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Digital transformation of music aggregation and distribution companies: The case of Russia

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Abstract

Currently distributors ensure the operation of the whole value chain in the music industry, while most researchers focus on technological, streaming and copyright impact in light of digitalization. This paper tries to understand the influence of digitalization on business models and the role of music distributors in a value chain. Research identifies operational processes that were changed due to digitalization, barriers that arose, and actions taken to overcome them on the corporate level. Through retrospective case study based on an interview with the CEO, the experience of the Russian music distribution company Broma16 is analyzed. This paper describes the goals of business model transformation, drivers, performed activities and their results. The research derives four consequences of digitalization for the firm's business model and role in a value chain: the firm can be considered as a technological company rather than a music company. Distribution relies on digital instruments for management and marketing. Local intermediaries get more opportunities to enter foreign markets, but they have to perform innovations in these markets. Music distributors operate at the complicated intersection of copyright and technological aspects. The research applies a general theoretical framework for the study of digital transformation of business models. A similar approach can be used to do research on companies in music and other creative industries, and to conduct workshops with industry representatives. The paper provides value for practitioners in emerging music markets, for example, Brazil, Argentina and Mexico, due to the presentation of management practices towards digitalization and the consequences of transformation for the distribution role.

Keywords: digitalization, digital transformation, music distribution, Russia, case study

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Introduction

Listening to music is one of the main digital practices in Russia and in the world [1, 2]. Digitalization assumes the creation of entirely new business models that fully rely on digital technologies and data to enable innovations in products and services [3]. In the music industry, it is connected with streaming platforms. In 2019, worldwide revenue from sales of physical copies was equal to \$4.4 billion, while revenue from streaming – \$11.4 billion, representing more than 50% of total revenue of the industry [4].

The Russian music industry has a very optimistic future, since it follows global trends. Eastern markets including Russia are characterized by high growth rates, and this attracts Western firms [5]. The Russian streaming services developed by Yandex and VK successfully compete with international platforms iTunes and Spotify and capture almost 70% of the digital music market in the country [2]. 87% of Russian listeners use streaming services, while worldwide only 61% of listeners use streaming on average [6]. In terms of the popularity of streaming, Russia is overtaking developed countries, for example, the USA (68%), Canada (56%), UK (56%) [7]. The Russian music industry is unique due to the activity of listeners and the success of domestic companies that develop music services.

Streaming platforms cannot collaborate with all people producing music all over the world [8]. Distributors aggregate licenses from a big number of artists and present their rights, ensuring the operation of the whole value chain in the industry [9]. The study of how digitalization impacts on distributors' roles gives us an understanding of how the operational processes in the industry have changed. The main research question of this study is the following: how has digital transformation affected business models and the role of music distributors in a value chain? This paper answers these questions using

the example of the Russian company Broma16 and identifies the main operational processes that were changed, the barriers that arose during the transformation, and decisions taken to overcome them. This paper is based on a retrospective case study of the company Broma16 that represents the rights of more than 1000 clients worldwide and has more than 25 years of experience in the field. The data was gathered through a semi-structured interview with the CEO of the company. The case study is led by theory grounded in the holistic business model framework proposed in [10] for the analysis of digitalization in creative industries.

Changes in the external environment were the main driver of transformations. Russian artists had no instrument for music management on streaming platforms, while distributors had to buy expensive software from foreign firms. Foreseeing the industry's future on the Western example, the company started the development of a platform for music management internally. Addressing the gap, Broma16 was among the first companies to provide digital distribution services for Russian artists. At the time, senior management decided to separate developments into an external company Heaven11, that now sells digital instruments for music distribution. Broma16 faced conservatism in the value chain connected with the lack of skills. Emerging music streaming markets in other countries presented growing potential, and both companies focused on foreign markets. Currently 90% of Broma16 clients are international artists and labels.

The transformation of music distributors is not the most popular area of research in the field, where all articles can be distinguished between several topics (*Table 1*). The first group studies the impact of technologies on production approaches, quality of products, existing and emerging markets, and consumption practices. Several articles are dedicated to the appearance of new intermediaries, curators, who rely heavily on data [11], freelance man-

agers and designers [12]. The second group is aimed at streaming influences on consumers’ experiences, music and media industries, artists and producers. Authors actively study business models and strategic management in leading streaming companies. The third group of articles is connected with copyright issues, while the main topics cover reasons and patterns of piracy, the negative impact on artists and approaches to reduce it, copyright policies on the national level. As the main areas for studies show, the development of digital technologies, dissemination of streaming services and copyright issues are key trends shaping the music industry.

