



DISRUPTIVE INNOVATION: EXPLORING THE IMPACT OF SKIZA TUNES ON THE KENYAN MUSIC INDUSTRY

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Abstract

This paper explores Skiza Tunes' impact on the music industry. In the process, the research sought answers on how Skiza Tunes disrupted the Kenyan music industry, the Skiza Tunes platform's intermediary role, and its exploitative propensities. It initiates a discussion on Skiza Tunes' disruptive innovation focusing on its business model, platform capitalism. The researcher will undertake a comprehensive literature review on platform capitalism, disruptive innovations and access-based services' impact on the music industry. Spotify is an access-based service that thrives through platform capitalism. The researcher also conducts in-depth interviews with Kenyan artists, focusing on their opinions on the impact of Skiza Tunes on their socio-economic development. Skiza Tunes is significantly transforming the Kenyan music industry by generating new artist revenue streams. However, limited literature exists on the impact of Skiza Tunes on the music industry. Several questions still linger on the intermediary role of the Skiza Tunes, revenue splits and its exploitative propensities. There should be deliberate efforts to overhaul the education systems to reflect the current technological innovations. The skilled labour expected to drive these disruptive innovations does not get the necessary education, which slows down the adaption of these technologies in the music industry.

Key terms: Platform capitalism, disruptive innovation, ubiquitous access, royalty revenue, fourth industrial revolution.

1.0 INTRODUCTION

Platform capitalism, a business model theory advanced by Nick Srnicek, emerged due to technological advancement fronted by the Fourth Industrial Revolution (4IR) witnessed at the onset of the millennium. This rhizomatic model is premised on bringing different groups of people together to exchange goods and services on a digital platform. The goods and services exchanged here are better referred to as data. "Data is the basic resource that drives these firms, and it is data that gives them their advantage over competitors", (Srnicek, 2017, p. 1). The digital platform has taken over the intermediary between the content creators and the consumers from the traditional gatekeepers. It provides infrastructure for data exploitation with a touch of a button. These technological shifts have affected the consumption of music patterns, thus accelerating the growth of platform capitalism. In other words, digitalisation witnessed since the millennium has enormously affected the transformation and expansion of the market economy, rendering ubiquitous access to services. The most notable online platforms to adopt this model include Uber. This American multinational company allows users to connect with drivers in real time. Others include Airbnb, San Francisco's online market for renting houses; Rolls Royce, a British international company that rents out jet engines; and Spotify, an online platform for streaming and downloading music. "In platform capitalism, digitisation and networking on the internet expand the monetisation of goods and services, thus rendering all kinds of on-demand commercial exchange more viable and efficient" (Papadimitropoulos, p. 4, 2021). It is worth noting that the expansion of these online platforms has heavily relied on internet connectivity, accessibility, improved speeds and affordability.

The development of access-based services in the music industry that provide legal download and streaming services has altered the creation and consumption of music. The initiative, made up of three core sectors, recorded music, licensing and live music, have seen significant changes in their roles, especially in the revenue returns. The need for new strategies to cope with the ever-changing roles has experienced rapid changes, merging various models while, in other instances, emerging new business models. "Lack of tools allowing the examination of business models in their entirety combined with the complex relationship between business model changes and market outcomes makes this especially difficult" (Rayna & Striukova, 2016). The fast-changing technology has created these shifts. From the physical sales of records (magnetic tapes, CDs and LPs) to the digital access-based services for streaming and downloading, the music industry's positive transformation, which had previously witnessed a massive decline, is being felt, as indicated in figure 1. The demand for music has tremendously grown over the past few years due to the enormous expansion of internet connectivity, which has made music more accessible to consumers. The proliferation of mobile phone devices has further expanded the music industry by providing mobile applications that fully support access-based services. With the availability of affordable mobile devices, network service operators such as Safaricom make music one of their value-added services.

