

Igor Kovačević*, Branislava Hristov Stančić
University of Belgrade, Faculty of Economics and Business, Serbia

Value Chain Identification and Impact of the Music Industry on Employment in Serbia

DOI: 10.7595/management.fon.2024.0008

Abstract:

Research Question: The aim of paper is to identify value chain of the music industry and to determine the impact of music industry on employment in Serbia. **Motivation:** Creative industry is a very attractive topic among both scholars and professionals. A total of 52 sectors are considered as creative industry sectors, including music industry. Our goal was to identify the impact of the music industry on the economy, in addition to the entertaining and amusement value of the music. In order to do so, our goal was to understand all the sub-sectors and activities within music industries. **Idea:** Although excising NACE nomenclature of activities is rigid, our goal was to identify music industry activities within NACE codes, and to define how the value creation is distributed among various activities within the music industry value chain. **Data:** Measuring employment is based on combining data from the official statistics entities. **Tools:** Research required data on the four-digit level of activity (NACE), that were cross-referenced with the findings of the primary research and defined value chain activities of the music industries. **Findings:** The paper analyses the complexity of the value creation and value chain in the creative industries, specifically in the music industry. Findings support excising literature review and confirms complexity of the value chain in the music industries. In addition, the paper adds value to the scientific research by presenting novel approach that is based on using the Porter value chain model in the music industry and identifying a total of 29 activities within. Further, using created value chain model, paper results demonstrate the impact of the music industry on the employment in Serbia, that has been growing over the analysed period, no matter the COVID-19 crisis. **Contribution:** The paper expands the existing research related to creative industries and formulates the music industry value chain activities. The significance of this paper stems from the fact that, similar to other sectors within the creative industries, music industry is insufficiently covered by the data of the national statistical authorities. In addition, the paper measures the music industry impact on the employment in Serbia.

Keywords: creative industries, music industry, value chain, economic impact, value creation, employment

JEL classification: J01, L82, Z10, Z11

1. Introduction

There are three major aims of this paper. The first aim was to research foundations of the music industry as inevitable part of the creative industries sector and to understand the complexity and importance of the creative sector as a whole, using the extensive literature review. The second aim of the paper was to identify the value chain of the music industry and stakeholders' categories within the music industry value chain. Combination of the literature review, along with primary research, has been used in accomplishing the second aim. After the value chain has been identified, the third aim of this paper was to measure an impact of the music industry on the employment in Serbia, using the official data. The research is based on data on the four-digit level of activity (NACE), that were cross-referenced with the findings of the primary research and defined value chain activities of the music industries. There are three main parts of the paper, each related to the specific aim of the paper.

* Corresponding author: Igor Kovačević, e-mail: igor.kovacevic@ekof.bg.ac.rs

2. Music Industry as Part of Creative Industries

The advancement and innovation of new technologies are amplifying the social significance of products infused with cultural and creative content. The emergence of new technologies in recent years has propelled digital transformation within the music industry. For example, the proliferation of streaming services has influenced market dynamics, enabled novel business models, and reshaped the value chain (Darvish & Bick, 2024, p. 182). This burgeoning trend directly influences the creative industries sector's contribution to overall employment, gross domestic product, and various other macroeconomic indicators (Falk et al., 2011, p. 3). Research demonstrates that the music industry generates a positive direct and indirect economic impact across European nations (de-Miguel-Molina et al., 2021, p. 22). According to the IFPI (2020), the total employment in the European music industry sector in 2018 was 2 million, with 1.3 million being direct and the remainder indirect employees. The music industry epitomizes the original gig economy, characterized by precarious structures featuring high levels of self-employment and part-time employment, and it is gender balanced (Bain, 2024, p. 370). The music industry is dominantly based on the creative jobs and activities, and as such is part of the creative industries (World Bank, 2017). Creative industries provide goods and services that have cultural, artistic or entertainment value (Caves, 2000). Creative industry sectors, such as music and entertainment, thrive on the creativity and innovation of entrepreneurs who harness the talents and creativity of others, and those individuals are stems from a diverse community of independent content creators (Leadbeater, 2000, p.49). There are four basic approaches in researching and analysing the creative industries sector that stand out in the scientific literature (UNCTAD, 2004, 2008, 2010; Cruz & Teixeira, 2015): UK DCMS model, WIPO copyright model, Symbolic texts model and Concentric circles model. There is no unequivocal conclusion about which of the considered models are superior to the others, and the choice of model depends on the needs of the analysis being carried out. The choice of model and the classification of sub-sectors that will be used in the research on creative industries, represent a starting step in any research. According to each of these models, the music industry is an integral part of the creative industries sector.

