

# **SALES COMMODITY: DATA**

## **Perspectives on the Economic Value Added in the Digitalized Music Industry**

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### **1 Introduction and Preface**

In order to be able to sell music recordings, it has long-since not been required from a technological viewpoint, to save them to sound carriers. Regardless, if we are talking about a compressed MP-3 file or a high-end format like DSD (Direct Stream Digital), as used on SACDs – they are always forms of digital data. This foundation finds validity across all genres of the music industry.

So, has the sound carrier disappeared? No, but it has become less important. Does this indicate the end of the music industry? No, it is the start of a novel type of music industry, where the borders to other areas of business have become more open and the players seemingly know little or nothing about the field. In the course of my treatment I will not be able to touch on all aspects of this topic, therefore, I especially seek to provide impulses and tips regarding a changing view of the economic value added in the music industry, as a part of the media and entertainment business.

I will focus primarily on popular music (pop/rock) throughout my treatment of the topic. Furthermore, I will deal with the German market, predominantly. Due to the fact that a large share of the German music industry is determined by players acting internationally or globally, it will be impossible not to touch on developments in other markets.

### **2 Terminology**

When I apply the terms “music industry“ or “music business“ I include the entity of the acting parties and the actions that deal with the production, promotion and use of music.

Music industry and the music business will be used synonymously as characterized in the above, despite the fact that the term “music industry“ represents the idea of the mechanical and automated mass production processes of physical products. However, this would almost exclusively refer to the production of sound carriers, which is not intended in the present context.

This understanding expands common definitions, such as the one by Hanno Beck, who refers to the music business as “*the totality of all participants in the market, who constantly deal with the production, sales and promotion of music products.*” (Beck 2002: 2)

In his definition, Beck does not incorporate the consumer in the sense of the private user of music. From my point of view, however, said individual is a relevant market player, despite being less “consistently” or “systemically” involved in musical content. As I will demonstrate in Chapter 4, this person contributes to the economic value added. Furthermore, I do not deem it wise to view musical correlations of use distinctly, if these generate any added value in the music business, notwithstanding if in the form of profit or attention. These correlations precisely act as spheres of activity for synergies in the entertainment and media business. Hutter, who developed the model of the spiral of economic value added in his novel media economy, describes the stage of the market, where the user and the owner meet, as the “quality arena” (Hutter 2006: 169ff). Here, music is given a meaning in a socio-cultural sense. As people use music, integrate it into their daily lives, apply it as a reason to interact and communicate, the foundation for the economic significance is, therefore, generated.

Singers, musicians or bands shall be termed “artists” throughout this treatment. Regardless of gender, this term refers to such individuals, which, along with certain music (songs, albums, videos, ...) are presented to and perceived by the public eye. They do not necessarily have to be the owners or producers of said music, however, they portray a brand in the original sense.

### **3 Characteristics of Music as an Immaterial Commodity**

The importance of music as a relevant information commodity is based on the characteristic of being able to produce states of mind. Music does something to people. People also do something to music – predominantly, people are the ones creating music and providing it to others. They talk about it, they use it to create social events, they are moved by it. Music plays a part. Music is non-physical, or immaterial, as coined by economic science. It disappears the moment it is perceived. A state of mind remains, which continues to develop within us. This continued development can occur by remembering a melody, an interpersonal event where music played a role; or as a result of learning, by registering a sound when playing an instrument, accessing our own fine motor skills, and by adapting and improving said skills through listening, in order to correspond to the aspired sound at some point. This list could be expanded by numerous additional examples.

There is a wide range of possibilities of marketing music, regardless of use, depending on which aspect of music is being considered for exploitation. The potential material value of music based on its property as a creation according to copyright laws. Along with the affiliated rights of sales, this provides the basis of the marketability of music. However, this fact also does not change anything in regard to the basic “immaterialism“ of music. At the moment of consumption, music becomes a physical event (movement of air), which receives its meaning through the perception of our senses. Music cannot be picked up, it passes by our ears, often incidentally as accompaniment or background, or even without anyone taking notice. Not listening at the right moment means missing the event. Therefore it becomes necessary to store this musical happening.

