UNDERSTANDING THE MUSIC INDUSTRIES

CHRIS ANDERTON, ANDREW DUBBER & MARTIN JAMES

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INTRODUCTION

When we talk about 'the music industry' or 'the music business' in day-to-day life, it is assumed that we all agree about what it is we are talking about. Likewise, when newspaper columnists discuss 'the death of the music industry' or use phrases like 'the music industry believes that …' there is an underlying presupposition that the music industry is a single, unproblematic, corporate entity that shares values, strategies and methods. In fact, nothing could be further from the truth.

The music industries exist in a multitude of forms: a network of businesses that vary from the very small to the very large, and represent a wide range of commercial activities. They produce goods and services of many different kinds, from a monthly night of DJs playing a local venue to a music royalties collection agency with 800 employees, or from a large merchandise company making band posters and t-shirts to a single individual providing musical score transcription services for composers and orchestras (to describe just a few). Many music businesses do not appear to be especially business-like in their style, and some may even have the appearance of a group of friends working together on a hobby project that they love. Indeed, they may be just that. Collectively, the economic weight of the smaller businesses may not match that of the major recording and publishing companies, but their activities are still significant and are worthy of our attention.

QUESTIONING 'TRADITIONAL' MODELS OF THE MUSIC INDUSTRY

The 'traditional' music industry model for aspirant artists/performers starts with writing or choosing songs, playing live to build a following, seeking publishing and recording deals, and then recording in a professional studio with the resultant record manufactured and promoted through magazines, radio and television to drive retail sales. Every aspect of this flow model has been disrupted by the digitalization of the music industries since the 1980s. Digital recording, distribution, marketing and sales have become commonplace as have financially affordable tools for achieving a professional product.

This does not mean the traditional model is in danger of being entirely replaced or that the major record labels and publishers will necessarily lose their predominant position. But it does mean that the model is being actively reconfigured at all scales of the music industries, and those interested in studying and working in those industries must keep abreast of the changes and possibilities that are emerging. This book supports this by examining several

sectors of the music industries in light of technological developments and in relation to both major and independent artists and companies. These chapters discuss the sectors in separation from each other in order to impose some clarity and order. However, in reality, there are numerous linkages in what is a highly interdependent set of business responsibilities, roles and activities. Readers are encouraged to make creative connections between the chapters in order to further understand how the different areas impact each other.

STRUCTURE OF THE BOOK

This book addresses the rich variety and scale of the music industries by examining the most important aspects of those industries, and considering the effects of technological, social, cultural and economic change upon them. To help frame those considerations, the first chapter outlines some of the key research approaches used by scholars for understanding the historical development of the music industries and the contemporary issues that face them. Chapter 2 moves on to discuss the structure and strategies of the recorded music industries at every level – from major transnational media conglomerates to the micro-independent bedroom labels and independent artists. Critical to this chapter are the effects of technological developments and the need for record companies of all sizes to deal with the changing and uncertain tastes of the public.

Chapter 3 focuses on songwriting and publishing, and helps readers to understand the creative and the industrial contexts and issues involved in writing and making money from songs. Chapters 4, 5 and 6 explore, in turn, the workings of record production (specifically record production), music distribution, and music promotion. These are crucial areas of the recorded music industries and ones that have been subject to considerable innovation in recent decades as digital technologies have developed and transformed their operations. Chapter 7 turns attention to the live music industry. This sector has seen sizeable growth in the 2000s and now outperforms the recorded music business in the UK in terms of income generated. The emerging inter-relationships between the live and recorded music sectors are unpicked, as are changes in primary and secondary ticketing. Chapter 8 then considers consumption practices based around music and how music is made meaningful by audiences.

The final two chapters of the book examine legal aspects of the music industries. Chapter 9 explains and reviews copyright law in the UK and the US and the historical and philosophical framework that underpins it. The chapter also assesses the differing responses and tactics of the music industries and artists to the issue of music piracy. Chapter 10 discusses some of the contractual agreements and relationships through which the music industry operates, with an emphasis on artist management, music publishing and music recording.

Taken together, the chapters of this book offer a framework for developing a deeper understanding of the many aspects of the music industries and their inter-relationships with each other. It helps to make sense of them in historical, cultural, technological and economic terms, and to provide a critical focus

on the processes that lead to change. By adopting a research-centred and analytical approach, readers can keep track of the ongoing development of the music industries and place themselves in the front line of innovation and entrepreneurship in the future.

