

CRITICALLY EVALUATE HOW NEW TECHNOLOGY
HAS TURNED THE MUSIC INDUSTRY FROM A
PRODUCT TO A SERVICE SECTOR

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New Music Technology Part 1

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How New Technology Has Turned The Music Industry

From A Product To A Service Sector

1. Abstract

Technology concerning the music industry is changing now more quickly than ever. It is incredibly interesting to look at how artists would market their music twenty years ago compared to now. Prior to the invention of the internet, the world we live in now was completely unimaginable and physical products were all we knew. The vast movement in technology makes us wonder how things will be in the future. The then known title of 'star' or 'celebrity' no longer stands for someone who plays in front of millions of people, the new age celebrity can gain millions of listeners, and dedicated fans from their own home. The difference between a physical product and an online service is just that you can not physically hold the product as it is not in the physical dimension. Intangible things are not physical objects and only exist in connection to other things. Examples include a brands image, or goodwill (Shapero, 2015).

2. Introduction

Some may think that the music industry doesn't have much familiarity with economics, however, it has more than most people may think. Economics is the production, and consumption of goods and services, just like music is (Lewis, 2019). Currently, the digital side of the music industry changes so quickly that anything that is written on the topic becomes an outdated piece of data hours after its

publication. The digital music age took over the industry in the 80's making it extremely accessible for anyone who had an internet connection to listen to and create music. It's estimated that worldwide revenues for recorded music fell by 50% between 1999 and 2009, which forced the industry to adapt in ways it had never previously imagined (The history of music distribution | Features | MN2S, 2015). Although the start of the digital era is said to have had a negative effect on the economy of music (Anderson, 2014), the following piece of writing will measure the positive impacts against the negative to comprehend the ways the music industry had moved from a product to a service sector.

3. The start of the digital music era

The Fraunhofer Society, a German research organisation, invented the first MP3 file in 1991. Developers at Fraunhofer came up with the vision of portable music players that would allow music fans to store their entire music collections. Though their ideas were initially ridiculed, the Fraunhofer team eventually turned mp3 into a global success by locking down the algorithm for the MP3 by 1988 (Institute, 2019). This was the start of a revolution for music, and arguably the first-ever real digital companion. Although this was the start of something phenomenal, it also led people to begin illegally downloading music for free which meant artists would miss out on their royalties and record sales took a huge decrease in sales (A. Stafford, 2010). Not only would the release of the MP3 mean that people were now less likely to buy CDs and vinyl, but it also meant that encoding tools for turning an audio file into MP3 would require expensive licensing fees and would be used by large companies (Gallego, 2017). Now that the MP3 required expensive licensing, it wasn't long until tech wizards discovered how to hack and distribute the copyrighted material and by 1997 the MP3 was freed from its expensive software license (Gallego, 2017). One of the first MP3 piracy

groups, Compress 'Da Audio distributed their first pirated MP3 that summer via IRC, a chat room system. The track was "Until It Sleeps," by Metallica (Gallego, 2017).

Apple launched its first iPod in 2001 along with its companion, iTunes. Ten years later, it has been said that nearly two-thirds of all music was purchased through this platform (Pepitone, 2016). The revolution of iTunes changed the lives of many music lovers, do you remember burning CD's at friends houses so that you didn't have to go to the store and purchase the CD? Now iTunes is accessible, you can plug your iPod into your car, speaker or listen through the headphones.

Remember going for a run whilst carrying around a personal CD player that was impossible to put into your pocket, Steve Jobs solved that problem Whilst he solved this problem and started a revolution he also put many businesses at a loss, such as HMV, which has now completely closed down for good. In 2004, the shuffle accessory became a thing which arguably became a virtual DJ which meant there was no need to flick through your music to find a song you liked, as the iPod already had a rough idea, making it perfect for parties and there was no need for a human DJ (McElhearn, 2016). Steve Jobs is a prime example of how one idea and one experiment can change the music industry forever and how rapidly it can change. As it is now as easy as typing a song title into music streaming platforms, artists not only have to compete with trending music, they also have to compete with those who were once top of the charts such as Bob Marley, The Beatles and the Rolling Stones (Team, 2017).

4. The transformation

The once then physical music industry before the 1990s MPS revolution has now changed the industry by dividing it into three core music industries: the recorded music industry, the music licensing and live music, focused on producing and promoting live entertainment (Wikström, 2021). Each of these industries currently heavily relies on digital technology. Pre-internet, the recorded live

music industry was the most important and brought in the most revenue, the dream for upcoming artists in those times was to be signed by a major record label (Wikström, 2021). Now, technology has made it easier for musicians to access pretty much everything they need to create their fame without needing a label. These artists rely on their talent and business savvy mindsets to get their songs on airwaves everywhere.

One of the most important changes in music marketing technology is that we can now monitor and measure all results and algorithms produced. In the past marketing, revenue was recorded by results made from physical products such as; billboards, flyers, posters and radio adverts. Of course, ticket sales and CD sales could be tracked but how would we know how many people saw the billboards, how many people picked up the flyers and how many people saw the posters? Now we have social media, we can track almost everything from views, engagement, followings and listens. For example, in the 1990s somebody could buy your CD but how would you know how many times they listened to it? Now we have online streaming, every listen can be easily tracked making it easier to market and send music to the people who really want to hear it which saves artists a lot of time and effort and allows them to spend more time concentrating on their music. This is especially important for artists who are starting out with little money as there are websites and apps such as Hootsuite which can be used for free or for a small amount. Sanjay Dholakia, Chief Marketing Officer of Marketo mentioned “Hootsuite allows us to better understand the impact of social media and engage customers more strategically through social channels” (Dholakia, 2021).

