Data, Digital Business models, Cloud computing and organizational Design

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BUSINESS MODELS AND INNOVATION

SOME LESSONS OF THE CREATIVE INDUSTRIES

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WHY ARE WE SPEAKING OF CREATIVE INDUSTRIES ?

Creative industries turn to be a growing business…

- Strategic importance of innovation and design in industry
- Knowledge & information resources supported by ICT
- As a consequence : expansion of creative industries

and drive the internet

- Attractiveness of creative contents
- Main dominant websites

… at the front edge of modern management issues

- Information and knowledge-based economy
- Management of innovation

Cooperation in social networks

Symbolic value

Sustainability

An ever increasing interest

CREATIVE INDUSTRIES… BUT DISRUPTIVE CHANGES COME FROM OUTSIDE !

Historically

- Sound movie
- Music industries
- TV
- …

Recently

- Thanks to the Internet and digital technologies

***But* always emerging outside the cultural industries**

INNOVATION AT THE DIGITAL AGE : AN IMPORTANT ISSUE IN CREATIVE INDUSTRIES (ALMOST) LIKE IN OTHER ONES

Support to growth, competition, renewing…

- Innovation : a means to develop creative contents and address new customers

The hidden innovation : surprisingly mistreated in the literature

- Merely considered from the content viewpoint
- Despite a large amount of projects, initiative and papers

Therefore, important questions are at stake

Where technological development and R&D take place ?

How are innovations adopted and implemented in cultural industries ?

STRATEGIES STRUCTURED AROUND THE CONTROL OF THE TECHNOLOGICAL COMPETENCIES

Not obvious since tech factors often undervalued if not lost in the digital economy

Basis for (re)definition of markets and competition

- enhancement of business skills of incumbents
- Support for new entrants
- **Market design and blurring of traditional bondarie s for firms and industries**

- Supported by technology disruptions (outsiders)
  Supported by new strategic business models (outsiders and mavericks)
  Supported by technological convergence (incumbents and outsiders)

STRUCTURAL CONSEQUENCES FOR BUSINESS MODELS

A wide range of business models

All the imaginable models not yet implemented

A new room to innovation ?

STRIKING FACTS

THE COMPLEXIFICATION OF THE MARKET STRUCTURE

PROLIFERATING BUSINESS MODELS

STARRING (SOME OF) THE HUNDREDS LEGAL DOWNLOADING PLATFORMS

airtist airtist.com	**Virgin** www.virginmega.fr	**Connect** Sony Connect
musicMe musicMe	**Starzik** www.starzik.com	**Alapage** www.alapage.com
Mondomix Mondomix	**e-compil** www.e-compil.fr	**Europe 2** www.europe2.fr/mp3.php
FNAC www.fnacmusic.com	**emusic** www.emusic.com	**Wanadoo** wanadoo musique
iTunes iTunes	**Jamlabel** www.jamlabel.com	**M6Music** www.m6music.fr
MTV www.mtv.fr	**121 MusicStore** 121 MusicStore.com	**Coramusic** www.coramusic.fr
MSN www.msn.fr	**4deejays.com** 4deejays.com	**Packardbell** Packard Bell Music Station
MusicetMoi MusicetMoi	**Reshape-Music** reshape-music	**NC Numricable** NC Numericable

E-BOOK PLATFORMS AS WELL

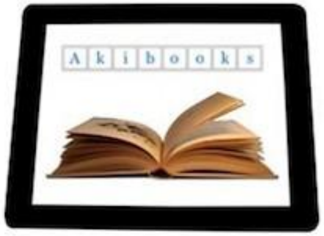
bd Buzz
L'appli BD

feedbooks

STARZIK

Digit Books
De passionnés à passionnés

delitoon



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PUTTING AT STAKE A NEW ECONOMY

- **What ? a proliferation of offers and forms of monetization**
  - New technology, products, media, services
  - Bursting and breaking down the consistency of traditional contents
  - Uses and consumer attitudes
  - Free/ paid, stock/flow, located / pervasive

- **How ? New technologies, new value chain and new entrants**

- **Why ? a new means for innovation**
  - Competing on BM rather than on goods and services
  - New economic players

SOME DYNAMICS WHICH FEED (OF) THE INTERNET

1. MULTIPLE CONFIGURATIONS AND MODELS TO CREATE SIMILAR CONTENTS

Several business models are competing

Corresponding to

- Various *configurations of the value chain*
- Various *structuring of creative resources*
- New form of *brand competition*

