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Business Models, Intellectual Property and the Creative Industries: A Meta-analysis

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1. Summary

Grounded in the business model literature, this paper examines business models in the Creative Industries (CI), and the of role intellectual property (IP) following the UK's 2011 Hargreaves Review of Intellectual Property. It does so via a meta-analysis of 20 research projects, including 80 case studies, on business models in the CI, with a focus on television, film, computer games and publishing. This paper probes the research to identify CI business models, and the interaction of IP and business models.

The paper makes three contributions to the literature: one, it brings together the literature on business models in the CI with IP policy against a backdrop of technological change, two, it applies the Baden-Fuller (2016) business model taxonomy to the CI, and three, it performs the first meta-analysis of business models. The analysis suggests business models in digital era have remained remarkably stable, and the CI have actively lobbied to support existing models.

Methodology: Business Models and a Meta-Analysis

The paper presents two methodological advances in the study of business models and the CI. First, it is the first CI study to adopt the Baden-Fuller (2016), four elemental business model taxonomy: *product*, *solution*, *multi-sided triadic* and *matchmaker models*. This framework focuses on the relationship between firms and customers, and is technology and process agnostic. This is supplemented by the Osterwalder & Pigneur (2010) Business Model Canvas, to provide a more granular understanding of changes in pricing mechanisms and value propositions.

Studies of business models are dominated by qualitative, small sample studies, which suggests a systematic approach will lead to wider insights. The second contribution of this paper is applying the business model framework to qualitative meta-analysis. The scope of this analysis is limited to the studies in the Centre for Copyright and New Business Models in the Creative Economy (CREATe) at Glasgow University. This choice addresses challenges typically associated with qualitative meta-analyses by reducing variation in: chronology, definitions, populations, and the purpose of studies. The choice of studies, in which the author has been involved, also counters the common critique that researchers are unfamiliar with the studies (Stern and Harris, 1985).

Following the reading of all abstracts, the population of 58 CREATe projects plus commissioned works was narrowed to 20 studies, resulting in 80 case studies. The paper also probes the Hargreaves era IP policy debates for the role of business models, industry and policy approaches to business models, and subsequent developments in copyright policy.

Findings

The paper demonstrates that evidence that, in the years since policy discussions on business models intensified in the UK, the CI in the sample have chosen to lobby to secure a competitive advantage, but business models have remained stable. The vast majority of business models are categorised as *product* models, as they have been historically. Commissioned work, common in television production companies and independent games development studios, is the second most popular category of *solution* based business models. Commissioning is a 'heritage' business model in

television, and has been adopted by the nascent computer games industry. Likewise, just as newspapers have traditionally operated with a *multi-sided* market, where users are readers and customers are advertisers, so do platforms (e.g. YouTube) and free-to-play games. This again suggests stability in business models. Finally, *matchmaking* models are found only in the retail side of the industry. There is, however, an important caveat to this finding in that end-user subscription services such as Spotify, represent the introduction of a solutions model to the consumer and account for an increasing proportion of revenues. However, the overall conclusion remains business models in the CI are relatively stable.

However, changes are observed in pricing mechanisms and value propositions. In pricing, firms experiment with pay-as-you-go, freemium (free basic product, paid-for "premium" product), and others. Similarly, pricing mechanisms, combined with value propositions, have shifted towards more subscription models (e.g. streaming), as opposed to product sales. The business model framework adopted in this paper does not identify these changes as new business models; however a more colloquial definition of business models might. Outside the CREATe sample, subscription services like Spotify have combined new value propositions and delivery channels to launch new service models. Yet these changes are found in a minority of cases.

Change and IP

The evidence for IP infringement as an impetus for business model change is scant. Both Doyle[CR] (2016) and Searle (2011, 2016[CR]) argue IP and copying concerns do not lead to changes in business models. Creators rely on alternative, non business-model strategies to protect against any negative impact of copyright infringement. The paper establishes lobbying as a preferred business strategy in the choice between business model and copyright changes.

Overall, the picture is one of surprising business model stability, against a background of a concerted effort towards maintaining the status quo in copyright policy. While the digital era has transformed transaction costs, and production and distribution technologies, the CI largely rely on the same business model on which they have always relied: selling products and standardised services to customers.

2. Introduction and Background

The business model, a term popularised with the development of the Internet, has become a focal point for discussions on innovation and disruption in the CI. This paper seeks to paint in the picture of the changing, or not, business models of the CI. It does so by providing a qualitative meta-analysis of work on business models in recent years in the United Kingdom following the 2011 Hargreaves Review, limited in scope to research related to five years of business models research[1] at the Centre for Copyright and New Business Models in the Creative Economy (CREATe) at Glasgow University. This paper probes the research to identify existing and new business models in the CI, competing definitions of the term "business model", the types of business models, the role of IP in business models, and the choice between lobbying and business model change.

The disruption introduced by the arrival and expansion of digital technologies and media has led to tumultuous years for the CI. Hailed as a means to produce and distribute content more efficiently, the technological and market impact of digital has led to changes across the CI value chain. Various authors have pointed to the impact of digital on disintermediation and reintermediation (including, Chircu and Kauffman, 1999; Leendertse and Pennings, 2007; Searle, 2010; Bernardo and Martins, 2014, Chircu et al, 2015; Benghozi and Paris, 2016.) Alongside these market changes have been increasing challenges to the enforcement of intellectual property (IP), namely copyright, as a means to insure remuneration from the sales of digital creative content. One means to encapsulate these changes in a single concept is that of the business model.

This prevailing UK wisdom of the role of business models in the last decade led to a general policy query – are business models a solution to the challenges of copyright in a digital era? As this paper will demonstrate, the assumptions of the Hargreaves reviews may have been misplaced.

This paper begins with a look at the existing literature on business models, and business models in the CI, develops the IP and business model policy background, establishes a conventionally agreed link between IP and business models, then details the methods and data used for this study, and subsequently presents a meta-analysis of the business models observed in the data and related factors. It concludes with a discussion on the policy impact of these findings.

3. Scope

This paper investigates business models and IP policy in the CI. The terminology used to describe the CI has varied over time. In the last thirty years it has moved from the copyright industries, to variations on creative economy, cultural economy, cultural industries, CI and cultural and CI. This reflects subtle differences in approaches and the political whims of the day (Garnham, 2005; Schlesinger 2009; Towse, 2014). The paper adopts the term CI to reflect the UK Department of Media, Culture and Sport's (DCMS) (2001) definition as, "those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation

[1] CREATe projects are noted with the superscript "CR" in citations.

through the generation and exploitation of intellectual property (IP)". Copyright is a key intellectual asset for these industries, and they account for the majority of copyright policy stakeholders. The precise sectors associated with this definition vary; this paper includes Fashion, Design, Games, Film, TV, Publishing, Music, and Performing Arts.

Focus on digital media and music

A subset of the CI is the digital media industries. Digital media includes digital products and services in music, film, TV, computer games, radio and publishing; these goods and services can be delivered, purchased and consumed entirely digitally. For the purpose of analysis, this paper assumes that all of the media industries studied have been subject to the same technological shock, which has occurred prior to the period of analysis.

The paper focuses largely on digital media sectors of the CI as they have been the most impacted by the digital era, and therefore sectors in which copyright and business models are of most interest. Much of the analytical interest in this area has been directed at the music industry. Waldner and Kirkkopelto (2013) note that challenges to the music industry business model often serve as the archetypal model to illustrate the impact of the digital era on industry. Similar dynamics are seen in other areas of the digital media, albeit later. The larger file sizes of games and film made them less fluid content in the early days of digital, as internet speeds and computer capabilities made file sharing, digital purchases or format shifting of this content either inconveniently slow or difficult (Stevenson, 2006). Books, for example, are relatively difficult to format shift from hard copy to digital formats, and photography and visual arts suffered from low-quality images until high resolution images became more accessible financially and technically in the mid 2000s. By the time of the start of the analytical period of this paper, the Hargreaves Review in 2011, technology had levelled the playing field between these sectors.

The remaining CI (non-digital media) include sectors where this transformation has not been realised (performing arts, fashion, and design.) These sectors have been less impacted by digital as their primary goods and services remain focused on physicality and are, thus far, ill-suited to the intangibility of digital. However, components of the business models of these industries have been impacted by digital, which includes marketing, the digitisation of design processes and online sales (e-commerce.) This paper notes where the research reveals insights into these sectors.

4. Business Models Literature

Much hand wringing has occurred in the recent business model scholarship. The literature, which sits in the management and business disciplines, focuses on challenges in defining business models and its conflation with similar concepts. Many authors note the failure of business models in practice and suggest that the concept is fundamentally flawed; yet other scholars adopt a more hopeful tone.

Despite increasing academic interest and attention, no commonly accepted definition and understanding of what business models are has been established in either the academic literature or colloquial business use. Indeed, virtually all published papers addressing business models devote substantial amounts of analysis to its definition (for a review of these, see Schneider and Spieth, 2013; and Massa et al, 2016).

Definitions and Constructs

A business model describes, "the rationale of how an organisation creates, delivers and captures value." (Osterwalder & Pigneur, 2010) The business model has, over the last two decades, been promoted as the magic formula for realising value and a cure-all for sectors adapting to disruptive technology. A more recent definition, suggests instead, "a business models details the decisions that a firm imposes on the agents who work for it" (Casadesus-Masanell and Heilbron, 2015). Critics (e.g. Porter, 2001; Zott et al., 2010; Arend, 2013; Schneider and Spieth, 2013; DaSilva and Trkman, 2014) argue that the term remains, despite decades of debate, ill-defined and unproven. Proponents (Osterwalder et al., 2005, 2009; Lindgardt et al., 2009; De Reuver et al., 2013; Günzel and Holm, 2013) instead argue that the business model provides analytical structure and remains popular in industry. More recently, Massa et al (2016)'s extensive literature review of business models observes that a generally accepted definition of business models has yet to emerge from the literature.

Business models gained currency in the late 1990s. As, (Arend, 2013) notes ".. thus far, the idea is a buzzword, used mostly as a narrative tool, a short-story, or an un-detailed explanation for why a venture was worth investing in during the Internet boom." The accusation that 'business model' is simply a buzzword is echoed in criticisms that it overlaps with similar management terms such as: value chain, business strategy, business concept, revenue model, economic model, and business process modelling (Arend, 2013; DaSilva and Trkman, 2014). Optimists in the business model literature wax poetic about the potential benefits of business models to enable business growth and innovation. "Business models have emerged as an important means to commercialise innovations" and generate competitive advantages (Schneider and Spieth, 2013). Osterwalder is particularly vocal in his support of business model as a practical tool for business (Osterwalder et al., 2009; Osterwalder et al., 2005) Criticisms of business models as being too myopic (Porter, 2001, 2008) argue that by emphasising the internal structure of a firm, the business model neglects important external forces. Given the dominant impacts of the digital era have been the external factors of lower transaction costs (Bunduchi, 2008; DaSilva and Trkman, 2014; Garicano and Kaplan, 2001; Mahadevan, 2000), this myopia supports that business models are *an* approach, rather than a *complete* approach (DaSilva and Trkman, 2014).

A more sympathetic view of business models suggests that it is not 'business models' that are a problem, but their implementation (DaSilva and Trkman, 2014). Again, this criticism overlaps with critiques of similar concepts (Honig and Karlsson, 2004) as the value of the theoretically best business strategy and structure is only realised when it is put in practice. One response in the literature is to argue in favour of tools to implement business models. "… in our experience, companies that have designed a new business model often ask us: now what? There is a clear need for tooling and practical approaches to deal with business models." (De Reuver et al., 2013) Doganova and Renault (2009) provide a more nuanced approach, and suggest that business models are, "a device that performs both a narrative and a calculation and that allows the entrepreneur to explore a market by gradually constructing a network." Massa et al (2016) note that a number of authors subscribe to this narrative view of business models.

Buzzword or constructive tool, business models continue to influence the business strategies of the CI. This paper, with its focus on empirical analysis, uses business models as a unit of analysis (Baden-Fuller and Morgan, 2010), or the “formal (scaled down) conceptual representation of organisational activities” (Massa et al, 2016). It also adopts the relatively flexible Osterwalder and Pigneur (2010) definition to facilitate a wider analysis.

