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1. Introduction

Patrik Wikström said: *"The music industry is no longer a product-based industry but a service industry, which provides more the experience connected to the music than just the music itself"*. Wikström's quote is an appropriate opening statement to this essay, initiating the critical analysis and discussion of how the music industry has transformed and developed throughout the years.

Technology has advanced significantly throughout history, arguably most noticeable in the last fifty years. Impacting industries of all dimensions, from Media to Finance to Education to Gaming, technology has changed how the world operates. There are many positives to this development regarding the music industry:

- Artists can expand their audience globally due to streaming services.
- Consumers can access different entertainment services in a more time-efficient and straightforward manner.
- Artists can buy affordable recording equipment and create from their homes.

However, there are negatives to technological development:

- The increase in piracy and illegally downloading content.
- The unfair pay to artists.
- The significant drop in physical sales is putting companies, like HMV, out of business.

The essay will explore the points listed in more detail whilst also critically analysing the music industry's technological advancements over the years, turning the industry from a product to a service sector.

2. Product

2.1 - Definitions

Regarding the music industry, the terms *product* and *service* mean:

- Product: refers to a 'physical or tangible product' that can be sold or distributed, for example, a CD or Vinyl.
- Service Sector: 'produces intangible goods, more precisely services than goods' - for example, Spotify (Scott, G. 2020).

2.2 - History of CD's

Before streaming services, music was promoted and released differently. 'A single was brought to the radio channels and about two months after the "radio-day" one was able to buy the song from a record store' (Schmitt, M., 2011. pp 7). The process is a lot more time-efficient in the current age:

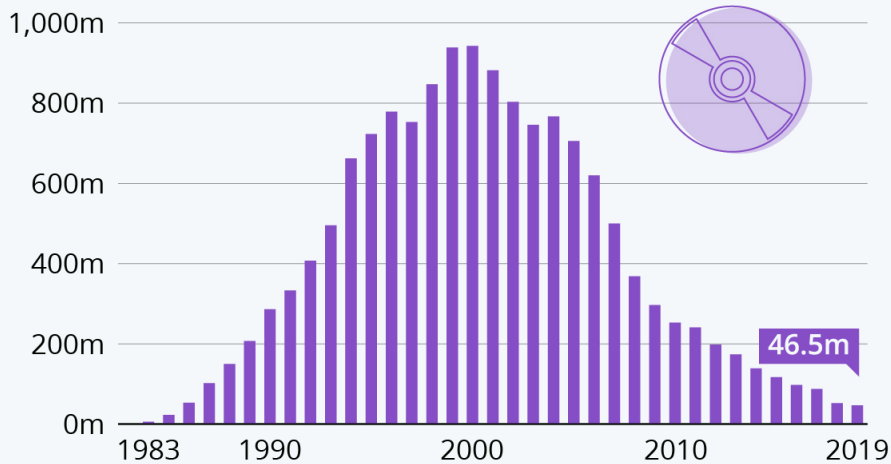
1. The single can be marketed directly from the artist via social media - arguably more personal than the record label releasing a media advertisement.
2. The artist can attach a pre-save link to the specific post or story, which then takes consumers directly to streaming services, such as Spotify or Apple Music.
3. Consumers can download or pre-save the song immediately to their devices.

The growth of social media, specifically in recent years, benefits the music industry in numerous ways, which will be discussed further in the essay.

The end of the 20th Century demonstrated a significant increase in record sales, with 'approximately one billion records sold worldwide in 1974'. Furthermore, 'by the end of the century, the number of records sold was more than three times as high' (Wikström, P., n.d.) The CD, Cassette, and Vinyl format reined the music industry sales, with the concept of streaming or digital unimaginable at this point.

The Rise and Fall of the Compact Disc

CD album sales in the United States since 1983
(in million units)



