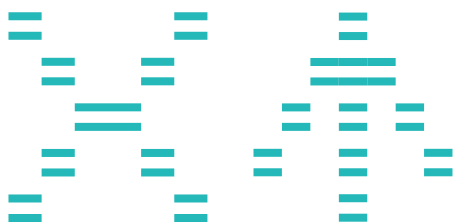# CONVERGENT STARTUPS

Learning from Piracy how to design business strategies for web services.

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Academic Year: 2012/2013

Graduation Year: 2014

INDEX

ABSTRACT (ITA)

Negli ultimi dieci anni, l'espansione vertiginosa delle attività pirata ha stravolto le modalità di consumo dei prodotti digitali, e i mercati fanno fatica a stare al passo. La semplicità di utilizzo, e la grande varietà di contenuti e materiali resi disponibili dai Pirati, ha spinto le persone a sviluppare nuovi comportamenti e a trovare nuove possibilità.

L'obiettivo di questa ricerca è stato quello di comprendere quali sono le strategie e i comportamenti messi in atto dai Pirati, il loro modo di conquistare le "aree grigie" della legge e di superare le pratiche obsolete. Dal lato opposto, si è cercato di rilevare quelle Startup e imprese che, ispirate sia dai Pirati che dal comportamento degli utenti, sono riuscite a costruire servizi e idee di successo. Questa ricerca, e il metaprogetto che ne è derivato, si rivolgono agli imprenditori e ai designer che stanno per affacciarsi nel mondo delle Web Startup. Lo scopo è quello di fornire una visione più chiara su quali sono gli aspetti che permettono alle Startup di creare valore, in un mondo in cui il loro principale concorrente è la pirateria.

ABSTRACT (ENG)

In the past decade, the growth of the pirate services set a new stake in the matter of consumption of digital products, and markets are struggling to adjust to it. The simplicity of usage and the great availability of content and material offered by such illegal activities directed the people towards new behaviors and opportunities.

With this research, I tried to understand the strategies and behaviors of cyber pirates, their ways of taking advantage of still existing gaps in the law or in obsolete practices and, on the other hand, how startups and companies, inspired by both pirates and users' behavior, succeeded and shaped the market accordingly.

This research, and the resulted meta-design, are directed to the enterpreneurs and designers who are approaching to the world of web startups, and aim at providing a clearer vision on what are the aspects that make startups succeed in creating value in a world in which the main competitor they have is Piracy.

0. IN TRO DUC TION

This frame was taken from the movie Psycho, directed by Alfred Hitchcock in 1960. It is part of the (in)famous scene in which Marion (Janet Leigh) screams when she gets caught naked under the shower by the man who then killed her, Norman Bates (Anthony Perkins).

Wikipedia states: "The murder of Janet Leigh's character in the shower is the film's pivotal scene and one of the best-known in all of cinema"[1].

The scene became rapidly among the most important ones in both Hitchcock's and popular culture, and its presence is spread all

over the media: you can find it by making a research in a library, in bookstores, inside museums, in television programs and on the internet.

The focus of this discourse is being put on the internet, and generally speaking on digital products: every digital picture, though may vary in dimensions, colors and cut, is as valid and efficient as the others, and because the very nature of this medium it is impossible to reckon the exact original one. Whether it was taken and scanned from a book, from a photography, from a slide or from a screenshot (image capture of computer screen[2]), it mantains its functionality and sense. This one frame might have been taken, with a media player software, by a person while watching the movie on his computer or by downloading it from one of the many official movie archive websites, and it will never be possible, for anyone, to tell the difference.

The reproducibility of products in the Internet era changed completely the way we perceive, understand and consequently consume the media, and the way we consider copying and stealing. Since every copy of

the same product is perfectly equal in size and aspects, quality, usability and efficiency to the others, and the act of copying and spreading the copies does not require craftsmanship or "time, sweat and tears" anymore, it is now easy and effortless to just press the right combination of keys and duplicate one file an indefinite number of times.

When the technology started to allow users to freely manipulate coding and to duplicate files, a brand new "grey area" of both law and socially accepted norms came to light, questioning old market principles as well as ethical and moral foundations. Is it right to freely copy a product if this action does not either affect the producer or compromise his ability to produce more? Is it right to freely manipulate the product, the same way one would do with any other physical products? Is it right to manipulate the structure of the product to "remix" it, thus creating a new one with the elements of the original?

All of these queries rose when pirates started to understand the important and crucial opportunities that lied in this "grey area": free access to information, culture and entertainment, unlimited reproducibility and manipu-

lation of cultural assets, new ways and meth-
ods to participate and share experiences.
In an interview, Gabe Newell, the CEO and
cofounder of Valve, a videogame develop-
ment and digital distribution company, said:

> *"We think there is a fundamental misconcep-
> tion about piracy. Piracy is almost always a
> service problem and not a pricing problem.
> [...] If a pirate offers a product anywhere in
> the world, 24x7, purchasable from the conve-
> nience of your personal computer, and the le-
> gal provider says the product is region-locked,
> will come to your country 3 months after the
> US release, and can only be purchased at a
> brick and mortar store, then the pirate's ser-
> vice is more valuable."*[3]

This was the starting point of the research
conducted and explained in this thesis.

0.1. STRUCTURE OF THE RESEARCH EXPLAINED

In order to obtain substancial information about the topic,
this thesis follows this format:

Study of:
Web startups/Web Companies
    _ business models
    _ value proposition
Highlight on Copyright
Study of:
Piracy
    _ History
    _ Current phenomena
    _ Online social behaviors
**Report of a series of pirate services and web startups
("Convergent startups") that employ dynamics that are
relevant for this research:**
Web startups
    _ In contrast with Piracy: **Spotify**
    _ Normalizes Piracy: **Splice**
    _ Inspired by Piracy: **musiXmatch**
Pirate services
    _ Fueled by Active Users: **ItalianSubs**
    _ Fueled by Passive Users: **Popcorn Time**
Conclusions

Study of: Web startups/Web Companies

Since the research points at the world of web startups, which are a temporary form of online business specifically designed to boost innovation and to evaluate new opportunities, the dissertation starts with a chapter that explains what their nature is, what their possible conformations (Business Models) are and what are the possible opportunities to tackle (Value Proposition). This last argument (Value Proposition) is unfolded in the paragraph 4.1.

Highlight on Copyright

Copyrights laws consist of a world to which web startups usually submit to, and, on the other side, Pirate services and activities elude. There are also cases of pirate services and activities that cannot be abscribed to a clear legislative framework. Both web startups and pirate services have developed during the last decade new paths, new methodologies and new social phenomena, and both of them had to deal with the exarcerbation of Copyrights laws. Obviously this was caused by the diffusion of Piracy on a global level, but it is obvious as well that also pirate services had to adjust to it.

Eventually other systems to manage the protection and distribution of intellectual property surfaced, like the Copyleft licenses, a group of principles that represents the foundation of free software (paragraph 2.3).

Study of: Piracy

Pirate services are the ones that elude the intellectual property legislation, or are prone to insert themselves in the cracks of the law and of the market to find new, undiscovered opportunities. In order to do so, they have generated a series of interesting and innovative phenomena. Piracy enabled the creation of tools for users to work and express themselves and to live in a collaborative milieu (paragraphs 4.1 and 4.2).

The study of the history of Piracy and of its fundamental milestones underlined its important role in the Information Age, and now in the Services Age. As Massimo Scaglioni says in his essay published inside The Piracy Effect: "Piracy indeed creates new modalities or practices of consumption". Piracy has prompted the social urgency for friendly media[4], for instant availability of content and for social sharing, connection and collaboration.

Report of a series of pirate services and web startups ("Convergent startups") that employ dynamics that are relevant for this research:

After the presentation of a multiplicity of aspects and information regarding business and Piracy, this chapter introduces a series of relevant enterprises or services (preceded by a focus on two historical pirate services). These activities unquestionably show to have integrated contemporary and innovative elements, whether they are coming from their competitors and predecessors, or from the obscure and

turbulent world of Piracy.

This is to clear what are the crucial components to take under consideration that foster innovation and reflect the contemporary context. Inside the group of web startups, there are three companies, and each examined one is associated to one category: being in contrast with the nature of Piracy, normalizing one or more dynamics present in the pirate context, and offering a service inspired by one or more dynamics present in the pirate context.

For Pirate services, the categories are two: a service whose functioning if fueled by Active Users and a service that relies on the strength of its Passive Users' network.

A final wrap-up for **conclusions** gathers all the information provided by this research and wraps up, with the purpose of enlightening why it is essential for new and young entrepreneurs on the verge of diving into the world of web businesses, to take into account the vast world of Piracy.

NOTES

[1] *https://en.wikipedia.org/wiki/Psycho_(1960_film)#The_shower_scene*
[2] *http://www.wordreference.com/enit/screenshot*
[3] *http://www.tcs.cam.ac.uk/interviews/0012301-interview-gabe-newell.html* *(last visit: 24/07/2014)*
[4] R. Simone, *Presi nella rete. La mente ai tempi del web*, Garzanti, Milano, 2012, pg 59.
Raffaele Simone defines a "friendly medium" as one that is easily accessible and whose activities can be suspended and resumed at any time without the loss of information.

IMAGES INDEX

Head image of the chapter
Frame from *Psycho*, directed by Alfred Hitchcock (1960).

1.
WHAT IS A START UP?

The real nature of a startup, whether we are considering it under an economical, societal or even design aspect, remains obscure to the people. Various respectable online dictionaries give almost the same definition for the word "startup", that are "A newly established business"[5], "A new business venture"[6] or "A new business, or the activities involved in starting a new business"[7]. All of these definitions are correct, but what is missing is the very purpose of a startup, which often gets lost or does not get at all.

Wikipedia (*1*) provides a more complete and

explanatory definition that includes the aim of a startup, which is *"[...] to search for a repeatable and scalable business model" and "research for markets"*[8].

Hence, a startup is a specific business modality fore new companies whose main objectives include to explore and discover (or create, in the case of disruptive innovations) new markets, to develop new business models in accordance to the new markets, and to produce enough data, analyses and evidences to understand if these new markets are effectively feasible, or they just indicate a direction to follow.

Startups' fields of work are usually closely related to technological innovation, the development of new products/services or the improvement or update of already existing ones.

The lifespan of a startup is short, ending approximately around 2 years after its establishment. Its short life is congenial to the nature of the startup, which must be only temporary, and fixes a deadline for the entrepreneurs, who shut down the startup if it fails at proving the consistence of its attempts

W

1

within this time, or on the other hand fails at producing a sustainable growth, or at proving its profitability.

Given the provisional nature of a startup, its structure must face the ever-changing winds of the market, the economy and the society, and understand how to adjust to succeed. Something that many big companies cannot face easily is change, as in a quick reassembly of its core activities and resources after a sudden change in the market.

Instead, one of the most important goal a startup pursues is to build "an adaptive organization, one that automatically adjusts its process and performance to current conditions"[9].

1.1.
THE LIFECYCLE OF A STARTUP

The lifecycle of a startup consists in two phases: a *Search phase* and an *Execute phase*. Such phases are distinguished by their purposes: the first one aims at the search of a possible innovation opportunity and its concept and design refinement, the second one focuses on the development of this opportunity under the aspects of business strategy and market application. Therefore, in the Search phase, all the resources (e.g. the team spends time on design thinking and project development, and limits outsourcing) are allocated on designing the product-service system and its communication aspects. In the Execute phase the resources shift to the definition of the business, the marketing plan and scaling.

Each phase is, in turn, divided in two stages: the Search phase includes Discovery and Validation, the Execute phase has Efficiency and Scaling.

search phase

DISCOVERY

pivoting

VALIDATION

execute phase

EFFICIENCY

transitioning

SCALING
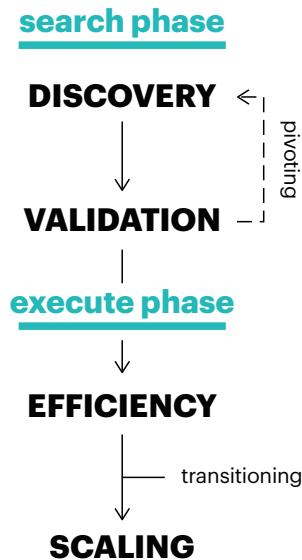
2

1.1.1. SEARCH PHASE

Discovery: this stage consists in the early conception of the startup's idea, and revolves around its improvement and design. After the recognition of a certain issue, problem or need that can be tackled with an innovative solution, the startuppers tries to understand how to shape such solution.

Validation: in this stage, startuppers conduct researches and tests, and run the first prototypes to create a MVP (Mininum Viable Product). Until the service does not seem ready enough for its launch on the market, startuppers keep iterating (or pivoting) their project.

1.1.2. FUNDINGS

This is also the phase in which startuppers look for investors, or others ways to access to the amount of money needed to start the business. There are multiple ways for startups to get the necessary money:

> *Seed funding*: it is a modality of offering in which investors purchase part of

a business[10]. Usually these investors are people close to the startuppers, and they put their money into this new business without knowing the nature of the project or without having the opportunity to evaluate it. It is an early investment (that is the reason of its name), that manages to sustain the first stages, like market research and project development. Crowdfunding can be included in this kind of funding;

Angel investors: they are individuals who provide capital for the startup in exchange for ownership equity. Angel investors might group together to form Angel groups and share a pool of investments;

Venture capital: it is a kind of financial capital that is provided at the early stages, and with greater proportions than the Seed funding or the capital put by Angel investors. It is a form of high-risk investment, because of the unpredictability of the startups' outcomes, therefore it is not dispensed by

institutional entities such as banks, but rather from large firms;
Corporate Venture capital: it is different from the classic Venture capital, because firms support startups directly, and so their growth is followed internally.

While these are methods to access directly to money, there are also different options for startups. However, they require a deeper involvement by the investors into the project development and its further applications:

Accelerators: they are programs "of limited duration – lasting about three months – that help cohorts of startups with the new venture process"[11].

Incubators: unlike Accelerators, they duration can last from 1 to 5 years, and furthermore the practical involvement by the investors is minor, or it just features tactical decisions[12]. Incubators help startups to begin their journey, but they also come along with them and contribute to its building[13].

Startuppers often apply for these kind of programs, because if they get in, they get access not only to consistent fundings, but also to temporary venues where to work until the company is strong enough to maintain itself, and have the opportunity to soften the burden of tools and infrastructures costs.

1.1.3. EXECUTE PHASE

Efficiency: this stage involves the definition of the company's business strategy, based on the previous development of the project. At this point, startuppers usually launch a MVP version of their product/service, to test the market and customers/users' reactions and understand how to proceed with the strategy.

Scaling: in the last stage of the Execute phase, if the product/service proves itself to be promising, whether it is under profit or positive reactions aspects, it is time to scale up the company (hiring, acquiring customers, enriching the service and customer support, broadening the reach of touchpoints, search for new investors and partners).

SCALABLE STARTUP

- BUSINESS MODEL FOUND
- PRODUCT/ MARKET FIT
- REPEATABLE SALES MODEL
- HIRING

TRANSITIONING

- CASH-FLOW BREAKEVEN
- PROVEN PROFITABLE
- RAPID SCALE
- SENIOR MANAGEMENT

SCALING

3

1.1.3.1. Transition

Between the Efficiency and the Scaling stages, there is a transition from being a startup to trying to become a fully developed company.
In the first part of the transition, the startup has identified its ideal business model, a product/market fit, and a repeatable sales model. Later on, once the startup achieves a cash flow breakeven point[14] and proves to be profitable, it can start a process of rapid scaling of the company and of its management.

1.2.
WHAT IS A WEB STARTUP?

Startups' fields of work cover a wide range of markets, from medical technologies to shopping services, from grassroots ventures that deal with everyday problems, like community management, that level-up and decide to scale up their projects, to financial softwares developers.

The kind of startup this research is dealing with bases its value proposition on the vast world of the Internet. These startups offer a variety of services whose key activities and key channels are predominantly Internet-based. For example, an Italian web startup like **musiXmatch** (*2*) provides a searchable database of song lyrics accessible through a mobile application[15] or other platforms (some online music streaming platforms allow it as an external app).

Splice (*3*) is an American web startup that offers a "cloud platform for music creation, collaboration, and sharing"[16].

