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The impact of exogenous shocks on business models and business relationships: An empirical analysis of the Italian music industry

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Abstract

Purpose: Scholars have been increasingly interested in understanding business models. However, little attention has been paid to how business models change in reaction to exogenous circumstances and how business relationships alter because of business model changes. This paper investigates how the business model paradigm of the Italian music industry altered in response to two major exogenous influences that impacted the sector: the digital revolution and the COVID-19 pandemic.

Design/methodology/approach: As the purpose of this study is to investigate phenomena in a real-world setting, qualitative research methodology has been selected as the most appropriate one. It was decided to conduct sixteen semi-structured interviews with professionals active in the Italian music business, selected through a combination of snowball and convenience sampling.

Findings: The empirical findings indicate that the digital revolution and COVID-19 pushed Italian music companies to revise their business models by either reducing or adding the number of linkages to the existing ones. This was done in order for the companies to remain competitive in an environment that is constantly changing and to outcompete rivals.

Originality/value: Few studies have evaluated how business relationships alter in response to the many business models emerging in the music industry due to external causes. This research is one of the first to examine music companies' reactions to exogenous events such as crises or disruptive advances that affect the competitive landscape.

Keywords: music industry, business model, business relationships, covid-19, digital revolution

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Introduction

The business model concept seeks to comprehend how to produce and deliver value for customers while simultaneously producing value for the organization (Osterwalder, 2004). In other words, business models facilitate the transformation of strategic decisions made by the management team into operational activities.

In recent years, the business model concept has progressively gained the interest of experts and executives due to its rising significance in navigating dynamic and ever-changing contexts. Consequently, the business model is viewed not only as the instrument to design value production and distribution processes, but also as the means to plan and implement adaptation strategies. As a result, it has been utilized to assess firms' responses to competitors' strategies or to modify product attributes in response to shifting market preferences or consumer behaviours (Teece, 2010).

Few studies also used this conceptual model to evaluate company behaviours in response to external shocks that modify the competitive environment. Corbo, Pirolo and Rodrigues (2018), for example, investigated how the business model paradigm of the Portuguese footwear industry changed following China's entry into the World Trade Organization in 2001, discovering that the shock acted as a trigger to the adoption of new business models by the industry's companies. Similarly, Guckenbiehl and Corral de Zubielqui (2022) examined how 32 start-ups in Australia reacted to the second wave of Covid-19, discovering that most of them adjusted their business models to capitalize on Covid-induced possibilities and mitigate Covid-induced threats. Soluk, Kammerlander and Massis (2021) investigated behavioural changes and digital technologies in a sample of German family businesses to determine how they reacted to Covid-19.

To our knowledge, few studies have attempted to adapt this conceptual framework to the setting of the creative and cultural industries, which have been among the most dynamic in recent years. It is relevant to study business model adaptation to exogenous shocks in this context because creative industries are often particularly vulnerable to external shocks. These industries, which include fields such as film, music, publishing, and design, are often characterized by high levels of uncertainty, rapid technological change, and shifting consumer preferences. Many creative industries, for instance, struggled to adapt to the sudden shift to remote work, the cancellation of live events, and changes in consumer behaviour because of the COVID-19 outbreak. For this reason, it is important to comprehend how creative industry firms can adapt their business models in response to exogenous shocks to maintain long-term competitiveness. In addition, creative industries frequently operate in highly interconnected ecosystems where numerous small and medium-sized businesses collaborate to develop and distribute creative goods and services. Due to this interconnectivity, it could be challenging for these companies to modify their business models independently. This highlights the significance of grasping how collaborations across the industry can assist in lessening the effects of external turmoil. In addition, creative industries are characterized by an elevated degree of novelty and exploration, prompting numerous businesses to delve into new business models as a way to yield fresh revenue streams. Comprehending how these companies alter their business models in the wake of external shocks might provide insight into how businesses in diverse sectors may respond to disruptions and alterations.

This paper's aim is to enhance comprehension of business model adjustment within the context of cultural and creative industries. It does so by spotlighting one of the most fluid industries – music - and adopting an industry perspective that places business relationships at the heart of the examination. The music industry represents the ideal setting for the purpose of this study because it has been recently shaken and affected by two main exogenous factors, namely the digital revolution and the spread of the COVID-19 pandemic. Nevertheless, according to the IFPI Global Music Report (2021), the total value of the music market grew up to $21.6 billion, compared to $20.2 billion in 2019. This market's growth is attributed to premium subscription revenues, which increased by 18.5 percent as a result of streaming. In fact, during the post-pandemic stage, the gain in revenue from streaming

more than compensated for the declines in revenue from other formats, including the physical segment (down 4.7 percent) and related rights revenues (down 10.1 percent). Thus, the music industry is slowly recovering from the difficult downturn of recent years. The significant shift to digital products completely disrupted the market, and digital sales grew significantly, even though the popular physical formats such as CDs, LPs, and cassette tapes still represent a significant portion of the market. At the same time, niche products, like vinyl, continue to grow. As a general trend, the music market is generating new business models that allow both old and new players to refresh their offerings and differentiate their activities. This leads to the exploitation of new potential partnerships within the industry to generate a larger audience and new channels. Additionally, the digital music offering contributes to the emergence of new actors (Graham, Burnes, Lewis and Langer, 2004; Small, 2012). Despite previous research discussing the various types of business models available in the music industry (Buhse and Wetzel, 2003; Koster, 2008; Vaccaro and Cohn, 2004), few studies have examined how these business models changed in response to the digital revolution and the spread of COVID-19, as well as how business relationships evolve in relation to the various types of business models that are emerging in this sector due to exogenous factors.

The paper aims at investigating the following objectives: i) identifying the business models used by music companies and ii) understanding the business relationships they form within the industry value chain. To achieve the objectives of this study, the following research questions are posed:

RQ 1: Do exogenous factors influence how actors behave along the music industry value chain?

RQ 2: Do exogenous factors affect the types of business models that are employed by music firms?

RQ 3: Considering the changes in business models, do exogenous factors contribute to the emergence of new business relationships?

The findings reveal that the COVID-19, as well as the digital revolution, have had an impact on how music companies work along the industry value chain. They typically employ several business model types based on the activity conducted along the industry value chain, however owing to exogenous shocks affecting the sector, they were eager to experiment with new business models. As a result of these external events, firms in the music industry propose new solutions, such as the introduction of unique business models that vary the number of players involved in the realization of creative works, in order to both adapt to the changing external environment and outcompete rivals.