The large gap in the analysis of intermediary roles is observed, while only several articles try to study this topic [9, 12, 19]. Authors strive to figure out how intermediaries emerge, which roles they perform, leaving behind an understanding of business models and their devel-

opment under digitalization. Alternatively, for other topics technological impact is of interest to researchers, while we note the lack of articles dedicated to the study of intermediaries on the intersection of business and technological issues. To fill this gap, our study proposes the following hypothesis: distributors should be considered as technological, rather than music companies, whose work is shaped by vast amounts of data and legal issues.

The analysis we carried out fills this gap and offers insights into digitalization in Broma16 and four consequences for the firm’s business model and the role of the company in the value chain. These consequences cover the importance of technologies in working processes of today’s distributors; new opportunities for local distributors due to digitalization; intersections of legal and technological issues in the work of distributors. The outcomes of the article can be relevant for countries where the rapid develop-

Table 1.

Key topics and sub-topics identified within the review of literature

Topic	Sub-topics	Examples of articles
Technological impact	Impact of digital technologies on production, promotion, distribution, consumption practices, industry structure and business models of artists, labels	[11, 13–15]
Streaming impact	Impact of streaming services on music expenditures, listening behavior, value chains, business and production practices	[8, 16–18]
Intermediaries	Emergence of music aggregators. Roles of intermediaries	[9, 12, 19]
Business of technologies	Business models of streaming, producer-oriented platforms. Partnerships between artists and platforms	[20–22]
Copyright issues	Phenomenon of piracy. Copyright policy. The fight of companies against piracy	[23–25]

ment of streaming market is observed in the recent years: Mexico, Brazil, Argentina [4, 7]. The practices reviewed are of interest in countries that try to establish domestic companies as leaders and protect their market from the influence of Apple, Spotify and other foreign firms, providing services along the value chain [4, 26]. These companies are focusing on Russia, but domestic firms set competition on the market, so their experience can be useful [4].

1. Digitalization of the music industry

In the early days of the industry, special laboratories produced records, while distributors were responsible for selling vinyl. After the identification of the possibility to gain higher revenues, they started to invest their own money in laboratories, which gradually were transformed into recording studios [12, 22]. Studios made

records, while distributors started to shape the market and research the audience [14]. This led to the creation of groups responsible for the repertoire inside distribution firms, all of which attracted the attention of studios [12]. Studios decided to analyze demand and audience, despite the lack of distribution channels, and developed over the time into major labels that found new artists and created records [22]. Distributors were responsible only for the replication of copies [12]. The whole value chain was established (see Fig. 1). A similar value chain existed during all physical formats until the era of digitalization started in the early 2010s [22].

Digitalization (laptops and software, ready-made samples, electronic instruments) has transformed production and made it cheaper for independent musicians [11, 14, 20]. Production does not require investments, and labels have established a focus on marketing services and perspective artists, where the product is a marketing unit (content + marketing strategy) [7, 22]. Simultaneously musicians can perform management functions themselves and turn into professional artists without producers and labels [12, 20].

Now artists receive money not for sales, but for licensing, when they transfer rights on distribution to stores [14, 18]. Intermediaries are necessary, because the relationships between stores and artists are characterized by information asymmetry, where one side has bargaining power [8, 17]. The stronger party can capture a share of the margin by threatening partners [9, 16]. Hiring one intermediary allows many artists to cut transaction costs through the width of the music library that determines market power [8]. Streaming services are also interested in intermediaries, since they need to sign deals with millions of owners of copyrights (record labels or individual artists) all over the world [8, 9, 17]. Currently distributors stay in the center of the value chain, ensuring its functioning (see Fig. 2).

