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The Business of Production Music

A Value Chain Approach to the Swedish Production Music Industry

Bachelor's thesis within Business Administration

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I Abstract

Within this thesis we map the Value-Chains of the Swedish market for Production Music. The reason behind this is that the authors believe this sub-segment of the music industry to be relatively unexplored by business research. Thus increased knowledge should increase transparency for all market actors.

We have gathered previous research regarding value chains in the music industry and compare this research to empirical findings on the Production Music Industry. These findings are primarily gathered from three interviews with individuals in well informed positions within the industry. The three interviews are also backed up by secondary information found through industry websites and other vendors.

Analysis indicates that there are two general forms of Value-Chains in the Production Music Industry that are significantly different from each other, and that these are either centered around the Swedish Performing Rights Organization STIM, or the relatively new internet based music library called Epidemic Sound. Specific forms of value delivered back and forth within these value chains consists of everything from education and coaching in production techniques, to monetary compensation and recognition. Analysis also shows that while there is a rather big difference in how the two general value chains are constructed, there seems to be less variation when it comes to how these value chains are governed.

Operational Definitions

Mastering	A form of audio post-production, is the process of preparing and transferring recorded audio from a source containing the final mix to a data storage device.
Content Formatting	A content format is an encoded format for converting a specific type of data to displayable information. Content formats are used in recording and transmission to prepare data for observation or interpretation.
STIM	Svenska tonsättares internationella musikbyrå (STIM 2012). Swedish Performing Rights Organization.
SKAP	Svenska Kompositörer av Populärmusik - The Swedish Society of Popular Music Composers. (SKAP 2012). Niche Swedish Performing Rights Organization.
Production Company	A firm that produces for example, television shows. Within the production music industry they have the role of adding music to the video format with the goal of creating an ambiance that leads to a higher perceived quality of entertainment with television viewers(Höglund, 2012).
Performing rights organization (PRO)	Provide intermediary functions, mainly royalty collection, between copyright holders and parties who wish to use copyrighted works publicly in locations such as shopping and dining venues(STIM 2012).

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I Introduction

Under 1.1 background we will introduce the production music industry and the two news segments that brought our attention to the industry. Following the background, our problem will be presented, the introduction section then ends with our purpose statement.

I.1 Background

Music composed explicitly for use in audio or audio-visual productions, such as TV-shows, film and video productions is commonly called Production Music. Production Music is generally utilized to deliver suitable and inexpensive quality music for synchronization and dubbing in the aforementioned industries of audio and audio-visual production (prsfmusic, 2012). On the 17th of September, Sveriges Television aired a news segment on Kulturnyhetera which had the headline: 'Music rights are gone forever. The discussion on this segment was about Epidemic Sound and their role in the production music market. There is critique from SKAP that original artists do not gain enough credit in the form of recognition and monetary compensation for their music if they sell it to Epidemic Sound, because the company buys the copyrights to the musical works (Grahn & Josborg, 2012). Following the first news segment was a segment on the 4th of October, named 'Composers inhibited by agreement. This segment explained that TV-channels in Sweden have started making internal policies on how much STIM-music they can show in one hour of regular programming. Instead of contracting STIM linked composers TV-4 have started purchasing the services of the Epidemic Sound music library (Knutsson, 2012).

For further understanding of the industry, knowledge of the actors discussed in these news segments is important. STIM is a Swedish performing rights society that has over 60000 members. The association is owned and run by and for music creators as a non-profit organization. STIM is mandated by its members to monitor their interests as defined in the Swedish Copyright Act, and STIM is part of an international network of similar organizations that work for each other in each respective nation. The association is involved in issuing of licenses to music distributors or users and collects royalties based on playtime. These royalties are later distributed on individual basis back to music creators and publishers (stim.se, 2012). Another actor mentioned in the news segments is SKAP, they are an organization for professionally active music composers in Sweden (excluding composers of classical music), they were founded in 1926 and have 950 members today. SKAP keeps track of artistic interests and matters regarding copyright of its members, gives subsidies, scholarships and prizes, and promotes Swedish popular music. SKAP is one of three active associations that hold positions within the board of STIM, it also holds board positions on the board of the Nordic Copyright Bureau and is active in several lobby organizations and movements in and across Europe. The self-stated most important tasks of SKAP include monitoring the actions of STIM to be efficient, transparent and non-discriminatory and negotiation of standard contracts for music publishing. It also hands out some stipends that are financed by the incomes from STIM of former, now deceased members. (skap.se, 2012). SKAP will not be part of the further study as they are not an active part in the industry value chains. The newest actor mentioned in the news segments is Epidemic Sound, a firm active specifically active within the niche market for production music. They have a to Sweden unique business model that consists of buying non-lyrical musical work of music from compos-

ers, to later sell access to these pieces through a web based client for television production purposes (Epidemic Sound, 2012).

Finally, we would like to mention copyright in Sweden and what laws govern it. Individual composers or artists have rights to their produced music through the Swedish Copyright Act (Lag 1960:729 om upphovsrätt till litterära och konstnärliga verk), where it is stated that:

1§ The creator of a literary or artistic work, owns the copyright to the work, whether it is musical or theatrical works.

2§ Copyright includes, exclusive right to exploit the work by making copies of it and by making it available to the public, in its original or an altered form, in translation or adaptation, in another literary or other techniques.

1.2 Problem

Whilst there are arguably some learning's to be made through the aforementioned news segments, they also highlight the lack of knowledge of how economic value is created within the production music industry. To understand how value is created within the music industry, we must first understand what value can be, and how it is created and added in industries in general.

To first understand value we need to look back to the original definitions of value used in what is called neoclassical economics. The original argument of writers such as David Ricardo and Adam Smith was that value was created when a product was produced. And that thus value was only something that could be created in manufacturing (Bernanke, Frank & McDowell. 2006). Over the years the industries governed by mankind have evolved, and we have arguably come far from the industrial revolution. In the late 20th century, Porter (1980) discussed value addition, the fact that value can be added to a product or service to make it more sellable (Porter, 1980).

In the music industry, the first step of creating value is arguably with the composer. He or she writes music that is then produced, either by the composer, or by another producer or recording artist (Wallis, 2004). It is also for this first step that reimbursement is discussed in the previously mentioned news segments. When it comes to reimbursement for value created, becoming a member of STIM is one alternative and selling your music directly to Epidemic Sound is another. Through STIM musicians can earn money when their music is played while retaining the rights to their music, and through Epidemic Sound they can earn a lump payment for delivering a work, while they will not retain the rights to the pieces they sell to Epidemic Sound (Breitholtz, 2012. STIM, 2012. EpidemicSound, 2012).

Both STIM and Epidemic Sound also create value through their different services, collecting financial reimbursement for music in STIMs case, and delivering a library service in Epidemic Sound's case. Traditionally, throughout the music industry, companies like publishers, production companies and record labels create value for the market (Wallis, 2004). At the last step, in the case of production music, TV-channels or video production companies add production music to their TV-productions in a way that should suit the mood of the given TV-program (Höglund, 2012).

What we have described here is basically what is called the value chain. Value chains are the logistical depiction of how an industry works to bring value from the original producer to the end consumer through value added services not necessarily directly related to the core product (Porter, 1980; Kaplinsky & Morris, 2001). Understanding of the value chain brings understanding of the industry in a broader context. Knowledge of the value chain or chains involved in an industry can also bring an understanding of how to enter a new market and control the market structure (Humphrey & Schmitz, 2001). In our case we will be focusing on the corporate parts of the value chain in TV-production, delimited to the production music part specifically.

1.3 Purpose

In the Swedish production music industry, value can travel through either traditional distribution methods linked to STIM or through Epidemic Sound. Through mapping of the value chains involved we will analyze where value is created, if composers can control the value chains, and if the Swedish production music industry matches contemporary theory about the music industry in general. This should be important to clarify how the market for production music in Sweden works.

2 Theoretical Framework

In this segment we present the theoretical frame for our study. The segment starts with a general depiction of theory on value and value chains, followed by a description of contemporary theory on value chains in the music industry. We finish the segment with a heading on governance of value chains. The theories presented within our theoretical framework will later form the basis for interpretation of our empirical material.

2.1 Value Creation, Value Chains and Value Networks

Any firm or individual that performs some kind of economic activity has the goal to create value (Normann & Ramirez, 1994). The estimated comparison of the benefits from acquiring a good or service as compared to the total cost is what is generally viewed as value (Lancaster & Walters, 2000). Often, when value creation is described in a process form, this process is referred to as a value chain. The value chain can most easily be described as the combination of value adding activities on the rout from original source to final consumer. Efficient combination of the organizations supply side and the market demand can lead an organization improve value adding activities. This in turn can lead to improved organizational efficiency and output (Rayport & Sviolka, 1995). *“The value chain describes the full range of activities which are required to bring a product or service from conception, through the different phases of production (involving a combination of physical transformation and the input of various producer services), delivery to final consumers, and final disposal after use”* – (R.Kaplinsky and M. Morris, 2001, pg 4). The addition of value in these processes is what firms attempt to do to differentiate their product or service from their competition. This ranges from extra fabrication details to products to extended service. Another example of value addition, is different forms of distribution methods (Porter, 1980).

The use of information, and the gathering of information can be viewed as value adding, not information itself. Value does not have to be monetary resources, intangible assets such as brands, knowledge and customer loyalty can also be viewed as value (Allee, 2000) . Values can also be attributed to personal branding, the branding of an individual rather than a firm (Shepherd, 2005). The value of a personal brand is often a concern of composers as the personal brand itself is about influencing others by making them associate the individual with perceptions and feelings about the identity of the composer (Rampersad, 2008) Today online tools allow for personal branding to become available to all individuals with internet access as an option to promote oneself (Shepherd, 2005)

As perspectives change with time, as products and services develop into more virtual concepts, interest has been pushed to the concept of a value network (Peppard & Rylander, 2006). While value chains can be simplified into logistics, the value network can take many angles and is most easily described though Allee’s description: *“a value network generates economic value through complex dynamic exchanges between one or more enterprises, customers, suppliers, strategic partners and the community”* (Allee, 2000, pg1). . Normann and Ramirez also state that the new logic of value in the world where *“value occurs not in sequential chains but in complex constellations, the goal of business is not so much to make or do something of value for customers as it is to mobilize customers to take advantage of proffered density and create value for themselves”* (Normann & Ramirez, 1993, pg. 69). They also state that as potential offerings become more complex and varied, so do the relationships necessary to produce them. A single company rarely provides everything anymore. Nowadays the

most attractive offerings involve customers, suppliers, allies and business partners, in different combinations (Normann & Ramirez,1993).

