



UNIVERSITETET I AGDER

# Art-Entrepreneurship In The Music Business.

DONALD SEFA

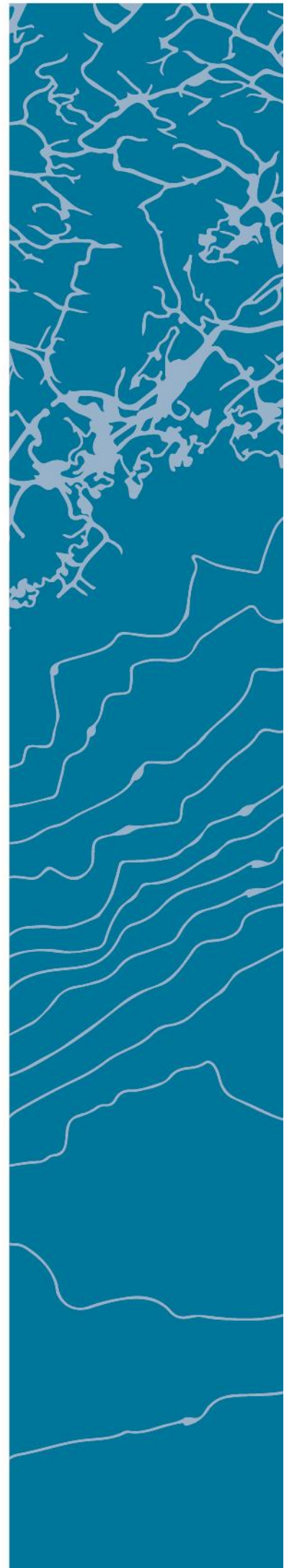
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## INTRODUCTION:

Art, it involves us everywhere, every day, as the part of society we are surrounded no matter if we want it or not, a society that needs to create and express something. Through our history, the definition of art has changed through our perception of how we feel and experience the world around us. **Plato**: art has been defined in the past as imitation and representation, **Tolstoy**: transmission of feelings, **Croce**: intuitive expression, **Bell**: a significant form (Davies 2013).

Since the introduction, the famous file-sharing network Napster 1999, the physical albums are experiencing decreases in sales. The arrival of internet, peer-to-peer networks, the mp3 format has had an incredible impact in the music industry, the distribution of music has shifted from physical to digital goods. The digital transition came slowly, and the record labels found it hard to adapt the opportunities and innovative business models toward digital distribution of audio files through internet. The music industry has experienced transformation and the role of the major labels have become less defined.

The internet allowed piracy and illegal downloading to flourish; record labels were struggling to control the technology that was available to the consumers to prevent free downloading and “copyright infringement”. Many consumers were downloading music for free and record labels were having difficulties finding a solution to the problem (Bielas 2013).

At the beginning of the music industry, creating music, you can find the term “the creative community”. The term includes all individuals who are involved in the process of creating music, authors, musicians, producers, composers, songwriters. Producing and distributing music in the traditional way involved several individuals and companies. All the actors involved in the music business are creating a value at a specific point in the value chain and this value is added to the product or service (Pulverer, 2010). The most important players in the music industry are the record labels. They contract artists, provide them with services like: promotion, marketing, distribution, CD manufacturing (Bockstedt, Kauffman & Riggins, 2006).

The global recorded music market grew by 9.7% in 2018, and it has been the highest rate since the downfall 1997 when IFPI began tracking. 32%, an increase in paid streaming that accounts 37% of the total revenue. The total recorded music revenue reached 19.1\$ billion in 2018 (IFPI 2019).

The relations between the music industry and the new technologies opened the opportunities for new players in the market and new business models started to develop.

In the late 1990s and early 2000s new business models entered the market with their innovative technologies and changed the traditional way of doing business from physical sales (CDs) to digital sales, the streaming based business a membership model which allows the consumers to have access to listen to music as often as they want. Streaming services offer millions of tracks that consumers have unlimited access; they can choose either free or paid subscription and they are able to stream their favorite songs on their own devices.

The music piracy is not a new phenomenon in the music industry, it has existed for decades, but the digital revolution and the advent of new technologies (internet, peer-to-peer, mp3 format, file-sharing networks) inspired a widespread of copyright infringements and allowed the digital piracy to enter on a vast scale (Brown 2016).

In the traditional way of doing business in the music industry artists had limited opportunities to self-market themselves and the most secure deal was to be contracted by a record label. The production costs were high, manufacturing was expensive, and to have access on distribution and marketing channels musicians had high entry barriers to enter the music business. To overcome these barriers the artists required help from record labels, producers, and distributors. Nowadays technologies have made it possible for musicians to produce, promote and distribute their music without a record label.

# METHODS.

## Research objectives:

The initial focus of this thesis is to give a theoretical background on how the music industry has changed over the years, how technological innovations have disrupted, impacted and changed the music business, and how the artists find themselves in a highly uncertain music market. How the music industry has reacted due to these changes, what are the side effects of the technology (positive or negative), what are the acts of the government legislations on improving the music business.

Due to the epidemic situation of Covid-19 and my inability to have research questions on the terrain, I have used document analysis to describe and raise questions about some key elements that have concerned me in the music industry. I have used secondary qualitative data analysis and secondary analysis of the quantitative data to give an overview of the music industry and how the artist's career has been affected from technological changes and the new business models that have emerged due to those changes.

How p2p-file-sharing networks have impacted the music industry will be presented, the advantage of the digital piracy on consumers and the effect on record labels and artists. How illegal downloading and sharing music online keeps away consumers from purchasing music from legal platforms.

Innovations in their main role is to create new business models and how they are operating in the digital environment.

This thesis gives an overview how the record labels and to some degree artists, could interact with innovative business models. How to distribute digital audio files can satisfy consumers, artists, and record labels. How the adaptation of the new models matches consumer expectations, have these distribution services being accepted or not and how are those adaptations considered to affect the future success.

Since the physical sales have been decreasing over the years and the piracy phenomenon in the digital age shows that the consumer demand for music content and digital music are increased.

New innovations and the market players provide new opportunities for music entrepreneurs, and consumers.

## Research question:

With the advent of the digital revolution and the effect of music piracy, is it easier today for artists to create, promote and distribute music than the traditional way? Is entrepreneurship a successful model for artists?

To clarify the objective of main question the research was divided into three sub questions:

How the digital revolution has affected the music major record companies?

How has the piracy affected the industry and the artists in particular?

How did the emergence of the new business models in the digital revolution affect artists career?

## Overview of the research methods:

Methodology is a theoretical analysis of the methods that is applied to a field of study. It includes the theoretical analysis of the methods and principles related to a branch of knowledge. Typically, it contains concepts such as paradigm, qualitative or quantitative phases, theoretical model (Irny and Rose, 2005).

When collecting and analyzing data procedures there are separated into two groups, qualitative and quantitative methods. Qualitative research uses non-numerical data, words, pictures, video clips. Quantitative research uses numerical data. Qualitative and quantitative methods can be used together as a mixed method (Saunders, Lewis & Thornhill 2009)

Research is a systematic and logical search for new information on a specific topic. Investigating and finding scientific solutions and social problems through systematic and objective analysis. A research can open new contributions to the present knowledge. There are different sources that an information can be collected like, books, journals, nature, experience, human beings etc. Progress in the field is made only through research and with the help of the study research is done through experiments, analysis, observations, reasoning, and compare (Rajeskar 2006).

## Secondary analysis of qualitative data:

When a same or a different researcher explore new questions or uses analysis strategies that are different or not the part of the primary analysis and involves investigations of data that are collected from a previous study (Szabo & Strang 1997). Secondary analysis involves the use of an existing data and pursuing a research interest that is different from the original work (Heaton1998)

Secondary analysis of quantitative data:

Secondary data analysis that involves research for the quantitative, the purpose of SDA and the process of sharing data has become commonplace. The approach to maximize the practicality of collecting data, it argued a cost-effective approach and a “respected common”. The analysis made from the parent study SDA research focus on a different unit. It involves a deep analysis with a subset of data from the previous study. Analyzing the data from the original study that appears important. The dataset that is included in the parent study and newly data that is collected improves the purpose and research question of the previous study (Hinds, Vogel, Clarke-Steffen 1997).

## MUSIC INDUSTRY:

An industry is a sector and a specific part of the economy that generates goods or related services aimed for mass production. Now the definition has expanded compared to the traditional concept, now is generally used for marketing, distribution of commodities, immaterial good and services. (Wikström 2013)

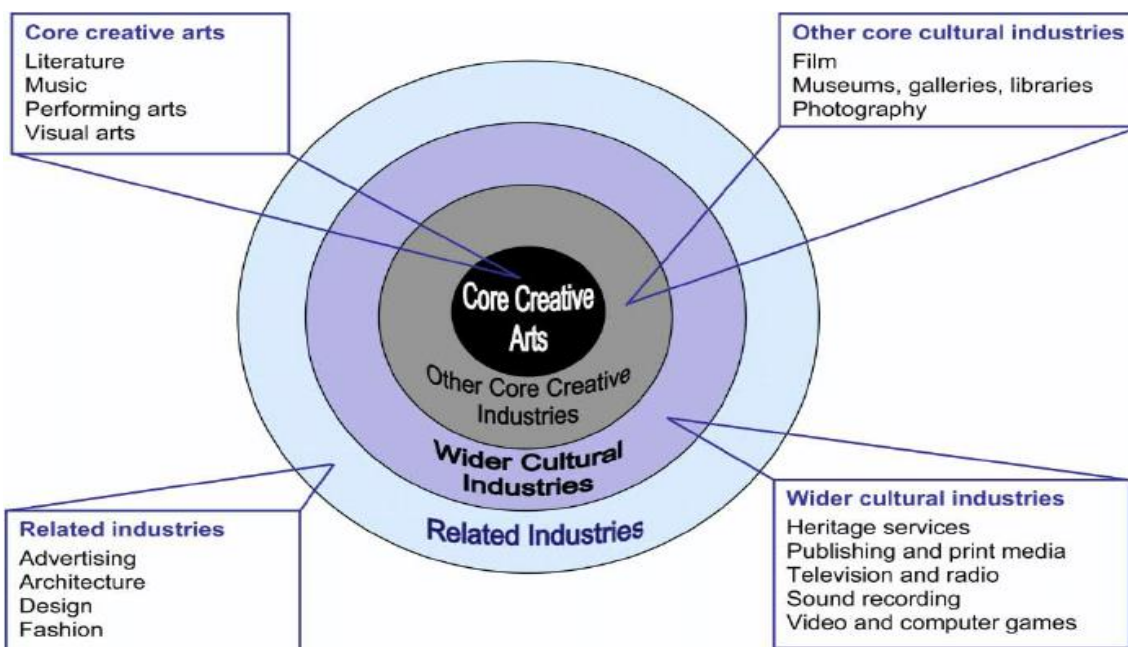
Cultural industries are surrounded by a broad definition of culture, all cultural industries are involved in the production of the culture. *Culture is a set of behaviors, attitudes, values, beliefs shared by a group of people communicated from one generation to another but different for everyone (Matsumoto 1996)*. In a sense, cars, clothes, foods and drinks, the furniture in our houses are part of our culture and they are almost produced industrially for profits. Cultural industries have been thought to be mainly profitable for companies, but, even non-profit organizations are involved in the production of social meaning. Cinema, newspaper, television, performing arts, advertising, recording, and publishing industries they are all activities which their aim is to communicate with the audience. The core cultural industries are broadcasting, film industries, the content aspects of the internet industries, music industries, print and electronic publishing, video and computer games, advertising, and marketing. (Hesmondhalgh, 2002)

Creative industries include both production and consumption of creative goods such as films, music, books, records and art. Richard Caves phrases like "nobody know" which describes the unpredictability of creative products, "art for art's sake" not consisting of money from creative workers toward their products, "motley crew" refers to difficulty of replacing creative talents during projects and to rely on the efforts of the "worst" team member, "infinite variety" suggest the lack of direct competition between creative products, "A-list/B-list" property is splits creative tales into hierarchal groups, "time flies" stresses temporal coordination and the losses which one creative input can threaten a project under way, "ars longa" points to the long life of copyrights, often surviving a work's creator. (Richard E. Caves 2000)

Creative and cultural economies are important and a growing part of the global economy because of the socioeconomic potential which deals with creativity, information, and technology. Creative and cultural industries which include arts, culture, and business they lie at the core of the creative economies. Cultural industries have been a term that has been used for many years in cultural analysis and policy for numerous years. Creative industries were another term that joined in 1990.



The UK definition of CCI: The Creative industries have their origin in individual talent and creativity which is a potential for job creation and health. Commercial sectors like (architecture and advertising mainly for profits), (Television and film) which are highly capitalized in production and distribution and Arts and crafts, making music, designer fashion, visual and performing arts is the definition of the creative industries. The European preferred to use the cultural industries instead of the UK creative industries formulation. Scandinavian countries use the experience economies or the creative economies. The term of the cultural economies or CCI industries depends on political, sociological, economic approach is agreed. They include (knowledge, arts, entertainment, media industries, arts and entertainment industries, audiovisual, artistic, media industries and copyright-based or copyright industries (Leva Moore 2014).



(Source: Throsby 2007)

According to Wikström, a useful way to describe the music industry is to consider it as a copyright industry. To be able to license musical content and personalities, they need to be protected by copyright legislation (Wikström 2013-pg17). The copyright industries are defined as being wholly engaged in creation, performance, production, distribution and sales of copyright subjects. It includes music, photography, the media, theatre, advertising services, film, visual arts, collective management societies (WIPO). Copyright products are described as experience products. Products like songs, film, book they need time to be experienced from the consumers. Copyright products are often referred in the industry as intangible and they can be digitized.

A copyright is a form of protection, provided by law that is a legal right that protect an individual work since the idea it has been physically expressed. It establishes the owners' right and gives responsibilities, how the other individuals should use the author's right. With the copyright work a person can do many things like copying, changing, or selling it, renting to another person or sharing it online or be the persons who use it can be prevented to do so. When you read a blog, listen to music, watch online clips they all are copyright in any way. Most creative thing a human can create a copyright law protects it.

Copyright law protects the works which are original and tangible. Original—when the work is originally created as a product of your own skills, not replicating the work from someone work such as imitation of (drawing or painting for example). Tangible—the work becomes protected when it is expressed physically such as writing down, recording, performing, or writing the scores of the tunes that you were thinking. The concept of protecting the works comes with the invention of the printing by Johannes Gutenberg in the fifteen centuries.

With the statue of Anne in 1709 which was the first parliamentary act and considered to be the earliest copyright legislation. With the Berne Convention 1886 the law expanded even internationally for the authors, the UK court would protect a German author in the same way as a UK citizen. One of the pillars of the Convention was the French Author Viktor Hugo. The countries that are participant of the Berne Convention are working effectively in a partnership that protect the copyrights when they leave the home borders. The Convention in the internet era is more important today than in 1886.

The music industry is very dynamic, it is not defined as one industry, but several industries that are closely connected to each other, but are different at the same time based on different logic and structure. The core of the music industry starts from the creation and the exploitation of the work the intellectual property. Starts with composers and songwriters who create songs and write lyrics, that are performed live, recorded, and distributed to consumers, licensed: for example, sheet music or other forms like (advertising and Television) media. Which makes the structure of A) recording industry, which recording and distributing music to consumers, B) licensing industry, which is licensed compositions and arrangements, C) live music, which is promoting live music concerts, tours etc. There are other participants in the music industry such as instrument making business, stage equipment, software, and merchandise, but they are not considered as the core of the music industry.

