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1. Introduction

The music industry is dominated by the 'Big Three' record companies; Universal Music Group (UMG), Sony Music Group and Warner Music Group. UMG grew from a series of mergers and acquisitions over the past three decades to become today's largest music corporation (UMG, 2019). They hold the biggest catalogue in the music industry and significant power as a part of the world's largest media conglomerate Vivendi. However in recent history, various political, technological, economic and social changes had caused major disruption in the music industry and negatively affected record company profits. UMG has dealt successfully with the uncertainty through investments in new technologies, strategic partnerships and acquisitions, building synergies within the Vivendi group and adopting good work practices. These practices have led to UMG successfully building growth.

2. History

UMG started as Rising Tide, a Nashville-based record label founded in 1995 by Doug Morris (former head of Warner Music Group), and Danial Glass, a well respected industry kingpin, headhunted by Morris to run the label (Schwartz, 2019). Rising Tide quickly gained a reputation for breaking new acts and was soon acquired by MCA in 1996, a major label owned by the Candian Seagram Group. Seagram Group also acquired 1998's largest recorded music company Polygram from Phillips and renamed the MCA Music Publishing division to Universal Music Publishing (UMP). In June 2000, Seagram merged with the French media and telecommunications conglomerate Vivendi to become the world's largest media corporation (Tschmuk, 2019).

Sir Lucian Grange is the Chief Executive Officer of UMG, appointed to the position in 2011. In his time he has lead the company from strength to strength, increasing their revenue and profitability. He has overseen the acquisition of the recorded music assets of acclaimed British music company EMI, reviving EMI's legendary subsidiary label Capitol records, and in the process, further invigorating UMG's place as the global leader in music. With Grange at the helm, UMG set multiple creative records including being the first music company to score 9 of the top 10 spots on Billboard's digital song chart in 2013 and the entire top 10 of the Billboard Hot 100 (UMG, 2019).

2.1 The last five years

In 2015 UMG's began to build synergies with fellow subsidiary of Vivendi, the film group Studio Canal+. The tactic helped both businesses exploit their work and ensure a tighter partnership through musical movies, music documentaries and biopics.

In the same year, Vivendi also acquired a 90% stake in Daily Motion, the French equivalent of Youtube. The strategic purchase was to further help distribute the group's audio and visual

content (Tschmuck, 2019). It was at this time UMG decided to “concentrate on moving from physical to digital consumption, from downloading to streaming, from free streaming financed by adverts, to streaming financed by subscriptions” (Vivendi.com, 2015, p13).

Aware of the growth in streaming, in 2017 UMG reached a long-term deal with Spotify (Atkinson, 2017), followed by a licensing deal with Tencent Music Entertainment, the largest music platform in China (Aswad and Aswad, 2017) and signed a licencing deal with Youtube to create new commercial opportunities for audio visual content (Music Business Worldwide, 2016).

In May 2017 they collaborated with production company Grace/Beyond to develop three new music based television series (Otterson and Otterson, 2017). Recognising the rise in independent artists and their potential profitability, in October 2017 UMG announced their ‘Accelerator Network’, an initiative to help in the development of music-based start ups (Espinoza, 2017). They also acquired acclaimed British label Stiff Records, ZTT and Perfect Songs music publishing from SPZ Group - the company formed by renound record producer Trevor Horn and his wife Jill Sinclair (Worldwide, 2017).

In 2018, they bought one of East Africa’s biggest labels, Nairobi based AI records and went onto open offices in Abidjan, Côte d'Ivoire and Lagos Nigeria to oversee West Africa (Adegoke, 2018).

In March 2019 UMG acquired ‘Ingrooves Music Group’ a leading global music marketing and distribution company, buying the remaining 80% after originally purchasing 20% in 2006 (Ingham, 2019). In June 2019 UMG partner with Youtube to revamp 1,000 music videos from UMG’s vaults to stream on the platform, including Lady Gaga and the Spice Girls (Edwards, 2019).

In August 2019, Vivendi start talks with Tencent to sell a 10% stake in UMG (Brandle, 2019). In December 2019 UMG collaborate with Air Asia Group to launch ‘RedRecords’ in a new label partnership to develop and break SouthEast Asian artists (UMG, 2019).