ACKNOWLEDGMENTS

1

STUDYING THE MUSIC INDUSTRIES

This chapter explores several ways of unpicking and analysing the complex web of practices, strategies and narratives that characterize the music industries, from political economy and the culture industry to sociological and historical approaches. It also highlights the transformations that digital technologies have brought to all areas of the music industries.

KEY FINDINGS

- The music industries may be explored from a variety of research perspectives.
- Technological developments have had, and continue to have, significant impacts on the structure and work of the music industries.
- Interdisciplinary approaches may offer new insights into the music industries.

GETTING STARTED

The study of the music industries is not a uniform endeavour. There are many and varied approaches that yield valid, interesting and important understandings about those industries, their cultural and economic impacts, and their effects on the lives of those who work in and interact with them. These studies can happen at a macro level, in which scholars examine the effects, economic impacts and practices of the music business as a whole, and their inter-relationships with other businesses, laws and social forces. They can also happen at a micro level, where they centre on the activities of individual businesses or, indeed, individuals. Some research focuses on areas between these two extremes or examines specific sectors of the music business. One approach is never more significant

than, or entirely separate from, all of the others, and a rounded understanding of the music industries as a whole demands a grasp of the various ways that these approaches may reveal insights into the business of music. This chapter begins this process by introducing a range of research approaches, starting with organizational structure.

ORGANIZATIONAL STRUCTURE

One useful way to understand the activities of a business, whether a small-to-medium enterprise (SME) or a multinational corporation, is to examine its organizational structure. In the music industries, there will be areas of responsibility for product (or artist) development, finance, legal, technical and general organizational planning, operational and administrative staff, sales and marketing personnel and so on. In larger businesses, each of these areas will have people or entire departments who specialize in just one aspect of the business. In contrast, smaller companies may give responsibility for several, many, or even all of those roles to just one person. And of course, the roles that exist within a music organization will depend to a large extent on what particular task that organization is performing, or which sectors of the music industry that business represents and connects with.

A music business, just like any other business, does not operate in a vacuum, but has suppliers and industry partners that allow it to function without having to perform every specialist role. What is important to examine when considering a music organization is not merely the roles and responsibilities within that organization, but crucially, the relationships that that business has with outside agencies. Drawing and mapping those internal and external connections helps us gain a better understanding of the workings of these organizations and their place within the broader political economy and creative industries context.

When investigating the music industries, understanding the organizational structure of a particular business (or of more than one) can offer critical insights into how that business works, and provide useful knowledge in terms of practical applications. For example, discovering repeatable procedures for music business success (or systems and approaches to be avoided), identifying problems within the structure and linkages of an organization, or simply generating new knowledge about the ways that music organizations can and do work, can provide clues as to how they might potentially do so more profitably.

POLITICAL ECONOMY

Work in the field of political economy examines and explores the relationship between music organizations and the political and economic frameworks within which they operate. In other words, political economy is interested in power relationships and flows of capital. At its broadest, and particularly with respect to policy, this is generally understood at the level of the nation-state, and the political infrastructure into which the larger industry as a whole plays a role.

Political economy studies are primarily interested in macro-level examinations of industries and how their goods and services, production practices and management relate to and are informed by the legal and economic climate in which they operate. Accordingly, a political economy approach to analysing the music industries will be concerned with how music businesses make money, how they may affect policy, and how broader policies may in turn influence the kinds of activities in which music businesses engage. Exploring and understanding the music industries in these terms reveals the significant impact that the music industries may have to a nation's economy.

The industries not only contribute to the economic well-being of a nation and employ a great many people, but are also strongly linked to the wider political environment, and reflect the economic conditions of the times. The corporate record industry, for instance, relies upon a system of capitalism as a political framework for its activities. The division of labour, distribution of scarce resources, and dependence on financial infrastructures are, therefore, of particular interest to political economic analysis.

Economic infrastructure

Political economy approaches may examine the ways that the economic infrastructure of a business sector or organization is structured and works in practice. For instance, record labels have tended to work in a particular way over the past decades – with a few hits providing the revenue required to prop up the business, which often takes losses elsewhere on many more unsuccessful releases. Indeed it is a commonly held belief that eight out of ten releases fail to recoup costs. This is, in part, because the recorded music business has traditionally been based on a model of high fixed costs and low marginal costs. That is to say, it is (or rather, was) expensive to record an album (fixed costs), yet relatively cheap to manufacture each individual copy (marginal costs). Hence, the more copies that are sold of a particular release, the higher the profit margin on each sale made. From a record company's perspective, it is preferable to make one album that sells a million copies than to make 100 albums that sell only 10,000 copies each. The same overall number of records would be sold in both cases, but the fixed costs of producing those 99 other albums would significantly reduce the profit margin. This economic principle explains the importance of hits and hit-makers to the recorded music industry: an artist who can sell 20 million copies of a record (as Michael Jackson did with his *Thriller* album in the 1980s) is a far more valuable asset to a major recording company than an entire catalogue of artists that may collectively sell more copies between them.

