

# A Digital Business Model for Independent Musicians

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## Abstract

This project will investigate the barriers to independent musicians' creation of a sustainable music business. It will do via a survey of independent musicians' activities and successes, which will be used to inform an attempt to build an original music business. The project will harness digital production and distribution techniques and concentrate mainly on network theory and practice to support its promotion techniques. It is expected to contribute to our understanding of organised networks and the interaction between online and offline communication.

## Aims and Background

The rise of the public Internet has been credited with providing unprecedented opportunities for 'independent' creators of intellectual property (Anderson, 2004; AP, 2005; Garrity & Teitelman, 2005). In the music industry, the widespread availability of the Internet and other digital technologies in Western societies was supposed to "change the structure of the music business as it cut costs by eliminating middlemen such as record companies and retail stores and [thus] help musicians earn more while consumers would pay less" (Hsieh, 2002). These opportunities would encourage artists to adopt a do-it-yourself approach and compete directly with established record companies and producers (Bockstedt et al., 2005), though enthusiasm for them is not universally shared (Bernstein, 2004) and some of the early proponents of these opportunities now fear for their future (Lessig, 2005).

However, no 'independent' artist has yet appeared atop the global sales charts – although in the UK, the song "Crazy", by virtual artist Gnarls Barkley (<http://www.gnarlesbarkley.com>) was rated number 1 with 31,000+ downloads the week before hard copies went on sale (Anonymous, 2006). Indeed, the International Federation of the Phonographic Industry (IFPI, 2005; 2006), trumpeted the success of the major labels' digital initiatives – claiming that "The

emergence of a successful digital business has been the single most important development in the music industry in 2004" (IFPI, 2005:4).

This study proposes to ascertain the views and current practice of a number of artists of various levels of 'independence' and 'success'. Guided by their input and a review of the literature, it will create, produce and market an independent musical act, using the tools that are available to independent artists. The musical act will comprise a core of local performers who agree to provide their input for a share of the proceeds rather than an up-front fee. The aim of this project is to generate sufficient income to be able to fund its continuance after the end of the study.

### **Research Problem**

The research problem concerns the barriers to musicians' participation in the music industry: what are they and how do they affect musicians and their livelihoods? More specifically, it considers the plight of 'independent' musicians – those who do not benefit from a relationship with major music companies. This study seeks to better understand these barriers and to develop methods by which such artists can use New Media to improve their music businesses.

The questions that underpin this study are:

1. What are the factors affecting the sustainability of independent digital music production and distribution?
2. How many of these factors can be directly influenced by an independent artist in the day-to-day operations of their musical enterprise?
3. How can these factors be best manipulated to maximise the benefit generated from digital music assets?

### **Recent research**

A growing body of case studies and theory is informing this area of study (Anderson, 2006; Khosrow-Pour, 2006; Lovink & Rossiter, 2005). These studies do not all focus on music; many are more generally applicable to the operation of Internet-based networks of people, which come under many names, such as: organised networks, networked organisations, communities of interest, communities of practice, and Web 2.0 organisations.