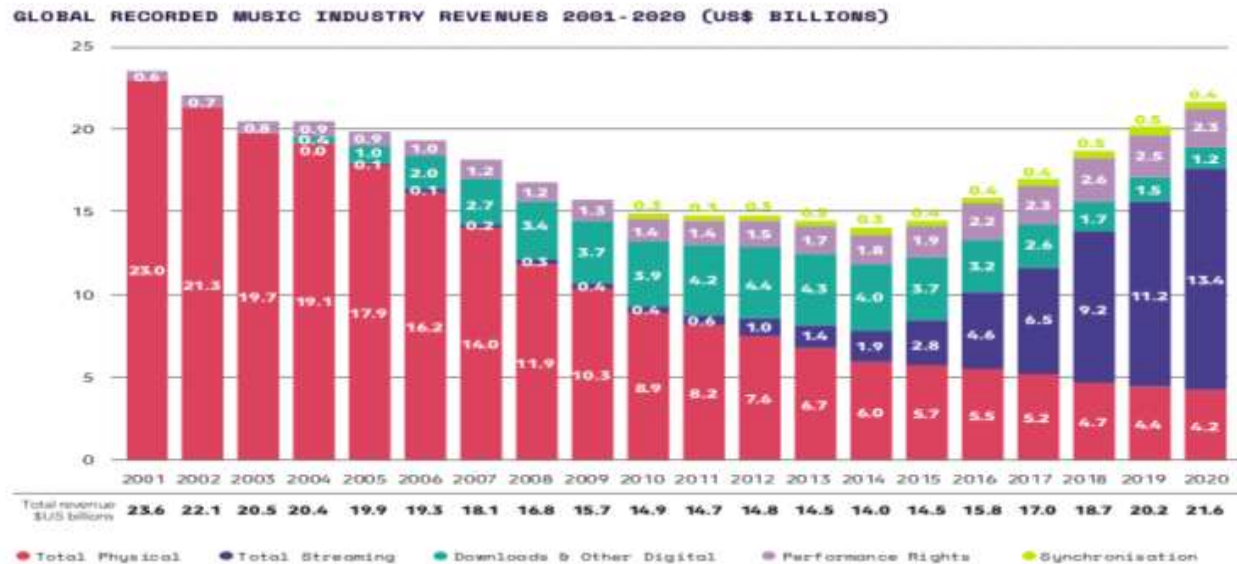


Figure 1: Growth of the Streaming Industry from 2001 to 2020

Skiza Tunes is a value-added service operated by Safaricom, a Kenyan mobile network operator, launched in 2009. Skiza Tunes is a personalised ring-back tone service that enables Safaricom customers to download Skiza Tunes (music and other digital content) to entertain their callers. Unlike most access-based music platforms customised to smartphones, the Skiza Tunes service is available to all phones. The service has catalogued various digital content, primarily local and international music, easily accessible from the Skiza Tunes platform when a Safaricom mobile user dial *811#. Skiza Tunes has grown to be the largest provider of call-back tone service in Kenya, with an annual gross income estimated at KES 7.58 billion (USD 65.8 million), according to Music Africa Magazine 2022. According to Business Today magazine 2021, Skiza Tunes has over nine million subscribers who pay KES 1.50 (USD 0.012) daily to access the service. Skiza Tunes is a non-interactive service to the caller as the receiver controls the music. This paper, therefore, explores the disruptive Skiza Tunes' impact on the music industry. In the process, the research sought answers on how Skiza Tunes disrupted the Kenyan music industry and its intermediary role. It initiates a discussion on Skiza Tunes' disruptive innovation focusing on its business model, platform capitalism.

The new technological innovations were meant to break the barriers of intermediaries who had exploited the artists in the analogue era and make artists enjoy more returns from their art. This, however, is not the case. Where else some artists seem to be enjoying returns from the Skiza Tunes platform, some have publicly disowned the platform. This, therefore, calls for an investigation into the double-edged sword role of Skiza Tunes in the Kenyan music industry. Why is it that, on the one hand, some artists seem to be content with the platform's payouts while, on the other hand, some artists are not? This will be achieved by exploring the disruptive Skiza Tunes' business model and its intermediary role.

2.0 LITERATURE REVIEW

Christensen (2013) defines disruptive innovation as "describes a process whereby a smaller company with fewer resources is able to successfully challenge established incumbent businesses". This new business-model innovation enables entrants to enter markets with affordable, user-friendly, low-performing products (Christensen, 2006; Christensen et al., 2016). This process takes time for its benefits to be

actualised. The disrupters typically develop new business models that are not similar to the existing ones. As Christensen notes, disruptive innovations start with low-end products in cases where consumers already access the services. In cases where products and services are missing, they create new markets. According to Christensen, four tenets drive disruptive innovations. The first element is that incumbents in a market improve along a trajectory of sustaining innovation, the second one involves the overshoot of customer needs, the third one possesses the capability to respond to disruptive threats, and the fourth is that incumbents end up floundering as a result of the disruption. In summary, the failure of incumbents to counter the disruptors makes the old product lose value and become uncompetitive. The four elements of disruptive innovation are summarised in figure 2 below.