In this paper, authors are following the UK DCMS model (DCMS, 2016). Although the DCMS model has been labelled as the "eclectic list" (Cunningham, 2002, p. 54), it lacks compatibility with available classification systems (Higgs & Cunningham, 2008, p. 12), such as NACE classification, and that is a clear limitation when quantitatively analysing the creative industries (Kovacevic et al., 2020c, p. 54). According to the UK DCMS model, there are 9 groups of creative industries, including the music and performing arts group, that includes following sub-sectors: Recording and publishing, Performing arts, Other artistic activities and Artistic creation.

3. Identification of the Music Industry Value Chain Stakeholders

According to the Nomenclature of Economic Activities (NACE classification), it is not easy to identify the music industry sectors and/or subsector classification within the music industry value chain, because most of the activity codes that can be related to music include some other activities, which may or may not be related to the music industry. The existence of new activities based on new approaches of the creation and distribution of music content, means that the activities of the music industry are often "hidden" behind existing codes, due to the rigidity of the NACE nomenclature itself.

Within the NACE classification, four segments of the music industry can be distinguished: music performance (classification 90), music composition (classification 90), sound recording (classification 59) and music education (classification 85). The absence of "pure" groups of activities related to the music industry is one of the reasons why there are certain limitations in the process of measuring the impact of the music industry on the economies of countries (NACE Rev. 2, 2008). Therefore, various research works identified additional sub-sectors and activities within the music industry value chain. From a real market point of view, an inevitable part of the music industries are activities such as sale and purchase (trade) of recordings, as well as accounting, promotional teams, engineers, producers, publishing houses, equipment rental and similar (Sterne, 2014). In addition, it is important to understand that the music industry is composed of four clearly defined industries, namely: the music publishing industry, the recording industry, the promotional industry and the live performance industry (Wikstrom, 2009, p. 49–60). Music publishing and licensing are crucial activities for the revenue generation of the music industry (Nordgard, 2018) in addition to the live performances that are taking more dominant position (Williamson & Cloonan, 2007), while enhancing legislation related to intellectual property rights has become the most important lobbying activity towards governments (Laing, 2009, p. 14), due to important source of music industry revenue. When discussing music industries sectors, it is also vital to include such activities as education of the music related future and current em-

ployees, production and distribution of music instrument and music related technologies (Laing, 2009, p. 15). The following groups of stakeholders, when considered together, outline the additional scope and coverage of the music industry (Throsby, 2002, p. 2-3): creative individuals (composers, songwriters, performers); agents, managers and promoters; copyright collecting societies; studio owners, manufacturers, retailers, broadcasters, venue operators, ticket agents; film-makers, multi-media producers, advertisers; individual consumers, who purchase musical goods or a service or consume them for free. Consumers are also important to be taken into the consideration, since music industry stakeholders adapt to the evolution of the music preferences, needs, wants and tastes in terms of quality, distribution and usage (Andersen & Frenz, 2010, p. 735). Numerous new music industry ventures are making substantial steps in reaching audience engagement and online presence, assessed through metrics such as capitalization, catalogue size, media influence, and other indicators (Hadida & Paris, 2014, p. 84), creating new music industry sub-sector and stakeholders. Talent agents and producers are also considered as the creative industry intermediary (Bielby & Bielby, 1999), along with critics (Hsu, 2006).

