Disintermediation effects in the music business – A return to old times?

Abstract
The paper makes a brief historical review of the evolution of the music industry over time, contextualizing the technological aftermath in the industry's current reality. Business models and success factors of the traditional entities within the music industry's landscape are suffering significant change. In a reality afforded by easy access to networked global communications, disintermediation effects are succeeding, in what appears to be a comeback to the old days of music business, when artists had control and a more self-sufficient and autonomous role in business. The paper argues that the relation between artist and consumer, which was once direct, grew overtime to accommodate intermediaries, due to promotion and distribution needs. Furthermore, it suggests that new business models are arising, that encompass elements of the traditional value chains and that can constitute the alternative to support a direct and successful relation between artist and consumer.

Keywords: Intermediation, music business models, direct-to-fan

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1 Introduction

With the advent of the digital revolution and the Internet, business models and success factors of the traditional players within the music industry's landscape have suffered a significant change. In this reality afforded by easy access to networked global communications, and with the maturation of Web technologies, disintermediation effects are succeeding (Chircu & Kauffman, 1999), in what appears to be a comeback to the old days of music business, when artists had control and a more self-sufficient and autonomous role in business. Major record labels, which created and developed a lucrative business model, and have been the main driver of the industry in the last decades, have been severely hit (Young & Collins, 2010). They are now retracting in investment, by cutting costs and laying off staff and artists, and contracting fewer and fewer artists, and mostly the ones who prove themselves in the independent circuit (Dahl, 2009).

At this juncture, independent music production has become the most significant model of production (Hracs, 2012). In the pre-digital revolution, “traditional independent production was really an ad hoc system with inherent limitations” (ibid, p. 454) and both money and specialized professionals were required even for basic productions; distribution was limited to the streets and after-shows. With the introduction of digital technologies and the decrease of production costs, home studios emerged, and music production was made accessible to general public (Leyshon, 2009). In their practices, independent artists are making extensive use of home studios and online available tools and platforms. These platforms are continuously emerging with open and decentralized new business models that take advantage of social networks and community resources (Benkler, 2006). They can potentially provide the independent and DIY music producer with access to essential resources for key components of their business: financing, collaboration, management, marketing, distribution, and direct communication with fans. By encompassing these functions and other affordances that typically integrate the value chains of traditional industry agents (record labels, distributors, record promoters, radio stations, etc.), these new platforms may constitute a viable alternative to support an autonomous and independent approach from the artist, to his creative and business management activities, as well as a more direct and successful relation between him and the consumer of his music.

This paper aims to provide a perspective of the current situation of the music business and contribute to the state of the art in what regards the new online platforms and web
tools that arise in the landscape and that contribute to the adoption and expansion of the direct-to-fan business model, challenging the status quo of the established agents within the music industry.

2 Intermediation, disintermediation and re-intermediation

In economics, an intermediary is a third party that offers intermediation services between two trading parties, typically, a supplier and a consumer, or between other intermediaries, acting as a conduit for goods or services offered by them and providing added value to the transaction. Bailey and Bakos (1997, p.3) survey the most important roles of market intermediaries:

(a) aggregate buyer demand or seller products to achieve economies of scale or scope and to reduce bargaining asymmetry
(b) protect buyers and sellers from the opportunistic behavior of other participants in a market by becoming an agent of trust
(c) facilitate the market by reducing operating costs
(d) match buyers and sellers

