

Critically evaluate how new technology has turned the music industry from a product to a service sector.

By Tracey Kasongo (1908253)

*New Technology in Music and Creative Entertainment
(BMTY7004_LON)*

Discipline Tutor: Zohe Mustafa

Introduction

When analysing the music business in modern society, one could argue that it interlinks with many industries, particularly technology. So whilst we seek to critically evaluate *how* technological advancement has turned the music industry from a product to a service sector it is imperative that we first examine what we mean by new technology and explore some of the theoretical concepts and its relevance to the music landscape.

According to Joseph Schumpeter (1934), a seminal thinker of innovation and economics, he argued that “capitalism is fundamentally a system of change; capitalism is incapable of remaining static”; by this he meant that innovation could sometimes lead to *creative destruction*. His early work described the characteristics of innovation which detailed the five phenomena as personified by many scholars after him including Godin (2008). Example of the 5 phenomena can be detailed below and is useful in determining factors of new technology albeit businesses, services or markets that has since been implemented in the music sector.

1. the introduction of a new good
2. the introduction of a new method of production
3. the opening of a new market
4. access to ('conquest of') new sources of raw materials or components
5. the introduction of new forms of organisation.

Many of us may agree that technological and organisational innovation is something that goes hand-in-hand even if it means that as new developments occur, they inevitably destabilise existing arrangements. We have seen this occur exponentially within the last 20 years with the vast creation of many 'technological' companies, the formation of perhaps your 'Soundcharts, Amuse, United Masters, Popgun' particularly in the music industry. Yet, along with the acceleration of these promising companies comes new challenges that they may present. From music discovery to AI (Artificial Intelligence) how and where do they fit into an industry that for many years has relied heavily on traditional approaches, will the evolution of technology change the way we value or view the commodity (i.e. music)? We will aim to delve into this further in the examination of this essay.

Moreover, whilst on the subject of innovation, many will argue that it is inevitable that with the growth of technology, these traditional products or services would have likely been significantly improved or something newly created to cater to changes. For example, if we look at product innovation in the music industry, 20 years ago we did not have smart phones or tablets so with the creation of these products came the creation of new processes & services. Experts in the music industry (depending on who you ask) will say that it is vital to remain open to engagement with innovation and technology entering the music landscape even though it may be disrupting the overall impact allows the creative industry to thrive. It presents new opportunities for artists to breakthrough so rather than see it as a negative contribution, technology can be ground-breaking for the industry.

So, what happened?

We now know how digitisation and technological processes shifted the music industry from CDs to streaming and service-led platforms today. We can see where there was once peer-to-peer sharing of music files from sites like LimeWire, demand for MP3 players to now people being able to access millions of songs at our fingertips. Perhaps it is necessary to evaluate certain periods of music consumption (in the early noughties) and the changes thereafter i.e. record store buying to downloads. In addition to traditional approaches of record labels, the general consensus of the music business at that time and comparing it to the today's ecosystem.

Take for instance, 1999 when Napster took on the music industry and had counterclaims from record labels as they battled to combat music being put online. This was the first time the music industry saw the possibility of digital distribution becoming a problem as it made music readily accessible. The idea was that 'the format's main virtue was that it could be controlled: if people were given digital access to the music they wanted, then they would pay for it' (Alexander, 2002) much like the streaming services we see today; Spotify, Apple Music, Deezer. For example, 'physical media sales decreased rapidly – there were 132 million CDs sold in the UK in 2008, by 2018 this figure had fallen to 32 million' (Econsultancy, 2019) As the industry scrambled to respond to the piracy epidemic, some were adapting to streaming and digital transformation. Similar ventures can be seen with the progression of blockchain technology as a currency for music. For some music industry experts & technological creators, 'building a fair digital music value chain that properly compensates artists is crucial to the realisation of an undistorted, functioning digital music market'. Which according to Schumpeter (1934) can be described as 1 of the 5 characteristics for innovation. Though there are many who oppose this decentralized system as it would mean members of the network operating and maintaining it, an open-source for any contribution or ideas which may not work with companies like Apple Music who operate centralised services and follow regulation, so it proposes the question as to whether they could truly *co-exist*.