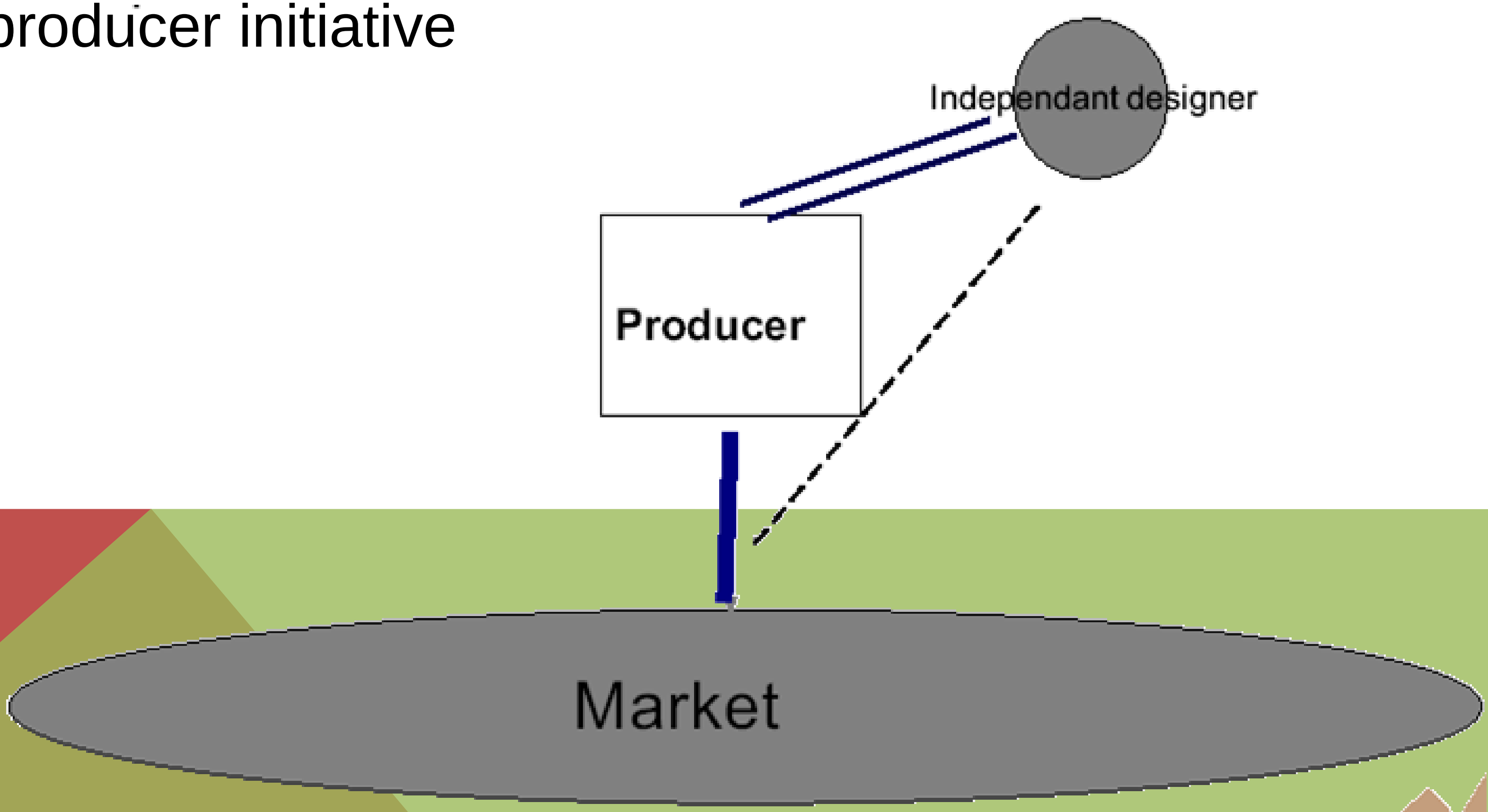
- **The case of design**

THE MODEL OF THE DESIGNER-CREATOR

Products are “signés”

