

SETTING THE STAGE

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INTRODUCTION TO THE MUSIC BUSINESS

LEARNING OUTCOMES

1. Describe the scale of the music business in the United States today.
2. Identify the key technological advances that have impacted the music business over the past 150 years.
3. Describe the significant developments in recent years that have created increased access to the industry for aspiring artists.
4. Discuss the ways that technology might shape the music business of the future.
5. Identify the events that happen as a new song finds its way to market.
6. List the ways an artist or business professional obtains information about the music business.

Yesterday, today, and tomorrow—they are all equally important. If you have picked up this book, you are likely interested in how the music business works today and where things are headed tomorrow. The music business is a vibrant and innovative field full of creativity and ingenuity. It is also a complex ecosystem of interrelated industry segments, each with its own lingo and business practices. In order to understand how the music business works today, you need to understand how the business has evolved over time. The fundamentals of the business are constant: the creation, publishing, packaging, marketing, distribution, and consumption of music. Creators create at one end, artists and merchants “monetize” a music product at the other, and an array of equally passionate, talented individuals perform their vital roles throughout the process: agents, managers, producers, sound engineers, **record label** executives, bookers, promoters, broadcasters, business advisers, lawyers, and accountants.¹ However, the music industry today looks radically different than it did at the start of the 21st century, having been reshaped by ever-evolving technology, consumer preferences, and even a global pandemic. How much has changed? What remains the same? The differences, of course, are in the details. Those details are what this book is all about.

That, then, is what will be laid out in the following chapters: the core fundamentals of the *music business* (the term is used here to include the art, the profession, and the business

¹The gramophone was invented by Emil Berliner in 1887 about a decade after Thomas Edison introduced the phonograph.

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of music), along with the industry's current state of the art (those 21st-century details). Not only do we examine the major changes in music and its audiences, but we also set forth in detail just who produces the music, who consumes it, and how the artists, merchants, and others in that long music chain divvy up the billions of dollars that the industry produces. Armed with a thorough understanding of both, a music-industry hopeful will be well prepared for a career not only in today's music business but also in the music business of tomorrow—one in which the next seismic shifts are surely only a few more beats away.

MUSIC AND SOCIETY: WE'VE GOT MUSIC IN US

Prepare for some surprises. Perceptions of the profession and business of music are usually very different from reality. This is partly because the field is so diverse and changes so rapidly, but it is also because its public face (the major record label and chart-topping superstar) reveals such a small piece of the whole picture. We can begin to understand the music business or any large and diverse activity, as we examine each of its components. That is our method here. But before we do this, let's consider the overall magnitude of the industry today. These facts can provide some perspective about the U. S. music industry:

- 1.13 *trillion* on-demand music audio and video *streams* were played in the United States in 2021, according to MRC Data, provider of the data behind the Billboard *charts*, reflecting the consumer affection for free and flat-fee subscription media services.
- 83% of U.S. recorded music revenue was generated by **streaming**, including paid subscriptions, digital customized radio services, and ad-supported on-demand audio and video, totaling more than \$12.4 billion dollars in 2021, according to the Recording Industry Association of America (RIAA).
- In 2019, concert giant Live Nation alone operated more than 28 *thousand* events in North America, followed by a cataclysmic dip in 2020 due to the COVID-19 pandemic.
- 1 of 5 Americans plays a musical instrument, it is estimated. These musicians spend billions of dollars a year on instruments, accessories, and **sheet music**.

The love affair starts young. Listening to music is cited as the most popular activity among teens. Our passion for music is not limited to any one **genre**, although a cursory glance through the major-media pop-culture lens might suggest so. Desire is strong not only in the United States. Recorded music is one of the primary forms of entertainment worldwide, ringing up a reported \$25.9 billion for record companies globally in 2021 after they suffered a painful decade-and-a-half slide from the beginning of the century.

Meanwhile, ever-cheaper digital production tools, along with the wide-open online world, have combined to spark an explosion of choices for every possible music taste. Those options are often only a click away from being pumped into the many varieties of pocket-size digital media devices attached to eager ears around the globe. Musicians are no longer restricted in their expression by the laws of acoustics. New electronic ways to make music are invented every year, offering a composer or video producer more controls than 10 fingers can handle. The people with access to newer technology are limited in

their expressive capacities only by their imaginations. In short, the *music* side of the music business is booming.

What about the *business* side of the music business? A straight line between a strong consumer appetite for music and a happy music industry is far from guaranteed. The major record label groups that continue to control the lion's share of the **market** are exploring new business models and alliances, different types of artist contracts, and previously untapped **licensing** opportunities for current hits and their important *catalog* (“old”) titles. Musicians and recording artists, newcomers and veterans alike, are discovering that there are more ways than ever to do it yourself: build a fan base, book shows, record music, and get it onto digital services. Many artists are picking and choosing the areas where they need or desire professional muscle, and those segments of their art or business that can be done better or cheaper with some *DIY* sweat.