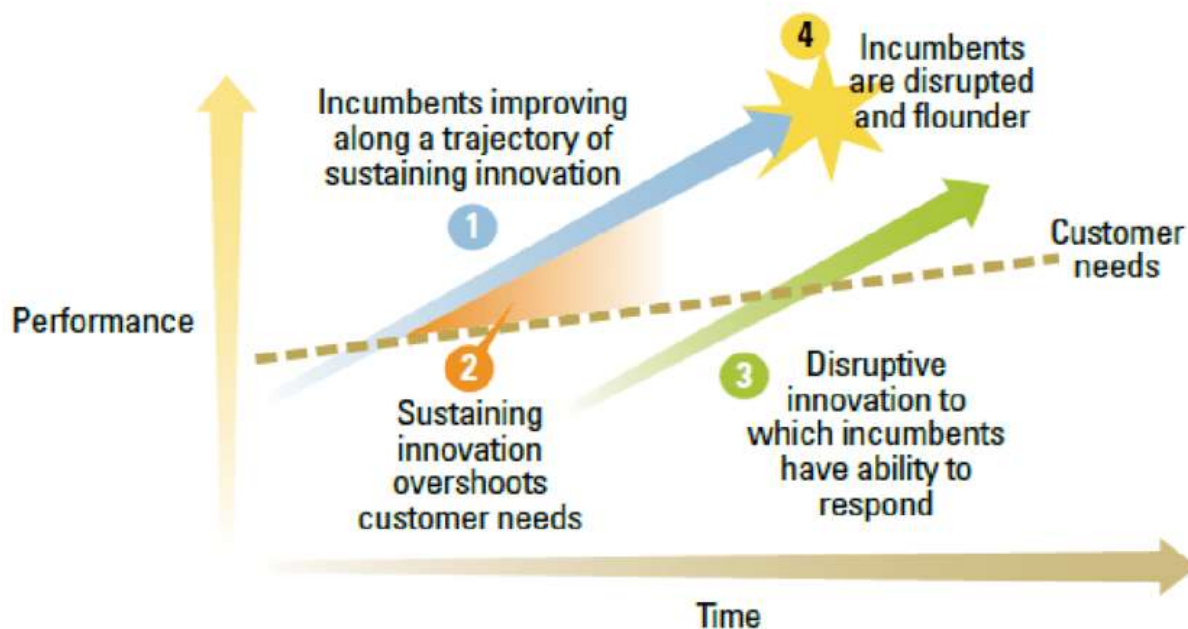


Figure 2: Four Elements of Disruptive Innovation

Disruptive innovations emanated from the fourth industrial revolution and necessitated a paradigm shift in the music industry. These innovations emerged, disrupted the existing business models, and created new ways of consuming music. This change began in 1999 when the illegal sharing of music files online was first witnessed. Out of this Napster's 1999 peer-to-peer music file sharing, new platforms emerged to offer the same service, but legally. The previous business models had value in ownership of the music, unlike in this era, where ubiquitous access receives so much weight. This new business model provides access-based services where content creators and consumers meet to exchange goods and services with a button. The Swedish firm, Spotify, founded by Daniel Ek and Martin Lorentzon in 2008, opened doors for many online music platforms currently providing access-based services. According to Spotify's website, the audio streaming service has 433 million active users and 188 million paying subscribers across 183 markets. This figure keeps changing on a day-to-day basis

Dauchez (2014), CEO of Deezer, an on-demand platform, argues that "there are two real revolutions taking place in digital music: first, the value today is in ubiquitous access rather than ownership. Second, the focus of development in the worldwide music industry is no longer as concentrated on the US as it used to be". Spotify disrupted the music industry by shifting from transaction-based to access-based services.