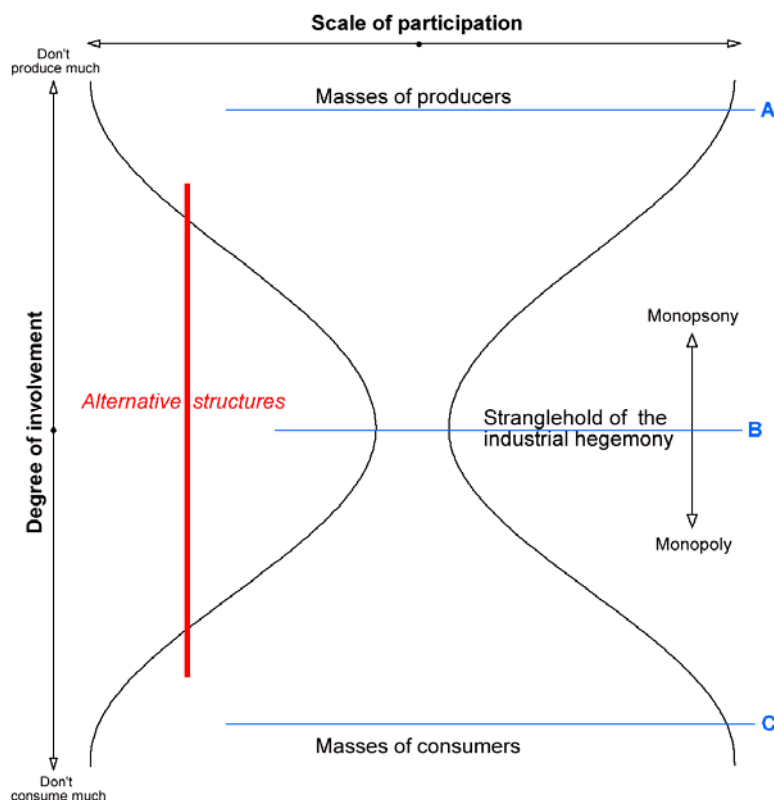
Anand and Peterson argue that in the 1940s and 1950s the music industry "reconstituted itself round recorded music" (2000:272), largely as a result of the unique symbiosis of radio stations and record companies. In this arrangement, record companies sell their products off the back of radio promotions and the radio stations play the "hit" songs in order to create an audience, which is sold to advertisers (Graham, 2006). From the outset the US government regulated this arrangement but in practice the participants hid behind a claim to objective

assessments of song popularity from independent chart makers (Anand & Peterson, 2000) while “payola” meant that, the songs played on the radio were the ones the record companies wanted to be hits (Dannen, 1991). Despite being illegal, payola continues. On 19 April 2006 the US Federal Communications Commission (FCC) began formal investigations into four of the largest broadcasters in the USA after allegations that they had spent millions on illegal promotions (Freepress.net, 2006). Record Companies Sony BMG and Warner Music Group agreed to pay the City of New York more than \$15million in an out-of-court settlement before the FCC began its investigation.

The result of this situation has been that the concentration of ownership of the music publishing business has reached the point where four international companies: Sony BMG, Time Warner, Vivendi Universal, and EMI together control about 85% of the music market (Magali Dubosson-Torby et al., 2004). This mass-media oligopoly (Frith, 1992; McChesney, 1998) has been the subject of a number of governmental reviews and much public debate in the Western world over the past decade (for example, see DCITA, 2006; European Union, 2005; FCC, 2003). However, Graham (2006) argues that this “consumption-sided” focus on media ignores half of the issue, and that in addition to having an oligopoly, the major media companies are also in a monopsony – or, more correctly, oligopsony (Hannaford, 2003). This is a condition in which many producers try to sell to a very few buyers and Figure 1 is an attempt to illustrate graphically the effect of this combination of many producers, many consumers, and comparatively few “middlemen”.

At point A are a large number of people who may sing at community Carols nights at Christmas but don't participate in what might be called the culture industries. Their production is very small and of the kind that Graham (2006) observes is “junk” as far as the industry is concerned. At point B, are very few for whom participation in the culture industries is entirely central to their lives – some as both producers and consumers of culture. Between points B and C are the masses that make up the “mass media” audience. Some will consume a lot of culture, reading widely, attending concerts and/or cinema regularly, buying CDs and DVDs, etc; while others will consume relatively little, perhaps listening to the radio while having a barbeque. The most important point is that almost everything the people on the consumption side (C) have access to must have been validated by the hegemony's gatekeepers (B) and that the validation process excludes the great bulk of what is produced by the people at point A.

Figure 1: Shape of the traditional cultural industries in Western societies.



The first years of the 21<sup>st</sup> century have seen a decline in the total number of CDs sold, which the major industry players have blamed on piracy (Channel, 2004), and a shift toward digitally-distributed music (Curran, 2006), which now contributes about 6% of the recording industry's global worldwide revenues (IFPI, 2006). However, there is significant debate as to whether the decline in CD sales was due to the effects of illegal file-swapping, made feasible by the advent of the MP3 standard (Hsieh, 2002) and software such as Napster (Boorstin, 2004; Hong, 2004), or due to consumer dissatisfaction with heavily promoted artists and/or a reduction in the number of CD releases (Malik, 2005). Smaller music businesses, frustrated by the major companies' dominance, saw in the Internet an opportunity to transform the music business in their favour. Such an effort is the point of this study.