- by a designer or a group of designers

On producer initiative

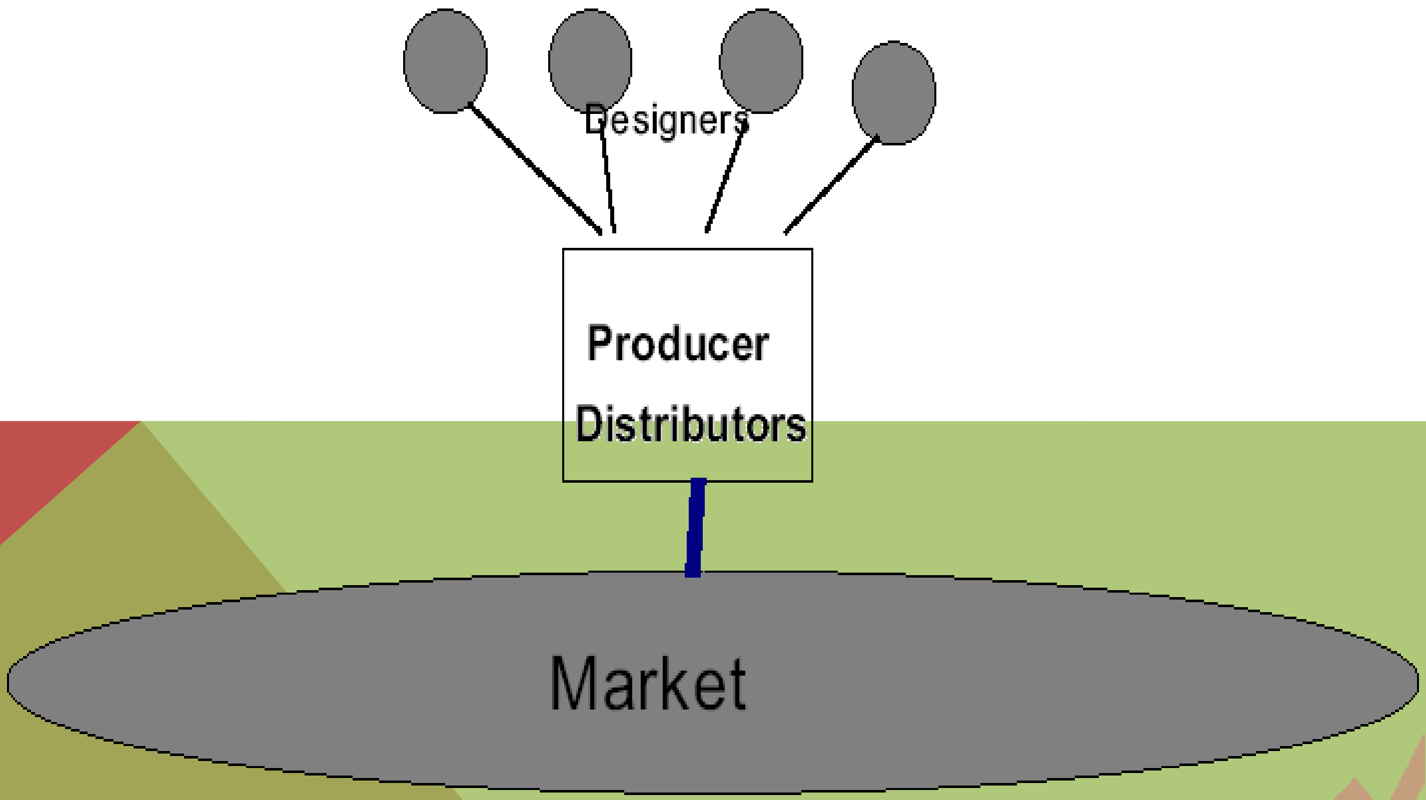


THE MODEL OF THE ANONYMOUS CREATOR

Products are branded by the producer or the distributor

On producer initiative

Designers can be substituted or “hidden”



