**WIKSTRÖM — Local Music**

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**Local Music Repertoire and the Digitization of the International Music Industry: An Empirical Analysis, 1994–2013**

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In some of the countries where there has been a rapid increase in the use of online music distribution technologies, analysts have reported declining sales of local music repertoire (e.g., Nordgård, 2013). The analysts are concerned about such tendencies since local music repertoire accounts for a sizable share of an average country’s total recorded music sales (e.g., IFPI, 2012). This paper searches for empirical evidence that may confirm these reports in a number of music markets in North America, Europe, and Australasia. The paper makes a contribution to the literature on the digital transformation of the music industry since it combines and analyses data sources that previously have not been used in this context and gives a new perspective on changing user consumption practices in the music industry. The paper also examines the variation of geographic diversity over time among international acts that become commercially successful in the countries covered by the study.

In order to measure local repertoire share (LRS) and international repertoire concentration (IRC), weekly singles chart data is collected for seven countries: Australia, Austria, Belgium, Norway, Sweden, the United Kingdom, and the United States. In total, data on more than 270,000 chart items, 50,000 tracks, and 30,000 acts have been mined, processed, and analysed. By combining the chart data with location data from the music technology company the EchoNest, it is possible to attach country information to more than 93% of the data points included in the study. The local repertoire share (LRS) for each country is calculated for each year by dividing the number of chart items by local acts with the total number of chart items during that year. The IRC for a certain country during a certain year is calculated as the Herfindahl-Hirschman index, where the size of the total ‘market’ is defined as the number of chart items by international acts. The index is then calculated based on each country’s share of that ‘market’.

Figure 1 shows how average local repertoire share varies over time. It shows that LRS remained relatively stable from the beginning of the period until the turn of the millennium. It then increased from approximately 30% and peaked at about 40% in 2006. From 2007 onwards, LRS has decreased and has been relatively stable at 33% since 2011.

Figure 1. Local repertoire share is flat until the turn of the millennium, increases during ’00–’06, and  
then decreases during ’07–’13.

The second variable (IRC) is presented in Figure 2, which shows that the geographic concentration within international repertoire (IRC) remained relatively stable until the turn of the millennium. It then increased until 2009, and finally decreased towards the end of the period.

Figure 2. International repertoire concentration is relatively flat until the turn of the millennium, increases during the ’00–’09 period, and finally rapidly declines.

There are similarities between how LRS and IRC vary over time. The paper notes that after an initially relatively stable period that ended at the turn of the millennium, music consumers listened more to music performed by local acts, and the international music that nevertheless was able to reach the charts came from a shrinking number of countries. A previous study (Wikström, 2013) has examined this period (1999–2006) based on another type of data, and showed that the increasing local repertoire share was a consequence of record companies’ changing marketing strategies. In 1999, the recorded music industry entered a period of rapidly declining sales (primarily caused by online piracy), which put severe pressure on record companies’ financials and required a number of music companies to reduce their marketing budgets and to increase their risk aversion (Wikström, 2009). An efficient way for a record company to reduce marketing budgets is to focus on a limited number of countries and to reduce the number of artists that are given the support required to promote their music beyond their local markets. As a consequence of this change, local artists’ relative commercial success increased and the number of countries with the capability to export acts internationally decreased (as illustrated by Figures 1 and 2).

From 2006 onwards, music listening patterns changed once again. Music listeners returned to music performed by international acts (Figure 1) and somewhat later they also increasingly listened to international acts from a growing range of countries (Figure 2). While the dynamics during the first phase can be explained by music companies’ changing marketing strategies, one has to look elsewhere in order to explain the dynamics during this period.

By 2006, the Internet and online piracy certainly had affected the music industry during a number of years. Revenues from recorded music sales had shrunk by more than 30%, but while this in many ways had severe consequences for a number of industry players, the fundamental structures for promotion and distribution of recorded music largely remained untouched:

First, music promotion in 2006 still was confined to traditional channels, primarily broadcast radio and television, meaning that music promotion was still structured by national boundaries (see, e.g., Wikström, 2009). Almost a decade later, in 2014, Facebook and particularly YouTube have signi­ficantly weakened these structures and have emerged as the most important tastemakers in the music industry—especially among younger music listeners (see, e.g., Chmielewski, 2013). This is a fundamental transformation of how music is promoted by producers and discovered by fans. National boundaries certainly still matter, but to a much lesser extent than in the past, and the cost of promoting an act to an international market has diminished.

Second, even though there were a number of legal online music retailers available for music consumers in 2006 (e.g., Apple’s iTunes), the recorded music market was still dominated by physical distribution (IFPI, 2007), which means that there were still significant barriers that made it difficult for a music listener to discover new music without significant costs. In 2014, music services such as SoundCloud, YouTube, Spotify, Deezer, etc., make music instantly available and allow music listeners to make treks into musical territories that are far away from their own musical backyard. More than half of the global recorded music market is online, and in some of the countries in this study (such as Norway and Sweden), the digital market share is closer to 80% (Figure 3).

Figure 3. Digital market share in the seven countries.

The paper combines the reasoning above with theories of cultural globalization (e.g., Kraidy, 2005; Mirrlees, 2013) and theories of cultural distribution via a low-friction network-based medium such as the Internet (e.g., Elberse, 2008; Salganik and Watts, 2009). The paper is able to provide empirical evidence that is able to confirm the observations about declining local music repertoire sales as promotion and distribution of music move online. The paper also shows that, at the same time this happens, international repertoire concentration declines as well. In other words, the music industry has become increasingly international in its character: Local audiences may listen less to local acts, but overseas opportunities open up for acts from countries that previously were unable to launch their music internationally.

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