The question of complexity of value creation and value chain has been part of various papers in the field of creative industries, such as the value chain in the film industry (Miller & Shamsie, 1996; Moon & Yin, 2020), in the design industry (Gemser & Wijnberg, 2001), the value chain in fine arts (Crossland & Smith, 2002). The complexity of the value chain in creative and cultural industries arises from the fact that it involves stages from idea creation to the final consumer (De Voldere et al., 2017). When analysing business models, it is important to understand that the value chain is not simply a linear system, but rather a network of interconnected activities involving a company, its customers, suppliers, and partners. In the music industry, companies employ various business models that are tailored to the specific activities they undertake within the value chain (de-Miguel-Molina et al., 2021, p. 13). Research in the music industry is mostly focusing on one specific sub-sector and/or the specific activity. For the recording of the music sub-sector value chain activities are identified as following (Mol et al., 2005, p. 267): composing, performing, publishing, recording, reproduction, distribution and retailing. Also, activities of music production and distribution have been analysed separately from other activities, with a focus on promotion, licensing and value of the retailers in the music industry (Power & Hallencreutz, 2007), as well as activities of the supply chain in the music industry (Renard, 2010).

In order to demonstrate the complexity of the music industry and to take into account the relevant global market situations of supply and demand and define the full value chain focusing on entire value creation, the authors of this paper introduce principles of the Porter's value chain (Porter, 2001) into the music industry. In this way, methodological conditions are created to identify activities and map stakeholders, within the primary and supporting activities of the music industry value chain.

Bearing in mind the above literature review on the creative and music industry sectors and activities, the identification and categorization of the activities of the Porter's value chain of the music industry was carried out and tested through primary research that was based on the individual in-depth interviews with music industry sector representatives from Serbia. This primary research resulted in the classification process that utilized individual in-depth interviews with representatives from the music industry sector in Serbia. These interviews were conducted face-to-face during November 2023 and employed semi-structured open-ended questions with 14 representatives of the music sector (7 from the live performance sector, 3 from the equipment rental sector, 3 from the publishing sector, 1 from the government policy sector). A semi-structured interview understood final selection of all the sectors and activities that might be considered as the value chain part of the music industry (no matter 4 major NACE classification activities) and the proportion of their business value creation in the music industry. The results are shown in the following table:

Table 1: Activities of the music industry in relation to the NACE and the value chain

Activity	NACE code	Porter's value chain classification	Assessment of the participation of the music industry in value creation of the of activities
Reproduction of recorded media	18.20	Primary	100%
Manufacture of loaded electronic boards	26.12	Primary	100%
Manufacture of musical instruments	32.20	Primary	100%
Retail sale of audio and video equipment in specialised stores	47.43	Primary	100%
Retail sale of music and video recordings in specialised stores	47.63	Primary	100%
Motion picture, video and television programme production activities	59.11	Primary *	20%
Motion picture, video and television programme post-production activities	59.12	Primary *	20%
Motion picture, video and television programme distribution activities	59.13	Primary *	5%
Sound recording and music publishing activities	59.20	Primary	100%
Radio broadcasting	60.10	Supporting *	50%
Television programming and broadcasting activities	60.20	Supporting *	5%
Legal activities	69.10	Supporting *	2%
Accounting, bookkeeping and auditing activities; tax consultancy	69.20	Supporting *	2%
Other professional, scientific and technical activities	74.90	Supporting *	5%
Renting of video tapes and disks	77.22	Supporting *	50%
Renting and leasing of office machinery and equipment (including computers)	77.33	Primary *	50%
Leasing of intellectual property and similar products, except copyrighted works	77.40	Primary *	25%
Activities of employment placement agencies	78.10	Supporting *	5%
Other reservation service and related activities	79.90	Primary *	50%
Combined facilities support activities	81.10	Supporting *	25%
Cultural education	85.52	Primary *	35%
Performing arts	90.01	Primary	100%
Support activities to performing arts	90.02	Primary	100%
Artistic creation	90.03	Primary *	25%
Operation of arts facilities	90.04	Primary *	35%
Operation of sports facilities	93.11	Primary *	25%
Other amusement and recreation activities	93.29	Primary *	25%
Activities of professional membership organisations	94.12	Primary *	5%
Activities of other membership organisations	94.99	Primary *	5%

Note: Activities, both primary and supporting, which are marked with an asterisk (*) include a wider range of activities than the music industry, i.e., music industry activities are only one of the industries that perform similar/related activities but are not directly related to the activity.