2.1.1 Disintermediation and reintermediation

Disintermediation and Reintermediation are easily defined through the following quote:

“Disintermediation is the removal of one or more components in a value chain without reducing the value delivered to the consumer. While some intermediaries may be removed, other, new intermediaries are introduced. Such a general process of value chain transformation is usually referred to as reintermediation.” – Wikström, 2006, pg. 67

2.2 Value Models in the Music Industry

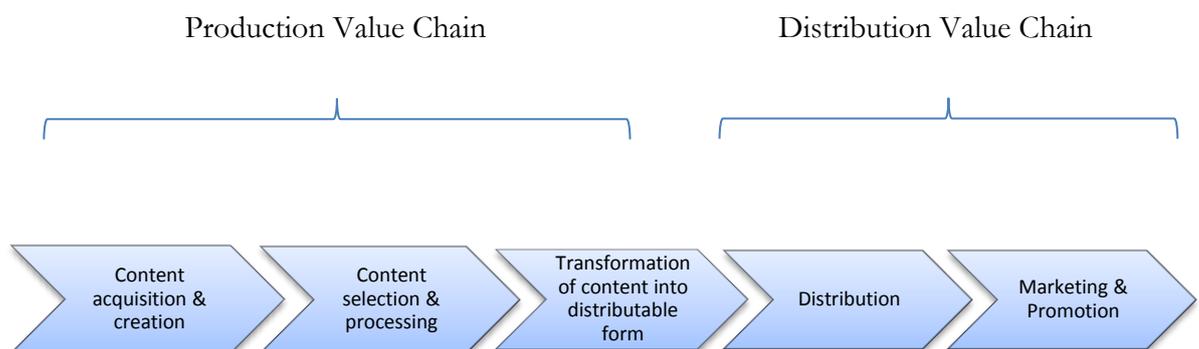
So far we have presented theory about value and value chains in general, while this information is by no doubt applicable to the industry for production music, more specified value perspectives on the music industry is needed for clear understanding. The following is a presentation of five different value concepts related to the general music industry.

There are five models describing music industry structure and dynamics according to P.Wikström (2006). All of them are, to a varying degree, based on the same linear structure as the value chain presented by Picard. We chose to incorporate four of these and leave out the model of ‘loosely coupled systems’ since it is not describing how consumer value is created, but rather how the different activities are related.

2.2.1 Simple Value Chain model

Picard states that though there are variations between firms’ value chains in different copyright industries, the basic activities shown in the illustration below are common for most of them. (Picard 2002)

Simple Value Chain model for the music industry



Simple value chain, adapted from Picard (2002)

This simple value chain shows the basic activities for different copyright industries. Both Epidemic Sound and STIM are engaged in the copyright industries. Picard states that *“There are significant differences among media in terms of the ways they convey content that are dependent on the human senses by which the content is perceived”* (2002, pg 21). Picard also explains that certain media products and services are better when it comes to providing diversion, general information, and specific information because they serve the audience and advertisers needs differently. Picard states that commercial TV is driven by the focus activity of audience and advertiser needs. What Picard is basically stating here is that commercial TV and the components involved in the production are in fact driven by the end customers’ needs. The need for the audience to enjoy the TV show and thereby increase the viewers, hence also increasing the number of targeted customers for advertisements.

Initially in the production part of the model, content is acquired or created, then packaged, processed and transformed into a distributable form. The second part of the model starts with the actual distribution of the media product, which can be either physical or virtual. The final component in Picard’s model is the marketing, advertising and promotion of the product.

2.2.2 The popular music industry model

This model was presented in 1970 by a sociologist named Paul Hirsch, the purpose of this model was to explain how music becomes popular. Hirsch did not use the precise term ‘value chain’, but its linear structure illustrating a number of sequential activities support and add value to the core product and bare much resemblance to a typical value chain in that sense. Hirsch’s model describes a part of the music industry which is traditionally referred to as the ‘top 40 music industry’. The top 40 format was initially created in the US during the 1950s when television forced the radio media to change its programming (e.g Thorburn & Jenkins 2003). A radio station that utilize the top 40 format characteristically plays the 40 most popular songs during a certain period, ‘most popular’ in this case means the amount of records which have sold the most during a certain week. The record labels which are producing music that aim for the top 40 music industry is seriously dependent on the commercial radio stations for the promotion. Hirsch explains the relationship between the two by saying *“The record and radio industry have grown up together and live in a symbiotic relationship. Each plays an important role in the dissemination and popularization of culture”* (1970, pg. 10).

Hirsch identified four subsystems within the music industry, which the artist has to pass to be able to reach the final subsystem, the audience. The first subsystem is the creative sector, including the artist/composer, the producer and the Artist & Repertoire (A&R) agent. The A&R agents’ job is to discover new talent with artistic aswell as commercial potential. The second subsystem is the record company, they have the job of selecting the records which are to be released. The third subsystem consists of Promoters and distributors, the promoters add value to the process by selecting the songs which they expect to have the best chance for commercial success. The final subsystem is named the Gatekeepers and is constituted by radio stations and other media outlets.

“Radio station managements demand high audience ratings, for the rates charged advertising sponsors are based solely on the number of listeners the station can ‘deliver’. Advertising agencies place ads with radio stations according to the ‘cost per thousand’ listeners. The competition between stations requires

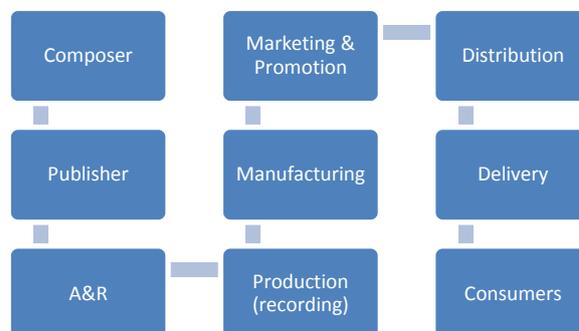
that the program director successfully select a group of records that will appeal to the widest possible audience.” – Hirsch, 1970, pg. 61

One could argue that the Popular Music Industry model does not bare much resemblance to the production music industry since it is based around commercial radio, and therefore may not be suitable for our analysis, but it explains a model of the music industry which has been in active use since the 1950s and it highlights the fact that some intermediaries in the value chain is in a position where they are subjected to a varying degree of control and governance of the value chain in which they operate. There are some interesting points made by Hirsch about the numbers of listeners the station can deliver. The point made by Hirsch is that the radio stations do not care about what music they play, as long as it generates the largest amount of listeners as possible. Enabling the radio stations to maximize their profits from advertising.

2.2.3 Copyright and the composer model

Wallis (2004) focuses his value chain model around the composer rather than the performer. The composer creates the work and typically signs an agreement with the publisher. The role of the publisher is to administrate and promote the composer’s song. Wallis discusses whether the disintermediation vision where all intermediaries between production and consumption are removed is realistic. Wallis (2004) eventually makes the conclusion that digital technologies have enabled a shortening of the value chain. The connections between the different intermediaries symbolizes the added value and the traditional flow of value delivery from the composer to the consumer.

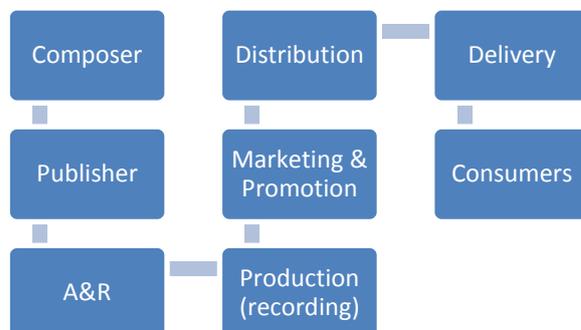
Copyright and the composer model



Copyright and the composer model, adapted from Wallis (2004)

Adopting Wallis traditional industry value chain to show an example of a possible disintermediation of the manufacturing intermediate, due to digital distribution (showed in the figure below). Resulting in a shorter value chain without the loss of added value.

Adapted Copyright and the composer model



Example of a disintermediated value chain adapted from Wallis (2004)

“In Wallis’ value chain, the only possibility is to have a song picked up by a record company’s A&R department and subsequently recorded by an artist” - Wikström, 2006, pg.68. This is indicated by the clear flow from top left box to the bottom right box.

We find this model applicable to the nature of the production music industry, especially because it is composer centered, and focuses on disintermediation and reintermediation of different steps in the value chain.

2.2.4 Virtual distribution model

Another linear music industry value chain model used to illustrate processes of disintermediation and reintermediation is presented by Tuomola (2004). Tuomola creates his model by combining Leyshon’s, (2001) musical network model with Picard’s, (2002) value chain model. Tuomola, (2004) describes his enhanced model to include content creation as the first intermediate, where the music actually is created. This is followed by development, production and mastering (refinement) of the content. Then follows content formatting and ‘value added services’ Tuomola, (2004) which are services such as billing, customer service and content hosting in data banks. Then follows access and connecting. Access and connecting is the activity provided by infrastructure companies such as broadband operators and internet service providers. Before reaching the consumer there is Navigation/interfaces intermediaries. This activity or service allows the consumer to browse and find the song they are looking for (e.g iTunes). Tuomola (2004) states that the marketing and sales promotion and advertising functions clearly add value to the product, and should therefore be included in the value chain. However Tuomola states that marketing is difficult to place in a certain location along the value chain. Marketing is conducted at several stages along the value chain and Tuomola (2004) suggests that it should be seen as *“a moving phantom component appearing at various stages”* – Tuomola, 2004, pg 32. Tuomola, (2004) also sums up the development production & mastering of content and content formatting and calls it content aggregation. Activities involved are Selecting, organizing and packaging content.

Leyshon (2001) has instead approached the sound recording industry by identifying four partly overlapping networks. The network of creativity which contains the stages of

composition and representation i.e. songwriting and performance. The network of reproduction consists of *“the manufacture of multiple copies of audio recordings”* - Leyshon, 2000, pg 34. Networks of creativity and reproduction have traditionally been linked together by record companies. The networks of distribution *“take delivery of manufactured output from production plants and distribute this onwards to retail outlets or mail order companies”* – Leyshon, 2000, pg. 37-38. And finally the network of consumption which incorporates retailing. This model will be evaluated further in the next session.