The characteristics of music listed demand quite a lot in storage, distribution, and promotion. Basically, there are several possibilities, which I shall categorize as follows:

1. Individual memory of “acoustic patterns“ (e.g. classic “ear candy“) and subjective associations in meaning.
2. Abstracting sign codes (notes, tablatures, descriptions of keys, descriptions of tempos, etc.)
3. Technological storage of a sound event (vinyl record, tape, CD, hard-drive, etc.)
4. Collective memory and tradition of music as a general cultural asset of human society.

These storage options allow for music to be repeatedly played, performed, imagined and passed on. In regard to the strategic actions of businesses, the third category is of near-exclusive relevance, with the exception of music stores, which fall into the second category. This simple partition shows that the music industry cannot be reduced to the operations of businesses. We should inquire about the musical functions of use in the daily lives of the consumers, the mechanisms and patterns of acquisition of social identities and the differentiation in dealing with the exchange of music (Friedrichsen 2008: 25).

Music does not necessarily require words in order to be understood; therefore, it does not depend on linguistic limits. Music has its own vernacular, i.e., it can be understood all over the world despite there being different languages of music. As music originally developed from within the cultural context of certain societies and was often not produced by an individual, types of music specific to certain cultures have developed; these can be especially distinguished by rhythm, the musical scale, the instruments, as well as by the way in which these are played. In the present treatment, however, I am speaking about popular music, which we are familiar with through our daily encounters via radio, television and the internet. Though said form of music may very well contain elements derived from certain cultures, these are used in a context

estranged and degenerated from its origins and serve the purpose of “spicing up“ a virtually different recipe – commercial pop songs (Buchholzer 2001: 18).

As mentioned in the above, the effect of music does not stem from the contents (lyrics) but from the user (reader). The same is to be said for the usage and added value created through the use of music. There simply are no objective quality features that make a piece of music “good“ or “bad“. At the same time, there is also a lack of reliable criteria for the success of music, which might assist artists and music companies in designing respective products (Kromer 2008: 42).

## **4 Economic Value Added Structures and Promotion Cycles**

### **4.1 Historical Abstract**

After experiencing a primary milestone in the history of commercial realization of music through the development of the first music publishing houses in the mid 18<sup>th</sup> century, a further point was established through the invention of technological recordings of acoustic events in 1877 – from many a vantage point the actual founding moment of the music industry. Further technological developments and the introduction of broadcasting resulted in a consistent increase of the music business, until the global depression and World War II put a dent in the success.

In the late 1940s, two technological innovations kicked-off the regeneration of the music industry, the Long Player record by Columbia and the Single record introduced by RCA Victor in 1951. The introduction of the stereo record in 1958, as well as of the tape recorder and the cassette tape in 1963 continued to make listening to music more appealing. The advertising effect of radio broadcasting further increased the popularity of the field.

In the 1960s marketing strategists of large record labels began to present artists featuring their overall work in the form of albums. The single became a marketing tool (Wicke 1993). The increased use of cassette tapes by private listeners saw the end of the boom in 1979. In the mid-1980s the CD brought the desired growth spurt to the business. At the same time, the promotion of artists reached a broader foundation. Aside from radio broadcasting, Music Television (MTV) provided additional capacities for the expansion of the artist brand. Not only the repetitive usage of the existing repertoire on the novel sound carrier, but the marketing cooperation with producers of consumer items provided additional possibilities of making a profit (Buchholzer 2001).

The ensuing “boom stage“ continued into the late 1990s, but it was brought to a screeching halt through the consumers changed user behavior, inspired by the technological options of exchanging information and data via the internet. For approx. 10 years now, the music industry has been at a consolidating stage, induced by the constant decrease in sales of physical sound carriers and the respective substitution by digital music purchases (Frahm 2007: 46).

Structure and marketing of artists has been consistent since the mid-1960s, projecting the ideal exploitation of an album based on promotion through live shows, media presence and a number of respective singles. The cycle of exploitation takes about 2 – 3 years, until it begins again with a new album. Despite the wide range of distribution and sales channels available to the music business since the digital age and broad-band internet, popular music is still sold as a brand name based on the build-up of the artists. Along with the decreasing importance of the sound carrier as medium for pictures, image and biography of the artist, trans-medial marketing has been at the forefront.

