

## THE ROLE OF MARKETING IN THE EVOLUTION OF THE MUSIC INDUSTRY

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### Abstract

This work will consider the development and parameters of the music industry, and present the creative connections between marketing and the music industry in light of world technological advancements. Special emphasis will be placed on defining the music industry of the Republic of Croatia, with respect to the National Classification System in contrast to relative world solutions, especially in light of the imminent entry of the Republic of Croatia to the European Union, as well as, consumer communication problems which have undoubtedly arisen from the changes occurring to the manner in which formatted music is consumed. It is to this end that this work will give special consideration to the characteristics of the music industry and music markets, as well as the specific marketing practices in the music industry with the objective of correlating the links between marketing and the music industry.

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### 1. Introductory thoughts

*"I've come to understand one important thing - success in this industry always depends upon how many records you sell, how much money you've made for those who run the industry."*

*(Miles Davis)*

The paralleled development of the music industry and marketing began with the first phonogram record when people gained the ability to listen to music, without having to necessarily be present during its live performance. Prior to that, it was impossible to perform a musical number exactly the same way twice. In that way, music was transformed from a service into a product which necessitated the usage of marketing tools to position it on the market. For more than a century, the music industry was controlled by record companies which, in seeking to satisfy customer needs, frequently imposing their wishes and tastes, and by implementing marketing tools, inevitably led to actions in opposition to the interest of music. Presently, and especially in the future, the music industry is seeking to return music to its roots and transform it once again into a service.

## **2. The music industry**

The music industry is a business which sells compositions, in other words, their performances which are by way of recording registered in a specific format so that, in a narrow sense, the term music industry encompasses those business objects which record, produce, distribute and sell (market) recorded music, and which we shall for purposes of this work, call record companies. In a wide sense of the term, the music industry encompasses an entire list of businesses from varied branches of human resources, so that it may also encompass sound recording, music publishing, radio and TV stations, music schools and workshops, musical associations, associations for the protection of copyrights and other related rights, performers, composers, lyricists, arrangers, musical theorists, producers, record companies, distributors, organizers and concert promoters, marketing agencies and promotional agencies etc. The vast extent of the business may be best illustrated by the categories of study offered by one of the most recognized schools of music, "Berklee College of Music", founded in 1945. Currently, at that school, 4,447, students under the supervision and care of 450 professors and other employees may choose the study of one or more of 33 interests ([www.berklee.edu](http://www.berklee.edu)).

### **2.1. A short history of the world-wide evolution of the music industry**

Although it is often said that music, like dance, exists since the beginning of the human race, the music industry emerged relatively late. Historically speaking, the development of simple processes within the music industry until the beginning of the 18th century consisted of composing and printing music, and was predomi-

nately carried out by the aristocracy and clergy. It was then that composers such as Mozart began the gradual commercialization of their music and performances. In the 19th century music continued to be distributed by way of sheet music. On March 3, 1887, the French Academy received the patent of Charles Cilos with a description of the entire system for recording and reproducing sound, the paleophone, which based itself on the reading of markings on an soot covered vibrating membrane. In 1888, one year later, at the Franklin Institute in Philadelphia, E. Berlinger, presented, for entertainment purposes, his gramophone which reproduced sound from a surface with the aid of a hand crank (Horvat, 2004). Not until the 20th century, 1925, exactly, did the German company Odeon at the Leipzig Fair present the first two sided gramophone recording which reproduced 3.5 minutes of sound. That same year, in the United States experiments with electronic recording were conducted, and first such records were released by Columbia and Victor. Earlier gramophone production begins to be supplemented by the production of gramophone records. The first record companies appear and begin the mass production of records providing everyone with accessible music for consumption.

That is the instance when music became an industry in the real sense of the word, for music physically entered into industrial facilities for the production of gramophone records and became a product. Companies emerge seeking to justify the investments of their owners and make the largest possible profit for their shareholders. Until the end of the 80's of the last century, the world of music industry was dominated by six large companies: Electric & Musical Industries Ltd. (EMI), Columbia Broadcasting System (CBS), Bertelsmann Music Group (BMG), Polygram, Warner Bros.-Elektra-Atlantic (WEA), and Music Corporation of America (MCA). In the 90's, after Sony bought CBS, and Polygram and MCA merged to form Universal Music Group, the music industry came to be dominated by the so-called Big Five. In 2004, Sony bought BMG, and after Universal's recent acquisition of EMI, the big three have come to "govern" the industry. The merging of record companies was effectuated in part by the vast and sudden profit loss at the beginning of the 21st century. According to the data provided by the IFPI<sup>1</sup>, the music industry, in 1999, generated 38.6 billion dollars, and only a few years later, 27.5 billion dollars. Recovery has gone on for over ten years with a growth of 0.3% occurring in 2012, in relation to the figures from the year 1999.

