

Student Name : Thandolwenkosi Zulu

Student Number : 2006480

Module Title : New Technology In Music & Creative Entertainment

Module Number : BMTY7004

Assignment Title : Component 1 (Essay)

Module Lecturer's Name : Zohe Mustafa



New Technology Essay :

Music industry's journey from products to services to experiences through the lens of technological advances within music.



Word Count:2623

INDEX

1. Abstract.....	3
2. Introduction.....	3
3. Discussion.....	5
4. Conclusion.....	7
5. Bibliography.....	7

ABSTRACT

Over the past 30 years the music industry landscape has undergone huge swathes of change in response to new technologies such as the widespread accessibility of the internet, the invention of the mp3 and the birth of digital streaming platforms. As with the industrial revolution in the late 1700s that changed the pattern of the working world, each new technological advancement brings with it new consumer habits which usher in a new landscape that the music industry must learn to adapt to. This essay seeks to use the journey of Apple, Spotify and YouTube's evolution throughout the years to articulate the shift within the music industry from product based to service based offerings. This paper also puts forward the argument that the future of the music industry, and in turn the future of the aforementioned digital streaming platforms will be in favour of a third offering that marries the theorised consumer desire to both own assets (product) with the desire to have unlimited access (service), in a new way. This new offering will give consumers access to assets that are unique, time-related, story-focussed and personal. This can be thought of as a service that supplies access to experiences that form trust and connection rather than utility based business models.

