MEIEA®

MUSIC & ENTERTAINMENT INDUSTRY
EDUCATORS ASSOCIATION

Journal of the Music & Entertainment Industry Educators Association

Volume 13, Number 1
(2013)

Bruce Ronkin, Editor
Northeastern University

Published with Support
from

MIKE CURB COLLEGE *of*
ENTERTAINMENT *and* MUSIC BUSINESS
BELMONT
UNIVERSITY

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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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Music & Entertainment Industry Educators Association
1900 Belmont Boulevard
Nashville, TN 37212 U.S.A.
office@meiea.org
www.meiea.org

The *MEIEA Journal* (ISSN: 1559-7334)

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Submissions and correspondence should be addressed to:

Bruce Ronkin
Editor, *MEIEA Journal*
110 Churchill Hall
Northeastern University
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b.ronkin@neu.edu

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Contents

Continued on next page

Student Paper

Reviews

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The Three Tenors Antitrust Case: What Did We Learn?

Paul Saintilan
Australian College of the Arts ("Collarts")

Abstract

"PolyGram Holding," commonly known as "The Three Tenors Case" has been one of the most cited antitrust (anti-competitive) cases of the past ten years, yet the discussion has been largely confined to legal journals and the U.S. antitrust community. What can managers in large commercial music and entertainment organizations learn from the case? What are the practical implications? The paper argues that the case influences the conceptualization and structuring of certain types of joint venture deals, that the core problem initially arose from attempting to address an internal conflict of interest issue within PolyGram, and the case demonstrates the confusing nature of antitrust law for a practicing music manager.

Keywords: antitrust, anti-competitive behavior, joint venture, major record company

Abbreviations

FTC - the U.S. Federal Trade Commission
JV - Joint Venture
3T1 - *The Three Tenors* 1990 album released by PolyGram
3T2 - *The Three Tenors* 1994 album released by Warner
3T3 - *The Three Tenors* 1998 album released by PolyGram and Warner

Introduction

One of the unforeseen aspects of the Three Tenors legacy is that the franchise has been elevated to star status in the U.S. antitrust community (Verschelden 2007). This group of legal boffins is a niche audience admittedly, but the enthusiasm of their analysis has been noteworthy. The Three Tenors case has been extolled as an important development, clarifying the way certain legal principles will be applied in examining anticompetitive behavior in a joint venture context, with implications for future cases (McChesney 2004; Meyer 2010; Verschelden 2007). But of what relevance is this to managers working in music organizations?

This article will provide the background to the Three Tenors case,

summarize the court case, the ruling of the Federal Trade Commission (hereafter referred to as the FTC), the backlash that ensued from lawyers and law professors, the 2005 appeal, and the backlash to the appeal decision. It will then provide some organizational analysis to look more deeply at how the problems arose, before turning finally to what can be learned from the case and its practical implications for music and entertainment managers.

Unless stated otherwise, the facts of the case as outlined below are drawn from the Initial Decision (Public Record Version), published by James P. Timony, Administrative Law Judge on June 20, 2002, which is in the public domain and available online (FTC 2002). While Warner and PolyGram were both involved in the antitrust saga, they were treated as separate cases by the FTC, and this analysis focuses on the PolyGram case. The record label Decca also appears in the case. Decca was owned by PolyGram, and was the repertoire center, or "location-specific-creative-unit" (Bakker 2006, 92) responsible for the Three Tenors recordings within PolyGram at the time of the case. Decca, based in London, distributed its recordings through PolyGram "operating companies," each responsible for sales in a given country. In the 1990s Decca's recordings were marketed in the U.S.A. under the label London Records, and its catalog assets are now owned by the Universal Music Group.

Background

The first Three Tenors concert took place on July 7, 1990 at the Baths of Caracalla in Rome. The concert united José Carreras, Plácido Domingo, and Luciano Pavarotti for the first time. The event coincided with the 1990 FIFA World Cup, launching a tradition that was repeated for future World Cups. PolyGram recorded the concert and it became the most successful classical recording of its era, selling more than twelve million audio units and over three million video units (FTC 2002). This first Three Tenors album was referred to in the legal case as "3T1" (and will be henceforth referred to as 3T1).

The Three Tenors (Carreras, Domingo, and Pavarotti) united four years later for a concert on July 16, 1994 at Dodger Stadium in Los Angeles. This concert was recorded by Warner, and is referred to in the legal case as "3T2".

The third Three Tenors recording in the case was of an open-air concert in Paris that took place in front of the Eiffel Tower on July 10, 1998.

In the spring of 1997 Ahmet Ertegün, the Chairman of Atlantic (a Warner subsidiary based in the U.S.A.), had met with Alain Levy, his counterpart at PolyGram requesting that Pavarotti (who was under exclusive contract to PolyGram) be released to record the project for Warner. Rather than release him (in return for certain considerations), PolyGram proposed that the two organizations create a joint venture agreement. The ensuing joint venture (hereafter referred to as JV) involved Warner distributing the recordings within the U.S.A. and PolyGram distributing them outside of the U.S.A. The parties agreed to a 50/50 split of profits and losses. An US$18 million advance was paid, ultimately shared between the parties, which also included the rights to market a greatest hits compilation and a box set. This third Three Tenors recording was released on August 18, 1998 (and in addition to audio products included video and home television broadcast). It is referred to in the legal case as "3T3".

