Introduction

Robert DeFillippi and Patrik Wikström

The creative industries are particularly fecund empirical fields for investigating the processes of business innovation and disruption. The creative industries are some of the fastest growing sectors in many economies (European Commission, 2001; OECD, 2006; United States Census Bureau, 2010) and thus are worthy of study in their own right. Additionally, the study of the creative industries affords insights into how we understand the current economic transformation towards knowledge-based economies more broadly. The transformation toward knowledge-based economies has been foreshadowed by the transformation of creative industries such as publishing, film, video, photography, music and so on.

This volume focuses on industries associated with imagery, both moving and still images. Thus, this volume concerns those industries that are based on still imagery (Stock Photography) and moving imagery (Film, Video). Each of these image media technologies and associated industries has experienced a similar set of digital disruptions and related industry transformations, which we will briefly highlight in this introduction and which are detailed in the chapters of this volume.

DRIVERS OF DIGITAL DISRUPTION

Franklin (2012) characterizes digital disruption as the clash between exponential rates of technological change on the one hand, and incremental rates of change in society, economics, politics and law in the disrupted industries. Long-established firms in the video, film, photography and television industries have witnessed dramatic changes in how their imagery is captured, edited, aggregated and distributed. These technology-based disruptions have been accompanied by disruptions in traditional business models (including pricing and intellectual property monetization), cost structures and value propositions that matter to a digitally native audience of consumers. Each of these drivers of digital disruption will be briefly summarized below.

Hardware and Software for Image Capture, Editing and Distribution

During the past thirty years image capture hardware (photograph and moving image cameras) have evolved from analogue (physical film media) based to digital (electronic image sensor) devices, which have also evolved in the traditional hardware innovation trajectory of smaller, lighter, more mobile and easier to use devices. Associated with these hardware technology developments has been the improved visual quality and lower costs associated with employing portable cameras to shoot still or moving imagery. Consequently, cost and learning barriers to entry have fallen and more amateurs and independent professionals are able to shoot quality imagery at much lower costs than professional photographers, videographers and cinematographers were incurring a few years ago. The consequence of these developments is that digital production is faster and tends to be cheaper than analogue production (von Rimscha et al., 2014 in this volume).

The same technology trends for image-capturing hardware apply to the digital revolution in software for image editing. As a result, more amateur and independent visual artists are able to edit their own work and to prepare finished, post-production editions of their camera work without needing to outsource their work to an expensive editing service provider. Again this development speeds the post-production editing process while lowering costs of editing.

Lastly, the Internet enables content owners to deal directly with individual customers or groups at a significantly lower cost. Audiences can now access films at any time, any place, and on any device they want – both established ones (the cinema screen, the television screen) and new ones (the tablet, the smartphone). Additionally, the consumer no longer needs access to physical copies (whether they be home video tapes, DVDs, or Blu-ray discs) to access whatever film or video title is desired (De Vinck and Lindmark, 2014 in this volume). The unsettled question is the extent to which the Internet empowers content creators versus content aggregators in monetizing their owned content (see section on markets for hits and long tails below).

Evolution of Intellectual Property Regimes

As media-based industries have been digitized, the intellectual property regimes governing digital rights ownership have also evolved. For instance, new legislations such as the United States' Digital Millennium Copyright Act of 1998 have allowed Internet service providers across the world to avoid liability from posting copyrighted (pirated) works as long as they

removed such materials when requested to do so by copyright owners of pirated materials. Some observers suggest that many online distribution companies have taken advantage of the allure of pirated material on their websites as a means to attract users and they view the marginal costs of take down notices trivial in relation to the advantages of posting content with or without copyright reimbursement to the content creators (Levine, 2011). More generally, Levine (2011) argues that the best industry profit sanctuaries or profit centres are migrating from the traditional content publishers (movie production studios, television production studios, photography studios) to these online content aggregators and distributors (e.g. Netflix, YouTube).

Another example of evolving intellectual property regimes is the Creative Commons licence, whereby the binary ‘yes versus no’ rights choices of traditional copyright are replaced by a continuum of rights to use copyrighted content. These new copyright regimes are inspiring new business models to capitalize on more freely available creative content. For example, Michael Gubbins (2012) discusses Jamie King’s VODO service, launched in 2009 and billed as ‘free-to-share films available through BitTorrent’, which has seized on the potential of P2P (peer-to-peer) network file-sharing to distribute content for free while soliciting donations, hoping that even a small percentage of payments could make a significant difference if they originate from a large enough audience.