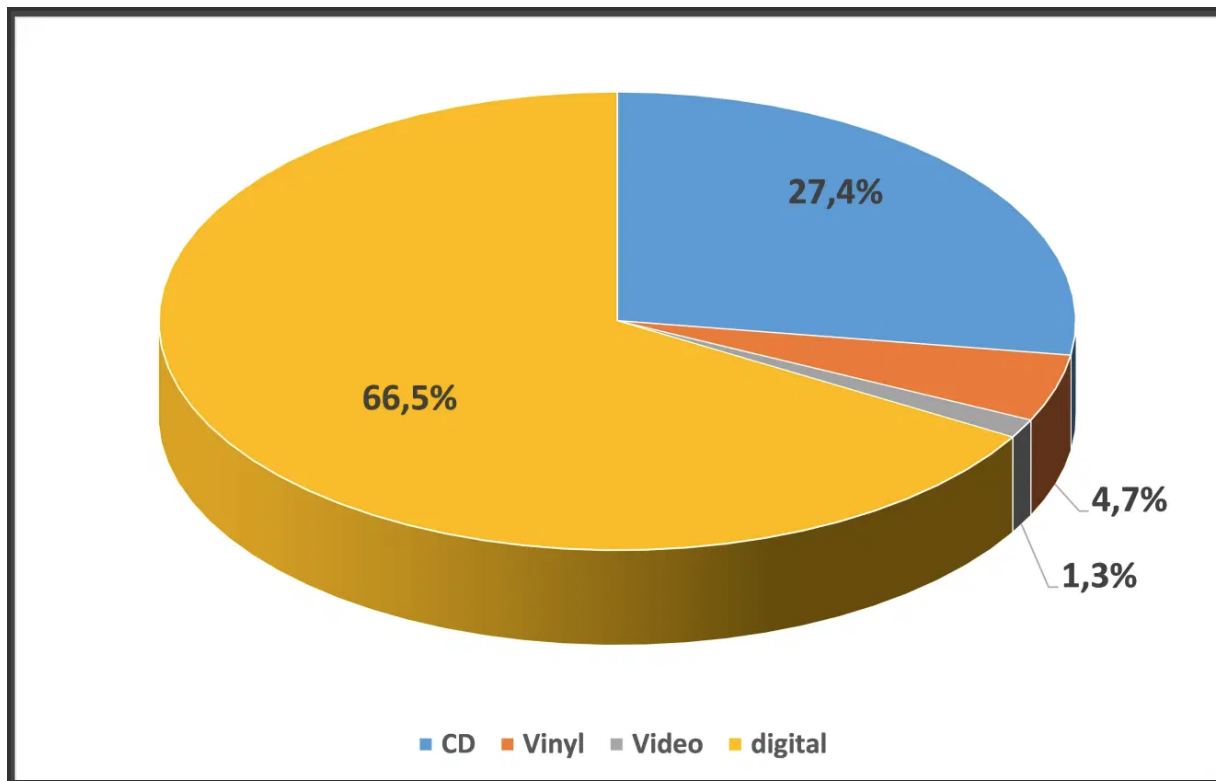
Source: RIAA



statista

Appendix 1: Source (Richter, F., 2020.)

In 2000, 'CD album sales accounted for US\$ 13,36bn; however, they eroded to US\$ 1.85bn fourteen years later - a drop of 86%' (Tschmuck, P., 2015.) Below is a pie chart which supports the information above, from 2014:



Appendix 2: Source (Tschmuck, P., 2015.)

The diagram, taken from 2014 statistics, demonstrates how 66.5 % of music was consumed digitally by the end of 2014. Only 27.4% was consumed in CD format - vastly different to the one billion CD records sold worldwide in one year in the late 1900s.

