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Value Creation in the Digitalised Recorded Music Industry and Its Implications for Industry Dynamics

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ABSTRACT:

The recorded music industry has undergone a profound revolution due to the development of digital technologies. While digital music distribution channels have replaced physical CDs, the structure and essential functions of value creation have changed. This thesis examines the changes to the value creation of the recorded music industry, the emergence of new gatekeepers in the digital music ecosystem and the impact of digitalisation on artists' global career development.

Porter's value chain and five forces models are utilized as the theoretical foundation of this thesis. These models are further discussed in the context of the recorded music industry and are complemented by 'value network' ecosystem theory. The research was conducted using qualitative methods, and the empirical data was gathered through five semi-structured expert interviews. The interviewees are senior-level industry professionals from the Finnish and Nordic music industries.

The findings highlight a shift from a linear value chain to a complex value network, where multiple interconnected actors contribute to value creation. Throughout this shift in value creation, however, some components have remained consistent, such as the composition of music itself. The most profound changes have been the digitalisation of music distribution channels and the advent of digital streaming platforms.

This thesis contributes to literature by investigating value creation and its implications for industry dynamics. Changes in value creation have fundamentally altered gatekeeping, as no single entity can now control access to the music-listening audience. The thesis investigates the contemporary industry from the standpoints of global accessibility and competitiveness. While music can be produced at minimal cost with instant access to global markets, the oversupply of music and hyper-competition across digital media have made it more challenging for artists to achieve a global breakthrough.

KEYWORDS: (Recorded music industry; digitalisation, value chain; value network; gatekeeping; digital streaming platforms)

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TIIVISTELMÄ:

Äänitetollisuus on käynyt läpi perusteellisen murroksen digitaaliteknologian kehityksen myötä. Digitaalisten musiikin korvatessa fyysiset CD-levyt ovat arvontuotannon rakenne ja keskeiset toiminnot muuttuneet. Tässä tutkimuksessa tarkastellaan ääniteollisuuden arvotuotannon muutoksia, uusien portinvartijoiden syntymistä digitaalisen musiikin ekosysteemissä sekä digitalisaation vaikutusta artistien kansainväliseen urakehitykseen.

Tämän tutkimuksen teoreettisena perustana käytetään Porterin arvoketju- ja viiden voiman malleja. Näitä malleja käsitellään tarkemmin musiikkialan kontekstissa, ja niitä täydennetään arvoverkosto -teorialla. Tutkimus toteutettiin laadullisin menetelmin, ja empiirinen aineisto kerättiin viiden puolistrukturoidun asiantuntijahaastattelun avulla. Haastateltavat ovat suomalaisen ja pohjoismaisen musiikkialan ylimmän tason ammattilaisia.

Tutkimustulokset korostavat siirtymää lineaarisesta arvoketjusta kohti monimutkaista arvonluontiverkostoa, jossa useat toisiinsa kytkeytyvät toimijat osallistuvat arvonluontiin. Tämän arvonluonnin muutoksen keskellä jotkin komponentit ovat kuitenkin pysyneet muuttumattomina, kuten itse musiikin säveltäminen. Merkittävimmät muutokset ovat olleet musiikin jakelukanavien digitalisoituminen ja digitaalisten suoratoistopalvelujen tulo markkinoille.

Tämä tutkimus tarjoaa teoreettisia näkökulmia tutkimalla arvontuotannon muutosta ja sen vaikutuksia musiikkialan sisäiseen dynamiikkaan. Arvotuotannon muutokset ovat muuttaneet portinvartijatoimintaa perusteellisesti, sillä yksikään yksittäinen taho ei voi enää hallita pääsyä musiikin kuuntelijoihin. Tutkimuksessa tarkastellaan musiikkialaa globaalin saatavuuden ja kilpailukyvyn näkökulmista. Vaikka musiikkia voidaan tuottaa vähäisin kustannuksin ja se on välittömästi saatavilla globaaleilla markkinoilla, musiikin ylitarjonta ja digitaalisen median hyperkilpailu ovat tehneet artistien globaalin läpimurron saavuttamisesta entistä haastavampaa.

AVAINSANAT: (Äänitetollisuus; digitalisaatio; arvoketju; arvoverkosto; portinvartijuus; digitaaliset suoratoistopalvelut)

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1 Introduction

This chapter will present background information to introduce the basis of the thesis. The thesis topic, including the key concepts, will be discussed in depth to provide an overview of the research area and to gain an insight into the subject matter. In addition, the research gap, research questions, and objectives will be discussed in depth. It is crucial for the reader to understand the boundaries of the research and the factors that may have influenced the findings; thus, the limitations of the study will be discussed. Furthermore, the thesis structure will be illustrated. The thesis utilizes artificial intelligence software to improve the accuracy of grammar and enhance academic writing.

1.1 Background information

Music has an important role in shaping and expressing cultural identity. It can be seen as a universal form of communication, through which cultural values and traditions are shared and maintained. In many cases, music reflects the history and collective memory of different societies, while also providing a way for individuals to connect with their cultural background (Liu et al., 2024).

Alongside its cultural role, the music industry is also a significant economic sector. The music industry creates employment across a wide range of roles on a global scale. According to the findings of the IFPI (2020), the industry directly employed over 2 million people in the UK and Europe based on 2018 data (IFPI, 2020). In addition, the value of the global recorded music market is estimated to be approximately 29.6 billion US dollars by 2024 (IFPI, 2025).

Dolata (2020) argues that the music industry was the first media sector to be heavily affected by the digitalisation of music. The development of CDs and vinyl records boosted the recorded music business from the mid-1980s to the late 1990s, achieving enormous growth and financial profits (Dolata, 2020). The music business reached its peak in the early 2000s, after which it began a steady decline, initially caused by digital transformation and the resulting illegal downloading of music (CMA, 2022, p.12). Abruptly, music could be copied and distributed for free via file-sharing networks such as Napster (Dolata, 2020). The CMA report (2022) indicates that illegal downloading resulted in a significant drop in the value of recorded music. The reports states that recorded music revenues in the UK dropped by 40% from 2001 to 2015 (CMA, 2022, p.12). In response to piracy, the music industry had to evolve and restructure its business models. Following a brief period of legal MP3s, digital streaming providers took over the music industry in the mid-2010s (CMA, 2022, p.12; Dolata, 2020). The development and growing popularity of music streaming services marked a turning point in music history, ultimately saving the recorded music industry (UK Parliament, 2021). From mid-2015 to the present, the recorded music industry has seen growth, which can be attributed to the rise of digital music services (IFPI, 2025).

The development of digital streaming platforms (DSPs) reshaped the music listening experience by offering the entire world's music catalogue in one service, allowing listeners an unlimited access to a wide variety of musical content (CMA, 2022, p. 12). DSPs have become a significant and growing source of music consumption according to Hesmondhalgh (2022), playing an integral role in how listeners now discover music. In addition, DSPs have also changed the way music is produced this date. Songs have become significantly shorter than before, with one stream being counted as 30 seconds of listening time, based on which artists and record companies receive income. Songs are increasingly produced to cater to shorter attention spans, making the experience of consuming music more fragmented than before. The new climate of music consumption has raised concerns that meaningful aspects of musical experiences may be under threat in the context of musical culture, as listening to music through DSPs changes the experience towards more passive and distracting (Hesmondhalgh, 2022).

Digital streaming platforms have emerged as the most popular way of listening to music. It has restructured the music business and affected industry dynamics in various ways

(Geurts & Cepa, 2023). Traditional media outlets have been replaced as the main way to provide access between the audience and recorded music (Hesmondhalgh, 2022). The structure of the music value chain has been massively reshaped by the rise of digitalisation and digital streaming platforms. The business environment has become increasingly complex and less straightforward, with various players creating value (CMA, 2022, p. 22).

1.2 Research gap

As digital technologies constantly develop and reshape modern society, there have been calls to investigate how firms operate within the digital environment. This includes examining how value is created and secured, and the processes involved in value creation (Geurts & Cepa, 2023).

Extensive research has been carried out on traditional value chain theories. In his book "Competitive Advantage" (Porter, 1985), Porter (1985) established a widely recognized framework for the value chain model. Other scholars have adapted this value chain theory in different ways. The most notable examples are Kaplinsky and Morris (2000) in A" Handbook for Value Chain Research," in which they update Porter's value chain theory and implement value chain analysis (Kaplinsky & Morris, 2000). In the book "The Governance of Global Value Chains," Gereffi et al. (2005) further establish global value chain theory, which investigates shifting governance structures in the context. of global markets, the authors refer to these as 'global value chains' (Gereffi et al., 2005). Although general value chain theories have been extensively researched, the application to the music industry remains rather limited. Furthermore, research addressing music value chain theories in the context of the ever-changing digital music business is even further limited.

When discussing the value chain in the context of the contemporary music industry, some scholars argue that the traditional value chain approach is no longer relevant. This is because the field has become more complex, and the exchange of value is less straightforward than before. Therefore, value creation should be reviewed through the lens of value network theory (Alvarez, 2017; Hiltunen, 2020).

As music is presented in digital form and distribution channels have become digital, various different ways in which songs can be presented to consumers have been developed (Hviid et al., 2017). The most notable additions are digital service providers (DSPs), such as Spotify, and there are numerous ways in which artists can access them. Alongside record labels' distribution networks, independent distributors such as DistroKid and TuneCore have grown in popularity, as they enable artists to access DSPs without a record label (UNESCO, 2022). Furthermore, services such as user-uploaded content platforms (UUCs) allow artists to bypass other stakeholders in the value chain (CMA, 2022, p. 149). A growing number of artists are now able to produce and release music independently, with Hviid et al. (2018) referring to them as 'DIY musicians' (Hviid et al., 2018).

Kujala et al. (2019) calls organisations and their management to have a comprehensive understanding of the creation of value through stakeholder relationships in the modern business environment (Kujala et al., 2019). In addition to investigating value chain theories, the thesis findings present the implications of a digitalised value chain in terms of its impact on music industry dynamics. As the roles of key industry players constantly evolve alongside rapid digital developments, the industry's internal dynamics are in a constant state of transition. The power of traditional gatekeepers, such as record labels and radio stations, has been diminished by the digital transition (Hiltunen, 2020). The ever-changing roles of stakeholders and modern gatekeeper arrangements deserve deeper examination. All entities operating in the music business can use it to understand their position in the value chain or network, and the competitive advantage they might have. The gatekeeper theory has been discussed by scholars such as Lewin (1947) and Barzilai-Nahon (2008). However, further examination in the context of the digital music business is required.

In addition, this thesis considers the Born Global perspective, which has been widely discussed (e.g. Rennie, 1993; Oviatt & McDougall, 1994; Knight & Cavusgil, 1996). While these theories have been extensively applied in international business research, their relevance to the digital music industry remains underexplored. In a context where digital platforms enable artists to reach global audiences from the early stages of their careers, the applicability of Born Global concepts requires further examination.

1.3 Research questions and objectives

In light of the research gap, the aim of this thesis is to provide new insight on the above-mentioned topics. The research questions are designed to address the most important and relevant issues in the field that require further academic investigation. The recent key changes in the music value chain will be thoroughly discussed, with a focus on how value creation has changed from the pre-digital to the post-digital age. The thesis will demonstrate an academic understanding of the relationships between key stakeholders within the value chain, which are constantly in a state of transition due to the fast-paced digital environment. Additionally, it will explore the dimensions that global distribution and access have brought to this area. These topics will be researched through the lenses of phenomenon. In-depth interviews will be conducted to investigate this topic thoroughly. The research questions will be as follows:

Main RQ: How has digitalisation transformed value creation in the recorded music industry, and what are the implications for industry dynamics?

To fully answer this research question, the thesis is divided into three sub-questions, RQ1, RQ2, and RQ3 according to following:

Sub-RQ 1. How has digitalisation transformed the structure and the essential functions of the recorded music value chain/value network?

The purpose of this sub-question is to examine the structure and functions of the recorded music value chain in the context of digitalisation and what are the most notable changes from the pre-digital era to the post-digital era. The theoretical foundations of this topic are outlined below: first, the value chain theory as pioneered by Porter (1985), and secondly, its adaptations to the context of the record music business. The thesis will provide further insight into the transition towards a value network as outlined by Alvarez (2017).

To gain a comprehensive understanding of value chain theory background, Porter's theories of the value chain and competitive advantage will be thoroughly covered. The book is designed to provide an understanding of how firms can utilize their strengths to improve performance and gain a competitive advantage. Competitive strategy is based on the overall profitability of an industry. The second step in the competitive strategy is dependent on the firm's capacity to maintain a competitive position within the industry and to ensure profitability in the face of competition (Porter, 1985, p.1).

The thesis will examine the value chain theory in the context of the recorded music industry. It will examine some of the existing literature on this topic, including Hull's (2004) 'Three Income Streams Model of the Recording Industry'. In his book, Hull (2004) describes the key stakeholders and explains how monetary value is transferred from one point to another. Key stakeholders, according to Hull (2004), include recording artists, record labels, record producers and engineers, manufacturers, distributors, and the public. Furthermore, Bockstedt et al. (2006) value chain theory is provided for the reference to describe the structure of recorded music business prior to digital environment. Furthermore, the music value chain has been updated in a digital context. CMA (2022) research illustrates an 'Overview of the music streaming value chain', considering new value creation functions caused by digitalisation as part of it.

Sub-RQ 2. What are the new gatekeepers in the digital music ecosystem, and how do they influence value creation and distribution?

The aim of this sub-question is to understand the consequences of digitalisation and changes to the value chain for professionals in the music industry. As digitalisation is constantly changing business structures, it is crucial to understand the relationships between industry players. The key insights related to this research question are how industry players are dependent on each other and who creates value for whom. The dynamics of gatekeeping have been shifted by digitalisation, with some traditional players in gatekeeping positions becoming irrelevant. This research project aims to identify the gatekeepers in the modern music industry and how has the phenomenon of gatekeeping changed through the process of music digitalisation.

To understand this phenomenon, the thesis will investigate the concept of gatekeeping and the factors that define the gatekeeper. Lewin (1947) initially introduced the term 'gatekeeper' to describe how quickly and easily something passes from one point to another. Barzilai-Nahon (2008) further provides mechanisms for classifying some entity as a gatekeeper.

The empirical findings of this thesis provide insight into how the dynamics of industry players have changed. The key question is how the relationship between record labels and artists has evolved over the years. Studies have shown that record labels are no longer necessary intermediaries in the creation of value. Artists can now self-release their music through digital channels, bypassing record labels entirely (CMA, 2022; Hiltunen, 2020; UNESCO, 2022). Therefore, it can be concluded that record labels have lost some of their gatekeeping power. The key issue is determining what kind of value record labels can offer artists to help them maintain their relevance.

Sub-RQ 3. How has digitalisation influenced artist career development and global market access in the recorded music industry?

The thesis will discuss the above-mentioned issues in the context of music digitalisation and global networks, as well as the accessibility of songs. As the distribution channels have become digital, artists can now distribute their music globally without restrictions and without having to make a significant capital investment (Alvarez, 2017; Matikainen, 2019). However, increased global accessibility has led to greater competition, as costs have fallen and entry barriers have decreased (Alvarez, 2017).

The thesis will investigate this phenomenon through Born global theory. Notable scholars such as Rennie (1993), Oviatt and McDougall (1994) and Knight and Cavusgil (1996) have discussed the concept of 'born globals'. The general consensus is that a firm can be classified as a born global if it starts exporting from the beginning of its foundation (Rennie, 1993; Oviatt & McDougall, 1994, p. 49; Knight & Cavusgil, 1996, p. 18). The thesis will further investigate the Born global concept in the context of digital music business.

The empirical research will further examine the impact of global accessibility on the global career development of artists. The thesis will investigate whether global accessibility made things easier than before, or has it introduced new challenges. In addition, it will investigate the tools and resources that artists need to succeed on a global scale, and the ways in which strategic partners, such as record labels, can contribute to their global career development.

1.4 Definitions of main concepts and key terminology

Gatekeeper - Lewin (1947) was one of the first scholars to introduce the term 'gatekeeper'. He described gatekeeping as a process in which decisions are made in segregate sections, determining whether something is allowed to pass from one section to another and how quickly this happens (Lewin, 1947, p.144).

Value chain - The value chain concept, originally developed by Porter (1985), describes all the activities performed by an organisation, from product or service creation to delivery to the final customer (Porter, 1985; Zamora, 2016). This theory has been developed further by different scholars over time.

Value network – Value networks interconnect individuals or organisations who exchange value - tangible and intangible. At the center of Alleen's (2008) research is the exchange of intangible resources, such as knowledge or relationship capital, within a network, also defined as business web (Alleen, 2008).

Key industry terminology

The majors - The major record labels, three largest global music groups: Sony, Warner and Universal (CMA, 2022, p. 26).

A&R - (Artist & Repertoire) record label personnel with functions related to discovering, signing and developing artists (CMA, 2022, p. 29).

DSPs –Digital streaming providers, who distribute music online. Streaming services include: Spotify, Apple music and Tidal (Rautiainen, 2022).

