

Ortigueira-Sánchez, Luis Camilo; Lamorú, Idalia Romero; Asin, Johannes Abreu

Article

Reconfiguration of the Cuban music industry in the digital era

The International Journal of Management Science and Information Technology (IJMSIT)

Provided in Cooperation with:

North American Institute of Science and Information Technology (NAISIT), Toronto

Suggested Citation: Ortigueira-Sánchez, Luis Camilo; Lamorú, Idalia Romero; Asin, Johannes Abreu (2016) : Reconfiguration of the Cuban music industry in the digital era, The International Journal of Management Science and Information Technology (IJMSIT), ISSN 1923-0273, NAISIT Publishers, Toronto, Iss. 21, pp. 15-28

This Version is available at:

<https://hdl.handle.net/10419/178827>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

**An official publication of The North American
Institute of Science and Information Technology**

ISSN:1923-0265

INTERNATIONAL JOURNAL OF

Management Science and Information Technology



NAISIT
PUBLISHERS ■■■

www.naisit.org

The International Journal of Management Science and Information Technology (IJMSIT)

NAISIT Publishers

Editor in Chief

J. J. Ferreira, University of Beira Interior, Portugal, Email: jjmf@ubi.pt

Associate Editors

Editor-in-Chief: João J. M. Ferreira, University of Beira interior, Portugal

Main Editors:

Fernando A. F. Ferreira, University Institute of Lisbon, Portugal and University of Memphis, USA

José M. Merigó Lindahl, University of Barcelona, Spain

Vanessa Ratten, La Trobe University, Melbourne, Australia

Assistant Editors:

Cristina Fernandes, Polythecnic Institute of Castelo Branco, Portugal

Jess Co, University of Southern Queensland, Australia

Marjan S. Jalali, University Institute of Lisbon, Portugal

Editorial Advisory Board:

Adebimpe Lincoln, Cardiff School of Management, UK

Aharon Tziner, Netanya Academic College, Israel

Alan D. Smith, Robert Morris University, Pennsylvania, USA

Ana Maria G. Lafuente, University of Barcelona, Spain

Anastasia Mariussen, Oslo School of Management, Norway

Christian Serarols i Tarrés, Universitat Autònoma de Barcelona, Spain

Cindy Millman, Business School -Birmingham City university, UK

Cristina R. Popescu Gh, University of Bucharest, Romania

Dessy Irawati, Newcastle University Business School, UK

Domingo Ribeiro, University of Valencia, Spain

Elias G. Carayannis, Schools of Business, USA

Emanuel Oliveira, Michigan Technological University, USA

Francisco Liñán, University of Seville, Spain

Harry Matlay, Birmingham City University, UK

Helen Lawton Smith, Birkbeck, University of London, UK

Irina Purcarea, Adjunct Faculty, ESC Rennes School of Business, France

Jason Choi, The Hong Kong Polytechnic University, HK

João Ricardo Faria, University of Texas at El Paso, USA

Jose Vila, University of Valencia, Spain

Kiril Todorov, University of National and World Economy, Bulgaria

Louis Jacques Fillion, HEC Montréal, Canada

Luca Landoli, University of Naples Federico II, Italy

Luiz Ojima Sakuda, Researcher at Universidade de São Paulo, Brazil

Mário L. Raposo, University of Beira Interior, Portugal

Marta Peris-Ortiz, Universitat Politècnica de València, Spain

Michele Akoorie, The University of Waikato, New Zealand

Pierre-André Julien, Université du Québec à Trois-Rivières, Canada

Radwan Karabsheh, The Hashemite University, Jordan

Ricardo Chiva, Universitat Jaume I, Spain

Richard Mhlanga, National University of Science and Technology, Zimbabwe

Rodrigo Bandeira-de-Mello, Fundação Getulio Vargas – Brazil
Roel Rutten, Tilberg University - The Netherlands
Rosa Cruz, Instituto Superior de Ciências Económicas e Empresariais, Cabo Verde
Roy Thurik, Erasmus University Rotterdam, The Netherlands
Sudhir K. Jain, Indian Institute of Technology Delhi, India
Susana G. Azevedo, University of Beira Interior, Portugal
Svend Hollensen, Copenhagen Business University, Denmark
Walter Frisch, University of Vienna, Austria
Zinta S. Byrne, Colorado State University, USA

Editorial Review Board

Adem Ögüt, Selçuk University Turkey, Turkey
Alexander B. Sideridis, Agricultural University of Athens, Greece
Alexei Sharpanskykh, VU University Amsterdam, The Netherlands
Ali Kara, Pennsylvania State University -York, York, USA
Angilberto Freitas, University of Grande Rio, Brazil
Arminda do Paço, University of Beira Interior, Portugal
Arto Ojala, University of Jyväskylä, Finland
Carla Marques, University of Trás-os-Montes e Alto Douro, Portugal
Carla Pereira, University of Beira Interior, Portugal
Cem Tanova, Çukurova University, Turkey
Cristiano Tolfo, Universidade Federal de Santa Catarina, Brazil
Cristina S. Estevão, Polytechnic Institute of Castelo Branco, Portugal
Dario Miocevic, University of Split, Croatia
Davood Askarany, The University of Auckland Business School, New Zealand
Debra Revere, University of Washington, USA
Denise Kolesar Gormley, University of Cincinnati, Ohio, USA
Dickson K.W. Chiu, Hong Kong University of Science and Technology, Hong Kong
Domènec Melé, University of Navarra, Spain
Dina Miragaia, University of Beira Interior, Portugal
Emerson Mainardes, FUCEPE Business School, Brazil
Eric E. Otenyo, Northern Arizona University, USA
George W. Watson, Southern Illinois University, USA
Gilnei Luiz de Moura, Universidade Federal de Santa Maria, Brazil
Jian An Zhong, Department of Psychology, Zhejiang University, China
Joana Carneiro Pinto, Faculty of Human Sciences, Portuguese Catholic University, Lisbon, Portugal
Joaquín Alegre, University of Valencia, Spain
Joel Thierry Rakotobe, Anisfield School of Business, New Jersey, USA
Jonathan Matusitz, University of Central Florida, Sanford, FL, USA
Kailash B. L. Srivastava, Indian Institute of Technology Kharagpur, India
Karin Sanders, University of Twente, The Netherlands
Klaus G. Troitzsch, University of Koblenz-Landau, Germany
Kuiran Shi, Nanjing University of Technology, Nanjing, China
Liliana da Costa Faria, ISLA, Portugal
Luiz Fernando Capretz, University of Western Ontario, Canada
Lynn Godkin, College of Business, USA

