

Name: Zoe Bastin

Student Number: 2021928

**Module: New Technology in Music and Creative
industries**

BMTY7004

Assignment Title: Element 1, Essay

Lecturer: Zohe Mustafa

Word count: 2255

Table of Contents

<u>INTRODUCTION</u>	<u>2</u>
<u>THE DECLINE OF PHYSICAL DISTRIBUTION AND PRODUCT</u>	<u>2</u>
<u>THE RISE OF DIGITAL DISTRIBUTION.....</u>	<u>4</u>
<u>THE INTRODUCTION OF STREAMING.....</u>	<u>5</u>
<u>FURTHER EVALUATION</u>	<u>8</u>
<i>STREAMING'S EFFECT ON THE RECORD DEAL.....</i>	<i>8</i>
<i>ROYALTY PAYMENTS.....</i>	<i>9</i>
<u>REFERENCES</u>	<u>11</u>

Introduction

Over the last 20 years the music industry has changed dramatically, from the way consumers access music, to the way consumers access live gigs. One reason for this, is the changes the technology industry has seen since the rise of the internet and digital content. This essay will evaluate the positive and negatives of how the rise of new technology has influenced the way consumers access and purchase music. It will cover the benefits of digital media while considering negatives such as piracy, royalty income and the overall effects this has had on record labels and the recording industry.

The Decline of Physical Distribution and Product

In 1974 approximately one billion records were sold worldwide, this rose to almost three times that amount by the end of the 1990s. At the end of the 1990s record labels and musicians were at the peak of their success when it came to selling physical product to consumers (Wikström, no date). This was disrupted when the creation of the illegal file sharing site Napster hit the market in the early 2000s. The site allowed consumers to illegal download digital files of recorded music for free, Napster then allowed you to essentially do what you wanted with the downloaded file whether that was sharing it with your peers or uploaded it to the internet (Wikström, no date). The music industry is made up of three main industries, the recording industry which focuses on the recording and distribution of music to consumers, the music licensing industry which handles the licensing of compositions to other individuals and businesses, and the live music industry which focusing on producing

and promoting live events (Wikström, no date). Up until this point the physical product of recorded music was the biggest income provider for the industry as a whole. Other areas of income such as merchandise and live performances were simply there to promote the recorded product and increase physical sales for the label and artist (Leight, 2020).

Record labels and industry professionals were warned before the creation of Napster that new technology such as MP3s and the internet would change the traditional format of the industry and that, as a business, they would have to innovate and develop their business model to include digital products (Witt, 2016). This was ultimately ignored by the labels at the time as they were terrified of 'uncoupling' the main single from the album format (Hanks and Goetzman, 2018). The main reason for this is because when labels sold a physical product such as a CD or Vinyl, this forced consumers to purchase an album for £9.99 to listen to the popular main single from the album, as opposed to consumers being able to pay £0.99 for a just the single track. Labels were adamant to avoid this dramatic change of their business model especially as it would cause them to lose roughly 90% of their income (Hanks and Goetzman, 2018). The lack of innovation and motivation from labels allowed Napster and other illegal file sharing sites to take over the recorded music market and within 3 years the record industry saw sales drop by a quarter. The industry did attempt to fight back by filing law suits against Napster, most famously after the song 'I Disappear' by Metallica was leaked before its initial release (Hanks and Goetzman, 2018). But by the late 2000s labels were forced to develop their business model past selling physical products as the industry saw a massive decline and even saw large music retailers go into administration and close.

Ultimately, consumer's attitude towards music as a physical product changed, they decided that music should be made more accessible and should exist outside a physical product and, in some cases, it should be free. I feel this change was inevitable due to the technological changes at the time and the developments the world saw outside of music. I feel the music industry should have been one step ahead of the technological advances at the time and found a way to use them to their advantage rather than ignore them. Doing this could have led to a digital music market place such as iTunes being available for consumption sooner, allowing labels to have more control over their pricing strategy and business model.

The Rise of Digital Distribution

After the decline of consumers purchasing physical product in the early 2000s, the recording and technology industry had to then find a way to improve music sales and combat music piracy. It was clear the development of the internet and digital technology had changed the way consumers wanted to access recorded music, consumer habits had changed from being willing to go out and purchase a physical product from a record store to scanning the web for free illegal MP3 files (Albright, 2015). In 2003 the popular technological company, Apple, launched their new device: the iPod, as well as their new digital content store: iTunes. Although not the first digital store to exist on the market, it soon became the most popular due to its user friendly interface. iTunes allowed people to access digital downloads of songs for as little as 99p, consumers could then listen to these downloads via an Apple device allowing for easy and portable use of their music library (Kleinman, 2019).