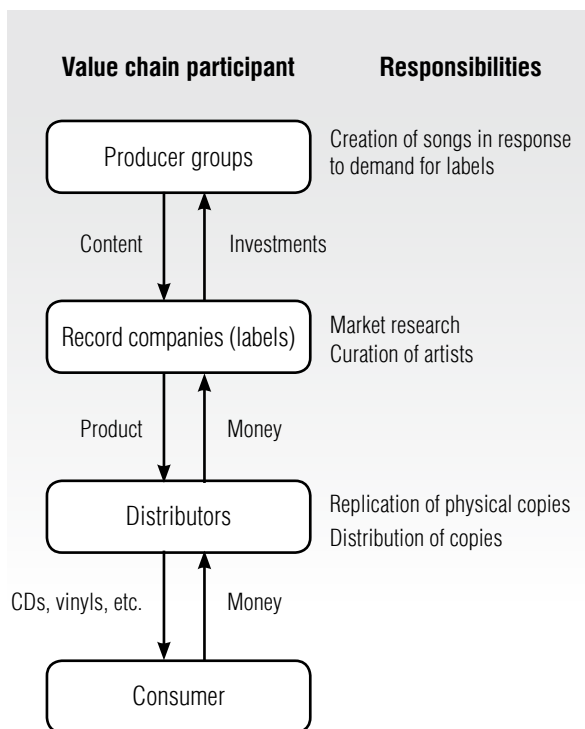


Fig. 1. Value chain in the music industry before digitalization [9, 12].

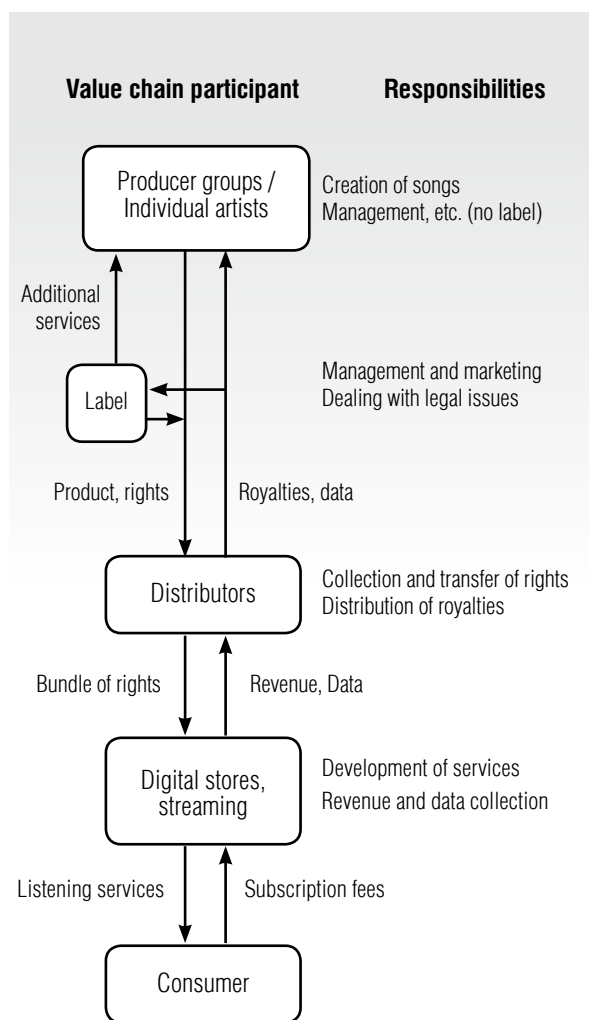


Fig. 2. Value chain in the music industry after digitalization [9, 12].

Distributors have more mechanisms to influence the market. While labels concentrate on prospective artists who bring profit, distributors do not care whose music they deliver to platforms, serving as many artists as possible to maximize revenue [14]. Thanks to the width of the library, distributors receive more market power in terms of communication with streaming platforms. Distributors are the only “musical” party that can limit the influence of technological companies, for example, by providing exclusive content.

2. Methods

This paper uses a case study as a research method for several reasons. Firstly, it represents an intensive study of a single unit for the purpose of understanding a larger class of similar units [27]. Focusing on the one object enhances homogeneity in case design, which is important to draw valid conclusions [28, 29]. Research applies the typical case technique to constitute a story as the most representative technique used to probe causal mechanisms [30]. The selection of the company Bromal6 was guided by two criteria: the company’s experience in the music industry and adoption of digital technologies. Bromal6 was founded more than ten years ago, and its staff has more than 25 years of experience in the music industry [31]. Bromal6 is officially affiliated with the firm Heaven11, providing innovative digital solutions for music companies [32]. The case is limited within the ten year period since iTunes was officially launched in Russia in 2012 and it was the beginning of streaming development.

