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When digital service providers replace record shops

New Technology in Music and Creative Entertainment
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Music is one of the most stable products on the market. Regardless of age, time and place, it is a universal constant that transcends cultures. According to Statista, 92% of the US population listens to music at least once a week, and on a study over the habits of consumers aged 16 to 64 across 21 countries, IFPI found that 64% of the surveyed population is engaging with some degree of music streaming. Furthermore, the label BMG and investment giant KKR - who is a shareholder of the label- have very recently revealed an alliance that will try to compete with Merck Mercuriadis' Hipgnosis, an investment fund specialised in purchasing rights to songs, and whose share value is constantly on the rise, currently at 122.44 GBX a share. On a more local scale, the music industry contributed £5.8bn to the UK economy in 2019 according to the industry body UK Music. All that to say that music is a valuable commodity, widely spread around the world and now backed by multiple investment banks who acknowledge the value of the song.

In the following, we will explore how the music industry has shifted from a primarily product industry to a service-led industry. In order to understand this shift in paradigm, we will first focus on how music is currently being consumed, then we will analyse the way songs are being created and will finish with observing how music is marketed nowadays. In light of this analysis, a final section will touch upon the ways music is still in some regards a product sector, thanks to the rise of post-streaming new technologies.

I. The way we consume music

The first thing that comes to mind when talking about music consumption in 2021 is music streaming on platforms such as Spotify, Deezer, Pandora, Tidal or the most important of all, YouTube. Without getting too in depth about the history of recorded music and copyright law, those platforms are somehow historically the successors of hard copies of music such as CDs and Vinyls, operate in very similar ways as radios in terms of the editorial aspect to it and the absence of physical support, but fall under the "Making available" right, originating from the World Intellectual Property Office dated from 1996, and then added to US law in 1998 as part of the DCMA, the Digital Millennium Copyright Act and in UK law through the CDPA, the Copyright, Design, Patents act the same year. The making available right " gives authors the prerogative to authorise digital access to their copyrighted works in such a way that members of the public may access these works from a place and at a time individually chosen by them".

During an interview with Tom Gray, founder of the Broken Record campaign that instigated the DCMS inquiry on the economy of music streaming, Anthony Hamer-Hodges , copyright law expert says "The record companies have changed their business entirely from the selling of products to the licensing of rights". This is evidence of a cultural shift in the music industry, whose main export isn't a product now, but a license that makes this product available to the main DSPs (Spotify etc.) - adequately called Digital Service Providers.

DSPs these days operate solely on a subscription basis, which shifts the emphasis from having a physical product to having a wide array of choice from a service provider. In some respects, music streaming is much more like radio. As users we trust the platforms to provide us with editorial playlists that will match our taste, and come to those platforms to consume music we are familiar with as much as in order to discover something new. Due to its ease of access, its low price point and the general absence of any physical evidence, music has now become a common commodity, and except for a small portion of users who are much more invested and deliberate about the music they listen to, and curious about the artists they are engaging with, it is very easy to consider music put on shuffle as “organised noise” (Cross, 2019).

On the other hand, for the former category of users, having closely followed the recent Grammy awards and studied multiple marketing campaigns in the music industry, my primary research has led me to the conclusion that the customers who care the most buy artists, not their music.

II. The way we market and distribute music

Another way the music industry has shifted towards a service market is the way music is currently being advertised and marketed. Traditionally, the music industry was selling products, albums or singles, and all of those different pieces of music would have a life of their own and be the main focus of each campaign. In a product based industry, customers are mostly looking for the most reliable product, the one that fulfills their needs and functions better than its competitors.

However in a service-led industry, all service providers are bound to be selling themselves before their product. The immaterial nature of a service makes it much easier to replicate and therefore has more direct competition. Services are not protected by patents. Therefore one can conclude that in a service based industry, brand image is even more crucial as it is one of the unique selling points of each business, one of the things that can differentiate them from the competition providing a very similar service.

Today, the success of an artist can be determined by their amount of followers, brand endorsements and media appearances as opposed to the amount of records they sold. And on the other extreme, Cancel Culture has proven that regardless of how many copies of an album an artist has been able to sell, their public image will be what makes or breaks their career. It is therefore important to acknowledge that music marketing is now much more based on building brand awareness, social proof and then convert rather than a product-based approach, trying to leverage competition.

Due to the small amount of money artists make from streaming compared to live performances, the goal is no to create superfans who will buy tickets to concerts rather than consuming recorded music via a streaming platform. This explains why Taylor Swift, the highest grossing artist, generates 91% of her income from touring and only 6% from streaming. (Goldman Sachs, 2020)

This too points towards a shift to a service based industry, where the lifestyle of the work supersedes the art itself and where the formerly sacred album is not the focal point of marketing campaigns anymore.

We are also seeing less and less controversial and disruptive artists, because as service providers, their personal brand becomes intrinsically linked to their ability to sell, in this regards, the current climate and new technologies have turned the music industry from product centric to brand centric.

