

How New Technology has turned the Music Industry from a product to a Service Sector

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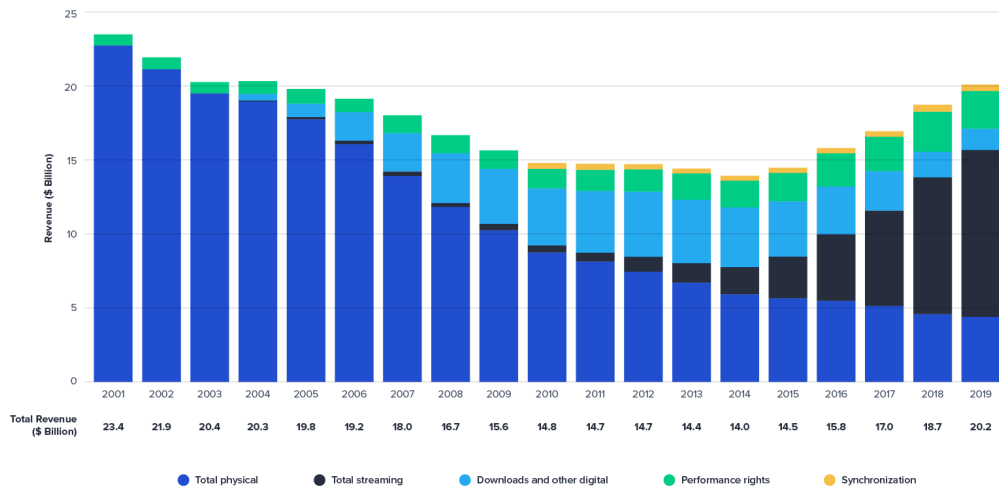
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1. INTRODUCTION

Prior to the digital era, the principle of the music industry was to sell physical records, then tour to promote sales. This changed when people could listen to music for free, via pirate sites like Napster. Following this, streaming sites were born; now, instead of buying from each artist and owning a product, many consumers choose to experience music on demand (Wikström, 2009). Technology has revolutionised the industry; music is instantly accessible and the general population have the ability to record, produce, and distribute music at home (PressPausePlay, 2011). This assignment will argue that the music industry has changed from a product to a service, and evaluate the implications this has on independent artists.

Figure 1: Global Music Recording Industry Revenues: 2001-2019 (\$ Billion)



Source – (Stone 2020)

<https://www.toptal.com/finance/market-research-analysts/state-of-music-industry>

2. STREAMING

2.1. Freemium Streaming Model

Market leader, Spotify, works on a freemium based model: listeners can access the large library of songs for a monthly subscription of £9.99 or listen for free with adverts (Spotify, 2021a). The average revenue per user is £4.31 as Spotify have more freemium account holders than those paying for a premium subscription (Spotify, 2021b). This has resulted in artists being paid approximately half a penny per stream (Sanchez, 2018). It is speculated that many consumers do not expect to pay for music when they can still access it for free (Kusek & Leonard, 2005). A survey by The Ivors Academy and the Musicians' Union (2020) found that 43% of participants (writers, artists, musicians, songwriters, and composers) had to find alternative work due to insufficient income from streaming. Furthermore, 82% earned less than £200 a year from streaming services; including those with millions of streams (Ivors Academy, 2020). In contrast, the top 10% of streamed artists are earning substantial money e.g. Drake with 21.5 billion streams has generated £52.5 million (Sunkel, 2021). Streaming acts - artists that break into the mainstream through streaming services alone – such as Glass Animals, say that streaming services are invaluable and have democratised the industry (Robinson, 2016); their song 'Gold' was a global hit, getting 315 million streams on Spotify alone (Robinson, 2016).

2.2. Streaming Opportunity

Everyone has the opportunity to be heard by the masses instead of record labels acting as gatekeepers to the industry, determining which artists will be presented to the media. The low pay of streaming sites may damage musical creativity; demotivating the next generation to start a career in music (Gerber, 2017). Alternatively, the opportunity to distribute music widely, cheaply, and independently online may encourage more musicians to start up their careers. For example, multi-instrumentalist Ólafur Arnalds started his career with a vision to combine classical and pop music, something untraditional and new. He uploaded a track online, whose popularity resulted in him performing live in front of an audience just months later (PressPausePlay, 2011). Author Andrew Keen believes that the internet has created a problem of digital narcissism, in which the plethora of self-expressive, user-generated content is distracting people from the work of musical elitists (Keen, 2008). Keen argues that technology has damaged culture and caused an environment of mediocracy where the unvetted work of amateurs and professionals co-exist (Keen, 2008). Other industry experts, such as Ted Schilowitz of Red Digital Cinema, are of the opinion that talent will naturally rise to the top and be recognised (PressPausePlay, 2011).