The research applies a specific theoretical framework to frame a case study [33]. A common framework provides the basis for formulating framing questions and identifying issues [29]. The research uses a holistic business model framework developed in [10] to analyze digitalization in companies in creative industries. This framework has been chosen instead of popular ones due to several advantages. First, it was constructed through the literature review of more than 70 definitions and concepts of a business model. Thus, it presents a synthesis of previous studies. Secondly, the framework was tested and finalized through 80 case-studies, and it was reviewed during three workshops with business representatives from creative industries (see Fig. 3). The business model covers all aspects, explaining how a firm does business and will operate in the future, and it is considered as an ideal type to plan innovations [34, 35].

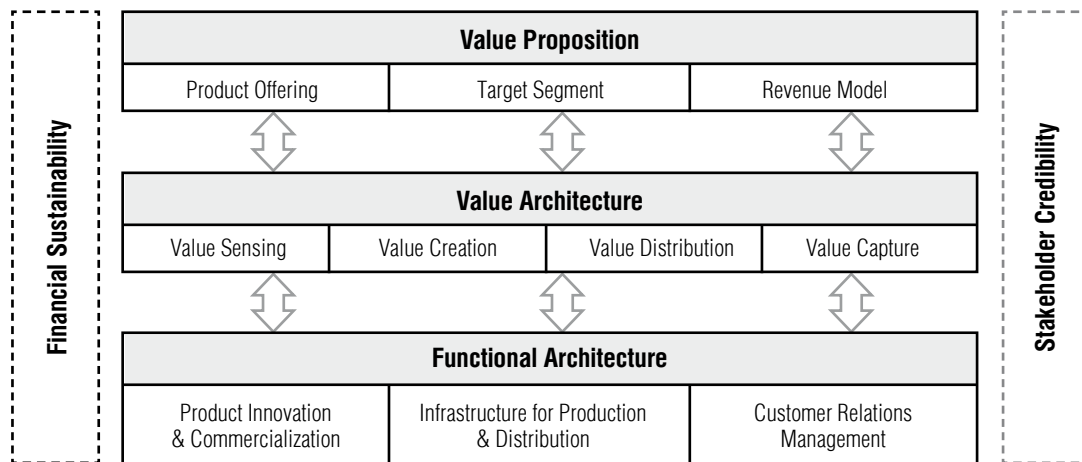


Fig. 3. The holistic business model framework [10].

This study focuses on the foundational layer of the framework, because it reflects transformed processes. The foundational layer is also called the functional architecture, since it consists of core activities of a firm [10]. The research targets three main aspects of the business model: product innovation and commercialization, infrastructure for production and distribution, customer relations management. Through the case study changes in these aspects will be reflected.

The interview tool was used for data collection to gain in-depth knowledge about the phenomenon and identify the most significant issues [29]. All internet materials about the company were used to formulate the background for the interview and the case study (*Appendix 1*). The proposed interview guideline does not follow a rigid structure (*Appendix 2*). To obtain relevant data, it was necessary to conduct interviews with top managers who have been working in the company a sufficient amount of time, since the case study is retrospective. Employees have a non-disclosure agreement (NDA) that covers all information about technologies. Interviewing employees on this topic would be unethical. To overcome the barrier, an online interview with the CEO was conducted. He has been at the forefront

of the company’s digitalization for the last 10 years.

Interviewing the CEO allowed us to understand the motivation of the company towards transformation and to explain why the enterprise architecture is to be developed. Based on the interview, the motivation could be discussed in the context of the Business Motivation Model, developed by the Object Management Group (OMG). This framework covers the goals of a company, explains how a firm intends to accomplish it, opportunities and threats for a business, its strengths and weaknesses. The model pays attention to the external environment, covering drivers of development [36]. An interview script to collect and interpret data in a narrative way was applied. Since only one interview was conducted, the application of coding was unnecessary and faced risks of missing important details.

3. Case description

Broma16 is a distribution company established in 2010 in Moscow. It represents the rights of 1000 clients, including labels, artists and other distribution companies, and over a million music recordings. The compa-

<i>Group of services</i>	Music publishing	Music licensing
<i>Customers</i>	<ul style="list-style-type: none"> ◆ Authors ◆ Performers ◆ Producers ◆ Labels ◆ Distributors 	<ul style="list-style-type: none"> ◆ Production studios ◆ Theaters ◆ Telecom operators ◆ Radios ◆ Film, game and companies
<i>Services</i>	<ul style="list-style-type: none"> ◆ Administration of copyrights, including adjacent rights ◆ Collection of royalties from streaming services, YouTube (cover versions or user-generated content) ◆ Tracking of plays at online and terrestrial radios, TV, in public places ◆ Handling of release details (artworks, title, additional information) ◆ Consulting and marketing services (pitching to playlists and TV, movie, games, ads production collectives) 	<ul style="list-style-type: none"> ◆ Delivering licenses for streaming services, podcasts, online, NV and radio advertising, online and live performances, karaoke services, mass media products ◆ Delivering licenses for retail audio products (CDs and vinyls); audio products for promotion; audio-visual products (DVD, Blu-Ray); digital memory devices; background music services ◆ Delivering licenses to play music in public places

