

CHAPTER 1

Overture

Did someone say “music business”? What happened to the art of music? The shortest possible answer is, “Billions!”—the windstorm of money swirling around the art and business of music. But the question of what is happening to musical art in the modern marketplace calls for a serious answer, particularly when that marketplace is changing so rapidly. That is what this book is all about.

How much has the music business changed since the 20th century gave way to the 21st? More than many could have imagined only a few beats back. What remains the same? More than you might expect, given the chorus of questions about its future direction and shape. Yes, the music industry looks radically different today, having been reshaped by a still-evolving digital landscape, but the fundamentals of the business—the creation, publishing, packaging, marketing, distribution, and sale of music—are constant. Creators still create at one end, artists and merchants continue to “monetize” a music product at the other, and an array of equally passionate, talented individuals—agents, managers, producers, sound engineers, **label**¹ executives, bookers, **promoters**, broadcasters, business advisers, lawyers, accountants—perform their vital roles throughout the process. The differences, of course, are in the details.

That, then, is what will be laid out in the following chapters: the core fundamentals of the *music business* (the term is used here to include the art, the profession, and the business of music), along with the industry’s current state of the art (those 21st-century details). Not only do we examine the major changes in music and its audiences, but we also set forth in detail just who produces the music, who “consumes” it, and how the artists, merchants, and others in that long music chain divvy up the

“I never cared much for poverty.”

—Igor Stravinsky

Left: Radio City Music Hall, New York.

Photo © Jeff Hunter.

billions of dollars that the industry produces. Armed with a thorough understanding of both, a music-industry hopeful will be well prepared for a career not only in today's music business but also in the music business of tomorrow—one in which the next seismic shifts are surely only a few more beats away.

Music and Society: We've Got Music in Us

Prepare for some surprises: Perceptions of the profession and business of music are usually at wide variance from reality. This is partly because the field is so diverse and changes so rapidly, but it is also because its public face—the major record label and chart-topping superstar—reveals such a small piece of the whole picture. But it can be understood. It is argued that the music business, particularly the recording industry, is fundamentally irrational. But most of what really goes on in the business and the profession does submit to rational analysis.

We can begin to understand the music business, or any large and diverse activity, once we examine each of its components. That is our method here. But before we do this, let's consider the overall magnitude of the industry today. These facts can provide some perspective:

- Some 164 billion songs were streamed in just the United States during 2014 via audio and video platforms, according to researcher SoundScan, reflecting the consumer affection for free and flat-fee subscription media services.
- Some 1.1 billion legal digital music downloads were sold in the United States in 2014. Although this figure experienced erosion in recent years, downloads today are still sharply higher than the 19 million tracks bought as recently as 2003.
- The scourge of music piracy is declining as 62% of Internet users surveyed in nine countries employed legitimate digital music services in 2013, according to researcher Ipsos MediaCT.
- From the format's introduction in 1982, several hundred billion music **CDs** have sold worldwide, although this format is now in decline.
- One of five Americans plays a musical instrument. These musicians spend more than \$6.8 billion a year on instruments, accessories, and **sheet music**.

The love affair starts young—listening to music is cited as the most popular activity among teens—and it's not exactly monogamous: Our passion for music is not limited to any one **genre**, although a cursory glance through the major-media pop-culture lens might suggest so. The American Symphony Orchestra League reports that approximately 36,000 symphony concerts are given every year. This particular audience now numbers around 26.5 million patrons each season. Opera continues to attract its loyal audience, now being served by more than 1,800 professional, semiprofessional, and youth companies in this country.

Nor is the desire strong only in the United States: Recorded music is one of the primary forms of entertainment worldwide, ringing up more than \$15 billion in annual trade-level sales.

Meanwhile, ever-cheaper digital production tools, along with the wide-open world of the Web, have combined to spark an explosion of choices for every possible music taste (or lack thereof), and those options are often only a click away from being pumped into the many varieties of pocket-size digital media devices attached to eager ears around the globe. Musicians are no longer restricted in their expression

by the laws of acoustics—new electronic ways to make music are invented every year, offering a composer or video producer more controls than 10 fingers can handle. The people with access to newer technology are limited in their expressive capacities only by their imaginations.

In short, the *music* side of the music business is booming.

Art Versus Commerce: Music Changes Everything

What about the business side of the music business? A straight line between a strong consumer appetite for music and a fat, happy music industry is inarguably less certain than it once was. The early explosive growth of peer-to-peer file sharing in the 1990s, a shift toward nontraditional and online retail, the introduction of single-track downloads rather than full (more expensive) albums, and the acceleration of streaming have all altered the old equation. These new realities have spurred (some would say forced) new ways of thinking about how to connect “making music” with “making money.”