Disintermediation, also known as "cutting out the middleman", occurs when intermediaries are removed from the supply chain (Chircu and Kauffman, 1999). The concept arose with changes in the financial services industry, with the diversion of savings from bank accounts with low interest rates to direct investment in other financial instruments (Gellman, 1996). The disintermediation phenomenon is typically assigned to several factors, among them, the supplier’s internalization of activities traditionally performed by intermediaries (Sarkar et al., 2006) and the degree of market transparency which leads to the buyer's increased knowledge of supply pricing (Picot & Bortenlanger, 2006). Benjamin and Wigand (1995) argue that within a ubiquitous communication network, the ability to support direct exchanges efficiently will be beneficial for both producer and consumer: the manufacturers will be able to retain a more surplus value or profits that are generated, while the consumers will benefit from both a larger choice and lower prices. On the other hand, by aggregating transactions and creating economies of scale and scope, intermediaries can increase the efficiency of the exchange process.
According to Whinston, Stahl and Choi (1997) the emergence of technologies for electronic commerce on the Internet allows new ways of interaction between the players in a market. In the dot com boom, electronic commerce was seen as a tool of disintermediation, given that the Internet would allow consumers to purchase products directly from producers. The supporting argument was that the use of information technology (IT) infrastructure by the supplier would allow cost cutting and operational optimization, and the consequent value capture and redistribution of profits along the value system, by shortening the supply chain. The consequence that was observed, however, was that new intermediaries appeared in the digital landscape (Sarkar et al., 2006). This phenomenon is called reintermediation, which takes place with the reintroduction of an intermediary between supplier and consumer, whenever disintermediation has occurred first (Chircu and Kauffman, 1999). Carr (1999) defines reintermediation as the reformulation, realignment and pruning of intermediaries but without total elimination (Carr, 1999). In the context of electronic commerce, reintermediation occurred due to problems associated with the e-commerce activity and the extensive resources that are inherently required: development and maintenance of a quality website, maintaining product information, marketing expenses, the high cost of small orders shipping, massive customer service, and the typical issues deriving from supply channel partners and from competing online. Chircu and Kauffman (1999) address these three phenomena in the changes occurring in the market interaction in terms of an intermediation, disintermediation and reintermediation (IDR) cycle. Authors identify the four major competitive strategies used in the IDR cycle for intermediaries to achieve a sustainable competitive advantage in the marketplace: partnering for access, technology licensing, partnering for content, and partnering for application development. Furthermore authors also provide a series of cases of the IDR cycle, using amidst the on-line retail market for music as an illustrative example. Sarkar et al. (2006) demonstrate that the role of intermediaries can be multifaceted and covering a set of functions that are not easily assumed by producers, and argue that intermediation will remain a structural feature of electronic marketplaces.

3 Contextualizing the technological aftermath in the music industry

As with many other industries, the beginning of the music industry is indelibly associated to the introduction of the printing press, by Gutenberg, around 1450, which
paved the way to large-scale publication and enabled the establishment of the publishing houses (Grout et al., 2006). This enabled the dispersion of sheet music, which afforded the live reproduction of musical works in concert halls, and thus, mass consumption (Caves, 2003). Until the end of the 19th century, with the advances in printing technology, the publication of printed sheet music was the primary commercial activity based on musical compositions. This technological shift had great consequences among composers and performers of the time, whom until then, worked essentially only for royal courts, aristocracy, church and wealthy patrons (Grout et al., 2006). They began to seek commercial opportunities to market their music and performances to the general public. This was achieved through the intermediation of dedicated presses and publishing houses, through which they began selling their work to the new middle class customers. Following the turn of the 20th century and into the 1940s, publishers were the most powerful people in the music industry (Talbot, 2002). In the 1890s, the first physical formats for sound recording were introduced, supported by inventions such as the phonograph and gramophone (Morton, 2006). This disruptive innovation gave birth to the recording industry and promoted the emergence of record labels, which introduced recorded music to the market. The twentieth century was marked by a great growth and evolution of the industry. With the introduction of commercial radio broadcasting in the early 1920s, the aesthetic revolution of rock 'n' roll in the 1950s (Tschmuck, 2003) and the gradual adoption of new portable formats on the market like the LP, the cassette and the CD, alongside with the development of distribution chains, record labels became the major driver of the industry. In the late 1990s, the music industry reached its apogee. After years of consolidation, in which dominant record labels purchased or merged with smaller ones, five large conglomerates, also known as “majors”, controlled the industry; they were: Bertelsmann AG, the EMI group, Seagram/Universal, Sony and Time-Warner Major. These held together more than 80 percent of the global market share of music sales (IFPI, 2012).

