

Chapter 11

The Recorded Music Industry: In Time of Change

ABSTRACT

Beyond the definition of the music industry and the data-driven analysis of the music market, this chapter seeks to present some perspective and insight on the issues and challenges that will face the main players of the industry (“traditional” firms and new entrants) of music recording. The recorded music market is a complex one that has been affected by several different factors, including the new practices of many consumers, the technological advances, the intensely competitive players, and the supplier oligopoly of record labels. The digital revolution reinforces the risk of piracy, and this industry needs new standards of protection as illustrated by the illegal digital downloading music. This chapter analyzes the technology changes in the sector leading to a greater flexibility and diversity in the exploitation of artists’ works. It shows the evolution of the international market structure towards an oligopolistic structure confronted with a competitive fringe.

INTRODUCTION

The recorded music market is a complex one which has been affected by several different factors including the new practices of many consumers, the technological advances, the intensely competitive players and the supplier oligopoly of record labels. The recorded music industry has been affected since the end of the 1990s by the important technological evolutions following the digital revolution. The technology changes in the sector have affected production and distribution

leading to a greater flexibility and diversity in the exploitation of artists’ works. Digital technology, leads also to lowering costs of the equipment used in production and recording, allowing into the field both small labels and artists. Internet has had an impact on supports (digital files) and on business models (streaming, subscription). The music industry has changed more than most creative sectors in recent years.

The digital revolution raises several challenges to the regulatory framework of the sector, especially in the field of intellectual property rights

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protection. The development of new technologies that allowed for a change in the traditional way of obtaining music, and those technologies were responsible for the worst crisis in the 2000s the industry has ever faced since it was established. The development of these new technologies reinforces the risk of piracy and needs new standards of protection as illustrated by the illegal digital downloading music. “The music industry has adapted to the internet world, learned how to meet the needs of consumers and monetized the digital marketplace.” (Frances Moore, IFPI, 2013). The music industry announced in November 2013 that its global sales rose last year for the first time since 1999, raising hopes that a long-sought recovery might have begun.

Beyond the definition of the music industry and the data-driven analysis of the music market summarized in section 1, this chapter seeks to present in section 2 some perspective and insight on the issues and challenges that will face the main players of the industry (‘traditional’ firms and new entrants) of music recording. The international market structure has evolved towards an oligopolistic structure confronted with a competitive fringe. This part deals also with the corporate structures of the music industry.

THE MUSIC SECTOR: MARKET TRENDS

Since the end of the 1990s, the global music market has decreased. Given the deteriorating economic conditions worldwide, the abundance of free music on the Internet and the increasing piracy levels, the market’s performance of music companies remains under treat.

Digital Driving Recorded Industry towards Recovery?

Market Segmentation and Definition of the Music Industry

The global market can be divided into several different segments. There are several definitions of this industry. It is considered very often as a cultural industry, a creative industry and a copyright industry rather than a “manufacturing industry”. In the 2000s, The International Federation of the Phonographic Industry (IFPI) included music publishing rights, commercial radio advertising, satellite radio subscriptions, live music performances and portable digital music players.

A narrower definition of the music industry can be limited to practices directly producing and disseminating music compositions, recordings and performances. According to Laing (2009), the three sub-sectors of the industry under the narrow definition are:

1. The recording industry: related to the retail value of sales of CDs and of music DVDs. Revenues of the recording industry include in addition recorded music in movies and broadcast programs (synchronization), royalties from radio and television broadcasts and from clubs (performance right fees) and payments from the royalty fees imposed in many countries on the wholesale price of copying equipment (private copying fees);
2. Music publishing: a publisher is person or company taking responsibility for administering, exploiting and protecting songs, scores, or compositions that they own, or control, or on behalf of others (definition

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