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The *MEIEA Journal* provides a scholarly analysis of technological, legal, historical, educational, and business trends within the music industry and is designed as a resource for anyone currently involved or interested in the music industry. Topics include issues that affect music industry education and the music industry such as curriculum design, pedagogy, technological innovation, intellectual property matters, industry-related legislation, arts administration, industry analysis, and historical perspectives. The *MEIEA Journal* is distributed to members of MEIEA, universities, libraries, and individuals concerned with the music industry and music business education.

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In order to seek professional practical knowledge and functional strategies in education, MEIEA will endeavor to:

- Provide resources for the exchange of information and knowledge about all aspects of the music and entertainment industries;
- Foster scholarly research on the music and entertainment industries as well as on music and entertainment industries education;
- Assist institutions with the development of music and entertainment industries programs and curricula;
- Facilitate interaction between the music and entertainment industries and music and entertainment industries' educators and affiliated educational institutions;
- Promote student interests in the music and entertainment industries through guidance and support of the Music & Entertainment Industry Student Association (MEISA).

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Community-Based Education and Training: Creating Pathways into the Music Industry for Youth

Peter Chellew
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1. Contextual Background

The FReeZA[1] program is an initiative of The Office for Youth, Department of Victorian Communities (Victoria, Australia). The program is designed to engage youth in their own communities by providing funds for the development and delivery of local live music events (bands, dance parties, and cultural events) for people aged 12-25, in a drug-free and alcohol-free environment. These events provide an opportunity for young artists to perform to an audience of peers, in an event that is planned and delivered by a committee of young people from the local community. Funding is provided to a sponsor (provider) that coordinates the local committee and provides mentoring services. In 2003, there were 69 FReeZA Committees in metropolitan and regional Victoria, delivering over 450 events to audiences totalling more than 160,000 people (FReeZA, 2004).

In 2004, the Office for Youth announced a new initiative, FReeZACentral, that would build on and complement the existing FReeZA program. FReeZACentral provides a more structured approach to youth training and aims to support and encourage young people, including FReeZA central committee members, to manage and deliver music events that may create pathways to employment and training in the music industry. The new program has three interconnected component stages:

- skills development, delivered through a program of intensive workshops;
- exposure to the music industry, delivered through a mentor program and master classes; and

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- participation in event organization and management, delivered through a series of music and cultural events conducted as a tour across the state (Office for Youth, 2004).

The program will operate in eleven regional and metropolitan communities and aims to assist these communities in embracing diversity by supporting and promoting the positive development in youth via practical, high level experience in the music industry. By expanding opportunities for youth participation, FReeZACentral will improve experiences of, and pathways between, education and employment. The final stage of the program, the statewide music tour, will be a celebration of both the personal and community benefits ensuing from the entrepreneurship and creativity of youth.

This paper is organized as follows. Section Two provides an overview of the consortium members that will develop and deliver the program. Section Three outlines the three key components of the program—workshops, mentoring, and intra-state music tour. Section Four outlines the project management structure (including a youth-focused steering committee), quality assurance, and continuous improvement through action research, and a scoping study of training needs that will help shape the program. The action research project will proceed over the next two years and form the basis of an academic study and report to the Office for Youth examining the community capacity building achievements of the FReeZACentral program.

2. The Consortium

The project funding and management was put out to competitive tender, and will be delivered by a consortium inclusive of the business, education, and community sectors. This consortium brings together Australia's foremost independent commercial music industry entity, the Mushroom Group of Companies through its marketing and development arm Mushroom Marketing; not-for-profit agency The Push, Inc., a leader in providing youth-focused and managed music events; Victoria University (VU), a dual sector institution and leader in educational pathways which provides music industry education and pathways from certificate to degree level; and the Victorian Council of YMCAs, providing a presence for FReeZACentral in urban and regional communities through their network of YMCA facilities in 120 communities across the state. This consortium is built on a common interest in supporting young people to explore path-

ways to education and employment in Victoria's thriving music and related industries.

The Push receives existing funding from the Office for Youth, to help administer the FReeZA program via a fee for service event management service to the 69 FReeZA committees. The Push maintains a twelve-member Youth Advisory Committee to ensure that events are youth driven and enables the organization to more effectively target its programs and provide more meaningful outcomes for young Victorians. The Push holds a series of "Push Summits" providing an opportunity for young people involved in FReeZA Committees to gather from across the state to review the program and plan new initiatives. The Push also coordinates *Push Start*, a band competition that is managed by FReeZA Committees. This competition consists of 46 heats and 9 regional finals. The final round of competition is held as part of an event known as *Push On*, a major outdoor all-ages festival held annually in Melbourne.

Mushroom Marketing has over twenty years experience in all aspects of the Australian Music Industry. It is the marketing arm of The Mushroom Group of Companies, supporting all the key business units within the group. Mushroom Marketing has a major responsibility in concert planning, development, and promotion, assisting in the delivery of hundreds of tours around Australia, including alcohol-free, all-ages events.

The Mushroom Group is well placed to provide a comprehensive network of industry mentors across the breadth of music industry sectors, including record company operations, music publishing, touring, booking agency, merchandising, and artist management. The Mushroom Group has been a strong supporter of work-integrated learning and has provided such opportunities to hundreds of young Victorians. Mushroom has been a strong supporter of the VU music business degree, providing industry adjuncts delivering lectures, and mentoring undergraduate students. The VU music business internship program provides students with vocational training and mentorship by experienced professionals. The effectiveness of a mentoring and work-integrated-learning program in providing vocational pathways, is evidenced by the many VU undergraduate students who have undertaken internships at Mushroom, many of whom have subsequently gained full-time employment within the publishing, booking, and touring units of the group.

Victoria University (VU) is recognized as one of Australia's most innovative universities and is a leader in music industry education, training,

and research. VU is a dual-sector university offering both Higher Education and TAFE (Technical and Further Education) courses to more than 50,000 students. The Faculty of Business and Law is home to Australia's first music business degree (Bachelor of Business—Music Industry) and the Masters degree in International Music and Entertainment Business. The Faculty also offers undergraduate and postgraduate degrees in Event Management. At the TAFE level, VU offers certificate and diploma level courses across the three key streams of music education: performance, technology, and business. VU is a leader in developing course pathways, providing students the opportunity to progress from certificate to degree programs. Music industry staff have delivered numerous training programs, seminars, and conferences tailored to specific needs.

Teaming with Victoria University's eleven campuses, the consortium is strategically placed both in Melbourne's central business district and throughout Melbourne's western region, including outer suburban campuses at Melton, Sunbury, and Werribee. Many of VU's over 3,000 staff members are highly qualified in the disciplines of music business, technology, and performance, as well as event management, financial management, small business training, research, and program evaluation. VU's innovative music business programs combine both academic and vocational training utilizing a mixture of academic teaching staff and industry practitioners. The latter provide valuable insights into the day-to-day operations of a range of music enterprises and are important role models for students.

3. FReeZACentral Program Structure

Each stage of the program is designed to provide a cumulative learning experience for young participants that will equip them with the confidence, knowledge, and skills to deliver a large-scale music event, and ultimately a springboard to educational and vocational pathways. The program culminates in a tour around the state at five regional and metropolitan locations. The event itself provides a work-integrated learning experience under the tutelage of industry mentors.

Training Workshops

The first stage of the program is a series of music industry workshops delivered in each of the eleven designated regions. To ensure the interests of youth participants are paramount, a comprehensive scoping study is currently being undertaken by VU staff to identify young people's training

needs and interests in each region. The results of the survey will inform the construction and design of specific workshop modules across five core training areas: performance, financial management and budgeting, event planning and marketing, safety management, and technical production. VU training modules will be selected from either TAFE or Higher Education programs and will comply with National Training Quality Framework or University assessment standards respectively. FReeZACentral training workshops will offer innovative training materials and projects designed to engage young people in short workshop programs. The approach will be one of engaged learning. Music business teachers and instructors at VU have developed a range of innovative pedagogical strategies and didactic materials that are designed to both challenge and stimulate. The workshops will incorporate a range of pedagogical approaches providing a unique mix of scholastic and vocational training, the latter utilizing an extensive network of industry professionals and guest lecturers. Learning modules will be interactive and feature Australian case studies and group projects linked to the FReeZACentral tours. VU will offer existing and new online self-paced learning modules to program participants, providing a pathway to certified training modules and programs.

Importantly, participants will have the opportunity to become enrolled students of VU, undertaking an approved TAFE subject selected from within the numerous certificate level music business, performance, and technology programs. Participants will receive a VU student card with all the usual concessions and benefits available to Victorian students and can use facilities like libraries and computers on any VU campus. A consequential benefit, that will optimize educational pathways, is the opportunity to apply internally for VU courses and modules, rather than applying as externals via the Victorian Tertiary Admissions Centre (VTAC). At the completion of the workshops, participants will receive a *Certificate of Participation* identifying the specific modules that comply with certified units of competencies within existing TAFE certificate programs. This can be used to obtain partial credit if participants chose to proceed to formal training programs.

Participants will also have the opportunity to obtain an additional VU accredited training module (after completion of the accredited workshop stage) via involvement in the master classes and tour components of the program. This will be undertaken as project-based work incorporating the mentoring activities and project teams formed to deliver the statewide music tour. Many participants may have disconnected from the mainstream

educational system, and this innovation promotes recognition of young people's achievements in their communities, and will no doubt contribute to all participant's sense of self-worth.

Mentoring and Master Classes

Of the 500 participants in the workshops stage of the program, 50 will be selected for the Master Class/Mentorship stage, with representatives from each geographical region. In addition to individual performance in the workshops stage, participants selected for this next stage will have demonstrated their interest in developing their careers in the music industry through involvement in FReeZA committees, other training projects, work experience, or through their own music practice.

A range of music industry mentors will be selected from, and nominated by, consortium members. In addition to having substantive qualifications and expertise, mentors will be sufficiently qualified to support young people to plan and deliver each leg of the FReeZACentral tour and to assist young people to develop skills in their areas of interest. A component of the quality assurance program will be a mentor induction program, conducted by VU. This will ensure that mentors are clear about their individual responsibilities in dealing with young people and that they act as positive role models in a non-judgemental supportive manner.

As well as our industry mentors' involvement, a major innovation will be the inclusion in this component of a peer-based mentor program, matching VU undergraduate and graduate music industry students with FReeZACentral participants. By working with mentors from their own age-cohort, the peer-based mentoring program will provide participants with contemporary role models and seek to engender an increased confidence and motivation. It is hoped that this will inspire participants to undertake more formal TAFE and/or university education. VU will develop FReeZACentral specific projects and programs for music industry interns to satisfy the final requirement of the music industry degree program. The internship program is a period of supervised work with an industry mentor in the latter's workplace. This will provide the consortium with access to a pool of talented and highly motivated graduates working on a wide range of FreeZACentral activities.

FReeZACentral Tour

The FReeZACentral Tour will deliver a live music event in five regions across Victoria, in a combination of ticketed and free events. The consortium has developed links with established community festival and all-ages concert promoters, and will endeavor to integrate specific legs of the FReeZACentral tour with established music and cultural events across the state. Importantly, a number of stand-alone all-age music events will be delivered in communities that do not normally have access to all-day music festivals. The tour schedule will be determined after consultation with the local FReeZA committee and other community members to ascertain the viability, need, and local interest in hosting a FReeZACentral tour. Mushroom Marketing will play a leading role in providing tour support services, drawing on the expertise and resources of the Mushroom Group.

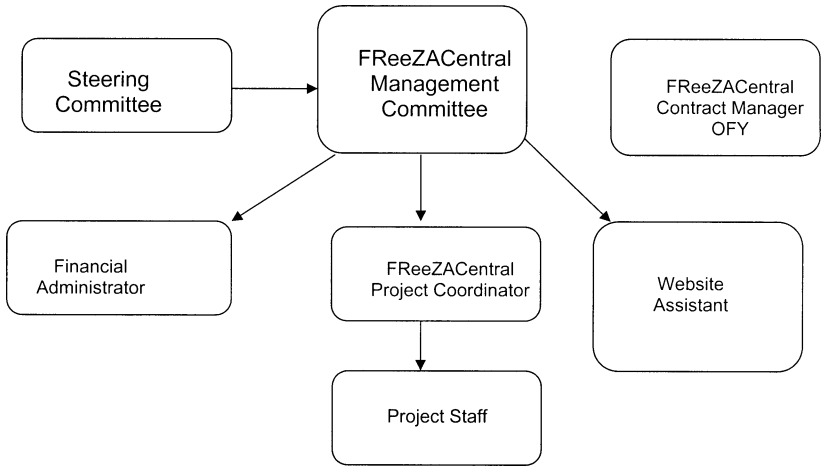
Music Industry personnel working on each leg of the tour will have the responsibility of mentoring FReeZACentral participants working in project teams on specific tour-related tasks. This will ensure that practical, experiential learning activities are built into the planning and operation of each music showcase. Project teams will be formed around participants' interests and the five key learning areas outlined in section two. Each team will work on one element of organizing and delivering a music event, under the tutelage of industry mentors. This project based, work-integrated learning will form the basis of accredited VU training modules should participants chose to take advantage of this additional opportunity.

At each leg of the tour, at least ten young participants will be drawn from the local community hosting the event. These participants will be recruited from the FReeZACentral program itself, local schools, and from local FReeZA committees. Master Classes conducted by industry professionals will also be held before each tour event, open to both FReeZACentral participants and young people from the host community.

The utilization of experienced music industry mentors is a vital component of the FReeZACentral program. Its potential in identifying the next generation of music industry professionals is also important. In addition to nurturing new talent, the program provides the opportunity for a wide range of participating industry practitioners to identify young talent suitable for ongoing employment, delivering a vital outcome of the program: vocational pathways. Moreover, it is envisaged that numerous participants will gain the confidence and encouragement to pursue more formal educational within VU or other providers of music industry training.

4. Project Management

The following schematic illustrates the project management structure.



The FReeZACentral Management Committee will plan, manage, and oversee the activities of the project. The early work of the committee involved clearly identifying decision making structures, dispute resolution procedures, and general governance issues. The Management Committee meets monthly, having overall responsibility for the project, and to ensure that outcomes are achieved and that reporting and other deadlines are met. Under the terms of the contract, this committee must report periodically to the designated FReeZACentral Contract Manager within the Office for Youth (OFY).

The FReeZACentral Steering Committee is a reference group that will comprise representatives of the consortium, The Push, Mushroom Marketing, the YMCA, Victoria University and other stakeholder organizations, music industry professionals, and young music industry practitioners and aspirants. The steering committee will comprise at least 50% young people and will ensure that FReeZACentral is relevant and accountable to the needs of young people and the music industry. Throughout the duration of the project, the Steering Committee will provide feedback and direction on issues like program design, training models, and the planning of the tour component.

Given the geographical dispersion of young program participants, the FReeZACentral interactive web site (www.freezacentral.vic.gov.au) will be a crucial vehicle for two-way communication, irrespective of location. The web site will be continually updated and will inform participants of all program activities and forthcoming events. The Internet already plays a vital role in how young people access music and related information. The website will empower and engage young FReeZACentral participants and allow for ongoing feedback and reaction to the program. The web site will be promoted as a resource for young people wishing to establish music industry careers.

During the establishment phase, VU is undertaking a comprehensive scoping study, consulting with music businesses as well as a large group of young people in each FReeZACentral region. The scoping study will inform decisions about:

- which accredited training modules will be offered by VU to accommodate each training stream of the project
- which communities will host FReeZACentral activities such as the training workshops and tour events
- how the needs and interests of young people will shape the project
- which dates are most appropriate to run FReeZACentral activities
- how best to achieve the outcomes of the project
- what kind of settings are most appropriate to engage young project participants
- how best to engage young people to develop pathways into the vocational roles for which the music industry has identified as those with the most immediate need to be filled.

Combined, the FReeZACentral Steering Committee and Victoria University Scoping Study will ensure that the program is ultimately responsive to government, industry, community, and individual need, continually refining and improving the project model. These mechanisms will provide for continual quality improvement throughout the life of the program.

5. Quality Assurance through Action Research

VU will coordinate end user feedback using a three-stage participatory action research methodology. Surveys will be conducted at the completion of each project milestone (workshops, mentoring, tours) to measure participant expectations and satisfaction with the program. Responses will be evaluated and reports provided to the steering committee and project management committee, including recommendations for modification to subsequent stages of the program. A general overview of the continual improvement activity is summarized in the following three stages.

Stage One in this approach to program evaluation is 'formative evaluation'. The goals of this stage are to provide guidance for ongoing development of the program and to be responsive to the needs of those directly affected, as well as addressing the aims and elements of the program in a systematic way. The role of the VU evaluators is to support and facilitate formal and informal processes of engagement and consultation; work with the consortium partners, local organizers, authorities, and committees to set up robust and rigorous action research systems (systematic data gathering, opportunities to share, strategic questioning); participate and contribute information; document the action research process; and, record information as appropriate for the summative and comparative evaluation phase of the evaluation process. The kinds of questions being addressed through the formative evaluation stage will be of the order: How are we doing (and whose perspectives are being heard here)? What are the problems and what needs to be done to address them? What is the next stage? What is on the horizon? How do we manage the risks and threats and respond to the expectations and experiences of participants?

Stage Two, or the summative phase (Scriven, 1991), of the research will describe outcomes, process, and context of the FreeZACentral program. It will evaluate the outcomes achieved, and the policies and strategies used, in the context of the wider contextual circumstances framing the project. Process questions for this stage include: why things went well or didn't go well (e.g., conflicts over interests, necessary preconditions, e.g. training, employment openings, etc.); how can good outcomes be achieved? (What are the key processes, resources, and strategies?) A wide range of data collection methods will be deployed including document analysis, interviews, focus groups, questionnaires, and media monitoring. Data will be collected with a view to throwing light upon outcomes, processes, and con-

text. The analysis will be directed to illuminating the issues listed above in relation to the different audiences and purposes of the research.

Stage Three, or the comparative case study (Scriven, 1991), will build a comparison of processes and outcomes in relation to the intensive workshops, the master classes, and the FreeZACentral Tour. Developing these comparative case studies will involve documentation of the experiences of the participants through document analysis, interviews with key informants and focus groups, and the circulation of draft reports for feedback and discussion.

At the completion of the project VU will produce an academic study and report to the Office for Youth examining the community capacity building achievements of the FReeZACentral program.

Performance Measures and Benchmarking

The main goals of FReeZACentral are to provide young people with:

- work-integrated, project-based education in one aspect of the music industry;
- an opportunity to gain valuable work experience in the music industry; and
- pathways for those interested in a career in the music industry or further education.

To measure these outcomes a number of key performance measures have been identified by the OFY. These include:

- young people feel that they know more about a particular part of the music industry and have developed relevant skills;
- young people have had "real" experiences with experts in the music industry;
- young people feel that they know how to take the next steps if they wish to pursue a career in the music industry; and
- young people have the networks/resources available to them to take the next steps to develop a career in the music industry.

These outcomes will be measured by periodic surveys of all participants, including youth, trainers, and mentors.

6. Conclusion

The FReeZACentral initiative by the Victorian Government should be applauded as an innovative youth initiative that is consistent with its overall vision for engaging youth as outlined in *Respect: The Government's Vision for Young People* (OFY, 2002). This goal is to encourage youth to "live personally satisfying lives and enjoy being part of an inclusive community." The Victorian Government aims to provide supportive and inclusive communities in which young people are:

- valued and respected;
- supported through social, educational, cultural, and employment opportunities;
- able to live healthy, satisfying lives; and
- able to realize their full potential. (OFY, 2002)

The four key themes of this vision for young people are: involvement; learning and working; support; and celebration. These elements are present and form the foundation of the FReeZACentral program.

Endnote

[1] The state government conducted a competition, inviting youth to submit names for a community-based youth music initiative. The name *FReeZA* was selected from numerous entries, evoking an image of a "cool" place, somewhere to "chill out."

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Peter Chellew is General Manager of The Push (www.thepush.asn.au), a not-for-profit youth music organization providing services to government, the music industry and young people throughout the Australian state of Victoria. The Push runs a number of music events and programs, training activities, publications, and an advisory service for young performers and organizers. The Push is co-manager of the FReeZACentral program. Chellew has a background in management of community cultural and media organizations working with music and young people, including the Melbourne Fringe Festival, FBi Radio, and PBS FM. He maintains well-developed networks and up-to-date knowledge of the music industry, youth, and community sectors.

Dr. Theo Papadopoulos is Program Director, Bachelor of Business–Music Industry at Victoria University, Australia. He is an experienced educator and author of numerous training materials, textbooks, and research articles. Papadopoulos has recently published a book on trade related aspects of the music recording industry and is a member of the MEIEA executive board serving as Australasian Liaison. He is a member of the FReeZACentral Management Committee.

Market Research in the Internet Age: How Record Companies Will Profit From Illegal File-Sharing

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History has repeated itself. In the 1920s publishers fought radio because they believed it was giving music away for free. As time went on the music industry settled down as radio carved a niche for itself. Today, not only has radio become extremely important with regards to marketing, it has also become a key research tool for the industry. The Internet walks in the footsteps of radio—first feared, but now slowly embraced. Although the Internet has created problems for the music industry, it is now clear that there are benefits from this new medium.

As of October 29, 2004 record companies have filed over 6,000 lawsuits against individuals whom they allege downloaded music illegally.[1] While over 6,000 lawsuits may seem like a drop in the bucket compared to the total number of users, the lawsuits have received a great deal of publicity.

Record companies have released bogus music files on the Internet and have been working with technologies such as watermarking. Bogus music files, empty files that appear to contain music, are released on the Internet for the purpose of frustrating people who are downloading music illegally. The act of distributing bogus music files on the Internet is called "spoofing." Another developing technology is the watermark. A watermark is an embedded code placed in a music file by a copyright owner to track and manage the use of music over the Internet. Watermarks allow copyright owners to trace and identify the source of unauthorized copies. Record labels have been relying on the RIAA for direction and support. The voluntary anti-piracy warning sticker, PR campaigns against piracy, and appointing anti-piracy executives are examples of the types of activities the industry has been practicing in order to thwart internet piracy. Music publishers have begun licensing their copyrights to online music services to try and provide a convenient way for consumers to download music legally. While all these activities have captured our attention and kept the industry busy,

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companies like Jun Group, WebSpins, and BigChampagne have stepped in and presented a way to profit from the illegal use of music on the Internet.

Jun Group is a company that has a unique use for illegal file swapping. Record labels authorize Jun Group to use the illegal downloading websites for promotional purposes.[2] They distribute music directly to the highest levels of the file-sharing universe—the more-technical users who trade files on Internet Relay Chat and Usenet. This group is known to be the Internet arbiters of cool. They are the first group to receive content and distribute it throughout the rest of the Internet community. Jun Group's use of peer-to-peer file swapping is ironic, as is that of BigChampagne and WebSpins. While record companies are doggedly fighting to prevent online piracy, these companies are monitoring file-sharing and selling that information to the record companies for a hefty price. WebSpins and BigChampagne monitor what Internet users are sharing on peer-to-peer file-swapping services. To add fuel to the fire, these companies are able to pinpoint where and when Internet users are sharing. This is an important part of the equation. Using this type of information, the music industry will be better informed about their consumers' habits in specific locations. KaZaA, Morpheus, and Grokster are all examples of file-swapping services monitored by both companies. All of the legal online music services combined are selling about two million songs per week; illegal downloading is estimated at 500 million songs per week.[3] Tracking the activity of peer-to-peer file-swapping services may change the way certain facets of the Industry operate.

"The industry's argument in court battles against file-sharing hinges in large part on the argument that file-sharing networks serve no purpose other than to foster copyright infringement."[4] Now, the music industry has found another purpose for file sharing networks. They are using it for market research and promotional purposes.

Given this information, the record industry is not very open about its relationship with BigChampagne. While record executives are meeting with BigChampagne's executives on the street, they refuse to meet at their labels' or BigChampagne's offices.[5] Nevertheless, there are numerous potential benefits to many areas of the music industry who choose to use information collected by WebSpins and BigChampagne and the marketing techniques of Jun Group. As the Industry moves ahead, it is going to become increasingly difficult to ignore these pioneering companies.

In the past, research techniques have consisted of focus groups, phone surveys, and music tests. These new Internet research techniques cover a much wider audience and are not influenced by a moderator. BigChampagne and WebSpins do not claim that their techniques are infallible, but at the very least they provide a big edge when anticipating trends. Imagine if these companies could fine-tune the act of capturing and quantifying this information. There could be significant changes in the way the music industry does business.