In the turn of the millennia, with the advent of the digital revolution and the Internet, the music industry entered an economical and structural crisis. Power dynamics have been undergoing some major changes, converging to a sparser set of agents, namely online retailers and individual musicians (Hracs, 2012). With the introduction of the MP3 format and the emergence of file sharing applications like Napster and Kazaa, piracy rates were raised to levels never seen before (Leyshon, 2009). Millions of files were being downloaded across file sharing networks, creating a significant potential
threat to the musical economy (ibid). Along with “the changing consumer tastes and with the rise of entertainment alternatives like DVDs, video games, cell phones, and the Internet itself, which compete for the disposable income and time individuals spend on music” (ibid, p.143) and the decrease in the cost-quality ratio of production equipment induced a marked increase in independent music production (ibid). This confluence of factors led to a physical record music sales revenue decrease, ranging from $28.6 billion in 1999 to $16.6 billion in 2011, resulting in an overall decrease of more than 40 per cent (IFPI, 2012).

4 The traditional business models and success factors

Traditional intermediaries are firms that provide matching services for buyers and suppliers in a traditional market and that typically add value in the value chain. In the value chain of the recorded music industry, between the music producer supplier endpoint and the consumer endpoint, recording companies, distributors and retail stores are the intermediaries under analysis. Figure 1 outlines the typical value chain of the music industry.

![Figure 1. Value chain of the recording industry](image)

Major labels have developed very efficient systems of production, distribution and promotion, with a high degree of integration, both vertically and laterally. Major labels are the most sophisticated form of record label, typically integrated in a major music group that also controls a major distributor, which in turn controls a major network that moves records from plants to retailers (Passman, 2009). Other forms, like independent labels, are partial implementations of the majors, being distributed, controlled or partially owned by a major, or using independent distribution, restricting their activity to national territories, or acting globally within the digital domain.

The market concentration around record labels on the music industry has been traditionally linked with high entry barriers such as high production and distribution costs (Rayna and Striukova, 2009). Despite the technological change and impact, brought by peer-to-peer networks and web 2.0 technologies, market concentration still
remains mostly due to Intellectual Property Rights (IPR) protecting major record companies. The IPR give the majors back-catalogue\(^1\) revenues, which confers labels an important competitive advantage (Rayna and Striukova, 2009). The structure of the recording industry leads to the lowest possible usage of inputs, creating an extremely narrow bottleneck that is harmful for both artists and consumers (ibid). Along with the monopoly held over distribution and retail, labels would use their financial dominating position to maintain control over which artists would sign their contracts, acting as gatekeepers over the creative possibilities of the artists (Dahl, 2009; Tschumk, 2003).

With the affordances of digital distribution of music, requiring only a single master copy, as opposed to the needs of physical distribution, which requires manufacture, producing, shipping, and warehousing, have induced disintermediation in the distribution sector, striking harmfully major record labels (Fox, 2004). The music retail sector, however, has taken the most forceful blow so far. Traditional “bricks and mortar” retailers are near extinction, being replaced by diversified, logistically advanced and financially stable “big-box retail” chains such as Wal-Mart, Costco, and Best Buy (Passman, 2009). Digital distribution has seen exponential growth in the last few years, evidenced by Apple iTunes Music Store sales surpassing Wal-Mart in April 2008 as the largest retailer of music in North America (Bangeman, 2008).

Record labels provide music artists with a hub of specialized and comprehensive services ranging between business, technical and creative areas. These services involve cultural intermediaries including artist and repertoire (A&R) professionals, music producers, lawyers, accountants, promoters and managers (Leyshon, 2009; Hracs, 2012). Figure 2 shows the typical divisions that exist in a major record company.