Emerging independent artists are now able to distribute their work to the world, without needing financial support of major labels to buy physical copies in bulk (Dobie, 2001). The disadvantage is that they must find ways to financially invest in their own career; paying for any production, physical records and tours (Gordon, 2015); but owning both the underlying works and recorded music copyrights allows 100% profit retention. Those that target niche markets are able to specifically advertise to those individuals through pitching to certain playlist curators, and directly to Spotify through the Spotify for Artists app (Spotify, 2021c). As streaming services develop, they appear to becoming more like social media platforms; Spotify For Artists, Apple Music Connect, and Soundcloud have introduced interactive elements where artists can create profiles, write bios, share playlists, and view insights into their following (Social Factor, 2021).

2.3. Competition

There is worry that there is a decline in the quality of music, as more amateur music is added to the market (Wikström, 2009); creating a cacophony, where true art is unappreciated and undervalued (Keen, 2008). There is such a large catalogue of music to choose from on aggregators such as iTunes, Apple Music, and Bandcamp, with many artists spending more money uploading their music to these sites than they receive through sales (Gordon, 2015). In contrast, some believe that the increased accessibility is positive and the industry is thriving. For example, Ted Schilowitz (Red Digital Cinema) has the opinion that the most creative will receive recognition; and music market expert Seth Godin states that this is the best time to be an independent artist (PressPausePlay, 2011).

2.4. The Future of Streaming

Streaming accounts for 80% of music consumption in the UK (Savage, 2021) and it appears that changes need to be made in order for many independent artists to make a viable living. A report has been released following a six month inquiry by the UK Parliaments' Digital, Culture, Media and Sport (DCMS) committee (UK Parliament, 2021). They are proposing some major changes in terms of how streaming services distribute royalties, potentially leading to positive changes for independent artists; suggesting that 50% of streaming income should be paid directly to artists via performing rights organisations (Savage, 2021). How streaming services will respond is yet to be seen.

3. SOCIAL MEDIA

Music Watch (2018) found that 90% of regular social media users carry out music related activity on social media platforms. Activities include viewing a music video, sharing streaming links of songs, and interacting with artists. 63% of social media users discover new music via social media and nearly 60% go to streaming services after seeing a music post (Crupnick, 2018). In terms of influencers, musicians and bands are at the top of the list, with more people following artists than other celebrity figures, including movie stars (Music Watch, 2018). *See appendix* for the Music Watch report infographic. This implies that musicians have influential power and that the relationship between social media platforms and artists can be seen as mutually beneficial. By creating hype through social media, it is now possible for an independent artist to break into the mainstream. For example, by building a strong following and marketing skills, Chance The Rapper became the first unsigned artist to perform on Saturday Night Live (Hogan, 2016). It may be argued that this pathway is only possible for artists that have a unique set of skills, or those willing to upskill in a variety of areas in order to progress independently in the music industry.

The categories below were outlined by digital company Fifty Five and Five, who work with big technology clients including Google, Microsoft, and Adobe (Reilly, 2020). For the purpose of this assignment, a table has been created including analysis on how social media has contributed towards music transforming into a service.

	Product	Service	Social Media & Music
Customisation	Standard Item	Adapted for the customer	Musicians get real-time feedback from fans, allowing adaptation of the product and experience delivered. Narrowcasting by releasing singles, monitoring feedback through socials and adapting the rest of the album tracks is possible (Cross, N.D).
Delivery	Takes the item away	Inseparable from the provider	Consumers can visit musicians' social pages to listen to their music. E.g. YouTube to watch music videos and recorded live performances. Branding of pages gives customers a whole experience and insight into the musician and their personality.
Ownership	Product can be brought, used and re-sold	Once a service has been consumed it is no longer owned by the customer.	Streaming online allows instant access. Listeners do not buy a stream from social media or streaming services; they visit the artist's page and consume the product there. The experience is intertwined with the artist's branding. As ownership remains with the artist, it enables them to survey data, analyse, and adjust their content based on the preferences of their fanbase (Dolata, 2020); this could result in a more sustainable career through meeting consumer wants and needs.