Fig. 4. Key services provided by Broma16 [31].

ny's activities can be distinguished between two groups (see Fig. 4). The first group is music publishing services for producers to license repertoire, manage copyrights, collect royalties. The company can help with release marketing, delivering flexible contracts with different bundles of services. The second group is delivery of licenses on behalf of publishers to production studios that develop music products (podcasts, advertising, etc.), physical products (CDs, etc.), background music services in public places [31].

The company established a technology-driven approach to deliver services based on a digital platform for repertoire management and licensing. The platform provides information on every transaction, regardless of geography and presents it in granular reports to ensure transparency of copyrights and distribution of royalties. The platform design allows them to control repertoire ownership over multiple territories, multiple right types, revenue streams. The platform is the core of the business model, enabling all services in the

company's portfolio, but the situation was not always like that.

Initially the company was created to produce a repertoire of artists and deliver marketing services. Changes in the motivation of the company are illustrated by the following statement from the CEO: "... Market reorientation from albums to singles was obvious more than ten years ago, and company was aimed at the promotion of singles. But shift to the licensing model of distribution, started in 2012, required from producers to upload music and collect royalties, where the problem was to document the music."

Broma16 was among the first companies in Russia to provide such services for producers. Russian distributors had to buy software from foreign companies, and it was expensive. The firm started in-house development of a digital platform in 2010–2011. Since 2012, development has been realized within the affiliated company Heaven11 (see Fig. 5), which provides a common database and platform for music management. Currently all Broma16 services are enabled by the platform.

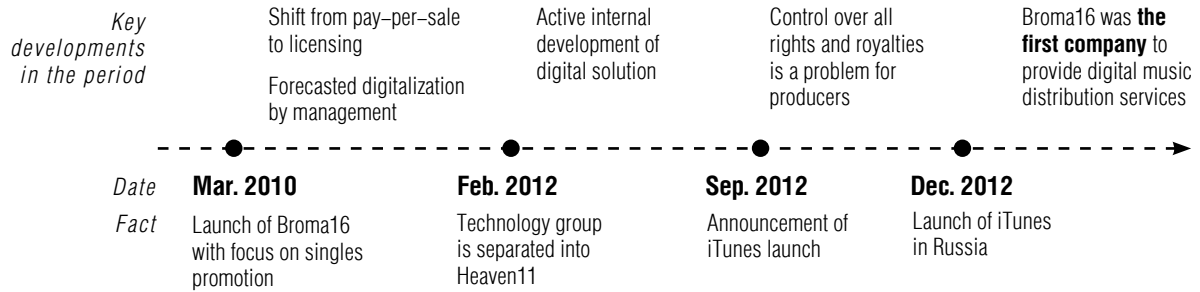


Fig. 5. Timeline with key developments during the digitalization of the company.

Heaven11 offers products to various parties who create, license or use music commercially [32]. The core product is the multi-territorial multi-rights database for music works, master recordings, record releases, audio-visual products and lyrics. The key technical components of the system include a common database for music works, supplemented with instruments for data importing/exporting in different formats, deduplication and cleaning, automation solutions for processing Digital Service Provider reports, songs identification. This makes it possible to send releases to platforms, track submissions and manage repertoire, automatically distribute royalties for all parties with detailed statements, prepare reports and documentation. Key clients of the company are publishers and labels, online music platforms, Collective Management Organizations.

4. Findings

Digital technologies have disruptively changed the business models of companies in creative industries, and Broma16 is also an example of this [34]. The firm focused on the promotion of singles, but the processes of value creation and customer appearance have been changed by the introduction of a platform for music management. These changes have strongly affected the business model of the company. The firm moved

along the value chain from promotion to distribution.

To analyze transformations in the business model, the foundational layer in the holistic business model framework developed by [10] is considered (Fig. 3). Changes have affected all three components in the foundational layer. Broma16 was established for the promotion of singles, but due to the appearance of music streaming senior management decided to focus on distribution. Thus, the key product bundle has been fully changed. Currently the company stays after marketing services in a value chain (Fig. 2). Instead of providing marketing services, Broma16 deals with music documentation, licensing and royalties distribution.