The main goal of BigChampagne and WebSpins is to monitor peer-to-peer file-swapping services. The big questions are what to do with that information and how much is it worth. According to a *Wired Magazine* article published in October 2003, BigChampagne sells subscriptions to its database. A company might pay $7,500 to track one album or might sign up for an annual deal of up to $40,000 to have access to the entire BigChampagne database. Adding credibility to this new research process, two major deals have come to the forefront. First, Uncommon Media, the parent company of WebSpins, has struck a deal with Nielsen Entertainment.[6] The data collected from WebSpins will be included in packages offered to Nielsen's clients. This represents a prestigious "stamp of approval." Nielsen Entertainment's research tools also include SoundScan (a point-of-sale accounting system) and BDS (an electronic broadcast-monitoring system). Both are respected staples in the entertainment community.

Second, media giant Clear Channel and BigChampagne have also decided to work together.[7] Given the fact that Clear Channel operates about 1,200 radio stations across the country along with 5,000 stations in their Premiere Radio Network, this agreement is a clear show of confidence in the strength of the technology. In addition to radio, Clear Channel is involved with other aspects of the entertainment industry including television, outdoor advertising, and live events. Clear Channel has recently begun to produce CDs with their new venture, Instant Live. At the end of an evening, concert patrons are able to purchase a CD of the show they have just attended. For those who miss the show, the CDs will be available at retail or on the company's website. Since Clear Channel is involved in other aspects of the entertainment industry besides radio, the demographic and marketing information provided by BigChampagne could prove helpful in the areas of Clear Channel's business that involve similar demographics.

Radio

Radio, retail, touring, licensing, marketing, and advertising are all areas of the music industry that will benefit from the use of this information. Radio is the first place where this information has been tested. The record industry currently buys information from BigChampagne and uses the data to influence radio station play lists.[8] If a label knows that one of its artists is popular, but is having difficulty breaking the single on radio, the information supplied by BigChampagne can be very helpful. A record label can show a radio station hard evidence that an artist's single is very popular on the Internet with file-swappers in a particular city. Radio stations work hard to maximize listeners. Theoretically, they want to play music that is popular in their locations. This application of technology may be an important departure from the methods stations currently use to construct their play lists. Often, play lists are created by the pressure and manipulation of independent radio promotion companies and label radio promotion people who have relationships with station program directors. Traditional research techniques, mentioned earlier, can continue to be used in creating play lists, but music tests or focus groups work with a very limited, and perhaps non-representative, sample of the target population. Rather than all the behind-the-scene deals between promoters and radio stations, broadcasters could simply consult BigChampagne and SoundScan reports. Programming play lists based on data that accurately represents what is most popular in a given city will produce results far more reliable than play lists composed using current methods. By playing what the public wants to hear, instead of what executives think the audience should hear, a station might attract more listeners. Research from SoundScan and the Internet monitoring services cover a huge audience. A company like Clear Channel, using information from BigChampagne, will have a big edge in play list development. The relationship with BigChampagne gives Clear Channel a direct line to accurate, up-to-date information.

One must remember that radio continues to be a very important marketing tool for the record industry. Currently, record labels pay hundreds of thousands of dollars to get a single played on radio.[9] Legally, labels may not pay a radio station directly in order for their music to be added to the play list. Instead, they pay an independent radio promotion person to act as a middleman in the transaction. Some might consider this an unfair business practice. Radio stations may well need to pay more attention to research and less attention to outside influences. The question remains whether

those involved with these business deals are willing to change standard industry practices.

Retail

Retail is the second area of the record industry that could derive benefits from utilizing peer-to-peer file-swapping information. Since the monitoring companies can determine the location of the downloader, retail stores and record labels can be sure to stock music that is being swapped. Perhaps for the first time a retailer could focus inventory and promotional efforts on what is actually popular—across all genres—in a given area. Even though the common perception about downloading is that there is no longer a need for retail stores, music consumers often use streaming on the Internet as a tool to listen to music prior to buying the album at a traditional retail outlet. Record labels are now differentiating online music buying options from traditional retail buying. Labels are posting songs on the Internet that are not ordinarily available on CD. Labels may offer, for example, outtakes on legal download websites. Outtakes would not usually be offered on CD, but using online opportunities, this option is possible. It would be an innovative use of the Internet to draw consumers back into brick and mortar stores by offering special recordings, not only on the Internet, but also on albums available in retail outlets. A retailer working with a label could create a listening post with an artist's top Internet swapped songs. The retailer might also create a listening post with the city's top-swapped songs. There could be a section in the retail store of local Internet favorites where a collection of top-swapped artist CDs would be for sale. Combining the results of SoundScan and BigChampagne, retail could very well strengthen its position.

Touring

Touring is the third area that could benefit from the file-swapping services. In addition to SoundScan, which tracks sales, understanding an artist's popularity through file-swapping could help a tour promoter better prepare for a concert. Since Clear Channel books national tours, using the information from BigChampagne could help focus business on selected cities. If Clear Channel notices that there is significant downloading activity of a particular artist in a particular city, the tour could be routed through that city. Without the knowledge that BigChampagne could provide, an artist might miss important tour stops that could help bolster his or her

career. Even more intriguing, artists could tailor each show based on their most popular swapped songs on the Internet for each city they visit. The artist's management, keeping in touch with BigChampagne, would download file-swapping data on cities where the tour stops. Management would provide the artist with information on the most popular songs downloaded in each city. Using this information the artist would build a customized set list designed to be most appealing to each specific audience at each tour stop. Working with retail, a label could promote live albums based on the most popular swapped songs in a particular location. Pearl Jam has done something like this in the past when they released a number of CDs of their live shows around the world. Instead of using set lists created solely by the band, they could now use online research to create the most popular set list for each location and create CDs based on these popular set lists. Fans around the world could hear live recordings of songs that are popular outside of their home region.

Licensing

Licensing departments could also take advantage of reviewing reports from online music monitoring services. Although a label pushes a single, there might be another song on the album that file-swappers find more interesting. In an effort to boost the popularity and income of the artist, the label could push these "B-side tracks" to the film and television industry for licensing purposes. If a single hits it big it is usually very expensive to license. Since many film and television projects limit their music budget, it is important to have other musical options. By finding popular online tracks, it gives the film and television production companies a popular alternative that might not be as obvious or expensive. If the film and television industry had access to online file-swapping information, they might find tracks that the label missed as being popular. They could license these tracks from the label at a lower cost than a conventional hit song and still have a well-known song for their project. (A less popular song is usually easier and less costly to license than a hit single.) Another licensing aspect could be the creation of compilations based on the top-swapped songs. An entire series of CDs could be licensed based on file-swapping information.

Marketing and Advertising

Finally, record industry marketing and advertising executives should show great interest in the information supplied by companies like WebSpins

and BigChampagne. With the information gathered from Internet monitoring services, BDS, and SoundScan, a record label will have a much clearer picture of an artist's position in a particular location. By consulting data from the Internet monitoring services, record labels will be able to focus their marketing and advertising campaigns to bolster weaknesses and exploit strengths. For example, advertisers could determine the best songs to use for promoting a tour based on information from the online monitoring services. The most popular songs could be used to create television and radio commercials.

Overall, the information gathered from file-sharing monitoring services will enhance a record label's ability to market and sell records by improving its ability to match music to consumers' tastes. This will provide the music industry with new opportunities for increased business. Each record company department mentioned has a use for information collected by BigChampagne and Webspins. Retail, promotion, touring, and marketing could all use the online information to better target and serve consumers. For too long the record industry has viewed the Internet as a threat. BigChampagne and Webspins have raised the possibility that the industry might actually prosper from the intelligent use of data gathered from those downloading music illegally. As with radio, the Internet will also find its place within the music industry.

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Professor Lawrence received her B.S. in Music with a concentration in Music Industry from Northeastern University, and her M.A. in Music Entertainment Professions from New York University. Her main areas of research focus on business trends in the music industry and women working in the music industry. Professor Lawrence is the faculty advisor for the Northeastern University chapter of the Music and Entertainment Industry Students Association, the Northeastern a cappella group The Downbeats, and President of the Entertainment Alumni Club at Northeastern University.

The Opinions of Music Management Graduates on Music Management Curriculum

Stephen Marcone
The William Paterson University of New Jersey

This paper has two purposes. One is to replicate, for comparison with The William Paterson University of New Jersey, a study completed by Claudia McCain at Western Illinois University. Dr. McCain presented her study at the 2001 MEIEA (Music and Entertainment Industry Educators Association) conference. The study was later published in the 2002 *MEIEA Journal*. The curricula are very similar at these two universities, and since both institutions are not the flagship campuses of their respective states, the student bodies are also similar.

The second purpose is to present the results of a survey administered to music management graduates. These graduates were asked to rate the importance of typical course offerings in a music management/business curriculum and to state their opinions as to which courses should be required in preparing students for careers in the music industry. Courses evaluated (according to the work completed in 1999-2000 by Dr. McCain) are typically found in a music business program housed in a music department with a goal of preparing students for careers in the business side of the music industry. *[Editor's note: a complete copy of the survey may be found on pages 54-57.]*

Procedures

Graduates were asked to evaluate the "music business core," the "business core," the "music core," and the "General Education core," required of the music business major. Graduates were asked to use a five-point Likert-type scale (1 = not important, 5 = very important) to rate the degree of importance of offering each course. They were instructed to answer each as it relates to the industry in general rather than to their specific careers. Graduates were then asked to identify which of the music business courses and business courses they felt should be required of the music business major. Graduates were also asked to comment on all the areas, and to identify if they were currently employed in the music industry.

https://doi.org/10.25101/4.3

Fifty-two William Paterson University music management graduates were surveyed anonymously to identify their opinions as to the importance of each course in the curriculum that they completed. The William Paterson University Alumni Office provided the mailing addresses. Because the music management degree at William Paterson University is a Bachelor of Music (B.M.), a minor has been established to accommodate students who do not perform on an instrument or sing. Non-performers select this minor track. The minor includes the majority of required courses excluding applied lessons. For this reason, Bachelor of Arts (B.A.) music graduates who minored in music management were also sent the survey.

After a second solicitation for responses, a total of 23 surveys were returned: 17 by graduates who are currently in the industry and 3 by those who are not currently employed in the industry (a 38% response). (3 of the returned survey were returned by the post office due to incorrect addresses.)

Results

The author originally intended to present the survey responses by groups (those employed in the industry, and those not employed in the industry) as well as the aggregate. However, because only three of the respondents were not currently employed in the industry it was determined that the group was too small to draw reliable conclusions from the data. Consequently, only the aggregate data was used.

The Music Management/Business Core

The music management/business core includes seven required courses and one 1-credit elective (*Surviving in the New Millennium*). Respondents rated the seven required courses as "very important" (mean score of 3.94 or higher), including a mean score of 5 for the music management internship. All but one required course (*Media Use*) received a mode score of 5. The elective course received a 3.429 mean score (see Figure 1).

One conclusion that can be drawn from this data is that the respondents consider the required coursework very important. When asked whether the major courses should be required, each required course received a positive response of 65% or higher from the group, with the music management internship receiving a positive vote from all respondents. The non-required course received only a 30% positive recommendation from the group. Several respondents commented on the need for a course in record company operations (see Figure 2).

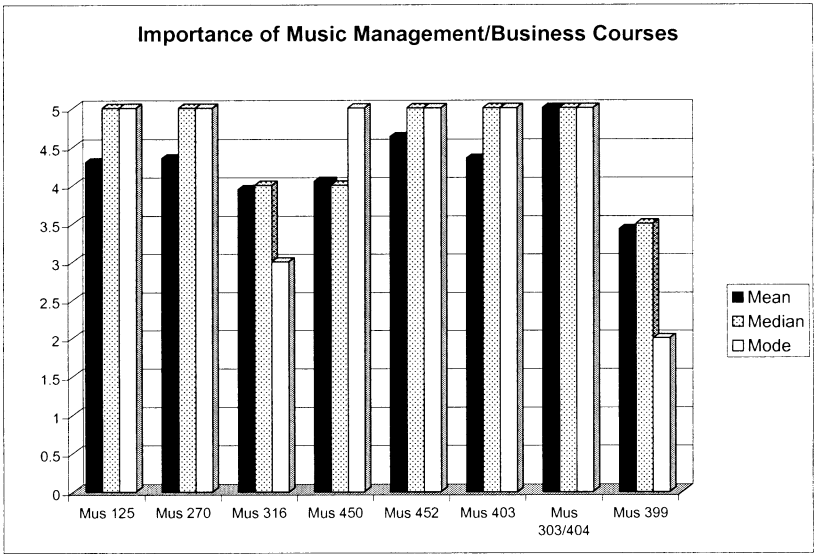

Figure 1. Respondents rate the importance of music management/business courses on a 1-5 scale.

MUS125 (Survey of the Music and Entertainment Industry)
MUS270 (Structure and Content of the Music Industry)
MUS316 (Media Use in Music Industry)
MUS450 (Personal Management in Music)
MUS452 (Law and Ethics in the Music and Entertainment Industry)
MUS403 (Music Management Seminar)
MUS303/404 (Music Management Internship)
MUS399 (Surviving in the New Millennium)

The Business Core

The business core includes six required courses plus the completion of one of the three right-most courses in Figure 3. Three of the required courses, *Computer Literacy*, *Business Law*, and *Marketing* received a mean score of 4 or higher when surveyed for importance. Two courses, *Accounting* and *Macroeconomics* received mean scores under 3. All three of the elective courses received mean scores of 3 or higher. Mode scores varied (see Figure 3).

When asked which business courses should be required, each course currently required received a response of at least 40%. However, scores varied greatly (see Figure 4).

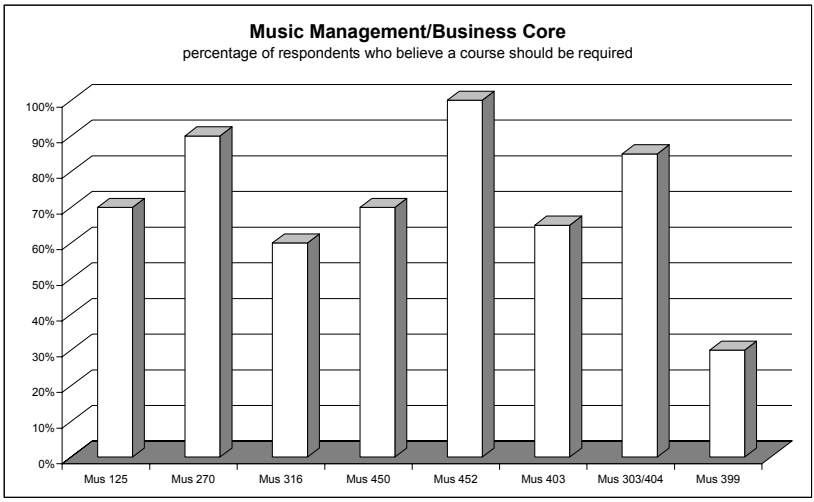

Figure 2.

MUS125 (Survey of the Music and Entertainment Industry)
MUS270 (Structure and Content of the Music Industry)
MUS316 (Media Use in Music Industry)
MUS450 (Personal Management in Music)
MUS452 (Law and Ethics in the Music and Entertainment Industry)
MUS403 (Music Management Seminar)
MUS303/404 (Music Management Internship)
MUS399 (Surviving in the New Millennium)

The Music Core

With the exception of *Mastery of a Principal Instrument* or *Voice*, all the courses in the music core are required. Respondents were not inclined to identify these courses as very important, as only *Music Technology* received a mean score of over four (4.2). *Conducting* received the lowest mean of score of the entire survey (1.79) (see Figure 5).

General Education Core

Three courses in the core, *Communication in Action,* Social Science, and the Humanities requirement received mean scores of four or higher. (see Figure 6).

Recommendations

The William Paterson University Department of Music is accredited by the National Association of Schools of Music (NASM). NASM has requirements that must be met in order to retain accreditation. Based on the results of the survey (and with accreditation requirements in mind) the author makes the following curricular recommendations:

1. The music business core received very high recommendations. Because the emphasis of this curriculum is on the record business, and the respondents commented on the need, a course in record company operations will be added to the curriculum.

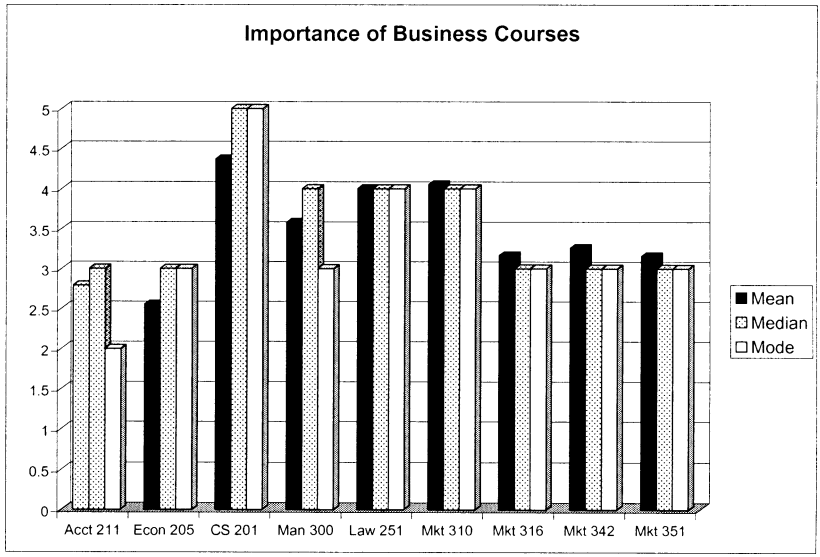

Figure 3. Respondents rate the importance of business courses on a 1-5 scale.

Acct211 (Financial Accounting 1)
Econ205 (Macroeconomics)
CS201 (Computer Literacy)
Man300 (Principles of Management)
Law251 (Business Law 1)
Mkt310 (Marketing)
Mkt316 (Multinational Marketing)
Mkt342 (Retail Marketing)
Mkt351 (Sales Management)

2. An evaluation will be undertaken to determine if the course *Surviving in the New Millennium* should continue to be offered.
3. Although *Computer Literacy* received the highest recommendation in the business core, it is no longer required by the management school and will therefore be dropped as a requirement. It will be replaced by either a marketing course or *Business Law*, with emphasis on globalization.
4. *Conducting* will be eliminated as a requirement and replaced by *Record Company Operations*.

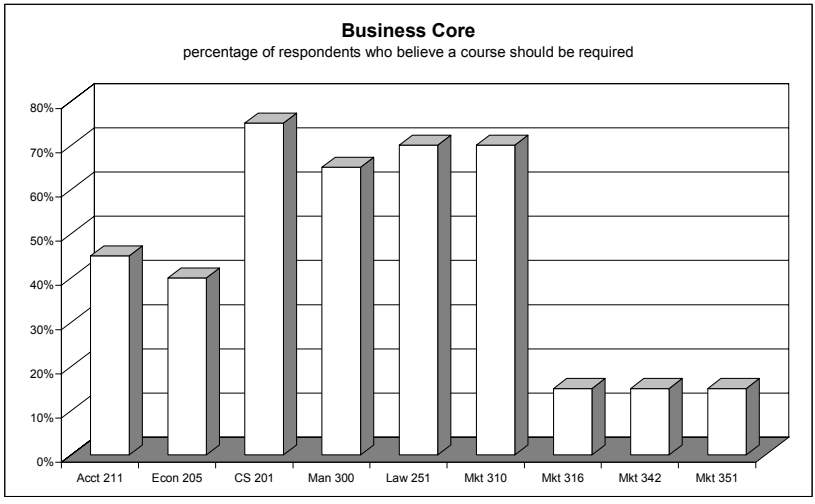

Figure 4.

Acct211 (Financial Accounting 1)
Econ205 (Macroeconomics)
CS201 (Computer Literacy)
Man300 (Principles of Management)
Law251 (Business Law 1)
Mkt310 (Marketing)
Mkt316 (Multinational Marketing)
Mkt342 (Retail Marketing)
Mkt351 (Sales Management)

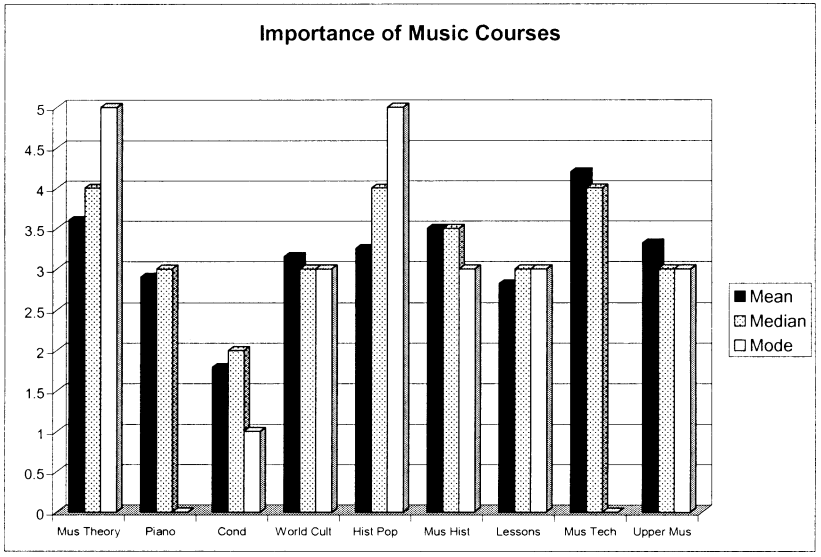

Figure 5. Respondents rate the importance of music courses on a 1-5 scale.

Comparison with the Western Illinois University Study (1999-2000)

Although the coursework in the two surveyed curricula vary, there are some significant comparisons that can be made. All responses were scored using a Likert-type scale of 1 to 5 (1 = not important to 5 = very important). All are listed in order of mean scores.

Almost 100 percent of the William Paterson University (WPU) respondents who are currently employed in the industry are working in the record business and its peripheral businesses (personal management, entertainment law, internet companies, etc.) in New York City, Los Angeles, or Nashville. 44 percent of the Western Illinois University (WIU) respondents indicated they were currently employed in the industry. However, their positions varied greatly: record companies, music products, retail, and school services.

It appears that the graduates of both universities value the internship experience as a priority. The WPU graduates rate *Law and Ethics* as very

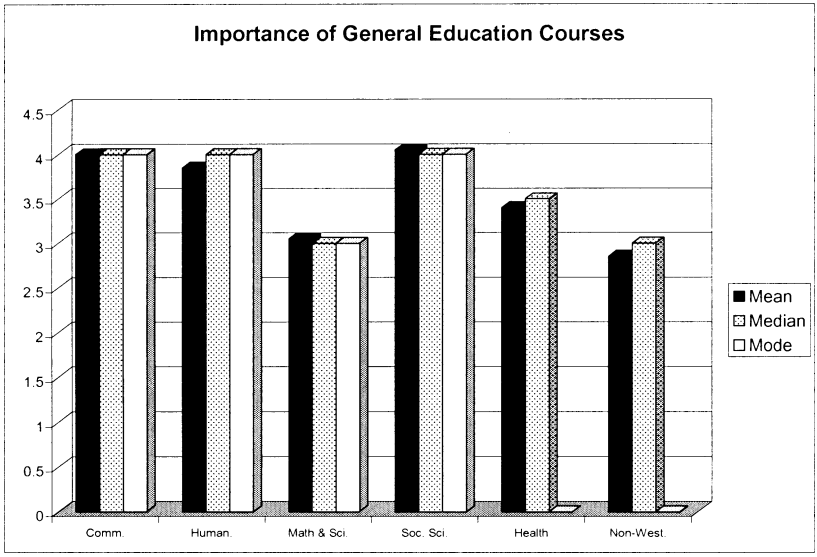

Figure 6. Respondents rate the importance of general education courses on a 1-5 scale.

important followed closely by lectures from industry experts whereas the WIU graduates rated the survey courses higher (see Figure 7).

When asked which courses should be required (Figure 8), the responses varied greatly. The author suspects these variations are job related. Even though the surveys advised respondents to "answer each [question] as it relates to the industry in general rather than to your specific career," it is reasonable to assume that personal experience did have an affect on responses.

When the business core was examined, the comparisons were easier to track. Although the means differed, the responses were more similar than with the music management/core. However, WPU students continued to rate the law courses higher than WIU (see Figure 9).

When asked to rate which courses should be required, the WPU alumni rated the first four courses in the same order as they did for importance. Except for one course, WIU alumni did the same. It should be noted that William Paterson students choose one of the last three courses to complete, and for each of these courses, only three people responded (see Figure 10).

William Paterson University		Western Illinois University	
Course	**Mean**	**Course**	**Mean**
Music Management Internship	5	Music Business Internship	4.93
Law and Ethics	4.6	Intro. to Music Business	4.89
Music Management Seminar	4.35	General Survey (2 semesters)	4.87
Structure and Content	4.35	Music Industry Seminar	4.69
Survey of Music Industry	4.3	Computer Applications	4.27
Personal Management	4.05	Music Copyright, etc.	4.16
Media Use in Industry	3.9	Manufacturing – Retailing	4.11
Surviving in the New Millenium	3.4	Artist Management	3.89

Figure 7. Respondents rate the importance of music management/business courses on a 1-5 scale.