Business models and change

Business model innovation is the process of developing new business by changing elements of a business model to create value in a new way (Lindgardt et al., 2009). Business model innovation, as distinct from process innovation (new ways of doing things) and product innovation (new things), is often constructed as an important way to generate a competitive advantage (Günzel and Holm, 2013). Yet, as Schneider and Spieth (2013) argue, business model innovation suffers from the same challenges as business models; “affected by the vague understanding and missing theoretical foundation of the business model concept itself … the new field of research focussing on business model innovation cannot build on an established definition and well-structured literature base.” Derivative concepts of business models reflect the imprecision of business model theory.

Building on the assumption that business model change is desirable and feasible, the large scope and fast past of technological change suggest that business model innovation is inevitable in the CI. However, the process of business model adaptation and change is not straightforward. Dual business models can cause strategic problems and challenges (Markides and Oyon, 2010; Massa et al, 2016). Rezazade et al (2015) identify common traps into which firms fall and impinge their transition into new business models; Velu and Stiles (2013) note cannibalisation as a challenge posed by launching a disruptive business model while maintaining a parallel status-quo model. McNamara et al (2013) make a similar argument and note revenues often decline when transitioning business models. Depending on a firm’s status, these challenges could create incentives for firms to maintain, or at least attempt to maintain, the status quo. This may also apply to individuals; Massa et al (2016) note, “the presence of conflicts of different types [of business models] means that managers within the existing organisation will often find that the new business model will grow at those same managers’ expense.”

As this paper will demonstrate, popular consensus by practitioners and policy makers is that business model change is inevitable and desirable; some scholars support this view. Achtenhagen et al (2013) go so far to say that, “business model change is essential for success.” Casadesus-Masanell and Zhu (2010) argue in favour of business model innovation as the strategically optimal choice when confronting new entrants with new business models. Similarly, Markides (2013) observes that, when faced with the threat of entrants, firms should introduce a new business model, in parallel with their existing business model. The motivations for change vary from the need to adapt to external stakeholders, changes in the competitive environment, and opportunities in technology (Saebi et al (2016); see also for a literature review on definitions and drivers for business model adaptation).

Yet, change in the CI is less straightforward and the evidence ambiguous. Blan and Huault (2014) argue that music retailers are largely unchanged as consumers still pay for either single tracks or complete albums. They argue that the status quo is maintained as digital files "inherit" the properties of previous formats, which has enabled their incorporation into the existing industry structure and limited change. Waldner et al (2013) observe changes in the computer games industry, and suggest that the music industry may learn from games' relatively nimble approach to business model adaptation. As with many areas of the business model literature, scholars have yet to reach consensuses or distinct schools of thought on business models and business model innovation in the CI.

Business models, strategy and lobbying

Massa et al (2016) devote significant effort in delineating between two camps in the business models literature – those that see it as old wine in new bottles (business models simply re-labelled strategy), and those that see it as new wine (business models are a separate field from strategy.) In this paper, I accept that concepts contained within business models are strategy, but do not address whether the business model is a strategy unto itself. Instead, I sidestep the wider debate and frame business model *change* as a strategic choice. That is, the core thesis of this paper is on the choice, or not, of business model change, where business model change is one option in business strategy. It is which wine to drink, regardless of age or bottle.

Lobbying is an established business strategy (Scott 2015). As Jarvenpaa and Tiller (1999) note, presciently, business success in the digital era requires the integration of market, technology and policy. Porter's Five Forces acknowledges government policy as regulating the threat of new entrants. Lobbying for favourable policy outcomes can be financially beneficial. As Sutherland (2014) opine, "the ability to raise costs for rivals, or to exclude them from markets, is clearly achievable by nonmarket means," and lobbying and litigation can provide strategic advantages. As this paper will detail, copyright lobbying has been deployed to protect existing business models and market positions in the CI.

IP and IP Policy in the CI

Intellectual Property

While the literature has largely neglected the interaction between IP and business models, investigation suggests that IP is both an internal asset and an external force. This neglect should be addressed, as the role of business models in CI has remained a factor in policy discussions. The impact of the role of IP and business models flows both ways. On one hand, business models may help the CI weather the impact of technological disruption and copyright infringement, and on the other, policy regimes may be shaped by business models[2]. The latter raises the question as to what role public policy may have in supporting unsustainable business models, particularly in light of the market failures of the club good nature of intellectual assets, which IP policy attempts to address, and the more general market failures of the CI (Towse, 2014).

IP Policy as an Exogenous Influence on Business Models

A number of authors frame IP, in particular copyright consumption by consumers, as an exogenous challenge to business models and bargaining power. Rezazade and Lashkarbolouki (2016) develop a case study in which the consumption of unlicensed content contributes to the failing business model of a publisher. Mangematin et al (2014) argue that, "Internet piracy [has] undermined the ability of corporations to

[2] The author attributes this concept to Ruth Towse.

extract value from the rights to use and sell creative and cultural material and have largely destroyed their core business model of commercialising creativity by performing marketing, distribution and business functions. At the same time, piracy is recognised by some as a driver for innovation." Sharma and Yang (2015) examine the digital media industries in terms of business strategy. Rather than focusing on business models, they investigate scenario mapping and planning tools for the industry. In doing so, they also examine innovation and IPR, and find that digital media is, "very much driven by the constant interplay of what consumers want and what industry players plan to provide. This finding also underscores that IP rights remain a contentious issue in [digital media industries]." Thus, scholars suggest that IP can be an important element in the relationship between the CI and consumers, and impact CI business models.

Focusing more on business model change, Searle[CR] (2016), examines the role of IP, with a focus on copyright, in spurring business model innovation in the CI. She concludes that IP is a secondary external force in shaping business models, as market changes and bargaining power dominate. Likewise, Towse[CR] (2016) examines the historical relationship between business models adaptations in the music industry, and finds that these changes only occur as a result of market changes, rather than changes in copyright law. Towse pitches changes in music publishing business models as stemming from exogenous technological change. She notes, as in Schumpeterian innovation, "businesses that adapt to exogenous conditions survive and may do so without endogenous technical progress. In that process copyright law inevitably lags not leads."

Dobusch & Schüßler (2013) focus on the interface between industry-wide discussions of policy (copyright), and market strategy (business models.) They refer to, "regulatory propaganda" at music industry in Germany from 2001 to 201 and include the regulatory environment in their definition of business models. In their analysis, actors use business models to evaluate and understand policy options. This contrasts subtly with Towse[CR] (2016) and Searle[CR] (2016), who frame business models as potential responses to changes in copyright policy. Dobusch & Schüßler find that industry debates on regulation are correlated with the perceived success of, "copyright related business models over time." The dominant discourse of such "propaganda" focuses on copyright infringement and the potential regulatory response.

Other authors frame IP as a strategic endogenous asset. Desyllas and Sako (2013) demonstrate firms' use of IP as a pre-emptive strategy, IP licensing as collaboration enabling, and IP's role in assisting the acquisition of other intellectual assets. Weill, Malone and Apel (2011) find investors favour business models based on, "licensing intellectual property, (such as Walt Disney's business model)." It is unclear how this would map to a more formalised categorisation of business models, as the licensing of IP can be described as the leasing of an intangible good.

Strategic Use of Copyright Policy and Business Models

The fundamental tenet of IP law is that it is an ability to *exclude*. IP does not grant the owner the right to *do* anything, but to *prevent others* from doing so. As a result, copyright can grant[3] significant bargaining power to incumbents by providing legal

[3] The use of "can grant" as opposed to simply "grant," is in recognition that the ownership of IP can be outweighed by other forms of bargaining power; e.g. an aspiring musician has little power in a relationship with a large record label, independent of the ownership of IP.

protection over their intellectual assets. This reinforcement of incumbents can come at the expense of emergent players and reduces the treat of entrants.

The power of political persuasion through lobbying and use of existing competitive advantages is established in the CI. Moyon and Lecoq (2010) look at the process of innovation, and the role of agency in legitimising firms and business models. They note that, while some music entrants such as Apple prospered, others including Napster failed and the recording industry 'majors' maintained their dominance through a combination of coercive pressures and agency. Lobbying to maintain the copyright status quo is one such pressure.

While a key impact of digital technology has been the reduction of transaction costs, making new distribution systems and pricing mechanisms financially viable, not all players have reaped the rewards. Hviid[CR] et al (2016) note that change benefits publishers over creators, and copyright law reinforces this distribution of benefits. Similarly, Afuah (2014) argues that Google's competitive advantage stems at least in part from its IP. Whitby[CR] (2015) also identifies these challenges and suggests, "what needs controlling is the right to make money from copyright world."

Blanc and Hauault (2014) argue that IP "plays a fundamental role in counterbalancing the digital revolution and its potentialities." They cite the lack of change in the remuneration of artists and the power of the "majors" as examples of IP as a buffer against change. Moyon and Lecoq (2010) note that record labels' ownership of IP conferred upon them a legitimacy, which helped them maintain their bargain power, litigate against IP-infringing entrants and continue the enduring success of their business models. These authors suggest that IP can serve both as an impetus for change, and a safeguard against it.

Against a background of disruptive technology and market changes, this paper examines the role of copyright in influencing the strategic business choice between changing business models and lobbying.

5. Strategy: Adapt or Lobby

> "Intellectual property law should not be a competition killer. Balanced correctly, IP can be an instrument to promote fair trade and penalise only unfair competition between creative businesses. As rock n'roll trail-blazers of the 20th Century, it may seem puzzling why the large entertainment companies have failed to embrace new technologies and compete with the digital innovators that now threaten their business models." (Anthony Hamer-Holmes (2011), artist manager and small business consultant, Submission to Hargreaves Review)

A key question for recent UK government CI policy has been whether confronting the challenges and opportunities presented by the digital era is one for policymakers, or for industry. Should the market simply adapt? Or does policy need to adapt? This section sets out the policy premise that new business models are key to the success of the CI, and that copyright should change to enable business model innovation. It also details the policy industry response to this premise, and the use of lobbying, litigation or inaction to restrict change.

UK Policy Context: IP Reviews and Business Models[4]

In 2011, the UK undertook a major government IP review[5], known as the Hargreaves Review, which was commissioned to focus on two points[6]:

- Identification of barriers to growth in the IP system, and how to overcome them;
- How the IP framework could better enable new business models appropriate to the digital age.

The 'exam question' was, "Could it be true that laws designed more than three centuries ago with the express purpose of creating economic incentives for innovation by protecting creators' rights are today obstructing innovation and economic growth?" (Hargreaves, 2011). The answer was yes, with the caveat that, "these businesses too need change, in the form of more open, contestable and effective global markets in digital content and a setting in which enforcement of copyright becomes effective once more." As part of this market and technological change, the review explicitly mentions supporting existing business models, and enabling experimentation with new business models. It sets out a vision in which the classic business models of the CI are "under strain" and digital business models are still "establishing themselves." Clearer understanding of copyright and licensing are framed as a means to promote business models, and a section entitled, "Changing Business Models" demonstrates the fall of peer-to-peer models and the rise of subscription streaming music services. However, the review does not define the term 'business model,' suggesting a colloquial use of the term.

Following Hargreaves, the UK association between IP policy and business models continued, as evidenced by the government funding of academic research. CREATe (£4.2M, 2012-2016), was funded explicitly to research copyright and business models. Similarly, a government-funded AHRC/ESRC/IPO (£40k, 2010-2011) academic placement fellowship was designed to investigate the role of IP in business models in the CI (Searle, 2011.) Related funding also includes an ESPRC (£1M, 2013-2017) grant on building better business models (Baden-Fuller et al). This paper draws from all three.

Industry Context: Business Models in Lobbying the Hargreaves Review

In the Hargreaves view, existing copyright law has led to less contestable markets, which benefits incumbents. Lobbying against changes to these laws, and in favour of enhanced enforcement of copyright laws, grants existing firms protection by maintaining barriers to entry. Analysis of industry interaction with the Hargreaves Review suggests industry interest in the purported role of business models. As this section demonstrates, an industry response to the Hargreaves Review question on business models and copyright policy has been to focus on lobbying.