## The Music industry:

Usually the recording industry has been referred as the term of what makes the music industry in total, while (Marshall 2013) refers as (plural) music industries, shifting the attention towards live performance and publishing rather than the (singular) recorded industry. The music industry according to Hesmondhalgh is divided in three sectors, primarily the recording which includes the recording of the sound and, publishing and live performance. (Hesmondhalgh 2013:17) According to Fran Healey the singer of the UK band Travis quotes at [www.parliament.uk](http://www.parliament.uk), that the music business is divided into four sectors, recording, publishing, live performance and merchandise! <https://publications.parliament.uk/pa/cm201314/cmselect/cmcomeds/674/674we14.htm>

Music is separated in four networks, network of creativity, reproduction, distribution, and consumption. (Leyshon2001) read at (Wikström 2013-50) according to Leyshon this categorization can be referred as a simple value chain.

## RECORDING INDUSTRY THROUGH THE DIGITAL ERA.

When we mention recording industry the first thing that comes to mind are the big major labels Warner Music, Sony music and BMG emerged, Universal Music, and EMI, which was purchased by Universal and Sony in 2012. These companies produce  $\frac{3}{4}$  of the world music, there are as well thousands of independent labels called as “indies” which they circle around the majors.

Distribution and promotion are a key factor of the market on music value chain. Distributing physical sales like CDs and supplying many wholesalers and retailers requires massive investment that only majors can afford. Small indie labels mostly have a good relationship with the new artists, and they play the role of finding new talents better than major, they hold their reputation of treating the artists better. While the majors on the other hand, are known for sustaining and managing the well-known artists due to their resources on marketing and the control of distribution. Music has been part of every culture that has ever existed on the planet for thousands of years, and most of them has created music in one way or another. The first steps of the music industry are seen on the fourteenth century in the west Europe when musicians became salaried professionals who played music for noble courts and were exclusively reserved for a limited audience. (Attali 1977). It was not until the eighteenth century, when musicians became free from the restrictions of the church and aristocracy and entered the market as free agents, musicians as Hayden and Mozart and later with Beethoven became crucial of this example.

Back in the mid-1800s the only way to listen to music was either live or you could play by yourself. The recorded music industry has faced many disruptions, started with the invention of the phonograph by Thomas Edison 1877, radio 1930 Rock 'n' Roll 1950s, and Napster 1999. From 1921-35 recorded sales in the US dropped from 106\$million to 6\$million and it is referred as the great depression, and the radio market continued to grow and prosper throughout the "depression". The Wall Street crash 1929 had an impact on the phonographic industry, but it's not the only reason. In 1920s the phonograph industry failed to realize the potential of radio broadcast as a promotion to their sales but instead they attacked as rivals. While radio companies developed different creative trajectories. (Tschmuck 2003)

During 1950s music industry faced the second structural change. A song could become a hit only if it was broadcasted by radio, major record and radio companies controlled all the distribution channels. Small independent companies had to present their product through the majors while they played the role as gatekeepers. With the advent of vinyl discs, licensing the independent radio stations, and the invention of magnetophone the major companies lost their control of the value chain in the music industry. A small radio companies could not afford live broadcasting from ballrooms, and the major companies refused to incorporate with them, in addition small radio companies got the recording for free from small recording companies to play their repertoire of folk music, rhythm and blues and rock n roll. The rock and roll could not be spread if radio stations and record companies could not be emerged. (Tschmuck 2003)

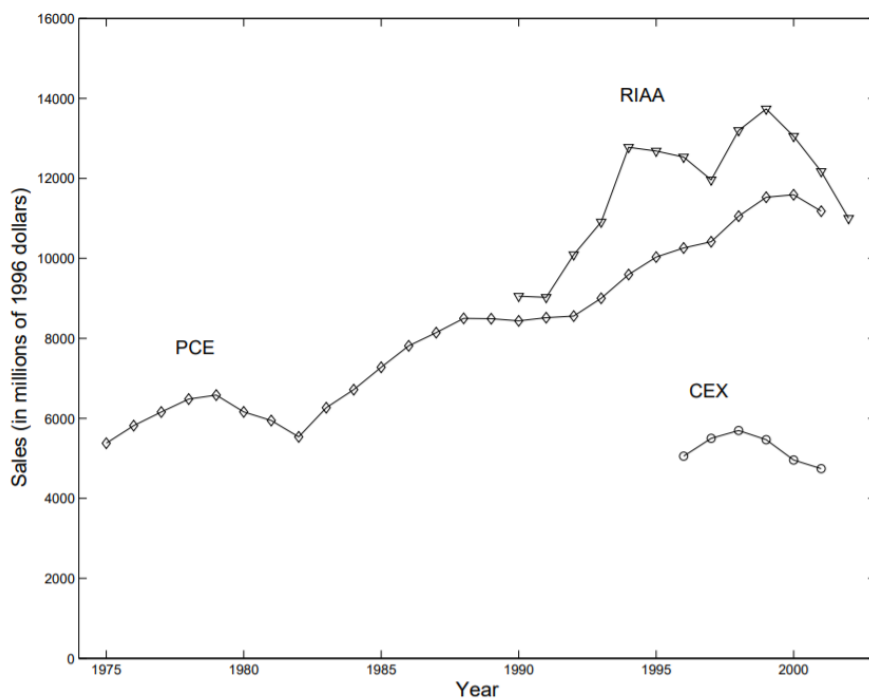
The majors that are vertically integrated companies that control all the core function of the music business from the creative inputs to the productions, distribution and marketing define themselves as part of the recording industry. Since the invention of the phonograph many improvements occurred in the traditional creative trajectory and pursuing this trajectory would lead to the perfection of the core functions of the music business and oligopolistic vertical integration of the music industry. New cultural changes appear, and old ones who remain in the traditional trajectory and if they are unable to change, they will perish (Tschmuck 2003-page136)

In the 21 century the music industry faced the third structural change with the advent of Napster 1999 and was closed in 2001 by ruling court of U.S Court of Appeals for the Ninth Circuit. Napster a file sharing service would cause a total shift from of the traditional music industry into the digital era peer-to-peer and mp3s song formats, and the rise of internet piracy. The music industry began to suffer financial losses, declining sales, and negative growth. In 2001 the international music industry combined with mass copying and piracy whiteness on of the hardest

financial period the music business has ever seen. It is arguable that the downloading of the songs, even illegally would play as a promotion tool for consumers to purchase those songs, but on the other hand it has caused a decline of the physical sales.

The drop of physical sales peaked in 2000s and according to (Seung-Hyun-Hong2004)

<http://www-siepr.stanford.edu/Papers/pdf/03-18.pdf> the change in recording sales started before Napster. And a research collected from RIAA, CEX and PCE shows different data and total sales data do not match, and the slowdown of the



Sales are still unclear. *Image source (Seung-Hyun-Hong2004)*

During 80s the internet did not exist, and it wasn't popular until the late 90s, therefore, might be other reasons for declining in sales in the music industry.

Napster allowed copyright work to be downloaded illegally with compensating the authors. One effect of download sales could be that musicians have produced less songs and less albums have been released than before. Online shops such as (eBay, half.com) can be a factor of declining in CD sales, when used albums were available for sale. There were 2 groups of consumers, one with internet access and other without internet access. The consumption of the internet started to increase dramatically after the late 1990s. If the internet group started to use Napster, they would spend 10\$ in one year, then the group with no access. That is the price of a 2/3 of an album and the

33% drop in sales can be attributed to the emergence of Napster. And the group who didn't have access to the internet the change in the music expenses was about time.

Treatment Group = internet user group

Control group = non internet user group

Table 1: Average expenditure on recorded music and the percentage of the treatment group in total samples in the CEX

	Year	1996	1997	1998	1999	2000	2001
Average music expenditure <sup>a</sup>	Treatment group	27.64	26.86	26.10	23.29	18.90	16.92
	Control group	11.16	11.50	10.58	9.74	8.74	7.98
Percentage of the treatment group <sup>b</sup>		8%	12%	18%	24%	29%	35%

<sup>a</sup>In terms of the quarterly household expenditure in 1998 dollars.

<sup>b</sup>The percentage of each year =  $\frac{\text{No. of samples in the treatment group}}{\text{No. of total samples}} \times 100$

*Image source (Seung-Hyun-Hong2004)*

Napster allowed many users to use the service to download and share songs for free, consumers were able to enjoy the music for free. Many of the copyright were violated from the users, and little action was taken to prevent the users from illegal download and file-sharing of copyrighted music. Around 2000, Napster was the dominant file sharing service and many users had easy control over millions of songs. The music consumption from individual-level is unlikely to have influenced the introduction of Napster in 1999, and it is unreasonable that the effect of Napster had a superficial growth in the household-level expenditure on recorded music.

According to RIAA there is a 10% annual drop of CDs from 2000-2007 in the U.S. It is claimed from record labels and some artists that piracy, peer-to-peer file sharing influences declining the record sales and the number of file sharers and broadband internet users it is growing. (Moreau 2009) <https://www.tandfonline.com/doi/pdf/10.1080/08997760902900254>

Piracy has many negative effects on the economic side of the music business because it violates the authors copyrighted works. But it has also to positive effects on music sales both the artists' side and the record industry, network effect by increasing the legal demand for pirated product, and, sampling effect which suggests the consumers to buy the legal copy (CD, Vinyl, cassettes) which they get for free (pirated) in a low quality version. The artist earns not only from royalties, but as well from other activities as merchandise, live concerts, and ticket sales. If the network effect is high artists do benefit from piracy, even the royalties are low (Geyer, Shy 2006). But if

the record labels tend to invest in releasing CDs and reducing the potential royalties of the artists the negative effect of the piracy could lead to poor quality of production and fall in audience because it is hard to have a return in investments (Moreau 2009). In a sense piracy may lead to negative effects in the industry, but has positives in other aspects. The record label involves in the production a recording product (number of musicians, sound engineer, recording sessions), promotional videos to increase attractiveness from the public. Consumers are divided into two groups as mentioned earlier in this thesis, the first group is who purchase the CDs legally and the second group who uses pirating to download through a p2p network illegal copies of music. There are three advices that might prevent consumers from pirating music: moral discomfort: the fear of facing legal consequences: not having the knowledge how to download illegally or not having broadband internet access. But the distinction of these two groups depends on their personal music taste. Either buying CDs legally or downloading music for free through p2p network it has an increasing exposure effect and the more music is going to be sold. The more exposure the artists have through downloading illegally increase the chance to be played even on radio and increases the attractiveness of the consumers to attend the live shows. This leads the record music market toward the live music market. The artists income rate for recorded music is poorly low, and revenues from live concerts are shared between artists and the record companies because of consumption of the recorded music. The music industry gain profits mostly from recorded market while the artist gain from live music. While mostly all the revenues from recorded music sales goes to the record companies and the live concert revenues are shared between artists and the record companies. Historically, live music has been, is, and will be the main source of income for most artists. There is a slightly smaller percentage of musicians which their income derives from only recorded music. Even for artists as Paul McCartney the live performances have been most of the income 64.9\$ million from concerts compared to 2.2\$ million from publishing and recording in (2002). And from the same source note: from 35 acts on US only four of them made more from recording than live performance (David 2010 read at Marshall 2013 pg14).

Investment made from record companies it is an increased profit but decreases through piracy. The shared revenues with the label and the artists even through decreasing and increasing profits gives the record labels tendencies to release high quality CDs products. Since the record companies are sharing the profits with the artists through live concerts, they are willing to cut the prices of CDs and since the p2p network has a beneficial exposure effect for the artists through live concerts, the record companies use it as a strategy to boost the consumers through recorded music market and compensate their revenue losses from illegal downloading. If the investment quality is low the

artists do not benefit because record companies are not willing to invest because of illegal downloading, but if the artists share the live concert revenues increase the tendencies of the record label to make the high quality investment. If the record companies find difficulties to get their high-quality investment back, the work of the artists to compensate the investment is to increase the share rate. When externality is lower and if the sharing rate of the artists' product from piracy is stronger than the increase in live audience numbers, the piracy is harmful to the artists. If the externality is high and the share of the live concert's audience is higher than the sharing rate effect, artist benefit from piracy (Moreau 2009).

When online sales of music via p2p file sharing network (Napster 1999) became popular through internet an era of digital sales would appear in the market of the music industry by affecting the traditional business model. The ability to dematerialize music led that online sharing services would be popular among consumers. The majors were skeptic to put their own music catalogue through mp3 file format. eMusic was a legal online music service with a subscription version which accepted the catalogue from independent labels. When iTunes 2003 appeared in the music market required the major's catalogue which it took them mostly 10 years since the presentation of the mp3 (1992) format to participate in the online music store and several more years to accept the business models. (Moreau 2013)

At (Honigsberg, 2002) the record revenues had increased before the Napster shut down in 2001. When Napster was at its peak the recording sales went up by 500\$ million and from January to March 2001 the CDs sales increased 5.7%. The record sales dropped after the Napster was shut down, with the reason that p2p played a key role in music advertising. Napster argued that the service it increased the people's interests to go out and buy CDs while the music industry argued that the peak at 2001 was due to strong economic that the business had.

There is an increase share in the small market, music fans are more likely connected to their local artists rather than global hits, and the consumers are more likely to illegally download songs from mainstream international artists. Local artists and local industries with knowledge of the local music scene will become increasingly important (Marshall 2013:3).

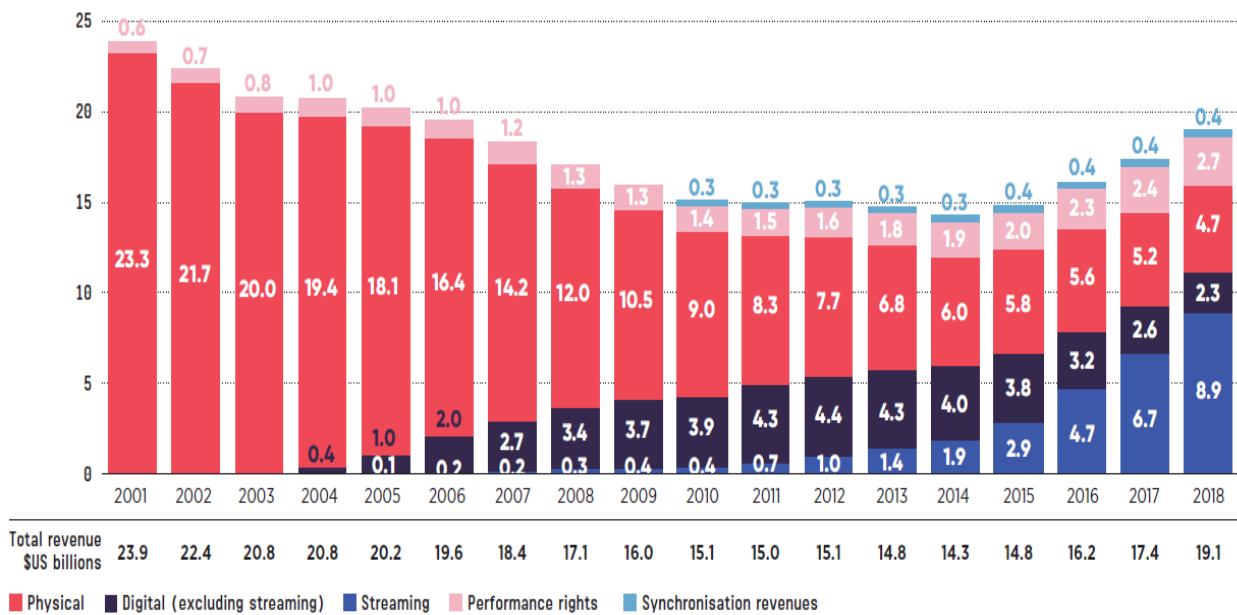
Revenues from recorded music grew 12% to \$9.8 billion estimated retail revenue in the US. Subscription services including Apple Music, Spotify, Amazon reached more than 50 million subscribers. Revenues grew as a wholesale value 12% to \$6.6 billion. (RIAA, 2018) Before the internet era the major labels depended their market of distribution of mega hits to generate and sustain their revenues.