This was a step in the right direction for the record industry as it allowed music to be legally distributed for digital use, as Apple had to negotiate deals and gain approval

from labels and rights owners in order to distribute the music on the platform (Knopper, 2013). This created a solution to the ongoing battle the record industry faced with music piracy, however it didn't totally eradicate the issue, nor did it increase record sales to pre-2000s numbers. Creating a digital market place was progress in the right direction but because once again record labels themselves had not invented the platform, artist and labels still saw a massive decrease in revenue, as digital market places such as iTunes still required a cut from any income generated through purchases. On top of this labels had lost their advantage of being able to sell a £10 album when a consumer only wanted to purchase the lead single.

A positive that Apple brought to the music industry was a change in how the industry viewed advertising. A part of the iPod marketing campaign was a series of TV and video advertisement where the technological company used tracks from artists that were available on iTunes, this saw labels compete to have their artist featured (Hanks and Goetzman, 2018). In most cases this saw artists reach a high level of success with a track if it was featured, this allowed the music industry to explore new ways of generating income outside of recorded music. Generating a huge step forward for the industry when it came to brand partnerships and sponsorships (Filipowicz, 2020). An element that can be seen as a vital area of income for artists and labels in 2021.

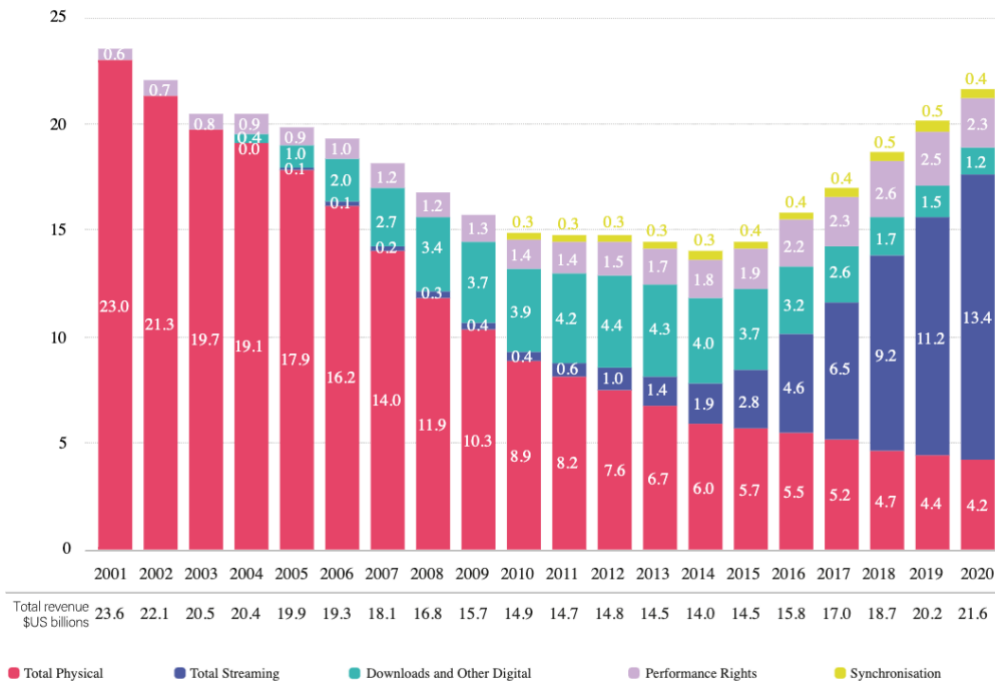
The Introduction of Streaming

After the creation of iTunes, the music industry saw a further decline in sales for physical product as the digital market place became popular amongst consumers. However, music piracy was still at an all-time high and the industry saw further sites pop up outside of Napster such as torrent downloading sites such as

Pirate Bay (Albright, 2015). It was clear that the introduction of digital market places had allowed the music industry to provide an alternative for illegal downloads, but it was still clear that consumers and society as a whole had just decided that music was no longer something they felt they should have to pay for or own physically (Witt, 2016). This was also evidence of a trend other industries had started seeing, in the mid 2000's consumers seemed to no longer value ownership of a physical product like they had decades before and much preferred spending their money on real life experiences (Witt, 2016). This factor along with consumers need for newer technology and easier access really was the main factor in the demise of the product side of the music industry.

