMCs in the Web3 Sector

Music companies are now adapting their practices and exploring innovative avenues to engage with fans (Edlom & Karlsson, 2021). Blockchain technology and non-fungible tokens (NFTs) are presenting transformative opportunities in this realm, as they enable tokenised music, thus offering unique ownership rights and investment opportunities within the industry. Despite academic and business analysts emphasising the potential disruptive nature of this new technological development, suggesting it could remove market intermediaries and reshape traditional structures within the music market in Web3 (Beck et al., 2018; Chalmers et al., 2021), the established MMCs and new firms have taken on an intermediary role to connect musicians with buyers.

The annual reports and business literature show that the MMCs are increasingly entering this space to exploit the opportunities presented by this evolving landscape. Universal, Sony, and Warner are all actively investing in the establishment and development of labels within the Web3 space. In 2018, UMG established a Web3 service called "10:22pm", defining it as "a Web3 label, positioned at the intersection of music, gaming, non-fungible tokens (NFTs), blockchain, and the metaverse" (Universal Music. 10:22PM label).

Sony has ventured into the Chinese market with RCA Records Greater China, aiming to explore opportunities in streaming, NFTs, and the metaverse. The label plans to make strategic hires in artist management and Web3 to drive its operations in the region. Similarly, in partnership with LGND, WMG launched a Web3 music platform named LGND Music at the beginning of 2023. Functioning as both a music platform and a hub for collectibles, the platform enables the incorporation of digital collectibles from diverse blockchains. Users can access and engage with their digital collectibles on the go, while WMG artists actively release digital collectibles through both the app and desktop platforms (Sony Music, 2022).

In addition to these more recently established services and platforms, the MMCs are also exploring other new ways of commodifying and investing in music based on Web3 technology. According to Interviewee 16, the labels have the potential to shift towards a hedge fund-like model where they invest in artists as partners rather than exclusively signing them. This paradigm shift would involve leveraging tokens and blockchain technology to tokenise artists, enabling investors to participate in their success. According to this expert, in this new market an emerging commodification scenario would involve the utilisation of Web3 technology to transform music into tradable assets resembling stocks. This would allow investors to participate in the music industry by purchasing these virtual "stocks", which represent shares in the future royalties generated by specific songs. This concept is exemplified by a platform that operates under a "Web 2.5 agreement", whereby investors seemingly invest in USD or other conventional currencies, but in reality their transactions occur through Web3 mechanisms like Ethereum (Interviewee 16).

The Ethereum platform offers a mechanism that resembles the trading of stocks for the sale of music royalties (The Verge, 2021). Under this system, each "song stock" receives an initial price, and investors can bid on these stocks. Their values may vary depending on factors such as projected streaming numbers, thus creating a dynamic marketplace for investors to participate in the music industry in a manner akin to traditional stock trading. This new system enables individuals to track their potential earnings per song stock, creating a commodification of music as a financial asset. Interviewee 16 mentioned that in the past this transformation of music into a tradeable commodity had led to legal challenges for some individuals who failed to adhere to the necessary regulatory checks.

In line with this paradigm shift, Scott Cohen, former Warner Music Chief Innovation Officer and founder of The Orchard, has ventured into a new startup named JKBX. JKBX aims to securitise and fractionalise music royalty streams, thereby facilitating their trading among retail investors. It has secured exclusive rights to music valued at over US$1.7 billion and foresees a launch by the end of 2023, with projected rights worth exceeding $4 billion (Digital Music News, 2023; JKBX, 2023; Music Ally, 2023). Significantly, JKBX has secured partnerships with the major record labels, demonstrating the music industry's adoption of this novel commodification approach and the will of these companies to participate in this potentially lucrative space. The interviews, annual reports and the wider business literature show that at the time of writing Web3 continues to rapidly evolve, and the MMCs seem to have numerous investment projects in this emerging area.

7.2 The MMCs' Access to and Coordination of Rising Complementary Value Chains

This section of the chapter presents the key findings regarding the motivations driving the MMCs to expand their presence in complementary value chains.

7.2.1 Comprehensive Control: The MMCs' Competitive Advantage in Navigating the Entire New Music Value Chain

The convergence of evidence from multiple sources solidifies the notion that the possibility of access to the entirety of the value chain, as well as the possibility of coordinating its management, plays a pivotal role in guiding the MMCs' growth and diversification in the dynamic music industry.

Five research participants employed in the MMCs agreed on the significance of acquiring access to diverse market sectors that constitute novel complementary value chains for recorded music (Interviewees 5, 6, 7, 11 and 18). For instance, Interviewee 5, a director representing one of these companies, deliberated on the benefits associated with possessing access to the complete value chain. This transformative capacity empowers the MMCs to transition into comprehensive service providers, thereby enabling them to explore numerous revenue streams and enhance promotional impact by efficiently coordinating their operations:

> The big music companies – Sony, Warner, Universal – provide artist services. When prominent artists emerge or when up-and-coming artists are considering signing with a label, it becomes a competitive landscape. At this point, we can present ourselves … offering representation in various markets through the expertise of our top-tier synchronisation team. Additionally, we have a well-established merchandise business … which serves as a new revenue channel. Furthermore, our brand team ensures brand exposure and access to brand dollars, which may not be available through other labels. This comprehensive package makes our proposition more appealing to artists, and our primary goal is to sign the best artists and transform them into cultural icons of the future. (Interviewee 5)

Interviewee 6, another director of an MMC, emphasised that, due to the increasing complexity of the music value chain, these companies continue to hold great significance for musicians. By possessing access to all components of the value chain, the MMCs have the capacity to provide and oversee comprehensive services to musicians, surpassing the capabilities of smaller labels or independent musicians operating independently (Interviewee 6). This interviewee emphasised that for small labels, choosing to upload their products independently and receive direct payments from business partners like Apple and Spotify, may seem appealing. However, they raised concerns about the ability of these smaller outfits to effectively manage the processes of agreement and payment, especially in case of complex issues and communication breakdowns:

> If you're a little label and you want to upload a product yourself, and then you get paid directly by the business partners, so by Apple and Spotify, that's great, but do you agree with what's on that statement? and that payment? if it doesn't come through your contact, and if they don't contact you back, how do you contact them again? If you don't get an advertising ribbon on store to highlight your release, someone else does … Instagram and TikTok, it's getting more and more and more complicated. (Interviewee 6)

This director also underlined that the same type of difficulty in managing an increasingly complex value chain would also occur for independent artists:

> If you are an artist and you've got to do all of that as well as trying manufacture your own vinyl, check your own royalty statements, create your own audio formats in the right format … [I]f you want to do some of your sync licencing on major programmes or televisions that's a lot for an artist whose focussed on their craft to

> do and you have that choice you can do it yourself or you can try and get a major to do it for you and make more money. (Interviewee 6)

Interviewee 6 also argued that the coordination and control of the entire value chain by the MMCs can significantly enhance promotional aspects by enabling them to effectively synchronise and optimise various promotional activities throughout the value chain, which is an important competitive advantage in relation to both independent music companies and musicians:

> So that is the difference between Indie and major, can an indie do it? Of course! But can they do all of it? And for the rest of their career? I don't know, that's quite something! So there are plenty of indie labels that do that and do it very well, and they use, for digital delivery they use what is called aggregators, who deliver to every business partner in every territory and they report your royalties to you, and they keep a certain fee, and certainly that's where contentious issue is, that the majors keep much larger fee than the aggregators but for a good reason as well: Those aggregators are there, to just pump their product out, where we are there to promote product to make successful artists. (Interviewee 6)

This highlights the strategic objectives of the MMCs to obtain access to the complete value chain, which is crucial for expanding their potential revenue streams while simultaneously preserving their pivotal role as intermediaries. By being the only entities with access to the entirety of the newly established music value chain, which comprises numerous complementary value chains, the MMCs can secure their central positions in the music market.