Today the business model has not changed the core model when the major still monetize their revenues based on hits. The product has remained stable through decades, even the technological changes appeared. Predicting success is hard, marketers and labels through social media, radio airplay, make distribute decisions to minimize investment cost (Wikström 2016).

The 2019 release form IFPI shows the global music industry report shows an increase of 9.1% in 2018, 19.1\$ billion reported revenue.

**Global Recorded Music Industry Revenues 2001-2018 (US\$ Billions)**



## HISTORY OF DISRUPTIVE ELEMENTS IN THE RECORDED MUSIC

Innovations have affected the music industry since the early 1900s, started with the invention of the phonograph as mention earlier, radio, The Decca system of “star system” vinyl discs, audio cassettes, the Walkman, CDs, Napster they all impacted the way the music industry operated.

Before the 20s century hearing music was a luxury. Often the music was heard in places like churches, or home music if someone had the talent to play piano, guitar or sing. Marching bands in the streets or Symphony and opera concerts were exclusively to the urban intellectuals.

Reproducing music did not change the nature of the music, but the invention of the phonograph offered a different relationship to music. When Thomas Edison invented the phonograph in 1887,

the machine had done not spin any turntable or had any disc. It was a coin-sized object called cylinder, and the machine had two needles one for recording and one for playback (Coleman 2005 Pg14).

## GRAMOPHONE

The modern disc-spinning turntable is attributed to Emil Berliner, who patented his gramophone in 1897 which was a disk phonograph. After a competing with Thomas Edison for almost a decade and many tests went through the inventions, the Berliner's failing business was taken from Victor Company. In 1906 gramophone was transformed in Victrola, which was the first successful mass market record player.

## RADIO

The rise of radio in 1920 with an improvement in sound quality, amplifiers and microphones would replace recording phonographs. Making record music shifted from audio documentation toward aural creation. Radios were small and practical and had a volume control which made it suitable for every living room, and it was suitable for pop tastes at that time. Radio would bring a disruption in the music business causing an economic lost in the record industry. In 1922 the record sales would hit 110\$ million and ten years later the numbers fall into 6.5\$million. Meanwhile the recorded business came with improved innovations of the phonographs that would catch the dynamic of a large orchestra that the existing recording needle wasn't able. In 1924 Victor would bring the Otophonic Victrola a machine that played electronically recorded discs and the company had 7\$ million in profit. In 1925 came the Panatrope from Brunswick with a magnetic stylus and a dynamic speaker. A year later electric Vitaphone from Columbia tasted the waters in the marked. Two years later Victor introduced a phonograph with a record changer. And Edison showed 40 minutes long recording disc. Since the sales dropped in recording discs and the Radio which mostly was free did rely on the recorded music and weren't many available options to choose from. Repetition of the most selected songs became a norm and also caused a decline in sales. Since radio broadcast had an option of recording directly from performing live music but that comparatively expensive to the recorded discs. And the live quality wasn't as good as records on phonographs. The record playing could have been banned from network radio, but they needed the recording technology to broadcast live music (Colemann 2005 page 32).

## JUKEBOX

When the first-time coin-slot machine appeared on the market in 1927 by American Music industries, the record music industry saw increasing attention from the public to record songs again. Buying record players and record discs were expensive, the jukebox was a coin-op machine for public use often situated in restaurants and bars and bested radio by feature choices. Jukebox success was that shared featured of the phonograph that is selected and the second reason is the music genre Swing. In 1936 most of the records produced at that time were especially for jukebox machines. Shellac was replaced by vinyl because they were lighter, durable and less expensive (Coleman 2005)

MP3 in 1996 from Michael Robertson.

Mp3 is the short name for MPEG (Motion Picture Experts Group). MPEG was used initially to compress digital files into small computer files and was established in 1992 from the International Standardization Organization in Geneva. After a while was seen that MPEG could compress audio files as well without losing the quality of a CD. The mp3 files were twelve times smaller compared to the WAV files. Since the compatible size of an mp3 files was smaller they made downloading time faster and a single CD-ROM could fit a dozen of music albums. WAV and MIDI, it took hours to download simple minutes of music. WAV is a Microsoft format that is used only for Windows, and these files derive high quality of music since they aren't compressed as mp3 files and it took a lot of time to download such format of music. MIDI (Musical Instrument Digital Interface) was used mostly to store data for synthesizers and electronic keyboards. During the years the internet became faster and more consumers started to use it regularly. Streaming and downloading was the new way how the music consumption shifted. When songs were heard through streaming and then downloaded into the computers, they needed a software program to play them. Winamp was a popular player which had the same function as the phonograph, but the hardware has now been in the computer. (Coleman 2005 pg98)

## NAPSTER 1999

At a time when piracy was the word of the day, it was when one of the most innovative application in a new era of digitalized recorded music in the new service "internet". Napster was a peer-to-peer service that allowed transferring songs through the PC into others hard drives. The mp3 was the format that songs ere compressed were heavily used in the Napster online format to make the transfers easier and faster. Their songs were uploaded after they were *ripped* from the compact disc's "CDs" into the hard drives. People as well uploaded songs from vinyl discs and tapes into

their personal computers. After the internet, mail and web browser Napster was the third most innovative advancement made by techies through the p2p architecture (Evolution of Napster Honingsberg 2002).

### ITUNES:

The market created services like iTunes, which was launched in 2001 by Steve Jobs for a push to open a digital marketplace for music. iTunes is an online store when individual songs are sold for the same price 0.99\$. Since the music is a subjective, it's hard to value which song is better, and I think Steve Jobs has a good business model which you could buy songs separately instead of a full album when many fans agree that albums were expensive with an average price 10\$ to just hear one or two favorite songs of their preferred artists. With this method the playlist was created by purchasing different songs from different artists and creating your own favorite song list. From a Napster service when you could download illegal music for free and the artists couldn't get royalties we have the iTunes when you buy music and the artists got royalties from the agreement that Steve Jobs had with five major recording companies in the beginning. Music was the focus of iTunes, it is a medial player when you can play music, watch videos, download Mac software, the content are purchased from iTunes store, whereas iTunes is the software when the users can manage their purchases. The main is a library organization, storage and collection of user's music collection

### SPOTIFY:

Spotify a music streaming service that gives access to millions of songs from artists all over the world. In Spotify you can easily access content for free by just simply signing in with Facebook, account or using an email address. Spotify uses two versions, Free and Premium, the free version it gives a trial version of the program and is ad-supported version much like radio, Spotify free can be accessed in laptop, mobile phone, PC. The premium version gives access, full service including offline downloading on mobile phone, no advertisement, unlimited shuffle switching between songs. By creating a playlist in Spotify is easy, just click a song and then press add new or existing playlist. Once you get started you will find other playlists made from friends or other people whom you can follow or get followed to hear the songs. More you listen, the software learns to sort the music you like and present it in the future by the option Discovery weekly. How does Spotify, YouTube or Apple music truly curate the playlists automatically? With endless possibility to create, discover playlists and songs how do people know which the right song is.

# DISRUPTIVE INNOVATIONS/TECHNOLOGIES

The way that creative industry works is to give the consumers new or improved product that it is beneficial to our life. Since the music industry is part of a creative and cultural industry, new inventions appear continuously. If we take its history since the prehistorical humans used rocks, woods, bones to make the first sound until today in the internet era of digitization the disruption is inevitable. Disruption has pros and cons. If we take the positive part of Napster (which caused huge lost in the music industry) we would probably have today's music streaming or maybe not. Innovations have produced in the music industry several changes that are being described as wide harm to the industry. Technologies like file sharing, and complex pattern have become common with the rise of digitization. As radio airplay benefit the individual artists but may harm the overall recording sales. Evidences show that the effects of file sharing are not supported by all types of music, artists, more or less popular artists. (Wikström, G. Hammond 2016)

Disruptive innovations are often described as a change that can shake an entire industry by presenting new technologies that aim the current incumbent firms to adopt or face difficulties (or getting out of the business) as the disruptions appears. (Christensen 1995) Established companies usually missed to develop the technology because they try to satisfy the current costumers not customers of the future. Main companies stay closer to their customers and their needs. There are two types of disruption, disruptive and sustaining technologies.

Sustaining companies give the costumers the same value that they already have, with better attributes. Disruptive companies offer something else; they may be worse than mainstream technologies, that ad another attribute of what costumers' value today. Established companies often chose to develop sustaining technologies because it gives them guaranteed profits. Disruptive technologies usually are developed from entrant companies aimed at emerging markets. (Joseph L. Bower and Clayton M. Christensen 1995).

An innovation that has been historically valued by customers, the firms which brought and improved the performance and dimension that those innovations led them commercialize and maintain their market position. When innovations didn't improve the performance of the customers' preferences by introducing a new pattern and development appear, incumbents diminished or failed (Christensen, Palmer 2018).

Most innovations are sustainable which bring improvements in products and services that consumers and the market value. If the incumbents over provide the market, which products more

than consumers need that creates a gap at the bottom of the market between consumers and providers—a gap that provides an opening for entrants. Technological innovations combined with customer demand explain the large aspect of disruption, and the technology itself is not disruptive. But the disruptive innovation causes changes in the business model that can be disruptive for some firms and viable for others. (Moreau 2013)

In the 1990s the recorded music industry experienced a growth that lasted for almost a quarter of the century. 1974 were sold worldwide one billion records and by the end of the century the number of the records was three times higher. At the end of the nineties, was launched a service of file sharing called Napster led by Shawn Fanning. Napster was an illegal service that allowed users to download music for free without compensating rightsholders. Music industry establishment immediately sued Napster with intention to close the service, even they used aggressive methods the online piracy was growing, and more illegal services were existing like The Pirate Bay, Kazaa, LimeWire. When one of the file services was brought to justice, new services emerged and took its place (Wikström 2013).

Frequent, radical, and disorienting shifts influence people to gain access to cultural experiences (Hesmondhalgh, M. Meier 2017) During the late 90s the music industry experienced dominant changes and in the mid-90s, most people would buy CDs or cassettes and play via electronic devices such as Sony Walkman and discman or use audio devices in their home or cars. The shift to personal computers and digital playback devices such as Apple's iPod was another direction how people experienced music in the early in the twenty-first century. Recently another change has emerged on how the music is consumed. Subscription model on audio streaming services and internet connected mobile phones is the new model for the music industry. Only a minority of music users consume music this way and most likely this model would define the future of recorded music until the next change comes.

The last twenty years have experienced a high intensity of disruption the primary sectoral changes are caused by information technology. The changes in the twentieth century in the music consumption came from a different interaction between strategies of capitalist firms and sociocultural change mainly on the Consumer Electronics sector, and they were the main agents in making changes in the music industry and how the music was experienced on the previous century. Consumer Electronics industries have brought innovation and changes in the music industry and technologies on how the music was consumed based on phonograph, radio, vinyl records, cassettes, and discs. CE companies such as Victor Talking Machine Company, the

Gramophone Company and the Columbia phonograph company were dominant in the global record music in 1920s through improvement in recording technologies. Also, Radio Corporation of America with the invention of radio and parent company General Electric 1919 and after and RCA sold the radio manufacture in 1926 to the National Broadcasting Corporation achieved market dominance which caused the great depression of 1930s.

CE companies also developed vinyl records in the 1950s-60s with changes in socio economics led to explosion in smaller radios and record players which were affordable for the middle class. Also, the Philip together with Sony and the invention of audio cassettes from Philips in the 1960s is a key for understanding the consumption of recorded music by selling millions of compact cassettes in the twentieth century. And in the 1980s with the introduction of the Walkman (portable audio cassette player) and the development of compact discs by Sony helped in increasing the record sales in the twentieth century. As well the Universal record company had its origin form the merger of Philips and Siemens. EMI was owned by electronic company Thorn for almost two decades. Consumer Electronic companies with their inventions have transformed the music industry and the way the music was, and it is experienced by consumers. (What digitalization tells us about page 8)

## RISK/MANAGEMENT IN THE MUSIC BUSINESS

The financial risk now mostly relies on the artists, because now they have the independence to drive their own career or build their own team. And managers now play an important role to help the artists to find the right people and build a team, this could be done by the artists independently, but since they need to focus on making their own product other factors become irrelevant. Now major labels are holding back by waiting to see which artist demonstrates the effectiveness on marked before the labels *risk* to take further investments.

Nick Gatfield (Sony Music CEO and chairman) just quoted personally at the lunch of the CBI's new report "Let's Get Digital" "He said that, that's been the will of artists to have the attitude to go out there, find an audience, play live music and build a community to have the ambition to grow and get bigger and if an artist hasn't done that Sony Music question the ability for him to succeed. They can provide a platform for the artists and the needs he chose like recording, live, brand partnership, since they have a deep understanding of music consumers and brands, they are able to wrap the artists and value their career. Since now artists take the *risk* themselves labels devolve the

risk to the recorded music. <https://www.environmental-expert.com/videos/sony-music-ceo-and-chairman-i-won-t-sign-an-artist-who-doesn-t-have-a-digital-footprint-video-780379>

Labels are getting bigger than ever, Universal is taking EMI, as Impala has been arguing in Europe that is very dangerous because they got too much market share. The “fight “between Indie and labels is very quickly being overtaken by tech companies like Apple, Amazon, and Spotify! (Robert Scott).

Record labels benefit from distributed intelligence among consumers in the marketplace, they operate from an increase number of producers, and digital economies are leading to new marketplaces and new market.

Since internet is a place when artists see their opportunities to upload or download their content either free or for a price. Fans are more connected with the story an artist have rather than the number of members in a band, their network, and their connection with the fanbase. The number of followers or likes is not an indicator of a less-risky artist. Today, most important is to have a fanbase that is passionate and share the content of the artists. A small number of followers who is very active about their artist is *less risky* than 2 million followers who are very passive and not interacting with their favorite musician, singer, or producer etc.

An example from Radiohead which demonstrated the (DYI) model in 2007 when they released their album “In Rainbows “. They distributed their album without label support. They offered their album on internet to be downloaded whatever the cost the customer could offer. The flexible pricing that Radiohead set on internet was a massive risk. It was an experiment which worked very well due to Radiohead’s popularity and they generated a massive publicity for the release of their new album, and it was reported to make an income of 3\$ million. Many artists have taken the same risk to conduct in the idea that the market is not supposed to be in the hands of major labels (Tschmuck 2016).

The most common carriers of the risk in the music industry are a Record Label and when the risk is more present. When a major sign an artist or they face several barriers. Not all labels or artists face the risk or handle them equally when it comes to production costs.

They manage these risks, both Major Labels and star artists from their industry experience and financial support.

Smaller labels from recent technological innovation are being able to afford the production of music on a professional level, even the power of major labels may reduce a bit, they do still hold



their competitive advantage when it comes to large scale of distribution, production, and promoting the new music on the market.

An established music stars that have moved the barriers or risk, if they are chosen wisely can be a profitable investment, and the sales of a single album can make a significant impact on the labels budgeted. The star can have much less risk for the company then new artists. If the popularity of a famous artists decline can raise the risk to the major label, the major investment could be questioned and financial budgeted of a Label is flexible. So, the artists should hold their popularity continuously. The risk failure can be both to the new artists and established ones. 90 % of record release make a loss, and all the recordings are holding from the 10% successful. Yet the contract is structured in a way that labels still have profited from an album while an artist is losing money on royalties.