Art and commerce, of course, have always made strange bedfellows. This ever-present linkage is inherently tense, for musicians and merchants are, in many respects, natural enemies. They seem to hold generally conflicting views on what music should be and do. Musicians want their music to break creative boundaries and to be heard and appreciated by as many people as possible; they want to “connect” with an audience.

Music merchants and businesspeople want music to fit the mainstream sales taste of the moment and to make as much money as possible; they want to “connect” with an audience’s wallets. “Good” does not necessarily equal “popular.” Perhaps the reason so many hit songs sound bad is that they are. (One irony of the opening up of the creative process through cheaper digital tools and the Web is that there is more bad music being made than ever before—and more that is mind-blowingly good.)

Great music does still break through, as it always has, and great business is still being done. It is simply being done somewhat differently. The major recorded music companies that continue to control the lion’s share of the U.S. **market** are exploring new business models and alliances, different types of artist contracts, and previously untapped **licensing** opportunities for current hits and their all-important **catalog** (“old”) titles. Musicians and recording artists—newcomers and veterans alike—are discovering that there are more ways than ever to “do-it-yourself”: build a fan base, book shows, record music, and support themselves by selling music on the Web. Many artists are picking and choosing those areas where they need or desire professional muscle and those segments of their art or business that can be done better or cheaper with some **DIY** sweat.

Indeed, the very definitions of artist, label, retailer, and even “music product” are blurring and changing. An “artist” increasingly may be his own label—and his own retailer with direct online sales to consumers. A “composer” might compose music for a symphony, a commercial, a film, and a videogame. A “music store” might be a location in a local strip mall, a streaming service, a merchandising section in a **big-box** retailer, a site on the Web, or an app on a cell phone. These “stores” may sell music in the form of albums or singles, physically or digitally, or they may sell access to it for a fee. The “product”—the recorded music itself—can be a direct source of revenue for artists and labels, or it might be viewed more as a method of promotion for bringing in revenue from touring and merchandise (it’s hard to download and “share” a T-shirt).

The positives for the music business in this latest reinvention—for those already in it and those just starting out—are many. New technologies naturally equal new challenges. But, as the music industry has shown from its infancy, new technologies also bring vast new opportunities to evolve and expand—whether the technology in question is the Web, music-video **channels**, CDs, TV, radio, or the LP. History's overarching lesson: The industry has been rocked by waves of always new technologies for more than a century, and after rocky adjustments, the business has always emerged healthier and more prosperous.

Historical Development

Finding a Paying Audience

History books provide only spotty information on how the musician fared in earlier times as a professional. We can assume that in the beginning, music making was undertaken by individuals and groups simply for their own pleasure. The performer was also the composer. If there was an audience, it was a social or religious gathering; it did not occur to the early musicians that they might develop an audience that would pay to hear them sing their songs.

Among the first important professional musicians in Western civilization were the mimes of the Greek and Roman theater. They were singing-dancing actors. Roman law held them to be disreputable types, calling them *infami* (outlaws). In the Middle Ages, the minstrels of Germany and the jongleurs of France were the first professionals. Accounts of their activities read like a review from *Variety*. These musicians were actually vaudevillians, and their acts might include not only singing and dancing but also juggling, card tricks, and even knife throwing and trained animals. Show business had begun—in the Middle Ages!

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

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

In the following period in Europe, increasing numbers of artists were employed by the nobility as house musicians. Composers and performers were put on the royal payroll to make music in the salons, ballrooms, and chapels for their wealthy patrons. But nobility looked on these artists as servants, and they were expected to use the rear entrances to royal buildings. In addition, musicians' royal patrons would frequently pay them later than promised or not at all. Despite considerable advances in status, modern-day musicians sometimes complain that they still do not receive appropriate respect for their talents and professional stature.

In our own time and place, the champion for elevating the status of the music profession is the American Federation of Musicians (AFM), a labor union with members in the United States and Canada. AFM **locals** receive requests regularly from sponsors of civic events, political rallies, and community benefits. These requests are usually sung in the same key: “Please, would you just send over some musicians for our event? They’ll really enjoy it and, of course, we’ll have some nice refreshments for them.” Most musicians have been willing to play benefits, but they have also been exploited by those who would have them “share their art” just for the inherent pleasure of it. AFM locals have developed an effective response for unreasonable requests of this kind: They offer to supply union musicians without fee, provided the other trades and professions—stagehands, waiters, teamsters, bartenders—also work without pay. It is a fair offer; there are few takers.