The virtual distribution model by Tuomola (2004) is covering the majority of possible actors involved in the value chain for the music industry in general. It highlights that there is not one single way for achieving success in the form of monetary compensation or recognition. Tuomola concludes that in the virtual distribution model there is room for dis- and reintermediation and an individual composer can choose how and by what parts the value chain should consist of. Customizing the value chain to fit to the personal goals of achievement. *“The actual format and the delivery method of commercial sound recordings from the material CD sound carrier, available in physical record stores, to immaterial sound files available through the internet, have enabled composers and artists to communicate worldwide directly with their core audience, via a website or e-mail. These artists have acquired tools to either bypass the record company in the product route of their release – or at least increase their bargaining position with the company.”* – Tuomola, 2004, pg. 27. By self-financing the production and selling the resulting Albums/tracks by mail order via their websites artists and composers have been able to retain the copyright of the sound recording, and thus ensure higher returns per unit sold and greater control over the use of their recordings.

2.2.5 Musical networks

Leyshon, (2001) presents a music industry model based on Attali, (1985) and Scott, (1999). The model constitutes of four ‘musical networks’ which possess overlapping functions, temporalities, and geographies. The network of creativity is where music is created, performed and recorded. According to Leyshon, (2001) this network is based around the contractual relationship between the artist and the record company. Leyshon, (2001) explains this as the core of the music industry where functions such as, producers, artists, studio musicians, sound engineers, musical instruments and supplies, song writing, legal services, recording studios and recording companies are found (Leyshon 2001). The network of reproduction primarily includes the manufacturing of CDs and other forms of physical transferors. Leyshon, (2001) states that economies of scale is of much greater importance in this network compared to the previous one. In the network of creativity, small entities and even single individuals are able to generate creative products with professional quality. Leyshon, (2001) includes music publishing in the network of reproduction. A music publisher’s business concept is to control an intellectual property portfolio, and to license songs from this portfolio to different clients. The client can for example be in need of background music in a TV commercial, or some other kind of video production. (Leyshon 2001)

There are a number of possible steps that can be included in the creation of music. When analyzing the Musical networks in his book *Reluctantly Virtual*, P, Wikström states that *“although Leyshon uses the terms ‘network’, it is actually only the creativity network that has a ‘network-like’ structure. The other parts of the model have a relatively linear structure, which makes it possible to categorize Leyshon’s model as a fairly traditional value chain model”* (2006, pg. 70) Notably, Leyshon, (2001) similar to Tuomola, (2004) also mentions that a skilled

composer/artist can disintermediate the value chain and ‘jump’ directly from the creativity network to the consumption network, as shown by the arrows that run from ‘ARTISTS’ to shops/stores and Electronic delivery channels.

2.3 Value chain governance

Governance issues in value chains are important because knowledge of it can give market access to established producers. In order to enter new markets a producer has to know which the lead players are. These lead firms have the power to take decisions that can influence which producers win and lose in the value chain (Humphrey & Schmitz, 2001).

It is this knowledge of which are the lead firms in our two value chains that we are after, for our purposes Gereffis, (2001) theories on Producer and Buyer driven value chains are of interest, as they represent fairly simplified views on governance in value chains. Gereffi, (2001) originally used the term commodity chain, we have chosen to apply use the term value chain as it represents what we investigate closer and the terms are generally interchangeable. Gereffi, (2001) originally presented the two aforementioned two distinct types of value chains, later to add a third which he calls the internet oriented chain (Gereffi, 2001).

Value chains that are producer driven feature bigger manufacturers that play coordinating roles in the networks of production, this includes their links, backward and forward in what Gereffi, (1999) would call the value chain. The Producer-driven value chain is generally characterized by industries such as the automobile, computer or heavy machinery industries. In general they are driven by capital and technology (Gereffi, 1999). The chain also often features vertical integration, mass production and lean production (Gereffi, 2001).

Value chains can also have the buyer in the driver’s seat, these chains are generally significant in industries where important roles are played by marketers, retailers and larger brands. These firms set up networks of production in different export countries. These Buyer-driven value chains are common in labor-intensive industries such as garments and consumer electronics. The finished goods are generally not made by the buyer, but often bare the buyers brand. Research and Development is provided by departments at the buyer firm or by other outside firms, and the specification is sent to the producer firm from the buyer (Gereffi 1999). The focus on consumer non-durables, as opposed to consumer durables and natural resources in the producer driven chains present the large difference between the producer and buyer driven chains. Buyer-driven chains also feature network integration, global sourcing and lean retailing (Gereffi, 2001).

The internet has also formed governance in value chains, Gereffi, (2001) adds a model of internet oriented value chains that are focused on B2C services and B2B intermediaries. These feature virtual integration and are innovative through e-commerce, mass customization and disintermediation. Gereffi, (2001) argues that a possible scenario for the future development of value chains is that the internet will change the forms of the producer and buyer driven chains and thus slowly adapt into more modern Producer- and Buyer-driven chains.

While these studies from most notably Gereffi, (1999 & 2001) where made around the turn of the millennia, they are notable because of the generalized forms they are pre-

sented in. As earlier noted the knowledge of what firms lead the value chain can be important for new actors, and while these studies focused on production on larger scales we see the argument notable for the small market we are focusing on.

3 Method

In this section we will present the methods chosen to carry out our empirical collection, the reasons behind the choices of methods, and a detailed description of our data collection process. Moreover the strengths and weaknesses of our chosen methods is discussed. The segment then ends with a self-reflection on choices of method.

3.1 Qualitative study

The purpose of conducting a business research is to identify how and why things happened, and a quantitative study could serve the purpose, however in order to gain a deeper understanding of the implicit interpretation and motivation that causes things to happen, a qualitative study is more relevant and appropriate in this situation. Qualitative study can be described as a number of ways to seek to describe, decode, translate and come to terms with the meaning, and not the frequency of occurrences in the world. Therefore, unlike the quantitative study, the focus of research is to understand and interpret, the researchers are highly involved in order to get an in-depth understanding. During the research, the content of data collection or the research question of an interview could be changed which is favorable to the quality of the research (Blumberg, Cooper & Schindler, 2011).

During the data collection phase of the qualitative study, several techniques can be adopted, which include focus groups, case studies, observation and individual depth interviews (Blumberg et al. 2011). In accordance with David and Geoff (2009), our study of STIM and Epidemic Sound will be categorized as a problem centered or practical research, which we would not focus on building new theories or gaining perception through the testing of theories. Instead, we aim to shed light on an industry in which one of the actors recently received criticism for not being fair to the sources of value creation. Through investigating practical problems, questions or issues, as well as comparing theory to empirical findings, we attempt to find out how value travels through traditional distribution methods linked to STIM or through Epidemic Sound and analyze how value is created and how or if composers can control how much of that value is delivered back to the original composer through either recognition or through monetary compensation.

In this study, we decided to conduct several in-depth interviews which we believe is the most suitable technique. The reasons for this decision are; Firstly, that we are putting our focus on the Swedish market, the information we need is not easily accessible, there has been limited research conducted concerning the market of production music in Sweden and therefore a quantitative study would most likely not provide enough data for us to conduct a credible analysis. Secondly, our study only considered two major distribution forms, linked to STIM and Epidemic Sound. Conducting a survey for all composers connected to either organizations would be considered as time-consuming due to the large amount of composers. We also question the understanding of value chains and/or other business terms within this group, lack of knowledge could make the results unreliable. Thirdly, there is valuable information held by persons in the key positions in companies involved, together they have many years of experience in the business and their particular perceptions give us insight to the market. Several interviews were conducted and then followed up by repeated e-mail contact.

3.2 Data Collection

Under this section we will present our primary choices of data collection. We will also discuss the quality of our data and the reasoning behind our choices.

3.2.1 Primary Data

Primary data is the raw information that has not been interpreted or revised by any second party, and interviews are one of the techniques that result in primary data (Blumberg et al. 2011). There is a difference between quantitative and qualitative interview. A qualitative interview has a tendency to be less structured, the quantitative interview is more structured in order to maximize its reliability. The creation or design of qualitative interview is more general and the interviewees' own perspectives play a bigger role (Bryman & Bell 2011).

Comparing the benefits of quantitative and qualitative interviews, the interviewees' perspectives seems more valuable to us than collecting information from larger samples, considering the interviewees' observation and interpretation is more relevant and critical to the purpose of this thesis, hence adjusting the interview question or structure is preferred. This means that during the interview, the order of questions and the structure of questions were changed depending on the interviewee's replies. Qualitative interviews tends to be more flexible, due to the elasticity of changing emphasis during the interview which can result in more depth, detailed and significant information. Finally, the qualitative interview can be conducted several times with the same interviewee at different occasions which was very helpful for us since we did not have much previous knowledge about the markets these companies operate in and therefor generated more suiting questions as time went by (Bryman & Bell, 2011).

We have conducted three personal interviews during the time of this study. As our knowledge about the subject grew through these interviews and through readings we realized that we still had questions to ask the interviewees. As it was impractical for us and for our respondents we took the opportunity to ask follow up questions via e-mail conversations. In these e-mails, we first introduced them the purpose of the e-mail, for instance, what we had been doing, what still needed to be done, what we expect to extract from the answers and if we can use quotes to validate the empirical findings. We simply put down questions in a numeric order for the interviewees to answer. We used Swedish as the language of choice when asking the questions to make them more straightforward and easily understandable for the respondents. E-mails have been sent back and forth to each interviewee, which resulted in a great contribution to our primary data.

3.2.2 Interview table

The following table describes the general time and dates of the different interviews.

Interviewees' name	Title	Date	Length of the interview
Oscar Höglund	Founder and CEO at Epidemic Sound	2012-09-14	36 minutes
Hans Breitholtz	Founder and former	2012-09-11	35 minutes

	CEO of BMG Sweden AB, Former CEO of Sonet Grammofon and Sony Music, Former Vice President at MTG and currently Managing at MVP Management		
Fredrik Lomång	Distribution Manager at STIM	2012-10-12	45 minutes

3.3 Interview structure

There are three different types of interviews, the unstructured interview, the semi-structured interview and the structured interview. Most qualitative interviews belong to the first two types. Blumberg et al. (2011) state that the unstructured interview starts without specific questions, and the interview often starts with interviewee's narration. The semistructured interview usually starts with a few questions then the researcher simply follow up the reply to which he think is of relevance. Both unstructured and semi-structured interviews are especially viable when the research questions referred to are of a relatively wide range of area and the researcher need to identify the relevant problem. Therefore, the main idea of the interview is to explore what the interviewees thought to be relevant and how they interpret it (Blumberg et al. 2011).