William Paterson University		Western Illinois University	
Course	**Require?**	**Course**	**Require?**
Law and Ethics	100%	Intro. to Music Business	95.56%
Structure and Content	90%	Music Business Internship	95.56%
Music Management Internship	85%	General Survey (2 semesters)	93.33%
Survey of Music Industry	70%	Music Industry Seminar	84.44%
Personal Management	70%	Computer Applications	73.33%
Music Management Seminar	65%	Music Copyright, etc.	51.11%
Media Use	60%	Manufacturing – Retail	46.67%
Surviving in the New Millennium	30%	Artist Management	37.78%

Figure 8. Percentage of respondents who believe a course should be required.

William Paterson University		Western Illinois University	
Course	**Mean**	**Course**	**Mean**
Computer Literacy	4.40	Principles of Marketing	4.47
Marketing	4.05	Business Writing	4.38
Business Law	4.00	Intro. to Computers	4.33
Principles of Management	3.60	Management	4.33
Retail Marketing	3.30	Accounting 1	3.98
Multinational Marketing	3.17	Promotional Concepts	3.96
Sales Management	3.16	Professional Selling	3.78
Financial Accounting	2.80	Macroeconomics	3.76
Macroeconomics	2.60	Consumer Behavior	3.73

Figure 9. Respondents rate the importance of business courses on a 1-5 scale.

William Paterson University		Western Illinois University	
Course	**Require?**	**Course**	**Require?**
Computer Literacy	75%	Principles of Marketing	84.44%
Marketing	70%	Accounting 1	75.56%
Business Law	70%	Business Writing	71.11%
Principles of Management	65%	Intro. to Computers	68.89%
Financial Accounting	45%	Macroeconomics	64.44%
Macroeconomics	40%	Management	60.00%
Sales Management	15%	Professional Selling	53.33%
Multinational Marketing	15%	Promotional Concepts	46.67%
Sales Management	15%	Finance	44.44%

Figure 10. Percentage of respondents who believe a course should be required.

The last category for comparison is the required music courses. This comparison was also made easier because of the similar requirements. Here, the order of preference of each group of students was nearly identical, with music technology receiving the highest priority and conducting receiving the lowest. Conducting received the lowest mean of all the courses in both surveys (see Figure 11).

Conclusion

The location of the William Paterson University (a short drive from New York City) makes a career in the recording industry very accessible. It seems the opinions of the WPU respondents reflect the value they place upon courses that they believe foster success in that industry. Western Illinois University is not located near the center of the recording industry. However, they are located near a center of the musical instrument manufacturing industry. Their graduates seek a broader variety of music industry positions. Therefore, their needs are more diverse than those of the WPU graduates.

William Paterson University		Western Illinois University	
Course	**Mean**	**Course**	**Mean**
Music Technology	4.20	Computer Applications in Music	4.16
Music Theory	3.60	Music Theory	4.00
Music History	3.50	Applied Lessons	3.73
Upper Level Music	3.30	American Popular Music	3.49
American Popular Music	3.25	Basic Keyboard	3.47
Music of World Cultures	3.10	Music of World Cultures	3.02
Basic Keyboard	2.90	Music History 2	2.89
Applied Lessons	2.82	Music History 1	2.64
Conducting	1.79	Conducting	2.11

Figure 11. Respondents rate the importance of music courses on a 1-5 scale.

Music Management Questionnaire

William Paterson University of New Jersey

This questionnaire is designed to for you to evaluate a model music business curriculum. Your opinions will be carefully considered as we revise the music business curriculum at William Paterson University

Important!!

MUSIC BUSINESS CORE: The "music business core" includes courses required of the music business major. Rate the degree of importance of offering each of the following as a course offering for the music business major. Answer each as it relates to the industry in general rather than to your specific career. Circle your selection.

	Not Important				Very Important
___Survey of the Music & Entertainment Industry: Mus 125 ..	1	2	3	4	5
___Structure & Content of Music Industry: Mus 270	1	2	3	4	5
___Media Use in Music Industry: Mus 316.....	1	2	3	4	5
___Personal Management in Music: Mus 450.....	1	2	3	4	5
___Law & Ethics in Music & Ent. Industry: Mus 452	1	2	3	4	5
___Music Management Seminar: Mus 403.	1	2	3	4	5
___Music Management Internship: Mus 303/403	1	2	3	4	5
___Surviving in the New Millennium: Mus 399.	1	2	3	4	5

Important!!

In the blank preceding each line above, place an "R" for each course you feel should be required of the music business major. Again, answer each as it relates to the industry in general rather than to your specific career.

What other music business courses would you recommend as a requirement (or elective) for the music business major?

William Paterson University Survey – Page 1

BUSINESS CORE: The "business core" includes courses required of the music business major. Rate the degree of importance of offering each of the following as a course offering for the music business major. Answer each as it relates to the industry in general rather than to your specific career. Circle your selection.

	Not Important				Very Important
___Financial Accounting I: Acct 211	1	2	3	4	5
___Macro Economics: Econ 205	1	2	3	4	5
___Computer Literacy: CS 201	1	2	3	4	5
___Principles of Management: Man 300	1	2	3	4	5
___Business Law I: Law 251	1	2	3	4	5
___Marketing: Mkt 310	1	2	3	4	5
___Multinational Marketing: Mkt 316	1	2	3	4	5
___Retail Marketing: Mkt 342	1	2	3	4	5
___Sales Management: Mkt 351	1	2	3	4	5

In the blank preceding each line above, place an "R" for each course you feel should be required of the music business major. Again, answer each as it relates to the industry in general rather than to your specific career.

What other business courses would you recommend as a requirement for the music business major?

_____

_____

_____

_____

MUSIC CORE: The "music core" includes courses required of all music majors including the music business major. Rate the degree of importance of the following as music requirements for the music business major? Circle your selection.

	Not Important				Very Important
Understanding the language of music (music theory)	1	2	3	4	5
Basic keyboard skills (Piano)	1	2	3	4	5
Conducting	1	2	3	4	5
Music of world cultures	1	2	3	4	5
History of American Popular Music	1	2	3	4	5
Music History, baroque through modern	1	2	3	4	5
Mastery of a principal instrument or voice (lessons)	1	2	3	4	5
Music Technology	1	2	3	4	5
Upper level music courses	1	2	3	4	5

What other music courses would you recommend as a requirement for the music business major?

_____

_____

_____

_____

GENERAL EDUCATION: All students are required to complete general education courses. Rate the degree of importance of the following as general education requirements for the music business major. Answer each as it relates to the industry in general rather than to your specific career. Circle your selection.

	Not Important				Very Important
Arts & Communication (Communication)	1	2	3	4	5
Humanities (English, History, Philosophy)	1	2	3	4	5
Math & Science	1	2	3	4	5
Social Sciences (Psychology, Political Science, Sociology)	1	2	3	4	5
Health, Racism & Sexism	1	2	3	4	5
Non-Western	1	2	3	4	5

What other general education courses would you recommend as a requirement for the music business major?

_____

_____

_____

_____

William Paterson University Survey – Page 3

EMPLOYMENT: Are you currently employed in the music industry? ____ Yes ____ No

If yes, in what area of the industry are you employed?

If no, why did you leave the industry?

OTHER COMMENTS:

_____

_____

_____

_____

William Paterson University Survey – Page 4

References

McCain, Claudia. “A Model Music Business Curriculum.” *MEIEA Journal*, vol. 2, no. 1 (2002): 14-27.

In the late 1960s, **Stephen F. Marcone** joined an Epic Records recording group as a trumpet player, and toured the country taking an active role in the creative and managerial aspects of the ensemble. In 1973, he joined the faculty of the School of Music at Syracuse University where he taught until 1984. During that time, he was also vice president of the Syracuse Musicians Association (Local #78). In 1984, he came to the William Paterson University of New Jersey where he was chairperson of the music department for fifteen years, and is currently graduate studies director and program coordinator of the Music Management Program.

He has published articles in *Music Educators Journal*, *The Instrumentalist*, *NAJE Journal*, and *Musician Magazine*. Marcone has lectured at: the Hartt School of Music, New York University, College of the Finger Lakes, MENC National and Regional Conferences, College Music Society Annual Meetings, National Association of Schools of Music annual meetings, New Jersey Music Educators Association, New Jersey Artist-Teacher Institute, and the Music and Entertainment Industry Educators Association (MEIEA). He is the author of *Managing Your Band* distributed by Hal Leonard (now in its third edition), and is a frequent lecturer for the New Jersey Council on the Humanities. Each summer Marcone conducts his University's Summer Jazz Ensemble. Dr. Marcone holds the B.A., M.M., and Ed.D. from Syracuse University.

The Commercial Music Industry in Atlanta and the State of Georgia: An Economic Impact Study

Kelly D. Edmiston
Federal Reserve Bank of Kansas City
Marcus X. Thomas
Georgia State University

Introduction

Objectives of the Study

This study was prepared to ascertain the magnitude of the commercial music industry's economic impact on the State of Georgia. The report was funded by a grant from the Film, Video, and Music Office of the Georgia Department of Industry, Trade, and Tourism.

During the last decade, Georgia has seen tremendous growth in entertainment-related businesses and events. During the 1990s several key events helped to position Atlanta as an international center for art, tourism, and commerce, including events such as the 1994 and 1999 Super Bowls, several major league baseball playoffs and World Series and the 1996 Olympic Games. During the same period, Atlanta also witnessed a substantial growth in the number of music recording establishments, record labels, and other professional services connected with the commercial music industry. Companies such as LaFace Records, So So Def Recordings, Hitco Music Publishing, Dallas Austin Recording Projects, Silent Partner Productions, and Sony Music ATV established home offices in Atlanta during the 1990s.

The report demonstrates the commercial music industry's significance to the state and local economy and explains how the industry has affected the growth of Georgia's music culture. We explore what we perceive to be the strengths and weaknesses of Georgia's music industry and identify opportunities for expansion of the indigenous industry and attraction to foreign industry to establish offices in Atlanta.

Outline of the Study

We first highlight historical and recent achievements by Georgians and the local music scene. There is a proud lineage of artists and businesses

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that have lived or operated in Georgia, and several recent events have catapulted Atlanta into the stratosphere of musically and culturally elite cities. The presence of several major record labels, many recording artists, and entertainment producers has created a strong infrastructure to support the local commercial music industry. Using Standard Industrial Classification codes (SIC), we then ascertain the current size of Georgia's commercial music industry. We report the size of the industry in terms of number of commercial music establishments, number of jobs created, payroll, gross receipts, and growth since 1990. The methodology section explains the data collection process and sources and gives our rationale for how we chose classifications to include in the study. Based on these findings we report the estimated impact the commercial music industry has on Georgia's economy in terms of output, employment, income, and tax revenues. We find the total net annual economic impact of the music industry in the State of Georgia to be $989.5 million, with approximately $1.9 billion in gross sales, 8,943 jobs created, and $94.7 million in tax revenues generated.

Highlights of Atlanta's Commercial Music Industry

The state of Georgia has a long and celebrated history of commercial music production and culture. Georgia has a rich lineage of rhythm & blues, country, rock n' roll, and rap artists that have forged an undeniable impression on the national music psyche. Through the years, Georgia has been the birthplace and home to many icons of the music industry including Ray Charles, Johnny Mercer, Otis Redding, Ray Stevens, James Brown, Gladys Knight, Ronnie Milsap, Lena Horne, Curtis Mayfield, Isaac Hayes, Trisha Yearwood, Alan Jackson, Chet Atkins, and Travis Tritt, to name a few.[1]

In addition to a formidable who's who list of rock and rap stars, Georgia also maintains a substantial support industry for the production of commercial music. The majority of this industry is focused in and around the metropolitan area of Atlanta. There are more than 300 recording facilities that produce commercial music and broadcast elements located in Atlanta (Figure 1).

Georgia has several premier venues for showcasing and performing live music, major prerecorded music distributors, a few commercial music education programs, and a plethora of professional services such as music publishing, entertainment lawyers, artist managers, and musical equipment manufacturing, leasing, and repair.

Because Georgia is home to so many producers of commercial music, the city of Atlanta harbors regional offices of the nation's two major performing rights societies, The American Society of Authors, Composers, and Publishers (ASCAP) and Broadcast Music, Inc. (BMI). The city also serves as home to the Atlanta Chapter of the National Academy of the Recording Arts and Sciences (NARAS).[2]

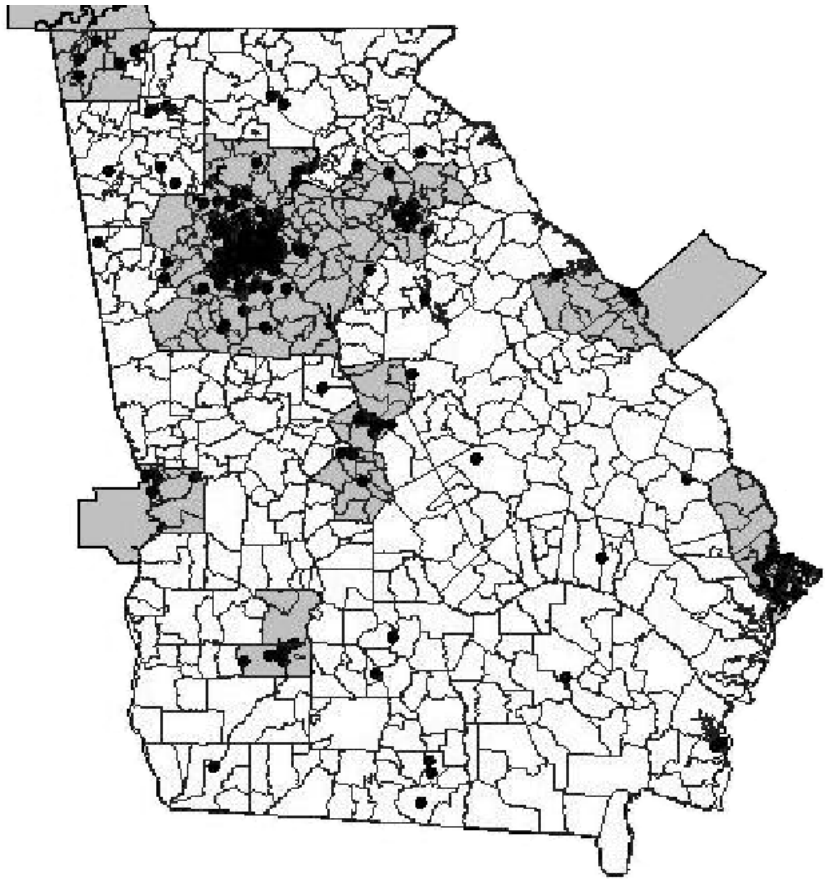

Figure 1. Spatial distribution of Georgia recording

The Regional Significance of Georgia's Commercial Music Industry

Atlanta serves as the southeastern hub for the commercial music industry. The city is very accessible due to its geographic location, major ground transportation arteries, and Hartsfield International Airport. The five major prerecorded music distributors in the country service the entire southeast region from their Atlanta branches.[3] At least one of the major distributors defines the southeast as a nine-state region comprised of North Carolina, South Carolina, Georgia, Tennessee, Alabama, Florida, Mississippi, Kentucky, and Louisiana.[4] Priorities for determining which products will be sold throughout the region (with exceptions for indigenous music in Florida, Tennessee, and Louisiana) are based in part on sales trends and music consumers' tastes in Atlanta.

Atlanta dominates regional radio, setting the agenda for what music is played, and consequently consumed, throughout the region. Atlanta's radio market ranks 11th nationally with an estimated population of 3,617,400 listeners. Of this total, 1,027,700 are African-American.[5] At 28.4 percent of the city's listening population, Atlanta's urban radio scene is one of the strongest in the nation. Atlanta ranks fourth behind New York City, Chicago, and Washington D.C. in the number of African-Americans in the total listening population. Radio programmers throughout the region review play lists of Atlanta broadcast stations to determine which songs should be added to their own rotations.

Due to Atlanta's importance to regional distribution and radio exposure, most recording artists include Atlanta as a major tour stop and many entertainment-related businesses have made Atlanta their home.

Major Talent

Georgia is home to an astonishingly diverse and talented bevy of recording stars. From the high-profile club district Buckhead to Midtown, Decatur and Stone Mountain major recording artists from genres as diverse as rap, rock, rhythm and blues, jazz, and pop can be found working in coffee houses, clubs, theatres, and studios.

Grammy Award-winning producer and record mogul Jermaine Dupri is an Atlanta native. Dupri is responsible for writing and producing hit records for acts including Mariah Carey, Monica, Usher, TLC, Aretha Franklin, Alicia Keys, Da Brat, and Jagged Edge. Dupri started his music industry career at the age of twelve as a backup dancer for the then rap group Whodini

and at the age of nineteen, Sony Music gave him three million dollars to start his own record label, So So Def Recordings.[6]

Seven-time Grammy nominee India Arie calls Georgia's Stone Mountain home. Arie, a Motown recording artist, developed a strong fan base in and around Atlanta by appearing regularly at clubs and performing her unique brand of mellow acoustic soul. She worked with local record label/management company Groovement/Earthseed to create awareness of her music. After touring with the all-female musical show Lilith Fair, she was discovered and signed to a major recording contract.[7]

Multi-platinum[8] recording artist R.E.M has been based in Athens, Georgia since the 1980s and continues to be a driving force behind the college town's bustling live music scene. The local scene provides a substantial fan base and is a haven for alternative pop/rock bands looking to develop live presentations of their works.

Another Georgia-based group familiar with Grammy Awards and multi-platinum album sales is the hip hop duo Outkast. The duo has created a signature blend of hip hop and soul that has heavily influenced many other rap artists and spurred a subcategory of rap music coined "Dirty South" rap. The Arista Records recording duo also operates a record label and recording facility called Stankonia.

Other major recording artists and producers who make Georgia their home include: Elton John, Peabo Bryson, members of the group TLC, Usher Raymond, 112, the B-52's, Dallas Austin, Jagged Edge, Montel Jordan, Kelly Price, Monica Arnold, Daryl Simmons, L.A. Reid, Lil' Bow Wow, Too Short, Babbie Mason, Luther Barnes, Indigo Girls, Shawn Mullins, John Mayer, Arrested Development, Atlanta Symphony Orchestra, and Ludacris.

Major Record Labels

In 1989, then Arista Records president Clive Davis signed a joint-venture agreement with Antonio "L.A." Reid and Kenny "Babyface" Edmonds to form LaFace Records. Immediately, LaFace went to work creating a signature sound that characterized urban music throughout the 1990s. The label was responsible for producing and promoting the artistic talents of Toni Braxton, TLC, Usher, Outkast, Goodie Mob, Az Yet, Shanice Wilson, Tony Rich, Sam Salter, Donell Jones, and Pink. LaFace was also instrumental in mentoring and highlighting the production skills of music producers including Jermaine Dupri, Dallas Austin, Organized Noise, the

Dungeon Family, Shekspere, and Red Zone Entertainment. The label also helped to foster several smaller labels such as Bystorm Entertainment and Ghetto-Vision. Reid, along with a handful of other record executives, is largely responsible for placing Atlanta at the forefront of the national urban music scene.

During its stay in Georgia, LaFace Records was a driving force behind the explosion of entertainment-related businesses that located to the state, and in particular, the City of Atlanta. Upon LaFace's arrival, ancillary businesses such as photographers, recording studios, production companies, music publishers, artist managers, tour support companies, event planners, promoters, live venues, entertainment attorneys, and accountants flourished. The success of the label attracted many aspiring talents who wanted major label access without the expense and competition associated with New York and Los Angeles. Although LaFace Records sold its interests to its parent company in early 2000 and left Georgia for New York, it left behind a very capable infrastructure now in need of a major outlet.

Jermaine Dupri's So So Def Recordings recently celebrated its tenth anniversary. In one decade the label has launched the careers of Kris Kross, Da Brat, Jagged Edge, Lil' Bow Wow, Xscape, and Fundisha. The success of Dupri's label, powered by his savvy marketing techniques and ability to identify and deliver what the public wants, has kept the dream of having a major record label in Georgia alive in the wake of LaFace's departure.

Other successful labels that have operated from Georgia include Def Jam South, Dallas Austin's Freeworld Entertainment, and Melisma Records. In February, 2002, a privately held German company, International Development Fund, was to provide 11 million dollars to Anthony "Cheapo" Kirkland to form Kirkland Media, LLC.[9] Kirkand's plans are to open the largest recording studio in the southeast, a record label, management company, and distribution company. The reported deal makes Kirkland Media, LLC the third largest record label in Georgia behind So So Def and Def Jam South. Several large independent labels have also operated from Georgia including Capricorn Records (now Velocette Records), Ichiban Records, and Evander Holyfields' Real Deal Records.

Recording Studios and Record Distribution

There are over 300 recording facilities to support the artists and labels that record in Georgia. Many of these are smaller production studios and have reasonable rates that an upstart independent artist can afford. There

are also several nationally-renowned, first class studios that regularly record projects for major labels. Some of these facilities include Doppler Studios, Tree Sound Studios, Crawford Communications, DARP Studios, Silent Sound Studios, Southern Tracks, and Southern Living At Its Finest Studios. Several Georgia studios have been awarded Grammys, American Music Awards, Emmys, and Oscars for their contributions to music and film recordings. As shown in Figure 1, Georgia's recording studios are concentrated largely in and around the Atlanta metropolitan area.

Although it varies from year to year, major labels represented by the Recording Industry Association of America (RIAA) account for 80 to 90 percent of music releases sold in the United States.[10] As of the writing of this paper, there are five distributors that handle all of the major record labels: Sony, BMG, Universal, EMI, and WEA. The distributors are largely responsible for marketing and promoting records at the retail level and assisting the record labels with radio and street level promotion. Each of the five major distributors operates a branch office in Atlanta that is typically responsible for territories throughout the southeast. The branch offices are a direct link between their representative labels, which are usually in New York or Los Angeles, and consumers throughout the region. The branch distributors expose consumers in their regions to new records and artists by coordinating advertising campaigns, promotional appearances, and live shows.[11]

Venues and Events

Georgia has several premier venues for showcasing live talent, all of which are located in Atlanta. From the historically significant Fox Theater to the newest clubs along Peachtree Road, Atlanta presents artists at a variety of performance locations. Venues large enough to host major artists such as Whitney Houston or Michael Jackson are limited to Atlanta's Philips Arena or Turner Field. However, there are many venues suitable for concerts by mid-level and new artists including the brand new 13,000 seat Gwinnett Center, The Tabernacle (formerly House of Blues), The Fox Theatre, the Atlanta Civic Center, Hi Fi Buys Amphitheater, Chastain Park, Centennial Olympic Park, and the Roxy Theater. Atlanta also features dozens of clubs and martini bars where new underground artists are spotlighted such as the Velvet Room, Apache Café, World Bar, the Show Bar, the Cotton Club, 1150, Red Light Café, Smith's Olde Bar, Eddie's Attic, Masquerade, and Celebrity Rock Café.

Several major concert and conference events are held annually in Atlanta. Perhaps the most noted is the Music Midtown concert festival held each spring**.** Music Midtown hosts more than 300,000 concert-goers and 120 performing acts including both signed and unsigned bands during the three-day event.[12] Other major concert festivals in Atlanta include the Atlanta Jazz Festival, the Sweet Auburn Festival, and the Montreaux Jazz Festival. The Atlantis Music Conference is a combination of concerts and educational conferences held each summer. During the three-day conference, registrants attend informative panel discussions and workshops held by industry professionals from around the world. Record executives and conference attendees (attendance reached an estimated 2,000 people summer 2002)[13] also saw more than 200 artists perform in more than one dozen area nightclubs. Atlantis features performances by artists representing all genres of music including rock, rap, pop, rhythm and blues, Americana, and Gospel.

Commercial Music Education

The Atlanta Chapter of the Recording Academy is the eighth largest chapter in the country with a current membership of 730. The chapter sponsors several educational events annually, including Grammy in the Schools, which brings 500-800 high school students to meet with industry professionals for a day-long conference that explores career and educational options in the record industry.

Those who are interested in a more formal education in the commercial music industry may choose to attend one of several area colleges and universities that offer degree programs or courses in music business and sound recording. Georgia State University's School of Music has one of the nation's longest standing commercial music programs. Established in the 1970s, the Music Technology and Management program offers students a choice of either a Bachelor of Science in Music Management or a Bachelor of Music in Sound Recording. The program educates future commercial music professionals in the areas of marketing, promotion, copyright, publishing, artist management, MIDI production, sound recording, and editing.[14] Another Georgia school that currently offers courses in commercial music business is the Music Business Institute of Atlanta.

Economic Impact of Georgia's Music Industry

This section of the report provides information on the size of the music industry in Georgia (its direct economic impact) and presents results from the input-output analysis. It describes the music industry as we have defined it for this study and it presents results from the economic impact analysis. A description of data sources and methodology is presented in the appendix of this report.