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

We lack reliable accounts of who organized and promoted the earliest paid employment for professional musicians. Perhaps the earliest notable artist’s manager or agent was Mozart’s father, Leopold Mozart, who discovered his son’s talent before the youngster had barely graduated from diapers. When Wolfgang was 6 years old, father Leopold started presenting his son to all of Europe. But Mozart’s father did not teach his son much about career management. Mozart junior earned considerable sums in his short lifetime but seems to have died a pauper. Mismanagement of money and careers is not unique to recent decades.

A more recent ancestor of today’s music entrepreneur was the circus genius, P. T. Barnum. In 1850, when opera singer Jenny Lind, “The Swedish Nightingale,” came to America, Barnum presented her around the country as if she were a star acrobat. Barnum’s bookings earned the artist \$150,000 in her American tour, big money indeed in those days.

Barnum understood that the public likes a good show, and the music business grew, even in the classical field, in a razzle-dazzle, show-biz atmosphere. At the same time Barnum was touring Jenny Lind, other entrepreneurs were developing enthusiastic audiences for that unique American contribution to theater—the minstrel show. This is not the place to treat the racist aspects of that phenomenon; our interest in minstrelsy here must be limited to how it fostered the development of the popular music business. As early as the Middle Ages, musicians from Africa were in Europe entertaining whites. But it was not until the mid-19th century, with the development of the minstrel show, that blacks began to find a place in the white musical world as full professionals. Although most of the performers were white, increasing numbers of blacks began to take part. This development turned out to be of historical significance, for it would be impossible even to conceive of music in the 20th century without the pervasive influence of black musicians.

The increasing popularity of minstrelsy in the 1850 to 1900 period enlarged public awareness and appreciation of popular music and the entertainment business. Near the end of the Reconstruction period, the size and affluence of the middle class grew. By the 1890s, the piano was a standard adornment in the parlors of upper-middle-class families. On thousands of piano racks across the land, one would probably find,

in addition to some Stephen Foster songs and a hymnal, a copy of *After the Ball*. The year was 1892, and this song was the first to sell more than a million copies in a 12-month period.

By this time, a number of large publishing houses had developed, such as E. B. Marks, Witmark Bros., T. B. Harms, Leo B. Feist, Mills Music, and Shapiro, Bernstein & Co. These popular music publishers took pride in being able to spot potential hits. When they couldn't find them, the publishers wrote the songs themselves or put composers on weekly salaries to work **in-house**.

These late 19th-century publishers developed the merchandising methods that prevailed until radio became a key music marketing platform in the 1920s. Songs were introduced in a number of ways. In the final days of minstrelsy (which died around 1900), song pluggers would attempt to persuade performers to use material coming off the presses. When vaudeville and burlesque began to displace minstrel shows, pluggers contacted headliners and even lesser acts to try to get them to use the songs their firms were pushing at the time. A publisher who could come up with a piece of material that some vaudeville headliner like Al Jolson or Eddie Cantor would sing was almost ensured a hit, for these were the superstars of their day.

At this point in the music business story, technology stepped in to play a starring role, not unlike the one it occupies today. And also not unlike today, many in the industry first feared that it might be more villain than hero. That hot new innovation? Radio.

Mass Media: Yesterday, Today, and Tomorrow

The world has always been full of music lovers, but it was not until the development of mass communication technology that so many “new” audiences were discovered. Until the 1920s, most professional music making was addressed to a small, elite audience that was accustomed to buying tickets to attend the opera, the symphony, perhaps a Broadway musical. When radio (and, later, records and television) came along, that elite audience not only continued but also grew. But now it was joined and immeasurably augmented by whole new audiences for folk music, country and western songs, blues, and jazz. Mass media forever changed the size and composition of the music audience, and merchants were quick to respond to the new millions of paying customers.

Not that this tremendous upside was clear from the start. Industry leaders misjudged radio broadcasting: When it started in the 1920s, the publishers fought it, believing that “giving music away” through this medium would hurt sheet music sales. Overexposure via radio broadcasting, they argued, was killing songs in 6 weeks; potential customers could not get down to the store to make a purchase before the song's popularity had waned. It should be pointed out that publishers' income from broadcast performances at that time was zero.

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

During the Great Depression of the 1930s, million-selling records disappeared, and sales of sheet music collapsed. Attendance at vaudeville theaters dropped, too, with the growing popularity of the movie musical. Concurrent with these depressions

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

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

During World War II, the whole world seemed to discover the appeal of America’s popular music, enchanted by its glossy, up-tempo big-band tunes. Much of this worldwide popularity was fostered by the Armed Forces Radio network. With over 90 **stations** broadcasting American-made records around the world, millions of listeners, not just the GIs for whom the broadcasts were intended, heard the great entertainment available from this kind of music. By the late 1940s, the American style had become a world style.