Corporations which unite as many types of media and distribution channels as possible within their organization are becoming increasingly important in this regard; just as companies incorporating a business model that either offers access to a large amount of users or provides an online platform for the development of virtual communities.

## **4.2 From Chain to Spiral**

The economic value added structures have to be regarded as a part of the entire media and entertainment industry. On the one hand, this is due to the links between music and other media commodities on the level of the economic value added stage, on the other hand it is due to the concentration of businesses operating on this level. The similarities are in part based on the ideals of the historic-traditional economic value added chain, where physical sound carriers are duplicated in the end and distributed via retailers. However, nowadays a significant part of the music industry’s economic value added takes place outside of these traditional structures. This does not imply that the links to the economic value added of other media commodities have diminished (Kromer 2008: 19ff).

Production processes, marketing and promotion, as well as distribution all take place via media. This is true for sound carriers and the promotion of music in radio broadcasting, television and printed media. Economic value added exists aside from these mechanisms and it is conceived in a fundamentally different way. This can simply be based on the genre of music. The marketing of classical music, Jazz or children’s music deals with different target groups and applies other promotional channels of communication. Performances play a much greater role in these

cases. Catalogue exploitation, i.e. the continued use of older repertoires, contributes to the profit margin, as well as the sales of licensed products and merchandise, which equally have to be regarded as a part of the economic value added chain (Kromer 2008: 22).

According to Hutter, in order to explain the correlations in this complex sector, he first takes a closer look at the stages of the economic value added chain of individual media industries in his novel media economy, he then moves on to create a larger economic context. As these stages do not simply merge into one another but rather show a circular connection, he refers to it as the economic value added spiral. According to this perspective there is a sequence of five markets and one quality arena, significantly providing the structure of Hutter's display (Hutter 2006: 52). Similar to other areas of business, Hutter also regards the music industry as a sequence of markets, the course of which is determined by four stages of economic value added:

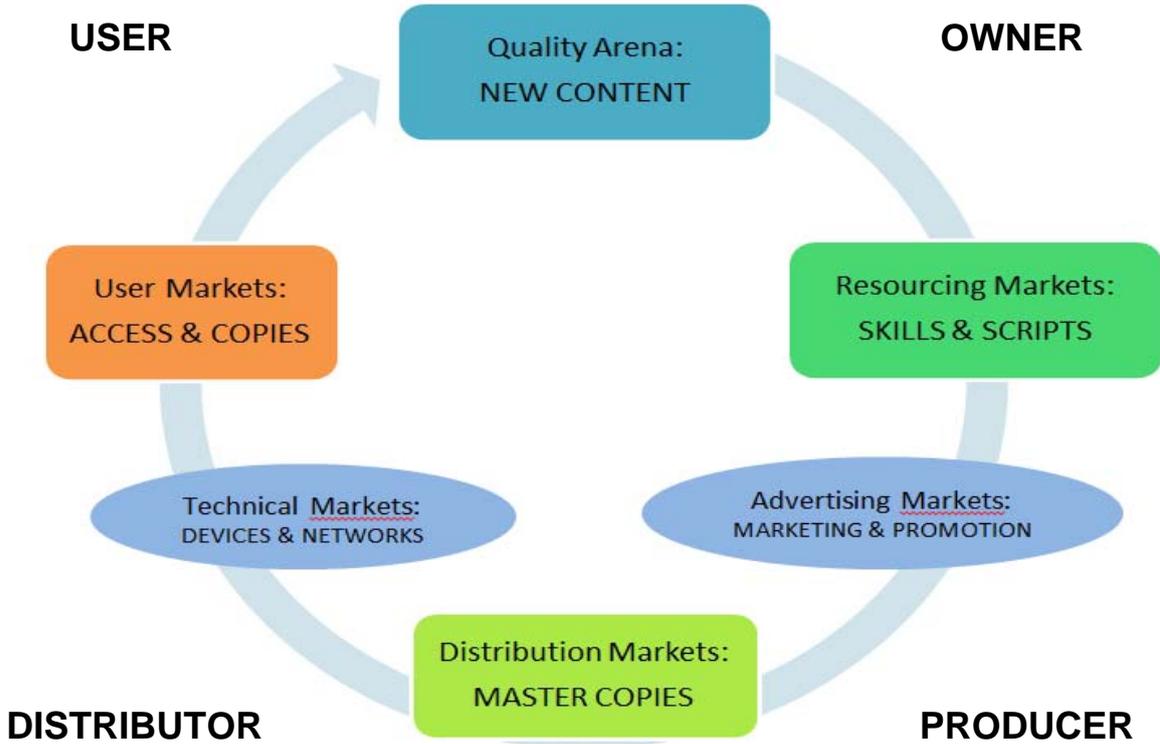
- Stage 1: invent and display contents
- Stage 2: produce contents
- Stage 3: distribute contents
- Stage 4: apply contents