3. Service Sector

3.1 - Rise of Streaming

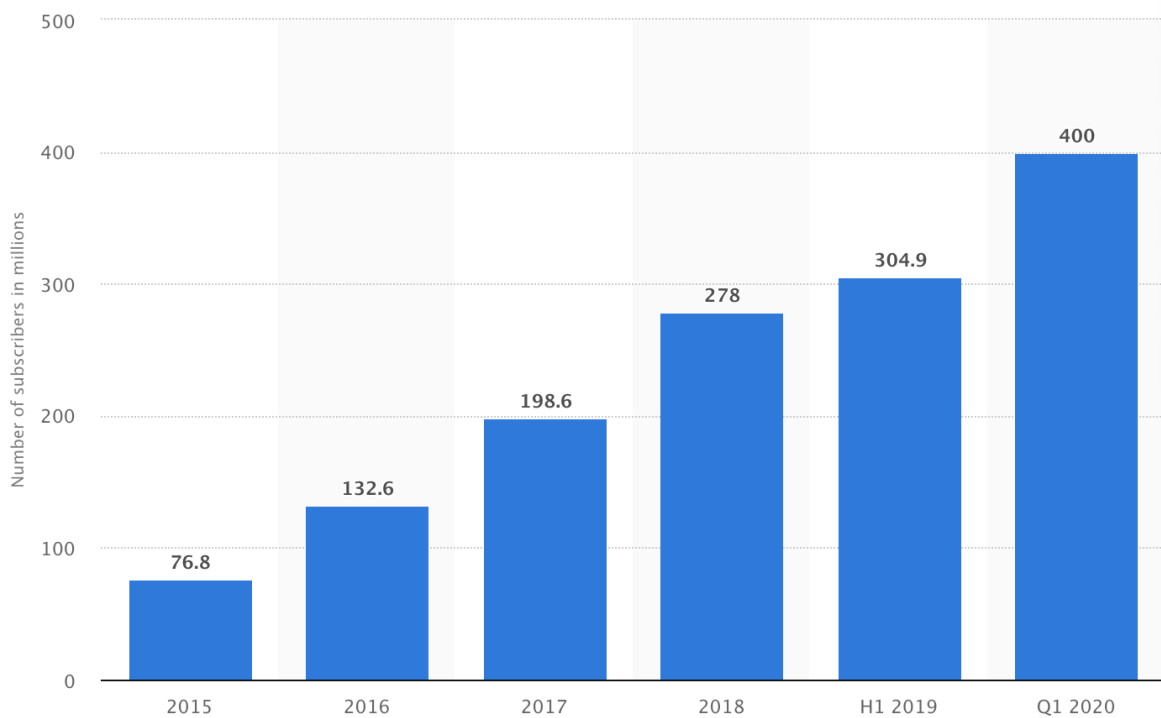
Shawn Fanning first discovered the concept of streaming music in 1999, who created and launched 'a file sharing service' called Napster. It 'allowed users to download and share music without compensating the recognised rights holders' (Wikström, P., n.d.). Soon after the launch, the music industry sued Napster. However, it continued to influence and (eventually) enable other similar file sharing sites, to appear in its place. It inevitably led to the 'sales of physically distributed recorded music', returning to 'the same relatively low levels of the early 1970s' (Wikström, P., n.d.)

Several years later, different streaming services began emerging as 'a response to the growing piracy problem the music industry was facing' (BBC News. 2018.), including Spotify. The current £67 billion company Spotify (Ingham, T., 2021) was re-developed in 2006, to later launch in 2008, with competitors such as Pandora and Apple Music. Before streaming services started to rise, it 'cost the music industry millions each year' as many consumers were not paying for songs instead of using 'controversial file sharing sites like Napster, LimeWire and The Pirate Bay' (BBC News. 2018).

The popularity of streaming services continued, with RIAA (Recording Industry Association of America) estimating that:

- 7.7 million internet users paid for on-demand streaming in 2014 - more than double that in 2012 (Tschmuck, P., 2015.)
- Paid subscriptions generated \$799 million in revenue in 2014, up 25% from 2013 (Tschmuck, P., 2015.)

Spotify has 47.7 USA million monthly subscriptions, and Apple Music has 49.5 USA million (Statista., 2021). The diagram below demonstrates the popularity rise in streaming subscriptions worldwide from 2015 - 2020 (Statista., 2021). It shows how in 2015, the number of subscribers was 76.8 million, and in 2020, the figure grew to 400 million.