Indeed, the very definitions of artist, record label, retailer, and even music product are blurring and changing. An artist may be his own record label. A composer might compose music for a symphony, a commercial, a film, and a videogame. A music store might be a vinyl specialty shop, a streaming service, an app on a cell phone, or a merchandising section in a **big-box** retailer. These “stores” may sell music in the form of albums or singles, physically or digitally, or they may rent online access to it for a monthly subscription fee. The product (the recorded music itself) can be a direct source of revenue for artists and record labels, or it might be viewed more as a method of promotion for bringing in revenue from touring and merchandise. After all, the revenue generated from one T-shirt sale is a lot more than from one stream.

New technologies also bring vast new opportunities to evolve and expand—whether the technology in question is audio streaming, music video services, broadcasting, or even the once-obsolete LP (long-playing) vinyl format that refuses to attend its own funeral. History's overarching lesson: the industry has been rocked by waves of always-new technologies for more than a century, and after rocky adjustments, the business has always emerged healthier and more prosperous.

YESTERDAY

History books provide only spotty information on how the musician fared in earlier times as a professional. We can assume, in the beginning, music making was undertaken by individuals and groups simply for their own pleasure. The performer was often also the composer. If there was an audience, it was a social or religious gathering. It did not occur to the early musicians that they might develop an audience that would pay to hear them sing their songs. Over time, the live performance sector of the music business developed (with paying audiences), followed by music publishing, and the recorded music sector.

Finding a Paying Audience

Among the first important professional musicians in Western civilization were the mimes of the Greek and Roman theater. They were singing-dancing actors. Roman law considered them to be disreputable types, calling them *infames* (outlaws). In the Middle Ages, the minstrels of Germany and the jongleurs of France were the first professionals. These musicians were actually vaudevillians, and their acts might include not only singing and

dancing but also juggling, card tricks, and even knife throwing and trained animals. Show business had begun—in the Middle Ages!

A handful of musicians involved in secular music managed to earn at least part of their livelihood during the Middle Ages and Renaissance. But in the religious sector, almost no musicians enjoyed real professional status. The choirboys and choirmen of the Western church performed in the cathedral choirs as just another part of their Christian service. Professional composers in the religious field seem to have first appeared in Paris around 1100 CE at Notre Dame Cathedral. But musicologists cannot provide a satisfactory account of how the profession of composing music took shape in the following centuries. To this day, church musicians in most communities are either unpaid or paid below professional rates.

Conditions for the working musician were somewhat better in Germany in the 15th and 16th centuries. The tradition of *guilds* included the music trade. Musicians' guilds influenced not only working conditions but also creative and artistic standards. These early guilds were active in organizing composition and singing contests and formulated elaborate rules for them. An accurate account of these proceedings may be found in Richard Wagner's opera *Die Meistersinger von Nürnberg*.

Over time in Europe, increasing numbers of artists were employed by the nobility as house musicians. Composers and performers were put on the royal payroll to make music in the salons, ballrooms, and chapels for their wealthy patrons. But nobility looked down on these artists as servants, and they were expected to use the rear entrances to royal buildings. In addition, musicians' royal patrons would frequently pay them late or not at all.

Gradually, musicians acquired recognition as professionals with the development of a new phenomenon: the paying audience. This first occurred in the musical theater and opera, particularly in Italy and England. When the public began to pay its way into a room to hear music, the music business had begun. By the 1800s, the public had accepted the idea that you had to buy a ticket to hear a professional. Increasing numbers of paid concerts developed, not only in European cities such as Vienna, London, and Paris, but also in New York, Philadelphia, and Boston.

We lack reliable accounts of who organized and promoted the earliest paid employment for professional musicians. Perhaps the earliest notable artist's manager or agent was Wolfgang Mozart's father, Leopold Mozart, who discovered his son's talent while the youngster was practically still in diapers. When Wolfgang was six years old, Leopold started presenting his son to all of Europe. But Leopold did not teach his son much about career management. Wolfgang earned considerable sums in his short lifetime but seems to have died a pauper. Mismanagement of money and careers is a sadly familiar song played throughout music history. A more recent ancestor of today's concert impresario was circus genius P. T. Barnum. In 1850, when opera singer Jenny Lind, "The Swedish Nightingale," came to America, Barnum presented her around the country as if she had descended from the heavens. Barnum's bookings earned the artist \$150,000 in her American tour, big money indeed in those days. Barnum understood that the public likes a good show, and the music business grew, even in the classical field, in a razzle-dazzle, show-biz atmosphere.

At the same time, a unique American contribution to theater was emerging: the minstrel show. The shows featured primarily white performers in blackface makeup, playing the role of Black people, although all-Black troupes of African American performers also existed. Minstrel shows are credited as creating the first widespread opportunity for Black musicians to perform in the United States. This development turned out to be of historical significance, for it would be impossible even to conceive of music in the 20th century without

the pervasive influence of Black musicians. By 1900, minstrel shows were on their way out, replaced by vaudeville. The popularity of minstrelsy and then vaudeville enlarged public awareness and appreciation of popular music and thus the entertainment business.

