Moving On: the Music Industry’s Struggle to Create Value For Its Customers

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The study examines where the value in music consumption lies for today’s consumers, and compares this with the intentions of various parties on the industry side. It is argued that while many factors in the music industry are subject to constant technological change the reasons for the consumption of music have remained largely the same over centuries. The paper concludes that any successful business model must therefore (1) consider music increasingly as a service, combined with a number of value adding elements and (2) learn to monetise on the communal aspect of music consumption.

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SESSION OVERVIEW

The objective of this special session is to explore music consumption practices, focusing on issues and behaviours which emerge as a result of recent technological and social changes that have dramatically altered the nature of the music production and consumption environment. The music industry appears to have been the creative industry most greatly impacted initially by these technological and social changes (e.g., Mortimer and Sorensen 2005), and one which has also been criticized for not keeping abreast of the changing nature of music consumption practices (e.g., Burbant and McCourt 2006). This suggests that music consumption would be a rich area of research for both the music industry itself and for consumer researchers interested not only in music and arts consumption, but more generally in consumption in the digital and social media age. However, there exists a lack of research on the new music consumer and their consumption practices. This special session aims to aid the development of research in this area by demonstrating current research and by facilitating discussion of some of the key issues in the field. The special session should be of interest to those researching arts and culture consumption and also the changing nature of consumption generally in the digital and social media age.

This special session will be based around three papers and a discussion lead by Prof Jonathan Schroeder (University of Exeter) who is an expert in aesthetics and consumer research. The papers that form the special session cover a range of related issues and are all based on completed empirical studies. The session will begin with a paper (Berger, Kerrigan and Larsen) which examines where the value in music consumption lies for today’s music consumers and compares this to the intentions of various participants involved in music production. This paper therefore frames the emerging ‘new’ music consumer within recent technological and social trends, and within the industry itself. Following this, the second paper (Filimon, Lopez-Sintas and Zerva) identifies patterns and motives of digital versus CD music consumption focusing particularly on social and economic issues. Although research exists which investigates acquisition of music via digital downloads, it tends to focus only on digital acquisition, whereas this paper contextualizes digital download practices within music acquisition practices more generally. The final paper of the special session (Garcia-Alvarez, Lopez-Sintas and Zerva) continues the focus on the social elements of music consumption by exploring the influence of access to music resources on dominance and liberation in social exchanges.

Taken together, these papers raise and address a number of substantive issues which are important to the development of the field. Firstly, all papers take a social-cultural perspective, rather than the psychological perspective which has been more traditionally taken when researching music consumption practices within the field of consumer behavior. As Berger, Kerrigan and Larsen demonstrate, some of the most characteristic and important elements of new music consumption are communality and social interaction, therefore necessitating social and cultural research perspectives. This approach is also in line with, and contributes to, wider cultural and critical trends in consumer research (e.g., Arnould and Thompson 2005). Secondly, all of these papers examine elements of digital music consumption, but rather than isolating this consumption practice from all others, they explore how digital music consumption fits within the wider context of music consumption practices. This enables an understanding of the interplay of digital consumption practices and music consumption practices as a whole, thus throwing light on the complexity of music consumption and providing insights for a more general understanding of aesthetics in everyday consumption.

REFERENCES

Mortimer, J. and A. Sorensen (2005), Supply Responses to Digital Distribution: Recorded Music and Live Performances, Harvard University and Stanford University.

EXTENDED ABSTRACTS

“Moving On: The Music Industry’s Struggle to Create Value for its Customers”