The Music Industry Defined

We identified relevant industries by Standard Industrial Classification (SIC) code (1987 revision).[15] These industries include not only commercial music production, but also manufacturing enterprises, wholesalers and retailers, repair shops, and schools that serve a music-related clientele. Only the subcategories (6-digit SIC) that are specifically related to the music industry were considered. For example, we included only three of the 100 industries aggregated into SIC code 7389, Business Services, NEC (not elsewhere classified). Excluded from this list are retail establishments that sell prerecorded music, although we do include manufacturers and wholesalers of prerecorded music.

Economic Impact of the Commercial Music Production Industry

The music industry in the State of Georgia includes some 1,074 establishments, which generate roughly $1.9 billion in gross sales annually (Table 1). Most noteworthy is that Georgia has 309 recording studios (SIC 7389-47), most of which are relatively small, employing between one and nine people and generating less than $1,000,000 in sales every year. By our estimates, the average of these establishments employs 3.86 employees (including the owner-manager) and generates $347,896 in annual sales. In total, recording studios provide employment for an estimated 1,193 Georgians and generate an estimated $107.5 million in sales.

After recording studios, the next largest category in terms of commercial music production is Orchestras and Bands (SIC 7929-01), which employs an estimated 229 people in the state and generates roughly $43.0 million in sales. Establishments providing musicians and music entertainment generate a combined $35.1 million in sales and employ roughly 231 Georgians.

Primary SIC Code	Industry	Establishments	Employees	Sales /a/
2741	**Miscellaneous Publishing**	**30**	**149**	**38.5**
2741-04	Music Publishers	30	149	38.5
2741-13	Music – Printers and Engravers	0	0	0
2741-20	Music – Sheet – Manufacturers	0	0	0
2759	**Commercial Printing, NEC**	**0**	**0**	**0**
2759-20	Music – Manuscript Reprod – Mfrs	0	0	0
3651	**HH Aud & Vid Equip Rec – Sound/Video**	**8**	**107**	**39.5**
3651-01	Equipment/Supplies – Manufacturers	0	0	0
3651-02	Loud Speakers – Manufacturers	0	0	0
3651-03	Sound Systems and Equip – Mfrs	8	107	39.5
3651-15	Amplifiers – Manufacturers	0	0	0
3652	**Pre-Recorded Music**	**7**	**220**	**46.0**
3652-01	Records – Phonograph – Manufacturers	0	0	0
3652-03	Video Tapes & Discs – Manufacturers	1	7	1.8
3652-04	Recs Tapes Discs – Equip/Sup – Mfrs	4	23	5.5
3652-05	Publishers – Audio	0	0	0
3652-06	Compact Discs – Manufacturers	0	0	0
3652-98	Phonograph Record / Prerec Tape – Mfrs	2	190	38.8
3931	**Musical Instruments**	**6**	**192**	**39.3**
3931-01	Musical Instr – Sup &Access – Mfrs	1	3	0.3
3931-02	Musical Instruments – Manufacturers	4	187	38.8
3931-03	Organs – Manufacturers	1	3	0.3
3931-04	Pianos – Manufacturers	0	0	0
3931-05	Violin Makers	0	0	0
3931-98	Musical Instruments – Manufacturers	0	0	0
5065	**Electronic Parts & Equipment**	**12**	**80**	**85.3** /a/
5065-03	Rec Stud Equip – Sound/Video – Whol	8	25	27.8
5065-07	Sound Sys & Equip – Wholesale	0	0	0
5065-08	Tapes – Wholesale	4	55	57.5
5065-33	Recs – Phon – Mfrs Equip/Sup – Whol	0	0	0
5065-49	Tapes – Sound & Vid – Unrec – Whol	0	0	0
5099	**Durable Goods, NEC**	**14**	**418**	**661.3** /a/
5099-09	Records Tapes & CDs – Wholesale	12	400	650.0
5099-10	Musical Instruments – Wholesale	1	3	3.8
5099-14	Piano Supplies & Parts – Wholesale	0	0	0
5099-18	Instrument Cases – Wholesale	0	0	0
5099-27	Musical Instr – Sup & Access – Whol	1	15	7.5
5099-28	Pianos – Wholesale	0	0	0
5112	**Stationery and Office Supplies**	**0**	**0**	**0** /a/
5112-30	Music Writers Supplies – Wholesale	0	0	0
5734	**Comp and Comp Hardware Stores**	**0**	**0**	**0** /a/
5734-10	Computer Music Products	0	0	0
5736	**Musical Instrument Stores**	**328**	**1,666**	**265.8** /a/
5736-01	Pianos – Used	0	0	0
3736-02	Pianos	37	167	26.3
5736-03	Organs	10	54	7.0
5736-04	Violins	1	7	1.8
5736-05	Amplifiers	0	0	0
5736-06	Accordians	0	0	0

Table 1 continues next page...

Table 1. Size of the music industry in Georgia.

Primary SIC Code	Industry	Establishments	Employees	Sales /a/
5736	**Musical Instrument Stores (cont.)**			
5736-07	Musical Instr – Supplies & Accessories	9	32	5.3
5736-08	Musical Instruments – Dealers	189	1,179	186.5
5736-09	Music Dealers	82	249	39.0
5736-10	Microphones	0	0	0
5736-11	Guitars	0	0	0
5736-12	Megaphones	0	0	0
5736-13	Organs – Supplies & Parts	0	0	0
5736-14	Music Rolls	0	0	0
5932	**Used Merchandise Stores**	**0**	**0**	**0** /a/
5932-12	Music Instruments – Used	0	0	0
7359	**Equipment Rental and Leasing, NEC**	**3**	**8**	**1.3**
7359-36	Musical Instruments – Rental	3	8	1.3
7359-87	Music – Rental	0	0	0
7922	**Theatrical Producers (Exc Motion Pic)**	**7**	**50**	**5.3**
7922-02	Opera Companies	2	38	4.0
7922-13	Concert Bureaus	5	13	1.3
7922-21	Music Composers' Agents	0	0	0
7929	**Bands, Orchestras, and Actors**	**90**	**463**	**78.3**
7929-01	Orchestras and Bands	20	229	43.0
7929-02	Singing Telegrams	1	3	0.3
7929-03	Entertainers – Music	31	99	14.8
7929-06	Musicians	38	132	20.3
7929-09	Music Shows	0	0	0
7929-11	Music – Dance – Prerecorded	0	0	0
7929-16	Drum Corps	0	0	0
8299	**Schools and Educational Services, NEC**	**113**	**478**	**43.3**
8299-15	Music Instruction – Vocal	11	28	2.8
8299-18	Music Instruction – Instrumental	102	451	40.5
8299-36	Music Colleges & Music Teachers	0	0	0
8299-38	Music Workshops	0	0	0
8699	**Membership Organizations, NEC**	**0**	**0**	**0**
8699-22	Music Societies	0	0	0
8999	**Miscellaneous Services, NEC**	**12**	**72**	**8.5**
8999-21	Music Arrangers and Composers	12	72	8.5
8999-27	Music Copyists	0	0	0
8999-52	Music – Foreground	0	0	0
Total		**1,074**	**5,568**	**1,464.6**

Table 1 (continued). Size of the music industry in Georgia.

/a/ In measuring the economic impact, we do not use sales figures for wholesale and retail industries because they are not reflective of industry "output." Instead we estimate output based on the number of employees.
Note: Columns may not sum to totals due to rounding.

The bulk of sales come from wholesale and retail establishments, for which sales are not a good indicator of "production" because the value of manufactured products is embodied in the sale. For example, a musical instrument manufacturer (SIC 3931) may sell a trumpet to a retailer for $750 (SIC5736), who then sells the same trumpet to a consumer for $1,000.

We want to avoid the kind of output inflation this entails.[16] The total amount of sales for music-related wholesale and retail establishments in Georgia is over $1 billion.

To estimate production, or output, for music-related wholesale and retail establishments we look at the number of employees. Based on aggregate data from the trade industry, wholesale establishments create $113,975 for every employee, on average, while retail establishments generate $42,528

Primary SIC Code	Industry	Sales	Employees	Output (*Est.*)
5065	**Electronic Parts & Equipment**	**85.3**	**80**	**9,118,000**
5065-03	Rec Stud Equip – Sound/Video – Whol	27.8	25	2,849,375
5065-07	Sound Sys & Equip – Wholesale	0	0	0
5065-08	Tapes – Wholesale	57.5	55	6,268,625
5065-33	Recs – Phon – Mfrs Equip/Sup – Whol	0	0	0
5065-49	Tapes – Sound & Vid – Unrec – Whol	0	0	0
5099	**Durable Goods, NEC**	**661.3**	**418**	**47,641,550**
5099-09	Records Tapes & CDs – Wholesale	650.0	400	45,590,000
5099-10	Musical Instruments – Wholesale	3.8	3	341,925
5099-14	Piano Supplies & Parts – Wholesale	0	0	0
5099-18	Instrument Cases – Wholesale	0	0	0
5099-27	Musical Instr – Sup & Access – Whol	7.5	15	1,709,625
5099-28	Pianos – Wholesale	0	0	0
5112	**Stationery and Office Supplies**	**0**	**0**	**0**
5112-30	Music Writers Supplies – Wholesale	0	0	0
5734	**Comp and Comp Hardware Stores**	**0**	**0**	**0**
5734-10	Computer Music Products	0	0	0
5736	**Musical Instrument Stores**	**265.8**	**1,666**	**70,851,648**
5736-01	Pianos – Used	0	0	0
3736-02	Pianos	26.3	167	7,102,176
5736-03	Organs	7.0	54	2,296,512
5736-04	Violins	1.8	7	297,696
5736-05	Amplifiers	0	0	0
5736-06	Accordians	0	0	0
5736-07	Musical Instr – Supplies & Accessories	5.3	32	1,360,896
5736-08	Musical Instruments – Dealers	186.5	1,179	50,140,512
5736-09	Music Dealers	39.0	249	10,589,472
5736-10	Microphones	0	0	0
5736-11	Guitars	0	0	0
5736-12	Megaphones	0	0	0
5736-13	Organs – Supplies & Parts	0	0	0
5736-14	Music Rolls	0	0	0
5932	**Used Merchandise Stores**	**0**	**0**	**0**
5932-12	Music Instruments – Used	0	0	0
Total		**1,012.4**	**2,164**	**127,611,198**

Table 2. Estimates of industry output: music wholesale and retail establishments.

/a/ We do not use sales figures for wholesales and retail industries because they are not reflective of industry "output." Instead we estimate output based on the number of employees.
Note: Columns may not sum to totals due to rounding.

in output per employee. Estimates of output for wholesale and retail industries are provided in Table 2. We estimate that $1,012.4 million in sales generates $127.6 million in output, or that every dollar in sales yields $0.126

Primary SIC Code	Industry	Establishments	Employees	Output
2741	Miscellaneous Publishing	30	149	38.5
2759	Commercial Printing, NEC	0	0	0
3651	HH Aud & Vid Equip Rec – Sound/Video	8	107	39.5
3652	Pre-Recorded Music	7	220	46.0
3931	Musical Instruments	6	192	39.3
5065	Electronic Parts & Equipment	12	80	9.1
5099	Durable Goods, NEC	14	418	47.6
5112	Stationery and Office Supplies	0	0	0
5734	Comp and Comp Hardware Stores	0	0	0
5736	Musical Instrument Stores	328	1,666	70.9
5932	Used Merchandise Store	0	0	0
7359	Equipment Rental and Leasing, NEC	3	8	1.3
7389	Business Services, NEC	318	1,333	120.0
7699	Repair Shops and Related Services, NEC	126	332	33.5
7819	Services Allied to Motion Pictures	0	0	0
7922	Theatrical Producers (Exc Motion Pic)	7	50	5.3
7929	Bands, Orchestras, and Actors	90	463	78.3
8299	Schools and Educational Services, NEC	113	478	43.3
8699	Membership Organizations, NEC	0	0	0
8999	Miscellaneous Services, NEC	12	72	8.5
Total		**1,074**	**5,568**	**580.9**

Table 3. Direct impact of Georgia's music industry.

Note: Columns may not sum to totals due to rounding.

in output. Total output for the music industry in Georgia is $580.9 million, and is summarized in Table 3.

In addition to the direct effect of the music industry in Georgia, there are considerable indirect and induced economic effects. We calculate these secondary effects by using multipliers, as described in the appendix, which are provided by the computer input-output program IMPLAN. Before doing this, we must convert 4-digit SIC sectors into 3-digit IMPLAN sectors. The SIC sectors and IMPLAN sectors correspond very well, as shown in Table 4.

In total, the $580.9 million in direct economic activity generates an additional $199.2 million in indirect expenditure and an additional $209.4 million in induced expenditure (Table 5). Thus, the grand total net economic impact of the music industry in the state is $989,494,984. The implicit output multiplier is approximately 1.70, which means that every $1

SIC Code	Industry by SIC Classification	IMPLAN Code	Industry by IMPLAN Classification
2741	Miscellaneous Publishing	178	Miscellaneous Publishing
2759	Commercial Printing, NEC	179	Commercial Printing
3651	Household Audio & Video Equipment	370	Radio and TV Reception Sets
3652	Pre-Recorded Music	371	Phonograph Records and Tapes
3931	Musical Instruments	418	Musical Instruments
5065	Electronic Parts & Equipment	447	Wholesale Trade
5099	Durable Goods, NEC	447	Wholesale Trade
5112	Stationery and Office Supplies	447	Wholesale Trade
5734	Computer and Computer Hardware Stores	453	Furniture & Home Furnishings Stores
5736	Musical Instrument Stores	453	Furniture & Home Furnishings Stores
5932	Used Merchandise Stores	455	Furniture & Home Furnishings Stores
7359	Equipment Rental and Leasing, NEC	473	Equipment Rental and Leasing
7389	Business Services, NEC	470	Other Business Services
7819	Services Allied to Motion Pictures	483	Motion Pictures
7699	Repair Shops and Related Services, NEC	482	Miscellaneous Repair Shops
7922	Theatrical Producers (Excl. Motion Pic)	484	Theatrical Producers, Bands, Etc.
7929	Bands, Orchestras, and Actors	484	Theatrical Producers, Bands, Etc.
8299	Schools and Educational Services, NEC	497	Other Educational Services
8699	Membership Organizations, NEC	502	Other Nonprofit Organizations
8999	Miscellaneous Services, NEC	507	Acctng, Auditing, and Bookkeeping

Table 4. SIC to IMPLAN Bridge.

Source: Authors; IMPLAN Professional V2.0 Data Guide. (1999).

SIC Code	IMPLAN Code /a/	Direct	Indirect	Induced	Total
2741	178	38,500,000	720,396	166,640	39,387,040
2759	179	0	2,955,036	379,285	3,334,322
3651	370	39,500,000	1,601,696	306,097	41,407,790
3652	371	46,000,000	2,499,520	83,651	48,583,170
3931	418	39,250,000	3,408	276	39,253,680
5065,99/5112	447	56,759,550	19,529,830	12,564,150	88,853,540
5734/5736	453	70,851,648	151,592	2,198,846	73,202,090
5932	455	0	361,128	5,236,767	5,597,894
7359	473	1,250,000	1,454,404	365,810	3,070,214
7389	470	120,000,000	6,206,296	1,568,052	127,774,400
7699	482	33,500,000	985,760	300,662	34,786,420
7819	483	0	1,908,089	1,088,435	2,996,524
7922/7929	484	83,500,000	20,863,640	505,873	104,869,500
8299	497	43,250,000	5,188	576,813	43,832,000
8699	502	0	55,912	726,339	782,251
8999	507	8,500,000	12,295,750	1,211,548	22,007,300
All Others		0	127,617,850	182,139,044	309,756,894
Total /b/		**580,861,200**	**199,215,494**	**209,418,288**	**989,494,984**

Table 5. Output Impact.

/a/ Note that only the direct numbers refer specifically to the music-related subcategories within the SIC codes listed. The indirect and induced effects reflect impacts on entire SIC categories, which are much broader. Moreover, IMPLAN categories often contain multiple SIC categories.
/b/ Rows and Columns may not sum to totals due to rounding.

of output by the music production industry has a $1.70 impact on the Georgia economy.

To estimate the employment generated by the music industry (direct, indirect, and induced), we ran the impact analysis again using the employment numbers we estimated from the ReferenceUSA data (as shown in Table 3). By these estimates, which are reported in Table 6, the direct employment of 5,568 people in the music industry generates an additional 1,515 jobs via indirect expenditure and an additional 1,860 jobs through induced expenditure. The total net employment impact of Georgia's music industry is estimated to be 8,943.

SIC Code	IMPLAN Code /a/	Direct	Indirect	Induced	Total
2741	178	149	2	1	152
2759	179	0	17	2	19
3651	370	107	4	1	112
3652	371	220	11	1	232
3931	418	192	0	0	192
5065,99/5112	447	498	69	43	610
5734/5736	453	1,666	2	20	1,688
5932	455	0	5	69	74
7389	470	1,333	31	6	1,370
7359	473	8	4	2	14
7699	482	332	5	2	339
7819	483	0	4	4	8
7922/7929	484	513	127	1	641
8299	497	478	0	5	483
8699	502	0	1	5	6
8999	507	72	131	6	209
All Others		0	1,102	1,692	2,794
Total /b/		**5,568**	**1,515**	**1,860**	**8,943**

Table 6. Employment Impact.

/a/ Note that only the direct numbers refer specifically to the music-related subcategories within the SIC codes listed. The indirect and induced effects reflect impacts on entire SIC categories, which are much broader. Moreover, IMPLAN categories often contain multiple SIC categories.
/b/ Rows and Columns may not sum to totals due to rounding.

As a final effort we estimate the state and local tax impact of Georgia's music industry using what is known as a social accounting matrix (SAM). This matrix is similar to the input-output matrix outlined in the Appendix (in fact the input-output matrix serves as part of the SAM), but accounts for inter-institutional transfers like tax payments, household – household transfers, payments of public assistance, interest payments, and so on. The SAM

makes it possible to calculate the share of each dollar of output that is paid out in various types of taxes, fines, and fees. Using these multiplier-like figures, we can calculate state and local tax impacts, which are presented in Table 7. The state and local total tax impact of Georgia's music industry, including indirect and induced expenditure, is roughly $94.7 million.[17]

	Receipts
Corporate Income Tax	1,316,021
Property Taxes	14,323,565
Sales Tax /a/	62,392,464
Personal Income Tax	8,500,473
Other Revenues	8,198,380
Total	**94,730,903**

Table 7. Tax Impact: commercial music production industry.

/a/ Gross sales figures ($1.9 billion) are used to calculate the sales tax impact.

Conclusion

Given its long and celebrated music history, its status as the home of music legends and up-and-coming stars, and its position as the music capital of the Southeast, the State of Georgia, lead by the City of Atlanta, increasingly has become an important magnet for the commercial music industry. Georgia boasts over 300 recording studios, hundreds of artists (some of whom have international fame), premier venues for performing live music, and a substantial commercial music production infrastructure. The music industry generates $989.5 million in output annually, creating roughly 9,000 jobs and generating over $94.7 million in tax revenues (Table 8). In addition to its substantial contribution to the state's economy, the music industry also makes Georgia a better place to work and live, which has innumerable impacts on the state's economic development strategy.

Output ($mil)	989.5
Employment	8,943
Tax Revenues ($mil)	94.7
Exhibit: Gross Sales ($mil)	1,464.6
Gross Sales, including multiplier effects ($mil)	1,873.2
Total Establishments	1,074

Table 8. Net economic impact of Georgia's music industry.

Appendix: Data and Methodology

Data Collection Process and Sources

Utilizing the *Reference*USA business directory, a service of the federal government's *info*USA databases, we were able to collect a wealth of information on each establishment in Georgia that is included in the music industry as we define it, including company name, full address, telephone number, a range for the number of employees, and a range for the amount of sales.[18]

The *Reference*USA business directory is a near-exhaustive source for business information in that it covers so many primary sources. U.S.-wide, the database covers more than 5,600 yellow and white page telephone directories; annual reports, 10-Ks and other SEC information; federal, state, and municipal government data; chambers of commerce information; leading business magazines; trade publications; newsletters; major newspapers; industry and specialty directories; and postal service information, including change of address updates.[19] The information on each business in the database is telephone-verified every year; firms with greater than 100 employees are telephone-verified at least two times per year. Given the comprehensive coverage of primary sources and telephone-verification, and that the State of Georgia currently does not have a reliable music business directory,[20] we feel confident that the *Reference*USA business directory is the best source for information on music-related establishments in Georgia.

We are able to extract much more reliable data from the *Reference*USA database than we could from census surveys, the typical resource used for data in impact studies. In doing economic impact studies, one typically is forced to roughly estimate the number of establishments, employment, and receipts from four-digit SIC data. There are a couple of problems with this. First, many establishments and data are not reported in government statistical data because they are sufficiently small that they either are not required to report information or are missed. Second, because the information on establishments, employment, and payroll is derived from a census taken only once every five years, the data is almost always out of date. In our case, because 2002 is a census year and the data have not been released, we would have been forced to utilize the 1997 census, and five years in Georgia's music industry is a long time. Finally, because the data is reported at the four-digit SIC code level, one would have to make an edu-

cated guess as to the proportion of the industry class that is made up of music-related businesses, and then use average values for the industry class to estimate employment and receipts. Even with a comprehensive music directory, one would still be required to estimate employment and receipts using data for the average firm in the relevant industry category (which is likely to include mostly firms that are not at all music-related). With the *Reference*USA database, we are able to acquire information that is comprehensive, complete, and up-to-date.

Our only problem with the data is that it provided a range for the number of employees and amount of sales, rather than exact figures. For example, employment categories were "1-4," "5-9," "10-19," and so on, while sales were "less than $500,000," "$500,000 to $1,000,000," etc. To estimate the amount of sales, we simply took the mid-point of the range. For example, if an industry included three establishments, each with sales less than $500,000 and 1 – 4 employees, our estimate for the industry would be $750,000 in sales and 8 employees (rounding).

Input-Output Analysis

In calculating the economic impact of the music industry in Georgia, we make use of input-output analysis. By including in our impact calculation the indirect and induced effects of production in the music industry, the input-output analysis gives a total (and accurate) picture of the output, employment, and income generated by the music industry in the state.

To illustrate the procedure, consider a world with three industries: A, B, and C. In producing its final output, each industry utilizes some of A, B, and C as an intermediate input. The matrix below shows, for each one dollar of output in each industry, the amount in dollars required of all three industries as an intermediate input (in columns):

	A	B	C
A	0.1	0.2	0.4
B	0.2	0.3	0.1
C	0.4	0.2	0.3

Thus, industry A requires $0.10 of its own output, $0.20 of industry B output, and $0.40 of industry C output to produce $1.00 of final industry A output. The remaining $0.30 is made up of capital and labor expenses. This means that every $1.00 of demand for industry A's output generates $1.10 in A output (the $1 expenditure plus the $0.10 of A required as an intermediate input), $0.20 in B output, and $0.40 in C output. The total economic impact of a $1 expenditure on commodity A is thus $1.70, not $1.00. We would say, then, that industry A has a (type I) multiplier of 1.7: every $100 of direct expenditure yields a $170 impact on the economy.

It is clear that any production in industry A generates output, employment, and income in all three industries. The impact does not stop there, however, as the income earned (the remaining $0.30 of expenditure by A spent on labor and capital) will be spent on retail goods and services, housing, etc., which will generate more output, employment, and income, in those industries. In calculating the economic impact of the music industry in Georgia, we consider not only the direct effect (the $1.00 of A), but also the indirect effects (the additional $0.70 of inputs) and the induced effects (from expended income). A type-SAM (social accounting matrix) multiplier represents the sum of these effects, along with an accounting for inter-institutional transfers, and is used in this study to calculate the total economic impact of the music industry in Georgia.

Endnotes

[1] Georgia Music Hall of Fame, accessed at http://www.gamusichall.com/.

[2] ASCAP and BMI license the public performance of musical compositions on behalf of members/affiliates. They also collect and disburse royalty payments in connection with such performances featured in radio, television, jukeboxes, restaurants, arenas, etc. NARAS is best known for presenting the annual Grammy awards.

[3] At the time of this report, the five major distributors are WEA, Sony, BMG, Universal, and EMD.

[4] Personal interview with Colin Morrison, Urban Product Development Coordinator, BMG (July, 2002).

[5] Arbitron Radio Ratings and Media Research Information, accessed at http://www.arbitron.com.

[6] Murray, Sonya, "Instructions On life As A Music Mogul (From One Who Would Know)," *Atlanta Constitution*, Oct. 30, 2001.

[7] Murray, Sonya, "India Rising: Atlanta Singer Leaps From Obscurity To Grammy Glory," *Atlanta Journal and Constitution*, Feb. 24, 2002.

[8] The Recording Industry Association of America is the representative organization of most major recording labels in the United States. It certifies sales of albums in terms of "Gold" or "Platinum" status. Gold status refers to sales of 500,000 units or more up to 1,000,000 at which time platinum status is conferred.