Following an extensive public consultation[7], the Hargreaves Review recommended,

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[4] As an Academic Placement Fellow at the time of the review, the author was a participant in review activities; no information included in this report is in breach of the Official Secrets Act.

[5] There have been four other IP reviews in the last century including the Gowers Review (2006), Whitford Committee Report (1977), the Banks Committee Report (1970) and the Gregory Committee Report (1951.)

[6] See Appendix A for the full terms of reference

[7] Officially the review ran from November 2010 through May 2011, when the report was published. In

among others, the introduction of copyright exceptions, a licensing hub and a scheme for the licensing of orphan works to enable the development of new business models. The Government's official response to the review, expressed support for a digital copyright hub, an orphan works scheme, and the introduction of parody, private copying and text mining exceptions.

To identify industry arguments, responses to the UK government's, "Call for evidence from review into intellectual property and growth" (the call associated with the Hargreaves's report) published December 17, 2010 are analysed. The CI and their representatives submitted 258 official submissions[8]. Despite one of the questions in the consultation including "business model," only 74 responses explicitly include the term. The 184 that do not include the term generally did not provide responses following the official structure and cover a diverse mix of individual members of the public, law firms, those more interested in patents, and some CI organisations. The 74 responses are narrowed to 52 to include the CI and industry representatives, and exclude submissions from legal firms, universities and civil society. Coding of the submissions for the relationship between changes in business models and copyright finds the following.

Of the 52 remaining submissions from the CI which mention "business model", nearly three-quarters (38, 73%) are industry lobbying groups, collective management organisations or unions; the final quarter (14, 27%) is an even split of large corporations and individuals. Submissions were read and classified according to the dominant argument associated with business models; if an argument was present in submission, it was counted as one. Some submissions had multiple arguments.

Table 1 demonstrates the breakdown of arguments (if argument is present, it is one argument counted per submission, not number of times argument appears in submission)

Table 1: Counts of Business Models arguments in industry submissions including "business models" to the 2011 Hargreaves Review

Argument	CMO, TA, Unions, count (percentage of category)	Individuals and individual orgs	Total number of submissions making said argument
Change copyright to encourage new business models	4 (10%)	1 (7%)	5 (10%)
Existing copyright enables business model change	9 (24%)	2 (14%)	11 (21%)
Existing copyright	**18 (47%)**	**6 (43%)**	**24 (46%)**

practice, policy cycles are much longer and work was already happening in preparation for the review and continues at the time of writing (2017.)

[8] Statistics calculated from PDFs in the archive of submissions to the Hargreaves Review; from the UK National Archives webarchive of the IPO's Independent Review of IP and Growth submissions: http://webarchive.nationalarchives.gov.uk/20140603093549/http://www.ipo.gov.uk/ipreview/ipreview-c4e.htmew.htm Accessed February 17, 2017

should be better enforced to protect business models			
Business models are fast moving	**15 (40%)**	**6 (43%)**	**21 (40%)**
Other (discussions on levies, strategy, licensing)	2 (5%)	1 (7%)	3 (6%)

As per Table 1[9], the most common argument is that existing copyright should be enforced or strengthened in order to protect existing business models. There is also a general consensus that business models are changing quickly, as 40% of the population explicitly made this assertion, and the remaining submissions did not directly refer to the speed of change. Excerpts in Appendix B demonstrate the arguments associated with each argument.

While the industry submissions acknowledge a general sense of business model change, the collective view on the relationship between business models and copyright differs. The analysis of industry submissions to Hargreaves suggests that the preference was for increased enforcement of existing copyright law (associated with supporting existing business models, enabling new business models and discouraging models based on copyright infringement), and a consensus that business models were indeed changing. Only a minority of submissions argue in favour of copyright law change, including Google – who also lobbies the US on this matter. Generally, the industry view does not match the prevailing policy wisdom of a need for a more flexible copyright system at the time of the Hargreaves consultation.

Industry action to Hargreaves Recommendations
The Hargreaves-era policy expectation was that copyright changes would enable business model innovation. However, submissions to the review detailed above suggest that industry took a different stance. This section details what political action industry has taken following the report.

The table below indicates the outcomes of the key Hargreaves recommendations relevant to business models. In two key cases, the Digital Copyright Hub and private copying, industry lobbying appears to have successfully prevented the development of copyright. This in in line with the CI having been generally successful although controversial in lobbying (Kretschmer et al, 2014; Vetulani-Cęgiel, 2015.)

Table 2: Implementation of key Hargreaves Recommendations and Outcomes as of 2017

Name	Change	Relationship to business models	Implementation Date	Outcome
Digital Copyright Hub	Creation of one-stop shop for licensing of digital	Allows for lower transaction costs for licensing,	Hub went live in July 2015, project launched 2013	Continues to be funded by government[10];

[9] Given the small population of submissions and the therefore relatively large impact of coding errors, statistically analysis for differences between means has not been performed.
[10] Education Licensing Work Group minutes, Thursday November 2016, "The Hub had successfully bid for funding support as part of an EU H2020 project. In addition funding support was to be provided by

	content	easing adoption of new models		Limited evidence of use or industry support
Private copying	Permits individuals to make private copies of copyright work for private use	More flexibility in goods and services offering means to copy; general support of innovation and new models	Introduced October 2014	Music industry successfully pursued Judicial Review[11] resulting its quashing
Orphan works	Creation of licensing scheme for orphaned works	Unlocks orphaned works for use by businesses	Launched October 2014	In-place
Caricature, Parody and Pastiche	Introduces use of copyrighted material, for the purpose of caricature, parody or pastiche, without permission of the rights holder	Allows for re-use of works to create new content; general market support	Introduced October 2014	In-place
Text and data mining	Allows researchers to make copies of material for computational purposes	General innovation argument as mining facilitates research	Introduced October 2014	In-place

One initiative, the Copyright Hub, appears to be struggling due to lack of industry support. The Hub was established to, "make the licensing of content easier" with the goal that the Hub be funded by the CI (Copyright Hub Manifesto, July 2014) and requires the participation of existing copyright holders in order to function. Hargreaves notes the potential of the Hub to support the business models of creators through, "clearer understanding of licensing terms and conditions throughout the market and so more realistic judgments about their own business models."[12] The hub would create a "one-stop shop"[13] that would allow for faster and easier licensing of copyrighted content. Yet this could undermine the market power of incumbents reliant on existing licensing systems, which have been criticised for a lack of transparency and governance[14]. An apparent lack of industry support has yet to realise this licensing

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the IPO to support operations for between 18 months and 2 years." Available at http://www.copyrighthub.org/wp-content/uploads/2017/02/ELWG-Minutes-10-November-2016.pdf Accessed February 2017

[11]British Academy of Songwriters Composers and Authors (BASCA) et al versus Secretary of State for Business Innovation and Skills, Case No: CO/5444/2014, 19/06/2015

[12] Hargreaves (2011), p. 31

[13] IPO (March 25, 2013) "Government gives £150,000 funding to kick-start copyright hub" *IPO press release*, accessed April 2017 at: https://www.gov.uk/government/news/government-gives-150-000-funding-to-kick-start-copyright-hub

[14] European Commission (February 4, 2014), "Directive on collective management of copyright and

ambition; launched in 2013 with work beginning in 2012[15], over four years later limited progress has been achieved. A review of the website (http://www.copyrighthub.org) in May 2017 reveals little activity and only one mobile application; the departure of both the founding Chairman and CEO in April 2016 suggests the project has shifted course. The Executive Board Meeting minutes from June 23, 2016 note the cancellation of a Partners meeting due to lack of activity to report and further minutes were not available at the time of writing. There is limited evidence of funding[16] from the CI (Educational Licensing Work Group Minutes, November 12, 2015) and the Hub remains dependent on government funding. The minimal evidence of industry support and activity suggest that the project is at risk of failure.

Private copying, which allows individuals to make copies of copyrighted content for personal use, was swiftly lobbied against and quashed in 2015 via a judicial review[17] brought by the incumbent music industry.[18] The Hargreaves report linked private copying as a means to enable innovation generally, rather than specifically business models. The right to private copying would likely pre-empt pushes for copyright levies in the future and legitimise some emergent business models – both of which would compromise incumbents' market power. A report by WIPO (2015) puts the issue of business models and private copying in context, "As online business models shift from ownership to access-based (streaming) models, the discussion will further be complicated by determining whether copies made in the cloud and from online licensed services are within the scope of the private copying exception." UK music industry stakeholders successfully avoided confrontation of this question by using the judicial review to quash the UK's measure on the basis of inadequate evidence of minimal harm to the industry.

The other key implementations of Hargreaves noted in Table 2 have been less controversial and are still in place. Orphan works may have received less attention[19] as, by definition, the owners of such works are not easily identified and thus poorly represented, while users of the orphan works are active. The first 12 months of the scheme (ending October 2015), has resulted in £8k in licensing fees[20]. An official

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related rights and multi-territorial licensing – frequently asked questions," *Memo/Press Release,* Accessed April 2017 at http://europa.eu/rapid/press-release_MEMO-14-79_en.htm

[15] The Copyright Hub Launch Group began meeting in 2012, as per meeting minutes. Government funding was announced in March 2013 and the first website went live in July 2013. The Copyright Hub (September 2014), "Hub History," Accessed April 2017 at http://www.copyrighthub.co.uk/about/History

[16] The minutes note a persistent reliance on public support, "Funding from Government had been confirmed to allow for the latest strategy paper and business case to be developed and so the continued existence of the Hub into the New Year was at least guaranteed for a time. The CI had once again been approached and contributions had already been received from organisations such as ERA and MPA. A small contribution from Google had now also been provided." Educational Licensing Work Group Minutes, November 2015

[17] Case No: CO/5444/2014

[18] This includes the British Academy of Songwriters, Composer and Authors (a trade association for music writers), the Musician's Union (a union for musicians which provides insurance, and legal and policy support), and UK Music 2009 Limited (an umbrella trade organization for the music industry, including collecting societies)

[19] Photographers were most vocal in their objections to orphan works, likely because photographs are easily stripped of identifying information and therefore easily orphaned. However, image search technology, which allows for easy identification of photos based simply on the image, has reduced the likelihood of orphaning.

[20] IPO (2016) "Orphan works: Review of the first twelve months," available at

evaluation of the remaining two, Caricature, Parody and Pastiche, and Text and Data Mining, is planned for five years after implementation.

Related industry action

A slightly different tack was taken in research collaboration between a technology platform and a content licensor. In "The Six Business Models for Copyright Infringement" (2012) PRS for Music (a UK CMO) and Google collaborated on research investigating online business models benefitting from copyright infringement. The result is a six-category taxonomy of business models that are delineated by delivery method and pricing structures. The report a lobbying document that seeks to, "provide quantitative data to inform debate around infringement and enforcement," received government support,[21] and suggests that further investigation could be beneficial for "policy makers and stakeholders." The report frames these new business models as facilitating copyright infringement, which is in contrast to the Hargreaves question of how copyright can facilitate new business models. The report does not make recommendations, but its premise suggests that government could address copyright infringement and enforcement.

This section has established the prevailing wisdom of changing business models and copyright in the CI, and has demonstrated that at least one industry response to the assumptions and recommendations of the Hargreaves review has been to lobby. However, the question remains, has the business model response expected by Hargreaves manifested? As the remainder of the paper argues, the answer is largely no. Business models in the CI are relatively stable.

6. Methods

Turning now to the core empirical section of this paper, here I identify the framework and meta-analysis for the investigation of business models following the Hargreaves era business model policy debates detailed in Section 5.

Theoretical Framework: Business models

As the definition of business models continues to evolve, so does its analysis. Early studies suggest that business models are useful as a unit of analysis (Pigneur and Tucci 2005; Baden-Fuller and Morgan, 2010), whereas Casadesus-Masanell and Ricart (2010) note that the business model can be analysed as a whole or in parts. This report uses business models as a unit of analysis to investigate business models in the CI following Hargreaves.

I adopt the Baden-Fuller[22] (2016), four elemental business model categories. These four categories represent a focused framework, which can be used post-hoc to interpret results. By focusing on the relationship between firms and consumers[23], the Baden-Fuller framework provides a flexible approach that is technology and process agnostic.