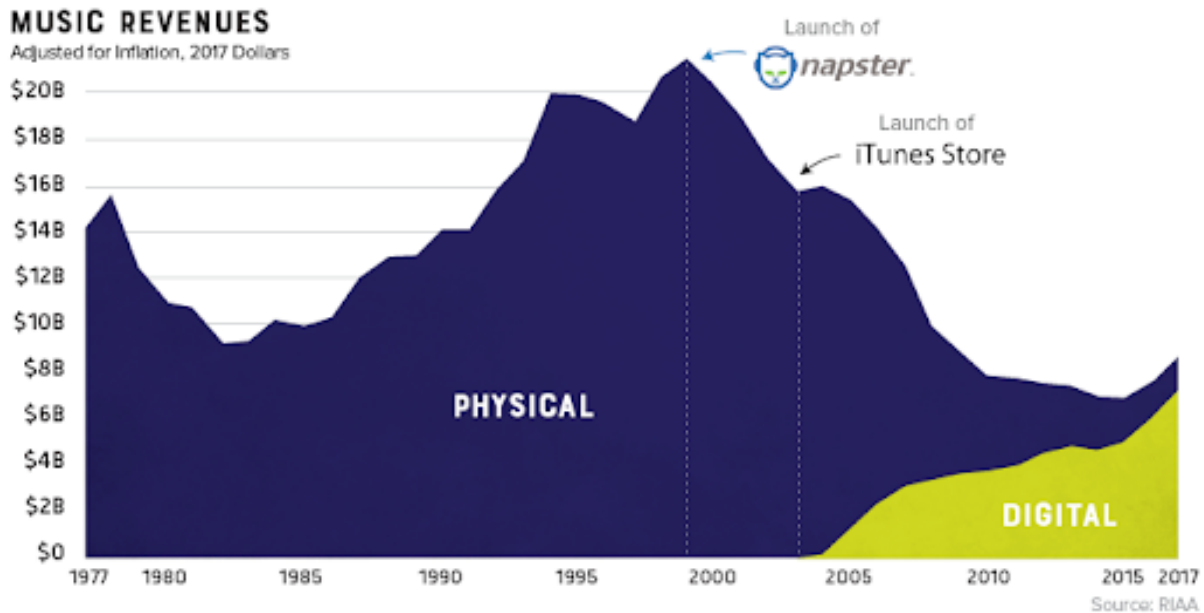
INTRODUCTION

HISTORY

Throughout history, technological advances have pushed the music industry into new and previously unimagined futures. The invention of the synthesiser at the turn of the 20th century had to wait until Bob Moog and his contemporaries pushed the music industry into a new future in the 1960s (Merrick J, 2020). Karlheinz Brandenburg's Mp3 was not well received in the early 1990s and by the end of the 20th century the Mp3 was seen as the best system for the digital distribution of music (Rose, J & Ganz J 2011). The turn of the 21st century ushered in a decade that saw the birth of companies and offerings that have changed the music industry forever. In 2001 Apple introduced iTunes, which at the time was a computer program that enabled music to be converted to MP3 format from CD. This was the birth of the legal digital music industry. Prior to iTunes, Napster had grown into a hotbed of music piracy and was subsequently shut down by the courts (*A&M Records, Inc. v. Napster, Inc 2001*). In that same year physical records we're still generating over \$18 Billion for the music industry (*RIAA 2017 Music industry report*). 2001 also saw Apple begin to sell the iPod which was a portable MP3 player, the home for digital music consumption.

At this point the tension was between a physical and a digital product. The business model had not changed from the long standing idea that artists made the product and then record labels distributed said product in stores. The only shift at this point was the exchange from physical records and stores to MP3 being sold online.

However the irreversible impact of Napster's brief window was the ability to have access to more songs than ever before for free via the internet. In that respect, the digital birth of the music industry gave way to twins. The first offering was conceptually the same as the Vinyl, CD and tape except it was digital. The second of the non-identical futures born in that year was the Digital service provider model. As the name suggests, the latter offers complete access to the user.



The copyright issues surrounding the shutdown of Napster were largely due to the fact that Napster had not acquired the licenses from the rights holders in order to distribute the intellectual property. Napster were also facilitating the copyright infringements for their users who were sharing unlicensed mp3's with each other. The opportunity for a legal version of online music distribution following a service provision model had now been opened. It was this niche that Daniel Ek (the CEO and co-founder of spotify) has built into a global digital service provider. Spotify was founded in 2006 and sought to become the answer to the free consumption of music online in a legal way in which the copyright licenses have been properly administered but the rights owners.

The obvious question for Spotify was how does a free product generate income such that the business model is sustainable and makes a profit in time.

The answer is that Spotify operates with a freemium business model. Spotify offers its non-paying users basic access to content with advertisements and limited features and controls. Paying customers enjoy unlimited access to music without commercials, offline listening and other incentives. The freemium business model allows companies to generate revenue from advertisement and subscriptions whilst offering the same basic product/service. Spotify generates most of its revenue from paid subscriptions. Spotify has the largest subscribed audience of all notable Digital Service Providers (DSPs).

Spotify uses it's free tier as a funnel into the paid tier where the price point is the same as the competitors such as apple music, amazon music, tidal and deezer.

Interestingly iTunes, now Apple Music has resisted the freemium model opting to allow users to purchase songs on download should they want or to buy into the Apple Music, digital service provision for a monthly subscription fee.

DISCUSSION

Freemium Business Model

YouTube is a subsidiary of Google and functions as an online service provider allowing users to generate content on their platform for public consumption. The majority of the content on YouTube is user generated and available to view without cost to the consumer however there are also subscription-based options available for premium content and advert-free streaming.

Most users across various DSPs opt to use the free service with adverts. For example Spotify (who in Q3 2019 had more subscribers than YouTube at 130 million compared to 20 million respectively) have more than twice the amount of users choosing to use the free tier including Ads over paying for the ad-free premium option (*Musically 2020*).

YouTube has an extremely appealing platform for advertising companies with 2 billion people coming to YouTube each month to experience music (*YouTube Internal Data, Global, 2020*). YouTube is also the second most visited website after Google (*Alexa 2020*) with each user spending 16 minutes and 50 seconds on average per day on the website. In this way YouTube is able to monetize both tiers of the freemium business model. The advertising revenue continues to increase year on year for YouTube with projected income of \$18 billion in 2020 (*Ingham 2020*).

Advertising revenue is generated by YouTube selling video space to advertising agencies for targeted advertisement. Brands are able to align themselves with creators and content to boost sales. With the \$3 billion per annum that is received from YouTube subscribers in view compared to the \$18 billion generated from advertising revenue, it is rational to infer that YouTube's business model favours the advertisers.