By the mid 2000s it was becoming clearer that the music industry would have to find a new way to distribute music to the market. In 2006, Daniel Ek launched the company Spotify in Stockholm, Sweden. Spotify promised to offer a service where consumers could access unlimited music for a monthly fee or via an Ad supported free account (Parsons, 2018). The company then took their streaming platform globally in 2008 and became the leading music streaming platform on the market in recent years. The market has since seen a series of competitors, one being from technology giant, Apple, as an alternative to their market place iTunes (Parsons, 2018).

Global Recorded Music Revenue 2020



(IFPI, 2021)

In 2021 it was released that streaming was responsible for 62.1% of the global revenue in 2020, that had increased by 19.9% from the year before, this could have partly been due to changes in consumer habits due to the Covid-19 pandemic (IFPI, 2021). IFPI also stated that digital downloads saw a 15.7% decrease in revenue, whereas physical product saw a decrease of 4.7% in revenue (IFPI, 2021). It is clear that streaming has become the main source of music consumption in today's industry and this will likely increase in years to come.

Further Evaluation

Streaming's Effect on The Record Deal

Although streaming has dramatically affected the way the record industry works, it has also benefitted several other areas. One of these areas being the independent musician scene, it is now easier than ever for unsigned artists to distribute their music digitally using an independent aggregator such as Distrokid and Tune core (Ingham, 2021). This allows unsigned artists to directly compete with signed artists on the same platform, this was not possible in the past as it was both expensive and difficult to get a physical copy of your work onto the shelves of a record store without the backing of a record label. Before digital the aim was for artists to get a record deal in order to reach any kind of commercial success with their music, this meant labels were essential within the music industry as they were ultimately where the talent came from. Although this is clearly a disadvantage to the recording industry as it threatens the appeal of artists seeking out a record deal, the record label is still vital for unsigned artists to be able to reach the same streaming numbers as signed artists. This is because labels can provide you with a team of professionals who can organise and implement larger marketing campaigns than you would be able to as an individual. While many unsigned artists feel that because of social media, such as Facebook, Instagram and TikTok, they are still able to create digital marketing campaigns and engage with fans, it is simply not as effective as signed artists due to amount it money it costs to ensure a large enough reach when posting and advertising (Music Business Worldwide, 2021).

Royalty Payments

Although streaming counts for 62% of the global recorded revenue (IFPI, 2021), in recent years the industry has been subject to large amount of criticism due to the lack of income some artists are facing when it comes to streaming royalty payments. An example of this was when artists such as Taylor Swift challenged Apple music on their royalty payments or when the same artist challenged the streaming giant Spotify on the same issue (Reilly, 2021). The reality is some artists are only receiving tens of thousands of pounds in return for millions of streams, for instance the artist James Blunt revealed he was only earning £0.0004499368 per stream (Reynolds, 2015). If you are a signed artist you would also be earning a smaller amount due to your label also taking a cut from it, and considering you no longer need a label to distribute it isn't a surprise becoming an independent musician has become so popular (Reilly, 2021). A former boss of Spotify has explained that although streaming generates revenue it was not created to solve this issue and was ultimately created to solve the distribution issue the industry was facing at the time (Reilly, 2021). This ultimately has forced artists and labels to find income from other sources such as live events and brand sponsorship.

Developing live events and festivals in the early 2000s and beyond did generate a slight solution to the ongoing revenue problem as it was something consumers would pay for. Artists found they could charge a reasonable price for fans to then come and watch what they had heard online and they found they could earn a large amount of income from this, as long as the show or festival was large enough (Hanks and Goetzman, 2018). This change was driven by the fact that the generation Z and millennials value experience over product and want to feel more valued and connected to artists compared to 50 years ago (Fedorenko, 2019). Consumers

choose to attend events and festivals as opposed to spending large amounts of money on physical product such as vinyl and CDs. Consequently, it seems as if the days of generating revenue from the recorded product are over, and that labels and artists must continue to find other areas to create revenue whether that is from innovative new technology such as NFT's (Non-Fungible Tokens) or from exclusive experiences such as livestreams and paid meet and greets.

References

Albright, D. (2015) *The Evolution of Music Consumption: How We Got Here*, MUO. Available at: <https://www.makeuseof.com/tag/the-evolution-of-music-consumption-how-we-got-here/> (Accessed: 29 June 2021).