Touring is one of the oldest risks in the industry. Since the live performance is an investment and an investment take a risk. The time that an artist takes on touring and calculation the studio time in between being a throughout risk. If a label owned a recording studio the risk was smaller by eliminating the need to pay for studio time. Studio equipment required the latest technological inventions and the price were relatively high because if the production were not in the highest quality could mean loss in sales. If the label has a collaboration with an independent studio could risk the artists not getting the right amount of time to do the best recording. Another label risk management was the marketing campaigns of the label signet artist.

They did marketing and distribution network to connect their music with their fans. Their marketing campaigns included information distribution, focus branding and sample distribution. They also offered services to supermarkets and petrol stations to provide records and further material to provide sell the artists to the public. Those marketing campaigns where long term investment and were able to create a valuable community to the music fans and they were called risk management. At the end of the pre-digital era we would see the most dangerous risk in the music industry, which was peer-to-peer file sharing and illegal downloading and torrenting, illegal copying of CD's and cassettes.

With the technological inventions today, the risk could be tracked is more calculated than ever. With the access of internet and technology new risk appear. The illegal downloading is one of the most discussed risks in the modern music industry. (The Development of Risk Management within the Music Industry, Jesse Irwin 2016)

## PUBLISHING/COPYRIGHT. COMPOSERS AND ARTISTS' POSITION IN THE MARKET:

Publishing companies and collecting societies are central in the music industry, their aim is to collect royalties, or protect copyrighted works from lyricist, composers, librettists, arrangers, and translators (generally is used the term “writer”). Most writers are too busy, or they cannot administrate to keep track and collect royalties of their works used by others, therefore they need to music publishers which takes a percentage of what they collect. Writers usually deliver their work to the publishing company and they in the other hand, are focused to be efficient, and active as possible to protect and utilize the works. Music publishing is a business and the writers need to have good contacts with legal business advisers. Music publishers focus on exploitation and the use of the copyrights they manage the music which is delivered in the form of ‘synchronization’ licensee such as video games, films, Tv, ads, etc.

Publishers comes in a variety of forms and are affiliated with the major companies such as Sony ATV, Warner/Chappell and EMI music publishing (bought by Sony ATV), Universal Music Publishing and independent established publishers such as Albert Music and Native Tong Music Publishing operating as a full service. Kobalt Music and Bug Music they function as well as music publishers, but don’t offer a full service as the major companies above, but they can provide an effective way to create and license, broad administration and services with entering a full operating publishing company.

Music publishing is a purer form of copyright business. Enforcement of copyright, collection, and administration are the source income of music publishing. Publishing income starts from the most important element in the music industry, which is the composition. What a publisher does?

- Collect royalties and fees from exploitation of music
- Protecting the work from unauthorized uses
- Protecting and maintaining the copyright, the administration involved in registering
- Participating in industry associations: most famous IFPI, RIAA

### Licensing

- Collecting and securing synchronization rights from different users of music such as TV, Ads, Video Games, Films
- Licensing

- Publish, license others to publish the sheet music
- Promoting the status of the writers, so their work is enhanced in the market
- Helping artists/writers to get good management
- Introducing songs to film and Tv, to advertisement agencies, record companies (Mannion and Stinson 2016)

Exploitation in life is considered a bad thing, but in music industry exploiting the copyright work which is the composition (music and lyrics) is considered a highly positive thing since it generates money in the form of:

- Sampling licenses
- Synchronization licenses
- Mechanical royalties
- Performance royalties
- Print rights for sheet music

Before the advent of radio and music recording, the sheet music was the only way to earn money from copyright and that's how music publishing came as a business. Music publishing has been running as a business for many years in the publishing industry for almost 400 years of its existence and now it is taking place in other creative industries. Between a creator of a work and a market for its use, a music publisher is the classic intermediary. As a response to technological innovations the copyright industry has adapted to innovations in the reproduction of music, the entrepreneurs adjusted their business model for sales to licensing due to digitization. Music publishing was affected from technological changes of the mechanical reproduction of music on distribution of recorded music via radio, film, and television. (Towse 2017)

Sheet music:

Publishing sheet music has been the main source of income for music publishing, but that is no more the center of the business due to technological changes over the last 70 years. But sheet music is highly used for educational purpose in schools and universities and it is usually used for classical music. Having orchestral *partitures* with several instruments it is something you cannot learn by ear. Still, it remains a multi-million-dollar business. In the digital age the printing has changed, and musical scores can be written and read from PC, tablets, smartphones, and laptops.

Mechanical rights:

Every time a composition is reproduced a royalty is owned to the songwriter and publisher.

The reproduction of CDs or digital format of the songs today are not mechanical at all but back in the days the way of reproducing songs was with piano rolls and music box and latter. When the copyright act came at that time, they were called mechanical rights due to mechanical devices.

When a song was put inside the mechanical devices a royalty was paid to the composer. Those devices were not profitable, but with the technological improvement came a mass distribution of sales and a lucrative business would take place. Today the most used forms of reproduction of music are digital and when it comes to downloading process to rights are involved:

Communication and mechanical rights. Performance/communication and mechanical rights are both payable.

Synchronization rights:

The soundtrack is the music genre that is used almost in all films and televisions. The film producer must obtain the rights to do this first and it is known as sync' rights to the music. It is called so because the movie images and the music are getting synchronized. It also includes commercials, video games, and YouTube videos.

Performance rights:

Every time a musical composition is performed publicly, the author and the publishers own the right to get royalties whenever the song is performed, recorded, or live in the public spaces. Public performance includes live venues, streaming services (Spotify, YouTube, Apple Music), internet, radio and television, clubs, restaurants, hotels etc.

Sampling licenses:

When another artist uses samples from a song, the copyright owner's composer and the master recording get royalties from the sample that is used.

The music publishing business depends on the acquisition of the copyrights of musical composition from songwriters and composers. Publishing and sailing the sheet music and printing, printing, hiring the scores for orchestral parts for concert and theatrical performance are part of music publishing (Mannion and Stinson 2016)

Today the copyright law is fighting to manage due to technological developments and the law has become more complex and the consumers and the markets are leading the way. Legislators would

rather see how the market is developing and then apply the changes while the entrepreneurs have a more rapid approach on the market (silver 2013). The music publishing business has involved in the purchase or copyrights from compositions from songwriters. The sales of sheet music, printing, scores for orchestral-theatrical and concert performance and publication of songs has been the business of music publishing for centuries.

## COPYRIGHT:

Once a work is created originally from the author, since the moment that the work is published the creation is protected by copyright law. Copyright is related to artistic creations such as books, music, painting, sculptures, technological based works (computer program), on other words are referred as an author's right (WIPO).

*Patrick Wikström* defined the music industry as a copyright industry (Wikström 2013).

When an original composition is created by the author either recorded or written down, the composer is given exclusive rights of that piece of music.

The rights to:

- Reproduce music
- Perform the song
- Distribute the song
- Create imitative works

-What are the most important copyright-law legislations through the years, which I mentioned earlier in these theses about the Statue of Anne 1710 and Berne Convention 1886. Piracy is an action that has existed for a long time in our culture. The copyright act in 1842 protected the reproduction of works, but failed to provide penalties for stealing copyrighted works, because in many cases the pirates were hard to find, named or taken to court. Several acts have been through the history with the aim to improve protection of original works of the creators from piracy. Since the Statue of Anne, the laws have improved by making the market a safe place for artists to create their art. In 1906 after several attempts the Musical Copyright Act gave the publisher's success in eliminating significant piracy. The sheet music was the main source of music publishers during the nineteenth century the sales were growing, but during the twentieth century the sheet music sales were declining.

Policy actions create an environment to where the artists through their art can achieve cultural actions. The earlier economists have perceived that legislating the copyright law could not be the only support for the artists to create their music, literature and arts, but adding a system of subsidy could as a reward of price or other forms (Towse 2004).

Copyright has a more indirect approach in the market via creative industries, while subsidy would benefit the artists indirectly and the system of subsidy is financed by taxpayers. Copyright law gives the authors the right to control their work exploitation on the market called (economic right) and the (moral right) which identify the author as the creator and protects the integrity of his/her work. Some of the lists of laws that copyright law includes protecting the publishers as well. Neighboring rights are rightly related to copyright such as (performance right), the composers and songwriters have the exclusive rights to their composition, as well as the publishers are included in the copyright law when it comes to royalties of the work but the neighboring rights includes the artist who have performed in playing a song.

Economic right:

When it comes to property only the owner must decide how his/her work is going be used legally from others, have the license, or have the permission from the author. When the work is used legally, the law recognizes legally as well other members of society. The right owners can authorize and prohibits:

- Reproduction of the work
- Distribution
- Translation
- Adaption
- Broadcasting
- Public performance of the work

*Reproduction* is the reproducing of recorded music, books, compact discs by manufacturing companies, publishes, or record producer.

After reproducing a work, the law recognizes or permit that work to be *distributed*. Once a book is copied from the permission of the owner or sell it, the owner of that copy may reseal or give it away without the approval of the original author.

*Public performance* is known from many national laws that a work to be played in public spaces. It can open or closed places that includes a considerable number of persons who are present. It can

be performed in theatre, orchestral performance in concert halls, but as well the recorded music can be consumed publicly in shopping malls, restaurants, etc.

*The right of broadcasting*, is the right to distribute the work, images or sounds to the public through radio, television, or satellite.

*Translation or adaptation*: when an original work which is protected by copyright law is translated or expressed in another language. Adaptations are modification of the work for example, make it available for student level or adapting a novel to make a film.

The copyright is not infinite, and it has a specific period of how long the copyright owner exists. At the moment that a work is created the duration of a copyright work begins. In some countries the after the author's death the copyright continues +50 years while in some other countries +70 years. The purpose of this law is the successor of the author could benefit economically from the exploitation of the work. After the end of the economic rights the moral rights continue all time. Works enter the public domain when they are no longer subject of copyright protection.

When it comes to territorial boundaries the technological developments and rights there are some issues that need to be cleared and EU commission is determined to challenge how societies operate and the competition and development between societies. (Helen Gammons 2011). For example, if a Tel Co company want a track in a European television ether free or download version via the mobile network company would seek contracts for every different country that the copyright is used for and with different costs and contracts for every country. Then a license is needed from the owner and the master recording (label) the downloads must include the mechanical fee to publishers for different territories with different societies. In theory now in Europe a Tel Co company must pay to the one society instead each society in each country. It is not simple because societies don't want to lose their business and there have been as well action courts (society fighting society). This could lead to:

- Super societies
- Central licensing
- Pan-European licensing
- Internet service providers (ISP)

BPI (British Phonographic Industry) in 2010 targeted google for illegal downloads. The BPI cited that Google must remove 38 link cites that are available in Google search engine, because they are directly linked to sound recording owned by BPI members. The songs from Eminem, Michael

Bubble, and the cast tv series Glee have copyright infringement which is not directly linked to Google by in websites that lead to illegal downloads such as Megaupload, UserShare and SendSpace <https://www.theguardian.com/music/2010/jun/22/google-bpi>.

But BPI Annual General Meeting in 2010 Google announced their label in said it that they do not agree with 23+ contracts that they need to do for a worldwide agreement for licensing a single track. They will not one deal for the music and one for the master (Helen Gammons 2011, page 42).

The BPI chairman at the 2012 quoted when our customers are more likely to be triggered from illegal content from search engines where many advertisers invest million contents in websites that make money from the music and in the end the creators don't get their revenue. Google's search engine is highly trusted, but for the average consumer it is difficult to tell the illegal sites and therefore our government needs to step in <https://completemusicupdate.com/article/bpi-wants-google-and-government-to-do-more-about-piracy/>.

In 2020 BPI removed from the list 500 million infringing links from Google as a motive to fight for the rights of artists and their record labels, by mentioning the issue that the piracy has on the market. Their mission is to promote British music and record label association by removing all the illegal activities that have costed UK recorded music sector 150million Pound and supporting a legal music market. They have removed illegal content for Microsoft Bing, Google, Yahoo, including p2p torrent sites, mp3 aggregators etc. Thousands of recordings from artists and record label are protected from BPI every year. (BPI.co.uk 2020) <https://www.bpi.co.uk/news-analysis/bpi-sends-500-millionth-illegal-link-to-google-for-removal-from-search-results/>.

Pan-European Licensing:

Pan-European Licensing is the online European revenue source in which many independent United States major music publishing companies are not participating. The Pan-European online Licensing refers to a mechanism which society or societies with the selection of songwriters and publishers can grant European license rather than separate licenses from each society and country. The Europe maintains a society ether one for each country or a collection of societies to collect both mechanical and performance rights and distribute them to the songwriters/composers and artists. In the U.S the performance revenues are collected from societies like SESAC, ASCAP, BMI, and mechanical revenue is collected from music distributors or with agreement with Harry Fox Agency and are collected or licensed from music publishers themselves. The major music publishers like Warner, Universal, EMI and Sony ATM have picked their selected societies while



independent music publisher is left with a choice to select societies and find difficulties tracing complicated royalties or risk of not gathering them. [https://www.aimp.org/misc/Pan-European OnLine Licensing Forum.php](https://www.aimp.org/misc/Pan-European_OnLine_Licensing_Forum.php)

Countries like France with President Sarkozy's agreement, Sweden, and a court case in Belgium are facing Internet Service Providers to disconnect services of copyright violation by advising that the ISPs should take responsibilities by implying copyright infringements on their network. Sarkozy suggested in 2007 that the internet should disconnect consumers from using illegal sites which they can download music for free. Even the CEO "John Kennedy" of IFPI (International Federation of the Phonographic Industry) said that the time for EU and governments to act.

## ARTICLE 13:

The European Union Directive on Copyright, it is a European Union directive created to limit how copyrighted content is shared or used online. The EU directives are for member states to achieve the legislation.

The most controversial component of the Directive on Copyright, Article 13, which requires online platforms to remove or filter their copyright content from their websites. Is this article from many EU Directive articles which is interpreted by people as a platform to ban memes?

The directive on copyright would make online platforms liable for copyright infringements to direct more revenues from tech companies towards artists.

Platforms such as YouTube aren't responsible for copyright content that is uploaded, but they must remove that content not to violate the copyright holders. That means that the rightful creators are not getting paid when people are watching, listening to or reading the copyrighted material.

The article 13 is the part of the Directive Copyright that made the people be worried about it. This article states that the right holders and online services should cooperate in order to secure their protected work and remove unauthorized content from their services. This Article means that platforms like (YouTube, Facebook, Tweeter) are responsible for the unauthorized content and they should take it down that content.

The expectation is that, no one of these platforms, so far can identify or remove the content.

Suggested version of the Directive referred to a Technology which can do content recognition, which sounds like the platform owners to use automatic recognition and filter or remove anything that violates the copyright.

YouTube Content ID gave the right holder to claim ownership of content already on YouTube. The system blocks the video or monetize the system by running advertisers. The system is not fully popular due to its tendency for abuse or false positives and could limit the videos or not be uploaded at all.

The article 13 sets out exactly which platform need to apply the uploading filters or which one not. The site which is the host of generated content has three ways to avoid the usage of filters

A) The content it must be available less than three years.

B) Fewer than 5 million monthly visitors.

C) Annual turnover below than 10 million Euro

That means that every site, from forums to social media needs to install upload filters.

About memes is that no one knows whether memes should be banned or not, which they are based on copyrighted images. Memes are protected as parodies, but no one knows how the filter system will be able to distinguish between copyright material and memes.

### **YouTube and content ID**

Copyright tool like YouTube's content ID would not help to keep the content on the platform. If the rights holder clarifies to what belong to them, it makes content ID valid. In many cases the information about ownership is missing, the knowledge is partial, it means that it is harder for any system to identify the full copyright information.