By the 1890s, the piano was a standard fixture in the parlors of upper-middle-class families. On thousands of piano music racks across the land, one would probably find, in addition to some songs by Stephen Foster (known as “the father of American Music”) and a book of hymns, a copy of “After the Ball.” The year was 1892, and this song was the first to sell more than a million copies in a 12-month period. By the 1890s, several large *music publishing* houses had developed, such as E. B. Marks, Witmark Bros., T. B. Harms, Leo B. Feist, Mills Music, and Shapiro, Bernstein & Co. These popular **music publishers** took pride in being able to spot potential hits. When they couldn’t find them, the **publishers** wrote the songs themselves or put composers on weekly salaries to work *in-house*. They drummed up demand for their sheet music by persuading band leaders and performers to play the music in their shows. This promotion was called song plugging. The more popular the performer and performance, the more sheet music sales increased.

At this point in the music business story, technology stepped in to play a starring role, not unlike the one it occupies today. That hot new innovation? **Records.**

Put It on Wax

In 1877, Thomas Alva Edison announced his invention: the phonograph. Its original use was for recording and playing back spoken word, which is why it was called a “talking machine.” Early recordings were captured on tinfoil wrapped around a metal cylinder and then later a wax cylinder and, eventually, on wax discs. Other versions of the phonograph were developed, most notably Emile Berliner’s Gramophone. The earliest recordings of music date back to the 1890s. The earliest superstar recording artist is said to be Enrico Caruso, an Italian opera singer, who released his first recording in 1904. Records and record players changed the music industry immensely. Their invention meant that people could enjoy music in the comfort of their home beyond what a member of the family could play on an instrument or sing. Over the fifty years following its invention, a series of technological improvements, fueled by competition and made possible through the expiration of the original patents, grew the market for recordings until it became the predominant form of home entertainment by the 1920s. Some of the largest record companies today, such as Columbia Records and RCA Records, can draw a line back directly to the innovators in this segment of the industry.

Initially, music publishers were not compensated for the use of their songs in recordings made for the record players or for use in player piano rolls (another invention that was popular at the time). This created an unsurprising rift in the industry. After a U.S. Supreme Court ruling and a major change to the U.S. *copyright* law, combined with some anti-trust concerns, music publishers secured the right to be paid for the use of their music in a medium that required a mechanical device to listen to it. By the mid-1920s, so-called “mechanical” royalties from record sales surpassed sheet music as the primary source of revenue to music publishers and composers. And then came another technological disruption to shake things up: radio.

Mass Media

The world has always been full of music lovers, but it was not until the development of mass communication technology that so many new audiences could be reached. Until the

1920s, most professional music making was addressed to a small elite audience that was accustomed to buying tickets to attend the symphony or a Broadway musical and buying records and record players. When radio (and, later, television) came along, that elite audience grew. But now it was joined and immeasurably expanded by the giant middle-class with a taste for folk music, country and western songs, blues, and jazz. Mass media forever changed the size and composition of the music audience, and merchants were quick to respond to the new millions of paying customers.

This tremendous upside was not clear from the start. Industry leaders misjudged radio broadcasting. Radio gave even more consumers the option to enjoy music in their homes than records did. The publishers fought it, believing that “giving music away” through this medium would hurt sheet music sales. Overexposure via radio broadcasting, they argued, was killing songs within six weeks of their debut; potential customers could not get down to the store to make a purchase before the song’s popularity had waned. It was not until much later that publishers’ income from broadcast performances became meaningful. Record company concern that people would listen to the radio instead of buying records was so serious that they, along with musician’s unions, successfully pushed to get a law passed prohibiting records from being played on the radio. But that did not prevent radio, with its live performances, from taking a big bite out of record sales.

Another significant technological development in the entertainment field occurred in 1927 when synchronized audio was added to films, creating so-called “talkies.” Movie producers discovered, with the very first sound film (a musical titled *The Jazz Singer*, starring Al Jolson), that audiences would buy a lot of theater tickets to hear songs sung on the silver screen. The major studios began scrambling for **synchronization rights** to enable them to add music to films and to turn out musical films in rapid succession.

During the Great Depression of the 1930s, sales of records and sheet music collapsed. Attendance at vaudeville theaters dropped, too, with the growing popularity of the movie musical. Concurrent with these depressions in the music market, radio broadcasting grew rapidly. Music publishers now shifted their attention from plugging vaudeville performers to the new stars of radio. The radio *network* broadcasts at that time emanated mostly from New York, Chicago, and Los Angeles. Publishers closed their regional offices across the land and focused their plugging efforts on these new broadcasting centers. It worked. The publishers quickly discovered that they should point their promotional efforts toward the big bands and their singers who had weekly, sometimes nightly, radio broadcasts (which, at that time, were referred to as “remotes”). Song-plugging had grown from a local to a national enterprise with the development of network radio.

Publishers were not the only ones to benefit from the development of network broadcasting. Big bands became nationally known because of network radio. Then the well-known big bands became record stars. Management noticed that the best-selling big band records were the ones that featured the band’s singer. Alert talent handlers pulled the singers off the bandstand (Frank Sinatra, Doris Day, Ella Fitzgerald, etc.) and started them working alone—for much more money. This was the beginning of the present era of the dominance of the popular singer; they became the new stars and superstars, with the help of recordings and films.