Justin Kalifowitz, CEO of Downtown music says that "The most significant distinction between now and previous periods of industry change is that technology is fundamentally altering market dynamics and the way the business of music is conducted" (Kalifowitz, 2020). This quote applies equally to the way music is made in 2021.

III. The way we create music

Spotify registers a stream after 30 seconds of listening. Meaning if an audience member listens to a song's first 25 playlist, the artist isn't entitled to their £0.003 - the average per-stream rate on the platform. Back in the day of physical copies, the purchase of an album was the only thing needed for an artist to get paid. It was a simple transaction, a unique purchase which allowed the listener to access the piece of music as they see fit and guaranteeing a fixed income for the artist per album sold. Whether the record would be used as a piece of art or the CD was part of someone's daily commute didn't make any difference. However today, Spotify's model means that artists need to catch the listener's attention for at least thirty seconds. But how does this practically translate into the musical world?

The first thing is the format of the song. In 2011, Ralph Murphy, American songwriting expert published the first edition of a book called "Murphy's Laws of Songwriting" in which he analyses the different commonalities between hit songs, and distillates his research into seven specific forms and also delivers guidelines about how to write a successful song. For instance Murphy says "The writer has an obligation to get the listener/consumer to the title in at least 60 seconds. 60 seconds is a long time to wait for the "punch line". The first use of title coincides with the first time the hook is involved. That's 40 seconds in "Meant to be", 41 seconds in "Lose it" and 40 seconds in "Speechless". That means the songwriter did their job, and the average time to the title is 40 seconds." (Murphy, 2011). Murphy also recommends a 7 second intro and to use the pronoun "you" before 14 seconds into the song . Those songwriting rules are issued from an analysis of the charts of the five previous decades and are what one may call a "guide for a hit song".

Spotify's incentive to only pay artists after 30 seconds of playtime of their tracks shows that this analysis is still relevant today, and any artists pretty music out on this digital service provider is strongly encouraged to follow those guidelines in order to secure revenue from the platform. This translates as a tendency for younger writers to format their work in order to fit the Spotify model to maximise the chances for it to be financially

sustainable. Evidently, the way distributors are currently operating therefore has an influence on the product they are distributing and they are essentially setting the rules for what is deemed good music or not.

Practically speaking, a lot of contemporary songs written in the post Spotify era have a very short intro, sometimes don't even have any and very frequent make use of what Charlie Harding calls the pop overture “ where basically a song, at the very beginning, will play a hint of the chorus in the first five to 10 seconds so that the hook is in your ear, hoping that you’ll stick around till about 30 seconds in when the full chorus eventually comes in.” (Harding, 2019). In his interview for the Verge, he discusses how the length of songs is getting smaller as years go by as pragmatically speaking, an act gets paid the same amount of money for 2 minutes and 40 seconds song than for a 7 minutes prog rock track.

In his Ted Talk “Spotify is Killing Music”, Canadian radio host Alan Cross expands on a loophole from this ‘30 seconds rule’. In 2014, the critically acclaimed funk band Vulfpeck released an album called Sleepify. It contained ten tracks of 32 seconds each. The album did not include any audible sound and was essentially pure silence. They then encouraged their audience to play the album on a loop while they were asleep in order to generate royalties. Those royalties were meant to pay for a tour for the band, which would have been completely free to attend as the royalties for the silent album were supposed to be covering the costs. The album received 5.5 million plays by the time it was removed by Spotify for “violation of the rules of the platform”, still earning the band nearly \$20,000 in royalties for the album after seven weeks on the platform. Once more, the gatekeepers of music distribution showed they have full control over the definition of music, and although this was a clear loophole, and would have set a dangerous precedent for the platform, one could argue that this kind of policing is endangering creators and limiting their creativity.

On the independent side of music making, artists tend to retain as much executive control as possible over their craft and the way it is being distributed, Will Page, former Spotify economist says that “when looking at the volume of songs released in 2020, the ratio of artists ‘doing it themselves’ exceeded the output of the three major labels by a ratio of 8 to 1.”, this is not dissimilar to a services industry where the barrier for entry is much lower as the providers are not required to have an initial capital to launch their business and can trade their time and expertise as opposed to having to manufacture a tangible product.

Conclusion

The trifecta of new consumption habits, new marketing strategies and new ways to produce it have shifted the music industry from a product sector to a service industry. And those changes are intrinsically derived from the new technologies that surround music distribution. Social media, streaming and the overall rise of digital are changing our relationship with the arts. However some new technologies are also developing and show that some individuals still want to hold on to something unique to them, something they can be proud of, just like being the first person at a record store on a wednesday. Using Blockchain technology, Non Fungible Tokens (NFTs) are the new hype, and are essentially a digital product.

When digital service providers replace record shops, when brand counts more than the band and when the followers aren't real fans, it is now up to the younger generation of music business executives to educate themselves on those new practices, to navigate those challenges and to effect meaningful changes in order to keep our industry sustainable and fair to all, especially the artists who unfortunately are currently on the losing end of this transition.

WORD COUNT: 2516

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