Interviews were conducted at the interviewees' workplace, the length of the interviews ranged from thirty to fortyfive minutes. Every interview was briefly summarized and the interview with Höglund was recorded. Every intererview was completed by a number of simple questions, designed to give us information about the value chains in the industry and to enable us to fulfill our purpose and generate sufficient information for us to conduct a valid analysis. The questions could for example be:

- Why do you think the Swedish music industry is so successful?
- What actors are involved in the process of creation of a track to the final customer?

We used the semi-structured interview method because, arguably it suits our expectations and serves our purpose well in ways such as enabling us to do further research reagarding the value chains and the composers and then revisit the interviewees' for more indepth answers. All interviews were carried out face to face in Swedish. Initially, the contact started with a more unstructured interview with Breitholtz, where few specific questions were prepared, the reason for this was because at that time we had no outline of direction or purpose of the study, we conducted the first interview to investigate possible matters of topic for our studies.. Hence, the first interview was about tracking useful information and seeking recommendations from Breitholtz. The first interview raised the problem of composers and artists lack of awareness about the possible business oppotunities available to them , which gave us a primary idea of how the upcoming should be conducted.

3.4 Secondary data

The following segment describes how we have handled the secondary data that has been used in this study.

3.4.1 The source of Secondary data

As the term implies, secondary data can be described as ‘second-hand’ data, which indicate the characteristics of data being collected by someone else before, and sometimes used for other purposes. The most obvious reason to use secondary data is to save both money and time. Researchers can directly start utilizing secondary data for analysis and provide solutions for their research questions, because the data is already available. Unlike more time-consuming research methods, secondary data avoids the processes of research design, contacting respondents, collecting information and then recording information. However, the researchers still need to identify if the source of secondary data is viable for the research questions, where to find it and how to access it (Blumberg et al. 2011).

Secondary data can be traced from many channels, and the channels can be internal or external and it could be written or electronic (Blumberg et al. 2011). Most of our sources are electronic and external, extracted from official websites of the organizations involved in our study, websites of music publishers’ associations. Scientific articles on the Internet, and a blog by Eric Jensen who has been active in the music industry for over 25 years, are other examples of secondary sources we have used to form a wide base in our empirical material.

During the process of collecting secondary data, we adopted the source evaluation method which evaluate the sources by applying five evaluation factors. Those factors are purpose, scope, authority, audience and format (Blumberg et al. 2011). Each factor evaluates the sources of secondary data with different questions, for instance, does it achieve its purpose (purpose), how old is the information (scope), what is the credential of the authors or institution (authority), the information is provided to whom (audience) and how easy is it to assess the source (format). The source evaluation has been helping us to achieve a better quality of the source we have collected.

3.4.2 Self-reflections of the Methods

Every method has a shortcoming, and we have found many obstacles and difficulties during the data collection step. Even though we gathered much important information during the interview, we still found that some questions we have asked are again not clear enough to be used for analysis. Perhaps, we did not follow up the questions deeply enough during the original interviews. The other problem with using qualitative interviews is the fact that interviewees can be interpreted subjectively. Our need to restate and add questions has also formed an advantage for us because through the interviews we had the opportunity to discover new angles and areas of interest when comparing the answers given from the respondents. We have also attempted to avoid subjective interpretation of the interviewees answers through the utilization of secondary data to further validate our findings.

There are disadvantages when using secondary data. The most obvious problem is that secondary data is not collected for the specific problem that a researcher has. Hence, secondary data might not fit the research questions very well. The information could be

insufficient to the research question, or it might not even be detailed or accurate enough. Furthermore the secondary data could be too old to be effectively applied (Blumberg et al. 2011). We believe that we ensured the quality of our sources through using the Blumberg et al factors of source evaluation that we previously described under the section named 'the source of secondary data'. The sources we have found have enough validity, and some of them are provided or suggested by our interviewees. Finally, the balancing of primary and secondary data should guarantee objectivity in our findings.

4 Empirical material and Secondary findings

To understand the value chains involved in the production music industry, we have conducted interviews with three individuals that represent different organizations within the Swedish Music Industry or who have large knowledge of the industry structure. The Interviews were about the industry in the larger perspective and about how the process of moving from produced work by a composer and financial remuneration works. The organizations represented are:

- STIM
- Epidemic Sound

The third interviewee was Hans Breitholtz who has been involved in the Swedish Music Industry for many decades. The following section will summarize our empirical findings gathered through primary and secondary sources.

Any information presented in this segment that is not directly related to one of our interviews has been found and retrieved from industry websites.

4.1 Importance of the interviewees for the study

The two organizations that have become the focal point of this study are both active in the industry for production music. STIM handles composer and artist remuneration for the entire Swedish music industry and Epidemic sound is a niche player that does the same only in the production music industry. As composer or artist remuneration implies that these organizations have knowledge of the production music industry in its entirety. The interviewees have experience from areas in the industry such as working with production companies, record labels, A&R and management.

4.2 Actors involved in the study

The following is a brief presentation of the organizations and individuals in the study.

4.2.1 STIM

During our interview with Lomäng, (2012) we were told that STIM is a representative copyright association for composers and music publishing firms. On their behalf STIM administrates and licenses rights to the music and lyrics produced by its affiliated composers and publishers. Music composers and music publishers have given STIM the task of managing their economic rights under copyright law. STIM gives permission to perform music in public, and collects and distributes compensation individually. STIM is a cooperative owned by its members. STIM was founded in 1923 and today has more than 60,000 affiliated members(Lomäng, 2012).

STIM is using, what they call, collective licensing. This means that they are licensing all the music from one composer at once. The rapidly changing technological environment has led to that STIM sometimes recommend their members to have a separate arrangement with outsiders, for example regarding music for computer games. There is no clear model of how to manage the income distribution, and STIM therefor recommend the composer to negotiate the monetary compensation with the game developer (Lomäng, 2012).

4.2.2 Epidemic Sound

The business idea of Epidemic sound is one where Epidemic Sound is buying the rights to distribute music that is specially designed for TV-production purposes. This music is made by a large number of different composers around the world working for Epidemic Sound. Epidemic Sound then makes the music available to their customers through a web based client specially designed to fit the needs of today's production companies. The composers are paid as soon as a piece of music is delivered to Epidemic Sound and Epidemic Sound is then free to publish the work in their online library which is paid for with a monthly subscription fee. Epidemic Sounds mission is to be the best when it comes to handling and distributing music for television purposes all around the world (Höglund, 2012).

4.2.3 Hans Breitholtz and his views of the industry

Breitholtz is currently working at MVP management which is a management firm with skilled agents who are representing their clients in the music industry, helping them to reach their personal goals. MVP management also has a sports division. Breitholtz has extensive experience in the music industry, he was the founder of BMG Sweden AB, a well-known record label and have also been the CEO of Sonet Gramofon and Sony Music (mvpmanagement, 2012).

During our interview Breitholtz mentioned that the Swedish music industry in general is cutting edge. Newly developed services, artists and composers originating from Sweden are taking the world by storm. Ten years ago Breitholtz acknowledged that the availability of music delivers the same value to the listeners as the value extracted from owning the music. Breitholtz also mentioned that over fifty percent of the music distribution today is in fact digital. Furthermore he mentioned that out of a business stand point, it is better to work with composers and songwriters instead of artists and performers, because the composers are not as demanding and they generally have better work ethics. Breitholtz believe that the copyright society is extremely well organized in most countries, particularly in Sweden. Breitholtz is raising his concern of how the music industry will ensure distribution opportunities where the creator gets paid for his job (Breitholtz, 2012).

"I believe that a new composer sees money spent for the work he supplies, while an established composer would probably not agree to a deal in which he / she as the composer do not own 'their' copyrights. this of course depending on the amounts of monetary compensation involved" – H. Breitholtz, personal communication, 2012-10-25.

Finally, Breitholtz answered the question of whether he thinks that it is a positive aspect that composers are presented with alternative solutions to monetize their music, by saying that it definitely is a positive aspect but that there are some concerns about the Epidemic Sound model which he believes have much resemblance to the structure of the music industry during the 1950's (Breitholtz, 2012).

4.3 Overview of the Production Music Industry

The following is an overview of the different actors involved in bringing music into video production and what their specific role is.

4.3.1 Composers

A composer (in Latin; one that puts together) is a person who creates music, regardless of genre & method (Merriam-Webster dictionary on ‘composer’, accessed 30 November 2012). For the purposes of this study, this definition is sufficient as the composers general role is to make music.

4.3.2 Performing rights societies

Performing rights societies are usually nonprofit organizations that act for the benefit of performers. This is the role that STIM has in monitoring the rights of their members on the market (Lomäng, 2012). STIM runs large numbers of complex data collection activities designed to recognize where and when a song is played. STIM has invested many years of work into working out a system to recognize and log where songs are played, by whom, and making sure the original composers get paid. There are many different platforms where music is played, resulting in the continuous development of new solutions to gather the data and store the information on what songs that are being played. There is online streaming, commercial radio, TV, DVDs, Downloading, Live performances etc. Being a member of STIM does not result in any transfer of copyrights to the music, instead the composer temporarily grants STIM the use of their rights. A STIM member is free to leave STIM whenever they want to, their legal rights to the songs they produced will then be in the ownership of the composer, and not STIM. If a production company wants to use a song produced by a STIM member, they pay a certain amount of money based on the amount of time that the song is played during the TV (Lomäng, 2012).

4.3.3 Music Publishers

“Music publishers are connected to STIM and normally operates the contracted composers administration against STIM. This primarily concerns notification and monitoring of settlements (‘royalty tracking’). In addition, music publishers work to exploit the music of the composers.” – F. Lomäng, personal communication, 2012-10-12.

The Music Publishing Association describes the business of music publishing as the matter of developing, protecting and valuing music. The needed skillset to succeed in the business is very wide and the forms of work is very diverse. The most important role of the publisher is to take care of the business side whilst developing new music, leaving the creative work to composers (2011).