Maggie Chunhui Liu, University of Winnipeg, Canada
Marcel Ausloos, University of Liège, Belgium
Marge Benham-Hutchins, Texas Woman's University, Denton, Texas, USA
María Nieves Pérez-Aróstegui, University of Granada, Spain
Maria Rosita Cagnina, University of Udine, Italy
Mayumi Tabata, National Dong Hwa University, Taiwan
Micaela Pinho, Portucalense University and Lusíada University, Portugal
Paolo Renna, University of Basilicata, Italy
Paula Odete Fernandes, Polytechnic Institute of Bragança, Portugal
Paulo Rupino Cunha, University of Coimbra, Portugal
Peter Loos, Saarland University, Germany
Pilar Piñero García, F. de Economía e Administración de Empresas de Vigo, Spain
Popescu N. Gheorghe, Bucharest University of Economic Studies, Bucharest, Romania
Popescu Veronica Adriana, The Commercial Academy of Satu-Mare and The Bucharest University of Economic
Studies, Bucharest, Romania
Ramanjeet Singh, Institute of Management and Technology, India
Ricardo Morais, Catholic University of Portugal
Ruben Fernández Ortiz, University of Rioja, Spain
Ruppa K. Thulasiram, University of Manitoba, Canada
Soo Kim, Montclair State University, Montclair, NJ, USA
Wen-Bin Chiou, National Sun Yat-Sem University, Taiwan
Willaim Lawless, Paine College, Augusta, GA, USA
Winston T.H. Koh, Singapore Management University, Singapore

The International Journal of Management Science and Information Technology (IJMSIT)

NAISIT Publishers

Issue 21 (Jul-Sep 2016)

Table of Contents

1	MAIN DETERMINANTS OF NEW SERVICES DEVELOPMENT IN ICT FIRMS: A THEORETICAL APPROACH EMERSON MAINARDES, FUCAPE Business School , Brazil CARLOS MATTOS, FUCAPE Business School , Brazil HELENA ALVES , University of Beira Interior, Portugal
15	RECONFIGURATION OF THE CUBAN MUSIC INDUSTRY IN THE DIGITAL ERA LUIS CAMILO ORTIGUEIRA-SáNCHEZ, University of the Pacific, Peru IDALIA ROMERO LAMORú, University of Havana , Cuba JOHANNES ABREU ASIN, Record label and Publishing Producciones Colibrí , Cuba
29	BIBLIOMETRIC STUDY OF THE SCIENTIFIC PRODUCTION ON INFORMATION TECHNOLOGY GOVERNANCE GUSTAVO RODRIGUES CUNHA, Faculdade Novos Horizontes, Brazil RODRIGO FRANKLIN FROGERI, Faculdade Novos Horizontes, Brazil
46	ECONOMIC-FINANCIAL DIAGNOSIS AND PREDICTION OF SMES: AN APPLICATION TO THE CONSTRUCTION SECTOR VALERIA SCHERGER, Universidad Nacional Country del Sur, Argentina ANTONIO TERCEÑO, Universitat Rovira i Virgili, Spain HERNÁN P. VIGIE, Universidad Nacional Country del Sur, Argentina

This is one paper of
The International Journal of Management Science and
Information Technology (IJMSIT)
Issue 21 (Jul-Sep 2016)

RECONFIGURATION OF THE CUBAN MUSIC INDUSTRY IN THE DIGITAL ERA

Luis Camilo Ortigueira-Sánchez
Department of Administration
University of the Pacific (Peru)
lc.ortigueiras@up.edu.pe

Idalia Romero Lamorú
Faculty of Economy
University of Havana (Cuba)
idalia@fec.uh.cu

Johannes Abreu Asin
Vicepresident
Record label and Publishing Producciones Colibrí (Cuba)

Abstract:

This paper discusses the impact of new information technologies, especially Internet, in the structure of the music industry and offers an assessment of the main influences that are reconfiguring the operation of music creation and production. The analysis covers the content and the reconfiguration of the bases of competition and new business models as part of the strategic responses of established players in the sector. Expansion opportunities and the creative potential of Cuban music were studied, highlighting the strategic choices and new challenges facing the onslaught of the digital age.

Keywords: Music Industry, Internet, New Information and Communication Technologies, Reconfiguration, Competence, Strategy.

1. Introduction

The production of artistic goods and services is clearly a growth sector of industry, accounting for an increasing proportion of GDP at the global level. From 2009 the commercial statistics for the development of international businesses (www.trademap.org) have shown that the contribution of cultural goods and services in the GDP of a significant group of nations has ranged between 2% and 7%. The United States, Brazil, Sweden, Spain and Japan are among the countries with higher income and output in these sectors.

One of the sectors making a major contribution to this evolution is the music industry. According to the International Federation of the Phonographic Industry “the commercial value of the discographic industry on the world scale recorded a slight increase of 0.3% in 2012, which constitutes the best result since 1998, and indicates that the improved market conditions observed in 2011 were maintained” (IFPI, 2013). Those same sources reveal that the increase in the licences granted by the discographic industry and the innovations that have appeared (systems of suggestions or music recommendations systems, improvement in mobile applications, and interconnection with social networks) are aspects that have had an impact on customer appreciation and satisfaction with the services of legal downloading of contents; on the world scale in 2012 revenue from digital sales reached 5.6 billion dollars. This is due to the impact of radical technological innovation on the business models, described by Bourreau, Gensollen and Moreau (2012).

The transformations of the music industry have been accentuated in recent years, with the popularization of the Internet and the possibility for consumers to exchange music files via the Internet. As Calvi (2006) states, the music industry, together with other sectors, takes advantage of the reduced costs associated with storage, distribution and marketing, so as to establish new digital music markets in this way. Several different business models have come into contention. Burkart (2008) evaluated the changes in the mode of consumption towards digital formats and argued that the subscription model was not viable, but despite this, the data given in the IFPI report (2013) would lead to the rejection of such a conclusion, since that report indicates that the subscription services account for more than 10% of total revenues from sales of digital music. Moreover, although Parry et al. (2012) stated that, to date, the sales channels of payment by unit have been more successful than the subscription services, these latter have come to be the predominant model in some countries such as Sweden, South Korea and France (IFPI, 2013). This would confirm the findings of Parry et al. (2012) who identified a group of consumers (less than the half of their sample) with the propensity to utilize subscription services.

According to Fouce (2010) the task of the researchers is, without doubt, to continue analysing and observing the reconfiguration of these mediations showing the modes by which our contemporary culture is organized. It is for this reason that, in the present work, we consider the impact of the new information technologies on the structure of the music industry, and make an assessment of the principal influences that are reshaping how music is created and produced in Cuba.