3. Microeconomic environment

UMG is highly successful business although recent technological advances have made the industry a more competitive place to operate in. UMG’s strongest product is streaming, with demand from consumers expected to grow further. Streaming has put greater bargaining power in the hands of consumers, who have greater choice at their fingertips, and who have demanded lower prices by opting for streaming rather owning physical products or downloads. On the other hand, whilst physical sales have declined significantly, they still contribute revenues to UMG and a proportion of fans are willing to pay a premium for an artists’ product. The digitalisation of music has also lowered the barriers to compete in this market, and whilst the ‘Big Three’ still dominate, they are no longer controlling it entirely, as independent labels and

artists now take up 30% of the market share. The success of independent labels and artists selling direct to consumers have also provided artists with greater choice and therefore more bargaining power in making deals with record labels.

3.1 Products

UMG's main revenue sources are subscription and streaming services, other digital sales, physical sales, licensing, music publishing and merchandise (Vivendi Annual Report 2018, 2019). Subscription and streaming services (€2,596 million) made up 43% of total revenue in 2018, followed by physical sales (€949 million) and music publishing (€941 million) (Vivendi Annual Report 2018, 2019).

Subscription and streaming services have grown 31.7% from €1,971 million to €2,596 million. This growth is due to the continuing preference for customers to stream music on the world's most major platforms; Spotify, TIDAL and Deezer. This is also helped by UMG having some of the most popular artists in mainstream music on their label and owning the biggest catalogue of music (Vivendi Annual Report 2018, 2019). Each tune streamed results in revenue from the recording and publishing rights (Sweeney, 2018). Record companies license their catalogue to these platforms and the streaming platforms charge the listener for the service or in the case of 'Freemium' collect revenue from advertisements. It has also been reported that some streaming services have recently increased their payment as the services become more popular (Binder, 2019). Global online streaming revenues are expected to grow at a rate of more than 20% year-on-year, and are expected to reach \$24 billion by the end of 2019 (Kumar, 2019).

Whilst subscription and streaming services are the largest revenue stream, physical sales and merchandise are still profitable. In 2018, The Beatles sold 300,000 vinyl records of the 'White Album' (Leight, 2019). The record industry recognises that a proportion of customers are still looking for something tangible to connect them with their favourite musicians (Stassen, 2019). In light of this, UMG have recently purchased a merchandising business and launched "uDISCOVER US", an online store specialising in selling exclusive super deluxe vinyl releases, fine art prints, classic T-shirts and other 'special rarities' (UMG, 2019).

UMG is also able to make a significant proportion of recorded music sales in re-releasing classic back catalogues (Allen, 2009). As noted in the Vivendi Annual Report 2018 (2019, p57), "54% of UMG's digital sales and 39% of its physical sales are generated by the catalogue (works marketed for more than three years)". In fact, The Beatles' 'White Album' was noted as one of the most popular albums of the year alongside today's superstars; Drake, Post Malone and Lady Gaga (Vivendi Annual Report 2018, 2019). The Beatles had 1.7 billion Spotify streams this year (Beech, 2019), alluding to the fact that re-releasing back catalogues may be winning old and new fans alike and are clearly also contributing to the growth in subscription and streaming revenues.

3.2 Customers

UMG have a global customer base spanning all ages, this is due to the wide variety of artists and recordings owned by UMG. Music consumers are generally not 'brand loyal', but are rather influenced by the appeal of the artist, making artist development an important aspect of UMG's business.

The biggest demographic for streaming customers are eighteen to thirty-five years old, who dominate usage across all streaming platforms, this is followed by the over fifty-fives (Iqbal, 2019). Record labels haven't had the ability to dictate prices of the major streaming platforms, as customers have opted for fairly low or the 'free' streaming music (Syrda, n.d.). The low price point is a major power shift in favour of the customer, which occurred when free peer to peer file sharing of songs was introduced through sites such as 'Napster' and 'Limewire'. Their use skyrocketed and led to the decline of CD and vinyl, and altering the perceived value of the physical product. The consumer is now able to browse the biggest music range possible rather than be limited to what the labels see fit to supply to the stores (The Economist, 2007).

Where physical products are concerned, labels are able to price these items at a premium, due to the unique nature of each act and the higher price that true fans are willing to pay, hence UMG's motivation to make use of back catalogues and their decision to purchase a merchandising outlet with a physical and online presence.