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https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/487209/orphan-works-annual-report.pdf

[21] The UK Department for Culture, Media and Sport (DCMS) is included in the acknowledgements, along with five industry associations.

[22] The CR-Baden-Fuller framework is intellectual independent of the rest of the CREATe portfolio; it has not been used elsewhere in the research.

[23] "Consumers" is interpreted loosely, and includes other businesses.

It has the additional benefit of combining a business model framework with categorisation, and classifies business models as product, solutions, matchmaking or multi-sided (detailed further below). Alternate frameworks of business model analysis include the Osterwalder & Pigneur model (discussed below), Gassman and Osisk (2014) four dimensions, Itami and Nishino (2010) who focus on process aspects of business models, and Hagel and Singer's (1999) approach of unbundling business models into parts. Likewise, categorisation is a popular approach, where business models are placed into bins, such as Rappa's (2001) 'ten categories of business models found on the internet.' Gassman, Frankenberger and Csik (2014) adopt four axes for business models: who (demographic of the customers), how (activities to create value), what (value proposition) and value (how money is made.) For further discussion of these and other frameworks, see Massa et al (2016.)

In the CREATe portfolio, the only explicit use of business model categorisation is Searle (2011, 2016[CR]) and Baden-Fuller (2016.) Searle uses the Osterwalder & Pigneur (2009) Business Model Canvas, a nine-component model, to map business models. This canvas decomposes a business model into parts such as pricing mechanisms and channels of delivery. These nine components are categorised as *infrastructure* (activities, resources and partners), *offering* (value proposition), *customers* (customer segments, channels and customer relationships), and *finances* (cost structure and revenue streams.) While this model is useful for business model innovation, and, as Massa et al (2016) note, popular with practitioners, its level of detail obfuscates the overall picture of the business model and makes systematic comparison between models difficult. Other CREATe projects do not adopt specific business model frameworks for analysis as they instead focus on inductive research and theory development stemming from qualitative analysis.

The Baden-Fuller (2016) elemental framework is the preferred approach for this paper. The four models can be used to identify, classify and analyse the business models in the research programme. The four elemental models are: product model, solutions model, matchmaking model and multi-sided model (text in quotes from Baden-Fuller, 2016, emphasis added).

- The ***product*** model involves the sale or licensing of goods and services; as discussed later in this paper, it is the most common model found in the CI:

"The company develops a *product or standardised service* and sells it to customers. The value proposition is transactional: to provide a product or standardised service that customers will buy."

- ***Solutions*** models are more tailored, and are driven by the firm's response to consumer needs, such as a consulting firm:

"The company engages with a customer about a problem the customer faces, and provides an integrated solution. The value proposition is relational: to *tailor solutions* to each customer."

- ***Matchmaking*** involves the firm matching buyers and sellers within its marketplace; for example, auction houses:

"The company joins buyers and sellers in its online or physical marketplace. The value proposition is transactional: to *facilitate exchange*."

- ***Multi-sided***[24] involves the firm offering products or services to different consumers, and these consumers derive additional value from each other. A newspaper, where consumers are both readers and advertisers, is a classic example of a multi-sided model:

"The company provides *different products or services to different customer groups*. The value proposition is multi-sided: one customer group gets additional benefits from the other group's transactions."

Baden-Fuller classifies product, solutions and matchmaking models as dyadic, indicating that they are dominated by relationships between two parties (firm-customer.) However, the multi-sided model is instead triadic, incorporating both the firm's relationship with consumers, and the relationship between those customers. Baden-Fuller further notes that the external relationships between business models, via competition, can be observed within business models, between models, and can manifest competition and cooperation in a variety of models.

Meta-analysis and data

The business models literature is dominated by qualitative studies. This, coupled with a lack of clear definitions, suggests that a more comprehensive, systematic approach could lead to wider insight beyond the limitations of the unique peculiarities of each study.

As has been the case in the emergence of evidence-based policy, the methodology for this paper borrows heavily from the medical fields. The method of meta-analysis, described in Timulak (2008), is, "an attempt to conduct a rigorous secondary qualitative analysis of primary qualitative findings." Lee (2010), applies the term more closely to theory development, and defines meta-analyses as, "the development of an explanatory theory or model that may explain the findings of a group of similar qualitative studies." Related terms are meta-ethnographies and meta-syntheses. While meta-analyses are dominated by quantitative research, the largely qualitative approach of business models research necessitates a systematic qualitative analysis to work toward a synthesis of evolving business model phenomena. It differs from a literature review, as its focus is not on approaches and conclusions, but on the content of the case studies themselves. Thus far, qualitative meta-analyses studies have focused on nursing and psychotherapy (e.g. Stroup et al, 2008; Timulak, 2008; Barnett-Page and Thomas, 2009; Timulak and McElvaney, 2013). However, insights from such studies offer value to the social sciences in research on education (Thunder and Berry, 2016), marketing (Park and Gretzel, 2008), management (Denyer and Tranfield, 2006), entrepreneurship (Rauch et al 2014), and government innovation (Siau and Long, 2005; Lee, 2010).

Other authors adopt similar approaches for CI and policy. Watson[CR] et al (2014) use the term "scoping review," to describe their efforts to systematically and objectively identify, and interrogate, relevant and high quality literature related to the unlawful sharing of digital media files. Munro[CR] (2016) uses meta-analyses to understand the professional strategies of individuals in the CI. Both Lee (2010) and Siau and Long

[24] These are sometimes referred to as two-sided markets, in which the firm functions as a platform in which consumers and users generate value for each other (network benefits.)

(2005), use meta-analyses, which they call meta-syntheses, to investigate existing government digital services (e-government) research to develop theory and conceptual frameworks. This paper strives to perform a similar service for business models in the CI.

The scope of this analysis is limited to the studies in the CREATe and related projects. In addition to CREATe being a key part of the business model and policy narrative discussed earlier, this choice addresses a number of challenges typically associated with qualitative meta-analyses. In particular, Denyer and David (2006), note that meta-analysis struggles with variations in methodologies, populations and contexts. The CREATe projects allow for reduced variation in: chronology (projects are confined to the same period, 2011 to 2016), definitions (relatively low heterogeneity in terms of the definition of the subject area, CI and business models), populations (the studies are geographically concentrated in Scotland and the UK), and the purpose of studies (notably, the centre's mission to "investigate the future of creative production in the digital age" (CREATe website, 2016)). The choice of studies also satisfies a common critique of meta-analyses, in particular that the researchers are insufficiently familiar with the original study (Stern and Harris, 1985.) The author has been involved with the CREATe Centre from its beginnings. However, the approach does not satisfy the challenge of availability[25] bias, noted in Watson et al (2014).

Typical challenges to meta-analyses stem from the need for outcome measures, or measures of interest, to be relatively consistent across studies. This is a challenge in business models research due to its evolving definition. However, the richness and context of qualitative analyses provide sufficient information to allow flexibility of definition. That is, that the wealth of information in qualitative case study allows sufficient flexibility in the definition of "business models," for the definition to be calibrated post-hoc; the research finding are retroactively interrogated to superimpose the Baden-Fuller framework. A second challenge is that the methodology used must be generally similar. Here qualitative introduces advantages and disadvantages. On the one hand, the qualitative research methods used in the targeted studies are consistent (largely semi structured interviews); at the same time, these research methods introduce the oft-criticised potential research bias and heterogeneity.

Choice of studies

The CREATe portfolio includes 38 work packages, 55 working papers, 9 position papers, 7 related projects, and 4 relevant works by CREATe fellows and commissioned researchers. After reading the abstracts of all 49 projects and 55 working papers, and the complete text of position papers, the scope was further narrowed to 20 studies, detailed in Table 1, after rejecting the remainder for being focused more on the cultural industries, legal and/or policy analyses.

The remaining studies were coded to identify specific business models associated with individual firms, with the exception of six excluded cases, which commented on a generic fictional firm associated with a particular sector. This resulted in a total of 81 cases. Cases were then coded to identify methodology, sector, business model(s), position in the value chain, firm size, business experimentation and geographical

[25] Availability bias is a mental shortcut (heuristic) in which more recent (available) information disproportionately influences decision-making.

location. An explanation of the coding process can be found in Appendix C. Coding details. In addition, the studies themselves were inspected for commentary on IP and related topics as explicitly identified in Section 8.

Descriptive statistics

Methodology

80% of the cases come from five studies that explicitly developed case studies. The most popular methodology is semi-structured interviewing, followed by auto-ethnography; cases were included in studies as representatives of the population of firms in the CI. The exception to this is Baden-Fuller[CR] (2016) who identifies cases in his study explicitly to illustrate his classification and uses secondary sources; this study contributes 21% of cases.

Sector

74% of the sample comes from the media industries (games, TV/film, music, publishing); the remaining 26% is Fashion & Design, and Theatre & Dance. This excludes a number of sectors in the sometimes-controversial DCMS definition of the CI (software, advertising and marketing, and architecture), as they were not covered in CREATe.

Firm size

35% of the sample is classified as large (more than 250 employees or USD$5 million in annual revenue), 48% are classified as SMEs, and 17% are micro-enterprises or individuals. Compared to the wider UK population of firms, where 99.3% of businesses are SME and account for 47% of turnover (ONS, 2015), this suggests that the sample over-represents large firms. However, the winner-takes-all (Caves, 2000) distribution of the CI, supported by empirical evidence of author incomes (e.g. Kretschmer et al, 2010), suggests a pareto distribution in which large firms earn the majority of revenues. Looking through the lens of revenue, the sample under-represents large firms. It is difficult to ascertain whether the sample is representative of the wider population of the CI. However, it is appropriate for the study of business models, as it provides an analysis of a variety of firm sizes. Yet, the discussion on value chain below complicates this observation.

Position in the value chain

64% of the sample is classified as a creator, meaning that they are at the beginning of the value chain and create content. 36% of the sample is an intermediary including retail platforms and broadcasters. This split narrows to 55%/45% when only digital media are accounted for. It is difficult to know if this reflects the actual population of these industries; however, it does allow for a wide investigation of business models. A challenge is that the final consumer end of the value chain is where the majority of industry revenues lie. Thus, the increasing market shares of subscription services such as Spotify in music, Amazon/Netflix in film and television, and the existing dominance of Apple's platforms, Amazon and YouTube across digital media, distort the distribution of value, as the larger players account for the lion's share of revenue. However, few of these platforms are in the CREATe sample, and thus potential business model changes in these end-user goods and services may be underrepresented in the sample.

Geographical location

50% of the sample is headquartered in Scotland, 10% from elsewhere in the UK and the remaining 40% classified as international (predominantly multi-national companies operating online.) The entire sample has a presence in the UK.