DIY artists - who produce and release music independently without signing to a record label (Hviid et al., 2018).

DIY -platforms - aggregation services that offer music distribution to digital service providers (DSPs). E.g. TuneCore and DistroKid (Arnold, 2022; CMA, 2022, p.31)

UUC -platforms - User-Uploaded Content (UUC) platforms. E.g. TikTok, YouTube and SoundCloud (CMA, 2022, p.58)

1.5 Delimitation of the study

Given the complexity of the music industry and research topic, it is crucial to narrow the scope of this thesis. According to Hull (2004, p.26), the music industry has traditionally been divided into three main sectors: the recorded music sector, the publishing sector and the live entertainment sector. To narrow down the scope of the research, only the recorded music sector was selected for the study. Therefore, the publishing and live industries were excluded, and the focus is on the recorded music business.

For this study, five in-depth interviews were conducted by industry experts to gain a comprehensive understanding of the value creation phenomenon in the digital music industry. The thesis will investigate value chain and value network theories applied to the music industry and how value creation has shifted as a result of digital transformation. It will also examine how industry dynamics have changed from the viewpoint of the gatekeepers. In addition, points of discussion will be the global career development of artists and the global availability of music through the 'Born global' theory.

As value chain and value network theories cover a wide range of subjects, the research focuses on the main stakeholders within the value chain. The key focus areas are artists, record labels and digital distribution channels and the value creation between these stakeholders. The study will not thoroughly investigate revenue models, as it will focus on the general concept of value creation and its stakeholders rather than discussing how each stakeholder is compensated in detail.

1.6 Structure of the thesis

The thesis will be divided into six segments. The results of the study will be presented alongside theoretical contributions to the field of music industry studies. In addition, a comprehensive overview of the data collection process will be provided. The structure of the thesis is illustrated in Figure 1.

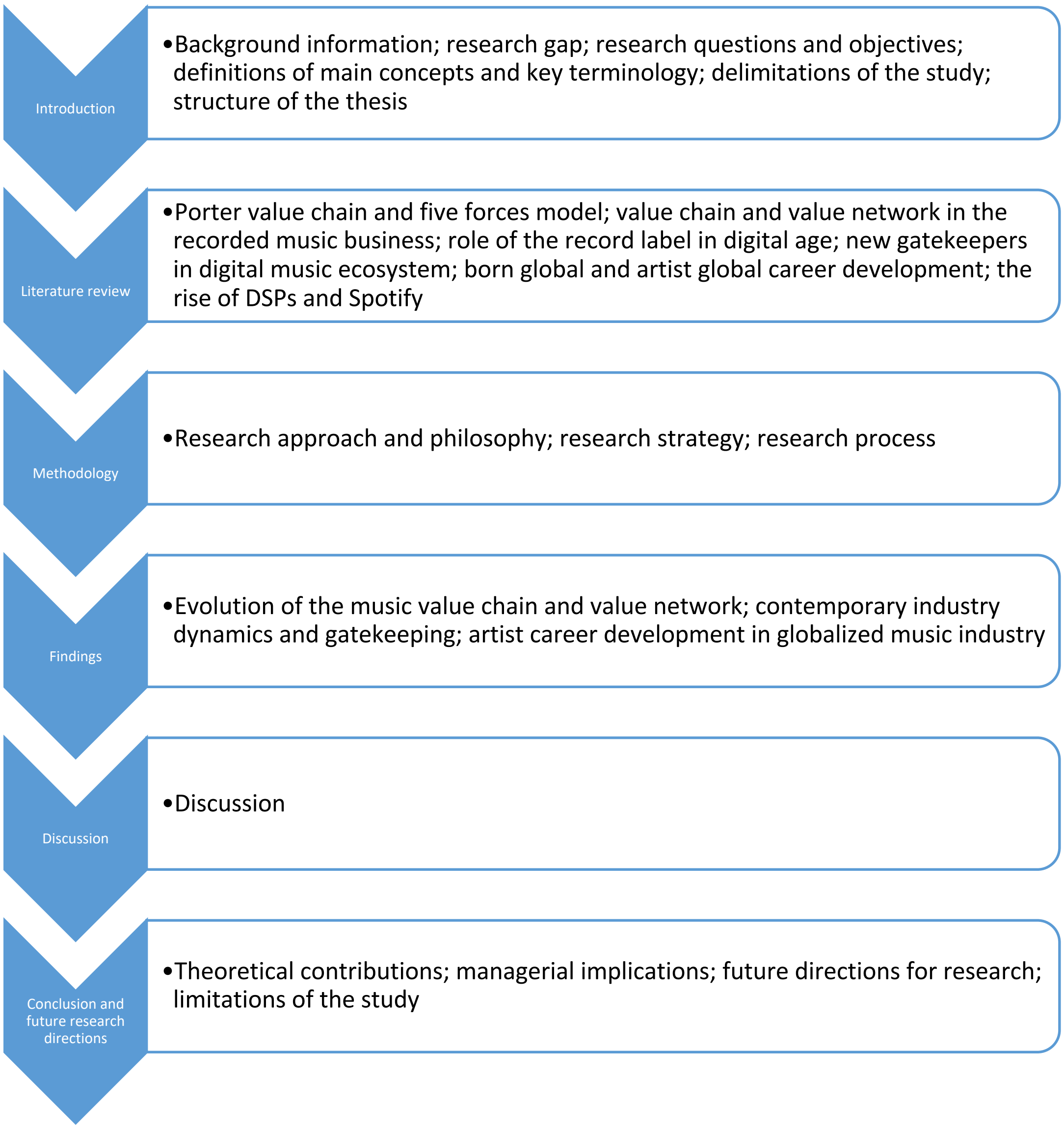

Figure 1. Thesis structure.

The first chapter is the introduction, where the background information will be covered in addition to research gap, research question, objectives and delimitation followed up by structure of the thesis. The background section provides a comprehensive context to the thesis, on top of which the research problem is identified. The research gap chapter provides an overview of the research problem and what gaps this research will fill. In addition, it sets out how the research will contribute to knowledge in this area. The research questions and objectives chapter will further fill the gaps indicated in the research gap section. Finally, it introduces what the thesis will add towards the body of academic knowledge in the field. The structure and thematic map of the thesis will provide a deeper overview of the research objectives and how different parts are tied to each other.

The second section will present a literature review of the subject matter of this thesis. This section will provide a comprehensive analysis of the core theoretical framework, evaluating its position within a broader academic context through an objective and critical examination of a diverse range of theoretical approaches. This section will examine Porter's value chain and five forces models. In addition to Porter's theory, this section analyses an overview of the evolution of music value chain and value network theories. The objective of this section is to provide a comprehensive overview of various music value chain theories, with a particular focus on the changes these theories have undergone over time. Furthermore, the literature review chapter will provide information on gatekeeping theory and discuss gatekeeper theory in the context of the recorded music industry. Additionally, the literature review section will discuss artist career development within a platform-based, global ecosystem. Born global theory will be used to examine the global availability of music.

The thesis will present a methodology chapter in which the research methods will be thoroughly discussed. This chapter will cover the research approach, philosophy, and strategy. Additionally, this section presents a detailed description of the research process, offering insights into sampling, data collection, data analysis, and validity and reliability. Furthermore, it will identify the findings in the context of music digitalisation and how digital transition has reshaped the value creation. This section will provide an in-depth analysis of the most notable value chain theories, critically examining their relevance in the current context.

The findings chapter of this study examines how changes in value production have affected the internal dynamics of the music industry. It also discusses power relations within the industry and how digitalisation has shaped its dynamics. The chapter will discuss the evolution of value creation in the music industry. It also examines contemporary music industry dynamics and gatekeeping. Furthermore, this section will discuss artist career development in the context of a globalised music industry, where global availability and competitiveness are at the core.

The discussion chapter connects the findings and the literature review, answering the research questions based on the empirical findings and secondary data. Drawing on these chapters, the author develops conceptual models to summarise the thesis's key findings. The final chapter provides a conclusion and outlines future directions, summarising how the thesis contributes to managerial and theoretical discussions and highlighting its limitations.

2 Literature review

The aim of this chapter is to conduct a comprehensive and systematic review of existing literature. The literature review will consist of a detailed analysis of Porter's value chain theory, with a particular focus on the relevance of the theory in the present era and an examination of its key criticisms. Subsequently, this section will present a comprehensive overview of the various stages involved in music value chain models. It will examine the most prominent frameworks within the field of recorded music value chains, tracing their evolution over time. Additionally, it will analyze the impact of digitalisation on these value chain theories. This chapter will also provide an overview of gatekeeping theory and application of gatekeeping to the context of music business. This includes a review of the functions performed by record labels and an analysis of the significance of their relationship with artists in the contemporary context. Additionally, it will examine the concept of the born global company and its relevance to the music streaming industry.

2.1 Porter Value Chain and Five Forces Model

The concept of the value chain was first proposed by Michael Porter in 1985 in the book Competitive Advantage, where Porter (1985) describe the value chain concept to measure firm’s competitive advantage (Porter, 1985). Despite its implementation in the 1980s, Porter’s value chain remains a popular foundation among value chain theories. Porter’s value chain model breaks down a company into its strategic activities and evaluates the activities driving price and cost effectiveness (Porter, 1985).

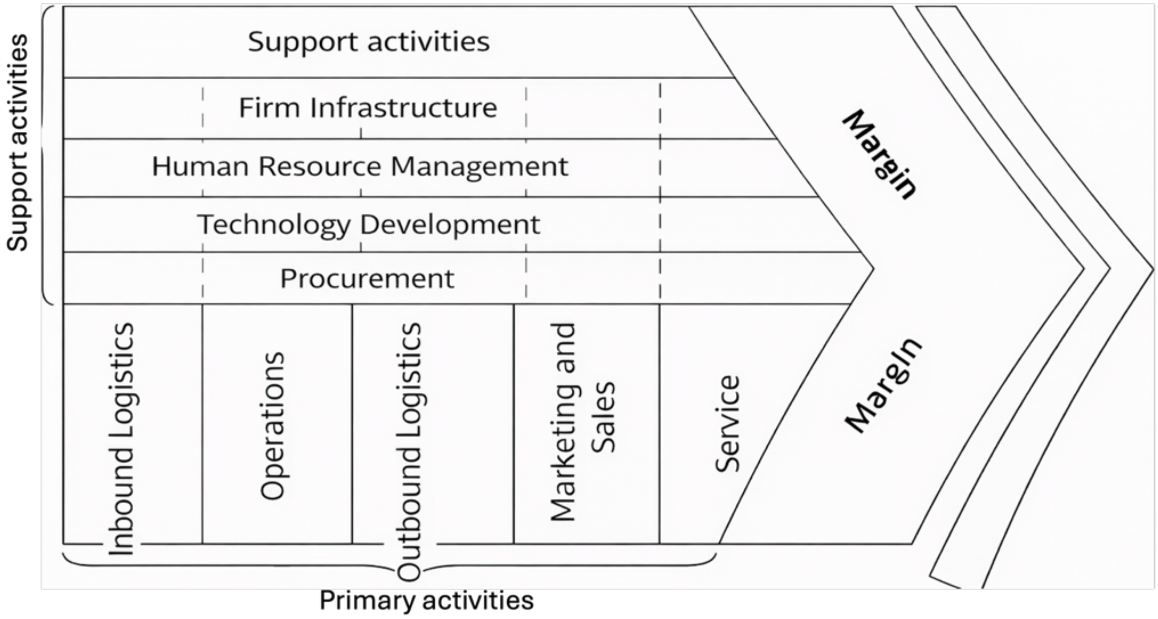

Figure 2. Porter's Value Chain Model (adapted from Porter, 1985).

According to Porter (1985), firm's value is reflected in the total revenue generated, which depends on price and the quantity of units sold. The value activity and the margin consist the total value of company, illustrated by Figure 2 (Porter, 1985). Kaplinsky and Morris (2000) describe the value chain as the process required from outset until delivery to final customer (Kaplinsky & Morris, 2000). A company creates value for the customers through its value activities, which are both physical and technical. The value activities are further divided into primary and support activities. Primary activities include inbound and outbound logistics, operations, marketing, sales, and service. The competitive advantage over competitors is to be achieved through these activities performed by organisation (Holsappe & Singh, 2001; Porter, 1985, p. 38).

Inbound logistics encompasses the handling and storage of inputs before production. The operations stage transforms these inputs into finished products through activities such as packaging and quality testing, with specific processes varying across industries. Outbound logistics refers to the storage and delivery of finished products to customers. Marketing and sales activities focus on promoting the product, managing distribution channels, and setting pricing strategies in order to generate demand. Post-sales service activities, such as maintenance and repairs to ensure customer satisfaction (Holsappe & Singh, 2001; Porter, 1985, p. 39-40).

Support activities consist of firm infrastructure, human resource management, technology development and procurement. Firm infrastructure refers to the organisational structure and administrative functions, such as planning and financial management, that support the company as a whole. Human resource management focuses on recruiting, developing, and retaining employees, reflecting the firm's ability to manage its workforce effectively. The development of technology encompasses all activities related to innovation, knowledge, and technological process development within a company. Procurement refers to the acquisition of inputs, including materials, equipment, and other resources, and influences cost efficiency and product quality (Porter, 1985, p. 41-43).

Porter (1985) demonstrates how primary and support activities can form a competitive advantage through direct, indirect and quality-assurance-based value activities (Porter, 1985, pp. 43–44). The relative importance of these support activities varies depending on the industry where business operates. For example, procurement may be critical in manufacturing contexts, whereas technological development can be a key driver in more innovation-intensive sectors, such as hospitals (Porter, 1985; Stabell & Fjeldstad, 1998, p. 414).

Despite being popular literature contribution, Porter value chain model has gained some criticism. Merchant (2012) argues that Porter's value chain model may seem outdated in the context of the digital era. After all, the model was developed at a time when having a large scale of operations played a key role in gaining a competitive advantage and achieving profitability. In an era where businesses needed and consumed more capital, large scale companies dominated. Managing such a company with objective to grow to a large size to maximize the profits was the common strategic objective (Merchant, 2012).

Nooteboom (2007) argues that the traditional value chain model requires adaptation for service businesses. For example, a firm that provides services rather than physical products might not require outbound logistics, with operations instead becoming a crucial category for achieving competitive advantage (Nooteboom, 2007).

Furthermore, Merchant (2012) argues the social era has changed the requirements of organisations with emphasises on higher quality standard, instead of aiming for large scale operations as in previous eras. In the digital age, the speed, fluidity and flexibility of the company are rewarded, instead of growing the company to large scale operations. Porter's traditional value chain is more relevant in the situation where businesses are driven by mass-market, cost-driven approach and customer positioning towards the end of the value chain (Merchant, 2012). Parker et al. (2016) further support the statement that value creation is no longer linear. Business structures have shifted from linear pipelines to new, platform-based models, and therefore making linear value creation is outdated (Parker et al., 2016).

The definitions of value chain vary by different scholars. Antal et al. (2021) supports Porter (1985) findings, by describing the value chain as the set of operations performed by an organisation from the pre production phase until the final product being delivered to end customer. All the activities within the organisation that are required to create a product or service until delivery are considered to be part of the value chain (Antal et al., 2021; Porter, 1985). According to Porter (1985), from strategic perspective each company’s management must consider all value activities as tool to add measurable value to the product or service. All decisions should aim to improve the product or service by diffentiation, or reduce costs. Activities that do not contribute to cost advantage or differentiation are less likely to enhance a firm’s competitive position (Porter, 1985).

There has been some debate when comparing the similarities and differences between supply chain and value chain models. While some scholars do not differentiate between the two terms, others maintain separate definitions. Zamora (2016) highlights the differences between the supply chain and the value chain, claiming the value chain is better suited to companies with a diverse product portfolio and a segmented market. The supply chain model, meanwhile, emphasizes focus on commodity markets. Furthermore, the goal of supply chain management is to reduce costs and increase efficiency. Whilst value chain management aims to respond to consumer demand by offering products or services of a higher quality, providing better service and being more responsive (Zamora, 2016).

Porter (1985) introduced the 'five-force model' to further describe and measure the competitive advantage of a firm. The five forces together define company's bargaining position, to determine its profitability and attractiveness. Rivalry among existing firms defines the intensity of competition on the market where the company operates. It describes industry growth and profitability, the competitive landscape, and exit barriers. It also explains how companies differentiate themselves from others through their products and brand identity (Porter, 1985, p. 4-6).

Porter (1985) describes the threat of new entrants to determine the entry barriers of each industry. The measurement of how difficult or easy it is for new players to enter the market and compete against existing firms. Supplier power reflects the extent to which suppliers can negotiate pricing and terms, often depending on switching costs and the differentiation of their product or service. The supplier bargaining power is closely linked to threats of substitutes. Less substitutes available in the market, more bargaining power supplier holds. The threat of substitutes also measures how easy or difficult it is to switch to alternatives and how comparable they are in terms of pricing. The buyer bargaining power is measured by the volume of products purchased, the price, and the number and size of the buyers in relation to the number and size of sellers (Porter, 1985, p. 4-6).