Analogous to these stages, we have the distinction between the owner, producer, distributor and user. The item changes "possession" when moving from one stage to the next. These transitional periods represent arenas which work like markets, where payment completes the transition of items from one stage to the following, thereby highlighting the value added of the goods in the next stage. In addition to the four economic value added stages Hutter indicates two more activities that work like markets:

- Activity 1: Advertising and promotion of content
- Activity 2: Availability of technological devices and channels of distribution, reproduction and use of the contents

Both activities accompany the four aforementioned stages and equally possess economic value added characteristics. A strong link between the music industry and other areas of business exists via these two activities. After the transition of music to the consumer has taken place, their activities are significant and pivotal for the start of the next economic value added chain. Finally, the quality of usage of the acquired contents determine the value and provide the foundation for the development of new contents – the economic value added chain starts up again and, because of this circularity, is regarded as an economic value added spiral.

On the one hand, Hutter applies the term arena in this model to indicate nodes where the transition of goods from one stage to the next take place; on the other hand he uses it to describe market activities which increase the value of the information commodities, but that do not fit into the structure of economic value added. All arenas but one, the one where novel contents are generated, are organized like markets, i.e. there are sellers, there is a demand, and a transaction of cash flow. The exception, according to Hutter, is the quality arena, as there is no price competition (Hutter 2006: 52 – 55).



III. 1: Economic value added spiral (own illustration based on Hutter 2006: 54)

In the quality arena of “newly generated contents”, users and owners of “scripts and skills“ (Note: in “Creative Industries“, Richard E. Caves describes the artifacts and abilities, which represent the starting point of creative processes) are in close proximity. There is no competition for money going on here, but one of relevance and presence of contents within society. As users assign a value to contents through repeated usage, through an exchange, by playing certain songs in a band, by frequently watching or listening to music videos and pieces of music, the foundation for novel ideas is initiated, which will innovate what has become established through variations or further development – one part usual, one part surprising: the creation of something new (Hutter 2006: 56).

When taking a closer look at the individual stages of the market, Hutter especially recommends distinguishing the actual cycle – the frequency and regularity of appearance – rather than looking separately at types of media or information content. Despite the fact that information content appeals to various senses – e.g. images to the eyes, sounds to the ears, movies to both – in the end it all refers to the ability of a person to attribute meaning to appearances of the surroundings. Therefore, the various types of media and the respectively activated senses are less in competition amongst users than those contents that reappear in the same frequency and are therefore in temporal competition (Hutter 2006: 57).

For example, books, sound carriers, and copies of movies are part of the group of *unique contents*. The media is released at random points in time and may be used by the consumers at any time. These contents are commonly sold through retailers. Hutter allows all contents, which are released on a regular basis with the same layout or program pattern, as so called *periodic contents*. These include, but are not limited to, radio broadcasting, printed media, and online services. For example, uninterrupted radio reception, access to the internet, or reliable magazine carriers as functioning channels of distribution are staples of the economic success of periodic contents.

For Hutter, a characteristic of *interactive contents* is the possibility of a rapid reversal of sender and recipient. The simplest example hereof is a telephone conversation. Even though the contents are produced by the users, the respective exchange requires infrastructure services and devices (telephone, landline, transmission). Furthermore, Hutter includes the internet and any business models connected to it in his group of interactive contents. Display forms such as music, image, text or video are generally exchanged in an integrated manner, i.e. digitalized, and transmitted in the form of this data and then brought back into its respective form via the receiving device. Aside from devices and transmitter services, the users also require software for the digitalization and resolution of the data.