YouTube's premium content available to subscribers lays the foundation for future revenue growth, though at present YouTube's revenue model is most definitely centred around Ad revenue.

User Generated Content

The platform YouTube provides for its users is unique in its accessibility. Unlike the major music digital streaming services, YouTube is a platform on which users can upload their content directly without a need for an intermediary. This creates a free market where users are given the freedom to share and express themselves creatively in an environment where such content has the possibility to go viral. For music creators YouTube provides the opportunity for visual expression, the ability to engage with an audience that can join the creative process in using one's music as the audio for their own content and thus market the music to new audiences.

The problem with the user generated model is that in an environment of complete freedom there is space for said freedom to be abused. The aim for the user is popularity and to create content that will resonate with viewers and in turn gain subscribers who will view future videos. Therefore, arguably the primary goal for both the user and YouTube is not the sharing of content in a free market but the sustained engagement of the viewers. When considering the nature of viral videos, there is a tipping point where group theory suggests that other people will look for the trending video, not because of the content therein but to be included in and aware of, the cultural trend. Considering the inevitable scenario occurs that a trending video contains uncleared content but also generates a considerable amount of traffic, the only party incentivised to issue a takedown notices is the copyright owner. Firstly the service provider is protected from liability due to safe harbour provisions (*Music Business Worldwide 2017*) and the increased traffic generates advertising revenue directly and indirectly due to a surge in engagement. Secondly the user that made the content is likely to have grown their followership on the platform and thus benefits in the future and thus become more valuable to the service provider whilst still generating income for themselves, either from the video in question or other collateral views on other videos. Thirdly the copyright owner will likely experience an upsurge of engagement on other platforms by virtue of 'going viral' on YouTube and is therefore disincentivised from issuing a take down notice as that may impair their own progression from opportunities related to the video in question. Lastly the advertisement companies would still receive their results from the consumers of these videos being targeted with their advertising content.

In this sense the platform that YouTube provides goes beyond content consumption but becomes an opportunity for community engagement.

With increased access to digital streaming platforms the idea of a store providing a product is seemingly becoming redundant. This archaic model is being replaced by the desire to share content in a peer to peer manner than not only continues to give access to music but also for a greater sense of connection between creators and consumers.

Legal Implications of the technological advancements in Music

The music industry, like all industries, requires the rule of law to be able to function properly and fairly. These laws unpin the relationships between the various entities and organisations within the music business. In the case of digital service providers (DSPs) of which Youtube is the largest including both video and music users. (*Ingham 2020*), (*Iqbal 2020*). The laws to be considered are namely the Intellectual Property Act 2014 (IPA) and the Copyright Design and Patents Act 1998 (CDPA) in the United Kingdom (UK) and the Digital Millennium Copyright Act 1998 (DMCA) in the United States of America (USA).

At the time the CDPA received royal assent on 15th Nov 1988, the technology that ushered in the digital streaming age, namely the mp3, was still being invented by Karlheinz Brandenburg. The CDPA 1988 has been amended most recently in 2006.

The above illustrates that the landscape of the music industry has experienced seismic shifts that have far exceeded the rate of change in the parallel legislation. Arguably the evolution of the music industry makes it increasingly difficult to apply the laws outlined in the CDPA to the current digital climate. This tension has been noted with the recent European effort to modernise copyright laws with the introduction of Article 13 (now Article 17) in the recent Directive on Copyright in a Single Digital Market. These efforts to update legislation have received mixed reviews but my opinion is that the Law must be guarded from abuses that lead to rights holders having an unfair disadvantage in the monetization of their intellectual property.

Conclusion

In conclusion the inventions and innovations of the tech industry have disrupted the music industry hugely over the last 20 years. These leaps into the digital age are still being worked out from an economic and legal standpoint. In the case of the former, digital service providers are in the case of Spotify, hold the majority of the streaming market share and yet still not be profit making (*Ingham T 2020*). Streaming economics could either set the scene for a new way to think about music consumption that works for rights holders, digital services providers and content creators. The recent enquiry from the UK government into the economics of streaming shows that at present this service provision model seems to work only for the consumer in an unsustainable manner. The music industry has shifted away from a product based model with minor exceptions such as Vinyl that could be considered a merchandise rather than the primary mode of music consumption or music discovery.