Oligopoly and the star system

The political economy approach is also interested in the form that the industry takes as a whole. The recorded music business is, arguably, an oligopoly: an industry in which very few players dominate the market. This is certainly true

in sheer financial terms, as three major multinational companies (known as the 'majors') command the majority of revenues within the globalized music industry, whether under their own label names, or as owners of many of the larger, so-called independent labels (see Chapter 2). This oligopolistic market concentration is of significance for scholars, since it not only impacts upon the organization of capital and political impact of the majors, but also affects how culture is produced and disseminated. That is to say, the political and economic structure and organization of the major recording companies can have a direct bearing on the kind of music that gets made and heard. For instance, the predominant economic model of the recording industries is based on the 'star' system, in which a relatively small number of artists provide the vast majority of revenue. This model guides the strategy and thinking of the major record companies, so affecting the choices that record company personnel make regarding which artists should be released and promoted to the buying public.

The political economy approach may, then, reveal how and why unequal power relations can have an effect on the music that gets created, promoted and released. Not only do patterns of corporate ownership affect the selection and availability of music that gets broadcast and sold in stores, but similarly, commercial pressures can impede and suppress oppositional forces. The purpose of multinational corporations is not to distribute works of art, but to maximize profit (not simply 'make money') – and political economists stress that it is the maintenance of control over the means of production and distribution that is paramount to the interests of the corporate music business world.

The music industries as copyright industries

The political economy approach revolves around an understanding of the numerous ways that money can be made from music, and how that money is then distributed. The central mechanism for revenue generation in the music industries (at both a macro and a micro level) has been copyright, which is a form of intellectual property. In fact, Patrik Wikström (2009) goes so far as to assert that the music business is fundamentally a copyright industry, which marks it out as distinct from other kinds of industries that deal in goods and services. Copyright ownership, and control over intellectual property assets, serve to create wealth in different ways to that seen when, for example, buying and selling commodities (sugar, wheat, copper and so on) or providing services (financial, legal, personal and so on). Copyright is so central to the music industries that it will be discussed in much greater detail in Chapter 9, but it is worth mentioning here that copyright exploitation is central to the political economy approach to understanding the music industries.

Perhaps most importantly, it is crucial to remember that the political economy of the music industry is always changing, and that this is affected by a wide range of forces. Changes in public policy brought about by a change in government or the changing of hands of a portfolio between different political representatives

can have wide-reaching influences. The sale or purchase of record companies by other organizations can affect the whole of the music business. Changes in public taste can also impact the fortunes of whole sectors of the music industries. Even changes in other, related industries can have a huge impact, for instance, radio station formats change over time and the consumer electronics industry continually experiments with new devices and ideas. Technology can, of course, have a major role in the changing fortunes of the music industries, and this will be examined in more detail in later chapters.

CULTURE INDUSTRY

The music business is commonly referred to in the literature and in public policy as one of the 'cultural industries' or 'culture industries'. These are usually described as those industries that create, produce and distribute goods and services that are cultural in nature, and may be further defined by their relationship to copyright as a primary means of control over the economic functions of those industries. In one sense, to study the music business as a culture industry is little different to the study of the music business in terms of its political economy, but the critical focus as well as the key thinkers and core texts tend to have some significant differences.

Commodification and standardization

The term 'culture industry' was first coined by Theodor Adorno and Max Horkheimer in *Dialectic of Enlightenment* (2002, originally published in German in 1944). They argued that industries that create and distribute artefacts of popular culture are in essence no different from factories producing standardized goods, and that the simple gratifications produced by mass culture consumption have the net political effect of calming and appeasing the public at large. Their critique of the music business suggests that the commodification and standardization of popular culture creates a single marketplace in which the most popular works succeed, regardless of their 'artistic merit' or 'cultural worth' (both entirely problematic terms that require some unpacking when working in this area of critical theory).

