

Music Business Research

Daniel Nordgård

The Music Business and Digital Impacts

Innovations and Disruptions
in the Music Industries



 Springer

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Music business research is a new multidisciplinary field that puts a number of different analytical approaches into mutual dialogue. It is located at the intersection of economic, artistic, musical, cultural, social, legal, and technological understandings of this cultural industry and it aims to generate a better understanding of the creation, distribution and consumption of music as a cultural good. As a field it is therefore characterised by methodological diversity and involves linking academic research with music business practices. The book series welcomes monographs and edited volumes that feature groundbreaking research into this dynamic and exciting field.

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Foreword

In this insightful study, Daniel Nordgård draws on exclusive access to private industry dialogues to provide an invaluable contribution to the still small area of scholarship that details how people working within the music industries experience and understand their occupational roles and corporate worlds. In analysing and explaining how music business personnel juggle competing demands as they mediate between musicians, companies, government officials and industry stakeholders, he also makes a novel intervention into the wider field of study that examines the work of cultural intermediaries in the broader creative industries.

The Music Business and Digital Impacts offers a critical route into understanding the perceptions, experiences and strategic intentions of music business insiders during a significant moment of disruptive change in the recording industry. By being able to observe (and listen back to recordings of) exchanges at meetings of the Kristiansand Round Table between 2007 and 2011, Nordgård has managed to capture and comment on heated exchanges, reasoned debates and irrational anxieties at a moment when music industry personnel were attempting to comprehend the impact of digital change on the recording sector and music publishing business specifically and music industries more generally. Clearly delineating various responses to these changes, the book provides a vivid account of how digitalization has resulted in acute occupational dilemmas and commercial fears. It emphasizes, with compelling evidence and examples, the divergent goals and contrasting agendas of participants in the music business—a characteristic often neglected when scholars and critics assume that the corporate worlds of music production are unified by shared intentions, agreed-upon strategies and common ideological values.

Interrogating these empirical interactions through the theoretical prism of strategic action fields, Nordgård sheds new light on the fraught relationships between recording/publishing companies and various digital platforms, infomediaries and service providers. By critically assessing discussions at the Kristiansand conferences, this detailed study adds to our understanding of how and why the music industries had difficulties adapting to digitalization. It illuminates the tensions and

outright conflicts among various stakeholders and directs attention to the very real problems generated when a rights-based model (informing the work of recording and publishing companies) is found to be inflexible and unduly complex to administer in light of the requirements and imperatives of streamed digital music circulation.

A pivotal section of *The Music Business and Digital Impacts* evocatively demonstrates how a system of collecting monies for individual tracks according to copyrights is incompatible with a digital environment, in which in excess of 40 million tracks are potentially available to access. The “screen of death” is a phrase Nordgård borrows from a music business practitioner explaining, with a spread sheet, the difficulty of administering a system whereby each track requires permission from the owner of the sound recording and the composition, and how each of these permissions may require the consent of multiple label interests and publishers representing each composer credited on a track. The situation is compounded by the fact that there is no single source that can be consulted to find out who owns what. In many cases, tracking down rights owners requires dedicated detective work. Any mistakes in not obtaining the correct permission can result in costly litigation. It is therefore perhaps not surprising that digital conglomerates prefer a system of allocating revenue according to advertising traffic.

This book is a valuable addition to our understanding of the everyday realities of the music and cultural industries. It shows how conflicts in the music business are informed by potentially profound philosophical disagreements about the nature of digital music, and the ethical principles by which musicians should be legitimately recognized and rewarded. Yet, it simultaneously reveals how working life is wrought by the most prosaic aspects of everyday interaction, as evidenced in references to the repetitive character of music industry meetings, the inability of participants to make progress and reach agreement on resolving issues and the way actors are narrowly focused on their own interests and seemingly incapable of achieving a wider perspective on proceedings. The book provides compelling evidence to illustrate the non-unified character of the music industries and to substantiate Nordgård’s more provocative claim that the music business is “dysfunctional”—a proposition ripe for elaboration, further research and extended debate.

Finally, Nordgård cautions against accepting recent claims about patterns of convergence, arguing that these are misleading. The digital conglomerates and tech companies (Apple, YouTube, Spotify, etc.) are driven to engage with music companies in order to gain access to recorded content, rather than to integrate with labels and publishers in the manner suggested by claims about convergence and (horizontal or vertical) integration. Music is of importance as digital artefact but not as industrial possibility, a finding implying that the music industries confront further challenges and dilemmas in the brave new world of digital data and commercial content.

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February 2018

Keith Negus

Preface

I have always loved music. I loved performing it, I loved listening to it and I loved working with it, watching it on stage and being surrounded by it, and by other fans and friends. And not least have I enjoyed taking part in creating, producing, supporting and arranging music and music events for my own band and others. For various reasons, my band never reached an international audience or achieved widespread acclaim (beyond a modest impact in the French market), but I have nevertheless had the pleasure of touring, recording and releasing albums for a number of years, which means I have experienced some of the excitement of seeing a crowd respond to our music, of reading a good review and of listening to the first mix of a recording.

