

NEW TECHNOLOGY IN MUSIC AND CREATIVE ENTERTAINMENT

Essay

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1. Introduction

Adaptability has been one of the deciding factors influencing the success of businesses in the music industry. The underlying processes within the industry and ways of consumption have frequently been rewritten whenever technological advancements and innovations have been introduced. The journey from production to consumption of musical works has indirectly set its goal to ease its access over the past decade for consumers to experience them. Recent digital innovations and the increasing dependence have restructured and shifted different roles, where the notion of independence of artists has experienced increased importance. Digitalisation, in particular, has enabled creatives to successfully and fully independently develop a brand and image around themselves, without the need for external money sources and associated liabilities.

Advancements in digitalisation have led to innovations in artificial intelligence, whose possibilities have been recognised as holding a high potential to transform the music business by revolutionising outdated processes and creating new income streams. According to (Rose, 2019), 70% of companies will likely adopt a form of AI into their operations by 2030. It has become inevitable for businesses operating within the music industry to neglect the application and implementation of artificial intelligence technologies, as it holds significant opportunities to target fans and users more efficiently and revolutionise the creative process of music.

With various disrupting technologies emerging on a frequent basis, the question arises of how they have changed consumption patterns within the music industry and how businesses and creatives have successfully implemented them to create an actual value for themselves.

2. Subscription-based Models

2.1 Ownership of Music

Prior to the influence of technological advancements in various processes within the music industry, the most cost-efficient way of distributing musical entertainment was whole albums purchasable in retail stores. The incentive to buy an album, on the other hand, may have been a single song included on the album, which would not have been very cost-efficient for consumers. Today, consumers have been empowered with the ability to find their exact wants and needs through technological advancements (Dawson, et al., 2016). However, the importance of music ownership still plays a significant role in the demand and supply side of the industry.

The dependence on streaming platforms is just another example of the so-called “sharing economy” platform, which has received a significant increase in popularity in recent years, from car-sharing, rent-to-own technology and video-on-demand. Similarly, the music industry has experienced a shift from ownership of music to renting a service. Until technologies, such as NFTs based on blockchain, will enable digital ownership of songs, renting music will remain the prevalent way of experiencing music in the private domain. However, when comparing the price of a monthly subscription with the amount of content accessible through a DSP, the cost for consumers to have instant access to an eight-figure catalogue of music approaches close to zero. As it has become a matter of course to having access to a large digital catalogue of music, this phenomenon has been described by some as the detachment of appreciating the value that music has to offer.

2.2 Digitalisation shifting the Industry

As a consequence of the digitalisation within the creative sector, platforms, such as Spotify or Apple Music, have emerged, which utilise subscription-based models. The relatively low cost in comparison to the offer that these platforms supply to potential customers has created a significant incentive for consumers to adopt this type of business model. Due to the large supply and simplified access to music, the popularity of subscription-based models has promoted a shift from a product-based industry to a service that is being offered to consumers.

Marketing techniques associated with service-based selling business differ to a great extent from product-based industries. Digital platforms, which distribute the product to end consumers, are required to acquire and maintain customers, in order to function as a viable business. Essentially, building trusting relationships with customers and customising them is necessary, in order to transform a relatively low price for their offer into a profitable system (Peek, 2019). Seen from this angle, DSPs have implemented the use of artificial intelligence technologies, which enables them to deliver consumer-specific content, that has the potential to develop a strong relationship with existing customers and create a stimulus for potential customers to adopt this service.

2.3 “Mood Music”

Amazon has claimed close to 70% of the market share in smart speaker systems (Perez, 2020). Similarly, approx. 70% of all streaming activity performed through Amazon Music has happened via Amazon Alexa devices, where most users listen to songs in passive sessions, which include pre-curated playlists generated by Amazon (Stassen, 2022). This compiled data is meaningful in that it shows that a large fraction of people engaging with streaming services do so without actively searching for specific songs, but rather passively engaging with background music. Not only does this support the notion that DSPs have promoted a shift towards a service-centric industry, but it has equally disclosed previously unknown preferences that a significant number of listeners have – an underlying inclination towards using a service rather than buying a product in terms of music consumption and entertainment. This “chance” has been taken up by DSPs to generate specific playlists resembling a certain mood to be listened to passively, which have amassed a large following, such as Spotify-owned “Chill playlists” with more than 700,000 followers and “Focus playlists” with almost 2 million followers (Ingham, 2016).

Major labels have equally made use of this significant emerging sector within the recorded music market as independent labels and DSPs as well, where producers and songwriters are being employed to release under fake pseudonyms, in order to generate “generic” music that is being passively listened to through the abovementioned “mood – or lifestyle playlists”. From the point of view that a large number of DSP users utilise the platform to engage with music as a form of service, “fake artists” have emerged, for whom Spotify doesn’t have to pay as many royalties as “real artists”.

As Spotify distributes royalties on a pro-rata basis, fake artists receive a lower royalty rate, through which the platform can increase its profit margin, without risking the loss of users, as “mood playlists” featuring fake artists remain very popular (Ingham, 2019).

The applicability that DSPs have introduced to be able to listen to any kind of music has promoted the notion that the consumption of music has become a form of service, rather than a product, as a significant number of listeners use the platform as a service to passively engage with music, which, essentially, is still considered a product.

3. Artificial Intelligence

3.1 Personalisation

In order to develop trusting relationships with customers as reasoned above and considering a large number of existing users, DSPs “take advantage of progress in machine learning to analyze huge data sets to learn specific behaviors” (Cocorocchia, et al., 2018). Artificial intelligence enables DSPs to develop specific personas based on the listening history of users, through which every user receives a frequently updated personal collection of potential songs to discover. As the production of these tasks would require a vast amount of workload for employees, AI facilitates such processes, which has proven to attract and maintain users. Personalisation creates an added value for users that is not possible through traditional browsing of songs, which creates an incentive for users to actively engage with the platform.