Licenses have become the key product in the music industry, since they represent amounts of money passing from fans to artists and labels through streaming services and distributors. Working directly with licenses, distributors gain higher revenues and more market power. To establish this control, distributors have to serve as many clients as possible and digital technologies are the important instrument for this.

The platform for music management allowed Broma16 to enter the Russian music distribution market among the first. It proves that the infrastructure component became the key in the business model due to digitalization [10]. All customer relations have been automated on

the platform. The group of potential customers has expanded from artists with promising singles to all stakeholders who want to sell or buy music licenses (*Fig. 4*). Currently Broma16 represents the rights of more than 1000 clients, including artists and labels.

The OMG Business Model Motivation framework is applied to understand transformations of the business model of Broma16. At the company's inception, the CEO's motivation was to promote singles because of their growing influence. The announcement of the iTunes launch caused changes in the goals of the firm. Russian artists and labels had no instrument to upload music on streaming services, track all purchases, collect and distribute royalties. So, the digital transformation of consumption practices identified gap in Russian music industry.

Appearance of new market niche for digital distribution can be considered as the main driver. Realizing this, senior management of the company decided to shift focus from the promoter role to the distributor role. Since 2011 the motivation of the Broma16 is to create convenient digital instrument for uploading music on streaming platforms.

But the company faced some threats for business development. Russian distributors had to buy software for music management from foreign companies. That time firms could not afford expensive foreign digital solutions. Broma16 had strengths, since the company was young. It gave flexibility for strategic development. Senior managers had more than 15 years of experience in the industry and foreseen the movement towards digital music consumption before the announcement of iTunes launch. Analyzing the music industry in western countries, senior management decided to start in-house development of the platform for music management. When Apple announced the iTunes launch in Russia, development was already separated into the company Heaven11.

A successful industry forecast and pro-active development of the platform allowed both firms to be among the first companies on the market: Broma16 as a digital music distributor and Heaven11 as a technological provider for music distributors.

Another threat to the company's business was the conservatism of clients (artists and labels). According to the CEO: "... Broma16 was ready to provide today's set of services eight years ago, but artists were not ready to use the platform for music management. Even today some producers try to contact Broma16 to check music submission, though they can do it on the platform."

Skills in the use of professional software, platforms, content management solutions and databases are required from artists. The company experienced several approaches to solve the problem. First – educational services for clients, explaining, how to register songs in the database, manage content, use collected data for commercial purposes. Second – a focus on foreign markets. According to the CEO, "currently more than 90% of the clients of Broma16 are international artists and labels." In the early 2010s music streaming markets were emerging in a lot of countries. Due to market conditions, both companies have been successful on an international scale. Currently the companies have offices in Amsterdam (Broma16) and Dublin (Heaven11).

5. Discussion

External development of the industry stimulated transformations in Broma16, all of which is usual for creative industries [34, 37]. Opportunities to upload music on iTunes determined the need for a digital solution to collect and distribute royalties. Demand for new intermediaries is often connected with digitalization [35]. The lack of software for music management shows the increasing importance of infrastructure [38]. Broma16 presented a platform to address this

gap. It resulted in the transformation of all components in the foundational layer of the business model, following the experience of other firms in the creative industries [39]. However, companies used to experiment with business models to build more flexible and adaptive ones with different revenue streams [35, 37, 40, 41]. In the case of Broma16, experiments were not observed. The company has little experience in testing different models since it concentrated on a specific gap in the industry, but the platform allowed the company to differentiate the sets of services, where flexibility raises a an opportunity to reach new clients [37, 40].

The study reveals several barriers for business model transformation. Russian distributors had to buy expensive software from foreign firms and IT costs are usually considered as the main barrier [39, 41]. The forecast of the shift towards digital music consumption and timely internal development of the platform allowed Broma16 to transform successfully, but usually it is difficult to predict the time needed for radical restructuring [34]. Internal development is not a common approach since technology partnerships are more typical in the sector [37, 42]. In-house projects can often face significant time and money challenges. But the case proves the important benefits of in-house development. It allowed the company to enter new technological markets, providing similar services for other firms. Heaven11 presented entirely new technology, where the lack of similar solutions and competitors allowed them to perform successfully. But such a case is rarely seen. Usually technology companies capture creative markets and control infrastructure for distribution, not vice versa [38, 41].