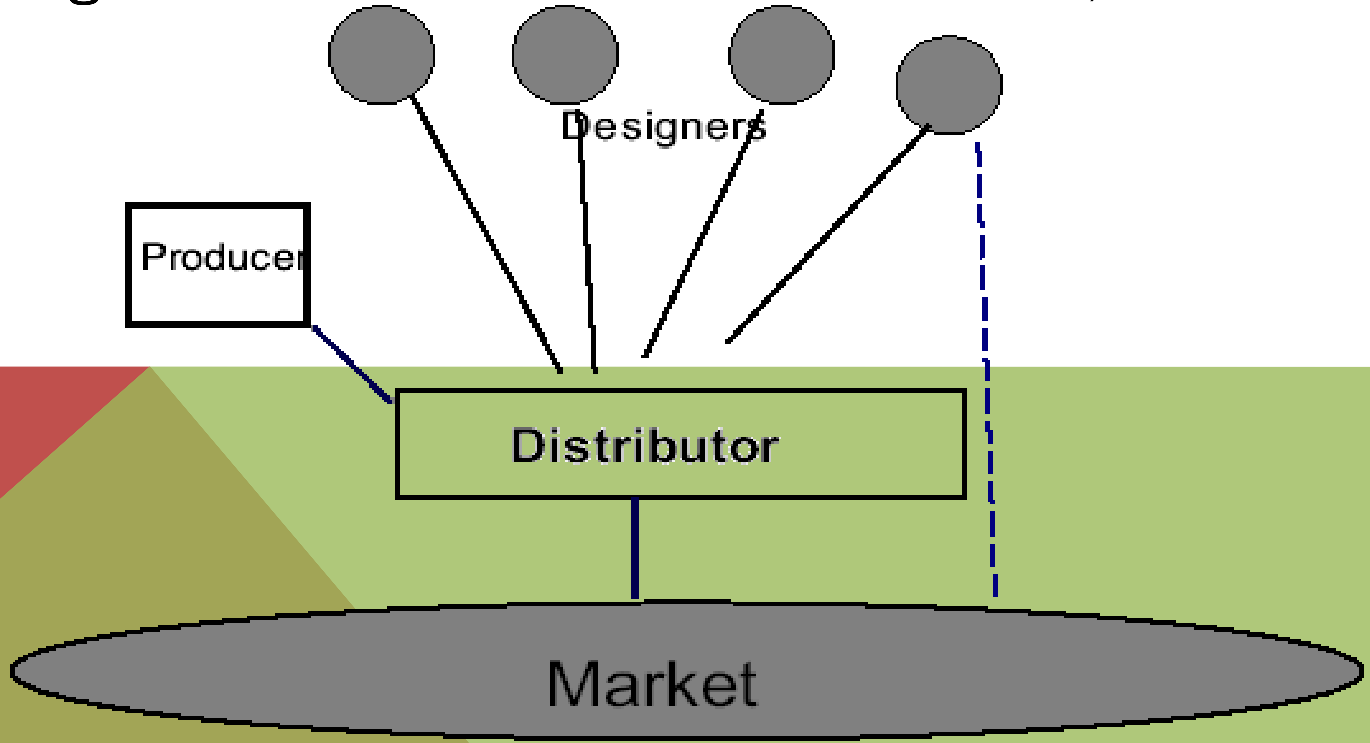
THE MODEL OF BRAND MARK DISTRIBUTOR

Distributor brand mark

On distributor initiative

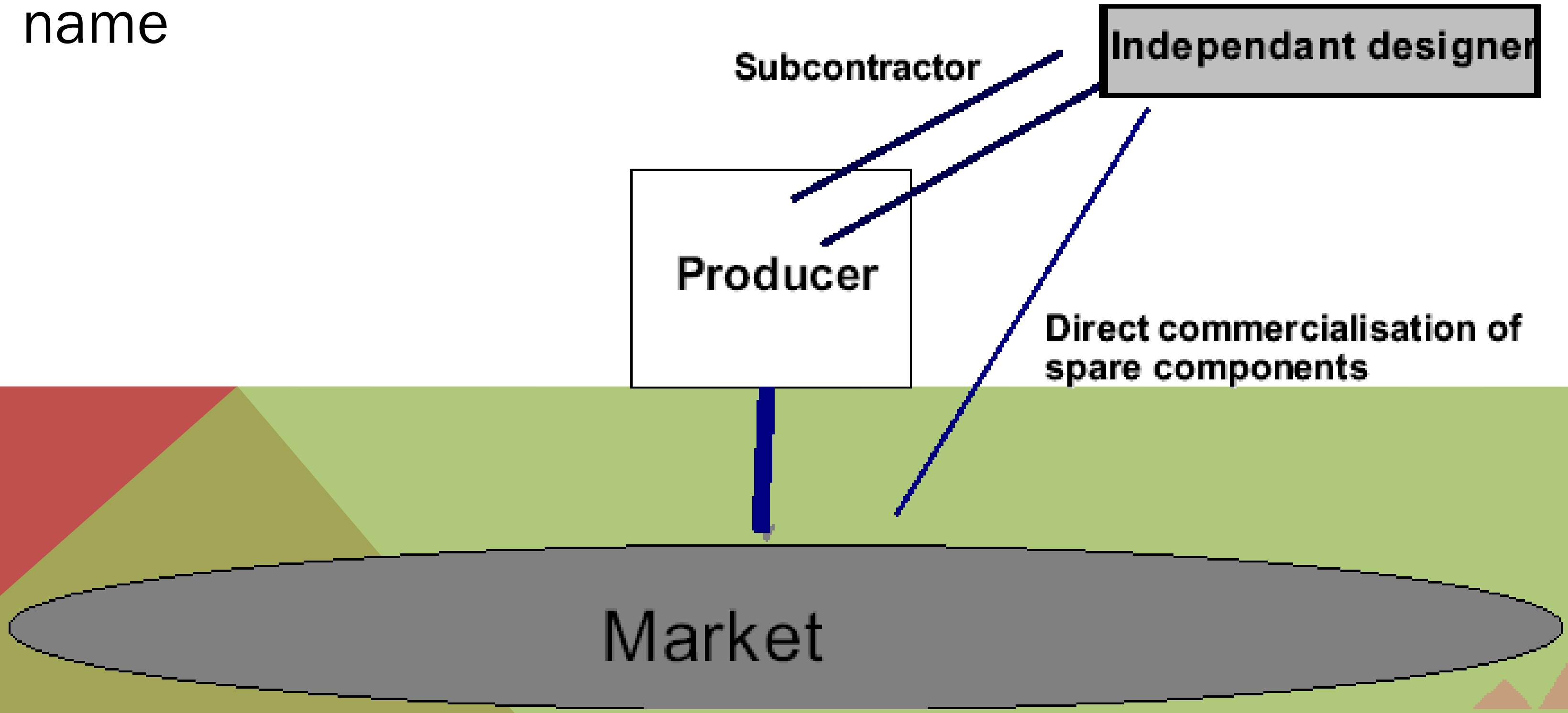
Subcontracting to producers

Designers can be external and substituted, or in-house



THE MANUFACTURING INDUSTRIAL MODEL