“A good music publisher seeks out great music and great composers and songwriters; supports composers and songwriters in the creative process; promotes their catalogues across a variety of platforms; manages the business exploitation of the catalogues (including the registration of works and the collection and onward payment of all du royalties); and generally seeks to protect and enhance the value of their works with passion and professional commitment.” – Music Publishing Association, 2011, http://www.mpaonline.org.uk/music_publishing.

According to the Music Publishing Association, some of the roles a publisher has involve (2011):

- Finding talent, as well as developing and supporting new talent in their early music careers.
- The securing of commissions

- Registering works with performing rights societies
- The production of demo recordings
- The production and licensing of printed music
- The production of promotional materials
- The promotion of composers and songwriters towards performers, broadcasters, record labels and others who are likely to use music for commerce practices, both nationally and internationally.
- Licensing how music is used (via collecting societies).
- Ensure that appropriate action is taken towards actors that misuse music without having the necessary license.

The music publishers association we reference to is based in the UK but in one of our questions directed to Lomäng, he confirms that these activities are the same for Swedish music publishers. (Lomäng, 2012)

4.3.4 Record Labels

“Record labels do not have an active role in the production music market. But are still active in conjunction with STIM in other parts of the market.” - F. Lomäng, personal communication, 2012-10-12.

A record label's main task is to find and contract artists. The label shall take care of the recording and release. The A&R person (talent scout) have the task of determining which artists record company to sign contracts. The marketing plan is one of the most important parts of their work. In the record companies there is usually someone in charge of promotion. The promotion includes everything that makes the music reach the buyer and the artist perceived i.e. styling, radio and TV promotion, promotion tours, etc. (Musikguiden.nu, N.D.)

4.3.5 Libraries for Production Music

There are three general types of music libraries active on the international market. Exclusive, Non-Exclusive and Buy-out libraries that sell production music to different production companies. An exclusive library is one where the composer is paid a negotiated sum to compose and produce a collection of tracks. Thereafter, the music library retains all rights to the master recordings and the music publishing. The performance royalties are typically split 50/50 between the composer and the library company (Jensen, 2011).

The second library is called Non-exclusive libraries. The title of each track is usually changed to link it to the appropriate music library. The composer retain all rights to his music, including the rights to license it to competing non-exclusive libraries. This does however preclude the possibility of licensing these works exclusively in the future (Jensen, 2011).

The third and final library is called Buy-out libraries, with this model libraries license entire catalogs for a one one-time fee. This model is basically built upon high volume sales and low production costs(Jensen, 2011).

“In the current situation, we (Epidemic Sound) have no competitors in Sweden that has the same structure as Epidemic Sound. There are of course many good traditional Swedish music publishers but we do not see ourselves as such” – O. Höglund, personal communication, 2012-09-14

4.3.6 Production Companies

Production Companies when mentioned in the Production Music Industry, are the firms that produce TV productions. Their role in the studied industry is that of a buyer, or selector of music depending on which distribution channel they choose. Their active role is to add music into video production that is then aired on TV (Höglund, 2012).

4.4 From composed work to TV production

In this section we describe the two different generalized distribution routes we have observed to be active in the Swedish industry for production music.

4.4.1 Traditional distribution

The music is produced by a composer connected to STIM. STIM is then in charge of making sure that when the music gets played, whether it is on radio, TV, in a retail shop or it's used on a DVD, the original composer gets paid accordingly. The connected member notifies STIM about his/her musical work. These are documented through registration in STIMs' catalogue together with information about shareholdings. STIM licenses, consents, and collects financial compensation to enable pay remuneration to composers and their publishers. License fee is based on tariffs or agreements pursuant to agreements entered into. STIM receives reports about what music is played, recorded or downloaded / streamed. Music reports serve as a basis for payment to authors and their publishers. The information in the reports are coupled with data on who owns the rights to the musical works that are used. The money is distributed according to STIMs' distribution rules and paid to the creator and their publishers as well as to the corresponding foreign organizations for distribution to their members. This does not necessarily mean that the composer will collect all the money made from the published music himself. Composers and Musicians often have separate deals with the publishers and record labels that requires their share of the profit, since they often manage others parts such as the promotional activities (Lomäng, 2012).

“When transmitting broadcaster receives a license from STIM, they get the right to use all music in STIM's repertoire. This means that production companies are free to choose if they want to hire individual composers or contact the publishers or music company for help with suggestions for music orientation. As individual songwriters, you can then contact the film or TV producers yourself to offer your music, or have a publisher represent you. The publisher or composer makes up directly with the manufacturer regarding synchronization and mechanical rights” - Lomäng, personal communication, 2012-10-12

Lomäng states that the key intermediates in this process are composers, publishers, music labels, production companies and broadcasters (Lomäng, 2012)

4.4.2 Epidemic Sound distribution process

The music produced by a composer contracted to Epidemic Sound is paid for when delivered to them. There are several different options available to the composer, they can choose to deliver everything from one piece of music per week or even one per day. If a

production company needs a specially designed Theme for a TV-show, the composers are notified about the request and if their piece is chosen they are accordingly benefitted financially. Their payment model is arguably perceived as a simple one, with a clear income ladder where the composer gets paid more if their music is frequently used and depending on the level of musical complexity connected to creating the piece. The composers are also offered additional income depending on the overall financial profits that Epidemic Sound generates (Höglund, 2012) (Epidemic Sound, 2012).

Epidemic Sound has a library of 20.000 tracks, all of which are bought from individual composers that have arranged a compact together with Epidemic Sound. This library is continuously growing by approximately 300-500 songs every month. Epidemic Sound is buying the copyright ownership to the music that is sent to them in exchange for payment up front. This always results in monetary compensation for the composer, even if their song is never used in a production. Epidemic Sound is providing a service in which their customers pay them a fixed fee which enables the customers to access their library of songs online. The potential customers are production companies that are producing TV-shows. When producing a TV-show there are several crucial elements to include, and one of the most important elements is the music, to enhance the scenes and create a mood for different settings. Epidemic Sound is not only offering their customers a library full of songs valuable for TV-production, they are in fact offering them a service in which their customers efficiently can find a certain type of song that fits directly in to the scene they are trying to create. Epidemic Sound is categorizing every song that is sent to them in different mood settings. For example, a sad song, a thrilling song, a church song or a goofy song. The web based client enables the customer to search for several mood settings to fit their scenes. Let's say that you are a customer and you want to create a scene where everyone is relaxing and laidback, then you can search for 'relaxing' or 'soothing' or 'laidback' and several different songs that may fit the purpose will be presented to you. Likewise if you want to add music to a scene where the villain is being chased through a casino, you just type in 'chasing' and 'casino'(Höglund, 2012, epidemic sound, 2012)..

The promotion and advertising activities of Epidemic Sound relies on the 'word-of-mouth' of the users, through references from their customers, via their website and to actively process new potential customers (sales meetings), both in Sweden and in the rest of the world (Höglund 2012).

During one of the interviews, we asked Höglund a question if access to the Internet and the digitization of music facilitated / abbreviated the number of intermediaries from the composer to the end customer. In which he replied: *"Without a doubt. We are proof of that. Without digitization, we would not have the conditions for what we do"* - O. Höglund, personal communication, 2012-09-14

According to Höglund the key components (most value adding) of their value flow from the composer to the end customer are *"to put together a complete catalog (one stop shop), to ensure consistent high quality, to remove any legal uncertainty, gathering buyers and sellers in one marketplace, to rationalize away unnecessary middlemen, and to provide a technical platform"* (O. Höglund, personal communication, 2012-09-14). Höglund also explains that it is not common for composers to co-operate with recording studios or sound engineers before they send their product (track/song) to Epidemic Sound, *"The composers master these tech-*

niques by themselves, otherwise we teach them during our regular workshops” (O. Höglund, personal communication, 2012-09-14).

Höglund (2012), also confirm that there is a marked path for the flow of value (Value Adding Services) from the composer to the end customer in Epidemic Sound and that he agrees to our depiction of it seen under our interpretations.

5 Analysis

In this segment we will feature our analysis as to how the empirical material gathered is linked to general theory on value, and to theory on the value chains in the music industry. After interpretation of the structures we will interpret how well the theory presented on value chain governance suits the production music industry.

5.1 Perceived value chain

In segment 2.1 we presented a definition of value that is quite wide, ranging from monetary to intangible value forms. Through empirical findings we note that this wide range of value forms fit well with the production music industry. We see that value is added in the possible steps (in forms of separate market actors):

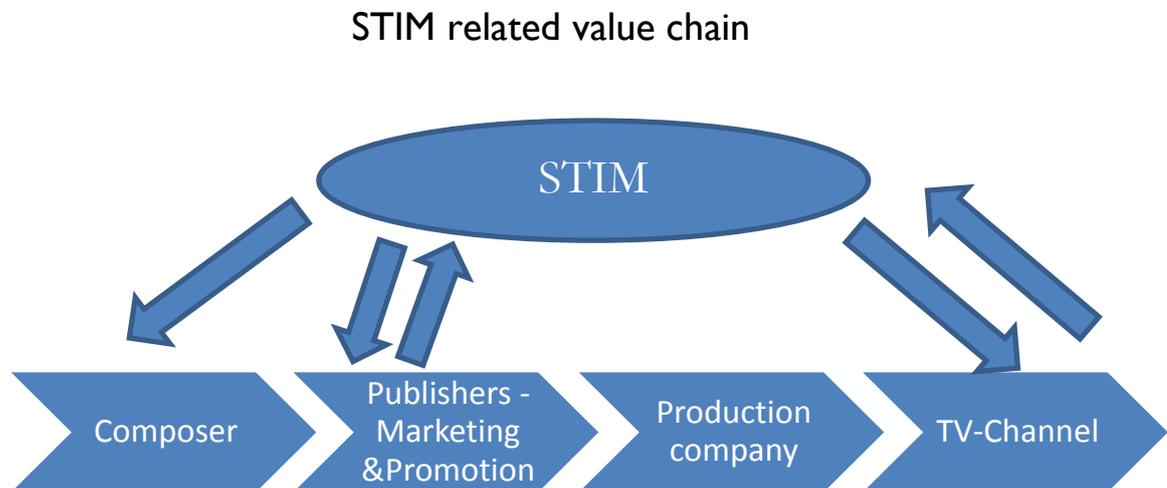
- Composer
- Sound engineering/finishing
- Publisher
- Music Libraries
- Production companies
- TV-channel
- Performing rights associations (STIM in Sweden)

As problem to this study was found in lack of business knowledge of the industry, particularly among composers, we find it obvious to start with composers as value creators. In some cases, they acquire help to improve the value of their work by Sound engineers, or by publishers. Then usually publishers make agreements with composers to market their work and try to sell it to production companies. This service is value adding and is usually compensated by the composers by an agreement to which a percent of the earnings from each sold work fall to the publisher. Publishers also often handle registration of works with STIM, therefore reimbursement for used works can often go through Publishers back to the composers. There is an alternative for composers to working with composition in the Swedish market. And that is Epidemic Sound, a buy-out music library with value adding services aimed at both the composers and at production companies. While publishers take a percentage of earnings for selling the work of their composers, Epidemic Sound buys the rights to works done by their composers. Epidemic Sound expect their composers to handle all production and finishing of music themselves, with the help of Epidemic Sound coaches that ensure that the composers have the opportunity to develop the necessary skills for this themselves. With Epidemic Sound the music is then added into a categorized library that is aimed at providing value in its simplicity for users. Through subscriptions, agreed with production companies and TV-channels this library is then sold as a service where the music can be used an unlimited amount of times without extra cost. After a publisher manages to sell a work to a production company, or after Epidemic Sound sells a subscription to their library, the buying production company adds it into a TV or video production, adding finishing and cutting to make the music fit into the particular segment of the TV production. When this production is then at last used on TV, the information about what music is used, if linked to STIM, is sent to STIM for future reimbursement services.

