

DIGITAL AND HYBRIDIZATION BUSINESS MODELS: CONTRIBUTION TO SUSTAINABLE TRANSITION

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The transformation of business activity has led to the evolution of business models in the creative industries. This paper explores the evolution of business models in the creative industries in the context of digital transformation and hybridization. By applying theoretical models such as concentric circles, value chains, and the cultural cycle, it examines how creative and cultural enterprises adapt to the digital economy. The research highlights the growing interdependence between digitalization and hybridization, emphasizing the emergence of diversified revenue streams and collaborative business strategies. The findings show that digital transformation not only redefines value creation and consumption in the creative industries but also contributes to the Sustainable Development Goals (SDGs), particularly Agenda 2030. The study emphasizes the importance of fair compensation models, inclusive platform access, and local monetization strategies to ensure equitable growth. It, also, underscores the creative industry's role as a transversal driver of sustainable development. This paper provides a conceptual framework to understand the shifting dynamics of the sector, offering practical implications for stakeholders and policymakers aiming to foster innovation and sustainability in the creative economy.

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1 Introduction

Digital transformation has triggered fundamental changes in the business models of the creative industries, leading to the emergence of hybrid models that combine creative production, digital distribution, and collaborative economic approaches (Li, 2020). An analysis of the concentric circles model, value chains, and the cultural cycle shows that these models enable greater flexibility, accessibility, and sustainability of cultural products and services (A Research Agenda for Creative Industries, 2019).

Collaboration brings numerous advantages for creative industries, such as shared platforms, reduced distribution costs through digital platforms, and access to a larger number of users. The cyclical life cycle of creative industries emphasizes the need for diversification, which points to the creation of gaps related to the relationship between the Digitalization and Hybridization index, as well as, value gaps between digital platforms and small businesses within the creative industries.

Changes in business models within creative industries, driven by digital transformation, impact the 2030 Agenda and the overall creative sector (UNESCO, 2019; Larasati & Satari, 2021). The relationship between creative industries and the 2030 Agenda is transversal, and hybrid business models will contribute significantly to this relationship.

The analysis of the new business models provides a current insight into the changes occurring in the creative industry and impact on other sectors, as well as, an understanding of the possibilities for collaborative action in the future business context, particularly from the perspective of their influence on sustainable development.

2 New business models in the creative industry

This study applies a qualitative research methodology aimed at analyzing the development of business models in the creative industries under the influence of digital transformation and connection with the 2030 Agenda. The research is based on secondary sources and theoretical approaches, with a focus on interpretative analysis of existing models and practices. The approach is both descriptive and

interpretative, allowing for a multidimensional examination of contemporary business models and their positioning within a broader social and economic context. The main research methods used include:

1) **Content analysis** of relevant academic and professional literature, including Reports from international organizations (UNESCO, European Commission) and academic works in the fields of cultural policy, digital economy, and creative industries.

2) **Case study analysis** of hybrid business models, which enables the identification of concrete examples of best practices in the context of digital distribution, collaborative economy, and platformization (Li, 2014; Feng, 2020; Betzler & Leuschen, 2020; Massi et al., 2021; Priyono et al., 2021) and

3) **Theoretical mapping** of key concepts through the application of the concentric circles model (Throsby, 2008), value chain models (European Commission, 2017; Li, 2020; Betzler & Leuschen, 2020), and the cultural cycle (UNESCO, 1986), in order to capture the full dynamics and development potential of the sector.

The paper explores the evolution of business models in the creative industries in the context of digital transformation and hybridization. New business models in the creative industry are emerging under the influence of digital transformation. These models take the form of hybrid models and appear as concentric circle models and value chain models.

2.1 The concentric circles model in the creative industries

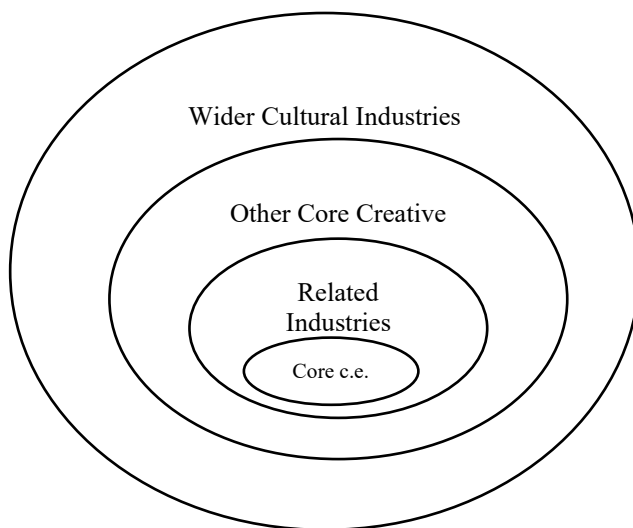
Numerous definitions of the creative industry point to its various aspects, ranging from the scope of the sector, key drivers, to the ways in which it is organized and structured (Throsby, 2001). The concentric circles model (CCM) represents a way of organizing and structuring creative and cultural industries and their subsectors (Throsby, 2008).

