

Radio, concerts and the future of music distribution

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Abstract

Internet has undoubtedly changed the prerequisites for global music distribution once for all. After years of skepticism, clinging to old business models and pirate hunt on P2P networks, the record industry has reluctantly begun to embrace the new channel for marketing and distribution of cultural content. But what do we know about music consumption on P2P networks? Does it coincide with the variety of cultural content in traditional media channels? This paper describes the differences in cultural content on P2P networks, concerts and traditional broadcasted media based on comprehensive data on theoretic range of choice, air play and requested music at P2P services. The study also describes some of the changes in business models that have already taken place. The study concludes among all that legal download services might reduce the present dominance of the big five major record companies in the long run.

1. Introduction

The mix of music available via different media channels has been the subject of a lively discussion over the past few years. Some observers claim that the range of choice in traditional broadcasted media does not reflect the audience's desires. Voices from both commercial and public service radio claim, however, that they actually air the "correct" mix and base their postulate on detailed polls and charts.

On the other hand executives of services monitoring traffic on P2P-networks and organisations working for diversity in media, claim that record companies and radio networks actually "teach" the audience to listen to and buy certain type of music. Therefore their audience research polls, reinforced by commercials on TV and radio, become self-fulfilling prophecies.

At the same time the traditional market for CD singles is more or less collapsing due to widely spread illegal P2P-copying and cherry picking via legal services. In fact in October 2003 the turnover of these legal services began to outrival CD single sales both in terms of units and money[1].

At time of writing the number of downloadable legal music titles via Internet are in the region of some 700,000

and is fast growing with the help of Apple (iTunes), Roxio (Napster 2.0), Wal-Mart and others. In other words companies by tradition not associated with content. The number of illegal titles available via P2P-networks is difficult to monitor but is in the region of tens of millions according to IFPI.

At the same time the concert and touring business has experienced booming[2] ticket sales and an overall increased interest for live music the last few years. This trend has been documented via numerous articles in both US and UK based music magazines.

A second trend is the accelerating production of CD-titles despite alarming sales reports from executives at major record companies. Affordable digital recording equipment has lowered the threshold for musicians to produce high-quality recordings and the obvious strategy of a few "big" acts per major record company has most likely led to ever more rejected demos. Many new small record companies started by artists and bands use clubs and the Internet as primary market channels. P2P activities seem to attract rather than frighten away SMEs.

Little has been written about the differences between repertoires available at concerts, via broadcast media and files requested over the Internet and reasons for possible discrepancies. The evidence in this paper shows some interesting differences that can be related to producer driven vs. emerging consumer driven markets.

2. Objectives, questions to be answered

This paper seeks to describe the difference in terms of output (songs) between concerts, broadcasted media, files requested via P2P-networks and "legal" downloading sites. In what way does the mix of songs overlap or differ between these audiences and if so, why?

Are there any trends that can be observed over the past years? Are there any indications that the increased use of Internet and file sharing clients has served to change the traditional marketing role of radio as regards concerts?

Where do we find the really new business models - in the SMEs activities in the P2P environment, or amongst the slowly emerging legal downloading sites approved by major producers and rights holders?

3. Method

The study uses four extensive statistic sources. A database with hundreds of thousands requests for specific music files from a US-based P2P-network in 2003.

Second; Reports from STIM, the Swedish Performing Rights Society, of works (songs) performed at concerts in Sweden over the last three years.

Third; comprehensive air play reports from STIM, on works aired by seven national radio channels in Sweden the last eleven years. Fourth; a complete copy of the fast growing Gramophone Archive (Grammofonarkivet) of the Swedish Public Service Radio with more than 2.4 million recordings from the last 110 years with detailed genre classification on each work, serving as a blueprint for theoretic range of choice. All databases (except for P2P) uses a common identifier enabling extensive matching procedures.

