

How Has Social Media Changed the Music Industry within the Past Five Years?

Introduction

The 21st Century has brought about challenges to the music industry with technological advancement of music distribution. Digital music poses a special challenge for musicians and record labels. In the early stages of file sharing and music download, it was uncertain whether companies should embrace the practice or banish it. While lawsuits and legal issues still occur often with music downloads, it is nearly impossible to succeed in the music industry without accounting for legal and illegal music downloading, “IFPI estimates around 95 percent of tracks are downloaded without payment to rights holders” (International Federation of the Phonographic Industry 5) .

The traditional business model of the industry consists of generating revenue from full albums; unfortunately, there has been a steep decline in the amount of full-length albums purchased since the industry peak in the late 1990s. One of the leading factors in peaks of music sales in the 90s is people purchasing CDs to replace their cassette tapes. Not only can physical CDs be converted to mp3s free, there is also an infinite amount of music available free on the internet (legally and illegally) (DeGusta).

The recording industry has been scrambling for the past decade to combat copyright infringement in terms of illegally downloading, synchronizing music to video (*e.g.* YouTube streaming), and remixing songs (*e.g.* the artist Girl Talk). Very slowly, record labels are starting to understand that this business model is no longer effective, and their actions to combat piracy are failing.

Proposed New Uses for Digital Music

1. **Music as a promotional tool to build brand awareness.** Music will be free or nearly free, instead revenue will be generated from merchandise and touring sales. Some companies such as Live Nation, and various record labels have began implemented this type of contract, known as a Multiple Rights Deal (or 360 Deal). Live Nation implemented this deal with Madonna in 2007, a contract that lasts 10 years and worth 120 million dollars.

Labels and musicians are able to limit the money spent on marketing by distributing music free as promotional tools. Free music can be used to find new fans and as leverage for followers on social networking sites such as Twitter and Facebook. Licensing music for television, movies, and video game generate substantial revenue for labels and artists and is also another way to have people hear music for free, making music less of the focus, and the overall brand the actual message, a business model that MTV implements (to heavy criticism). Labels will have to appease on allowance of music on YouTube, as even unofficial synchronization is a free way to advertise music and build awareness.

(Cohen)(Coggin)

2. **Digital music as a service rather than a product, similar to either traditional radio (ad supported) or satellite radio (subscription-based).** “The Internet is a communications medium, and actually functions more like a radio station than a large store” (Cohen). Digital music will be an expected service, and websites will be able to deliver this service through blanket licensing agreements with labels, songwriters, and other stakeholders, in order for users to have unlimited access to music on a subscription or ad-supported service. Users will not own songs, rather they will be in “the cloud” and

they will have access to listen to them as they wish, or with sites like Pandora, they will have access to the type of music they would like to hear.

The European website, Spotify, is mentioned in nearly every article regarding social media and the music industry, as the leading site to offer this innovative service, unfortunately Spotify is not available in the United States due to an inability to acquire proper licenses from the necessary companies. Many labels are still weary of blanket licensing because they fear losing money, though they continue to lose revenue every quarter by staying consistent with old business models.

By making these services ad-based rather than subscription based, advertisers can target audiences even more succinctly. Not only are they able to identify a user through their provided information, they may also be able to target a customer based on the song they are listening to. It could come down to advertising a dating site if a user is listening to a song about lost love, or a wedding planner if someone is playing traditional wedding songs. Niche marketing can be taken to an entirely new level (Shannon).

3. Social networking sites centered on sharing (possibly in real time) and discussion

songs and playlists. Though there have been attempts, there has yet to be a social networking site that allows for a social media user experience that will lure people from both illegally downloading and iTunes. The idea behind a music social networking site is the ability to share music with friends. Sites such as Last FM allow users to see what their friends are listening to, however; there are very few ways to provide a discussion around the music. A site that incorporates the sociality of Facebook, with chat, commenting, likes, etc. with the emotional experience of music (and sharing music), may revolutionize

the industry. If users are allowed to share their songs between friends, generate playlist, and discuss the music, then a legally downloaded song from the site now has the “added value” of the social component (Buskirk).

Incorporation of the social aspect can cause hyper-user oriented advertising to be taken even further. Even advertising other artists through what your friends “like” can be an additional resource for marketing and building a fan base. Targeting customers (and groups of friends) in certain areas can help market to certain demographics based on touring and can even have a secondary component for “offline” interaction with concerts, tagging and checking in. These sites could be a music lover’s haven and an advertisers dream. While, of course, these sites will not have the popularity of mass marketed sites, such as Facebook or YouTube, it will be able to capture the serious music fans, which in this time of market segregation may be more beneficial and able to stay loyal rather than the drive-by single downloader. “Teenagers, the age group most attached to socializing around entertainment; do not have the kind of income that many advertisers would like to attract. But they make up for it with loyalty” (Shannon).