When the GIs returned home, they bought large quantities of records. Music instrument factories, which had been shut down earlier to produce weapons, were now spewing out guitars, organs, pianos, and wind and percussion instruments in quantity. The music industry was reaching a mass market.

Record companies were moving millions of singles in the 1940s. When Columbia came out with the long-playing (LP) vinyl platter record, the music business again experienced a development of overwhelming significance. Now, instead of two songs per record, songwriters and publishers could place 12 songs on each release. On the new LP, record buyers could hear an entire Broadway show; opera buffs could carry home an entire opera in a box; complete symphonies could easily fit on one LP. The dollar volume of classical records grew to 10% of the market (versus 2% these days).

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

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

Large corporations began to notice that people in the music publishing and record business were making lots of money. They decided to buy in. By the 1970s, even conservative bankers got the message: Music enterprise was now an acceptable risk. They began making loans to music publishers, record producers, and artists’ managers—types of people they used to classify with street vendors. The main attraction to these new investors was record production. In what other kind of business

enterprise could someone invest, say, \$20,000 in a **master** tape, then receive from it **royalties** one hundred times that amount for distribution rights, if the record hit? To the inexperienced investor, the music business began to look like a money tree. By the 1970s, the buying and selling of music companies resulted in the majority of industry revenue becoming controlled by a handful of giant corporations (to become the long-time “Big 6,” a number that would shrink further in later years).

This belief in a “money tree” seemed almost justified when another game-changing innovation was introduced in 1982: the compact disc. Labels shook their **analog** catalogs, and out poured dollars as consumers replaced their record collections with the digital discs and then scooped up new CD-only releases. Although audiophiles initially balked, the CD soon overtook both the LP and the previously unveiled “new” format, the music cassette; that complete symphony now fitted on *one side* of one disc. Music television was simultaneously taking root—having become a cultural force with the debut of MTV in 1981—and the two together helped usher in a period of creative and business growth.

Cue new technology once more, and underscore the arrival of the MP3 format onto the scene in the 1990s with a somewhat unsettling composition. When digital music was further compressed into files that could be distributed over the Internet freely (in every sense of the word), a new form of mass media became, in part, a medium controlled by the masses. The ability of consumers to make duplicate recordings shattered the grip that labels held on music when play-only media such as the LP were the standard. The most fervent of music fans were now tastemakers, although not yet hit-makers, as they sought out, chatted up, and “distributed” songs online. Musicians were quick to tap into this newfound promotional base, and record labels followed.

The Internet, vast and far-reaching as it is, allowed a direct, intimate, and interactive connection with fans in ways never before possible outside of a small concert. If the 20th century was about discovering new audiences, the 21st may prove to be about finding new, better, and—here is the still-open billion-dollar question—*profitable* ways to connect with them wherever they are and through whatever medium they desire—live venues, streaming, downloads, music stores, TV, radio, film, social networking sites, cellular phones, videogames, and whichever *next* new thing is just over the horizon. In the next chapter, we examine the implications of the nascent digital millennium.

Note

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

Chapter Takeaways

- Despite the upheavals of transformational change, global recorded music sales (in all forms) remain impressive, amounting to more than \$15 billion to record labels alone.
- Tensions have always persisted between artists who want to connect with audiences and business enablers who want to connect to an audience’s wallets.
- The rise of the middle class in the late 19th century made possible the first blockbuster music publishing hit, *After the Ball*, which sold more than a million units in 1892.

- Technology, in its many forms, has been a consistent driver of the changing business—from the invention of radio, to movies, to TV, to vinyl LPs, to CDs, to the Web.
- Transition to a new legal recording medium, such as cassette tapes being supplanted

by CDs, created short-term prosperity for record labels. That's because consumers bought their favorite tunes in the new format, even as they owned the same music in the old format.

Key Terms

- | | | |
|-----------------|----------------------|---------------------------------|
| ■ infami (p. 6) | ■ MP3 (p. 10) | ■ synchronization rights (p. 8) |
| ■ label (p. 3) | ■ rack jobber (p. 9) | |
| ■ LP (p. 6) | ■ singles (p. 5) | |
-

Discussion Questions

1. Discuss the evolution of music into a formal “business,” from church choirs of the Middle Ages to the modern enterprise in the 21st century.
2. In terms of creativity and distribution models, what's changed in the music business in recent years and what remains the same?
Hint: one thing hasn't altered much but the other has experienced a radical upheaval.
3. What are some of the changes that have come about in the music industry as a result of new technology?
4. Discuss areas of the music business that still need to evolve in order to adequately adapt to the changing ways people are creating and accessing music.



Copyright ©2017 by SAGE Publications, Inc.

This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.