- Product are branded by the producer and the designer
- Designer eventually get production capacity
- On producer initiative
- Designer is subcontractor or get access to the market on his name



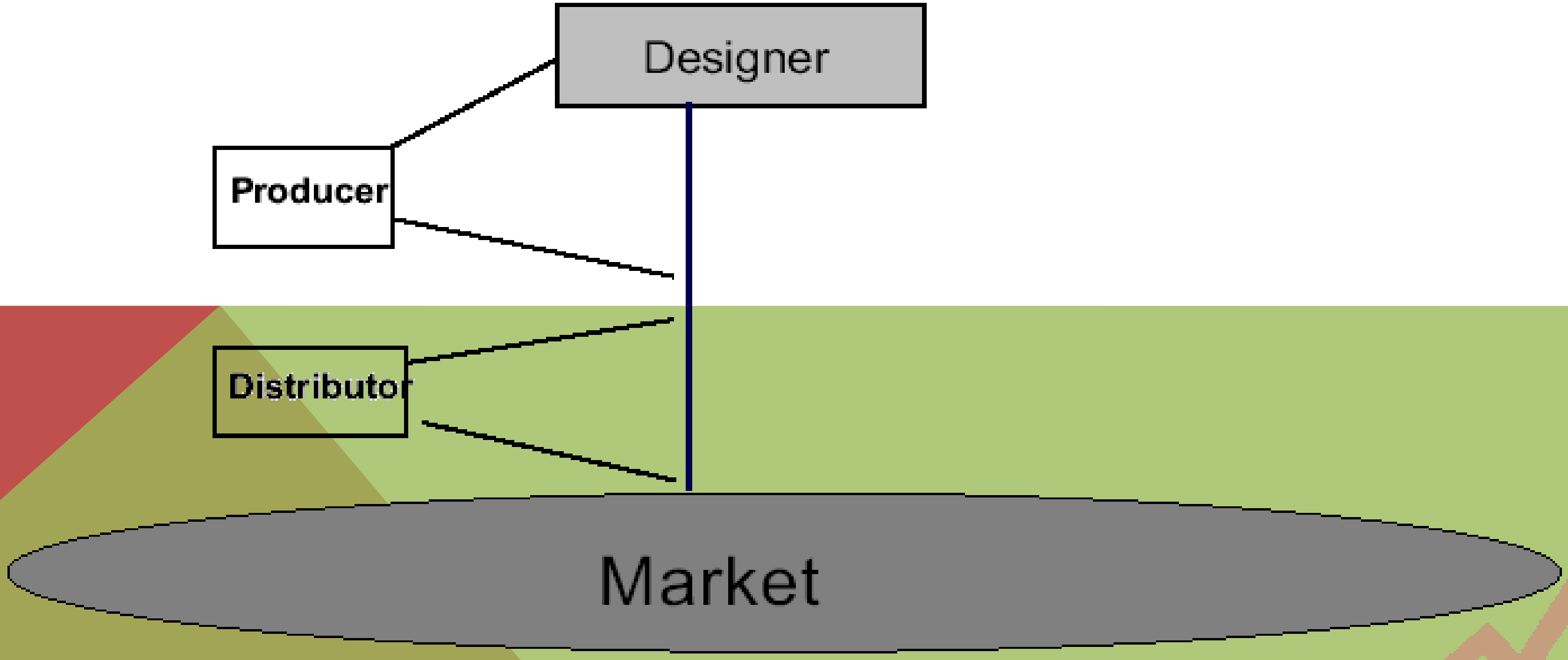
THE MODEL OF DESIGNER-PRODUCER

Products are "signés"