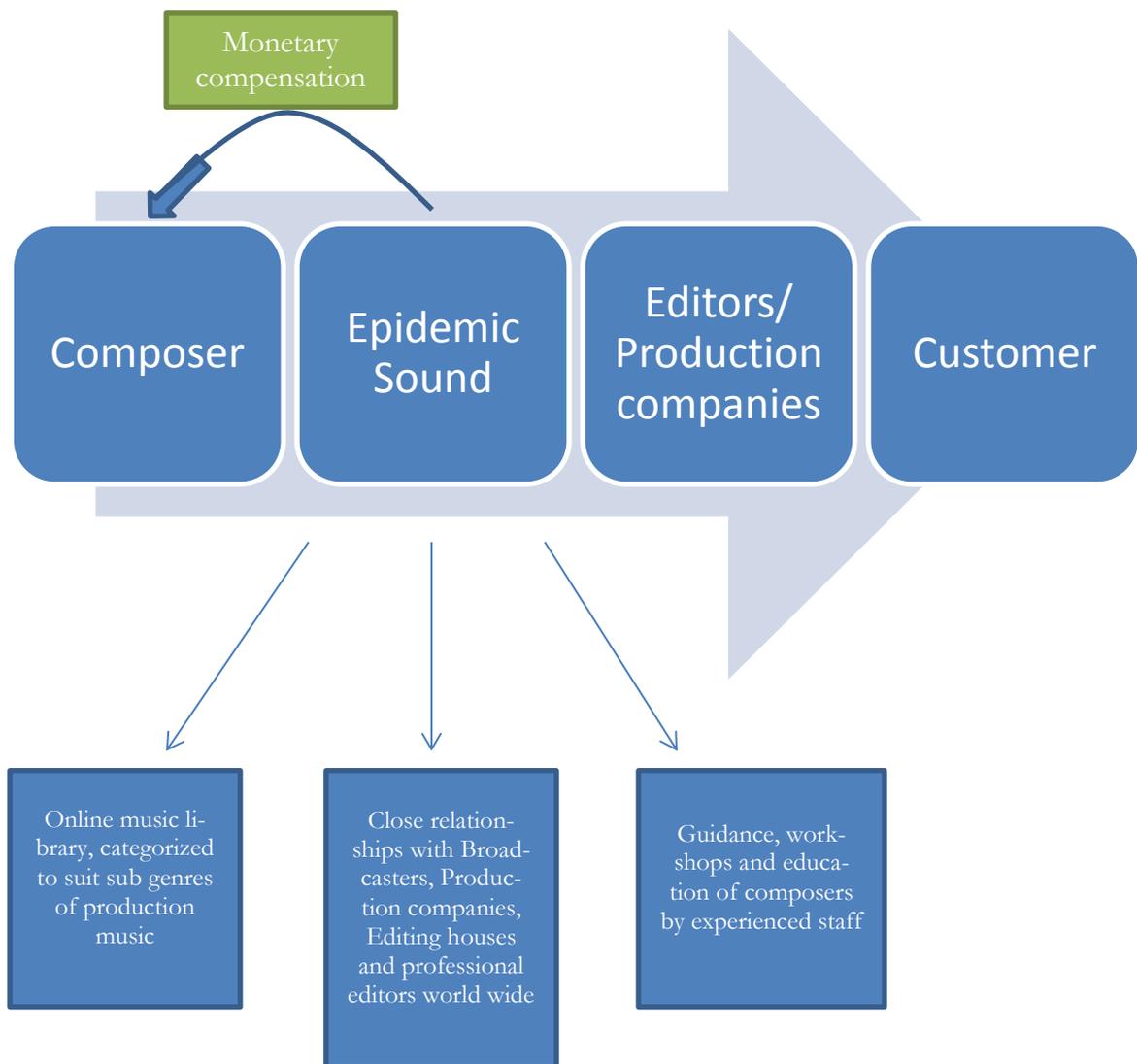
We see a clear system of value adding services ranging from composers to production companies in what can easily be viewed as a chain. Publishers and Epidemic sound work

in a way that resembles attempts to differentiate the product they are selling from competitors. While production companies also have value adding services, it may be argued that the nature of production music is that it is to be added into a TV or video production, and that therefore, after the music has been added into a production the music has turned into a value adding service to that production rather than to the music. The fact that there are several different actors within the industry that are linked in one way or another to each other in value creating exchanges also hints at the last theoretical proposition we presented under 2.1, namely that the value chains within the industry can be described in a bigger picture as a value network.

In the following segments we will analyze how our perception of the value creation processes involved in the Swedish production music industry compares to the contemporary theories on value chains and networks in the music industry we presented within the theoretical framework. The following is our own depictions of how we perceive the two value chains in the Swedish production music industry:



Epidemic Sound related value chain



5.2 The Simple Value Chain

In The simple value chain the value creation process is surprisingly similar to the Epidemic Sound value chain. Content acquisition, Epidemic Sound buy the content from the composers. Followed by content selection and processing, Epidemic Sound evaluates the songs they receive and pay the composers accordingly. The next step is the transformation of content into distributable form, this is where Epidemic Sound categorize the songs to fit the search options and link them to suit future TV productions. The distribution value chain is also operated by Epidemic Sound, in which they release the songs in their online library service. The marketing and promotion intermediate mentioned in the simple value chain is placed at the end of the distribution process which is the case for Epidemic Sound. Höglund explains their marketing and promotion strategy

as one that relies on the word-of-mouth of the users, through references from their customers, via their website and to actively process new potential customers (sales meetings), both in Sweden and in the rest of the world. An important point to make is that the marketing and promotion activities do not result in an increase of value in monetary terms for the composer, since the composer is paid regardless if their work is ever used, the marketing and promotion activities is however resulting in the increased number of users, and hence an increased possibility that the composers' work will be used in a TV production, which can be perceived as valuable in a sense of recognition and personal branding.

The linear structure of the simple value chain bears little similarity to the value chain of STIM. There are often more intermediaries involved in the traditional distribution process and there are several more intermediaries who might add value, such as publishers and labels. Marketing and Promotion is of greater importance since the composer actually relies on production companies to use their work and to receive any monetary compensation.

Referring back to the Simple Value Chain model, if we Assume that large broadcasting companies such as TV4 want to create revenues through selling advertisement space and that advertising agencies want the maximum amount of viewers at a low cost, the goal then for TV4 would be to buy the best shows available on the market (from production companies) that can generate as many viewers as possible. If the production companies are then able to produce a TV show at a certain quality with less costs spent on parts of production, such as music and the incorporation of music into the TV show. Epidemic Sound would then be their partner of choice since they can provide the same quality of music for TV production purposes at a lower price and enabling easier editing. This would prove that Picard is right about the commercial TV business eventually being powered by the need of the audience and finally the advertisers who want to maximize their profits.

5.3 The Popular Music Industry Model

The popular music industry model is not a suitable model for the production music industry model. The focus is on commercial radio and therefore the model incorporates record labels, A&R agents, and gatekeepers which are intermediaries that are nowhere to be found in the production music industry. There are however similarities to be found, for example the popular music industry model is controlled by the needs of the audience and the advertising agencies much like the Simple Value Chain model. Advertising agencies are mainly interested in the amount of viewers of the TV production, much like the radio stations presented in this model. This indicates that the final customers in the production music industry are controlling the value chain in the same way that the radio stations do in the popular music industry model.

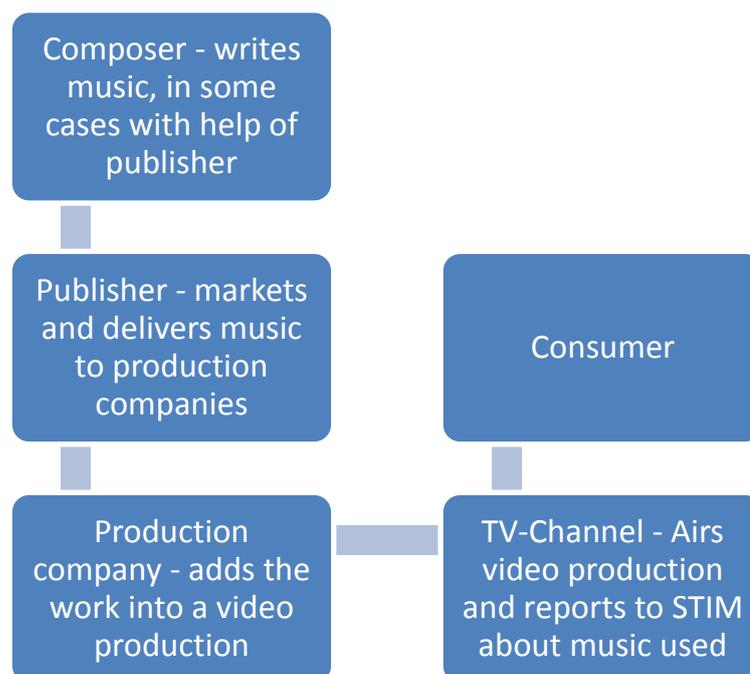
5.4 Copyright and the composer model

The typical music value chain presented under the heading Copyright and the Composer model presents several typical steps that are generalized to be present in the music industry. We find that in both our studied value chains, there has been disintermediation of the value chain and that not all the standard value creating activities are present. For instance A&Rs, recording, manufacturing and Marketing are not very evident in our

value chains. With STIM and Epidemic Sound there is no manufacturing of CDs or records, and that means that distribution and delivery take a smaller role as well.