The second barrier connected with conservatism in the value chain is not so common, since customers are used to react rapidly on technological developments [36, 42, 43]. Broma16 provides educational services for clients, but in the short-term it could be useless due to the early stage of market development and the lack of demand [35]. But firms can focus on foreign

markets, where it is easier to find partners and launch digital projects [37, 40]. Broma16 followed a similar approach. The results of the case study mostly follow the theory. Digitalization, driven by the external development of the industry, caused changes in the foundational layer of the business model. Broma16 changed its key product and concentrated on music distribution rather than music promotion, as it first planned. The firm faced problems with high IT costs, but this was overcome through internal development, which is not a typical path. It made it possible to establish the external company Heaven11 and to enter new technological markets. To deal with conservatism in the value chain, the company provided educational services and shifted its focus to foreign markets, which is a wide-spread practice.

Considering the experience of the music distribution company Broma16, several conclusions can be drawn regarding the influence of digitalization on a firm's business model and the role of the company in the value chain.

Consequence 1: Music distributors are technological companies, rather than music companies.

Digital technologies formed the key infrastructural part in the business models in creative industries [10]. The core platform for the Broma16 business model was developed by Heaven11, that can deliver products for other distributors. Hence, Heaven11 is the key company for the distribution role, since it technologically ensures operation of the value chain. Digitalization is the reason for the growing importance of IT capabilities in intermediary companies, where technology firms can perform mediator roles successfully [22, 41]. This raises new challenges towards considering distributors as technological companies, rather than music companies. However, innovations require expertise in the area to choose the right moment for the new solution launch, identify demand and prospects for the implementation. Digitaliza-

tion contributes to new markets based on the combination of industry-specific and technological knowledge. For example, in the case of Broma16 it created a new intermediary “layer” of companies that provide technological services for distributors.

Consequence 2: Music distribution relies on digital instruments for management and marketing.

Since music has become digital, companies have to use digital instruments for the distribution and related services. In Broma16, all communications, management practices and statistics have been transferred to the platform. Artists can collect data on the vast number of metrics (skip rate, shares, saves, and other responses by the user) to evaluate performance [18]. Labels can establish data-driven marketing strategies [17, 20]. However, this poses additional pressure on producers [13]. Artists have to use digital marketing tools, develop social media, analyze data and metrics collected and counted by Broma16. They also need to develop a specific non-creative set of skills, what is called a “shift from musician-as-artist to musician-as-entrepreneur” [14]. However, this is relevant only for independent musicians when major artists transmit their work to labels [16]. As earlier it depends on the volume of resources (time, money) an artist or label is ready to invest in advertising.

Consequence 3: Local intermediaries get more opportunities to enter foreign markets, but they have to perform innovations new to these markets.

Digitalization leads to the globalization of creative industries, and it is easier for local companies to perform successfully in international markets [37, 40]. In the presented case study, both Broma16 and Heaven11 had to innovate and introduce new products for foreign markets to enter them. The platform for music management and common database for all songs was innovative for the Russian market in 2012. iTunes was launched in Russia in the end of 2012,

while the company Heaven11 was officially registered in the beginning of the year. Providing digital distribution services for Russian artists among the early adopters, Broma16 could identify the growing demand in other countries and enter those markets. But the platform was also innovative for foreign markets, where the market of streaming was emerging. Local intermediaries can get more opportunities to enter foreign markets, but in order to realize these opportunities they have to present innovative solutions for these markets.

Consequence 4: Music distributors operate at the complicated intersection of legal and technological aspects.

The main problem for distribution is the documentation of music, since numerous authors with neighboring rights can produce a song, performed in different sources both digitally and physically. Due to the lack of a single register of all songs with authors and sales (plays), it is very hard to control the copyright on digital content. Distribution companies have to find solutions for the afore-mentioned problems. Distributors are required to keep a register of all songs, with all copyright holders, and identify all streams, plays and sales for every song. Companies have to regularly update this register for thousands of songs to distribute royalties. Broma16 has automated most of these processes within the digital platform for music management. At the same time, distributors need to control the copyrights of clients and protect them, pay taxes on revenues and royalties, considering local legislative systems. Often distributors adopt digital technologies for issues posed by digital distribution and legislation, rather than music, and operate at the intersection of these aspects.

To sum up, the hypothesis of the paper was confirmed. Distributors provide musicians with digital instruments for music management and promotion, as music consumption has moved to digital services. This allows us to consider distributors as technological companies. At the

same time, distributors have to deal with vast amounts of data and legal issues to provide high-quality services to customers.