The concentric circle model is based on the division of the sector into core sectors and economic sectors (Graph 1). Core sectors include artistic and non-industrial activities, while economic sectors are connected to the core sector. The sectors are represented in the form of layers, and the further the layer is from the core sector, the less artistic or cultural content it contains. The core sector consists of three circles:

- 1) Core Cultural Expression, which as the first and core circle includes: Literature, Music, Performing Arts and Visual Arts,
- 2) Related Industries, which include: Advertising, Architecture, Design and Fashion,
- 3) Other Core Creative Industries, which include: Film, Museums, Galleries, Libraries and Photography.

The economic sector consists of:

- 4) Wider Cultural Industries, which include: Heritage Services, Publishing and Print, Media, Television and Radio, Sound Recording, Video and Computer Games.



Graph 1: The concentric circle model

Source: Throsby, 2008.

2.2 The value chain in creative industries

In addition to the concentric circle model, another framework that emphasizes the interdependence between creative industries and related sectors is the value chain model in creative industries.

The value chain encompasses the stages of creation, production, distribution, and consumption of cultural and creative goods and services. A distinction is made between the creative value chain and the economic value chain. The creative value chain begins with an initial creative concept and develops through a series of interconnected stages before reaching the end user (European Commission, 2017).

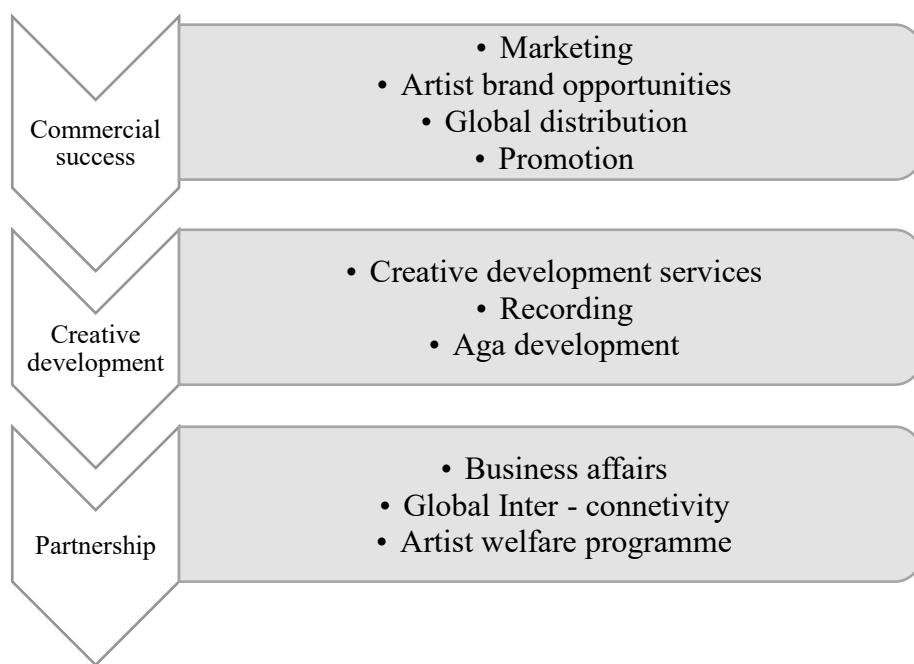
The economic value chain primarily involves tangible goods and is defined by core elements such as efficiency, specialization, a longer product life cycle, and a linear, vertically integrated structure. In contrast, the creative value chain is centered on intangible goods, with innovation and creativity at its core. It typically involves a shorter product life cycle and is characterized by interdisciplinary collaboration and partnerships in both the creation and distribution of creative content (Table 1).

Table 1: Differences between creative and economic value chains

Characteristics	Creative value chains	Economic value chains
Products vs. Services	Intangible goods such as ideas, intellectual property and artistic expressions	Tangible goods
Basic components	Innovation and creativity	Efficiency and specialization
Product life cycle	Shorter life cycle	Longer life cycle
Collaborative nature	Collaboration and networking	Linear and vertically integrated structure

Source: European Commission, 2017; GIZ 2024.