The interviewees unanimously agreed about the sustained relevance of the capacities of the MMCs to provide access to diverse and complementary elements of the recorded music value chain, which are designed to attract musicians. Many of the interviewees agreed that the possibility of completely managing the entire value chain, along with the larger initial investments that they can provide to artists, is the main reason why the MMCs are still the dominant intermediaries in the market. As a director of an independent music company put it, it is precisely for this reason that in the post-digitisation world "every single one of independent artists I know would say yes straight away to a major deal" (Interviewee 20).

As previously set out, the new recorded music value chain, although rapidly evolving, comprises new sectors of the complementary value chain. According to reports and interviews, the most prominent complementary chains are music synchronisation, new social networks and the livestream, music and brand partnership sectors, as well as services and projects in the Web3 realm. The IFPI (2023) annual report includes sync, brand partnership, gaming, Web3 and social media as part of the value-added network of the recorded music sector. Figure 6 shows three distinct sections: the initial part, "partnership," comprised of legal agreements and investment strategies; the middle phase, "creative development," with A&R and recording, encompassing the traditional recorded music value chain; and finally, "commercial success," roughly comprising the new complementary chains discussed above. As analysed, these sectors also hold significance as additional sources of revenue streams. As demonstrated in the first part of this chapter, the MMCs have successfully gained access to all these aspects of the new music value chain, making them the only established players with such comprehensive access. By enabling this access, they have gained a competitive advantage, not only because of the additional revenue streams but also because they can effectively manage and coordinate these elements, thereby enhancing the potential of each complementary chain.

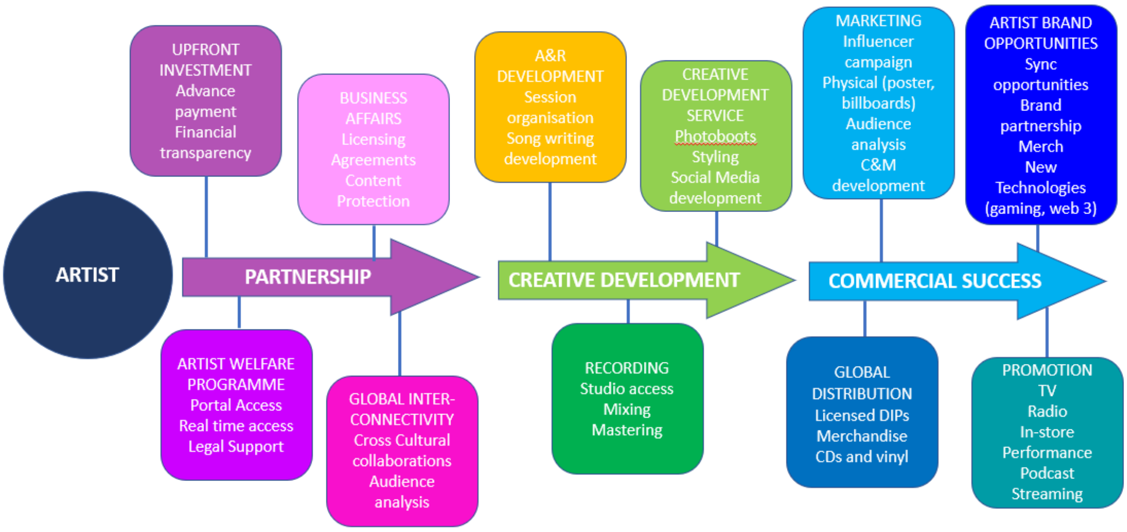

Figure 6: New recorded music value chain, Source: Author (Data: IFPI, 2023)

7.2.2 Conglomerate Integration and Coordination of Complementary Value Chains

Drawing on annual reports and interviews, in this section I outline the conglomerate integration strategies of UMG and SME, which provide these companies with a further competitive advantage of preferred access to the complementary sectors through sister companies. With the exception of Warner, these companies are integral components of media conglomerates. Sony Music, as a division of Sony Corporation, is affiliated with a technology-led media conglomerate. Universal Music Group, with a 10% stake owned by Vivendi and an additional 18.01% held by the Balloré family through various vehicles, stands at the intersection of the entertainment, media, and communication industries "crossroads of the entertainment, media and communication industries" (Vivendi, 2022). Vivendi SE used to own a controlling stake in Universal Music Group. Prior to its IPO and the divestiture process, Vivendi held a 70% stake in UMG. This changed when Vivendi opted to sell a 60% ownership share, a decision influenced by the increasing valuations of recorded music and a strategy to alleviate the 'stock drag' from its diverse asset portfolio (Digital Music News, 2021).

These conglomerates comprise a diverse array of media and technology subsidiaries, each specialising in distinct segments of these industries. For instance, Vivendi owns Gameloft, a prominent player in the gaming market, Canal+ for television shows and movies, and Havas, which is renowned as one of the largest advertising and communications groups globally (see Figure3). In parallel, Sony holds a dominant position in the gaming and technology sector, as well as the movie business (see Figure 4). Together, these two conglomerates exercise a wide-reaching influence, with a stronghold in various crucial complementary value chains within the recorded music industry.

In a convergent media environment characterised by the blending of media boundaries (Lanz et al., 2019) and music becoming increasingly ubiquitous (Arditi, 2019), strategic coordination within conglomerates operating in different market sectors can yield potential competitive advantages for the music business companies they contain by giving them preferential access to various complementary chains.

Close integration and coordination are evident within these conglomerates, as detailed by the various examples provided in this chapter and in the messaging consistently emphasised by the presidents and CEOs of these conglomerates in their annual reports and investors' presentations. As for Vivendi and Universal, Yannick Bolloré, the Chairman of the Supervisory Board, stated in the 2019 Vivendi Annual Report:

> For the industrial component of our strategic vision, integration is the key. Our group’s biggest strength is our ability to build bridges between our different businesses. When Universal Music Group (UMG) supplies the music for a book published by Editis, or Havas provides communication support to Canal+, it means that our businesses are growing together. Numerous cross-business projects like these were carried out in 2019, and we intend to develop that trend in the future (UMG, 2019).

Furthermore, Bolloré recently affirmed in an interview his intention to increase business coordination within the conglomerate: "[The]challenge we face at Vivendi is to demonstrate that we are an integrated industrial group, present throughout the value chain of entertainment, media, and culture, rather than merely a conglomerate of shareholding" (*Financial Times*, 2023).

The importance of conglomerate integration to access the whole value chain and profit from the ubiquity of music to all complementary chains has also been underlined by Rob Stinger, CEO of SME, during its 2022 investor conference:

> [Music] is gonna be everywhere … I think that in the new platforms if music is used to the universality, as we think it will be, we are going to be in a very, very strong position with our musical content. I can't imagine for example TikTok without audio content so I think we had a good position. … I think realistically the good news is being in a company that has a gaming platform and has movies and television and technology… We do have inside access to what our sister companies are doing and we know where music fits in. I think that's a tremendous advantage. … PlayStation has on its platform well over 10 million subscribers from Spotify. So we know that music is in the heart of the consumer who games on the PlayStation Network. (Sony Group Corporation, 2022)

This point was remarked upon as the key business strategy for SME for the years ahead:

> There is an ability to put all the Sony family together and workout plans that actually benefit all areas of the company. … Artists expect there to be synergy, it's a brand advantage! … We educate our artists coming into the company on the Sony branding and there's not really a young artist who enters our ecosystem who doesn't

> have a instantly some connection with the Sony platforms and then as it as it grades up to the superstar artist those deals become more public for instance a Dell we did the global Oprah TV special with Sony Pictures. (Sony Group Corporation, 2022)

A prominent strategy adopted by the MMCs to reaffirm their market power involves securing access to all strategic and complementary value chains while effectively coordinating them. This approach not only contributes to increased revenues but also amplifies the promotional impact on the primary commodity, which is recorded music. Sony and Universal, leveraging their conglomerate structure, have gained a heightened competitive advantage in accessing and coordinating these diverse market sectors.