Expiration	Ends with the delivery of the product	Consumed immediately	Creating positive social media and streaming experiences encourages customers to visit again.
Time	Buy once, use forever. No time constraints	Specific time periods - constantly releasing new content	It may be seen the 'liking' and 'following' social media pages of artists are the equivalent of a subscription to a streaming service. 'Following' a page means a customer is allowing service information to appear on their timelines through algorithms. The option to 'unlike' and 'unfollow' makes delivering quality content paramount to retain interest.

Google Analytics and Social Media Insights can measure success through data on page visits and interaction levels (e.g. comments, likes, shares, tags, check ins, etc.). The more people build a relationship and connection with the artist, the more likely they are to financially invest in its products and services (Herstand, 2017). Record producer Keith Harris states that someone listening passively to a song for free, does not mean that they identify as a fan. Fans invest into the act e.g. by going to a live performance or buying merchandise (PressPausePlay, 2011).

See figures 2 & 3 below.

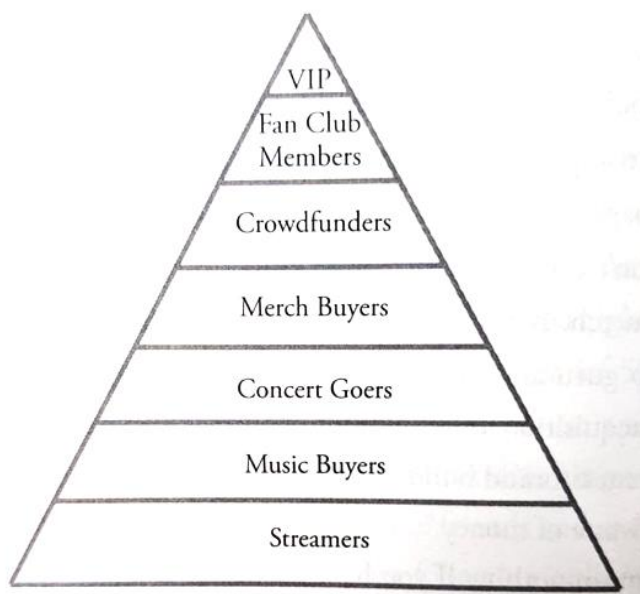


Figure 2: Pyramid of Investment
Source: (Herstand, 2017, pp. 166)

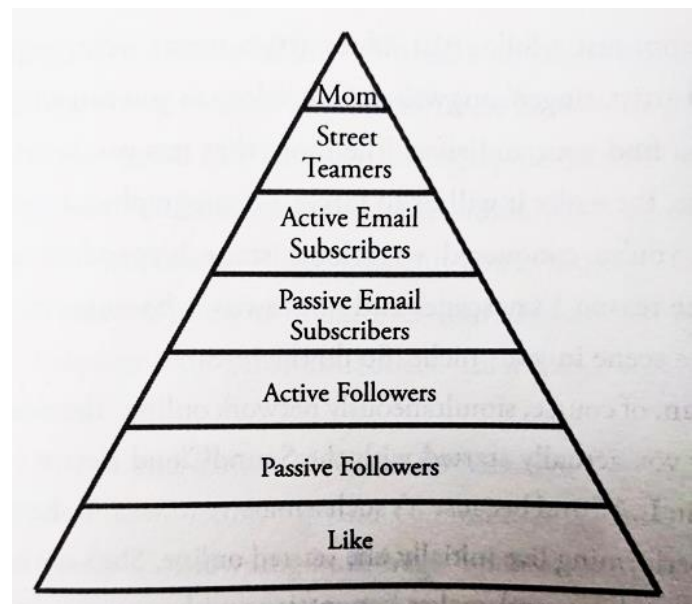


Figure 3: Pyramid of Engagement
Source: (Herstand, 2017, pp. 167)

Social media could be seen to be at the centre of the new industry, as it is integrated into the daily lives of many. The music industry is now focusing on how to convert passive streaming fans, into fans that engage and interact with that artist (Music Watch, 2021).