During World War II, the whole world seemed to discover the appeal of America’s popular music, enchanted by its brassy, up-tempo big-band tunes. Much of this worldwide popularity was fostered by the Armed Forces Radio Service. With more than 160 **stations** broadcasting American-made records around the world, millions of listeners heard the great entertainment available from this kind of music, not just the soldiers

(aka GIs) for whom the broadcasts were intended. By the late 1940s, the American style had become a world style.

When the GIs returned home, they bought large quantities of records. Musical instrument factories, which had switched to producing weapons, were now spewing out guitars, organs, pianos, and wind and percussion instruments in quantity. The *recorded* music industry as well as the music *products* industry were reaching a mass market.

Record companies were selling millions of singles in the 1940s. When Columbia came out with the long-playing (LP) vinyl platter record, the music business again experienced a development of overwhelming significance. Now, instead of two songs per record, songwriters and publishers could place 12 songs on a record. On the new LP, record buyers could hear an entire Broadway show, opera buffs could carry home an entire opera in a box, and complete symphonies could easily fit on one LP. The dollar volume of classical records grew to 10% of the market (versus under 1% today).

Along with the growing popularity of LPs was the increasing availability of low-cost tape recorders. Add to this the boom in high-fidelity sound. For a relatively low cost, consumers could hear recorded or broadcast music with a quality of sound that was better, audiophiles believed, than that offered at their local concert halls.

The music business began to attract a new breed of merchants: inventors of new distribution and merchandising methods. The most significant marketing development at the time was the discovery that people would buy records wherever they shopped. Enter the **rack jobber**. This new kind of music merchant set up and continuously restocked the racks that held records in supermarkets, variety stores, department stores—anywhere shoppers passed by.

Large corporations noticed that people in the music publishing and record business were making lots of money. They decided to buy in. By the 1970s, even financially conservative bankers started viewing the music business as a high-return enterprise. Bankers began making loans to music publishers, record producers, and artists' managers. The main attraction to these new investors was record production. In what other kind of business enterprise could someone invest, say, \$20,000 in the production of a record, then receive revenue 100 times that amount for distribution rights if the record was a hit? To the inexperienced investor, the music business began to look like a money tree. By the 1970s, the buying and selling of music companies resulted in most of the industry revenue becoming controlled by a handful of giant corporations (to become the longtime "Big 6," a small club that would shrink to an even smaller "Big 3" in later years).

Dawn of the Digital Millennium

As we've seen, for most of the 20th century, the modern music industry was forged by two then-new technologies: the phonograph record and broadcasting. As the 21st century approached, a third force—digital technology—emerged to shake the industry's foundations. The impact of digital technology was first felt in the process of creating a recording, then in how records were manufactured, and eventually in how records were distributed and consumed. Recording artists, producers, and **engineers** found freedom, in the digital medium, from the technical constraints of **analog** tape, including tape noise and limited dynamic range. As digital audio technology progressed, they were given powerful new tools that vastly enhanced their ability to create and assemble sounds, such as digital signal processing systems: digital reverbs, delays, samplers, looping, pitch-tuning, and editing capability.

Record labels also benefited. In the decade and a half after the first compact disc (CD) albums rolled off the U.S. assembly line in 1984, record labels enjoyed unprecedented revenue growth from digitally remastering their analog catalogs and persuading consumers to replace their record collections with new CDs of the same music. However, all those CDs in the marketplace were essentially digital audio **masters** from which many copies could be made without any loss in sound quality. In 1993, the Motion Pictures Experts Group (MPEG) published a technology standard, the Audio Layer 3 (aka **MP3**), with the ability to compress high-quality audio CD data into a file size that was anywhere from 75% to 95% smaller. At the same time the music business was being transformed by digital technology, so were home computers, which evolved to include the capability to first play audio CDs, then copy the content from the CD (“rip”) to the computer hard drive, and then to play MP3 files. Computer networks also evolved to the point that a typical college student could access the Internet from a dorm room. The concurrent evolution of the MP3 format, the home computer, and the Internet led to what some describe as an existential crisis for the recorded music business.

Digital Threat Grows

The Internet spawned a virtually unregulatable yet broadly accessible platform to distribute digitized music files between computers, known as peer-to-peer (**P2P**) file sharing. The ability to easily and freely, from the comfort of home, obtain an MP3 file of a recording, which sounded exactly like the CD version (as opposed to prior versions of pirated records where each copy of a copy sounded worse and worse) decimated the market for legitimate recordings. Early P2P networks like Napster and Grokster and websites like The Pirate Bay and LimeWire were big drivers behind the record company sales slump that began with the new century. Global recorded music sales dropped by nearly half in



Steve Jobs (C) of Apple with Bono (L) and The Edge of U2 celebrate the release of the new Apple iPod family of products in 2004.