3.3 Competitors

The main competitors have been referred to as the 'Big Three', as of the \$18.8 billion earned by the recorded music industry in 2018, 31% went to UMG, 21% to Sony and 18% to Warner (Stassen, 2019). The other component of the industry are independent labels and artists who sell direct to customers, who collectively hold a 30% share of the market (Stassen, 2019).

UMG, Sony and Warner are experienced labels with the backing of larger parent companies and are able to attract top artists through large amounts of capital to invest in artists and heavy marketing of new releases. The 'Big Three' are also able to continually invest. All three have recently made acquisitions in the secondary market of rights, acquiring other major publishing houses to expand their catalogue and increase streaming revenue (Allen, 2009). In 2018, Sony acquired EMI Music Publishing, through this acquisition doubled their catalogue of songs from 2.16 million to 4.21 million tracks (Paine, 2018). The move led to a domination of Sony artists in the national charts of Italy (77%), UK (73%), France (73%), Netherlands (72%) and Spain (82%) (Paine, 2018). They have also all increased their merchandising outlets, as Warner has recently purchased a German merchandise business for \$180 million (Stassen, 2019), competing with the recent purchase made by Universal for online site uDISCOVER. The major labels also benefit from being subsidiaries in bigger groups which provide further create synergies and strategic advantages.

With the rise of the digital age barriers to enter this market have lowered, when considering the ease at which independent artists can record, distribute and market their own product at minimal cost (Najmark-Hvidt and Espersen, n.d.). This has facilitated a whole host of independent artists to have their music released onto several streaming platforms with relative simplicity, allowing customers to discover a much larger range of music than ever before. Social media has also made advertising more accessible, at lower costs than traditional advertising campaigns for TV, radio and billboards. Whilst the access to these distribution channels has increased it is more difficult for independent labels and artists to have their physical product and merchandise distributed to outlets in comparison to the larger labels, who have access to the global marketplace and also have greater economies of scale.

3.4 Suppliers

Recording artists and their management teams are suppliers of the music record companies profit from. The digital age has disrupted the power balance between labels and artists, and as previously mentioned under 3.2 Competitors, independent labels and artists now make up 30% of the music industry (Stassen, 2019). Despite the emergence of independent music, the vast majority of popular artists are signed to one of the 'Big Three' labels, proving that UMG still has some bargaining power over their suppliers.

Prior to digital streaming the music industry was reliant on physical sales of records (Wikstrom, n.d.). This put immense bargaining power in the hands of the biggest record companies, as artists could only be heard and successful with the network and funding to access the most physical distribution channels. Today, UMG's financial report clearly show the growth of streaming sales (+31.7% from 2017 to 2018), and the fall of physical sales (-17.9% from 2017 to 2018) (Vivendi Annual Report 2018, 2019). A number of artists have been able to bypass the traditional gatekeepers, and are utilising digital distribution platforms instead, such as 'Ditto' or 'AWOL', as physical distribution has become less of a necessity (Wikstrom, n.d.). Digitalisation has effectively lessened the record companies' control over what can become popular, which has increased uncertainty within the industry (Najmark-Hvidt and Espersen, n.d.).

A drawback for recording companies has been their ability to market new releases, with access to larger budgets and expert marketing teams in house. However social media has provided unsigned artists with the opportunity to cultivate strong fan bases, forming strong, more personable communities without the need for more expensive communication methods and marketing teams. This gives an artist choice and some bargaining power with major labels, when they have already established a well known brand and have built a loyal following. It has also benefited the recording label though, as rather than take on and develop raw talent, they now pursue acts who have already invested in themselves to reduce the risk that the artist isn't successful.

Recording technology has also improved and changed the landscape in favour of artists, as previously it was through major labels who had access to large and expensive recording studios that artists could hire a studio and pay someone to record them (Mills, 2017). Now powerful tools such as Ableton, Protools and Logic are able to run on a laptop (Mills, 2017). This has led to a rise in the number of 'home studios' as technologies have become more affordable and require far less space than previous equipment (Mills, 2017). Many artists are now able to learn how to use these tools and don't require the services of mix and mastering engineers. At the same time, these improvements in technology have also reduced the costs to recording companies, who can now record music for less.