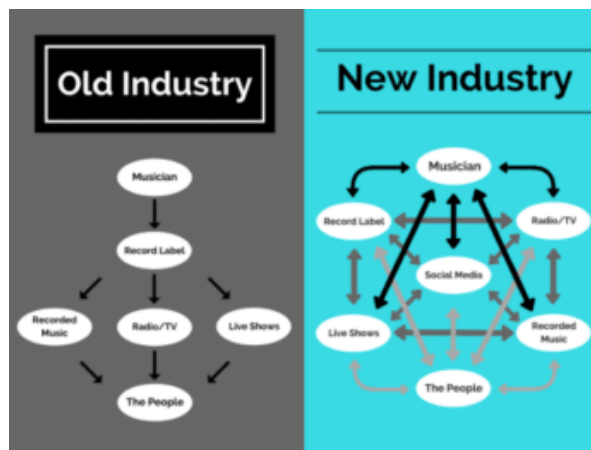


Figure 4: Source – (Social Factor, 2021)

<https://socialfactor.com/blog/social-medias-role-in-the-music-industry/>

3.1. Branding

Some industry experts believe that the most effective way for artists to maximise their income, is to transform themselves into a brand and focus on increasing the brand's value (Gordon, 2015). Branding has always been a way for artists to generate additional revenue; e.g. merchandise, product endorsement or television appearances (Gordon, 2015). In the digital era, musicians have access to a range of technology to establish their own brand and create additional ways to generate revenue. Social media pages can be used by artists to further the cohesive branding experience for their audience (Social Factor, 2021). This includes the story that artists wish to tell about themselves, who they are and how they say it; how they choose to be perceived by their audience (Temple, 2018). Many well-known artists, e.g. Lady Gaga, Ed Sheeran and Beyoncé, have created a successful brand encompassing their music and other products they produce (Wikström, 2009). Author Seth Godin suggests that musicians must build something worth noticing into their brand that gets people talking; they must market why they are remarkable (Godin, 2002). Fans will come to artists that are remarkable and uncommon, so musicians must tell a powerful and unique story (Smith, 2016). Artists must dedicate their time to creating branded viral marketing campaigns to capture audience attention, detracting from the actual music (Wikström, 2009). For example, Nine Inch Nails launched an alternative reality game to market their album in 2007 through releasing clues for fans in the form of YouTube videos, USB sticks hidden in venues and printed on their merchandise (Herstand, 2017). It is argued that the marketing experience of music has actually become the art form, over-shadowing the music itself (Wikström, 2009).

3.2 Working With The Algorithms

Social media platforms have empowered independent artists; they can now use technology to share their music and other content in order to build a dedicated fanbase. Fans have the opportunity to directly engage with artists and access a window into their lifestyle and career progress. The deeper the fan views their connection and understanding of the artist, the more likely they are to invest. Therefore, social media platforms have enabled fans to build a relationship with artists and identify with them on a more personal level; leading to a higher potential for direct to consumer (D2C) sales (Herstand, 2017).

Social media followers could be seen as a virtual 'street team' for artists; fans can promote and created hype around their favourite artists. Facebook algorithms determine what it shown to the user on their personalised news feeds. Organic posts only reach approximately one in nineteen followers but the organic reach can be increased by early engagement on the post including shares, tags and comments (Sehl, 2020).

3.3. Vulnerability

Although social media has the ability to accelerate an artist's career, it also has the power to cause detriment. An untasteful comment could damage reputation and sales. For example, in 2013, rapper Gucci Mane disrespected a handful on industry professionals over Twitter, including representatives of his label (Allen, 2014). This lead to him losing his record deal with Atlantic Records, however, they did re-sign him three years later (Scott, 2020). More recently, he has also been recognised by *NME* for his A&R skills and finding acts such as Waka Flocka Flame and Asian Doll (Williams, 2021). So it can be seen that it is possible to bounce back and have success.

4. SUMMARY

THE TAKEOVER OF TECHNOLOGY FOR THE MUSIC INDUSTRY: How it affects the independent artist

POSITIVES	NEGATIVES
• More opportunities for independents, technology has democratised the music industry, MIDI instruments Software-based virtual instruments and MIDI technology add to creative potential for home producers (South Utah University, 2021). • Breaking down barriers between artist and fan (D2C) e.g. social media – reduces the need of an expensive PR • Musicians have access to instant feedback from fans thanks to social media, this can help with development and creating a connection with their audience (Music First, 2021) • Can make music at home through easy to use digital audio workstations – no debt, no label • Entrepreneurial opportunity • Affordable home studio equipment and software are available, making it possible to create a more professional sound from home without the expense of visiting a recording studio • Can build a loyal fan base and communicate directly and instantly with fans through social media • Profits made through D2C methods result in a higher percentage of profits going to the artist / songwriter • Faster, wider and cheaper exposure of songs (Cross, N.D). • Improved production, easier promotion, better distribution, increased accessibility to music, new genres due to cross cultural interaction (Deaux, 2017) • Live stream to reach a global audience without travel costs • Levelled the playing field between majors / independents	• Less time for creativity • More competition from those wanting to try and create music at home without seriously wanting to build a career • Songs that go 'viral' mean that the limelight is taken away from those working hard at their craft (Keen, 2008). • Need to be multi-skilled, driven and understand the industry • Having to upskill in many areas; requiring proficiency in not only music but also marketing, social media, technology, branding, graphic design, budgeting, sourcing funding, booking gigs, which may lead to burn-out (Wikström, 2009). • Piracy, over-reliance on technology – <i>competition includes some musicians that just want to find fame and fortune as opposed to playing music for passion and the lifestyle, undermining cultural heritage - some music genres are dying out due to technology and this threatens musical diversity</i> (Deaux, 2017)