On designer initiative and production

Designer get production resources

Distribution (and production) subcontracted



2. FROM MULTIPLICATION OF GOODS AND SERVICES TO HYPEROFFERING

- **A direct effect of the internet**
  - Mechanical accumulation
  - Supported by the search for short distribution channels
  - New consumer practices
- **Proliferation by the alternative products / services**
  - Download or subscription
  - Hybrid deliveries
- **The fragmentation of markets through social medias**
  - Aggregation
  - Niche marketing

- **Consequence : hyperoffering introduces new economic actors**

  A new dominance of information portals and aggregation of contents

3. TRANSFORMATION OF THE VALUE CHAIN : INTERMEDIARIES AND NEWCOMERS

- **Thanks to technological flexibility**
  - Reconfigurations of the offerings
  - APIs and Apps are supporting new supply dynamics

- **Strategic movements in the value chains**
  - Upstream to control the technology
  - Downstream to control the consumer
  - Unprecedented forms of vertical competition

- **Emerging platforms and technology players**
  - Encouraging new sources of competition
  - Backing new competitive ressources

4. POROSITY BETWEEN AMATEURS AND PROFESSIONALS : THE “2.0” REVOLUTION

- **A consequence of the cost reduction for content**
  - UGC models
- **The industrialization of crowdsourcing**
  - The case of photography
- **The role of community and social network**
  - Informational cascades reinforce trickle-down taste effect
  - Recommandations enhance concentration and star system
- **Symbolic value for authors and reduced risk for producers**
  - The generalization of « self published »
- **The blurring of professional and private life**

- **Consequence : changing forms of labour market**
  - New forms and contracts for IPR
  - « Traditionnal» professionalization process at stake

5. REVIVING THE VARIETY OF BUSINESS MODELS

Spreading out of online transactions

- Destructuring and by passing traditional channels
- New remuneration procedures
- New incomers in the industry

Development of dedicated new equipment and platforms

- I-pod, smartphone, tablets…
- High scale new sharing practices … and piracy

Convergence of download / streaming , flow / stock perspectives

- Increasing number of on line available contents (music, videos…)
- ISP vs. content providers

Exploration strategies in search of success

The Internet is a strategic resource

Different electronic Business Models can compete and be sustained

REDEFINING MARKETS THANKS TO TECHNOLOGY

Production

- "Home factory"
- From product to services
- multichannel perspective
- mass customization

Informational

- Recommendation algorithm
- Better informed customer buying decisions (product / service comparisons)
- Better informed supplier understanding of their own market segment