Whilst researching the relationship between music and technology, we can see much of the shift in the music industry has focused on the internet, the rise of digitisation and the issue of music piracy. Now, evidence shows in many ways how the industry led by major labels have been able to mutually benefit from the emergence of the internet. Growth BPI figures for 2019 show that the UK music market is becoming increasingly digital and according to IFPI (2019) show total revenues for 2018 were US\$19.1 billion.

"Streaming revenue grew by 34.0% and accounted for almost half (47%) of global revenue, driven by a 32.9% increase in paid subscription streaming. There were 255 million users of paid streaming services at the end of 2018 accounting for 37% of total recorded music revenue. Growth in streaming more than offset a 10.1% decline in physical revenue and a 21.2% decline in download revenue".

As we know there is a decline in product sales and physical remuneration, record companies and label services have actually sought to invest in innovation, partnerships and strategies in an effort to commercialise music and reach audiences whilst also yielding dynamic growth in high-potential markets.

Despite the inevitable changes in the music industry, many experts insist that there has been a resurgence of physical product within recent years. McIntyre, Forbes (2018) states that according to the RIAA's (Recording Industry Association of America) "vinyl continues to be a bright spot among physical formats, with revenues up 10% to \$395 million. Shipments of CDs continued to decline, falling 6% in 2017 to \$1.1 billion". This indicates that although many people are shifting with times in using new modern products and processes, a percentage of consumers (possibly dependent on a certain demographic; older generation) that still invest in traditional forms of consuming music still exist. Nevertheless, technology has in fact helped the industry to grow. BPI (2020) reports the music industry has grown by 61% in 10 years, the impact has been well documented with global music sales skyrocketing in 2019. This paradigm shift has not happened overnight but has certainly accelerated in the last decade.

Case study: *Tik Tok*

TikTok is a great case study as a new technological company impacting the music business. Initially known as Musical.ly - until it was purchased by a Chinese corporate giant known as ByteDance. Although the transition was seamless, TikTok represented a new emergence of social media platforms. Their parent company, 'ByteDance is a highly regarded private technology across the world and is worth a staggering \$75 billion'. (Hypebot, 2019) With 1.5 billion total downloads across the App Store and Google Play, it has infiltrated the market to become one of the fastest growing platforms. So, what does it actually do?

According to Hypebot (2019) and Rolling Stone (2019), it is an app 'with the short, 15 second videos acting as a vehicle, users have access to tools, such as filters, a music database, effects, and sound bites.' The re-brand and launch have been extremely successful, at least when it comes to impacting pop music and has created a "new subculture".

It is interesting to note that users can upload their own sounds—which can come in handy for musicians looking to sing over recorded instrumentals. This has been a catalyst for many songs becoming viral and eventually entering mainstream charts take for example — **Lil Nas X's "Old Town Road,"**. Many record companies have now incorporated this into their strategy for releases, which in fact has created a plethora of new businesses whose primary focus is to utilise 'TikTok influencers' to promote music to their followers. Furthermore, TikTok encourages collaboration by offering algorithm-based incentives.