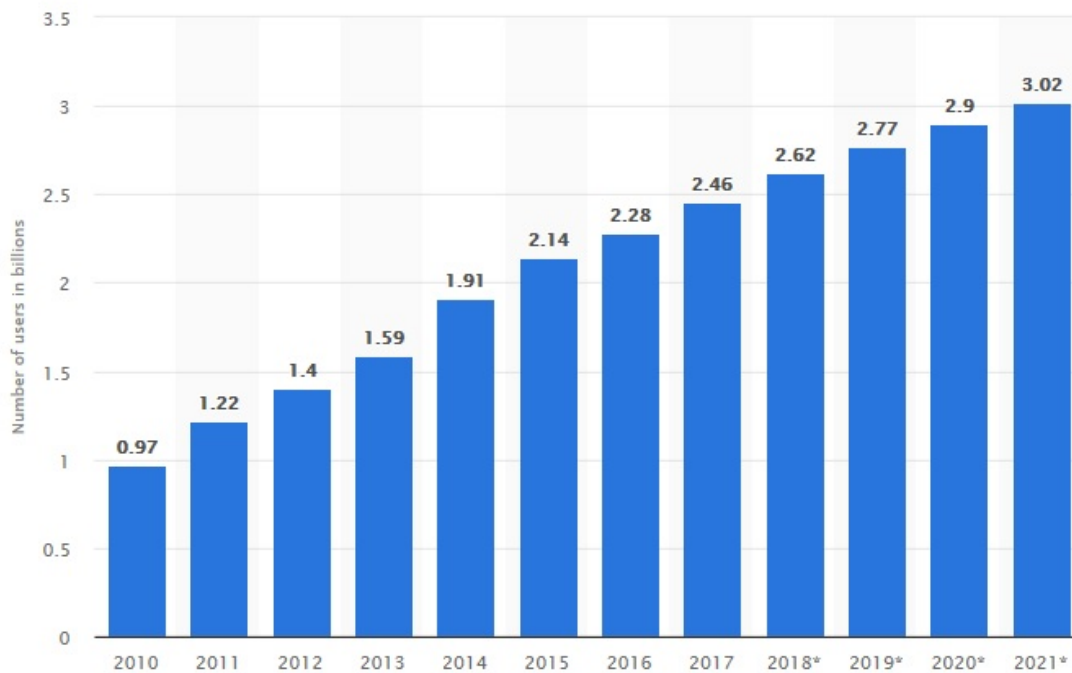
Appendix 3: Source (Statista., 2021)

4. Advantages to Technological Development

4.1 - Artist

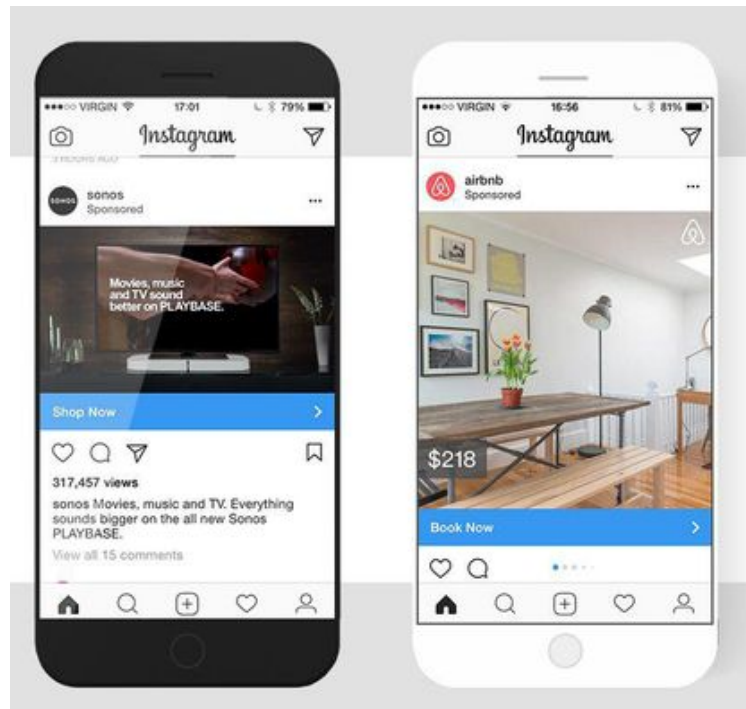
Artists have benefited from technological development over the years. One particular advantage is the global reach which currently can be achieved through a mobile phone.

Social media is a large part of this accomplishment. Services such as Instagram, Twitter, and Facebook are valuable tools for promotion and allow artists to connect with fans directly. Fifty years ago, artists could only connect with their fans at shows/concerts. Nowadays, artists can personally message, comment, like and share tweets or pictures, which 'contributes to a sense of community in which honest, open communications are encouraged, and customer engagement is enhanced' (Margiotta, M., 2012). The rise in social media consumers is astronomical; the image below supports this.