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Over the last two decades countless industries have experienced a revolutionary transformation under the impact of new digitally based information technologies (e.g., Jennings 2007). These developments have substantially affected commerce, enabling new methods for connecting producers and consumers (referred to as e-commerce) and radically changing traditional production and distribution processes (Vaccaro and Cohn 2004). Technological advances in digitalising information have particularly affected content-providing industries. Overwhelming evidence proves that the media and entertainment sectors have felt a significant impact by the emergence of new media and the internet (Mortimer and Sorensen 2005). Media products have become little more than information that can easily be digitised and reproduced without significant loss of quality, at marginal costs of close to zero (Clemens 2003). Producers of such information goods have traditionally relied heavily on the protection of their intellectual property rights in order to capture the returns to their investments (Davis 2005; Gowers 2006). But widespread modern technology has made it simple for everyone to enjoy copyright protected works via illegal online distribution channels and effectively bypass traditional media’s established business models (Dali 2007; Berry and Papagiannidis 2007). The study explores where the value in music consumption lies for today’s music consumers, and compares this with the intentions of different value-creating stakeholders on the industry side. It is argued that while many factors in the music industry are subject to constant technological change the reasons for the consumption of music have remained largely the same over centuries. However, unlike many other studies of the impact of new technology on the music industry, this paper focuses largely on off line and communal elements of music consumption which feed the consumption of music in electronic formats. The paper concludes that any successful business model must therefore (1) consider music increasingly as a service, combined with a number of value adding elements and (2) learn to monetise on the communal aspect of music consumption.
as a key element for success lies with social relational mechanisms.

The music industry, particularly its recording side, was the first to experience difficulties under the new conditions of the digital age, predominantly caused by its overdependence on physical sales (Kusek and Leonhard 2006). Since then a substantial number of strategies and business models have been developed, essentially focusing on the exploitation of a larger variety of channels and products (IFPI 2008; 2009). However, so far none of these business models have offered a single sustainable solution, and as a result, even a decade after the advent of illegal online file sharing, large parts of the industry, particularly (major) record labels, are struggling to reinvent themselves (Burkart and McCourt 2006). In fact, ten years on, the industry is still experimenting with a wide range of business models, which, on the distribution side, include embedded and behavioural/targeted advertising, pay-per-use or “freemium” models, whereby content is initially offered for free and supplemented with a tiered pricing structure for premium use. Yet with music sales last peaking in 1999, the industry has repeatedly and wrongly called the bottom of the market for almost a decade now (MacMillan 2009). Allen (2008) has stated that revenues that labels have generated from digital distribution models have not been sufficient to replace the revenues lost from the decline of physical products But do these developments suggest that music itself has been devalued, is now taken for granted and thought of as naturally available for free?

Paradoxically, while large parts of the music industry are in deep crisis, there is overwhelming evidence that more music than ever is being consumed (e.g., Godin 2009; Napier-Bell 2008; Arthur 2009; Leonhard 2009). At the same time there is also evidence that the reasons for the consumption of music have remained largely unchanged over centuries (e.g., Economist (1) 2009; Larsen, Lawson, and Todd 2009). The question is then do the new business models developed for the conditions of the digital age really focus on satisfying music consumers’ needs and wants in the digital age? Does the music industry communicate effectively with its consumers, and has it initiated a constructive dialogue to help develop a sustainable business model for itself? And to what extent is it really justified that large parts of the music industry try to locate the origin of their problems to a place beyond the limits of their own control?

The purpose of this study is to contribute to the understanding of current music industry dynamics and explore possible causes of the current situation. In contrast to previous research it explores positions and arguments on both the consumer and the industry side and aims to identify the extent to which consumer expectations, attitudes and value perceptions coincide with the business models offered to them by the music industry. The research process was subsequently divided into two stages. On the industry side the research methodology was dominated by in-depth, semi-structured interviews with professionals from different parts of the music industry, to explore the motives and intentions behind new business models, their sustainability, underlying mechanisms to generate revenue and the extent to which their development has been influenced by actual consumer needs and wants. On the consumer side the research draws on semi-structured individual and focus group interviews with music consumers, conducted at three major UK-based one day music festivals between June and August 2009. Data gathered from both perspectives were then used to extract those aspects of the music industry which draw on the most prevalent reasons for music consumption and are thus likely to form crucial elements of a sustainable future business model.

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“Patterns and Motives of Digital Music Consumption”

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This study examines the effect of free downloading on music CDs sales, identifying the main patterns of digital music consumption and the motives backing consumers’ behaviour. These findings provide insight into music consumers’ attitudes in the CD market which has registered a severe shrink in sales in recent years, and