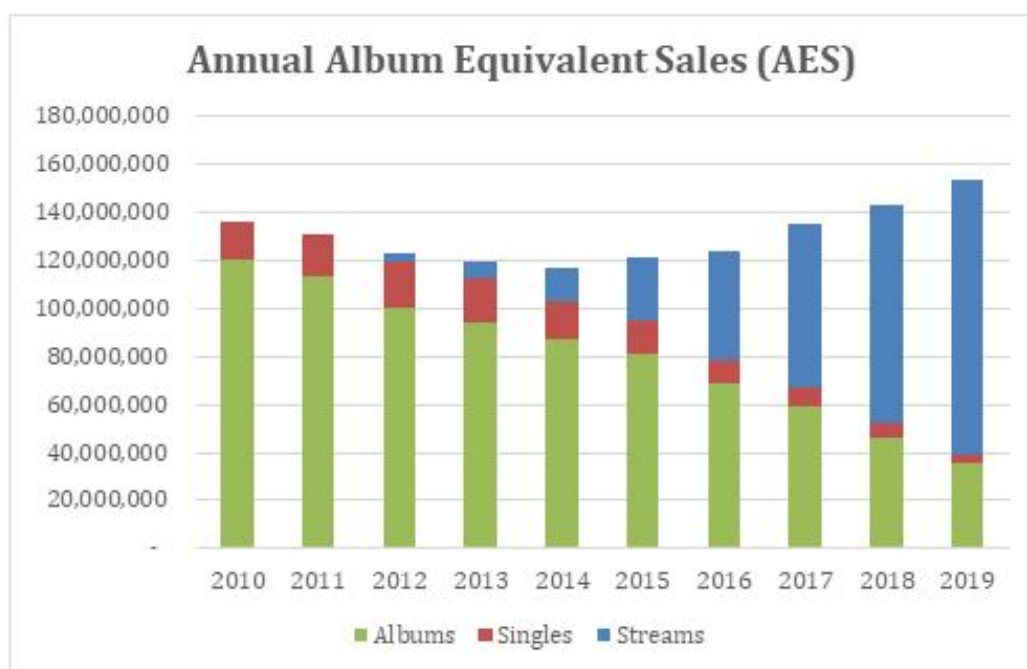
Despite TikTok's quick transformation from a curio to a service mentioned in the same breath as YouTube, it still faces serious challenges. One being its core audience that the target is primarily the youth. It is recorded that 41 percent of TikTok users are aged between 16 and 24 (Oberlo, 2020) The platform has sought many efforts to appeal to a wider, older audience by paying well known influencers to use older music, take for example the case of [Leanne Bailey](#).

So, whilst the app offers one potential route to massive musical success and the follower-increases that accompany it, it is not the only route. The use of platforms like Tik Tok has enabled artists to breakthrough mainstream like none ever before, it has allowed the public to create a new brand of emerging talent who have gone on to become widely popular. Though journalists and experts would argue that this in fact has turned music from a product to a service sector. With TikTok now

accumulating 500 million active users and surpassing Twitter's 336 million users and Snapchat's 186 million users it is no wonder "TikTok has benefitted from greater resources, an algorithm that enhances social mobility, and targeted outreach efforts that ensure popular users are up on the latest trends". (Rolling Stone, Leight, 2019)

So where are we now?

Long gone are the traditional approaches to the music industry with gatekeepers and organisational structure. With the advancement of social media, there has been several new creations of goods, services and platforms that has catapulted the music industry to new subcultures. 'Creator remuneration streaming has given rise to a shift in music consumption from ownership to access, requiring an amendment to the way the reproduction right is interpreted. As the oldest form of copyright, the reproduction right has long been integral to the copyright system. Access almost always involves an element of reproduction, albeit transient but it is open to question whether reproduction can continue to be the core determinant of whether a stream constitutes a distribution to the public'. (WPO, 2015)



Album Equivalent Sales up by 13% since start of decade

BPI. Streaming breaks the 100 billion barriers (2020)

We can see that Spotify, Apple Music, Pandora, Deezer and their rapid growth indicate a shift in consumer expectation for music whenever and wherever. This has led to changes in behaviour and attitudes to music consumption. Kellaris (2008) focus on consumer psychology used music as a tool to provide memory recall, information process, attitude formation and emotion, his research revealed

to us that 'music was heavily used in consumer environments as motivating'. As did Kotler (1973) who found that the tangible product or service was only a small portion of the total consumption, the other part filled by the local atmosphere or from which the product was purchased or consumed and, in some cases, the atmosphere is primary product. Atmosphere as a marketing tool is defined by Kotler as a space consciously created to create certain effects on consumers and influence their purchase decision.