In 1998 PolyGram possessed a highly decentralized, federated structure (Bakker 2006). Given the significant joint investment in 3T3 (US$18 million), PolyGram wanted its operating companies (which were responsible for marketing the new recording in all territories except the U.S.A.) to get fully behind the new release, and channel the maximum promotional effort and resources into the launch of the new album. There was concern that operating companies might aggressively promote 3T1 around the time that 3T3 was released, effectively cannibalizing sales of the new album. This led to PolyGram and Warner discussing a "moratorium" seeking to discourage aggressive price discounting or advertising of 3T1 and 3T2 around the time of 3T3's release. The window of protection that was discussed was from August 1 to October 15, 1998. There is disagreement between the parties as to what eventually transpired, and sharp disagreement in the testimony, but there is no doubt that such a plan was discussed, and an attempt was made to execute it, based upon a belief by managers in both companies that they were legitimately protecting their mutual investment in 3T3.

The Court Case

On July 31, 2001 the Federal Trade Commission (FTC) in Washington issued a complaint against PolyGram, arguing that the moratorium represented an illegal agreement with a competitor to restrict price competition and promotional activity in violation of Section 5 of the Federal Trade Commission Act. It went to trial in March 2002, and the Initial De-

cision dated June 20, 2002, found the moratorium to be "presumptively anticompetitive" (FTC 2002, 75). The burden of proof lay with PolyGram to "show that the moratorium was necessary in order to promote competition and benefit consumers" (p. 75). It rejected PolyGram's "free riding defense," that aggressive promotion of 3T1 and 3T2 by operating companies may complicate or confuse a consumer's purchase decision, who would then see three Three Tenors albums aggressively promoted in retail. Nor was the argument that the moratorium was simply a mechanism to ensure internal focus considered persuasive.

On July 28, 2003 the Federal Trade Commission released its Final Order confirming the Initial Decision. The accompanying legal opinion concluded, "We find that the moratorium agreement between PolyGram and Warner unreasonably restrained trade and constitutes an unfair method of competition" (FTC 2003, 61).

A key issue for the FTC was that the moratorium was agreed to after the JV had been created, which seemed to indicate that it was not essential to its success. Much mention is made of the timing, such as: "[f]urthermore, PolyGram and Warner were contractually committed to the formation of the joint venture and the creation of 3T3 months before discussions of the moratorium began" (FTC 2003, 55).

There are also many references in the decision to the fact that 3T1 and 3T2 were not placed into the JV; they were not explicitly included in the JV agreement. The Initial Decision quotes a previous ruling: "It is to be expected that the joint venturers will put their venture-related businesses into the venture and 'not compete with their progeny'" (*re Brunswick,* 94 F.T.C. at 1275) (FTC 2002, 58). The Opinion accompanying the Final Order states that a company (i.e., PolyGram) that is arguing "that competitors may agree to restrict competition by products wholly *outside* a joint venture, to increase profits for the products of the joint venture itself," is engaged in "a frontal assault on the basic policy" of the antitrust laws (FTC 2003, 41). The ruling continues: "Here, despite Respondents' [PolyGram's] invocation of a Three Tenors 'brand', there is obviously no such thing, because one entity did not legally control all Three Tenors products. The marketing rights to 3T1 and 3T2 were held not by the joint venture but, rather, independently by the parties to the venture" (FTC 2003, 41-42). In addition to this, PolyGram had introduced another case in support of their appeal, but the Commission rejected the comparison saying, "Respondents [PolyGram] and Warner did not bring all of their Three Tenors

products into a single, integrated joint venture" (FTC 2003, 43).

The Ensuing Controversy

The ruling quickly attracted criticism from law professors and lawyers specializing in antitrust law. Two antitrust lawyers, William Kolasky and Richard Elliott, published in *Antitrust* magazine that, "It is said that hard cases make bad law, but sometimes easy cases can make even worse law, especially when theory gets in the way of common sense. A case in point is the Federal Trade Commission's *Three Tenors* decision last summer" (Kolasky and Elliott 2004, 50). In their article they argued "that the Commission's decision was wrong both as a matter of elementary economics and as a matter of the centuries-old law dealing with covenants not to compete among partners in a common enterprise" (p. 50). They argued that the decision was contradictory, as the Commission had no issue with a much broader restriction on competition contained in the JV agreement, where each party was not to release a Three Tenors recording for at least four years. These future recordings would also be outside the JV agreement. They argued that while the JV was criticized for not addressing the issue at the inception of the partnership, in reality it is difficult to anticipate and address all issues from the outset, and very common for such agreements to evolve over time. They argued that the Commission completely ignored the economic issue of opportunity cost in the record companies wanting attention to be placed on 3T3 and not 3T1 or 3T2. They concluded that the Commission's reasoning was "convoluted and ultimately incorrect" (p. 54).

