

Business Innovation and disruptions in the music industry (eds. Wikström, P. & DeFillippi, R.)

Book review by Daniel Nordgård¹

The music industries have been particularly hit by the current digital disruptions affecting a broader set of creative industries, as well as more general services in society, such as banking, travel and accommodation, or taxi-applications. Following these transformations a growing body of academic and non-academic accounts has offered assessments and models for how to best understand these changes. Since the music industries, and in particular the recorded music industry was very early exposed to these changes, this sector has become a reference point in a debate that is still trying to establish a common understanding of digital innovation and disruption. Wikström and DeFillippi's book *Business Innovation and Disruption in the Music Industry* offers a set of approaches to a phenomenon that has a high degree of complexity and a varied set of stakeholders. Wikström and DeFillippi have put together a well-curated assembly of texts that approaches the phenomenon from different angles and with different objectives. Some of the texts provide opposing views and conclusions, albeit referring to the same phenomenon and even the same sources and references. It thus represents much of the complex and conflicting accounts that can be found in academic debates on the innovation and disruptions in the music industry.

The book is structured into three parts; Music industry transformation in context, Changing business models and Streaming music services and the future of music.

The first part opens with Peter Tschmuck's chapter *From record selling to cultural entrepreneurship: The music economy in the digital paradigm shift*. Tschmuck offers an important framework for the following texts by providing a structured account of central economic transitions

¹ Daniel Nordgård is also one of the contributors of the book.

in the music industries – recorded as well as live, merchandize and management. While past models have centred around the record label, they are now based on the artist and the artist's different revenue streams. His point is that the digital music economy, understood as a value-added network, has made the artist the centrepiece while also providing an expanding range of different revenue streams and partnerships. Tschmuck makes a compelling argument for the need for artepreneurship, backed with detailed data and examples ranging from the somewhat overused cases of Amanda Palmer and Radiohead to more exciting ones. The chapter provides a number of examples on different partnerships with different outcomes – some which must be regarded as successes and some that must be seen as failures. In many ways I'd love to see more of a critical discussion on what the DIY-model and the role of an artepreneur implies for the artist. However, many of the following chapters approach this from different angles and, thus, does the chapter work as a great opening argument for the book.

Holly Tessler follows up by discussing the economic changes in the recorded music industry. She critically assesses the claimed death of the record label and elaborates on how the record labels rethink and reorganize themselves. Her chapter *Back in Black: rethinking core competencies in the recorded music industry* very much re-establishes the record label as the centrepiece in the recorded music economy, albeit in a new role and partnering with external businesses and artists to develop brands that can be exploited in numerous ways. Today's business is no longer about selling products, but selling ideas, narratives and brands. In some ways the chapter extend some of the issues touched upon in Tschmuck's initial chapter, elaborating on the expanding opportunities for various partnerships and revenue streams. However, it very much discuss the artists' new position in relations with professional business partners, and not least, with a record label that is re-establishing itself through new models and partnerships.

Jim Rogers and Paschal Preston adds to these lines of thoughts, elaborating on the record labels' new position, the 360 degree contracts and the building up of and exploitation of brands. It, thus, very much

feeds on threads already introduced in this first part of the book. However, Rogers and Preston's chapter *Crisis and creative destruction: New modes of appropriation in the twenty-first century music industry* aims at critically assessing how we have interpreted the digital changes in the music industry, and most of all that much of these changes must be seen in a historical context and as a continuity rather than a radical change. While such awareness towards a plethora of analytical offers seems wise, I find it difficult to follow exactly why and how the digital changes stemming from the turn of the millennium should not be seen as radical. Rogers and Preston rightfully point out that the negative economic effects following digital innovations foremost affects the record companies and the recorded music economy and that the overall music economy is experiencing growth – quite opposite to the apocalyptic scenarios described by others. However, while giving much emphasis on the fact that the music industry, or rather music industries, comprise much more than simply the recorded industry, they do not provide any thorough foundation to the internal dynamics of the music industries, or what role and function that the different stakeholders perform in the value-chain. To simply conclude that the music industry is in good health, based on the intact position of the major corporate players seems to miss some very important issues.