<sup>1</sup> International Federation of the Phonographic Industry-currently has a membership of 1,400 members in 73 countries with additional ties to various business associations in 48 countries.

### 3. The role of marketing in the music industry

There does not exist a great deal of literature relating to the role of marketing in the music industry, especially scant are scientifically relevant data relating to this interesting area. Presumably, the evolutionary process of the industry followed a similar course as in other industrial branches, but with a delay of a century or two. Strong technological and scientific innovations caused drastic changes during the industrial revolution of the 18th and 19th centuries and caused the first serious division of demand and consumption. That, together with the development of transportation infrastructure and the emergence of mass media, forced mass production to seek new ways to distribute goods. The first phase of industrialization and mass production was oriented around production where the greatest problem involved producing enough products for the market. That phase existed until the end of the second world war, when focus was shifted from production to sales. Supply was, at that time already significant and diverse, so that consumers became discriminating. Advertising, branding and communication made marketing more important but it was still predominantly in the service of production. Continued technological advancement increased production and effected a glut in the market and, in order to draw consumer attention, it became important to be different and recognizable.

The era of marketing management began early in the 60's. Marketing experts place more emphasis on the importance of brand, trying to recognize and understand the needs (existing and potential) of consumers, while at the same time, locating resources necessary to satisfy those needs. We can therefore, say that marketing has passed through two important phases. In the first early phase, the introspective focus was upon production needs (from within), and at present time, in the second phase, focus is oriented mainly on the consumer and the market (outward). Therefore, it seems logical that the focus of the music industry at the end of the 1920's, in a marketing sense, was on production and the adoption of technological processes for the making of records. All records had the same labels and differed only as to content. It has been said that in 1939, Alex Steinweiss, a designer at Columbia Records had the "crazy" idea of exchanging standardized labels on vinyl records for original artistic works (Tycun, 2013). That would, except for the fact that record companies from the beginning have tried through their released recordings to satisfy the tastes and wishes of listeners, be recognized as the first important step of marketing in the music industry. Although marginal in the development of the music industry, there has always existed an essential conflict of an artistic nature, for the interests of the music industry, are in fact not the same as

the interests of music. Especially when record making became the driving force of the music business where someones intellectual work or intangible good, a service, is being materialized. The result is a product which has its own price and which needs to be distributed and advertised. Therefore, the following shall examine the singular elements of the marketing mix, thereby making it easier to recognise the specificum of marketing in the music industry.

### **3.1. Product**

The music market is centuries older than music technology and industry. Before notation music lived in memories. Written notation allowed for some melody to be put on paper and in that way a melody could be produced without the need of an individual who knew the song. Mechanically speaking, music boxes existed first, followed by the cylinders which acted as the first gramophones until the introduction of vinyl. Then came LP-records, mono sound transforms into stereo, and then music cassettes (MC) were introduced. In fact, the MC allowed consumers a greater enjoyment of music while in movement (car cassette players, walkman) providing a difference from radio where the choice of music fell to the listener, and not a DJ. Parallely, VHS-cassettes with musical contents were introduced into the market. It was the time of analog recording and reproduction.

In the 1980's, owing to developments in digital technology and informatization. enormous changes occur in the music industry. The CD has pulled us into the digital world in which music is one of the most represented contents. Never in the history of the human race has music been made more available and heard. Wherever we turn people are listening to MP3s, downloading, streaming, ripping, "burning", sharing, and uploading, while at the same time a home studio on their PC enables them to create their own compositions and remix another's work. Music is in the automobiles, mobile phones, computers, CD-players, i-Pods, cameras and even keychains. Music lives its most intense life ever. Music is eternal, only the format on which it exists and which serve for its consumption, change. Bach's Mass in B-minor, created sometime in 1720, is a masterpiece on paper and vinyl, on cassettes and CD-s, but is also now, on some sort of modern digital format and has remained, over 300 years later, the epitomy of artistic music. This paper is far too short to provide deep analysis of the question what is a music industry product: Bach's aforementioned piece or the medium upon which that piece is found? One thing is sure, the music industry is changing, and classical record making is with a certainty counting its last days. The future is far from the classic model of product.