[9] Lovel, Jim, "Hip-hop Incorporated," *Atlanta Business Chronicle*, Feb. 22-28, 2002.

[10] RIAA. Accessed at http://www.riaa.com/.

[11] Hall, Charles and Frederick Taylor, *Marketing In The Music Industry*, 3rd edition, (Boston, Mass.: Pearson Custom Publishing, 2000).

[12] Music Midtown. Accessed at http://www.musicmidtown.com/.

[13] Atlantis Music. Accessed at http://www.atlantismusic.com/.

[14] Ware, Tony, "Get Schooled, URB's College Special: The Top 10 U.S. Schools and Scenes," Sept., 2002.

[15] The SIC was developed in order to classify establishments by type of economic activity in which they are engaged and for promoting uniformity and comparability in the presentation of statistical data collected by numerous agencies. The North American Industry Classification System (NAICS) is an alternative system produced

jointly by Canada, Mexico, and the United States.

[16] Theoretically, we could do this for all firms by subtracting the value of intermediate goods, leaving us with a measure of "value-added." We use output instead to keep in line with standard approaches in impact analysis. Moreover, data considerations would make this kind of exercise nearly impossible. We believe that sales are a reasonable measure of output for non-wholesale, non-retail firms.

[17] The federal tax impact is $107.4 million.

[18] The database also includes names of company officers with contact information and various other data.

[19] See the *Reference*USA web site's FAQ page, which can be accessed at http://www.referenceusa.com/au/au.asp.

[20] We did acquire the latest version (1999) of the *Atlanta Music Directory*. However, we were able to identify a larger number of firms in the Atlanta area using *Reference*USA than were contained in the *Atlanta Music Directory*, which suggests that many establishments were missed in that publication.

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Are Music Recording Contracts Equitable? An Economic Analysis of the Practice of Recoupment

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1. Introduction

The contractual and financial relationship between a record company and the performing artist appearing on a sound recording continues to be one of the most controversial issues in the music recording industry. The recording contract is an agreement in which the recording artist agrees to create one or more sound recording titles that will be manufactured, distributed, and promoted by the record company. The controversy surrounds the practice of recoupment, in which a record company recovers a range of expenditure items, such as the cost of producing the master recording, from artist royalties. The terms and conditions of the recording contract reflect the relative strength of the two parties to the bargaining process. Numerous stories circulate of corporate rip-offs in which hit-selling recording artists receive little if any royalty income, despite selling hundreds of thousands, and in some cases, millions of albums. Legendary blues artist Muddy Waters, for example, still owed his record company around $56,000 in unrecouped expenses in 1985 despite producing numerous best-selling hit records. Perhaps in recognition of this inequity, the record company paid his estate around $25,000 in royalties generated that same year, effectively retiring this debt (Holland, 1995). The perceived inequities in so-called "standard recording contracts" have attracted much attention in recent years. A vocal proponent of artist rights is The Future of Music Coalition, advocating new business models and remuneration policies. They would likely concur with the description of recoupment practices as "abhorrent" (J. Rosenthal in Holland, 2001). The formation of the Recording Artist Coalition (RAC) is yet another front on which established record industry practices are being challenged, particularly contract clauses that tie artists to long-term multiple album deals.

This paper investigates the economic principles that underpin the contractual and financial relationship established in a recording contract, and

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in particular, the risk and return that each party to the investment is exposed. This analysis provides a pictorial view of sales volumes at which a record company achieves breakeven point and artists become recouped. This exploration of the underlying economic relationships facilitates a more informed assessment of the equity of the practice of recoupment. A range of recoupment structures are investigated and income shares are compared beyond the breakeven and recoupment sales volumes for the record company and artist respectively. A consequential benefit is the insight provided into the cost structure and pricing strategies of record companies.

The organization of this paper is as follows. Section two outlines the creation and production process in the music recording industry. This provides the foundation for the evaluation of a typical record company's cost structure presented in section three. This section includes an analysis of the breakeven (BE) sales volume and the impact of recoupment on record company profit and artist royalty income. Section four illustrates how record companies utilize the practice of procurement to minimize risk, whereby profits on successful titles effectively cross-subsidize speculative investments in new title releases. Section five proposes a more transparent and equitable remuneration structure. Conclusions are presented in a final section.

2. The Creative and Production Process

A song (musical work) is the "raw material" of the music industry. It is the essential ingredient or input into the production of a sound recording: the fixation of a specific performance of a musical work to a sound carrier. A sound recording is the principal output or final product of the music industry. Other outputs include live performances, radio broadcasts, music videos, and sheet music. The creation of the musical work itself incorporates two elements—the lyrics and the musical composition. Copyright in the lyrics and musical composition coexist and may be owned by one or more individuals (the creator/s). The term songwriter is hereafter used to collectively refer to the lyricist and composer. The role of the record company is to transform a musical work into a marketable commodity—the sound recording. The transformation of a musical work into a sound recording can be an expensive and high-risk endeavor.

> For most CD/cassette releases, sales of over 250,000 units (all audio formats) are required for a record company

> to recoup its investment. Yet, over 80 percent of new releases never even reach the breakeven point (Fink, 1996: 94)

Estimates of the proportion of new titles that are financial failures range from 80 to 90 percent. A successful sound recording is, nonetheless, a valuable asset capable of generating tens (or even hundreds) of millions of dollars in revenue. The process from creation of the musical work to the production of the sound recording is summarized as follows. The songwriter typically enters into a contract with a music publisher that is responsible for the commercial application of the songwriter's musical work. Where the songwriter is also the performer, the publisher may assist in securing a recording contract with a record company. The publisher typically receives a percentage share of all publishing revenues generated from the commercial application of the musical work. The publisher or artist manager negotiates a contract with a record company to record the musical work, that is, to produce a sound recording. The record company invests a sum of money by way of a recording advance paid to the artist or group of artists performing the musical work.[1] The artist, in collaboration with the record company, engages a record producer to record the musical work and produce a master recording. It is from the master recording (which is typically owned by the record company) that multiple copies of the sound recording are manufactured, either in CD pressing plants and/or audiocassette duplication plants.

Distributors are responsible for the timely delivery of the product to retailers, typically coinciding with a marketing and promotion campaign for the sound recording. The marketing campaign incorporates a range of activities including advertising, publicity, radio airplay, music TV, and live performances. Attending concerts, listening to radio, and watching music television programs are consumption activities in their own right and generate income for publishers, songwriters, and performers alike. However, each of these outputs are intrinsically linked to the key output of the music industry, the sound recording, and form part of a coordinated marketing and promotion strategy designed to maximize record sales.[2]

For most first-time recording artists, there is little room for negotiation. The result is what has become known in the industry as a standard recording contract. The key clauses relating to remuneration and recoupment favor the record company and essentially identify a set of circumstances within which the record company can reduce artist royalty pay-

ments. This bias reveals a fundamental truth about the record company – artist relationship; artist royalties are perceived as a cost of production and are accordingly minimized. The investor relations department of Universal Music Group identifies the building blocks of a strong recording business to include long-term contracts and cross-recoupment of albums (Vivendi, 2002). The former strategy ensures that successful artists are tied to the record company for multiple titles, typically on terms dictated by the original contract. The latter ensures that recoupable expenses not recovered on one title can be recovered from artist royalties payable on another. For example, consider an artist who is recouped on the first title and begins to receive royalty income. If a second title is released, royalties payable on the first title will be used to recoup expenses relating to the second title. This can considerably erode artist income and, if the follow-up album is unsuccessful, enables the record company to minimize risk and maximize returns to its investment.

These contractual and financial arrangements determine the distribution of income from the sale of a sound recording as presented in Table 1. The record company is obliged, under contractual arrangements, to pay a royalty to the publisher (songwriter) and the performing artist for each copy of the sound recording sold. The royalty paid to the publisher is called the mechanical royalty and is paid in recognition of the songwriter's copyright

Income Component	Percentage	Australian Dollars
Artist Royalty	5%	$1.45
Mechanical Royalty	6%	$1.88
Manufacturing	3%	$1.00
Sales Tax	11%	$3.00
Retailer	28%	$8.25
Record Company	47%	$14.07
Total (Retail Price)	100%	$30.00

Table 1. Distribution of income from a CD.

Source: Dwyer, 1998. NB: Figures in this table relate to Australian data.

in the musical work embodied in the sound recording (in Australia: $1.88 [Australian Dollars] or 6% of the retail price). In addition, the recording contract with the performing artist obliges the record company to pay an artist royalty in recognition of the artist's copyright in the specific performance of the musical work embodied in the sound recording.

The manufacturing (duplication) cost is relatively insignificant at $1.00 *[Editor's Note: all costs in this paragraph are in Australian dollars]*, and represents only 3% of the retail selling price. The Australian government collects $3 per CD in sales tax (11%) while the retail margin is 28% of the retail price ($8.25). By far the largest share of the retail price, 47% ($14.07), accrues to the record company. The record company share might seem somewhat excessive, particularly given the intellectual property is created by the artist and/or songwriter. Closer inspection of the cost components reveals that record company profits may not be as lucrative as they might first seem. This revenue will contribute to the recovery of a range of costs including distribution ($0.63), administration ($1.71), publicity ($2.16), marketing ($1.41), and production of the master recording ($0.75), leaving the record company with an estimated earning (before tax) of approximately $6.66 per unit.[3] Moreover, profits on successful titles must be sufficiently large to cover losses on unsuccessful titles. Having outlined the basic contractual and financial relationships, we now investigate the cost structure of a record company more closely.

3. Physical and Intellectual Costs of Production

To understand the cost structure of the recording sector of the music industry we need to have a clear understanding of the nature of the product. Record companies are multi-product firms. Each artist's sound recording is unique, the production of which requires a substantial investment by the record company. The relevant quantity measure for a record company is therefore not simply the number of units sold but also the number of sound recording titles (referred to as albums or records) released per time period. Each title involves a distinct production activity in its own right, including an investment in research and development (R&D).

The role of the Artist and Repertoire (A&R) department is to "discover" the next superstar artist, capable of creating one or more high-selling or "hit" records. The A&R activity is akin to the R&D activity in the pharmaceutical sector in which scientists conduct research to discover the next wonder drug. While there exists an oversupply of artists, rivalry be-

tween record companies to sign specific artists thought to have superstar potential can be quite intense. That A&R is an inexact science is evidenced by the numerous artists that have been passed over by some record companies and artist managers who go on to become international superstars (examples include the Beatles and Savage Garden). Negotiation between a record company and the artist manager culminates in a recording contract, the duration of which typically covers a number of sound recording title releases.

Investment opportunities (artists and their songs) are evaluated and ranked according to a set of financial criteria. The A&R department acts as a filtering system for the record company, short-listing prospective investment opportunities and presenting these to management for consideration. Only a small proportion of artists secure recording contracts. The record company subsequently invests in the development and production of the artist's sound recording. Table 2 presents establishment costs and other expenditure items for a sample title produced by an anonymous record company.[4] The financial strength of individual record companies varies considerably, as does the level of investment in the production and marketing of individual sound recordings. For illustrative purposes we assume that the data contained in Table 2 depicts a typical sound recording title released by one of the big five multinational record companies which is expected to be an international hit record (the majors have a combined global market share of around 85%). A total of $US5.55 million dollars, excluding manufacturing (duplication) and distribution costs, was invested in the development and marketing of this particular sound recording title. This represents a fixed cost and exposes the record company to considerable financial risk.

The recording contract typically provides for an advance to cover the recording costs, $750,000 in our example, which is then recouped from future record sales by way of a deduction from artist royalties. In this way, the record company partially covers the risk arising from the unpredictable demand for a new sound recording title release. The record company also invests in the marketing and promotion of the artist's sound recording, which incorporates television and radio advertising, as well as a series of promotional performances. In this example, the record company invested $2 million in the marketing campaign for the title. Another $1.2 million was spent on retail product placement, tour support, and other advertising measures during a six month advertising campaign. This followed the release of the title in an attempt to boost sales (Philips, 2001). It is widely acknowledged

Expenditure	U.S. Dollars	Recoupable Items (a)
Recording Advance	750,000	750,000
Marketing Campaign	2,000,000	500,000
Music Videos	800,000	400,000
Independent Promoters	800,000	400,000
Retail Product Placement & Tour Support	1,200,000	
Total	**$5,550,000**	**$2,050,000**
Duplication Cost	1.00	
Distribution	1.00	
Artist Royalty (a)	1.50	
Mechanical Royalty (a)	1.50	
Marginal Cost	$5.00	

Table 2. Cost of Production: Sample Sound Recording Title.

Source: Philips (2001)
(a) Hypothetical values included for illustration purposes.

in the industry that radio airplay is a key determinant of sales. For this reason a further $800,000 was expended on independent promoters, whose job it is to lobby radio programmers to have a song from a new title added to a radio station's play list.[5] Most recording contracts will require more than just recording-related costs to be recouped from artist royalties. Recoupable items may include promotion, tour support, video production, and independent promoters, and can vary from 50 to 100 percent of each expenditure item.[6]

There is considerable controversy over this aspect of recording contracts. Many artists, and their managers, believe that record companies use their considerable market power to exploit them and impose unfavorable contract terms and conditions. Recoupment of marketing and promotion expenses is seen as shifting both the cost and risk of the investment onto the artist. Having recouped the recording cost from artist royalties it is ar-

gued, in some quarters, that the artist should own the master recording, since copyright law generally bestows ownership to the party that pays for the recording. Particularly vocal on this issue is singer-songwriter Courtney Love who describes what she believes to be grossly unfair recording contracts as piracy. This somewhat creative definition of piracy is based on the view that these contracts amount to stealing an artist's copyright and income. Love outlines a hypothetical scenario in which a band receives a 20% royalty (which she acknowledges is impossible to negotiate) on the sale of 1 million copies of a new sound recording title. Despite a $1 million dollar advance, most of which is spent on production of the master recording, each member of the band receives a relatively modest $45,000 income from the advance. The royalties that would otherwise have accrued to the band are used to recoup the initial advance and a range of marketing and promotional expenditures. The emotion and animosity that this issue generates with some artists is illustrated in the following quote:

> Story after story gets told about artists, some of them in their 60s and 70s, some of them authors of huge successful songs that we all enjoy, use, and sing, living in total poverty, never having been paid anything. Not even having access to a union or to basic health care. Artists who have generated billions of dollars for an industry die broke and uncared for. And they're not actors or participators. They're rightful owners, originators, and performers of original compositions. (Love, 2000: 3)

Record Companies, in their defense, argue that the contractual arrangements, including the practice of recoupment, are necessary given the considerable uncertainty and consequential risk associated with investing in a new artist and sound recording title. Indeed, the data released to *The New York Times* for the Philips article, was an attempt to demonstrate the size of the individual investments and the considerable financial risk borne by individual record companies. In this view, the mega-profits that artists point to (generated on a relatively small percentage of titles) are necessary to recover the substantial losses incurred on the majority of titles that fail to break even. The major record companies contend that only around ten percent of title releases are financially successful (Philips, 2001).

The size of the investment in the production and promotion of the sound recording will be commensurate with the projected sales of the specific title, and this will vary from artist to artist, and reflect the financial strength of the individual record company. With this cautionary note in mind, the expenditure data presented in Table 2 prove useful in evaluating a record company's cost structure and the sales required to break even on an artist's sound recording title.

4. Record Company Costs and Revenues

The foregoing discussion is useful in facilitating a better understanding of the physical and intellectual property characteristics of the product and the risk undertaken by artists and record companies alike. A construction of costs and revenues utilizing elementary microeconomic tools facilitates a comparison of the firm's breakeven sales volume to the volume of sales at which the artist is recouped. The familiar cost function for a typical firm is:

$$TC = TFC + TVC \qquad (1)$$

where TC is total cost, TFC is total fixed (establishment) cost and TVC is total variable cost. For a record company, TVC for an artist-specific title has a number of components and are assumed to be:

$$TVC = MPC.Q + DIST.Q + R_A.Q + R_P.Q \qquad (2)$$

where MPC is the marginal physical cost (that is, the manufacturing or duplication cost), $DIST$ is the distribution cost, R_A is the artist royalty, R_P is the publishing (or mechanical) royalty and Q is the quantity of sound recordings manufactured. Substituting equation (2) into (1) we obtain:

$$TC = TFC + MPC.Q + DIST.Q + R_A.Q + R_P.Q \qquad (3)$$

Differentiating equation (3) with respect to Q we obtain:

$$dTC/dQ = MPC + DIST + R_A + R_P \qquad = MC \qquad (4)$$

Equation 4 depicts the record company's marginal cost of production *(dTC/dQ*) (which we represent with the symbol *MC)* and clearly illustrates the physical component (*MPC* + *DIST*, hereafter represented by the symbol *MPC*) and intellectual property component ($R_A + R_P$) of the sound recording. These components of *MC* are presented in Figure 1.

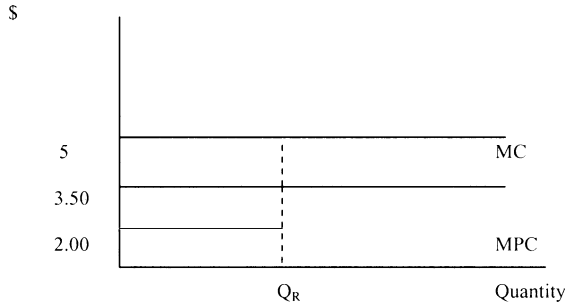

Figure 1. Marginal cost of production.

To illustrate the breakeven point for our representative record company, we assume a wholesale selling price (published price to the dealer, or PPD) of $10. The firm's profit function is:

$$\Pi = P.Q - [TFC + (MC.Q)] \qquad (5)$$

where Π is economic profit and P is the selling price (PPD). Substituting data from Table 2 (where fixed costs of $5.55 million are expended and marginal cost is $5) we obtain:

$$\Pi = 10.Q - [5{,}550{,}000 + 5(Q)] \qquad (6)$$

The breakeven point occurs at a volume of sales where total revenue (*P.Q*) is equal to total cost (*TFC* + *MC.Q*). Breakeven sales can be identified by solving for *Q* in equation 6, when $\Pi = 0$. Setting profit to zero and rearranging (6) we obtain:

$$10Q = 5{,}550{,}000 + 5Q$$
$$5Q = 5{,}550{,}000$$
$$Q = 1{,}110{,}000$$

That is, the breakeven volume of sales for our sample title is 1.11 million sound recordings. This is depicted diagrammatically in Figure 2 as the intersection of TR_1 (depicting the total revenue function) and TC_1 (the total cost function). This would appear to be the volume of sales required for the record company to recoup its investment; and any sales beyond this volume generating a profit.

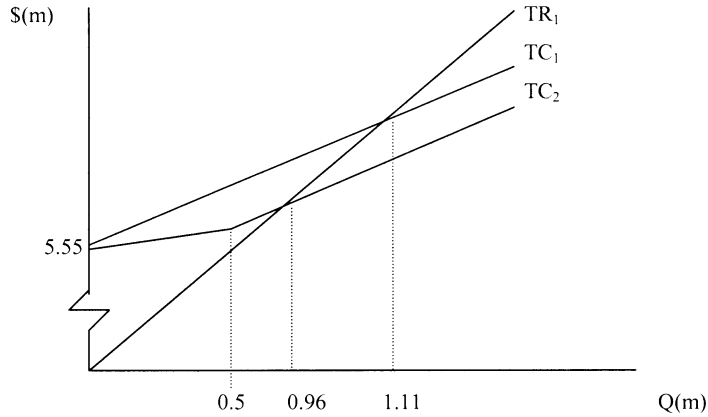

Figure 2. Breakeven sales: recoupment scenario one.

Recall, however, that the contractual arrangement with the artist enables the record company to recoup its investment in the production of the sound recording and other marketing and promotion costs from artist royalties. To illustrate how the contractual arrangement regarding the sharing of investment costs (recoupment) between the artist and record company can impact their respective financial positions, we develop two scenarios. In scenario one only the recording advance is recouped, while in scenario two, the more likely scenario of additional recoupable expenses will be considered.

Recoupment Scenario One

Assuming a contractual arrangement in which only the recording advance is recoupable, the artist will be recouped at a sales volume of 500,000 units. This sales volume is simply derived by dividing the value of the recording advance by the value of the artist royalty (750,000/1.50 = 500,000). Technically the record company is obliged to pay the artist a royalty on

each and every copy of the sound recording sold. In reality, the artist commences with a debt of $750,000 and the record company, having already advanced $750,000 to the performing artist, does not pay artist royalties on the first 500,000 sales. TC_1 in Figure 2 therefore overstates the actual cost function faced by the record company. The marginal cost of production up to a sales volume of 500,000 will be $3.50 ($MC$ - R_A)[7]. For every unit sold beyond 500,000 the record company must pay the artist royalty. This produces a discontinuous marginal cost curve as depicted in Figure 1, where MC is $3.50 up to Q_R (500,000 units), the sales volume at which the artist is recouped, and $5.00 thereafter. As a result, the total cost curve (TC_2) has a gradient of (MC - R_A) up to 500,000 units and a gradient equal to MC thereafter. The point of inflection of TC_2 in Figure 2 coincides with the discontinuous section of the marginal cost curve and represents the volume of sales at which the artist is recouped. The practice of recoupment means that, in reality, the record company's breakeven sales volume is not 1.11 million units, but instead occurs at a volume of sales equal to 960,000 units and coincides with the intersection of TR_1 and TC_2 in Figure 2. As depicted, the artist begins to earn royalty income (on each sale beyond 500,000 units) before the record company's breakeven point (at 960,000 units). From the record company's perspective, which has invested substantial income in the development of the title, this would be an unacceptable proposition. In practice, contractual arrangements typically allow the record company to recoup a range of costs inclusive of the recording advance and it is to this scenario that we now turn.

Recoupment Scenario Two

In this scenario, we assume that the contractual arrangement enables the record company to recoup the range of expenditure items as depicted in Table 2. The items listed in column three total $2.05 million. As such, the artist will remain unrecouped until the title sells ($2,050,000/1.5=) 1,366,667 units. The record company will face a marginal cost curve of $3.50 up to 1,366,667 units and $5.00 thereafter. This produces the total cost function depicted by TC_3 in Figure 3 and the breakeven point for the record company is now 853,846 units[8]. In contrast to recoupment scenario one, the record company generates a profit well before the artist is recouped. As depicted, the volume of sales at which the artist is recouped (1,366,667 units), the record company generates a profit of Π_1.

Clearly, the practice of recouping a proportion of establishment costs from artist royalties effectively shifts some of the financial risk from the record company to the artist, thereby reducing the breakeven point and improving profitability. While this has been a bone of contention between artists and record companies for many years, it is noteworthy that, as depicted in recoupment scenario one, the artist begins to earn royalty income after 500,000 units which is well before the record company reaches breakeven point, let alone earns a profit. This situation is reversed in recoupment scenario two with the record company earning profits before the artist is recouped. The challenge is to find an appropriate balance of financial risk and income sharing that is equitable for both parties.

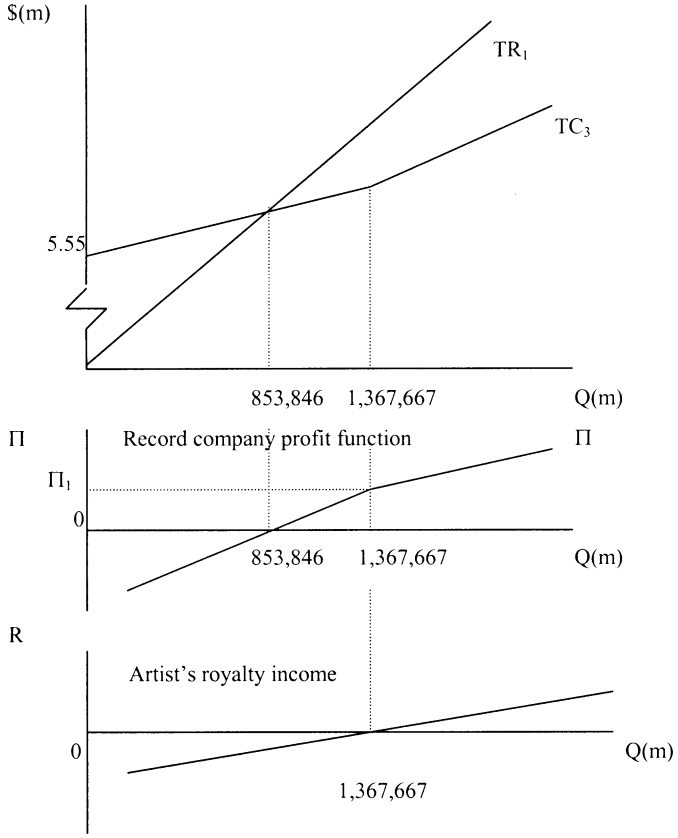

Figure 3. Breakeven sales: recoupment scenario two.