3.5 Substitutes

There are many substitutes to music, which is a form of entertainment, with several markets also competing for the music consumer's attention; gaming, podcasts, social media and movie streaming platforms represent an increasing threat to music consumption. This has been recognised by the major labels, who acknowledge the competition is for the eyes and ears of the consumer in this attention driven economy (Lynskey, 2018). When considering the biggest product of recorded music streaming, substitutes are very easily switched between and accessed through apps on phones and are usually similar prices to streaming services if not, free to use. This has impacted on the strategic decisions made by UMG. In December 2017 UMG became the first music label to license its recorded music and videos to Facebook and in the same month, also signed a multi year licensing deal with Youtube (Steigrad, 2017). However, Daniel Ek, the founder of Spotify, believes non-music content will continue to rise in popularity, and estimates up to 20% of listening on the service will be non-music content (Jolly and Sweney, 2019).

4. Macroeconomic environment

Since the advent of file to file sharing in the 90's, UMG and various governments have worked hard to prevent music piracy, as this has had a serious impact on the industry. However as countries have continued to develop, UMG have seen an opportunity to build a presence in some of these new emerging markets. Society has been impacted by social media, games, apps and phones, and the industry must now compete in the attention economy, as consumers have access to a variety of entertainment forms at the tip of their fingers. However, technology also provides further opportunities to create better relationships with fans and to aid decision making.

4.1 Political

Universal Music operates globally and is affected by many different political environments. In 2018, the US issued the Music Modernization Act (MMA), a legal development to protect intellectual property worldwide, making it fairer for artists (Vivendi Annual Report 2018, 2019). In other parts of the world music piracy and copyright infringements are still prevalent as 38% of

consumers still obtain music illegally (Vivendi Annual Report 2018, 2019). This results in lost revenues to the music industry, impacting on government taxation revenues and potentially impacting on industry employment. To combat this “UMG has partnered with streaming platforms, governments, credit card companies, advertisers and search engines to help establish legal music markets and to introduce preventative measures in countries that have not traditionally been major markets for recorded music sales; Brazil, Russia, India and China, Latin America, Africa, the Middle East and Eastern Europe” (Vivendi Annual Report 2018, 2019, p27).

4.2 Economic

Universal are exposed to a range of economic factors as a result of the number of markets they operate in, but on the whole the music industry has recovered from the downturn it faced when piracy was at its peak. In fact, streaming revenue continues to grow, more than compensating for the decline in physical sales (Vivendi Annual Report 2018, 2019), showing there is overall growth in the industry. In addition to this, globalisation has presented new opportunities for bigger global superstars and for UMG to establish itself in new emerging markets such as South East Asia and Africa (UMG, 2019).

4.3 Social

There are a range of societal factors that have influenced music consumption, one of which is the move from ownership to the access model, where there are now a greater number of products available on a subscription basis. As additional entertainment options have become more accessible, the music industry is competing for a consumer’s attention against a variety of apps and videos. This has impacted the amount of music consumed and the way in which consumers listen to music, finding particular songs, rather than albums. This has impacted on the way in which artists choose to release music, in favour of singles and songs of a shorter length.

4.4 Technological

Technology is changing at an ever increasing pace, therefore the ability for UMG to deal with change is paramount. In order to address this, UMG are currently investing in new technology to provide real time feedback on a product / event or social media post to assist with making better business decisions in a timely manner (Vivendi Annual Report 2018, 2019). New technologies in virtual reality may also provide new opportunities for artists to connect with fans through virtual concerts, further providing an opportunity to build revenue streams. Artificial intelligence can be used to reduce the costs of recording music, by utilising mix engineer and mastering software. It can also be used to remix records in minutes saving money and time on costly production.

