

**Matthew Heibel**

A00669412 – MUSC 208

Contemporary Issues in the Music Industry:

**PEST Analysis of the  
Music Industry**

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The future of the music industry is unclear as new technology is changing the way in which consumers search for and obtain new and old favorite music. As older methods of music exploitation prove to be increasingly ineffective, major entertainment companies are changing their platform for finding, growing, and ultimately selling artists. The driving cause of these major shifts is not solely new technology, but a complex system stemming out of political, economic, social, as well as technological factors. We are beginning to network with people across the world through the Internet, bridging gaps and allowing cultures to cross borders digitally. This allows music around the world to be accessed by consumers world wide, instead of one's access to music being limited to their local record store. This allows artists to reach out to a broader audience, a broader economy, and is forcing the music industry to change its business model to address these major changes in the past 20 years. Artists and their labels alike must drastically rethink their way of thinking and carrying out their business in order to adapt to these changes or they will be left behind in the wake of those who do.

Record companies are extremely focused on recovering lost CD sales through legal action and further exploitation of artists under their control. The boom in profits from consumers replacing their vinyl collection with CDs is over, and record companies must now rely on a broad spectrum of revenue sources, and take advantage of online services that could be used for heavy promotion. Recommendation websites, such as Pandora.com, Imeem.com, and Lastfm.com, act as an engine drawing in listeners to new music. This draws revenue away from CD sales (the listener can just listen on the internet) and towards merchandising and touring (McManus, 2008). As these services continue to develop, so will the record companies' understanding of how valuable they may be. Instead relying solely on album sales to ensure the success of the investment in a new and growing artist, a record company may work on spreading the music of the artist across the Internet offering a stream of the music. This would hopefully build a fan base, and while the music is available on the Internet the fans would pursue a deeper involvement with the music, purchasing tickets to shows, and buying the merchandise (Leeds, 2007). If record companies were

to adopt this of many possible small models, the artist would then be at a crossroads between artistic expression and pure commercialism. In order to maintain this fan base and revenue through merchandising, the artist must maintain a consistent and accessible image in order to not drive away consumers. They must be recognizable, accessible, and hip (Farro, 2007). Of course, the opposite could occur. Because hopefully many of these fans would be attracted through recommendation websites, those generating the revenue for the record company and artist would be the die-hard fans; the ones who found the music through an extensive series of recommendations from the music they love. The artist would still have to maintain an image for these fans, but it would not require creating a sonic product to attract listeners based on what is currently hip.

Unfortunately, new unsigned artists would find it extremely difficult to obtain the promotion required to generate significant net profits. In most cases it would be necessary to follow the path of a record company generating their image in order to attract a pre-determined fan base (Haskins, 2007). However, this has not always been the case. The artist Soulja Boy was able to obtain popularity on Youtube.com. From there, he uploaded his songs to various websites, including Soundclick.com, which lets users listen to, rate and comment songs. From there he set up his own website, and managed to obtain a manager and started to perform live (Haskins, 2007). This is just one exception. On social websites like Myspace.com, there are seemingly infinite numbers of artists one can find. It is extremely unlikely for a high number of consumers hungry for new music along with a record label to sign and carry them all the way. Even if one is signed, CD sales will most likely be low if one observes current trends, and if the artist already has a dedicated fan base the artist may then look towards exploitation of the self-created non-manufactured image. The business platform of exploiting an artist's image through various forms of merchandising and touring is increasingly being used today. Alternate avenues of income are being explored, and it is being done in response to slipping CD sales. These deals, known as "360" deals (Leeds, 2007) focus more on developing a fan base and drawing in revenue through merchandise and live

performance over CD sales. Recording is of course a major aspect. If a record company will sign an artist into this deal, it will provide them the time to create a musical voice and growing a loyal following.

The platform of developing, maintaining, and drawing revenue from a fan base for artists is what many current popular artists are doing. Artists such as Prince, Radiohead, and Nine Inch Nails are releasing new albums on the Internet for free (with a voluntary donation), only at the cost of a lesser sound quality (Haskins, 2007). These artists wish to form a more direct relationship with fans. By providing the music for free, the possibility of profit from merchandising and touring increases. If one feels personally closer to the artist, he/she will wish to support their continued success. These instances are much different than the future endeavors of new and developing artists. Prince, Radiohead and Nine Inch Nails enjoy past success and do not need to be too concerned with developing a primary fan base. Newer artist who wish to be discovered by possible fans must compete with the equally accessible less serious music available on the same websites at the same bandwidth. Giving away albums for free would end tragically, as they simply cannot afford to throw away money put towards recording in hope that someone will at first discover the music, then hopefully decide to support and nurture this new artist through its development. It is just too likely not to be found on websites such as Myspace.com or Youtube.com The problem of sifting through the seemingly endless flow of garbage on the internet is going to increase day by day as more useless material is uploaded (Pignut, 2008). This is where the need for serious self-promotion comes in. One website, Soundclick.com, offers profile pages for bands, mp3 purchases, streaming audio and video, and music charts (Soundclick.com). Artists may promote themselves using this website, build a fan base and get their name out on the internet, and build the loyal following they need to start some level of success. Of course, the big money still lies in major recording companies, and this is one avenue a band may take to hopefully be discovered, emerging from the endless stream of pointless content of other websites to a more serious atmosphere.