Equally, I have experienced the disappointments of (close to) empty venues and mediocre reviews of music I have put my heart and soul into creating. And I know the tedious procedures of loading in and out, waiting for the drummer to finish his sound check and, right before the doors open, consuming a contractual “one hot meal” that may or may not meet expectations, or even hopes.

In parallel with trying to establish a music career, I was also involved in the live music scene in Kristiansand, Norway, first and foremost through DJ-ing, arranging concerts and later through managing Quart—at that time one of Norway’s largest music festivals—where, as Director, I ended up trying to reorganize and refinance it.¹ This short and cumbersome career as a festival manager culminated with the bankruptcy and cancellation of the event in the summer of 2008, which in many ways terminated any ambitions for a professional career in the music industries. However, it also opened the door to opportunities for my academic ambitions, and further amplified an interest in the dynamics and powers in the music industries, in particular the impacts and effects of the digitalization processes within and around them.

¹For a brief overview of the Quart Festival, see: https://en.wikipedia.org/wiki/Quart_Festival (last visited 01.12.2016).

And so, in 2009, when I was offered a PhD scholarship at the University of Agder, I considered it a tremendous opportunity to understand more thoroughly which factors determine the developments in the field and immerse myself in its complexities.

Over the following pages, I present the results of these efforts and some of the theoretical contributions to the field of study. This book builds on what I did over a number of years as part of my Ph.D. project. However, the most important part of this book lies in my data, which builds on an opportunity that appeared 2 years prior to my admission to the University of Agder's doctorate programme. In some ways, it may bridge a gap between my current academic ambitions and former experiences in the music industries. But it also represents what I consider most important to my own academic work, namely to strive for some degree of participation or involvement in the field of study. Great academic work has been contributed from a distance, but I believe that fields as complex as the music industries demand a thorough understanding of the often-confusing and opaque structures and dynamics constituting it, and I believe these can best be understood and appreciated through some degree of involvement. And although I come to this through my own experiences, the real opportunity to gain a significant understanding of the field was presented to me in 2007.

An Opportunity to Sit In: The Kristiansand Roundtable Conferences

In June 2007, I was invited by Peter Jenner and Bendik Hofseth to take part in a closed event for invited stakeholders within and around the international music industries: the Kristiansand Roundtable Conferences. This was the first of what became a series of exclusive, invite-only meetings taking place in my hometown of Kristiansand at the University of Agder. The meetings were conducted under the Chatham House Rule, which dictates that no statements can be attributed to any single participant, encouraging free-flowing debate while protecting anonymity.

At that time, I was just getting involved with the Quart Festival, attempting to reorganize and manage it, and although I had some experience in the business as a musician, my position, knowledge and insight were nothing compared to the rest of the delegates of the Roundtable Conferences. The overall objective was to gather international stakeholders within and outside the traditional music industries to discuss and influence the complex processes of adapting to a digital era—processes that in many ways seemed gridlocked. The goal was to identify and agree on what obstacles lay ahead, which stakeholders were involved, which actions needed to be taken and, not least, who should act on these issues.

When I was invited to take part, I was as surprised by the very invitation as much as by the impressive list of delegates set to meet in my hometown. It included an exclusive but broad gathering of stakeholders, ranging from management, record

companies, publishers and collecting societies to streaming services, ISPs (Internet Service Providers) and many of the digital giants that have become household names. For the most part, the delegates were at the executive level, working with some of the world's most acclaimed artists. Over the next couple of years, the Roundtable Conferences in Kristiansand became an event that spawned initiatives and discussions on such a level that it attracted policy- and decision-makers from international organizations within and outside the music industries. Although I was partly involved in music at that time, it was obvious that my invitation to the event was the result of regional funding more than any substantial contribution I was likely to make to the talks. In any case, I was happy and excited to be allowed to observe and follow the conversation and debate.

Providing a Trusted Forum for Talks

A central feature of the Kristiansand Roundtable Conferences, and a critical component of how the events were able to attract such a range of high-level participants to discuss such difficult topics, was the use of the Chatham House Rule. Although there never seemed to be any clear reference to what the Chatham House Rule really implied, the origin of the rule or its purpose, there were constant references to it, both during the talks and in the invitations from Peter Jenner, as this excerpt from 2012 shows:

Issues such as DRM, blanket or statutory licensing, databases, developments in technology, the fair treatment of creators, and the question of how to deal with rebuilding a recorded music business that is profitable and has a viable future have all been topics for discussion. The event has always been held under the Chatham House Rule, which ensures that people can speak frankly without fear of being quoted and having their expressed views subject to the harsh glare of publicity. So far, no attributed statements have been leaked from the conference. (...) There are few product presentations and not a lot of selling, though many have views that are reflected in their business plans or fantasies. Above all it is an event that stimulates thought and discussion by people who are extremely well informed about the subject. The discussions take place not only formally but also at meal times, in the bar and at our traditional seafood dinner. In a small town, with most of us staying at the same hotel, there is little chance of escape from fellow attendees! The list of participants over the years has involved record companies, publishing companies, collecting societies, music managers, music researchers, Internet service providers and other users, as well as public officials.