Dälken (2014) describes Porter’s five-force model (figure 3) as a simple yet powerful tool to identify power dynamics in a business situation from an external viewpoint. The framework identifies five micro-environmental forces that drive competition and threaten the ability of businesses to be profitable. However, Dälken (2014) argues that digitalisation has challenged the concept of the traditional five forces model, with the internet being a critical driving force that Porter did not consider. Digitalisation and globalisation have made the competitive landscape more extensive and dynamic than in the pre-digital era (Dälken, 2014)

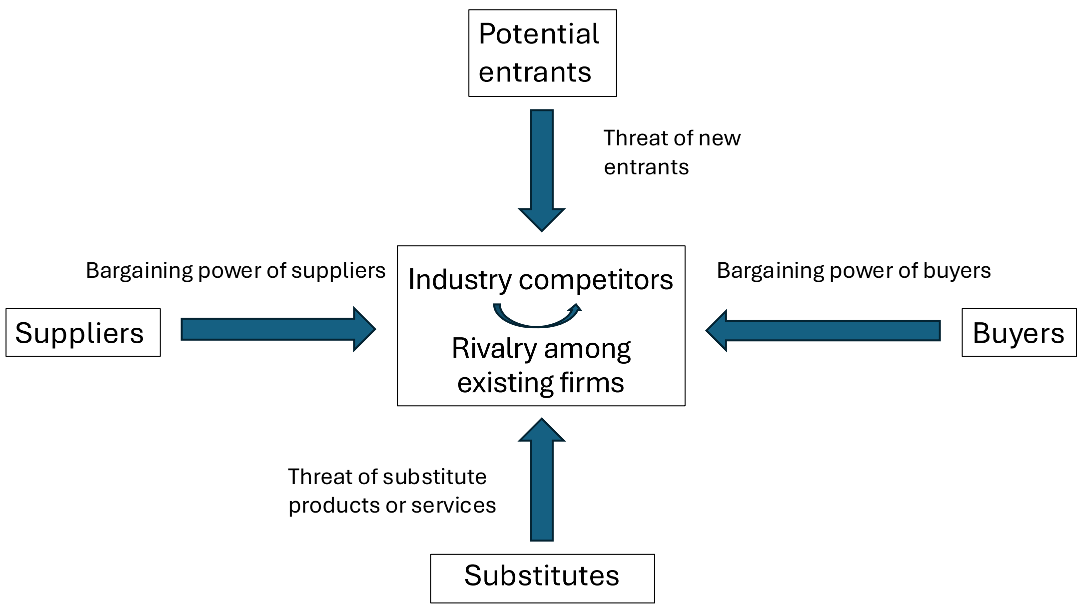

Figure 3. Porter's Five Forces Model (adapted from Porter, 1985)

2.2 Value Chain and Value Network in the Recorded Music Business

While adapting the value chain theory to the context of the music business, several scholars have adopted their own value chain theories to describe the recorded music business. Some of the most notable of these theories are introduced in this chapter. The traditional physical value chain (Bockstedt et al., 2006); Three income streams model of the recording industry (Hull, 2004), overview of the music streaming value chain (CMA, 2022), and Generic music industry value network (Alvarez, 2017).

2.2.1 Evolution of the Music Value Chain

Hull (2004) developed the three income stream model to describe the value creation in recorded music industry. According to Hull's (2004) concept, the recorded music value chain consists: recording artists, record labels, record producers, side musicians/vocalists, recording engineers, record manufacturers, distributors, merchandisers, the public (Hull, 2004, p. 22).

Recording artists are responsible for creating music through instruments and/or vocal performances, and they may also act as live performers or songwriters. Their income is typically based on royalties, which are calculated as a percentage of revenue generated from record sales. Record labels, in turn, are companies that sign artists in order to produce and distribute recordings. In these agreements, labels commit to paying royalties, while artists usually agree to work exclusively with the label. This type of arrangement is commonly referred to as a recording contract (Hull, 2004, p. 21-22). Hesmondhalgh et al. (2021) further explain the process whereas labels gain control of the master recording and commercialize it in a number of ways. These include sales to consumers and retailers, income from TV and radio, and public performances of the song in public areas, such as restaurants. Another way in which a song is commercialized is through synchronization to movies and TV (Hesmondhalgh et al., 2021). Record producers are responsible for shaping the final recording by combining different elements into a cohesive product. Record engineers support this process by handling the technical side of recording, ensuring that the material is captured and produced according to the required standards. Once the recording is completed, manufacturers prepare the final product for distribution. These recordings are then delivered to retailers through distributors, where they are made available for sale. Hull (2004) refers to these retailers as 'merchandisers', who are responsible for selling the records to consumers. Ultimately, the public represents the final stage of the process, playing a key role in determining the commercial success of the recording (Hull, 2004, p. 22).

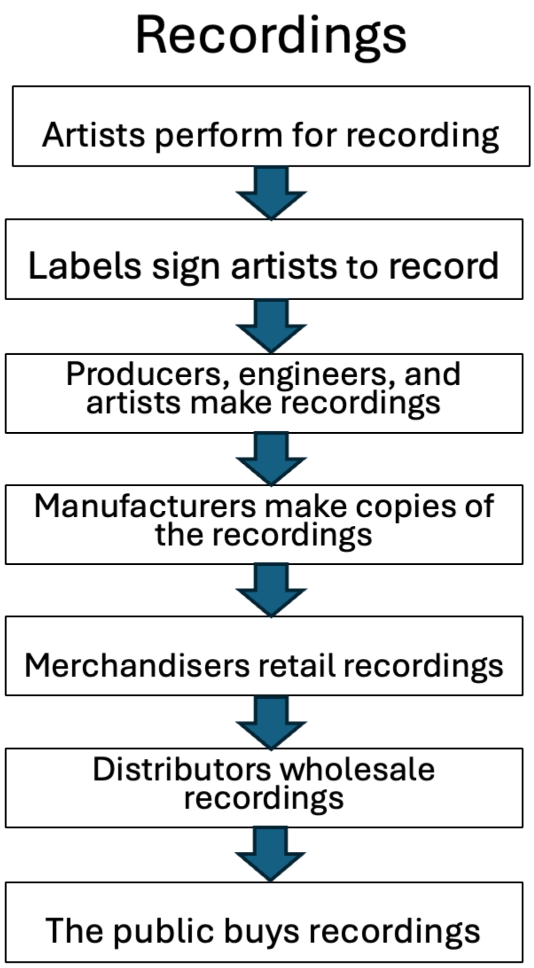

Figure 4. Hull's Three income stream model of the recording industry (adapted from Hull, 2004)

Bockstedt et al. (2006) describe key value-adding steps in the traditional music value chain include composition, production, copyright and licensing, marketing and promotion, manufacturing, distribution and inventory management. Record labels have the central role in the traditional music value chain, financing essential steps such as music production, CD manufacturing and public release (Bockstedt et al., 2006, p.15)

Bockstedt et al. (2006) updated the literature on the music value chain (figure 5) by acknowledging the removal of physical products from the music market, which renders stakeholders such as manufacturers irrelevant. Instead, value-adding features are performed through information (Bockstedt et al., 2006, p. 13). This perspective contrasts with earlier work by Rayport and Sviokla (1999), who viewed information primarily as a supporting element within the value chain rather than a direct source of value (Rayport & Sviokla, 1999, p. 3). In their framework, information was mainly used to monitor and optimise existing processes, rather than to generate new customer value. However, Bockstedt et al. (2006) recognised the potential of digital music distribution to transform the music industry, as digital platforms reduce production costs, particularly those related to logistics, such as packaging, shipping and warehousing (Bockstedt et al., 2006, p.21)

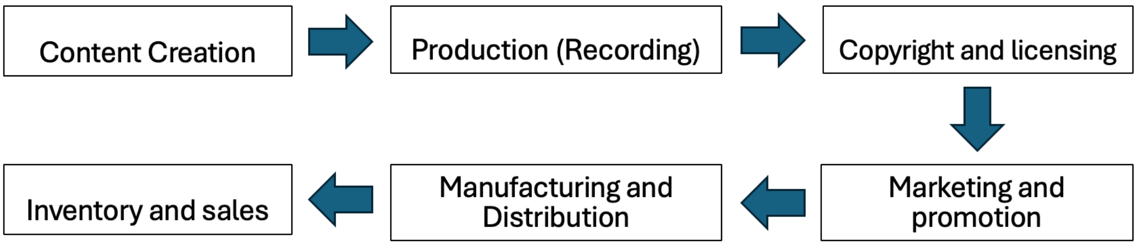

Figure 5. Traditional Physical Value Chain (adapted from Bockstedt et al., 2006)

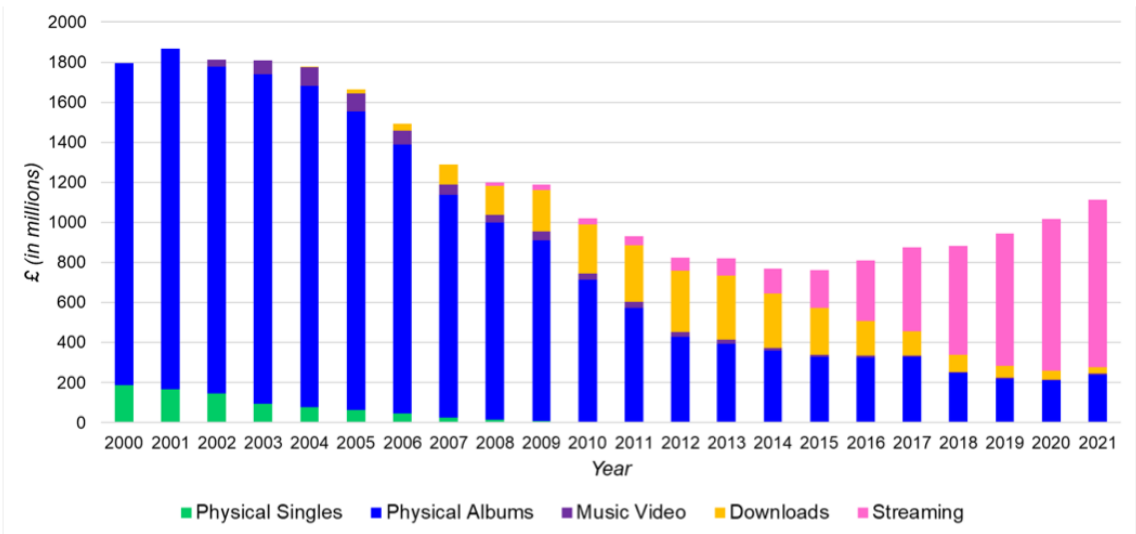

Figure 6. UK inflation-adjusted recorded music revenues between 2000 and 2021 by format type. Source: Competition and Markets Authority (2022, p. 13).

As illustrated in Figure 6, which shows the inflation-adjusted revenues from recorded music between 2000 and 2021, there have been notable changes in revenue formats. Since the early 2000s, physical album sales have decreased consistently. Piracy and illegal file sharing initially caused by digitalisation is a significant factor for the decline in album sales in the 2000s. As the result, the music industry in the UK experienced a substantial drop in revenues from 2001 to 2015 (CMA, 2022, p. 12-14).

From 2007 onwards, an increase in legal music downloads can be observed, driven by platforms such as iTunes. However, the rise of music streaming platforms in the mid-2010s transformed the recorded music business. Streaming quickly became the dominant form of music consumption, surpassing both physical sales and downloads. Due to digital streaming, the recorded music industry as a whole has grown since 2015, after prolonged period of decline. In addition to the increased revenues of the music industry, consumers were a key beneficiary of digital streaming. They were allowed to access a full catalogue of music through one subscription, with no additional costs for high listening volumes. (CMA, 2022, p. 12-14). Sirpiniemi (2020) further highlights the various digital music platform options available to consumers, including Spotify, Apple Music and Deezer (Sirpiniemi, 2020).

2.2.2 Recorded Music Value Chain in the Digital Context

Since music went digital, artists have been able to produce and release music at a fraction of the cost, as manufacturing and logistical costs have been eliminated, making the process significantly more cost-effective (CMA, 2022, p. 30). Bockstedt et al. (2006) support this statement by acknowledging that artists no longer require significant up-front investment, as digital tools have made the production process less capital-intensive. As result, record companies may lose their bargaining power as a result of reduced investment barriers (Bockstedt et al., 2006, p.21). Furthermore, Alvarez (2017) highlights increased competition on digital platforms, as new market entrants can access it more easily due to lower release barriers. Technological development has driven down transaction and production costs to unprecedented lows (Alvarez, 2017). This statement also supported by Geurts and Cepa (2023), noting significant changes to the music value chain in recent years can largely be attributed to digitalisation. Digital transition has lowered barriers to entry and allowed new entrants to leverage digital platforms to transform conventional value creation. This change has had a significant impact on the industry landscape and value chain, with new entrants reshaping the ways in which value is created and captured (Geurts & Cepa, 2023).

Due to the advancement of digital platforms, distribution channels have changed significantly. There are a variety of ways in which artists can release their music. Artists can choose to sign with a major record labels, or alternatively sign to a smaller, independent label. They can also release music through an artist service provider, which distributes music through major and indie labels. The most artist service providers are Orchard, owned by Sony Music, and Virgin owned by Universal Music. Artists can also self-release music directly in DSPs with the help of 'DIY' distribution platforms. The most notable DIY platforms are TuneCore and DistroKid. Artists can also distribute through an artist and label services provider with the help of a management or promotional service team (CMA, 2022, p. 30). All these distribution channels provide artist with instant access to DSPs.

The CMA (2022) has updated its description of the recorded music value chain to reflect value creation in a new digital context. It can be concluded that the new value chain environment is more complex and less straightforward than before, involving a wide range of stakeholders. The updated Music Streaming Value Chain (figure 7) demonstrates how artists have direct access to digital streaming platforms via DIY platforms. They also have direct access to user-uploaded content (UUC) platforms, through which they can reach end users. These changes represent a significant update to earlier theories of the music value chain (Figures 4 and 5). In addition, the graph includes major labels, independent labels, and artist and label (A&L) services, all of which are stakeholders in artist development and music distribution. (CMA, 2022, p. 22-23). Contemporary artists can engage directly with consumers through digital distribution platforms (DSPs) and DIY platforms. This enables them to promote their music directly to fans, bypassing traditional intermediaries such as record labels (CMA, 2022, p. 15). As predicted by Alvarez (2017) and Hviid et al. (2017), the dynamics of the recorded music industry have changed. These changes in music distribution mean that artists are no longer dependent on intermediaries, reducing the dominance of traditional powerhouses such as major record labels (Alvarez, 2017, p. 6; Hviid et al., 2017, p. 22).

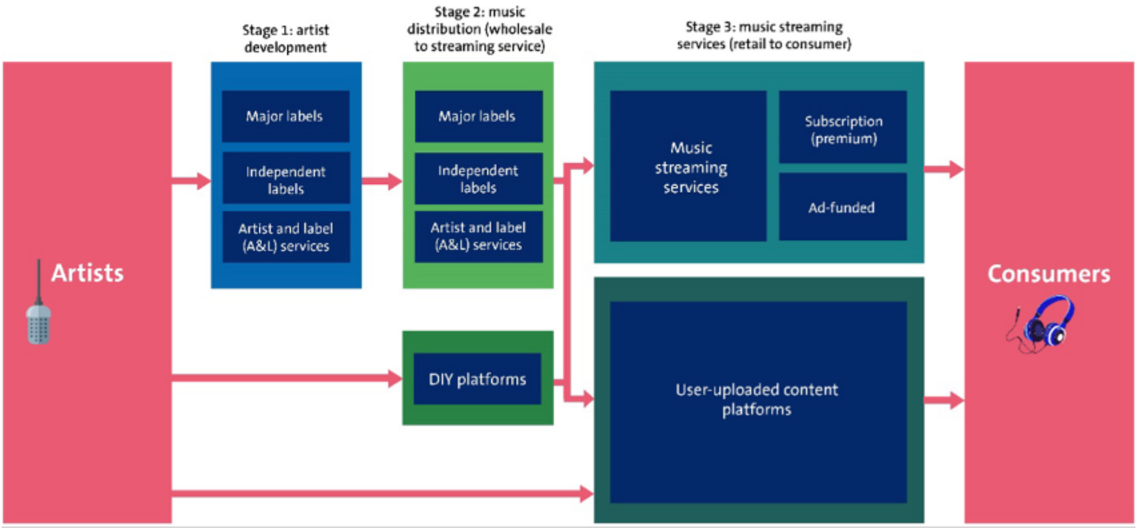

Figure 7. Overview of the music streaming value chain. Source: Competition and Markets Authority (2022, p. 23).

Additionally, a shift has been observed in the dynamic relationships between artists, record producers and songwriters, who were previously more separate entities. Hiltunen (2020) notes that genres such as EDM do not differentiate between producer and artist roles, and the song release process happens immediately after creation. The songwriter, producer and artist are not dependent on each other for production and release of the song, since one entity can perform all the necessary tasks - to a certain extent, these entities have started to operate as one entity (Hiltunen, 2020). Alvarez (2017) supports this viewpoint. In the current digitalised era, individuals have the capability to independently record, promote and distribute their music from own home studios, by utilizing only a personal computer and an internet connection. This has resulted in a wider variety of music from a greater number of artists. Alongside the traditional mainstream market, numerous niche markets have emerged (Alvarez, 2017).