2. Theoretical framework

Change in the configuration of an industry is induced by the driving forces that are capable of generating discontinuities and require the ceaseless search for responses that would allow the industry to take advantage of opportunities and to maintain unique defensible positions. The vision of the forces in contention and of the factors of the general environment is a static image of the existing situation of the industry in which the competitive contest for positions and the fight for financial margin or profit take place within a defined combination of already existing products. The dynamism is reflected in the changes of the forms of consumption and marketing of products and services.

Industries are in a continuous process of renewal in adaptation to movement in the market. The most proactive and anticipatory approach is to generate the architecture and structures that enable the actor to be a pioneer. Emphasizing the most innovative trends in the product-market combinations is a requirement in the redesign of competitive strategies for the leading positions within the sector.

Without doubt the Internet, as a dynamic medium for the exchange of information and content, has had a major impact in the creative industries, and specifically, in the music industry; the Internet has become the driving force of the changes and reconfiguration of the music industry. It has promoted new forms of both consuming and marketing music.

In this context two important factors re-occur in the literature referring to the music industry: one is the search for new business models (Bhatia et al., 2003; Bourreau et al., 2008; Baym and Burnett, 2009; Oliver, 2010; Bourreau, 2012; Parry et al., 2012) and the other is the impact of piracy on the industry (Casadesus-Masanell and Hervas-Drane, 2010; Bonner and O'Higgins, 2010; Bacache et al., 2012; Bustinza et al., 2013).

The opportunities that are generated by the proprietors of works on the Internet and the development of the audiovisual content have had a determining influence on the conditions by which an author's rights can be protected, exercised, observed and managed. Roberts (2010) has described how these opportunities have arisen in sectors such as television, video games and film by exploring various facets of the award of licences of author's rights for commercial composers of music.

Independently of the structural changes that the Internet has given rise to in terms of growth, the way the Internet's benefits have been exploited in business terms has preserved almost unaltered its essential nature; the capital on which profits are made is still in the hands of a small group of large discographic

companies (the "Majors") comprising Universal Music Group, Sony Music Entertainment and Warner Music Group; thus a highly concentrated structure has been reproduced, even in the digital era.

The recorded music industry has had to recognize the effect of the Internet on the value chain of the sector (Graham et al., 2004; Hadida and Paris, 2014; Rus, H., Kuilboer, J-P. and Ashrafi, N., 2014; Dellyana, D. and Simatupang, T.M., 2014) and the business model has had to be reformulated towards a more integral model, one of virtual coordination and with a greater online participation. The new business model presupposes the entry into the chain of numerous competitive actors with different characteristics, with value being generated by the competitive advantages of their integrally-coordinated activities. In effect, the recorded music companies should now be seen as service companies (Graham et al., 2004).

The actual reconfiguration of the sector and the increase in the possibilities of the business are generating emerging and integrative strategic processes. These processes constitute objectives for changing the strategies in the face of the new opportunities that are being generated, in such a way that these emerging fields are shaping important decisions in the sector.

Various media (IFPI, RIAA) reflect that the interpenetration of the music business on the Internet has created a new paradigm of access for the consumption of music, and is facilitating, in a personalized way, a greater variety of possibilities for exposure to musical contents, and their acquisition, that casts both artists and consumers in roles of greater importance.

In this new architecture, the relationship between the artist and the consumer means that both of them are much more significant protagonists and occupy an important place in the value chain; providers and artists who are more self-sufficient in producing their artistic output and distributing it on the Internet are now entering the industry (Graham, et al., 2004).

The Internet's major social networks like MySpace, Youtube, and Facebook, among others, greatly expand the routes of promotion and information to the consumer at very low unit costs for the artist or promoting company; these phenomena widen the diversity of musical proposals on the Net and allow sales to be predicted (Dhar and Chang, 2009). The digital world has opened a virtual path in the music sector, marked by cooperation, by means of strategic alliances on the basis of competitive advantages, with these new dynamic and flexible economic forms.

In this way the processes by which new proposals for the creation of music are introduced have been made more agile; the many facets of this art are beginning to converge in one single product, and this has interwoven these processes together even more. It has enabled the markets to be segmented into many more consumer categories, given the diversity of musical genres and tendencies.

The risks of the recorded music industry are accentuated by the reduction of the product life cycle (Asai, 2008, 2009) which is a causal factor of the increasing private and illegal exchange of music files, the perishable character of fashions given the agility with which new proposals are generated, and the development of the phenomenon of piracy in both the off-line and on-line areas of the business.

In this new scenario propitiated by the Internet, the possibilities for live music and its importance have intensified in the face of the need to consume the real musical moment for its connotation in the satisfaction of consumer needs and with the insecurity of the consumer due to excessive offers of music in other formats. Rondán-Catalonia and Martín-Ruiz (2010) concluded that the satisfaction of the consumer, the perception that prices are fair, readiness to pay, the value of the customer and the quality of the product/service are rated at significantly higher levels in those attending concerts than in those purchasing CDs. Mortimer et al. (2012) examined the impact of the exchange of files on the sales of recorded music and the demand for live music, and suggested that this practice produces a reduction in sales and an increase in the demand for concerts. For their part Dang Nguyen et al. (2012) analyzed the incidence of the consumption of music in streaming; their results indicate that this does not have any effect on the sale of records but affects positively attendance at concerts of live music.

This effect of interdependence between the commercial distribution of music, the entry of new channels for marketing and diffusion by Internet, and the repercussion in an increase in the consumption of live music is leading towards an integrated business model by means of a 360° management focus in which the same company commercializes all the facets of the artist whether by merchandising, publicity, recorded music or concerts (Dewenter et al., 2011; Marshall, 2012).

The possible synergies of the business are increased with the inclusion of recorded music in services like cellular telephony, synchronization in audiovisual material, commercial messages, and video games, among other multimedia applications, and the recovery of the rights of public communication on radio paid for by publicity. The availability of technology and communications media continue to be factors that move the supply of music; these represent new channels and forms of distribution that increase the possibilities of growth in the sector.

Processes of vertical integration in both directions are taking place in the music sector, by way of networks, with new investments and new actors coming in, thus promoting competitive rivalry. As Abreu (2010) states: "The negotiating power of musicians, producers and distributors moves the sector, and the substitution possibilities are contained by the integration of music with other forms of entertainment and the rest of the arts". At the same time the process of vertical integration of the industry is extending it into R&D+I for access to new resources.

3. Challenges to the music industry of Cuba from the impacts of international reconfiguration

The music industry in Cuba is not insulated from the onslaught of the digital era; and, in certain ways, the transformations of the forces of competition and of the strategic alternatives that are viable can be perceived. Use of the new technologies that have reconfigured the sector is still in the early stages of development and is focussed on external trade. Nevertheless, the challenges for the Cuban music industry of competing in the international market suggest that the way the sector is organised and operates needs to be rethought.