A value chain example in the music industry contains several related components that, in addition to creative development, include commercial success and partnership (Graph 2) (Global Music Report, 2024).



Graph 1. A value chain in the music industry

Source: author based on Global Music Report, 2024.

The concept of value creation in the creative industries is often articulated through the framework of the cultural cycle. The cultural cycle emphasizes the interconnected nature of activities that contribute to the development of new cultural products and services. According to UNESCO (1986), the cultural cycle consists of five key phases: creation, production, dissemination, exhibition (or transfer), and participation (or consumption):

- 1) **Creation:** Refers to the origination and authorship of ideas and content—such as the work of sculptors, writers, and design studios—as well as the production of one-of-a-kind works like fine art and artisanal crafts.
- 2) **Production:** Involves the replication of cultural forms, alongside the specialized tools, infrastructure, and processes needed to bring them to life.
- 3) **Distribution:** Encompasses the delivery of cultural goods to consumers and venues through wholesale and retail channels, rentals (e.g., of music or video games), film distribution, or digital platforms.

- 4) Exhibition/Reception/Transfer: Denotes the site or mode of cultural consumption, where audiences are granted access—either sold or facilitated—to experience cultural offerings within a set timeframe.
- 5) Consumption/Participation: Represents the active engagement of audiences in cultural practices, such as dancing, attending carnivals, listening to radio broadcasts, or visiting galleries.

Within both the creative value chain and the cultural cycle, the shaping of creative outputs is largely driven by diversification. Unlike traditional economic sectors that often rely on specialization, the creative industries—particularly in developing countries—frequently lack the necessary market demand and resources to support narrow specialization. As a result, creative enterprises tend to diversify their offerings and adjust to market needs in order to survive and grow (e.g., music distribution expanding into audiovisual content development).

In contrast to the economic value chain, which is primarily commercial in nature, the cultural value chain also includes non-commercial transfers, such as the passing down of intangible cultural heritage across generations. UNESCO member states utilize the concept of the cultural cycle to conceptualize cultural production and to address challenges related to building a resilient and sustainable cultural ecosystem (UNESCO, 2009).

3 Collaboration as a feature of business models of creative industries: advantages and disadvantages

The collaborative nature is one of the key characteristics of business models and value chains in creative industries. Creative industries often rely on co-production schemes and strategic partnerships to generate greater synergy, which also includes the development of payment facilitation mechanisms to stimulate digital demand and enhance market penetration (ITC, 2019):

- 1) A synergistic approach that integrates digital and analog promotion

The rise of new technologies and digitalization has led to the emergence of value-added services on streaming platforms. Machine learning algorithms analyze user behavior during content consumption and generate personalized recommendations.

This demonstrates that artificial intelligence and human expertise can complement each other within the creative sector, aligning with the EU's General Code of Conduct for Artificial Intelligence under the EU AI Act (EU, 2024).

2) Partnerships with telecommunications operators as a sustainable business model

Telecom operators increasingly act as content providers, forming mutually beneficial collaborations with creative industries. One notable model involves Telecom companies producing musical content for ringtones—music that plays before a call is answered—replacing traditional call tones. This partnership expands the music industry's reach, connecting artists and fans across multiple platforms and revenue streams, whether through direct cooperation with digital services or through record labels. As this segment evolves, overall compensation for artists is expected to increase (Anantrasirichai & Bull, 2021; Arshad et al., 2025; Villerment et al., 2021).

3) Payment facilitation as a key driver of digital demand

Limited payment options for creative products hinder market expansion. Therefore, developing accessible online payment systems is essential. Streaming services should incorporate payment models in local currencies and allow users to make purchases using mobile credits. Another promising method is direct user donations to artists, offering a more personal way to support creative work. Many creators already utilize platforms that enable followers to contribute financially and sustain their projects.

4) Mobile penetration and digital access in the creative industry

The rapid increase in mobile device usage and digital platform adoption has opened up new markets for creative content. Over the past decade, the number of global internet users has nearly doubled, significantly contributing to the growth of digital products and services within creative industries (World Bank, 2024). Collaboration with digital platforms helps creators establish a presence more quickly, build a fan base, and generate revenue from sources like concert tickets, branded merchandise, and digital media.