As indicated by insights from various interviewees, the capability to access the entire value chain and coordinate the different complementary sectors represents a significant competitive edge for the MMC labels, compared to players with access to only one or a few complementary chains (Interviewees 1, 2, 5, 6, 11, 18 and19). This comprehensive approach has the potential to generate additional revenue streams and maximise the promotional impact of recorded music, positioning the MMCs ahead of other competitors in the ever-evolving music industry landscape.

7.3 Conclusion

Through industry and expert interviews and an examination of the business literature, this chapter has outlined the emerging market sectors that are part of the MMCs' countermediation strategies. It has detailed the investments being made by the MMCs to gain access to and expand in these sectors. The MMCs' integration of synchronisation licensing within the recorded music value chain has led to increased revenue streams and enhanced promotional effects for these companies. By extending their presence into TV shows, films, the gaming industry, the branding industry, and new social media platforms, the MMCs have strategically diversified their operations and tapped into the potential of complementary sectors, reasserting their relevance in the new music market.

In summary, the MMCs have developed six main objectives for integrating these value chains into their business structure:

1. *Access to the complementary value chains of recorded music*: The MMCs have gained access to various complementary value chains in the recorded music industry, which are increasingly important for both their promotional objectives and their revenue streams. These sectors include synchronisation in TV and movies, the gaming industry, the livestream sector, new social networks, Web3, and brand partnerships. The MMCs have achieved this access through in-house capacity development and market relationships. Access to the most relevant sectors provides these companies with a competitive advantage towards smaller and independent players, reasserting their position as intermediaries of the recorded music market in the digital era.

2. *Revenue streams*: The integration of complementary chains has facilitated the generation of additional revenue streams for the MMCs. New revenue sources, such as virtual concerts, have increased the MMCs' royalties from the use of their music in visual media and merchandising on gaming platforms, thereby increasing their financial resilience and stability. Moreover, the strategic coordination of value chains has allowed the MMCs to maximise their commercial success and capitalise on new opportunities. The expansion in complementary sectors has enabled them to unlock new revenue opportunities and potentially mitigate risks associated with relying solely on specific revenue streams.

3. *Promotional effects and increased potential*: The complementary sectors are valuable, not just for their revenue streams but also for their promotional impact.

They also increase the value of the primary asset of the MMCs' recorded music, and such strategies are especially valuable in a music market with fierce competition for consumers' attention (Essling et al., 2017). The expansion of the MMCs' presence in complementary value chains also allows them to create a positive and self-reinforcing promotional cycle. The MMCs strategically showcase their artists and music across a broader range of media and entertainment platforms, leading to an increased visibility that can heighten brand recognition and market penetration, attracting a wider audience to their music offerings.

4. *New value chain control as an asset to attract labour and capital*: The ability to manage the entire value chain provides the MMCs with a unique selling point in the industry. Musicians are drawn to the MMCs because of the potential for comprehensive support and exposure across multiple platforms. The coordinated approach allows artists to benefit from a wide range of opportunities, including synchronisation in TV and movies, gaming collaborations, livestream events, social media exposure, and participation in the emerging Web3 and brand partnership ventures. Furthermore, the comprehensive access to the new music value chain has been frequently highlighted in annual reports and investors' presentations as a means to attract capital. Investors are promised not only an expansion of revenue streams but also an increase in the value of the main commodity – recorded music – due to the enhanced promotional effects from complementary sectors.

5. *Business expansion and conglomerate integration strategies*: To continue gaining access to the complementary chains, the Majors are adopting diverse strategies, including forging market relationships with key actors, expanding their business through the development of internal capabilities, semi-integration, and implementing conglomerate integration. By establishing internal creative

agencies and business units and by fostering market relationships with private companies, the MMCs can gain access to the new complementary sectors. These strategic moves enable the Majors to expand their reach and leverage their comprehensive presence in the industry, reasserting their role as intermediaries in the recorded music market.

6. *Business Integration as the Main Business Strategy to Navigate IDR in the Music Market*: Through business integration, Majors gain access to all rising complementary value chains, integrating them into their business structure and conglomerates. This coordination enables these companies to fully exploit complementarities and increase their competitive advantage. Through business integration in strategic value chains, therefore, these companies reassert their market power and avoid being replaced by new intermediaries.

According to Hesmondhalgh and Meier (2018), the music recording and publishing companies have historically been relatively powerless in determining the conditions of music consumption. While they exerted considerable influence over music production and sound, their impact on consumption technologies and broader patterns of consumption remained limited. As Wikström emphasises “the music industry is completely dependent on the media, as a promoter, user, and distributor of their product” (Wikström, 2009, p. 80). Even the larger companies, despite being part of entertainment conglomerates, lacked substantial influence on consumption technologies. In the context of the new value chain, the Majors may not necessarily be leading the charge, but their access to the entire value chain allows them to effectively coordinate and exert control over a changing market landscape. Seeking to maintain their market relevance, these companies engage in countermediation strategies, which enable them to maintain relevance in strategic markets and expand the means of music consumption by selling and promoting music to other emerging complementary market sectors (Aglietta, in Arditi, 2019).

The partnerships explored in this chapter between the majors and other sectors, such as synchronization with TV and movies, collaborations with the gaming sector, social media, and Web 3 projects, once again reaffirm the four strategic approaches identified by Chircu and Kaufmann. Majors collaborate with players in these sectors to develop content that increases music consumption or revenues for them. Additionally, they exploit data and technology to drive up and better target promotional efforts. These collaborations also serve as a partnership for access to all these strategic markets, ensuring the majors maintain their relevance in the rapidly evolving digital landscape.

Therefore, this thesis also reinforces Chircu and Kauffman's proposition within the music market: established players wield the ability to leverage their market power effectively, countering disintermediation effects to maintain their market dominance and prevent reintermediation by new entrants (Chircu & Kauffman, 1999). Specifically,

However, it's important to note the nuances. While new entrants continue to emerge across all value chains, majors have adeptly secured access — often through collaborations with these newcomers. What truly distinguishes them and positions them for competitive advantage is their unique ability to access and coordinate all strategic complementary value chains in the market. Thus, they fully exploit integration of complementarities as their primary countermediation strategy.

Chapter 8

Analysis and Conclusion

Something has always killed music – Andrew Harrison

With this statement, Harrison (2019) points to the propensity of music industry leaders to decry existential threats to the industry. Technological advancements have historically impacted the music market, threatening the dominance of established players. This is because the music market is highly dependent on technology, which continuously evolves and reshapes the ways music is produced, distributed, and consumed (Moreau, 2013; Tschmuck, 2006; Wikström, 2009). Throughout the evolution of the industry, its established gatekeepers have often proclaimed the catastrophic outcomes resulting from technological advancements. For example, phonographic companies undermined music publishers and concert promoters, and the emergence of radio was initially perceived as a threat by the major labels (Tschmuck, 2006).

To maintain their market power during these technological shocks, the primary responses of the gatekeepers has consistently been twofold: initial antagonism towards new market entrants, and aggressive pursuit of copyright reforms to safeguard their commodification of music (Tschmuck, 2006). When the phonographic industry emerged in the early 20th century, music publishers, fearing records would replace sheet music and facilitate unpaid use of their music, lobbied for copyright revisions to ensure mechanical royalties and thereby preserve their market stance. These legal efforts cemented authors' and composers' rights through global agreements such as the 1908 Berne Convention revision, and national laws such as the *1909 Copyright Act* in the US, which led to the creation of the American Society of Composers, Authors and Publishers (ASCAP) for royalty collections. Similar copyright extensions and collecting societies also formed in the UK and Germany (Tschmuck, 2006). In the post-World War I period, the major labels were initially hostile to radio technology, not recognising its potential. Radio stations' refusal to pay music royalties led to friction with recording companies, resulting in the formation of the International Federation of the Phonographic Industry (IFPI) in 1933 to defend the recording companies' interests.

