

How the Music Industry Shifted from Products to Services

Over the course of the history of the music business, music has been sold as a product for the longest time. It started when music publishing became a business and people were buying sheet music. In the 15th century when holy songs were being printed and preserved for the church, they were commissioned to matriarchs for ownership, but were not sold to the public. Fast forward to 18th century Germany, where true music publishing was actually becoming a thing for the general public. Breitkopf & Härtel is the oldest publishing house in the world, and they were the original publishers for German composers, like Beethoven and Mozart (Breitkopf, 2022). In 1770 Schott's Music was founded and they began selling sheet music to the German public. Sheet music was the first type of music to sell, then you had Wax Cylinders, Vinyl, CDs, and Cassettes. Digital album purchases even became a thing. Now we do not even purchase the music, instead we purchase a license to rent the music. We purchase a service. From *Apple Music*, *Spotify*, *Deezer*, and *Tidal*, anyone can have access to almost all published musical works from across the globe and from any time period. It has now become the norm and the music industry has shifted into a service oriented industry rather than a product oriented industry. The shift started with the rise of Napster, an audio streaming service that initially launched in 1999 as an audio file sharing site. Initially the company faced heavy backlash and legal issues from the music industry. Now, the music industry has adopted their model and taken it to the next level. In the book *Networked Music Cultures : Contemporary Approaches, Emerging Issues* the authors say "somehow, even after 20 years, music in digital formats remains a new 'problem'. The most novel manifestation of digital music technologies—mass illegal downloading—is thus seen as the cause of all troubles. For instance, Andrew Edwards writes that the music industry 'has been destroyed by digital technologies that have made music virtual, untethered to a physical unit, and very easily appropriated'" (Nowak, Raphael, 2016). Furthermore, due to the shift online and the ease of access to create music, many services have appeared to help independent artists supply their music online. The whole industry has become service oriented and companies are offering services to ensure success with other services in the industry. In this essay I will break down and give reasons as to why music has shifted from a product to a service. I will look at the technologies involved with on-demand streaming services, data services, and distribution services to support my argument as to why the entire industry has become service oriented.

Digital music streaming services have all developed the same model. Users sign up for an account and then pick a subscription which allows them unlimited access to all music on the platform. However when a subscription is canceled the user no longer has access to the full service or all of the music. This is because the user is technically renting the music from the service provider who has the music on their platform. Nowak and Raphael state that "the largest on-demand subscription services offer a set of features that represents a more or less standardized user arrangement. Through features requiring active participation, users are encouraged to organize and customize the service account, for example by making personal playlists and marking favorite albums" (Nowak, Raphael, 2016). This model

is now far superior than buying albums before listening to them because users can skip to individual songs or listen to them before adding them to their library. Due to the fact that individuals can now stream any song within any album at will, there is an argument from some that state that music has become dematerialized and devalued. "Another key issue in the relation between artists, industries and audiences is the notion of materiality , which has undergone profound changes as a consequence of digitisation, even though, as Nowak (2014) states, it has received insufficient attention in the field of music research" (Nowak, Raphael, 2016). I agree with this statement especially when it has become easier to consume and receive music. "De Nora (2000), one of the most notable authors contributing to this perspective, introduces the notion of 'affordances' (taken from the science and technology studies perspective, or STS) as related to music in everyday life. Thus, a specific piece of technology 'affords' some uses (and not others) in relation to a field or context of use and practices of interaction" (Nowak, Raphael, 2016).. In *Networked Music Cultures : Contemporary Approaches, Emerging Issues*, one of the key texts used for this paper, the word *service* comes up 335 times, and the word *product* comes up 38 times (Nowak, Raphael, 2016). That goes to show that researchers are now referring to music platforms as services rather than products. Technology has made this the most rapidly changing era for media and music. That being said, aside from just supplying music, streaming services offer personalized and customizable experiences for each user. Making the service feel more bespoke to the user.

Using streaming services, businesses and individuals are able to create playlists that can be used daily. This is a huge aspect in spaces like retail stores, or gyms as they can create unique playlists for different uses such as specific workout classes. There are three types of playlists included in these services:

1. User made playlists
2. Editorial playlists (*RapCaviar, Songs to Sing in the Shower*)
3. Algorithmic playlists (*Release Radar, Discover Weekly*)

User made playlists are created when subscribers add their favorite songs to a playlist and share them publicly. Editorials are professionally curated playlists that are made by editors that work for the service. Lastly, algorithmic playlists are a service in itself and they are specifically curated for the user based on their listening data. According to Playlist Radar, listening data is based on listening habits.

“These listening habits might include:

- *any artists/albums/tracks a user likes*
- *any artists/albums/tracks a user shares*
- *any tracks a user saves to their own playlists*
- *any tracks they skip”*

(Playlist Radar, 2022).

Nowak and Raphael break say “through pre-manipulated and pre-compiled suggestions, music streaming services offer readily available selections highlighted by the service providers themselves. Carefully calculated metrics and algorithms shape the ways in which music is both supplied and accessed through these participatory and automated features” (Nowak, Raphael, 2016). This element of personalized experiences is where the services truly shine. When you walk into a record store, it constantly changes based on what the general population likes, not what the listener likes. When opening *Spotify* on your phone, instead it constantly changes based on what the listener likes rather than what the general population likes. The personalization of a listening experience is a service in itself. However this personalization is not achievable without data mining and data services that are provided to and from the music industry.