Table 3: CREATe studies included in meta-analysis

Author(s)	Title of Study	Sector	Discipline	Methodology
		Single sector		
Al Balushi (2014)	Does copyright law really encourage learning?	Publishing	Law	Policy analysis with illustrative cases
Bakhshi (2014)	The Age of Experimentation	Publishing	Economics	Innovation analysis with experimental case study
Cayley and Howe (2014)	A Statement by The Readers Project	Publishing	Humanities	Autoethnographic case study
Doyle (2016)	Digitisation and Changing Window strategies in the Television industry: Negotiating New Windows on the World	TV production and distribution	Economics	Empirical investigation; multiple case study investigation with semi-structured interviews with production and distribution executives
Groth (2014)	Simon Groth Position Paper	Publishing	Industry report**	Policy analysis and autoethnographic case study
Hviid, Izquierdo Sanchez, and Jacques (2016)	From publishers to self-publishing: The disruptive effects of digitalisation on the book industry	Publishing	Law and economics	Policy and market analysis, survey analysis of 1,704 authors, 2 case studies
Kaye (2014)	Laurence Kaye Position Paper	Publishing	Law	Market and policy analysis
McRobbie, Strutt, Bandinelli and Springer (2016)	Fashion micro-enterprises in London, Berlin, Milan*	Fashion	Sociology	Case study analysis of interviews, observational visits and hosted events with 8-10 fashion designers
Mollet (2015)	Richard Mollet Position Paper	Publishing	Industry report	Innovation and policy analysis
Paterson (2017)	The competition discourse in British broadcasting policy	TV production	Industry report	Policy and industry analysis
Silver (2016)	Blockchain or the Chaingang?	Music	Industry report	Market and innovation analysis, 10 interviews

Towse (2016)	Copyright and Business Models in UK Music Publishing	Music	Economics	Policy analysis and historical case study
Whitby (2015)	Is the Current Copyright Framework Fit for Purpose?	Publishing	Industry report	Market analysis and autoethnographic case study
"Friction and Fiction" Publishing event				
Kember and Jeffries (2015)	Friction and Fiction	Publishing	Sociology	Symposium with writers, technologists, publishers and agents; 4 testimonials
Bhaskar (2015)	Filtering and Amplification: What Publishing Does and How it Changes	Publishing	Industry report	Auto-ethnographic and market analysis
Brienza (2015)	Off the Page in America: New Manga Publishing Models for a Digital Future	Publishing	Sociology	Participant observation and semi-structured interviews *(N.B. the original research is not part of the CREATe portfolio, only a CREATe presentation based on this research is included)*
Jamieson (2015)	Why print magazines just won't die	Publishing	Industry report	Auto-ethnographic and market analysis
Rochester (2015)	Writing for pleasure, writing for art or writing to get paid	Publishing	Industry report	Auto-ethnographic and market analysis
Multi-sector				
Baden-Fuller (2016)	Business Model Zoo*	Computer games, Fashion retail, Television, Film, Publishing, Music (plus non-CI)	Management	22 CI exemplar cast studies, 16 in digital media (86 cases in total project)
Grewar, Townley and Young (2015)	Tales from the Drawing Board	Computer games, Dance & Theatre, Fashion & Product Design, Film & Television,	Management	28 case studies based on 120 semi-structure interviews

		Music & Publishing		
Kheria (2016)	Creators and copyright: Voices from the field	Music, Performance, Publishing, Visual Arts	Sociology	Socio-economic analysis, 100 semi-structured interviews with a range of writers, illustrators, composers, artists and performers
Searle (2016)	Changing Business Models in the CI	Computer games, Film & Television, Music	Management	6 case studies
Townley and Searle (forthcoming)	Unpublished interview analysis	Computer games, Dance & Theatre, Fashion & Product Design, Film & Television, Music & Publishing	Management	Socio-economic analysis, 120 semi-structure interviews with creators
*these projects include significant research outside of Scotland	**the CREATe portfolio includes analysis by practitioners and policy makers; these are largely classified as industry reports as they do not adhere to a specific discipline			

Where full transcripts of interviews were not available due to confidentiality constraints, the author sought clarification from the researchers.

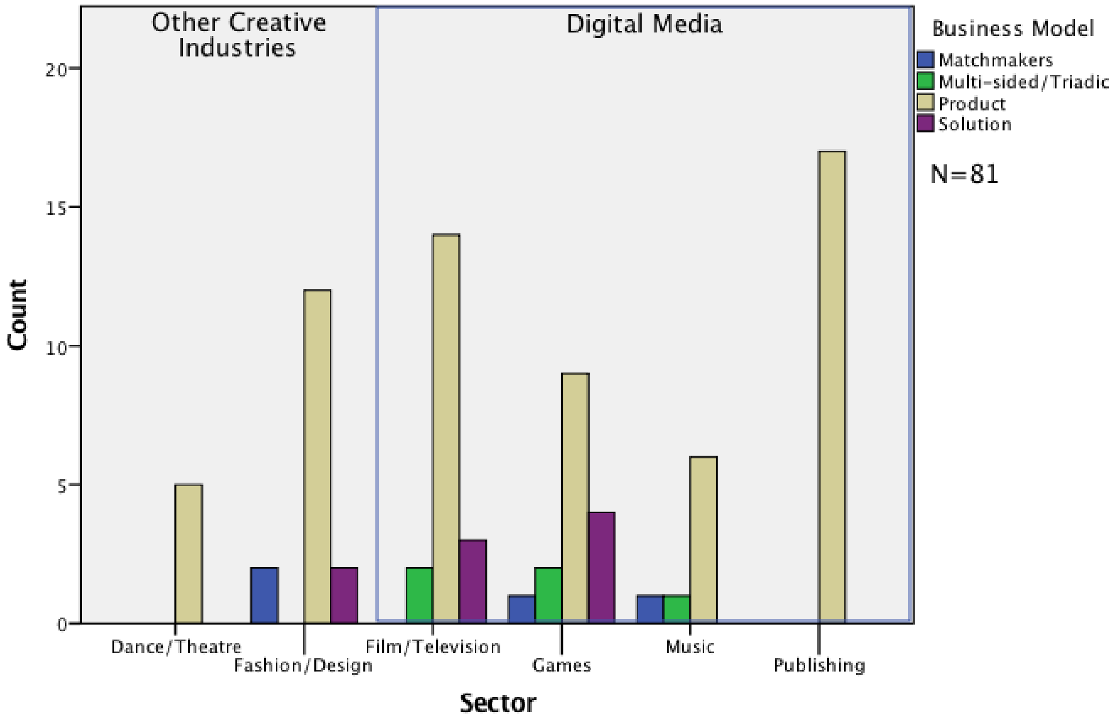
Baseline

For comparison, the baseline business model for the CI is assumed to be product or service. That is, that the prior to the digital era, and more specifically prior to market and technological changes leading to the policy debates discussed in Section 5, the dominant business model was product or service. The historical focus on goods and services sold in the *product* business models is supported in the literature: music (Vaccaro and Cohn, 2004), computer games (Dyer-Witheford and Sharman, 2005; White and Searle, 2013), and television and film (Sickels, 2009). Towse (2010) details the historical development of the music, film, broadcasting, and publishing industries, which all focus on product models. Two key historical exceptions to this are commissioning or work-for-hire structures, which are both service models, and the newspaper/television model of readers/viewers and advertisers, which is the multi-sided/triadic model. The analysis below in Section 7 identifies current business models, and demonstrates that the CI has largely not changed its business models.

7. Meta-analysis: The CREATe portfolio

This section identifies the core business models and themes of the research. It starts by analysing the content of the research for business models based on the Baden-Fuller elemental approach (demonstrated in Figure 1), and then teases out key themes and models.

Figure 1: Count of Business Models categories by Sector in meta-analysis of CREATe research



Product

Across the research, the most consistently identified model is that of the product-based model. The CI remain heavily reliant on selling goods and services. This suggests that, despite digital innovations supporting experimentation with pricing mechanisms and delivery (e.g. online subscription streaming), the fundamental business model in the CI has not changed. The goal remains to sell or license goods or services. This is an important finding, as it suggests that the age of business model experimentation in CI has been less revolutionary than anticipated. Brienza[CR] (2015) goes as far as noting that many in the publishing sector are going, “back to basics.”

A surprising finding is the resilience of some traditional business models. Silver[CR] (2015) discusses the development of streaming services in the music industry, facilitated by technological advances, coupled with a decrease in transaction costs, have made online delivery of music possible. The resulting movement away from the traditional customer ownership of music *products* and towards music *services*, does not represent a fundamental business model shift, as the business remains in the *product* classification of business models. This relatively stability reflects “the way that the existing industry operated and the way it chose to accommodate a new model into an existing framework." (Silver[CR], 2015) The relationship between retailer (e.g. Spotify), recording labels and the licensing infrastructure has not changed. This suggests that the innovation of a subscription model for music affects only the end of the value chain, e.g. the retailer and the end consumer, rather than a fundamental shift of business models across the sector.

Kember[CR], et al (2016) explore collaborative business models in digital publishing. A symposium in September 2015 brought together writers, technologists, publishers and agents to discuss the digital future of publishing. Participants suggest digital may be less disruptive than anticipated, and the print copy is resilient. This resilience of the product model is apparent across the publishing studies. While there is significant experimentation in self-publishing, electronic selling and formats (e.g. e-books) (Hviid[CR] et al, 2016), the core business model remains the sale of books. This is echoed in Bhaksar[CR] (2015), who notes, "many elements remain consistent," and in Jamieson's[CR] (2015) observation that print journalism "doesn't die."

While an academic analysis suggests stability, the CI themselves may adopt a different definition of business models. Doyle's[CR] (2016) interviewees claim 'heritage' models, based on advertising and audiences, are giving way to marketing-focused digital models. Similarly, in publishing, enabling functions of business models such as dissemination (Rochester[CR], 2015) and revenue streams (Kheria[CR], 2015), are changing. Yet these new digital models remain product models. As Baden-Fuller (2016) notes, ideal business models have yet to be identified.

Solution

Solution-based business models, which tailor goods and services, are infrequently identified. They are often identified as a secondary business model and complement a product model. The television/film production companies examined in Doyle[CR] (2016) provide customised content for commissioning broadcasters. Doyle[CR] notes that the emergence of Subscription Video-On-Demand (SVOD), which requires that the end consumer pay in advance for subscription services, has subtly changed the needs of broadcasters for content to serve as a marketing tool; this need for marketing is noted by her interviewees as being met by production companies supplying big-budget dramas. Likewise, Townley and Searle[CR] (forthcoming) detail the world of work-for-hire in the computer games industry. As with production companies and broadcaster, work-for-hire involves computer game development firms contracted to develop content for platform owners and publishers. Grewar[CR] et al (2015) also finds cases of solution-based models in televisions, film and music. In all of these cases, the content is created to service the need of a commissioning body.

Moving from the media industries, where digital has taken a strong foothold, to the wider CI, Grewar[CR] et al (2015) and McRobbie[CR] et al (2016) find the solutions model is common to the design industry. In their analysis of jewellery, fashion and furniture design firms, they find most cases have a solutions-based model where products are designed as customised, bespoke goods according to clients', often consumers or other fashion labels, needs. In the majority of these, the solutions model sits alongside a product model for standardised designs.

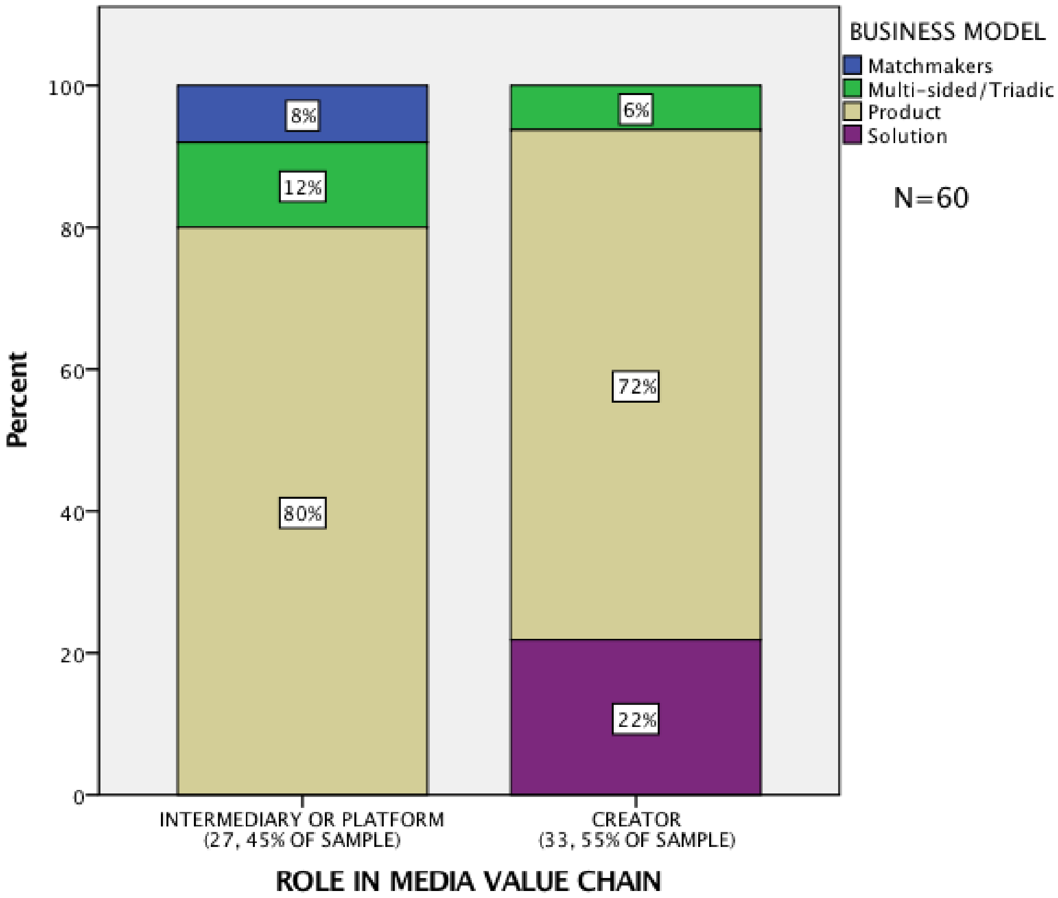
The existence of few of the digital business models qualifying as solution models reflects the consumer/audience focus of the research. The majority of the surveyed studies focus on media firms marketing directly to consumers (business-to-consumer.) Generally, only when business-to-business firms in media (e.g. commissioning relationships), or non-media CI (e.g. bespoke fashion or consulting), are examined that solution models appear. However, as discussed below, end-user subscription services like Spotify are changing this.