If a content is unknown or partial is treated from YouTube as an unlicensed piece and it will be blocked.

But critics say that Content ID system is expensive for small companies or start up.

By far YouTube is the most critic to Article 13, by arguing that the article threatened thousands of creators, artists and other employers on the creative companies. It comes with a page with the title **#savetheinternet** which campaign from YouTube. Wojcicki the CEO of YouTube wrote that the EU parliament is unrealistic because copyright owners disagree over who owns the rights.

YouTube claims that it will dramatically block new uploads and existing videos from EU creators.

On the last version of Article 13 says: if the right holders have provided necessary and relevant information the services must make best efforts to remove videos who are copyright-protected.

## **Video Creators**

In streaming services like Twitch and YouTube, gamers share their video-game play and must deal with complexity of online copyright.

In a video game can exist various of copyrights, because in a game exist multiple copyrights like music, graphics, dialogue etc.

When a gamer put a video on YouTube, the video which is recorded by him the video itself is a copyrighted work owned by the gamer, but it contains copyrighted works from video gaming studios and both authorizations of the studios and the gamer would be required to put it online.

## **Music Business**

The music industry has reacted positively from EU law about digital copyright rules. The vote on the parliamentary strength now the position of creators of online platforms, and it would secure the cultural diversity in Europe. The copyright needs to be modernized, and the platforms should be obligated about the creative works. Now we are entering into a negotiation phase, so secure a safe and stable internet.

Some do say that the Article 13 would harm many European producers, artists, composers, but since Article 13 it is very new role pros & cons will appear soon or later. Many do seem septic and other do celebrate.

In the parallel of Internet platform users between Europe & America or other countries when the law is not functional how the companies are going to deal with copyright. The law is new, and it provides space for interpretation with positive and negative expectations. The amount of copyright is tremendous, and 400 hours of video are uploaded in a day per min only on YouTube. How big platforms are going to deal it has open debates among tech companies.

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<https://www.bbc.com/news/technology-4723960>

# NEW BUSINESS MODELS

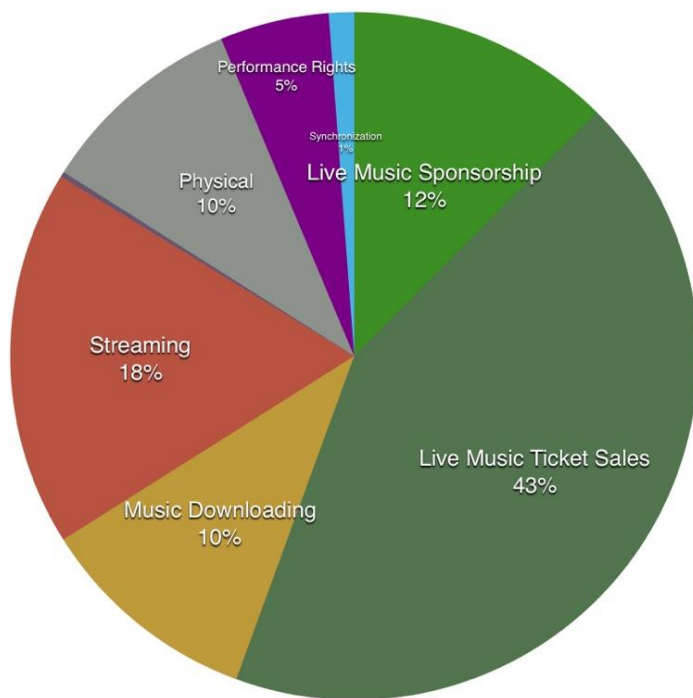
The major record companies would like nothing more than to maintain their successful old-fashioned business model of selling vinyl albums and CDs, new and more sophisticated programs have burst forth to replace Napster. (Evolution of Napster Honingsberg 2002)

In the digitized era the music business has adapted into the new changes that came in the industry after the advent of Napster 1999. New windows opened in the market and other actors came in and affected the traditional way of selling music in physical products CDs. Starting with the p2p file sharing, illegally downloads which caused the industry massive loss in the economy and after the Napster went down a new model of selling music appeared in the industry's market. For example, the Apple dominance with iTunes and iPod, online retailers Amazon, Social media Facebook, the internet search Google, streaming services Spotify, Deezer, Tidal, Soundcloud, YouTube. Music is playing the added value network and many other companies are integrating in their services like car manufacturers, airline companies, coffee shops, supermarkets etc. The copyright is playing an important role in monetizing music. Artists have become more independent from the majors to distribute their work to the fans through the internet, like the example of Radiohead with DIY model (do it yourself) which demonstrated a huge success and a different model from the traditional way of distribution. The model worked well due to the success that the band had. But services like Facebook, YouTube help artists building a fan base and getting in touch with them.

Traditional music industry before Napster was focused more on the recording sector of the industry which generated the most revenues. Signing a contract with a record label was a dream opportunity for many artists. Labels contracts allowed artists to enter in their distribution channels and used professional recording studios and it was very hard to get an opportunity to be part of labels interest. The other sector licensing which was operated by music publisher was a business that was operating without any interaction with the audience and it was a business-to-business industry. Their intentions were collecting licensees for a song which was used in whatever context. The live music mostly got the revenues from selling concert tickets and has a long history in the music industry and became as a second play to the recording industry in the twentieth century. The most important was the record industry, which considered concerts tools as a promotion for the recorded album and it didn't have any affect if the live tours were profitable at all. To get a contract with a label for most musicians was a life opportunity, and more records were sold better for the labels and the artists which they had an addition income from collection societies that

licensed their music. In many cases the artists could not produce the music by themselves and they had to contract the record label and publishers to get their share.

The past 20 years the music business has changed, the music licensing has doubled the revenues and became more active, but even the media industries have changed as the music industry has. Now there are many more internet websites, more Television channels, radio channels, video games and all these markets need music as their background. Music publishers in the age of digitization have made the licensing process more effective. The music publishing is now the most profitable sector in the music industry while the live sector has grown into the largest music sector. The previous century the largest companies were the recording companies now in the age of the internet and how music has transformed, the Live Nation a live based company is the world's largest music company. And the demand for bands in live music can increase the number of concerts and a raise in ticket price. With the introduction of the internet shows how three main music industry sectors have been affected in size, strength, and relations. New business models may be able to change the way how the music is going to be distributed and lead the business in a recovery direction.



(Image-Source PwC 2017) live streaming + concerts = 73% of the US music industry.

The computer has become the center for music production, and the opportunity to have a recording studio at home is more practical and affordable than ever. To put their products to be distributed to the streaming services such as Spotify, Apple Music, Google Music and Amazon artists now can

connect with content aggregators such the fine-tune, Rebeat, The Orchard, Believe Digital. Now the artists with a supportive service at their disposal, have an autonomy to the music business compared to the traditional actors and are in the center of the value-added network (Tschmuck 2016).

Richard Caves summarize characteristics in the music industry as:

- The creative process and their goals stress against the economic recourses available for the task.
- Gatekeepers in the music industry are the one who selects many available artists and the musicians face “anxious” contact.
- The organization of the gatekeepers in the market is determined by ecological forces.
- Those artists who experience, creative success earn admiration and wealth tend to be take-all contests, and those who suffer rejection or give up settle themselves in a routine/monotonous work.
- Uncertainties in a market structure are available and can cost each level to be destroyed, before the gatekeepers decide to control whether it is reasonable to take the risk in the investing. (Richard Caves 2002 Creative industries 363)

Recording technologies, broadcast radio, printed scores and audio amplification change the way how the music was made, distributed, and consumed. All those innovations are linked to the todays internet and provide opportunities for entrepreneurship and redefine the musicians how they interact with their audience. When the recorded music was dominant in revenues, selling CDs and how the music was delivered was a phenomenon of the twentieth century. There were two channels how the recorded music was consumed, purchase or records on CDs and other formats, and being heard on the radio. The CDs and top forty radio play were newcomers in the twentieth century just as the p2p file sharing, DIY (do it yourself) musicians are today (Steve Knoper 2009).

Innovations like phonograph changed the role of music in the people’s life before that consuming music was a social activity and the performers had to be in the presence of the consumers in order to distribute their music. Records made the music handy for the consumers, they did not have to buy tickets or attend symphony orchestra concerts when they could easily play it at their home from playback machines or hear it at radio play. In the 1950s the technology started to make the music portable like the invention of the automobile radio from Motorola in 1930 when the founder of the brand Paul V. Galvin introduced the car radio for the first time, which increased the hours of listening to the music <https://www.motorola.com/us/about/motorola-history-milestones>.

As well, when Sony introduced transistor radios in 1950

<https://www.sony.net/SonyInfo/CorporateInfo/History/SonyHistory/1-06.html>.

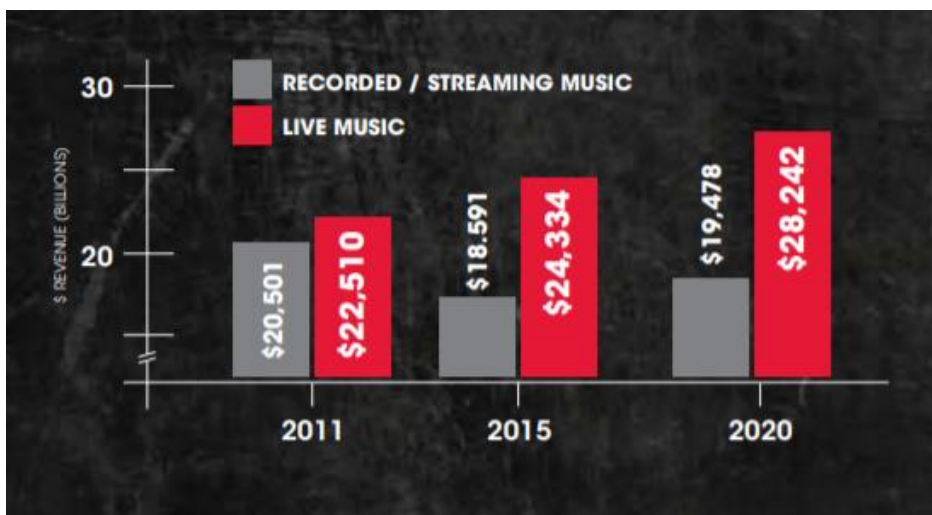
Record labels and radio station companies were the traditional gatekeepers in the music industry. The musicians have played in live performances, even the days before Bach. In order to reach a wider audience and distribute their music to the consumers, which could give them the opportunity to perform live a musician needed the potential of a record label and broadcast radio to reach mass market (Henry H. Perritt Jr. 2011). A musician had to contact a record label to make a record because in the 1940s-50s with the development of tape recording the sound recording equipment's were expensive and only a few people had the essential skills to edit the tape. If the radio didn't have a recording, they couldn't serve music and they still required a DJ to do so. The music portability depended on radio play. Radio stations were the gatekeepers for building a fan base while the initial gatekeepers were the record labels. An upcoming star would have a deal with a local label first and then gradually contracted a major label for a wider market share.

Digitization and the internet introduced in the music industry market a new business model and changed/disrupted the traditional role of the major companies and their relationship with consumers. The p2p file sharing, piracy and illegal downloads have created artist opportunities of reaching wider audiences. Sharing music now it has become more popular than ever and the artist's reputation is increased in buying records, merchandise, participating live concerts and having wider audiences (Mark Cooper 2008). The big stars have an online support and success of the major record companies, while independent artists find difficulties managing to create a fan base and there are very few occasions when they can successfully all by themselves.

Building and maintaining an audience online requires investments and necessary skills which numerous artists do not possess them (Leuridijk, Nieuwenhuis 2012 Statistical, Ecosystems and competitiveness). The music consumption now it has changed, and audiences are downloading music in their device or using streaming services. Creating and maintaining a fan base online it is the goal in the digitized environment. The service iTunes in 2003 which signed a distribution deal with all the majors for a fixed price and Spotify in 2008 with a subscription model meant an important development on the online music market. Even social networks are playing a role in sharing music, they are important in increasing the marketing sales of music. For example, Spotify's consumers can share and recommend the link of a song on Facebook (Statistical, Ecosystems and competitiveness page 7).

## 360, DIY, ENTREPRENEUR MODEL

There are many possibilities how an artist may get involved with a wide audience. In the new music business, there are 3 different models that can create an environment so the artists can manage their careers. 360 (label) deal, which is a business relation between an artist and a music company when the last support the artists with advantage of promotion, marketing, touring, and other ranges. DIY (do it by yourself) when artists write their own music and have 100% of the publishing royalties, and it is a more self-management model (Tim Ingham, 2019 The Rolling Stones) <https://www.rollingstone.com/music/music-features/diy-artists-will-earn-more-than-1-billion-this-year-no-wonder-the-major-labels-want-their-business-830863/>. And the Entrepreneur model a combination between creation and business, innovation and production, and enables artists to stay independent while working with a music label which is well known for marketing and distribution (Barker 2017) (Hughes, Evans, Morrow, Keith 2016). Lately the new music industry so called 360 deal is a contract model that has been ever more common which record labels receive a percentage of revenue income such as publishing and merchandising. The power in the music industry has shifted when 360 deals are made usually by largest concert promoter Live Nation rather than record labels (Marshall 2013). Sources on how people are spending their time and money at attending live music events each year shows a predicted growth in live concert music business 48,8\$ billion in 2020 by overtaking recording/ digital sales (Live Nation 2018).



Source Live Nation 2018. [https://livenationforbrands.com/wp-content/uploads/2019/04/LN Power-of-Live WhitePaper.pdf](https://livenationforbrands.com/wp-content/uploads/2019/04/LN-Power-of-Live-WhitePaper.pdf)



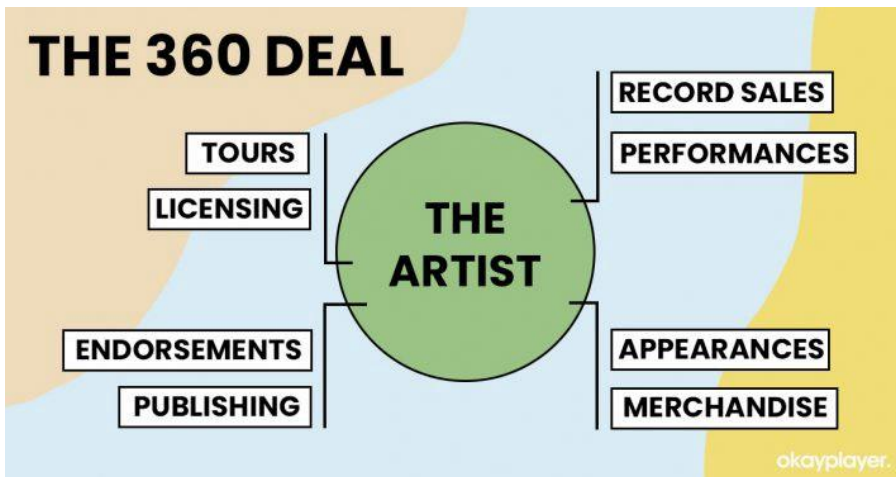
## 360-DEAL:

There are deals that are known as several rights agreements and they have built for financial change the record labels have experienced. When music industry faced technological disruption by the end of the twentieth century music major labels were forced to find other sources to maintain viability (Okorochoa, Douglas 2011). When the record sales started declining after the advent of Napster major labels turned their objectives of collecting revenues toward artist additional income such as publishing, merchandise, and touring. The 360-deal purpose was to provide the labels the right to share revenues generated from artists. The labels argued that the cause of the falling of CD sales was caused by piracy. Through the merit of 360 deal the labels are developing the alternative revenue streams. In 2007 the Warner music group decided that it would contract the new artists only in such deals and purchased Front Line Management (nation largest management firm) and their aim is to expand opportunities on its artists. The labels are not the only one who adopted these deals, Live nation started recruiting its own deals under Live Artists division created in 2007 (Karubian 2009).