4. Impact of the Music Industry on Employment in Serbia

The research of employment in this paper is based on the methodology already developed for the purpose of analysing the creative industry sector (Kovacevic et al., 2020b, p. 527) and film industry sector (Kovacevic et al., 2020a, p. 165), and therefore is more than tested in the creative industries environment in Serbia. Measuring employment on registered employment is based on combining data from the Central Register of Mandatory Social Insurance (CROSO) and the Statistical Business Register. The term “employee” understands persons who have a formal legal employment contract, persons who perform independent activities or are founders of companies or entrepreneurial activities and are on the records of CROSO. The data are presented according to the predominant activity of the business entity, and not according to the activity of business units, which is according to the methodology of research on registered employment, so the data are not comparable with official statistical data published as part of the mentioned research. The annual average of the number of employees represents the average of all 12 months. As a consequence of rounding and calculating the average number of employees using the arithmetic mean, slight discrepancies may occur in the summaries at different levels of aggregation.

4.1 Analysis of employment in the music industry

The analysis of employment in the music industry in Serbia requires data on the number of employed persons at the four-digit level of activity (according to NACE and KD 2010) based on the music industry value chain, as defined in the Table 1. It should be noted that official data from the Statistical Office of Serbia are at a two-digit level of activity, but for the purpose of deeper and more detailed analysis, the data processed at a four-digit level of activity have been obtained.

According to official data, the number of employees in Serbia's music industry was 11,257 in 2018, increasing to 14,951 by 2022. The analysis in Table 2 reveals that the majority of employees were engaged in primary activities throughout the observation period. Additionally, there has been a continuous shift in favour of primary activity employees, with their share of total employment in the music industry rising from 74% in 2018 to 79% in 2022. However, the combined share of employment in both primary and support activities, and consequently the overall share of the music industry in total employment, remains below 1% during the observed period. This underscores the fact that only a very small number of individuals are formally employed within this industry.

Table 2: Impact of the music industry on employment in Serbia

	2018	2019	2020	2021	2022
Total number of employees in the music industry in Serbia	11,257	12,175	13,932	14,608	14,951
No of employees in primary activities of the music industry in Serbia	8,328	9,038	10,865	11,570	11,843
No of employees in supporting activities of the music industry in Serbia	2,929	3,137	3,067	3,038	3,108
<i>Total employment in Serbia</i>	<i>2,052,546</i>	<i>2,101,267</i>	<i>2,149,099</i>	<i>2,212,631</i>	<i>2,253,473</i>
Music industry in Serbia participation in total employment	0.55%	0.58%	0.65%	0.68%	0.66%
Participation of employees in primary activities in total employment	0.41%	0.43%	0.51%	0.55%	0.53%
Participation of employees in supporting activities in total employment	0.14%	0.15%	0.14%	0.13%	0.13%

Source: Author's calculation based on the Statistical Office of the Republic of Serbia data
 Note: The total number of employees is given according to the CROSO data without registered individual farmers.

The relative growth of overall employment in the Serbian music industry from 2018 to 2022 was 33%, reflecting an increase in participation in total employment from 0.55% to 0.66%. Analysing the trend of primary activity employee movements, employment has steadily increased, aligning with the overall rise in the number of employees. Nevertheless, there was a decline in the number of employees engaged in support activities in 2020 and 2021, with a subsequent increase in 2022, albeit insufficient to surpass the 2019 employee count.