As the millennium turned, the music industry faced another technological shift that threatened the dominance of the major labels. The rise of the internet disrupted the traditional recorded music business in two main ways. First, peer-to-peer file sharing allowed music to be distributed without paying royalties, undermining the industry's core business model based on the exploitation of copyrighted material. Second, the internet's capacity for cutting out established gatekeepers further endangered the role of the Majors (Bishop, 2005). In the early 2000s, the widely retold narrative in business, academia and the media was that the end of the Majors was coming (Gamble & Gilmore, 2013; Moreau, 2013; Warr & Goode, 2011). However, more recent reports have highlighted the resilience of the three MMCs, with evidence of growing revenues and continuing chart successes (Ingham, 2023; Mulligan, 2023).

The first reaction of the Majors to the threat posed by digitisation was copyright protection (Loren, 1999). Scholars have detailed their efforts to enforce copyright in the digital era, particularly within the streaming economy (Day, 2011; Tehranian, 2007). Other studies, albeit fewer, have focussed on the business strategies the major labels employed to avoid obsolescence or replacement by new intermediaries in an evolving market (Guichardaz, Bach, & Penin, 2019; Tessler, 2016). This thesis expands on this latter perspective by examining how the Majors navigated new strategic markets and integrated complementary businesses as countermediation strategies, thereby maintaining their dominance amidst industry transformation.

This concluding chapter synthesises and discusses the findings of the thesis, particularly in regard to the new value chain dynamics established by the Majors in response to technological disruptions. The chapter has three sections.

Section 8.2 discusses the strategic patterns of integration, disintegration, and reintegration within the business structure of the newly formed value chain – comprised of interrelated value chains – that the Majors have adopted throughout the cycle of intermediation, disintermediation, and reintermediation (IDR) in the music industry. It critically analyses the evidence presented in Chapters 5, 6 and 7. The thesis is framed by Chircu and Kauffman's (1999) of the IDR cycle, illustrating how integration and disintegration from the business structure has been utilised by the Majors to manoeuvre through post-technological shock. Specifically, this analysis elucidates the link between the integration-dis\integration-and re\integration of value chains in the business structure and IDR cycles, showing how these strategies, employed to navigate through the IDR cycle, are essentially the Majors' mechanisms to "internalise disruption" (Kanellopoulou, 2021).

Section 8.3 summarises the key findings of the research project and the contributions of this thesis to scholarly knowledge. The key findings are:

1. The Majors have developed a new value chain based on the coordination of interrelated value chains, effectively adapting to the changed market landscape.

2. Through coordination and control over the new music value chain, the Majors have reasserted their market power and increased their resilience.

3. The business expansion and value chain integration in the Majors' business structure of the brand partnership sector demonstrates the growing importance of accessing this sector for reinforcing the Majors' market position.

4. The market entry strategies of the Majors focus on timing their penetration into various market sectors as a means to mitigate risks.

5. Accessing and coordinating different value chains, enable Majors to fully exploit complementarities and reassert their market position

6. Business integration strategies are the key countermediation strategies that enable these companies to survive IDR cycle experienced in the music industry.

7. An expanded theorisation on business expansion and contraction and integration and disintegration of parts of the value chain as countermediation strategies is needed.

Section 8.4 is a note on theory and on possible avenues for further investigation based on the findings of this thesis. This section reasserts the political economy framework of the thesis and contemplates the repercussions of these strategies on competition policy. It argues that the business expansion and value chain integration narrative should be analysed as involving more than merely cost-cutting tactics by the Majors. Fostering market relationships or pursuing other quasi-integration methods may – and likely has – offered a more balanced trade-off between the benefits and risks associated with business expansion. This more nuanced approach underscores the strategic agility of the Majors in maintaining their dominance while navigating an ever-evolving industry landscape.

8.1 Integration, Disintegration, and Reintegration in Business Structures to Navigate the IDR Cycle

This section examines how the Majors integrate and disintegrate and reintegrate within their business structures, correlating these processes with the stages of the IDR cycle in the music industry. It explores and discusses the strategic patterns of expansion and divestment, therefore integration, disintegration, and reintegration in the business structure, that the Majors have employed throughout the cycle of IDR. It highlights how the Majors integrate new complementary value chains to counteract the effects of reintermediation, and also disintegrate other parts of the value chain when these are no longer strategic or profitable during the disintermediation phase.

8.1.1 The Traditional Intermediated Phase of Recorded Music and the Majors' Vertical Integration Business Structures

In the latter half of the 19th century, prior to the advent of recorded music, the intertwining and growth of live music and the publishing sector led to increased professionalism and specialisation in the music market (Tschmuck, 2005). Songwriting and music publishing became recognised professions and a distinct value chain emerged within the music industry. Composers and authors supplied materials to a rising music publishing industry that targeted mass audiences through sales of sheet music. Live performances played a crucial role in promoting this music, shaping the musical tastes of the increasingly urbanised population and establishing a symbiotic relationship between live music promoters and music publishers (Tschmuck, 2005).

The landscape of the music market was dramatically altered by Thomas Edison's invention of the phonograph in 1877, as well as by its subsequent technological iterations, the graphophone and gramophone. As these devices transformed into new forms of musical media in the 1920s, they led to a significant socio-cultural shift in how music was consumed, paving the way for a broader music market characterised by private household consumption and the consolidation of the phonographic industry (Tschmuck, 2005). According to Maisonneuve (2001),

> [This] turned music into a material commodity, divested records of their luxury status and transformed them into goods that could be collected. In short, it was a form of consumption that changed the ways in which people related to music, enabling works to be listened to repeatedly, recordings to be compared and aesthetic-musical knowledge and emotional experiences to be accumulated. (p. 90)

The production of multiple sound recording copies introduced new value-generating activities and necessitated substantial changes in publishing, distribution, marketing, and retail practices to accommodate the rapidly expanding sound recording market. Initially, the value chain in the recorded music sector was a linear progression of value-adding activities, starting from the creation of music to its consumption.

From its inception, the music industry has favoured business models that aim to control the entire music supply chain (Mol, Wijnberg, & Carroll, 2005; Tschmuck, 2005; Waldfogel, 2015). Using both horizontal and vertical integration strategies, each of the major record labels then dominating the recorded music industry had access to all aspects of the traditional processes for bringing music to market: recording, production, promotion, and distribution (Waldfogel, 2015). Horizontal mergers aimed at increasing market share, while vertical integration sought control over the different parts of the value chain (Hull, 2004; Tschmuck, 2005). Such strategies led to a market structure where those major labels owned multiple divisions, including music publishing, recording, marketing, and distribution, often operating under a network of subsidiaries (Burkart, 2005; McCourt and Burkart, 2003; Mol, Wijnberg, & Carroll, 2005; Tschmuck, 2005).

As publishers in this integrated structure, the record companies took over the administration of royalties and exploited scale advantages to make artists' copyrights economically valuable. This expansion allowed them to capture more value within the chain, strengthening their market positions (Hull, 2004; Mol, Wijnberg, & Carroll, 2005; Tschmuck, 2005). Their relationships with broadcasters became increasingly entrenched in this structure. They used their influence to ensure their artists received airtime, which directly correlated with sales. Their control over what was played on the radio effectively made them the arbiters of musical taste and success (Percival, 2011). Additionally, although not the focus of this thesis, strategic alliances with independent record companies were crucial in this vertically integrated structure.