In addition, Adorno and Horkheimer suggest that the vast majority of this standardized fare is owned and controlled by a very small number of major corporations that claim to serve consumer needs by supplying what audiences want – and that point to the popularity of their successes as evidence that they are serving this need. However, by both creating and meeting demand for standardized products, the culture industries are described as manipulating the public, so that the identities and individual tastes of consumers are minimized. In this way, the music business can perpetuate the 'star' system that, as noted earlier, is the most effective profit-generating method for the recording industries: producing more copies of fewer and fewer items.

Creative work and everyday practice

In *The Cultural Industries* (2007) David Hesmondhalgh suggests that cultural and creative businesses create and disseminate texts that 'have an influence on our understanding of the world' (2007: 3). As such, these industries help shape and define what our culture is and how we relate to it. It is, therefore, crucial to have an understanding of how these texts are arrived at and selected, and how these decisions are made with respect to the corporate desire to not just make profit but to maximize it. A culture industries analysis of the music industries will also pay attention to the 'work' that is done in that context, and how cultural workers spend their time. Hesmondhalgh's more recent book with Sarah Baker, *Creative Labour: Media Work in Three Cultural Industries* (2011), goes into some depth on the work that employees of the cultural (or creative) industries, including the music business, actually do, the extent to which it can be considered creative work, and what it is that constitutes 'good work' in that context.

Similarly, Keith Negus offers a more nuanced examination of the recorded music industries in *Music Genres and Corporate Cultures* (1999). He argues that it is difficult to apply Adorno and Horkheimer's critique equally across all cultural industries: that there are significant differences between (for instance) the film industry and the recorded music business. He also problematizes the relationship between industry and 'creativity' – that is to say the tension between what artists want to create and what their record companies wish to produce, promote and release. Furthermore, Negus explores the idea that not only does industry produce culture, but culture produces industry. In other words, music businesses capitalize on and exploit existing cultural practices and scenes as much as they seek to create them. As with Hesmondhalgh's later work, Negus is concerned with understanding the role of workers within recording companies. He finds that, while the term has a somewhat different meaning in the corporate context, record companies can be discussed in terms of an internal 'culture' that informs and shapes practices and decisions made by personnel working within them (Negus, 1999; see also Negus, 1992). Indeed, understanding and analysing what people do within the music industries is an important approach to the scholarly study of the music industries and offers insights that may not be gained with an abstract political economy approach to that same business or sector.

SOCIOLOGY

The study of the music industries as a function of culture and society is another popular approach to understanding the music industries. Music is culture, and industries are formed from aspects of cultural engagement. It is too easy when studying music as an industry to fall into the logical trap that suggests that people are simply consumers that are marketed to, and who purchase undifferentiated products from footwear to chocolate bars to pop music. In fact,

people are complex, diverse and interesting – and their engagements with the music industries are rich, nuanced and complicated.

Symbolic meaning

In short – music creates symbolic meaning for people, and that meaning is expressed in all sorts of different ways. People do not simply discover, buy and listen to music. They dance to it, they gather with others who enjoy the same music, they collect and organize music, and they create new knowledge around that music. Subgenres form, and scenes are created that support and reinforce those subgenres. Clothing and personal styles represent a kind of tribal affiliation with different kinds of music (note, for instance, the differences between emo attire, hip hop fashion, skater punk clothing and club wear for house music fans) and identity is formed and expressed through music, particularly – though hardly exclusively – by young fans (see Frith, 1996).

Moreover, the culture of music is expressed in many varied ways, all of which are worthy of study. Examples include the venues attended by music fans, and how those venues form the basis for social cohesion and the formation of scenes, the musical heritage of cities and nations and their impact on cultural identity, and the broadcast of local music and its effect on both civic pride and the development of local music industries. There is also the relationship between music, race and gender, and the ways that our personal daily routines are integrated with music listening in supermarkets, shopping malls, health clubs and other places where people perform social and cultural activities.

The study of music as culture and as a social force allows for a deeper understanding of how musical meanings are created and communicated. It also sheds light on how these meanings form the basis of the music industries and the opportunities that exist for businesses to engage with subcultures, scenes, and daily activities. As such, what people do with music in a broader sense, other than simply listening to it, can reveal fascinating insights and great potential for research. For a deeper understanding of the study of popular music culture, see Tim Wall's (2003) *Studying Popular Music Culture*.