Table 3: Employment by age intervals in the music industry of Serbia (participation in %)

Age intervals	2018	2019	2020	2021	2022
15-19	0.36 %	0.41 %	0.48 %	0.49 %	0.45 %
20-24	3.4 %	4 %	4.4 %	4.5 %	4.4 %
25-29	9.3 %	9.2 %	10.0 %	10.4 %	10.3 %
30-34	13.7 %	13.1 %	13.5 %	13.0 %	12.6 %
35-39	15.0 %	14.7 %	15.0 %	14.8%	14.1 %
40-44	15.4 %	15.00 %	14.6 %	14.1 %	13.9 %
45-49	13.0 %	13.4 %	13.3 %	13.6 %	13.7 %
50-54	11.2 %	11.1 %	10.2 %	10.3 %	11.0 %
55-59	10.4 %	10.5 %	9.9 %	9.9 %	9.8 %
60-64	6.1 %	6.3 %	6.3 %	6.8 %	7.2 %
65+	2.2 %	2.3 %	2.4 %	2.2 %	2.6 %
Unknown	0.03 %	0.03 %	0.04 %	0.04 %	0.04 %
SUM %	100 %	100 %	100 %	100 %	100 %

Source: Author's calculation based on the Statistical Office of the Republic of Serbia data

When examining age intervals, it becomes apparent that individuals in middle age groups (35-39 and 40-44 years) are the most prevalent among total employment in the music industry. In 2018 and 2019, those aged 40-44 exhibited the highest participation rates at 15.4% and 15%, respectively, whereas in the subsequent three years, individuals aged 35-39 held the highest participation rates at 15%, 14.8%, and 14.2%. Conversely, the youngest cohort aged 15-24, as well as those aged 65 and older, demonstrate the lowest levels of participation. In essence, individuals aged 30-49 constitute approximately 55% of all employees in the music industry sector, with this percentage standing at 54.4% in 2022.

Table 4: Gender structure of the music industry employment in Serbia

	Gender	Number	%
2018	Male	5.704	50.7%
	Female	5.555	49.3%
	Total	11.259	100%
2019	Male	6.159	50.6%
	Female	6.017	49.4%
	Total	12.175	100%
2020	Male	7.059	50.7%
	Female	6.873	49.3%
	Total	13.932	100%
2021	Male	7.329	50.2%
	Female	7.282	49.8%
	Total	14.610	100%
2022	Male	7.474	50.0%
	Female	7.478	50.0%
	Total	14.952	100%

Source: Author's calculation based on the Statistical Office of the Republic of Serbia data

During the period from 2018 to 2021, this distribution favours men, with their participation slightly exceeding 50%.

Table 5: Employment by educational level in the music industry of Serbia (participation in %)

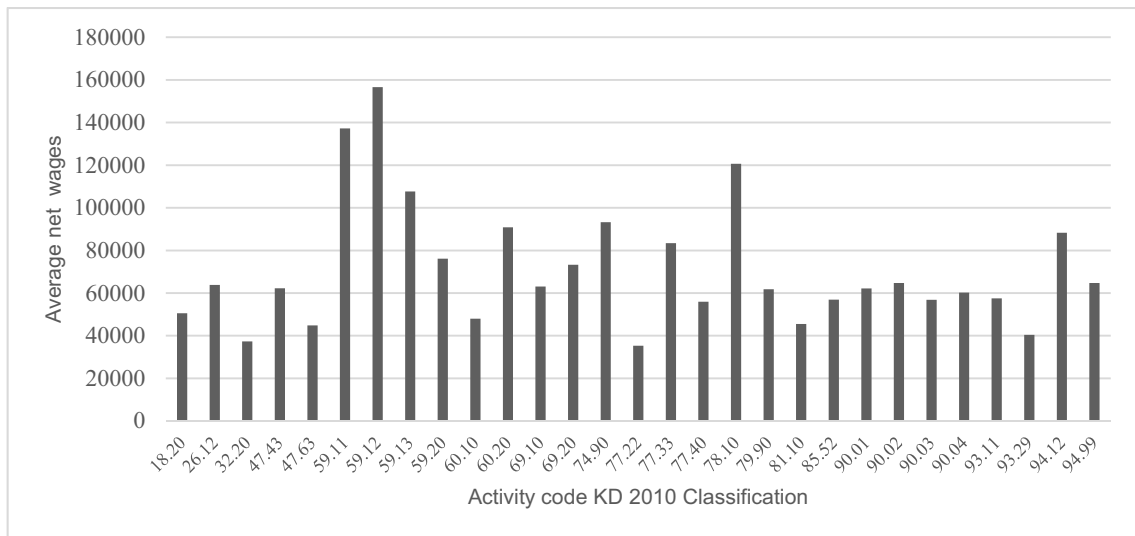
	Level 1 and without education	Level 2	Level 3	Level 4	Level 5	Level 6	Level 7	Level 8	Unknown
2018	7.15	1.8	7.2	35.6	0.6	4.4	22.4	0.5	20.6
2019	6.1	1.4	7.6	33.6	0.55	4.4	21.2	0.5	24.8
2020	6.5	1.3	12.7	35.3	0.57	5.6	20.7	0.4	16.9
2021	5.9	1.4	11.2	36.9	0.60	8.1	20.6	0.4	14.7
2022	5.9	1.4	9.7	37.3	0.58	8.4	20.9	0.4	15.4

