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How Has Technology Transformed the Music Business from a Product to Service Sector?

New Technology in Music and Creative
Entertainment
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As consumers, when we pay for something we expect something in return. Generally what we get for our money can be categorised as either a product or a service. A product is defined as an article or substance that is manufactured or refined for sale (Oxford English Dictionary, 2018). While services are Products of economic activity that you can't drop on your foot, ranging from hairdressing to websites (The Economist, 2018). Whether something is considered a product or a service comes down to tangibility - ultimately, a product is tangible while a service is not.

When bringing forth a question of services within the music industry, the most obvious example case is probably streaming, because it is likely the most widely used and known music service, that is if you discount live performance as a service.

In the late 90s and early 2000s, the music industry took a financial blow when peer-to-peer sharing file sharing allowed users to share files such as MP3s over the internet for free. And while the labels tried, and eventually successfully managed to sue and shut down the problematic P2P services such as Limewire and Napster, the industry had been irrevocably altered (Wikipedia contributors, 2018). Along came Spotify - a fully legal and licensed service offering all the music in the world (or so it seemed) for free – provided you were willing to listen to an advert every now and again. The quality was good and there was no risk of viruses from dodgy downloads like was often the case with P2P networks.

The best thing about streaming services, is that now, people are paying for music again and in some cases, paying more than they would have done before. This has been brought about by the ease and relative affordability of streaming over more traditional methods of purchasing music. The way that people are paying for music has changed completely, and so a very important aspect of the transformation of the music industry from a product to a service sector could be put down to the wide adoption of the subscription model. According to PwC, *'Global music industry revenue grows with consumer preference shifting towards subscription-based, rental services (PwC, 2017)'*

The subscription model has become increasingly more prominent in today's world. It seems like every day, a new business has adapted itself to fit this sales tactic. The subscription model requires a user to pay a regular fee i.e. monthly and usually via some sort of direct debit – to use a company's product for the duration of time that the customer is 'subscribed'. The model offers benefits to both parties involved in the transaction. The customer is given access to a product which they ultimately might not have been able to afford or, had been willing to pay for at a regular purchase price. However, the reduced monthly cost can make a product seem more attractive and affordable. Additionally, it is usually the case that customers can choose to stop paying for the service when they no longer wish to use it, without penalty (Wikipedia contributors, 2018) which is another attractive feature.

This model also makes it easy for businesses to provide free trial periods for their service at no real additional cost to the company as a marketing tactic. This provides the benefit of allowing potential to use the service before beginning to pay for it. By offering longer trial periods – for example Apple Music's is 3 months – users begin to rely on the service, creating playlists and using the services playlists to discover new music and in turn subscribe to the service so as to not lose their playlists and benefits of being a full subscriber.

Spotify offers limited access to its service through its mobile application to those users who are not subscribed. Users cannot download playlists, or even choose specific tracks they wish to listen to but instead have to listen to a Spotify generated mix of music based on an artist or song and are subject to adverts at regular intervals. This is all to try and funnel free users into paid users.

A wide variety of industries have now adopted the subscription model and it can be seen across a whole host of sectors including car insurance, groceries shopping, TV and film, computer software and of course, music.

Not only has technology changed the way consumers pay for music, it has also started to have an impact for those who create music and there a number of interesting examples.

Roland have recently launched 'Roland Cloud', a monthly subscription service which gives access to a number of Roland's synthesiser emulators for use in Digital Audio Workstations (Gear News, 2017). A wide variety of synths are available including classic Roland sounds that would once only be accessible to those who could afford the real thing, or have to buy a relatively expensive third-party emulator for a one off fee. This sounds are now available to everyone for a monthly fee, cancel at any time. This is helping to improve the quality of DIY music as well as making it cheaper to produce.

Licenses for Avid Pro Tools software, one of the most popular digital audio workstations in use throughout the industry is now being sold via subscription. The software is very expensive to purchase outright at over £2000 excl. VAT for the Ultimate edition, but is however the industry standard. Avid is now offering a 1-year subscription for £839 excl. VAT, which to me doesn't seem like a great deal. In addition, even if you purchase the software outright, Avid will only support you with updates for 1-year after purchase, beyond which you must pay almost the equivalent of the subscription fee to receive updates for another year. The only difference being you will have access to the software whether you pay to update it or not, whereas subscribers will lose access if they don't continue to pay. Pro Tools is considered to be professional software however and there are cheaper and more affordable versions for non-professional users, or users that don't require the extensive functionality of the Ultimate version (Avid, 2018).

Landr is another interesting example of a service available to music creators. It is primarily an AI music mastering service which uses computational algorithms to analyse a track and apply mastering tools to produce a final mastered version, and is allegedly comparable in quality to a human-mastered track. While I cannot speak with any authority on the quality of the finished product, I can say with confidence that a once expensive service, provided by a small group of experienced professionals has now been made affordable and accessible (Landr, 2018). Landr, like the Roland Cloud operates a subscription service model based across three package tiers offering different levels of service, also providing a discount for those wishing to pay for a yearly subscription rather than pay month by month. The company has now also branched out into digital distribution which is included with the subscription.