With low cost recording equipment, a band can produce an acceptable CD and make it available on a website such as Soundclick.com. With economic factors considered, this is a very desirable option, allowing a band to develop its fan base while making a good quality demo. It is increasingly easier to record a full band and produce an album currently, and many artists are doing just that. This leaves low cost recording studios to struggle while larger studios receive continued business from already popular bands that need the top of the line production quality. This also results in the standard of recording quality to diminish, as amateur engineers will produce the albums of new bands which will likely end up in the hands of new fans. This potentially lower standard may shift the way in which we judge a band off of its quality. Currently, many listeners will dismiss a band due to poor production quality. If the economy forces bands to use whatever means necessary to create a hard copy of their art in coming years, listeners will be able to listen past the quality and be forced to judge bands purely on the music, and not by subliminal factors such as what heavily compressed and equalized frequency resonates well with our ears.

It is going to become more difficult as times goes on for bands to become discovered by a major label, but ultimately this discovery, or even partnership or recognition, will be necessary in order to reach a broad audience with heavy promotion, resulting in exploitation to compensate to overall declining CD sales. Internet based communities, Soundclick.com for example, offer methods for unsigned and undiscovered bands to upload songs for purchase are extremely promising, but widespread promotion opportunities are lacking. Once discovered by a label, 360 deals such as the ones offered by Atlantic Records are filled with potential for profit through a band's active involvement with its fan base. Social networking sites such as Imeem.com will provide access to these bands to listeners purely searching for new music, and the methods of exploitation offered by the 360 deals will come together to give the consumer a way to feel and be involved with the growth and development of the artist.

Soundclick.com will prove to be a cost effective method for artists to get their music out and reach fans. Because there will be no pressure from a label at the very beginning stages where this website would be of use, the artist will have ample time to develop a musical voice while making their music accessible in an organized manner. Thankfully this will also lift them above the unorganized websites such as Myspace.com and Youtube.com. There have been many success stories stemming from those websites. However, the amount of material one who is interested in discovering a new band must sift through is almost unbearable, and drives listeners away. Soundclick.com's potential for allowing user feedback will allow artists to revise themselves, while attracting listeners. Then they may post these revised recordings to popular websites, already having a fan base to attract hits. Economically this is a very wise choice for a beginning artist. The service with promotion can cost \$10-15 a month for a band. For under \$200 a year a band may generate a loyal fan base while also selling albums and songs, potentially paying off the cost of the service (Soundclick.com). Soundclick.com is an extraordinary technology that allows social networking between unsigned bands and listeners. This new social networking method will create close ties between the band and listener. Because it offers tools for promotion, bands will be able to attract listeners, hopefully craft a unique sound and style, attracting the attention of a label. Combined, the close ties between artists and listeners and loyal supporting fans will be able to generate auxiliary income if a 360 record deal were pursued.

Atlantic Records is one such label the act could pursue. Through the contract, Atlantic would have the ability to control most attributes relating to exploitation (Leeds, 2007). The label would have control of the profits from recordings and non-recording income, but this would allow the label to put more development and marketing money behind the artist (Weaver, 2007). One band has been a proven success in the 360 record deal, and that is Paramore (Leeds, 2007). Paramore is a punk rock group of very young musicians who claim that with the 360 record deal they were able to develop as a group. Because their

label controlled all revenue streams of the group, they were given time to develop by mostly playing shows while letting the label work out the profits. The act signed must be able to attract ticket sales, and a punk rock group tailored to teenagers will do just that. So far this method is proven to be successful for mainstream groups, but more obscure styles of music must develop a loyal fan base that will provide revenue in order to make this type of deal a success. Economically this deal makes sense for the label and artist, as CD sales have dropped and the label must work in any form of revenue it can possibly control to ensure the venture's survival.

