

Buried by Administration: How the Music Industry loses its Creativity. An Empirical Study of the Music Industry in Germany.

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1 Introduction and Theory

The music industry is one of the industries where specific characteristics can be observed. The basic actors in the industry, the musicians, consider themselves as artists and justifiably do so. These influences arising from the self-conception as artist also shape the way how business is done in the music industry. Patterns of creativity and the freedom of artistic expressions have an impact on basic business tasks e.g. how a contract is designed, how the artists communicate and also how administrative or financial challenges are faced. These peculiarities should be well considered while doing business in the music industry.

The most characteristic topic when it comes to research on music business or creative industries in general is the existence of two different and quite contrary logics (Eikhof and Haunschild, 2007, p. 523f): artistic and economic logic. Whereas the artist cares about originality of the artwork,

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guided by imagination and passion, economic reasoning is different (Caves, 2000, p. 4): it emphasizes performance indicators such as the ratio between input and output; products are developed customer-driven. If the customer won't buy the product, it is not worthy to be produced. This is the origin of many of the conflicts based on artistic and economic logics, artists usually care less about business requirements and the importance of management in general. Even, "*Creative people tend to rebel at efforts to manage them overly systematically.*" (Eikhof and Haunschild, 2007, p. 524).

Another important characteristic of the music business is the market structure and the economic situation of the small players (SMEs). Concentration tendencies on the music market have resulted in four large record companies dominating the market (Bernstein, 2013, p. 7). Beyond the worldwide popular artists and the major record companies, musicians, labels and publishers hardly survive in the business. A general trend in the industry is the shift from an ownership to an access model and further to a context model (Wikström, 2012). The increase of digital distribution of music and context (Friedlander, 2014) increases the technological dependencies. Further, it highlights the importance of meta-data in the industry. As a consequence, technology-driven players like content aggregators, download platforms or telecommunication service providers are massively entering the market (Pulverer, 2010, p. 125). Similar to the competition on the market the amount of different distribution channels has increased: "*It really is going to be about collecting a little bit of money from lots and lots of places*" (Jay Frank in Boyer, 2014).

We are interested in the development of the market over the last years and what role economic and creative logic played in this development. Thus, our research analyzes the situation of the small and medium sized companies (SME) in the music business, the labels and publishers. We will explore their daily work routine and relevant problems in that routines. We further like to know how these problems are managed by the organizations and where the problems derive from. As a matter of fact our research takes a producer focus rather than a customer focus on music business. Based

on the results we develop a causal model of how the economic logic is constantly increasing its influence at the expense of the artistic logic. Based on this model, we can explain the development in the music business over the last years and, as a consequence, future research can suggest solutions in favor of the music business SMEs.

2 Research Design

Our research is highly exploratory in nature and we consequently chose a qualitative research setup (Przyborski and Wohlrab-Sahr, 2008; Lamnek, 2005). Between 2013 and 2014, we conducted semi-structured expert interviews (Liebold and Trinczek, 2009) with employees and owners of labels and publishers, mostly small and medium sized companies (SMEs). Furthermore, we interviewed representatives of collecting societies and the organization of independent music organizations (VUT - Verband unabhängiger Tonträgerunternehmen) in Germany. Subsequently, we organized two workshops with interviewees: a label specific and a publisher specific workshop. Primary goal of the workshops was to analyze the actual working processes in the organizations with a special focus on communication, data and (software) tools.

The interview transcriptions and the observations and ideas from the workshops were then forwarded into an analysis based on the grounded theory approach (Glaser and Strauss, 1967). If necessary we conducted further interviews during the analysis phase to strengthen our argumentation by focusing on detailed questions which arose in the former interviews.

3 Findings, Discussion and Conclusion

Our analysis showed several results. First of all, labels and publishers nowadays are faced with a highly increased amount of possible business models and revenue channels. Our interviewees reported that today not only the well known Vinyl or CD is carrying the music to the customer. They also have to distribute their music via digital download channels, e.g. iTunes¹

¹ <https://www.apple.com/itunes/>

or BandCamp², and via streaming services, e.g. Spotify³ or Grooveshark⁴. The efficient and economical sensible use of these distribution channels is challenging but important. All of these digital options signify increased administration costs over falling or stagnating revenues on the label side. Further, the market share of digital distribution quite likely continues to increase in the future. In addition, marketing expenses and efforts towards social media awareness for their musicians are growing as well. As a consequence, labels and publishers are confronted with an increased administrative work load in contrast to economically smaller distribution channels.

Moreover, problems with technology like data redundancy, missing or error-prone standard software or interface incompatibilities were frequently reported throughout the interviews. Our respondents also mentioned the need for holistic software covering more than only one specific aspect of the music business. As a result, labels and publishers spend a high amount of their time manually controlling, editing and transferring data from one system to another. Likewise, these findings are supported by an additional analysis of the software interfaces of the German collecting societies. Interviewees reported data matching errors at these interfaces. We interpret these statements as a call for digital solutions supporting small and medium sized organizations (SME) in the music industry. Future topics could cover enterprise resource planning software for the music industry or data description standards like the music ontology (Raimond, 2008; Raimond and Sandler, 2012) adopted to the needs of the music *business*. Based on data descriptions standards, clearly defined interfaces between different software systems could be another important future development option.

Finally, the awareness towards the two competing logics, economic and artistic, could be constantly assessed during the interviews. The interviewees assessed that this conflict in the music business is dominated more and more by the economic side leaving the artistic influences be-

² <https://bandcamp.com/>

³ <https://www.spotify.com>

⁴ <https://grooveshark.com/>

hind. Further, technology has an importance influence on the shift of the logics. The artist nowadays has to concentrate more and more on (digital) business related tasks than before. Another sign is the entrance of primarily non music-related players into the market: download and streaming platforms, aggregators and generally service providers of any kind. They are considered as technology providers rather than being music business pioneers. Finally, the importance of and the dependency on technology for business processes can be assessed as another sign for a powerful economic logic in the market.

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