In summary, Hutter originally attempted to view media industry from the vantage point of a “before/after” distinction. As a result, the various stages of economic value added, the transitions, links and nodes, have been uncovered. A fluent progression to the novel start of an economic value added chain was described by the introduction of the quality arena in the fourth stage “usage”. The economic value added spiral was born. The second distinction Hutter selected, is the cycle of media content – singular, repetitive, one-way or two-way. Resulting from the variety of combinations, media types are created which develop their own forms of transactions in every stage of the market (Hutter 2006: 58).

### 4.3 Artists are Brands

Brands offer orientation and trust, convey a promise to quality, values and consistency. Successful artists are successful brands. A person and music connect to become a continuous work of art, which develops a personality through the distinguishing characteristics, akin to an individual. The so-called “emotional offer“ is much more prevalent for artist brands than for regular brands of products. The image of the artist is developed by associations and subjective quality attributions performed by the user. Objective, distinctive characteristics within the product, music, are irrelevant. In the best case, these are used to position the music within a genre.

The frequency and intensity of the points of contact between the user and the artist are significant for the successful development of the brand. A situation where the potential user experiences the artist is referred to as a point of contact. Intensity, here, means range and depth of the transmission of information. If the experience of the user is limited to one piece of music, range is lacking, instead, the user delves into the music deeply. If the user learns a lot about the artist’s biography and view of the world in an extensive interview, the conveying of information will show great range, however it will not be able to provide deep insight into individual aspects. The actual core competence of a label is to create such points of contact regularly, as well as the continuous design of the respective content with the goal of creating a “customer experience“.

Musicians, music and music events are the topics on TV and in print media. These might be reviews about a release or the report of an event, but might also deal with trivial tabloid issues about the private lives of famous musicians – so, information that is not directly related to the actual music itself. Nevertheless, it serves the brand of the artist by increasing the attention and celebrity status (Weinacht / Scherer 2008: 7). As a result, it is not surprising that an average of 16 percent of sales revenue of labels is invested in the search and development of artists. They are the most important investors in professional careers of artists, therefore their interest in sustainable success is vital. As partners, music companies consult and control creative aspects, including recordings, production of videos and artwork, make advance payments, deal with licensing fees, create marketing and promotion campaigns, and usually also ensure that the final recording is available across the board in all music stores – offline and online.

The seemingly unlimited opportunities offered by the internet and the relatively moderate production costs of an acceptable recording canvas the fact, that it has become much more difficult for artists to establish themselves in the market in the mid-term and in the long-run. The novel opportunities create more competition and the attention span of users within the abundance of

information has become a rare commodity. Without attention there can be no popularity, without popularity any attempt to create a brand will falter. Most artists who have the desire to become professional musicians aim at breaking through in main markets such as the USA, Great Britain, Japan or Germany. Even though individual careers of artists depend on many singular factors and coincidences, there are typical investments required for the development of a brand, which have been estimated in the study "Investing in Music" by IFPI. Pursuant, costs between 750,000 and 1.4 million dollars have to be projected and can be divided as follows:

- Advance payments: approx. 200,000 dollars
- Studio recordings: 200,000 to 300,000 dollars
- 2 – 3 music videos: approx. 50,000 to 300,000 dollars
- Tour support: approx. 100,000 dollars
- Marketing and promotion: approx. 200,000 to 500,000 dollars

In summary it can be stated, that music businesses or labels continue to view the organization of a working infrastructure – which is required to place an artist focusing on a sole market and to generate a profit - as their core responsibility. Usually, the label bears the financial responsibility in the event of failure. The album has proven to be the best period of time for such a venture, which is why it is also the format that strikes the highest profits in the field of downloads.

Aside from these classic models of cooperation, alternative forms of partnerships have become established within the music industry. Many artists only utilize the support of music businesses for some aspects of their work. As a result, drawing up contracts has become more varied. To date, album sales and profits from live shows provided the main income of artists. Today, music businesses support the artists in accessing new forms of generating revenue, for example in the area of merchandising, or marketing the rights to the use of their music to the advertizing and gaming industries (BVMI 2013: 23).