Web startups rely on the socio-economic and behavioral dynamics that continuously surface of the Internet as its structure mu-

MUSIXMATCH

🅂 splice

tates, like the strengthening of the online social "fabric", the increasing speed of communications and consumption and consequent increasing demand of accordingly responsive services, and the unstoppable transformation of the language[17] and of the Internet culture. Many of these dynamics are the result of the growing welfare of many countries, including and especially the underdeveloped ones that are quickly catching up, the evolution of technology and the bold establishment of the Web Era. These dynamics shape the online market with a fast pace, thus challenging the proposals and growth of startuppers, who have to sharpen their sensitivity to new needs and settings[18]; that is why web startups are more inclined to rearrange themselves in order to succeed. On the other hand, this is also why web startups that face such complex challenges, are more susceptible to failure.

A research published in 2014 by CB Insights (*6*) found that the majority of failed technology startups in the period that goes from 2010 to 2013, are the ones positioned in the internet sector[19], specifically the ones whose of-

Dead Tech Companies
By Sector, 2010 - 2013

6
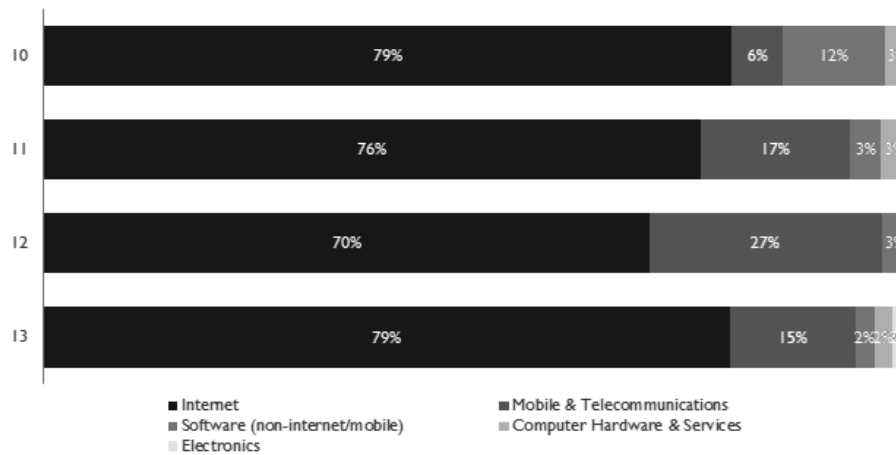
fer was related to online "social" services (social networks, online communities or online niche communities), marketplaces (online exchange, secondhand or reuse), advertising, sales & marketing, and music and video services.

There are several reasons why these kinds of web startups tend to fail more than the other ones. After collecting **75 cases** of web startups that failed and tried to explain the reasons of their failure and of web startups that just failed because of evident problems related to their ideas, it was possible to identify three main recurring reasons (7).
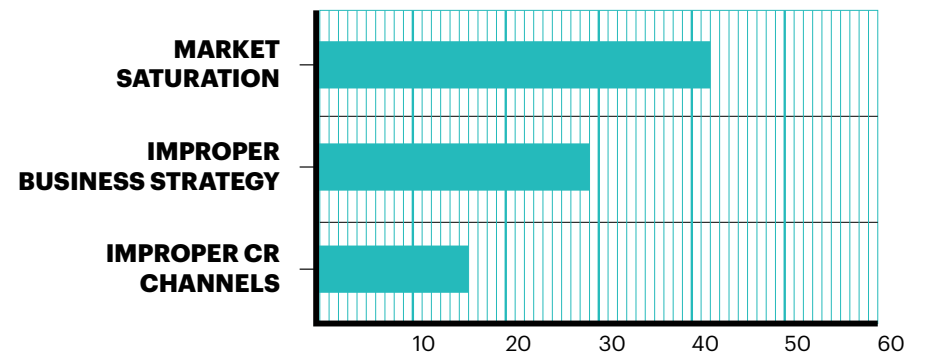
7

Market saturation: new startups often introduce into the market the same value proposition of other, more established startups/companies, with very little innovation, or slim to nil, to sustain them and little consideration of their competitors' offer;

Underestimation of customer relationship channels: one of the most important aspects in a web startup is the type of relationship to build with the users/customers; web startups need to establish a mutual connection with their users/customers, and develop an ecosystem in which people can create value for the startup itself;

Improper business strategy: startups often pivot around the less appropriate business model for the company, thus quickly leading the business to failure.

Market saturation is one of the issues that very often seem to affect designers. Everything has been made and everything has been discovered, and regardless of this statement, an infinite series of similar web startups pop up on the internet, and then are stranded quicker than they have started. That happens because the company starts its business out of imitation, instead of a spirit of entrepreneurship. Henry Chesbrough though suggests in his book "Open services innovation" that the new activities that show up in the market are the expression of the direction the business is moving towards.

The second reason, related to the choices of a **business strategy**, is also the one that causes the failure not only against the "expected" competitors, which should be the one thay play "fairly", but also against those services and phenomena related to the world of Piracy.

The underestimation of customer relationship channels is a problem more related to the ensuing reason: when developing the structure of the company that works upon internet mechanics, it is essential to make a considered choice when it comes to designing the touch points for the customer relationship.
If you fail the strategy behind the relationship with the customers, the entire business of the web startup crackles.

1.3.
BUSINESS MODELS

A business model is the set of strategic decisions and directions a company undertake in order to create value, whether the context of this value is expected under economic, cultural or social terms.

Among the many business models developed by companies around the world, web startups can follow two main paths: the **Pipe** type and the **Platform** type.

Pipe business models are the ones with which web companies produce value internally and let their customers benefit from it externally. This means that the production of value is a prerogative of the startup team, while customers can only access to the final product without having the opportunity to participate in its creation or delivery.

This business model splits the structure of the service in one upstream part, which includes the team, the resources and possibly the partners, and one downstream part, which just includes the passive customers, who can only browse through the offers and make a purchase.
These companies provide websites whose structure does not allow customers to contact each other, or to create a personal space to display to other people, but work just as shop windows.

Like the name suggests, the flow of the offer comes from the top and then goes to the bottom, without any particular deviation.

8

9

10

11

12

13

Web companies with this business model are above all e-commerce and marketplace websites like *Amazon* (*8*), *eBay* (*9*), and *Groupon* (*10*). These companies involve in their business model a revenue stream in which users, gratified by the vast offer, keep returning to the website to carry out other purchases.

Other examples that fit better the Pipe model description are the SAAS (Software as a Service), that are softwares one can download and use for multiple purposes, from buying digital products to accessing different web services. The most famous ones are *Amazon Web Services* (*11*), *Google Apps* (*12*) and *iTunes* (*13*). These services almost stand as independent structures from the websites they come from, and they can hardly give the user the opportunity to interact with other interfaces, just like a shop window.

Platform business models instead focus on creating value both internally and externally, and intensely involving the role of the pro-sumers (producer-consumer). Users (producers) create value for other users (consumers) to consume with the set of tools, features and products delivered by the company. The team realizes an environment that hosts its users and empowers them to contribute to its activities and offers.

Usually companies with this business model rely on the fact that users have a natural inclination for social communication, which is the innate predisposition to share and sometimes show-off what they produce. They provide a set of tools for users (producers) to spread certain types of artefacts (pictures, photos, videos, etc.).

One of the problems that might prevent these companies to rise, or even to start to work properly, is the *Chicken & Egg Problem*: initially users may come to the website only to find it without the values suggested by the company, because no other users provided material yet[20].
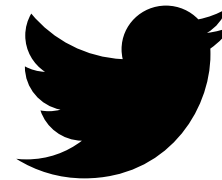
Examples of companies with this business model are Youtube (*14*) and MySpace (*15*). In addition, the social networks like Facebook (*16*), Twitter (*17*), Tumblr (*18*) or Pinterest (*19*) fit perfectly into this category, because all of their value comes when there are users who... use their services. Social Networks can keep running only if the users keep interacting with each other, and with other platforms included in the network.

1.4.
COMMERCIAL, SHARING
AND HYBRID ECONOMIES

On a larger scale, Lawrence Lessig makes a deeper, and larger, distinction between the kinds of business models one can select. In our recent capitalist system, we have experienced two "upper" categories: **Commercial Economies** and **Sharing Economies**[21].

Commercial Economies (*20*) work exclusively on the dynamic of a money transaction. There are two separate entities (i.e. a company and a customer): the first one provides a benefit, whether it is a product or a service, which comes with a price, the second one can access to it with a payment.

TEAM · OFFER · CUSTOMERS

infrastructure

20
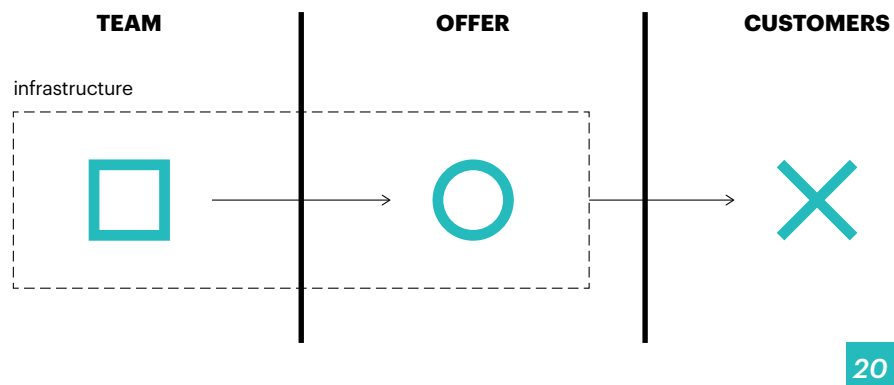
On the contrary, inside a **Sharing Economy** (*21*) money can be even considered insulting. Inside this structure, a form of mutual respect and trust regulates exchanges. Every person involved in this system contributes to the creation of value for free, as in without receiving money for it.

TEAM · OFFER · CUSTOMERS

infrastructure

21
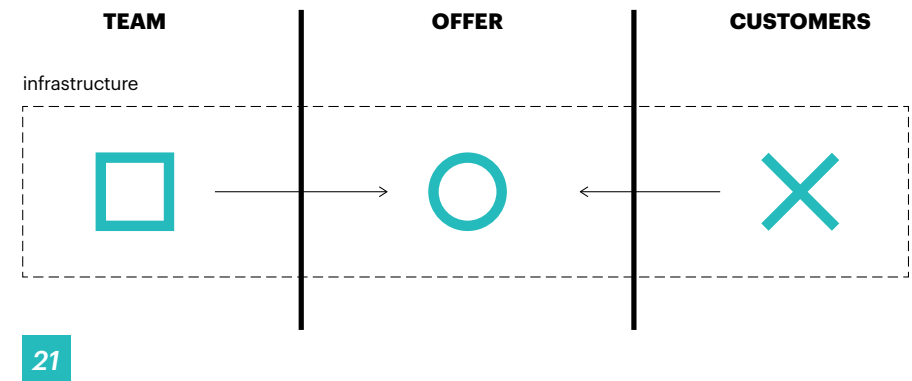
The Commercial Economy includes the Pipe Business Model, but can hardly comprise the Platform one, that carry out an amount of different features for the users, mostly social and relational. Companies with a Platform Business Model design an environment that does not only work inwards, but also let its users share and connect themselves through a vaster network on the internet. Therefore, value comes from these connections and not

only from the money transaction between a customer and a vendor.

Platform Business Model suggest wider and interdependent structures, which Lessig theorized in a third category called **Hybrid Economies**.

In the internet era, the majority of companies using one Business Model or the other, are trying to transition to this category and to be value-driven[22], that is to create value around the service or product they offer (for example through accurate User Experience Design choices, advertisement, brand communication, etc.).

However, what makes the difference is the content from which they extract value[23], and how they do it.

1.5.
THE DIRECTION NEW COMPANIES ARE HEADING FOR

The web has opened an infinite amount of possibilities for the entrepreneurs, and through the years has made possible to them to take part to issues like the democra-

tization of sharing and access, thus having a new way to develop innovative businesses. The Hybrid Economies (*22*) represent what has been achieved in these terms, and stand as the direction, or "model", most of the web companies are heading for.
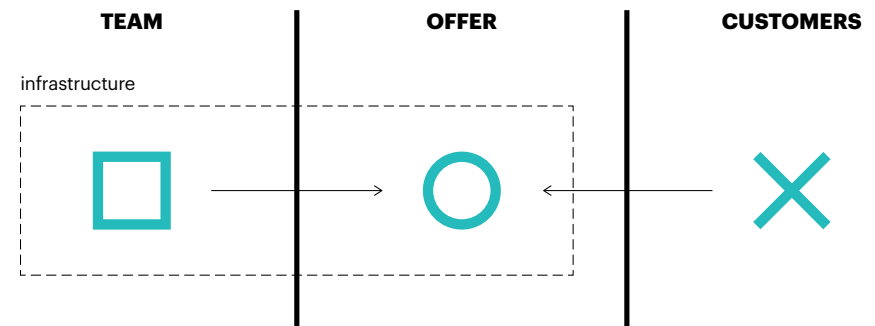
22

Hybrid Economies that take advantage of the current social mechanics of the internet and create value upon them with a Platform Business Model. Such mechanics consist on both actual content crafted by users or professionals and the diffusion of these materials through the web.

That means that the complex of activities they include generate value from the UCG (User Generated Content) but also from the

social networking it provokes, that expands its reach through the web and culminates with its integration into the personal relations of the users[24].

The main change of the Business Model structure from a Commercial one to a Hybrid one consists in the addition of external processes into the value-creation. When, after the financial crisis that started in 2007-08[25], the one we are still experiencing and that has struck most of the so-called Western Countries, entrepreneurs started to understand the limits of an exclusively inward structure. Value lies also in the hands of the users, who can contribute directly to the production. This is one of the basis of pirate activities: creating value through the breaking of conventional production chains. That is why Hybrid companies are the ones that understood better how to compete with Piracy.

Hybrid companies that got the perfect way to innovate the market with their value proposition are the web behemoth Youtube, Spotify and Instagram.

All of the above-mentioned companies have something in common: their services have to manage an incredible amount of creative materials, because they are the glue that holds together all the social interactions that make their services desirable and, evidently, alive. Both professionals and amateurs create these materials, but what keeps the service "up" in the first place is the work of professionals protected by Copyright.

Copyright is a legal right granted by a country to the creator, producer or distributor of certain artefacts. This legal right protects the "intellectual property" of the author, which is the attributable paternity of such artefacts.

It comes natural, then, that the services mentioned in this chapter hold inside themselves these copyrighted artefacts because of their appeal to people, but also because they cannot always control their circulation, stimulated by the users.

Pirate services instead deliberately encourage the circulation of copyrighted materials without returning the right payment, and this is why pirate services thrive despite the recurring intervention of the law.

For these reasons, it is essential for new web startups to understand the importance of Copyright.

NOTES

#5 *http://www.oxforddictionaries.com/definition/english/start-up?q=startup* (last visit: 14/09/2014)

#6 *http://www.collinsdictionary.com/dictionary/american/startup* (last visit: 14/09/2014)

#7 *http://dictionary.cambridge.org/dictionary/american-english/start-up* (last visit: 14/09/2014)

#8 *http://en.wikipedia.org/wiki/Startup_company* (last visit: 14/09/2014)

#9 E. Ries, *The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses*, The Crown Publishing, New York, 2011, pg 227.

#10 *https://en.wikipedia.org/wiki/Seed_money* (last visit 17/10/2014)

#11 *http://www.mitpressjournals.org/doi/abs/10.1162/INOV_a_00184#.VETXPlWsVQc* (last visit: 17/10/2014)

#12 Ibid.

#13 *http://www.inc.com/christina-desmarais/difference-between-startup-accelerator-and-incubator.html* (lest visit: 18/10/2014)

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IMAGES INDEX

Head image of the chapter
Frame from the opening theme of the HBO TV show *Silicon*

Valley (2014).