While Rogers and Preston fail to discuss the internal effects, and in particular the economic distribution among artists and business stakeholders, Robert G. Hammond follows up with an interesting, and well positioned text on the fallacy of composition. In his chapter *The fallacy of composition and disruption in the music industry* Hammond's primary argument is that "*one cannot take results from a disaggregated level and assume that it holds at the aggregated level (or vice versa)*" (p. 74). In particular Hammond addresses the contradictory conclusions from various scholars on whether file-sharing has had a negative or positive effect on bigger (established or major) artists versus smaller ones. As the last chapter in the first part addressing music industry transformations, Hammond argues that the fallacy of composition tells us that knowing something about the effects of a disruption at one level of the industry

tells us nothing about the effects at another level. It, thus, completes a first part of the book which provides different accounts much the same phenomenon.

In part two, the book elaborates on changing business models, and the first contribution is delivered by Allan Watson and his chapter *Digital disruption and recording studio diversification: Changing business models for the digital age*. As the title of the chapter suggests, focus is given the recording studio and the effects of falling recording budgets, home recording technologies and audio quality. Watson's initial point is that the economic impacts following the introduction of the MP3 format and illegal file sharing resulted in a crisis of funding across the wider music economy and in particular a significant decrease in recording budgets. Watson argues that following these developments a range of studios have closed down. While he does not really enter a deeper discussion on what qualities are lost in the transition or why artists and the music industry as a whole need a professional recording sector (which would be interesting), Watson nonetheless suggests that salvation may lie in business diversification. As such, the described solutions resembles that of the artists (see Tschmuck's contribution) or the labels (see Tessler's contribution) in a multitude of revenue streams and brand building (in few select cases such as Abbey Road Studios). An obvious solution may also lie in a possible counter development where sound quality becomes important again to consumers and fans. Herewith he touches upon an interesting topic, central in theories of disruptive technologies where new products provide new attributes (such as availability and low price), but at the expense of other features (such as audio quality). No doubt providing an interesting approach to the topic of the book, it would have been great to see more elaborations around Watson's analyses against theories of disruptive technologies and disruptive innovations.

David Schreiber's chapter *The influence of disruptive technologies on radio promotion strategies in the music industry: A case study of one micro-firm's decision-making practice* focuses on independent labels and the process of decision making. The chapter provides a case study of the Christian micro-company Salador Music and its (forced?) change in pro-

motion strategies towards radio – more precisely – to move from Christian Contemporary Hit Radio (CHR) to Christian Adult Contemporary (AC). Schreiber provides an interesting insight to one of the many independent labels that are impacted by digital change and decreasing revenues. However, although the text gives a detailed and well-grounded account of the internal decision-making-processes in Salador Music, it is not always so clear whether these processes are the results of disruptive technologies and innovations or whether they can be seen as normal business decisions. The chapter, nonetheless, provides an interesting example of the difficulties arising from limited resources and fiercer competition for radio-airtime and chart positions.

In chapter seven, *The Chinese music industries: Top down in the bottom-up age*, Guy Morrow and Fangjun Li provide an interesting contribution to the academic debates around digitalisation and the top down/bottom-up paradigm by looking at the Chinese music industry. No doubt, the Chinese case represents important differences to western markets. Not least the fact that popular music and surrounding industries are considered by the Chinese government to be a tool of political propaganda and, therefore, holds control over central parts in the Chinese music industries. Hence, when referring to concepts of top-down, this must foremost be understood as government control, rather than music industry conglomerate control – and in particular the control of copyright. Morrow and Li provide a brief but very interesting account of the historical position of copyright in China as well as the complexities of copyright in the mixed economy of China. The Chinese music industries are subsidised and supported by a Chinese government. Hence, when talking about music industry innovations, and the convergence with other industries and companies, 'top down' in the case of China should be read as governmental policy, investment and censorship, rather than the classic notion of major-label control.