Participatory Culture

A major development in a growing number of creative industries is the rise of a participatory culture in which media content consumers are engaging with media products and services as content evaluators, content producers and content co-creators (Jenkins, 2006). A key consideration in participatory culture is the altered sensibilities of a new generation of media consumers who are digital natives and accustomed since childhood to actively participate in both the consumption and creation of their media experiences. Moreover, this is a generation that is accustomed to sharing their media creations and media experiences with others online.

Social media websites have created opportunities for specific media consumers to share their evaluations of media offerings with anyone who has access to the website. Indeed, some commercial websites (e.g. Amazon) incorporate consumer reviews and recommendations in their service offerings. However, the toolkit of digital media production and editing now empowers consumers to actively create and contribute their own content as alternatives or supplements to professionally produced media content. Again, websites have arisen to provide platforms for passionate

amateur (and calculating professional) content creators to share their still imagery (e.g. Flickr) or moving imagery content offerings (e.g. YouTube). Lastly, a number of firms are now actively inviting audiences to co-create content with them (e.g. Amazon Studio). This type of co-production will be detailed further in the subsequent discussion of crowd-sourcing and co-creation.

INDUSTRY TRANSFORMATIONS

These external environmental shocks or disruptions are resulting in the corresponding industries undergoing transformations in a variety of practices as presented below.

The Rise of Crowd-Funding and Crowd-Sourcing

Crowd-funding is a new form of venture financing by creative industry entrepreneurs as an alternative or supplement to traditional (equity and debt based) forms of venture finance. Luka (2014 in this volume) defines crowd-funding as Internet- and digital-technology-based crowd-sourced funding activities which include the creation and growth of specific virtual social networks ('assemblages') of people who provide resources for cultural production. Typically, the cultural entrepreneur posts an Internet-based call for voluntary financial contributions on a crowd-funding web platform, which in turn links that entrepreneur funding seeker with potentially interested parties willing to pledge relatively small individual cash contributions to the crowd-funded project within the stipulated time period of the campaign. The fund seeker indicates in the call an overall financial fund-raising goal for the period of the campaign. Crowd-funding contributors typically receive some small gift or recognition but not equity ownership in the projects they fund.

The crowd-funding market has grown extremely quickly in its first five years (2008–13), with hundreds of websites offering platforms for crowd-funding projects. Two high-profile crowd-funding websites Kickstarter (www.Kickstarter.com) and IndieGoGo (www.IndieGoGo.com) are illustrative. Luka (2014) details in this volume the role of crowd-funding in supporting independent film projects.

A second related development in creative industries is crowd-sourcing, defined by Jeff Howe as 'the act of a company or institution taking a function once performed by employees and outsourcing it to an undefined (and generally large) network of people in the form of an open call' (Howe, 2006). Crowd-sourcing includes a process similar to crowd-funding: a

company posts a problem online, a crowd of individuals offer solutions to the problem, the winning ideas are selected and awarded some form of financial (prize) and non-financial (invitation to work with company on implementing proposed solution) compensation, and the company uses the output for its own financial and non-financial gains (Brabham, 2008).

Technology advances in digital communication and web-based connectivity made it possible for any organization or individual to broadcast a call for content and to receive this content and assess, select and aggregate that content for subsequent dissemination to prospective users of the content. Crowd-sourcing has been employed in a range of creative industries to both access content and to edit that content. Examples found within this volume include video advertising (Roth and Kimani, 2014), film making (Escoffier and McKelvey, 2014 and Ferrer-Roca, 2014 in this volume), photography (DeFillippi et al., 2014 in this volume) and television (Leminen et al., 2014 in this volume).

Digital Platforms for Content Aggregation and Distribution

The Internet and its associated Web 2.0 tools for communications, connectivity (community) and commerce (Angus and Thelwall, 2010) are putting the aggregator (e.g. Google, Amazon) at the centre of content distribution. Moreover, the most web savvy aggregators are developing digital platforms that can collect and distribute a wide range of digital content from a variety of sources, both internal and external. These platforms are developing APIs (Application Programming Interfaces) that allow both digital content suppliers and buyers to conduct their respective transactions with the aggregator with ease.

An old nostrum of creative industries was that content was king. The evidence from a number of creative industries suggests that the possession of content is paramount but that there is no requirement that the aggregator create their own content. Moreover, digital customers are agnostic as to where they view their content (on TVs, computers, iPads or iPhones) and thus it is becoming increasingly important for content creators and content aggregators to distribute the content across multiple content consumption platforms. Recent research has identified an emerging and powerful set of globally focused online distributors of film and television, such as Google/YouTube, Apple, Amazon, Yahoo, Facebook, Netflix and Hulu who are also commissioning content in competition with film studios and television broadcasters (Cunningham and Silver, 2013).