5. CONCLUSION

Technology, including social media, has revolutionised the way the music industry works and transformed it from a product to a service. Previous gate-keepers such as record labels and distributors are no longer strictly necessary for an artist to build a dedicated fan base who will invest in the artist's career. It may be seen that social media platforms such as Facebook are the new age gate-keepers (Wikström, 2009). In order to maximise income and opportunities, it may be advised that independent musicians acquire the necessary skills needed to portray themselves as a brand, in conjunction with their social media presence. Although the market is more saturated, it could be said that this is the era of opportunity that independent artists should embrace (Godin, 2008).

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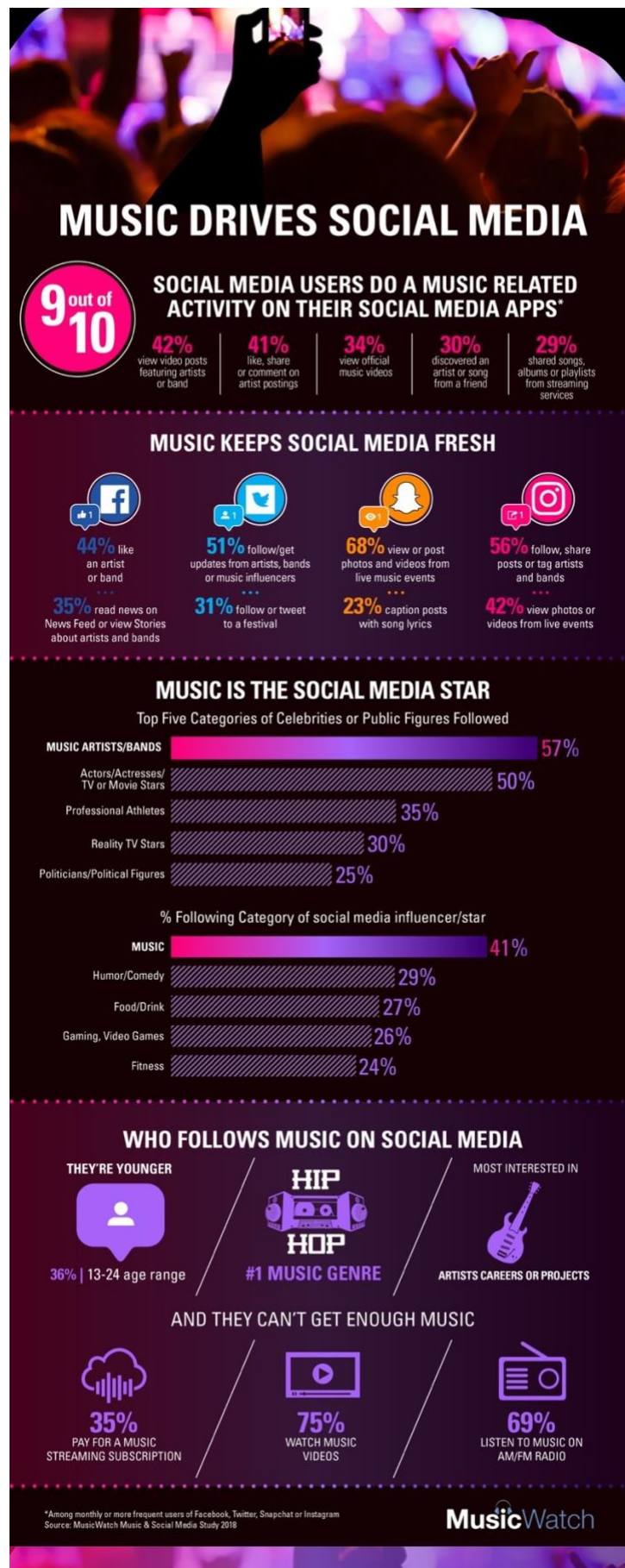
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