This research adds an unexplored dimension to the field of business model adaption research: business relationships between players. In the music sector, actions at one step of the industry value chain must account for what is done before and after. Business relationships are critical to the success of a music product, but they must adapt to changes in business models produced by exogenous causes. The study is particularly useful for practitioners since it explains how to rethink a business model in the face of new possibilities and threats. Furthermore, this study encourages music professionals to explore outside their borders by emphasizing the need of interacting with other companies in the industry that can aid maximize final performance.

Theoretical Framework

Dynamic business relationships and business model adaptation

In recent years, the business model concept has gained significant popularity and has become a common topic of management research. Despite the abundance of studies on business models, there is still no agreement over their definition. Timmers (1998) proposed one of the earliest definitions of the term business model as "an architecture for the product, service, and information flows, including a description of the various business actors and their roles; a description of the potential benefits for the various business actors; and a description of the sources of revenues" (p. 2). Later definitions focused mostly on identifying the business model's components. For instance, Osterwalder and Pigneur (2010)

suggest that a business model can be described as a canvas consisting of several basic building blocks that demonstrate how a company aims to generate revenue, including consumers, products, infrastructure, and financial sustainability. In a similar way, Johnson, Christensen and Kagermann (2008) describe four elements of a business model (customer value proposition, profit formula, key resources, and key procedures) that, when combined, produce and deliver value to customers.

Choosing the term that best suits the empirical situation in which a business model is studied is one method to solve the conundrum of which definition should be selected. For instance, a more refined differentiation might be formed by selecting the business model components to assess based on industry characteristics. For example, in a study of airline business models' components were discovered beginning with Osterwalder's business model conceptualization and picking among the nine components established by this author the ones that best reflect an airline business model (Osterwalder, 2004). This approach resulted in the selection and, in some cases, rebranding of the six most appropriate components, including the value proposition, revenue streams, network, distribution channels, fleet structure, and alliances (Corbo, 2017). Consequently, a context-specific definition of a business model offers to provide a more accurate identification of which aspects or components should be addressed in the analysis of each single circumstance.

In this study, adherence is given to the concept of business model established by Zott and Amit (2010), who defined business models as the form, substance, and governance of transactions from a relational perspective. As stated by the authors, in formulating a business model, it's crucial to acknowledge the potential advantages for the entire network, to leverage collaborative opportunities and share key benefits. This demands a comprehension of the fluctuating nature of business relationships, which could significantly affect a firm's capacity to modify its business model. These relationships can involve ties with suppliers, customers, partners, and even competitors, and can evolve due to shifts in market conditions, consumer behaviour alterations, or novel technological advancements (Ford, Gadde, Hakansson and Snehota 2011). To preserve their competitive position, firms might need to adjust their business models in response to these changes. For instance, if a company's supplier increases prices or encounters production challenges, the company may need to explore alternative suppliers or revise its pricing approach to maintain profitability. Similarly, changes in customer demand may require a company to shift its product offerings or marketing approach to remain relevant. In some industries, collaboration with external partners is crucial to developing new products and services. It is therefore important to determine the intricate connections and positions of each participant to comprehend innovation capability (Breuer and Lüdeke-Freund, 2017; Mäkimattila, Saunila and Salminen, 2014).

Partnerships can also lead to the development of new business models in various industries, such as music. For instance, a trustworthy partner can persuade businesses to enter a two-way contract, while a business model might be established around obtaining license fees through agreements with third-party brokers for copyright to the media sector. Additionally, business models based on close interactions between artists and consumers, or radio and television stations can be formed (Dellyana, Simatupang and Dhewanto, 2017).

Overall, the dynamic nature of business relationships highlights the importance of adapting business models to changing market conditions and collaborating with external partners to drive innovation and growth. By considering the benefits for the entire network, companies can leverage collaboration opportunities and share fundamental advantages to create value for customers and stay ahead of the competition.

Business model adaption to exogenous factors

Over time, research on business models has shifted from the study of the concept a certain moment in time to how business models evolve, transform, and reconfigure themselves across time. While this emerging stream of research has primarily focused

on business model innovation, other terminology such as "evolution," "reconfiguration," and "adaptation" have begun to appear (Demil and Lecocq, 2010; Massa and Tucci, 2013; Saebi, Lien and Foss, 2017). This article emphasizes how business models evolve in reaction to an external stimulus. These alterations are termed business model adaptation, which refers to the process wherein businesses adjust their strategies to accommodate a shifting environment.

Adjusting business models to respond to exogenous shocks has gained considerable importance in the current fast-moving business climate. In light of technological disruption, global competition, and geopolitical instability, companies need to be capable of modifying their business models to stay afloat and flourish. Exogenous shocks are uncontrollable external events, like economic downturns, natural disasters, or abrupt changes in government policies, and these can considerably impact businesses, often causing reductions in revenue, profits, and market share. To tackle these shocks, companies need to promptly adapt their business models to the evolving environment.

Literature widely acknowledges that companies respond to external influences by modifying or reconfiguring their strategies and procedures. Concerning business model adaptation in reaction to external influences, previous studies have explored how business models adjust to alterations in the competitive environment and the introduction of new technologies (Reuver, Bouwmann and MacInnes, 2009; Wirtz et al., 2010). Other research has established a connection between changes in company structures and exceptional events or shocks. For example, in the aftermath of the 2008 financial crisis, Saebi et al. (2017), using a large sample of Norwegian enterprises from a variety of industries, explored how managers adopted modifications to their business models, such as increasing sales efforts to new consumer categories. Similarly, Bogers, Boyd and Hollensen (2015) examined the business model evolution of a single airline firm as the way to cope with the environmental uncertainty and resource dependence, adopting a qualitative methodology.