Images

1. Logo of Wikipedia.

2. Lifecycle of a startup.

3. Extended Transition process.

4. Logo of musiXmatch.

5. Logo of Splice.

6. CBInsights: The R.I.P. Report – Startup Death Trends.

7. Bars Chart showing the main reasons why 75 web start-ups failed.

8. Logo of Amazon.com.

9. Logo of ebay.

10. Logo of Groupon.

11. Logo of Amazon Web Services.

12. Logo of Google apps.

13. Logo of iTunes.

14. Logo of Youtube.

15. Logo of myspace.

16. Logo of Facebook.

17. Logo of Twitter.

18. Logo of Tumblr.

19. Logo of Pinterest.

20. Commercial Business Model.

21. Sharing Business Model.

22. Hybrid Business Model.

2.
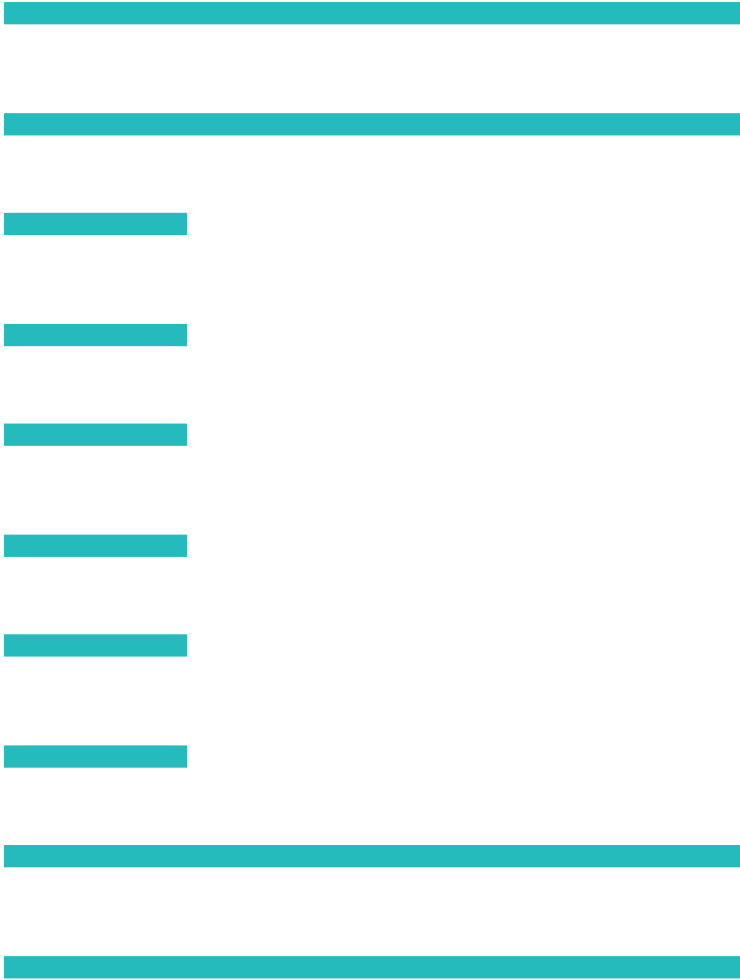
COPY
RIGHT

Copyright refers literally to the right someone may hold to copy something, whether we are talking about a physical or digital product. We know of copyright laws since right after the invention of the printing press[26]. While then it has been enforced mostly as a censorship instrument, it has gradually shifted to a regulation to apply intellectual property rights.

In the past, the reproduction of artefacts was naturally subject to the ability of the artisan to recreate its original features. The falsification of paintings, sculptures or simi-

lar works of art required specific skills and a considerable amount of money. It is enough to consider the needed materials, both for the artefact itself and for the manual reproduction. However, starting from the late XIX century with the second Industrial Revolution, the evolution of technology eased such processes and introduced devices apt to multiply singular units quickly. Since then, we experienced an unprecedented acceleration of technology development and nowadays, the reproduction of digital artefacts is effortless and free. Therefore, the compensation producers and authors are looking for is now pointing at usage and diffusion. Our digitally oriented society revolves around the concept of intellectual property: the notion that the creation of a cultural artefact determines, in addition to the right of receiving a fair payment, the right to retain the usage of it by others for an extended period of time.

Modern copyright laws work differently than the ones of the past. It is possible to identify the birth of the modern copyright system with the establishment of the film and distribution companies and music compa-

nies associations, formed at the beginning of the XX century. In the beginning, the film association's scope was to get money for the usage of instrumentations they provided to the market, so that both major and independent filmmakers would have had to pay them royalties. It was 1908 when this action took place in New York City[27], where the majority of the cinematographic industry was placed, and the ones who decided not to surrender to the instrumentation "fees" moved away and founded the Hollywood we know of today. In the case of music companies' associations, they came up after the diffusion of the phonograph technology, which allowed registration and started to reveal massively its potential for reproduction. Such companies imposed licenses fees for the usage of every registration of the music they produced. This action marked the first step from copyright laws regarding physical products only to easily reproducible artefacts. This is implicitly one of the first changes from a product-only to a product-service perspective.
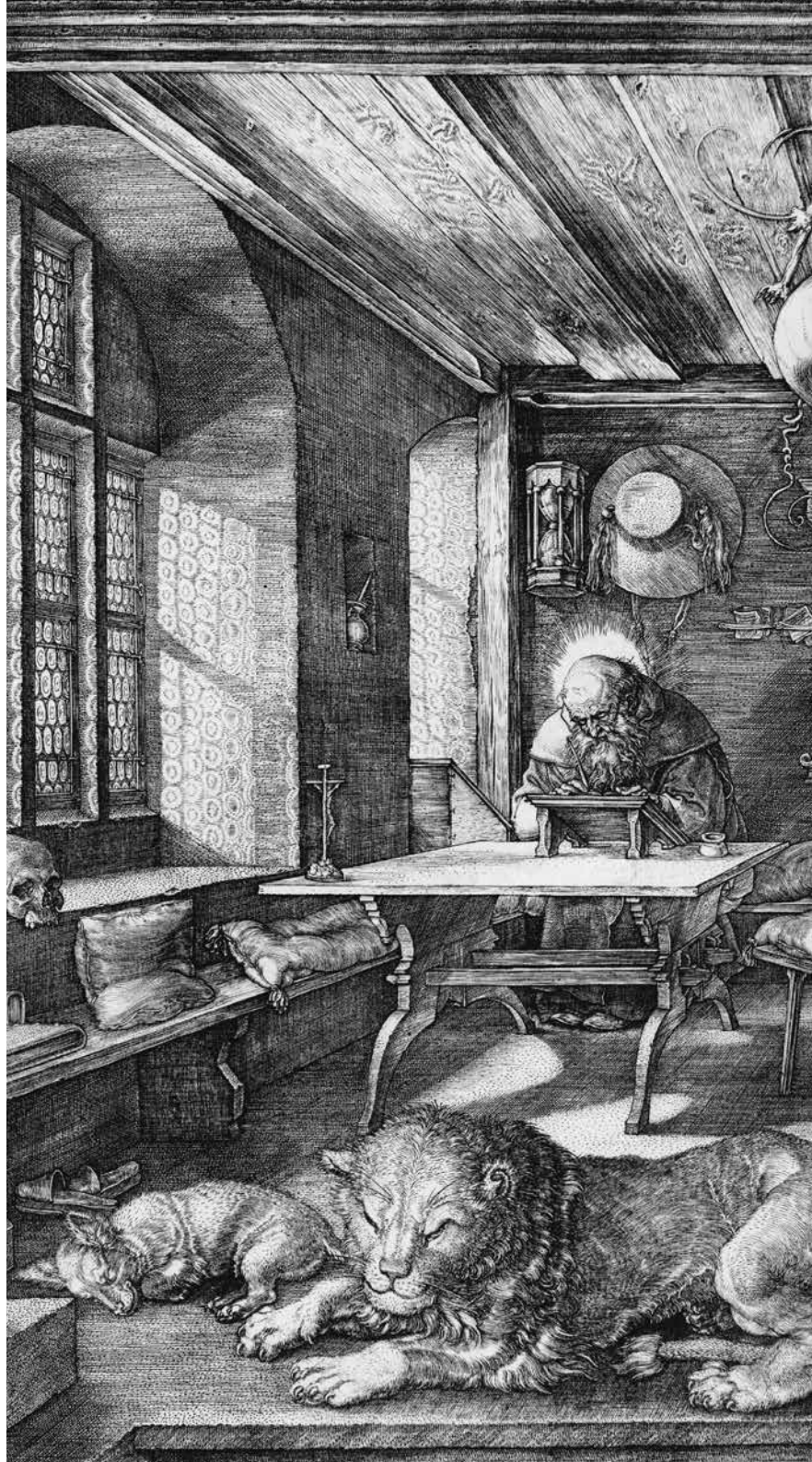
23

2.1.
COPYRIGHTS AND PATENTS

Current laws supporting and protecting intellectual property are divided in two main areas: copyrights and patents. While the first ones are meant to work for the "creative" field, or to be more specific they regulate certain aspects of cultural, entertaining and design products and services, the second ones' purpose is to regulate the actual application of ideas[28].

Copyrights and patents laws are different under three aspects:

Coverage;
Extension of time;
Range of control.

Coverage: patents protect the actual implementation of one idea, and it means that no one but the rights holder or inventor can make use of it. Not even if you come up with that same idea independently, without knowing it from before. The access to the usage of the idea is admissible only via authorization. Copyrights on the other hand do not specif-

ically protect the idea itself, but rather the ways in which it is applied, performed, realized or executed. For example, patenting the creation of a new car engine means to adopt the kind of protection that prevents anybody else from producing it. Copyrighting a song means to protect the combination of melody, musical production, musical arrangement and lyrics of that song, but it is rather difficult to protect parts of them if they are not all present at the same time in another song.

Extension of time: in the US, the validity of patents lasts from 14 to a maximum of 25 years. Copyrights can last from 50 to more than 70 years. Each country has its own regulation system, so the amount of time varies. It is possible to assume that the duration of patents is minor than the copyrights' one because of the obstacle it could become to the growth of competition and innovation.

Range of control: one substantial difference between patents and copyrights is the application of the Fair Use's set of exceptions the latter must submit to. Fair Use is a principle that is "woven into the very fabric of

copyright law"[29], and allows the limited use of copyrighted material, without having obtained any authorization from the rights holder[30]. Fair Use protects the people's right to employ legally purchased copyrighted material for many purposes, from the addition of commentary or teaching. It is based upon the basis of freedom of expression, and thus establish limitations to the control of the rights holders on their artefacts. These measures stand as an addition of the "First-sale doctrine", which protects the production and distribution chain of the copyrighted material (the freedom of selling and buying copies of ideas, and the freedom or selling second-hand legally purchased copyrighted material). Regarding the case of patents, it would be nearly impossible to do something else than the proper scope the object in question was created for, so patents address mainly competitors of the industry or scientific field.

For copyrighted material, the question becomes ambiguous: in the last years, we have been experiencing a progressing expansion of the range of control of the rights holders

over their products. That is because they often such artefacts are treated the same way as before digital technology enabled effortless reproduction and sharing. There is uncertainty whether it is their production and distribution that must be protected, or it is their management[31] through social platforms or mobile apps.

For the themes addressed by this research, only the copyrights effects are taken under consideration.

24

EXTENSION OF TIME

heavy
medium
light

2.1.1. AN OVERVIEW MAP ABOUT COPYRIGHT

This map has no intention to provide an exhaustive explanation about every Copyright and Anti-Piracy legislation around the world, neither has the scope of deepening the understanding of how Copyright laws work around the world. This simple map wants to give an overview on the global diffusion that International treaties and laws has reached.

Almost every nation in the world is part of the Berne Convention for the Protection of Literary and Artistic Works and of the TRIPS (Agreement on Trade-Related Aspects of Intellectual Property Rights), although each nation may apply different restrictions in terms of time.

The minimum time added to the life of the author, after which any Copyright claim expires, is of 25 years, while the maximum is 100 years.

If we divide the amount of time between the minimum (25 years) and the maximum time (100 years) in three equal parts, we can see there the vast majority of the countries opts for a medium extension of time (50 to 75), while there are few nations with heavy extensions (75 to 100), and only one of them, Libya, established a light grasp on the extension of time.

2.3.
COPYLEFT AND CREATIVE COMMONS

In the past decades, coming along with the breakthrough brought by digital technologies, it emerged the need to provide an alternative for people who did not want to adhere to the copyright policy. The idea of **Copyleft** (*25*) became known in 1985, when Richard Stallman published the GNU Manifesto, the document that groups the purposes of the GNU Project, which is the free software project that led to the realization of the free operating system Linyx in 1992.
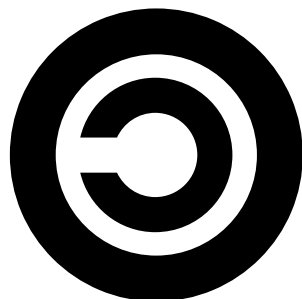
Instead of fighting the law, Stallman decided to work within the limits copyright regulation itself had to create a new system for authors and creatives. Copyleft is "a general method for making a program (or other work) free, and requiring all modified and extended versions of the program to be free as well"[32]. It is a system of licenses that enables the creators of certain kind of works to let others use them (in a determined array of circumstances) to create other works, as long as

25

they release them under the same license. Copyleft does not work outside the copyright system, but instead lives inside of it and let people share their work by stipulating a sort of "respect contract". The system gets its support by the agreements and negotiations between professionals or experts.

26

Creative Commons (*26*) is one kind of licensing practice listed under the Copyleft system. It is a non-profit organization founded by Lawrence Lessig in 2001. It works on a license provision condition called ShareAlike, which applies on both free content and free software. This condition is structured like many Copyleft ones, and allows modifications and copies of the licensed work only if it is released with the same license as the original. In order to not interrupt this chain, the information regarding the license must be showcased.

Creative Commons' licenses are provided for free, and do not require any kind of paid subscription or prior donation to be acquired.

This regime brings a dramatic fall of costs for both individuals and companies that have to deal with digital material. Therefore, the pos-

itive effects are twofold: Creative Commons' licenses are low-cost, and build an ecosystem founded on mutual trust, on collaboration and repeated interactions[33] and on loosening of tensions between institutions and people. For example, Copyleft services are the fuel that allows platforms like Wikipedia to keep running.

2.4.
TO ELUDE COPYRIGHT

In this research, it has been studied extensively what the avoidance or infraction of the Copyrights laws gave birth to: a series of social behaviors and mechanisms that shaped a new online market. Piracy is a form of diffusion of information, knowledge, culture, entertainment and amateur products that does not abide the law. All of the activities and services that spread copyrighted material in advance on the release, or without the permission of the producers, or in countries in which otherwise it would have been unavailable, maybe for a very long time, fall under the label of Piracy.

Whether such phenomena are conducted with a research or teaching objective, or they just take part to the big world of breaking the law to access copyrighted material for free, they generate a variety of innovative and valuable events, for both common people and enterpreneurs.

27

NOTES

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IMAGES INDEX

Head image of the chapter

Copyright- all rights reserved, MikeBlogs.

Images

23. St. Jerome in His Study (1514), an engraving by Northern Renaissance master Albrecht Dürer.

24. Worldwide map of extension of time for Copyright.

25. Logo of Copyleft.

26. Logo of Creative Commons.

27. Piracy Manifesto installation by Miltos Manetas, design by Experimental Jetset. Swedish-English version, 2009.

3.

WHAT IS PIRACY?

Cyanide and Happiness © Explosm.net
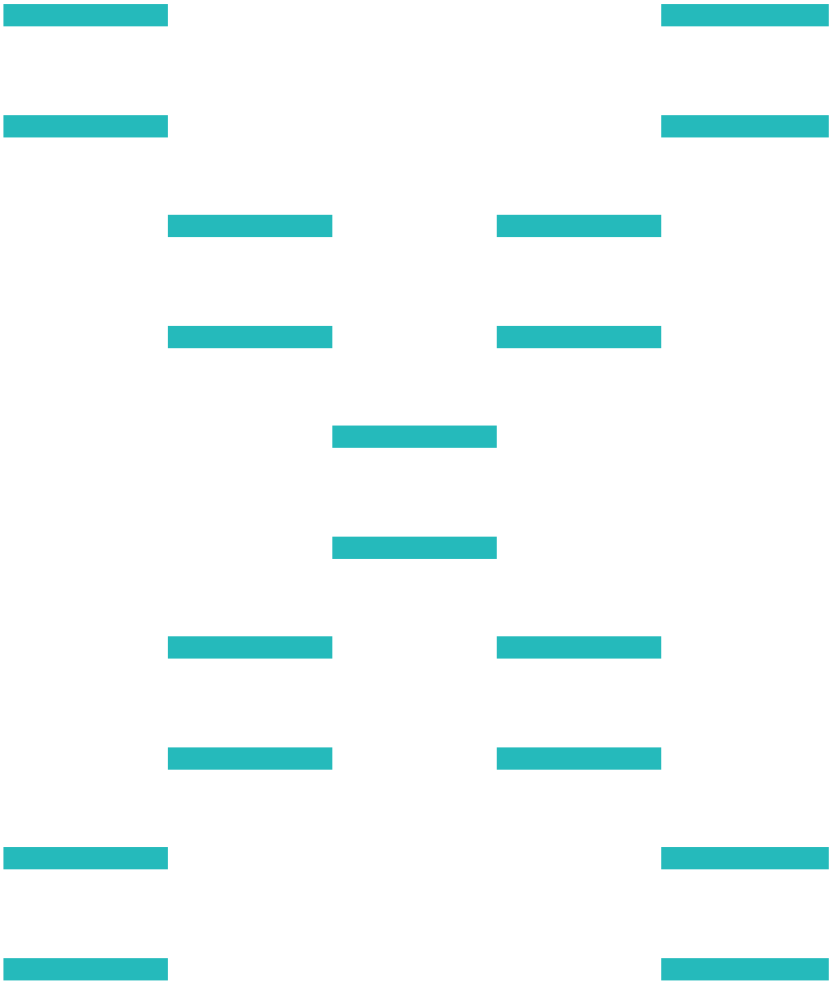
Piracy is that cultural and social phenomenon that can be more precisely defined "digital Piracy", because it occurs thanks to the existence of the Internet. People who engage in pirate actions usually make available for a huge number of people free copyrighted material, thus breaking the law. By uploading different kinds of protected material on the web, Pirates let other people download it and share it for a potentially uncontrollable amount of time.