It is recognised that the development of the cultural industries, and of music in particular, responds to the need to preserve the rich cultural heritage of the past and to sustain it for the future, so that the identity and values of the culture itself can be reproduced. As suggested by Aoyama (2007), there may be a "geographic paradox in the contemporary cultural industries which, on the one hand, points to the need to preserve their identity and, on the other, the need for regional cultures to establish links with the export markets for their survival". Later Aoyama (2009) demonstrates that cultural tourism contributes to cultural sustainability and survival. This cultural richness, in turn, constitutes one of the key factors in the development of other sectors, as is the case of the tourism sector in Cuba (Ortigueira-Sánchez and Gómez-Selemeneva, 2012). The production of cultural goods and services is developed from within the society, and serves as a point of departure and reaffirmation of the artistic expressions of Cuban society; it represents its identity in which social access to cultural goods and the arts in general are interlinked, forming a kind of vanguard in anticipation of the transformation of Cuban society and identity. This commercialisation in the relationship of the music sector with the tourism market will, in turn, provide the conditions for local musicians to increase their capacity to produce local narratives of music (Su, 2011).

National and international recognition of the importance of the Cuban culture and heritage of its own genres and tendencies create the bases for converting the music sector into a strategic sector for the country. The new international architecture of the sector and the changes being promoted in the country's economic model are presenting the music industry with the following major challenges:

- how to generate its own path for the development of the industry, taking into account the international trends, from a situation where Art, independently of being an economic good, has a social significance;
- how to mobilise the creative potential of performers and creators with solid training, so that their output is converted into economic values for Cuban society;
- how to adapt the organisational forms of management to take advantage of the opportunities and to prosper in the current competitive conditions;

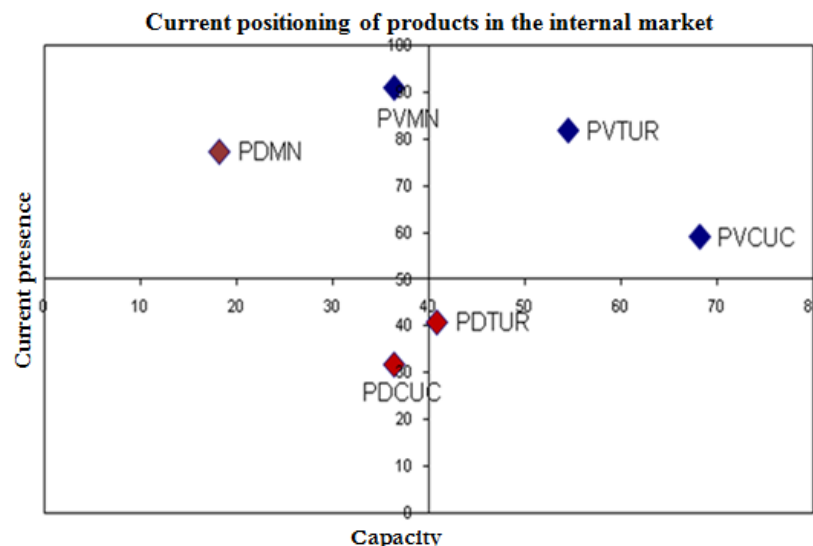
- how to promote the entrepreneurial capacities of the musician-manager, so that synergistic, multiplier and trans-disciplinary results are generated from the know-how of the sector.
- The Cuban music industry is a sector that is expanding in the scope of national consumption and towards the new blocks of south-south integration; it is taking advantage of the interest of distributors from other geographic areas and the effects of the network of relationships for an integrated outlet to both segments of the market.

4. Methodology and results

In this section we move on to analyse the feasibility of the expansion of recorded music and live performances in the domestic and international markets, and the use of the various forms of internationalization. The starting point for this is the panel study conducted of a group of 60 experts from the sector. Among the experts selected were prestigious international artists, representatives of institutions, businessmen and recognised academics associated with the music sector. The number of experts to be selected was determined to be well in excess of the criterion proposed by Okoli and Pawlowski (2004), who established that a range of between 5 and 18 experts is considered valid for such interviews.

In Cuba, a particular characteristic of the industry is its breadth and quality of musical talent and wealth; this therefore makes it attractive for potential expansion in both the domestic and international markets. Presented next in figures 1 to 4 is the result of the generation of a perceptual map, developed from percentage of responses from the sample employed. Represented in figure 1 are estimates of the current presence and the capacity for future development of products in the internal market, both discographic products (PD) and live performances (PV). The terms MN (National Currency) and CUC (Convertible Peso) refer to the two types of currency used in the country; the MN is that which is used locally for the payment of wages and salaries, etc., and the CUC is used as the reference for the exchange rate with respect to other countries' currencies. Both currencies are in circulation and, depending on the type of trade and product, sales transactions take place in one or other currency. This difference in the type of currency used for accessing the particular product or service, whether it refers to recorded music or to live performances, allows markets to be segmented based on the type of customer; and since the CUC is the currency obtained when any foreign currency is exchanged, this is the currency used by visitors to Cuba.

Figure 1: Current presence and future capacity in the internal market.

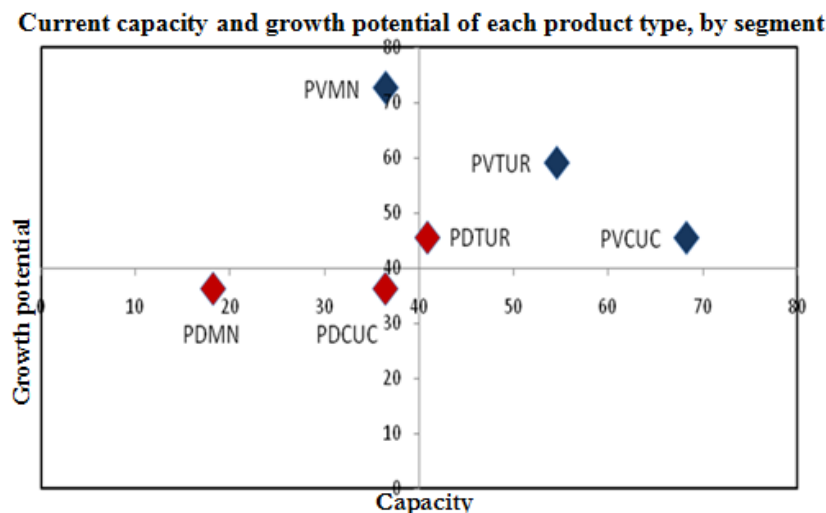


Live performances (PV) in MN/in CUC/in Tourism (TUR)
Discographic productions (PD) in MN/in CUC/ in Tourism (TUR)

The dissimilarity, that is, the difference in the positioning and the distance between PVCUC (live performances in CUC) and PVMN (live performances in MN) is because different segments are considered. The same is the case with PDCUC (discographic products in CUC) and PDMN (discographic products in MN). However, the similarity between PVTUR (live performances in Tourism) and PVCUC is because all the PVTUR products/services are paid for in CUC, although their differences in position are because the users of the product/service are not only foreigners. The dimensions show that currently the music industry in the internal market is orientated towards live performances, more than towards discographic productions; and it is also orientated towards the segment that uses the CUC. Consequently, in this figure 1 it can be observed that the bases of this market rest on the use of the CUC, and it is orientated towards the tourism sector.