5. Lean business methods

Previously physical media enabled us to listen to music from our favourite artists through the sale of a CD, vinyl or tape. These formats had to be produced in huge pressing plants, transported in lorries all over the country and housed in very large warehouses. A very expensive and lengthy process compared to today's instant access via streaming platforms or the lesser used download option. Digitisation of the industry reduced waste and costs, as these physical formats now make up a small fraction of the music industry's business. Streaming platforms have also completely revolutionised the entertainment industry, as there are no marginal costs in producing albums or singles digitally and distributing them worldwide (Vivendi Annual Report 2018, 2019)

In an effort to be environmentally conscious and further reduce cost, UMG's offices in the United Kingdom, including the world famous 'Abbey Road' studios use renewable energy sources (Vivendi Annual Report 2018, 2019). 95% of their electricity consumption is entirely sustainable with little or no waste or pollution (Vivendi Annual Report 2018, 2019). This has also been the case in UMG Germany where 80% of the electricity is also renewable (Vivendi Annual Report 2018, 2019). The new UK headquarters has received BREEAM certification, which is the world's leading sustainability assessment method for buildings (Vivendi Annual Report 2018, 2019, p74). UMG has taken out a contract with a dedicated supplier for energy that is completely generated by photovoltaics and wind power which fight the greenhouse effect and CO2 emissions in the atmosphere (Vivendi Annual Report 2018, 2019).

UMG's merchandising subsidiary, is also reducing waste and cost by recycling unsold t-shirts and turning them into the raw materials needed to produce future products. It launched an initiative with EVERYBODY.WORLD, the first company to make 100% recycled biodegradable t-shirts, to recycle more than 43,000 t-shirts, or 21 tonnes of fabric (Vivendi Annual Report 2018, 2019).

On average 84% of UMG's purchases are from local suppliers, chosen by proximity (Vivendi Annual Report 2018, 2019), so that less is spent on transportation with a favourable impact on the local economy and environment (Vivendi Annual Report 2018, 2019).

Effective lean business methods call for skilled and committed employees. A Kaizen mindset promotes continual improvement and motivated staff increase productivity and profits. In 2018 UMG took a survey with its employees, it was revealed that they would like to: 1. understand what the company expects from them and how their work contributes to the company's success 2. be part of a team and work independently 3. have managers that respect and listen to their teams. The survey enabled UMG to outline a three year training plan that focused specifically on furthering development and strengthening leadership skills at every level. UMG employees have access to online learning platforms, training techniques are individualised and employee led, this results in far more flexibility for employees because much of the training unfolds

gradually or on the job, encouraging them to take ownership of their work (Vivendi Annual Report 2018, 2019, p70)

6. Financing

UMG's financing is overseen by parent company Vivendi's Financing and Treasury Department (Vivendi Annual Report 2018, 2019). Vivendi is funded marginally more by equity (€17,534 million), than by debt (€16,869 million) at 31 December 2018 (Vivendi Annual Report 2018, 2019). The majority of debt is due to trade suppliers rather than loans, although Vivendi currently have an undrawn €2 billion credit facility (Vivendi Annual Report 2018, 2019). In 2017, Vivendi raised equity through share issues and divesting which boosted their cash position in 2018, up €2,516 million from the prior year (Vivendi Annual Report 2018, 2019).

Whilst debt has been low, some debt financing is used for daily operations. For example, due to the global nature of UMG's operations, short term bank borrowings are used to manage liquidity in different regions (MUFG EMEA, 2019). In Asia they have utilised the facilities of MUFG, one of Japan's leading banks, for a selected region of Asia where due to stringent tax rules it is difficult to move cash (MUFG EMEA, 2019). Short term loans are an effective method of maintaining adequate cashflow as it can be paid back quickly and drawn upon as needed.

In December 2017, Vivendi raised €100.2 million through a share offer issued to employees (Vivendi Annual Report 2018, 2019). This was an effective way to raise capital, reduce outgoings on salary payments, and encourage employees to have a sense of ownership of the business. The decision to issue stock privately is also less onerous than the process of issuing stock on an exchange.

The €2,516 million increase in cash in 2018 was funded largely by part divesting in Ubisoft, Telefonica, and Fnac Darty (€2,220 million) as well as net cash contributed from operations (€1,187 million), to which Universal contributes the overwhelming majority, as the biggest subsidiary in the group (Vivendi Annual Report 2018, 2019).

The 2018 annual report confirms up to 50% of UMG's shares are up for sale to 'strategic partners' (Vivendi Annual Report 2018, 2019). The Vivendi Chairman has said this is designed to fund UMG growth, with recent valuations of UMG by investment firms varying from \$30 and \$50 billion (Ingham, 2019). Whilst this raises significant capital funds, the purchaser will hold a significant voting rights, which impact on the decision making and strategic direction of the business. Alternative to equity funding, secured loans could be used to fund growth. Whilst this will incur interest expenses Universal is performing well, revenue up 10% from 2017 to 2018, and would remain under the full ownership of Vivendi.