Tim Mosenfelder/Getty Images

the following decade. As a result, the digital millennium dawned with an era of financial pain for the industry. Music **piracy** mushroomed, causing annual financial losses in the hundreds of millions of dollars for record labels, music publishers, and the artists, producers, instrumentalists, and songwriters who depended on music sales for their livelihood.

iTunes Arrives

Technology is a double-edged sword. While it enabled the catastrophic growth in digital music piracy that left much of the music industry reeling, it also made possible a promising new business model for the industry, brought to the masses by a computer company. This was both appropriate and ironic, given the computer's central place in the upheaval of the music business and the predominance of the Apple iPod as a portable music player. Apple's iTunes Store, launched in 2003, offered a way to legitimize and monetize music file downloading and a way for consumers to buy only the *tracks* they wanted rather than entire albums.

The economics were cut and dried: Record labels received a fixed amount from each sale, approximately two-thirds of \$0.99 single-track downloads, with that formula more or less extrapolated for complete digital album sales. Apple's solution to prevent the sharing of digital files was to use a proprietary file format protected by **digital rights management (DRM)** measures instead of the MP3 format. Over time, record labels lobbied vigorously for Apple to raise its prices, and consumers complained of a lack of interoperability between the files they bought from the iTunes Store with non-Apple products, such as typical MP3 players. In 2008, Apple and the **labels** reformulated their agreement, allowing for the variable pricing of \$0.69, \$0.99, and \$1.29 per track, applicable at the labels' discretion, and the removal of DRM from its files.

iTunes created the template for a new music distribution system, one followed by other retailers, including Amazon and Walmart. But its success also brought with it a new reality that was detrimental to conventional record labels, which had built much of their revenue from the sale of albums to consumers who often bought an album just to access one or two favorite tracks. Once consumers could simply buy the few tracks they really wanted, album sales steadily declined. And declining album sales meant lower overall revenues to record companies and artists and to music publishers and songwriters who had come to depend on the income generated by so-called "album **cuts**" (the tracks on an album that were never released or promoted as singles).

Congress and the Courts

From the early days of digital recording through the era of illegal P2P file sharing, the music industry continued to fight against digital piracy, using legislation and litigation. Several key pieces of digital technology legislation were passed in the United States. The Audio Home Recording Act (AHRA) of 1992 stipulated by whom and for what purposes digital copies could be legitimately made. The Digital Performance Right in Sound Recordings Act of 1995 ensured that record labels would be paid for the use of their recordings on digital radio. And the Digital Millennium Copyright Act of 1998 established a range of protections for copyright owners and legal liability limitations for digital service providers. But legislation proved too weak to eradicate digital piracy and furthermore revealed a growing divide between the digital zeitgeist and legacy entities that had built fortunes on the foundation of *intellectual property* (IP) ownership and control. Case

in point: in 2012, the proposed legislation Stop Online Piracy Act (SOPA), whose provisions included allowing copyright holders to request court orders that would bar access to alleged infringing websites and far stricter penalties for infringers, was blocked by powerful and swift lobbying from a consortium of entities ranging from Google to library associations, who asserted that SOPA would lead to wholesale censorship of the Internet.

Litigation in response to digital piracy produced mixed outcomes. As early as 1997, the Record Industry Association of America (RIAA) sued the operators of Internet sites that supported the sharing of unauthorized digital files. Well-publicized suits against sites like Napster and LimeWire successfully resulted in the sites being shut down. In 2003, the RIAA turned to bringing suit against individual infringers, identified through the address of their computer on the network (aka their IP address), which resulted in college students and even grandmothers (who were the home cable or phone service account holders) being named as defendants. The civil litigations were tactically successful but strategically dubious, causing public relations damage to the record industry as a whole. The RIAA eventually shifted to publicity campaigns to raise awareness about the implications of illegal music distribution. While the casual file sharer may have been persuaded that the benefits were not worth the legal risk, hard-core file sharers were unlikely to be deterred. This legislative/litigious game of technological cat-and-mouse made one thing clear: The mechanisms of law and regulation simply could not keep up with the rapid innovation that digital technology brought to music. The public wanted music whenever and wherever they decided, in a way that felt free, and thus ultimately changed the economic structure of the music industry. *The music business ecosystem would have to adapt—if it could.*



Rick Carnes, president of the Songwriters Guild of America, demonstrates outside the U.S. Supreme Court while oral arguments are being heard inside for the *MGM vs. Grokster* case in 2005.

Gerald Herbert/AP

The Industry Adapts

It did not happen overnight, but the industry *has* adapted. The upheaval that the music industry experienced at the start of the 21st century is not unlike what has happened in the past and in other industries. Every technology-led revolution of the past two centuries—railroads, telephones, electricity, the Internet—experienced similar stages of evolution:

- An embryonic, high-tech stage (limited accessibility, technology rapidly evolves)
- An entrepreneurial stage (technology stabilizes and attracts capital)
- An explosive growth stage (numerous commercial start-ups and multiple business models appear, a stage many consider the music industry to be occupying now)
- A consolidation phase (fewer participants but larger entities due to mergers and acquisitions, a stage record labels exploited successfully in decades past)

The digital revolution changed the attitude of a generation of music consumers, perhaps irrevocably. Among people who came of age during the era of P2P file sharing, the mindset that music should be free of cost has been difficult to shake off. The perception and perhaps reality that the cost of recorded music products was out of proportion to the cost of making them worked against the development of new business models that both embraced digital technology and depended on consumers paying for content.