The anonymous record company illustrated in this example, sold around 100,000 units of the sound recording title and incurred a substantial loss. The artist was dropped from the record company's artist roster and no additional investment in the title or artist would take place. Recording advances are typically non-refundable and the artist's debt is effectively retired. For the record company, the small percentage of successful investments (between 10 and 20 percent of titles released) must cover the losses incurred from all unsuccessful releases. This suggests that, while a record company will generate profits on sales of a specific title beyond 853,846 units (as depicted in Figure 3), it will not break even on overall title releases until profits generated from successful releases cover losses incurred on all unsuccessful releases. This cross-subsidization of speculative investments in new sound recording titles is now investigated more thoroughly.

5. Cross-Subsidization as a Risk Management Strategy

The record company is a multi-product firm, releasing multiple sound recording titles per time period. There are two countervailing forces that will determine the specific number of titles released. One the one hand, rivalry between record companies and the desire to sign the largest proportion of successful artists, will encourage record companies to increase the number of record contracts offered per time period and thereby, increase the number of titles released. On the other, high establishment costs combined with stochastic demand encourage record companies to limit the number of titles released per time period. For the record company, the probability of releasing an unsuccessful title and incurring losses is compensated for by the probability of releasing a successful title on which substantial profits can be generated.

To illustrate the effect of stochastic demand on the firm's decision making let us consider a hypothetical scenario in which a record company faces an investment environment in which, based on previous experience, only one in five title releases is profitable, two titles break even while the remaining two titles incur a loss. The losses incurred by the record company on unsuccessful releases must be covered by profits generated on successful title releases. In this sense, profits from successful releases subsidize speculative investments in new artists and sound recording titles. This means that the cost function of the successful title will incorporate a margin to cover the expected losses incurred on unsuccessful title releases.

These losses may be thought of as unrecouped R&D investment or establishment costs necessary to release multiple titles per time period. To capture this cross-subsidization we can conceptualize the cost function presented in equation (3) incorporating a variable that represents the unrecouped investment in unsuccessful releases. That is,

$$TC = \lambda + TFC + MC.Q \qquad (7)$$

where λ is a margin required to capture the unrecouped investment (loss) incurred on unsuccessful title releases. This would shift the *TC* curve upward at every output level by a value of λ and increase the breakeven sales volume for a successful title. The recoupment of losses on unsuccessful titles (λ) shifts the title specific total cost curve upward to TC_2, as depicted in Figure 4, raising the breakeven sales volume from Q_1 to Q_2. The profit function shifts downward by a factor of λ, and as depicted, the record company will not generate profits until sales of the successful title exceed Q_2.

Considered from the artist's perspective, there are a large number of artists, only a very small percentage of which will receive record contracts. Of these, only about one in ten will be successful. In this context, artists' investments of time, money, and effort would, in economic terms, seem somewhat irrational. The balance of probabilities is stacked against them. This seemingly irrational behavior might be explained by the desire for fame, wealth, and the promise of a glamorous lifestyle. For others, the opportunity costs might be relatively insignificant or they may be risk takers. The non-refundable recording advance further encourages artists since (opportunity costs aside) the financial risk is borne by the record company. Few artists fulfill the dream. The foregoing illustration demonstrates that an investment of millions of dollars expended on recording, marketing, and promotion does not guarantee success. Recall that an artist does not receive income (beyond the initial recording advance) until he or she is recouped. What might be perceived by consumers and aspiring superstars as success (music videos, radio airplay, and tens of thousands of record sales) may in fact be a failed investment, for both the record company and the artist alike.

6. Towards a More Equitable Remuneration Model

There are numerous models that one can propose, limited only by the imagination of the negotiators. Despite this, there have evolved a number of industry practices, the prevalence of which has resulted in the so-called

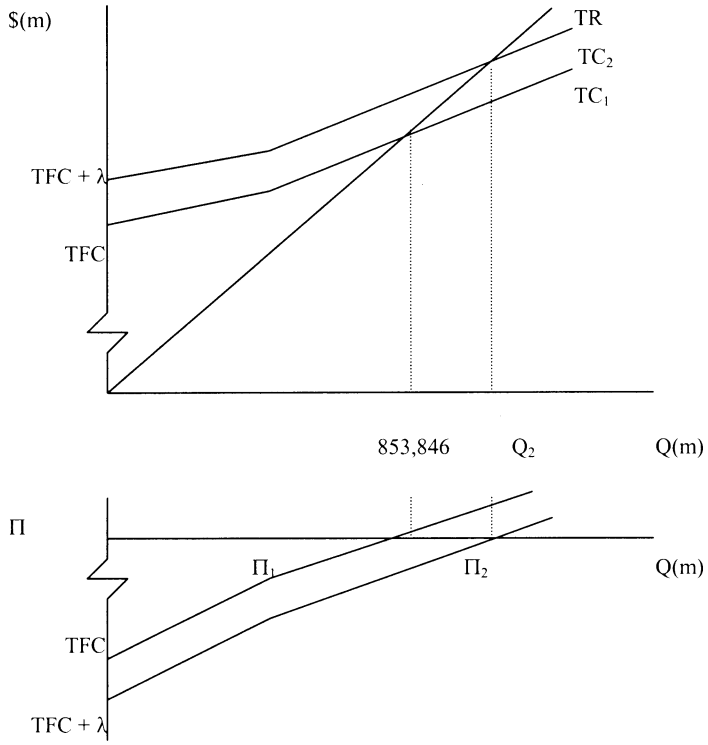

Figure 4. Breakeven sales with cross-subsidization.

standard recording contract. While there is, in practice, considerable variation between contracts, many features are fundamentally the same. What is perceived as equitable will depend very much on which side of the negotiating table one sits. The proposed model follows logically from the preceding analysis and is based on the underlying principles of transparency and equity. Transparency, whereby all expenditure associated with the production and release of the new sound recording title is made explicit, is necessary for both parties to clearly identify the breakeven sales volume. While equity is subjective, an equitable contract is here defined as one in which both parties share in the profit generated from the commercial exploitation of the musical work beyond the breakeven point. That is, each party ought to begin to enjoy a return for its respective intellectual property rights and financial risk beyond the breakeven point. The recoupment scenarios outlined above do not satisfy this definition of equity. Moreover, transparency

with respect to costs is not a feature of the typical record company – artist relationship. Record companies have traditionally been secretive about what is considered to be commercially sensitive information. Indeed, audit provisions in recording contracts typically exclude an audit of manufacturing data, severely restricting the artist's ability to conduct an informed assessment of the financial reporting responsibility of the record company.

By definition, establishment costs are recovered at the breakeven point. To ensure that both parties enjoy a reward for their respective intellectual property beyond this threshold level of sales, the recording contract could allow for a fraction (κ) of the artist royalty to be paid to the artist (that is, quarantined from recoupment) while the balance ($1-\kappa$) is recouped and used to retire the artist's debt to the record company. That is, the profit contribution per unit sold (Π_c) beyond the breakeven point would be:

$$\Pi_c = PPD - (MPC + DIST + R_M + \kappa R_A) \qquad (8)$$

Three stages of production would be identified and the value of κ adjusted accordingly. At sales volumes below the breakeven point $\kappa = 0$, while $\kappa < 1$ beyond the breakeven point where the artist remains unrecouped, and finally $\kappa = 1$ for sales beyond the volume of sales required for the artist to be recouped. The value of κ between the breakeven and recoupment points would be negotiated between the parties and would ensure that both the record company and artist share in the rewards of a successful title release. Its value could also reflect the need for the record company to recover losses on unsuccessful titles.

To illustrate let's assume that the parties agree to allocate a fraction of royalties to help recover unrecouped losses on unsuccessful titles (λ), say 0.2, and the balance to be split equally until the artist is recouped ($\kappa = 0.4$). This profit-sharing model requires a payment of κR_A, in this case 0.4 ($1.50) = $0.60, for each sale beyond 853,846 units (the breakeven point). Accordingly, beyond the breakeven point the artist would have two royalty income functions as illustrated in Figure 5. In practical terms this means that the artist's royalty statement would identify two royalty payments beyond the breakeven point—one that is quarantined from the practice of recoupment (and accompanied by a check) while the other continues to repay the recording advance and other mutually agreed expenses. It might also be deemed necessary to continue to apply a discount on royalties to recover λ beyond the recouped sales volume to some agreed threshold sales. From

the artist's perspective, this may be a small price to pay for the transparency required to implement this remuneration model. This still leaves unanswered the difficult question of what are "reasonable" expenses to be recouped.

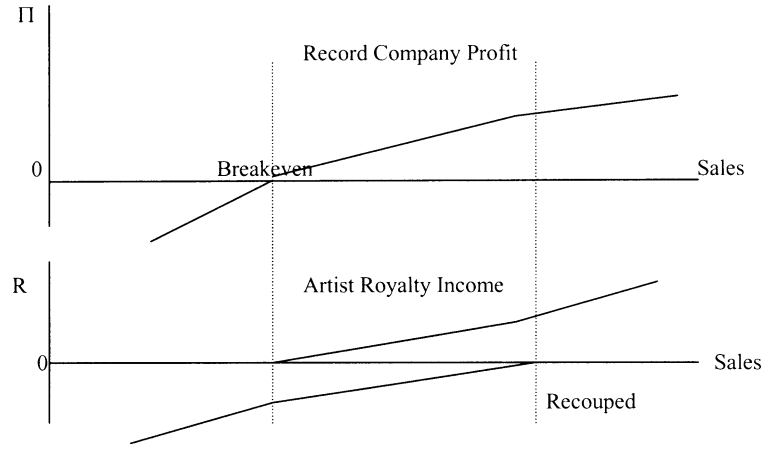

Figure 5. Income sharing model.

The proposed model differs from current practice in one important respect: both the artist and the record company share in profits generated by the artist's sound recording beyond the breakeven sales volume. Its adoption requires a revolution in the traditional approach to the contractual and financial relationships, where the artist royalty is not seen as a cost to be minimized. Rather the artist would in actuality become a business partner who is rewarded for an essential contribution to the creation of a marketable product. Given the range of costs that have traditionally been recouped from artist royalties, it seems reasonable that artists (through their management) should participate in the formulation of production and marketing plans and be privy to all such costs associated with the marketing and distribution of the specific titles. This would go some way to reducing the animosity that often arises between these parties. The greatest obstacle to the implementation of such a model is that the balance of power in the negotiation process for new recording artists lies with the record company, which effectively sets the contractual terms. Failing some commercial imperative to do so, record companies may be unwilling to embrace the transparency requirements that this model requires. Digital distribution of sound

recording over the Internet provides the opportunity for artists to circumvent record companies and distribute music directly to consumers. While business models in the new economy are still evolving this may be the catalyst for change.

7. Conclusions

The analysis presented in this paper reveals a fundamental truth about the relationship between the artist and the record company. For the record company, artist royalties are a cost of production, which any profit-maximizing firm will attempt to minimize. However, a contractual arrangement that enables a record company to generate a profit while the artist remains unrecouped is to place greater value on financial capital than on intellectual capital. The proposed profit sharing model enables record companies to continue with the practice of recouping a proportion of establishment costs against artist royalties at a rate of 100% up to the breakeven point and at some mutually-agreed fraction between the breakeven point and the volume of sales at which the artist is finally recouped.

To the extent that this lowers profit on successful titles, record companies might respond by adopting a more conservative stance and reduce the number of speculative investments on new sound recording title releases. While this may favor successful artists, it could result in a lowering of musical diversity as artists performing in non-mainstream music genres find it increasingly difficult to secure a recording contract. Altruism aside, there seems no compelling reason for successful artists to effectively subsidize speculative investments in what are, in the majority of cases, commercially unsuccessful investments. While the proposed model might seem intuitively appealing and compelling in its logic, it demands a level of transparency and cooperation not hitherto observed in this industry.

Endnotes

[1] Hereafter we use the term artist to describe either a solo performing artist or a group of artists (band).

[2] This is a simplification of the organizational structure of the music industry and focuses on the production and distribution of the sound recording. Other income generating activities, including live performances and merchandising, are not dealt with here.

[3] These estimates are based on estimated proportional share of cost components reported in the Prices Surveillance Authority (PSA) (1990) inquiry into the price of sound recordings.

[4] Executives of the U.S. offices of Universal, Warner, Sony, BMG, and EMI provided Philips, (2001) with access to internal budgets and cost-analysis data for dozens of recording projects. Information disclosed was subject to a confidentiality agreement to retain anonymity for both the record company and the artist. The data in Table 2 details actual expenditure by one of the major record companies for an artist specific sound recording title.

[5] This practice was introduced in the 1980s and lead to the payola scandal in which the majors were accused of attempting to raise barriers to independent record companies by raising the cost of radio airplay.

[6] The recoupable items and values presented in Table 2 are hypothetical values as contract details were not provided for the sample title.

[7] Mechanical royalties are normally quarantined from the practice of recouping costs from royalties.

[8] $10(Q) = 5.55 + 3.5(Q)$, for Q we obtain 853,846 units.

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An Analysis of Economic Trends in U.S. Music Industry Capitals: 1995-2003, with Implications for Music Industry Education

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Introduction

The record industry is reported to be experiencing a downturn in the sale of its products. *Mix* magazine's recent special report, "What Can Save The Music Industry," is reflective of a growing number of published articles from industry insiders and observers over the past three years predicting the downturn. The Recording Industry Association of America (RIAA), National Association of Recording Merchandisers (NARM), Video Software Dealers Association (VSDA), and the International Federation of the Phonographic Industry (IFPI) indicate that the recording industry, both domestic and foreign, has experienced significant declines in record sales over the last three years. RIAA reported that the overall size of the recording industry based on manufacturer shipments at suggested retail prices decreased from $14.323 billion (2000), to $13.74 billion (2001), to $12.614 billion (2002), to $11.854 billion in 2003. (RIAA Statistical Report, 2003)

In one of the *Mix* magazine articles, RIAA claimed that a 26% decline in record sales from 2000 to 2003 had occurred primarily due to file sharing of recorded product over the Internet by high school and college students (Jackson, 2003). NARM, RIAA, and IFPI reported significant declines in recorded product sales from 2000-2003. In an attempt to reverse the perceived economic downturn of their industry, the RIAA enacted what some would consider desperate measures. In various news outlets, periodic reports of possible charges brought against minors for music copyright violations (Internet file swapping) with the RIAA holding parents financially liable for their children's malfeasance and seeking damages, often in excess of ten thousand dollars per occurrence, have been observed. Media commentary of these events often portrays the RIAA as a group of big businesses ruining the lives of children and their parents.

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An additional area of concern for the record industry is the less-than-stable business climate of the broadcast industry. Federal Communications Commission (FCC) relaxation of guidelines for radio station ownership and programming content are upsetting the traditional business environment that the record labels and radio broadcasting conglomerates have previously enjoyed (Clark, 2003). Congressional challenges to recent FCC regulations may also serve to perpetuate caution by record labels as to where, and with whom, to invest promotional dollars. Due to the aforementioned, label executives are claiming that the glory days of the record industry, commonly perceived to be the mid-1990s, have passed and will be replaced by an era noted for a declining number of labels destined for eventual extinction (Jackson, 2003). Label executives are also predicting that a domino effect from shrinking record sales will negatively impact other sectors of the music industry as well (Franklin, 2003). For example, when record labels cannot afford to adequately finance their star acts or emerging artists, an inevitable dampening of the creative and entrepreneurial climate in the label-supported fields of recording, publishing, songwriting, video production, and concert promotion will become a reality.

Is the music industry experiencing a downturn, or perhaps a business or technological restructuring cycle? A proper examination of this question should begin with a consideration of whether the record industry has ever encountered such dramatic challenges to its existence in the past. The history of the record industry will provide the context for this discussion. A brief review of extant scholarly analysis on the history of the U.S. music industry, and its economic impact, is contained in the following section.

Review of Literature

Relatively few scholars have chosen to examine the history and economic impact of an industry as large as the record industry. It must be noted, however, that numerous books, magazines, and articles have been published about this industry which have not been subject to scholarly review. Nevertheless, sufficient literature exists to provide historical context for this examination.

The first known treatise on the history of the record industry, *From Tin Foil to Stereo—Evolution of the Phonograph*, was published in the 1950s (Read & Welch, 1959). As the title suggests, the authors' focus was to trace the technological advancements within the recording industry. Information concerning the early years of the record business depicted a fledgling in-

dustry struggling to survive in the midst of technological advancements. Read and Welch's (1959) research was shown to have inspired subsequent works by authors such as Schicke (1974) and Gelatt (1977).

A decade later, Malone (1968) published a comprehensive history of country music which included a more detailed reading of the development of the business side of the record industry. He identified the birth of the record industry in 1890 and traced its development through the mid-1960s. Of particular interest to this study is his explanation of the periodic economic downturns within the record industry. For example, Malone explained that the introduction of radio in 1920 became the major factor in the drastic decline in record sales during the 1920s and showed that a later label alliance with the radio industry served to dramatically increase record sales beginning in the 1950s. The author's description of such external factors as the U.S. government's rationing of vinyl and the musicians' boycott during World War II provide cogent insight into the periodic fluctuations the record industry has faced throughout its history.

In the 1970s, interest from consumers of popular music as well as industry observers fueled the publication of numerous books and articles on the various aspects of the record industry—a trend which persists to this day. Information ranging from anecdotal (exemplified in the legendary record mogul Clive Davis biography of 1975) to hard data from the RIAA contained in industry trade publications such as *Billboard* became ubiquitous. However, the researcher is faced with the daunting task of ferreting out reliable data from the hyperbole in this body of literature.

The era of music industry scholarship began in the 1980s and was exemplified in the doctoral dissertations of Shore (1983) and Shea (1990). Shore expanded on the previous work of Malone (1968) by providing extensive analysis of the business and economic trends of the record industry from its birth to the late 1970s. The researcher's numerous tables, containing RIAA yearly dollar and unit data (circa 1899-1978) of record sales, provided strong support for his detailed and frank analysis of the industry. Of particular interest to this study was Shore's account of record industry economic trends in the late 1970s. He explained that

> …industry executives began to look forward to the days when the sale of five million copies of a record would be a regular occurrence. This unbridled optimism was severely shaken by the downturn that hit the industry in 1979.

> Within quite a short period of time the industry's song of limitless horizons changed to one of controlled gloom. (Shore, p. 144)

More importantly, Shore's conclusions for the aforementioned industry downturn of 1979, specifically poor performance of the U.S. economy combined with escalating shipping costs and promotional budgets, bear a striking resemblance to current record industry claims cited in the 2003 *Mix* articles.

The research of Shea, though focused on the impact of technological developments in popular music, includes a substantial body of material on business and economic trends within the record industry. Neglecting to acknowledge Shore in his work, Shea's dissertation contained a number of similar data points to the aforementioned and drew similar conclusions. However, Shea did provide an interesting history of the competition between record labels showing how adoption of new technology—e.g., turntable speed, stereo recording, etc.—by one label tends to force adoption of similar technology by competing labels through capturing increased market share. However, the importance of Shea's research, as it relates to the present study, is primarily found in his conclusions and recommendations. He identified and linked the principal of industrial inertia to the record industry and demonstrated that most of the impetus for change had historically come from forces external to the industry.

The 1990s saw the publication of research from academics in the relatively new discipline called music industry studies. Initially, the focus of this research was to provide, in textbook form, general information on various aspects of the music industry. The works of Baskerville (1990), Wadhams (1990), Fink (1996), and Hall & Taylor (1996) are examples of the aforementioned that examined—in varying degrees of depth—subjects such as record industry history, business practices, and economic trends. Baskerville's, Wadhams', and Fink's textbooks provided comparatively limited data and analysis of industry business trends due possibly to the texts' foci. The Hall & Taylor textbook provided a more in-depth analysis of business and economic trends of the record industry.

The research of Taylor & Terrell (2003) is the first known quantitative/comparative analysis of economic and business indicators on domestic music industry capitals. Among the salient findings of this research are indications that the traditional dominance of the music industry by New

York, Los Angeles, and Nashville are waning. Emerging capitals of music industry commerce, such as Atlanta, demonstrate an emerging pattern of industry decentralization.

The body of literature indicates that the record industry, and its perceived support services—operationally defined in this study as the music industry—have experienced the following:

1) periods of dramatic business and economic downturns throughout its history;
2) downturns often caused by external environmental factors;
3) challenges to change its perceived static business state; and
4) patterns of possible decentralization among its traditional industry capitals.

To determine the viability of the currently perceived music industry downturn, a longitudinal analysis of industry business and economic activity was performed. A description of the data collection procedures and methodology are contained in the following section.

Methodology

This study explores what recording industry insiders and observers have claimed: that the record industry has fallen from a pinnacle of economic boom in the mid-1990s to experience an increasing decline in sales from 2000 to 2003. The purpose of this study is to determine what evidence, if any, of these reported business and economic trends can be found among five U.S. music industry capitals. To this end, a longitudinal analysis was performed using data selected from various industry and government databases on the five domestic music industry capitals of New York, Los Angeles, Chicago, Nashville, and Atlanta for the years 1995, 2000, and 2003. Nine music industry sectors were selected for comparative analysis to determine individual strengths of the selected music industry sectors in each city for the selected years. The nine music industry sectors are:

1) recording studios
2) artists and entertainment managers or agents
3) entertainers and entertainment groups
4) record and prerecorded product outlets

5) musical instrument stores
6) musical instrument manufacturers/wholesalers
7) licensing, royalties, and publishing services
8) creative services
9) broadcasting services

The databases used in this study included the 1997 North American Industry Classification System (NAICS) CD-Rom, the 2000 U.S. Census Report, and databases from Dunn and Bradstreet for 1995, 2000, and 2003. The Dunn and Bradstreet databases contained data on over 11 million U.S. business entities and are considered to include 89 percent of the total domestic business population (Stormant, 2000). The NAICS database was used to identify and group music industry sectors by Statistical Index Codes (SIC) into the nine industry sectors of the study. The 2000 U.S. Census Report was used to determine geographical boundaries of the five cities under review. The authors loaded the Dunn and Bradstreet database with the selected SIC numbers—separated by city, year, sector, and geographical parameters—for analysis. The findings of this study are presented in the results section.

Limitation of this Study

For the sake of clarity, the scope of this study is limited to nine predetermined music industry categories. Among the music industry categories not included are business entities whose products or services are experiencing significant market declines, such as hi-fi and other acoustic equipment manufacturer/wholesaler and services. Support services such as audio cassette duplication services, musical instrument rental services, music education instruction, and sound and lighting equipment rental are likewise not included due to lack of significant market share. Finally, two of the most significant growth sectors for the music industry—entertainment legal services and web-based music delivery entities—are not included, due to current limitations in the NAICS eight-digit protocols which tend to overstate activity within these sectors.

Therefore, the results of this study cannot be generalized to encompass all music industry activity for the cities under review. Additionally, because only five music industry capitals were included in this study, the data and results of this study cannot be generalized to reflect accurately music industry business and economic trends for the entire United States.

Results

The purpose of this study is to measure the various business and economic trends of five music industry capitals to determine the extent of the reported economic downturn in the record industry. The results of this study indicate that:

1) despite a significant slowing of growth rate in revenues, the five cities as a group showed positive growth through the eight-year period in the three measured categories;
2) despite declining recording sales, the other industry sectors were found to be in various levels of economic well being; and
3) there is strong evidence of decentralization in the music industry.

Table 1 indicates that Los Angeles is the traditional leader of the five cities in the commercial recording studio sector for all three categories (number of businesses, number of employees, and total sales) with the exception of New York showing the most sales in 2000. The data also indicate that during the eight-year period New York, Los Angeles, Chicago, Nashville, and Atlanta, as a group, experienced a positive growth of 38.49% in total sales, however, negative growth was shown to have occurred from 2000 to 2003 in Los Angeles, New York, and Atlanta. Nevertheless, the five cities, as a group, had positive growth in the categories of number of businesses and number of employees during this eight-year period. Finally, Atlanta experienced the largest percentage growth in number of businesses (143.51%) and total sales (139.29%) during this period of study.

The figures for artist agents and managers found in table 2 indicate that these business entities did not fare as well as the recording studios, exhibiting only a 19.86% growth in total sales for the period. New York, the leader in all three categories for the period, experienced negative growth in number of employees and uneven growth in number of businesses. Additionally, New York's sporadic growth in number of businesses and number of employees and Los Angeles' negative growth (-12.39%) in total sales for the period contrasts the robust growth of the other cities in this industry sector. Finally, Atlanta was shown to have experienced the largest percentage growth in all three categories for the group.

Table 3 indicates that the sector of live entertainment has experienced significant positive growth over the past eight years. The totals for five cities show an increase in all three measured categories including a 47.98% growth in total sales and a 103.1% gain in number of businesses (e.g., bands, orchestras, etc.) for the period. New York is the preeminent city in this industry sector with Los Angeles and Chicago losing market share to Atlanta (ranked second in total sales for 2003) during this eight-year period. Additionally, Atlanta generated the largest total sales in 2000 and the largest percentage-growth increase in all three categories for the eight-year period.