For all the functions of the recorded music value chain, majors had integrated the relevant activity into their business structure. Through vertical integration strategies they controlled and coordinated most of the recorded music value chain from production to distribution (Coase, 1979). Additionally, they wielded their influence across radio, TV, and sales channels, maintaining substantial control over the promotion and sale of music. As illustrated in Figure 8, the Majors control all the parts of the recorded music value chain, from scouting and developing talent through their artists and repertoire (A&R) departments, to the writing of music by facilitating collaborations between artists and songwriters. By owning their recording and production studios, along with manufacturing facilities, they control and optimise the production workflow. Their marketing divisions are responsible for ensuring high visibility for their musicians, leveraging expansive distribution. They also enjoy vast economies of scale in these areas, thereby limiting effective competition to a few other major players (Bishop, 2005; Mol, Wijnberg & Carroll, 2005). With retailing representing the final stage in the chain, the Majors' limiting access to distribution channels to competitors through their de facto control over retail stores contributes to their competitive advantage (Graham et al., 2004).

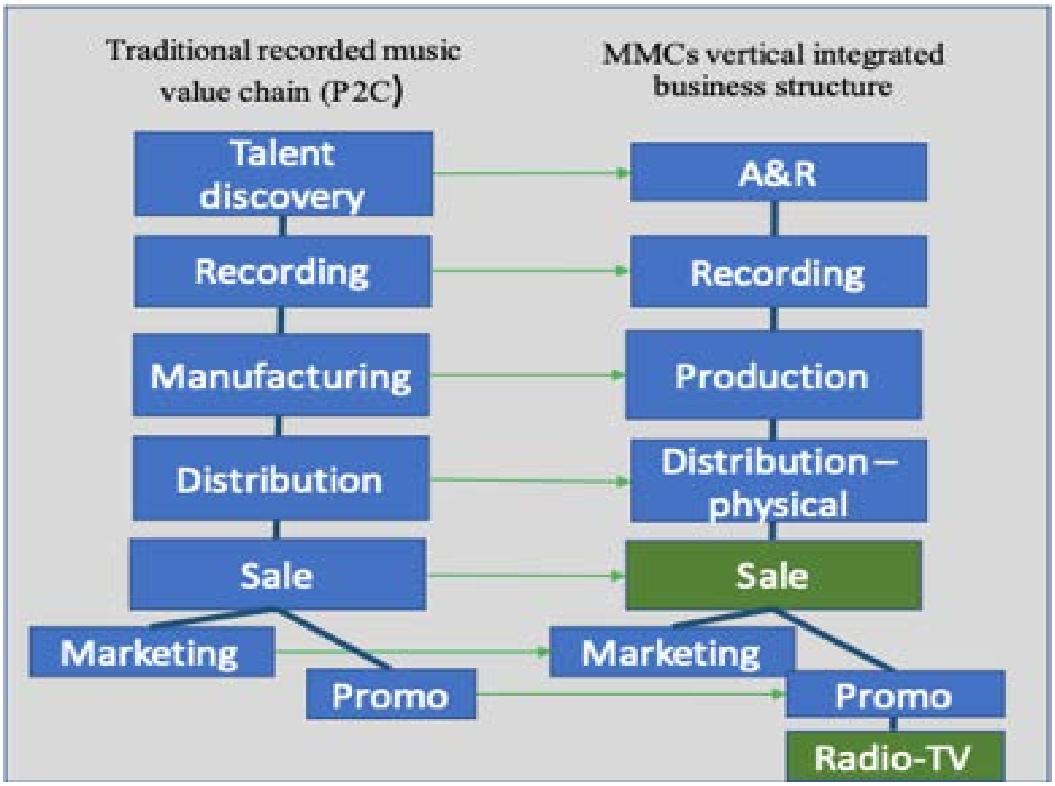

Figure 8: The Majors' vertically integrated business structure in the traditional recorded music value chain. Blue: Vertical integrated functions; Green: Market relationships granting access to the function. Source: Author.

8.1.2 Disintegration and the MMCs' Disintermediation Phase After Digitisation

The digital revolution profoundly disrupted the recorded music market and restructured the industry by reducing market-entry barriers for music production, fostering direct connections between fans and artists and rendering obsolete many of the functions related to physical distribution. In response, the Majors adapted by divesting from these now-redundant segments of the value chain (Wueller, 2012).

Affordable technologies and software have reduced the barriers to entry by enabling recording artists to produce music independently in home studios, thus challenging the traditional studio model that was once under the purview of the major labels (Hracs, 2012; Mol, Wijnberg, & Carroll, 2005). Furthermore, the development of MP3 technology, by reducing requirements for data storage and transmission, has enabled consumers to perform reproduction and distribution activities more easily (Alexander, 2002; Leyshon, 2001). Digital transformation has similarly reshaped distribution. The decline in physical sales, a result of the surge in digital downloads and streaming services, has diminished the importance of physical distribution networks, leading the Majors to downsize their distribution departments and related facilities such as warehouses, manufacturing plants, transportation and logistics operations, and distribution centres (Macy, 2013).

Wikström (2009) shows how in those years of profound market restructuring, the Majors have been compelled to significantly concentrate their marketing efforts and resources, focusing on a select group of high-priority artists due to audience fragmentation and intense competition for media visibility. This shift has led to a reduced investment in new talent and innovation, potentially harming long-term growth and diversity in the industry, these are indeed the Majors' "self-inflicting wounds". As the author emphasises: "The consequence of limiting new products' access to marketing resources is in reality identical to refraining from cultivating new products all together" (Wikström, 2009, p. 86). This strategy though reducing short-term uncertainties, might ultimately reduce the appeal and diversity of the firms' intellectual property portfolios. This conservative approach could lead to a long-term decline in innovation and variety within the music industry, affecting its ability to attract and retain diverse audiences (Wikström, 2009).

Recording practices as well, have since undergone significant change. Technological advances also diminished the Majors' economies of scale in these areas (Homer, 2009).

Simultaneously, the opening of promotional alternatives to radio and TV, also controlled by the Majors, undermined a business model built on limited access to distribution channels (Graham et al., 2004). Because of these market changes, the traditional promotion teams, which had been dedicated to securing airtime on radio and television, arranging in-store displays, and orchestrating physical media coverage, found their roles obsolete and their significance dwindling. These changes have led to the phasing out of traditional promotional teams, particularly in secondary markets like Australia and European markets, where the evolving digital landscape and market demands have rendered such roles increasingly redundant (Interviewees 6, 7, 8, 16, 18, 22, 24).

In the early stages following digitisation, Majors primarily focused on divestment and copyright protection as their key strategies. This approach stemmed from the tendency of decision-makers to adhere to their traditional business practices, even in the face of substantial changes in the media environment (Wikström, 2009). They maintained the belief that, despite the emerging challenges brought about by the evolving media landscape and new distribution technologies, the core business models, and structural foundations of the industry essentially remained unchanged (Wikström, 2009).

In summary, during the initial phase of digitisation characterised by disintermediation, the major labels responded to market changes by strategically divesting and withdrawing from the business structure parts the value chain those segments that were no longer suited to the new digital environment, as depicted in Figure 9.

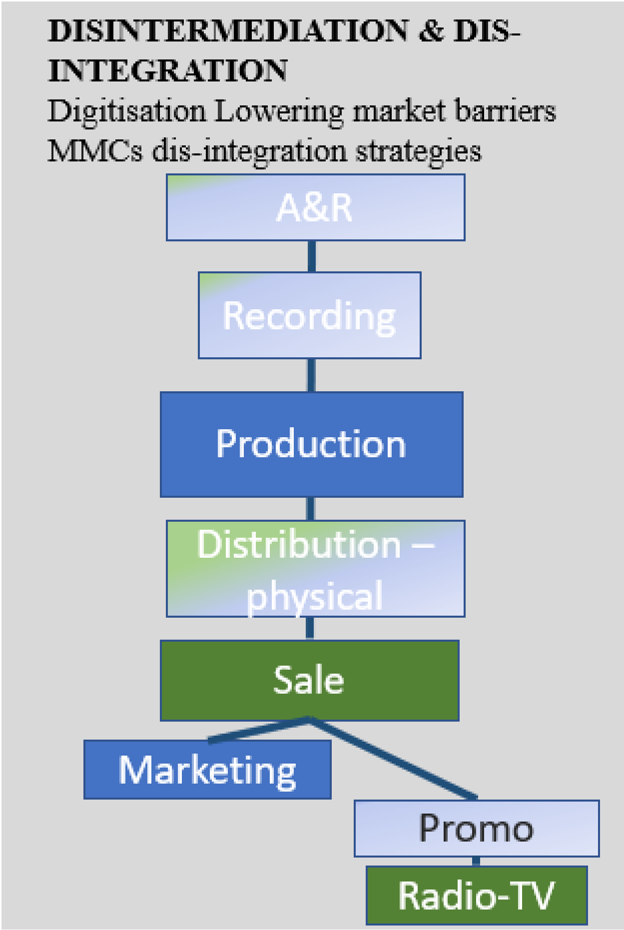

Figure 9: The MMCs' disintegration from the business structure. Blue: Vertical integrated functions; Green: Market relationships granting access to the function. Light Blue: Functions partially disintegrated from the business structure. Source: Author.