Represented in figure 2 are estimates of the potential for growth and the capacity for future development of products in the internal market, both discographic products and live performances. Figure 2 shows that advantage should be taken of live performances, paid for in CUC and in the tourism segment, to realise growth possibilities; it is these product/market areas that are considered to have greater potential for future expansion. Similarly, figures 1 and 2 show a reduced level of production of discs for the domestic market, and development potential is not perceived for this product/market area, given the current circumstances of the business that limit its possibilities of expansion.

Figure 2: Growth potential and capacity in the internal market.

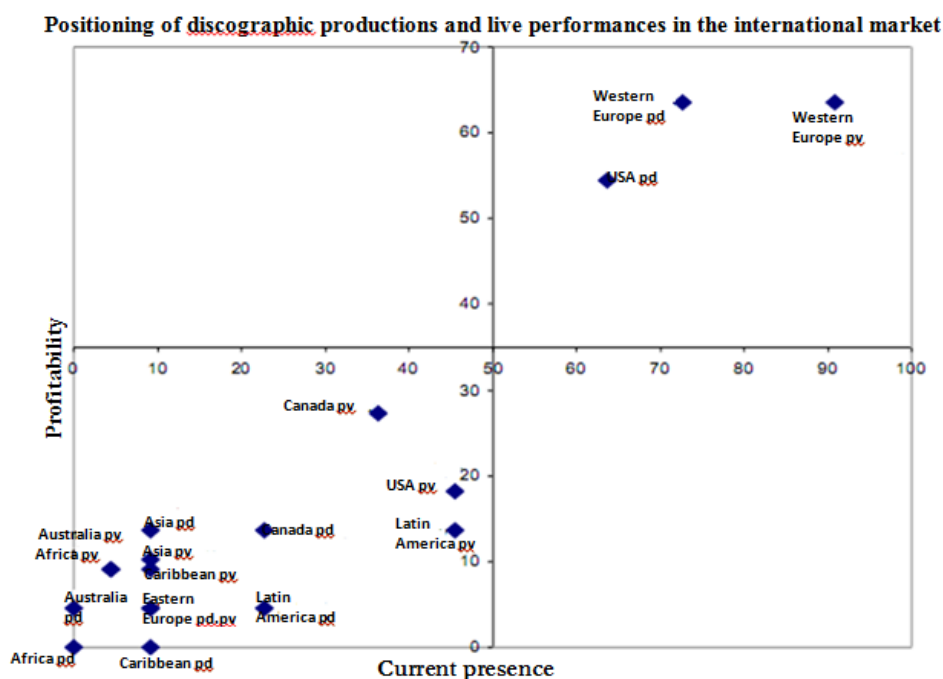


Live performances (PV) in MN/in CUC/in Tourism (TUR)
Discographic productions (PD) in MN/in CUC/ in Tourism (TUR)

The next figure 3 shows the level of profitability and the current presence in the international market. The terms pv and pd refer, respectively, to live performances and discographic productions. Figure 3 indicates Western Europe for both pv and pd, and the USA for pd, as the principal markets where the current development of the industry should be concentrated.

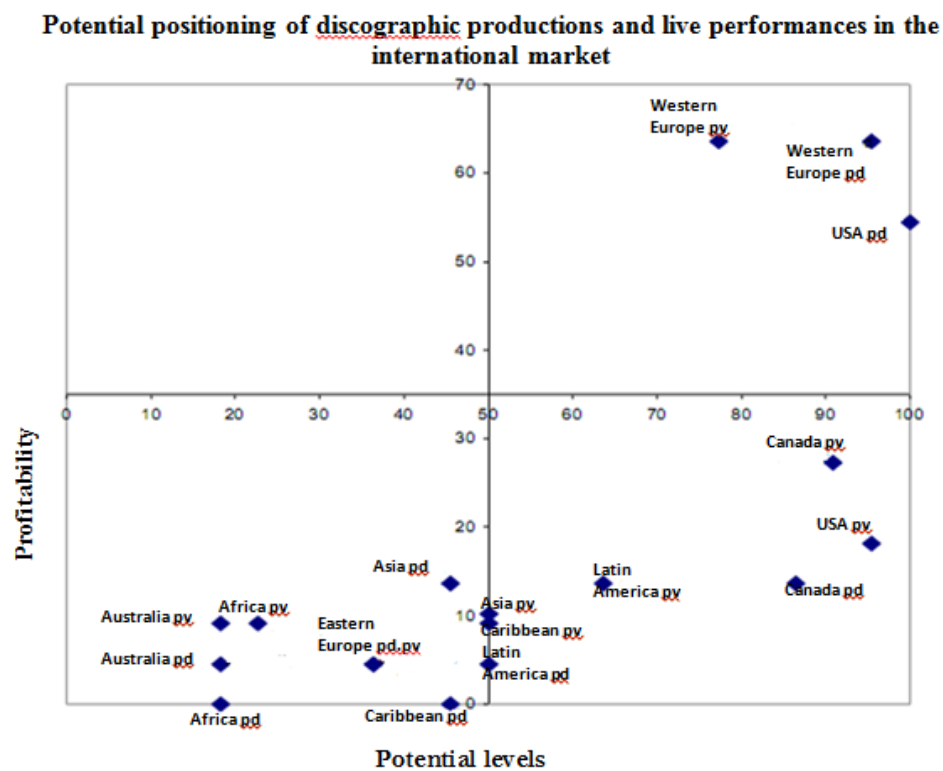
Figure 4 shows the level of profitability and the potential in the international market. Also highlighted in figure three are those markets with potential for growth in the area of live performances, i.e. Canada, Latin America and the USA; there are also possibilities for expansion of the discographic market in Canada.

Figure 3: Profitability and current presence in the international market.