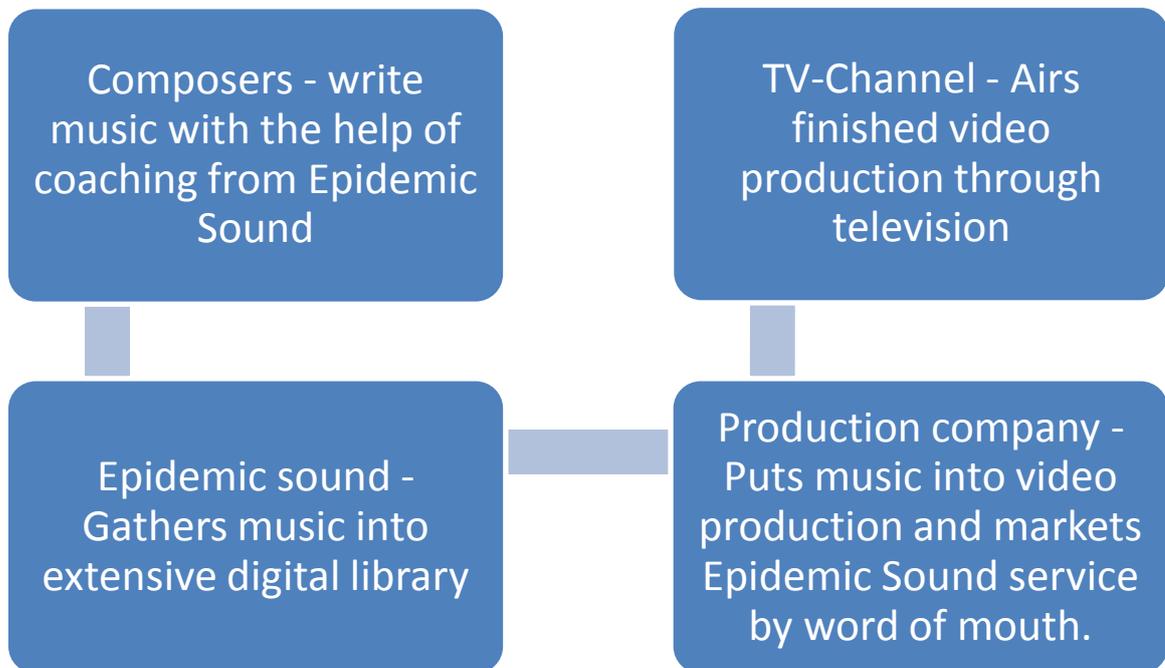
A STIM linked composer will, as we have previously stated produce their works, sometimes in conjunction with help from publishers to raise quality. Then generally a publisher handles the distribution and sales of the work done by the composer directly to a production company, that includes the music in a video production. Then the production company sells or distributes the finished production to a TV-Channel that then reports to STIM about what music has been used in its aired TV shows. Within this value chain we see evidence of both disintermediation and reintermediation. The role of the A&R is gone, so is manufacturing, distribution and delivery. Instead a 'finishing' part is added where the production companies add the music into video production. After that distribution gets reintermediated into the value chain as the video production airs on TV. Our view of the Actors in the STIM value chain with explained subheadings according to the aforementioned models would look like this:

STIM related adaptation of Copyright and the composer model



Epidemic Sound uses a highly digitized value chain to deliver music from composers to end customers. This value chain features extensive disintermediation where the role of Publishers, A&Rs, Production, Manufacturing and Marketing have been removed out of the value chain and replaced by coaching and the digital library distribution system that Epidemic Sound uses. Even STIM is disintermediated out of this value chain as they have no role in redistribution of monetary funds, Epidemic Sound pays composers directly as previously stated. Our depiction of Epidemic Sound value chain as an adapted version of the copyright and the composer model looks like this:

Epidemic Sound related adaptation of Copyright and the composer model



The value chain in which STIM is active has no clear model of value flow since the intermediates between the composer and the consumer may vary a lot. Some composers choose to work with publishers and A&R some do not. Epidemic Sound on the other hand have a clearly stated flow of value that follows the same pattern in the value chain.

5.5 The Virtual Distribution Model

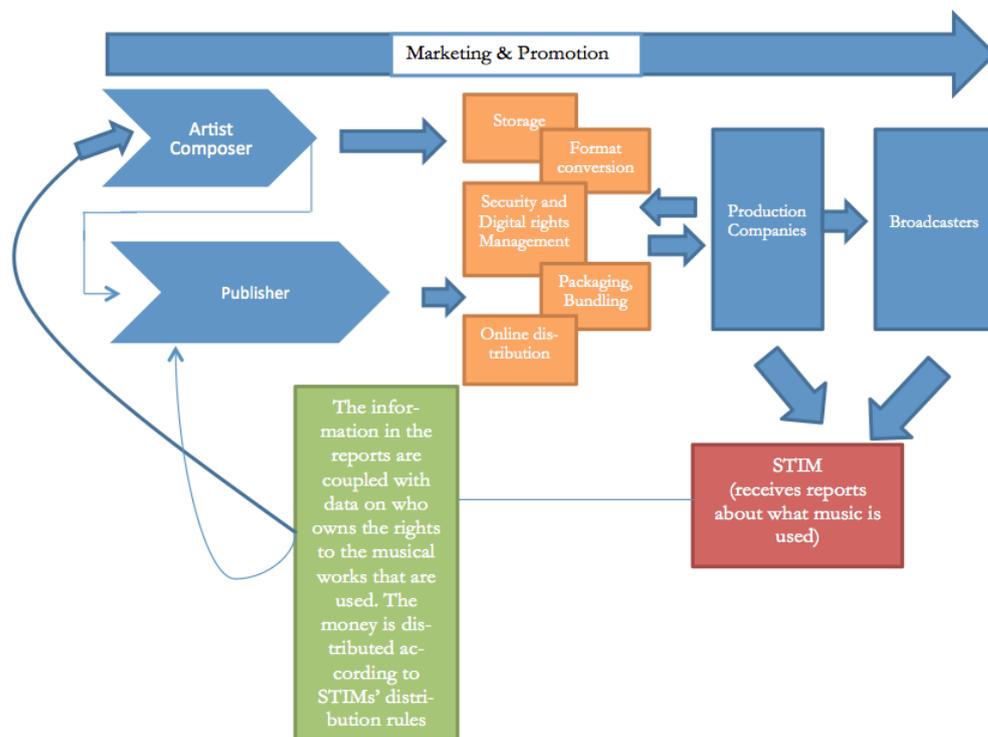
Tuomolas' virtual distribution model is mentioning the development, production and mastering (refinement) of the content as a separate intermediate in the value chain. This is an intermediate that does take place in the value chain of Epidemic Sound. As Höglund clearly states, the composers master these techniques by themselves, otherwise Epidemic Sound will teach them during their workshops. In the value chain of STIM however, there is room for mastering studios and other types of refinement. The value adding services presented by Tuomola are typical activities that are incorporated in the business model of Epidemic Sound. The billing, the customer service and the content hosting in data banks are all undertaken by Epidemic Sound. In the case of STIM's value chain, the billing is undertaken by STIM and customer service is handled by the publisher and the composer since the individual composer is the one supplying the product. Access and connecting is an intermediate that makes the virtual distribution possible, access to internet is critical for the online library service that Epidemic Sound offers and

also critical for the composers connected to STIM, distributing their music online. Epidemic Sound the access and connecting is considered critical, neither STIM or Epidemic Sound see this intermediate as a key intermediate in their value chains, rather they see it as a factor that enables the existence of the key value adding services in the value chain. The Navigation/interfacing service is incorporated in the service that Epidemic Sound offers, it is an important factor for them to enable their customers to navigate through all the songs in the music library. Navigation/interfacing is not considered as a key intermediate in the STIM value chain, most likely because an individual composer often have direct contact with the production companies and that the music is primarily custom made for a certain production. Marketing and promotion is considered as a moving phantom component appearing at various stages by Tuomola which is not true for Epidemic Sound, who clearly engage in promotion activities at the end of the value chain and not during the creation or the reproduction process. Epidemic Sound this is true in the case of the STIM value chain, the publisher or the individual composer engages in marketing and promotion activities along the whole value chain, for example the composer might be specializing in making instrumental recordings of classical music, and should therefore direct the marketing towards suiting productions and production companies. While other Marketing & Promotion activities are engaged in the distribution process when the actual work is used, to increase the amount of viewers/listeners and maximize recognition and monetary compensation.

When we interpret the virtual distribution model and compare it to the typical intermediaries incorporated in the STIM value chain, there are indications such as the acquisition of skills and tools, that enables possibility for STIM composers to customize the value chain. The composer might possess skills such as production, mastering and promoting and marketing or they can chose to work with intermediaries who possess these kind of skills, and accordingly adds value for the product. However, the more linear structure of the Epidemic Sound value chain and the fact that Epidemic Sound is in control of the key value adding services such as content storage and distribution indicates that there is no room for disintermediation of the value chain and that the composer is not in control of the value flow.

When interpreting the Empirical findings and add them to the theoretical framework, or more precisely, The virtual distribution model, We get this figure.

STIM related depiction of the production music market according to the Virtual distribution model



With this figure we want to explain that the composer/artist has the option of working with a publisher, but can choose not to. The following boxes represent the typical value adding services and intermediaries involved in the STIM value chain. The orange color of the boxes is representing the fact that these intermediaries can be disintermediated if the composers possess the skills to undertake these activities by themselves. The following boxes are the final customers in the value chain, production companies, followed by the broadcaster. The Marketing & Promotion is conducted along the whole value chain, represented by the arrow moving from composer all the way to the broadcaster.