'Case Study: Apple iPod Silhouette Ad Campaign' (2015) *MBA Knowledge Base*, 23 January. Available at: <https://www.mbaknol.com/management-case-studies/case-study-apple-ipod-silhouette-ad-campaign/> (Accessed: 29 June 2021).

Fedorenko, S. (2019) *73% of Gen Z and Millennials rate experiences over products*, Tamebay. Available at: <https://tamebay.com/2019/06/73-of-gen-z-and-millennials-rate-experiences-over-products.html> (Accessed: 5 July 2021).

Filipowicz, L. (2020) *iPod became synonymous with MP3 player and Apple's ads were the reason*, iMore. Available at: <https://www.imore.com/apples-iconic-ipod-commercials-changed-way-we-looked-portable-music> (Accessed: 29 June 2021).

Hanks, T. and Goetzman, G. (2018) 'I Want My MP3', *The 2000s*. HBO.

IFPI (2021) *IFPI GLOBAL MUSIC REPORT 2021*. Available at: <https://gmr2021.ifpi.org/report> (Accessed: 30 June 2021).

Ingham, T. (2021) *How many artists are generating \$50k+ a year on Spotify? Over 13,000.*, *Music Business Worldwide*. Available at: <https://www.musicbusinessworldwide.com/how-many-artists-are-generating-more-than-50k-a-year-on-spotify-over-13000/> (Accessed: 5 July 2021).

King, A. (2021) 'What Are the Most Popular Music Streaming Services In 2021?', *Digital Music News*, 30 March. Available at: <https://www.digitalmusicnews.com/2021/03/30/most-popular-music-streaming-services-2021/> (Accessed: 30 June 2021).

Kleinman, Z. (2019) 'A brief history of Apple's iTunes', *BBC News*, 4 June. Available at: <https://www.bbc.com/news/technology-48511006> (Accessed: 29 June 2021).

Knopper, S. (2013) *iTunes' 10th Anniversary: How Steve Jobs Turned the Industry Upside Down* - *Rolling Stone*. Available at: <https://www.rollingstone.com/culture/culture-news/itunes-10th-anniversary-how-steve-jobs-turned-the-industry-upside-down-68985/> (Accessed: 29 June 2021).

Leight, E. (2020) "'The Whole System Collapsed": Inside the Music Industry's Ongoing Distribution Crisis', *Rolling Stone*, 12 February. Available at: <https://www.rollingstone.com/music/music-features/cd-vinyl-distribution-crisis-950327/> (Accessed: 24 June 2021).

Music Business Worldwide (2021) '*In the music business, there is no such thing as an independent within a major.*', *Music Business Worldwide*. Available at: <https://www.musicbusinessworldwide.com/henry-semence-there-is-no-such-thing-as-an-independent-within-a-major/> (Accessed: 5 July 2021).

Owsinski, B. (no date) *The Music Industry's Physical Product Problems May Signal An Upheaval In The Making*, *Forbes*. Available at: <https://www.forbes.com/sites/bobbyowsinski/2019/07/21/the-music-industrys-physical-product-problems-may-signal-an-upheaval-in-the-making/> (Accessed: 24 June 2021).

Parsons, J. (2018) *History of Spotify: how the Swedish streaming company changed the music industry* - Mirror Online. Available at: <https://www.mirror.co.uk/tech/history-spotify-how-swedish-streaming-12291542> (Accessed: 21 February 2021).

Reilly, N. (2021) 'Former Spotify boss says artists are "entitled" in asking for streaming rise', *NME*, 5 July. Available at: <https://www.nme.com/news/music/former-spotify-boss-says-artists-are-entitled-in-asking-for-streaming-rise-2985642> (Accessed: 5 July 2021).

Reynolds, E. (2015) 'Why does James Blunt make so little from Spotify?', *Wired UK*, 20 October. Available at: <https://www.wired.co.uk/article/james-blunt-spotify-royalties> (Accessed: 5 July 2021).

The history of music distribution | Features (2020) MN2S. Available at: <https://mn2s.com/news/label-services/the-history-of-music-distribution/> (Accessed: 29 June 2021).

Wikström, P. (no date) 'The Music Industry in an Age of Digital Distribution', *OpenMind*. Available at: <https://www.bbvaopenmind.com/en/articles/the-music-industry-in-an-age-of-digital-distribution/> (Accessed: 24 June 2021).

Witt, S. (2016) *How Music Got Free: The Inventor, the Music Man and The Thief*. 1st Edition. Vintage.