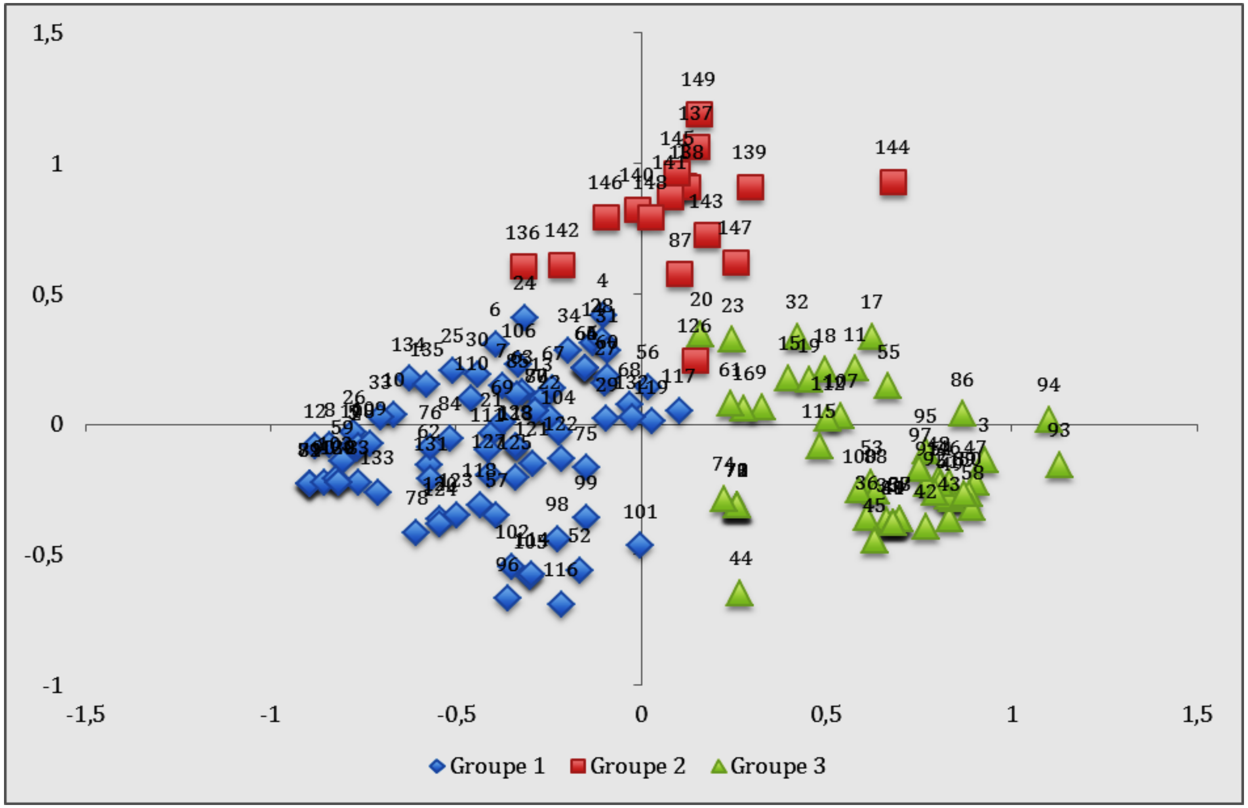
Transactional

- Web-enabled products and services to create additional value for the customer
- New delivery mechanism for intangible and tangible products/services
- Original transaction processes (auction, P2P…)
- marketing the hyperoffering

Some Empirical Examples

An outlook of medias, audiovisual and books

THE PRESS INDUSTRY



THREE CLASSES OF IDENTIFIABLE BUSINESS MODELS

(149 PUB. X 50 VARIABLES)

CHARACTERIZING THE CLASSES

Class 1

- Forced rather than seeking to exploit internet opportunities
- Poor sites – showcase
- No archives nor sponsored links
- Magazines more than daily

A minima **digital**

Class 2

- New players building original and consistent models
- Richness of free main content
- Variety of main content pricing mechanisms
- New relationships with readers

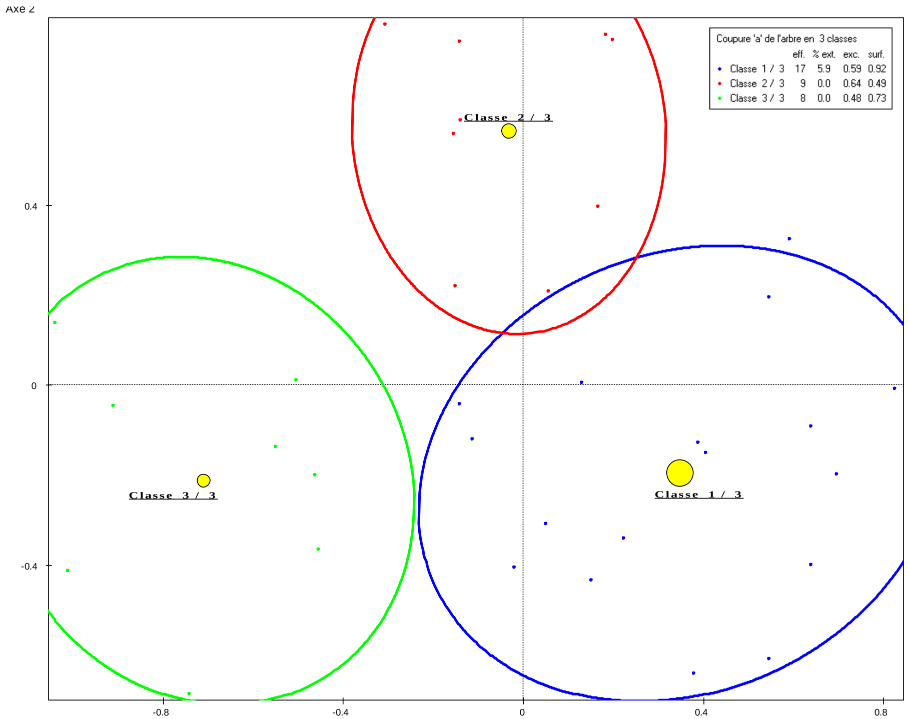
Pure players

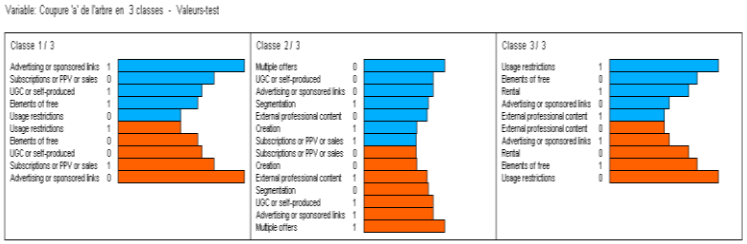
Class 3

- Eager to protect leadership position exploring new options provided by the internet
- Newspapers and dailies, including major titles
- Dependent on traditional payment methods
- Prevalent sponsored links
- Strong interaction with readers
- Exploration of new forms of content pricing and marketing related services