Despite some examples, there is a need for additional research in this field due to the scarcity of studies relating business model adaption to exogenous factors. In fact, this topic is of the utmost significance, since failure to change business models in a timely manner can lead to decreased profits and, in extreme circumstances, a lack of acceptance by the market. Thus, the potential to investigate how and if new business model paradigms evolve in response to exogenous events is an intriguing one. Previous research has demonstrated that disruptive changes, such as exogenous shocks, destabilize equilibria, allowing for the emergence of unique, random, or purposeful organizational mutations (Haveman, Russo and Meyer, 2001). Subsequent periods of change endure until a dominating design emerges. This punctuated-equilibrium perspective examines firm evolution as consisting of two distinct and recurring phases: 1) long periods of quasi-equilibrium, during which firms make small changes in structure and activities, and 2) brief periods of disequilibrium, during which significant changes can occur (Haveman et al., 2001; Tuschman and Anderson, 2018). Considering these theoretical advancements, it is hypothesized that business model adaptation could lead to the emergence of a new and shared dominant business model paradigm after a shock.

Business model adaption in the music industry

In the context of the music industry, business model adaptation could involve changes in how artists are discovered, how music is distributed, how revenue is generated, or how music is consumed. This necessitates the description of the music industry value chain (refer to figure 1) which represents the various stages that a piece of music undergoes before reaching its intended audience. The music industry value chain encompasses the following stages: creation, reproduction, distribution, and consumption (Wikstrom, 2020).

The creation stage is where music is composed, recorded, and produced. This stage involves artists, songwriters, producers, engineers, and other professionals who collaborate to create original music (Kuseh and Taylor, 2004). There are many other participants who are not directly involved in the creation, but they somehow contribute to the development of the creative process, such as recording

studio owners or artist managers. In particular, the latter is the individual who coordinates all the activities of the artist. For this reason, the artist manager is the connecting element between the creative and the final phases of the music industry value chain, as he/she oversees everything pertaining to the artist, which later develops and branches out to all the other actors involved in the industry value chain (Dowd, 2013). This creation process necessitates music education to produce skilled musicians and other creative individuals (Rodriguez, 2018). As a result, also institutions, organizations, and schools at different levels that provide music courses can be considered as part of this stage of the music industry value chain.

Once the music is created, it needs to be reproduced so that it can be distributed and consumed. This involves converting the original recording into various formats, such as CDs, digital downloads, and streaming files. The primary participants in the reproduction process are the record labels and music publishers. Record labels are usually distinguished between independent and major ones with the former being more complex organizations but more powerful into the market. With reference to the music publishers, they are responsible for the collection and administration of royalties received from the musical works and for the publication of sheet music. It is possible to consider the music publisher as the intermediary between the most creative part of the music industry value chain and the business side of the industry. The music publisher usually interacts with other organizations by developing B2B (business-to-business) relationships, for example with radio and TV stations and other companies for B2B purposes (Dowd, 2016).

The distribution stage involves getting the music to market and making it available for purchase or consumption. This stage involves distributors, retailers, and streaming services who work to get the music in front of audiences.

Finally, the consumption stage is where music is enjoyed by listeners. This can include live performances, radio airplay, physical or digital sales, and streaming. This stage involves music fans who purchase, listen to, and share the music with others.

As any other industry, the music one is highly affected by exogenous factors that might have a significant impact on the business models employed in the industry. Allan and Powell (2015), for example, examined how changes in technology have impacted the music industry's traditional business models. The authors suggest that platforms have transformed music consumption, enabling users to stream or download music as per their preference. This transition from physical sales has significantly

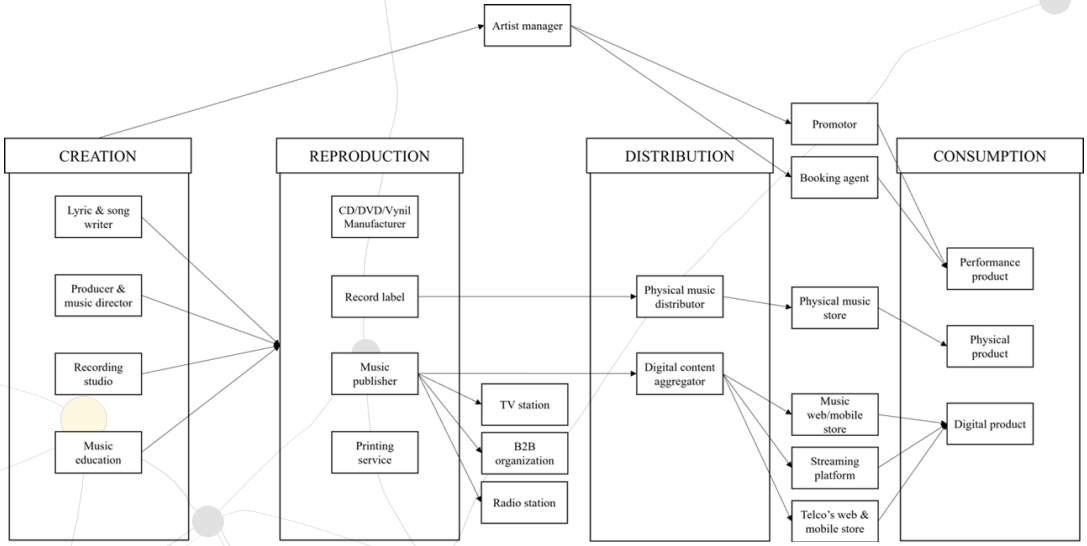

Figure 1: Actors of the music industry value chain in the post-pandemic and post-digital revolution age

impacted the industry's revenue streams and necessitated record labels and artists to adapt to novel business models. Wyer and Wu (2009) propose that the music industry is a multifaceted and dynamic market influenced by numerous economic factors, including inflation, consumer purchasing power, and technological changes. Specifically, they discuss the impact of inflation on the music industry. They advocate for companies in the music industry to remain vigilant of inflationary pressures and adjust their pricing strategies accordingly to sustain profitability. Tschmuck (2013) emphasizes the need for music industry companies to respond to evolving consumer preferences and demographic shifts to ensure success. He highlights the increased music consumption among older consumers due to the growing popularity of streaming services, leading to new opportunities for artists and record labels to engage older audiences.

In conclusion, exogenous factors significantly influence the business models used in the music industry. Companies capable of adjusting to these external factors and innovating new business models will be better positioned to prosper in the rapidly evolving music industry.