Another trend affecting the music business is the advancements of AI, which is set to reshape the industry and its value chain. The use of AI is currently widespread, with applications including songwriting, production, marketing and artwork graphics (Aura, 2025). Arenal, et al., (2025) suggests the increased use of AI will result in a further increase in the amount of music released on digital music platforms, as it will offer even more cost-effective tools to make better quality music. Some critical concerns relate to copyrights and the protection of intellectual property, as well as the authentic listening experience when it comes to separating AI from human-generated music. In addition, some are expressing concerns that an abundance of low-cost music could weaken artistic and musical heritage and cause unfair competition (Arenal, et al., 2025). According to Aura (2025), it has been determined that the Finnish music industry already demonstrates a greater level of familiarity with AI and uses it to a higher extent, and this use will accelerate even further (Aura, 2025).

2.2.3 From Value Chain Towards a Value Network

The concept of a value network has been highlighted in academic discussion by scholars such as Alleen (2008), who emphasizes the exchange of intangible assets. The intangible assets, such as knowledge, relationships, or capabilities are exchanged within a networked structure (Aileen, 2008). Alvarez (2017) applied value network theory in the context of music business, by redefining the music industry structure as a value network rather than a value chain. The research involved the analysis of data from almost 80 stakeholders representing the music industry. These stakeholders represent recorded music, publishing and live music sectors. The study's findings revealed that all of these stakeholders are interconnected within a single value network, contradicting the assumptions of traditional value chain theories (Alvarez, 2017).

Alvarez's research (2017) builds on the findings of Leyshon (2001), who developed a musical network concept consisting of four distinct networks (creativity, reproduction, reproduction and consumption) with overlapping functions (Leyshon, 2001; Alvarez, 2017). Hiltunen (2020) agrees with the statement that the traditional value chain approach is no longer relevant in the context of the modern music industry, due to the complex relationships between service providers and their customers (Hiltunen, 2020).

According to Alvarez (2017) and Hiltunen (2020), the music industry is better described as an ecosystem or a value network, involving diverse interaction between its stakeholders. Furthermore, value can be transferred between intangible resources (Alvarez, 2017; Hiltunen, 2020).

Alvarez (2017) developed the stakeholder concept model (Figure 8) as an addition to Leyshon's (2001) model. A stakeholder is described as an entity with a legal, moral or presumed right over an organisation, or with indirect influence over a value network. Alvarez (2017) considers stakeholders who may exert either direct or indirect influence over the value network. The term indirect way is used to describe the process of receiving benefits or adding value to a value network without playing an active role in it (Alvarez, 2017, p. 25-27). This broadens and complexifies the network, making interpretation more challenging (Alvarez, 2017; Ilmavirta, 2020).

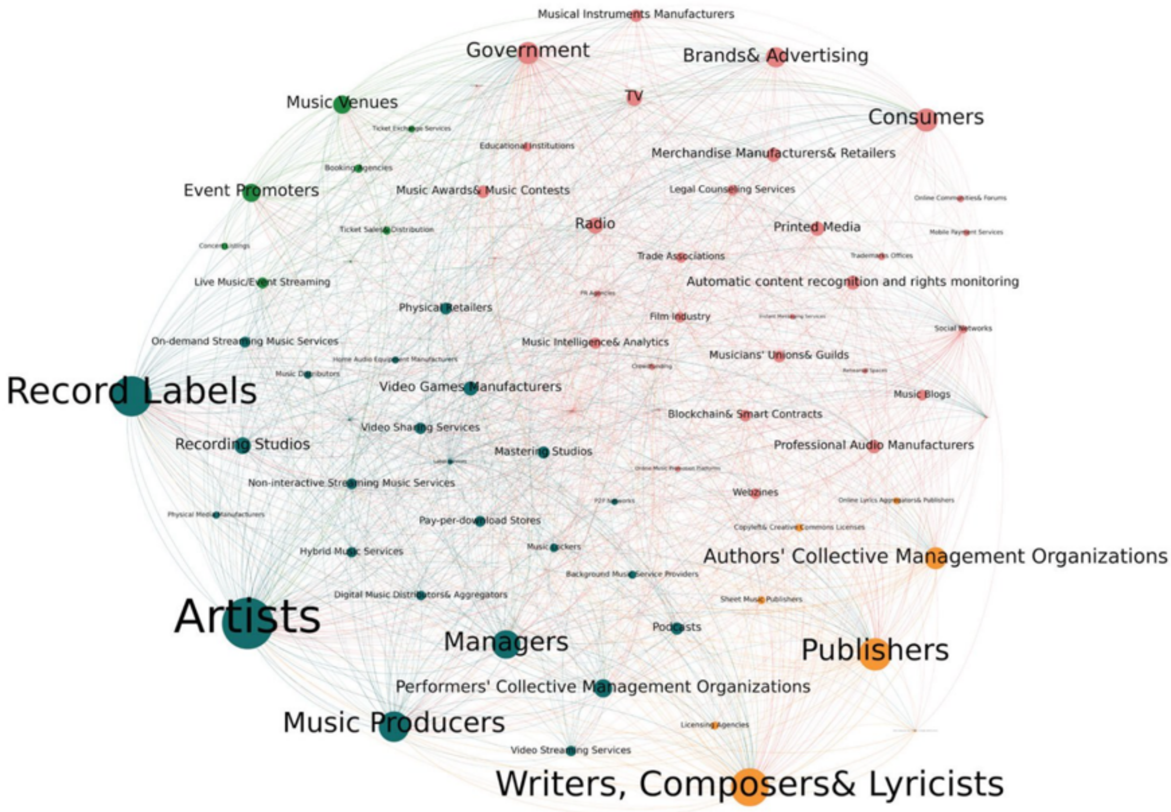

Figure 8. Generic music industry value network. Source: Alvarez (2017, p. 30).

2.3 Role of the Record Label in the Digital Age

As Bockstedt et al. (2006) have observed, the role of record companies is undergoing a transformation in the digital age. Artists are able to bypass them, meaning they no longer hold traditional power. Therefore, labels must adapt new, innovative ways to remain relevant (Bockstedt et al., 2006). Traditionally, record labels have offered artists a range of contract types.

An artist contract, i.e. a traditional recording contract, is a type of agreement when the record label is responsible for producing and financing the recording. The artist receives a fee known as royalties. They receive this for the use of their recordings. In exchange, copyright is transferred. The master recording remains with the label (Jokelainen, 2023). It is noteworthy that the contract model has remained unchanged since the early 2000s, when research was conducted by Hull (2004). In the licensing agreement, the copyright ownership remains in artist's possession and they finance the production, after which the record label is granted a limited-term license to release the recording. Upon expiration of the contract period, the artist will regain all rights to the recording. It should be noted that the licensing contract often differs from the traditional recording contract in terms of royalty rates. It is generally understood that a higher royalty rate is offered to artists in licensing deals, compared to traditional artist contract (Jokelainen, 2023). In a typical 360 deal agreement record label receives a percentage of the artist's all earnings, with artist agreeing to commit to the label for a longer period of time (CMA, 2020, p. 31-32).

Bockstedt et al. (2006) call upon record labels to lose their leverage in the music industry, unless they can adapt to new circumstances and contribute a new value to the artist. This may involve investing in digital services, controlling digital distribution and adapting promotional strategies, as well as leveraging copyrights to generate income (Bockstedt et al., 2006, p.21). According to Vaininen (2016), digitalisation has forced record labels to evolve over the years, shifting their business strategy from producing and manufacturing records to offering marketing as their core service. Record labels also play a role in the music business by connecting different stakeholders in the music industry and networking on behalf of artists, allowing them to focus on the creative side of things (Vaininen, 2016). The CMA (2022) supports the statement that record labels' focus has shifted towards marketing services, specifically digital marketing content utilising UUC platforms. As production and logistics are no longer significant costs, labels can now allocate more resources to marketing (CMA, 2022, p. 15). However, despite these investments, the large volume of music available on streaming platforms makes it increasingly difficult for new artists to attract and maintain interest in a highly competitive digital environment (CMA, 2022, p. 25).

When comparing the power dynamics between major and independent record labels, CMA (2022) note that major labels have an advantage over indie labels due to their extensive back catalogues, which have been built up over decades. Steady income is provided to them by the catalogues, which can be reinvested in the signing of new artists through royalty advances and marketing campaigns. Due to their size and scale, major labels are able to offer worldwide marketing access and utilize the relationship capital they have built up over decades (CMA, 2022, p. 102). Although streaming volumes for small and medium-sized artists have increased, larger, more established artists dominate the field with their market share. Many of these artists are signed to major record labels. (CMA, 2022, p. 42). Mulligan (2024b) suggests that non-major record companies have almost matched major record companies' market share in the recorded music industry. However, a notable number of non-majors (indie labels and DIY artists) are distributing their music through major label distributors. The competitive attention economy have forced record labels to increase marketing budgets, making it more difficult to gain visibility and effective promotion (Mulligan, 2024b).

2.4 New Gatekeepers in the Digital Music Ecosystem

The term gatekeeper was first introduced by Lewin (1947) to describe the gate contorlling process by which something is allowed to pass quickly and easily from one point to another through different gates. Lewin (1947) uses the example of food ingredients passing through channels and being affected by variables such as the housewife who decides to purchase the food for the family (Lewin, 1947, p. 143-144). Barzilai-Nahon (2008) further defines the following mechanisms need to be met in order for something to be defined as a gatekeeper: channeling, censorship, internationalization, security, cost-effectiveness, adding value, infrastructure, user interaction, editorial control, and regulation (Barzilai-Nahon, 2008, p. 1498). Barzilai-Nahon (2008) further measures gatekeeping power by identifying political influence, ability to produce information, relationship, alternatives in the context of gatekeeping - how difficult or easy it is to bypass the gatekeeper (Barzilai-Nahon, 2008, p. 1501).

When gatekeeping theory is applied to the context of music business, Bonini and Gandini (2019) note that traditional human intermediates, such as record labels and radio managers have lost their traditional gatekeeper role in the music industry. Platform algorithms and DSPs are new gatekeepers influencing which songs are released and exposed to a wide audience (Bonini & Gandini, 2019). Hiltunen (2020) argues radio music managers are now working alongside other professionals, such as music supervisors, who specialize in finding music to be used in synchronization with TV programs, films, advertisements and computer games. The curators of streaming services also have a significant influence on listeners' music consumption (Hiltunen, 2020).

Although traditional gatekeepers have lost their influence, DSPs have emerged as the new gatekeepers of the music industry (Bonini & Gandini, 2019). Däniken (2024) states that Spotify itself influences what is consumed on its platform, with a large proportion of streams coming from playlists. Editorial playlists controlled by Spotify are a significant source of streams (Däniken, 2024). Artists strive to achieve optimal exposure for their music by ensuring that their songs are featured on various playlists, including service, brand, consumer, algorithm-generated and curated playlists. In this competitive market, it is essential to emphasize that quality content alone is insufficient. The reports indicate the industry has seen the emergence of new players across different platforms and the development of creative services such as playlist pitching agencies. These agencies operate between the music creators (artists) and the DSPs (Pekari, 2020).

Hiltunen (2020) argues the conventional definitions of the term gatekeeper are becoming increasingly blurred due to the evolution of digital platforms. Conversely, the public is gaining greater influence over which songs attract a significant degree of popularity. One notable example of this phenomenon is Tiktok, where users combine visual content with brief extracts of songs, thereby contributing towards song’s promotion (Hiltunen, 2020). Furthermore, Nazir (2026) emphasises the significance of consumers' growing influence on music demand in today's attention-saturated music industry (Nazir, 2026).

2.5 Born Global Theory and Artists’ Global Career Development

According to Andersson (2011), one of the defining traits of a born global firm is their ability to enter new and often unpredictable markets. Born global firms have a proven track record of entering new markets in a short space of time. Contrary to the findings of Johanson and Vahlne (1977), the market choices of born global firms are not driven by cultural differences or psychic distance (Andersson, 2011; Johanson & Vahlne, 1977). The definition of born global has always been subject to interpretation, ever since the concept was established.

Oviatt and McDougall (1994) were among the first to describe International New Venuture (INV) firms as global ventures from inception, whose competitive advantage is based on sales in multiple countries (Oviatt & McDougall, 1994, p.49). Knight and Cavusgil (1996) further referred to the research and INV theory of Oviatt and McDougall (1994) in their study of Born Global theory (Oviatt & McDougall, 1994).

While there is a general consensus among researchers that a firm is born global if it begins exporting from the beginning of its foundation (Rennie, 1993; Knight & Cavusgil, 1996, p. 18). Certain scholars, such as Rennie (1993), argue that a firm must export within two years of launch to at least one country, generating 75% of its total turnover from abroad (Mostafiz et al., 2023, p. 3; Rennie, 1993). Born global firms must compete on the basis of quality and value to achieve success, with innovation in technology and product design being key to creating value. Whilst the presence of large firms is inevitable and unlikely to be displaced by small firms, it is anticipated that a significant proportion of the increase in new business activity will stem from small, innovative, flexible enterprises (Rennie, 1993). Knight and Cavusgil (1996, p. 18) describe born global firms as relatively small, often technology-oriented companies with unique innovation driving the business. It is evident that born global companies often differentiate through product innovation due to their restricted resources, which hinders their capacity for extensive marketing and brand development (Gabrielsson, 2005).

When applying the born global concept to the music industry, national borders have become less significant. Furthermore, social and digital media platforms offer immediate access to audiences and artists, facilitating connections that transcend national borders (Chen et al., 2021, p.20). According to Mulligan (2024b), the global recorded music market is as diverse and fragmented as it ever was, driven by streaming and social media. DSPs enable artists to access global markets, which can be described as the most significant barrier streaming has broken down (Mulligan, 2024b). Contemporary artists can achieve a better global reach for a comparatively low investment than ever before (Matikainen, 2018).

As discussed with CMA (2022), due to their global reach and infrastructure in numerous countries and continents, major record labels are able to provide artists with marketing resources on a global scale (CMA, 2022, p 103). Pihlakoski (2018), however, argues that the artist does not necessarily need a major label to be successful internationally. What is important is a strong network, which can be achieved independently (Pihlakoski, 2018).

2.6 The Rise of DSPs and Spotify

In contemporary music industry, DSPs dominate the recorded music business and the music consumption has largely shifted in their favour. According to Däniken (2024), 80% of music consumption happens through DSPs with Spotify being the key DSP dominating the Western markets (Däniken, 2024). Vonderau (2019) considers Spotify to be a technology company that prioritises turning technological and procedural aspects into business rather than driving benefits for music suppliers (Vonderau, 2019).

Spotify has created an ecosystem where it is beneficial for music listeners, as they can access the entire music catalogue in one place at a relatively attractive pricing level. Spotify, for example, offers a premium service with an unlimited amount of music and access to their entire catalogue. The price has remained relatively unchanged throughout the years (UK Parliament, 2021). Geurts and Cepa (2023) argue that streaming services have become an integral part of the music business. Arnold (2022) highlights the significant influence of DSPs on artists' earnings, emphasizing that they have become a key financial source for artists, consequently, artists and record labels have been compelled to engage with these platforms (Arnold, 2022). Despite the growing influence of DSPs, some artists have opposed them due to their compensation models. Most notably, Taylor Swift removed her entire back catalogue from Spotify in 2014 in protest against the low royalties paid to artists (Ellis-Petersen, 2014).

According to Aguiar et al. (2024), there are ongoing negotiations between record companies and Spotify regarding compensation models. Streaming royalties are a significant source of income for record companies and artists, however, an expense for Spotify. The company is trying to become more profitable, with the alternatives being either paying lower royalties to master holders or replacing major label music with a more limited music offering, therefore, replacing traditional suppliers (Aguiar et al., 2024). Additionally, Däniken (2024) argues that music from major record labels is costly for Spotify due to the significant market power of these labels in negotiations (Däniken, 2024)

However, Spotify relies on major record labels as significant music suppliers due to their extensive catalogues, as it is their music that attracts customers to the platform (Däniken, 2024) The CMA (2022) supports the statement, arguing that streaming providers lack alternatives for high-quality music, which strengthens the supplier bargaining position of major labels (CMA, 2022, p. 75). MIDiA report suggests (Mulligan, 2024a) there will be a clear division between traditional streaming services, such as Spotify, and ever-growing social and fan-centric businesses, such as TikTok (Mulligan, 2024a). In addition, indie record labels and DIY operators believe that the current streaming business model needs updating. The rise of AI-generated fake streams, fractionalized royalties and decreased fan engagement pose challenges to the streaming business (Mulligan, 2024b). Spotify (2023), reports tens of millions of songs (out of total of 100 million) to gain between one and 1,000 streams per year, which generates 0.03 USD per month (Spotify, 2023).