Live performances (PV)
Discographic productions (PD)

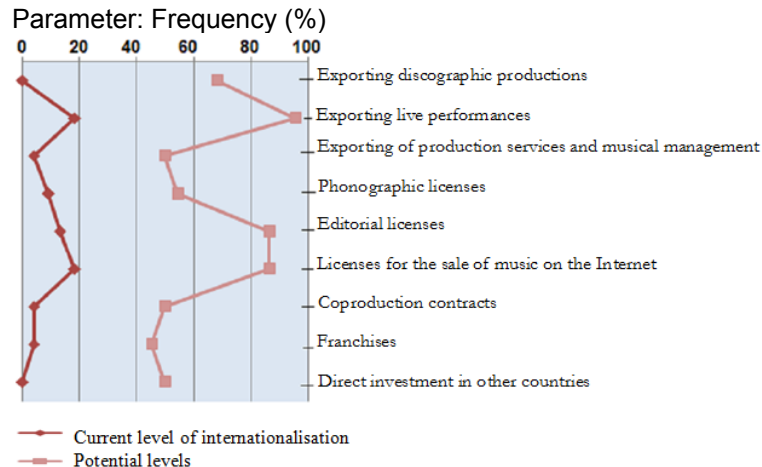
Figure 4: Profitability and growth potential in the international market.



Live performances (PV)
Discographic productions (PD)

Presented in figure 5 are the routes for the international expansion of the music industry of Cuba, both those currently exploited and the future potential that they offer.

Figure 5: Comparative profile of the different forms of international expansion between those currently exploited and those offering future potential.



The lines of business most exploited at present in the international market are the export of live performances and the granting of licences for the sale of music on the Internet. In second place are editorial and phonographic licences; the activities related to contracts of coproduction, export of musical production and management services are in the early stages of achieving presence internationally.

Generally speaking, all the routes employed for the expansion of the music industry at the international level are susceptible of expansion and greater exploitation for their future growth.

The menu of options that, in the opinion of the experts, facilitates the design of strategies (as ways to protect against the risks and to seize these opportunities) is shown in the form of alternatives that are submitted to appraisal against several criteria.

The evaluation of options in a first round identified the following *a priori* strategic paths for the development of the sector:

- Correlation between ownership and management: *Cooperation between musicians and institutions.*
- Cost differentiation: *Economies of scale.*
- Expansion routes: *Specialisation.*
- Intersector expansion: *Vertical integration forwards.*
- International expansion: *Distribution channels in other countries.*

With the objective of strengthening the development of the music industry in relation to its markets, a menu of specific Strategic Options is proposed next as courses of action subordinate to the previous choices; these were also evaluated by the panel of experts in the sector.

1. Correlation between ownership and management: *Cooperation between musician and institution.*
 - a. *Separate the company/business system from the institutional system in the music sector.*
2. Cost differentiation: *Economies of scale.*
 - a. *Put each creator and their work at the centre of the productive processes.*
 - b. *Modify the existing legal frameworks in the sector for the external trade in music.*
3. Expansion routes: *Specialisation*
 - a. *Create a specialisation in the functions of External Trade in music.*
 - b. *Specialisation in services orientated to the musician-manager.*

- c. *Creation of low-price music products aimed at the less-affluent sector of the population.*
4. *Intersector expansion Vertical integration forwards.*
 - a. *Alliance with the Tourism market, with segmentation in territories where this sector is developing.*
 - b. *Distribution channel in Cuban Pesos for discographic products.*
 - c. *Strategic alliance with domestic manufacturer in order to substitute imports.*
5. *International expansion: Distribution channels in other countries.*
 - a. *Retain the current modalities of exportation and licences.*
 - b. *Investment in mixed alliances or cooperatives with international distributors of discographic productions.*
 - c. *Investment in mixed alliances or cooperatives with distributors of live performances in other countries.*
 - d. *Investment in mixed alliances or cooperatives with distributors of integral music products.*
 - e. *Facilitate the development of franchise businesses.*

Presented in continuation are the arguments made in consideration of each of these specific proposals:

1. *Separate the company/business system from the institutional system in the music sector:* with the object of organizing and clarifying the structure, together with the reorientation of the functions of each entity, and thus strengthen the generation of income by the companies, and so that the institutions concentrate on the cultural policy of protecting and preserving heritage. A new form of organization is needed to provide the appropriate frameworks for the development of the artists and the improvement of the processes that take place in the industry.
2. *Put each creator and their work at the centre of the productive processes:* the intention with this proposal is to achieve an integral focus on the product. Given that artists are increasingly learning more about the management processes that operate in the industry, leading to the creation of a new architecture, mechanisms need to be created to provide incentives for management by musician-managers, and thus strengthen the development of the industry. With the application of this strategic option economies of scale could be exploited more effectively.
3. *Modify the existing legal frameworks in the sector for the external trade in music:* it is essential for the international development of Cuba's music industry that there exists a legal framework that allows both the companies of the industry and the artistic units to have wider scope for taking decisions in international negotiations, so that they can be sufficiently flexible to take advantage of all the opportunities that may present themselves.
4. *Create a specialisation in the functions of External Trade in music:* to implement this strategy coordinated efforts are required in the analysis of the characteristics presented by the international market for music industry products. Such specialisation would provide support in the search for new modalities and routes for success in international markets based on the efforts and investments of the sector's owner-managers and musician-managers.
5. *Specialisation in services orientated to the musician-manager:* The effect of this proposal would be to strengthen the management of the musicians as part of the current 360 degree-integration approach. It is necessary to create the framework and bases so that the musician-manager can operate effectively, and to recognise that these processes are currently emerging as new sources of value in the sector.
6. *Creation of low-price music products aimed at the less-affluent sector of the population:* in this way the range of products/services supplied in this segment will be expanded, and it would ensure that the objective of the country's cultural policy is met, i.e. that Cuban music products should be within reach of everyone in Cuba.
7. *Alliance with the Tourism market, with segmentation in territories where this sector is developing:* such an alliance for development between the two sectors would generate substantial results. It would represent a proposal of greater quality, raising the appeal not only of the two sectors but also of Cuba as a cultural destination for visitors. It is proposed that this should be carried out with local segmentation to take full advantage of the artistic potential existing in the regions where tourism is now being developed; this aspect is often ignored or neglected.
8. *Distribution channel in Cuban Pesos for discographic products:* proposing that discographic

products should be marketed in Cuban Pesos, aimed at the segment of national/domestic consumption, makes it necessary to create a distribution channel that would operate in this respect for the entire country, and to protect this internal market.