7. Conclusion

UMG is the largest corporation in the music industry. They are the biggest subsidiary of the largest entertainment and media conglomerate, Vivendi. The group holds considerable power and have provided significant advantage to UMG when creating licencing deals with Spotify, YouTube and Tencent. Their size has also assisted in the numerous acquisitions they have made, which has lead to having the largest catalogue.

Although technological changes have evened the playing field by increasing the bargaining power of consumers, suppliers and competitors, UMG have managed to remain at the top. Streaming has increased the bargaining of consumers, who are now able to stream music for free or for a small monthly fee. Whilst physical sales have fallen significantly, the proportion of fans who are interested in physical products are willing to pay a premium for them, making merchandise a lucrative product. Independent labels and artists are now able to compete in this market due to the digitalisation of music. This has taken market control away from UMG and improved the bargaining power of artists with established followings who can now opt to put their music out independently or opt to deal with record labels.

Current practices of into investing in new technologies, energy efficiencies, local economies, working alongside governments to reduce music piracy and encourage legal music markets platforms will help secure future growth.

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In music, UMG must adapt to the applicable trends in its sector including a move from physical to digital consumption/usage, from downloading to streaming, from free streaming financed by advertising to streaming financed by subscriptions.

To better address these structural changes, Vivendi has created a development plan for the next five years, and confirmed Lucian Grainge's position as UMG Chairman and CEO until 2020. This plan will allow UMG to pursue profitable growth and continue to play a key role in transforming the music industry. The plan is centered around five priorities: ♦ accelerating the monetization of music by expanding the

base of subscribers who pay for streaming; ♦ expanding audio and video content distribution by multiplying partnerships with content platforms; ♦ strengthening strategic relations with brands and sponsors; ♦ continuing to make the assistance and development of its artists a priority; ♦ continuing to invest in markets with high music potential (Africa, India and China).

UMG has three main businesses: recorded music, music publishing and merchandising. Accounting for more than 80% of revenues, its recorded music business is devoted to the discovery and development of artists and the marketing, promotion and distribution of their music. It also includes live performances, sponsorship and the production of film and television programs. Recorded music distribution has undergone radical change. The industry has shifted from the sale of physical media such as vinyl records, tapes (1963) and CDs (1983) to digital downloads (1999), followed by music streaming platforms (2007) that consumers can either pay for via subscription or use for free. After a decade and a half of decline linked to digital transformation, the sector began to recover in 2015 due to the success of streaming platforms such as Spotify, Deezer, Apple Music, Amazon Music, YouTube Music, Qobuz and Tidal. Although these platforms are available worldwide, different countries have reached different stages in their digital transformation. According to Nielsen's 2018 mid-year report, in the United States, which is the world's biggest music market, streaming represented 66% of business volumes. According to the Recording Industry Association of Japan report published in September 2018, however, despite Japan being the second-largest global market, CDs and vinyl still account for approximately 70% of sales. There is therefore still considerable growth potential for streaming. UMG has signed licensing agreements with more than 400 digital services around the globe. In 2018, subscriptions and streaming generated 54% of total recorded music revenues. Licensed streaming platforms earn recurring revenue, which is based on consumption (i.e., how often a song is played). They also provide statistical data, unlike the point-of-sale model, that stops generating revenue and data after the initial sale. The streaming model has accentuated the importance of catalog ownership. This is an advantage for UMG, which owns the biggest recorded music catalog in the world (more than 3 million titles). Its music publishing entity, Universal Music Publishing Group (UMPG), licenses titles for use in sound recordings, films, television, advertising, video games, and live and public performances. It also licenses compositions for use in printed sheet music and song portfolios. Generally, UMPG licenses titles after acquiring a direct interest in their copyrights by entering into agreements with the artists. UMPG owns and controls a vast catalog of original music and arrangements. Bravado, UMG's merchandising business, connects new and established artists with brands. It offers full-service brand campaigns including product creation, partnerships and promotion. The resulting products are sold through global in-store and online retailers, specialty stores and concert tours, and in limited-edition retail initiatives. Bravado also grants licenses to an extensive worldwide network of third-party companies (Vivendi Annual Report 2018, 2019, p 15).