According to Casagrande (2021), Spotify allows customers to listen to and purchase a single song rather than buying the entire album, which was previously the norm. The earnings are based on the number of streams and downloads over a specified period. With integrated artificial intelligence (AI), the consumer can get suggestions for related songs. Casagrande notes that Spotify “constantly improves and tailors the service provided to each customer, increasing, therefore, the users’ engagement with the platform, and consequently the level of usage of the latter.

Spotify offers two models, freemium and premium, to the users. Freemium is free to access unlimited music supported by advertisements. It uses a freemium revenue model that offers a basic, limited, ad-supported service for free. The listeners’ access all the music within the Spotify catalogue but will constantly be interrupted by ads. On the other hand, premium allows users to subscribe to the Spotify platform with monthly charges. The premium option is never interrupted by advertisements, and the listeners can access all the platform's functionalities. The availability of all these functionalities means the user has access to the full functions of the platform and can create playlists and share listening activities with friends. Daniel (2022) in Prey et al. (2022) explained that Spotify is gaining control of music consumption because of the availability of playlist options. He sees this feature as giving the platform “control of the demand curve”. With all these technological shifts, there are still questions on the ubiquitous access over music ownership, the intermediary role taken by Spotify and its impacts on the music industry as fronted by both freemium and premium models. However, Spotify has been accused by many industry players of a service that seems to favour platform owners over content creators. According to Forsyth (2017), the “middlemen became increasingly powerful, leveraging the power of their platforms while locking their users into dependency relationships”. The platform has modelled itself to be an intermediary between content creators and consumers. This role has made artists heavily depend on such a platform to sell their music, as they have no direct contact.

Modern-day multinational companies have gradually moved from creating goods to trade to providing platforms for exchanging goods and services. According to Forsyth (2022), companies such as Facebook, Twitter, or Spotify do not have to create good content or products; they only provide platforms where others work. As defined by Srnicek (2017, p. 264), a platform is the “newly predominant type of business model premised upon bringing different groups together”. The driving force of these platforms is data. These platforms provide an infrastructure where data can be extracted and exploited for monetary gains. Platforms position themselves as intermediaries that bring content creators and consumers together to exchange goods and services. However, their key drivers include the maximisation of profits, less government interference and a limited labour force, the tenets of capitalism. The content creators do most work as they give only space for these products to be exchanged. Srnicek (2017, p. 29) argues that “in the twenty-first century, advanced capitalism came to be centred upon extracting and using a particular kind of raw material: data”.

Platform capitalism emerged due to technological advancement fronted by the 4IR witnessed at the onset of the millennium. It is a rhizomatic model premised on bringing different groups of people together to exchange goods and services in a digital space, a platform with data centrality.

The network effect is what gives much value to these platforms. People will always join spaces where they can easily connect with friends, family or customers. Safaricom, a leading telecommunication network

provider in Kenya, owns Skiza Tunes, which has existing subscribers, making it easier to monopolise digital platforms. According to the Communication Authority of Kenya 2021 report, Safaricom commanded 67.5 per cent of the total market, while Airtel and Telkom network providers had 26.8 per cent and 5.4 per cent, respectively. Ezekiel Mutua, the Music Copyright Society of Kenya (MCSK) Chief Executive, in an interview with the local daily, The Standard, expressed his disappointment with digital platforms' exploitative tendencies. Mutua (2022) notes that the "exploitation of musical works through technology (commenting on proposed Skiza Tunes law amendments) has been largely tilted in favour of business people (platforms), including tech (technological) companies, telecommunications operators and broadcasters, while the real owners of copyright (content creators) get peanuts."

The launch of Skiza Tunes in 2008 opened doors for new revenue streams for artists in Kenya. Skiza Tunes generates huge profits, just like its mother company, Safaricom. Skiza Tunes has grown to be the largest provider of call-back tone services in Kenya. Nyamweya and Otieno (2019 p. 13) note that "while the outlook of the technology on the arts has been great, it has been riddled by real concerns about creative not reaping full value using the same platforms". The revenue payouts from Skiza Tunes have undermined the artists' work, leading to losses. De Beukelaer and Eisenberg (2020, p. 7) note that "among the dozen or so digital content intermediaries that have worked with Safaricom to supply content for Skiza, Bernsoft and MTech have leveraged their footholds in the music sector to enter into an array of business arrangements with music creators beyond licensing their works". De Beukelaer and Eisenberg (2020, p. 7) argued that some intermediaries exchange rights with content, a clear example of platform capitalism.

