

# Chapter 77

## Business Intelligence in the Music Industry Value Chain: Ensuring Sustainability in a Turbulent Business Environment

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### ABSTRACT

*The arrival of the internet and the availability of music in digital formats have altered the landscape of the music industry. This paper examines the impact of the Internet on the music industry and argues that the adverse impact of technology disruption can be offset by the proper use of business intelligence technology throughout the value chain. A careful analysis of the value chain of music industry helps determine where and how Business Intelligence can be effectively implemented towards the best outcome. While there have been a number of studies about the implementation of BI in other industries such as finance, healthcare, and education, there has never been an insightful study of BI in the music industry. Scholars of business intelligence and music industry managers should benefit from this study as we explore yet another context for the application of BI technology and opportunities for adding value through Business Intelligence.*

### INTRODUCTION

Today business environment is characterized by rapid changes instigated by fast and furious advancements in technology; capricious customer

wants, international competition, and volatile global economy. In most industries, including the music industry, there has been an undeniable permeation of technology both to generate and manage products and services. On the other hand

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there is a growth of niche markets as customers seek customization and a desire to satisfy their individual preferences. Innovation is happening at an accelerating rate resulting in shorter product lifecycles. PricewaterhouseCoopers called the period from 1996 to 2006 “10 years of high-speed change characterized by unsettling twists and turns”(Sull, 2009).

In such challenging milieu, companies need certain capabilities to thrive and survive the turbulence. They need both foresight and cognizance in order to seize upcoming opportunities and withstand the threats of intense competition and a changing environment. This phenomenon is applicable for business in general but it is especially true for the music industry. The arrival of the internet and the availability of music in digital formats online have thoroughly changed the landscape of music industry (Throsby, 2002). Easy download of desired songs through illegal downloads or streaming services has had a drastic impact on revenue. Customer relationship management has taken a new direction; affected by the growth of internet accessibility, in addition to the music itself, users have shown a keen interest in value added services (i.e. chat, tour schedules, lyrics) and context around the very content they are downloading such as news about bands and chart data (Dugan, 2012). Talent discovery and management has a new dimension as artists without record labels can take advantage of the Internet by presenting themselves on different platforms. This has also intensified competition because the Web and its marketing power are accessible to anyone (Hutchison, 2013). As individuals, customers and artists, take advantage of these opportunities, music industry experiences lesser revenue due to slimmer profit margins from the digital copies sold (Tilson, 2013).

It is Business Intelligence solutions that can provide those organizations with the necessary capabilities to survive and even take advantage of disruptions brought about by technology. Big data is the driving force behind business intel-

ligence. There are many promising data sources in the music industry, such as YouTube, Billboard charts, and social networks sites that players of the music industry can tap into. Companies, such as Next Big Sound, offer services that track social media activity and sales data on an individual artist level. Through analysis of their overall data, Next Big Sound has “[...] confirmed suspicions that social media numbers did indeed correlate to sales; certain metrics even more so than radio spins”, the metric traditionally used to predict the success of a song(Buli & Hu, 2012).

Music industry thrives or fails based on how technology is used, or not used, properly, but questions on when, how, and where were never raised or answered. A literature search about the use of business intelligence in the music industry yielded scant prior research in this area, although there are studies on the application of BI in other industries such as finance, energy, retail, electronics, or pharmaceuticals (Negash, 2004). This paper attempts to define and describe the value chain of music industry and determine where and how Business Intelligence can be effectively implemented. We will analyze the opportunities for adding value through implementing Business Intelligence in the music industry with the focus on the main players, namely, artists and record companies. The organization of the paper is as follows: Part I addresses business intelligence in today’s environment, part II describes the music industry and its value chain, part III explains the integration of BI in the music industry value chain, and part IV covers conclusion, limitation, and possible future research.

## **BUSINESS INTELLIGENCE IN TODAY’S BUSINESS ENVIRONMENT**

Gartner surveys CIOs about their top technology initiatives on a yearly basis and for three years (i.e. 2007–2009), BI had been at the top of the list (Watson H. J., 2009). The primary argument

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