8.1.3 The Reintermediation Phase and the Majors' Reintegration in the Business Structure of the New Complementary Value Chains

During the current reintermediation phase of the market, characterised by the emergence of complementary music sectors, the Majors are expanding their value chain. They are no longer limited to straightforward vertical integration from production to consumption. The process has become more complex, with components now integrated in a circular manner.

In the realm of A&R, the Majors' roles have evolved beyond mere networking; managers must now be adept at interpreting vast amounts of digital data to uncover new talent. Some scholars have emphasised that this practice, known as "data-driven A&R", intensifies competition, as the data is accessible to all; hence, the Majors incorporate all the relevant skills in new A&R units (Rocchi, 2020). For some of the interviewees participating in this study, a side effect of this data-centric approach, often termed "big data scouting", is the tendency to prioritise short-term hits over the nurturing of an artist's long-term career and to focus on the commercial exploitation of existing back catalogues.

The evolution of A&R functions in the three Majors examined in this study means that artists can now emerge from various market sectors before coming to the attention of A&R departments. Many artists gain momentum independently through online platforms, building a brand and developing their own marketing strategies. Having pre-established success and a strong following makes an artist attractive to record labels. This shift in focus from discovering "raw" talent to fostering and enhancing the careers of already emerging artists makes the A&R function a later step in the value chain, rather than the first. The shift to data-driven A&R allows the Majors to reduce the high investment costs associated with traditionally risky endeavours in the music industry (Tervio, 2009).

As physical distribution significantly contracted within the Majors, they adapted by expanding their production capabilities to encompass a broad spectrum of digital distribution functions, including streaming platforms and the distribution of music "snippets" across various channels and social media platforms (Coulter, 2022). A further significant change in the new recorded music landscape has been the interconnectedness of new market sectors, a consequence of the convergence of the media environment and the experience-driven economy. These sectors either did not exist previously or were not as closely linked. My findings demonstrate that the MMCs built their business models by accessing these sectors through internal development of capabilities, quasi-integration strategies, and market relationships.

In addition to adapting the traditional production-to-consumption (P2C) functions, the Majors are incorporating and coordinating a range of new functions, forming a value chain composed of integrated complementary chains. The key change here is the move towards more complex, interconnected structures instead of the traditional strictly vertical ones. In traditional models, there is a clear, vertical sequence of operations – from production to distribution to consumption. However, with the advent of the new market sectors and the integration of diverse functions, this sequence is becoming less linear and more complex. The value chain now resembles a web of interconnected activities, where each function can influence and be influenced by multiple other segments simultaneously, as summarised in Figure 10.

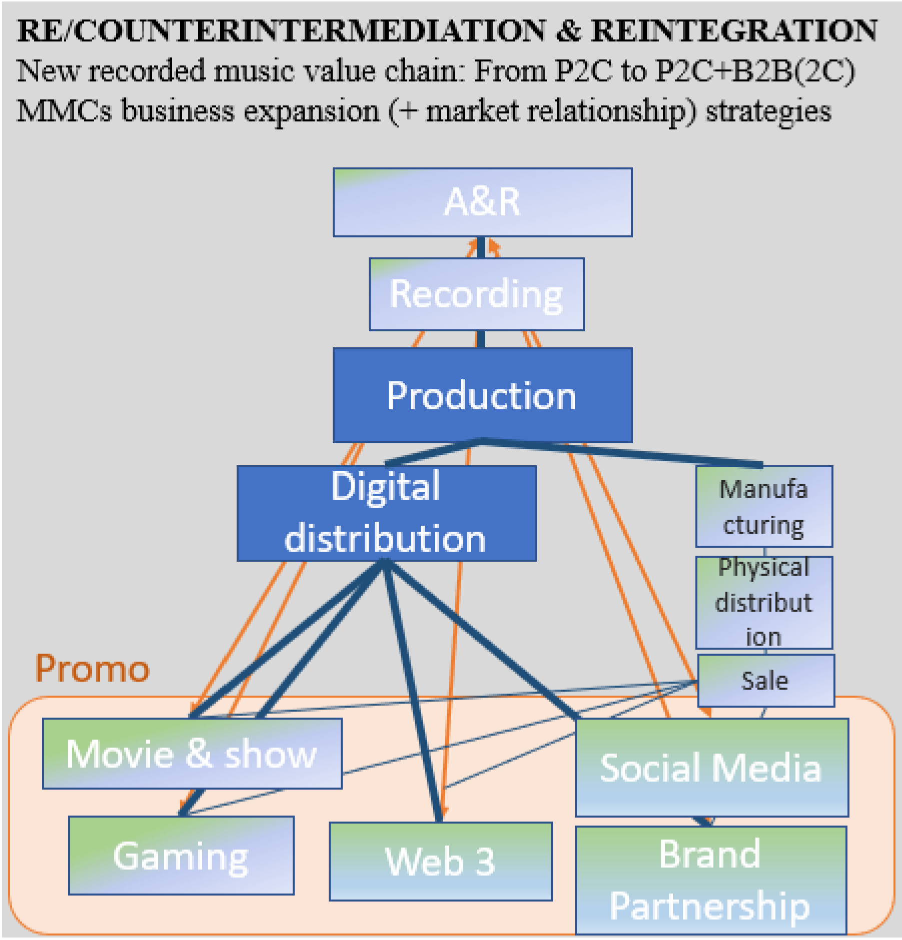

Figure 10: The Majors expansion and integration in the business structure of complementary value chains. Source: Author.

This thesis shows that through business expansion and internal development of capabilities, quasi-integration strategies, and strategic market relationships, the Majors are strategically positioning themselves to access complementary markets. This diversified market access has gained increased significance in the context of music promotion due to its role in facilitating music discoveries, augmenting revenue streams and enhancing the intrinsic value of the majors' core asset, recorded music. Moreover, by asserting control over the various segments of the value chain, these companies can coordinate the complementary chains to increase revenue streams, heighten overall profitability, attract capital and labour – investors and musicians – and develop resilience against market shocks within individual sectors. Underpinned by substantial demand within each sector, the MMCs wield considerable market power in each sector, further bolstering their market advantages.

The next section summarises the key findings and contributions of this thesis. This is followed by the final section, which makes some general contextual observations arising from this project, and notes several potential topics of further research for scholars working in this area.

8.2 Findings and Contributions of the Thesis

This section summarises the five key findings and contributions of this thesis.

1. *The MMCs have developed a new value chain based on the coordination of interrelated value chains, effectively adapting to the changed market landscape.*

One of the primary strategies adopted by the MMCs to maintain market dominance in the changing music industry has involved integrating and coordinating multiple interrelated value chains. Chapter 7 showed that in the contemporary recorded music landscape, the traditional linear vertical process of the recorded music value chain is transforming into diverse and interconnected value chains.

