

**HOW HAS THE MUSIC INDUSTRY CHANGED FROM BEING PRODUCT TO
SERVICE FOCUSED?**

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The past few decades have seen vast technological advancements in almost every industry, one industry in particular where technology has entirely changed the nature of the business is the music industry. The digital era has seen the death of physical sales, a shift in how people value music and the growth of subscription based business models in areas such as streaming and distribution. This essay will analyse how new technologies have transitioned the music industry from being product based to service based and the pros and cons of the outcome. The key areas of the industry that will be analysed include digital downloads and streaming, digital distribution and live events.

Throughout the early history of commercial music, the music industry had always been product centralised. This can be seen from the late 1800s with the invention of the phonogram through to vinyl, cassettes and CDs up until the beginning of the digital era with the birth of Napster in 1999. The concept was simple, in order to own recorded music, consumers would purchase a physical product just like they would do with any other product they desired which seemed perfectly reasonable.

On the whole, people's perceived value of music was a lot higher during this era; firstly, it was more expensive to purchase and so people had to think more about what they bought. Secondly, music wasn't as easily accessible as it is in the digital age; technology has made the consumer journey much shorter. Nowadays, consumers only need to open their electronic device and can have millions of songs at their fingertips. When this is compared to listening to the radio in order to discover new music, travelling to the record shop to purchase the record, finding a place to store it and potentially not being able to listen to it away from home... it is clear to see how people may have valued music more (McIntyre, 2015).

Piracy was present in the 20th century in the form of homemade recordings using a tape machine to record the radio and making their own playlists/mixtapes, as well as selling bootleg recordings. However, it wasn't until technology advanced and saw the

launch of Napster that enabled piracy to grow out of control. Napster allowed consumers the option of no longer having to buy a full album just to get the 1 or 2 singles they wanted. The problem with this, however, was that Napster was giving away music for free in the form of digital downloads and almost took down the music industry due to less people paying for recorded music (Forde, 2019).

With download culture proving increasingly popular, Apple launched the iTunes Store in 2003 as a way to try and prevent online music piracy, enabling consumers to buy single songs from the world's biggest artists and conveniently store them on their computer and Apple's portable music listening device, the iPod. Apple knew that people would pay for downloads again if the process was convenient (Porter, 2019). The iTunes store was able to compete with piracy, however, it could be argued that it was detrimental to music sales in the long-term as it further removed the need to spend money on albums. The total music industry revenue fell to \$15 billion in 2012 (at the height of music sales), down from \$20 billion in physical sales alone in 2003 (IFPI, cited in Porter, 2019). Although with that said, consumers had already experienced unbundling an album into singles for free via piracy, and so the music industry may as well carry on with this in a way that generates revenue (Morris, cited in Pham, 2013).

With the introduction of smartphones and large cellular data plans becoming increasingly popular around the early 2010s, streaming services such as Spotify and Deezer began to grow. People could now have access to almost endless amounts of songs in exchange for extremely low fees (or even for free via freemium models) compared to what it would cost to purchase those songs via iTunes, in the form of a monthly subscription (it was also much more convenient than pirating them). However, one point worth noting is that with streaming, listeners are essentially renting those songs and are not able to store a copy of them on a hard drive like they can with a digital download or ripping a CD. Clearly, most people are happy with this model and it is proven by the success of streaming platforms. In 2019, streaming services grew 20%

to \$8.8 billion and made up 79.5% of the total recorded music revenue (RIAA, cited in Perez, 2020).

The technology within the streaming platforms such as user created, tastemaker created and algorithmic created playlists also plays a big role into why they have become so popular. There are millions of songs available on streaming platforms and most consumers don't want to have to play through album after album to find the songs they like. As stated by MN2S, today's typical consumer wants to skip quickly between different songs that are fresh and exciting. They want to discover music that's been chosen directly for their tastes and they want it presented in a format that's easily accessible, playlists offer a way to do just that (MN2S, 2019).

Another key streaming platform and subscription based service is YouTube. For the most part, YouTube has all the same songs and more that are available on iTunes and the other streaming platforms. It also has a completely free model with only short, skippable advertisements. YouTube is able to offer consumers things that the other streaming platforms cannot such as music videos, a community section of comments, 4hr stories and livestreams. Fan engagement is important for artists in order to connect with their fans and keep them interested in their music and brand, YouTube is the only music platform that has the capability of connecting artists and fans (Chung, 2015). In IFPI's 2019 Music Listening report, 77% of music listeners had used YouTube to listen to music within the past month and 47% of on-demand music streaming consumption globally was from video (IFPI, 2019).

It is evident that streaming services have grown to the size they are now because new technologies have given the consumer the ease and convenience of having large amounts of music at their fingertips for a low price.

Another sector of the music industry which has seen a change into being service focused is music distribution. The digital era has lowered the barrier to entry for independent artists to sell their music as there is no longer a need to manufacture physical products such as Vinyl, Cassettes or CDs, nor the price tag that comes with doing so. The growing number of streaming platforms available to the consumer combined with the low cost and ease of recording songs on a laptop from home has led to many digital aggregator companies being founded to send artist's music to all the digital service providers. In order to compete in this growing marketplace, many distribution companies are now offering additional services such as royalty accounting tools, neighbouring rights collection and publishing administration. Imhoff, 2019 explains that distribution companies should intelligently integrate services to make it seamless for the artist/label the company is working with. "You want to simplify their processes so they can concentrate on the creative aspect of their business" (Imhoff, cited in Garner, 2019). In the digital age of music, the business model for distribution companies has changed, they are now essentially becoming a basic version of label services companies or even record labels.

