

# [Throughout the music online) which provided both](https://assignbuster.com/throughout-the-music-online-which-provided-both/)

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Throughout the years, the music industry has been through different stages.

At the beginning, it consisted solely on live interpretations which gave access to the content while being present at the performance. Then, the possibility to record music came into existence. Starting with the rubber and vinyl discs, continuing with the promotion of these recordings by the use of the radio, later with the cassette tapes, and lastly with the introduction of the CD’s. The following phase consisted on a digital and online distribution (buying the music online) which provided both a legal and illegal market. An easy online distribution of music caused the illegal market to grow exponentially negatively affecting the revenues of the music industry. At the same time, legal platforms (for example itunes) fought back and became an important way of maintaining legal online platforms, as consequence, giving revenues to the industry. Eventually, the digital distribution became the main way for providing music.

The last big step was the introduction of streaming services, that even if these are considered part of the digital distribution, they created a big innovation and a different way to take part within the market. Audio streaming as defined by Khosrowpour on the Dictionary of Information Science and Technology (2013) is the music that instead of being reproduced from a local hard drive, is streamed through networks, that means listening to music online. These platforms were introduced at the beginning of the 1990’s with radio online streaming, but started to grow in relevance at the end of the 2000’s, when new platforms for on-demand music (not only online radio streaming) were introduced. Another important feature that offered these new platforms were a peer-to-peer network, where the file is also loaded by others users enabling it to stream faster, although this characteristic has decrease in use as many companies (such as spotify) have potent servers that achieve the same effect. At the moment music streaming services are growing rapidly and are becoming a pillar of the music industry in its entirety. By its recent constant growth and the big impact they generate, streaming music services can be considered a relative new issue.

According to the global music report created by the International Federation of the Phonographic Industry (IFPI) (2017) digital revenues accounted for 50% of all the recording industry global revenues on 2016, compared to 2015, digital revenues grew up 17. 7% mainly by the 60. 4% growth in streaming services (considered the largest growth in 8 years). Within the streaming service market there are different platforms that have a share. According to the MIDiA’s Streaming Services Market Shares Report (2017), on 2016 Spotify had the 35% of the total subscriber market share having a $2, 766 million in retail revenue, making Spotify the leader within this market, look at appendix 1. For the reason before explained, Spotify can be considered the greatest influencer on the music streaming market. When talking about digital platforms it is important to include the phenomenon of the sharing economy.

The sharing economy is described as a way for people to obtain, give and share access to goods and/or services using digital platforms. This sharing economy can help explain how the market in which digital platforms occur and their effects. The role of spotify within the music industry and the sharing economy creates issues and questions. For this paper the central question that is meant to be answered is “ To what extent is spotify part of the sharing economy and how has it impacted the music industry” can be established. A literature review in a form of a case study will be used to answer this question. The literature consisted on academic articles, news and analysis on streaming services and Spotify. The case study was focused on Spotify. The central question will be aimed to be answered on the theoretical framework, within different sections.

First, the main characteristics of Spotify, how supply and demand takes place within the same, how does it claims to contribute to the sharing economy and its level of success will be explained. Secondly, an opinion based on research will be given to discuss to which extent does Spotify contributes the sharing economy and if the platform violates any regulations. Thirdly, an hypothesis will be formulated. After the theoretical framework, a conclusion of the findings will be given. Theoretical framework——-explain what I am going to do (5 sentences of zo), This section gives…

2. 1 Descriptive/analytic Main characteristics and core activity of the digital platform. (source 2-3)Who owns the platform? How many actors make use of this platform? The digital platform Spotify was founded in 2006 in Stockholm, Sweden, but it was not until October of 2008 that the platform was officially released within Europe. There were two founders, Daniel Ek and Martin Lorentzon who created the project. At this moment, both of them are the largest owners of the company (Daniel Ek being the CEO), followed by various investors and different music labels that have acquired a stake. On june 2017, Spotify announced that there were approximately 140 million monthly active users (both paid and free subscribers) and as of 4 january 2018, 70 million paying subscribers (Plaugic, 2018). The platform has a link with the network effect model. Birke (2009) states that a network effect exists if a consumer’s utility when using a product increments with the number of other consumer making use of the it.

Lüftenegger Comuzzi and Grefen (2013) go further, they support the point that in Spotify’s ecosystem a network effect is produced when users deliver more content to others through the ecosystem and a cross-side network effect when content created by application developers generates value for the users as the listening choices are improved. How   does   the   matching   between   supply   and   demand   takes   place? Which   digital technologies are used? (source 4-5)Spotify functions as a match between supply and demand. This can be explained by showing how the business model of streaming services takes place. According to Trefzger (2015) the streaming music business model is an innovative and effective one for making the link between the company, services offered and customers. Streaming music offer access to all the music library and depending on the subscription (free or paid) additional benefits are offered, possibility to listen the music offline, for example. The revenue streams from this subscriptions come from advertisement, for the free version, or via payment from the user, for the paid version. The music library (content) is provided by music licences acquired by the platform. Furthermore, as Diaz (2017) explains, inside Spotify a user understanding function is used to the understand the user behaviour, interaction and tastes.

He continues by saying how how when a customer expresses a specific music need, the platform automatically offers the user personalized recommendations that would most likely fit with certain user. Trefzger (2015) also describes how streaming services act as intermediates between the consumers and the creators of the music. These streaming services are used online or as downloaded app, namely websites or software applications. Trefzger states that according to his interviews, streaming platforms are used majorly on mobile devices. How does the platform claim to contribute to the sharing economy? What is the main idea? (source 6-7—–As previously described at the introduction, the sharing economy has a direct effect on the use of digital platforms and can help explain how the market in which digital platform occur as well as their effect.

For further understanding the term “ sharing” within sharing economy the term collaborative consumption is pointed out. (Hamari, Sjöklint & Ukkonen, 2016). As Felson and Spaeth (1978) explained, collaborative consumption are events in which one or more individuals consume services or goods while being involved in correlated activities with others.