# Innovative business models in creative industries:

# empirical study on audiovisual industry

# Key words: strategy, value creation, cultural content, multiple statistical analysis, ICT

# Context

Due to the content digitalization, ICTs make possible to process, extract, copy and transfer the creative content at very low cost. This has important consequences for different development stages. Firstly, content digitalization reduces distribution and storage costs and “makes it possible to reach a substantially larger number of potential consumers” (Greffe & Sonnac, 2008). This effect has especially deep consequences taking into account low marginal costs. Marginal costs become almost negligible thus opening important advantages to copiers of new content without bearing the costs of its producing and launching (ibid.) Secondly, important changes refer to the technological, media and access convergence (UNCTAD & UNDP, 2008): i.e. shift in patterns of ownership of media, such as film, television, music and games; possibility to consume different media at the same time using a single personal computer; and production and distribution of media and services via concentrated range of consumer devices such as distributed network platform. As a result, ICTs by means of new information procedures, i.e. reviews and comments on retail web sites or files exchanges on peer-to-peer networks, have refocused the edition and promotion activities on the matching process (Curien and al., 2004).

Furthermore, technology as one of the norms governing individual activities - together with law, market and social norms - “determines what people can and cannot do” (Lessig, 1999). In this sense, new modes of interaction and communication inherent to the ICTs do not only provide the actors with new possibilities, but also change the very strategies of the content appropriation and development (Proulx, 2002). In particular, the availability of digital technologies has given rise to participative culture where creative products are “ripped, mixed and burned” (Lessig, 2002), where consumers play an active role in the creation and shaping of product differentiation (Power, 2008), and where the value of creative products is realized as a social process (Hughes & Lang, 2006). Due to the communication and distributed access functionalities of ICTs, new forms of dialog, based on many-to-many interaction, between producers and users and among users have become possible. Subsequently, content providers in creative industries are led to re-consider their relationship with audience what has direct implications for the business planning in general and for the conception and development stage in particular.

To sum up, the development and diffusion of new technologies make the actors in the creative industries to re-consider their business models which were traditionally based on marketing of physical objects and in-house content development. In order to gain access to new markets and to adapt the business to the new context, the actors try various innovative solutions. As a matter of fact, various disruptive and innovative business models co-exist in the same segments. The question arises: what are the main tendencies and directions of the business models’ transformations, and which elements contribute to structure and to shape this diversity?

# Methodology

The analysis relies on the empirical study of 34 business models of different providers of audiovisual content. They have been chosen in order to support a large variety of existing business models, and selected on a convenience sample basis.

For each case, a number of variables is chosen and specified. In accordance with the literature on business models (Shafer and al. 2005; Teece, 2009; Chesbrough, 2003), the focus is made on the four groups of variables: (i) strategic choices, (ii) value creation, (iii) value network, and (iv) value capturing.

The analytic approach that we use in our study consists of multiple statistical analysis conducted in order to obtain a typology of business models, to extricate from the database their stereotypes and to put forward their structuring elements. Each characteristic of the business model is coded as a binary variable that indicates the presence or the absence of specific attributes. 15 characteristics were considered for each provider.

 The analysis proceeds in three consequent phases.

Firstly, an estimation of the association between different variables is proposed by calculating the association matrix and evaluating the Phi coefficient.

At the second stage, a factorial analysis (a multiple correspondence analysis in this case) is realized in order to select the principal factors.

To complete our findings we also analyze the distribution of the BM’s characteristics at the inter- and intra-class level

# Results

The paper substantiates a number of important methodological and theoretical points which may serve as basis for future studies on the theme.

First of all, the diversity of business models, which we observe today in the audiovisual industry and which looks like chaotic at first glance, is, in fact, structured. We bring to light three types of BMs which we propose to designate by “participative model” based on users’ participation and interaction; “distribution model” based on online distribution of specialized content created by individual providers; and “editorial model” based on publication on the website of various contents originated from different official providers. Secondly, the paper points that higher integration of new technologies in the development process, impacts the choice of new “participative business model” with its very specific features.

# References

Bakhshi, H. and Throsby, D., 2010. *Culture of Innovation: An economic analysis of innovation in arts and cultural organisations* London: NESTA

Bell, D. 1973. *The Coming of post-industrial Society*. New York: Basic Books.

Benhamou, F. 2002. *L’Économie du star system*, Paris, Odile Jacob

Caves, R., 2000. *Creative Industries: Contracts between Art and Commerce*, Harvard University Press, Cambridge, MA.

Chesbrough, H., 2003. *Open Innovation: the New Imperative for Creating and Profiting from Technology*. Harvard Business School Press.

Curien, N., Gensollen, M., and Gille, L., 2004. Content distribution via the Internet: Comments on upload taxation plans*. Communications & Strategies,* n°55, 2004, pp. 17-44

Debande, O., Chetrit, G., 2001. The European Audiovisual Industry: An overview, European Investment Bank (EIB) *Sector Papers*, September 2001.

Evans, D. S., Hagiu, A., and Schmalensee, R., 2006. *Invisible Engines: How Software Platforms Drive Innovation and Transform Industries*, The MIT Press, 2006.

Florida, R., 2002. *The Rise of the Creative Class*. New York: Basic Books

Greffe, X. and Sonnac, N., 2008. (dir.) *Culture Web*, Paris, Dalloz.

Howkins, J., 2001. *The Creative Economy: How People Make Money from Ideas*. London: Allen Lane.

Hughes, J., and Lang, K. R., 2006. Transmutability: Digital Decontextualization, Manipulation, and Recontextualization as a New Source of Value in the Production and Consumption of Culture Products. *Proceedings of the 39th Hawaii International Conference on Systems Science*, Los Alamitos, CA: IEEE Computer Society Press.

Jacobides, M., Knudsen, T. and Augier, M., 2006. Benefiting from innovation: Value creation, value appropriation and the role of industry architectures. *Research Policy*, 35: 1200-1221.

Keat, R., 2000. *Cultural Goods and the Limits of the Market*. New York: St. Martin's Press.

Lessig, L., 1999. *Code & Other Laws of Cyberspace*, Basic Books, NY.

Lessig, L., 2008. *Remix, Making Art and Commerce Thrive in the Hybrid Economy*, (1rst Ed. Penguin Press 2008) Bloomsbury Academic, London.

Porter, M., 2008. The Five Competitive Forces that Shape Strategy. Harvard Business Review, 86, (1): 78-93

Proulx, S., 2002. Trajectoires d’usages des technologies de communication : les formes d’appropriation d’une culture numérique comme enjeu d’une société du savoir. *Annales des télécommunications*, tome 57, no. 3-4, Paris, p. 180-189.

Santagata, W., 2002. Cultural Districts: Property rights and sustainable economic growth." I*nternational Journal of Urban and Regional Research*26:9{23.

Shafer, S., Smith, J., and Linder, J., 2005.The power of business model, *Business Horizons* 48, 199-207

Teece, D. J., 2009. *Dynamic Capabilities and Strategic Management: Organizing for Innovation and Growth*. New York: Oxford University Press.

Throsby, D., 2001. *Economics and Culture*, Cambridge: Cambridge University Press

Tulgan, B., 2001. *Winning the Talent War*. New York, Norton.

UNCTAD, 2008.Creativity Economy Report 2008: The challenge of assessing the creativity economy towards informed policy-making, United Nations.