Fast forward to modern society, where music discovery is at times ruled by algorithmic foundations, using machine learning to work out the music preferences and listening habits of their users. Combined with the platforms' optimizing and prioritizing UX, we have entered the new world of music discovery. Technology has certainly facilitated the change from product to service-led sectors, to some degree as digitalisation has grown drastically and with this implementation for adjustment. Although, the opacity and complexity of music data flow has created a perception in some parts of the creative community that unattributed income generated from digital music platforms is unfairly distributed to labels and publishers in proportion to their market share. It is important to mention through ownership of the rights to these master recordings, Vivendi-owned Universal, Warner Music and Sony together control 80 per cent of all recorded music, with Universal having a one-third share.

Many artists now do not need to release music through traditional methods and the role of the record label has been eviscerated in recent years, they are sort of seen as these VC funded companies that come in at a certain point of an artist's career to help them reach global status by investing large amount of money into their careers and use of international markets. They no longer find talent and invest in them from the early stages like they usually did. Artists now also have the option of using digital aggregators like TuneCore, Routenote, Amuse, Bandcamp etc in addition to label services like AWAL, Platoon to facilitate all other aspects of the music career i.e. marketing, promotion, plugging etc. However, legal interventions then need to be created to address these new approaches in the music business, so the development of centralised registry and maintaining accurate datasets also becomes a new process. The creation of societies (new processes) like PPL, PRS in the UK and Chartmetric in 2015, credited with being one of the early reporting of platforms like TikTok. Creating a need for fresh approaches to address these continuing issues.

With recent events like the current pandemic, everything has become digitalised and online, live performances and festivals are becoming more immersive thanks to technology. (Cole, 2019) Artists, brands and companies have all been keen to test their hand to music-related tech innovations. For example, 12 million people tuned in to experience Travis Scott and the collaboration with Fortnite, so what does this say about this new form of entertainment? Virtual reality has also taken centre stage in recent years as many artists have started to incorporate technology in the form of music video, live, gaming and other avenues.

Conclusion

So, whilst the question at hand poses a bias argument in indicating 'how' rather than 'whether' technology has turned music from product to service, arguments presented forth will agree with the connotation that it is inevitable that with the evolution of technology will come change, to what degree is unknown. As different technological advancement produces different results, i.e. yes companies like Napster & Spotify changed the landscape from CDs to digital downloads and eventually subscription. So, yes the music industry has shifted to more a service-led sector in recent years but innovation is unknown and we do not know what change the latest invention may bring, whether it be product led or service led innovation.

However, as we have witnessed changes in recent years, we can argue that disruptions caused by recent 'digitalisation' of music are consistent with longer term processes, whereby music has been something of a testing ground for the introduction of new cultural technologies. Sarah Salter, head of innovation, Wavemaker suggests that technology has presented an opportunity to in fact create powerful entertainment that could have only been imagined. "All of the world is now a stage and the increasingly blurred lines between the online and offline world". Some music professionals may disagree with this, as some companies may want to remain majority stakeholder within the industry by being able to control the narrative in which they serve to suit its consumers. With that being said innovation should be welcomed by the music industry, as with change comes progression in any field. We should look towards the evolution that technology can bring to the creative environment and work with technological creators to create a beneficially mutual relationship.

Bibliography

Alexander, P.J., 2002. Peer-to-peer file sharing: The case of the music recording industry. *Review of Industrial Organization*, 20(2), pp.151-161.

Arrigo, Y. 2020. *What does Fortnite's Travis Scott event reveal about the future of entertainment?* [online] Available from: <https://www.campaignlive.co.uk/article/does-fornites-travis-scott-event-reveal-future-entertainment/1681710> [Accessed 4 May 2020]

Burgelman, R.A. and Grove, A.S., 2007. Cross-boundary disruptors: powerful interindustry entrepreneurial change agents. *Strategic Entrepreneurship Journal*, 1(3-4), pp.315-327.

Burnett, R., 1996. *The global jukebox: The international music industry*. Psychology Press.

BPI. 2020. *Streaming breaks the 100 billion barrier, fuelled by exciting new talent*. [online] Available from: <https://www.bpi.co.uk/news-analysis/streaming-breaks-the-100-billion-barrier-fuelled-by-exciting-new-talent/> [Accessed 21 April 2020]

Currah, A., 2006. Hollywood versus the Internet: the media and entertainment industries in a digital and networked economy. *Journal of Economic Geography*, 6(4), pp.439-468.