There is little debate that U.S. sound recordings are "pirated" in vast numbers in the U.S. and in international markets. Piracy of these works harms the intellectual property owner, who loses the revenue that would have been gained had the legitimate recording been purchased. These "direct" losses, however, represent only part of the story. Piracy also causes significant and measurable harm to the "upstream" suppliers and "downstream" purchasers who also would have benefited from the sale of legitimate, copyright protected sound recordings. Indeed, the harms that flow from pirate activities produce a cascading effect throughout the economy as a whole. These harms include lost output, lost earnings, lost jobs and lost tax revenues. In order to alert policy makers to the magnitude of these ripple effects, this paper estimates the true impact of piracy in the sound recording industry on the overall U.S. economy. Using the RIMS II mathematical model maintained by the U.S. Bureau of Economic Analysis (BEA), this study estimates the impact of piracy in the sound recording business on the U.S. economy as a whole. The effects of music piracy on the U.S. economy are quantified in terms of lost economic output,

jobs, employee earnings and tax revenue. The true cost of sound recording piracy far exceeds its impact on U.S. producers and distributors of sound recordings. Piracy harms not only the owners of intellectual property but also U.S. consumers and taxpayers. Specifically, the analysis demonstrates that: a. As a consequence of global and U.S.-based piracy of sound recordings, the U.S. economy loses \$12.5 billion in total output annually. Output includes revenue and related measures of economic performance. b. As a result of sound recording piracy, the U.S. economy loses 71,060 jobs. Of this amount, 26,860 jobs would have been added in the sound recording industry or in downstream retail industries, while 44,200 jobs would have been added in other U.S. industries. c. Because of sound recording piracy, U.S. workers lose \$2.7 billion in earnings annually. Of this total, \$1.1 billion would have been earned by workers in the sound recording industry or in downstream retail industries while \$1.6 billion would have been earned by workers in other U.S. industries. d. As a consequence of piracy, U.S. federal, state and local governments lose a minimum of \$422 million in tax revenues annually. Of this amount, \$291 million represents lost personal income taxes while \$131 million is lost corporate income and production taxes. As policy makers turn their attention to the viability of the U.S. economy in the global marketplace, it seems obvious that the problem of music piracy should be afforded a high place on the policy agenda in coming years.

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However, it does raise an interesting question. What were we really paying for when we bought music and what are we really willing to pay for the effort of a musician? The price demanded by the producers of music assured everyone in the chain got paid some share, and while some musicians received huge sums of money as part of an I-scratch-your-back-you-scratch-mine type of arrangement with the organizations which had the distribution channels, the distribution channel has been invalidated.

For me, at least, if the song is catchy I have no loyalty to a certain brand (read: artist). I suspect that's the case with the vast majority as well. I'm not sitting around waiting for Band X to produce their next album. If they don't, someone else will create music which meets my need for music. Any catchy tune is essentially interchangeable with a multitude of others. It's not perfect competition in an economic sense, but it might as well be.

I wonder if the issue isn't greed or piracy, but a simple question of value (or lack thereof). The music industry creates little value when any good song will do and can be delivered for almost nothing, and while it may be frustrating to artists that their labors will be cast aside if another acceptable tune comes along, one cannot deny that the value of any one song may be almost negligible.

At least it should cause you to pause and consider, is anything we do as an organization truly of value or will we simply be discarded when the Type I (necessary for business because we know no other way) muda is eliminated. (Process Rants, 2010)

increasing use of renewable energy is vital on a global scale. Supplied by the sun, wind, the earth's natural heat, waterfalls and tides, these energy sources generate little or no waste products or pollution. Using power produced in this way is a means for companies – and even more so for the group – to make a considerable difference in fighting the greenhouse effect and CO2 emissions in the atmosphere. To this end, several of the group's sites use renewable energy. 95% of UMG's electricity consumption in the United Kingdom (including the famous Abbey Road studios) comes from renewable energy In the United Kingdom, UMG has taken out a contract with a specialized provider for energy that is entirely from

renewable sources (photovoltaics and wind power). In the same way, 80% of the electricity used by UMG Germany comes from renewable energy sources. P.75

The music industry, which grew up to manufacture physical media to transport data and advertise the availability of such data is an excellent example of ridiculous waste. They are the ultimate in batch-and-queue producers, creating thousands or millions of copies of the same data onto vinyl, magnetic tape or CD just so it could be delivered in a repeatable manner to my ears. The music was never delivered just as I needed it. It was stored in massive quantities in stores throughout the country.