Some independent content creators are attempting to deliver their content directly to these content consumption platforms without the services of the large digital content aggregators and distributors. This form

of disintermediation is occurring to varying degrees in creative industries and bears closer examination in the industries covered in this volume (see Finney, 2014 in this volume).

Markets for Hits and Long Tails

Film making, video and other entertainment-based industries have often been characterized as markets for hits insofar as a relatively small percentage of all creative offerings make substantial profits and revenues in comparison to the paltry returns on the vast majority of creative offerings (Caves, 2002). This market structure has been employed to explain the blockbuster strategy of Hollywood film producers, and the frequent reliance upon well-known franchises based on earlier success in other genres, such as books, video games and comic books, upon which to appeal to the franchise's installed base of enthusiastic fans.

By contrast, Anderson (2006) argues that the proliferation of inexpensive digital technology for storing, accessing and disseminating digital media products significantly lowers the aggregate costs of capturing sales from many small markets (micro niches). This so-called *long tail* scenario argues that all creative projects can generate some market returns due to their ability to capture sales from very small and specialized appreciative audiences. A number of chapters in this volume will be exploring the opportunities for small independent creative content suppliers to succeed by developing more intimate, social media-based relationships with their audiences and to have these audiences and fan bases to participate both in the crowd-funding of their enterprises and in the co-creation of the creative offering. It is an open question whether such long tail innovations related to crowd-funding and crowd-sourcing can be a significant opportunity for independent content creators and producers serving smaller niche audiences and if such innovations will open up an alternative to the market for hits and blockbuster strategies of mainstream creative industry studios.

Collaborative Alliances

As the barriers previously separating various creative industry sectors collapse, it becomes challenging for creative firms to decide against whom to compete and with whom to collaborate. The digital convergence observed in so many media-based creative industries has challenged traditional industry analyses based upon well-defined industry boundaries and industry value chains (Porter, 1985). This volume examines some of the more dynamic forms of collaborative alliances and value chain restructuring underway within the film, video and photography industries.

Evidence from the Japanese film industry suggests the increasing use of film production consortia consisting of participating companies spanning multiple industries (Wakabayashi et al., 2014 in this volume). The prevalence and role of such strategic alliances and partnerships to collectively cope with the competitive challenges of diffuse creative industry boundaries is an area deserving further empirical examination.

CHAPTERS IN THIS VOLUME

The chapters in this volume provide a rich and diverse account of the transformation and disruption processes discussed above. The digital disruptions and industry transformations are examined in a wide range of country contexts, including Australia, Canada, China, Croatia, France, Germany, Ireland, Italy, Japan, New Zealand, Norway, Spain, Sweden, Switzerland, the United Kingdom and the USA. These country contexts are the focus of both country-specific studies and explicit comparative studies of the same practices across various subsets of the above country contexts.

Methodologically, our chapters include single industry case studies, comparative company case studies, and comparative industry case studies. The use of longitudinal case research in many of these chapters is supplemented by survey or interview research findings on specific practices of the participants in these studies. It is our perspective that longitudinal case studies are an exemplary mode of study for the emergence and evolution of industry transformations in response to digital disruptions to the industries and companies studied.

Theoretically, our chapters focus primarily on the phenomena of disruption (whether digital or otherwise) and how industry value chains, business models for value creation and modes of industry collaboration and competition are transformed. These types of transformations are the core focus of this volume and we are confident that the chapters to follow will make a substantial contribution to a deeper understanding of the drivers of these industry and firm transformations.

The 13 chapters have been structured into two parts: the first part consists of eight chapters that explore various aspects of the digital transformation of film industries in Asia Pacific, Europe and North America. The second part has a more narrow focus and consists of five chapters that all examine co-creation, crowd-sourcing and crowd-funding in the industries for film, video and photography.

Part I: Film Industry Disruption and Transformation

In the first chapter, Angus Finney explores the impact of digital technologies on the independent film industry's existing value chain. The chapter specifically delves into how, and in what ways the sector is being restructured as a result of these disruptive elements. In the next chapter, Natàlia Ferrer-Roca continues the examination of value chain transformation but she turns the focus to the film industry in New Zealand. By adopting Schumpeter's view of innovation and entrepreneurship she is able to demonstrate how new business opportunities can arise when technologies are used in an entrepreneurial and innovative way. The third chapter, by Tuen-Yu Lau and Axel Kwok, explores the transformation of the film industry in China during the first decade of this century. They show how China rapidly has become the world's second largest film market in a process driven both by regulatory and technological change. The fourth chapter remains in Asia and examines how film production consortia in Japan have been able to reignite and bring new life into the Japanese film industry. Naoki Wakabayashi, Jin-Ichiro Yamada and Masaru Yamashita discuss the unique features, competitive advantages, history and the roles of corporate producers in film production consortia.