Individuals without acquired basic education are at level 1 (basic education); Level 2 - vocational training or informal education; Level 3 - three-year vocational education or informal education; Level 4 - four-year secondary education - vocational, artistic, grammar school; Level 5 - master's or specialist studies after secondary education, 3+2 or 4+1 years; Level 6 - sub-level 6.1 (Bachelor of Academic Studies or Bachelor of Applied Studies, 180 ECTS) + sub-level 6.2 (Bachelor of Academic Studies or Specialist Studies, 240 ECTS); Levels 7 and 8 encompass: level 7, sub-level 7.1 (Integrated Academic Studies, max. 360 ECTS; Master of Academic Studies, 300 ECTS; Master of Specialist Studies, +120 ECTS) + sub-level 7.2 (Specialist Academic Studies, +60 ECTS) + level 8 (PhD + 180 ECTS); BAS - Basic Academic Studies; SAS - Specialist Academic Studies; IAS - Integrated Academic Studies; OSS - Basic Vocational Studies; MAS - Master Academic Studies; MSS - Master Vocational Studies.

The analysis of employment by educational level is incomplete due to a lack of information regarding the educational background of a significant portion of employees. In 2018, the percentage of employees without educational level information was notably high at 20.6% (Table 5). Encouragingly, this percentage declined over the observed five-year period, reaching 15.4% in 2022. There has been an improvement in the employment structure by educational level during the observation period, with the proportion of highly educated individuals (levels 6–8) increasing from 27.2% in 2018 to 29.8% in 2022. Conversely, the proportion of individuals with low educational attainment (no schooling, levels 1 and 2) decreased from 8.9% in 2018 to 7.3% over the observed period.

4.2 Analysis of wages in the music industry

It is evident that there are significant differences in average net earnings among various activities within this industry.



Source: Author's calculation based on the Statistical Office of the Republic of Serbia data

Figure 1: Average net earnings at the activity level in the music industry in 2022 (in RSD)

The average net earnings in the music industry were as follows: 42,166, 47,086, 51,427, 52,171, and 64,965 Serbian dinars, respectively, from 2018 to 2022. The average value is obtained as the weighted sum of average earnings, with weights being the employment share in the activity at the four-digit level in the total employment of the music industry. When analysed by activities, the lowest average net earnings in 2022 were reported in the activity of renting video cassettes and compact discs at 35,300 dinars, whereas earnings in activities following the production phase in the production of cinematographic works, audio-visual products, and television programmes reached as high as 156,624 dinars. Comparing these figures to the overall average earnings in 2022 in Serbia, which stood at 74,933 dinars, employees in the activity of renting video cassettes and compact discs earned 47% of the national average, while those in activities following the production phase in the production of cinematographic works, audio-visual products, and television programmes earned on average 2.1 times higher. Across all sectors of the music industry, there was a cumulative increase in net earnings in 2022 compared to 2018. The highest cumulative increase was observed in activities following the production phase in the production of cinematographic works, audio-visual products, and television programmes, amounting to 268%, while the lowest cumulative increase was seen in the activity of leasing and renting office machinery and equipment (including computers), standing at only 17%. Out of a total of 29 activities covered by the music industry in 2022, net earnings were higher than the national average in only nine activities.