The Swedish concert market and the de-regulated radio market have been used as a CASE-study to describe trends within and between these two channels for musical content. The P2P-database has been used to picture the characteristics of music searches on P2P-services. What kind of music that is requested and if any pattern can be identified.

Official weekly top 10 and top 100 statistics from P2P monitoring services and “legal” downloading sites have been gathered in order to complement this data.

Both domestic and foreign articles-, papers and other literature related to this subject have been studied to support global predictions on this fast moving arena.

4. Observations

4.1. The traditional business model

By tradition record companies have to a great extent been able to control the flow of new music to the market.

For example certain TV and radio channels have been given exclusive rights to “break” carefully chosen single tracks. Followed by thoroughly planned album releases, often in big scale. In other words trying to sell songs twice, first as singles - during a limited period of high interest and media penetration - and then as albums. A business model principally based on selling tangible products via a hierarchy of distributors and retailers.

In many cases the focus has been to build “big” artists selling records on many markets. Radio and TV air-plays have been the natural shop window and album sales the economic backbone for record companies.

Concerts have been regarded absolutely not more than a tool for selling a few more albums and maintaining and cultivating popularity among loyal fans.

4.2. New business models

Major record companies still try to control the flow and maintain the interest for their products. But the prerequisites on the market have changed a lot, especially during the last decade.

First affordable digital recording equipment has lowered the barrier for musicians to produce soundtracks with high technical quality without access to multimillion-dollar recording studios. Most likely a fact contributing to the high number of album releases.

Second the increasing range of potential media channels has caused a clear segmentation of audience, making it more expensive to reach a big audience via traditional marketing. Nevertheless radio and TV still are important marketing channels.

Third the increasing number of artist-owned record companies. Certainly to a degree a reaction to difficulties in being signed or in some cases a conscious choice of seeking success in smaller scale with the ability to keep most of the profits. According to Statistic’s Sweden, the central government authority for official statistics, the number of record companies and music publishing house have more than doubled the last ten years in Sweden.

Fourth the more or less collapsing single market (in terms of profits) where P2P-piracy and cherry picking via legal services are considerable competitors to physical singles. As mentioned earlier, legal sales of digital music files outperformed single sales both in numbers and money during 2003.

The changing prerequisites have forced the traditional record industry to reconsider its business models. Many record companies try to reduce the reliance on mechanical revenues, basically CD sales, as the market declines. Public performances, concert revenues, the use of songs in audiovisual works such as advertisements, television programs, films and computer games grows are becoming more and more important sources of income.

An obvious example is the interim result presented by the EMI Group in November 2003. The turnover for the Music Publishing division was only 21 percent of EMI Group but generated 65 percent of the profits[3].

Reluctantly record companies have embraced legal on-line sales of digital music files. A milestone when considering that this is about selling intangible products far away from the traditional physical value chain selling tangible products, as CDs.

Record companies own alternatives e.g. Press Play and Music Net with different subscription models have not been very successful so far.

Ironically the first service that claimed to be profitable on selling music files on line was not a part of the traditional content industry. With iTunes, Apple, succeeded to unite record companies on a common price model, 99 cent apiece, regardless of size and catalogue.

The record companies share of each sold file is 47 cent excluding artists and composer royalties[4].

According to Apple over 70 million files have been sold the first year. In May 2004 the rate was 3.3 million files a week[5].

Apples initiative of selling single digital music files have been followed by e.g. Wal Mart, MusicMatch and Napster 2.0. The latter one owned by Roxio a company selling software for CD and DVD burning. Napster 2.0 is based on a subscription model with an option to buy single music files for 99 cent each.

5. Results

5.1. CASE Study Sweden

As the Swedish radio market was deregulated in 1993 some 80 local licenses were auctioned during the first round as a complement to the four national public service channels. By the end of 1993 three commercial networks owned 25 licences and in March 2004 these networks (Mix, Rix and NRJ) owned or controlled 66 of the 91 present licences.

In this study “national radio” is defined as a radio channel or network geographically covering 66-99 percent of the potential listeners aged 9-79.