Methodology

Interview method

As the purpose of this study is to investigate phenomena in a real-world setting, qualitative research methodology has been selected as the most appropriate one (Yin, 2009). This methodology facilitates a more comprehensive exploration of the perspectives, actions, and incentives of the participants, thereby enhancing the comprehension of the underlying causes of specific phenomena. Moreover, this approach facilitates flexibility, enabling the investigation of novel themes and patterns that may surface during the research process, which may not be feasible with a more rigid, quantitative methodology.

The decision was made to conduct semi-structured interviews, as they are typically preferred for promoting two-way communication, confirming existing facts, and providing opportunities for acquiring new information. In addition, with this methodology, it is possible to broaden the horizons by utilizing the interviewee's experiences to relate new perspectives pertinent to their problems of interest (Wahyuni, 2012). The semi-structured interview has aspects of both structured and unstructured interviews. A predefined series of sequential questions is employed as an interview guide, with the flexibility to include additional questions for deeper examination of themes raised by the interviewee, resembling a guided discussion. Both the deductive and inductive approaches were utilized, wherein predetermined concepts from the literature review analysis served as a starting point, while new or emergent themes in the interview data were also explored.

Aside from attempting to acquire as much information on the examined phenomena as possible, the interviewer's responsibility is to put the interviewee at ease, building empathy while keeping control of the discussion (Brewerton and Millward, 2001). Finally, through the conduction of semi-structured interviews, a more dynamic perspective was adopted on the selected topics, namely the evolution and reconfiguration of business model types in the music industry and business relationships in the post-pandemic and post-digital revolution age.

Data sources

This study examines the Italian music industry. Despite its modest size, Italy is a significant contributor to the global music business. Indeed, according to the IFPI Global Report (2021) in 2020, Italy is the region's fifth largest market and one of the countries most affected by the COVID-19 pandemic. Moreover, it experienced double-digit growth in streaming (29.5%), paid subscription (29.8%), and ad-supported (31.6%) formats. These figures produced by Deloitte (2021) for the Italian music industry organization FIMI, show that vinyl record sales exceeded CD sales in Italy in the first quarter of 2021 for the first time since 1991. It was reported that record sales revenues increased by 121 percent compared to the first quarter of 2020, surpassing CD sales revenues, which decreased by 6 percent. Currently, approximately 11 percent of the Italian music industry's revenue comes from vinyl albums, while streaming sales account for 80 percent. This implies that the Italian music industry follows the same trends as the worldwide music industry.

Table 1

Respondent N	Interviewee	Duration
1	Founder of an Italian independent record label	40 minutes
2	Marketing and international repertoire of a major label	135 minutes
3	Marketing and international repertoire of a major label	110 minutes
4	Marketing and international repertoire of a major label	90 minutes
5	Senior executive of an Italian digital distributor	110 minutes
6	Senior executive of an Italian digital distributor	120 minutes
7	Senior executive of an Italian digital distributor	80 minutes
8	Booking agent	90 minutes
9	Booking agent	45 minutes
10	Artist manager	60 minutes
11	Artist manager	50 minutes
12	Artist manager	70 minutes
13	Speaker of a national Italian radio	45 minutes
14	Speaker of a national Italian radio	40 minutes
15	Manager of the Italian service company	60 minutes
16	Manager of the Italian service company	50 minutes

Table 1:Interviews

The choice to focus on the Italian setting relies on the fact that this sector is vital to the national economy: it is, indeed, one of the leading creative industries in Italy and it is ranked 10th at a global level (Hatton, 2021). Second, a significant portion of the Italian music market's sales are generated by Italian songs. This explains why the domestic music market is so appreciative of Italian music and could provide opportunities for the sector's ongoing evolution. The strong investments made by companies in the local repertoire characterize Italian productions, which is also confirmed by the dominance of Italian artists in the end-of-year rankings, with the top ten albums and singles entirely occupied by domestic productions. Finally, despite this domestic approach characterizing Italian music consumer behaviour, the recognition of Italian music worldwide is a fact. Growth at the national level leads to an increased worldwide success for Italian music. 2021 was particularly significant for the export of Italian music with a 66 percent increase in royalties' income for the Italian record industry on the international scale. The success of the Italian band Maneskin, which hit the global charts in 2021, is an example of this path.

To trace a wide depiction of the industry value chain, interviews were conducted with sixteen established members of the industry. Respondents have been chosen among professionals active in the music business (i.e., generate a major amount of their income from music) and work for Italian companies or divisions to be eligible for the interviews. They were selected by a combination of snowball and convenience sampling (Parker, Scott and Geddes, 2019). As shown in table 1, the interviewees are: 1) a founder of an Italian independent record label, 2) three marketing and international repertoire executives of different major record labels, 3) three senior executives working for different digital distributors, 4) two booking agents of music event companies, 5) three artists' managers, 6) two speakers of national Italian radio stations, 7) two senior managers of an Italian music service company specialized in promoting, financing, and international relationships.

Data analysis

Each interview was conducted using Google Meet, and after obtaining permission from the respondents, they were recorded so that the information could be accessed later. A protocol for the interviews was developed and implemented to guide each step of this research and guarantee the collection of relevant data regarding the proposed conceptual model and associated research questions.

The interview protocol analysis focuses primarily on the types of business models in the music industry and the business relationships developed in the sector after the digital revolution and the COVID-19 pandemic. For the business model types topic, respondents were asked about the organization's current and future business models. In addition, they were questioned regarding new and/or potential business models arising in the industry. For the second topic, the new business relationships among music firms, respondents were asked exploratory questions about the actors who are currently employed by their company as well as those who have potential but are not yet engaged.

The shortest interview lasted approximately forty minutes, while the longest interview lasted over two hours. The interviews took place from January to June 2021. Aligned with the semi-structured approach, although a protocol for the interview was provided, questions were occasionally altered to elicit more insightful responses.

The interview was manually transcribed into text data, allowing for the examination of topics raised during the interviews and their alignment with the study questions. To ensure process validity and minimize subjectivity (Kvale, 1996), the transcribed interviews were maintained as close to their original raw form as possible. This approach strikes a balance between accuracy and clarity. The analysis primarily involves discussing theoretical propositions supported by quotes from the interviewees, followed by interpretations of the quotes in relation to the study's propositions and theoretical framework. This methodology aligns with the recommendations of Easterby-Smith, Golden-Biddle and Locke (2008) for interpreting qualitative data interviews.