3.0 METHODOLOGY

This study adopts a qualitative phenomenological research design, where data collection was conducted through in-depth interviews. The research sought to describe artists' experiences with disruptive Skiza Tunes innovation. These lived experiences, according to Barrow (2017), "are the ways in which people live in relation to a phenomenon" (p. 94). The experiences gave the researcher insights into the impact of Skiza Tunes in the Kenyan Music Industry. The interviews were carried out with selected Kenyan artists identified through purposive sampling. The Unified Theory of Acceptance and Use of Technology (UTAUT) formulated by Venkatesh et al. (2003) informed this study. Technology acceptance is measured using four key determinants, performance expectancy, effort expectancy, social influence, and facilitating conditions. These determinants influence the intentions of both the content creators and the consumers if they intend to use the Skiza Tunes service.

4.0 RESULTS AND DISCUSSIONS

Skiza Tunes Disrupted the Kenyan Music Industry

The first noticeable results from the data collected from the artists regarding the first question set by the researcher through in-depth interviews revealed that Skiza Tunes disrupted the Kenyan music industry. Skiza Tunes achieved this by creating a new revenue stream that never existed. Artists noted that the new revenue stream saved them from the diminishing sales of physical records witnessed at the onset of the digital era. One artist noted, "It is a very interesting conversation, and I think it has created at least a cushion for content creators to be able to earn". Another artist noted, "Skiza in itself had made artists make from other avenues that never existed before and worked well for those who know how to market their music to be used as call-back tones". Yet other artists noted, "the more you market the song, the more people have the Skiza tunes, the more payments you get". These artists seem to agree on the fact

that Skiza Tunes created a new stream for artists that never existed. This revenue stream, according to one artist, cushioned them from the effects of Covid-19.

Another artist alluded that some artists are enjoying good returns from Skiza Tunes platform. "I know of gospel artists making much money from the platform," said one artist. Most participants generally acknowledged Skiza Tunes' role in increasing their revenue streams. This is the same case established from the literature reviewed on access-based services. Most access-based services disrupted the industry by introducing ubiquitous access to music. The results established seem to be in tandem with the Unified Theory of Acceptance and Use of Technology (UTAUT) tenets. The performance expectancy tenet is "the degree to which an individual believes that using the system will help him or her to attain gains in job performance" (Venkatesh et al., 2003). The outcome expectation, critical and commercial success, has been the driving force of Skiza Tunes' business model.

This study also revealed that the disruption of the music industry happened through the network effect. Artists admitted that they must create a more comprehensive online network to realise substantive payouts. Unlike in the previous models, where you could reach consumers through television programs and Radio programs, Skiza Tunes reaches consumers through mobile phones and social media platforms. The artists reported that with serious marketing of their music among Skiza Tunes users, they could make good returns. One artist noted, "the more you market the song, the more people have the Skiza tunes, and the more payments you get". This, in other words, means that if you have a good number of followers on your social media platform, you will reap good returns. Revenue returns depend on the daily subscription. Artists with ballooning fan bases end up benefiting more. One gospel artist revealed, "When you go into your church, say Catholic of 3,000 people, and they download Skiza (Tunes), you are a millionaire". The literature earlier reviewed on the Spotify platform disclosed related results. Spotify disrupted the music industry by providing new revenue streams and, at the same time, being criticised for implementing a model that worked better for established artists due to the network effect. This assertion is still confirmed by the performance expectancy tenet of the UTAUT theory.

The Impact of Skiza Tunes' Intermediary Role

The second noticeable result based on the second question of the research shows that the Skiza Tunes' intermediary role has dramatically impacted the Kenyan music industry. Skiza Tunes do not deal with artists directly; for artists to upload content to the platform, they must sign up with content providers. One artist noted, "you know, we have different companies within Skiza (aggregators/content providers), so it all depends on one company to the other". Some companies are messing up with artists. According to one artist, "some are not giving the artists their rightful pay while there are some that take more than they give to an artist". Besides these aggregators, Skiza Tunes remits royalties to Collective Management Organisations (CMOs) and Premium Rate Service Providers (PRSPs who then are mandated by Kenya Copyright Board (KECOBO) to pay artists. The study revealed that most of these CMOs and the aggregators are not transparent with the artists. First, they determine the revenue splits with the artists. Most of them hardly give artists half of what Skiza Tunes pay them.