3 Methodology

This chapter provides an overview of the methodological framework used in this study. In order to justify why the qualitative method was chosen for this research, information on the research design will be provided in this section. In addition, the methods of data collection will be presented in this chapter, as will the methods of data collection and the reasons why these methods have been chosen. The chapter will also look at the analysis and processing of the data that has been collected. What techniques are used in data analysis and what specific methods are chosen. In addition, the reliability and trustworthiness of the data will be discussed and analyzed in this section, and whether the study has any research biases or other factors that might affect its reliability. Furthermore, information on research limitations and their impact on study results is also provided in this section.

3.1 Research Approach and Philosophy

As Babbie (2017) and Hennink et al. (2020) have demonstrated, paradigms are considered to be perspectives on reality. They are used as frameworks for reference to organize our observations and reasoning (Babbie, 2017; Hennink et al., 2020, p. 12). A common scientific approach to research is considered to as the positivist paradigm. Positivism is based on the assumption that reality consists of facts and that researchers can observe, measure and analyze reality objectively. In the positivist research, hypothesis is implemented by researchers based on theory or statistics, which are further tested through empirical data (Hennink et al., 2020, p. 14). In contrast to positivism, the interpretive paradigm aims to investigate study topics from people's subjective perspective and how they experience them (Hennink et al., 2020, p. 14). As the study investigates music industry, how value creation has evolved in digital age and what are the consequences to internal industry dynamics, the study therefore explores how industry players understand and interpret the phenomenon. Thus, this study investigates the phenomenon using a qualitative research approach based on an interpretivist research philosophy, instead of positivist.

The qualitative research aims to understand the subjective interpretations, behaviors, and social contexts of how participants perceive them (Fossey et al., 2005). The argument is supported by Hennink et al. (2020), stating that Qualitative research is concerned with understanding individual perspectives, acknowledging the impact of context when it comes to individual behavior and experience (Hennink et al., 2020, p. 10).

Qualitative research aims to understand how and why phenomena occur and to explore processes and behaviour in depth within their context (Creswell & Poth, 2016; Hennink et al., 2020, p. 11). As this research subject is a complex phenomenon open to multiple interpretations, it needs to be investigated in depth. Thus, qualitative research has been chosen for this study to gain an understanding of the phenomenon in question. The key study areas are how and why digitalisation has reshaped the value creation and how this reshapes industry dynamics between key stakeholders.

To gain an in-depth understanding, a small number of participants are needed for a qualitative study, as opposed to a large statistical sample size (Hennink, 2020, p. 11). For this study, experts in key positions from a wide range of areas within the music industry were chosen to conduct the research and gain extensive insights into this topic.

3.2 Research Strategy

This study adopts a qualitative exploratory case study strategy. Yin (2018) defines a case study as a method through which a contemporary phenomenon can be examined. Case studies investigate real-life cases and acknowledge variables within the study, taking contextuality into consideration (Yin, 2018). This study uses the case study method because it investigates a modern and complex phenomenon.

Yin (2018) states concrete entities are defined as cases, which can be processes, practices, or events such as decisions (Yin, 2018). This study will examine the transformation of music value creation in the context of digitalisation. Therefore, the study investigates phenomenon, rather than specific organisation or group. The focus is on understanding how the structure of value creation has developed in a digital context, and what implications this has for internal industry dynamics. The study focuses on the relationships between entities such as record labels, artists and digital streaming providers. Therefore, the case study is suited to the research objectives.

Yin (2018) notes that the case studies should be collected from multiple experts. This study uses industry experts in notable positions from a wide range of music ecosystem, such as record labels, the media, and export organisations, to gain a more comprehensive overview of the phenomenon, rather than focusing on a single entity within the value chain.

3.3 Research Process

3.3.1 Sampling

A purposive sampling method was employed to select the participants, with individuals chosen based on extensive industry experience and high-level positions in music industry. According to Etikan et al. (2016), Purposive sampling, otherwise known as judgment sampling, is a method of participant selection based on specific qualities or characteristics, such as relevant experience and knowledge from research. Purposive sampling is often selected sampling method, when the research involves information-rich cases up optimize limited resources (Etikan et al., 2016). According to Hennink et al. (2020), purposive sampling is often chosen method in qualitative research, where small and accurate sample size is selected (Hennink et al., 2020).

The selection criteria for participants in this study were extensive industry experience and a key position within the music industry. The experts were selected from a wide range of positions within the music industry to gain a comprehensive understanding of the industry's value chain. Participants were selected from record labels, export organisation, media outlets and radio stations, to provide an extensive description of music value creation and how digitalisation has reshaped the structure. The selection criteria for this interview were based on the following:

- Involvement in the music industry, or music-related media industry
- Senior level position within their organisation
- Extensive (10 years or more) experience from music industry
- Represents (or has represented) a key organisation in music ecosystem

First, interviewees were selected based on their involvement in the music industry or music-related media industry and their high level of familiarity with the music industry. Secondly, the interviewees must be in a senior position within their organisations in order to provide strategic-level insights into the study subjects, as value creation, gatekeeping dynamics and industry digital transformation require knowledge from a high-level strategic perspective. The interviewees were also required to have comprehensive industry experience of at least 10 years to evaluate how the industry has changed due to digital transformation. Additionally, participants must represent an organisation that is considered key to the music ecosystem. Participants were selected from major and independent record labels, music export organisations and large music media outlets (both private and government-owned) to ensure comprehensive representation of influential stakeholders within the music value chain. Interviewee details described further in Table 1.

Table 1. Overview of interviewees

Interview code	Interviewee name	Organisation	Position (at time of interview)	Sector	Previous experience & notable roles
I1	Mark Fry	Warner Music Group – Warner Music Nordics	CEO and President, Warner Music Nordics	Major record label	CEO and Marketing Director, Warner Music Finland
I2	Tapio Hakanen	Yleisradio / YleX Music	Head of Music, YleX	National broadcaster	UMK artist and song selection; Touring artist; A&R, Universal Music

I3	Mikko Manninen	Music Finland	Executive Director	Music export organisation	GM, Warner Music Baltic; Director of Operations, Warner Music Finland
I4	Teemu Laitinen	PME Records	CEO	Independent record label	Board Member, IFPI Finland; Vice Chairman, Music Finland
I5	Jussi Mäntysaari	Sanoma Media Finland / Nelonen Media	Music Director, Nelonen Media	Major commercial media company	Senior Music Editor, Spotify

Table 2. Interview details

Interview code	Interviewee name	Duration of interview	Date of interview
I1	Mark Fry	38 minutes	20 May 2025
I2	Tapio Hakanen	48 minutes	26 May 2025
I3	Mikko Manninen	38 minutes	12 May 2025
I4	Teemu Laitinen	1h 4 minutes	20 May 2025
I5	Jussi Mäntysaari	56 minutes	2 May 2025

3.3.2 Data Collection

Semi-structured expert interviews were used to gather the data after the participants had been selected. According to Saunders et al. (2007), semi-structured or in-depth interviews allow for a deeper understanding and discussion of interviewees' interpretations. Open-ended questions help interviewees to provide detailed explanations of the study topics (Saunders et al., 2007, pp. 316). Therefore, semi-structured interviews support the objectives of a qualitative study.

Semi-structured expert interviews were selected for this study because they allow for a comprehensive discussion of music value creation and industry dynamics, which can be classified as topics open to multiple interpretations. In addition to answering multi-interpreted topics, semi-structured expert interviews allow new insights into the study topic, which is crucial for this study. According to Hennink et al. (2020), in-depth interviews are suitable for gathering in-depth information on sensitive topics and participants' beliefs are taken into consideration (Hennink et al., 2020, p. 116).

The interviews were conducted online using Teams meeting and recording software. Before the interviews took place, the interview questions were sent to the participants to ensure the accurate understanding of interview questions. This process is used to ensure that the data is considered comparable with semi-structured interviews (McIntosh & Morse, 2015). The interviewer prepared an interview guide and collected the interview questions on the following topics: The music value chain; the role of the record labels; the music industry gatekeepers; and the impact of globalisation and artificial intelligence (Appendix 1). The interview structure was designed to support participants in storytelling, with opening, key and closing questions (Hennink et al., 2020, p.119).

During the interviews, the cameras were turned on fully or partially, enabling the interviewers to verify the participants' identities and interpret their facial expressions. According to Hennink et al. (2020), a semi-structured interview that is thoroughly executed enhances the elements of meaningful conversation (Hennink et al., 2020, p.116), Therefore, the interviews were conducted in Finnish, the native language of all participants, to encourage more natural conversation. According to Hennink et al. (2020), the purpose of the research should be explained at the beginning of the interview. Participants should also be asked to grant permission for audio recordings to be made during the interview, and the confidentiality and possible anonymity of the data should be agreed upon (Hennink et al., 2020, p. 119), all which interviewer fulfilled in the beginning of the interview.

3.3.3 Data Analysis

The empirical data was manually analysed using thematic approach. Braun and Clarke (2006) define thematic approach as identifying recurring patterns across interviews (Braun & Clarke, 2006, p.79). The interviews were recorded using Microsoft Teams' recording software, which has a transcription function. Hennink et al. (2020) define transcription as the written record of an interview made for the purpose of data analysis (Hennink et al., 2020, p. 213). According to Willig and Rogers (2017), the first step for researchers is to familiarize themselves with the data once it has been gathered. The second step involves searching for similarities and patterns in the data, which are then constructed into themes. Researchers then move on to reviewing, refining and naming the potential themes. The final report is then written based on these themes (Willig & Rogers, 2017).

After gathering the raw data, the researcher carefully revised each recording to ensure the automatically generated transcripts accurately matched the audio recordings. After the data had been accurately gathered from the audio recordings and transcriptions, it was transferred into a more polished version for improved readability. This involved removing repetition and filler words, as well as reducing conversational elements that were irrelevant to the study. However, the researcher implemented this phase carefully, ensuring that the original meaning and content of each interview remained the same as in the raw data version.

Once the data had been refined, the researcher analyzed it manually by identifying common themes and key insights from each interview. The most relevant statements were gathered in order to answer the research questions and achieve the study objectives. The researcher highlighted key statements from the data to identify common patterns and differences in the participants' answers. The researcher organized the key empirical findings into three main chapters: 1. The evolution of the music value chain and value network; 2. Contemporary industry dynamics and stakeholder roles; 3. Artist career development in a globalized music industry.

After the data was analysed using the original Finnish transcripts, the data selected for the empirical findings was translated into English for use in the thesis. The translations were produced using AI-based software, and the researcher carefully reviewed them to ensure that they were accurate and retained the original meaning.

3.3.4 Validity and Reliability

Lincoln and Guba (1985) propose credibility, transferability, dependability and confirmability as criteria for trustworthiness in qualitative research (Lincoln & Guba, 1985; Shenton, 2004). Kirk and Miller (1986) define reliability as the repeatability of the research and validity as the correct interpretation of the study results (Kirk & Miller, 1986). Saunders et al. (2007) define reliability as the consistency of findings resulting from data collection techniques and analysis. The criteria for reliability are consistent study results and transparent analysis processes (Saunders et al., 2007, p. 149).

During this research, credibility and reliability were considered in a number of ways. As the interviews were conducted online through Teams platform, participants turned their cameras on to confirm their identity. The interviews were audio-recorded and transcribed. After the interviews, the transcripts were verified to ensure they accurately matched the audio recordings.

The interview questions were shared in advance to help participants prepare and to reduce possible misunderstandings during the interviews. After the interviews, participants were also given the chance to review their quotes. This helped to confirm that their responses were represented correctly. The same semi-structured interview guide was used in all interviews in order to keep the process consistent.

After collecting the data, the researcher carefully analysed it through multiple readings. The researcher accurately compared the raw data and the findings selected for the study report. Finally, careful and accurate translations were made from Finnish to English, to ensure the original meaning was retained.

4 Findings

The aims of this chapter are to present the thesis's findings and address the main research question: How has digitalisation transformed value creation in the recorded music industry, and what are the implications for industry dynamics? The main research question is divided into three sub-questions. This is to gain a deeper understanding of the main research question. It also helps to explore the subject in more detail. The research finds that the music value chain and value network have evolved significantly since digitalisation disrupted the industry, while some parts have remained the same since the pre-digital era. This has affected industry dynamics and the way certain stakeholders operate within the music industry. For example, record labels have been forced to change the way they operate in order to provide services that match the primary needs of artists and consumers today. In addition, the digitalisation process has resulted in a shift in industry dynamics from the perspective of gatekeepers. Specifically, it has led to the emergence of new gatekeepers and, consequently, the decline or even irrelevance of some traditional gatekeepers. Reshaped industry dynamics have had effects on artists' internationalization. Whilst digital tools provide instant access to global markets, achieving a global market share has become an even greater challenge.

4.1 Evolution of the Music Value Chain and Value Network

To investigate the recorded music value chain, the interview participants were asked to describe the structure of the current recorded music value chain. They were also asked to comment on significant changes that have transpired in the value chain from the pre-digital era to the present day. All interviewees highlighted significant changes in the music value chain. However, they also confirmed that some aspects of it have remained unchanged or similar since the transition to digitalisation. I1, I2, I3, I4 and I5 highlighted music digitalisation and streaming as key developments in the music value chain over the past 20 years. The shift in music listening from physical sales to digital sales (DSPs) is a significant development in the music industry.

> *"If we start from the consumer end, 20 years ago the music industry was primarily driven by those who had the money to buy music, which meant buying CDs. Then came the streaming revolution, and the situation changed. Today, it could be said that the music industry is driven more by those who have time to listen. Money follows listening, and business follows money" (I5).*

In terms of music production and creation, interviewees argue that the process has become more straightforward and cost-effective than ever before. In the digital age, music production is more accessible than ever before, with reduced barriers to entry. A recording artist does not require access to costly music studios that are controlled by publishers. Consequently, there has been a significant increase in the supply of music, as noted during the interview: *"On the production side, the number of music creators and publishers is constantly growing, because making and publishing music is easier than ever before. More music is being created than ever before"* (I2).

The arrival of DSPs in the value chain and the importance of DSPs and music streaming is highlighted in the IFPI (2025) report. As per the findings outlined in the report, the recorded music industry has demonstrated consistent growth, marking a tenth consecutive year of expansion in 2024. (IFPI, 2025). Growth can be attributed to the rise in popularity of music streaming, which accounted for 69.0% of the total revenue generated by recorded music (IFPI, 2025). I3 furthermore highlights the growing importance of DSPs: *"share of those digital distribution platforms in the value chain or stake is quite large and their importance has grown."*

According to I1, I2, I3, I4, and I5, it is evident that distribution channels have undergone a substantial transformation within the value chain. Prior to the digital age, the manufacturing sector relied on a more traditional approach, with a greater emphasis on physical logistics such as factories and freight. Historically, capital requirements were on a completely different scale when operating in a physical format. A significant amount of capital was needed upfront, to print music in form of CDs, cassettes and vinyl records.

In addition to the growing importance of digital distribution channels, I5 states that distribution channels in the music value chain have become more diverse than ever: *“Today, distribution channels are no longer a single, clear-cut line, but rather a multifaceted whole in which various players - large catalog owners, aggregator platforms, and traditional media - are involved in creating value in their own way”* (I5).

I1, I3, and I4 concur that the core functions of value creation have remained consistent over time. The identification and development of talent, as well as the creation of successful recordings, have remained consistent throughout the digital transformation. However, the tools employed in these processes have evolved in response to the advancements in digital ecosystems.

> *“I still think that the components of this value chain – or perhaps better said, value network – are pretty much the same as they were 10–20 years ago. In recording recorded music business, everything starts with finding talent – recognizing a potential artist, seeing their talent, and wanting to work with them”* (I4).

> *“Creating music hasn't changed. Discovering talent and making music – that still happens through people. A song is born, it's made in the studio, and the process is still exactly the same as it always was”* (I1).

I3 supports the statement that record label's primary objective in value creation has not changed throughout a digital revolution: *“What has not changed is the core task of record companies – identifying and promoting talent, in other words, discovering talent and helping it break through”* (I3). This statement is supported by 2025 IFPI Global Music Report. According to the report, record labels invested a record amount of money in A&R and marketing (IFPI, 2025).

UUC –platforms have brought a new dimension to the value chain or network. The use of UUC platforms such as Instagram and TikTok by artists allows them to engage directly with their fans, eliminating the need for intermediaries. Therefore, UUC platforms can be regarded as a highly effective marketing instrument for artists, enabling them to bypass entities such as record labels or distributors within the conventional value chain.

The increasing number of UUC channels, alongside other forms of online entertainment, has intensified competition for people’s attention.

> *“These platforms (UUC) and social media have revolutionized the attention economy for artists. They have changed the whole way of thinking and also how record companies operate. Influencers and TikTok are now at the center of marketing”* (I3)

> *“UUC platforms provide artists with a direct channel to their fan base, thus changing the relationship between artists and audiences“ (*I2).