In Sweden this means the mentioned commercial radio networks and the original four public service radio channels (P1-P4).

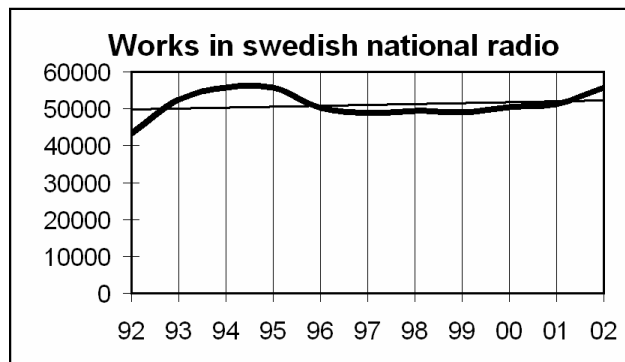


Fig 1 Works (titles) played on national Swedish radio.

The longitudinal empirical study on play lists shows that the number of musical works/titles a listener could hear on any of the national channels year 1992 to 2002 remained fairly stable around 50,000 (Fig 1) despite the increase of total air plays as a result of commercial radio (Fig 2).

The empirical study shows that the public service radio is the main source of diversity. For example P3 reported some 72,000 plays of about 18,000 works during 2002.

The play lists of the three national commercial networks, Mix, Rix and NRJ comprised 2,833, 4,156 and 1,036 unique works respectively in 1994.

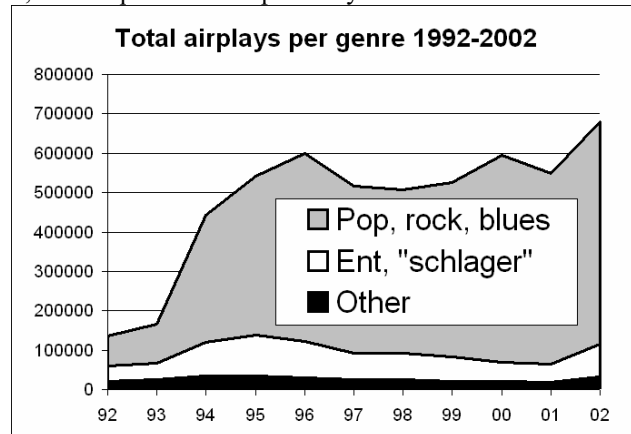


Fig 2 The use of musical works in national Swedish radio.

By 2002 the size of the play lists had shrunk to 1,082, 952 and 481 works respectively, despite a total number of performances of between 100,000 – 150,000 per network/annum. In other words there was a decrease in the size of play lists (diversity) between 54 and 77 percent.

Channel(s)	Played Y-1*	Played Y-2**
Mix, Rix, NRJ	68%	53%
P1, P2, P3, P4	45%	39%
P3	41%	32%

*Similarity in play list current year vs. the year before
**Similarity in play list current year vs. two years before

Fig 3 Average annual similarity of play lists 2002 vs. 2001 and 2002 vs. 2000 respectively.

Another way of comparing the use of musical works between public service and commercial radio is how works are “re-used”. Fig 3 shows that the three national commercial radio stations “re-use” most of their play list from one year to the other.

Public service radio as a whole seems to renew most of the musical material from one year to the other. P3, the “youngest” public service channel, show the most dynamic play list.

A comparison of the 200 most played works clearly indicates an increasing overlap in programming between commercial radio stations over the years.

An interesting fact as they use three different so called programming formats, Adult Contemporary, Hot Adult Contemporary and Contemporary Hit Radio respectively.

A similar tendency on format homogeneity has been documented on the U.S. radio market in an American study from 2003[6], performed by the non-profit organisation Future of Music Coalition.

It has also become harder to get works aired during the year of release. There is apparently no exception for the dominant genre “pop, rock, blues”. Despite an increasing number of played works/titles and total air plays in this genre, a decreasing number of new works reaches the play lists of the seven Swedish national radio channels each year.