One notable digital aggregator used by independent artists is TuneCore. TuneCore services artist's music to all the digital stores in exchange for a yearly fee for each release; £23.99 per album and £7.49 per single. The down-side of this for artists is they are required to pay a yearly fee for every release that they have. This can quickly add up and if the releases aren't generating much revenue, the artist may have no choice but to remove the albums from stores. With the increasing number of digital aggregators adopting the cheaper "all you can eat" subscription model, TuneCore may face difficulties in the future if they do not adapt to the new subscription model that we are seeing across the industry. However, TuneCore does offer publishing administration services such as global PRO registration, sync licensing opportunities and social media management, which many of the subscription based aggregators do not (TuneCore, 2020).

One of TuneCore's main competitors is Ditto, where artists pay a yearly fee as little as £19 for unlimited distribution, however, Ditto does not currently offer any additional services. It may be that subscription based services are better suited to entry-level independent artists who do not have the need to use, or the budget to spend on additional services like publishing administration.

As with many inexpensive and easy to use products, they often attract a lot of customers. This can be said for music distribution as around 40,000 new songs are uploaded to Spotify per day, many of which will only be heard by a handful of people (Ek, in Ingham, 2019). The problem with this is music platforms are now becoming oversaturated with music and it is becoming increasingly more difficult for smaller artists to be heard and generate revenue from them (Lawless, 2019). As such, it may be wise for small independent artists with small budgets to release music entirely for free via YouTube and find other ways of monetising their art. However, the importance of artists being present on DSPs is extremely important just as a marketing opportunity even if it doesn't generate much revenue for them (Outerloop Coaching, n.d.)

As well as recorded music, technology has also changed the way the live music industry operates by enabling the implementation of new elements into live shows, such as live streaming. In recent years, live streaming has become a key part of live shows and in 2017 it was growing by 28.6% year-over-year (Nielsen, cited in Livestream, 2017). Due to the recent 2020 coronavirus outbreak, live streaming concerts may even become the only way to attend concerts for some time. It has become standard for large events to live stream their shows, with festivals like Electric Daisy Carnival, Ultra and Tomorrowland all offering free live streams for viewers around the world who cannot attend the event. In some cases, fans actually prefer virtually attending concerts via live streams than attending the concert in person due to the better view of the show and sometimes backstage content (Far Out, 2018).

However, it needs to be said that live streams cannot replace the feeling of being at the event and viewers can't partake in any of the experiences that happen there. Live streaming shows could also potentially result in lower ticket sales for the venues/artists as it allows people to watch the show without even being there. In order to combat this, Geofencing services have been created which restrict people in nearby locations to the concert from accessing the live stream, essentially giving them no option but to attend the concert in person if they want to watch it. Geofencing may be enough to restrict some people but others are able to work around it with the use of Virtual Private Networks (VPNs) to mask their location (McIntosh, 2019). Nonetheless, data shows that livestreaming can boost ticket sales as live streams can actually convert viewers into attending the shows in the future (Livestream, n.d.).

Live Streaming is not just present in concerts; artists can livestream their daily life and put on small shows from their home via social media such as Facebook, Instagram and Twitter in order to interact with fans. These types of informal live videos add a human touch that static posts such as photos and text or video posts can't do. Many social media platforms favour live video and allow it to rank higher in user's feed algorithms. Fans are attracted to live streaming due to the interaction it gives them with the artist and the artist can use it to navigate fans back to their website or any other media outlet to drive sales (van Moessner, n.d.).

The streaming service Spotify also helps to promote live music as artists are able to integrate their live show dates on the concerts page on their Spotify profile via Eventbrite, with direct links for fans to buy tickets. Spotify will then recommend those events to listeners based on their music preferences. In addition to this, Spotify also emails users when an artist they follow has new concert dates. This could be massively important for the live music industry as research shows that 42% of people discover new artists via streaming services and 50% of those fans then proceed to buy tickets to

their shows (Eventbrite, 2017). By having the ticket links conveniently integrated into Spotify, this massively reduces the customer journey to purchase and as every additional step during the buying process reduces the sales conversion rate by 10%, this should increase sales and reduce overall fall off (Eventbrite, 2017).

As we progress further into the digital era, technology will continue to change the music industry and push the consumption, creation and performance of music to new heights for some, whilst leaving others behind. Streaming platforms have enabled the opportunity for artists to earn a living from their music without the need for a record label, but in doing so have created more competition amongst independent artists than there was before. As technology progresses further and we see more subscription based services come to the forefront of the industry, this will continue the psychological effect it has on how consumers now perceive music and media as being lower in value as people will continue to be able to access even more, for less. The result of this may lead to many independent artists treating recorded music as nothing more than just a marketing tool whilst focussing the majority of their efforts on performing live, through concerts and online live streams. With that said, technology will continue to progress no matter what and therefore everyone needs to adapt to the changes, there is still tremendous potential for the music industry and this is proven by the growth of total revenue over recent years.

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