9. *Strategic alliance with domestic manufacturer in order to substitute imports*: with this option the cost of making phonograms would be reduced, since a major group of imports would be substituted. This move could result in a reduction in costs that would help bring the selling price somewhat closer to acquisitive capacity of the general population, thus facilitating the strategy of offering more products to the national segment. It would also reduce the gap between the generation of new creations and their availability on the market.
10. *Retain the current modalities of exportation and licences*: maintaining the existing routes for the internationalization of the music of Cuba requires improvement in the management capacities of the sector's business managers; this would be supported principally by the strategy of creating a specialisation of the activities of external trade in music. In the judgement of the experts consulted, the greatest potential export markets are Canada, the USA and Western Europe.
11. *Investment in mixed alliances or cooperatives with international distributors of discographic productions*: this would constitute a new form of expansion for recorded music, taking account of the current strengths and weaknesses of the industry in Cuba; alliances and/or cooperation are recommended since direct investment requires amounts of capital that are not available. This action would also be supported by the proposed specialisation in the functions of external trade in music, for the appropriate decision-making necessary in such a process.
12. *Investment in mixed alliances or cooperatives with distributors of live performances in other countries*: this line of strategy offers more prospects of success than the preceding, in accordance with the contemporary trends in the music business of the world. Alliances and/or cooperation are recommended as the best form of expansion for the same reasons of lack of investment capital expressed in the comments on the preceding strategic option. This action would also be supported by the proposed specialisation in the functions of external trade in music, for the appropriate decision-making necessary in such a process.
13. *Investment in mixed alliances or cooperatives with distributors of integral music products*: this strategy is considered the most complete and coordinated, in that it seeks to obtain the maximum advantage of the artists and their creative output. It would allow the offer to the consumer to be maximised; it would ensure, to a greater extent, the diffusion of Cuban music at the international level; and would generate more income for the sector. As with the previous strategies, alliances or cooperation are recommended, which would be supported by the proposed specialisation of the functions of external trade in music, for the complex decision-making that would be required in the process.
14. *Facilitate the development of franchise businesses*: this option requires the coordinated effort of the managers of the Cuban music industry for the development of a unique and successful business that would be sufficiently attractive for this possible modality of internationalization. It would also need to be supported by the strategy of specialisation in the activities of external trade in music, for the specialised decision-making involved in this process and the negotiations with prospective franchise operators.

Table 1 shows the order and value that the experts attribute to the strategic options of product-markets listed previously. The courses of action essential for the development of the music sector in Cuba, within the set of options for growth, are identified.

Table 1 presents an a priori evaluation of the principal strategic routes for exploiting opportunities in the various markets open to the music industry of Cuba. These potential strategic routes take into account the characteristics of the national industry, and the possibilities generated from the process of international reconfiguration of the sector.

Table 1: Ranking of strategic options for the product markets.

Strategic Options for product markets:	Suit-ability	Feasibility	Acceptability	Ranking
Investment in mixed alliances or cooperatives with distributors of integral music products.	77.28	77.30	90.02	81.53
Specialisation in the functions of external trade in music.	70.92	82.95	88.20	80.69
Investment in mixed alliances and cooperatives with distributors of live performances.	70.02	82.98	87.28	80.09
Modify the existing legal frameworks in the sector for the external trade in music.	73.64	78.42	84.56	78.87
Alliance with Tourism, with segmentation in territories where this sector is developing.	70.00	77.28	78.20	75.16
Facilitating the development of franchise businesses.	71.80	77.30	76.36	75.15
Investment in mixed alliances or cooperatives with distributors of discographic productions.	62.72	75.00	82.74	73.49
Strategic alliance with domestic manufacturer in order to substitute imports.	72.74	73.88	72.80	73.14
Specialization in services orientated to the musician entrepreneur.	71.82	71.63	74.56	72.67
Separate the business system from the institutional system in the music sector.	67.36	64.78	70.04	67.39
Distribution channel in Cuban Pesos for discographic products.	68.18	59.10	59.98	62.42
Put the creator and his/her work at the centre of the processes (integral model).	70.00	51.12	63.64	61.59
Creation of low-price music products aimed at the less-affluent sector of the population.	70.00	50.00	50.90	56.97
Keep the current modalities of exportation and licences.	30.92	24.97	23.64	26.51

5. Conclusions

The popularization of a medium like the Internet has driven significant changes in world trade. For the music industry, it is through this medium that the new challenges faced in the process of reconfiguration currently taking place are being confronted. The Internet has shaken up the bases of competition and new forms of reaction have arisen for confronting the new emerging areas and processes by which music is created, produced and distributed.

In this article we consider the means by which competitive advantages are obtained and market positions are won and sustained; we reveal the new combinations of product markets and the links between activities that are revolutionising the ways in which the actors are competing and collaborating. The structure shown by the growth of the industry reflects the reconfiguration of the forms of distribution and the growing role of the sales of digital music in the portfolio of businesses.

The adaptive responses to the changes emerging from the established actors in the industry have

connotation with the opportunities for synergy generated by the interlinking of activities in new space – time of the existence of music as a business.

The article emphasizes the significance for the music industry of Cuba represented by the re-conceptualization of its modes and forms of organisation as pre-conditions for its expansion and growth in both the national and international markets.

This study constitutes a first approach to devising a strategic map of the industry in that country. A greater consensus needs to be sought in perceptions about the topics prosecuted by undertaking a second round of validation to advance further in the synergy and consistency for implementing the strategy outlined.

The result of the analysis contributes to specifying the markets for which a strategy of growth should be developed. The analysis of the preceding figures leads us to conclude the existence of greater possibilities for growth in the international market, rather than in the internal market. Unlike the internal market, discographic production is focussed on satisfying the demand of the international market, but is found to be still insufficient with respect to the potential and to the levels achieved by live performances. The possibilities for expansion in Western Europe, which is one of the traditional markets, and the potential opportunities in the USA and Canada, for both products, are highlighted.

6. References

- Abreu, J. (2010). Impacto de la crisis económica en la industria de la música. Apuntes para este sector en Cuba, Perfiles de la Cultura Cubana. *Revista del Instituto Cubano de Investigación Cultural Juan Marinello*, vol 4.
- Aoyama, Y. (2007). The role of consumption and globalization in a cultural industry: The case of Flamenco. *Geoforum*, 38(1), 103-113. doi:10.1016/j.geoforum.2006.07.004
- Aoyama, Y. (2009). Artists, Tourists, and the State: Cultural Tourism and the Flamenco Industry in Andalusia, Spain. *International Journal of Urban and Regional Research*, 33(1), 80-104. doi: 10.1111/j.1468-2427.2009.00846.x
- Asai, S. (2008). Factors Affecting Hits in Japanese Popular Music. *Journal of Media Economics*, 21(2), 97-113. doi: 10.1080/08997760802069895
- Asai, S. (2009). Sales Patterns of Hit Music in Japan. *Journal of Media Economics*, 22(2), 81-101. doi: 10.1080/08997760902900106
- Bacache, M., Bourreau, M. and Moreau, F. (2012). Piracy and Creation: The Case of the Music Industry (February 7). Available at SSRN: <http://ssrn.com/abstract=2000626> or <http://dx.doi.org/10.2139/ssrn.2000626>.
- Bader, I. and Scharenberg, A. (2010). The Sound of Berlin: Subculture and the Global Music Industry. *International Journal of Urban and Regional Research*, 34(1), 76-91. doi: 10.1111/j.1468-2427.2009.00927.x
- Baym, N.K. and Burnett (2009). Amateur experts: International fan labour in Swedish independent music. *International Journal of Cultural Studies*, 12(5), 433-449. doi: 10.1177/1367877909337857
- Bhatia, G.K., Gay, R.C. and Honey, W. R. (2003). Windows into the future: how lessons from Hollywood will shape the music industry. *Journal of Interactive Marketing*, 17(2), 70-80. doi: 10.1002/dir.10055
- Bonner, S. and O'Higgins (2010). Music piracy: ethical perspectives. *Management Decision*, 48(9), 1341-1354. doi: 10.1108/00251741011082099