While collaboration brings numerous advantages, such as reduced distribution costs, broader audience access, and increased innovation, there are also significant challenges, including:

- 1) A low level of hybridization in certain business models, and
- 2) Value gaps resulting from unequal distribution of profits between digital platforms and creative sectors.

Hybridization of economic models in the creative and cultural industries involves combining multiple sources of income and funding. When digitalization is paired with hybridization, it typically leads to positive outcomes by expanding monetization strategies and content accessibility. In general, digitalized sectors tend to be hybridized—exceptions include some segments of the music and publishing industries. A high Hybridization index indicates diverse income streams. For example, the video game industry has six major revenue channels: physical/digital sales, subscriptions, paymium (free-to-play with paid features), advertising, and microtransactions. In contrast, a low hybridization index in the book industry reflects a more limited range of monetization options (Salmon, 2015) (Table 2).

Table 2: Digitalization rate and Hybridization indeks

Content	Video games	Music	Movies	Books
Digitalization rate	72	50	30	15
Hybridization index	80	41	56	23

Source: Salmon, 2015

The relationship between hybridization and digitalization across various cultural sectors can be illustrated as follows (Salmon, 2015):

- 1) Video games: High level of hybridization, featuring a broad range of economic models.
- 2) Music: Moderate hybridization, characterized by a mix of payment systems and streaming platforms.
- 3) Film: Low hybridization, though digitalization is on the rise.
- 4) Books: Very low hybridization, still largely dependent on traditional sales models.

In sectors with low levels of hybridization, creative industries can combine traditional and digital business models to drive growth—for example, by selling concert tickets online or offering hybrid formats of cultural experiences.

A major challenge facing creative industries today is the fair distribution of revenue, which is crucial for ensuring their long-term sustainability. The intricate network of stakeholders—artists, creators, producers, distributors, and others—often lacks sufficient bargaining power when compared to global digital platforms and content distribution networks that dominate the market.

According to the International Federation of the Phonographic Industry (IFPI), in 2015, Spotify paid an average of \$20 per user annually to music rights holders, while YouTube returned less than \$1 per user to content creators. While 900 million users of user-generated music content platforms generated around \$553 million, 212 million paid or ad-supported users contributed nearly \$4 billion in revenue (IFPI, 2017).

This disparity reflects the broader issue of content devaluation—the growing gap between the value extracted by user-generated content platforms like YouTube and the revenue returned to the music ecosystem, including artists, producers, and investors. The European Commission has acknowledged this "value gap" as a form of market distortion, emphasizing the need for regulatory intervention to address the imbalance (EU, 2017).

4 Creative industry and agenda 2030

In relation to the contribution of creative industries to achieving the 2030 Agenda, several strategic documents have been established that link this sector to the Sustainable Development Goals (SDGs). The potential of the creative industry to foster sustainable and inclusive growth led to the adoption of the UN Resolution on the Creative Economy in 2020. As a result of this resolution, 2021 was designated as the International Year of the Creative Economy.

Moreover, the creative economy is increasingly recognized for its capacity to support the implementation of the 2030 Agenda, even though the Agenda does not include a specific goal dedicated solely to culture or the creative industries (Creative

Economy 2030: Inclusive and Resilient Creative Economy for Sustainable Development and Recovery, 2021). Cultural and creative industries are most directly connected to SDG 8, which promotes sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all; and SDG 12, which focuses on ensuring sustainable consumption and production patterns, including cultural dimensions.

Under the UNESCO Culture 2030 Indicators initiative, 22 indicators have been developed to demonstrate the interconnections between culture, the creative economy, and the SDGs (Table 3) (UNESCO, 2019; Larasati & Satari, 2021). Culture contributes to the SDGs both as a standalone sector and as an integral component of other development areas. Accordingly, it plays a role in advancing goals related to sustainable cities, economic growth, social inclusion, environmental protection, and more. Conversely, the economic, social, and environmental dimensions of sustainable development also reinforce efforts to preserve cultural heritage and promote creativity.

