

## **Innovation in Music Business –**

### **The music industry as subsystem of media and economics**

By Pinie Wang

There is no doubt: the music industry finds itself in a radical change. The conventional core business of the sales of records has been in an invariable decline for the last decade. The heavy loss in sales of records cannot be compensated by live performances, licence charges, or by download revenues. In my opinion the new digital music business, the digital downloading of MP3 files is an obsolete business model of the records industry. One pays a certain amount for a musical piece (whether it is a record, MC, CD or MP3). This "music product" model will not disappear, it will, however, increasingly lose its efficiency as time goes by. It is therefore that the competence of the music industry needs to be redefined.

### **Systematic conceptualisation of the music industry**

At this point in time a systematisation of the music industry is a necessity to enable the change of concept of the music industry in modern society. My proposition would be a dynamic public model, wherein the music industry is an important, constructive partner. My "model of the musical public domain" is related to Kurt Imhof's "Öffentlichkeitstheorie". He describes the public domain as a network of various communication streams, which come together in different arenas. These arenas significantly decide the probability margins of individuals as well as organisations. These networks of communication streams and arenas are built up hierarchically, segmented and functionally differentiated and is significantly generated by the established organisations of the central behavioural systems **politics**, **economics** and **media** on one hand, as well as **non established "civil society" participants** on the other. Other components of the communicative infrastructure in modern society are: **science**, **religion** and **art**. These specialise themselves on a singular attitude towards the world and are manifested in and towards the modern world in a tense correlation, as the modern times demand innovation and flexibility. Due to this, public domain is affiliated to participants and organisational communication. At the same time these participants and organisational communications become the aggregate, which completes public communication (Imhof 2008: 68-77). I presume that the musical public domain is part of the public communication and that its central character cannot be

altered by the cause of history of modern society. The musical public domain is the collective musical knowledge and has in itself an universal character.

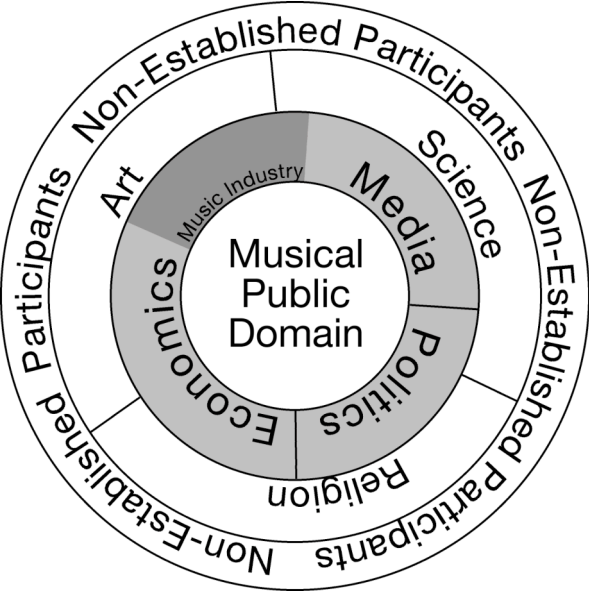


Figure 1: the model of the musical public domain, own interpretation

In the model of the public musical domain one finds the music industry as a partial system, which is integrated both in the economic as in the media system. The music industry is connected to finances on one hand, to production of media content on the other. Maximisation and the pursuit of public attention make the music industry dependent on media and the economy. Politics can also influence the music industry indirectly, by means of legal regulations of media (for instance broadcasting laws) and economics (for instance the law against unfair competition).