5.6 Musical Networks

The Musical Networks model clearly is not focused around the production music industry since the model is stating the 'record companies' as a base for the creative network, which is not the case for the STIM value chain, nor the Epidemic Sound value chain. The model is however visualizing the process of dis- and reintermediation in a very good way. Suppose that a composer connected to STIM is looking to write music for an upcoming TV-production and that 'record companies' are replaced by 'Production com-

panies'. The composer then have the possibilities of working together with any of the value adding services in the network of creativity before reaching the production company with an offer. There is no established way of the value flow and Leyshon, much like Wallis and Tuomola also mentions that skilled composers can disintermediate the value chain without the loss of value. When comparing the structure of the STIM value chain to the Musical Networks model, we find that the STIM value chain does in fact hold some characteristics similar to this network structure. There is clearly possibilities for disintermediation, and it is completely up to the individual composer to choose the services in which value is to be added before reaching the production companies. The Musical Networks model have very little in common with the Epidemic Sound value chain. The value chain of Epidemic Sound has a linear structure in which there is no room for disintermediation and activities such as publishing and promotion that are included in the networks are undertaken by Epidemic Sound.

5.7 Value Chain Governance

The background to our topic was based on two news segments that aired on Swedish television that clearly showed that there was a lack of knowledge among actors within the industry about how the production music industry actually works. Through our theoretical framework we have presented theory that explains basic concepts of governance in the value chain, namely producer driven chains, buyer driven chains and internet oriented value chains. The application of these models for value chain governance are not very comfortable, producer driven chains bare no basic resemblance to the value chains we have presented thus far. Buyer-driven value chains could be a better application to both STIM and Epidemic Sound value chains. As our background and empirical material has shown, the control of the market is on the buyer side. The role of production music is that of a part of a finished video production product rather than a product in itself. We believe that this resembles the industries presented as ones regularly dominated by buyer driven value chains when it comes to general structure, but that the link is not so evident that we would call the production music industry a buyer driven one in the sense that Gereffi would present a chain of that sort in his studies. Instead, the internet-oriented value chains presented in the beginning of the 21st century are a better fit for the production music industry. Industries in this form of value chain are usually dominated by customization, disintermediation and new internet navigators (see the table in appendix 1 for more information). As with the buyer driven chains, the STIM chain is a very loose fit for this type of value chain, Epidemic sound on the other hand fits better. The Epidemic Sound library builds upon virtual integration and disintermediation of the traditional value chain.

6 Concluding segment

Within this segment we will present our conclusions drawn from interpreting findings. We will also discuss possible applications of the findings as well as areas of further study. The segment, and the thesis ends with a self-reflection on the writing process in which we discuss choices made in the process of writing this thesis.

6.1 Conclusions drawn from interpretation of findings

When we first set out writing this thesis we had the goal to shed light on an industry in which we believed there was little business knowledge available. To draw conclusions from our interpretation of empirical findings and theory we first restate our purpose:

“1.3 Purpose

Composers can receive and create value through either traditional distribution methods linked to STIM or through Epidemic Sound. Through mapping of the value chains involved we will analyze where value is created, if composers can control the value chains, and if the Swedish production music industry matches contemporary theory about the music industry in general. This could be important to clarify how the market for production music in Sweden works.”

We have described the two different value chains available directly in the Swedish market for production music. Our findings show clearly that value is created through a number of different services in the value chain, both by individual actors and through co creation of value between actors. Both STIM and Epidemic Sound are active in fairly simple value chains, that are partly disintermediated as many of the traditional parts of a value chain are not needed.

The STIM value chain has network-like structure, resulting in non-established direction of value flow. The Actors and the value adding services in the STIM value chain are not predefined and the composer connected to STIM, Epidemic Sound typically there are some intermediates that seem to be incorporated in the majority of the cases.

Whilst theoretical material on governance of value chains is understandably more aimed at addressing larger global value chains, we find the generalized structures of the three different theories we have presented interesting. Through our interviews we gathered that both value chains are basically controlled by buyers, but interpretation showed that the value chains fit to theory on buyer-driven value chains was weak, however, the Epidemic Sound value chain is relatively well linked to the internet-oriented value chains. What this in real terms means is that composers are out of a theoretical perspective not in control of the value chains, but closer to control in the Epidemic Sound value chain.

We find a general fit in most of the theories we have presented, but that theory is generally focused on parts of the music industry that are more oriented towards record-sales and radio rather than TV-production. The overall similarities found in the existing theories about music value chains compared to our empirical findings leads us to conclude that there is much resemblance between the commercial music industry and the production music industry.

The value adding services in the linear structure of the Epidemic Sound value chain are in some cases sharing the value added at certain points during the value chain. The composers benefit from the education and guidance of the technical aspects of music

making while Epidemic Sound ensure the quality of the songs that are stored in their library through these services. During our research, this aspect of value addition has not been observed in the STIM value chain.

6.2 Discussion on study implications

While there are mostly general conclusions to be made on our study, and this was an explorative study on a market which there has been little research, we find that there is room for discussion on what our findings imply for market actors, our impressions of the market and as to how and on what future studies should be made.

As we found out through the news segments we presented in the start of our thesis, there is a lack of information about the industry, and how it works for especially composers. Studying different composers and their economic returns through different choices on this rather small and closed market could very well be a way to further increase the level of information available about the market. We believe though, after having studied the Swedish market, and having read information about international markets, that a study such as that should be conducted on an international scale with a goal to provide a specific model for value chains in the production music industry, with well described parts for re- and disintermediation. Such a study could possibly find more hints as to how governance in smaller market value chains such as the market for production market can work.

Arguably, the traditional value chain of STIM should not be called ‘traditional’ since there is several ways of adding value, resulting from the digitization of music and the disintermediation of ‘traditional’ intermediaries.

We believe that future composers of production music are presented with valuable information regarding value creation in the production music industry in this thesis. The goal of this thesis is not the help the composers to choose the best alternatives, rather we think that the information provided by the authors gives the composer a better view of the actors involved, then it is up to the composer to define how they perceive value, and then engage in the activities that benefits them in the best possible way.

Through mapping of the value chains of STIM and Epidemic Sound we found that in the STIM value chain there are opportunities that can result in value in the form of large monetary compensation for the composer. There are also the possibilities of public recognition and fame, which can be perceived as value for some people. Along with the fact that the copyright for the musical work remains in the hands of the composer, which also can be perceived as valuable. The freedom of being able to choose business partners, target customers and creating a personal brand might be of value for composers.

The Epidemic Sound value chain creates value in terms of money for the composer without the factor of uncertainty, which may be a factor value on its own. The education and guidance through workshops can also be considered as factor of value for the composer.

6.3 Self-Reflection on writing process

The writing process of this thesis has been lacking in structure. We have been working together from different geographical positions, trying to sync our work through available online services for information sharing. This undoubtedly has been an obstacle that we have not handled in the best possible fashion. The online sync strategy resulted in plenty of additional work of structuring the thesis and copy-paste errors as well as a problem regarding the division of work and linking the different parts of the thesis together. It has become clear to the writers of this thesis that we should have been building the thesis from the guidelines supplied by the tutor from the start rather than trying to apply the structure in the later stages of our work. The interviews that were conducted should have included preparations from all of the authors of the thesis, which was not the case. All the authors should also have been present during the interviews since the information we received is a crucial part of the thesis. The semi-structured choice for our interview structure has been very benefitting to us in two ways; firstly we could revisit the empirical findings and ask the interviewees additional questions via email. Secondly, it gave us plenty of information which we initially thought we did not need, but later after shifting the focus of the theses, proved to be very valuable. The interviewees have been very flexible and helpful along the whole process.

Whilst in hindsight there are things we would like to add to this thesis, like for instance interviews with representatives from production companies, TV-channels and also with composers. We are generally happy with the results of our writing process. We have learned much about the studied industry, and even more about thesis writing and research. We believe that we will be able to take with us these learning's for benefit of our future studies and careers.

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Appendix

Appendix 1: Table , Origins of the changing governance structures in global value chains

Governance Structure	Leading industries and timing	Main drivers	Form and dominant principles of value chain integration	Institutional and organizational innovations	Corporate and national pioneers
Producer Driven Chains	<ul style="list-style-type: none"> - Natural resources: late 19th and early 20th centuries - Capital goods & consumer durables: 1950s & 1960s 	<ul style="list-style-type: none"> - Transnational Manufacturers 	<ul style="list-style-type: none"> - Vertical Integration (ownership and control) 	<ul style="list-style-type: none"> - Vertically integrate TNCs with international production networks - Mass production - Lean Production 	<ul style="list-style-type: none"> - Oil companies (1870s onward) - Mining (early 20th century) - Agribusiness (early 20th century) - Fordism (1920s onward) - Japanese TNCs (Toyota, early 1960s on)
Buyer Driven Chains	<ul style="list-style-type: none"> - Consumer Non-Durables: 1970s & 1980s 	<ul style="list-style-type: none"> - Retailers and Marketers 	<ul style="list-style-type: none"> - Network Integration (logistics and trust) 	<ul style="list-style-type: none"> - Growth of export processing zones - Global sourcing by retailer - Rise of pure marketers - Rise of speciality retailer - Growth of private labels (store brands) - Lean retailing 	<ul style="list-style-type: none"> - Mexico, the Philippines, Taiwan, South Korea, etc. (mid-1960s onward) - Sears, Kmart, Montgomery Ward, JC Penney (early 1970s onward) - Liz Claiborne (1976), Nike (1976), Reebok (1976) - The Limited (1960), GAP (1976) - JC Penney, Sears, Wal-Mart, Kmart (mid 1980s onward) - Wal-Mart, JC Penney, Dillard's Federated (late 1980s onward)
Internet-oriented chains (emerging)	<ul style="list-style-type: none"> - Services (B2C), online retailing, online brokerage - Intermediaries (B2B), autos (Covisint), Computers (1990s & 2000s) 	<ul style="list-style-type: none"> - Internet infomediaries (B2C market) and some established manufacturers (B2B market) 	<ul style="list-style-type: none"> - Virtual integration (information and access) 	<ul style="list-style-type: none"> - Rise of e-commerce - Mass customisation - Disintermediation: direct sales (skip retailers) - Online services (e.g., brokerage) - New Internet navigators 	<ul style="list-style-type: none"> - Amazon.com (1997) - Dell (1988), Gateway (1993) - E*Trade (1992), Schwab (1996) - AOL (1992), Yahoo! (1996), Excite@Home (1999)

- Specific Dates indicate years companies where founded, or where established. Decades indicate onset of trends.

- Adapted from Gereffi.G(2001), *Beyond the Producer Driven/Buyer Driven Dichotomy: The Evolution of Global Value Chains in the Internet Era*. IDS Bulletin, Vol 32, No3, Page 34