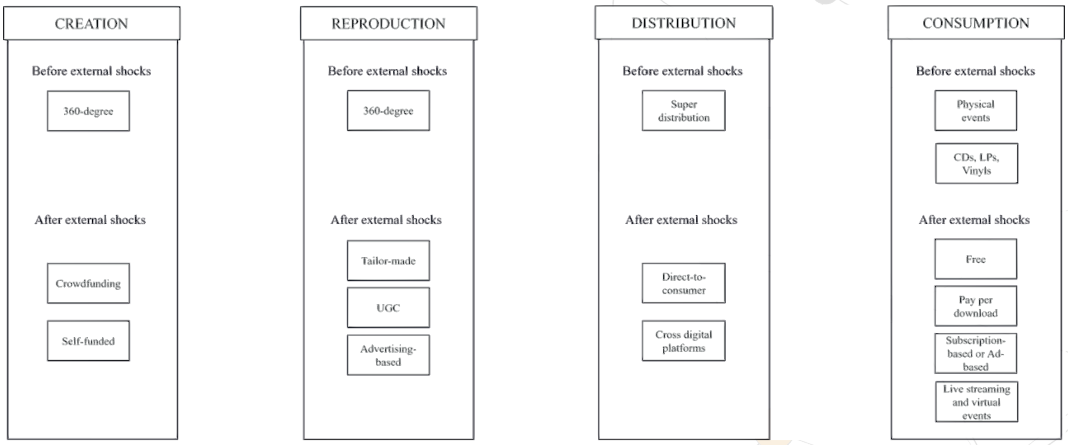

Figure 2. Business model types in the music industry value chain in the post-pandemic and post-digital revolution age

Findings

The section that follows addresses the article's research questions by examining the various stages of the music industry value chain: RQ 1 focuses on how external shocks affected the actors of the music industry value chain: RQ 2 investigates how the business models of those players altered as a result of the external shocks (see figure 2); RQ 3 explores the changes in business relationships among actors as a result of business model adaptation to exogenous shocks.

The creation stage

With reference to the RQ 1, COVID-19 had a strong impact on several actors operating in the creation phase. For instance, it significantly restricted musicians' ability to collaborate during rehearsals and ensemble performances and necessitated drastic changes in collaborative methods. As the interviewee n° 10 reported,

"during the period of lockdown and social alienation, locations for music production (e.g., rehearsal rooms, recording studios) and consumption (e.g., concert halls, nightclubs) have suddenly become inappropriate for their intended purposes. The community of professional and semi-professional music-makers such as performers, songwriters, composers, arrangers, producers, and engineers have improved their usage of technology or incorporated new technical elements into their online creative and collaborative practices".

Even the creative work of those who write songs was heavily influenced by the dynamics associated with the COVID's isolation. Indeed, as the interviewee n° 5 stated,

"the pandemic will continue to have lasting effects on the professional songwriting sector. Writers who are accustomed to working in large groups may discover that they do not require as much assistance as they formerly believed; fewer colleagues means less paperwork and more publishing income."

Similarly, the interviewee n° 2, who uses to teach in a music master's program of an important Italian business school explained the effect of COVID-19 on music education:

"Teachers were encouraged to use and investigate the efficacy of electronic resources, but they were not required to abandon traditional schooling. This resulted in a mainly positive attitude toward technology tools, as seen by the benefits and difficulties of synchronous and asynchronous learning".

With reference to the RQ 2, in the creative stage the participants need to acquire sufficient funds to start the production of a creative work. With the live music industry heavily impacted by the pandemic, many musicians and artists have turned to crowdfunding to fund their projects and continue creating music. One of the benefits of crowdfunding in the music industry is that it allows musicians to connect with their fans and build a community around their music (Galuszka and Brzozowska, 2017). By offering exclusive rewards and experiences to their supporters,

musicians can build a strong and loyal fan base. Another benefit is that crowdfunding allows musicians to maintain creative control over their projects. By funding their projects independently, musicians can avoid signing with record labels and maintain control over their music and artistic direction. Since the pandemic, crowdfunding platforms like Kickstarter and IndieGoGo have reported a surge in music-related projects. Many musicians have used crowdfunding to fund recording sessions, album releases, music videos, and virtual concerts. Some have even used crowdfunding to launch their own record labels or music festivals. The interviewee n° 11 confirmed that crowdfunding is an efficient method for producing albums since it enables musicians to determine if there is adequate demand for their music before committing to releasing it. According to him, the digital revolution contributed to this phenomenon because it made it easier to reach the fan base:

"Musicians are increasingly relying on their audience for finance, persuading fans to contribute to the release of an album. Selling unique products and experiences to fans is now widespread. Now, performing live in a fan's living room, producing a custom song, and selling an appearance on your next album are all viable revenue-generating opportunities".

Similarly, the self-funded model has become increasingly popular in recent years, and the COVID-19 pandemic has only accelerated this trend. This model refers to artists or musicians who fund their music careers independently, without the backing of a record label or other traditional industry support (Hesmondhalgh and Meier, 2015). Due to the cancellation of live concerts and tours, musicians have been forced to rely more heavily on online streaming and sales to make profit. This has increased the attraction of self-funding since it provides artists more control over their careers and revenue sources. With the self-funded approach, they have the freedom to choose the kind of music to create as well as its marketing and distribution strategies.
Also, self-funded musicians typically have a closer relationship with their audience since they can communicate with them directly through social media and other online platforms. The self-funded strategy, on the other hand, compels musicians to bear the financial burden of creating and promoting their music, which may be costly. They must also be competent in areas such as marketing, branding, and distribution, which are generally handled by record companies.

The advent of digital music production technology, which decreases the cost of music creation, has supported the use of this approach. Likewise, when asked if the digital revolution has made the music industry more democratic and accessible to artists, interviewee n° 6 noted how new technologies have substantially altered the possibilities for musicians, even those who are less well-known or in their early stages:

"there are new options, such as DistroKid and Tunecore, that enable independent artists to spread their music on a very limited budget. This method of self-funding is useful for producing and recording songs autonomously. It is therefore accurate to say that today's entry barriers are significantly lower, and the market has become more democratic. There are more opportunities for talented performers to spread their work and connect with the right people in the music industry".