Conclusion

Being part of the creative industries sector, the music industry allows knowledge-based, creativity-based and innovation-based activities to allow creation, distribution and consummation of the specific content. Although having an obvious impact on the economy of the country, through positive impacts on macro-economic variables, such as employment, the process of analysing and measuring these impacts is hard due to the fact the official NACE nomenclature is rigid, and creative industries activities, including music industry activities, are either non-recognized or "hidden" behind existing codes within existing activity codes.

Through the extensive literature review conducted on the creative and music industry sectors, the identification and classification of activities within the Porter's value chain for the music industry were undertaken and validated through primary research, which resulted in the identification of the music industry value chain that consists of 29 activities in total, out of which 21 are categorized as the primary activities and 8 as the supporting activities. For each of the identified activities, the participation in the value creation for the music industry has also been identified.

The analysis of employment trends in the Serbian music industry clearly indicates a consistent increase in the number of employees over the observed five-year period. This growth remained stable even during the crisis period of 2019-2021, precipitated by the Covid-19 virus pandemic, with no decline in the number of employed individuals. Gender-wise, there is a relatively balanced participation structure between men and women in total employment within the music industry. The largest proportion of employed individuals (nearly 55%) falls within the 30-49 age bracket, while the majority of employed individuals do not possess a university degree (close to 55%). In 2022, only around 30% of the workforce in this industry had some form of college diploma. However, the proportion of the workforce engaged in primary and support activities, and, consequently, the overall share of employment within the music industry, remains below 1% of the total employment in Serbia during the observed timeframe. Net earnings in various sectors of the music industry exhibit significant fluctuations, with employees in certain segments earning average salaries that are more than double the national average, while in others, they earn even twice as much as this average. It is concerning that earnings above the average net income in Serbia are only observed in nine out of a total of 29 sectors of the music industry.

The music industry encompasses a multitude of activities and stakeholders, rendering it challenging to comprehensively quantify its overall impact. For the music industry to thrive, clear mapping of all stakeholders is necessary, followed by monitoring and analysis of relevant indicators to accurately measure the effects this industry has on the country's economy.

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Received: 2024-04-26

Revisions requested: 2024-05-09

Revised: 2024-05-25 (3 revisions)

Accepted: 2024-07-13

Acknowledgements

The results presented in this paper are based on the project "Analysis of the economic effects of the music industry on Serbian economy", performed by Scientific and research centre of the Faculty of Economics and Business (NICEF), 2023, for the purposes of the Serbia Creates platform.



About the Authors

Igor Kovačević

University of Belgrade, Faculty of Economics and Business, Serbia
igor.kovacevic@ekof.bg.ac.rs

Igor Kovačević is Associate Professor at the Faculty of Economics and Business, University of Belgrade. He lectures in business economy and management fields (Destination management, Event management, Marketing in Tourism) and in the area of economic policy and development (Tourism Economics). His academic and professional interests are focused on tourism marketing and management, with special emphasis on the meetings industry (MICE), events, business travel and creative economy.



Branislava Hristov Stančić

University of Belgrade, Faculty of Economics and Business, Serbia
branislava.hristov@ekof.bg.ac.rs

Branislava Hristov Stančić is Assistant Professor at the Faculty of Economics in Belgrade. She lectures in the business economy and management fields (Management of tourism and hospitality enterprise, Revenue Management, Marketing Management) and in the area of economic policy and development (Tourism Economics). Her academic and professional interests are focused on hotel management, hotel operations, revenue management and creative industries.