Exploring leaders

ANALOGOUS RESULTS IN AUDIOVISUAL WEBSITES





C1 : participative contents
C2 : exclusive distributors
C3 : aggregators

… AND IN EBOOKS PLATFORMS AS WELL

Cluster 1 (33 platforms)	*Cluster 2 (33 platforms)*
Multimedia store	***e-traditional bookshop***
+ – not only publishers (but also retailers, libraries, distributors, diffusers, bookshops etc.), var1	+ more publishers than other institutional categories (var1)
++ other sectors besides books (var3)	– – other sectors besides books (var3)
++ general themes (var5)	++ specific themes (comics, literature), var5
++ other cultural products (var7)	– – other cultural products (var7)
++ e-book readers (var8) and partnerships with e-reader producers (var9) as well as with publishers/book actors (var10)	– – e-book readers (var8) and partnerships with e-reader producers (var9) as well as with publishers/book actors (var10)
++ free e-books offered (var11) and Apps (var14)	– – free e-books offered (var11) and Apps (var14)
– – subscription formula (var12) and user's space/library on the platform (var13)	++ subscription formula (var12) and user's space/library on the platform (var13)
+++ FAQ (var16), newsletter (var17), e-book statistics (var18)	– – – FAQ (var16), newsletter (var17), e-book statistics (var18)
– – – read & write comments (var20) and blog (var21)	+++ read & write comments (var20) and blog (var21)

=

Only French language (var2)
Located in the EU (var4)
Prevalence of e-books selling (than also printed books), (var6)
Low presence of press spaces (var15)
Many links with social networks (var19)
Low presence of publicity sponsors (var22)

CONCLUSION : CONVERGING TRENDS IN THE BM COMPETITION

NOTICEABLE IN ALMOST ALL INDUSTRIAL FIELDS

1. The simultaneous economy of luxury and low cost

- Variety of qualities on the same markets
  - Generalizing the «'hypermarket » model : wide offering, gondola headers, back margins
  - A dual trend : greater concentration of revenues/ growing number or available items
- Differentiation of qualities, contents, costs structure and production models
  - Tailored strategies for differentiation by non prices
  - Inflationary/ deflationary
  - Controlling exclusives
- A widening gap between best sellers and niche markets
  - Thanks to the variety of products offered on digital distribution channels

2. The platform dominance : *a new linkage between supply and demand*

- Agregation of contents
- Agregation of niches and market segments
- Two sided markets and exclusive contents
- Desintermédiation / reintermediation
- Ecosystems and new management of innovation

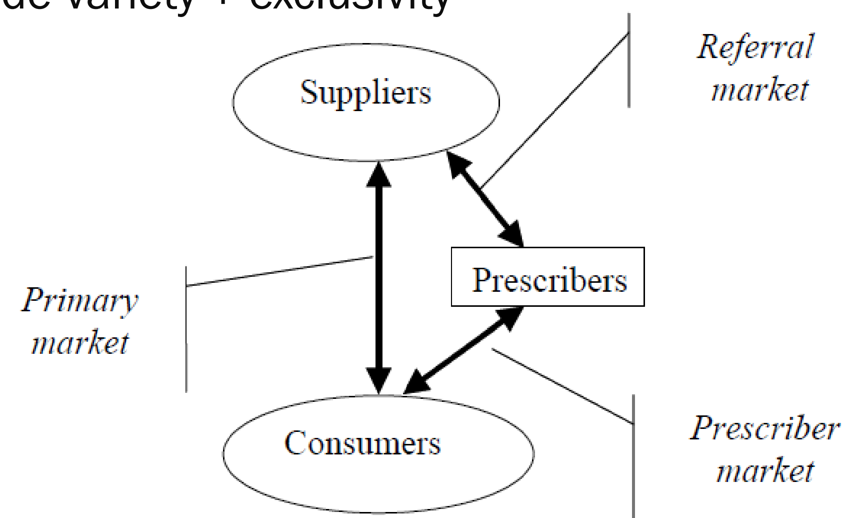
3. The economy of « branding »

- Growing weight of the brands
  - Competition to compel brand
- resulting from imperfect information / medium and big data markets
- Why bis ? Long term customer control

4. The pervasiveness of freebies

- A single term but many forms of free
  - Freemium, media, discrimination, coupled markets, public funding…

- A requirement/consequence of prescription and SEO economy
  - Value = prescription ability to provide variety + exclusivity



5. The resource of crowd

- A consequence of the cost reduction for content
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  - The case of photography
- Operationalizing the role of community and social network
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THANK YOU FOR YOUR ATTENTION !