With reference to RQ 3, traditionally, the creation of music involved many actors, including musicians, songwriters, producers, engineers, record labels, and distributors. However, with the rise of digital technologies, many of these roles have been consolidated or replaced by new technologies and platforms by leading to a reduction in the number of business relationships across the industry. One major factor in the decrease of actors in the music industry creation stage is the rise of digital audio workstations (DAWs) and other music production software. These tools allow musicians to create and record music without the need for traditional recording studios or expensive equipment, reducing the need for engineers and producers.
As the interviewee n° 14 reported,

"the actors in the creative chain, primarily musicians, now have the means to release their own music without the assistance of a record label".

On the other hand, Covid-19 has contributed to the emergence of new business relationships in the creation stage of the music industry. Indeed, with recording studios closed and travel restricted, many musicians have turned to remote collaborations to

create new music. This has led to the emergence of new business relationships between musicians and remote collaboration platforms, as well as between musicians and companies that provide remote recording services. As then interviewee n° 13 reported,

"Musicians can now collaborate with other musicians and producers from anywhere in the world, leading to new creative opportunities and the creation of new music styles."

The reproduction stage

With reference to the RQ 1, both the digital revolution and COVID-19 had a strong impact on the actors operating in the reproduction phase. As the interviewee n° 3 reported,

"the digital revolution forced the record labels to integrate new figures into the organizational structure to remain aligned with the market needs. The digital sales office has recently been introduced as a new department within the major labels with the primary objective of keeping constantly in touch with audio streaming services such as Apple Music, Spotify, Deezer, and Amazon Music and their most vital commercial partners. The digital sales office has to provide them with the most relevant information regarding the label's recent local and international releases, persuade the platforms to include the songs in specific target playlists, and finally provide them with the master audio, cover, and all other elements required for the music to be posted online".

Similarly, the interviewee n° 1 reported that

"we had to include a content creative manager in our marketing department whose responsibilities include preparing stories for social media networks, designing digital postcards, and producing an appropriate newsletter. This necessity became even more relevant with the COVID-19 pandemic. As a trend that arose from the lockdown period, the online fanbase of an artist is extremely demanding of new content related to the artist's life, even the private side. The content creative manager supports the artist manager in the choice of what can be posted online, and this relationship is expected to become even more profound".

Regarding the role of the music publishers, it is important to consider that COVID-19 had a strong impact on all the cultural and creative industries, including movie production and distribution. In fact, as the interviewee n° 15 reported,

"the movie and TV series industries have resumed operations after experiencing a period of decline during the pandemic as a result of the interruption of production of numerous television series and motion pictures. This demands the need for music. Music publishers with strong connections and relationships with the worldwide sync industry may benefit from this situation".

With reference to the RQ 2, COVID-19 had a significant impact on record label operational modes, particularly the types of contracts to be established for artists. Even though record labels began rationalizing their artist selection process several years ago, COVID-19 emphasized this phenomenon. Indeed, in the past numerous funds have been frequently allocated for the discovery of new artists by record labels, especially the major ones. If identified, they were placed on the roster with considerable contracts, with the possibility that their performance would not meet expectations. Nowadays, even the most prominent record labels are hesitant to invest large sums in talented but emerging artists. In this last scenario, the interviewee n° 3 explained that

"the engagement is lower and the company must invest less. To make the decision less risky and dangerous, as a company, we propose to the artist a licensing contract in which we produce just three songs or a single EP, and then we wait to see how the market responds. If it is successful, we will upgrade him/her to a cast contract".

Record labels have transitioned from a 360-degree business model, in which the company promises direct funding, marketing, promotion, touring, and other support for the artist in exchange for a percentage of various revenue streams (Marshall, 2013), to a tailor-made business model, in which the artist and the record label discuss their respective capabilities and how they can complement each other. Such an approach inherently considers the possibility of having a flexible and more dynamic structure in which the record label can develop one-to-one relationship with the artist and his/her individual needs and circumstances. In the case of the Italian independent label, where the roster is smaller and the arrangements can be discussed individually, the interviewee n° 1 confirmed that

"the tailor-made business model is a particularly suitable method, especially to guarantee strategic flexibility and the ability to catch opportunities in real-time in such a dynamic context. Moreover, the artists are assisted with proper attention, and this makes the relationship even more valuable".

Another important model that has created opportunities for record labels is the monetization of user-generated content (UGC)(Dhar and Chang, 2009). The fundamental integration of music and social media explains why UGC has become such an integral part of the contemporary music industry. Individual contributors are responsible for an ever-increasing proportion of the information that is consumed, from films and photographs to reviews, blogs, and social media posts. As reported by the interviewee n° 7,

"in contrast to traditional broadcasting and publishing, the UGC model operates as a peer-to-peer interaction, since social media and other internet platforms offer an unprecedented media landscape in which nearly anybody can run their own show. However, there is a dark side to such a process, the so-called value gap problem: there are billions of views, streams, and different functions, but the value generated is much lower than the numbers that appear on the Web".

Advertising business models represent another option available in the reproduction stage to profit from creative endeavours. This model works by using the brand to endorse the creative work, for example, by placing the logo or advertisement before or after music videos, by placing it on the artist's website or CD cover, and by the artist conducting a brand campaign at his/her live performances. This process is described by the interviewee n° 4, who confirmed that

"brand partnership and product placement are utilized extensively within the most important record labels. The objective of this activity is to develop relationships with brands within the endorsement strategy framework. The intention is to alleviate and reduce the production costs for the making of the videos and to create a completely new source of income for the artists and labels. That allowed music firms to implement a diversification strategy approach, especially during COVID-19".

With reference to RQ 3, despite the fact that the number of independent and self-released artists has increased significantly, and that the widespread availability of digital tools has allowed them to distribute their products everywhere, the bargaining power of the major record labels continues to be predominant. The direct distribution process cannot compete with the distribution network of major label artists. This is a direct consequence of vertical integration strategies implemented by record labels in past years. Indeed, many companies have begun to internalize the activity of distribution to self-release their artists, utilizing synergies in the creation of music products. Record labels with sufficient capital and resources frequently employ the vertical integration model. It is one of the strengths of multinational corporations to be able to internalize all the services and activities required to complete a project, as confirmed by the interviewee n° 5. The pandemic has led to increased consolidation in the music industry as companies look for ways to adapt to the changing landscape. For example, in 2020, Warner Music Group acquired the independent label and distributor Songkick, while Sony Music Entertainment acquired the live events company Insomniac Events.