Chapter 7 focused on the rise of the following complementary sectors: film and TV synchronisation, social media, the gaming sector, and the burgeoning Web3 space (Goto, 2011). The brand partnership sector was considered in greater depth in Chapters 5 and 6. While other rising sectors exist, the business literature and the research participants identified these sectors as being of primary importance; they had either emerged relatively recently or previously operated with a significant degree of independence from the recorded music industry. However, as highlighted by Tessler (2016) and Tschmuck (2016), there has been an increasing convergence between these sectors and the music industry. Presently, these value chains have evolved such interconnectedness that they can be conceptualised as complementary value chains for recorded music, which is the principal commodity of the Majors. The strategic importance of these emerging sectors is twofold: they introduce new revenue streams, and they serve as promotional platforms that enhance the value of the recorded music asset.

To maintain relevance and market power within the new recorded music market – particularly in securing access to all relevant segments – the Majors must be adept at matching supply with demand across these sectors. And to access all the complementary chains, they must adopt diverse expansion strategies. These include engaging in business expansion through internal development of capabilities, pursuing other forms of quasi-integration, forging market relationships with key actors, and implementing conglomerate integration. The Majors effectively gain access to the new complementary sectors by establishing internal creative agencies and business units and fostering market relationships with private companies. Such strategic manoeuvres enable them to expand their influence and leverage their comprehensive industry presence, reaffirming their intermediary roles in the recorded music market.

The finely tuned approach adopted by the Majors reflects a modern strategic trend towards firms recognising the value of flexibility and adaptability in value chain management. Rather than adhering strictly to a binary choice between integration and externalisation, the Majors demonstrate that a dynamic blend of strategies can be more effective in responding to market changes and securing competitive advantage. This thesis, therefore, not only broadens the scholarly discussion surrounding boundaries and value chain management, it also offers a contemporary perspective on how leading firms in the recorded music industry navigate and shape their competitive environments.

2. *Through coordination and control over the new music value chain, the MMCs have reasserted their market power and increased their resilience.*

By integrating and coordinating complementary value chains, the Majors have reasserted their central position as intermediaries of the new music market. This market power is evident in four ways. First, by expanding into and integrating complementary business areas, the MMCs are creating new sources of income, including from virtual concerts, higher royalties from the use of music in various visual media, and merchandising on gaming platforms. Such diversification enhances the financial resilience and stability of the Majors.

Second, these complementary sectors offer value through not only the additional revenue streams but also their promotional effects. Consequently, they enhance the worth of the Majors' primary asset – recorded music. In a highly competitive music market, where capturing consumer attention is challenging, these strategies are particularly beneficial.

Third, the strategic coordination of complementary value chains also creates a positive and self-reinforcing promotional cycle. As the Majors strategically promote their artists and music across various media and entertainment platforms, they achieve greater visibility and increased brand recognition and exposure, thus drawing a broader audience to their music offerings. With more consumers becoming familiar with the artists and music represented by the MMCs, the potential for market penetration increases significantly.

Fourth, the Majors solidify a competitive advantage over other market players by using these strategies. This overarching control and market dominance is frequently presented to both musicians and investors as a strategic asset, effectively attracting labour (musicians) and capital (investors) to these entities. Moreover, through the integration of these diverse value chains, the Majors fortify their market influence through enhanced competitive resilience, diversification of revenue streams, and the leveraging of their market positions to influence transactions across the entire value chain ecosystem.

3. The business expansion and value chain integration in the Majors' business structure of the BP sector demonstrates the growing importance of accessing this sector for reinforcing the MMCs' market position.

The Majors allocate significant effort and resources to access and control the increasingly important brand partnership sector, which plays a crucial role in their countermediation strategies. This is driven by two primary motives: (1) the generation of new revenue streams, and (2) the promotional effect that enhances the value of the primary music asset. This thesis is the first to reconstruct the internal development of the Majors' brand partnership sector after digitisation by focusing on its role as an intermediation strategy. This expansion in the complementary sector is a means for the Majors to navigate the IDR cycle.

To achieve their objective of brand partnership access and coordination in their business structures, the Majors have cultivated in-house expertise and established dedicated business units capable of efficiently mediating between demand and supply. This has led to the successful commodification of music for its emotional impact and experiential attributes, and to the Majors increasing the ways they forge connections between brands and consumers. Consequently, the Majors have extended their traditional production-to-consumption (P2C) model to incorporate a business-to-business (B2B) model. The analysis on brand partnerships in this thesis has demonstrated an evolution first outlined by Tessler (2016), namely, a hybrid model that combines both models: business to business (to consumption) and production to consumption, or P2C+B2B(2C).

This analysis extends understanding of both the supply and demand sides of the brand partnership market. which encompasses the interests and expectations of both the brands and the Majors. It identifies the core skills and competencies required for the Majors to effectively intermediate between these two market sides. This examination of real-world BP projects adds a practical dimension to the discourse, elucidates the strategies employed by the Majors, accentuates the fluid nature of music as a commodity within the experience economy, and reinforces the findings related to the integration of other complementary value chains. It also confirms how expansion and contraction of the business structure is a core business strategy for the resilience and adaptability of the Majors in a changing media landscape.

4. The market entry strategies of the MMCs focus on timing their penetration into various market sectors to mitigate risks.

A finding of this thesis is that, in economic terms, the Majors employ business expansion in complementary markets to embed new competencies within their operational frameworks. These strategic manoeuvres ensure they maintain complete access to all rising strategic sectors within the new recorded music value chain. The required investments for expansion in these new market sectors coincided with the post-2015 surge in revenue streams from the streaming sector. Before the stabilisation and increase in revenue, these companies predominantly focused on contracting their spending and divesting from less profitable areas.

The timing of these expansions also reveals that the Majors strategically entered markets that had already undergone growth and reached a phase of greater stability. This strategy allowed them to leverage already established market conditions to their advantage by stepping in during a market's growth phase and establishing a presence in new sectors while also avoiding the considerable risks associated with early-stage investments. Essentially, the timing of business expansion in these sectors by the Majors has not only reduced risk but also externalised the initial investment risk of market uncertainty onto new market players.

4. Business Integration as the Main Business Strategy to Navigate IDR in the Music Market. Through the strategic implementation of business integration, Major Music

Companies not only gain access to rising complementary value chains but also incorporate them into their existing business structures and conglomerates. This deliberate coordination empowers these corporations to fully harness complementarities, thereby significantly enhancing their competitive advantage within the market landscape. By strategically integrating these complementary value chains, MMCs effectively reinforce their market dominance and strategically position themselves to prevent displacement by emerging intermediaries.

5. An expanded theorisation on business expansion and contraction and integration and disintegration of parts of the value chain as countermediation strategies is needed.

The thesis demonstrates that the Majors have adeptly navigated the evolving music market by employing strategies of both expansion and contraction of their value chains, thus enduring the cycles of disintermediation and reintermediation. It has also extended the IDR framework by demonstrating how the Majors use expansion strategies, specifically in relation to the BP sector. These strategies only lower transaction costs, as the prevalent theory would suggest, they also help maintain market dominance and allow for adjustments to disruptive shifts within the music industry. By integrating new parts of the value chain, these companies internalise disruption and thereby exert greater levels of control over it.

8.3 A Note on Theory and Prospects for Further Investigation

While this thesis contributes to the music business literature through its analysis of the market strategies of the Majors in the new music market, it does so through the lens of political economy, delving into the reproducibility of market power. It demonstrates how a company can reintegrate new strategic components of the value chain to maintain its centrality in the market, thereby surviving the cycle of IDR which would lead to the replacement of outdated intermediaries. It also found that maintaining market relevance is one of the main drivers to expanding a company's business structure to access related value chains.