Secondly, most artists noted that these bodies do not allow them to access their monthly logs to determine how much they made. Most artists complained about these intermediaries because of their lack of transparency from signing the contracts to their monthly income. "There are these other collecting

bodies that are in between that do not allow us to see the logs, so you cannot get to know whether what you are being paid is what really should be paid to you, and we have had so many complaints about that, so it is a major issue”, an artist noted. Thirdly, artists revealed that because of a lack of enough knowledge of copyright and related issues, most artists are exploited by these bodies. Some content providers fund artists to produce content in exchange for their rights. This means the artists will barely benefit from the record's commercial success. The literature review also revealed the same exploitative ways the Skiza Tunes content providers applied. De Beukelaer and Eisenberg (2020) noted that some intermediaries exchange rights with content by sponsoring the artists to produce.

Most artists also revealed that Skiza Tunes had monopolised the call-back tone making it difficult for the artists to access better payouts. Skiza Tunes had attracted many consumers to subscribe to the platform because Safaricom, the mother company of Skiza Tunes, had already monopolised the telecommunication sector when they launched Skiza Tunes. One respondent alluded that “I have my reservations about conserving the revenue split-share, which has been monopolised, for lack of a better word, but we are slowly seeing some changes”. Skiza Tunes was projected to dominate the market as it inherited Safaricom's existing data and infrastructure. The high number of subscribers has given the platform so much value, which means content providers have no better platform to share their content than Skiza Tunes Platform. This is one of the principles of platform capitalism. According to the literature review, once a platform monopolises the product, it can dictate the price. Skiza Tunes have dictated how much subscribers pay per day and how much it will pay the artists. The failure of incumbent companies to react to the entrants later makes them obsolete, allowing entrants to monopolise the market.

The researcher also noted that the Skiza Tunes platform enjoys vast profits, yet they never create any content. Most work is left to the artists, PRSPs and the CMOs. Most artists registered their disappointments with the government for failing to protect them from exploitative propensities by the Skiza Tunes platforms. They mainly complained about the failure of the government to assist artists with the revenue split formula. The interviews further revealed that there is little transparency on their earnings. Since Skiza Tunes do not have direct contact with the artists, it is not easy to ascertain how many downloads one makes in a month. The Collective Management Organization (CMO) and Premium Rate Service Providers (PRSP) bodies determine how much to pay the artists. Most of the artists noted that it is difficult for artists to access their monthly logs to determine how much they have made. Secondly, most government bodies mandated by the Kenya Copyright Board (KECOBO) to protect performers and producers' rights have exploited the artists. The artists reveal that these bodies have taken intermediary roles and never give them monthly logs to know their earnings. They feel the government is supporting these exploitative tendencies. From the literature review, multinational companies such as the Spotify government also have little control over the sharing formula. The governments focus on taxation.

5.0 CONCLUSION AND RECOMMENDATIONS

Conclusion: This study has found that besides Skiza Tunes disrupting the existing music business models, it adopted a model that continues to exploit the artists. Technological advances were meant to break the barriers of intermediaries, who had exploited the artists, but this is not the case; we have more intermediaries, just like in Skiza Tunes. This has made the 4IR bring forth uncertainties that were supposed to sort in the first place.

Recommendations: There should be deliberate efforts to overhaul the education systems to reflect the current technological innovations. Most institutions of higher learning have not incorporated digital innovations in their courses. The skilled labour expected to drive these disruptive innovations does not get the necessary education, which slows down the adaption of these technologies in the music industry. Also, the institutions of higher learning must focus on resource mobilisation and capacity building in this new field. With the availability of fast internet in most institutions of higher learning, resources on disruptive innovations and human capital must be invested in order to train learners in this field. In addition, we must rethink the Government policies on the creative economy: performing artists must be shielded by the government from these exploitative firms such as Skiza Tunes. Government must step in to push these firms for fair revenue splits. The government must separate Safaricom from Skiza Tunes so that Skiza can develop strategies that allow artists to deal with the firm directly without using aggregators and other intermediaries. Finally, institutions, platform owners and governments must allocate more resources to expand research in this field. This is because solutions to the needs of artists in developing countries are unique to those of the artists from developed.

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