## Significance and Innovation

This study is a multi-disciplinary search for the "holy grail" for independent artists. Should this be successful, the model would be of great interest to large sections of the music industry, who may wish to adopt or further refine its methods. Its participants will gain advice, a collegial networking relationship and possibly short and long-term financial gain. More generally, it should provide a valuable assessment of some of the factors affecting the sustainability of independent artistic activities that can be digitised.

An action research approach to studies of music practice is rare. Since the main obstacle is expected to be the means of promoting the music to as large an audience as possible, and since most activity at that point is expected to involve networked communities of interest, “fans”, this study should contribute to a better understanding of the interaction within and between such networks. It may also shed light on these in both virtual and “real-world” environments.

## Methodology

This study will take an Action Research approach to the production, distribution and marketing of a new musical act, tentatively called “The Genre Benders”. I propose to produce, release and market non-genre-specific songs written and performed by the group’s members.

The production, distribution and marketing of The Genre Benders will be informed by a survey of ‘independent’ artists, a review of available literature, including academic case studies, and some original case studies of the efforts of a purposive sample of other artists who have different geographic locations, perspectives, approaches and levels of ‘success’ in the industry. From these case studies a network of resources will be built and posted to the Web for all participants to share. This resource will form the hub of an “Organised Network” (Lovink & Rossiter, 2005) to assist them in their future activities.

At each stage, results will be fed back to the participants, for them to act on as they choose. Following each release and a period of analysis, critical reflection and feedback, each of these participants will be revisited to assess any changes to their attitudes, methods and status. I anticipate two Genre Benders’ releases during the course of this formal study, and that the project will continue thereafter for (hopefully) many more iterations.

My approach also has a strong “practice-led” (Haseman, 2006) element, since I will be using my own music compositions and performances, as well as my own web design, promotion and marketing skills. However, the practice itself is not the driving force of the research – I’m not seeking to solve a qualitative problem of performance as much as to qualify the (often external) parameters involved in the practice.

## Theoretical Underpinning

Like much Action Research, this study is underpinned by Critical Theory. That is, it

- is motivated by the researcher’s desire to change the social order of the study’s participants;
- is based on the beliefs that
- the participants’ realities are shaped by the social conditions in which they find themselves, and

- they have the potential to change their situation if presented with a better understanding of it;
- assumes that some of those perceived realities are based on myths and misinformation – especially about the industry and media environment in which they choose to operate; and
- uses praxis to test and revise its findings. (Neuman, 1997)

Specifically, this study seeks to “uncover the winners and losers” (Kinchloe & McLaren, 2000:281) among participants in the current music industry regime and to emancipate its participants from the as many of the regime’s dominant forces as possible. It does so by examining relationships of cultural domination and cultural pedagogy (Kinchloe & McLaren, 2000:284-5)

### Timeline for Completion

This study should be finished, written up and submitted by the end of 2008, within the standard three-year period. It is a many-faceted project and some of the proposed activities will overlap, as indicated in Figure 1 below.

Figure 1: Timeline for completion

PhD Timeline	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008
Time elapsed (in months)	3	6	9	12	15	18	21	24	17	30	33	36
<b>Research Process</b>												
Review existing experience	█	█	█	█			█					
Develop pilot survey		█	█									
Process pilot survey			█									
<b>Cycle 1</b>												
Recruit Purposive sample			█									
Conduct interviews			█									
Reflect/write up and distribute findings				█								
Produce first recording	█	█	█									
Distribute first recording				█								
Market first recording				█	█							
<b>Cycle 2</b>												
Re-interview purposive sample							█					
Reflect/write up and distribute findings						█	█					
Produce second recording						█	█					
Distribute second recording							█	█				
Market second recording							█	█	█			
Re-interview purposive sample										█		

### Questions and Issues

The greatest source of angst so far in this project has been the need to produce watertight legal documentation, which costs a lot and must be developed from first principles. I’m also

open at all suggestions and advice about the best way to harness online networks as a promotional device.

I'm interested in responses to the model in figure 1 and also to another illustration I use to explain the role of "Long Tail" theory in this project. Further, I have developed two theories: the "Third Leg" theory and the "Octopus" theory, which I would like some discussion and feedback on.

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