The totals listed in table 4 seem to reflect the Recording Industry Association of America's (RIAA) claim of a negative growth (-26%) in record sales from 2000 to 2003 (Jackson, 2003). The retail record outlets of the five cities under study recorded a 26% decrease in total sales over the eight-year period making this the weakest of the nine sectors under review. However, a closer examination of the data shows that the five capitals, as a group, experienced the greatest losses in all three categories between 1995 and 2000. Therefore, a more complex explanation than the RIAA claim of Internet file sharing may be needed given that file sharing did not reach significant volume until after 2000.

Los Angeles, the traditional leader in all three categories, has expanded in both number of businesses (33.34%) and number of employees (11.65%), but lost significantly in sales (-40.37%) over the past eight years. New York's percentage growth was nearly equivalent to Los Angeles for the businesses and employees categories, but it lost enough total sales (-43.49%) to be surpassed by Atlanta in 2003. The figures for Chicago indicate a smaller but nevertheless negative growth pattern for the eight-year period of -15.36% in total sales. Nashville experienced robust growth from 1995 to 2000 only to lose over half of its gains in total sales receipts by 2003. Despite a negative growth period in total sales from 1995 to 2000, Atlanta showed steady growth in both number of businesses and number of employees during this period of study. Atlanta also experienced the largest percentage growth of the five cities in both number of employees (34.33%) and total sales (38.02%) and ranked second in total sales in 2003.

Table 5 contains the data for retail musical instrument stores. The figures indicate that this industry sector is less than robust. The totals for the five cities indicate that the growth in number of businesses (44.09%) and number of employees (21.54%) has significantly outstripped total sales

(4.37%) over the eight-year period. Additionally, the cities, as a group, lost over half their total sales from 2000 to 2003. This sector was found to be the second weakest of the nine measured industry sectors of this study.

Los Angeles, traditionally the preeminent center for music retail, has lost 9.92% in total sales over the last eight years and seen its sales plummet from nearly $500 million in 2000 to $116 million in 2003. This city's apparent predicament, compounded by a 35.78% growth in number of music stores and a 7.06% increase in number of employees during the past eight years, may make it difficult for it to maintain its position as a leader in this category. Chicago, ranked as the strong second in all three categories, was found to be less volatile than Los Angeles, losing less than $3 million in sales from 2000 to 2003. However, Chicago's approximately 30% growth in number of businesses and employees may be problematic in the face of a less than 20% growth in sales receipts for this period.

The figures for Atlanta and Nashville, ranked fourth and fifth respectively in all three categories, indicate a more positive economic picture than the other music capitals. These two cities share the largest percentage growth in businesses, employees, and sales of the group. It is noteworthy that only Atlanta experienced positive growth from 2000 to 2003 in all measured categories of musical instrument retail.

Although musical instrument retail was found to be a generally weak sector among the music industry capitals, table 6 indicates that the musical instrument manufacturers and wholesalers are faring much better. The cities recorded steady growth in all three categories: 90.05% growth in number of businesses, 110.11% increase in number of employees, and a 51.6% increase in total sales for the eight-year period. Los Angeles is the dominant city in all three categories, boasting total sales that surpass the sum total of the other four cities throughout the eight years of this study. Chicago, traditionally ranked second in this sector, lost a sufficient amount in total sales (-18.18%) to be surpassed in this category by New York which had a tenfold increase in sales from 2000 to 2003.

Nashville, emerging from a distant fourth place ranking, is in position to possibly challenge Chicago in this sector. Nashville's music manufacturing and wholesale sector boasts a 250% increase in number of businesses and a 3,292% increase in total sales for the period; these figures represent the largest percentage growth for an individual city found in this study. Atlanta's steady growth in businesses and sales, though impressive, was

nevertheless unable to budge the city from its current distant last place ranking for this sector.

Table 7 contains the data for licensing, royalties, and publishing services. Despite a less than impressive growth in number of businesses (10.02%) and number of employees (11.46%), the cities experienced a 106.37% increase in total sales for the eight-year period giving this sector the largest percentage growth found in this study.

Los Angeles, the leader of this sector in 1995 lost over 45% of its sales receipts in the ensuing years. New York showed negative growth in this sector from 2000 to 2003. Chicago and Atlanta, ranking a distant fourth and fifth respectively across all three categories, had the largest percentage increases in number of businesses and number of employees. However, their combined total dollar output is only about 2% of the total sales for the five cities.

The preeminent city for this sector is Nashville. From 1995 to 2000, Nashville moved from a third place ranking to first place in all three categories. A more remarkable statistic is Nashville's total dollar output in 2000 and 2003, which surpasses the other four cities combined. This is strong evidence of the decentralization of the music industry among the five cities.

The fields of songwriting, music arranging and composing, music video production, and disk reproduction were, for the purpose of this study, included in the sector entitled creative services (table 8). The totals for the group indicate that this sector is thriving, exhibiting positive growth in all three categories. The positive growth in number of businesses (44.47%) and number of employees (62.96%) is outpaced by the group's growth in total sales (99.89%). However, an examination of the data from individual cities indicates mixed results.

Los Angeles is the leading city throughout the eight-year period in all three categories. Additionally, Los Angeles accounts for almost half of the total output, businesses, and employees of these five cities. New York and Chicago exchanged positions in the second and third place rankings from 2000 to 2003. Nevertheless Chicago, which occupied a distant third place position in 1995, experienced sufficient gains in total sales to garner the largest percentage growth in dollar output (427.31%).

Atlanta and Nashville, ranked fourth and fifth respectively, experienced positive growth throughout the eight-year period. Nashville experienced a significant decline in sales receipts from 2000 to 2003. However,

Atlanta experienced steady growth in all three categories throughout the period and registered the largest percentage growth in number of businesses (176.47%) and number of employees (104.95%) of the five cities.

The sector of broadcasting services (table 9) includes radio broadcasting stations, television, radio time sales, electronic media advertising representatives, radio advertising representatives, radio consultants, radio transcription services, music distribution systems, and specific format radio stations. Broadcasting services was the most prolific industry sector of this study generating about one third of the five cities' total dollar output from 2000 to 2003. Although the percentage growth figures for the group are essentially equivalent to those found in the creative services sector, examination of the broadcast sector's individual year data indicates uneven growth in both number of businesses and total sales. Additionally, individual rankings among the cities were shown to have changed throughout the period of this study.

New York and Los Angeles, the traditional centers of activity for this sector, lost a combined total of $1.5 billion in total sales between 2000 and 2003. Nevertheless, the eight-year percentage growth for these cities showed a net gain. New York remains the unchallenged leader of the five-city group throughout the eight-year period, despite uneven growth across all three categories, by generating over half the total dollar output for the group. In contrast, Los Angeles' steady positive growth in number of businesses and total employees was overshadowed by significant fluctuations in total dollar output, losing over one billion dollars in total sales from 2000 to 2003.

Chicago, traditionally perceived as the third-largest broadcast center, has experienced uneven growth in number of businesses and number of employees, and negative growth (-13.5%) in total sales since 1995. Despite its significant percentage growth in number of businesses (50.67%) and total sales (142.47%), Nashville remains in last place among the five-city group. However, Atlanta's growth in this sector is remarkable as the only city of the group to experience constant growth over the eight-year period. It registered the highest percentage growth of the group in all three categories. Atlanta's growth of 474.59% in total sales was sufficient to move it from a fourth place position in 1995 to second place by 2003.

Table 10 contains the totals of the nine sectors of this study. The data indicate that New York and Los Angeles are the most prominent music industry centers in the United States. However, these results indicate that preeminence is less than permanent. Los Angeles, which boasted the larg-

est number of businesses and total sales in 1995, lost market share to New York in the ensuing years.

The totals for the five music industry capitals in the categories of number of employees and total sales show positive growth over the eight-year period (26.95% and 29.18% respectively) with the number of businesses showing uneven growth (38.83%). However, with the exception of Atlanta, the cities did experience a decline in total sales between 2000 and 2003. Additionally, Los Angeles has seen a negative growth in total sales (-12.88%) over the eight-year period. Finally, Los Angeles, New York, and Chicago experienced negative growth in number of businesses from 1995 to 2000.

The data indicate that Atlanta was the only city in this study to experience positive growth in all three categories from 1995 through 2003. Additionally, Atlanta garnered the largest percentage growth in number of businesses (116.28%), number of employees (95.33%), and total sales (171.27%). Finally, Atlanta has risen from a distant fourth to an uncontested third place among the music industry capitals in total sales. A discussion of the results of this study is presented in the following section.

Discussion

The results of this study indicate that the music industry capitals experienced positive growth in all three business categories from 1995 through 2003; however, significant shrinkage in total sales did occur between 2000 and 2003, indicating the possible presence of the currently reported U.S. music industry downturn. Nevertheless, the record industry's decline in sales was sufficiently compensated by growth in the other eight industry sectors to give Los Angeles, New York, Chicago, Nashville, and Atlanta an average annual growth rate in sales of 3.65% for the eight-year period. Additionally, the current industry economic downturn was likewise shown to have impacted both the individual cities and the industry sectors in varying degrees, providing strong evidence of trends which include industry decentralization on various levels.

The record industry, the largest of the nine sectors in all three categories, lost sufficient sales by 2000 to be surpassed by the broadcast sector for the five city group. This apparent shift provides a number of opportunities for the other music industry sectors that may no longer view themselves simply as record label support entities. For example, the broadcast sector is undoubtedly contributing to the substantial positive growth in the licens-

ing, royalties, and publishing sector through providing increased revenues in performance royalties. Additionally, broadcast sector decentralization is exemplified in the decline of Los Angeles and emergence of Atlanta as this nation's second radio broadcast center. Industry inter-sector consolidation may also be occurring. The dramatic increase in Nashville's publishing revenues, combined with New York's and Los Angeles' losses over this eight-year period, indicate a possible combining of services to increase sector productivity.

External factors in the current music industry decentralization process include:

1) Federal Communications Commission (FCC) deregulation policies in radio broadcasting;
2) Internet file sharing;
3) varying business climates among the music industry capitals; and
4) technological advancements in audio recording.

The FCC's intent to facilitate greater local ownership of radio stations and increase revenues from local broadcast is indicated in the results of the study. The record industry's reaction to Internet file sharing is a salient example of its historic behavior to maintain a static business state. Intra-label disagreements persist as to how to offer customers product via the web as external business entities forge innovative models for such product delivery (*Mix*, 2003). The varying costs of doing business among the five cities include such items as local taxation, legal restrictions, union regulation, real estate costs, etc. Naturally, an industry sector dependent solely on any one city or region is more vulnerable to shifts in this area than a more nationally diverse model. Finally, recent advancements in professional format audio recording technology have become both affordable and user-friendly to the average musician (Terrell, 2000). Though the aforementioned will continue to negatively impact the high echelon recording facilities on a worldwide basis, the studio sector's loss will be the gain for the record industry. Artists will again, as in the 1920s (Malone, 1968), be able to submit recordings of sufficient quality to a record label to permit immediate distribution of product. This will save hundreds of thousands of dollars per project in studio costs to both the labels—who previously would have to front this cost to the artist—and the act, who is obligated to repay

the label via record royalties. This reduction in overhead cost for the labels provides opportunities to increase productivity and free up capital for investment in, for example, emerging entertainment media.

Decentralization of the music industry will precipitate a number of shifts in its current structure and operations. Among the most visible changes will include the decline in prominence of the traditional music industry capitals such as Los Angeles and the emergence of a larger number of regional centers of industry commerce such as Atlanta. Finally, decentralization will negatively impact industry-wide efficiency in, for example, the areas of business communication and coordination but it will also make the industry, as a whole, more impervious to economic downturns caused by regional and local external factors.

The impact of Internet file sharing, though significant, is not the singular cause of the recording industry's decline in sales. Competition with other entertainment media such as video games and movies has become increasingly apparent as the labels struggle unsuccessfully to find a successor to mega-artists such as Michael Jackson. The recent U.S. recession has also shrunk the average family's entertainment budget. However, the authors of this study believe a factor internal to the industry is also negatively impacting sales. The industry's apparent unwillingness to offer baby boomers (traditionally the largest segment of the record-buying population) with little more than simple reformatting of catalog popular music is, we contend, easily remedied. We propose that the industry redouble its efforts in the area of artist development for this segment of the population. Finally, we must go on record with our support of the RIAA's current efforts to enforce U.S. Copyright laws. We believe these actions will help stem the tide of Internet file sharing—a necessary protection for the continued health of the record industry. The RIAA's actions also demonstrate support and respect for individual creative property.

In summary, the record industry's function as the traditional wellspring of commerce for the music industry seems to be waning. The dominance of the major record labels may be replaced by a more diverse multimedia-based music industry. Additionally, as the music industry continues to decentralize, Atlanta, and as well as other cities, will rise to prominence. Houston, for example, is benefiting from Clear Channel's success. Put simply, the music industry is not declining; it is simply growing by decentralization. According to the article "Music Industry Welcomes Back the Sweet Sound of Sales" (*DSN Retailing Today*, 2004), Nielsen Soundscan announced

that sales of CDs in the first six months of 2004 were seven percent higher than the previous year. The increased sales were due to strong new releases (Outkast, Norah Jones, Usher, Limp Bizkit, Dave Matthews, etc.), lower CD prices, and digital downloads. Apple iTunes and Roxio's new Napster have proven that people will pay for music online if it is affordable, easy to use, and a pleasant user experience. DVD sales increased significantly during the third quarter of 2003, with 270 million DVD software units shipped to retail (NARM, 2003). This is a 40% increase over the same period in the previous year. Additionally, 6.4 million DVD players were sold to U.S. consumers during the third quarter of 2003, a 36.5% increase over the same period a year earlier. Experts predict that digital downloading will grow over the next five years. They estimate downloading will generate $270 million in sales in 2004 and become a $1.7 billion dollar business by 2009, but that it will not take the place of in-store CD sales. If the findings of this study are representative of the U.S. music industry in general, the future looks bright (Desjarding, 2004).

Implications for Music Industry Education

If the patterns of decentralization found among the music industry capitals in this study are reflective of nationwide trends, music industry educators must begin to prepare students for more than just two specific professional career tracks (i.e., working for a major record label or engineering in a high echelon recording facility). To this end, music industry programs should offer opportunities for internship positions on a regional and local basis. Additionally, students must be taught entrepreneurial skills and how to employ lateral movement strategies to achieve ultimate career goals.

The development of regional and local internship positions must begin with a search to determine the number and types of music businesses in one's area. We recommend Dunn & Bradstreet's MarketPlace CD as an excellent source for this type of information, as well as the reference or music librarians at local universities. Anecdotally speaking, we have found a high level of interest in internship placement from regional music businesses. These firms often employ graduates of music industry programs and seek additional interns.

The development of entrepreneurial skills for music business majors must be an essential component of the educational experience. To accomplish this, entrepreneurial theory and application should be included in the

curriculum and internship positions should include as many sectors of the industry as are practically available in an area. Additionally, given the current state of the music industry, the prospect of starting an independent record label should be presented as a valid endeavor to the music business major. Also, incubator music public relations, promotions, marketing, manufacturing, legal, touring, video, and other music related industries need exploring.

Engineering and production majors must likewise be encouraged to develop entrepreneurial skills and take internships at local and regional project studios. It is in this environment that students learn a variety of skills that include the crafts of writing and producing everything from jingles to sound effects, foley production, and production of sound tracks for digital gaming, television, and film scoring. Put simply, the more our engineering graduates can offer a potential client or business, the greater their perceived value, marketability, and survivability.

Finally, all music industry majors must be taught the advantages of lateral movement within the industry. Seasoned music industry professionals contend that a diverse background generally translates into career longevity due to greater industry-wide networking capacity and the ability to sustain employment during industry fluctuations. In a decentralized business environment professional versatility is an essential attribute for survival and success. As educators, we have an obligation to teach students how to thrive in this continually evolving industry.

	Number of Businesses			Growth* in	Total Employees			Growth* in	Total Sales**			Growth* in
	1995	2000	2003	%	1995	2000	2003	%	1995	2000	2003	%
Los Angeles	584	621	907	55.31	3,549	7,318	7,428	109.30	348.4	503.2	499.5	43.37
New York	537	549	659	22.72	2,920	3,432	3,835	31.34	350.3	719.0	475.7	35.80
Atlanta	131	186	319	143.51	536	901	1,010	88.43	36.4	135.5	87.1	139.29
Nashville	211	229	286	35.55	890	1,481	1,236	38.88	61.0	64.5	74.6	22.30
Chicago	226	222	303	34.07	1,592	1,241	1,453	-8.73	191.5	216.1	230.8	20.52
Totals	**1,689**	**1,807**	**2,474**	**46.48**	**9,487**	**14,373**	**14,962**	**57.71**	**987.6**	**1,638.3**	**1,367.7**	**38.49**

Table 1. Comparison of Los Angeles, New York, Atlanta, Nashville, and Chicago recording studios for 1995, 2000, and 2003.

* Percentage figures compare 1995 with 2003.

** Sales figures are represented in million dollar units.

	Number of Businesses			Growth* in	Total Employees			Growth* in	Total Sales**			Growth* in
	1995	2000	2003	%	1995	2000	2003	%	1995	2000	2003	%
Los Angeles	1,148	985	1,384	20.56	8,073	6,782	7,676	-4.92	648.3	361.0	568.0	-12.39
New York	975	945	1,162	19.18	8,563	8,719	7,549	-11.84	770.1	836.8	941.5	22.26
Atlanta	166	227	394	137.35	1,148	1,394	1,685	46.78	48.9	84.3	94.9	94.07
Nashville	121	138	180	48.76	634	655	745	17.51	51.7	56.5	81.1	56.87
Chicago	358	357	484	35.20	2,388	2,751	2,979	24.75	228.6	314.1	409.1	78.96
Totals	**2,768**	**2,652**	**3,604**	**30.20**	**20,806**	**20,301**	**20,634**	**-0.83**	**1,747.6**	**1,652.7**	**2,094.6**	**19.86**

Table 2. Comparison of Los Angeles, New York, Atlanta, Nashville, and Chicago artist's and entertainer's managers or agents for 1995, 2000, and 2003.

* Percentage figures compare 1995 with 2003.

** Sales figures are represented in million dollar units.

	Number of Businesses			Growth* in	Total Employees			Growth* in	Total Sales**			Growth* in
	1995	2000	2003	%	1995	2000	2003	%	1995	2000	2003	%
Los Angeles	222	268	488	119.82	1,013	961	1,711	68.90	39.1	67.6	66.3	69.57
New York	346	416	544	57.23	1,934	2,011	2,153	11.32	74.8	70.7	105.7	41.31
Atlanta	46	115	190	313.04	640	890	988	54.38	38.1	83.1	73.7	93.44
Nashville	49	109	147	200.00	381	607	585	53.54	14.9	17.7	22.1	48.32
Chicago	208	233	400	92.31	1,107	1,522	1,733	56.55	53.6	37.6	58.5	9.14
Totals	**871**	**1,141**	**1,769**	**103.10**	**5,075**	**5,991**	**7,170**	**41.28**	**220.5**	**276.7**	**326.3**	**47.98**

Table 3. Comparison of Los Angeles, New York, Atlanta, Nashville, and Chicago bands, orchestras, actors, and other entertainment groups for 1995, 2000, and 2003.

* Percentage figures compare 1995 with 2003.

** Sales figures are represented in million dollar units.

	Number of Businesses			Growth* in	Total Employees			Growth* in	Total Sales**			Growth* in
	1995	2000	2003	%	1995	2000	2003	%	1995	2000	2003	%
Los Angeles	1,343	1,349	1,804	34.33%	9,381	8,972	10,474	11.65%	2,518.2	1,042.6	1,501.6	-40.37%
New York	895	786	976	9.05%	5,107	5,093	6,071	18.88%	1,022.2	614.4	577.6	-43.49%
Atlanta	263	322	453	72.24%	2,071	2,626	2,782	34.33%	429.3	343.1	592.5	38.02%
Nashville	113	144	228	101.77%	4,185	3,443	4,325	3.35%	418.5	1,120.0	548.4	31.04%
Chicago	659	479	583	-11.53%	3,885	2,665	3,035	-21.88%	253.3	216.1	214.4	-15.36%
Totals	**3,273**	**3,080**	**4,044**	**23.56%**	**24,629**	**22,799**	**26,687**	**8.36%**	**4,641.5**	**3,336.2**	**3,434.5**	**-26.00%**

Table 4. Comparison of Los Angeles, New York, Atlanta, Nashville, and Chicago record and prerecorded product outlets for 1995, 2000, and 2003.

* Percentage figures compare 1995 with 2003.

** Sales figures are represented in million dollar units.

	Number of Businesses			Growth* in	Total Employees			Growth* in	Total Sales**			Growth* in
	1995	2000	2003	%	1995	2000	2003	%	1995	2000	2003	%
Los Angeles	327	324	444	35.78	1,374	1,415	1,471	7.06	129.0	496.8	116.2	-9.92
New York	187	217	241	28.88	801	843	855	6.74	59.4	69.0	57.9	-2.53
Atlanta	108	144	191	76.85	478	570	774	61.92	37.5	33.2	43.0	14.67
Nashville	91	151	192	110.99	411	577	544	32.36	27.4	44.3	35.1	28.10
Chicago	235	264	298	26.81	1,008	1,225	1,305	29.46	78.2	95.1	93.8	19.95
Totals	**948**	**1,100**	**1,366**	**44.09**	**4,072**	**4,630**	**4,949**	**21.54**	**331.5**	**738.4**	**346.0**	**4.37**

Table 5. Comparison of Los Angeles, New York, Atlanta, Nashville, and Chicago musical instrument stores for 1995, 2000, and 2003.

* Percentage figures compare 1995 with 2003.

** Sales figures are represented in million dollar units.

	Number of Businesses			Growth* in	Total Employees			Growth* in	Total Sales**			Growth* in
	1995	2000	2003	%	1995	2000	2003	%	1995	2000	2003	%
Los Angeles	61	102	134	119.67	806	1,699	2,124	163.52	337.7	392.2	406.6	20.40
New York	51	79	87	70.59	679	1,359	2,128	213.40	43.8	18.0	180.2	311.42
Atlanta	9	19	24	166.67	43	77	64	48.84	2.0	7.4	8.0	300.00
Nashville	10	27	35	250.00	643	499	733	14.00	2.5	18.1	84.8	3292.00
Chicago	60	65	83	38.33	707	1,068	998	41.16	135.3	155.7	110.7	-18.18
Totals	**191**	**292**	**363**	**90.05**	**2,878**	**4,702**	**6,047**	**110.11**	**521.3**	**591.4**	**790.3**	**51.60**

Table 6. Comparison of Los Angeles, New York, Atlanta, Nashville, and Chicago musical instrument manufacturers/wholesalers for 1995, 2000, and 2003.

* Percentage figures compare 1995 with 2003.

** Sales figures are represented in million dollar units.

	Number of Businesses			Growth* in	Total Employees			Growth* in	Total Sales**			Growth* in
	1995	2000	2003	%	1995	2000	2003	%	1995	2000	2003	%
Los Angeles	166	167	216	30.12	1,038	1,056	1,031	-0.67	200.4	113.6	108.7	-45.76
New York	169	140	138	-18.34	1,122	1,319	1,500	33.69	117.9	163.5	128.6	9.08
Atlanta	14	29	36	157.14	69	106	131	89.86	2.1	6.0	7.6	261.90
Nashville	210	230	224	6.67	1,243	1,321	1,211	-2.57	96.3	399.6	615.2	538.84
Chicago	30	31	34	13.33	96	134	104	8.33	4.1	10.3	8.3	102.44
Totals	**589**	**597**	**648**	**10.02**	**3,568**	**3,936**	**3,977**	**11.46**	**420.8**	**693.0**	**868.4**	**106.37**

Table 7. Comparison of Los Angeles, New York, Atlanta, Nashville, and Chicago licensing, royalties, and publishing services for 1995, 2000, and 2003.

* Percentage figures compare 1995 with 2003.

** Sales figures are represented in million dollar units.

	Number of Businesses			Growth* in	Total Employees			Growth* in	Total Sales**			Growth* in
	1995	2000	2003	%	1995	2000	2003	%	1995	2000	2003	%
Los Angeles	458	496	760	65.94	2,629	2,913	4,615	75.54	341.7	382.6	535.6	56.75
New York	371	393	460	23.99	1,290	1,394	1,644	27.44	130.3	170.4	258.7	98.54
Atlanta	51	91	141	176.47	182	382	373	104.95	11.3	25.6	29.3	159.29
Nashville	59	80	94	59.32	199	200	256	28.64	18.3	99.6	23.2	26.78
Chicago	183	146	166	-9.29	722	894	1,296	79.50	47.6	312.3	251.0	427.31
Totals	**1,122**	**1,206**	**1,621**	**44.47**	**5,022**	**5,783**	**8,184**	**62.96**	**549.2**	**990.5**	**1,097.8**	**99.89**

Table 8. Comparison of Los Angeles, New York, Atlanta, Nashville, and Chicago creative services for 1995, 2000, and 2003.