Artists retain some powers under 360 deal contracts with relationships with labels and their ability to make brand decisions. They have the right to contract different third parties (sponsors, publishers, Merchandisers), the right to hire and fire their managers, book tour gigs, and make other decisions that affect their brand. Other traditional recording deal remains unchanged under 360 deals by the control of the labels. Many 360 deals split the label, recording deals from the artists' non recording business.

The transformation made by internet technology has changed the consumption and the production of the music, selling, and buying records. These changes are affecting the ways record labels contract their artists (Marshall 2013).

In the twenty first century the record industry after declining of the CD sales is starting to adjust to the new circumstances. The concept of new contracts has brought an evolution in relationships between artists and record companies, and artists and promotional companies. The new contracts are controlling the relationship between major actors are reflecting positive trends in areas like concerts, publishing, and merchandise (Karubian 2009). There has been a rhetorical change: the majors have stopped calling themselves record labels and started referring themselves as “music companies” <https://www.ft.com/content/8a0290b0-6bb5-11e2-a700-00144feab49a>

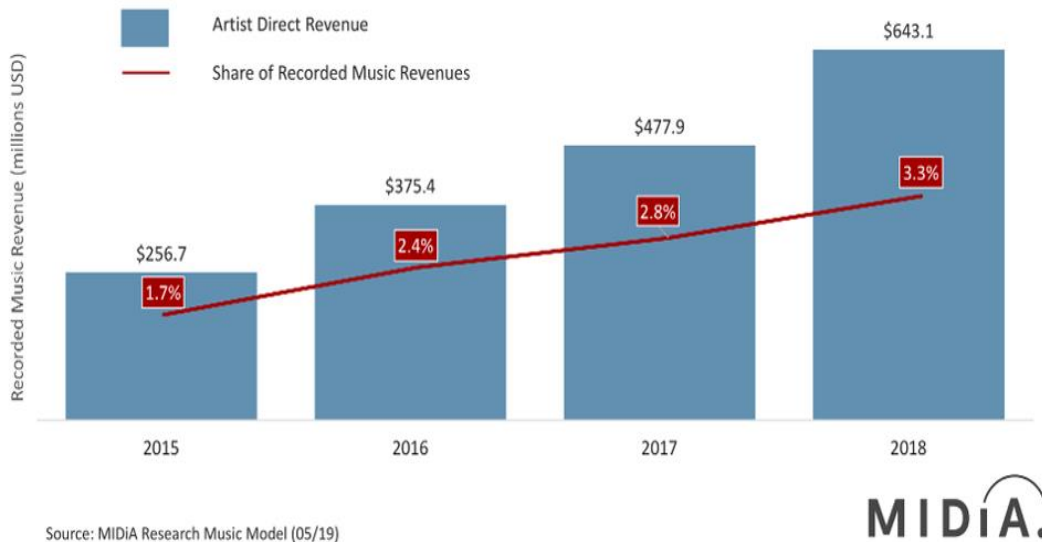


Source: okayplayer

### DIY (DO IT YOURSELF):

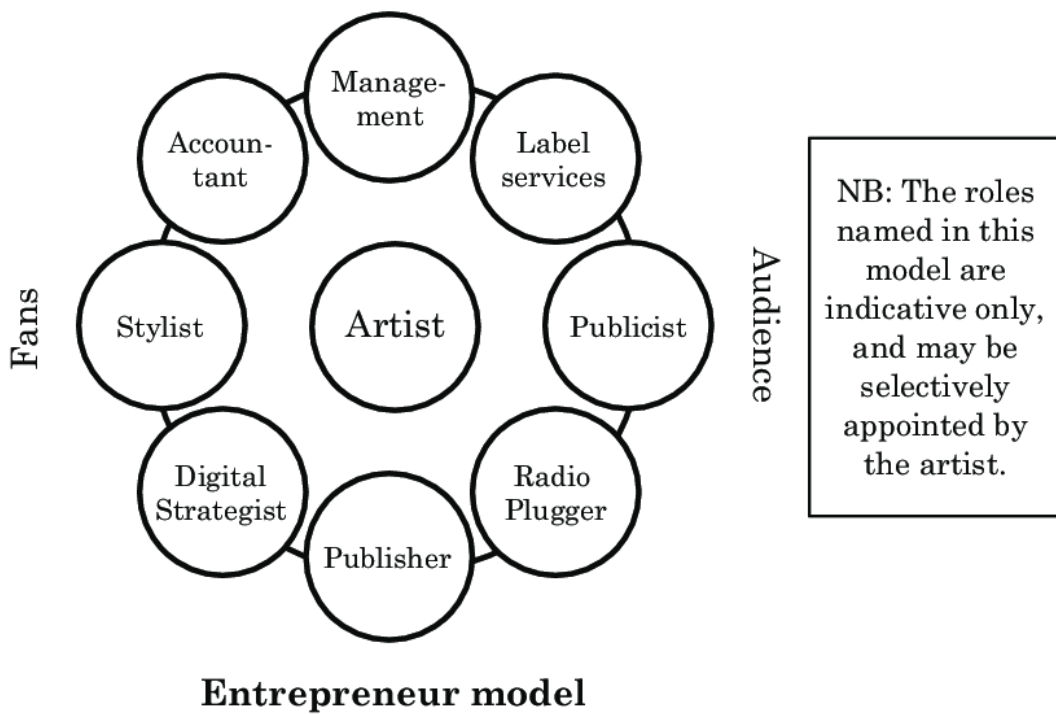
The career model DIY was first acquired as a concept in early 20 centuries, when it was used and understood as a home improvement (Gelber, 1997). The DIY model believed to reach its most relevant during the mid-70s with the emergence of punk. Usually punk labels have been autonomous in relation to major labels. The punk explosion from 1970-90s increased indie record distribution and encouraged many independent record labels (O'Connor 2008). The mission of punk music was to bring the music with an artistic excitement that rock and roll movement brought years ago as a political movement. Before the punk music arrival, the production and distribution of pop music were created on a mass scale, tightly controlled and heavily routinised (Laing 1985).

It is often established by artists as a model when they can manage their career without the support of a major record company. DIY and their counter mainstream Indie music are concepts of micro-independent in the music market. The big 3 major labels (Sony, Universal and Warner) are dominating the global market of the music market with a total of 70%. They are typically operating in the mainstream market. In addition to these majors are several small record labels, starting from independent labels to micro-independent (Drijver, Hitters 2017). DIY musicians are labeled as musicians who want to control their distribution, production, and promotion of their music, and they are working to separate from the major and professional networks around them. Being an independent musician, it means that you are responsible for everything, touring, booking shows and hotels, transportation, marketing, setting up your gear and the budget need to be planned carefully and be profitable (Winberg, 2018).



Source: Midia

## ENTREPRENEURSHIP:



Source: (Hughes, Evans, Morrow, Keith 2016)

Technological, cultural, and economic changes have affected the music industry since the twentieth century, but the twenty-first make no exception. The emergence of digital platforms and the presence of the social media, the diversity of genres and styles have transformed how the music is consumed and produced. Artists, small and large ensembles, cultural organizations,

education institutions are trying to adapt or transform to the changes that appear around them. Entrepreneurship with the combination of creative skills and the ability to imagine and identify the opportunities can build a sustaining value.

If (artists, composer, entrepreneur, businessman etc.), have a mindset risk-attitude enables chances of advantage opportunity. The most successful artists of the 21st century are flexible, responsive, and adaptive to recognize and add value to the coming opportunities. (Barker, 2017)

Pop Idol and X-Factor might suggest that the music industry today it is more about image, packaging, marketing strategy than the actual music talent. (Colette Henry 2008, pg79)

From this concept have emerged two debates:

Creative enterprises can be a strong economic and social force:

- Creative enterprises can be a powerful economic and social force in any economy.
- Creative entrepreneurs in terms access to appropriate education, training, and funding face several constraints: (Colette Henry 2008, pg84)

The definition if the entrepreneurship is an individual who pursue the opportunity away from the resources under his/her control. An entrepreneur is someone who gathers recourses and make things happen, accepts a wealth-creating and value-added. The definition stands:

1. The process of wealth-creating and value-added
2. The actions involved in wealth-creating and value added through enterprise and/or undertaking entrepreneurial effort. (Kao 1993)

Entrepreneurs and their work provide a useful importance on the entrepreneurship as an individual, and the idea that individual human beings with their motivations, background, goals, environment, values that are the real objects of analysis (Stevenson, Jarrillo 2012). Richard Cantillon, who coined for the first time the term entrepreneur, he was focused more on the economy role rather than the individual who act such a role. Entrepreneurs have been described as someone who start his/her own business and the physiological characteristics of individuals are *creativity*, *aggressiveness*, *daring* and the like. Entrepreneurs approach are individuals in different social positions when their entrepreneurial behavior is dependent on personal motives, actions and in turn are dependent on environmental characteristics. (McClelland 1961, read at Stevenson, Jarrillo 2012, pg20).

The psychological traits of entrepreneur are: **Intelligence, absorptive capacity, perceptiveness, creativity, risk management, the desire for freedom, intuitiveness, generalization of information, optimism bias, self-efficacy, internal locus of control, need for achievement, disagreeableness, extroversion, career experience, vicarious experience, varied career path, knowledge of markets, social ties, income, employed spouse, education, age, social position** of the entrepreneur (Fuduric 2008).

## DEFINING ENTREPRENEURSHIP THROUGH HISTORICAL ATTEMPTS!

Richard Cantillon 1730: Entrepreneurship is a carrier of uncertainty and it is defined as a self-employment. Entrepreneurs buy a specific price in the present and sell at a specific price in the future.

Nicholas Baudeau 1767: He formulated the idea, an entrepreneur to increase its profits needs to reduce its cost and added the concept of the entrepreneurship as an innovation. (Red at Thomas Grebel 2004, Entrepreneurship: A New Perspective)

Jean-Baptiste Say 1810: Says' viewpoint is that entrepreneurs pursue the chances for profits and create new markets and new opportunities. Entrepreneurs prevent monopolies and constantly interrupt the balance of competition; they form, create a wide diversity of products which keep producers producing and consumers consuming.

<https://www.investopedia.com/ask/answers/08/origin-of-entrepreneur.asp>

Carl Menger 1871: Describes the entrepreneurs act in a situation of uncertainty. He/she has no vision of the economic situation he felt, but his vision is subjective and acts on his own identity and it differs on the position he engages on the market. The vision of the world is seen differently by different individuals. Every economic age is unique and has his own characteristic traits.

<https://www.cairn.info/revue-journal-of-innovation-economics-2014-2-page-9.htm>

Alfred Marshall 1890: he describes the idea of entrepreneur in two mains on economic dynamics, entrepreneurial action based on awareness and the role of the undertaker in economic change.

<https://www.cairn.info/revue-journal-of-innovation-economics-2014-2-page-63.htm>

Josef Schumpeter 1910: he said that entrepreneurial experimentations and innovations are constantly destroying the old equilibrium and introducing a new one with higher standards of living.

Frank Knight: Entrepreneurship lies in uncertainty, and the entrepreneurs absorb the problems and bear the risk of unknown consequences and move forward and take new challenges.

Edith Penrose: Managerial abilities should be distinguished from entrepreneurial abilities. The essential aspect of entrepreneurship is identifying and exploiting opportunistic ideas for development of smaller enterprises.

Harvey Leibenstein 1970: The entrepreneurship has value in the economy, and it is a resource, creative and fruition of tools and technology develops the economy. And entrepreneurship is unpredictable, undermined, or controllable.

Howard Stevenson defines: The essence of entrepreneurship is the willingness to pursue opportunity, regardless of the resources under control (Stevenson). We are looking the entrepreneurial phenomenon at any time the opportunity which requires resources beyond those controlled is being pursued. The knowledge that results from training and experience that has been accumulated over the years and that will assist in problem-solving, we understand these skills not as traits of character (Stevenson, Jarrillo 2012, page21). Schumpeter wrote about entrepreneurs in the non-creative sector. Art is considered as on if the elements in the entrepreneurial combination, when an economic entrepreneur who works in the creative industries it theorized as someone who make combinations. In the economic success the artist is theorized as someone who link his/her work with other combination elements that work (Swedberg 2006). As Frank Knight mentioned that entrepreneurship is about uncertainty and the entrepreneurs try to take such risk and move forward. While Schumpeter said that in the capitalism the essence is a process of creative destruction by destroying the old equilibrium and introducing a new one. The entrepreneurship can be described as taking the immeasurable risk and create something new (Philips 2010). When tangible cultural capital is created is referred as the art-entrepreneurship. As Richard Caves mentioned in his work Creative Industry terms like: “

- Know body knows” when it is difficult to predict the reaction from consumers from a new cultural work,
- Art for art’s sake: the creators sacrifice a lot when it comes to terms of incomes, they carry a lot about the quality and reliability of their work even it may be not noticeably by consumers
- Motley crew: in many creative products it is required at various crew with of skilled specialists: a threshold of competence must meet with each of them.

- Infinite variety: The possibilities from which artists can choose to express themselves is endless.
- A list/B list: creative inputs are vertically differentiated.
- Time flies: temporal coordination it is essential in production and distribution. (Caves 2000)

Other entrepreneurs differ from the principle of the behavior in the art entrepreneurship.

Businesses in most other industries are starting from individuals which have developed a set of skills in a certain area and ask themselves if they want to continue to work for someone else or start a business on their own. While for most artists and what stands for art entrepreneurship in the differences while working for others or for themselves is the “day job” which involves working in other industries instead of creating art. Could be argued from theory economist that being an art entrepreneur and deciding to work at “wall-mart” when you could earn more would be an illogical decision because it means working at lower incomes. While working at your day job and the same time devote your time to creating art could be compared as working a full-time job in another industry.

In a capitalistic economy, which can be in conflict with cultural industries, there are two groups: one is the workers/ labor who avoid risk and take a more secure financial income and capitalists who are willing to take risks and use the technology and knowledge to employ physical capital and labor. A capitalist pays the worker that is necessary for the worker’s survival, but the worker creates a value that is in the capitalist’s profits. Art entrepreneurs are rarely driven only for the desire for profits in a neoclassical and Marxist perspective (Philips 2010, pg265).

Creative industries have their origin in individual creative and create job opportunities for the exploitation of the intellectual property. The music industry is an entrepreneurial risking process, corporately and individually representation of the activities and actors who are interested in the popular music production. The music industry includes publishers, artists, musicians, agents, studios, and media outlets. All the actors involve a variety of entrepreneurships and with no difference from other industries entrepreneurship the art-entrepreneurs face risks and uncertainty and their contribution is the development of their imagination, action, and interaction with others (Henry 2008, pg31).

Throsby divides the artist’s work choices in two stages: one choice for artists to follow their career and they have a job related to arts such as teaching, and the other is working in a non-related-art market which helps them to support their creative work (Throsby 2007).

In the research made from (Marshall, Hyades 2017) about musicians asking how they view entrepreneurship they asked musicians about the concept of entrepreneurship and they answered as being successful and powerful. They gave examples as successful entrepreneur is a famous singer/musician, a famous Tv-series or defined as success as entrepreneurialism by stating whether a good or bad entrepreneur. And treating music as a business and sustaining a musical career it requires some knowledge, of investment/ managing because just posting music online it is rarely that you may receive return investment. And according to the research many musicians saw the entrepreneurialism as a DIY when they had to manage everything by themselves, and even as DIY which you develop independent production and distribution rather than depending from the traditional music corporations.