The fifth chapter turns the focus from Asia to Europe. Bjørn von Rimscha, Patrik Wikström and Lucia Naldi present the findings from a study of how audio-visual production companies in eight European countries respond to disruptive change. The chapter concludes that many companies are reluctant to develop the new competences that are needed to cope with the digital transformation of their industries. Chapter 6 also uses Europe as its context and is specifically focused on the establishment of multiplex theatres in France during the 1990s. Pierre Roy explores a process that is particularly interesting since disruption is introduced by established firms and not by a challenger or an industry newcomer. The chapter discusses how a disruptive strategy actually can be a powerful way to reinforce leadership in a mature industry. The seventh chapter stays in the European film scene but explores how digital transformation of the film industries affects the ability of the European film industry to compete with the US-based industry. Sophie De Vinck and Sven Lindmark use a historical perspective and analyse how digital disruption has affected the position of the European film industry in the past. Sergio Sparvierio applies a similar historical perspective in Chapter 8 in an analysis of the audio-visual media ecosystem in the US. Sparvierio argues that institutional innovations have played an important role in forcing incumbent stakeholders to adapt and formulate new business strategies.

Part II: Co-Creation, Crowd-Funding and Crowd-Sourcing

Mary Elizabeth Luka opens the book's second part by exploring crowd-funding strategies among documentary film makers in Canada. Luka specifically examines the relationships among funders, creative producers and investors that can help or hinder the growth of crowd-funding as a financial and audience development strategy. In Chapter 10, Yannig Roth and Rosemary Kimani argue that the video advertising industry is undergoing a fundamental change with the advent of a new set of intermediaries that they refer to as creative crowd-sourcing platforms. Based on a multiple case study methodology, they explain what role crowd-sourcing plays in the contemporary video advertising landscape.

Next, Nadine Escoffier and Bill McKelvey discuss the use of 'crowd-wisdom' as a way for film production companies to evaluate and generate new ideas. The chapter presents a case of how a film company has used the crowd to evaluate movies' market value before they are released to market. In Chapter 12, Robert DeFillippi, Pat Hunt, Colette Dumas and Ken Hung present the case of iStockphoto and Getty Images and how a series of digital technology advances in photography transformed the stock photography industry's value chain and the relationships between creative content contributors and microstock agencies. In the final chapter Seppo Leminen, Mika Westerlund, Laia Sánchez and Artur Serra report the findings from a study focused on users' roles in co-creating media content. The study shows that it is possible to open the culture of innovation to the general public by focusing on user-generated content and user-generated applications and services.

REFERENCES

- Anderson, C. (2006). *The Long Tail: Why the Future of Business is Selling Less of More*. New York: Hyperion.
- Angus, E. and Thelwall, M. (2010). 'Motivations for Image Publishing and Tagging on Flickr', in *Proceedings of the 14th International Conference on Electronic Publishing*, Hanken School of Economics, Helsinki, pp. 189–204.
- Brabham, D.C. (2008). 'Moving the Crowd at iStockphoto: The Composition of the Crowd and Motivations for Participation in a Crowdsourcing Application', *First Monday* 13(6).
- Caves, R. (2002). *Creative Industries: Contacts between Art and Commerce*. Cambridge: Harvard University Press.
- Cunningham, S. and Silver, J. (2013). *Screen Distribution and the New King Kongs of the Online World*. London: Palgrave Macmillan.
- DeFillippi, R., Hunt, P., Dumas, C. and Hung, K. (2014). 'Crowd Sourcing and the Evolution of the Microstock Photography Industry: The Case of iStockphoto