Although a 360 deal will lock in an artist to the label, providing both with the means necessary to cooperate and generate revenue, exploitation can prove to go too far. Paramore's lead singer, Ms. Williams stated that she rejected a request from a shoe company to star in a commercial, without the band. The guitarist feels as though they were swung into full commercialism by the label too soon (Leeds, 2007). This shows where the music industry is beginning to reach out to all revenue streams in an act of desperation. 360 deals are filled with potential and may prove to be what developing bands need to mature, but the ultimate goal is to exploit them as much as possible to gain as much profit possible in as many ways possible (Weaver, 2007). Instead of a band being artificially created to achieve a currently hot sound to generate as much money in as little time possible, 360 deals are giving bands a chance to truly develop over a period of time, but then being quickly exploited to the loyal fan base once the time is right.

Record companies should be careful not to take the promising method of 360 deals too far. If we should learn one thing from past failures of the music industry, it is that quickly manufactured pop will create large bursts of profit in a short period of time, but will not continue to do so over a large period of time. Before huge pop sensations of the 80s and 90s, slowly culminated bands with continued success spanning decades such as Pink Floyd and the Grateful Dead took years to create their own sound.

Their sound appealed to a fan base, and as the band grew and matured over years so did the fans. This bond through extreme loyalty kept their albums on the charts. A staple of their sound was live performance, drawing enormous crowds and becoming a cultural phenomenon. They were able to impact generations and the future of musical expression, as countless imitations of their style of music became a genre over an imitation over time. The music industry has lost touch with the dynamic evolution of bands, opting out for a quick formulaic one hit wonder. It is no question that after this method became so popular that there have been few bands to make such an impact as the classic bands that shaped our musical culture.

We have become socially impatient, too used to the instant download and quick pop turnout on the radio to appreciate a carefully developed musical act en masse. Music has been turned into a product over an art because of heavy exploitation. We must own the accompanying sneakers to our favorite CD, while only drinking the soda our favorite rapper claims to enjoy on a regular basis. A Finnish metal band “Lordi” has a soft drink and credit card available (Leeds, 2007). This proves music exploitation has reached a point where it has become a part of the capitalist machine. Fitting music narrates our daily lives from commercials to presidential inaugural balls. While this is also evidence of just how truly important music is in our lives and culture. Now more than ever this type of exploitation is actually necessary to remind us of our history, to get in touch with an America shaped by its own music.

Record companies were driven by economic factors to exploit music and commercially manufactured bands in response to a growing demand of new music in popular style. Paramore is a glimmer of hope for record labels to keep the commercial punk rock genre alive. They are a truly developed band, not manufactured for hits, and are very young, appealing to young teens. Record sales cannot solely sustain them, so out of desperation a 360 deal was created to generate revenue through touring and merchandising which could be controlled and divided by the record company, in exchange for

large up front payments (Leeds, 2007). It begins to spiral out of control when the merchandising turns the artist into a pure product and commercial image. It is at this point where the industry of the music industry dominates over the music.

At the cost of musical development and creating a more loyal fan base true to the music, a 360 record deal that encompasses all aspects of potential revenue for the artist will give the artist successful marketing and exploitation. An artist could remain independent; using digital distribution networks such as Soundclick.com to distribute recordings at develop at one's own pace. The draw back is an exponentially lower budget for marketing. But without exploitation of a 360 record deal the artists will be left to fend for themselves. Using social networking websites will continue to expand an artist's options.

There are already major changes in how we as consumers obtain music. These new trends and patterns are evidence that the major changes so long predicted in the music industry are currently in progress. They have yet to become clear, but there are certain aspects of the music industry we must take note of that are only options due to new political, economic, social, and technological factors in the modern world. Through social networking and automated recommendations we can find new music, and even find new music through our newly discovered artists. The same social networking allows artists and listeners to connect like never before, whether it is a live chat, blogging, or simply email. With communication between the fan and artist, the fan base will grow stronger ensuring continued success. Artists in the beginning amateur stages can currently find websites to post recordings and receive feedback from other artists, while also making their work available for purchase or download. This method is very economically convenient, and can tremendously help out an artist in the beginning stages find a voice and some fans, as well as helpful constructive criticism. Record deals are also undergoing dramatic changes in response to the changes in the economy and social aspects of the music industry. 360 record deals, encompassing all potential revenue streams for an artist resemble all in one packages currently available from mass communications providers, and we can possibly see a merge in the near

future, as anything is possible. There have been extraordinarily advanced changes in technology allowing all of these services to exist. The Internet, as well as social networking, must be embraced by the music industry. For the music industry to even have a future, it must reform itself to have a close dynamic relationship between the record label, artist, and fan, feeding off of one another to create a relationship as dynamic as the music itself.

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