(Excerpts from Peter Jenner's invitation in 2012)

The importance of imposing the rule seems obvious, and it is evidently important to the participants, as several inquire about how the rule is maintained at the beginning of almost every conference, in order that their statements and arguments cannot be attributed to one person or company. Nonetheless, while the conferences refer to the Chatham House Rule, there is no clear definition of the rule itself, meaning that Peter Jenner is not referring to a specific site or text. In fact, quite the opposite—on some occasions Mr. Jenner states that the importance is not the rule itself, but the shared understanding that these conferences provide the safety of a

discussion of company policy and that the spirit and the content of the talks can be referred to, but that statements cannot be attributed to someone.

An Incredible Pool of Data

Beyond the impressive list of attendees and the nature of the talks, there was one thing in particular I remember noticing, namely the presence of a microphone in the room. The proceedings were being recorded! This was especially interesting given that the participants were speaking so openly about the opportunities, challenges and problems concerning the music industries in general, as well as their own affiliated industries, companies and organizations. A number of the attendees were as inwardly critical as they were of digital pirates and “outside” actors.

Many controversial points were raised and discussed, and I was fascinated to witness the extent of disagreement on subjects that were (and still are) contentious, but which are seldom debated in public. Perhaps the central dimension of the talks was the inherent complexity surrounding the topics. There were specific suggestions that may have led to meaningful progress, but were dependent on so many stakeholders, most with vested interests in competing solutions (and others more interested in the status quo), that any advancement seemed highly unlikely. Many of these complexities stem from internal power struggles within the structures of the music industries, though some can be traced to “outside” actors—the tech industries, “the pipes and lines to people”, as one of the delegates put it, and whose business is dependent on content—and whose direct or indirect influence in the processes became evident during the talks.

An additional dimension was the role of policymaking and legislation, both national and international, which are forces that exert pressure on the processes, while at the same time being a key component to solutions, leading to a considerable proportion of the talks addressing political and legislative issues. And during that first meeting in 2007, this triangular mix of interests and solutions was being discussed in its full range and with all three “parties” represented, although with a majority of delegates from the traditional music industries. As I will explore more thoroughly, the true value of the Kristiansand Roundtable Conferences lies not only in the level of insight among the delegates, but also the range of affiliations and interests represented in the meetings, triggering a dynamic, multifaceted discourse.

The Key Initiative: Peter Jenner and Bendik Hofseth

The explanations as to how the small city of Kristiansand could become the crucible for such an esteemed assembly of music industry stakeholders—and subsequently provide the data for my thesis—lie in the background, networks and personalities of Peter Jenner and Bendik Hofseth. Jenner’s career in the music industry stretches

back to the mid-60s when he founded Blackhill Enterprises with Pink Floyd (Syd Barrett, Nick Mason, Roger Waters and Richard Wright) and Andrew King. Beyond managing Pink Floyd, Blackhill Enterprises also organized the first free concerts in Hyde Park, London, including The Rolling Stones in 1969.

As Pink Floyd and Syd Barrett departed, Jenner continued his management career, working with T Rex, Ian Dury, Roy Harper, The Clash, The Disposable Heroes of Hiphoprisy, Billy Bragg and others. He also holds (or has held) a range of prominent domestic and global positions, such as Secretary General of the International Music Managers' Forum, as well as Director of the UK Music Managers' Forum. Furthermore, he has been very much involved with various copyright initiatives from the World Intellectual Property Organization (WIPO), the IPO in the UK and numerous others.

The same holds true for Bendik Hofseth, who has released numerous albums, and tours regularly. His extensive background as an internationally renowned musician and composer accelerated in 1987 when he moved to New York to perform with the acclaimed jazz-fusion band Steps Ahead. More so, Hofseth has held and currently holds many central positions in the Norwegian and international music industries, including Chairman for the International Council of Music Authors (CIAM), Chairman for TONO (the Norwegian performing rights society), Chairman for by:Larm, Chairman for NOPA (Norwegian composer and author's organization) and many more.

Without a doubt, this book has been as dependent on their networks and backgrounds as on their trust and inclusiveness.

Kristiansand, Norway
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Daniel Nordgård

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Although being enrolled at the University of Agder and working there as a teacher in music management, I have also worked at Agder Research for several years, enjoying the insights, experiences and opportunities given to me there. No doubt, it has had a great impact on my work to be allowed and encouraged to work on different types of projects relating to my focus area. In particular, I would like to thank Kirsti Mathiesen Hjemdahl.

This book could never have happened had it not been for the welcoming and generous nature of Bendik Hofseth, Peter Jenner and the many participants in the Kristiansand Roundtable Conference. By including me in the Roundtable Conference, and by granting me access to your meetings, you have shown me great trust and I hope my book proves this trust right.

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