Table 3: Relationship between the Culture 2030 Indicators and SDGs

Transversal thematic dimensions	The Culture 2030 Indicators	SDGs
Environment & Resilience	1) Expenditure on heritage	SDG2: Zero hunger SDG6: Clean water and sanitation SDG11: Sustainable cities and communities
	2) Sustainable management of heritage	SDG12: Responsible consumption and production
	3) Climate adaptation & resilience	SDG13: Climate action
	4) Cultural facilities	SDG14: Life below water SDG15: Life on land
	5) Open space for culture	SDG16: Peace, justice and strong institutions
Prosperity & Livelihoods	6) Culture in GDP	SDG8: Decent work and economic growth SDG10: Reduced inequalities SDG11: Sustainable cities and communities
	7) Cultural employment	
	8) Cultural businesses	
	9) Household expenditure	
	10) Trade in cultural goods & services	
	11) Public finance for culture	
	12) Governance of culture	
Knowledge & Skills	13) Education for Sustainable Development	SDG4: Quality education SDG8: Decent work and economic growth
	14) Cultural knowledge	

Transversal thematic dimensions	The Culture 2030 Indicators	SDGs
	15) Multilingual education	SDG9: Industry, innovation and infrastructure SDG12: Responsible consumption and production SDG13: Climate action
	16) Cultural & artistic education	
	17) Cultural training	
Inclusion & Participation	18) Culture for social cohesion	SDG9: Industry, innovation and infrastructure SDG10: Reduced inequalities SDG11: Sustainable cities and communities SDG16: Peace, justice and strong institutions
	19) Artistic freedom	
	20) Access to culture	
	21) Cultural participation	
	22) Participatory processes	

Source: UNESCO, 2019.

The connection between digital and hybrid business models in the creative industry and their contribution can be viewed in the direction of achieving SDG:13, as well as, other related SDGs. Considering that SDG 13 is part of two cross-cutting thematic areas Culture 2030, the impact on reducing carbon dioxide emissions will be significant.

4.1 New Business Models in the Creative Industries: Key Recommendations

The paper highlights the following key insights and recommendations:

- 1) The transformation of business models through digitalization fosters the emergence of hybrid models that combine different revenue sources, distribution channels, and forms of collaboration (e.g., partnerships with telecom operators, direct donations from users).

Digital collaboration and platforms create new forms of value but also present challenges, such as, unequal revenue distribution and a low degree of hybridization in certain sectors. Hybrid models represent a potential for bridging the gap between large digital platforms and small creative businesses, fostering a more balanced cultural development.

- 2) The use of the cultural cycle enables viewing creative production as a dynamic and multi-phase process that, also, includes intangible values,

which has significant implications for preserving cultural identity and local creative economies.

- 3) Creative industries as a transversal actor in achieving the Sustainable Development Goals (Agenda 2030), with a particular focus on contributing to SDG 8 (decent work and economic growth) and SDG 12 (sustainable consumption and production). The connection with the 2030 Agenda is reflected in the contribution of the creative industries to economic growth, inclusion, digital literacy, and the preservation of cultural identity.
- 4) The proposed analytical approach and identified recommendations can serve as a basis for developing strategies that promote fairer value distribution in the digital environment, strengthen institutional support for small creative businesses, and shape inclusive cultural policies. Further research should focus on developing quantitative models to measure the impact of new business models on sustainability, as well as on mapping the challenges faced by small creative firms in the digital age.

5 Conclusion

The paper builds upon the concentric circles model, emphasizing the pivotal role of the creative industries in driving growth and innovation across various sectors of the economy. Digital transformation, far from diminishing the relevance of business models in the creative sector, has acted as a catalyst for their evolution. Contemporary business models are increasingly structured around value chains that underline sectoral interconnectedness, strategic partnerships, and the development of digital functionalities.

There are differences between economic and creative value flows, which determine the direction of development in creative industries. Diversification and collaboration enable the creative industries sector to adapt to changing business conditions. Moreover, new hybrid business models are being developed, characterized by greater diversification in terms of revenue sources. A higher level of digitalization should be followed by a higher degree of hybridization. However, there is a part of the creative industries characterized by lower levels of diversification, which gives the industry the possibility of combining traditional and digital payment sources. Additionally, market distortion in the form of gaps in the unequal distribution of value will need to be addressed with a stronger institutional framework in the EU.

The relationship between the creative industry and the 2030 Agenda is described as transversal, but it can also be viewed in the context of concentric circles, as the contribution exists but is not the same across all segments of the industry. Digital business models and the ongoing transition of creative industry operations to digital platforms are poised to significantly contribute to the sustainable transition. Additionally, within the cultural industry, principles and areas have been developed that should contribute to the achievement of the SDGs. Twenty-two principles have been defined within four thematic areas as support for the culture sector in inclusive and sustainable development. Digital business models in the creative industry, and the transfer of business activities to digital platforms, will greatly contribute to the achievement of the sustainable transition and SDGs, especially SDG 13, the quantification of which is expected in the future.

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