\(^1\) Back-catalogue revenues are derived from older but timelessly successful works that keep selling (e.g. the Beatles) (Swash, 2010).
Figure 2. Divisions of a major record label (adapted from Passman 2009, p.63)

“The 20th-century recording industry was built on a model in which record labels identified, nurtured, and marketed musicians, providing them with the resources to create and record their music and finding ways for them to distribute that music via radio and record stores”. (Young & Collins, 2010, p.341)

In the typical major label operation, large sums of money, usually referred to as advances, were provided up front and in exchange for the ownership of the copyright of the works created thereafter. This amount would normally range between US$150,000 to US$400,000 for a new artist and over US$1,000,000 for a mainstream artist release (Passman, 2009). According to Hracs (2012), musicians were dependent on the label over the financial resources and technical skills to record independently; those who were contracted enjoyed job security, but “relinquished much of their autonomy […] and relinquish creative control over what songs to record, what producer to use, what studio to record in, what artwork to use, and how to package, promote, and distribute each album” (ibid, p. 445). Although this represented a somewhat desirable scenario that most musicians would be eager to achieve, it was a reality for a minority of artists who would sign with a major or with more established independent labels. Many were the cases, however, of artists who got unfair deals. Albini (1995) argues that companies negotiated from a dominant position and often, the picture passed to artists was that either their terms were accepted, or many others would be willing to sign in their place. Furthermore, the advances provided by the
recording contracts would rapidly disappear against the various fees and production expenses, leaving many artists in debt with the record labels.

5 The disintermediation possibilities

In the past decade, the mainstream music industry was shaken with two remarkable events that instantiated the disintermediation theory.

![Figure 3. Disintermediation in the recording industry value chain](image)

In 2007, Radiohead decided to release their new album independently through their own website. Radiohead retained ownership of the album recordings and song compositions rights and set no recommended retail price for their music, introducing the “pay-what-you-want” model (Young & Collins, 2010). Despite the different reports regarding the success with Radiohead’s experiment, above all, it proved that mainstream artists could go forward with independent distribution and compensation methods. In the same year, Nine Inch Nails’ front man Trent Reznor announced on the band’s official web site dropping out of his record label contract with Interscope:

"[...] as of right now Nine Inch Nails is a totally free agent, free of any recording contract with any label. I have been under recording contracts for 18 years and have watched the business radically mutate from one thing to something inherently very different and it gives me great pleasure to be able to finally have a direct relationship with the audience as I see fit and appropriate” (Reznor cited by NME, 2007).

These actions translate perfectly the ideals of disintermediation and independence, with artists publishing their music independently and addressing their fan base directly, with all the inherent advantages, such as retaining full creative and business control, intellectual rights, and royalties’ distribution. Nonetheless, the conditions that mainstream careers grant for both the cases must be taken in consideration. With the support of an already established and large fan base, actions like these can be simply
seen as a bold move, or in the limit, a promotional act. However, reaching this stage, over the traditional chain of intermediaries and starting from the scratch, appears as a long and difficult walk in the desert. For new acts that rose to the top bypassing the traditional intermediaries, Artic Monkeys stand as rule maker case for independent sales and marketing. After failing to meet demand with their own printed CDs during concerts, the band’s fans set up a Myspace profile for everyone to access their music (Young & Collins, 2010). Their first single reached the top charts, on what is assigned to way they have engaged their fans through Myspace, and of course to the traditional effort on the live performance circuit. Nonetheless, they ended up signing and releasing their first album under Domino Records.

In what concerns disintermediation, theses cases aren’t representative enough to demonstrate it by themselves. The most extreme approach for disintermediation is suggested by Music 2.0 that states the possibility of individual musicians to independently build a fan base and publish their music using new digital distribution tools, in a world without major record labels, building on the communication and distribution potential of the Internet (ibid). Although it seems to be theoretical and elusive, this trend keeps growing stronger and can be observed in reports of studies with groups of music artists (Young & Collins, 2010; Hracs, 2012). They confirm that artists are aware of the fundamental importance of direct engagement with their audiences, of the important resources that are required to build this relationship, and of the role of new technologies enabling and developing it (Young & Collins, 2010). Furthermore, they are aware that new technologies are driving a networking model with flattened hierarchies, with more actors, leaving the widespread feeling that major record labels are becoming redundant (ibid).