The way and format by which we shall listen to Bach is now a matter of digital technological advancement and the coordination of those advancements with legal regulation which must protect musicians' compensation rights relating to their work and property.

### **3.2. Price**

What is the value of music? Considering that worth is in fact connected to price, it is necessary to determine what the buyer is paying for. The record or what is on the record? Music, however, has many different worths. From time long ago it has been a means of communication, often of great sentimental value. Therefore, a theory where the worth of music is equivalent to the price of the media upon which the music is found (CD, vinyl, cassettes, USB, radio- television participation) is erroneous. All industries are founded on the exploitation of resources, and resources are finite, but in the case of the music industry there are no limitations as to its resources. The revenue generated is dependent upon the creativity of the author and the capability of the listener to recognise the meaning and message within the author's work. Therefore, we may freely state that, the record business by using marketing tools, to record, reproduce, promote and distribute the author's work, in reality alters the author's passion towards musical art for financial gains.

Simplified, the music industry, especially its record company portion, monetarizes the listeners' demand for authors' creations and the performing capabilities of artists, through the worth of the medium, even that medium is an expense for the music which is on it. It would not be erroneous to conclude that marketing, from its introduction and especially in the form which we recognise today, has played a great and even a decisive role in the formation and successes of record companies and the music industry as a whole.

### **3.3. Distribution**

At the very beginning of this portion it is necessary (once more) to elaborate the theoretical distinctions between music, which acts as the center of the music industry at one end, and record business at the other. Namely, the music industry is not based on the realization of numbers of sold recordings and their worth. It has been an important part of the business for long time, but as illustrated in the Republic of Croatia alone, the worth of secondary use of music (royalties, publishing and phonographic rights), what includes radio and television broadcasts,

concert performances, BTL and others in the year 2012, totalled more than 150 million kunas. The number and worth of all sold recordings from year to year has fallen and is far beneath the worth of the remaining forms of revenue. The course taken by music to its final user, in a distributive sense, has changed and developed together with the developing music industry and technological achievements of all of humanity. The first distributors were, we can freely say, persons who upon hearing a melody or song would then perform it elsewhere. Therefore, travelling musicians and entertainers and trubadurs were forefathers of distribution in the music industry. With the invention of notation, distribution was carried out by hand to hand delivery of sheet music. Printing techniques advanced the number of possible copies made, while the invention of sound recording and reproduction led us to gramophone records, while the establishment of wholesale and retail sales begins the serious distribution of music. In 1887, Edwin S. Reihart opened a music and piano store and widened his inventory in 1901, to include assorted phonograms. Although controversy exists as to which store was the first in history to offer such an assortment, the fact remains, as stated by Gary Calamar and Phil Gallo in chapter two of their 2010 edition of "Record Store Days", that: "In 1906, there were 25,000 record dealers, a total that would be cut to 7,500 fifty years later, and to below 3,000 a half century later." (Goss, 2009). Radio and television are unavoidable and immeasurably important distributors of music. In fact, a consumer's listening to their favorite songs over the air, in most cases, arouses within them the desire to buy records. Performers and musicians are very important links in the distributive chain of music. The average listener holds that the songs of some popular performer are his, when in reality he is just interpreting the works of other authors. In the music industry, that phenomenon is called "the curse of small letters".<sup>2</sup>

The emergence of the Internet and the transition of sound from analog to digital form<sup>3</sup> opened up great new possibilities for the distribution of music. On-line shopping of finished products appears and enables the purchase and receipt at one's front door (most famous being amazon.com). Moreover, albums and individual songs can now be bought in digital format (iTunes), and downloaded onto one's computer, and from there onto a USB-stick, CD-R, iPod, mobile telephones and

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<sup>2</sup> The largest print on record covers accentuates the name of the performer, followed by the song title in somewhat smaller print, with the name of the author being set forth in parenthesis and in the smallest of print.

<sup>3</sup> The first CD ever made was pressed on August 17, 1982, in a factory outside of Hanover, Germany, for executives from Polygram, Sony and Philips. It was actually a pressing of ABBA's *The Visitors* album.