Many musicians (Collison 2012) did not see themselves as entrepreneurs, they did not like the idea of starting, running, and maintaining a business, they were focused more on their creative process.

Musicians were/are both simultaneously cultural and economic figures, and the argument that art should be appreciated only from (musicians/artists) rather than those of the market (public) and the reason that the art its great for its time and it will be appreciated for future years can be seen as reacting against commercialization of cultural production. (Marshall 2005)

In the capitalism the private individuals and businesses own capital goods. In the market economy the production of goods and services is centered on supply and demand. The clearest explanation of capitalism is a free market when individuals are entrained and they determine where to invest, produce and sell goods and services. <https://www.investopedia.com/terms/c/capitalism.asp>

When you think about an entrepreneur, you see an individual who is driven by profits. While musicians are driven by building co-operative relationships, satisfaction of making music, rather than creating business plans, growth, competitiveness, and profits. Musicians/artists participate and are involved in activities that could be interpreted as entrepreneurial while they did not put the profit as their main aim and therefore, they cannot be called as proper entrepreneurs (Coulson 2012). Enduring a viable music career requires investment and potential awareness of potential income and costs.

And labels now are distancing themselves of contracting artists and are not willing to invest money just because an artist is good. They want to see if an artist has an established fan-base, established followers, so they can promote and market themselves.

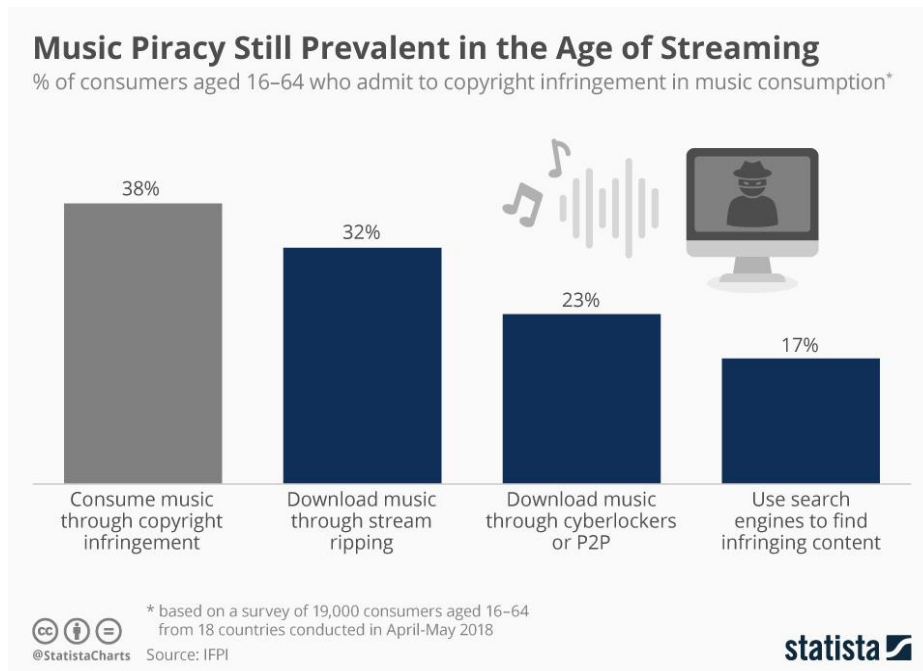


Not all entrepreneurs are artistic while the musicians may be entrepreneurs by necessity, and entrepreneur and a musician may be different sides of the same coin (Left at MARSHALL; Haynes 2017 page 19).

Since musicians in their creative aim to success, do not only drive for monetary profits, they see success as well as a creative and a desire to bring change culturally. There are many composers who have written music for goods, for love, for expressing feelings or communicating their inner thoughts through music. Both musicians and entrepreneurs face risks and are called according to Schumpeter they are called agents of the “Revolution of life”. To take change in this world, both are willing to take risks, reputation damage or failure, and it is hard to predict the outcome of their actions. The entrepreneurs are initially artist and artists are initially entrepreneurs. But not all entrepreneurs are artistic, but artists get entrepreneurs by necessity (Marshall, Haynes 2017).

When you consider working as a musician there is risk in the business, even when you have another job other than creative industries the uncertainty is present. Even while working in the TV programs several people have left the job because they found it too uncertain. A secure job is not always sustainable. Even when you work as a freelancer (cameraman for example) the emotional stress is evident, the job is very insecure because many technological changes appear and that can cause changes in working contracts. It could be months of no work and could be months of intensive work (Hesmondhalgh, Barker 2011).

## DIGITAL PIRACY AND THE EFFECT ON THE ARTISTS:



The digital technologies are changing the how the cultural content like music and film is produced and distributed, how the opportunities are related to earn revenues, and finance production (Towse 2016). The rise if international file-sharing and pirate websites by the end of the twentieth century had a dramatic reduction of the music industry's income (Wikström 2013).

The music industry is a business that its success depends highly on legal environment and copyright law. The music market is continually distorted by unlicensed services and unfair competition. Digital piracy is acting in many different forms, like peer-to-peer file sharing networks, unlicensed streaming websites, unlicensed streaming, and mobile applications. The music industry is working hard to remove the piracy phenomenon by educating consumers on the value of music and copyright law, enforcing laws, lawsuit against illegal online services. Record companies are creating mutual relationships with internet service providers (ISPs), search engines, advertisers, and payment providers to achieve this goal.

Forty percent of the internet users have access in unlicensed online music. (IFPI 2019)

Across two decades, the digital distribution and the illegal copying without consent of authors in the age of internet and content products (books, movies, music, software) is increasing as the phenomenon known as digital piracy. The music industry is being affected the most and has the largest scale of digital piracy in the creative industries and piracy is accessible in the production and distribution of sale records. Even before the digital era the unauthorized copyrighted material

occurred without author's permission, but sharing the copyrighted materials was limited and the users gave each-others the same copy of the work (Akulavicius, Barkus 2015).

With the arrival of digital technologies, the CDs experienced a decline in revenue, which placed the recording industry on a second plan after dominating the music industry over a century. Piracy has played an anticompetitive role and anti-consumer market structure; its scale has been overrated by the industry. The function of distribution and promotion of music has been transformed in the new music business. The record companies tried to keep the singles out of the market and keep the CD prices high was a straightforward effort to use the market power and preventing the consumers to enjoy the benefits of an efficient distribution (Cooper 2008).

The number of singles purchased by the public was tripled and most of them are not owned by record companies. When piracy and file sharing became dominant in the music market new business emerged with innovative technologies. The iTunes development from 1999-2003 and agreement to have access to the vast music catalogues from record labels helped the recording industry to create a future in the digitalized marked after the advent of Napster 1999. As a mentioned above on “**iTunes**” the option of creating a personal playlist from a massive single song list through the physical device iPod returned the faith in the music industry between consumers, artists, record companies. The Apple company invention attracted the consumers toward buying music rather than using piracy.

In 2003 the battle of fighting online piracy in the US started when the RIAA initiated lawsuits against its own customers. RIAA released a demand closure for internet service providers which they were suspected of copyright infringement. The Recording Industry Association of America hopes to give to the public a sensible message to convince PC owners that the use of file sharing software, it is like taking from a neighborhood store (Condry 2004). Music is a key power in the media because the effect of the music industry is influencing other entertainment and publishing industries. DRM (Digital rights management) by making the file-sharing less desirable the industry should be focused on improving the property aspect of music.

After successive years of increasing sales on compact discs the sales have been affected after the 2000. Several reasons have been named the industry blames the piracy as the cause of declining of physical and digital piracy, specifically internet piracy about CD sales (Janssens, Van Daele and Vander Beken 2009).

The music industry had mostly some kind of monopoly over the distribution over the consumers and new entrepreneurs trying their best to enter the market created a competition within the industry.

If you take a comparison at looking for a book at Barnes & Noble and get away without paying, and why should it be different for online music? If buying a book at B&N the store has one book to sell, but if you download a single mp3 from a p2p network the CDs are being stocked. The tangible piracy is different from intangible piracy (Lessig 2004). The piracy is many cases is considered wrong while not all “piracy” is. Some types of piracy have positive sides by producing a new content of doing businesses Piracy is never banned in terms of our tradition or any tradition.

On the internet finding music and get it for free is easily and consumers pay music anyway. Even without Napster music was a presence in radio, Tv, music in public spaces and exchange CDs from friends. The volume of piracy is hardly identified in quantity because this activity the same as shadow economy is non-observed (Akulavicius, Barkus 2015). The file sharing of copyrighted materials among the users is highlighted as a problem and the piracy should be treated as a new phenomenon.

Piracy is not a new format in the music industry and has been quite present and allowed discovering and promoting new music formats but allowed citizens to pirate on a larger scale. With the arrival of compact tape cassettes in the 1960s and the ability of home recording cassettes in the 1970s increased the chances of piracy. The advent of compact discs in 1982 with its format increased global music sales and enabled mass copying in large entities through technology. Transferring files from cassettes to compact discs was hard because personal computers did not operate with efficiency and had limited of storage data, nowadays PC have improved dramatically, and pirates can make high quality almost identical copies. In the digital space the reproduction of the copyrighted material has become simple, the users can require copyrighted material and distribute unlimited copies among other users and sharing these products has become a major problem for creative content industry and it is impacting the industry's revenue.

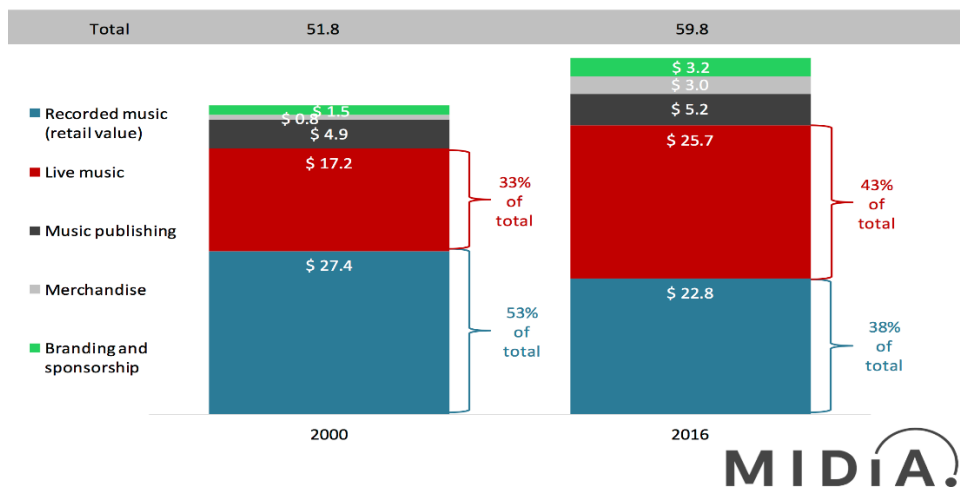
The digital piracy does not show only negative impact on the creative content industry. Due to widespread piracy there is an effect of free advertising, concert organizers are selling more tickets, software producers are gaining more profits from digital software piracy which is increasing the sales of software production for big companies: tv shows are becoming more popular on due to the rapid distribution on the internet, the audiences are increasing and the revenues from advertising is going up and the idea that the piracy is benefiting those industries is becoming a lately opinion,

(T. Regner and J. A. Barria 2009), (F. Silva and G. Ramello (2000), (R. K. Chellappa and S. Shivendu 2005), (A. Duchene and P. Waelbroeck 2005).

## LIVE INDUSTRY:

Though Recorded Music Is Now Making Up Ground, The Balance Of Power Has Shifted To Live

Global Music Industry Revenue By Type, 2000 And 2016



Music it is an essential part of our society all over the world, it has inspired our cultural activities and it is an art that feed our souls and gave emotions through songs (Staford 2010).

In modernity, the live music is a broad social product and cultural transformations. With the advent of recording technologies, the rise of mass media broadcasting the live music has emerged in public disclosure and it was born in the relationship of commerce, media, and entertainment. In 1930s as an alternative to record in a radio broadcast the word “Live” started to be used. Reproducing sound recording meant as copy in relative to the imagined original (Sterne 2003). In the 1950s the “live” word as a performance had developed as a term for an experience that is not pre-produced in a studio or played in playback devices, and got the derivations “live interview”, “live show”, “live interaction” “live audience etc.

In the UK, the live music sector has been argued as a declining sector for the last 50 years. It has been argued that recorded music, radio, and film soundtrack meant that live music should experience decline in music hall, concert hall. If we take an example of a quartet from Mozart in 1780, required 40 minutes of playing and today the same labor is required and in terms of acoustics the quartet can be heard in a limited space. A single master recording of Mozart CD can

supply the global market, the live performances are replaced by recorded performances and the technology has reduced production costs. The performance of contemporary art and classical music has become dependent on state subsidy (Frith 2007). Pub singers were replaced by juke boxes, dance bands and dance halls by discos and DJs, orchestras by record tapes, cinema organists were made outmoded by taking pictures. People spent less time going to listen to concerts, public halls, and ballrooms because you could hear music from home (on record radio, television). Personal music accessories as the Walkman, iPod, home, family entertainment moved from piano to phonograph and the live music seemed to experience extension due to socio-cultural and economic reasons and was dependent form state-subsidy conservation.

According to Holt and H, Perrit Jr the paragraph below; the live performance is a relation of face-to-face relation in the co-presence in the same physical space. The term live music in everyday language is used to distinguish live music vs recording, live performance vs musical recording or video, and it is complex to distinguish. The live music in desired time and space is associated with commercially and culturally valued performance. It is a desired commodity when concerts are arranged, performance is prepared, the ticked are purchased, the performers receive contractual payment. Since the 18 century the concert has been the most honored genres of musical performance in western culture (Holt 2010) (H, Perrit, 2011).

Live music is a different product from recorded music, and live performance has some advantages over recorded music. Capturing a record of how it sounds in front of the dancers is not the same as the real experience. The musicians perform for dancers and the dancers are performing for musicians. It is a passionate ritualistic relationship which made the music so close to visuals as music can be. A sound recording cannot be compared with the experience if live music how you can see and hear it in person (Eisenberg, read at H, Perrit, Jr 2011).

Festivals and gigs are a significant source for musicians and the revenues are increasing, and they are a career opportunity of thousands of engineers, promoters, touring crew who works behind the scenes. In UK live music census in February 2018 account 49% of live performance for professional musicians in comparison 3% for recording music. Live music offers social and cultural value, including economic benefits. It can transform communities and bring people together (House of commons 2019).

Streamlining services through algorithms create playlists of artists and based on the calculations have come to know the consumer preferences. They can make good guesses through their robotic systems, but our culture is built by humans and the list of playlists should be curated by people

because they know what they are talking about, not by tech companies but from companies that are run by people.

After the advent of Napster, Streaming services and the declining of the recording sales (CDs) the music industry has changed from the dominance of the recording companies in the twentieth century into the dominance in the market of the industry Live Nation which may be (or it is) the largest entertainment company in the world at the moment. Live Nation has dramatically changed the global power structure of the music industry and it has become economically substantial in comparison of the major record companies apart from Universal. In 2010 the American ticket sales and distribution company Ticketmaster emerged with Live Nation, which is called today the Live Nation Entertainment.

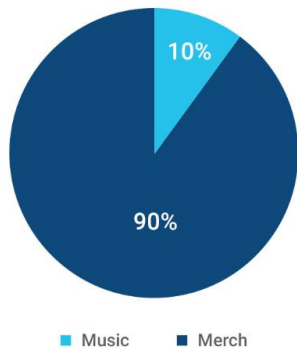
In 2008 the British consumer spent more money on live performances and concert ticket on that particular year than they did on recorded music combined physical and digital sales (Bryan 2008) <https://www.standard.co.uk/news/festival-explosion-turns-live-music-into-19bn-big-business-6821893.html>. Since the mid-1990s, the music industry has been shifting from record-sales, which dominated almost the whole previous century toward an increased importance of live music.