MUSICOLOGY

Musicology is the study of musical works as texts for critical analysis. Arguably, there is very little overlap between the world of the musicologist and the student of the music industries. Yet, there is considerable scope for interdisciplinary research, study and teaching across these fields in relation to the creation, performance and reception of musical works. Knowledge of the specialist language of musicology (or the musicological study of musical texts) is not strictly essential for studying the music industries, but an awareness of the terminology and an appreciation of how the musical 'text' (whether on paper, on record or in performance) works will offer a broader and more grounded understanding of the art, expression and culture at the heart of the field. A broad musical palate,

a wide range of listening, an understanding of a variety of musical genres, and the ability to talk about music in a way that communicates with musicians and music professionals is a good basis for professional conduct within the music industries. In other words, while it is not necessary to be able to compose a song, write an arrangement, transpose a work to another key or be able to play the drums in a 6/8 time signature, it is a good idea to know what such things are when studying the field or working with musical people.

Taking popular music seriously

The serious study of popular music works as texts has been a fairly recent development, in part because many musicologists have been slow to accept popular music forms as worthy of scholarly attention. It has been pointed out, for example by Simon Frith and Andrew Goodwin (1998), that many rock musicians and rock critics lack the specialist vocabulary and techniques of musical analysis that academic critics of 'serious' music forms command. However, popular music forms are increasingly garnering the attention of musicologists. For instance, the International Association for the Study of Popular Music (IASPM) is an interdisciplinary organization established in 1981 to connect scholars working on different aspects of popular music business and culture, and has over 600 members worldwide. At an IASPM conference, you are as likely to hear people talk about polyrhythm in jazz or the relationship between Frank Zappa and Third Stream music as you are to discuss the marketing strategies of major record labels or electronic ticketing at music festivals.

When understanding and analysing the music industries, it is a good idea to bear in mind that there are other things at stake than just the commercial infrastructure and political economies of labels and distributors. To many people within both academia and the broader music industries, the artworks at the centre of those industries are of paramount interest. Musicology provides the language by which those works can be discussed with clarity and an agreed set of terms. Fundamental concepts and modes of analysis can be found in Allan Moore's *Rock: the Primary Text* (2001) and David Machin's *Analysing Popular Music* (2010).

METANARRATIVE

A metanarrative is 'a global or totalizing cultural narrative schema which orders and explains knowledge and experience' (Stephens and McCallum, 1998). It is a grand, unifying story that makes sense of all of the little stories that happen along the way – by making them part of a bigger, universal picture. The term was originally introduced and critiqued by the French philosopher Jean-François Lyotard (1984) and was used in relation to such metanarratives as Marxism and religious doctrine, where the unifying story is understood as embodying universal truth. It has since been used more narrowly within literary criticism and communication studies to examine specific narrative fields (for example,

see Baringer, 2004), and it is in this more limited sense that we use the term here. By examining metanarratives we can unpick the simplistic cause and effect explanations provided for often complex inter-relationships and conflicts, and investigate the purposes to which they are used. Two examples of metanarratives are given here, each of which offers an all encompassing way to think about historical change within the music industries.

Music industry responses to socio-technological change

First, we can understand major recording company campaigns to sue file-sharers and digital pirates as part of a bigger story about the ways in which large, incumbent organizations who have been doing well for a long period of time react defensively when they perceive that their way of life and means of income generation are under threat from a changing environment. As a common thread through the larger narrative of the music industries, this is a recurring theme. For example, broadcast radio was perceived as a major threat to the recording industry when it was introduced in the 1930s: if audiences are able to listen to music for free on the radio, why would they buy it? A parallel with the current situation regarding illegal downloads and streaming services is clear, with the metanarrative of an industry under threat being used to lobby for stronger copyright legislation and enforcement.

'Read–write' vs 'read-only' culture

A second example of a music industry metanarrative is the tension between what is often referred to as 'read–write' culture versus 'read-only' culture. The professionalized, broadcast-centric, one-to-many infrastructure of the recorded music business changed people from being active participants (purchasing a score in order to play it on an instrument at home) to passive recipients whose relationship to the music was merely as listeners. It can be argued that this narrative is seeing a long-overdue return to a read–write culture in which digital technology facilitates active engagement with musical content: passive consumers are once again becoming active participants in the music creation process (see Chapter 8). Thinking of consumers in this way places power in the hands of music users rather than music producers and is related to the wider metanarrative of the freedom of information on the internet, and those seeking either the relaxation of copyright laws or the enhancement of fair dealing provisions and protection of the public domain (see Chapter 9).

HISTORICAL ANALYSIS

Historical analysis allows researchers to offer detailed examinations of very specific aspects of the music industries in ways that may not be accessible