Pirate actions also include the alteration of such copyrighted material, its duplication and also its partial diffusion.

3.1.
PIRACY IN HISTORY AND
SOCIO-ECONOMIC INFLUENCES

As many historians suggest, the capitalist world with the social and economic system we know now, started after the discovery of the American continent by Cristoforo Colombo (Christopher Columbus) in 1492. The discovery of an unknown land caused a shift in perspective in the market: a new land means new goods, new populations, new trade routes, and new unclaimed territories.

In nearly two centuries, the trade routes for the American continent were fixed, allowing the ships to sail with less concern than before, but along with that, pirates had the chance to finally rise and to be definitely acknowledged for what they were: an unavoidable part of the just established capitalist system.

Pirates, in the sense of a mob of rough men roaming the seas to predate royal vessels, existed even before the spreading of capitalism towards America, but it is after 1492 that it is possible to understand their very role in the society.

As Rodolphe Durand and Jean-Philippe Vergne say in The Pirate Organization:

"[...] the pirates lack legal influence over their earthly possessions. So here's the twist: while depriving others of their goods and rights, pirates cannot claim to own anything."[34]

Since pirates deliberately elude the common legal system they find ashore, which states that it is possible to claim ownership over a certain area or of a certain asset, they represent a unique kind of character in the economy: they handle different kinds of assets without claiming the property of them or declaring any sort of authority.

Their character rose to attention with the establishment of those new trade routes towards America: pirates found in their hands a new consistent way to take advantage of existing paths, broadening them, by exploring adjacent itineraries, or by letting different types of commerce rise.

The key concept is: thanks to the rejection of shared norms regarding ownership, pirates deal with items released by socially imposed limits like property or authorship, increasing

28

incredibly their potentiality for creativity and experimentation. But, since the capitalist system enforced its rules to the extent in which in every nation is deep-rooted the principle of not questioning the rights of the author or inventor, their entitlement will always be recognized, meaning that along with it piracy will retain its part of the system by passing through the laws.

Michele Boldrin and David K. Levine confirm the resiliency of piracy in Abolire la proprietà intellettuale (Against intellectual monopoly):

"Innovation and creativity comes from the competitive fringe, which does not hide behind any form of intellectual property protection."[35]

Boldrin and Levine suggest that innovation cannot be pursued by strictly containing the legitimacy of the actions one can undertake with the purpose of achieving improvements or discoveries. This observation implies that these laws must be questioned when there is a reason to do so. If the governments, whose objective is to maintain the steadiness of one area of the market, restrain the access

to methodologies or instruments then the chances to produce innovation are slimmed.

This leads to the piracy commonly known nowadays, and the one it is going to be considered in this research: cyber piracy, the kind of phenomenon that reaches the pivotal point in the piracy history in the matter of spotting the "grey areas" of legislation and market, socially accepted behaviors and ethical problems related to technology. Pirates tackle these issues by examining the context and deviating from the legal path with the intent of highlighting the ambiguous resolutions proposed by the legal system. There's the need of cautious change, especially in the matter of legislation about intellectual property, "remixing" and sharing, given that the speed of technology pushes continously the boundaries of people's behavior[36].

29

Since its very unstable nature, it is not easy

to describe consistently the influence that piracy has across the contemporary society, but it is possible to report the analysis carried out by Cisco System, a leader company in the technology market, that evaluates the constant growth and spread of "illegal" behaviors, like downloading and sharing digital products and violating the related intellectual property rights, induced by piracy[37].

Ultimately, piracy is the phenomenon that as of today underlines how "owning something is becoming less important than the right to access it"[38].

3.1.1. CATEGORIES

To clarify the nature of piracy in modern society, it is essential to divide each kind of occurring action in different categories in relation with the role of government and regulations.

We can divide piracy phenomena in three main categories:

1. *Piracy that breaks the existing laws;*
2. *Piracy that avoids the existing laws;*
3. *Unrecognized by the legislation.*

1. Piracy that breaks the existing laws
It is easy to indentify which are the actions commited by pirates that fall under this first category, because they are the kind of actions considered by the set of rules defined by the current regulations addressing intellectual property.

As of today, "the law [...] regulates publishers, users, and authors. It regulates them because all three are capable of making copies, and the core of the regulation of copyright law is copies"[39], and not only in the United States but in all the countries in which it is provided for by law (with the resulting differences).

Therefore, according to this first category, "A pirate is essentially anyone who broadcasts or copies someone else's creative property without paying for it or obtaining permission"[40].

One key example that will be explained in chapter 4 is **Napster**, an online service, based on the innovative peer-to-peer technology that broke the law by enabling users to freely share music material focusing on the mp3 file format, without paying the correspondent amount of money for each copy

set up by the author or by the record label. Musicians themselves and the record labels managed to shut down the service, claiming that the unauthorized circulation of music material into the service damaged the business.

As of today, whether a copyrighted material was downloaded through pirate services or through an authorized seller, it is considered illegal to copy it and share it.

2. Piracy that avoids the existing laws

The only way for a pirate service to exist, and to keep providing its features in the same territory it was born, without suffering from the repercussions held by the government, is to elude its legislation. One of the most famous examples of this kind of piracy is the **Principality of Sealand** (*30*). In 1966, Major Paddy Roy Bates seized Fort Roughs, a huge World War II military platform standing in the middle of the sea, few kilometers away from the southern British coast, after that government ordered him to shut down his pirate radio station that broadcasted rock'n'roll music in the United Kingdom. Since it was located inside British frontier, it fell under its

30

jurisdiction. Once he established his control over Fort Roughs, he, along with his family, "declared their decaying bounty an independent sovereign nation in accordance with international law, and the Principality of Sealand was born"[41].

Therefore, it is not so different from the offshore companies, whose legal entity is "established in a tax haven or offshore financial center, being protected by specific legislation which guarantees a status of partial or full tax exemption."[42] In this case, to contrast the government's laws deemed as unfair, Major Bates created his own land with specific legislation to keep broadcasting his programs and let people listen to rock'n'roll music.

The Pirate Bay represents a different case of eluding the local law: this swedish-born website works as a gatherer and host of links to pirate (but also not pirate) material. In order to keep doing so and maintain it online, and not just for the Swedish people but for everyone in the world, the founders are continuously transferring the servers to one country to another[43] that allows their residence before the intervention of international policies,

although, currently, the servers have been reinstated in Sweden[44].

Though the website collects a number of links to copyrighted material but does not provide it directly, many legislations (for example, the one of the state of Guyana, one of the countries that briefly hosted The Pirate Bay's servers[45]) consider the facilitation to access pirate material equal to breaking the law. The harshness to which The Pirate Bay has been put through also depends on the strong objections its founders have been raising, since the birth of the service, against the governments' policies and positions regarding free culture and monopolies. This led them to the constitution of the Piratpartiet in 2006[46], the first **pirate party**, whose ideas and resolutions are based upon the free culture's principles and the theories against the intellectual property.

3. Unrecognized by the legislation

This third category defines a set of actions whose nature, process or implications have not been traced, recognized or understood by both markets and lawmakers.

It is very difficult to give a proper definition to

31

this category, because its instances are positioned in what has been already mentioned before as a "grey area": an unexpected activity that generates new meanings, and consequently produce new questions and doubts within the society, market and legislation.

Focusing on the last two, the kind of activity that falls under this definition is unexpected by both entrepreneurs and lawmakers and thus labelled as "non-legal", as in unregulated, before starting to thrive and, eventually, getting identified and struck by a proper law. Activities like these sneak in the market by engaging in two different approaches at innovation: the repurposing and the direct introduction of novelties.

Not yet regulated activities in the market

The aspects tackled by emerging pirate activities, that influence the creation of a brand new field of the market, principally deal with behaviors and technology:

> *The repurposing of existing behaviors;*
> *The repurposing of existing technology;*
> *The introduction of innovative technology.*

The repurposing of existing behaviors may be one of the most undetectable aspects that contribute to the natural "success" of pirate activities.

The **act of sharing** is the one whose meaning, and obviously function, shifted particularly in the Internet era. Before, the way customers experienced the sharing of consumer goods related to culture and entertainment was exclusively related to the act of usage. People would buy a physical product, and its intrinsic and extrinsic aspects would reduce the range of potential applications (e.g. assemblage, level of functionality afftected by disassembly or reassemble, customization, portability, versatility). Of course, copying or reproducing the product was out of the question. The medium was still inseparable from its native device.

However, with the arrival of the technology that allowed infinite and painless reproduction of digital products, it was born a new paradigm of experiencing products.

The focus of this new paradigm will be on **BitTorrent**, a protocol based on the peer-to-peer file sharing that introduced the aspect of functionality right into the act of sharing.

Wikipedia states: "The BitTorrent protocol can be used to reduce the server and network impact of distributing large files. Rather than downloading a file from a single source server, the BitTorrent protocol allows users to join a "swarm" of hosts to download and upload from each other simultaneously."[47]

Basically the file does not require just two persons, one that "offers" the hosting of the file and another one that chooses to "take" it directly from the source, but rather a network of mutual "taking" and "offering", in which every user helps the others to download more rapidly.

Alessandro Ludovico explains it perfectly in his book "Post-digital print":

"Any network relies on the collective strenght of its nodes; each single node, though potentially weak when isolated, is important (even vital) for the entire network - in other words, there's safety in numbers. And the entire network is much stronger than the sum of its single nodes. A network is also different from an association or a society; it implies that the exchange between nodes should be mutually beneficial." [48]

In this way, not only sharing gets more important according to the efficient execution of the download, but also it helps to create networks of people who depend on each other to share material that might have been hard to come by before.

The act of sharing is not only a form of social participation and a communal experience, but indeed acquires an important functional aspect, that makes it relevant for the smooth working of the system itself in which it takes place, and leads to the creation of communities, niches and databases of specific information and cultural branches.

The repurposing of existing technology mainly concerns delivery technologies[49], which are the supports or devices that convey certain kinds of media. One famous example are the **VCRs** (Video Cassette Recorders): this technology was introduced in the market in the 70s as an innovative device for recording images and sounds onto video cassettes (so this case can also fall under the third option). At first, when it was introduced into the households market, its purpose was exclusively RO (Read Only), which means that

the customers would only use it to watch the authorized material sold by other producers or distributors, such as Disney (movies, TV shows, cartoons, dedicated productions, etc.), or the amateur material they would create in their private lives with their cameras. Nevertheless, the VCRs included the "record" option: this feature enabled users to register any kind of program they wanted that TV network was broadcasting, and then reproduce it to watch at any time. The purpose of the video cassette shifted from RO to RW (Read/Write), and it did cause, of course, a certain amount of discontent among the major producers, like the aforementioned Disney and Universal[50].
The repurposing in this case is not unlocked by the user, but by the producer.

A case in which the users bring up the repurposing is **Youtube**, whose tagline is "Broadcast yourself". Youtube's mission, as the name suggests, is to let people put on the platform their own videos, to be shared both inside and outside the platform itself, to create a vast, inter-connected, cross-platform network of users.

In the years, while some users uploaded on youtube their self-recorded videos, others uploaded copyrighted material like movies, tv shows, cartoons, music albums, live recordings of performances, etc., thus making it easier for everybody to access these kinds of products for free. In this manner, Youtube became one of the largest recipient for copyrighted material, and one, if not the first, of the websites people use to search for this material. People often look for not yet released copyrighted material on Youtube, which is an ideal platform to spread quickly a product everybody would like to see but maybe not everybody want to pay for.

The introduction of innovative technology can occur like in the case of the VCRs, which led to (not that much) unpredicted consequences, or like in the case of "disruptive innovation" with **Napster**, based on the peer-to-peer technology, whose main purpose was to enable users to share files with each other, and it did not change until it was forcedly closed. It was the first service to offer that kind of possibility, and many others followed its legacy and developed similar services af-

ter, to any kind of user.

Innovative technologies, regarding the world of piracy, do not only shape the whole ecosystem of illegal digital products: they also change the meanings related to the products themselves. Before the existence of such services, to find, but teven to subsequently access illegal material online, was excruciatingly complicated. Furthermore, due to the still uncommon internet network, the power of the internet connection used to be really modest, and the technologies used to send and receive files, such as the File Transfer Protocol (FTP) or the Electronic mail (email), did not render the processes of uploading and downloading material on the web reasonably quick yet. Nevertheless, with the constant growing power of internet connections, the sharing digital products became a natural part of our daily life[51].

The derived "market"

Because of the ever-changing shapes of the internet, the technologies, which it is based upon, and its social dynamics, it is very difficult for the industries and government to keep up with it.

One area that, apparently, legislation has not detected yet, or rather has not understood yet, is the one related to the **derived "market"** of pirated material (quotation marks are needed because, in the case of pirate activities, or derived pirate activities, it is not strictly appropriate to use the word "market", since these activities place themselves out of the canonical system). Since nowadays people from all around the world have access even to the most remote segment of entertainment and culture, it surfaced the need to translate, untangle and explain the communication and language barrier resulting from the encounter of different cultures and systems.

The **subtitles communities** (subtitles as in text of dialogues) are self-organized communities in which a group of volunteers, often languages students or foreign cultures students, offer their time and experience to translate the texts and dialogues of movies, TV shows, cartoons and anime (Japanese animated cartoons).

This is a symbolic case of the derived "market": in order to run the services, the subtitles

28

communities need to access pirate material, but what they deliver to the web is not considered a pirate product.

What they do is replicating the voiced content of a visual product with a visual support, which is the written text to apply on a video file. tThe copyrighted material does not get altered and this activity does not damage the revenues of the company that releases the product.

However, it surely encourages the users to turn to this service, realized by trustworthy people, and to keep downloading illegal files as soon as they come out.

The main values that the volunteers cultivate to offer always a good service to the community are:

> *quickness*: in the case of mainstream or highly followed tv shows, the volunteers work as quick as possible to find the show the exact moment it gets released on the web, or even to watch it while it gets broadcasted on its original network despite the time zone; they often work overnight to translate

the dialogues and to release them the next morning for the fans of the show eager to watch it as soon as possible;

accuracy: even though some users have to watch their favorite shows with subtitles translated in their mother-tongue, because they don't know the original language, their level of both knowledge and affection to the shows lead them to easily understand if the translated text does not match proper-ly with the original dialogue, or if the translation was not accurate; so the volunteers, who are fan themselves, understand that they have to balance promptness and precision;

consistency: the subtitles communities work in the context of fandoms, that are "[...] subculture[s] composed of fans characterized by a feeling of empa-thy and camaraderie with others who share a common interest"[52]. It means that the translations are delivered in a context in which every show or mov-ie has its own style or set of referrals

and popular culture quotes, and their fans are "experts in the field". There-fore, translations do not only have to be accurate, grammatically and syn-tactically speaking, but they have to be consistent to the specific world of the show or movie. This applies even more rigorously in the case of shows or movies adapted from books, which is a completely different world.

These values constitute the competitive ad-vantage of the communities in comparison with TV networks or movie producers and distributors: the formers are able to release the translated material to the users way be-fore than the official channels, and with much more "adherence" to the culture they are addressing.

Subtitles communities work also to retrieve and recover old shows and movies that may have been forgotten by the majors, but are still treasured by the people or by aficio-nados. This is interesting, because it strays away from the classic demand and offer par-adigm, and directly deals with the milieu of free culture and open knowledge[53].