* Percentage figures compare 1995 with 2003.

** Sales figures are represented in million dollar units.

	Number of Businesses			Growth* in	Total Employees			Growth* in	Total Sales**			Growth* in
	1995	2000	2003	%	1995	2000	2003	%	1995	2000	2003	%
Los Angeles	287	294	415	44.60	3,877	4,448	5,320	37.22	371.0	1,541.9	496.0	33.69
New York	295	238	376	27.46	6,590	5,195	7,803	18.41	1,660.1	3,523.3	3,046.7	83.53
Atlanta	127	133	231	81.89	1,708	2,803	5,622	229.16	233.0	137.1	1,338.8	474.59
Nashville	75	78	113	50.67	689	970	939	36.28	21.9	31.5	53.1	142.47
Chicago	267	215	332	24.34	4,094	3,859	5,124	25.16	322.9	382.8	279.3	-13.50
Totals	**1,051**	**958**	**1,467**	**39.58**	**16,958**	**17,275**	**24,808**	**46.29**	**2,608.9**	**5,616.6**	**5,213.9**	**99.85**

Table 9. Comparison of Los Angeles, New York, Atlanta, Nashville, and Chicago broadcast services for 1995, 2000, and 2003.

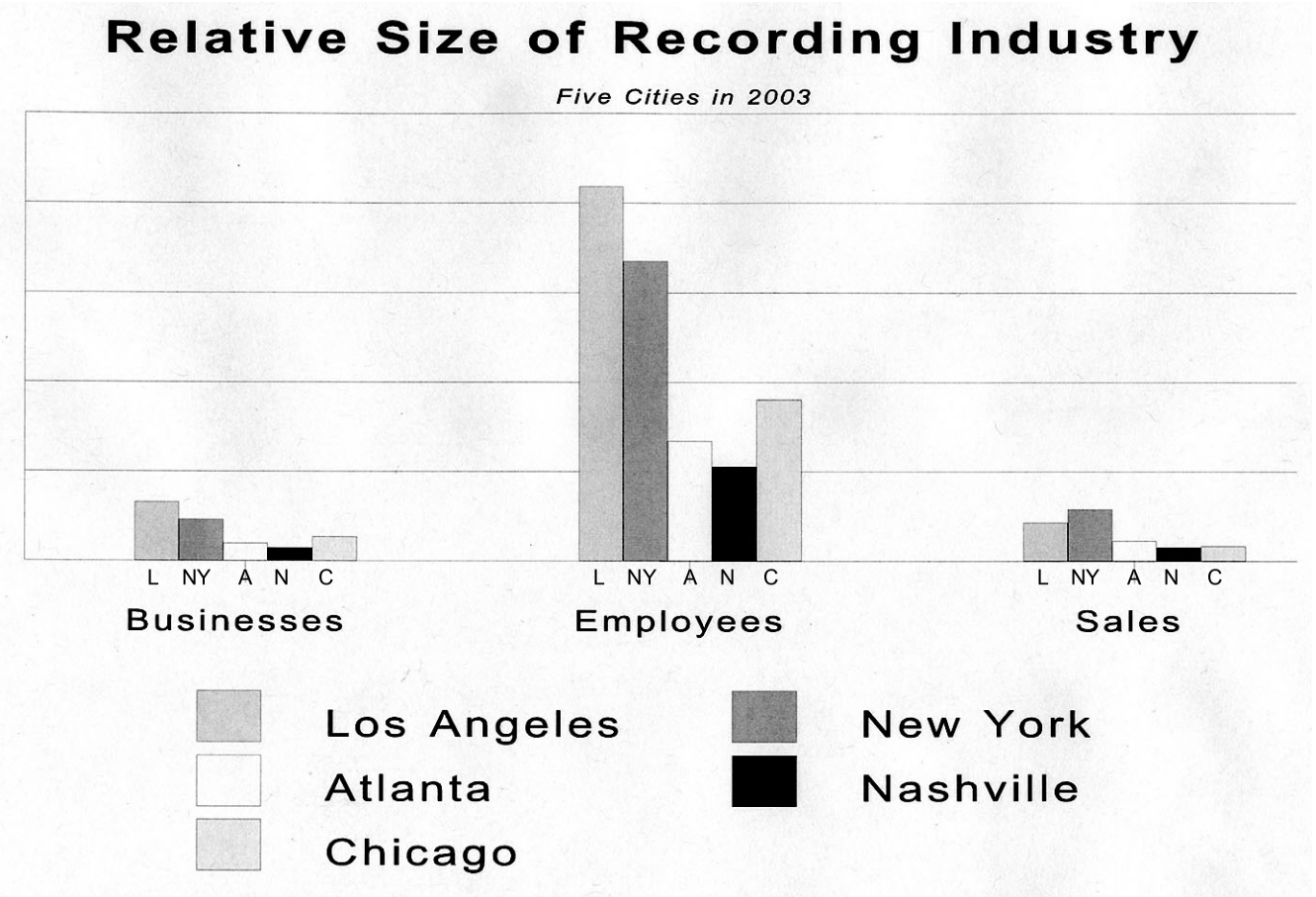
* Percentage figures compare 1995 with 2003.
** Sales figures are represented in million dollar units.

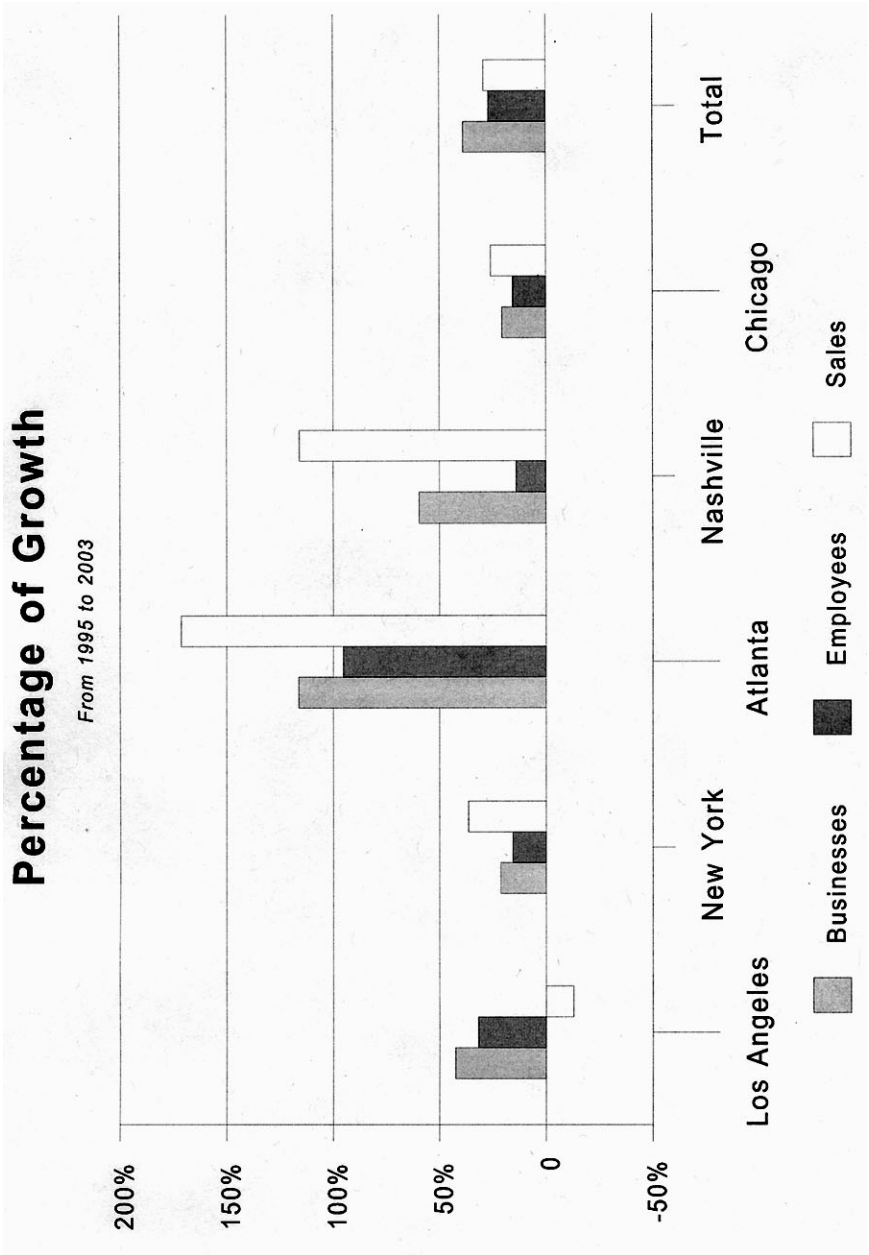
	Number of Businesses			Growth* in	Total Employees			Growth* in	Total Sales**			Growth* in
	1995	2000	2003	%	1995	2000	2003	%	1995	2000	2003	%
Los Angeles	4,596	3,257	6,552	42.56	31,740	35,534	41,850	31.85	4,933.8	4,902.5	4,298.5	-12.88
New York	3,826	3,763	4,643	21.35	29,006	29,365	33,538	15.62	4,228.9	6,185.1	5,772.6	36.50
Atlanta	915	1,266	1,979	116.28	6,875	9,749	13,429	95.33	838.6	855.3	2,274.9	171.27
Nashville	939	1,186	1,499	59.64	9,275	9,753	10,574	14.01	712.5	1,851.8	1,537.6	115.80
Chicago	2,226	2,012	2,683	20.53	15,599	15,359	18,027	15.57	1,315.1	1,740.1	1,655.9	25.91
Totals	**12,502**	**11,484**	**17,356**	**38.83**	**92,495**	**99,760**	**117,418**	**26.95**	**12,028.9**	**15,534.8**	**15,539.5**	**29.18**

Table 10. Comparison of Los Angeles, New York, Atlanta, Nashville, and Chicago for number of businesses, total employees, and total sales in all industry categories for 1995, 2000, and 2003.

* Percentage figures compare 1995 with 2003.

** Sales figures are represented in million dollar units.


Relative Size of Recording Industry
Five Cities in 2003
L NY A N C
Businesses
L NY A N C
Employees
L NY A N C
Sales
Los Angeles
New York
Atlanta
Nashville
Chicago


Percentage of Growth
From 1995 to 2003
200%
150%
100%
50%
0
-50%
Los Angeles
New York
Atlanta
Nashville
Chicago
Total
Businesses
Employees
Sales

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Viewpoint

Knowledge For What? A Change Is Gonna Come, and Maybe We Should Be Part of the Solution

Dick Weissman
University of Colorado at Denver (Emeritus)

In 1939 sociologist Robert Lynd wrote the book *Knowledge For What?* In it he outlined ten major issues that sociologists didn't ever study. One, for example, was the question of what causes wars. What you are about to read is my "mini-version" of Robert Lynd studying today's music business.

The impetus for this paper has been percolating for thirty-five years. At that time I was doing studio work in New York City, mostly working on commercials. I had been playing about two sessions a week for one particular composer, almost all of them with the same electric guitarist and electric bass player. Both of these musicians were well-known players from the swing era. One had been in many big bands and the other had played with Billie Holiday, among others. I'd say they were both about fifty to fifty-five years old. The guitar player was doing especially well, and he moved north of New York City in Westchester County. Towards the end of the time we worked together, around 1968, he moved an hour further north to a larger house.

Then it all fell apart. Suddenly I was doing the sessions, but my two friends weren't. I asked myself what was happening. In the world of studio work you don't call people up and ask them why they aren't working. It just isn't done. After a while I figured it out. They were starting to look "old." It wasn't just a matter of what you could play. People in advertising wanted you to *look* as though you could play young people's music. My friends, dressed neatly in their suits and ties, didn't look young. The guitar player started drinking; he got divorced, he lost his house, and his health declined. I never saw the bass player again. I also began to see studio players and singers wearing gold jewelry and turtleneck sweaters. Mind you, these were people who used to go to recording sessions as though they were dressing for gigs at IBM.

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It was then that I realized it didn't matter how well you were doing in the music business, or how good you were at doing it. Things would always change, and inevitably there would be a time when you would not be part of the change. And then I tried to forget about it.

Let's turn to the current music industry scene. Earlier this year EMI announced it was laying off 1,500 people, and cutting its artist roster by twenty percent. In effect, some thousand people fell victim to the Mariah Carey fiasco. Sony, BMG, and Universal have already had their layoffs, and if Sony and BMG do finally unite, it is fair to assume there will be more people joining the ranks of the unemployed. When WEA was spun off from Time Warner it announced 1,000 layoffs, including the president of Atlantic and the president of Elektra. Sylvia Rhone, the ex-president of Elektra, was possibly the only black woman holding a CEO position with a major record label. More recently, Warner is said to be cutting its artist roster in half, which will likely mean more corporate job cuts.

We could get very involved in philosophizing about whether all of this is a result of file-sharing, as the record companies would like us to believe, whether it represents young people turning away from music as one of their favorite ways of spending money, or whether some of this has to do with some very foolish decisions on the part of record company executives, along with an almost insane mania for overcompensating executives not only when they are hired, but when they are fired.

An interesting sidebar is the alleged increase of productivity in the workplace. Is there really increased productivity, or is it an increase in employee workloads? For example, as a full-time professor at a state university, I used to teach five classes each year. If I were forced to add a class, wouldn't that show up to the state legislature as a 20% increase in productivity?

Back to record companies. In 1998 EMI fired Jim Fifield just six months after his contract had been renewed for five years. Buying him out cost about ten million dollars, plus another ten million in pension payments. Ken Berry was hired and in turn let go in 2001, to be replaced by Alain Levy, who had been shown the door at Polygram (remember Polygram?). One wonders what kind of golden parachutes these gentlemen received. We do know that Berry's demise virtually coincided with Mariah Carey's $28 million dollar going away present from EMI. Edel Records, the largest worldwide independent now that Zomba has become part of BMG, is down from 1,600 employees to about 600. The "new" WEA hired Lyor Cohen

away from the quite successful Interscope Records, at God knows how much money. Are we surprised that the WEA layoffs followed this news?

What does all of this have to do with college music industry programs? Quite a bit, I would venture. We have been teaching from a model that assumed the record industry is a growth business that would employ a good many of our qualified students. We thought that the rest of them would end up at the organizational end, in ASCAP, BMI, NARAS, or other organizations. We guessed that there might be a small percentage of the more daring and rebellious students who would become individual entrepreneurs, making their own path through the music industry maze.

It seems to me that we now have to work on a whole new set of assumptions about the music industry. Below are five suggested starting points.

1) Whatever we think we are training people for, it is probably not what they are going to be doing five to ten years from now. It is also reasonable to anticipate that in their working lives our students might experience four or five similar career transformations. The best thing we can teach students to do is how to identify what they want, and to determine whether it is possible for them to relate that to the existing industry, or whether they can create their own niche in the business.

2) Critical thinking is no long a desirable attribute. It is a necessity. We don't even really know what the box is in the phrase "thinking outside the box."

3) The program in which I used to teach has shown incredible growth over the last three years—at the same time that the industry has been showing drastic declines in revenue, and a grim picture on the employment front. If we don't start to cap enrollments in our programs, we will be in the same position as other areas of music where we train far more people than can possibly be employed. And, while we're at it, how can anyone justify our enrolling an ever-growing number of techno-freaks who imagine that they are going to make a living as recording engineers?

4) The business itself has to undergo some serious changes. According to *Billboard*, the Neptunes and Timbaland are supposedly getting $300,000 a track for submitting finished tracks to record companies. This means that a ten-song album would cost $3,000,000 to make, not counting promotional costs or artist advances. Does anyone want to buy George Strait's oceanfront property in Arizona?

   Everyone knows that the traditional record company model of royalties with endless deductions is not only unfair; it no longer makes any sense. When are the majors going to smell the coffee and do something about it? When will executive compensation be based on performance, and not on rhetoric or ancient track records? Maybe production advances should be minimal, and dollars tied closely to the sale of recordings. Possibly that is the way we should deal with artists and record executives as well.

5) The internet will not solve everyone's problems. I'd like to see the real numbers on how many people are trying music business enterprises on the net, and what their ratio of success turns out to be. I know for example that CD Baby, which is certainly a laudable enterprise, has stated on its own sites that most of its thousands of records sell less than ten copies. What is the ratio of success of people who pay the fees at TAXI, to the ones who actually get deals through them?

Finally, in all humility I have to say that if I were still teaching I would have to rethink all of the things I used to present as stock wisdom. The best example of something I think is still valid comes from a story told by Tommy Noonan at a music business seminar in Denver. He was head of national promotion at Columbia, and was asked by Clive Davis to promote My Fair Lady, a Broadway show in which Columbia was the major investor. Noonan created a special dinner event, inviting 50 of the richest and most powerful people in New York City. Citing security concerns, he convinced the city of New York to allow him to build an overpass, leading

from the restaurant to the theater. As a little bonus, Noonan then used the overpass to post two massive rent-free billboards advertising the show. And he got a young Barbra Streisand, who starred in the show, to make a guest appearance at the dinner.

The night went beautifully, and for two weeks Noonan left the overpass there, with the giant billboards continuing to provide free publicity. The city finally called him. He played dumb, and told them that he had forgotten about it. The next day he arranged to take the overpass down.

If we can teach people that level of ingenuity and inventiveness, then we won't need to worry about whether our students will make it in the music industry.

Dick Weissman has written ten published books about the music business. He taught for twelve years in the Music and Entertainment Studies Program at the University of Colorado at Denver, and now teaches short-term classes and seminars at the University of Oregon, the University of Denver, and other schools.

Reviews

Performance Profile: *Freedom Sings*

https://doi.org/10.25101/4.8

Freedom Sings is a ninety-minute touring multimedia program that tries to "honor music that makes a point," with a seven-piece live band, video screen, and expert narrator. It is profiled here for your consideration as a possible program for your campus or high school by a college professor who has seen the show twice. Contact information appears at the end. This is not a critical review.

Freedom Sings uses a selection of songs that have been censored, banned, or kept from the airwaves by corporate priorities to get audiences thinking and learning about the First Amendment, as they clap and sing along. Whether it's The Everly Brothers' *Wake Up Little Susie*, banned in Boston for being too suggestive, *Puff The Magic Dragon*, The Beatles' *With A Little Help From My Friends* and *Yellow Submarine* pulled for alleged drug references, the overtly political *Ohio*, or simply a chilling rendition of *Strange Fruit*, music is used to demonstrate the importance of song as expression in American society. *Freedom Sings* is produced by the First Amendment Center (FAC) (www.firstamendmentcenter.org), housed at Vanderbilt University in Nashville, Tennessee. Its mission statement describes it as "a forum for the study and exploration of free-expression issues."

The show was conceived by Ken Paulson, former Executive Director of FAC (now editor of *USA Today*), who began his career as a music writer and rock critic. He is concerned that, "the land of the free has become the home of the easily offended." With music built into many of FAC's programs, they ably demonstrate his belief that, "at the core of protecting the First Amendment is treasuring it." The performers in *Freedom Sings* are drawn from "Music City's" vast pool of talent—not stars, but top-quality vocalists, instrumentalists, and songwriters who put the material across with power and conviction. Bill Lloyd, Jonell Mosser, Joseph Wooten, and Shonka Dukureh were among those in the lineup at a recent performance.

FAC was founded by John Seigenthaler in 1991 to commemorate the 200th anniversary of the ratification of the Bill of Rights. Mr. Seigenthaler, a career journalist, spent forty-three years at the *The Tennessean* in Nashville, peaking as its Editor/Publisher/CEO. He also served as an administrative assistant to Robert Kennedy at the Justice Department in the 1960s,

and as President of the American Society of Newspaper Editors. FAC is an operating program of the Freedom Forum (www.freedomforum.org), a nonpartisan foundation also founded in 1991, by *USA Today* founder Allen H. Neuharth. The Freedom Forum has three central priorities: The Newseum in Arlington, Virginia, the First Amendment, and newsroom diversity. Its CEO Charles L. Overby states, "we don't lobby or litigate, we educate and explain." Despite what might appear to be liberal parentage, conservative columnist Cal Thomas has said *Freedom Sings*, "…is fun, and what I admire most is that it is scrupulously well balanced."

Surveys done by FAC have consistently shown that about half of the American public think the First Amendment "goes too far in the freedoms it guarantees" (most recently, 41% "strongly agreed" and 8% "mildly agreed"). Hearing cherished songs ranging from labor, antiwar, and civil rights anthems to Public Enemy and Black Eyed Peas tunes, and how they've been threatened, encourages audiences to treasure freedom of musical expression at a personal level. Seeing that even patriotic songs like George M. Cohan's *You're A Grand Old Flag* were censored (original title, *You're A Grand Old Rag*), teaches that attempts to restrict musical expression are not limited to rock'n'roll and hip-hop. The program touches on all five freedoms granted by the First Amendment.

Live performances of songs like *Louie Louie* with audience participation, are joyful, and are used to point out the offensiveness of the government (FBI) investigating the lyric content of pop songs. Particularly energetic audience members are rewarded with free t-shirts, CDs of selections from the show, and more. Music is acknowledged as an important channel of social, cultural, and political messages that must remain unfettered. After a snippet of Bob Dylan's *The Times They Are A-Changin'* is played, the narrator notes that this is protected political speech and if Dylan had been around in the 1700s, he'd have been a pamphleteer like Thomas Paine. Tunes like Randy Newman's *Short People*, and Stevie Wonder's *Happy Birthday*, which lobbied for the Martin Luther King Jr. holiday, provide lighter moments too. The central message is that American artists and citizens should always have the liberty and courage to sing and say what we mean. This is as good an example of "edu-tainment" on this topic as one will find.

Performance content varies with the demographics of the expected audience, and is frequently updated to keep abreast of developing issues. The show has been touring campuses since 2000 and has played for promi-

nent groups like the National Association of Broadcasters, The Folk Alliance, and the Americana Music Association. If you think your educational community could benefit from raising these issues in so professional and enjoyable a manner, contact Jenny Atkinson at The First Amendment Center, (615) 727-1600, jatkinson@fac.org. Local print media are logical partners for support of the program.

Paul D. Fischer

Paul D. Fischer is an Associate Professor in the Department of Recording Industry at Middle Tennessee State University. He is an energetic protector of freedom of musical expression, and working on a book about how the record player was first brought to market.

Marc Weingarten. *Station to Station: The History of Rock 'n' Roll on Television*. New York: Pocket Books, 2000

https://doi.org/10.25101/4.9

Station to Station is the first published history of the tumultuous marriage of popular music and television. In this easy, breezy romp Weingarten takes us from the fun-for-the-whole-family sing-alongs of the early local stations right up to the often controversial VJ culture of MTV and its imitators. Citing specific historical television moments and the personalities that went with them, such as Elvis' pelvis and Ed Sullivan, John and Yoko's week long love-in with Mike Douglas, and the rise and fall of David Cassidy, Weingarten attempts to show the highs and lows, the campy and the edgy, and how it's all kept adolescents and teenagers glued to their sets for the last fifty years.

His collection of quotes and interviews is staggering and full of life. They are very well laid out too. Quotes from musicians and producers seem to converse with one another, making each chapter an engaging narrative. Each event is portrayed snugly in its place in history, replete with references to national politics and with special attention to race relations. Weingarten does well to describe the social climate that births, nurtures, and responds to each musical/television phenomenon. At its most shining moments, *Station to Station* places the reader in the midst of pop culture

fever, as Weingarten has an knack for connecting each television event with the excitement of its viewers.

Weingarten's background is in journalism. His major credits include work in *Spin*, *Rolling Stone*, and *Vibe*. He writes like a journalist; the pace is fast, bordering on edgy, and his wit is quick. This style, however, lends itself to oftentimes forgoing facts and references for quick jokes and jabs. Clearly, he writes with his readers' entertainment value in mind. But his strengths in storytelling can also be a weakness when this book is read as historical material. In many instances, more specifically when discussing the key players on the legendary *American Bandstand* or the musical sitcom *The Monkees*, Weingarten tends to create "good guys" and "bad guys." This is not terribly surprising. The best music journalism brings the reader inside the tour bus, so to speak, to understand the personalities and inner workings of the bands. Many of his chapters focus on personality conflicts among artists, producers, and TV execs. And Weingarten unabashedly plays favorites. You might feel like you've been slightly gypped of a factual account.

Pete Vasconcellos

Pete Vasconcellos graduated from Northeastern University with a B.A. in music in 2001 and is currently pursuing a Ph.D. in Ethnomusicology at the City University of New York Graduate Center. He worked for Boston's *The Weekly Dig* as a music journalist. As a youngster, Pete watched lots of MTV when his mother wasn't looking.