The advent of the mp3 and digital music downloads destroyed the entire unnecessary value stream. Musicians can now create music cheaply in their own home studios and distribute it, eliminating the entire need to be discovered, signed to a label, expensively produced and sold for an outrageous price to cover all the costs of NVA created.

There are two significant ideas in the groups environmental policy and they are to better evaluate its environmental impact and to manage and reduce direct and indirect energy consumption Vivendi (2019) P.73 75

UMG's Santa Monica site has Energy Star certification, awarded to buildings that comply with the strict energy efficiency standards set by the Environmental Protection Agency (EPA). These buildings consume less energy, generate lower operating costs and emit fewer greenhouse gases than conventional premises. P.73

UMG in Berlin and Tokyo have each replaced their conventional lighting with LED bulbs, which use less energy. P.74

In London, UMG UK's new headquarters has received BREEAM certification, the world's leading sustainability assessment method for buildings. The building combines a range of systems and approaches to make energy savings, particularly due to its position, sun protection, thermal mass for cooling, passive ventilation and the site's district heating network. Furthermore, the site was crowned best commercial project (post construction) at the BREEAM Awards 2018. P.74

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Following a responsible environmental policy also involves ensuring better management of the consumption of raw materials. The main types of raw materials used at group subsidiaries are: 3 plastics, for UMG products (CDs and DVDs)

decreased by 18% compared with 2018 due to two factors: 3 firstly, the ever-increasing popularity of music streaming, which continued to affect sales and therefore production of physical discs; P.75

Use of paper remains unavoidable for the group but it has put in place numerous local initiatives to reduce consumption including computerizing resources such as expense reports and annual appraisal forms, setting printers to print double-sided by default, removing local printers and encouraging the use of photocopiers on the network P.75

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The music industry has been constantly changing since vinyl came in 1930, followed by tape in 1962, CD's in 1982, music piracy in 1999 and streaming in 2007. Each one disrupting the other on first introduction, but nothing compared to what was to happen with the unveiling of the MP3 in 1997. In the 70's the tape enabled us to take our own personal selection of music with us on the go the car shall we go walk or what. Music became portable, no longer did we have to listen to it in the confines of our homes on bulky and expensive equipment. In July 1979 Sony introduced the 'Walkman' to the world, a portable tape cassette player on which you could comfortably fit two albums worth of recorded music onto a 90 minute cassette tape. The 'Walkman' then evolved into the 'CD- walkman' in 1984 just two years after the introduction of the CD. The beginning of the end for these two groundbreaking innovations was in the early 90's with the introduction of the MP3. In 2001 came Napster. A peer to peer file sharing website that unintentionally brought the music industry to its knees. Napster enabled the consumer to have unlimited access to free music via MP3 download from its website. The industry went into freefall, but taking full advantage of this new technology was Steve Jobs. Jobs introduced the first globally successful MP3 player the Apple 'Ipod' that same year. The 'Ipod' was a

gamechanger, not only was it smaller and lighter than both of the 'Walkmans' but you could literally fit thousands of songs onto the one device.

In a massive turn of events, what was once considered the death knell to the recorded music industry, has now become its saviour. Digitisation is what originally brought the music industry to its knees but is now responsible for its revival and is the biggest revenue stream for all the major record labels. It has turned the idea of owning music on its head with the narrative being of unlimited access to millions of songs anywhere at any given time. Our phones are now our personal stereo and our music collections are by way of the 'playlist' on streaming based platforms via subscription.

In 2015 UMG won all four of the top awards at the Grammys for best record, album, song and new artist. Capitol Music Group artists, now under the UMG umbrella, took home a staggering 12 Grammys that same night (Lewis, 2015).

In 2016 UMG buys digital Marketer 'Fame House' from live music giant SFX (Rys, 2016). In that same year they sign Paul McCartney to a new worldwide deal via their subsidiary Capitol records (Halperin, 2016). McCartney is then joined by the Bee Gees who also sign a worldwide deal to Capitol Records (Billboard, 2016).