The distribution stage

With reference to the RQ 1, the distribution process was significantly impacted by COVID-19, as an increasing number of artists, in accordance with the associated record labels, postponed their releases. This was partially caused by the inability to promote new albums through tours. Consequently, live music in general has been severely impacted. Several concerts and events have been postponed. Others have made the decision to take advantage of digital distribution's opportunities, such as through digital content aggregators. An aggregator enables artists to distribute their music on a global level through specifically digital services like Apple Music, Spotify, and Tidal, as opposed to a full-service distributor who concentrates both on physical and digital releases. Because aggregators may reach a global audience, artists may be interested in developing new music that caters to the needs of a certain specific group that is not regarded as mainstream. Indeed, according to interviewee n° 16,

"streaming has unquestionably increased during the pandemic, but Latin America has experienced the largest growth. If artists are interested in this topic, they should investigate the patterns and charts in Latin America. Reggaeton, salsa, and rumba have always been popular, but Spotify compiles country-specific charts that users may listen to regardless of their location. Artist might use them as ideas to compose their own songs that may suit nicely into the Latin American music landscape".

With reference to the RQ 2, the pandemic has

accelerated the trend towards digital distribution of music. With live music events cancelled or postponed, artists and record labels have turned to digital distribution to get their music to fans. Musicians and labels have increasingly turned to streaming platforms to distribute their music. The pandemic has accelerated the trend towards direct-to-consumer (DTC) models in the music industry, with artists and labels looking to establish closer relationships with their fans and generate additional revenue streams (Fox, 2004). Indeed, the interviewee n° 1 stated that

"during the lockdown period, artists and fans had the chance to communicate more through social media channels. This enhanced the opportunities to directly sell your own music and even bypass the most used distribution channels such as the streaming platforms".

During the pandemic, digital sales platforms such as Bandcamp and Patreon have experienced increased traffic, serving as avenues for musicians to vend music and merchandise directly to their followers. The sales of merchandise have turned into a significant revenue stream for artists, with many resorting to the direct distribution of merchandise, employing online sales platforms to offer items like t-shirts, posters, and the like to fans.'

With reference to RQ 3, COVID-19 has significantly accelerated the shift towards digital technologies in the music industry, which has in turn led to new business relationships in the distribution stage. The amplified dependence on streaming platforms has given rise to novel licensing and revenue-split agreements between musicians, labels, and streaming services. The rise of Direct-to-Consumer (DTC) models in the music industry has created a dual effect: on one side, it has facilitated the creation of fresh DTC platforms and collaborations among musicians, labels, and e-commerce corporations; conversely, to engage with their fanbase directly, artists have had to lean heavily on social media platforms such as TikTok, Instagram, and YouTube. This shift has spurred new alliances between artists and influencers, along with collaborations involving labels and social media corporations.

The consumption stage

With reference to the RQ 1, COVID-19 pandemic accelerated the continuous trend towards digitalization of the music landscape with premium streaming being the biggest beneficiary. Total consumer spending on music decreased, with live music events and physical sales being the most severely affected. However, the level is going back to the pre-pandemic level as stated by interviewee n° 8,

"After two long years, the time has come to reward artists and their supporters. I am confident that we are just at the beginning of the music event industry's most prosperous period in history".

Simultaneously, the radio medium has accelerated the process of modernization through an increasingly widespread presence on all platforms and devices and an offer that has been enriched with visual and on-demand content. All of this broadens the potential listening opportunities as well as the market perimeter, within which the more traditional subjects are joined by new national and international realities, also from other sectors. As the interviewee n° 13 stated,

"even before the pandemic, radio stations represented an important intermediary, especially in the process of digital consumption. However, in recent years, radio has seen an increase in the consumption of streaming music services and the dissemination of (new) audio content such as podcasts and audio books, particularly among younger audiences".

With reference to the RQ 2, consumption represents the final stage in the music industry value chain. The business models available at this stage are numerous. The first and most straightforward is the free business model, which is typical of independent and emerging artists. As the interviewee n° 12 stated,

"to disseminate their music, artists typically offer their products for free to generate word-of-mouth and increase the number of listeners and fans. Once they have established themselves, they will request a subscription to their channels to allow fans to purchase songs and albums. It is obvious that this possibility exists because the digital side of the music business has replaced the consumption of physical products"

In terms of the business model employed by audio streaming platforms like Spotify, Apple Music, Amazon Music, etc., there are three distinct scenarios: subscription-based, pay-per-download, or ad-supported, depending on the quantity, quality,

or duration of use (Thomes, 2013). Apart from the pay-per-download example (e.g., iTunes), where the listener has to purchase a specific musical product (single song or entire album), the differentiation between the subscription model and the advertisement-supported model hinges on the type of membership. For instance, on Spotify, the free membership allows the user to listen to their favourite music at no cost, but advertisements will be interspersed during the listening experience, serving as the sole revenue stream for the company. In contrast, when a subject pays a monthly or annual subscription fee, there will be no advertisements throughout the entirety of use, as Spotify is already profiting from this operational process. According to the interviewee n° 14,

"every audiophile, even those who are resistant to the changes brought about by digital, is now dealing with streaming music. For the monthly price of a CD, or even less, you get versatility of use, excellent listening quality (almost always), and the ability to be enjoyed on a variety of devices. It is impossible to resist. The production and the fruition processes have been streamlined by technology. However, the flow of listeners into and out of the market has increased. Previously, the supply was smaller, but the market was also smaller".

Live streaming also represents another business model type that has emerged in the consumption stage of the music industry. As the pandemic put a halt to live concerts and events, live streaming has ascended as a popular avenue for musicians to maintain a connection with their fans. Many musicians now offer paid live stream concerts that can be accessed globally, providing an opportunity for them to reach a broader audience. In a similar vein, virtual reality technology has introduced new possibilities for the consumption of music. Musicians can now create immersive virtual reality experiences for their fans, allowing them to attend concerts and events virtually.