- and Getty Images', in DeFillippi, R. and Wikström, P. (eds), *International Perspectives on Business Innovation and Disruption in the Creative Industries: Film, Video and Photography*. Cheltenham, UK and Northampton, MA, USA: Edward Elgar.
- De Vinck, S. and Lindmark, S. (2014). 'Innovation in the Film Sector: What Lessons from the Past Tell Us about Hollywood's Digital Future – and What That Means for Europe', in DeFillippi, R. and Wikström, P. (eds), *International Perspectives on Business Innovation and Disruption in the Creative Industries: Film, Video and Photography*. Cheltenham, UK and Northampton, MA, USA: Edward Elgar.
- Escoffier, N. and McKelvey, W. (2014). 'Using "Crowd-Wisdom Strategy" to Co-create Market Value: Proof-of-Concept from the Movie Industry', in DeFillippi, R. and Wikström, P. (eds), *International Perspectives on Business Innovation and Disruption in the Creative Industries: Film, Video and Photography*. Cheltenham, UK and Northampton, MA, USA: Edward Elgar.
- European Commission (2001). 'Employment Trends and Sectors of Growth in the Cultural Economy', Final report. European Commission DG Employment and Social Affairs.
- Ferrer-Roca, N. (2014). 'Business Innovation in the Film Industry Value Chain: A New Zealand Case Study', in DeFillippi, R. and Wikström, P. (eds), *International Perspectives on Business Innovation and Disruption in the Creative Industries: Film, Video and Photography*. Cheltenham, UK and Northampton, MA, USA: Edward Elgar.
- Finney, A. (2014). 'Value Chain Restructuring in the Film Industry: The Case of the Independent Feature Film Sector', in DeFillippi, R. and Wikström, P. (eds), *International Perspectives on Business Innovation and Disruption in the Creative Industries: Film, Video and Photography*. Cheltenham, UK and Northampton, MA, USA: Edward Elgar.
- Franklin, M. (2012). 'Internet-enabled Dissemination: Managing Uncertainty in the Film Value Chain', in Iordanova, D. and Cunningham, S. (eds), *Digital Disruption: Cinema Moves On-line*. St Andrews: Dina Iordanova.
- Gubbins, M. (2012). 'Digital Revolution: Active Audiences and Fragmented Consumption', in Iordanova, D. and Cunningham, S. (eds), *Digital Disruption: Cinema Moves On-line*. St Andrews: Dina Iordanova.
- Howe, J. (2006). 'The Rise of Crowdsourcing', *Wired*, 14, available at: <http://www.wired.com/wired/archive/14.06/crowds.html>.
- Jenkins, H. (2006). *Convergence Culture: Where Old and New Media Collide*. New York: New York University Press.
- Leminen, S., Westerlund, M., Sánchez, L. and Serra, A. (2014). 'Users as Content Creators, Aggregators, and Distributors at Citilab Living Lab', in DeFillippi, R. and Wikström, P. (eds), *International Perspectives on Business Innovation and Disruption in the Creative Industries: Film, Video and Photography*. Cheltenham, UK and Northampton, MA, USA: Edward Elgar.
- Levine, R. (2011). *Free Ride: How Digital Parasites are Destroying the Culture Business and How the Culture Business Can Fight Back*. New York: Doubleday Press.
- Luka, M.E. (2014). 'Modes, Flows and Networks: The Promise of Crowdfunding in Documentary Filmmaking and Audience Development', in DeFillippi, R. and Wikström, P. (eds), *International Perspectives on Business Innovation and*

- Disruption in the Creative Industries: Film, Video and Photography*. Cheltenham, UK and Northampton, MA, USA: Edward Elgar.
- OECD (2006). *International Measurement of the Economic and Social Importance of Culture*. Organization for Economic Co-operation and Development Statistics Directorate. Available at: <http://www.oecd.org/std/na/37257281.pdf>.
- Porter, M. (1985). *Competitive Advantage: Creating and Sustaining Superior Performance*. New York: Free Press.
- Roth, Y. and Kimani, R. (2014). 'Crowd-sourcing in the Production of Video Advertising: The Emerging Roles of Crowd-sourcing Platforms', in DeFillippi, R. and Wikström, P. (eds), *International Perspectives on Business Innovation and Disruption in the Creative Industries: Film, Video and Photography*. Cheltenham, UK and Northampton, MA, USA: Edward Elgar.
- United States Census Bureau (2010). *United States Census Report 2010*. Available at: <http://www.census.gov/2010census/>.
- Von Rimscha, B., Wikström, P. and Naldi, L. (2014). 'European Audio-Visual Production Companies Adapting to Strategic Challenges', in DeFillippi, R. and Wikström, P. (eds), *International Perspectives on Business Innovation and Disruption in the Creative Industries: Film, Video and Photography*. Cheltenham, UK and Northampton, MA, USA: Edward Elgar.
- Wakabayashi, N., Yamada, J. and Yamashita, M. (2014). 'The Power of Japanese Film Production Consortia: The Evolution of Inter-firm Alliance Networks and Revival of the Japanese Film Industry', in DeFillippi, R. and Wikström, P. (eds), *International Perspectives on Business Innovation and Disruption in the Creative Industries: Film, Video and Photography*. Cheltenham, UK and Northampton, MA, USA: Edward Elgar.