The concert repertoire differs to some extent from radio. The genre “pop, rock, blues” is still dominant in terms of performed titles, but the genre “entertainment music, light dance combos or schlager” get more plays. This tendency seems to have been quite stable over the last seven years.

There is in other words a clear discrepancy in terms of music repertoire between radio and concerts.

The repertoire seems to be fairly dynamic as more than 40 percent of works played a certain year was not reported as performed the year before.

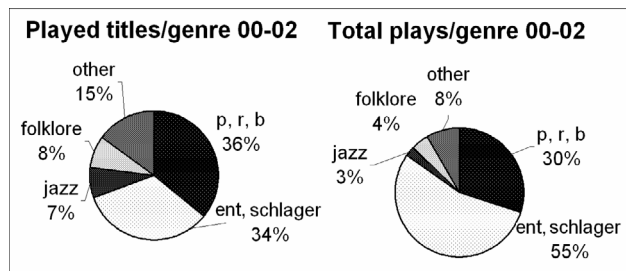


Fig 4 Played songs/genre on Swedish concert scenes from 2000 to 2002.

It is also important to have in mind that “pop, rock, blues” is a pretty coarse genre in this context. Most of today’s mainstream music is sorted into this genre using a classification system from early 1970-ies, consisting of only twelve different genres. As a consequence for example Metallica, Britney Spears, Bob Dylan and ABBA share the same genre.

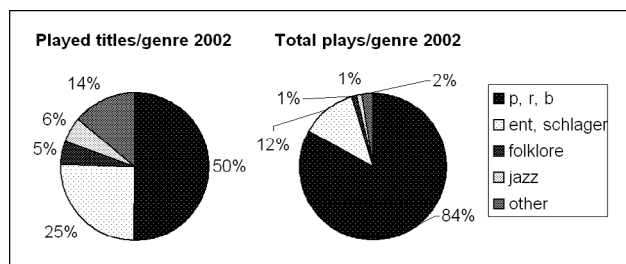


Fig 5 Played songs/genre on national Swedish radio 2002.

But how comparative is this data with other countries? Unfortunately the presented analysis which matches reliable play-lists and detailed genre classification seems to be quite unique.

The main task for STIM and its counterparts in other countries is to collect fees from public performances or

mechanical reproduction and distribute royalties to their members. These organisations haven’t gathered much detailed statistics or breakdown in certain genres.

The earlier mentioned survey[6] is perhaps the closest study available.

Exclusive statistics from Ticnet, the biggest Nordic online ticket service, shows almost exponential growth of online sales since 1999. The company sells tickets to sports events, concerts and other cultural events.

According to Ticnets Key Account Manager Peter Lilliencrona, the increase of sales is equally divided between mentioned events. However ticket sales to pop- and rock concerts have increased significantly more than for example classic concerts, according to Lilliencrona.

Sales depend of course strongly on time of year, big sports events and record releases. Year 2003 Ticnet sold 100,000 – 200,000 tickets a month, nearly a 50 percent increase compared to 2002.

It is likely to believe that websites as Ticnet and Ticketmaster or concert promoters have overtaken much of radios marketing role as regards concerts.

During the period June to September 2003 TNS Gallup performed a demographic study on visitors at Ticnet probably giving a picture of the average online ticket buyer.

The biggest demographic group (age 25-39) represents 38 percent of the visitors. The second largest group (15-24) 24 percent. One fifth visits 1-5 concerts during a six-month period and 82 percent uses Internet 30 minutes or more each day.

Perhaps the most interesting finding is that nearly 44 percent buy 1-5 CDs during a six-month period and 15 percent as much as 1-3 CDs a month. In other words, Ticnets customers, e.g. concert visitors, claim to be frequent CD buyers.