Borreau, M., Moreau, F. and Gensollen, M. (2008). The Digitization of the Recorded Music Industry: Impact on Business Models and Scenarios of Evolution. Telecom ParisTech Working Paper No. ESS-08-01. Available at SSRN: <http://ssrn.com/abstract=1092138> or <http://dx.doi.org/10.2139/ssrn.1092138>.

Borreau M., Gensollen, M. and Moreau, F. (2012). The impact of a radical innovation on business models: Incremental adjustments or big bang?. April 27. Available at SSRN: <http://ssrn.com/abstract=2046991> or <http://dx.doi.org/10.2139/ssrn.2046991>.

Burkart, P. (2008). Trends in Digital Music Archiving. *The information Society: An International Journal*, 24(4), 246-250. doi: 10.1080/01972240802191621

Burke, Andrew E. (2003). *El negocio de la música*, en Towse, R. (ed.), Manual de economía de la cultura. Madrid, Fundación Autor, pp. 551-566.

Bustanza, O. F., Vendrell-Herrero, F., Parry, G. and Myrthianos, V. (2013). Music business models and piracy. *Industrial Management & Data Systems*, 113(1), 4-22. doi: 10.1108/02635571311289638

Calvi, J. C. (2006). The music industry, the new digital technologies and Internet. Transformations and leap in concentration (La industria de la música, las nuevas tecnologías digitales e Internet. Algunas transformaciones y salto en la concentración). *Zer*, 21, pp. 121-137.

Casadeus-Masanell, R. and Hervás-Drane, A. (2010). Competing against online sharing. *Management Decision*, 48(8), 1247-1260. doi: 10.1108/00251741011076771

Dang Nguyen, G., Dejean, S. and Moreau, F. (2012). Are Streaming and Other Music Consumption Modes Substitutes or Complements?. (March 16, 2012). Available at SSRN: <http://ssrn.com/abstract=2025071> or <http://dx.doi.org/10.2139/ssrn.2025071>.

Dhar, V. and Chang, E.A. (2009). Does Chatter Matter? The Impact of User-Generated Content on Music Sales. *Journal of Interactive Marketing*, 23(4), 300-307. doi:10.1016/j.intmar.2009.07.004

Dellyana, D. and Simatupang, T.M. (2014). Existing Music Business Model in Indonesia in Search of New Income Sources. The 5th Indonesia International Conference on Innovation, Entrepreneurship, and Small Business (IICIES 2013). *Procedia - Social and Behavioral Sciences*, 115, 407 – 414. doi:10.1016/j.sbspro.2014.02.447

Dewenter, R., Haucap, J. and Wenzel, T. (2011). On File Sharing with Indirect Network Effects Between Concert Ticket Sales and Music Recordings. Discussion paper, Düsseldorf Institute for Competition Econocmis, No. 28.

Fouce, H. (2009). Un largo verano de festivales. Categorías de experiencia y culturas productivas en la industria musical española. *Revista Latina de la Comunicación Social*, 64, 410-415.

Graham, G., Burnes, B., Lewis, G.J. and Langer, J. (2004). The Transformation of the Music Industry Supply Chain: A Major Label Perspective. *International Journal of Operations & Production Management*, 24(11), 1087-1103. doi: 10.1108/01443570410563241

IFPI (2013). *Informe sobre la música digital de la IFI 2013*. Federación Internacional de la Industria Fonográfica. http://www.ifpi.org/downloads/dmr2013_spanish.pdf

Hadida, A.L. and Paris, T. (2014). Managerial cognition and the value chain in the digital music industry. *Technological Forecasting and Social Change*, 83, 84-97. doi:10.1016/j.techfore.2013.04.005

Marshall, L. (2012). The 360 deal and the 'new' music industry. *European Journal of Cultural Studies*, 16(1), 77-99. doi: 10.1177/1367549412457478

- Mortimer, J.H., Nosko, C. and Sorensen, A. (2012). Supply responses to digital distribution: Recorded music and live performances. *Information Economics and Policy*, 24(1), 3-14. doi:10.1016/j.infoecopol.2012.01.007
- Rondán-Cataluña, F.J. and Martín-Ruiz, D. (2010). Customers' perceptions about concerts and CDs. *Management Decision*, 48(9), 1410-1421. doi: 10.1108/00251741011082152
- Rus, H., Kuilboer, J-P. and Ashrafi, N. (2014). Business Intelligence in the Music Industry Value Chain: Ensuring Sustainability in a Turbulent Business Environment. *International Journal of Business Intelligence Research*, 5(1), 50-63. doi: 10.4018/ijbir.2014010104
- Su, X. (2011). Commodification and the selling of ethnic music to tourists. *Geoforum* 42(4), 496-505. doi:10.1016/j.geoforum.2011.03.006
- Ortigueira-Sánchez, L.C. and Gómez-Selemeneva, D. (2012). *Innovation in Tourist Management through Critical Success Factors: A Fuzzy Map*, in Soft Computing in Management and Business Economics. Studies in Fuzziness and Soft Computing, Volume 287/2012, 361-373 Springer.
- Okoli , C., y Pawlowski, S. (2004). The Delphi method as a research tool: an example, design considerations and applications. *Information and Management*, 42(1), 15-29. doi:10.1016/j.im.2003.11.002
- Parry, G. Bustinza, O.F. and Vendrell-Herrero, F. (2012). Servitisation and value co-production in the UK music industry: An empirical study of Consumer Attitudes. *International Journal of Production Economics* 135(1), 320-332. doi:10.1016/j.ijpe.2011.08.006
- Roberts, A. (2010). Discovering the facets of copyright licensing for commercial composers. *Management Decision*, 48(9), 1400-1409. doi: 10.1108/00251741011082143