#### **4.4 Consumers, Fans, Users – things going on in the Quality Arena**

Pop music is a part of popular culture. Meaningful contributions in the research of popular culture are derived from the field of "cultural studies". The field approaches the phenomenon by analyzing the correlations of three dimensions of popular culture:

- Lived cultures (the social existence of individuals that consume products of popular culture)
- The symbolic forms and texts, which are consumed within this lived culture

- The economic institutions as well as the technological processes, which produce these forms and texts.

The analysis of these dimensions and the ensuing interaction brings about a number of very complex aspects:

- The tense relationship between the regulations of the popular culture market and the sovereignty of the consumer (those, who receive some form of mass market culture)
- The characteristics of lived cultures and the relationship to certain cultural preferences and factors, such as class, gender, ethnic origin, age
- The ideological role of popular culture in regard to consistent and predominant values, and the possibility of countering these
- The nature of the popular culture appeal (the entertaining features of texts) and the respective role as general cultural capital
- The recurring reactions of moral panic to the developments in popular culture and the dominant culture's angst concerning the effects on the working-class population during such times (Shuker 1994: 13 – 15).

The term “cultural studies“ surfaced in the late 60s and 70s and has close developmental ties to the Centre for Contemporary Cultural Studies at the University of Birmingham. Grossberg made the following statements regarding the research goals and approaches of “cultural studies“:

”Popular culture is a significant and an effective part of the material reality of history, effectively shaping the possibilities of our existence. It is this challenge – to understand what it means to ‘live in popular culture‘ – that confronts contemporary cultural analysis.” (Grossberg 1992: 69)

”To study popular music is to study popular culture.” (Shuker 1994: 1). Many studies treat popular music regardless of its role in popular culture. The production of popular music, how its reception or consumption in society takes place and the state of society's guidelines for taste are not considered. Furthermore, popular music was not regarded in connection with other forms of mass and entertainment media for the longest time, and also not researched as such. Simon Frith was the first to investigate popular music from that perspective. In research today, it is impossible to ignore popular music as a global cultural phenomenon, supported by an enormous industry and which has produced a wide variety of youth cultures spreading in all directions across the trend and fashion world. Hence, popular music as a part of popular culture is practice in society, as well as an industrial product.

The correlation between popular culture and mass media does not always need to be the main focus. However, the communality of mass production and mass audience is a fact. The existence of such a mass audience appears differently in the various fields of mass media production. Range, ratings, radio airplay, copies in use, number of visitors, sales figures, etc.; all of these points measure the values of "popular" or "unpopular". The face value of popularity is expressed through fame, but in the background it is plain and simple: money. Consumption of the cultural commodity is communal by nature; this shall not be forgotten.

So, popular music equals commercially produced music and is to be seen as a cultural commodity of the entertainment industry, which assumes mass consumption and the global market as inevitable factors of popular culture (Shuker 1994: 3). Returning to a term I prefer, the contents of popular music are not simply musical by nature. The figures, individuals, and their respective stories are also a part of the popular music product. All of these areas strive towards public recognition and demand. The circular argument in this context is: "the popular are mass, mass are popular" (Shuker 1994: 5). Therefore, a predominant feature of popular music is marketing directed at a mass audience and the exploitation of said contents on a multi-media level – regardless of genre, style, origin, or message.

#### **4.5 The Bottom Line – Use of Music in Germany**

Based on the background provided thus far, the use of music in Germany presents itself as follows: a decrease in sales of physical sound carriers across the German market can be observed, though it is rather minimal. By far the largest share of revenue in the music industry is generated by the sales of physical sound carriers (80%), 71% of which are attributed solely to CD albums. The sales of vinyl records even increased by 36% compared to the previous year. Vinyl records have surpassed physical singles by a large margin, based on revenue. The largest share of digital revenue is generated by so-called "à la carte downloads" (approx. 90 %), however, subscription and streaming services were able to increase their share in revenue by roughly 40% to an estimated 10% of the entire digital turnover. The time of ringtones seems to have passed; the profit in this specific sector has taken a major nosedive throughout the past few years.