TODAY

With new generations comes a new opportunity to change culture. Gen Z, born after about 1995, grew up with different attitudes toward media than their older siblings. They were true digital natives, used to having information at their fingertips, including recorded music. They wanted easy access rather than a collection of physical items—or digital files for that matter. They considered their purchasing decisions as representative of their values. The music industry offered them an opportunity to access music, anytime, anywhere, through legitimate music streaming services, and they embraced it. The development of smartphones, which serve as portable music players, and affordable access to mobile phone data plans ushered in the era of music streaming as a significant form of consumption by 2010. Quickly, it became by far the primary way that fans enjoy recordings.

Young musicians and industry professionals have also helped to reshape the industry from the inside. They were entrepreneurial and sided with the little guy over the large established corporation. Their attitudes shaped a culture where aspiring artists no longer felt shackled to established norms, like creating music that fit nicely into one genre definition. This mindset influenced innovation that has transformed the industry by breaking down barriers to entry. New companies, referred to as *digital aggregators*, provided the opportunity for any artist to easily get their music onto digital music services. This meant that gatekeepers of the past had less control over which recording artists were able to break into the market. Over the past two decades, the cost of digital audio workstations (DAWs), capable of running easily on a personal computer, have continued to come down, providing musicians with the very real potential of creating a high-quality recording in their basement. The combination of affordable production and easy access to digital distribution has meant that the music industry has become less mythical and more accessible

to more people. As a result, the music business may have shed some of its mystique and glamour, but in the process, it has become a viable career choice in more ways and for more people than ever before.

With both technology and culture spearheading big shifts, it's not surprising that the law has struggled to keep pace. But sometimes it does begin to catch up. The Music Modernization Act of 2018 (The MMA) brought a massive overhaul to U.S. copyright law with respect to several important music-related issues and in ways that puts more money into the hands of creators. The MMA would not have been possible without the different segments of the industry coming together in a way not seen in decades. The MMA was comprised of three titles: Title I, the Musical Works Modernization Act, modernized how *mechanical licensing* works for digital uses of music, like streams and downloads; Title II, the Classics Protection and Access Act, expanded federal copyright protection to pre-1972 sound recordings, for certain types of uses; and Title III, the Allocation for Music Producers Act, made it easier for music producers to collect sound recording digital *performance royalties*. Royalties are payments made to creators and rightsholders in exchange for permission to use their works.

TOMORROW

The future of the music business is full of opportunity thanks to rapidly evolving technology and an ever-growing population of music entrepreneurs and entrepreneurially minded professionals. Consumers are interested in far more than simply listening to stereo recordings, watching two-dimensional videos, or staring at performers on a stage. “Content is King,” as Bill Gates said in 1996, but nowadays how content is *experienced* is equally important. The way technology may enable or enhance an experience in the future is limitless, from the sights and sounds, to how people connect virtually and physically with each other during the experience. Early examples of the music industry exploring how virtual reality (VR) and augmented reality (AR) can create and enhance a musical experience look promising. The global COVID-19 pandemic changed the world in so many ways, the full impact of which may not be clear for years to come. How willing consumers are to pay for a ticket to a live virtual concert remains to be seen. What we do know is that there are huge segments of the population who were never able to afford the \$100+ ticket to the major-city arena show. If there was a new way to connect to a live performance, at a price point they could afford, how much larger would the events market become? Every musical experience, large or small, creates a commercial transaction—billions and billions of transactions. How will technology make the routing of those transactions and money back through the **value chain** to the creator more accurate and timelier? Music performance and production collaboration can take place now, in real time, across time zones and continents. What will that look like when one of the collaborators is artificial intelligence (AI)? For every new technological innovation, there is a hack to it. And the law is usually late to the party in terms of providing protections to stakeholders related to the use of new technologies. Looking to the future of the music business, what we know is that technology will be transformative. There will be winners and losers, and the balance of power may be changed. And while much of it is unpredictable, we know for certain that music will continue to have the power to influence the human spirit.

HOW THE SYSTEM WORKS

With the history and a bit of speculation about the future in mind, it's time to take a closer view of the industry today. Put most simply, the music industry can be described as having three essential elements: the creators, the music, and the audience. Drawing them together is the business of music. Despite the distracting spotlight of changing technology, the music industry continues to operate much like other large, multifaceted commercial activities. A main difference between the music business and most other industries is its artistically driven product and the constant tug of hair-trigger cultural shifts. In examining the business aspects of music, it is the rapid change of product that makes this business almost unique. Even if aided by semiconductors and seamless digital communications, human talent is the key ingredient all along the value chain between the original creative idea and the ears and eyes of a fan.