According to Marshall, and Hesmondhalgh they refer the music industry as the music industries which include the live performance, publishing and recorded music. (Marshall 2013, Hesmondhalgh, 2002). Cloonan and Williamson argued that the term for what define the “music industry” as it was traditionally been used as a term the “recorded industry”, doesn’t fit the purpose anymore because there are different sectors that generate money in the “music industries” the pluralized term which includes publishing, live, record and etc. (Cloonan, Williamson 2007).

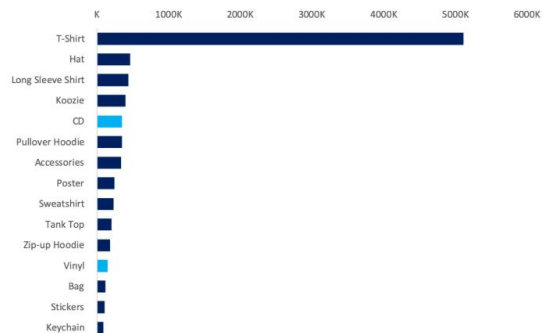
In the 2010 the merge with companies like Ticketmaster and Live nation bought an annual turnover more in the music industry than any of the record companies apart from Universal in additional revenue sales, and eventually could be the biggest music company of the world. Live nation which was founded in 2005 bring together with Ticketmaster under the name Live Nation Entertainment a huge change on industrial level in the economics of music (Brennan 2011).

# MERCHANDISE.

% Items Sold - Merch vs. Music



Top 15 Items Sold - Merch vs. Music



Source: atVenu 2019 <https://www.atvenu.com/post/2019-merch-trends>

The music industry is growing with 2019, with an average \$5.50, (in 2018 – 11%)

The sales per show have increased 29% in 2018

Top selling merch are doubled and most items are T-shirts size M, L

10% is music, 90% is merchandise. (atVenu 2019)

Merchandising is when goods /or services are promoted and available for a retail price. It includes, a set of prices for goods or services, the willpower of quantities, it develops marketing strategies, it creates display designs, and establish discount and coupons. If using one product merchandising refers in marketing and selling the image and the brand.

<https://www.investopedia.com/terms/m/merchandising.asp>

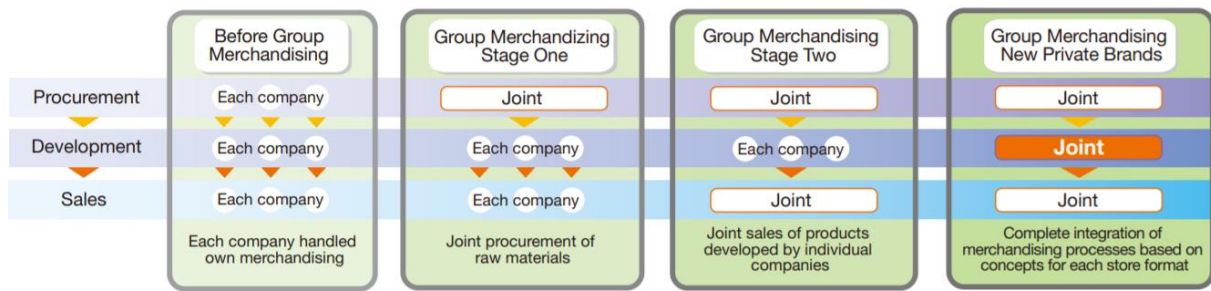
Artists use merchandising to promote and strength their brand. It can create additional income if the branding of artists is done properly, and the artists can create their image/brand. The image of the brand is vital and needs to be invested in high quality because it can affect the artist's image. If branding has not been controlled by the quality, the consumers will blame the artists.

The policies of product developments:

- Consumers are motivated to visit the stores if the established brands are unique
- The company will be responsible and have the strength as a developing leader
- Manufacturing, distribution, and sales that extend to the merchandising have an established developed system (Seven & Holding, merchandising strategy 2007).

[https://www.7andi.com/library/dbps\\_data/template/res/en/ir/library/co/pdf/2007\\_03.pdf](https://www.7andi.com/library/dbps_data/template/res/en/ir/library/co/pdf/2007_03.pdf)





Marketing and retailer strategies use merchandising to lift the sales performance. Merchandising differs from other promotional tools and it has exclusive effects at the retail store. It is a store-in-store promotion that it is designed to spark purchasing behavior and it is distinguished from other forms of promotions. It has nicknamed as “the silent salesman” but not entirely appropriate. (Buttle, 1984). To motivate purchase behavior is in the interest both from manufacturers and retailers. Manufacturers want to promote the sales of their own brands, while retailers are interested in increasing store traffic.

### Brand:

“Brand” word come from old Norse word which it means ‘to burn’, from which the animals were marked to determine the owner. Today branding is used to differentiate its goods. It is important for the variety of the goods started to increase on the marker, and branding identify goods and services and it differentiate one producer from the other competitors (Richard Cree). In the music industry branding has become one part of the industry’s marketing strategy and the relation between consumer and industry. The term branding is does not range around consumer products, but it includes a variety of offerings, including people (politicians, pop stars). The music has become a business now, a name of a band is a brand, the same as “Pepsi”. Consumers today are becoming familiar with “branding” and we have an adult generation grown up with historical brands such as “Rowntress’s KitKat”, “Kellogg’s corn flakes”. Consumers are prepared to create good relationships with the producers, and they are comfier than ever with the concept of the brands. Poor branding can create a dissatisfaction among consumers and can produce infidelity toward a company, (an example, when consumers were triggered by changing the coca-colas original formula) (Cohen 1988).

“Brand” is not only the name or the object that the product is defined, consumers have several reasons why they chose a product, not just for their quality. The difference is that products are made in a factory while brands stay in the people’s mind. Having a strong image created an identify and it is a significant part of the brand. Branding is an intellectual concept and it is a real

asset on its own. If the consumers commit to the brand it creates a commitment effect which is called Brand loyalty (Richard Cree). In jazz music, single indies, and dance singles branding has little effect, while in pop purchases it can have some. When it comes to consumer decision making purchases branding of the artist's, branding has a major role. One pop single purchase it has an important effect, but not crucial, when it comes to jazz or niche albums it has a crucial role. Building a new brand with an unknown name it takes investment and time (Sande, J Brodie 1993).

After the introduction of Napster in 1999 the album sales experienced a decline in the music market, and today YouTube (ad-founded platform) is the world's biggest streaming service, but selling T-shirt 45\$ and hoodies 65\$ it is becoming a great business for superstars. The merchandise business it is increasing at a faster rate and music major companies have been more interested that ever to reach many resources, which are affecting the US charts. In 2018 the Warner Music Group just had 180\$ deal, buying EMP merchandising company (a German based music Merch). Max Lousada the CEO of Warner Music Group stated that today's music has become more visible and it is affecting physically global culture and fashion. And in today's brand culture record labels and artists are exploiting the Hypebeast culture. Sony Music Entertainment and Universal Music Group have already noticeable and visible Merch brands which Warner was possibly lacking.

<https://www.musicbusinessworldwide.com/why-did-warner-just-spend-180m-to-buy-a-merchandising-company/>.

Merchandising it is providing artists new sources of income besides selling CDs and it is breaking all the traditions between a record music label and artists. Merchandising is becoming an income source that it is benefiting both the label and the artists. While music merch is just selling merchandise, but developing the artist name it becomes a critical asset for artists which they can control. Merchandising increases, artists income and meanwhile create a strong relationship toward consumers. Artists like Jay-Z, Ozzy Osbourne, and Kiss use their name to create a brand image and build \$multi-million enterprises (Passman 2006).

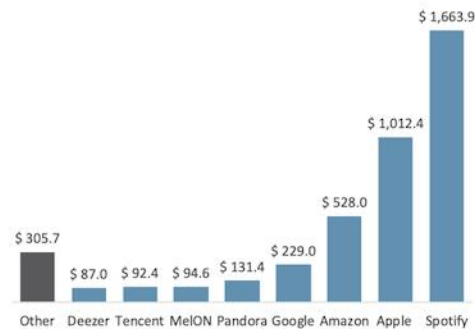
# STREAMING:

## Global Streaming Music Subscription Market, H1 2019

Global Streaming Music Subscription Market, H2 2019 (All Revenues Are Label Trade Values)

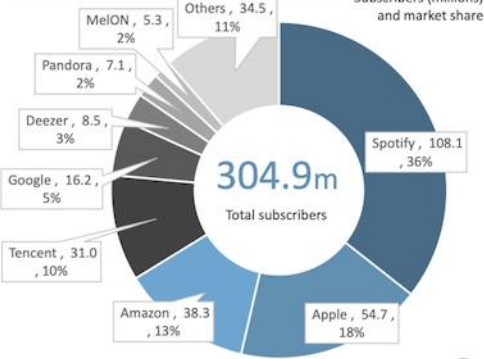
### MUSIC SUBSCRIPTION REVENUE BY SERVICE

Revenues in millions USD



### MUSIC SUBSCRIBERS BY SERVICE

Subscribers (millions) and market share



Source: MIDIA Research Music Subscriber Market Share Model 11/19

MIDIA

In the last twenty years the music industry has experienced structural and technical changes. In the last century music was delivered in two ways: one- by purchasing physical products CDs, Cassettes, Vinyl records when the consumer had permanent ownership for a song or album, two- by radio when consumers had no control over the content that was distributed. Physical products were durable and required one-time payment, while the internet provided a durable and non-durable option. With the advent of Napster and other file-sharing services the online sales increased both legally and illegally distribution of music (mp3). Music streaming is highlighting single songs over albums and has changed the way the music is made, delivered, bundled, how streaming is delivered today through data connection has gained a reputation (Hiller, Walter 2016).

The popularity of music streaming, and the music piracy it has a negative effect on recorded music sales and a low number of revenues to the rightsholders, even for the artists who are claiming a low of streaming royalties. According to Spotify, the music streaming role is like a discovery tool which makes music easier to be discovered, managed, and shared. Music streaming it is affecting other consumption channels by decreasing music sales and piracy (Aguar 2015).

The digital technologies have created a huge impact in the copyright industries. Streaming is one the technologies that commonly present in the music industry sector nowadays, with a variety of library content, which is accessible at a fixed monthly payment. In 2015 streaming was one of the largest revenue sources of the music industry in the U.S. Streaming is not only present in the music, but at other copyright-related sectors as well (movies, games, books), (Friedlander 2016).

The popularity of music streaming is increasing in the recent years, but it is raising optimistic and concern questions about how its effecting recorded music revenues. With the promise of increasing revenues, profits, streaming is offering bundling, where sellers can engage with consumers. When songs are unsuccessful to generate enough revenue through single tracks, unpaid subscription, streaming offers bundling options as a willingness to pay. Since in many streaming services you cannot download individual tracks, but, in a way, 'renting', streaming can displace the track sales and even the piracy (Aguilar, Waldfogel 2015). Some argue that streaming is playing as a promotional role for the recorded music as radio used to do. Combined bundling options streaming can have a positive impact on recorded music revenues. In the other hand streaming has displaced permanent downloads of digital music, but it means whether payment for streaming is high enough to compensate and overcome the sales from permanent downloads.

Digital distribution, online sales on the internet, many companies are offering unbundled options (individual products) since the online channel transaction costs are lower. An example is online store, iTunes from Apple, instead of albums with several songs included iTunes offered individual tracks, or other entertainment companies offered the options of downloading single episode rather than buying the entire album on a DVD. In the context of the music industry, it is debated that shifting from albums to individual songs can benefit the consumers because they can select their favorite tracks, but unbundling music can have a negative economical impact for producers and retailers, and argued from others that the highest sales of single track songs will balance the decrease in bundles sales (Fong 2008), (Leeds and Wingfield 2008) (Elberse 2010).

Why bundle music? Album and Merch

Album sales have decreased, consumers are not interested in buying albums and not the physical ones. In the billboard charts bundled albums do not reflect the consumers into purchasing the albums, but with a merchandise package in. DJ Khaled sold around 100,000 merch together with his album "Father of Asahd" were connected to energy drinks.

<https://www.vulture.com/2019/11/billboard-album-merch-bundles.html>

Bundling in this context is described as a combination of products, both digital album downloads and physical merchandise which are sold together by an artist. Today an artist is not just writing and performing music, but he/she must find innovative ways how to connect with fans. There are thousands of songs uploaded in the web almost every day and artists need to develop a brand to supplement the music they make. <https://www.hypebot.com/hypebot/2018/12/why-bundle-content.html>

## CONCLUSION:

After the collection of the data about what we define as a music industry to the modern term of music “industries” and the fall of the dominance of the record companies within the music industry, which ruled almost the previous century, and the emergence of the new business models, today the music industry it is divided in many economical sources like live music, record sales, publishing and merchandising. Many companies are adopting innovative and brand strategies, combining with high cost required investment in a competitive and dynamic marketplace.

Today’s music industry is possibly more uncertain than it was a century ago, therefore the main source of investment for developing artists is still run by major labels. Very few artists have been successful without a major label and this is the reason why many musicians still want to sign with a record label. There is a small number of artists who reach success, but even those artists who are doing it themselves are still a few numbers who will succeed (Van Buskirk 2010).

With the introduction of the social media networks (Facebook, Instagram), online retailers Amazon, internet search engine Google and streaming services like (YouTube, Spotify, Apple music), are playing a crucial role in promoting artists and reaching a wider audience. The economic return for most artists is very small, and the amount of work that an artist has exceeded the dimensions of just writing/performing music, for example, with a DIY model they have to manage by themselves their (YouTube) channel, promoting distributing their music etc. In the previous century consuming music was relevant to the film industry, electronic media, advertising companies now the many companies use music streaming services like pre-programmed car radios, to sell their product and services.

The career model DIY which is getting popular lately and the best example is the Radiohead marketing strategy which worked successfully, but we must consider the difference between Radiohead (which had been in the music market for several years, and their popularity as a band), and a new artists have started to work in the music industry from the scratch. But now many artists can collaborate with entertainment companies (games, tv, movies) and advertising companies.

Since the major record labels are reducing the financial risk of contracting new artists, today reaching a fan base and being a successful entrepreneur in the music business lies on the artist's shoulders, and they need to self-promote and using social networks which are essential to the entrepreneurial activity. But not all entrepreneurs are artistic, but artists get entrepreneurs by necessity (Marshall, Haynes 2017).

Now artists need to develop other skills rather than just performing/composing music, (promoting, distributing, brand development, and having financial knowledge), and since the Merch companies are entering the market with their brand extensions which are becoming a vital point in the current market and in order to reach further success they need to accept this model and engage themselves in the process.

It could be led to the conclusion that the record labels will continue to hold their main position in the music market by applying the 360 deals to receive a share of the income from other revenue streams to compensate their challenges they faced a decade ago and by reducing the risk of signing new artists by letting independent record labels which have been argued that play the role of finding and developing new artists. On the other hand, artists need to adapt entrepreneurial, DIY model, to develop their career and reach and build a fan base so they can increase the possibility to be picked up from independent/ major record label. After the rise of the live nation and an increase in live revenues, merchandising, streaming and piracy, which is playing as a promotional role for artists/ and other actors included in the music value chain could lead consumers buying concert tickets, finding their favorite artists and consume and buying music more than ever.

Whether the piracy helps well-known artists more than new artists remains an open research question.

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