In this study, I have departed from conventional theories such as transaction cost economics (TCE) (Williamson, 1989) and the knowledge-based view (KBV) (Wernerfelt, 1984) to present a nuanced perspective on the strategic choices made by the Majors regarding business integration. TCE primarily centres on the cost efficiencies associated with integrating specific activities within the firm, as opposed to outsourcing them to the market, and KBV emphasises the internalisation of knowledge and capabilities as the driving force behind integration decisions. However, I have underscored the paramount importance of control, alongside the potential for coordination, within the value chain in a dynamic and ever-evolving market environment. This thesis aligns with Michael Porter's (1985) analytical approach, which contends that a company can enhance its competitive advantage by effectively constructing and internally coordinating the elements comprising its production process – a concept referred to as value chain management. According to Porter:

> [Competitive advantage] stems from the many discrete activities a firm performs in designing, producing, marketing, delivering and supporting its product. … A systematic way of examining all the activities a firm performs and how they interact is necessary for analysing the sources of competitive advantage. (p. 62)

Indeed, this thesis substantiates that the construction and internal coordination of a firm's value chain elements can become central to enhancing its competitive advantage. This competitive advantage is a key motivator for major firms to further expand and assimilate new segments into their operational framework, thereby enhancing their market presence and capability. It demonstrates that to intermediate within the BP market sector, the Majors have predominantly chosen to internalise the necessary skills through business expansion in complementary value chains through internal development of capabilities.

This strategic choice has enabled the Majors to maintain high degrees of control and coordination in this specific domain. However, Chapter 7 hints at a broader spectrum of strategies employed by the MMCs in other areas of their operations. These strategies include internal development of capabilities, market relationships, and quasi-integration strategies with external innovators. This observation suggests an alignment of these strategies with the theory emphasised by Ansari and Krop (2012), which underscores the benefits of incumbents forming effective partnerships with emerging challenger firms to navigate radical innovations, particularly in new market sectors where prominent actors are developing market relationships. While this thesis suggests that this theory holds significance in explaining certain aspects, it is important to recognise that a comprehensive examination of the specific strategies employed by the Majors across these diverse areas goes beyond the scope of this study and would be an important avenue to pursue in future research. These strategies appear to encompass effective partnerships with emerging challengers, especially within specific market sectors, while the Majors sustain access to numerous complementary sectors that together constitute the overall value chain.

From a policy perspective, Kanelloppoulu (2021) underscores the pressing need for antitrust authorities to broaden their scopes of intervention. This research aligns with her viewpoint and further elaborates some of its implications. She argues that antitrust intervention should take precedence within the music industry, primarily because traditional policies and laws have proven ineffective, perpetuating the industry's consolidation. While mentioning the controversy surrounding the music industry's reliance on intellectual property narratives, especially copyright, for regulation, she underscores that the industry's ability to adapt to external market conditions drives innovation and success, eclipsing the significance of changes in intellectual property regimes. In light of this, antitrust regulations gain significance when addressing innovation and growth within the creative sector, warranting necessary interventions.

Kanellopoulou proposes a re-evaluation of antitrust markets within the music domain that would encompass both the conventional major business models and the emerging innovative ones, but it should focus on consumers to preserve market definitions rooted in consumer demand. Additionally, historical evidence shows that the MMCs, being predominantly reliant on copyright exploitation, have created specific music products tailored for mass consumption, epitomised by the “hit record”. Conversely, the emergence of new business models in the music industry has ushered in a plethora of diverse products and associated relevant product markets. Market failures stemming from digital piracy further accentuate the need for intervention in the digital era.

My research findings resonate with Kanellouppoulu's (2021) perspective, even though her primary focus is on Ticketmaster and LiveNation. I have provided evidence that the Majors can withstand disruptive forces and internalise them through strategic business expansion. This enables them to harness the new competencies and skills that are crucial for penetrating and thriving in new strategic market sectors and for reasserting market dominance. In this way, the MMCs successfully update their internal capabilities to adapt to new environments, thereby preserving the formal structure of the company as gatekeepers of the new recorded music market.

It is evident that the music industry, like many others, is not immune to monopolistic tendencies where market power tends to increase, replicate, and endure. This research has illuminated one way in which this dynamic of the reproduction of market power manifests, particularly in the absence of effective antitrust policies. I agree with Kanellopoulou's (2021) view that a more comprehensive definition of recorded music and deeper insight into specific market sectors are vital for shaping competition policies. This understanding is crucial to assess the influence companies gain from their access to and integration with new complementary sectors. Through these strategies, these companies can preserve their market power, thus limiting competition and acting as a significant barrier to entry for new players. The consequences of this lack of competition can be far-reaching, impacting labour treatment, especially for musicians, and restricting the emergence of new companies. I hoped this research can contribute to future studies in this area.

Parallel to the scope of this research on companies and consumers are the experiences of labour – of musicians. While I had initially contemplated also interviewing artists for this study, it ultimately proved beyond the scope of the research. Even so, the experiences of artists remain a possible future topic of inquiry. The successful reassertion of market control by the Majors is linked to the reassertion of market control over the musicians who labour within them. I opened this thesis with an explanation of how the heralded disruption of the music market by digitisation did not eventuate, but also diminished were the hopes of many musicians – especially those working on meagre incomes and in difficult conditions – for an industry in which they would have more control.

While these two parallel worlds are, of course, only analytically separate, their conditions of shared struggle and influence are intertwined. The impact of market monopolisation not only affects the dynamics of competition among companies but also profoundly influences the livelihoods and creative freedoms of musicians. The industry's focus on profit and market dominance often overshadows the artistic and human aspects of music production, leading to challenging conditions for artists. This interconnectedness highlights the need for a holistic approach in future research and policy making, one that considers both the commercial and human elements of the music industry. Such an approach is essential for a more equitable and sustainable music ecosystem.

Appendix I

Interview Number	Role	Organisation type
1	Music Market Analyst	Consultancy - Music Business Analysis
2	Music Market Expert	Newspaper - Music Business Analysis
3	Music Market Expert	University - Music Business Research
4	Music Market Expert	University- Music Business Research
5	Director	Major Music Company
6	Production Director	Major Music Company
7	Brand Partnership Director	Major Music Company
8	Brand Partnership Manager	Major Music Company
9	Brand Partnership Director	Independent Company – MMCs competitor
10	Brand Partnership Director	Independent Company - MMCs competitor
11	Brand Partnership Director	Major Music Company
12	Brand Partnership Consultant	Independent Consultant
13	Brand Partnership Director	Major Music Company

14	Brand Partnership Consultant	Independent Consultant
15	Production Lead	Major Music Company
16	Music Market Analyst	Consultancy - Music Business Analysis
17	Production Director	Major Music Company
18	Brand Partnership Director	Major Music Company
19	Brand Partnership Director	Major Music Company
20	Brand Partnership Director	Major Music Company
21	Music Market Analyst	Consultancy - Music Business Analysis
22	Brand Partnership Director	Independent Company - MMCs competitor
23	Brand Partnership Director	Independent Company - MMCs competitor
24	Music Production Director	Independent Company - MMCs competitor
25	Brand Partnership Director	Independent Company - MMCs competitor
26	Brand Partnership Director	Independent Company - MMCs competitor
27	Brand Partnership Director	Independent Company - MMCs competitor
28	Brand Partnership Director	Major Music Company

Appendix II

Interview Guide

- How has the music market evolved in recent years, and what are the key factors driving these changes?
- Which market sectors have gained importance within the music industry?
- How are major music companies responding to market changes and challenges?
- Besides majors, who are the other influential players in the music market today?
- Can you describe the internal development of the brand partnership sector within major labels?
- What is the current state of competition in the brand partnership sector?
- What role do major companies play in the brand partnership landscape?
- Who are considered the most powerful players in the music industry's brand partnership sector?
- What skills are essential for successfully intermediating brand partnerships in the music industry?
- Looking forward, where do you see the most significant investments being made within the music industry?
- What types of projects are emerging as priorities for investment in the music business?
- How have market movements and trends influenced strategic decisions within major music companies?

- Are there any sectors within the music industry that have diminished in importance? How are major companies adjusting to these shifts?

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