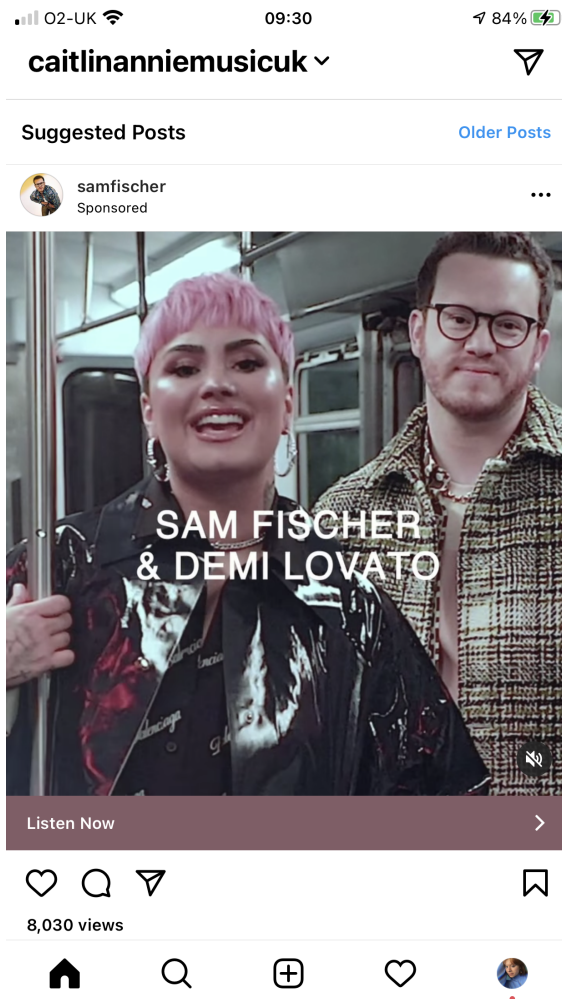
Appendix 4: Source (European Commission, 2021).

In 2010, 0.97 billion global users actively used social media. In 2021, it is calculated that there are 3.02 billion. An explanation for this could be that 'consumers are substituting traditional media (such as television, radio, magazines and newspapers) for new media that give them instant access to information at their own convenience' (Margiotta, M., 2012). Traditional media advertisements are not guaranteed to be seen or heard; TV ads are easily missed, and consumers may not listen to the radio every day. Social media promotions advertise new music from artists directly to the consumer on different social media platforms. An example of businesses utilising Instagram as a promotional tool can be seen below.



Appendix 5: Source (Forbes., 2017)

Instead of the blue 'Shop or Book Now', an artist can add a direct link to streaming platforms, making it easier for consumers to listen to their new music. An example from my own Instagram feed can be seen below for Demi Lovato and Sam Fischer's new single:



Appendix 6: Source (Instagram., 2021).

Besides social media, artists can also reach a wider audience from different countries and continents due to streaming. Artists are added to many playlists through algorithms, allowing consumers to hear new music that they wouldn't have initially. In contrast, before streaming, Radio and TV were the primary sources of promotion for an artist, arguably making it more difficult for upcoming artists to break into the music industry scene.

Independent and upcoming artists have arguably benefited the most from technological development. It is currently unnecessary for 'unknown' artists to be signed to record labels to be successful from the previous point. For a period of 'sixty years, the industry's infrastructure stood as an oligopoly dominated by six major record labels that essentially controlled all distribution and promotion of recorded music' (Gamal, A., 2012.). This led to

closed doors for particular musicians and artists trying to break into the industry due to the small opportunity.

It is currently known that record labels initially discovered some of the most successful music industry artists on free upload-content services such as YouTube or Soundcloud - artists like Post Malone, Justin Bieber, Shawn Mendes. It demonstrates the industry's evolution; more independent, upcoming artists are being discovered without being pitched automatically to a label. In 2019, a report by Wintel revealed the 'streaming revenues from the indie sector alone saw an uplift of over 46% and increased its overall music market share to 39.9% in 2017' (Cole, S., 2019.). These statistics demonstrate the benefits to independent artists due to technology. Previously in the industry, 'since it was also pricey to promote and distribute music, musicians were left little choice than to sign on with labels' (Gamal, A., 2012.) Social media and streaming services have allowed independent artists to be successful without a record label.

Furthermore, it is unnecessary to book an expensive studio to record and produce music. Previously, artists had no other option but to work with a producer; 'the price of recording a song as high as this required time in professional recording studios' (Gamal, A., 2012.) In current times, artists have a cheaper and more efficient way of recording music - there continues to be a 'growing number of powerful, and affordable, software compatible with personal computers. This removes the necessity of expensive studio time freeing musicians to create through their means' (Gamal, A., 2012.) Programmes like 'Landr' have also been created in recent years, which mixes and masters tracks if artists cannot do so themselves. Logic, Ableton, Pro Tools are further examples of producing programmes that consumers can buy for affordable prices for any artist to use.