Conclusion

This paper identifies managerial practices towards digitalization in the Russian music distributor Broma16. Stimulated by developments in the external environment, internal transformation faced a lack of IT investments and skills among partners in the value chain. To overcome these barriers, one needs internal development of the digital solution through the involvement of IT specialists, refocusing on new technological and foreign markets, and delivery of educational services. The study derives four major consequences of digital transformation for the firm's business model and role in the value chain:

- ◆ the firm can be considered as a technological company, rather than a music company;
- ◆ music distribution heavily relies on digital instruments for management and marketing;
- ◆ local intermediaries get more opportunities to enter foreign markets, but they have to perform innovations new to these markets;
- ◆ music distributors operate at the complicated intersection of technological and legislative issues.

Within the previous experience, analyzed through the review of literature, the current research applies a theoretical framework for the study of digitalization of music distributors, which is not very common among researchers, especially in Russia. This paper covers the motivation of key stakeholders towards the transformation of the business model, key drivers and barriers, strengths and threats for the Broma16 business. A similar approach can be used to study digital transformation on the corporate level in other creative industries for comparative analysis.

The practices towards digital transformation management applied by one of the most inno-

vative music distribution companies in Russia are presented. Since the research was theory-led, barriers, company faced, and actions taken to overcome them, were considered according to the previous experience. The paper shows how senior management has changed the motivation and goals of the company to reorient it in a new market niche for digital distributors. Industry forecast and proactive in-house development of a digital platform allowed them to capture the market niche and enter foreign markets. Music distributors in emerging markets and firms in other creative industries can get some insights and apply them to avoid critical lock-ins.

This study can be useful for practitioners who manage digitalization in creative industries. The consequences identified can also be relevant for companies where streaming markets rapidly emerge right now, especially for companies in Latin America, for example Brazil, Argentina, Mexico, Paraguay [7, 26]. The reviewed experience may be interesting for Asian countries (South Korea, China, Japan) that try to establish domestic leaders instead of leaving the market free for Western firms, Apple, Spotify and other firms providing different services along the value chain. These companies are focusing on Russia, but domestic firms show they have advantages [4].

The study has several limitations. Firstly, it is based on a single case, which does not allow us to derive conclusions about development that will cover all aspects of the industry. Researchers can use the same theoretical framework to conduct multiple case studies and get some insights about linkages and differences between companies, which will allow them to better understand the development of the industry. The second limitation arises from the inability to conduct in-depth interviews with employees of companies because of NDA agreements. To mitigate the barrier, further studies can use the same framework to conduct workshops with industry representatives for in-depth examination of the changes stimulated by digitalization. ■

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Appendix 1.

Background materials for interview

Source	Internet link
About the company	https://broma16.com/en/about/
Technology at the company	https://broma16.com/en/technology/
Services provided by the company	https://broma16.com/en/
News of the company	https://broma16.com/en/news/
Roster of the company	https://broma16.com/en/roster/artists/featured/
Accounts of the company in social media: Facebook, VKontakte	https://www.facebook.com/BroMa16/ https://vk.com/broma16
Presentation of the company's CEO at the conference "Coliseum 2019"	https://www.youtube.com/watch?v=NWCg3N_uEww

Appendix 2.

Interview guideline

The interview was conducted as part of the non-commercial research. The purpose of the interview was to understand how the functions of distribution companies have been changed

under digitalization. The interview was held in the online format. The length of the interview did not exceed two hours. Information about respondents was not disclosed, except for the employee's position and length of service. Raw data collected within the interview was not the subject of publication.

Part 1. Information about the respondent

1. Employee's position:
2. Length of service in the company

Part 2. Technological development of the company

3. What role do information and digital technologies play in the company's core business?
4. How has this role changed within the development of the company and industry?
5. How are information and digital tools used for everyday tasks?
6. Have there been any barriers or difficulties in implementing new information and digital technologies? How did the company solve them?

Part 3. Interaction with customer

7. How do the company's relationships with its customers develop?
8. How are information and digital tools used to provide services to customers?
9. Did the technological development of the company/industry stimulate changes in the set of services?

Part 4. Future development

10. How often does the company face the necessity to implement new digital solutions? What are the reasons for this necessity?
11. Is there a technology on the market that the company will be required to implement in the near future?
12. What will be the drivers and barriers for implementing a new solution in the near future?

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