However, despite the fact that UUC platforms provide direct access from artist to fan, there is a risk of a negative impact on the recorded business in the worst-case scenario if the internal compensation models do not develop and consumers opting to watch short clips rather than well-quality songs or recordings. According to I5: *“TikTok argues that this is a promotion for the song; that visibility on the platform drives listening to paid streaming services. But this is not always the case; not all songs or sounds work when transferred from one platform to another*” (I5).

Furthermore, the key issue is whether UUC platforms should continue to be used as marketing tools, or whether they are competing with DSPs, as UUC content competes with music recordings for users' time. As I4 further notes: *“This UUC content competes for everyone's time. It definitely creates noise and commotion, even around actual commercial music products. But can this noise be harnessed in such a way that it also directs people toward the actual, desired product? I think it can. And this is perhaps the challenge of the moment: how to find a mechanism that works and creates synergy”* (I4). It is therefore argued by interviewees that it is beneficial to distinguish between UUC products and high-quality music products. In the event of UUC platforms, such as TikTok, entering competition with traditional DSP platforms, it will be essential to establish effective revenue models, to ensure the long-term stability and success of the music industry.

I1, I2, I3, I4, I5 responded to the structure of the recorded business. All conformed value network being more accurate concept to describe recorded music business in comparison to traditional value chain model. In the contemporary music industry, there exists a multitude of avenues through which artists or songs can achieve success. According to Alvarez (2017), the value change does not occur in a direct and predicted manner from A to B. It has been suggested by some scholars that the value chain model no longer represents as the relevant framework considering the current developments in the music business (Alvarez, 2017). In the context of value creation, whether from revenue or influencing perspective, the network of stakeholders has become more extensive and multifaceted than in previous periods. Some artists are able to generate the highest levels of value through live performances, while others achieve success through radio airplay, social media platforms such as Tiktok, or through Patreon or OnlyFans. There are a wide variety of possibilities. Some artists may find the services of a record label beneficial, while others may benefit from a strong working relationship with a management company.

> *"There is no single correct or best way to do business in the music industry or have a successful career - or even a career at all. Value network is a good reflection of this rather chaotic and constantly changing music business*" *(I2)*

> "*Although the components themselves remain the same, but it is no longer a linear progression where each stage involves a clear, individual increase in value. Different components can be interconnected in truly complex ways – and value can be created in different places, in different ways, with different actors" (I4).*

A value-creation analysis of the pre-digital process would show that it was a relatively straightforward process. The value exchange occurred in a more direct and predictable manner in pre-digital age. I4 further notes: *"If you compare it to the model from a couple of decades ago, where you booked a studio, hired musicians, recorded, mastered, pressed a physical disc, and delivered it to stores, it was a much clearer and more straightforward process" (I4)*.

4.2 Contemporary Industry Dynamics and Gatekeepers

Digitalisation has had a significant impact on the value chain of the recorded music industry, leading to changes in the dynamic between industry players. Which stakeholders have the capacity to exert influence over others, and how are the power dynamics among the various stakeholders in this context changing. However, a number of new barriers to publication of music have emerged as the result of digital transformation (Hiltunen, 2020). Certain common themes and the internal power dynamics of specific stakeholders emerged repeatedly during interviews. These included radio stations, DSPs, record companies, and artists. Some existing gatekeepers have retained their position; some have become irrelevant, and new gatekeepers have emerged. For instance, the relationship between record labels and artists has undergone significant changes. Prior to the development of digital platforms, artists were more dependent on record labels for the physical recording and distribution of their music, a process which required greater financial investment (Hesmondhalgh et al., 2021). On the other hand, the digital age has resulted in an abundance of music, making it more challenging for emerging artists to gain visibility (CMA, 2022, p. 41).

In the digital age, the number of ways in which artists can achieve breakthroughs has increased rapidly. While all interviewees agree that gatekeepers still exist, they also agree that gatekeeping is now different. There are no longer any single paths through which artists can achieve success. For example, interviews confirm prior to the digitalisation of music, music directors at Radiomafia used to have enormous control over which songs or artists could bypass them and reach a mainstream audience. Furthermore, prior to the digital age, entities such as retailers, who controlled what CDs were sold in physical stores, had significant power to practice gatekeeping in a concrete way.

> *"For example, on the retailer side—such as at Anttila or other record store chains—purchasing managers played a significant role: they decided which records to include in the selection and in what quantities. This had a direct impact on what consumers even got to see on store shelves"* (I1).

> *"Twenty years ago, it was possible to name some fairly clear gatekeepers: the editor-in-chief of a newspaper's music pages, the editor-in-chief of a music magazine, a radio music director, or an A&R representative at a record company. And back then, they weren't just called gatekeepers—they really were gatekeepers"* (I5).

Interviewees highlighted the role of radio stations, and especially their music directors, as notable gatekeepers to this day. The role of radio as a gatekeeper has not vanished, particularly when considering how a more mature audience discovers music. Although this form of gatekeeping still exists, and radio directors still act as gatekeepers to some extent, the selection of songs for radio is now more data-driven and less subjective.

I3 and I4 highlight, the close cooperation and "relationship capital" between radio stations and major record labels can be observed. Both parties have gained gatekeeper positions due to their close relationship. Close cooperation has particularly benefited the major record labels, providing them with better tools for getting their artists on the radio than their competitors.

> *"Major labels have relationships and connections with radio stations that have been built up over decades. It moves more slowly than, for example, the DSP world, which is understandable in a way – when radio stations have been playing major label music for decades, they have also accumulated a lot of relationship capital."* (I4)

> *"When you turn on the radio and listen to what's playing, most of the artists are signed to record labels. Within the structures—especially in the media and radio—there seem to be factors that support the idea that record labels are better equipped to propel artists to the top."* (I3)

I5 emphasizes that in the digital age, the general public is the key gatekeeper. In addition, I5 argues that despite radio stations' ability to practice gatekeeping, traditional methods of this practice can be considered unwise. Radio stations can choose which songs are played and technically can be considered gatekeepers, just as they were in the traditional context. However, due to increased competition among radio stations, similar to that among record labels and artists, the power dynamic has shifted. In the current climate of intense competition for people's attention, it is unwise to adopt a traditional gatekeeping approach.

> *"Perhaps the most ironic thing is that nowadays, the biggest gatekeeper may be the enormous amount of supply itself. When artists want to get radio play, the biggest obstacle is not me or any other individual player. It is the enormous volume of releases. All other music makers are, in a sense, competitors with each other."* (I5)

The common consensus among I1, I2, I3, I4, and I5 was that gatekeeping still exists, however, its form has changed. Whilst some traditional gatekeepers have become irrelevant or their level of influence has changed in digital age, new gatekeepers have emerged due to the contemporary dynamics. With hundreds of curators hand-picking songs for DSP playlists, streaming services can have a significant level of influence over the music industry. These curators can be regarded as gatekeepers, as they have the ability to determine which songs will be heard by large audiences on popular playlists (Brink, 2025). Pekari (2020) also highlights the importance of the DSP playlists, curated by Spotify editors, algorithms and other users, and in addition to Spotify editors, playlist pitching agencies have emerged as new gatekeepers according to Pekari (2020). The statement was also supported by many interviewees. Highlighting the role of DSP editors is to be recognized as the new gatekeepers within the music industry. In addition to DSP playlists and editors, Hiltunen (2020) highlights the role of music supervisors in pitching music for synchronisation in various media, such as films or advertisements (Hiltunen, 2020).

However, I1 notes that the level of collaboration between DSP editors and record labels is not as close as that observed between labels and radio stations: *"DSP editors prefer to maintain a certain distance in their work. This is undoubtedly related to the objective of maintaining impartiality – to avoid giving the impression that external factors can unduly influence decisions*" (I1). Multiple interviewees expressed their welcome of the competition between DSPs, citing that it is beneficial in terms of preventing a monopoly position and centralization of bargaining. In light of the concerns regarding the dependance between record labels and streaming providers (CMA, 2022, p. 75), a diversified approach is beneficial for record labels and their artists, to not relying solely on a single DSP.

In the digital age, the relationship between artists and record labels has been transformed due to the fact that artists can now reach consumers directly, therefore, record labels must explore innovative ways of creating value for artists. I1, I2, and I4 noted the record labels must adopt a 360 approach to their services in order to maintain their relevance in the current market. Prior to the digital age, record labels exercised significant influence over the decision-making process in determining which artists' music would be released onto the market. Given the widespread availability of music via digital streaming platforms, the industry's focus has shifted towards assessing the quality of music and identifying effective strategies for reaching audiences. In the digital environment, interviewees emphasizes the importance of encouraging record labels to adopt a new mindset in order to maintain their relevance.

> "*The role (of record label) has changed enormously, but it has not disappeared*"
> *"The days when record companies tried to claim that artists couldn't do things themselves are definitely over. Of course, they can – today more than ever before. But the key question is: is it worth doing everything yourself?*" *(I4).*

> *"Every record label should have a clear artist value proposition (AVP). It should be possible to articulate very concretely what added value we (record labels) bring to the artist. This should be a key strategic theme" (I1).*

During the interview, the interviewees were tasked with identifying strategies that record labels could implement to attract artists to sign with them. The importance of building a well-functioning team around the artist is a key strategy for success. During the course of the interviews, many of the participants demonstrated a comprehensive understanding of the 360-degree perspective within the context of record labels. Labels must adopt more comprehensive service models to meet the needs of artists. Marketing and promotion expertise, alongside storytelling around artists and music, are among the primary activities of record labels. In addition, contemporary record labels provide a range of services, such as brand partnerships and music synchronization.

> *"At the end of the day, this industry is a people business – and that's exactly why our most important asset is the right people. The added value that artists get from us comes specifically from the expertise and connections of our people. That's the core of AVP"* (I1)

Utilizing social media channels is an effective strategy for independent record labels and management companies to enter new markets, which is causing a shift in power away from the major labels (Matikainen, 2018).

4.3 Artist Career Development in the Globalised Music Industry

Digitalisation has transformed the global music industry, creating new opportunities for artists to reach a broader audience and gain a stronger international profile, at comparatively low investment when viewed against more traditional promotional channels (Matikainen, 2018). The release of music through DSPs enables artists to make their music instantly available on a global scale, regardless of the location of release or the identity of the release party. Compared to the pre-digital age, during which artists needed to negotiate separate releases or licensing deals for each region, the current approach offers greater efficiency. Whilst the development of digital channels and increased global distribution has undoubtedly facilitated market access for artists, the key challenge for many is not necessarily the distribution itself, but rather, the challenge of differentiating their product from that of the mass market. According to IFPI report (2025), more than 1 million new songs are released on a weekly basis which makes the competitive landscape has become increasingly challenging for artists.

Despite the new opportunities and global accesses, new barriers and challenges in artist's globalisation have emerged. A further challenge in terms of breaking into the global market is the fragmentation of the music sector. There are rather few clear avenues available to artists to gain a global audience, with the exception of the

Eurovision Song Contest, which I3 and I5 noted, remains one of the few remaining examples of a homogeneous music culture.

> *"Another challenge is that the field is so fragmented these days. There are no longer any single events that catapult a career to huge success, as was once the case with Darude or Bomfunk MC's when their song got into MTV's rotation."* (I3)
>
> *"There are hardly any such direct, global channels offering leverage left. Everything is more fragmented"* (I3)

Furthermore, the popularity of local music represents a challenge in the context of globalisation. According to I1, I3, I4, and I5, the appeal of remaining in local markets, particularly in Finland, often surpasses the motivation to make essential investments in pursuit of a global career. Instead of pursuing a global career, it is generally considered safer and less risky for businesses to remain in the local area.

> *"It is somewhat paradoxical that in an era of global accessibility, locality has become increasingly important. People have the freedom to choose, and often that choice falls on what is close and familiar" (I5).*

A similar structural challenge is being faced by record labels in the area of music export. Many labels have invested in local repertoire and are reluctant to compromise on local success. I1 further highlights the structural challenge: *"One structural challenge in the industry has been that both indie and major labels have been thinking too locally for a long time. Domestic music has been very strong in many countries, and English-language music has been seen as the only potential export product"* (I1). Despite this, interviewees noted that the language has become less important than ever, and multilingual collaborations are becoming increasingly popular.

Finland is often experienced as a particularly challenging location for music export, despite the increased values of the Finnish music export seen in recent years (Hottinen & Ilmavirta, 2025). This is due to the fact that Finland has a strong local market and a unique language. Furthermore, the export ecosystem has not been as successful as that of Sweden, for example. Major record labels' processes and structures are not oriented towards promoting artists from smaller markets into larger ones, instead, one of the key priorities for major record labels is to bring music that has achieved international success to local markets.

> *"I see that in Finland, the focus of major labels is mainly on Post Malone and Ariana Grande succeeding here – not so much on Paula Vesala or JVG going out into the world from here. In London, labels do not expect the next Post Malone to be from Finland – if such an artist is to be found, they are usually sought in Los Angeles, London, or Berlin, not Finland"* (I2).

> *"In theory, major record labels have a presence in almost all markets around the world, but in practice, it is not very common for a promising artist from a smaller market to be systematically promoted to a larger market. The movement is usually in the other direction. Priorities from larger markets, such as the UK or the US, spread globally and effectively"* (I5).

According to interviewees, achieving a significant global presence requires substantial investment, both financial and human. Artists need to make a significant sacrifice for the global success path. A lack of resources naturally hinders artists' opportunities to break into the global market. I3 highlights the financial resiliance as a major obstacle:*"It may involve similar dynamics to scaling up start-ups: it requires a lot of capital, investment, and perseverance. Even if everything is in place—the opportunities, talent, product, and support—one big question is whether you can keep doing this at a loss for years. Are you prepared to invest everything back into the business, giving it all your time and money?"* (I3).

According to the interviewees, record labels are able to provide financial support to help artists achieve global success. Utilizing the financial resources of the record label enables artists to share the risks associated with pursuing a global career. I2, I3 and I4 highlighted a challenge regarding income generation, which limits artists' prospects of breaking into the global market. Breaking into the global market requires initial investments, with the potential return on investment realized over time rather than immediately. In the pre-digital era, records were often credited to the master holder at the time of sale or close to that moment. Therefore, when it comes to risk management, record companies may have an advantage over individual artists due to the passive income that is generated from catalogues.

> *"If you set out to do everything yourself – especially globally – it's expensive. Music companies have the risk tolerance for this: not everything will be a hit, and one Ed Sheeran covers for many unsuccessful Ed Sheerans"* (I2)

Interviewees regard the labels' internal networks as being fundamental in terms of contributing to a successful launch of the artist on the global stage. Establishing a framework to facilitate international career development may present significant challenges for artists operating alone. From the outset, establishing an international network necessitates the establishment of connections, the negotiation of agreements, and the execution of cooperation agreements. This process requires a significant investment of time, expertise and resources. International record labels have already established processes to support these functions.

In the course of the interview, participants were asked to describe AI and its implications for the music business. It was agreed that the use of artificial intelligence is leading to a significant increase in the amount of music being released. This is due to the fact that making music is becoming increasingly cost-effective, and the quality of music being produced is improving exponentially. In the contemporary music industry, major artists often have access to extensive teams of songwriters and producers, numbering in the dozens. However, recent advancements in artificial intelligence have introduced a new opportunity for artists to leverage these same benefits through the effective integration of AI technology. It is anticipated that there will be a notable increase in the production of music that is categorized as "functional", with this being created by AI. In this music category, the identity of the artist, the brand or the producer is irrelevant to the end consumer.

5 Discussion

The purpose of this research is to investigate the music value chain in the digital environment and its implications for music industry dynamics. This section comprises the theoretical framework and empirical findings, which are being compiled to provide a comprehensive overview of the subject area. The study area was divided into three sub-questions to facilitate a comprehensive discussion of the phenomenon from multiple perspectives, to facilitate a more in-depth understanding of the complex nature of the phenomenon.

Sub-RQ1: *How has digitalisation transformed the structure and the essential functions of the recorded music value chain/value network?*

This question examines the structure and functions of the recorded music value chain in the context of digitalisation. The theoretical foundations of the value chain theory are pioneered by Porter (1985). The traditional value chain theory has been adapted for use in the music industry by Hull (2004) and Bockstedt et al. (2006), and CMA (2022). According to the CMA (2022), the most notable update to earlier value chain theories is the inclusion of music streaming services. These services enable artists to directly access consumers through UUC platforms, or access consumers through streaming services by using DIY aggregates. Due to the rise of social media platforms, all artists, including independent artists, are able to use social media to create innovative marketing campaigns and advance their careers (CMA, 2022).

When analyzing value chain models created by Hull (2004) and Bockstedt et al. (2006) Empirical findings show that the content creation side, or the side where artists perform for the recording, has remained relatively stable throughout digitalisation. However, it is worth mentioning that artists are becoming more independent in terms of content creation. Many are able to combine content creation and production (recording), controlling the entire process themselves (Auvinen, 2016). Digitalisation has made the process of producing music more accessible and reduced the costs involved (Walzer, 2023), with AI tools accelerating this process even further. Due to decreased costs and entry barriers, the supply of music has increased significantly, changing the competitive landscape for artists and music creators.