For German users, the album is the most important format. Nearly 95% of the physical sound carriers sold are CD or vinyl albums. In this area, the actual single has become a near non-factor and has shifted almost exclusively to single-downloads, which have increased by 22% in the year 2012. At 55%, the album renders the largest revenues in the download sector (BVMI Yearbook 2012).

The distribution in earnings from collecting societies are a good source to get a sharper image of the revenues across the German music industry. I would like to use the figures provided by GEMA. In Germany, a major share of the proceeds from exploitation of music dished out to composers, authors, and music publishers is exacted by GEMA, the society for musical performances and mechanical copyrights. The distribution of earnings to various areas displays where music is used to generate profit and added value. By far the largest share of proceeds (31.74%) comes from the use of music in radio broadcasting and television. Music licensing for copying to image and sound carriers generates a total of 16.56% of proceeds. Online use and private copying add up to a little more than 5% of the revenue.

However, more than a quarter of the proceeds stems from the use of music in the course of events. These include, but are not limited to, background music through playing sound carriers (15.24%) at conferences, trade fairs, or in department stores, music in bars, restaurants and clubs, as well as live appearances (10.59%) of musicians and actual live shows, the core objective being the show itself (GEMA 2012: 31).

The use of music increasingly takes place on mobile devices. 77% of all German Smartphone owners use their device to listen to music (BVMI 2013: 29). They further use it to pass on music videos and songs, to chat about music and to upload photos of concerts they have attended to social network sites. Music plays an important part in the socialization of the daily private use of media (Weinacht / Scherer 2008: 12).

## **5 Integrated Culture and Entertainment Industry**

The connection between music and media in daily life is “unmistakable”. Music dominates the airwaves for the most part - 75% on average (Gleich / Vogel 2008: 73), music is the theme of various TV formats, music can be heard in nearly every TV commercial, music is the most frequently used content of broadband and 3<sup>rd</sup> overall in online purchases, music creates stars and stories for the tabloids, music makes the most exciting moments of movies grab you even more, music is the motivating co-pilot when passing others on the highway, music speaks to us, unites us, provides us with energy, joy, peace, ... first and foremost, music is filled to the rim with emotions and contributes to emotionalizing the media content. Additionally, music is regarded as the most important form of entertainment (IFPI 2008).

The above listing is intended to show that music and media exist in a co-dependency. Without the radio there would be no hits, without the internet only few CDs would be sold or no songs

would be downloaded, without BRAVO-TV, 13 year old M. from H. would not even know about the existence of a new favorite band. The largest share of music reception is transmitted via media. Media clearly has a large economic significance for music, as music does for media. Media is the main platform for music marketing, at the same acting as a part of the economic value added chain. Media influences the standards of production and distribution on a technological as well as on an esthetic level.

The music industry, the entertainment industry, and journalistic formats do not only profit from one another, in some cases these even seem to blend. Entertainment formats such as "*Deutschland sucht den Superstar*" are exemplary for a new dimension of cross-medial strategies in promotion in the entertainment industry. Selection, build-up and promotion of the new pop-stars all take place during a TV event. The future stars can prove their respective sales value and market potential via ratings and viewer voting. Stories on the backgrounds of candidates, judges, or the host can be found in the magazine accompanying the show or on the website. Consumers have the opportunity of exchanging comments in chats and in forums during and after the show (virtual communities). News from the casting show is exploited numerous times in further TV formats (news, people magazines, talk shows, ...). Songs with the candidates are produced before the end of the season. In this specific case, the Bertelsmann Corporation efficiently uses the synergies of its media through the aid of music.

The last fifteen years have also clearly shown that the sound carrier industry had its share of problems grasping digitalization and technological convergence as an opportunity. Material sound carriers have not just become superfluous theoretically, the consumer has turned into the user – tough to foresee and hard to control for the promotional strategists of recording companies; a more and more criminal and hard to tackle counterpart. Along with the sound carrier, the obvious sales item seems to have disappeared in the mid-term. Currently, however, the disappearance of the "album" concept in the near future cannot be assessed. Many additional media outlets and channels of communication exist as a projection area for transporting information to the artist – space applied to creating a brand and building an image. In light of this structural change, it seems to be in the best interest of companies to facilitate the promotion of music through an overall cross-medial association of entertainment and journalistic media.