Deloitte. 2014. *The Deloitte Consumer Review*. [online] Available from: <https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/consumer-business/consumer-review-8-the-growing-power-of-consumers.pdf> [Accessed 17 April 2020]

Econsultancy. Cole, S. 2019. *The impact of technology and social media on the music industry*. [online] Available from: <https://econsultancy.com/the-impact-of-technology-and-social-media-on-the-music-industry/> [Accessed 1 April 2020]

European Parliament. 2018. *The impact of new technologies on the labour market and the social economy*. [online] Available from: [https://www.europarl.europa.eu/RegData/etudes/STUD/2018/614539/EPRS_STU\(2018\)614539_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2018/614539/EPRS_STU(2018)614539_EN.pdf) [Accessed 2 May 2020]

Hypebot. 2019. *How and Why TikTok Is Reshaping the Music Business*. [online] Available from: <https://www.hypebot.com/hypebot/2019/12/how-and-why-tiktok-is-reshaping-the-music-business.html> [Accessed 3 May 2020]

IFPI Global Music Report. 2019.[online] Available from: <https://www.ifpi.org/news/IFPI-GLOBAL-MUSIC-REPORT-2019> [Accessed 4 May 2020]

Iqbal, M. 2020. Business of Apps. *TikTok Revenue and Usage Statistics*. [online] Available from: <https://www.businessofapps.com/data/tik-tok-statistics/> [Accessed 28 April 2020]

Lam, C.K. and Tan, B.C., 2001. The internet is changing the music industry. *Communications of the ACM*, 44(8), pp.62-68.

Leyshon, A., 2001. Time–space (and digital) compression: software formats, musical networks, and the reorganisation of the music industry. *Environment and Planning A*, 33(1), pp.49-77.

Leight, E. 2019. *If You Can Get Famous Easily, You're Gonna Do It': How TikTok Took Over Music*. [online] Available from: <https://www.rollingstone.com/music/music-features/tiktok-video-app-growth-867587/> [Accessed 30 April 2020]

Leight, E. 2019. *Surprising No One, TikTok Is Driving a Lot of New-Artist Growth*. [online] Available from: <https://www.rollingstone.com/music/music-news/chartmetric-breakthrough-artists-report-958401/> [Accessed 28 April 2020]

McIntyre, H. 2018. *Forbes. Report: Physical Albums Sell Significantly Better Than Digital Ones* [online] Available from: <https://www.forbes.com/sites/hughmcintyre/2018/03/28/physical-albums-sell-significantly-better-than-digital-ones-even-today/#2c00c4f8b538>

MusicTank. Music's Smart Future How Will Ai Impact The Music Industry? [online] Available from: <https://www.musictank.co.uk/wp-content/uploads/2018/03/bpi-ai-report.pdf> [Accessed 21 April 2020]

Nicolaou, A. 2017. *How streaming saved the music industry*. [online] Available from: <https://www.ft.com/content/cd99b95e-d8ba-11e6-944b-e7eb37a6aa8e> [Accessed 25 April 2020]

Friedlander, P, J. 2017. News and Notes on 2017 RIAA Revenue Statistics. [online] Available from: <http://www.riaa.com/wp-content/uploads/2018/03/RIAA-Year-End-2017-News-and-Notes.pdf> [Accessed 3 May 2020]

Rosenblatt, K. 2019. *How TikTok became the music discovery platform for the smartphone generation*. [online] Available from: <https://www.nbcnews.com/tech/tech-news/how-tiktok-became-music-discovery-platform-smartphone-generation-n1035246> [Accessed 2 May 2020]

Scrimgeour, H. 2018. The Telegraph. *How technology is changing the music business*. [online] Available from: <https://www.telegraph.co.uk/connect/small-business/business-solutions/how-technology-is-changing-music-business/> [Accessed 22 April 2020]

The Intellectual Property Office .2019. *Music 2025 The Music Data Dilemma: issues facing the music industry in improving data management*. [online] Available from: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/809492/Music-2025.pdf [Accessed 29 April 2020]