6 Changes in the traditional landscape

Within the music industry, reintermediation has clearly begun to take place, with both traditional intermediaries reinventing themselves for the digital economy and new players emerging. iTunes and eMusic, are among the most representative new intermediaries, by successfully mimicking the physical distribution and ownership model (Wikström, 2012). In fact, the current debate regarding music distribution

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stands on whether subscription music services, such as Spotify\(^4\), Rdio\(^5\), and Deezer\(^6\), will render traditional music distribution models obsolete (ibid). Other intermediaries based on digital distribution have emerged as companies also known as digital aggregators. Tunecore\(^7\), The Orchard\(^8\), CDbaby\(^9\) and INgrooves\(^10\) provide services in feeding music into the hundreds of online and mobile retailers. Greenburg (2012) presents INgrooves as one successful case of a digital distributor or aggregator. According to their business model, artists or labels send digital recordings to INgrooves that use their proprietary system are converted them automatically into proper formats, and push them out to iTunes, Amazon.com, Spotify and to a bulk of other on-line retailers. INgrooves collects the royalties from the different retailers, without charging them, and cuts the artist a check of 10% to 30% of the wholesale price (ibid).

Recently, top-profile artists such as Madonna, Jay-Z, Nickelback, Shakira and U2 have signed with Live Nation, a company originating from the live performance, touring and promotion sector, considered to be the actual major player in the industry (Dahl, 2009). They have negotiated all-in-one 360\(^\circ\) degree contracts, that typically cover new albums, tours, merchandise, sponsorship, TV shows and films deals touring, aiming for the creative output of artists. According to Sloan (2007), Live Nation would be negotiating around half of the average 16% margin that traditional labels do, but capturing value from all the revenue streams. Although Live Nation has placed its bet on contracting first high-level established artists, according to its CEO new talent is also to be considered (ibid). The structure of Live Nation’s business model shares common grounds with the prediction of Kusek, Leonhard and Lindsay (2005) regarding the future of music companies which would merge together the functions of record labels, artist management, music publishing, touring and merchandising, enabling artists the retention of the intellectual rights, and licensing instead of owning them. Nonetheless, given the latest financial reports, the sustainability of the company is still to prove.

7 The affordances of the new paradigm

The Internet has been enabling a new landscape of industry-related services and activities, which is fuelling a struggle between traditional agents and innovators over the shift from the typical model of centralized power and control or to a decentralized model (Baym, 2010). Hummel and Lechner (2001) argue that, with the characteristics of both digital content and virtual communities, and the trends towards decentralized systems, all the steps of the value chain of a traditional content industry can have implementations based on new and disruptive designs. Figure 4 shows a diagram with the most representative set of web platforms and their affordances.