An activity that operates in a derived "market" of piracy is, then, one whose very functioning inextricably depends on the presence of copyrighted products in the networks of pirate services, but does not appear to be contemplated by the law, or to be threatened by the copyright holder, because the material produced by these activities:

> respects the work of the authors (e.g. the subtitles in the original language accurately display visually the dialogues, whose intellectual property belongs to the network or to the screenwriters; the same goes with the translated subtitles: even if they are the interpretation of the translators, they refer to the original);

> does not constitute copy or modification of the original work, instead it works as a supplement, addition or extension; not complete

> is distributed for free. Communities are almost everytime supported by donations or by the financial resources of their founders.

3.2.
THE FREE CULTURE

Matt Mason positions the effective birth of the free culture phenomenon in the late 70s with the birth of the punk movement[54], around one of the concepts that it based upon: D.I.Y., "do it yourself", which meant defying authorities of any kind, and realizing that it is possible to create valid alternatives to the official channels for instruction, culture and entertainment.

32

THE BATTLE OF COPYRIGHT
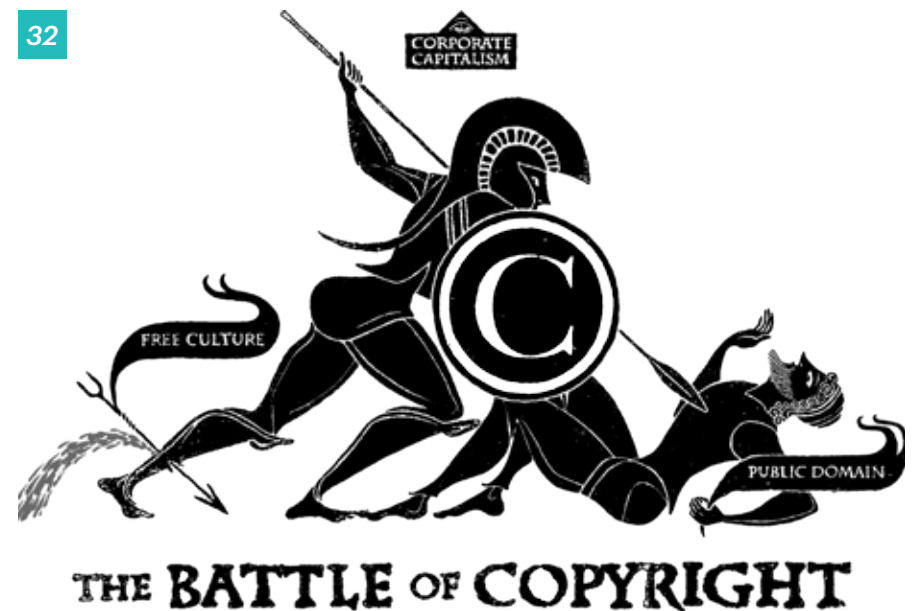
Free culture is the result of the often-uncon-nected work and underground tendencies of pirates through the years, who thought that the laws about intellectual property in force were unfair, given the possibilities provided by the evolving technologies.

The words "free culture" include both the dai-ly behavior of millions of people who surf the internet and naturally download, enjoy and share files such as mp3s, movies and docu-ments, and the behavior of people who work in order to make the aforementioned actions possible. The latter is the one employed by pirates, who believe that "there is the need of creating an extended and free public data-base of knowledge and artistic creativity"[55].

In order to introduce the next paragraphs about the nature and the different types of laws that regulates the intellectual property, it is important to define briefly what the Free Culture has done to and for the society.

In "Piracy Effect: norme, pratiche e studi di caso" (*Piracy Effect: norms, methodologies and case studies*) Måns Svennson, Stefan Larsson and Marcin de Kaminski report:

"People who would never engage in criminal,

33

for some reasons think it is acceptable to vi-olate intellectual property." [my translation][56]

To such extent it gets the influence of the Free Culture in the modern society. The huge amount of content that is freely available on-line thanks to modern technologies, and to the constant expansion of their importance inside the quotidian and shared imaginary, people are now implicitly led to believe, or, to a more unconscious level, they are led to not even consider the unlawful implication of downloading copyrighted material from the internet.

That is because, through the years, the ille-gal material that we can reach with pirate services, rapidly and painlessly acquired a few important values that, in comparison with the ones offered by the market in which people were asked to choose, became more understandable; its characteristics are:

it is obtainable for free, and it can be unlimitedly used;

its availability, in the sense of variety and versatility, is extensively better

than the one of the official channels (e.g. only in recent times tv networks started to offer on-demand services, customizable offers and devices or pay-per-view options, but these choices were introduced in the market way too late in comparison with what the Internet had to offer);

it is highly sharable and adaptable, with the same product being almost always reproducible on any kind of platform.

These are the main reasons why people have "a penchant for breaking the law"; mainly because these values, besides their proximity with the principles of the Free Culture, are more approachable and admissibile for the crowds, that "are defined by their shared emotional experiences"[57]. Yet, aside from the examples concerning piracy, there are few others that are considered more representative of the Free Culture phenomenon, because they are examples of structures that rely on the innate features of democracy, impartiality and neutrality of the web. The first of the two examples that are going to be tak-

en into account is about technology, and it is the **free software**; the second one is about a service that works in the context of the sharing economy, and that is **Wikipedia**.

The **free software** is a software whose code is available for everyone who wants to access it and use it, but it comes with a special license that allows the modification and potential redistribution, both free of charge or even for sale, only as long as the modified software gets released under this same license. The GNU Project, one of the first and most important projects about free software, states that: "the users have the freedom to run, copy, distribute, study, change and improve the software", and identifies a free software with four parameters:

*"the freedom to run the program as you wish, for any purpose (freedom 0);
the freedom to study how the program works, and change it so it does your computing as you wish (freedom 1). Access to the source code is a precondition for this;
the freedom to redistribute copies so you can help your neighbor (freedom 2);
the freedom to distribute copies of your mod-*

ified versions to others (freedom 3). By doing this you can give the whole community a chance to benefit from your changes. Access to the source code is a precondition for this."[58]

This indicates that the main objective of the project, and, generally speaking, of the free software dynamic, is to "extract value from a sharing economy"[59], and this is the process many Hybrid companies are integrating in their business models. The value is generated by the voluntary work of great numbers of developers, engineers, scientists, technicians, experts or even amateurs who contribute to this phenomenon with their knowledge, expanding its limits every time they take part to it. The first groundbreaking example of expansion of the limits came when Linus Torvalds developed the *kernel*, which is basically the core of an Operative System that let the processes of the computer access the hardware safely, thus creating the famous *Linux*. It meant that the free software the GNU Project developed could start to work on every computer, enabling even other people besides the developers and

34

engineers to use it. This would have never happened if the source of the software were protected and not accessible to anyone.

Wikipedia prospers because of a similar mechanics: it is a collaborative online encyclopedia running on a website based on the *wiki* software, which is a platform that enables multiple users to work together on the same environment to write and modify textual content. Wikipedia was launched by Jimmy Wales in 2001, and since then the number of articles and content grew exponentially (as of today, the English Wikipedia has 4,563,898 articles and counting[60]); this highly functional model is guaranteed by the web-social dynamic described by Charles Leadbeater: "Every move we make on the web leaves a little wake that can be tracked. [...] thanks to a user-generated surveillance system of social networking in which everyone is keeping an eye on everyone else."[61] So that means that, on Wikipedia, users feel have developed a sense of trust and responsibility towards other users and to the online encyclopedia project, which is a responsibility towards the concept of open knowledge, but of course, they also developed a repu-

tation inside their community that they work to protect. Wikipedia is the perfect example to underline how today value comes more from connectivity than from the content it-self[62]. Curiously, Wikipedia naturally works in the way Jan Carlzon suggested in 1985 every company in the new economy should work:

"Any business organization seeking to establish a customer orientation and create a good impression during its "moments of truth" must flatten the pyramid – that is, eliminate the hierarchical tiers of responsibility in order to respond directly and quickly to customers' needs. The customer-oriented company is organized for change."[63]

These two examples clarify the direction that the Free Culture pursues, but it also implicitly identifies two resulting, and different behaviors: the one of the *active supporter* of the Free Culture, who can be defined as a *prosumer* (producer-consumer), and the *passive supporter,* who is a consumer in terms of direct contributions, but challenges this label by generating value and meanings with the act of sharing and also simply using.

3.3.
ACTIVE AND PASSIVE
SOCIAL BEHAVIOR

Saveria Capecchi says in her book "L'audience attiva" (*Active audience*) that every possible experience we can make is filtered by a large amount of means of communication[64], and because of this full immersion in a constantly mediated life, without any kind of protection or "firewall", many authors and intellectuals think people are becoming defenseless targets that absorb undifferentiated portions of information[65].

Due to the progressive specialization of labor, already identified by Marshall McLuhan in his "Understanding media", our society quickly developed a trend for individualism that make people become more susceptible to what one particular medium or a combination of media suggest, than to what a member of their community may say or suggest. In the context of piracy, and assisted by the "connected isolation" we live, with physical separation but virtual and empathical connection, the previously identified behaviors of the users, *active* and *passive supporters,*

assume different meanings: people are in the position to shape the Internet even without contributing with the creation of content.

Active supporters are the kind of people who:

create content: they create the content not in the sense of inventing it but rather putting knowledge on the Internet in order to render it dTemocratically accessible. The creation of content means its integration on the web;

update it: even if it is not the content these users have personally created, they adjourn it in order to make it as complete and accurate as possible;

correct it: the correction is the form of user-generated regulation expressed by Charles Leadbeater, in which, in such milieus, helps to prevent its corruption;

protect it: as a consequence of the correction of mistakes, misunderstandings and typos, active supporters are

motivated to protect the environment from any incursion or dishonest behavior (e.g. people who access collaborative platforms of free content just to play havoc with it).

This very nature of this set of behaviors is perfectly captured by Yochai Benkler when in "Wealth of networks" talks about the free software:

"Free software offers a glimpse at a more basic and radical challenge. It suggests that the networked environment makes possible a new modality of organizing production: radically decentralized, collaborative, and nonproprietary; based on sharing resources and outputs among widely distributed, loosely connected individuals who cooperate with each other without relying on either market signals or managerial commands. This is what I call 'commons-based peer production'."[66]

Passive supporters, on the other hand, do not contribute directly to the creation and maintenance of the free culture; their contribution it is of another nature: they, indeed,

support it by not only continuously relying on it in every occasion, but also by nurturing the established web of relationships on the Internet built upon sharing, suggesting and entrusting.

3.4.
COPYING AND REMIXING

The act of copying is one that has been brought to life by the evolution of technology. It is not merely a matter of duplicating, but rather how fast the duplicating process can become. The faster this process gets, the easier it becomes for a user to not only copy, but also create new artefacts made with pieces coming from other material. As Tim O'Reilly said in 2003: "This cultural shift may have had its first flowering with open source software, but it is not intrinsically tied to the use of free and open source licenses and philosophies"[67].

Like in a nightmare of the supporters of the Industrial Revolution, the duplication of files is a kind of blessing for the pirate system, because it does not only simplify the sharing of material, but it also fuels the same activitiy

among the users. Once a pirate, through his trusted channels, released copyrighted material on the web, it is only a matter of time before the users start spreading it by themselves. They simply share it with their friends, or make a copy to save in their external hard disk drives, or even share it on their personal accounts (social networks, blogs, vlogs, boards, etc.) to let strangers reach it.

On the other hand, the practice of remixing is rooted in the early 80s, when in the United States and United Kingdom, some musicians and deejays started to show up signs of rebellion against the major recording labels. People who worked for the most important clubs always received vinyls (and later CDs) in advance from the recording labels, to test them on the audience of the venue.

Then, these vinyls also ended up in the hands of producers and musicians who wanted to experiment, to create, in a very post-modern spirit, new music by cutting and pasting other tracks together.

With the help of new electronic devices that popped up in the market starting from that period onwards, musicians immediately understood their potential. The kind of music

they created then proved to be successful, both inside the hottest clubs and inside the pirate radio circuits. The latter really fueled the diffusion of the practice of remixing by reaching the underground audience that was not necessarily involved in the dance clubs network. While these demonstrations of creative revenge found their responses from the majors, the practice was already popular and it could not have been stopped.

With the birth of the web, remixing saw another dawn: one that enabled people who could not study or work as musicians to understand the procedures and techniques very quickly and to find at their disposal a mass of programs and guides.
After almost a century of centrality of the music business inside the hands of music institutions and companies, the web offered the opportunity to let everyone access the information and knowledge about music and creativity. These practices of course represented a menace for the music industry, and starting from then, the laws protecting the intellectual property of authors and producers shifted drastically.

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28. Jolly Roger grunge tag: https://www.flickr.com/photos/80497449@N04/10531329046/.

29. RIP Internet: SOPA-ablehnende Kunst. Against Stop Online Piracy Act.

30. Principato di Sealand.

31. Logo of the Pirate Party.

32. Christopher Dombres: https://secure.flickr.com/photos/christopherdombres/5814893360/in/photostream/.

33. Copying is not theft: by Nina Paley.

34. A workers area at the Wikimedia Foundation's San Francisco headquarters.

4.

CONVER GENT START UPS

4.0.
PREMISE

Along with the development of notebooks, smartphones and tablet, and the strenght-ening and enlargement of networks, in the recent times technology made possible to achieve full time traceability and availability. It is known that, as of today phones are no longer devices whose main purpose is to let people call someone who is not there with you: they are complex systems of aggrega-tion and diffusion of both personal and pub-lic information.

These systems enable people to remain in contact with their social and professional network continuously. On the downside, this means that people are now reachable with all sorts of way, and that "Instead of our go-ing online to get our email, our email comes to us"[68]. We are usually led to believe that, thanks to the multitasking current devices now offer, it is possible to handle a lot of is-sues and processes at the same time, but that is not correct: what really happens is that we jump from one task to another as quick as possible, thus reducing our ability

to focus on one task only and complete that, before starting another[69].

Social networks enhanced this anxiety by providing a continuous flow of information and potential experiences to their users, who are now not only approachable when they are at home, sitting in front of their desks and surfing the internet on their computers, but at any time of the day thanks to the power of modern mobile devices and networks. However, our perception of time is completely different from the flow of time of modern technologies, who are not affected by it, especially now with the presence of internet on almost every area of the Earth.

This lead to new kinds of syndromes like the Phantom vibration syndrome[70] or forms of social anxieties like the Fear of missing out[71]. These phenomena obviously influenced the consumption of digital products provided by piracy: people are now more and more susceptible when it comes to being up to date about music, tv shows, videogames, books, etc., because of the feeling of "missing out" a potentially relevant opportunity to be part of their online community.

Plenty of just released material "leaks" almost instantly into the internet for the immediate consumption of both casual and non-casual users. Moreover, the connection speed has increased considerably allowing users to download within just a few minutes, or hours for files of greater size.

Piracy helped the birth of an ecosystem around it that acts and reacts consistently with the direction pirates go towards. In contrast to the monopoly of the old media, internet let people come up with brand new strategies to build up different sorts of "knowledge databases". You can find blogs, vlogs, online boards, communities, wikis and websites dedicated to any cultural or entertaining subject.

In this way, free culture generates a relief valve to the recently surfaced needs of "iper-connectivity" and agile social relations with communities and niches. This new social perspective is based upon key features like "the intensive use of distributed networks to sustain and manage relationships, helped by broadband, mobile and other means of communication"[72].

After highlighting what Copyright means for

startups and Piracy, and acknowledging the influence that pirate services has on society, this chapter will show through a series of examples what web startups are capable of adopting models, social dynamics or new design propositions to be more competitive and successful.

4.1.
CONVERGENT WEB STARTUPS

With the name "Convergent web startups", I have the purpose to frame those kind of web services that clearly show to have extracted certain phenomena from the Piracy world, and somehow implemented them into their business models. In addition to these, I will also feature a couple of different pirate services that prosper thanks to established social behaviors.

I chose these three web startups because of their relevant nature compared to Piracy. Each ones works in different ways.

Pirate services that have been chosen are

two. The first one works mainly because of the hard work of volunteers and aficionados (Active Users or Prosumers). The second one is a service that succeeds because of the word of mouth and because of its viral appeal (Passive Users).

4.1.1.
FUNDAMENTAL PIRATE SERVICES

Before talking about web startups, it is important to make a little step back and include a paragraph regarding the two pirate services that set ground for what came after them. These services provided the kind of tools or resources that caused the market to follow them, and both of them helped the circulation and consumption of free copyrighted material.
They are the predecessor of the Convergent Startups listed in this research.