The Importance of Brand Loyalty

Now that record labels and musicians are not seeing astronomical success and innumerable profits from millions of fans, stakeholders are beginning to realize the importance of the fan experience to *every* fan, not simply the masses. The way in which artists and labels communicate with fans has shifted dramatically with social media.

Labels have begun to build more user-friendly sites for artists. Some of these sites serve as their own internal social networking sites focused on the artists, very much like a digital fan club,

(some do charge money for membership). On these sites, fans have access to videos, demos, exclusive merchandise, and most importantly each other (Buskirk). As a site comprised of people with a shared interest, people are instantly able to make friends and discuss on forums and chat rooms about the artist (and related artists). People can discuss ride sharing, set lists, artist behavior, etc.

As a centralized way for fans to communicate, artists are able to directly receive feedback from their core fans, and are able to respond appropriately. As these fans are the ones most likely to continuously purchase merchandise, concert tickets, and even physical albums, artists must work hard to maintain that relationship through reciprocated communication, be it hosting live chat sessions, posting videos for fans, discussing in forums, or even sending a reply on Twitter.

Beyond Revenue

With social media, the need for a publicist, a journalist or even a music critic has dramatically decreased. Fans are instantly able to know what an artist is doing due to Twitter, Facebook, blogs, and an artists' website. In the article *How Kanye West Killed the Music Magazine*, there is a discussion on how the rapper took to the internet instead of to magazines after the Taylor Swift "scandal." West says that with traditional interviews he is unable to "approve" the article before it is paraphrased and synthesized. The reporter maintains all control, and is able to create a warped perception. Though West does little censoring of himself on his own social media sites, especially Twitter, it seems that he likes the privilege to do so. The argument is that music magazines used to exist to show the audience what the celebrity was really like, however; now the celebrities are able to do that by themselves without middle men, without publicists, and for

free. Artists like Nicki Minaj also communicate directly with fans via her Twitter account (Baron).

Journalists and others within the industry assert that their part in the new media is to synthesize the information celebrities are constantly posting and present the relevant and important information to the public. The assumption is that the public is unable or unwilling to synthesize the information themselves. One journalist took to creating a feature story on West without actually ever speaking to him, rather acquiring information through his social networking sites, including Twitter and YouTube. The question is discussed as to whether this will become the new model for journalism, rather than flights across the country to spend days with an artist (Baron). Some artists still remain on the high profile, inaccessible pedestal, however; those artists are becoming few and far between as more take to the internet to stay relevant and in touch with their fans.

Publicists and managers are left to do after-the-tweet damage control, rather than controlling the information before it goes out, as was the traditional business model. It is unclear whether the immediate accessibility of an artists' fan base will make the jobs of publicists and journalists obsolete. In addition, the music critic, reviewing albums and recommending people to get them from their local record store has become far more personalized. Now, users are more likely to illegally download an album then determine if it is worth their \$12.99 from a store, not needing an intermediary such as a music critic to give them the cue. If they do not want to sample themselves, they can acquire recommendations from their friends just as easily via the internet, which is something a music social media site could implement, as well.

As the barrier to entry to become involved in the music industry lowers, so does the age of those getting involved. Young people are becoming more involved in the creation, branding, producing, and managing of artists. These young people are taking to Twitter, as well, in attempts to increase their work network and seek employment. Familiarity with social media, combined with time that only youth can bring, allows people to become experts in their perspective fields quickly and thoroughly.

Unfortunately, adolescents using social media to become involved in the music industry may create more obstacles than opportunity. As people barely in high school are creating record labels, becoming social media experts, creating marketing plans and various other tasks that used to be reserved strictly for those at least a few years out of college, the job opportunities for those that are actually a few years out of college decreases. Unfortunately, often these teenagers are making little, if any, money in their positions, thus devaluing the job in the market and making it nearly impossible to pursue and continue that career path when they no longer have endless time and disposable income. This is all if the teenagers are taken seriously in their chosen area, at all. Signing contracts, touring and other issues associated with the music industry become obstacles for those youths hoping for acceptance (Haight).

There is question as to whether the internet has ruined the mystic of celebrity and rock star. If artists (that actually write their own music) are barring their souls in 140 characters or less, does it take away from the audience perception or deter from their writing ability, as they now have a new outlet for their frustration, that is instant, rather than a lengthy writing and recording process. With rap artists, it is customary to criticize rival rappers on records, however; rappers have taken to Twitter to insult and ridicule one another (Caramanica). If the argument is solved

before the record is written and recorded, perhaps it will encourage rappers to find other subject matters, or just ride out their internet fame instead of going back to the studio.