“Data Is The New Oil” - that is the headline of an article published by *Forbes Magazine* in 2019 (Forbes, 2019). By mining data and storing it in an infrastructure, streaming services are able to predict the behavior of each listener and introduce them to new music that they will probably like. Maria Eriksson, the author of *Spotify Teardown: Inside the Black Box of Streaming Music* summarizes how *Spotify’s* data collecting serves the company. “*Spotify’s proliferating data infrastructure includes more than meets the eye. Its “event delivery system” is one of the foundational pieces of that infrastructure. Most events that are produced within Spotify are directly generated from millions of Spotify clients as a direct response to certain user actions. All types of usage data can be defined as a set of structured events that are caused at some point in time as a reaction to some predefined activity. Whenever a user performs an action in the Spotify client—say, listening to a track or searching for an artist—a small piece of information (an event) is sent to Spotify’s servers*” (Eriksson, 2019). These key event pieces are what shapes a user’s experience. This data is also usable by record labels or *Spotify’s* content providers. “If one opens the “About Spotify” tab, for example, it is strikingly apparent that music per se comes from elsewhere: “Content provided by” is followed by a series of logotypes for Universal Music Group, EMI, and Warner Music Group, among others” (Eriksson, 2019). However *Spotify* is not the only service to do this. “The result of data mining for user taste information could be seen on YouTube in the section containing “videos recommended for you” where the site displayed how it perceived your taste” (Johansson, 2017). Although data is what makes the service more personal, many people have concerns about data mining. For example, take the *Facebook*

Cambridge Analytica data scandal in 2020 (BBC, 2020). However with listener data, record labels and music marketers are able to figure out their target market and make business decisions based on listener records. For example *Chart Metric* is a service that was created because of collected streaming data. It is able to show you the entire audience demographic of any published recording artist. Fransisco Toscano, Sony Music's A&R Research member says that "There are very few Data Analytics platforms that focus on serving the music industry, and even fewer of them who do it with the level of creative excellence that Chartmetric does" (ChartMetric, 2022). Their job is to serve, and all of these services are now popping up all over the industry. Just from looking at both data and actual music streaming it is clear that the music industry has shifted into a service dominated industry. According to the Corporate Finance Institute, "Products are simply objects that are manufactured, stored, transported, advertised, and then sold. While products can either be tangible or intangible, services are intangible" (CFI, 2022). Music is not being manufactured at the rate it was before streaming came into the picture. Streaming music is entirely intangible and requires no physical storage. CFI also states that "Consider the way websites and e-books have replaced paper books or how compact discs have replaced cassettes and DVDs. In other instances, services have also become a substitute for certain products. For instance, the streaming services offered by entertainment firms like Netflix are now preferred by many to DVD and cable or satellite television programs" (CFI, 2022). According to TechCrunch in an article published in 2020 "Streaming now makes up 85% of all revenue in the U.S., with physical sales only commanding 7% — just slightly higher than the 6% made by digital downloads" (TechCrunch, 2020). Physical music is no longer sought after for practical use, only as collectible use, which means the service sector now takes the majority against the product sector. Though how do independent artists get their music onto these streaming services? Well, new services have been developed to distribute music onto streaming services. Endless services.

Distrokid, TuneCore, CD Baby, and United Masters are just some of the many music distribution services available to independent artists. Just like streaming services, in essence, they all do the same thing, but they each have their own unique selling points. TuneCore for example provides additional artist services from licensing, marketing, and airplay. Distrokid only provides distribution, however it is cheaper. Each platform also follows the subscription model - similar to every other online service in the music industry. With all of these services working in conjunction with each other it is safe to say that the entire music industry has become service oriented and content focused rather than product focused. As new services are developed, musicians and music business individuals are able to form a service based toolkit that can help them ensure streaming success on music streaming platforms. Being able to distribute music onto virtual stores without having a record label or a distribution deal is nothing more than a service. Furthermore, being able to have access to millions of songs instantly and remotely across the globe is also nothing more than service. Both of these things are intangible yet problem solving.

I think that materiality can be brought back into music through things like live performances, merchandise sales, and now NFT sales. Although it is not the focus of this paper - Marcus O'Dair states

that “just as blockchains can create unique, digital assets out of currency tokens and hashed documents,’ suggest Casey and Vigna (2018, p. 228), ‘they might also give the same quality to [creative] content” (O’Dair, 2018). However these digital products could exist alongside the new ‘music as a service industry’. Technology is allowing the industry to develop rapidly and physical products are no longer needed but some still want them for novelty. The shift into a service based industry and the omission of physical products came with many environmental benefits as well. According to BBC Future “Modern records typically contain around 135g of PVC material with a carbon footprint of 0.5kg of carbon dioxide (based on 3.4kg of CO₂ per 1kg of PVC). Sales of 4.1m records would produce 1.9 thousand tonnes of CO₂ – not taking transport and packaging into account. That is the entire carbon footprint of almost **400 people per year**” (George, McKay, 2019). Moving everything to digital distribution has sparked numerous data mining services as well that are available to the public, artists, and businesses. These services not only provide data to improve an artist’s career but can also improve a listener’s experience when using streaming services. Personalisation like this would never be possible when selling music as a product. When serving individuals it becomes much more valuable to the listener. However, it has become less valuable to the artist. As stated earlier, many have devalued music since it has become so accessible. Hopefully as time progresses, services will still remain effective, but value will return for the artists’ sake, but also the listeners’.

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Amar Chhina
2123522
Music Technology
July 8 2022

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