When Porter's (1985) value chain model is adapted for the recorded music business, it can be concluded that the primary activities involving the physical creation of the product are comparable to the production and recording processes carried out by artists and producers. The statement is supported empirical evidence, confirming the song-making process and talent scouting have remained consistent since the pre-digitalisation era. However, operating methods around value creation have changed. For example, physical logistics played a significant role during the era of physical record sales but are no longer relevant in the current context. Therefore, it can be concluded that Porter's (1985) emphasis on physical inbound and outbound logistics is not relevant in this context, as the value creation has shifted from tangible to intangible capital. However, as Porter (1985) noted, the significance of each category depends on the nature of the business (Porter, 1985). Within the music industry, operations can be classified as an important category, which refers to the creation of music. Furthermore, speed, fluidity and flexibility in key qualifications to achieve competitive advantage during digital age, instead of aiming at large scale operations as in pre-digital age (Merchant, 2012).

Labels continue to play a role in supporting artists throughout their recording and creative processes by offering A&R services. Consequently, the argument can be made that "Labels sign artists to record", as asserted by Hull (2004). However, the role of the record label in the value chain has evolved. It is no longer a mandatory intermediary for accessing recording studios and physically producing records (Hviid et al., 2017). Findings confirm artists can produce records independently, which gives them greater freedom of choice to be signed or not be signed to a label. Furthermore, Marchant's (2012) research indicates organisation requirements have changed towards higher quality and less dependend on mass production (Merchant, 2012). Empirical findings highlight the record labels have partially lost their competitive advantage as necessary intermediate in value chain, as artists are able to produce music at low financial investment. On contrary to pre-digital era where record labels provided significant financial investment in music production.

A key transition between the pre-digital and current eras is the evolution of record manufacturing and distribution methods. The process of records being physically manufactured and distributed has undergone a complete transformation, as the format of records is now mainly digital and goes through digital distribution channels. Fleischer (2017) argues that DSPs are manufacturers, as they actively influence the final consumer's perception of the product by shaping the listening experience (Fleischer, 2017). As distribution channels have now digitized and replaced the traditional distributors described in older value chain models (Hull, 2004; Bockstedt et al., 2006), they have become more diverse than ever, according to findings. Traditional distributors have been replaced by digital streaming providers (DSPs), such as Spotify. Furthermore, UUC platforms, such as YouTube and TikTok, have emerged as an alternative way for artists to publish their music directly to consumers (CMA, 2022, p. 58). As a result, a high number of music-listening platforms and digital media substitutes have emerged.

On the consumer side, digitalisation has transformed the way music is consumed, shifting the focus from physical recordings to digital products via DSPs. Customers have the option of choosing from various digital music platforms, such as Spotify, Apple Music and Deezer (Sirpiniemi, 2020). These platforms primarily operate by charging consumers' monthly subscription fees and offering different tiers with different features. In addition, many DSP platforms offer ad-funded tiers free of charge. However, these tiers disrupt the listening experience with advertisements and have other limitations that do not occur in paid subscription models (CMA, 2022, p. 56). Furthermore, customers have the option of listening to music through social media platforms, such as TikTok and YouTube. Ad-funded business models are the main way these platforms operate, with consumers able to access content free of charge. Some platforms, such as YouTube and TikTok, primarily focus on visual video content, where users actively engage with content rather than passively listening in the background. A wide variety of content, including music, is available on these platforms, though music is not a central feature, as it is on DSPs (CMA, 2022, p. 58-59).

Key addition to previous literature is the change in the value chain among consumers is the shift of power from individuals with the financial means to purchase CDs to those with the time to listen to music via DSPs. As money is accumulated through a number of streams and divided among industry players, the number of active DSP listeners increases the shared streaming pot (Datta et al., 2018). In addition, DSP and UGC platforms are in a highly competitive market, constantly competing for users' attention. According to UK Parliament (2021), it is evident that consumers have been the beneficiaries of music digitalisation, primarily due to cost-effectiveness and superior service offerings. DSPs provide customers with unlimited access to the service's music catalogue. The cost of premium subscription models has remained relatively stable over time (UK Parliament, 2021).

However, while Porter's value chain and five forces model can be applied to the digital music business, it is worth noting that digitalised platform businesses have reshaped the basis of value creation, shifting the focus from pipeline businesses to platform businesses (Parker et al., 2016), wherefore making value chain model less relevant in today’s digital business context. Empirical evidence supports the statement that value creation is no longer linear; rather, it occurs in interconnected and complex ways in today's digital music environment, where value creation can be direct or indirect ways. This supports the findings of Alvarez (2017), who argued that the music industry is better described as an ecosystem or value network than as a linear value chain. Furthermore, in the digital music industry, value is transferred between intangible resources (Alvarez, 2017; Hiltunen, 2020) rather than through physical manufacturing, as described by Hull (2004), which strengthens the argument value network betters describes digital music ecosystem.

Overall, the findings indicate that digitalisation has transformed the structure and essential functions of the recorded music value chain and value network. While some functions, such as the core processes of record labels' talent scouting and creation of hit records, have remained consistent throughout the digital transformation process, the ecosystems surrounding these functions have undergone drastic evolution. Digital transformation has enabled businesses to operate in a variety of ways. For example, digital distribution channels, which are more diverse than ever, are a core business function. Songs and artists now have countless ways to reach audiences and have become less dependent on a single entity in the value chain. Value creation no longer occurs in a linear structure; instead, it happens in an interconnected and complex way. Empirical evidence supports Alvarez's (2017) findings that the structure of the music business has transformed towards a value network ecosystem model.

Sub-RQ2: *What are the new gatekeepers in the digital music ecosystem, and how do they influence value creation and distribution?*

Due to the above-mentioned changes caused by digitalisation, the relationship between certain stakeholders is undergoing a transition. Over time, certain players have emerged in the industry which entities referred to as gatekeepers. These players have influence over value creation, for example, in determining which songs or artists will reach a large audience. According to Seuri and Ikäheimo (2022), digitalisation has fundamentally changed our understanding of and definition of gatekeeping (Seuri & Ikäheimo, 2022). Findings confirm the gatekeeper role has changed due to the changing roles and bargaining power of industry players. The findings confirm was the gatekeeping still exists; however, its form has changed.

When contemporary industry dynamics are analysed using Porter's (1985) five forces model, it can be concluded that rivalry among existing firms has increased significantly, as platform-based environment has lowered the barriers to music production and digital service providers (DSPs) and social media have provided cost-effective, direct channels through which artists can reach a mass audience. As digitalisation has lowered production and distribution costs, new market entrants have found it easier to access the market. This has led to increased competition among artists and other music business stakeholders. While artists previously needed substantial funding to record albums, in the current landscape all that is required is an internet connection and computer (Alvarez, 2017). Whilst entry barriers have become almost non-existent, the players in music industry are facing increased competition from consumer’s time, therefore attention scarcity has replaced production scarcity.

The bargaining power of suppliers has become much more complex and has been reversed. The roles of stakeholders, such as record labels, retailers and distributors, were much simpler prior to the digital age. Since digital development, the roles of suppliers and buyers are more complex than ever. Contemporary artists have alternative ways to supply music to consumers, such as through digital service providers (DSPs), record labels, or directly via DIY platforms. When buyer bargaining power (Porter, 1985) is applied to the context of the music business, it can be concluded that the balance of power has shifted heavily in favour of consumers. Consumers can decide how and where they want to access music. They can choose between DSPs or consume music through social media platforms such as TikTok. Their choices have a significant impact on which artists record labels sign, and which music is played on the radio for instance. DSPs such as Spotify can be regarded as key buyers in today's music business ecosystem, as a significant proportion of Western music consumption occurs through them (Däniken, 2024). Spotify is therefore leveraging its position to negotiate cost-effective royalty payments, thereby minimizing the revenues of artists and record labels (Aguiar et al., 2024). However, major labels still hold supplier bargaining power due to their extensive music catalogues, which brings new business to DSPs (Däniken, 2024).

Gatekeeping has become more decentralized in the digital age (Seuri & Ikäheimo, 2022). Due to the increasing diversity of digital platforms, there are now countless channels through which artists can promote their music, compared to the pre-digital era. Prior to digitalisation, there were fewer alternatives for artists or songs to gain exposure, which made it easier to monitor and gatekeep those channels. In addition, music discovery happens through multiple platforms according to CMA (2022, p. 104), such as DSPs, playlists, social media, radio stations, and recommendations from friends and family (CMA, 2022, p. 104). When analyzing this context using Barzilai-Nahon (2008) methodology, it indicates that the gatekeeper's position has weakened due to the emergence of alternatives in the context of gatekeeping (Barzilai-Nahon, 2008).

The role of radio stations as gatekeepers has changed significantly in this context. Prior to the digital era, radio directors played a pivotal role as intermediaries between music and the audience (Ahlkvist & Faulkner, 2002, p. 192). Thus, radio directors had the gatekeeping power to decide which artists and music were exposed to the public. Findings suggest radio stations and decision-makers at radio stations, such as radio managers, still act as gatekeepers, although the role is not as significant compared to pre digital era. Findings highlight Radiomafia as an integral traditional gatekeeper in the Finnish music scene, with MTV music directors playing a global role prior to the digital age, during which time songs and artists were forced to bypass them to reach the mainstream audience. This no longer applies to the music industry, given the extensive range of channels through which consumers are exposed to music. Nevertheless, radio stations continue to hold some degree of reach and the increased availability of data on radios has provided more tools with which to make more educated decisions about what listeners want to hear.

Radio has a long history of playing music for free. Artists and record labels have benefited from promoting their songs to new audiences. Radio stations, on the other hand, have benefited from the advertising revenue generated when people listen to them (Dertouzos, 2008). It can therefore be concluded that the relationship between radio stations and record labels is considered significant. These entities have built their relationship capital over decades. When Barzilai-Nahon's (2008) gatekeeping theory is implemented, it can be concluded that the relationship with the gatekeeper is relevant within the context of record labels and radio stations.

DSPs are a more recent addition to the group of gatekeepers. Spotify, for example, is a DSPs that strongly influences people's consumption through playlists. On Spotify, these are curated by both editors and algorithms (Bonini & Gandini, 2019; Pekari, 2020). Findings suggest Spotify to be considered a major gatekeeper in today's digital environment, given its significant influence over algoritmic and editorial playlists. Vonderau (2019) considers Spotify as a technology company whose business model focuses on technological and procedural aspects rather than music exclusively (Vonderau, 2019). Empirical evidence shows that the collaboration between record labels and Spotify is not as close as the collaboration between record labels and radio stations. In contrast to older, more traditional gatekeepers, Spotify wants to remain impartial and not be seen as a visible gatekeeper in the recorded music business. In the context of Barzilai-Nahon's (2008) theory, it can be concluded that Spotify utilizes value-adding gatekeeper mechanisms by attracting music listeners to its platform through personalization and added-value services.

The record label's position as gatekeepers has evolved significantly through digitalisation. As a result, labels have had to adjust their business strategy, moving away from simply producing, manufacturing and distributing physical records (Vaininen, 2016). As digital platforms have made music distribution available to every artist through DIY and UUC platforms, thus eliminating the need for record labels as the traditional intermediary, record labels have lost their traditional gatekeeper position. For this reason, record labels have had to evolve and find new ways to add value to artists. Findings suggest the added value needs to be clearly communicated to artists and offered as a way to create mutually beneficial collaborations, making it less profitable for artists to do everything related to their careers themselves. This has prompted record labels to develop their services. Rather than being the necessary intermediary between artists, record shops and the public, labels now need to implement a wider range of services than ever before.

They are focusing more on social media and marketing expertise and offering additional services such as synchronization and brand partnerships.

In addition, findings notes that the new phenomenon caused by digitalisation is the artists acting as gatekeepers for each other. This is due to the vast quantity of music on DSPs, UUC platforms, and the constant release of new music, a trend that is expected to accelerate further with the development of AI. Whereas it used to be easier for one person to act as a gatekeeper for artists or songs, the biggest obstacle now is getting heard by the masses. Findings confirm competition between artists is fiercer than ever, and the artists essentially act as gatekeepers for each other.

In summary, the internal music industry dynamics have overcome drastic reshape under digitalal transition. The DSPs and UUC platforms have enabled artists to access consumers without going through traditional intermediaries, such as record labels. They can now promote their music without bypassing traditional gatekeepers, such as radio stations. This has caused many stakeholders in the music industry to re-evaluate their position in terms of value creation and the value-adding features they offer. This is due to the business structure shifting from a linear value chain model to a more complex value network ecosystem. This has caused some traditional gatekeepers to become irrelevant, as no single entity is able to control the industry, although some new gatekeepers (such as DSPs) have emerged. Instead, the large pool of music available accelerates competition, making it more difficult for songs and artists to reach a mainstream audience.

Sub-RQ3: *How has digitalisation influenced artist career development and global market access in the recorded music industry?*

Digitalisation has disrupted distribution channels, enabling every artist to access a global audience (Alvarez, 2017; Mulligan, 2024b). Prior to digital age, global distribution required extensive distribution channels and logistics. Nowadays, artists can access these at a minimal cost (Matikainen, 2018). Empirical findings highlights that digitalisation provides artists with unprecedented opportunities to break into the global market but also presents them with unprecedented challenges on their journey towards globalisation. Findings highlight the challenge of contemporary artists to succeed in the global competition and reach a global audience.

One of the challenges of breaking into the global market is the fragmentation of the music industry (Mulligan, 2024b). As findings indicate, despite the global reach of distribution channels, there is a lack of global channels through which artists can gain worldwide exposure. Prior to the digital age, more straightforward channels existed, such as the music channel MTV. Darude was the first ever Finnish artist to reach MTV rotation with his hit record 'Sandstorm', which was a highly influential factor in the song's success and its pathway to becoming a global hit (Sunkel, 2019). Such pathways providing global exposure do not exist in the same way in the digital age. Thus, the fragmentation of exposure paths is a notable challenge for artists aiming to achieve global success.

IFPI reported more than one million new songs released per week (IFPI, 2025), which demonstrates an oversupply of new music. In the oversaturated market, consumers' music choices often favored the familiar and safe options that local music often represents, when new music is competing with the existing catalogue. It can be concluded that the popularity of the local music industry poses challenges for artists aiming to achieve a global career and break out of the local market. In addition, when consumers focus their attention on local music, it often encourages artists to remain part of the local music scene. This is because many artists view local markets as a safer way to generate income. In the context of Finnish music exports, Finnish language has historically posed a challenge compared to English speaking countries, though the general importance of languages has diminished as result of digital transformation.

The structure of the music industry in small markets such as Finland has also been an obstacle. For example, major record labels do not search the next global artists in markets such as Finland. On the contrary, they scout artists from English-speaking markets such as the USA and the UK. Furthermore, the rest of the world follows trends in those markets. Therefore, the empirical data supports the claim that it is more challenging to achieve global expansion from small markets with unique languages, despite the digital platforms providing comprehensive tools to facilitate global reach from any location.

Findings highlight the well-functioning team around the artist plays a key role in helping them overcome these challenges. In the context of an international career, networking is of pivotal importance, yet this can prove challenging for artists operating alone. A well-functioning team, such as management or record labels, can provide valuable resources and expertise, which are essential for a global career requiring tremendous focus and commitment from the artist. In addition to facilitating networking opportunities, record labels are able to provide artists with the financial backing required for a global career. Otherwise, artists frequently are obligated to invest all income into the project. Unlike with pre-digital music formats, where income was credited to master account holders more quickly, empirical evidence suggests that streaming income is paid retrospectively. This created a key dilemma, namely the question of how much financial resilience and patience artists possess while pursuing international careers.

When applied to the context of the globalized music industry, the born global theory defines a firm as born global if it begins exporting from the beginning of its foundation (Rennie, 1993). By this definition, an artist aiming for a global career can also be classified as born global as the global infrastructure for music distribution is easily accessible even for independent artists. If the Born Global definition is further interpreted to narrow it down to firms that generate 75% of their turnover from at least one foreign country within two years of launch (Rennie, 1993), then many artists would qualify in the digital era. However, standing out from the large quantity of music released on DSPs is a challenge for many artists, and a large proportion of songs end up with minimal streams. According to Spotify (2023), tens of millions of songs from their catalogue, out of a total of 100 million tracks, gain between one and 1,000 streams per year, generating 0.03 USD per month (Spotify, 2023). Empirical findings indicate a clear challenge to the born global concept, due to the almost complete absence of market entry barriers. In today's gworing attention economy, the key factors for success are global competitiveness, reaching a mass audience and gaining a relevant market share, rather than being born global. The findings address the global competitiveness should be highlighted more than the issue of global availability itself.

In summary, digitalisation has influenced the career development of artists in a global context. While digital distribution channels allow artists to go global instantly, qualifying them as born globals, the real dilemma is not global availability itself, but global competitiveness. In addition to intense global competition, there is a lack of promotional channels offering global visibility, as these channels are fragmented. However, in today's highly competitive market, intangible assets such as a well-functioning team around the artists and networking opportunities are key, creating a need for record labels and other music business operators.