**Change in the economics-media situation**

Due to the historical changes of modern society through the changes in the central behavioural systems politics, economics and media, the core business of the music industry as well as societies music consumership has changed. The core business of the music industry had, since its first existence, been live performance and remained so until the end of the Second World War. The sales of sheet music and instruments supported the live performance. The technology of records and record players had already become available towards the end of the 19th century. The existing music and media businesses of that time did not recognise the commercial value of it. However, when radio started to become a serious public medium and the advertisers in the USA began to implement musical programmes, the big advantage of records

became obvious. A record (also called an electrical transcription, these days as syndication), which contained a complete radio show including commercial breaks, could be sent to designated radio stations in various regions. Thus the advertisers could handle their desired markets. After the acclaimed success of the recorded show „Make Believe Ballroom“ (1935) the radio stations were finally convinced of the power of records. Finally, in 1946 the media law in the United States was altered, enabling various radio stations to have a given frequency and region and to broadcast simultaneously. This increased the number of radio stations significantly. The new radio stations, having a limited budget, were dependant on records. Thus the core business of the music industry as well as music consumption had changed from live music to recorded music.

Today we are confronted with a new economy-media-politics situation: music and media businesses are part of multinationals, a decentralised structure of network media and copyright issues. By now there is various content on the internet. Radios offer a live stream function on the net. Newspapers and magazines publish their copy on their homepage, whilst publishing the headlines on Facebook and Twitter. Television programmes can be watched online as well, for free, or via pay per view. The content seems to be available everywhere constantly, on any given location, on any given time, through broadband internet. Through this "open availability" of content the physical media become obsolete. Copy, images, music and video emancipate and divert themselves from their physical carrier, thus making them archaic. However, the central aspect of public communication is not broken by internet, on the contrary: it is enhanced. In an era, where content has become the actual medium; communal, well-known public themes and personalities become important.

### **Dimensions in music, the chances for the music industry**

The course of musical history can be summarised in three different dimensions:

1. **Music as physical expression:** until the end of the Second World War, live performance was the main form of music consumption.
2. **Music as content of audio and visual media:** from the end of the Second World War until the end of the 20th century recorded music was the main form of music consumption.

3. **Music expression of the individual:** social media provide simple tools, which enable the production of music quite effortlessly. "do it yourself" is the new code word. Since the beginning of the millennium media increasingly take on a decentralised structure.

Today, music serves as an expression of the individual. It is a form of personal representation of the communal, public interest. Many musicians are hopeful that the decentralised structure of internet and musical innovations enable them to become part of the public domain more easily than before. The opposite is true however. The individual use of media content only enhances the emphasis on well-known themes, since the assessment of the public domain on musical content is a quantified one. The number of viewers, followers, fans, likes, etc. decides whether a certain content is of public interest. The difference between underground and mainstream no longer lies in aesthetic aspects, it is instead a matter of popularity in numbers.

In the era of network media the role of the music industry as a content producer is enhanced, at the same time their competence as record manufacturer decreases. In the production of music content one should make a distinction between music as **main** and **secondary content**. When music is the main content, the emphasis is on music. To acquire attention, the company will concentrate mainly on famous musicians. Since through the already established public figures or well known melodies the music can reach the masses. This also explains why music sounds so alike these days in radio and on TV. With unknown musicians however, who are presented in a public show or event, attention can be acquired as well. For instance a song for a football world cup or the Eurovision Song Contest. This implies that unknown musicians cannot be commercially successful if they are not presented in a public arena. One possibility to introduce unknown musicians to a mass audience is through a content, which has been implemented by an advertiser or a content producer. Music as secondary content can be used in commercials, movies, computer games etc. In this case it is not relevant to use well-known music, it is more important that the music fits the environment. This is why unknown musicians are very well suited for the production of this content, they work for smaller fees, and get a chance to offer their unpublished music.

The individual pursuit of stardom is becoming more emphasised these days. Casting shows and reality formats on TV give "common people" an opportunity to become a star, even if the fame is only short-lived. Music production software like Ableton Live and Native Instruments support an easy way to produce music at home. Companies like for instance YouTube, Soundcloud, Facebook, Twitter, which simplify the distribution of DIY music, are the new and fast high risers in the music business. Also search engines and analysis systems like Hypemachine and Next Big Sound, which are able to find and analyse specific music content in the non-transparent World Wide Web, are in demand. Companies, which implement new ideas to enhance the opportunities of "do it yourself", will be the new winners. As part of a dynamic system between economy and media, the music industry is constantly changing. It is important for the music industry to recognise this change on time and to act upon it with new implementations.

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