There is a wide range of tools and platforms that enable even the most unexperienced user to download effortlessly digital material from the internet.
The main technologies used as of today on the internet are two:

- peer-to-peer networks
- online file hosting

The first example of a service for sharing and downloading digital material via peer-to-peer technology was **Napster**, already mentioned before in this text. Regarding online file hosting, the most notable example was **Megaupload**. These services gave a first understanding of what Piracy iss capable of, and highlighted the innovative dynamics that could have been isolated and applied in other contexts.

Napster: transition from illegal and legal service

Napster was a "a pioneering peer-to-peer file sharing Internet service [...]"[73], launched in 1999, that brought to attention the potentiality of sharing material for free in the internet era.

Napster focused specifically on mp3 files: with a simple and friendly interface, Napster's users could trade their music files for free, and increasing their chances of finding old records, unreleased material and bootlegs (unofficial recordings of an artist's performance) owned only by a few people. Users who were only looking for material, without contributing with something, could type in the "search" option a list of keywords related to it and find if someone already uploaded it on the service.

It grew so much in popularity, and in such short time, that the artists whose songs were circulating on the service claimed that it affected consistently their business by infringing the copyright, and filed lawsuit with the intent of shutting Napster down. The service closed its activity a year after the dispute, but it was a milestone for the development of following peer-to-peer networks and softwares. At a later stage, the Napster brand was acquired a series of different companies, and then it was merged with the online music streaming platform Rhapsody, and became an online music store, not so different from iTunes.

Napster did not retain anything from its past in its current version, and that is why it is often referred as Napster 2.0.

The original Napster became so much worthy of trust for the Internet community because it offered an innovative service, something that was not possible before its appearance; it was a friendly medium (according to the definition formulated by Raffaele Simone); it created one of the first large-scale networks inside the Internet network. Napster was able to connect people from all around the world, who then started relations and collaborations based upon affinities and interests. It combined the effort of Active Users with the commitment of Passive Users.

Megaupload: one-click consumption

Megaupload was a service based in Hong Kong, one of the first breakthrough online streaming and storage services[74]. This company allowed users to upload (the opposite action of downloading, that is loading online content or files) any kind of material through its different channels (files, images, video or live streaming, music and pornographic material). After the upload, users would get a link to download that material to be shared with friends or strangers on online boards and communities. Different chtannels of the company provided each service: Megaupload for online storage of files, Megapix for images, Megavideo for video files but also for sharing live sessions, Megabox for music or audio storage and Megaporn for pornography.

The major channels were Megaupload and Megavideo. These two fostered the quick diffusion of copyrighted material through every online community and social network then available. Megaupload started to truly thrive when social networks like Facebook and

Twitter started their rise on the web, roughly around 2007/2008[75]. By that time the Internet connection in the developed countries was fast enough to ease the consumption of online streaming TV shows and movies without any major complication. It was possible then to watch a TV show just a few hours away from its broadcasting, or even during its original airing despite time zone differences.

In parallel, Megaupload was the engine that illustrated how a tool like it could create a vast network of sharing through the entire web. Megaupload was a one-click hosting service, which means that with just a few clicks it was possible to upload copyrighted material from users' computers onto the website's servers free of charge. It is clear why this service spread like wild fire everywhere: it included a friendly interface, easy sharing characteristics and the possibility to both contribute with illegal material or just search and download it. However, it was the latter behavior, which is the Passive Users' one, that really boosted Megaupload's business.

4.2.
RELEVANT
CASE
STUDIES

4.2.1. In contrast with Piracy: Spotify

Spotify was a web startup, then in 2010 turned into a globally known service for commercial music streaming[76]. It is a service born to fight Piracy[77]. Peacefully of course.

Spotify let people register to their service to stream music of their favorite artists an on-line platform (web player), a downloadable software (Spotify player) or a mobile app (Spotify app). This company works inside the Hybrid Economies context explained in paragraph 1.4: while it offers free subscription with limited features and freemium subscriptions with part of the features still available free of charge and others available through a monthly fee, it integrates a set of intruments to enable users to create value for the company.

Users have the possibility to create playlists of their favorite musics: these playlists can be either public or private. When they are private, they exist just for the consumption of the creator, but when they are public, they are available to whoever is looking for the

same artists, or the same group of different musicians. Furthermore, playlists can be collaborative: it means that they are open to the contributions of multiple users. In this way people, professionals, companies and associations can create their playlist to share inside and outside their network to attract new users or customers. It comes natural that Spotify benefits from this dynamics as well.

Users also have the possibility to appreciate others' music tastes, to exchange suggestions with public and private messages and to share their music on a series of other platforms (mainly social networks). These dynamics enhance the influence Spotify has on the web, and the way Piracy is perceived: the music streaming for free users is regularly interrupted every 4 or 5 songs (depending on the duration of the track) by Spotify or other companies' ads, in the same manner of radio stations. Nevertheless, apart from that, streaming just requires an Internet connection and a notebook, a smartphone or a tablet. Their library is constantly growing to please a wide range of users.

The value proposition focuses a lot on user

experience, which is:

> embracing;
> effortless;
> social;
> free of charge (with few core optional limitations).

Just like some of the most important aspects of Piracy.

Market Saturation
Spotify faces only a few important competitors, the main one being *Deezer* and *Rdio*, whose value proposition is very similar under the aspects of Business Model and service experience. Its main advantage comes from being founded before these other two services (1 year before Deezer and 4 years before Rdio), but also from a more embracing experience and from fewer, and more open, features.

Business Model
Spotify employs a Hybrid Business Model because users can use built-in tools, or also third parties tools inside of the software, to

create value for the service, but essentially they stay out of the decisional structure. People have access to a set of instruments with the purpose of generating a spectrum of connections with the provided musical material, such as Public or Private Playlists, Collaborative Playlists or brief reviews. The personal accounts give users the opportunity to take a peek at other users' public listenings, to share music, to suggest it and to spread it on the web through other platforms.

Outside of the Spotify platform, users can embed playlists or their listenings into their blogs or websites.

The experience goes outward, and so does Piracy. It is in this terms that Spotify fights it: by opening the experience to the possible social connections around the web.

TEAM

infrastructure

OFFER

CUSTOMERS

35

Customer Relationship Channels

Customer Relationship Channels are divided in two levels: the upper one with the Staff and lower one with the Community.

The upper level provides a standardized customer support, with extended F.A.Q.s whose structure is clear and intuitive, but offers a very transparent and honest overview on
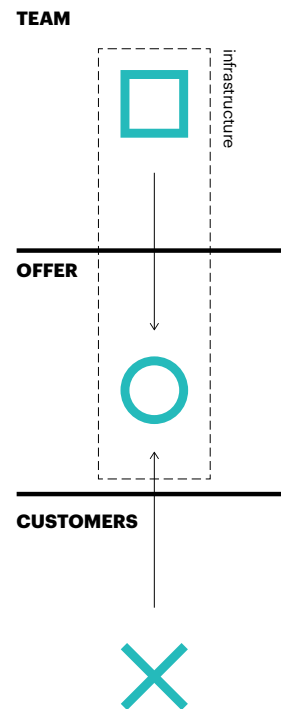
Spotify's Business Model.

The level of interaction between the staff and the users is slim to none.

The lower level, the Community, serves both as a board and as a customer support, with users highlighting their difficulties and problems when F.A.Q.s are not enough. It is mainly populated by passive users, and the level of interaction with the Staff is limited to the main topics and customer support.

4.2.2. Normalizes Piracy: Splice

Splice is a web startup that works as a cloud platform to create music through collaboration with friends or strangers. It "lets artists auto-backup every update to a song, and share a timeline of changes and comments with their team"[78].

This web startup aims at regulating in a collaborative environment the copying and remixing actions of musicians and producers. Copying and remixing were born as pirate behaviors, described in paragraphs 3.3 and 3.4 of this research.

In this context, not only copying and remixing are permitted, but occasionally fostered by more or less famous musicians who offer their works to the community, their expertise or the chance to collaborate at new projects. Users and professional musicians can work with copyrighted material provided by the community or with the tracks and instruments whose licenses are employed by Splice itself.

So, the community works primarily as a co-production and sharing platform, but

also as enhancer of collaboration between musicians and bands, as a place for creating music that does not impose unfair limitations upon the work (every project belongs to the artists and Splice cannot claim it) and as a platform for welcoming Active users rather than marginalizing them.

Market Saturation

As of today, there are just a few other services for online collaboration on composing, writing and producing music, but there is no one in which the main value proposition revolves around the concepts of copying and remixing.

Business Model

Splice employs a Hybrid Business Model in which, at the moment, users can join the service for free, and ask for additional storage capacity with different payment options. Users can collaborate and open source their work on the platform.

Splice's objective is to generate value from the individual work of musicians and fans, from the one of professionals and renowned artists, but moreover, from the connections

36

TEAM

infrastructure

OFFER

CUSTOMERS

and collaborations they will establish. Splice sets the spirit of its environment to a level in which activities that would have been considered related to Piracy outside, are inside of it not tolerated, but are the natural functioning.

Customer Relationship Channels

Splice is still on its beta version, and as of today its touchpoints with users and clients rely on a blog and Twitter and Facebook profiles.
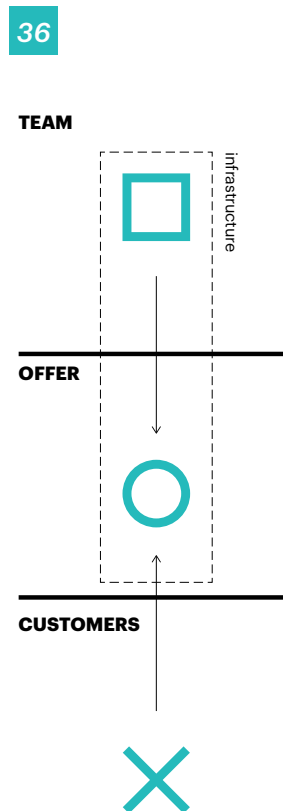
4.2.3. Inspired by Piracy: musiXmatch

MUSIXMATCH

musiXmatch (with the initial in lower case) is an Italian startup that provides a big database of songs lyrics. Their service works in association with music streaming services or softwares: it gets data from the users and from the songs they are listening to, and then browses all through the database. In this way, users can see the lyrics of the song while it plays.

The database is both build with the official material provided by the music labels and the texts added by staff and regular users. It is a very simple service that exploits crowd-sourcing dynamics in addition to the collaboration with the official channels.

The behavior that musiXmatch references is the one of the communities and websites dedicated to music artists in regard of early released material: when music artists or music majors release via radio, TV broadcastings, online videos or music players their new music, fans gather together in order to understand the lyrics (if there are any) of the song. They also often make available the ille-

gal download of the song to create a larger pool of contributors. After reaching a reasonable level of likeliness, they publish it in an online catalog, accessible to anyone. This happens before the release of any official booklet or announcement with the lyrics.

musiXmatch's service establishes a "more legit" environment where to enact the afore-mentioned processes, enabling also niche fans to produce material that otherwise would be unavailable.

Market Saturation

musiXmatch knows no direct market competitor. Indirect competitors are the numerous websites of songs lyrics and fan communities that follow every music artists' news and produce content related only to a narrow circle of professionals.

Business Model

musiXmatch employs a Hybrid Business Model, in which the value comes from the crowd-sourcing principle of the service. The value does not only stand in the offer provided by the official channels, but in the oppor-

**37**

TEAM

infrastructure

OFFER

CUSTOMERS

tunity given to the people to participate in the creation of this large catalog.

The app can be both downloaded and implemented inside other music streaming or music player services (such as Spotify, Rdio, Deezer, Play Music, etc.), thus strengthening its reach in the dense network of music services and also in the texture of users' everyday life.

Customer Relationships Channels

musiXmatch maintains the relationships with its users on two different levels. The first one is the community, an independent board for registered users to upload new texts and explain the meaning of certain songs, therefore trying to establish a certain reputation. In this context, the staff reduces its work to customer support and little moderation, trying not to jeopardize the creation of material. The second one is the social media presence that is informative (Facebook, Twitter) and inspirational (Dribbble). The inspirational one also includes the blog which often features personal stories, written by the members of the staff themselves, about their lives and about the devlopment and success of their
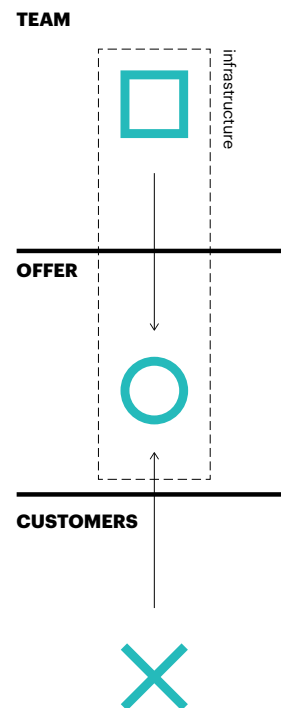
service. musiXmatch relies on the concept of Internet Democracy, and so it tries to reduce its impact on the actions of the users in order to realize an environment as much horizontal as possible.

At the opposite of the web services explained until now in this chapter, two pirate services highlight the importance of specific social dynamics unavoidable for new web startups.

Active and Passive Users employ the main behaviors that fuel pirate activities. The first ones help their communities and platforms with the process of User Generated Content, the second ones act almost as "followers", who trust the pirate service and share, recommend or defend it.

4.2.4. Fueled by Active Users: ItalianSubs

ItalianSubs is an Italian community of volunteers and aficionados who created a complex and highly functional system by themselves for the production of subtitles for TV shows, movies and cartoons.

This community of fans provides subtitles for free of a large variety of shows and entertainment products, thus being able to fuel both the mainstream requests of casual users and more specific ones coming from niches of fans. To access the content it is just required the registration.

Though there is a fixed staff of founders and administrators who deal with the management and mainteinance of the website and community, translators can come and go. Any registered user of the community can apply to take the test to become a translator.

This restriction is congenial to the offer: while the community aims at being the most horizontally possible, their offer focuses on efficiency, quality and reliability. In order to maintain these high standards, it is funda-

mental to supervise the incoming of new translators to understand which ones are Active and Passive users. ItalianSubs, of course, relies on the Active ones.

Apart from this, Staff and users engage in various community activities directly, because the Staff itself is made of fans and aficionados, so they are not different from the users.

Market Saturation and Business Model

Since this community is part of the "derived market", it cannot have a real business strategy to sustain its activity, which exclusively relies on volunteers and aficionados, and there is not interest in talking about "market saturation", given that there are only other two subtitles websites, whose offer is smaller and circumstancial.
ItalianSubs effectively employs a Sharing Business Model, in which the value surfaces through the constant work of people who lend their expertise and knowledge.

The value comes from the offer whose qualities are listed in sub-paragraph 3.1.1., and

38

TEAM

infrastructure

OFFER
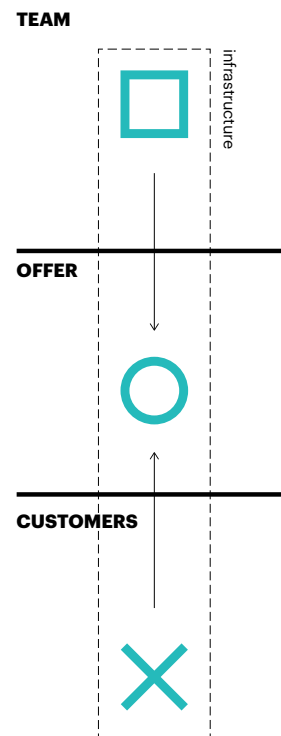
CUSTOMERS

they are: quickness (the ability of providing material that otherwise would be released too much time later by the official channels), accuracy and consistency (the ability of providing coherent and updated material).

Customer Relationship Channels

ItalianSubs works as both horizontally and vertically: its staff represents the only "authority" within the community. It maintains the website and the platform, it constitutes the administration of the board, and manages its activities and initiatives. On the other hand, the people who run this service are the same volunteers and aficionados who spend time on the platform.

They discuss, chat and produce connections at the same level of regular users. They keep in touch with every user and step forward only when the rules demand it.

4.2.5. Fueled by Passive Users: Popcorn Time

Popcorn Time is "a multi-platform, free and open source Bittorrent client including a media player"[79]. It allowed its users to access and watch a virtually unlimited catalog of movies or TV shows, whether they are old or recent. The service links the tab of a certain film or show to the relative torrent: when a user chooses it, the service launches its download, and in the meantime it prepares a "simulated streaming" (technically, it cannot be considered as streaming, because the file is not there yet and needs to be downloaded first, and loaded after).