Figure 4. Affordances of currently available web tools and online platforms
Independent music production has evolved from a niche market to become the most representative model of production (Hracs, 2012). In the independent faction, artists have been embracing the Music 2.0 ideals and the direct-to-fan business model, using the plethora of web tools and online platforms that have been emerging (Young & Collins, 2010; Valladares, 2011). Overall, these platforms integrate many of the functions provided by record labels, covering financial support, management, marketing, promotion and distribution. With the available technology, instead of addressing record labels for these services, music artist are now able to adopt an independent, and even a DIY stance, bypassing the intermediation of the label. That can be seen in the financial support, which was typically assigned by a label as advances in exchange for the recording contract and copyrights and majority share of royalties, artists have become able to leverage on the power of online crowds for fundraising. Several models of have been put to use in order to finance an artist’s development and support activities like album recording, marketing campaigns and concert tours. One strategy that has become widely used, is having a donation button in the artist’s website or blog, which is usually referred to as ‘tip jar’ button. PayPal\(^\text{11}\) and Bitcoin\(^\text{12}\) provide widgets, such as customized payment buttons that can be embedded in any website or blog. Within this line of action, ‘microdonation’ services like Flattr\(^\text{13}\) are also consolidating their position. With Flattr, users need to click a button to ‘flatter’ that just like doing ‘like’ in Facebook, but with a micro transaction being performed in the background and accounted in the service. Although Flattr has received great support from the open source community of developers, there is no secure data available yet to evaluate its success (Felinto, 2012). Another web-based funding model and recent phenomenon is crowdfunding. In this model individual project promoters request funding from a multitude of individuals through an on-line platform, usually in return for rewards, such as future products or personalized gifts. Several online platforms have emerged that support the crowdfunding model. The most well known are Kickstarter\(^\text{14}\), Indiegogo\(^\text{15}\) and Rockethub\(^\text{16}\) which support different types of projects from many kinds of creative people, ranging from

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musicians, through to filmmakers, writers, developers, visual artists, as well as creative start-ups. They typically charge a fee over the total raised (between 5% and 15%). According to Dervin-Ackerman (2012), Amanda Palmer, an established and renowned independent music artist, had her Kickstarter campaign appointed as one of the most successful cases of crowdfunding, raising US$1.2 million in near thirty days. Mollick (2012) demonstrates that crowdfunding projects mostly succeed by narrow margins, or fail by large amounts. He also claims that the chances of success for a crowdfunding campaign correlate with the social context and networks around the founders, the quality of the project, and a geographic aspect, in which the project reflects the cultural products of their geographic area. Ordanini et al (2009) suggest that crowdfunding sites like SellaBand serve as a “network orchestrator, in that they do not execute specific activities, but create the necessary organizational systems and conditions for resource integration among other players to take place” (ibid, p.35), and consequently, have the potential to substitute a traditional intermediary, i.e. to take the place of traditional recording companies.

Music artists can today more easily assume the managerial functions performed by the traditional label. Recent online management tools have started to emerge, such as project and task management applications, delivered in the cloud as software-as-a-service. Asana\(^\text{17}\), Do\(^\text{18}\) and Trello\(^\text{19}\) are generic tools that enable project, task and team management in a social and collaborative environment. The success and effectiveness brought by this kind of online applications has paved the way for specialized music management applications such as ArtistGrowth\(^\text{20}\) and Bandcentral\(^\text{21}\). ArtistGrowth has web and mobile versions that help musicians and their staff to manage their careers. It provides a general utility set that aims to enhance the productivity of the artist, agency, manager and label, in exchange for a monthly fee. Functionalities range from smart calendarization, through to financial management with revenue projections, expense tracking and reporting, to facilitated setlist and royalty submissions to BMI and ASCAP, merchandise inventory, contacts, social media and enables discovery of thousands of venue, press, and radio outlets.


\(^{19}\) Trello. (n.d.) Retrieved June 8, 2013 from http://www.trello.com


On the promotional end, social media sites like Facebook, Twitter, Myspace, and YouTube, make up the current marketing hype and generically, provide great tools to market products, services, ideas, etc. For music artists, there is no difference; they are considered almost compulsory for building awareness around sales of music, ticket sales, merchandise, and engaging with fans anywhere in the world. Additionally, there are innumerable sites, blogs and online marketers providing guidance and advices on how to make the best use of these tools. Other apps, such as Topspin, Reverb Nation and Nimbit, are more specialized on music promotion, and very oriented for the independent and DIY music artist. Topspin web application, for instance, “allows an artist to harvest, organize, analyze, and capitalize upon marketing information” (Schafer, 2009). Users can access functionalities such as checking recent sales and marketing data, manage their assets catalog, use embeddable widgets to create storefronts and acquire fans through email collection, and manage the fan base and customer orders. King (2011) describes how Topspin helped British band Tigers that Talked with the direct communication with their fans, in a public relations campaign they led on their own effort. In this campaign, one of Topspin’s widgets, email-for-media (e4m), which trades a free download for an email address, was used in the band’s website, and was forwarded to the press to be hosted in the publication pages. This enabled the band increase visibility, account for hits and collecting a significant amount of email addresses (ibid).