With reference to RQ 3, COVID-19 boosted the implementation of partnership business models to explore new opportunities in the current market and to exploit diverse revenue streams by combining firms that offer complementary services. For example, during the pandemic, it was impossible to perform live concerts, and this opportunity aided the companies in the industry in establishing new business relationships. A key example is provided by the interviewee n° 7:

"During the lockdown period, Amazon, record labels, and booking agencies have maintained significant contacts. In fact, to organize some concerts, the labels have decided to create shows that will be streamed online, on demand, on streaming platforms such as Twitch, with a fee to access that particular event".

This new experience was also witnessed by the interviewee n° 9. While strongly supporting the notion that the event loses the added value provided by the conviviality and human side of the aggregation, he argued that

"streaming concerts online could be an interesting and disruptive idea to follow in the future as a corollary to the main live event and, most importantly, as an opportunity to share exclusive and well-researched content to connect to the live concert".

These immersive experiences allow fans to engage with music in new and exciting ways, creating new business opportunities for artists and technology companies.

Discussion and conclusions

The primary contribution of this paper is the exploration of the link between changes in external environment and business model adaptation. Extending the work of scholars like Casadesus-Masanell and Ricart (2010), it explores the relationship between environmental changes, such as technological evolution, legislative shifts, or market variations, and the subsequent transformation in business models. The findings offer valuable insights into the dynamic process of strategic decision-making in firms, augmenting the understanding of studies such as Amit and Zott (2012), who emphasize the pivotal role of business model innovation in response to external stimuli.

This work highlights the competitive edge companies may gain through the ability to adjust their business models in alignment with changing environments, echoing Teece's (2018) argument about the value of dynamic capabilities. Moreover, following Fieldstad

and Snow (2018), the study posits that the evolution of fresh business models may engender new business alliances, underscoring the interconnectivity of the business ecosystem and the necessity to comprehend how different players within the ecosystem engage with and impact one another. This means modifications in one segment of the business landscape could have knock-on effects in other sectors, and businesses must remain alert to these possible changes and modify their strategies as needed. For example, if a company adopts a new business model with a focus on a direct-to-consumer approach, it might be crucial to re-evaluate its existing partnerships and collaborations. This could entail forging new connections with other industry participants or re-evaluating current partnerships or alliances. Understanding the interdependence of the business ecosystem can also help identify potential opportunities for innovation and growth. By comprehending how diverse ecosystem actors interact and impact each other, businesses can spot market gaps, create new business models to meet unmet demand, or leverage new technologies or business practices. The concept that the development of innovative business models can lead to the formation of new business alliances emphasizes the need for companies to exhibit adaptability and vigilance in response to fluctuations in their external landscape. By grasping the mechanics of the business ecosystem and the potential repercussions of novel business models on their alliances, companies can strategically orient themselves for increased future prosperity.

In addition, the research provides a general overview of the Italian music industry, including a description of the actors as well as the current operational and managerial practices commonly employed by companies. The sector has evolved significantly over the last two decades, with a significant boost due to the COVID-19 pandemic, as a result of external factors that have increased the level of interdependence and complexity among the various players, transforming the industry value chain from simple sequential links to intricate and interconnected ties. The insights and the analysis conducted reveal that a strong relationship between the connection among the actors and the types of business models exists. This finding, in line with Capaldo (2007), suggests that the more the actors change how they operate and collaborate in response to exogenous factors, the greater the creation of new business models that in turn lead to a reconfiguration of the business relationships. Obviously, such transformations are always forced by economic goals: firms naturally seek the best opportunities to maximize their profits, either by reducing the amount of costs or by increasing the level of revenues. To gain more opportunities, music firms decide to change the operational scheme, which enables the market to be constantly updated and constantly regenerate itself in a complex and dynamic environment.

One significant contribution of the paper is attributed to the fact that all interviewees occupy top-tier positions in the Italian music industry. The selection of such participants has facilitated the acquisition of invaluable insights directly from individuals who are deeply embedded and influential within the sector. Moreover, a diverse range of interviewees was ensured, each fulfilling distinct roles within the industry. This decision enables a multi-faceted understanding of the industry's dynamics, encompassing an appreciation for the unique challenges and opportunities associated with each role and providing a holistic view of the industry as a whole. This leads to a number of important managerial implications that may be inferred from this study. First, all music industry participants are pushed to pursue business opportunities. Record labels, for example, whether large or small, decided to distinguish their operations in order to explore new options and boost total revenue value by integrating core and complementary activities and using synergies. Similarly, in addition to traditional music sales and streaming, artists have expanded their revenue streams by exploring new avenues such as merchandise, live events, and advertising. This tendency toward diversification indicates a recognition of the music industry's shifting competitive landscape and the necessity to adapt to new market conditions and technical improvements, mirroring trends identified by. Wikström and DeFillippi (2016). Second, in addition to the strategic side of the change, the findings show that an organizational impact also exists as a response to exogenous variables since some music firms were stimulated to introduce new units within their organizational

structure. Third, the aim of maximizing the result requires firms to consider the trade-off between exploring new opportunities and exploiting existing ones. Rather than investing large amounts of capital, firms in the music industry have opted to explore new business models in the digital space. Record labels have formed alliances with other companies as a solution, utilizing the flexibility and dynamic nature of the digital technology to expand partnership opportunities. The COVID-19 pandemic has also pushed music industry players to collaborate with companies from other industries to develop new products and experiences for the market. It is important for all players in the industry to monitor environmental changes and ensure that their strategies remain up-to-date and in line with current trends. Therefore, designing a business model for a company is an ongoing process that enables actors to operate effectively for an extended period.

Limitations and further research

A potential constraint of this study lies in the fact that most of the interviewees occupied senior-level positions within their organizations. This could potentially paint a too generalized picture of the industry. To mitigate this limitation, future studies could incorporate perspectives from employees at all organizational levels to obtain a more thorough and diverse understanding of the subject matter. In addition, this study is predominantly focused on the music industry, which may lead to uncertainties about the applicability of its results to other sectors within the creative and cultural sphere. Subsequent investigations could probe whether analogous trends and methodologies are observable in other domains such as film, television, or the gaming industry. By widening the boundaries of the research, the comprehension of the wider relevance and potential influence of the discoveries on diverse industries might be enhanced. Finally, further research on which business model types are most successful in adapting to exogenous shocks can provide valuable insights for the music companies. Different business models have different strengths and weaknesses, and some are better suited to cope with certain types of exogenous shocks than others.

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