The mode of operation follows the principle of the peer-to-peer technology: the more people choose that specific file, the quicker its simulated streaming will become. Popcorn Time replicates the interfaces of other legal streaming services like Netflix or even Youtube.

It is important to observe that, in strict legal terms, Popcorn Time is not an illegal service. A few days after the launch, Popcorn Time decided to shutdown the service upon re-

ceiving pressure by the authorities and the film industry. In effect, even if the service itself was not illegal (in the catalog of torrents, there were for sure legal contents) the majority of its users used it to watch pirated copyrighted material.

Later, after its shutdown, a team of pirate developers took over the website and decided to maintain it operative.

Market Saturation and Business Model

Like in the case of ItalianSubs, it is impossible to talk about the actual market, which pirate services defy. Nevertheless, it is fair to say that services like Popcorn Time constitute an additional element that jeopardizes legal alternatives. Currently there are no other services like this, neither legal nor illegal.
Ironically, it is possible to define its (anyway absent) business model as a Commercial one; the twist is, obviously, that it breaks the law, and that pirates never claim the ownership on what they share. Therefore, there is no real business strategy employed by the pirates who are currently running the service, because they are not capitalizing it.

39

TEAM

infrastructure

OFFER
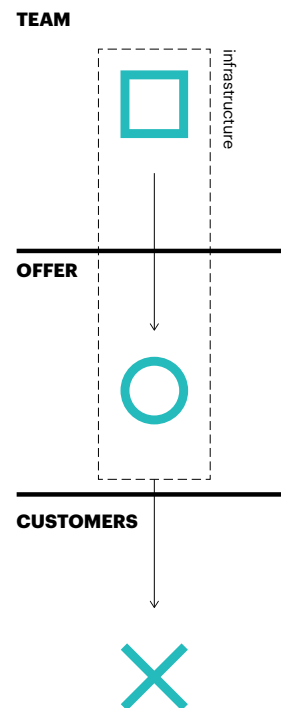
CUSTOMERS

Customer Relationship Channels
Popcorn Time has a mild connection with its users, channeled mainly in two levels: the blog and the community.

The first one only features updates related to the release of new versions of the service, or fixes to the problems pointed out by the users (given that Popcorne Time it is still in its beta testing phase).

The second one helps the staff to collect as much information as possible to improve the service: reports, suggestions about missing contents, surveys about features and usability, etc.

Nevertheless, its users foster Popcorn Time, while the staff serves only the scope to maintain it online and functioning. What really marks the success of this service is the constant word-of-mouth, sharing and commitment carried out by the users. The torrent used by the service are on the web in any case, the staff of Popcorn Time, who simply found a vacancy no one else thought to fill, do not provide them. So, the "raw material"

is already there, ready to be exploited. Users just have to decide if they want to download the material in the "traditional" way or, instead, use a service that squeezes the process of a few steps.

Users are willing to spend their time in making suggestions and advertising it, if it means that they can keep using such a simple service. Popcorn Time becomes valuable to the web because it is ready to be used: people just have to spread the word if they like it. Therefore, they do it.

NOTES

#68 D. Rushkoff, *Program or be programmed. Ten Commands for a Digital Age*, ORBooks, New York, 2010, pg 22.

#69 Ibid.

#70 *http://en.wikipedia.org/wiki/Phantom_vibration_syndrome*

#71 *http://en.wikipedia.org/wiki/Fear_of_missing_out*

#72 R. Murray, *Danger and Opportunity. Crisis and the Social New Economy,* The Young Foundation, London, 2009, pg 2.

#73 *http://en.wikipedia.org/wiki/Napster*

#74 *http://en.wikipedia.org/wiki/Megaupload*

#75 *http://eprints.lse.ac.uk/30124/1/On_the_rapid_rise_of_social_networking_(LSERO_version).pdf* (last visit: 05/10/2014)

#76 *http://en.wikipedia.org/wiki/Spotify* (last visit: 01/10/2014)

#77 *http://community.spotify.com/t5/Help-Accounts-and-Subscriptions/Ads-Please-remove-Spotify-s-Anti-Piracy-Ads/td-p/167572* (last visit: 01/10/2014)

#78 *http://techcrunch.com/2013/10/09/splice-music/* (last visit: 01/10/2014)

#79 *http://en.wikipedia.org/wiki/Popcorn_Time* (last visit: 01/10/2014)

IMAGES INDEX

Head image of the chapter
Frame from Becky Sloan and Joseph Pelling, *Don't Hug me I'm Scared 3*, 2014.

35, 36, 37. Hybrid Business Model.

38. Sharing Business Model.

39. Commercial Business Model.

CONCLUSIONS

It is clear now what are the characteristics of a Convergent Web Startup: there are aspects of this company that have been (directly or indirectly) drawn from the world of Piracy. Specifically: the use of features that encourage collaboration, sharing, alteration of content and mutual improvement. These aspects appear in two distintive areas of a service: the Value Proposition and the channels through which the startups communicate with its customers/users.

A service that pursues the kind of features listed above has understood the advantages held by Piracy. Instead of trying to tear them down, they prove that it is more profitable to encapsulate what makes Piracy thrive inside their own structure.

All of these characteristics are meant to be set up in the process of planning the strategy of the startup.

Therefore, the next chapter offers a set of tools whose goal is to help to shape a strategy by illustrating what should be the best direction to pursue.
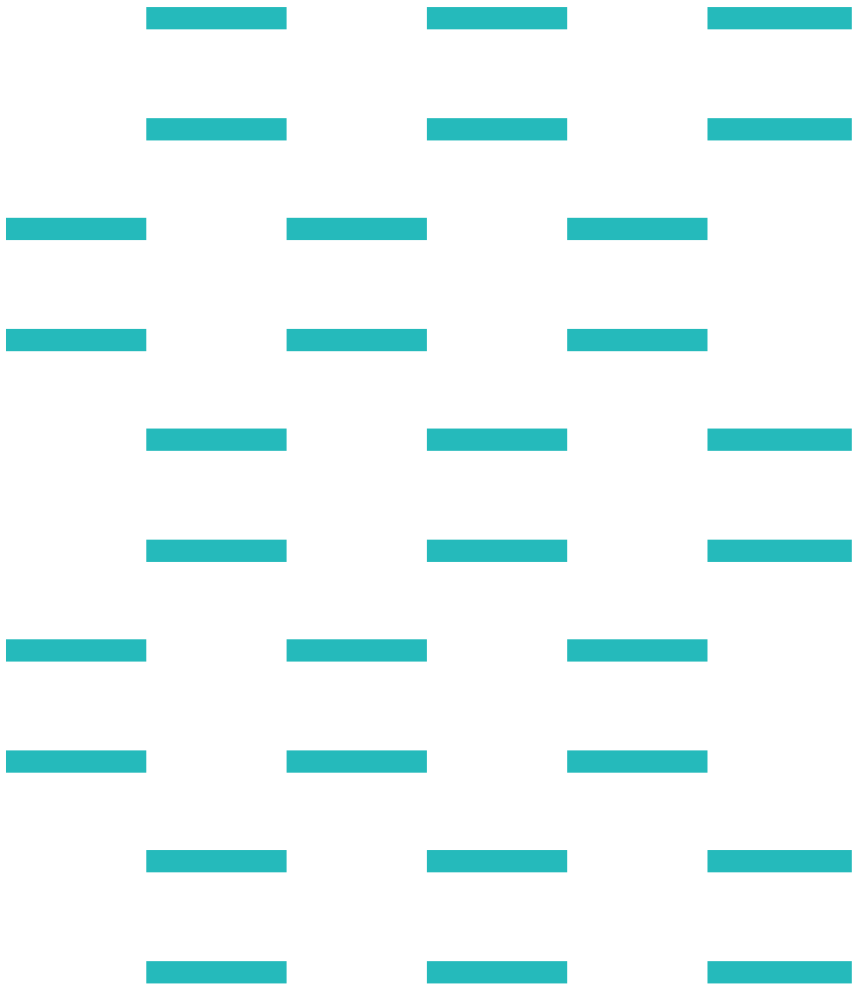
5.

TOOLS FOR STRATEGY
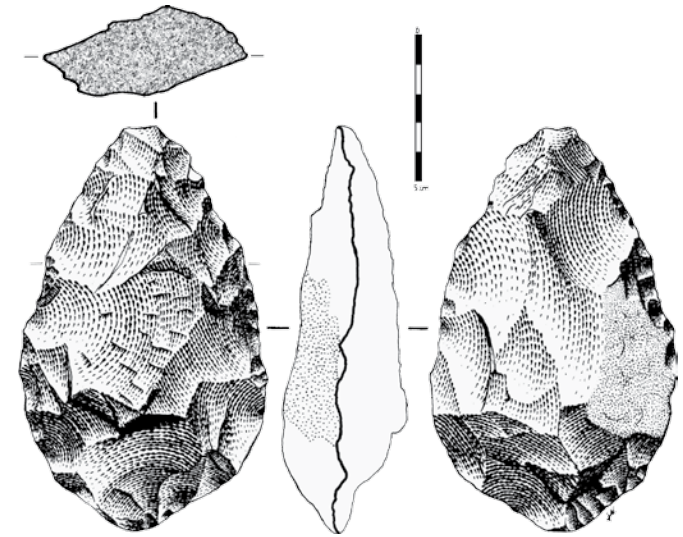
A fter having brought into focus the background context of web start-ups, and after having brought into account the extent to which Piracy has influenced innovation and business strategy, it was fundamental for me to find a proper answer to the question: "How can designers and startups develop a design strategy to compete against Piracy?"

Convergent Web Startups understood that, in order to be able to compete with Pirate services, it was important to understand Piracy itself instead of trying to contain or control it. That is because they decided to treat

Piracy as unavoidable competition, and not as a threat they can tackle. Piracy has always been there since the birth of Capitalism, and it will always be there, so it is fundamental to learn how it works and what are its successful elements that can be implemented elsewhere.

Therefore, I decided to realize a tool for the strategic decisions designers and entrepreneurs will have to plan when designing a convergent web startup.

5.1.
HYBRID BUSINESS MODEL

What characterizes any convergent web startup is the use of a Hybrid Business Model: value does not only come from the commodity or from the complementary assets, but from a series of features. These features involve how the Value Proposition is executed and the capacity of interaction the staff will have with the users and the users themselves with each other (Customer Relationship Channels).

40

hybrid business model

VALUE PROPOSITION — CR CHANNELS
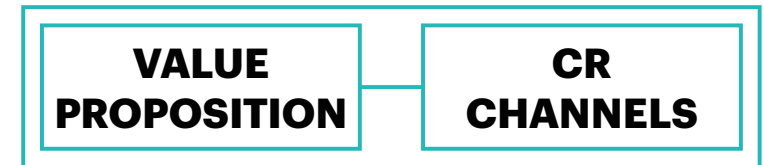
5.1.1. VALUE PROPOSITION

The value proposition of a Convergent Web Startup should be layered according to the parameters extrapolated by the study of Raffaele Simone (quoted in paragraph 0.1. and in sub-paragraph 4.1.1.) on the friendliness of a medium. The more the value proposition works in accordance with the parameters, the more the company will behave as a convergent web startup.

5.1.2. CUSTOMER RELATIONSHIP CHANNELS

Ensuing the growth of friendliness of the medium, it comes the increase of interaction featured in it. Convergent web startups have

one thing in common: they tend to plan carefully their touchpoints with their customers and users. Most startups decide to spread their presence on every media they think it will inflate their visibility, instead of choosing their channels, and the type of approaches and relationships they will engage in, according to their structure and value proposition.

Therefore, the more friendly a medium is, the more it will require a strong and focused customer relationship approach.

friendliness   **interactivity**
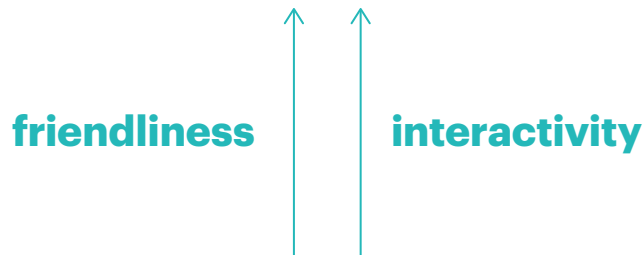
41

5.1.3. DEGREES OF CONVERGENCE

To understand how to proceed in the development of a set of tools, I divided the most important Value Proposition and CR Channels features into three different levels of

growing friendliness and interactivity.

Each level presents the most important aspects to develop.

42

	VALUE PROPOSITION	CR CHANNELS
LV3	Iconicity of UI	Direct support
	Multisensory	Multimedia
LV2	Reprise without loss of information	Co-design
	Hetero and Auto pulling	Fueling
	Social Collaboration features	Moderating
LV1	Social Networks	Constantly updated blog
	Multiplatform	F.A.Q.s and Customer Support

5.1.3.1. Level 1: Online media presence and Indirect relationships

In the first level (LV1) we have basic requirements for every web startup. It contains the aspects that are taken for granted by users.

Value proposition	CR Channels
Multiplatform: the startup is accessible from different Operative Systems (e.g. Microsoft, Apple, Linux, etc.), devices (e.g. computers, smartphones, tablets) and platforms (e.g. websites or apps).	**F.A.Q.s & Customer Support**: the startup provides updated Frequently Asked Questions to help their customers and users, and an indirect service (e.g. emails, phone numbers, etc.) for Customer Support.
Social networks: the startup uses active accounts on one or more social networks, according to the company's strategy.	**Constantly Updated Blog**: the startup makes use of one or more blogs that feature updates, whether they are regarding technicalities, initiatives or other kinds of news, and acces to information about the staff and the company.

43

5.1.3.2. Level 2: User Experience Design features and Co-creation relationships

The second level (LV2) concerns the elements that characterize the service in the experience it provides.

44

Value proposition	CR Channels
Social collaboration features: the startup provides tools for the users to use in collaboration with each other (e.g. contents that can be collaboratively modified, edited and published).	**Moderating**: the staff supervises the community or board by establishing few key figures (Moderators) that would manage its activities.
Hetero and Auto pulling: the startup includes features that let the users decide when to stop or reprise the action (Hetero pulling) and features that the users must acknowledge without the possibility to interfere (Auto pulling).	**Fueling**: the staff gets involved in the activities of the community or board by creating content or by laying its foundation.
Reprise without the loss of information: users can interrupt the use of the service in any moment and reprise it without losing information or their position at the moment they interrupted it.	**Co-designing**: the staff gets involved in the activities of the community or board by actively participating and engaging with the users directly.

5.1.3.3. Level 3: User Interface Design features and exposure

The third level (LV3) concerns a deeper involvement with customers and users, which is not always requires but often welcomed.

Value proposition	CR Channels
Multisensory: the startup employs the use of different languages to communicate with its customers and users.	**Multimedia**: the startup employs the use of different languages to communicate with its customers and users (as in different media like video, audio, visual – textual, animated and illustrative – and touch technologies).
Iconicity of User Interface: the startup employs a high level of iconicity of its functions and interface (elements that are easily recognizable by people with different backgrounds and cultures).	**Direct Support**: the startup offers a peer-to-peer support to customers and users, or provides specific and detailed solutions to relevant problems.

45

5.2.
TOOL DEVELOPMENT

To build a strategy, the startupper needs to know three fundamental things: where his company is going to be positioned on the market, what is going to offer and to who this offer is proposed. These three things may vary depending on what is the idea of the startup, so to help the startupper, for each "w" I assigned a set of couples of parameters. The consideration of each couple of parameters is apt to discern where the startup's idea stands, and what strategic direction it should follow.