In part three, the book turns its focus on music streaming and the future of music. It starts with a very central issue, namely the division of revenues in the new streaming economy. Aram Sinnreich's chapter *Slicing the pie: The search for an equitable recorded music economy* opens

by providing a brief account of the traditional recorded music's economic models and the new ones. The aim seems to be to demonstrate that new business models of online music (on-demand as well as webcasting) are not economically inferior to the traditional ones and that the criticism and concerns over pay-outs are grounded upon limited understanding of the different revenue streams and/or greed by superstar artists who reject to split their revenues with smaller developing acts. Sinnreich starts by promising to deliver clarity in a public debate filled with inaccurate rhetoric, however ends up concluding somewhat rhetorical himself. This becomes particularly evident in the concluding section. While the article touches upon some very interesting issues it never manage to elaborate and discuss them thoroughly against the many accounts on the phenomenon.

In chapter nine, *Lessons from the world's most advanced market for music streaming services*, Daniel Nordgård² draws on the experiences from the Norwegian market and two reports Nordgård wrote. Norway is, together with a handful of other markets, an early adopter of the streaming format. In 2014 on-demand streaming added up 75 percent of the overall market for recorded music and hence must be given explanatory power for two developments that seem to occur in the Norwegian market. First of all, the market is seeing an overall growth starting in 2011 and continuing today. On the other hand, the market is also seeing a significant drop in the Norwegian local share. In other words, the Norwegian recorded music market is showing an impressive growth, while simultaneously distributing a smaller share to Norwegian rights holders. The chapter further provides suggestions to variables that can help to explain the negative effects of the streaming economy, such as the economic model the streaming economy rests upon, as well as discussing the role of marketing in an age of information overload. Nordgård's proposition is that the Norwegian market may provide a case of the optimistic forecasts from the music streaming economy, while at the same time suggesting some difficulties that must be overcome for the business to be more sustainable.

² This chapter is my own contribution to the book and the text must be read with this in mind.

Pelle Snickars follows up in his chapter *More music is better music* by questioning the notion that more music is necessarily progress and positive. By transforming music to binary codes and music curating to bot logics, Snickars argues that digital music becomes ubiquitous as well as alienated in some ways. The digital mantra seems to be that more music is better, however with more options available navigating becomes ever more paramount. A critical point is that what the streaming service vie for is not necessarily the same as for the artists. In particular if the former considers the widest possible catalogue a selling point and the latter needs to stick out from the crowd and gain attention. Snickars offers a good discussion on some of the challenges following digital and "blind" robotics operating an ever expanding catalogue of music as well as "non-music". According to Snickars, the swelling catalogues of the streaming services in many ways illustrate the dilemma inherent in a streaming model where more options is seen as a selling point, while at the same time providing difficulties in navigating and choosing. It very much deals with challenges that can be found in the economic distribution of revenues, as discussed in some of the chapters above.

The final chapter of the book is delivered by Andrew Dubber, and his text *You have 24 hours to invent the future of music: Music hacks, playful research and creative innovation*. With a forward-looking and futuristic heading, the chapter serves well as a closing argument of the book. It also approaches the issues of the music industry and innovation from a very different angle, namely from the hacker-community. Dubber draws on experiences from different events where hacker cultures meet up to explore and test out ideas. Needless to say, the phenomenon of hacking touches upon contagious issues, and in particular in a music business relation. However, Dubber stresses that albeit hacker cultures are usually attributed criminal digital conducts and actions, hacker culture constitute much more. In particular, Dubber argues that hacker culture relates to the playful and curious ways to solve problems and, thus, is very much linked to innovation. In particular, he argues that the significant of the hack can be found in its potential for experimenting,

for bringing in new ideas and by broadening the participation in the processes.

As such it seems like a suitable ending for a book that has approached the phenomenon of music industry innovation and disruptions from various angles, but with no certain prescription or solution, to look in new direction. It hence serves as a nice closing chapter of the book.