Even after the once expensive process of producing a recording for release, distribution is the challenging next step. In the past this would require a great deal of difficulty and expenditure – costs to have vinyl cut and pressed and similarly with CDs are all upfront and that is just the production cost, before even having them distributed. With well over half of all music being consumed via digital means (IFPI, 2017), for most, producing CDs and Vinyl is non-essential in putting music out to the world.

Digital distribution provided by services such as Landr as mentioned before, as well as other well-known services such as CDBaby, TuneCore, DistroKid and Ditto provide distribution services to countless digital platforms for purchase and streaming. Again, most have adopted a subscription based model.

While these distributors offer a very useful service for a relatively low cost, there are platforms available to distribute music for absolutely nothing, such as YouTube and SoundCloud. YouTube has the most users of any streaming service, and while it is not exclusively a music streaming platform that audience is there to be influenced. Unfortunately, in the UK at the moment there is no way of using YouTube without receiving ads, and it isn't very mobile friendly for listening to music as you can't lock your phone while a video is playing, or download the video for offline use. This is being tackled with the introduction of YouTube Red but this is not yet available in the UK (YouTube, 2018).

It actually now seems more sensible for the big players in the industry to be using digital means to distribute their product although they have deals with the streaming services so they don't need to use the services above. It could be entirely plausible that the streaming numbers from one user over their lifetime could generate the same or even more revenue than if the same person bought the record on CD or paid to download it. Not only this, but when someone bought a record from Woolworths back in the heyday of CDs, the labels knew nothing about who bought it. They might get a rough idea of how many units were sold and where but that's about the limit of it. Now, data can provide a better insight to artists and labels as to exactly who they should be targeting. And now that is easier than ever with Facebook, Instagram and Twitter.

Access to web and computer based tools and services has widened to the point where virtually anyone with an internet connection can access them but technology offers advantages outside of convenience for users. The access to music via the internet has led to the overall decline in demand for physical format albums such as CDs. This would then indicate that the numbers of CDs produced has also declined significantly leading to a reduced amount of plastic used to produce CDs and jewel cases.

However, such a reliance on technology can have its drawbacks. Any web based service is ultimately reliant on the provider of internet connection to supply the service to its users. While we can download playlists for use offline, without internet access we have no streaming services or YouTube etc.

We can access and listen to the vinyl records we bought at any time because after purchase we are no longer reliant on a service to provide us with it. 80 million users have now put their trust into Spotify to supply them with their music.

Any kid brought up in the streaming era is unlikely to have a CD collection to fall back on should the streaming services collapse. The industry is now so reliant on Spotify and Apple Music the consequences of a collapse of either or both businesses would decimate the recorded music industry and leave millions of people without access to music.

In addition, some people just like to own music and be able to hold it in their hands. Though in decline, physical album sales still accounted for 30% of the total revenue in the music industry last year (IFPI, 2017). They also make for great mementos of a live gig just like a t-shirt or poster might be.

As ever, legal issues are still rife in the music business, especially with regard to the use of licensed material without permission. Technology has only made this easier for the perpetrators, and allowed them to copy, use online and generate income from work that is not wholly or in any part theirs. Fortunately, technology can also offer the solution to many of these issues. For example, YouTube is already able to track the use of music in its videos in order to compensate artists if their music is used and technologies such as blockchain, while not matured to a point where it is fully utilisable, could offer the means of ensuring correct licenses are purchased and used.

In a way though, music has always been a service through various means. Synchronisation on television and in films, music on the radio and live performances have been a major part of the industry, in some cases for hundreds of years. Synchronisation agencies and publishing companies have provided licensing services to the television and film industries for as long as audio and picture could be synchronised and played. Synchronisation and performance rights are responsible for 16% of revenue in the music industry globally (IFPI, 2017). While this is no majority over the consumption of music by other means, it is still a significant portion and would. Bands and artists in addition to musical theatre and cabaret performers, musicians, orchestras etc. etc. have been providing their services of entertainment to the general public for thousands of years, and, for those thousands of years it was the only way to consume music.

In conclusion, while music streaming platforms have transformed the recorded music industry for both artists and listeners, and specific services have provided affordable tools to creators, it cannot go without recognition that the music industry has long lent its output as a service to the world. But for recorded music, beginning with MP3 technology, the iPod, and now the universal adoption of smartphones in our daily lives, the packaging of music into a completely intangible and compressed form factor has allowed businesses to put music at our fingertips at all times. This is evident in the fact that 90% of streaming users listen through a smartphone (IFPI, 2017). The wide ranging available tools for creators reinforce the fact that the production side of the industry is also benefitting from technology based services.

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