Multi-sided Triadic model

The multi-sided model is observed in few cases. The newspaper is a classic example; it develops content valuable for its readers, and harnesses that relationship to generate value for its advertisers. Yet as with solution models, few multi-sided models are observed in the studies. These include the traditional, "heritage" business model of free-at-the-point-of-consumption broadcast, advertising-supported television (Doyle[CR], 2016). In this model, television audiences benefit from content, while advertisers pay to market their products via the broadcaster. A similar model has been adapted in some online-gaming (Townley[CR], 2016), where free-to-play computer games are supported by advertising revenue. While the model is more traditional amongst broadcast and print, it is only with faster Internet speeds and intermediaries such as Facebook that the free-to-play computer games have offered a multi-sided option to the computer games sector. This use of the multi-sided, triadic model in computer games appears to be growing. However, this model is not new, it existed in the 1990s and certainly pre-dates the policy debates detailed in Section 5, with games such as Neopets (launched in 1999) and Runescape (2001). As shown in Figure 2, the solutions model is found in 12% of digital media platforms and 6% of digital media creators; all of these models are either in gaming or television/film.

The low uptake of multi-sided models in the research suggests that the multi-sided model is not a popular one in the CI. This may be due to a number of factors: creators may view advertising as distracting, or selling out (along the lines of Caves, 2000 arguments that artists are intrinsically motivated (art for art's sake)), audiences may dislike advertising sufficiently that it harms sales, or that the model itself is a difficult one to manage (Baden-Fuller[CR], 2016.)

Figure 2: Distribution of Media Business Models by role in value chain



Matchmakers

Matchmaking models are also rarely observed. Baden-Fuller[CR] (2016) notes that file-sharing platforms, where content is traded, serve as matchmakers or reputation gatekeepers. In the file-sharing example, users download content and simultaneously make that content available to other users. The platform serves to match-make between users. Likewise, self-publishing book platforms, such as Amazon, also provide a matchmaking role between authors and readers (Hviid[CR] et al, 2016.) Similarly, Etsy, the online handmade and vintage selling platform that matches sellers with customers, is important for the craft sector. These matchmaking roles are largely facilitating roles for the CI found at the end of the value chain, rather directly related to the creation of content. Like the multi-sided model, the matchmaker model does not appear to be a popular model within the content-creation side of CI. Instead it manifests as a model for the supporting retail outlets for CI goods and services.

As per Figure 2, no digital media creators use the matchmaking model. It is important to note that the four matchmaking business models observed in the entire data represent artefacts stemming from the Baden-Fuller analysis and were selected precisely to demonstrate the matchmaking model. In addition, three of these models are retail sites (Lyst and Farfetch in fashion, and Green Man gaming in games) and the fourth is the general business model of peer-to-peer file sharing (digital media.) The restricted sample limits our ability to make wider conclusions.

Bundled models

A firm may not operate a single business model, but a bundle of business models. This is often the case when firms are in the process of transitioning, and may run new models alongside existing ones (Rezazade et al, 2013; Velu and Stiles, 2013; and McNamara et al 2013), but may also represent different revenue streams. In the digital media industries, product remains the dominant model. Yet there is evidence of bundling. In the computer games industries, some creators note that self-publishing and online social media platforms allow for computer games development companies to sell directly to players (product), continue their traditional work-for-hire model (solution) and operate ad-supported free-to-play games (multi-sided) (Grewar[CR] et al, 2015). In the film production industry, self-publishing allows production companies to directly distribute to viewers via VOD services (product), and maintain their traditional commissioned work (solution) (Grewar[CR] et al, 2015).

Table 4: Cross Tabulation of Entire Data Set where 2 Business Models were readily identified

Bundled Models Cross tabulation

		Bundles			Total
		None	Product	Solution	
BM	Matchmakers	4	0	0	4
	Multi-sided/Triadic	4	1	0	5
	Product	**45**	0	**18**	**63**
	Solution	9	0	0	9
Total		62	1	18	81

As noted in Table 4, the majority of the entire sample has only one model identified in the research. As discussed above, the most popular business models are singular instances of product models. Bundled models are most typically both a product and a solution model.[26] Roughly half of these observed bundled models are in the digital media, with the other half in Fashion & Design.

Bundling is observed in other CI beyond the digital media industries. The Fashion & Design industries frequently have both product and solution models (Grewar[CR] et al, 2015; McRobbie[CR] et al 2016). This use of two models, which is often a product + solutions models including bespoke work and freelance consulting, may be born out of necessity; “at this moment in London, ‘own label’ designers almost inevitably must have a freelance contract with a major brand to keep their own work afloat.” (McRobbie[CR] et al, 2016) The relative lack of bundling observed in the digital media research suggests business models in these industries are relatively stable at present. While digital media firms may not be systematically transitioning to new models, that is not to say no changes are taking place, as discussed in the next section.

[26] Data collection note: Where two business models were identified, in the vast majority of cases product was the readily identified dominant business model, with solutions as a secondary model. As such, these cases are, in the first instance, classified as product models. It is difficult to know if, in practice, this holds as it may reflect the intrinsic motivation (Caves, 2000) of the CI, which is likely more aligned with independent creativity (product), as opposed to creativity sold in commissioned/work-for-hire/consulting relationship (solution). It may also be a reflection of Doganova and Renault (2009) framing of business models as part of a narrative.

8. Analysis

This analysis suggests that, since the Hargreaves review, business models in the CI have not changed and have remained largely product models. However, the analysis offers insights for our understanding of business models and copyright. This section discusses these aspects.

Definitions of Business Models by the CI

Removing the superimposed Baden-Fuller business model classification, across the research, the definition of business models in use by industry is fluid. Approximately half of the research outputs and papers do not explicitly[27] use the term, "business model," although discuss related market structure, value chain, delivery mechanisms and pricing mechanism concepts. It is unclear why this is the case, although the ambiguity of the definition of business models may have contributed. A further possible explanation is that these authors do not view business models as relevant, which suggests discordance with the explicit mention of business models in the name of the research centre, CREATe. It is also possible that the exclusion of "business model" is a consequence of the (sub)discipline of authors, as the term is typically the domain of business studies and only two researchers (Baden-Fuller and Searle) had existing business models research prior to the period studied. Where business models are used as a term, the definition used by interviewees and auto-ethnographic authors in qualitative studies varies from aspirational, narrative (Doganova and Renault, 2008), sub-elements of business models to jargon.

Grewar[CR] et al (2015) conduct over 120 interviews with Scottish entrepreneurs in the CI. The interviews, with creators ranging from computer games, to dance to textiles, suggest the term "business models" means different things to different people. These include being a catch-all for business strategy and content generation, to describing pricing mechanisms and strategy. Townley and Searle[CR] (forthcoming) note that interviewees use business models to describe their general activities, but are vague in its meaning. An interviewee in Doyle[CR] (2016) notes a struggle to, "kind of create business models that make sense." Here the business model is an aspirational term to describe the solution to solve problems. This is in keeping with Doganova and Renault (2008.) Other interviewees argue that it is, "harder for old fashion heritage business models," and, "traditional templates," which implies newer models are more desirable and aspirational. Doyle[CR] herself frames business models as a strategic response to external change.

In general, the research suggests that the term is vague, but used by creators to describe their business. This is in contrast to more recent academic definitions of business models, but in keeping with Osterwalder and Pigneur's (2010) more popular definition. For some creators, it means a pricing mechanisms, others a mission statement and for others, how to handle self-employment. Business models are used as a catchall phrase to describe narrative creators tell themselves and others about their activities and purpose. Ultimately, it may be that the business model serves to structure a narrative, which appeals to the story-telling cultural of the CI, to communicative and focus business strategy. The academic critique of business models may be right in

[27] In the meta-analyses, once research projects were selected on the basis of abstracts, they were then scanned for the term "business model." As such a large portion of the research did not use the term explicitly, papers were not rejected on this basis; instead, they were read in detail for implicit use of the concept.

highlighting its failings in practice, but may miss the wider, communication usage of business models. Business models instead serve as a trope or means for the CI to express their aspirations.

Firm Size

For the meta-analysis to address the CI lack of business model change, firm size is an important consideration as discussed earlier. While the sample size is too small to establish a statistical relationship (Table 5) between business models and firm size; Figure 3 suggests the distribution of business models across SMEs and large firms is similar.

Figure 3: Business Model by Firm Size of Digital Media

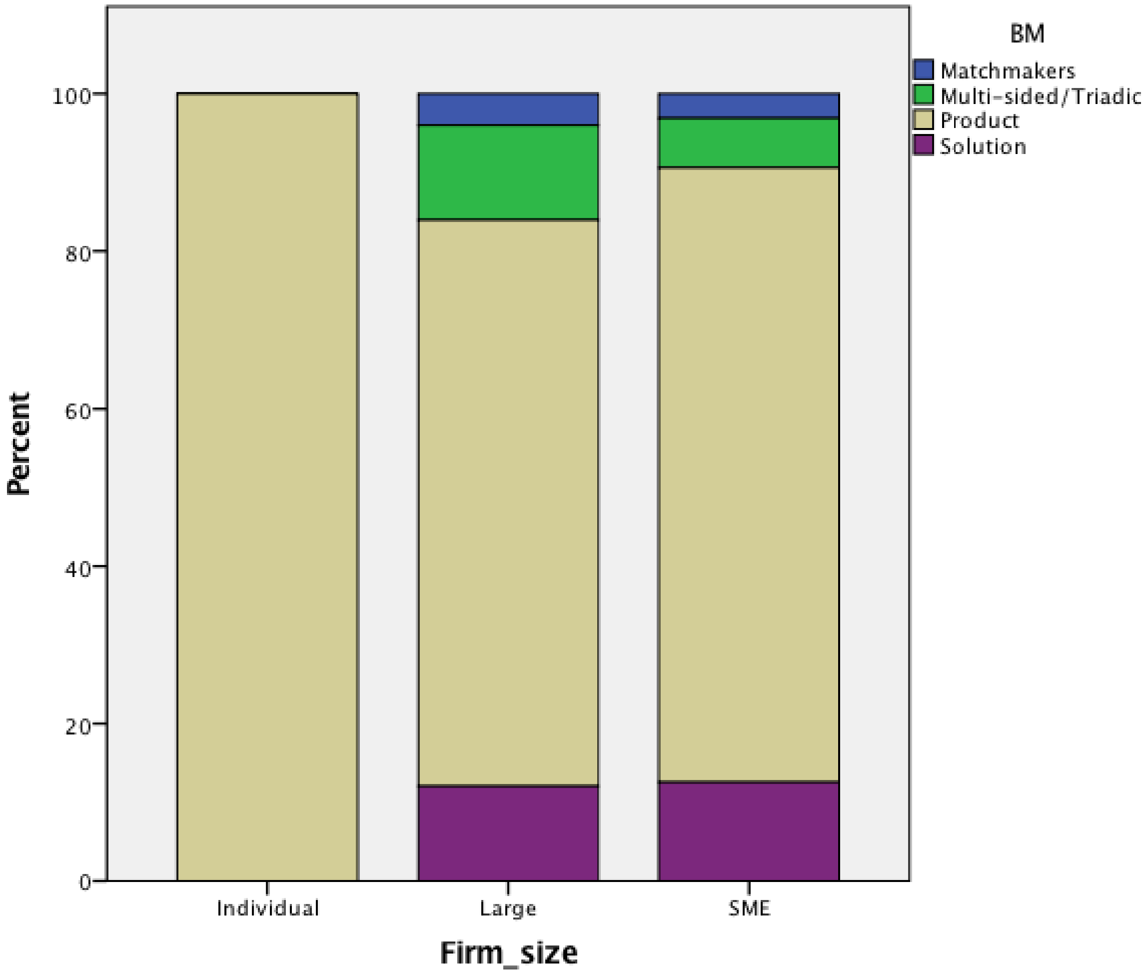


Table 5: Firm Size and Business Model Cross Tabulation in Digital Media Sample

		Firm size			Total
		Individual	Large	SME	
BM	Matchmakers	0	1	1	2
	Multi-sided/Triadic	0	3	2	5
	Product	3	18	25	46

	Solution	0	3	4	7
Total		3	25	32	60

A larger sample size might provide insights into the relationship between firm size and business models. For instance, economies of scale may limit the ability for individuals and SMEs to engage in multi-sided and matchmaking models.