I believe the future will see a hybrid of service provision and social media in that consumers will desire to be part of communities based on the exchange of value rather than access to music alone. In this sense the Digital service providers will be able to find a sense of distinction from each other with specific artist communities being exclusive to particular providers. This level of competition will be healthy for the industry and I predict will be the next step on the journey away from the product based models of the past.

Bibliography

Alexa (2020) *Top 500 sites on the web*. Available at: <https://www.alexa.com/topsites>
(Accessed:

Digital Millennium Copyright Act (2006). Available at:
<https://www.copyright.gov/legislation/dmca.pdf>
(Accessed:

European Electronic Commerce Directive (2000) Available at:
<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32000L0031&from=EN>
(Accessed:

IFPI (2018) *Music Listening Report*. Available at:
https://www.ifpi.org/wp-content/uploads/2020/07/091018_Music-Consumer-Insight-Report-2018.pdf
(Accessed:

(Ingham T 2020) Loss-making Spotify will continue to put growth ahead of profit for 'next few years'
Available at :
<https://www.musicbusinessworldwide.com/loss-making-spotify-will-continue-to-focus-on-growth-over-profit-for-next-few-years/>
(Accessed: March 14th 2021)

Ingham, T (2020) *Over 2BN YouTube Users Are Now Playing Music Videos Every Month*. Available at:
<https://www.musicbusinessworldwide.com/over-2bn-youtube-users-are-now-watching-music-videos-every-month/>
(Accessed: March 14th 2021)

Iqbal, M (2020) *Spotify Usage and Revenue*. Available at:
<https://www.businessofapps.com/data/spotify-statistics>
(Accessed:

Karim, J (2005) 'Me At The Zoo' Video. Available at :
<https://www.youtube.com/watch?v=jNQXAC9IVRw>
(Accessed: March 14th 2021)

Microsoft vs Plata Case (1999) *Microsoft Corp v Plato Technology Ltd [1999] F.S.R. 834 (11 March 1999)* Available at: <https://uk.practicallaw.thomsonreuters.com/D-016-1523>
(Accessed: March 14th 2021)

Music Business Worldwide (2017). *Safe Harbour is a crippling brake on the growth of the properly licensed market*. Available at:
<https://www.musicbusinessworldwide.com/safe-harbour-is-a-crippling-brake-on-the-growth-of-the-properly-licensed-market>
(Accessed: March 14th 2021)

Musically (2020). *How many users do spotify, apple music and other big music streaming services have?* Available at:
<https://musically.com/2020/02/19/spotify-apple-how-many-users-big-music-streaming-services/>
(Accessed: March 14th 2021)

POOW, C (2020). *Best Streaming Services - The Top 10*. Available at:
<https://www.musicgateway.com/blog/how-to/best-music-streaming-services>
(Accessed: March 14th 2021)

Stassen, M (2020). *Article 13 Binned by UK Government as Brexit looms*. Available at:
<https://www.musicbusinessworldwide.com/article-13-binned-by-uk-government/>
(Accessed: 15th December 2020)

Williams v. Gaye (2018) No. 15-56880, No. 16-55089, No. 16-55626. Available at:
<https://law.justia.com/cases/federal/appellate-courts/ca9/15-56880/15-56880-2018-03-21.html>
(Accessed: 2 November 2020).

Wojcicki, S (2018). *The potential unintended consequences of Article 13*. Available at:
<https://blog.youtube/inside-youtube/i-support-goals-of-article-13-i-also>
(Accessed: 2 November 2020).

Wojcicki, S (2020). *YouTube at 15: My personal journey and the road ahead*. Available at:
<https://blog.youtube/news-and-events/youtube-at-15-my-personal-journey>
(Accessed: 2 November 2020).

YouTube 2020

YouTube Internal Data, Global, 2020.