3.2 Targeting Users and Fans

While AI helps platforms to target new users, creatives can benefit from the collected and compiled user data by understanding statistics associated with their songs and their preferences. Next to reimagining the creation of musical works, AI allows creatives to target new fans and take compiled information about listening statistics into consideration when making decisions about marketing and promotion. Due to the newly established goal of meeting a fan’s preferences and marketing the product in accordance with the compiled data, this phenomenon is another example of the transition from a product-based to a service-based industry. As discussed earlier, service-based selling requires the exploration of how customers’ needs can be met (Peek, 2019).

While AI allows creators to market their product to a certain audience, which could be considered an efficient way of marketing the product, the product itself metamorphoses into a form of service, as the purpose of selling the product is now meeting the wants of customers in the most efficient way.

3.3 Recommendation System

According to an IFPI report, record companies spend approx. \$4.5 billion annually in A&R-targeted marketing (Rose, 2019). In addition, BuzzAngle Music's report published in 2018 states that streams have increased by 42% between 2017 and 2018 to 534.6 billion (Rose, 2019). Considering the low barrier DSPs set to access music and the high number of users associated with it, it has become an essential task to identify the right target audience for a specific piece of music or artist. Therefore, Spotify has introduced "algorithmic playlists", which automatically recommend and predict songs that a specific user may like. Based on a complex model, which is structured by collaborative filtering, content-based filtering and audio features, a list of songs is generated, which a certain user would most likely respond to (Velardo, 2019). Alongside innovative advantages, every recommendation model has its limitations, which may result in featuring unsuitable songs that a specific user may not react to positively. Mostly, the algorithms do not consider actual information about the song, but rather what information has been written about the song and "what consumption patterns are associated with them" (Velardo, 2019).

For such an algorithmic system to produce a practicable outcome, it is therefore essential to strike a balance between the similarity and diversity of suggested songs. However, the algorithmic recommendations will always fail to appeal to every individual user by running aground due to subjectivity. Ultimately, the popularity and potential of algorithmic and curated playlists to promote songs have influenced the consumption patterns of fans and users to such an extent, that artists have deliberately produced music to fit into certain playlists.

4. Independent Platforms

The decreasing importance of major label deals being the decisive factor for success has manifested in the way social media channels are being used as a medium to establish a sustainable fanbase and audience reach. According to (Shotwell, 2021), “75% of TikTok visitors discover artists there, while 63% say it’s a source for music they’ve not heard before and 72% indicating they associate certain songs with TikTok”. Due to TikTok’s unique algorithm, which enables music and video creators to reach a larger audience than its competitors Instagram or Facebook, it has inevitably become a useful tool for creators to independently generate revenue from their work.

A crucial incentive for artists to utilise this service is found in the amount one can be remunerated from using TikTok’s distribution service. According to the platform, its own distribution platform SoundOn distributes “100% royalties to music creators in the first year and 90% after that and provides a range of promotional tools and support” (Stassen, 2022). In light of the prominent impact platforms, such as TikTok, can have on the success of artists, the need for signing major label deals involving disproportionate liabilities are being questioned among industry experts. For artists who, in particular, find themselves in an early stage within their career, utilising these platforms may arguably pose a higher chance of reaching a wider audience and developing a loyal fanbase than traditional routes, which include giving up on a relatively large amount of royalties in turn for alleged streams generation promised by major labels, without the ability to ensure supposed success. “A report by Wintel, showed 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, 2019).

“According to the IFPI Music Consumer Study 2019, 45% of 16-24 year olds in the UK said they had viewed or listened to music on Facebook and Instagram in the past month while nearly half of 25-34 year olds reported having consumed music on Facebook” (Yang, et al., 2020). However, the ability to reach fans more efficiently is not only restricted to independent artists. Major labels utilise these channels, in order to improve their primary and secondary income streams, such as “ticket sales, merchandising and sponsorship” (Yang, et al., 2020). For artists seeking to sign major label deals, social media channels hold inevitable opportunities to reach a wide audience and create traction, which has become a necessary argument to sign independent artists from a major label’s point of view.

5. Conclusion

Various processes within the music industry's value chain have been disrupted as a consequence of the growing integration of digitalisation. As new marketing techniques have been enabled, the consumption process of music fans has changed drastically. Through the use of social media platforms, independent artists have managed to detach from traditional career paths involving liabilities and have enabled sustainable income streams entirely independently. As digitalisation has disrupted the music industry to a great extent, the ability to adapt and implement new technologies has distinguished successful artists and businesses from the unsuccessful.

Although the disruptive dependence on streaming platforms has created new income streams for certain stakeholders, one might argue to what extent they have positively affected the actual value of music. Through the low barrier to accessing a large catalogue of music that has been introduced by streaming platforms, the discrepancy between artists and fans has been reduced and the targeting of potential fans has been simplified. However, this shift from purchasing a sole product to paying for a relatively insignificant cost to access a large catalogue of music may have eliminated the appreciation for the actual value of a musical work.

The ease of access to musical works and their creation, as a result of the growing dependence on digital distribution channels and technological advancements, has inevitably changed the way music is being consumed. The democratisation of the ability to create releasable music and its distribution has stipulated unprecedented requirements for artists to establish themselves sustainably, in order to survive in an increasingly saturated market. Evidently, DSPs have promoted a shift toward a service-centric industry. Likewise, the compiled data shows that previously undisclosed preferences of a significant number of users have been unfolded, which underpins that the consumption of “music as a service” has been widely adopted.

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