Experimentation

While the overarching business models of the CI are relatively stable, components of these models are changing. According to some definitions of business models, differences in each of these components count as separate models (see Massa et al, 2016 for a discussion). The research suggests two areas in particular are changing. In monetisation and value capture, firms are experiment with pricing mechanisms[28], defined here as the structure of payment in exchange for goods and services. In consumer engagement and delivery, firms are shaping their value propositions, defined as the value of the good or service offered to consumers, by taking advantage of the new production and distribution methods. Yet even approaching these changes, the business models in the sample remain largely stable.

However, as noted in Searle[CR] (2011), business models in the CI, as with the CI in general, suffer from high levels of firm death. While these earlier findings suggest high rates of change, in practice, and through the view of the Baden-Fuller model, the business models themselves have remained stable. Instead, innovation and change is observed at the more micro-level. The process of experimentation is an expression of Saebi et al’s (2016) strategic orientation as a driver of business model adaptation. The low transaction costs of the digital era allow firms to ‘try on’ pricing mechanisms and value propositions for size.

Pricing mechanisms

As transaction costs overall decline, and the marginal cost of copying digital content approaches zero, the digital era has enabled more experimentation with pricing mechanisms. In pricing, firms experiment with pay-as-you-go, freemium, and others. The flexibility of digital also means that firms can adjust prices and pricing mechanisms, such as subscription versus download, to match demand more adeptly. This is a reduction of menu costs (a type of switching cost associated with the cost a firms incurs to change their prices) and enables the digital media industries to experiment more freely.

The meta-analysis reveals repeated mentions of freemium, where there is a free basic product but the premium product must be paid for. In freemium, the free content functions as a sample or loss leader to build up a client base to, in particular to the digital media industries, take advantage of the network effects of the consumption of creative media goods and services. However, as Kumar (2014) notes, this is a popular model in start-ups (he cites Linkedin, Dropbox and Hulu as successful examples), but requires that firms successfully judge what content should be free in order to build a user base, and then must communicate the value of premium content to achieve a sufficiently high conversion ratio (the ratio of paid users to free users.) He notes that

[28] Some authors use similar terms such as, “pricing strategy,” “revenue streams,” or “revenue model.” As with the term *business models*, definitions and delineations of these terms remains challenging

this pricing mechanism requires significant investments in marketing and innovation, and that the maintenance of free content can become financially unfeasible.

In the CREATe portfolio, freemium is cited by firms in the computer games development industry (Searle, 2011, 2016[CR]; Townley and Searle[CR], forthcoming; Grewar[CR] et al, 2015). A firm in Grewar[CR] et al notes that "free" is good protection for IP as it reduces the benefits of copying. In some cases, freemium is an important part of a multi-sided, triadic model as the free part is ad-supported content, whereas the premium content does not have advertising. Likewise, Whitby[CR] (2015) argues for giving content away for free to encourage purchases in publishing.

The games industry is the main industry in the research that discusses pricing mechanisms as a means of experimentation. In Grewar[CR] et al, the firm Blazing Griffin uses the "pay how you like" (PHYL) pricing mechanism. The managing director of the company explains it as thus,

> "If you pay £12 up-front, you get a game and everything that is in it for, say one year – so that is you paying for everything. Or can subscribe to the game for £24 per year at £2/month – so you are committing to paying a price but it is going to be spread over a period… The idea is that if you [players] have the funds, you can pay us now so that we can make more content. If you don't, pay us over a period of time… So, what we would rather try to do is have a smaller player list that converts higher, to get the same [profitable] figures. Hopefully, by allowing them [players] to choose the way that they pay for the content, we eliminate fewer people…. We are being the guinea pigs for this one and we have no idea if it is going to work." [29]

The long-term success of these pricing mechanism innovations remains to be seen. While freemium has proven very successful for the select few, the critical mass of users required to benefit from network effects may make it an unsustainable pricing mechanism for many. While scholars may debate whether these changes in pricing mechanisms constitute different business models, but the CREATe portfolio does not suggest that these changes are common. Firms have largely stayed with one-off purchases for goods and services.

Value proposition

Further experimentation is to capitalise on the reduced costs and expanded possibilities of digital distribution. Combining these channels of delivery with new pricing mechanisms has allowed the digital media industries to create new value propositions for customers. In these cases, firms switch from product sales to service. For example, music-streaming services such as Spotify, which operates a solutions model by giving customers a customisable library, allow customers to stream (channel) subscription-based (pricing) content, so that they have access to a portable, continually updated, very large music library (value proposition.) Spotify's paid-for subscription based value proposition sits alongside free, ad-supported content, to form a freemium pricing mechanism. The more classic value proposition for music sales was not a subscription service, but purchases of content. The advent of streaming creates new value

[29] An inspection of their website as of December 2016 suggests Blazing Griffin now has pricing mechanisms for different goods: freemium and one-off purchases.

propositions for customers, but has changed the relationship with creators, as evidenced by high-profile disputes between musicians and Spotify.

Yet digital has changed the value proposition across the media industries in more subtle ways. In film and television (Townley and Searle[CR], forthcoming; Grewar[CR] et al 2015; Doyle[CR] 2016), firms express shifts in value propositions as new windows, such as VOD or SVOD allow consumer instant access. Windowing, which is a combination of content, platform and chronology strategies, allows firms to price discriminate. New windows and value propositions are changing windowing as a strategy. Doyle's[CR] interviewees note that SVOD have developed a strategy where bringing new content to market online first (the first window) serves to market the SVOD service. Here content is marketing, rather than the traditional focus of marketing the content. These developments suggest that there may be more competition within existing strategies, as new value propositions translate to increased market share.

Again, moving away from the Baden-Fuller framework, the question remains whether a new value proposition constitutes a different business model. For example Spotify has combined value proposition changes with channel and pricing mechanism changes to create a solutions model. Thus new value propositions can tip these business models into new business model territory, in particular in the consumer focus of the Baden-Fuller framework, but the literature yet to reach a consensus that defines where one business model begins and another ends at such a detailed level. Thus, the conclusion that the CREATe portfolio demonstrates a lack of business model change remains.

Evidence of change?
Alternately, adopting a different framework would identify some change. The challenge is that, as Massa et al (2016) note, "there could be different possible representations of the same thing." This is true for both scholars and practitioners, and for both visual and verbal constructs of business models. For example, adopting Gassman, Frakenberger and Osisk (2014), would find evidence of some change, as their four dimension include what (pricing mechanism) and value (value propositions.) Under this schema, parts of the CI are changing what and value – but crucially the majority of the CREATe models do not. The exceptions are the games companies and retailers discussed earlier. Thus, even adopting a different framework, which would find change, the impact is minimal. The findings of the study are robust to different frameworks.

Business models and IP
Beyond the evidence that the industry has lobbied, it is difficult to establish clear links between business models as responding directly to IP. Kaye[CR] (2015) argues that, "copyright is inherently format and platform neutral," and a "facilitator of the value chain." This suggests that IP is only one piece of a wider business puzzle. Mollet[CR] (2015) agrees and adds that, "digital technology is so superlatively beneficial to copyright." If copyright is agnostic, the interaction between business models, purported to provide means to adapt to new technologies, and IP may be less relevant. Certainly the CREATe research findings do not suggest that business models are the solution to copyright challenges in the digital era, nor is copyright a key driver of business model innovation.

The evidence for IP infringement as an impetus for business model change is scant. Both Doyle[CR] (2016) and Searle[CR] (2016) argue that IP and copying concerns do not lead to changes in business models. In fashion, McRobbie[CR] et al (2016) note that independent designers "shrug off" the copying of their work, as it is merely one of the "pitfalls" of the industry. Interviewees report, "a relatively low importance of IP and copyright in the light of wider issues to keep going, make a living, and participate in a lively, creative, and socially meaningful practice." Yet, in accordance with (Sproles 1981), interviewees note the planned obsolescence associated with fashion cycles; in which copying only reflects a particular cycle has peaked. At the same time, creators in their study express anxiety about IP issues, which contributes to an overall sense of precarity in fashion entrepreneurship. Again, IP is not the dominant influence in business models.

Doyle's[CR] (2016) work suggests that challenges in copyright, notably copyright infringement (piracy) of digital formats, have lead to shortened, or even removed entirely, the delays between windows in television releases. In this case, copyright infringement has influenced the distribution strategy and pricing mechanisms of business models in television, but she finds that the fees paid to producers and profitability dominate windowing strategies. Again, IP is framed as a secondary influence on business models and strategy.

The sample also suggests that creators rely on alternative, non-business model, strategies to protect against any negative impact of copyright infringement. Towse[CR] (2016) notes the historical strategy of simply reducing prices in order to compete with copying. Doyle[CR] (2016) observes that live events are now relatively more important as they are "[digital video recorder] DVR-proof." However, Townley[CR] (2016) notes that the free-to-play multi-sided business model of games has been an effective strategy, which combines both business model and pricing strategy, to restrict copying as it removes financial incentives to copy. The evidence collectively suggests business models are not changing as a result of challenges to copyright.

Considerations, and even definitions, of IP vary across the research as part of the intellectual capital of firms (as established in research by Greenhalgh and Rogers, 2007). Interviewees in Doyle[CR] (2016) and Townley and Searle[CR] (forthcoming) frame IP as a key asset and often use it synonymously with content. However, as Townley and Searle[CR] (forthcoming) crucially note, IP only has value when creators are able to *monetise* it. Alternately, Kaye[CR] (2015) frames copyright as, "the facilitator of the value chain," and both Balushi[CR] (2015) and Bakhshi[CR] (2015) note the value of the public domain as enabling content creation.

In contrast the Hargreaves premise, these perspectives do not purport copyright as defining the business model. IP instead serves as a facilitating mechanism, a purely IP-based business model does not exist. However, collecting societies (Towse and Handke, 2007) approach the role of an IP-based business model, as, in their role as licensing intermediaries, the only means of value is via licensing the rights to creative content. While the CREATe research, which focuses on creators, retailers and distributors, demonstrates these agents do not readily identify IP as a fundamental force in shaping business models, that may not be true for related actors such as collecting societies.

9. Conclusion and Recommendations

This study finds a surprising level of stability of business models in the CI. The product model reigns supreme. Instead of adapting business models, industry has a proven record of lobbying. Despite the technological revolution of the digital era, the business models of digital media maintain the core characteristics of their pre-digital ancestors. While the overarching picture is one of business model stability, firms are experimenting with elements of their business models – notably pricing mechanisms and value propositions.

Findings

The research findings support the conclusions of Blan and Huault (2014) and Moyon and Lecoq (2010) regarding the relative lack of change in business models in the CI. The evidence finds against the policy premise of the 2011 Hargreaves Review that copyright and business models were intrinsically linked and business models were fast changing.