In this treatment I have also attempted to examine the term of economic value added. In addition, Kromer inquired about a definition of value in the music industry. Including minor supplements these are

- the price (measured in money, time, and attention),

- that one singular buyer in relation to one singular seller
- is willing to pay (want)
- and is able to pay (ability)
- under specific conditions (time of transfer, additional costs, distribution of risk, limitations of use).

In addition, he registers some prerequisites for the successful promotion of music in the future. The more flexible and agile a participant in the market is able to balance the approach of the dynamic interaction of the variables of supply and demand, the more efficient said participant will be in reaping the existing possibilities of revenue. This will hardly be possible if companies do not optimize and partially automate their knowledge management, their accounting procedures, and their copyrights management (Kromer 2008: 183ff).

Digital technology has revolutionized the production and exploitation of music, as well as the data transfer. Aside from short-term losses in profit, these technologies have provided the music industry with an expanded creative foundation and novel distribution options. This also facilitates creating a larger product variety (Reich 2005: 349). Viewing the music industry and the entertainment industry in isolation does not make a lot of sense, in my opinion. The interconnections by means of production, distribution and promotion have advanced enormously on behalf of media commodities as well as on behalf of companies. (Hauschild / Kurp / Wiese 2002: 87).

As stated by Lutz Hagen, it is not solely based on acquisitions and mergers, it is also founded in contracts, production agreements and other systems of dependency within society. However, it is crucial that a blending of types of media has become possible as the result of the uniformity of transmission technology (a DSL line does not care what the computer creates from the transferred data). Hence, corporations within the music industry are able to promote music and pop stars via myriad levels of exploitation. Hereby, they generate profits especially by exploiting in-company copyrights to sound carriers, brands, and designs. The intellectual property controls that of the material substance (Hauschild / Kurp / Wiese 2002: 84).

In borrowing from the American economist Jeremy Rifkin, Andreas Zielcke describes a fundamental change in traditional economic structures: the transition from capitalism to an economy of intellectual or cultural properties:

“It is well known that Nike long since has not been selling shoes [...] as Ariola has not been selling music CDs [...]. In reality they are selling loyalty and lifestyles, sensual attractions, expressive symbols and connections to the here and now.“ (Zielcke 2000: 18)

Music can be used as a paramount example of the commercialization of cultural contents. In addition, music plays an important role in the daily lives of our youth as an agent of socialization. Questions of contexts, where music appears as an element of self-definition, display and distinction not only bear importance for aspects of media socialization (Scherer / Weinacht 2008: 12). The economic potential of music is critically based on the culture characteristics of said media commodity. Mike Friedrichsen suggests that “from an economic perspective, there has to be special consideration of the consumption and trading value of music, as well as of the special characteristic of media commodities in uniting elements from private and public commodities within one another” (Friedrichsen 2008: 19).

The production and reception of media always takes place in a socio-cultural context. Considering this, the reception of media contents refers to processes of appropriation, interpretation, and generation of a context of meaning and of establishing identity, as noted above. According to Raymond Williams (Williams 1983: 90ff) this deals with the practices of culture, which he regards as the entity of the ways of life of a group of people. What do people do with media, how do they perform meaningful cultural actions through the consumption of media, and how do these actions react upon the system of media production – these are the types of inquiries treated by cultural studies. In order to be able to better understand the special characteristics of music as a media commodity, the approaches of cultural studies and of research in popular cultures are highly significant, because

„Popular culture and mass media have a symbiotic relationship: each depends on the other in an intimate relationship“ (Turner 1984: 4)

In conclusion, Turner clearly expresses that the economic peculiarities of music cannot be described without imminently including the clarification of its meaning for everyday culture.

The approaches mentioned above offer solid grounds for paying great attention to the interaction between the media and science. From my point of view, especially interdisciplinary strategies involving and combining the fields of communications science, sociology, psychology, economy and legal studies are required in order to grasp the phenomenon in its entity.

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