WHERE	WHAT	WHO
marketplace ⟷ platform	less freedom ⟷ more freedom	active user ⟷ passive user
niche ⟷ mass market	closed content ⟷ open content	professional ⟷ amateur
inward ⟷ outward	functional value ⟷ complementary assets	vertical use (hierarchical) ⟷ horizontal use (among peers)
	charged ⟷ free	one-time-only ⟷ engaged
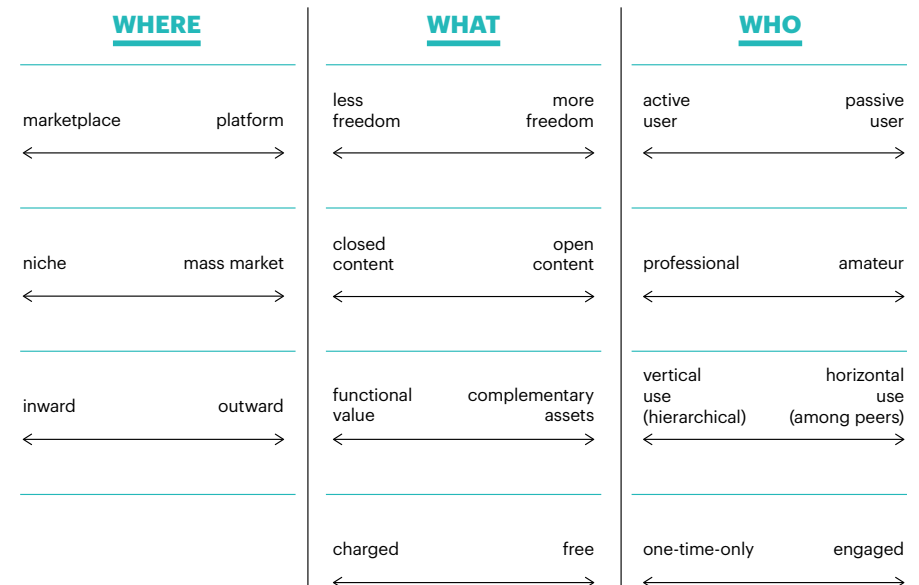
46

5.2.1. WHERE

The parameters for the market positioning tackle three aspects:

the type of service: is it more similar to a classical e-commerce website (online store), where the user goes to purchase different singular products, or is it more like a platform, where the user goes to benefit from different products and from the relationship to other users?

marketplace

$\longleftrightarrow$

platform

the type of market: is the idea for the startup trying to address an unexplored or isolated niche of the market, or is it trying to refine an already existing offer instead?

niche

$\longleftrightarrow$

mass market

the type of relationship the service has with other companies: is the startup going to be inward-looking, meaning that its service does not contemplate the connection to other services, or the opposite?

inward

$\longleftrightarrow$

outward

5.2.2. WHAT

The parameters for the offer tackle four aspects:

less freedom

$\longleftrightarrow$

more freedom

what is the degree of freedom for the users regarding the circulation of the offer? Can they share it or lend it?

closed content

$\longleftrightarrow$

open content

what is the degree of malleability of the offer? Can it be modified, edited, copied?

functional value

$\longleftrightarrow$

complementary assets

is the offer concentrated around the value of a commodity or is it valuable when associated with a series of options surrounding it?

free

$\longleftrightarrow$

charged

is the service free or it requires payments?

5.2.3. WHO

The parameters for the target or customer segment tackle three aspects:

is the target prone at creating value for the service by producing content or by producing connections?

active
user

passive
user

is the target more of an amateur, who likes to indulge in new discoveries, or is it a professional who has specific needs?

amateur

professional

is the target going to use the service in a top-down perspective (with employees and common people) or in a peer-to-peer perspective?

vertical use
(hierarchical)

horizontal use
(among peers)

is the target going to use the service once and for all, or is it going to need repeated accesses to use the service in different times and different occasions?

one-time-only

engaged

5.3.
CREATION OF PROFILES

With the creation of a series of possible web startups, it was possible to me to try the set of tools and to develop another one. To create plausible profiles, I pulled out some recurring elements as intersections between the different levels of friendliness and interactivity of the Value Proposition and the CR Channels columns of the first tool.

In order to execute the different levels, the startupper needs to find options that synthetize the connected choices (e.g. Multisensory and Multimedia in LV3).
So I investigated and extracted the characteristics that constitute the possible solution to the crossing of both areas.
Each profile employs a different strategic approach. I used names to synthetize their nature.

There are already existing companies, which I mention, that use similar approaches, although these profiles are the result of a hypothetical process.

DEGREES OF CONVERGENCE

LV1
- multiplatform
  - Vertical
  - Horizontal
  - Ongoing
- FAQs and customer Support
- social networks
  - Viral
  - Specific
  - Inspirational
- constantly updated blog

LV2
- social collaboration features
  - Open
  - Limited
  - Auto-correct
- moderating
- hetero and auto pulling
  - Participation
  - Fostering
  - Adding
- fueling
- reprise w/o loss of information
  - Gamifying
  - Spontaneous
  - P2P
- co-design

LV3
- multisensory
  - Live
  - Indirected
  - Step by step
- multimedia
- Iconicity of User Interface
  - Brief
  - Extended
  - Entertaining
- Direct support

47

Multiplatform + FAQs and Customer Support

Vertical: Main ecosystems (in terms of devices and their Operating Systems, such as Android, Apple and Windows) and functionalities.

Horizontal: More scattered (including other devices and Operating Systems) but with less functions.

Ongoing: Picking few options and iterating.

Social Networks + Constantly updated blog

Viral: Synthetic content and micro-blogging (Twitter).

Specific: Dedicated platforms and customizable blog (Blogspot, Wordpress).

Inspirational: Prone to sharing and moodboarding (Pinterest, Instagram, Tumblr).

Social collaboration features + Moderating

Open: Registered users can become Moderators.

Limited: Registered users collaborate, Moderators are Staff Only.

Auto-correct: Relying on Internet Democracy and self-regulation.

Hetero and Auto pulling + Fueling

Participation: Engage directly in community's activities.

Fostering: Users create content with context/rules/principles.

Adding: Give users tools/access to create specific content.

Reprise w/o loss of info + Co-design

Gamifying: Users are given tasks to carry out.

Spontaneous: Observe and measure community's initiatives.

P2P: Simultaneous cooperation.

Multisensory + Multimedia

Live: Live Chatting/Live Broadcasting events, updates or demonstrations.

Indirect: realization of Video Tutorials.

Step by step: realization of Multiple Factors Guides, which give multiple paths to the users to find solutions/curiosities.

Iconicity of UI + Direct support

Brief: Use of pictograms, which combine a high level of iconicity with a concise message.

Extended: Use of thorough textual/verbal content.

Entertaining: Use of Illustrations/Animations to convey a light and clear mood.

Even Chance	Highway	Linking
Entertaining	Extended	Brief
Indirect	Step by step	Live
Gamifying	Spontaneous	P2P
Adding	Fostering	Participation
Auto-correct	Limited	Open
Inspirational	Speciic	Viral
Horizontal	Ongoing	Vertical

Even Chance (ustream, craiglist)

With this strategy, the startup is aiming at giving a few instruments to the users, some more flexible than the others, with the purpose of laying the foundation for user-generated content. This UGC is not strictly supervised, therefore the company does not have a hold on the content that is going to be produced.

The startup provides an environment that is as much stimulating as possible, and partly relies on the ability of the "crowd" to act responsibly and in collaboration with each other (self-regulation and Internet Democracy)

Highway (flickr, youtube)

What characterize this strategy is the supply of fixed tools whose use and modifications are subject to the work of the staff. Users can use it by following the accompanying rules, and they can't change or improve the working principles. The main part of the work is executed by the staff.

Linking (deviantart, ikeahackers)

This profile is based on the concept of co-design, and of a less top-down perspective between the staff and the users. The tools users have access to are flexible, they allow the creation and modification of content by one ore more users in cooperation.

Furthermore, the staff members act both as administrator/moderators and regular users: they create contents, fuel already existing activities and start new ones, collaborate with other users and expose their personal information.

5.3.1. PROFILES APPLIED TO THE TOOL

With the creation of profiles, it was possible for me to test the tool that should help startuppers to synthetize their ideas and, as a consequence, understand what kind of strategy theyy want to pursue.

Each column, and so each "w", now gives a complete overview of the position sought by the startuppers.

EVEN CHANCE

WHERE	WHAT	WHO
	less freedom — more freedom	active user — passive user
marketplace — platform	closed content — open content	professional — amateur
niche — mass market	functional value — complementary assets	vertical use (hierarchical) — horizontal use (among peers)
inward — outward	charged — free	one-time-only — engaged

HIGHWAY

WHERE	WHAT	WHO
	less freedom — more freedom	active user — passive user
marketplace — platform	closed content — open content	professional — amateur
niche — mass market	functional value — complementary assets	vertical use (hierarchical) — horizontal use (among peers)
inward — outward	charged — free	one-time-only — engaged

LINKING

WHERE	WHAT	WHO
	less freedom — more freedom	active user — passive user
marketplace — platform	closed content — open content	professional — amateur
niche — mass market	functional value — complementary assets	vertical use (hierarchical) — horizontal use (among peers)
inward — outward	charged — free	one-time-only — engaged

Furthermore, columns are structured to reveal quickly where the strategy is heading if the positions of the dots are all oriented towards one extremity rather than the other.

On the left, we have the parameters that are typical of more "vertical" companies, this means: more control over the activities of the users, less flexible instruments, more closed
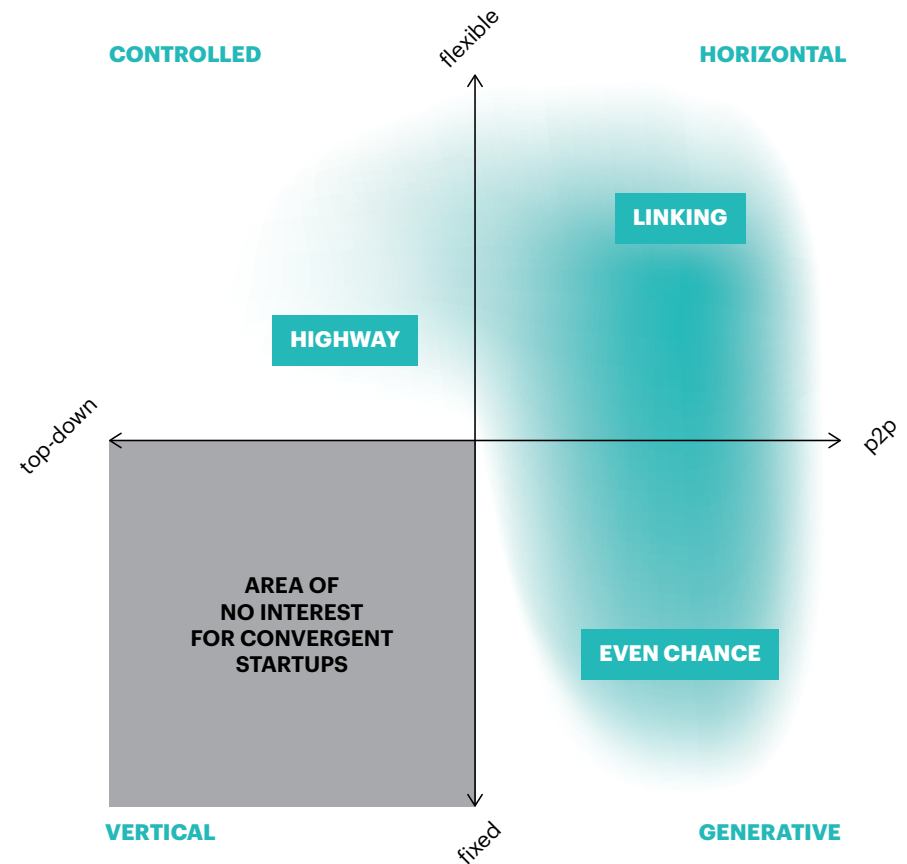
VERTICAL   HORIZONTAL

offer and a value proposition that focuses on the product/content available, rather than the uses or actions related to it.
On the right we have the opposite: less control over the product/content and a more horizontal approach that privileges sharing, derivative uses and open access.

By putting each profile in a system of x and y axes, where the y-axis indicates the nature of the product/content, and the x-axis indicates the nature of the use of such product/

content, we get the resulting summary. As a matter of fact, the area in the lower-left corner, is of no interest for Convergent Startups. On the other hand, the area of interest is represented by the junction of the higher and lower right areas.

48

CONTROLLED   flexible   HORIZONTAL

LINKING

HIGHWAY

top-down   p2p

AREA OF
NO INTEREST
FOR CONVERGENT
STARTUPS

EVEN CHANCE

VERTICAL   fixed   GENERATIVE

In the lower-right area (Generative), we have the kind of startup in which flexible instrument are provided, but they are still intrsuments, so the power of creating content is given to the users. Users can generate value with apt tools and related instructions.

In the higher-left area (Controlled), we get startups that provide tools, but the result is guided and controlled by the staff.

The system of axes mimics the columns of the parameters tool: on the left, we have a tighter, more vertical startup, while on the right, we have a startup whose constrictions are loosened and in which the value is created or co-created with the users.

5.4.
WRAP-UP

These tools want to give clarity upon certain aspects of the web startups business. The high mortality of web startups indicates that, even though there is an increasing knowledge of the web's dynamics and trends, there are still uncertainties about the very nature of the convergent startups I identified in this

research. The order of utilization of the set of tools is the one showed in this research, and it goes as follow:

Taking the "Table tool" (the one that references the levels of friendliness and interactivity for the Value Proposition and the Customer Relationship channels).

Filling out a set of possible options at the intersection of each level for the startup, then choosing the ones considered eligible for the startup.

Creating a profile to summarize it.

Using the "Parameters tool" (the one with parameters to determine the "Where", "What" and "Who) to place the profile on each option to clarify the strategic direction.

Using the axes system to determine, once for all, if the strategic direction stands in the area of interest for Convergent Startups.

49

IMAGES INDEX

Head image of the chapter
Tipycal Acheulean Handhaxe, illustration of José-Manuel Benito.

40. Hybrid Business Models are built upon the design of Value Proposition and Customer Relationships Channels.
41. A higher level of friendliness requires an equal high level of interactivity.
42. Table tool.
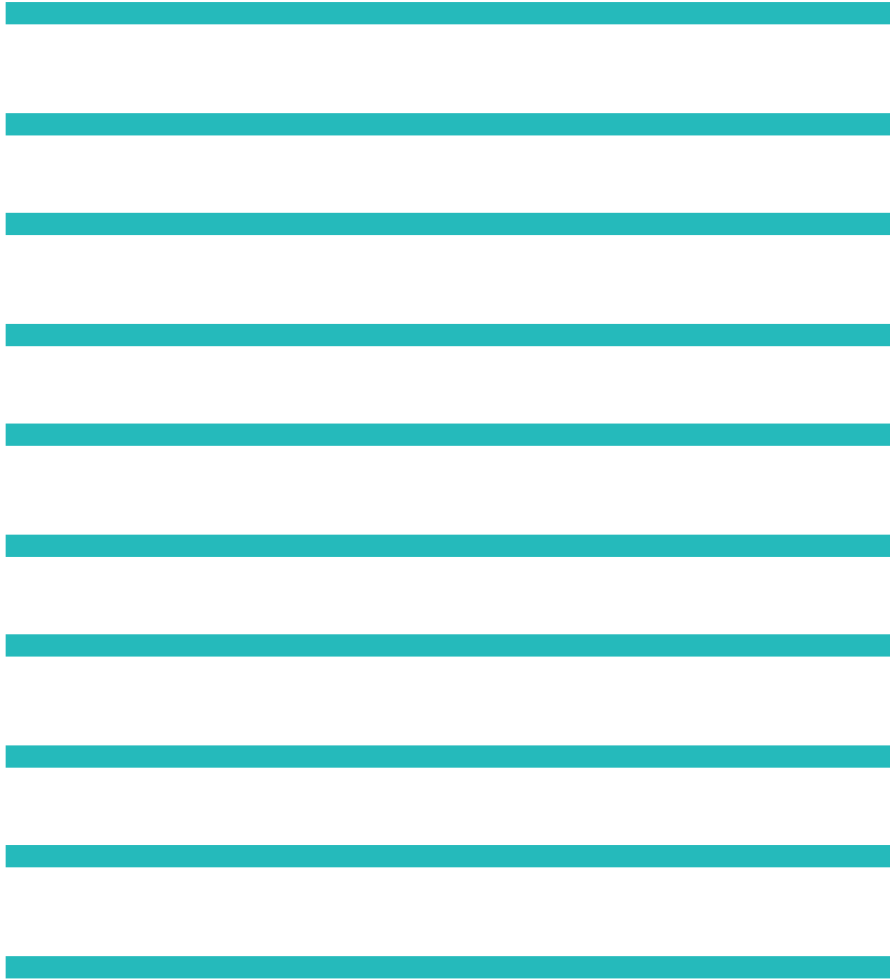*43.* Level 1.
44. Level 2.
45. Level 3.
46. Parameters tool.
47. Diagram that shows a series of hypothetical options.
48. System of axes to place the startup strategy.
49. Correct order to follow for the usage of the tools.

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