The author developed a new conceptual framework based on above discussion and Porter's (1985) five forces model (see figure 9). Digitalisation has a direct effect on the industry by enabling low-cost production and digital distribution. These factors increase the volume of offerings and create intense competition among artists and songs competing for attention. Competition is further increased by the large number of substitutes, as social media platforms and other forms of online entertainment compete for people's attention, even though the product itself (music) might be different.

Due to their direct market access and decentralised gatekeeping power, artists have a high level of bargaining power. However, labels provide artists with more leverage to negotiate better terms with DSPs. The bargaining power of artists, on the other hand, varies depending on the size of their market share: the bigger the market share, the bigger the leverage. Consumers, on the other hand, have significant influence over what trends in the market. DSPs have significant buyer power because they provide platforms that allow consumers to listen to music at high volumes. These factors results in increased competitive landscape.

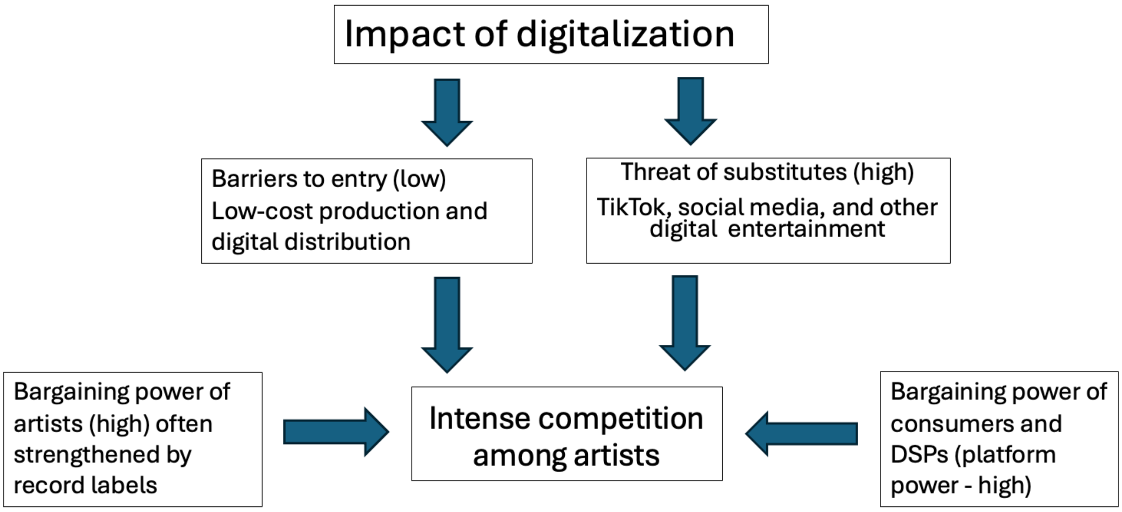

Figure 9. Conceptual framework (self-creation). Impact of digitalisation on competitive forces and rivalry in the digital music industry. Adapted from Porter (1985)

Taken together, these findings provide a comprehensive answer to the main research question. The digital transformation has led to a shift in the structure of the recorded music business towards a value network model. Consequently, industry dynamics have undergone significant changes. The most notable change has been the decentralisation of gatekeeping due to the emergence of platform-based music offerings. Despite the fact that the platform-based ecosystem has enabled artists and songs to access global markets, breakthrough competition has become a increasingly challenging factor. These relationships are synthesised in the conceptual framework (Figure 10), which illustrates how digitalisation has reshaped value creation and its implications to industry dynamics.

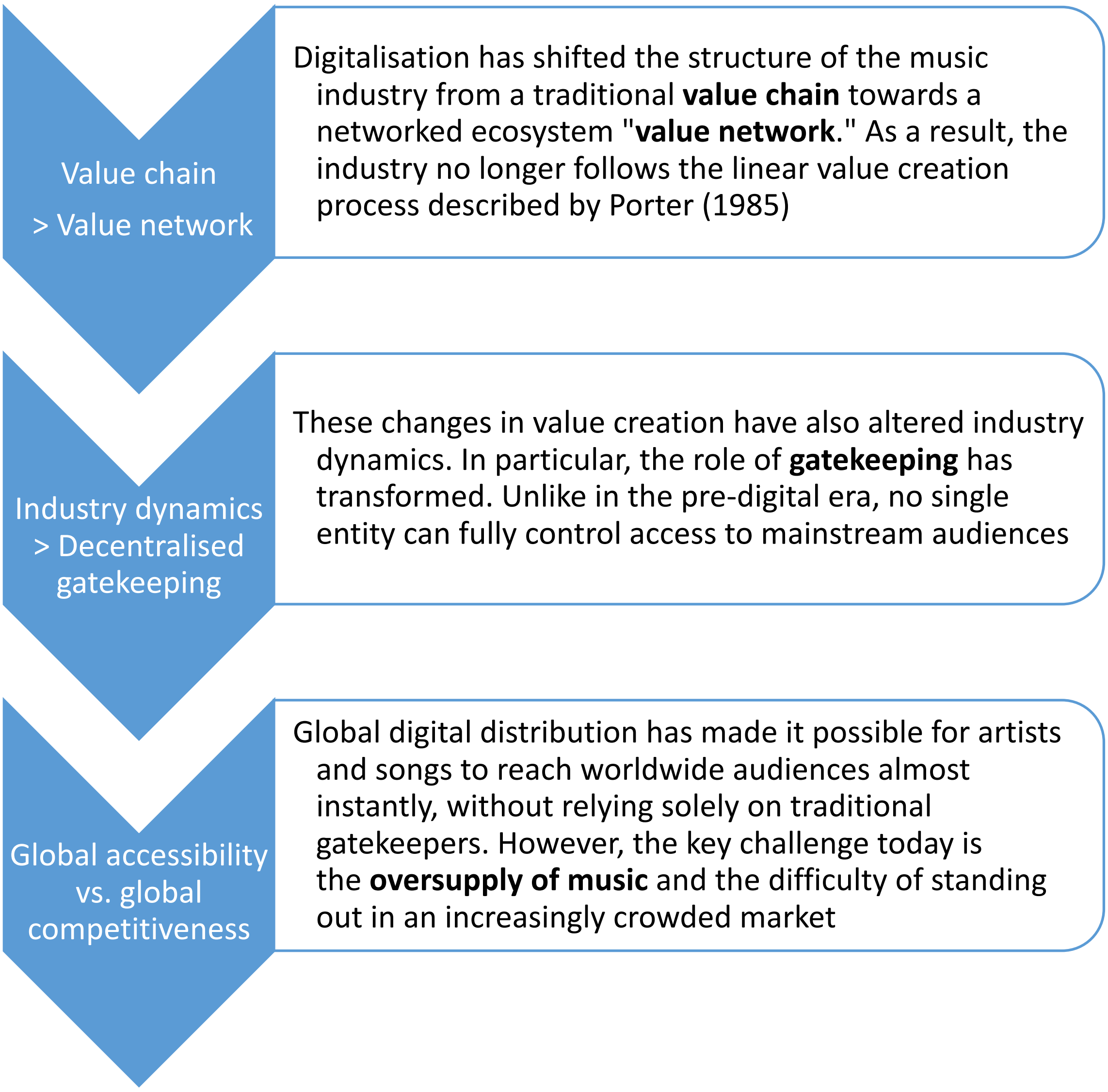

Figure 10. Conceptual framework (self-creation)

6 Conclusion and Future Directions

This thesis examines the key changes in the way the recorded music industry creates value, from the pre-digital era to the present day. Additionally, this thesis explores the implications of changes in value creation for internal industry dynamics. This is investigated through gatekeeper theory and globalisation.

The empirical findings and discussion support the statement that the recording industry has shifted from a value chain structure to a networked ecosystem, which can be described as a value network. Although some components, such as music composition and talent discovery, have remained unchanged since the pre-digital era, the tools used for creating value have changed. The most notable of these are digital music production tools and distribution channels. Music distribution channels have diversified, providing artists and songs with multiple avenues for discovery.

As a result of a shift in value creation, industry dynamics have changed drastically. Gatekeeping has become decentralised, since no single entity can control market access or determine which songs or artists are exposed to a wider audience, as was the case in the pre-digital era. This has resulted in different market dynamics, as the relationships between industry stakeholders have changed. For example, artists are no longer dependent on record labels to access recording studios or distribution in stores. Instead, they can now control every step of the process, from making records to delivering them to the final consumer. This has prompted record labels and other industry players to re-evaluate their strategies in order to maintain their position in today's market. Artists, on the other hand, need resources to gain exposure in an oversaturated market where entry barriers are increasingly low and the amount of competition from alternative forms of entertainment is presenting unprecedented challenges.

Digital tools have enabled artists to directly access the global music markets, without dependency on traditional gatekeepers. However, the oversupply of music has made it unprecedentedly difficult to gain market share, as competition intensifies in global music markets. Artists face other obstacles to achieving a global breakthrough, such as limited financial resources and the appeal of remaining in the domestic market. However, empirical data shows that industry players, such as record labels, have an opportunity to provide artists with the necessary tools and support to achieve a global breakthrough. The findings emphasise that strong networks and strategic partnerships play a pivotal role.

6.1 Theoretical Contributions

This study contributed to the academic framework by connecting value chain theory (originally discovered by Porter in 1985) to music industry discussion. It provided an overview of which value chain theories had previously been adapted to the recorded music business, and of how these theories had evolved through digitalisation. The findings of the thesis demonstrate how the industry has shifted from linear value creation to a networked music ecosystem, or a value network, as described by Alvarez (2017). The findings support the shift in industry structure, where value creation occurs in intangible and indirect ways and components are interconnected in complex ways.

This thesis offers new insights into the study of contemporary music industry dynamics. This thesis applies Porter's five competitive forces and gatekeeper theories as a framework through which the contemporary music industry is described and analysed. The thesis analyses Porter's five forces model by describing how digitalisation has resulted in low entry barriers due to minimal music production costs and a high level of substitutes, with music competing with social media channels and other forms of online entertainment in an environment where attention is scarce.

Due to the increased number of ways to distribute music to the final customer, artists have a high level of bargaining power as suppliers. However, the extent of this bargaining power depends on the size of the artist. Those with a larger market share have better leverage, while smaller artists lack it. Empirical evidence indicates that record labels enhance artists' bargaining power by managing valuable catalogues and supplying a substantial volume of high-quality music to DSPs. In today's attention economy, consumers have significant bargaining power as buyers.

The key insight to be taken from the findings is that gatekeeping is becoming more decentralised. While gatekeeping still exists in some form in the present day, power has shifted from individuals to algorithmic platforms, as opposed to the pre-digital age. Today's diversified music ecosystem supports the distribution of value across multiple stakeholders, meaning that single entities can no longer control market access or visibility.

Furthermore, this study contributes to the literature on the globalisation of music by providing new insights into how global competitiveness challenges traditional market accessibility, as discussed in the born global literature (Rennie, 1993). While artists can now distribute music with instant global accessibility, achieving a significant foreign market share is more challenging than in the past.

6.2 Managerial Implications

The study's findings contribute to the music industry’s managerial discussion by providing a concrete overview of how the industry has changed, and how industry players need to evaluate and develop their strategies in order to maintain their position amid ever-changing industry dynamics. Given the current value creation structure, where value creation has shifted from linear value chain into complex value network ecosystem, industry stakeholders must rethink how added value is created and communicated.

For record labels, it is becoming increasingly important to acknowledge new dynamics whereby artists can distribute and promote their own music without a record label. It is increasingly significant to be able to identify and clearly communicate the added value towards the artist. Contemporary record labels should identify and clearly communicate artist value proposition (AVP). In addition, record labels should constantly re-evaluate essential services in fast paced digital environment. Labels should adapt to the 360 service model, offering a variety of services tailored to each artist's project. Some projects require relevant A&R personnel, while others only require marketing services. The study identifies the key competitive advantage of record labels in their human resources, providing artists with the optimal team to support common goals.

For artists, the study makes a valuable contribution to understanding the competitive industry landscape. In an increasingly competitive landscape, artists should adopt strategic mindset to build long-term brand utilizing platform specific tools. Simply achieving global distribution is not enough to gain a market share and become a relevant player in the global music market. It is evident artists need increased resources to turn global accessibility into global competitiveness. A high level of investment is needed in the form of a strong strategy, active marketing and a well-functioning team. The artist can operate independently, or utilize partnerships such as record label or management. Artists with high market share have greater bargaining power than ever, due to decentralized gatekeeping and lowered entry barriers.

The findings emphasize DSPs are contemporary gatekeeper in digital music ecosystem by curating playlists and ultimately controlling access to audiences. Due to their ability to attract and retain music listeners, DSPs hold a high level of bargaining power. However, to create sustainable business model, DSPs are required to balance relationships between consumers, artists, and record labels, while also competing with alternative digital media substitutes, such as Tiktok.

For media and radio stations, it is evident they depend on ability to identify emerging trends in digital environment and utilize data to stay competitive in value network ecosystem with high amount of digital media substitutes. The traditional gatekeeping capability is no longer a key factor. Instead, adaptation is needed to create new business models that prioritise the role of music consumers.

All industry players, can use this study to identify their market position and determine competitive advantages, strengths and weaknesses through the conceptual framework (Figure 9) described in the thesis.

6.3 Future Directions for Research

The thesis highlights how value creation in the recorded music industry has evolved through digitalisation, and the implications for internal industry dynamics. This study identifies areas for future research and suggests that certain subject areas should be investigated further. For future research, the study of music industry value creation could be conducted by comparing and analysing the recorded music, publishing and live sectors together within a similar academic framework, in order to gain an even broader understanding of the music value network.

Future research could investigate how monetisation models in the music industry have changed from the pre-digital to the digital era. As this thesis describes, DSPs and record labels are engaged in ongoing negotiations over mutually beneficial compensation models. A thorough study is needed on how revenue is generated and shared among industry players.

Further studies could thoroughly investigate record label strategies. The study could investigate record labels' strategic positioning and service development further, and determine what is required to remain competitive in value creation. This research could incorporate marketing strategies.

Finally, the implications of artificial intelligence for the music industry present an opportunity for future research. Further research could focus on how AI is utilised to improve business and creative processes, and the impact this has on industry compensation models through copyright ownership.

6.4 Limitations of the Study

As the creation of value in the music industry is a highly specialised and complex topic, traditional research methods may not disclose all the details concerning this phenomenon. While this study offers comprehensive insights through an empirical case study and secondary sources, there are several limitations that should be acknowledged.

The study results cannot be generalised due to the limited sample size of five interviewees. Although the participants provided a senior level expertise in notable music industry organisations, the relative small sample size limits the generalization of study results.

The generalisability of the study is limited by geographical boundaries, as the interviewees represent only the music industries of Finland and the Nordic countries. Although the digitalised music business operates according to the same principles worldwide, research findings from other parts of the world may differ from those of the thesis.

The study focuses only on recorded music, whilst the value creation concept is broader phenomeon and involves other functions, such as publishing and live section which were limited out of the study scope. These topic areas were excluded from the research scope in order to maintain a clear focus. However, relevant contributions from these sectors could provide valuable insights into value creation that were not covered in the thesis.

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Appendices

Appendix 1. Semi-structured interview guide

No.	Interview questions:
	Overview of interviewee
1.	Could you briefly tell us about yourself and where you work at the moment?
2.	Could you briefly tell us about your work history?
3.	How does your firm position in music business? Who do you define as clients?
	Music value chain
4.	**Could you please describe briefly the value chain/value network of the music business? Which stakeholders do the value network consist of?**
5.	A. How has the form of the value chain/value network changed in past 20 years? What are the key changes here and what has maybe remained unchanged? B. How are Tiktok and other UUC (User-uploaded content platforms), platforms challenging the music value chain/value network dynamics? C. Is there a risk in Tiktok replacing Spotify and what would be a consequence be for record labels and artists? D. What plans record labels have to keep the current market positions? E. What are your thoughts on value chain against value network?
	Music industry ”gatekeepers”
6.	Is there a ”gatekeepers” in music industry, entities who have power to decide which songs / artists are exposed to a wider audience? B. If so, please describe briefly who they are? C. If so, are the gatekeepers different from pre-digital era compared to post-digital era?
	Role of the record labels

7.	What do you describe as primary activities of the record label? How are record label activities changed from pre-digital age to post-digital age?
8.	How do record labels ensure an artist signs for a label (what is the added value for artist)?
9.	How would you describe as dynamics between, major, indie labels, and DIY (do-it-yourself) artists?
	Globalisation
10.	Can you describe how music digitalisation has affected on artist’s global career paths?
11.	What are the biggest challenges in artists’ global breakthrough journey and what are the tools or resources to overcome these obstacles?
12.	How can record labels nowadays contribute towards artists global breakthrough?
	Artificial intelligence
13.	How do you see AI reshaping the recorded music industry?
14.	How can artists and record labels utilize AI to improve their services?
	Closing
15.	[Optional] How do you see trends in recorded music in short term (1-5 years) and mid-term (5-10 years)?
16.	Do you have any further remarks or any additional point that we may miss in the discussion?
17.	Do you want to share any other relevant documents/links for our understanding?