4.2 - Blockchain

To understand the improvements blockchain is suggested to bring to the music industry, it is first essential to understand its definition. Blockchain is 'the technology at the heart of bitcoin and other virtual currencies'. (Harvard Business Review, Tapscott, D., Iansiti, M. and Lakhani, K., 2019. p.Chapter 1.) It is 'an open, distributed ledger that can record the transactions between two parties efficiently and in a verifiable and permanent way'. It can also be 'programmed to trigger transactions automatically' (Harvard Business Review, Tapscott, D., Iansiti, M. and Lakhani, K., 2019. p.Chapter 1.)

The estimated and average value artists make per stream is £0.0032. Specific professionals have suggested this significantly small number to increase due to blockchain ramifications. The argument is that blockchain technology would eradicate publishings necessity, as blockchain technology would input all data without human interaction. The removal of publishing would exempt an entire stakeholders' salary, crafting a 'system that can further benefit all stakeholders involved by being more transparent, efficient and secure' (Duguay, S and Estabrooks, M., 2017). It is suggested that the music industry would gain profit every year due to the abolishment of publishing. Furthermore, artists could be paid more for their crafts.

4.3 - Storage Space/ speed

A considerate advantage of streaming is the speed. Compared to downloading, 'the user can start to look at or listen to a streamed video or song almost immediately after the transmission has been initiated and does not have to wait until the entire data file has been downloaded' (Wikström, P., 2013. pp.24.) The time efficiency streaming has brought consumers has played a considerable part in its popularity and continuing growth. It is another advantage the music industry has benefited from technological evolution.

5. Disadvantages to Technological Development

5.1 - Artists

As mentioned previously, Spotify artists only get paid £0.0032 per stream, a significantly small figure. 'Spotify works by getting its content from major record labels as well as independent artists - and pays the artists, songwriters and label royalties for streamed music' (BBC News. 2018)

Over the years, it has caused battles between stakeholders and artists, notably Spotify and Taylor Swift. Swift stated: "I'm not willing to contribute my life's work to an experiment that I don't feel fairly compensates the writers, producers, artists, and creators of this music" (BBC News. 2018). The battle resulted in Swift taking all of her music off Spotify out of protest, as she took a stand for musicians not being paid enough for their craft. Swift has

since put her music back on Spotify, but the controversy continues between Spotify and many other artists.

5.2 - Article 13

Article 13/17 is currently a controversial topic with Britain leaving the EU; it has decided not to carry out the article - whilst the EU votes for it. 'Article 13 of the EU Copyright Directive states services such as YouTube could be held responsible if their users upload copyright-protected movies and music' (Fox, C., 2019). If passed, the article would 'make the likes of YouTube and Facebook liable for copyright-infringing material on their platforms' (Cooke, C., 2018.) Media platforms such as Spotify, Instagram, Apple Music, Deezer, and more are legally obligated to pay artists to use their works, however, not YouTube. The image below demonstrates: 'Which copyrights and controls are you exploiting'. Whilst the other platforms upheaval to these laws, YouTube has not been affected by this change to pay the artists who deserve it.

Which copyrights and controls are you exploiting?



You burn a copy of a track onto CD

You are exploiting the 'reproduction control' of both the song and recording copyright (what music publishers call the 'mechanical right')



You perform a song at a gig

You are exploiting the 'public performance control' of just the song copyright



You play a track on the radio

You are exploiting the 'communication control' of both the song and recording copyright



You synchronise a track to a TV show

You are exploiting the 'reproduction control' of both the song and recording copyright when you actually synchronise the track...

and then the 'communication control' of both the song and recording copyright when the TV show is broadcast



You download or stream a track

You are exploiting both the 'reproduction control' and the 'communication control'* (probably the specific 'making available control') of both the song and recording copyright

*This can vary from country to country, for example in the US only a reproduction rights licence is required for downloads, while only a performing rights licence is required for personalised radio services.

Appendix 5: Source: (Cooke, C., 2018).

The significant advancement in technology has formed platforms like YouTube - a successful platform making \$15 billion-a-year (Statt, N., 2020). However, it also demonstrates the adverse effects of technological developments, with copyrights and controls that can easily be exploited.

6. Summary

The essay has outlined numerous ways in which technology has compelled the music industry from a product-based to a service sector whilst discussing the positives and negatives it has brought with it. The music industry has developed in many ways due to technological evolution. While most people arguably believe that technology has benefited lives and occupations in many situations and is valued as 'essential', selective argue the

opposite: "It has become appallingly obvious that technology has exceeded our humanity"
(Einstein, A).

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