Measuring Popularity & Success

Recording equipment is inexpensive (a microphone and some pirated software), and marketing can be free on the internet, therefore, the barrier to entry as a musician has become zero, however; the competition continues to escalate. It is now cheaper to be a musician, but even with the backing of a label, success is not guaranteed. Musicians must work hard to maintain relationships with fans across a spectrum of social networking sites, even the least popular. Particularly with the decline of MySpace, bands are currently trying out multiple sites as a new home for their music. Many bands that relied on MySpace are creating personal websites to have their place on the internet. The stories of “instant” success via YouTube may give artist false hopes of making it big through one site in one night. Even those wanting to be career musicians but choose not to or are unable to garner attention from a label must be able to navigate and use social media properly across numerous platforms to stay relevant and communicate with their audience. The overnight success is an exception, not a rule, even in the age of social media. Aiming for niche markets rather than mass popularity is a far more realistic and attainable goal (The Recording Academy).

If niche markets rather than mass appeal have become the more attainable goal, and free music is used as a promotional tool, what now constitutes success? Billboard recently created the “Social 50” chart. The chart is comprised of “A ranking of the most active artists on the world's leading social networking sites. Artists' popularity is determined by a formula blending their weekly additions of friends/fans/followers along with artist page views and weekly song plays, as

measured by Next Big Sound” (Billboard). Currently Michael Jackson and Bob Marley both rank on this list, though obviously not personally updating social sites. It is difficult to accurately measure whether “success” online means a successful music career, as an artist like 50 Cent who has seen little success musically in the latter half of the decade ranks 35 on the chart (Caramanica) (Billboard). A way to monetize and quantify internet fame is necessary to really calculate the worth of social standing, though Billboard and Next Big Sound seems well on their way to accomplishing just that.

Another traditional measure of artist success is being questioned with the increase of social media. The Grammy Awards, known as the most prestigious music award ceremony comes under scrutiny by Steve Stoute, the CEO of the marketing firm, Translation. Stoute argues that the award shows are not willing to change their voting practices to reflect the general public’s attitude towards artists, however; they are willing to have the “hottest” artists perform in order to acquire ratings. The artists are good enough to perform but not good enough to win (Stoute).

Should National Academy of Recording Arts and Sciences be willing to lower or change their “standards” in assessing winners in order to reflect the general public perception? Perhaps the job of The Academy is to maintain a certain standard and leave it to the other award shows to more accurately reflect the masses, such as The People’s Choice Awards. The Grammys may find it difficult to stay relevant with maintaining this attitude even with the top artists performing. During the 2010 Grammys, Justin Bieber did not receive “Best New Artist” though in a short time he has affected pop and internet culture in such a dynamic way in which no other artist, new or otherwise has been able to do in years (Stoute). Should the Grammys be based on music alone, or as artists are turning into brands should the Grammys take into account the brand rather than the music?

As Justin Bieber sits at the number two spot on the Billboard Social 50 (under Lady Gaga), not receiving a Grammy did not hinder his social presence. As social media becomes more important, old standards of success become less so. It seems that Twitter followers may be more important than a Grammy win. However, as Billboard is attempting to incorporate the artist as a brand into their chart, should other media outlets follow suit?

Conclusion

Social Media has changed virtually every aspect of the music industry. Sources of revenue have shifted from albums to singles, additional revenue can be found in merchandise and fan clubs, however; none of this will bring the music industry back to its peak, and most experts predict that the industry will never reach that point again.

Unless drastic measures are implemented, (which could very well kill what is left of the industry), there is no feasible way to stop internet piracy, thus embracing free music for promotional purposes or as part of a larger service or social networking site is the more viable option, however; major labels are still weary of the implications of blanket licensing.

Beyond album sales, the job market is dwindling dramatically. As more people see the appeal and the ease of admittance into the industry as a photographer, publicist, writer, manager, etc. the less jobs available due to the internet making these jobs as easy as sending a few emails or posting a few photographs on Flickr. There are people willing and able to do these jobs for little pay or free, thus devaluing these jobs.

In addition, the traditional gauges of artists' success, such as radio play, album sales, and critical acclaim, are all becoming less relevant as social media eliminates the intermediary and can

deliver the artist directly to their fan base. Fans perception (and recommendations) and artist communication is more important than what any academy, critic, or journalist reports.

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