5.2. CASE Study P2P searches

The security company Palisade Systems acted as a node on a US Gnutella network for almost three weeks in February 2003 in order to collect empirical data on searches for a content study. Palisades survey[7] concluded among all that most of the content on this particular network was either illegal copies of copyrighted music files or movies or pornographic material.

22,000,000 searches were gathered during these three weeks and some 250,000 searches on specifically music files were randomly chosen as raw-data and made available for this particular paper. Almost all searches for this paper origin from edu-networks in USA, most likely giving a good indication on the music interest among younger consumers.

Many studies on Internet usage have stressed the significant use among younger demographic groups. According to a study[8] done by Pew Internet Project

during the same period of time downloading music were done by 56% of full and part time students. Furthermore a majority of the age cohort 18-29 were downloading music according to the same study. It seems likely that some individuals are found in both groups.

The searches gathered from edu-networks are interesting as they represent future consumers developing habits on music consumption.

Some hundred searches from the 250,000 were randomly selected and manually matched to the extensive and detailed works database, Grammofonarkivet. When a search for song and artist matched several recordings in Grammofonarkivet the oldest recording was chosen.

Not very surprising the dominant genre among P2P-searches was the broad genre “pop, rock, blues”. More than 95% percent of the searches aimed for this type of music. The majority of the requested recordings in this limited survey were more than two years old.

Spot tests on “big” artists confirmed the hypothesis that a limited number of songs tend to be very popular on P2P networks.

Examples: 50 Cent (4,346 rows), Madonna (1,608), Christina Aguilera (1,333), Britney Spears (872), Avril Lavigne (828), Celine Dion (759).

A result that well coincides with observations at official top 10 and 20 list on P2P-downloading from monitoring services as Nolla and BigChampagne. It also coincides with numerous observations on Wal-Marts weekly top100 list on sold digital music files.

Nevertheless the study shows a broad interest for songs that are not only new “hits”. Even though new popular music dominates downloads in terms of numbers the diversity of requests is interesting.

Examples: Beatles (1,514), Mozart (297), Louis Armstrong (163), Tchaikovsky (58).

6. Conclusions

The repertoire on Swedish concert scenes is fairly dynamic. A significant number of works performed a certain year were not reported as played the year before.

However the touring dance orchestras, an important element of the Swedish music community, is probably one explanation to the high number of performed songs in the genre “entertainment music, light music, and dance combos”. Musical content played by particularly commercial radio has become static with the dominating genre “pop, rock, blues”. Compared to public service radio commercial radio present an extremely limited number of works (titles).

It is reasonable to assume that going to a concert or downloading a certain song via a P2P-service reflects a conscious active choice, i.e. what somebody really wants to hear. Therefore the limited variety of played works

(titles) in commercial radio might be somewhat surprising.

The analysis of P2P requests confirms the overall opinion in the business that a limited number of titles are active, and frequently downloaded, during a certain period of time. Mainstream music both new and fairly recent recordings dominates the downloads to at least 90 percent.

Nevertheless the variety of the requests to the studied P2P-service also shows an interest for more “narrow” and/or older music. This trend will probably be reinforced with newer versions of P2P-clients, supplying exhaustive searches on all segments of networks and over multiple P2P-networks. In other words a minor technical revolution making it possible to search for “the needle in the haystack” for basically anyone, anywhere and anytime.

Overnet is the first known example of a P2P-network where nodes know what other nodes to send a search to. This makes a search much more comprehensive than, for example, in a Gnutella network where the searches and publishes are sent more or less randomly.

Many legal downloading services have also implemented services or search engines in order to help users find music similar to what they already like. The common 30 second samples or similar features helps music lovers to discover new music and will grow in importance as an alternative to radio that have served as the number one shopping window for decades.

It's likely to believe that upcoming consumers won't have the affection to physical CDs as earlier customers. The increased sales of MP3 players are proofs of a new way of consuming music in big scale far away from physical, tangible, goods.

A challenge for the traditional record industry. But an opportunity for “smaller players” to compete with giants on the same conditions at legal services.

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