IP is not perceived by industry as an exogenous influence on business models. Therein lies a tension in policy. Hargreaves purported a link between copyright and business models, industry response to Hargreaves also accepted a link, and the implementation of the Hargreaves review was in part thwarted by industry action; yet there is no evidence that IP is an external influence on business models. This suggests two possible explanations; one, the Hargreaves stated question was too specific. It is not business models that require a changed copyright regime, but innovation more generally. In fact, the UK government response to the Hargreaves recommendations does not mention business models, but focuses on innovation. Second, lobbying on copyright may be an effective strategy to secure a competitive advantage, pre-empting the need for business model change in the time period studied.

The lack of substantial changes in business models in the CI in since the Hargreaves Review has a number of potential explanations. It may be that, while the CI can change pricing mechanisms and value propositions, they are unable to fundamentally change their business models. It is possible that only large, end-user players such as Spotify have the capacity to enact such change. Yet caution should be taken before ascribing too much weight to the success of such successful ‘unicorns’ [30] as they are, by definition, high-risk. Equally, it could be that business models are a damp squib in the CI in general; innovation may simply happen elsewhere.

Limitations of the study

While the evidence presented here is strong, it may fail to pick up nuances. The Baden-Fuller framework distils business models to their essence by focusing on the relationship with the consumer, but may miss changes in doing so. It is possible instead that business model innovation is to be found elsewhere, such as pricing mechanisms. These concepts are discussed in the paper, but may not be fully captured by the methodology. Furthermore, the use of qualitative meta-analysis, as discussed earlier, leaves room for researcher bias.

The relatively small sample of this paper prevents findings of statistical significance.

[30] “Unicorn” is the general term for a start-up firm with a valuation of more than USD $1 Billion. These firms are often characterised as both high-growth and high-risk.

Additionally, the UK/Scottish geographical concentration of the sample improves its validity, but may limit the ability to generalise findings. The focus is thus on the assumptions behind the Hargreaves review and the development of the business strategies of the CI. My findings suggest that business models may not be the panacea they are purported to be.

A final question is strategy. This paper has framed business models and lobbying as strategies to deal with challenges to copyright in the digital era. However, there may be other strategies that are more effective but not captured here, e.g. focusing on economies of scale or first mover advantages. Additionally, there is a question as to how much the business models of the CI *can* change in the period studied. While digital allows flexibility and nimbleness, inertia and structural rigidities may mean that the observation of business model change requires a longer period of study.

IP policy and recommendations

The copyright policy implications of this research suggest business models are not an ideal focus for policy. This in supported by Arend's (2013) argument that business models innovation focuses on "unfamiliar territories" and the pace of innovation makes it difficult for policymakers to stay apace. The CREATe research confirms the lack of a consistent definition of business models and suggests business models are surprisingly stable. The research findings do not point to a coherent set of business model 'solutions' for changing markets in the CI. This also suggests that the business model is best relegated to the market, rather than policy. However, the business models discussed in the CREATe research provide insight into wider market changes and the behaviour of firms. Not addressed in the research, but worth exploring, is the potential of business models to serve as a tool in business support. The research also raises a separate question as to the role of copyright policy in supporting current bargaining power and the rights of creators.

Further research

Despite the general scepticism of scholars of business models as an effective business strategy, the enduring popularity of 'business models' leaves unanswered questions and areas for future research. As the CREATe research suggests, the key to business models may not lie in their application, but in their ability to provide focus to, and communication of, business aspirations. The persistent popularity of business models in innovation and business support for the CI suggests that business models may serve as an important pedagogical and visual tool; one that academic research may underestimate. Additionally, there is very little large-scale or quantitative research on business models, which could potentially shed light on the wider population of the CI. This paper demonstrates the value of adopting larger scale approaches through meta-analyses, and even larger scale approaches may prove more valuable. Finally, as reviewers of this paper noted, there is unexplored overlap between the business models literature, which is largely in business studies and management, and that of industrial organisation, which falls under economics. The interaction between these two approaches may yield further insights.

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11. Appendices

A. Hargreaves Review Terms of Reference

"The Review will develop proposals on how the UK's intellectual property framework can further promote entrepreneurialism, economic growth and social and commercial innovation. It will examine the available evidence as to how far the IP framework currently promotes these objectives, drawing on US and European as well as UK experience, and focusing in particular on:

- Identification of barriers to growth in the IP system, and how to overcome them;
- How the IP framework could better enable new business models appropriate to the digital age.

Among the subjects to which the Review is expected to bring this perspective are:

- IP and barriers to new internet-based business models, including information access, costs of obtaining permissions from existing rights-holders, and investigating what are the benefits of "fair use" exceptions to copyright and how these might be achieved in the UK;
- The cost and complexity of enforcing IP rights within the UK and internationally;
- The interaction of the IP and Competition frameworks;
- The cost and complexity to SMEs of accessing IP services to help them to protect and exploit IP.

The Review will make recommendations on:

- How the IP system nationally and internationally can best work to promote innovation and growth in the 21st century with a view to setting the agenda for the long term;
- What short and medium term measures can be taken now within the international framework to give the UK a competitive advantage.

The Review will report to the Secretary of State for Business, Innovation and Skills and to the Chancellor of the Exchequer, in April 2011.

B: Analysis of Hargreaves submissions industry arguments

Arguments that copyright *should* change to enable business model change

These arguments are in line with the impetus behind the Hargreaves Review, and suggest that the existing copyright system does not encourage new business models. Informally, the Hargreaves exam question was referred to as the "Google Question."[31,32] The submission from Google, which benefits from a more flexible IP system, lays out this argument clearly:

> "The current copyright laws are, in the view of one VC [venture capital firm], set up to protect the rights and the revenues of the 'middle men', when this business model is out of date in an era in which the content creator and the audience can interact without them." (Google and the Coalition for Digital Economy (Coadec) submission to Hargreaves

Arguments that *existing* copyright IP *can enable* business model change

A second nexus purports that the existing copyright regime can enable business model change. The following excerpts from Hargreaves submissions demonstrate this:

> "The UK system of specific exceptions and strong exclusive rights provides the necessary conditions, certainty and flexibility to foster new online business models." (Music Publishers Association, MPA)

> "…business models are constantly being re-invented. This is all happening under the existing EU and UK copyright framework; there seems to be no reason to 're-invent the wheel' or to pursue proposals that would require fundamentally re-opening existing Directives and to any general review, which would be inevitably difficult and destabilise the market unnecessarily" (Intellect, the UK technology industry trade body, now TechUK)

Arguments that copyright should be better *enforced* to protect business models

These arguments lobby for increased enforcement of existing copyright in order to protect both existing and new business models. This nexus does not necessarily argue that new business models are needed, but does not to explicitly call for the support of existing business models per se.

> "Reducing the level of unlicensed file-sharing is not a matter of protecting the existing business models of an out-dated music industry. Rather, it is a necessary condition for the development of a sustainable digital marketplace for the benefit of entrepreneurs working in both the music industry and the digital sector." (ABRSM Publishing, a music education publisher)

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[31] Referred to as such in the media including Cellan-Jones, Rory (2011) "Copyright: The Google question" BBC dot.Rory blog, April 8, 2011 available at: http://www.bbc.co.uk/blogs/thereporters/rorycellanjones/2011/04/copyright_the_google_question.html

[32] The underlying question examining if a UK equivalent to Google had not developed due to UK copyright policy restricting the development of business models. It is worth noting that Google is now the top client of IP lobbying services in the U.S., according to Open Secrets's ranking of Annual Number of Clients Lobbying on Copyright, Patent and Trademarks. Accessed February 20, 2017 at https://www.opensecrets.org/lobby/issuesum.php?id=CPT

> "Negotiating this barrier to growth requires not that copyright be weakened, but rather better enforced. It is not new business models, which are needed, but rather the ability to neutralise the forces, which threaten them." (The Publishers Association)

Assertions that business models are *fast changing*
This argument does not link copyright and business models necessarily, but is a general assertion that business models are changing.

> "Business models are evolving at speed" (Pearson, an education publisher)

> "The digital market place is going through an extremely vibrant phase of experimentation with new consumer propositions and business models" (Nokia, communications and information technology company)

> "British music companies are now leading the content sector in developing radical new business models for the digital age..." (the British Phonographic Association, BPI)

Other comments
Other arguments lobbied against the introduction of copyright levies as negatively impact profitability, a need to focus on business strategy rather than copyright and awareness of business models:

> "…new products and business models can be a challenge for established methods of working, however copyright is not a barrier to the conclusion of such agreements. The lack of information about new business models and the need to re-examine expectations of a fair price for use can take time, however it must be done properly to safeguard the interests of all parties and in order to establish best practice." (Equity, arts and entertainment artists union)

C. Coding details

The author, Nicola Searle, performed coding. As described in Section 7, the CREATe research portfolio of studies, consisting of reports, published papers and interview notes, was systematically reviewed for firms in the CI. Each identified firm was identified as an individual case and coded for the following variables (descriptive, non-hierarchical coding):

	Definition	Source	Methodology	Values
Researcher	Author of study	By line		[see Table 1]
Firm name	Name of firm	Identifying text in studies		[Unique values]
Sector	Sector in the CI of firm	Descriptive text in studies		Dance/Theatre Fashion/Design Film/Television Games Music Publishing
Digital Media dummy	Sector dummy for firms in digital media	Sector, additional descriptive text in studies	Initial assumption: 1 = if Film/Television, Games, Music or Publishing 0 = if Dance/Theatre or Fashion/Design; Adjusted if descriptive text indicated dominance of digital (no cases)	1 or 0
Primary business model	Primary business model used by firm	Descriptive text and/or quotes in studies	Analysis of descriptive text: “product” or “service” with no discussion of customisation or multiple customer/user groups indicates product; use of “bespoke,” “custom”, “commissioned,” or “work-for-	Product Solution Multi-sided Matchmaker

			hire" indicates solution; discussions of advertisers is multi-sided; matchmaker was identified explicitly by researcher (only found in Baden-Fuller)	
Second business model	Secondary business model used by firm	Descriptive text and/or quotes in studies	As above, as all cases with two models included a product model, the product model was listed as the primary model	Product Solution Multi-sided Matchmaker
Good/service	Description of good or service provided by firm	Descriptive text and/or quotes in studies		For example (incomplete list): Books and apps, Dance productions and choreography, Games, Music journalism content, Textile designs
Role	Identification of firm's role in the value chain	Descriptive text and/or quotes in studies		For example: (incomplete list): Author Fashion retail platform Game developer Publishing house Textile designer
Creator dummy	Dummy for firms focusing on creation of CI	Descriptive text and/or quotes in studies	Based on Role. For example 1 = if author, game developer,	1 or 0

	works/content		designers, musicians 0 = if platform, broadcaster, distributor, publisher	
Firm Size	Categorisation of the firm's size	Descriptive text and/or quotes in studies; supplemented where missing by internet search (reliance primarily on employee numbers)	Individual if only one person, Micro if less than 9 employees, SME if more than 9 employees but less than 250, Large if more than 250 employees (at the unit level)	Individual Micro SME Large
Country	Primary geographical location of firm	Descriptive text and/or quotes in studies; supplemented where missing by internet search	Determined by unit included in the research (e.g. a Scottish subsidiary of a multi-national firm would be coded as Scottish)	International Germany Italy London Scotland UK US
UK dummy	Dummy if firm located in UK	Country	1 = London, Scotland, UK 0 = if other wise	1, 0
Description of study	Description of discipline and type of study	Descriptive content in study		[See Table 1]

Example: Reloaded Productions (p. 14 of "Tales from the Drawing Board")
A computer games development studio based in Edinburgh. Study describes them as operating a free-to-play (in-game purchase) massive multiplayer online game. An internet search indicates they are a small subsidiary of a large American organisations with "22 high-quality jobs."[33]
Researcher: Grewar, Townley and Young
Sector: Games
Digital media: 1
Primary business model: Product
Second business model: N/A
Product: Games

[33] The Scotsman (March 21, 2011) "Games jobs Reloaded in Scotland," available at http://www.scotsman.com/business/games-jobs-reloaded-in-scotland-1-1544885

Role: Games developers
Creator: 1
Firm size: SME
Country: Scotland
UK Dummy: 1
Description of study: 28 case studies based on 120 semi-structure interviews

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