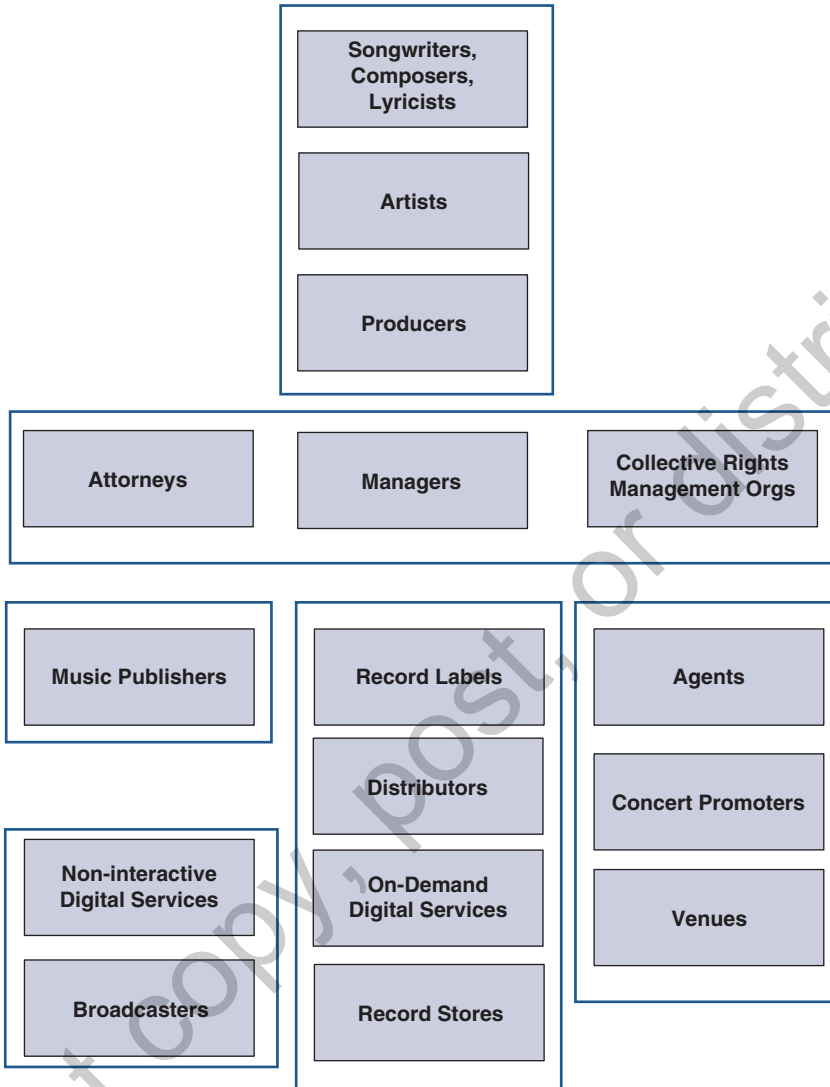
Getting Through the Maze

To analyze that value chain in detail, let's consider two different ways of viewing the industry as a whole. First, study the flowchart shown in Figure 1.1. It graphically illustrates the music business system and its principal subsystems.

A second way of grasping the big picture is to examine the sequence of events that often occurs as a new song finds its way to market. The following list sets forth much of the same information appearing on the flowchart in Figure 1.1.

1. The composer (who sometimes is also the performing artist) writes a song and signs with a publisher.
2. The publisher persuades an artist (or that artist's producer) to record the song.
3. Lawyers (at several stages) negotiate contracts between parties and specify terms for varying forms of usage and exploitation, such as *mechanical rights* and *synchronization licenses*.
4. The record company produces a recording and, usually, a video version of the recording.
5. **Promoters** persuade programmers and curators to broadcast and add the audio recording and/or video recording to *playlists*.
6. The record label sends the recording to **distributors** who send it to digital music services and, if physical products will be sold, ships the merchandise to distributors, who sell it to retailers.
7. If the recording becomes popular, a second wave of *exploitation* can occur: licensing and merchandise connected to the recording and/or artist.
8. A talent agency contacts promoters and venues to book a concert tour.
9. Concert promoters enlist cosponsors and sell the tickets.
10. The *road manager* moves the people and the equipment.
11. The concert *production manager* dresses the stage, lights it, and reinforces the sound.

FIGURE 1.1 ■ The Music Business System and Selected Principal Subsystems



12. The artists perform.
13. The performing rights organizations collect performance royalties.
14. The accountants count the money; the participants pay their bills.
15. The government collects the taxes.

Show Me the Money

Many people would say the making of music hasn't changed much in centuries. It's still all about a catchy tune performed by talented artists. Placing aside the obvious changes wrought by technology, the big transformation has been in the scale of the business. The

music industry has ballooned into an interconnected series of segmented multi-billion-dollar businesses in the United States (not even counting the intertwining of an even bigger business abroad). These businesses range from recorded music to music publishing to live concerts to the sale of musical instruments and equipment. As we'll learn in the pages to come, success often springs from moving back and forth from one business silo to another. But to understand the industry, we'll want to examine, chapter by chapter, each silo for the role it plays and the unique career opportunities it presents. The figures found at the start of this book before the title page show just a sampling of the segmented businesses. Many billions of dollars flow from business to business, as one sector's revenue (such as a composer's **royalty** receipts) is another sector's expense (a publisher's royalty expense). Thus, the same music dollar may, at one time or another, end up in the pockets of multiple industry participants.