the like. It is no longer necessary to have physical possession of music to enjoy it. The developmental architects of IT technology see the future of music distribution in a model termed “Music Like Water” (Kusek & Leonhard, 2013) by where, music which has been up till now packaged and sold like expensive bottled water, can now, thanks to the Internet, be transformed into tap water, much cheaper and accessible. It is not difficult to imagine the difference in price between a bath tub filled with bottled water and one filled with tap water. Maybe its not of the same quality, but the needs are satisfied. In place of the unit purchase of records or songs, it is already possible to make purchases with a time limitation (weekly, monthly or yearly) access to a large base of songs (Imeem, Pandora, Spotify, Rhapsody etc.) on the principle of subscription, with subscribers themselves choosing what they care to listen to (streaming, on-demand music). A similar model, the so-called “Cloud”, is based on the principle that expansion of mobile telephones are ever growing, and they are conceived so as to be on-line at every moment, if internet web is available. With that, further progress in the area of Internet speed and its expansion, along with the cheapening of services, create the assumption that in the future devices will not need to be equipped with a hard-disc because they will be constantly on-line in the great web “cloud” where everything will be accessible at all times and in every place, as would be the case with music. The concept of physical possession of a thing, in that way, will not be the same, while, the logic of large numbers opens the possibility in the music industry for the implementation of small subscriptions, allowing everyone unlimited access to music. The “Music Cloud” model has marked the end of the recording industry as we have known it.

### **3.4. Promotion**

In the music industry money begins to roll in when a hit-single occurs. Before the introduction of the gramophone, music was sold as written notes printed on paper (sheet music).<sup>4</sup> The promotion of music has always been a difficult and expensive process. At the very beginning it was necessary to convince a performer to perform a particular song during his shows or discard a specific song or place a song in a certain music program or event. With the emergence of the radio at the beginning of the 20th century promotion becomes much easier. It was important to communicate with DJs who, in the early phases decided which songs would be

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<sup>4</sup> In 1894, Edward B. Marks and Joe Stern sold their printed copy of the song “The Little Lost Child” in over a million copies.



performed live on a program, and sometime later which song would be played from gramophone records.<sup>5</sup> The introduction of television marked the turning point in many areas, as was the case with the music industry. Of course, from that moment, in a promotional sense, the visual portion of the performance became as important as the quality of musical piece and its interpretation. Somehow during that time, the juke-box came onto the scene and played its part in the promotion of music, additional promotion occurred by way of films in which music held a larger and more important role. In the middle of the 1950's, the world was introduced to the transistor radio which increased the role of radio stations as important promotion tools in the music industry which was in constant search of new music stars. During the 70's of the 20th century, the filming of video-spots began, and in the 1981, MTV began transmitting.<sup>6</sup>

Promotive activities are carried out in two basic directions. The first relates to the positioning of new releases on the market, and the second involves the promotion of the release from the so-called B-catalogue. That second case regards the qualitative and complete usage of old recordings which have already been depreciated to their full extent so that all revenues are pure profit due to the minimal expense of production. This procedure is often used when there occurs a format change, so we may freely say that in fact the changes occurring throughout history have meant new wind in the sails of the music industry, and especially record companies. Consumers and music lovers like to have certain works on singles as well as LPs which were then followed by cassettes, for in such cases they could enjoy music while in motion, and then on CDs for that medium was presented as long lasting with the highest recording quality. The modern approach to the promotion of music and musical releases is understood to involve radio stations, Internet portals, social websites, printed media, television, the sending of links for download reviews, journalists and music editors, press cuts, the making of banners, web sites, quality cooperation with mobile operators with constant and unrelelnting follow up and controls of all steps taken.

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<sup>5</sup> Record companies for the most part bribed music editors, so much so that in the United States the term *payola* came to describe payoffs under the table. During the 1950's in the United States much was written about scandals arising out of the bribing of musisc editors.

<sup>6</sup> Music Television began transmitting 1981, in the United States.

#### 4. Closing thoughts

Marketing has, from its beginning in the middle of the last century, followed the technological evolution in the area of the music industry and has been in the function of its development. In other words, the evolution of marketing in the music industry has been simultaneously carried out with the evolution of technology in music. Furthermore, if the object of marketing is to satisfy the needs of persons, then the recording industry has made some unscrupulous marketing moves and has (and non-stop continues) done all that is necessary to fulfill those needs, even at the cost of musical artistry. Music which fulfills the undoubted needs of individuals in an emotional, communicative and cultural sense, has transformed from a service into a product. Marketing has aided record companies to promote music and make her benefits. At the same time, by manipulating not only the market, but emotions and forcing certain musical categories and performers, for whom they believe will bring them a larger profit, marketing helped the record companies to overlook the essence of music's existence. Modern trends have changed the direction in which the music industry is developing and is doing away with the need for classical record making. Having said that, marketing in the music industry must adjust to the current situation knowing that in the future it will be more important than ever. The only difference is that it will go back to its original role of marketing of a service, and not of a product.

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