The tools that were referred are only a subset of the ones available, but illustrate the essential functions that were previously handled by record labels. Some of these tools are even marketed by their companies as destined to independent artists, managers or labels. This suggests that, what needs to be done to grow a successful project that reaches the music market, is available for everyone who knows how to work with, and is willing to put the necessary amount of effort to achieve it.

These tools seem to enable empowerment of independent and “do-it-yourself” (DIY) artists in getting into business, and the pursuit of the Music 2.0 ideals, assuming the role of a supplier that is bypassing traditional intermediaries. On the other hand, in a market where entrance barriers have been lowered, the competition levels are higher than ever before (Hracs, 2013). Although DIY practicing musicians can now have full creative and business control, they face many challenges and tradeoffs such as the administrative burden, the work overload, and the lack of connections and expertise on the required areas (ibid). These issues may steal time for creativity and interfere with
focus, lower the appeal for business, and ultimately compromise the quality of the artistic product (ibid).

**Conclusion and discussion**

This paper provides an incursion into the economic theories around intermediation, disintermediation and re-intermediation, in order to support an analytic perspective over the roles of traditional players and innovators in the music industry. Business models and success factors of the traditional intermediaries were approached, with focus on the record label, which has been the powerhouse of the industry in the last decades. Illustrative instances of full disintermediation were provided, through the cases of mainstream artists that have turned to the independent path. Furthermore, examples of companies that illustrate re-intermediation were provided, for the music distribution sector, and as a direct reformulation of the record company role. Finally, some of the available online platforms and web tools that support the direct-to-fan business model were analyzed from the perspective of the affordances that they provide and that overlap with functions and services traditionally provided by record labels.

In the recent past, the music industry, as with other digital media-based industries, suffered with the impact of Internet and technology. With the emergence of file sharing networks and the steady decrease of CD sales, disintermediation was among the buzzwords regarding the music industry. In fact, given the different levels of intensity higher that player in have suffered, one can admit that disintermediation has happens. In the music retail sector, for instance, traditional “bricks and mortar” and specialized shop have been greatly affected. More over, the technological shift and the Internet brought different possibilities in what concerns alternative channels for artists to reach the market. Artists are increasingly taking over functions such as financing, management, distribution and promotion. With the ever-growing plethora of specialized tools, the execution of these functions is becoming more and more facilitated. With these tools, an effective team to use them, comprised of a manager, a marketer, an agent and some investment backing it up, an artist has good possibilities of success. Thus, in the current situation, an artist may reach and grow its audience without the need of a label. Will this mean that disintermediation will target record labels? Major labels keep an important competitive advantage based in IPRs, capital,
and business and network expertise. Moreover, although they are still resenting from the decrease of record sales, they are now capitalizing on the increasing streams of revenue. Historically, there have been previous technological shifts, which caused record labels to adjust and adapt. Some of the illustrative signs indicate that the readjustment is currently happening, such as the renegotiation of contracts, with the adoption of other models such as the pressing and distribution (P&D) deals, the all-inclusive 360° deals, and the lessening of investment in certain traditional business functions. According to its definition, these adjustments may be seen as reintermediation. What is and will be the role of record labels then? With the lessening of the barriers to reach market, the effort of standing out in the hypercompetitive marketplace has become rather immense. This makes effective promotion fundamental and record labels will be able to provide this function as important value based service. Even with the increasing bargaining power of artists, the services of a record label will still be eligible and demanded by a significant amount of artists. On the other hand, there will always be artists that will attract the attention and investment interest of record labels.

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