5. Recent times

The recent Covid-19 pandemic has forced musicians into maximising the use of online services and online marketing, in a country where live music events were banned for almost a year online

festivals and live streams were pretty much forced upon active artists to keep their fans enticed. On the flip side, the fans were also put into a lockdown and being stuck at home, some completely alone, music was a very important aspect to keep them feeling positive through the particular and unexpected times that were forced upon us. People were not allowed to meet for months on end meaning that music collaboration had to happen virtually. An interview with upcoming artist Marie Dangerfield revealed that she utilised her time by learning to produce herself during the pandemic and kept up to date with social media trends which kept her fans intrigued.

People from older generations who have grown up in a world of physical products are not usually as up to date with online services and it is proven that amongst the younger demographic there is a higher demand for video and visual content compared to photography and written content. For example; 85% of Gen Z adults (age 16-24) use TikTok daily, with 81% claiming to use the video app for more than an hour a day whereas 75% of millennials in the survey use YouTube daily, with 60% spending more than 30 minutes a day on the video network. 71% of adults in the Gen X age group use Facebook daily, followed by YouTube (63%) and Instagram (58%). The baby boomer demographic (54+) favours Facebook, with 61% using the network daily, and 56% spending more than 30 minutes a day on the site (Film, 2021). This observation proves that although the youngest generation watches YouTube the most, it is a network that is used across all age demographics to some degree.

6. The live music industry

Another example of the music industry changing from a physical product to a service sector is cashless festivals. At such festivals, you can not physically carry your money around however, you can not get robbed, it makes it more difficult for drug dealers and it is also much cleaner! Not to

mention how much easier it will be for festival owners to monitor their cash flow. With a cashless system, event owners can monitor everything from including the bars and the food stands. If food stands and bars take cash, how can the festival owners know that they are being honest about their earnings and therefore how can they get a clear idea of how much to charge them to pitch at the festival?

At current, there is a global uproar regarding sustainability and protecting our planet. Gatherings of people for a purpose will always be a part of the human story however, those staging the events now have the responsibility to ensure all environmental impacts are kept to a minimum (Jones, 2014), which is where technology solves yet another problem for not just us, but our environment. With the use of electronic signage, a vast amount of waste is reduced. Car sharing has become increasingly more popular, and without the internet creating a hub to connect from our homes how could we so easily arrange such planning?

Technology has solved so many problems and has allowed people to receive things more quickly which results in more free time to spend enjoying life's pleasures and creating arts. Events are a good example of a service that is physical but now relies on non-physical marketing and booking systems to secure tickets and payments. What is the first thing millennials do when they hear their friend is going to a festival and is also thinking about going? They will check the website, check the internet, check the ticket prices and watch videos on the event to see if it is something that they want to spend money and time on. Imagine this process with no internet or digital media, ticket holders would buy the tickets based upon word of mouth and from hearing the music on the TV or radio. With the new age of digital media, we can seek out the target audience and make sure they see the online advertisements without giving them the choice. People aged between sixteen and twenty-nine spend the most time (3 hours daily) on social networking platforms, while adults aged

between 45 and 54 spend 1 hour and 39 minutes every day (Henderson, 2020). Although social media is not vital for any type of music business to run successfully, they are certainly missing out on a myriad of opportunities to build and grow.

7. Online streaming

Due to the increased connectivity of the internet and rise in content distribution options for musicians, there has been a shift in the industry from large record conglomerates, to smaller, independent record labels (Team and Team, 2017).

One interesting question is, does the new model of using online streaming generate more money for an artist now than it did when music was a physical product. Spotify claims to have paid out \$1.83 billion in 2015 in 'royalties, distribution and other costs' however in 2016 there were claims that Spotify was making its records and putting them on its playlists (Harrison, 2017). This shows that the digital market makes it easier for companies to create a 'fake' sense of success. Another example of the music industry taking advantage of digital media to portray a false sense of success is the famous Fyre Festival scam. In April 2017, roughly 5,000 people spent hundreds of thousands of dollars for tickets on what they thought would be the experience of a lifetime: a luxury music festival in an idyllic tropical setting on a private island in the Bahamas with A-class celebrities and influencers due to attend as festival-goers. The marketing was so convincing that people bought the tickets however when they arrived at the festival, it was evident that the event had been falsely sold. This scam resulted in spawned lawsuits against the event's organisers, who included Ja Rule and Fyre Media CEO Bill McFarland, the latter of whom is now serving a six-year prison sentence for fraud (Huddleston Jr., 2019).

8. Conclusion

Online streaming is not always a fair game, major labels have a shared stake in Spotify which causes a potential conflict of interest. For example; there were reports of Spotify black-balling or not supporting promoting artists who had given an exclusive to Apple Music (Harrison, 2017).

Some people suggest that Napster killed the music industry, while others will argue the revolution of peer-to-peer music sharing platforms was an inevitable byproduct of technology as former MTV News anchor Kurt Loder noted it “created moral and monetisation problems of which we’ve not yet seen the end” (Daley, 2021). Blockchain is solving some of the major problems currently plaguing the music industry. With blockchain, musicians can receive equitable royalty payments, venues are able to curb counterfeit tickets and record companies can easily trace music streams and instantly pay all artists who contributed to songs or albums (Daley, 2021).

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