

Reflective Paper

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Culminating Experience Project

My Culminating Experience project – a case study by the name of “Streaming Wars Continue” aims at providing research and a deeper look into the fascinating music streaming business models, its challenges, opportunities and strategies.

In 2010, Harvard’s Professor David B. Yoffie and research associate Renee Kim published “Cola Wars Continue - Coke and Pepsi in 2010”, the latest case study in a series of influential research analysis on the carbonated soft drink market dominated by two colossal players for more than a century that showcased the tale of continuous battles towards world domination between them.

This case study served as inspiration for an analysis of the music streaming business - a relatively recent, fascinating new market that has, from early on, been characterized by global consolidation, constant pursue of value innovation and, above all, hard-fought business wars that have taken place in different battlegrounds utilizing a plethora of arsenals.

Several case studies have been written on music streaming, mainly regarding Spotify. This case study, however, aims for a different type of analysis - instead of placing a specific focus on one service, “Streaming Wars Continue” provides an analysis of an industry - from incumbents such as Spotify, Amazon and Apple to newcomers from Asia that are ready to join the world stage - and the fights and strategies between these platforms.

The timing of this writing could not have been any better. After more than a decade of notorious hard work aimed at reversing a long recession of a music industry plagued with piracy in the digital era, these new services and value propositions are growing at an unprecedented level, moving from early adopters to an early majority, having transformed an industry in the process. Nonetheless, there is little room for celebrations so far - music streaming business models are yet to be profitable, platforms fight to

differentiate themselves while they essentially offer the same catalog and most consumers still perceive music as a low-priced commodity.

The case study begins with an overview of the economics of the music industry. Here, the reader gets a thorough understanding of what rights exist in music, how the revenue is distributed on the value chain and why is the licensing of music such a complex process, particularly when it regards the streaming model.

After that, we take a historic look at the music industry, from its early history until the current, streaming dominated market. Herein, an exhaustive overlook at the different players in the market takes place. This is one of the main differentiators between this case study and others written in the past – while they put a heavy focus on Spotify, the industry leader, they do not take into account the panoply of players working hard to achieve the same success. Moreover, these services put to use an array of different strategies that provide compelling diverse approaches to the plagued music streaming business model. We start by looking at the big western services, from Spotify to Apple Music and Amazon Music, and then focus on the emerging players with great potential – the likes of Tencent in China, MelOn in South Korea and Saavn in India.

The second half of the case study focus on the challenges and opportunities of streaming business models from an economic perspective. From pricing strategy to B2B tools such as “Spotify For Artists” and the effects on usage, where we study the differences between the consumption of younger and older audiences.

The case study ends with a set of questions for our readers/students to consider. How can music streaming companies turn a profit? What strategies can Apple and Amazon take to win the streaming war? What will be the future role of Asian newcomers such as Tencent?

Results

The research conducted lead to the uncovering of several studies made on music streaming business models that greatly enhanced my understanding. Indeed, “Streaming Wars Continue” builds upon this knowledge, providing the reader with an overall view of the industry while deep diving into economic strategies such as pricing and types of consumption.

Among the several results achieved, I highlight those that regard pricing strategies, one of the most important decisions a music streaming company has to make. While the typical \$9.99 pricing model did a good job establishing a price on a new market, it is clear that, as the market matures, this price is higher than most consumers are willing to pay for music and lower than what higher spending fans could pay. As the streaming adoption moves away from early adopters, pricing innovation is more important than ever. Research data shows that almost 70% of the \$9.99 price opportunity in mature markets has already been tapped. Moreover, demand for fully licensed streaming services is relatively inelastic, with a \$6.99 model as having good potential to grow the customer base. This opportunity, however, is not enough to open a broad new market opportunity, as it was shown when Apple Music failed to push for a \$7.99 model.

Due to the fact that we reach palpable conclusions and give students and readers good insights into what can be done differently, the end result is of great satisfaction to me. In this regard, the project met the expectations and what it had set to accomplish

Plan of Action/Process

Research for the case study started early, by end of the first semester. From mid-January on, bi-weekly meetings with my advisor Prof. Alexandre Perrin proved to be the most effective way of ensuring a continuous work on my end and corrections and edits on Prof. Perrin’s end.

The initial work done by the end of 2017 supplied a good set of materials to work with and build upon. However, this first research needed to be substantially molded and shaped. Moreover, during the

second semester, new findings were reached, which were included in the project as they were uncovered. The bi-weekly meetings were crucial in this part of the process, at a time when a lot of the focus was also on that semester's courses and their demanding deliveries.

Next Steps

If the project were to continue, the next step would be to write a teaching note with the final goal of publishing the case. The teaching note is required for publishing since it provides teachers with guidelines on how to structure the classes and lecture the findings.

The publishing would be done through Berklee. In order to maximize the reach of the publication, I would split the results into smaller, engaging articles to be posted online through platforms such as LinkedIn.

It should be noted that, due to the fact that I am currently enrolled at a demanding data analytics internship at Red Bull, it is unsure I would have the time, after graduation, to pursue a publication of this case study. However, it is not something I rule out entirely.

Contribution to the Profession

"Streaming Wars Continue" assembles different researches on music streaming business models and builds upon them. The value of this paper is to provide both an overview of this fascinating yet struggling market while deep diving into the nitty-gritty of its economics.

This is the main differentiator between this case study and the ones written previously, and one of the reasons why I decided to do it. Therefore, this research adds value to the profession and takes the streaming research to the next level – namely, by including companies such as Amazon and Tencent, companies that look at their music streaming services through a different lens, therefore achieving new, different results. Such new perspectives on the business model open the readers' minds to what can be achieved through different, creative strategies.

Impact on the Student Completing the Work

The main reason why I chose this project as a culminating experience was to enhance my understanding of the streaming market so as to, eventually, be able to work and contribute to this industry. Therefore, the conclusions found on this paper achieved their ultimate goal – to yield a competitive advantage when entering the labor market.

The whole process was a great learning experience. Writing a research paper meant I had to step out of my comfort zone, since, for instance, I had never written a similar work. The success of this case study could not have been possible without the relentless help of Prof. Alexandre Perrin, with whom I bonded and will be forever grateful.