TOOLS OF THE TRADE: EVERYBODY'S GOTTA LEARN SOMETIME

Now that we see how big and diverse the industry is, how do we stay on top of it? Although being and staying informed has always been important in the music industry (or any industry, for that matter), in times of rapid change, it is vital. A new trend, technology, or economic model that seemingly has little to do with a particular segment of the business may well suggest a new means of promotion, a potentially profitable new partnership, or an additional income stream to pursue. New types of licensing deals and previously unheard-of music distribution methods bring with them new twists and turns on copyright and royalties issues—issues that could mean money moving into or out of the pockets of numerous music business players. And of course, job seekers looking for an “in” will need to know what new doors might be open to them and how best to educate and market themselves.



Students study the music business in colleges and universities.

University of Miami Frost School of Music

It is one of the great mysteries of the contemporary music scene that many of those involved in it (composers, performers, business people, educators) do not understand how it really works. Worse yet, much of what they believe they know is either out of date or incorrect. The result of this pervasive ignorance about the business and the profession has been tragic. Top graduates of conservatories fail to get their careers even started. Aspiring business-side candidates lack the big-picture smarts and specialized savvy to succeed in a competitive digital age. Musicians navigating the DIY waters fall victim to sharks and their own lack of knowledge when relying solely on their own ingenuity.

So what does the artist or the business executive do to get the information needed to function effectively in this field?

1. Read the industry trade publications, which are all available online and provide the opportunity to sign up for regular email updates.
2. Read books written about the music business. Look for ones with a long track record of providing accurate information or by respected authors.
3. Read authoritative blogs, some of which focus on the creative and others on the business side of music. Because blogs come and go, asking around for recommendations—from fellow musicians, instructors, industry-connected friends of friends—can point to the most relevant ones today.
4. Join industry organizations. There is a listing of the major associations and their websites inside the back cover of this book.
5. Attend industry conferences and professional meetings. These national (and international) affairs are sponsored by industry associations, trade magazines, *performance rights* organizations, and sometimes by artists' unions.

The most reliable sources of information for the serious student can be found in a select group of colleges, universities, and specialized institutions. Following the leadership of the University of Miami in the mid-1960s, increasing numbers of accredited institutions are offering courses and degrees in the music business field. Course offerings usually include studies in music business topics like music copyright, music publishing, the record business, the live entertainment business, arts administration, and recording technology. Depending on the program, students may also take courses in music (theory, performance, etc.) and business (marketing, accounting, entrepreneurship, etc.). Graduates of these programs cannot know it all, of course. But they are far better prepared than others to meet the wide-ranging demands of today's music industry.

The music business system offers many opportunities for individuals needed to help make the system function. No performer today can ascend to stardom or hang there in orbit without an array of qualified supporting satellites. Whether as a star or as one of the myriad categories of supporting players, many (although not all) ambitious newcomers do make it. Why? Is it luck? Timing? Education? Networking skills? These factors have helped launch many successful careers in both the creative and business ends of the field. Four other factors contribute to the success of those who win in the music business:

1. They are strongly motivated; they really want to win.
2. They are talented, and they surround themselves with talented associates.

3. They persevere; they hang in there until they succeed.
4. They study the business for insights on the creative process, career trajectory, and industry economics.

The first three items cannot be learned from a book. The fourth item can, and it is the focus of this book. The music business offers excellent career opportunities for the really talented individual, *if* that individual gets the important information *and* acts on it. The essential core of that information is offered here.

CHAPTER TAKEAWAYS

- The music business is a multi-billion dollar business.
- Technology in its many forms has been a consistent driver of the changing business—from the invention of radio to movies, to TV, to vinyl LPs, to CDs, to downloads, and to streaming.
- Digital technology has been a double-edged sword, improving the ability to produce new sounds but disrupting the established economic order.
- Decreases in the cost of recording combined with access to the digital marketplace provided by digital aggregators have made it easy and affordable for aspiring DIY artist to release their records.
- There are a variety of ways to learn about the music business, including studying it at the college level.

KEY TERMS

analog (p. 9)	P2P (p. 10)
big-box (p. 5)	piracy (p. 11)
CD (p. 10)	promoter (p. 15)
cut (p. 11)	publisher (p. 7)
digital rights management (DRM) (p. 11)	rack jobber (p. 9)
distributor (p. 15)	record label (p. 3)
engineer (p. 9)	records (p. 7)
genre (p. 4)	royalty (p. 17)
label (p. 11)	sheet music (p. 4)
licensing (p. 5)	station (p. 8)
market (p. 5)	streaming (p. 4)
master (p. 10)	synchronization rights (p. 8)
MP3 (p. 10)	value chain (p. 14)
music publisher (p. 7)	

DISCUSSION QUESTIONS

1. Discuss the evolution of music into a formal business, from church choirs of the Middle Ages to the modern enterprise in the 21st century.

2. In terms of creativity and distribution models, what's changed in the music business in recent years and what remains the same?
3. With the shift to digital media, explain who benefited from the shift and who was hurt by it.
4. Discuss how aspiring music business professionals might first become exposed to the potential career paths in the industry.

NOTE

1. Words in boldface type indicate inclusion in the glossary section.

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