In 2005, Victor Goldberg, a Law Professor at Columbia University, vigorously attacked the decision in the *Review of Law and Economics* (Goldberg 2005). Highlighting the trivial nature of the issue he entitled his piece "Featuring the Three Tenors in La Triviata." He argued that there is no way the agreement could be anticompetitive. If it would be permissible for one company to restrain promotion of its products to promote another, then it should be permissible for a joint venture integrated by contract rather than ownership. Commenting on the convoluted logic of the ruling he wrote, "most opera plots make more sense" (p. 59). He failed to see how any market power was operating when three CDs were involved out of thousands, for a ten-week period, and yet market power should be a key issue.

PolyGram petitioned to have the decision reviewed in the District

of Columbia Circuit Court of Appeals, and in 2005 the FTC decision was upheld (Meyer and Ludwin 2005). It categorically ruled out "the possibility that restraints on competition 'outside the venture' can ever be justified based on a need to limit 'free riding' or other opportunistic behavior" that may threaten the success of a JV collaboration (p. 65). This decision has in turn drawn criticism for being unnecessarily "unpalatable" (p. 67), creating uncertainty, and potentially harming innovation (p. 70).

After the D.C. Circuit appeal Professor Joshua Wright at the George Mason University School of Law criticized both the FTC and D.C. Circuit rulings. He criticized the FTC for displaying "unwarranted hostility" to PolyGram's "free rider" defense (Wright 2005, 399), a ruling which was "plainly incorrect" (p. 400). He also argued that "the moratorium agreement was improperly condemned" (p. 412) involving a "misapplication" of legal principles (p. 400).

Control and Marketing Prioritization in a Decentralized Company

To fully understand and relate to the case from a manager's viewpoint, it is important to delve more deeply into the organizational context. To an external observer, a large multinational music company may look like an integrated, single organization. In the context of a legal trial, it is in the interests of the Commission to consider PolyGram as one integrated entity. However, a large international music organization has its own internal market, its own internal trading between repertoire owners (labels) and operating companies or international affiliates who market and distribute product worldwide. PolyGram in 1998 had a federated, rights-based, decentralized structure (Bakker 2006). The organization believed that decentralization was the key to managing creativity (Arnold 1997). Let us look first at the way Decca functioned as a label, and then how the operating subsidiaries functioned.

The Decca label had control of the artists it signed and the way the recordings were priced and presented to the marketplace (Arnold 1997). Unlike pop recordings within PolyGram, classical recordings were not decentralized to the point where operating subsidiaries could use the Decca label to originate their own recordings, except in highly specific circumstances (Arnold 1997). Decca produced recordings which it owned, and marketed them through the network of subsidiary companies. If a label such as Decca makes a major investment in a new product, it is the one

bearing the risk. It relies on the support of the international marketing and distribution infrastructure to recoup its investment.

The subsidiary companies were profit centers responsible for sales within a given country (Arnold 1997). Around the time of the case, PolyGram directly controlled marketing subsidiaries in 45 countries (Arnold 1997). In a federated, decentralized structure, the Managing Director of a PolyGram Australia, or PolyGram Austria, is paid to be highly opportunistic, aggressively seeking revenue from every avenue. The operating company, not the label, was largely responsible for putting up the marketing investment required to support a recording (Arnold 1997). PolyGram labels such as Decca competed in this internal market for attention and marketing support from operating companies, and operating companies had the freedom to choose which products they would support (Arnold 1997). If catalog initiatives will generate income (e.g., 3T1), the fact that they may cannibalize sales of a new product (3T3) may not unduly concern them if they are not bearing the multi-million dollar risk on that new product. Thus while the interests of the label and the operating company overlap, they are not completely aligned.

There is an inherent tension in a federated, decentralized organization such as PolyGram between the advantages of centralization and the advantages of decentralization. Decentralization allows the organization to make quick, entrepreneurial decisions anchored in the reality of local marketplace conditions and local consumer tastes. Centralization allows all these disparate nation states to unite around key, international marketing priorities. Centralized control was never strong in PolyGram, with notorious historical lapses such as Casablanca in Los Angeles where control was almost completely lost, resulting in enormous damage (Bakker 2006). (Representatives from the head office in the Netherlands went "native," joining in the disco label's festivities which included a secretary in their offices on Sunset Boulevard walking around each day taking the cocaine orders (Dannen 1991). It should be noted in passing that the record industry's 'colorful' U.S. history has probably not endeared it to U.S. regulators).

In such a decentralized environment, prioritization can be a hotly contested issue, and there could be frustration in the label when operating companies pursued local priorities in preference to the label's (Arnold 1997). 3T3 was an international marketing priority. It was in Decca's interests to have maximum focus on the new recording for the specific

period surrounding its launch. As in the movie industry, initial chart positions can be enormously influential in determining the sales trajectory and profitability of a project. Decca sought to focus attention on 3T3, to make it a priority in the midst of all the *internal* clutter, so that the new release had the best chance of success.

The Initial Decision in the case refers to this testimony (at point 83), that PolyGram's management was "concerned about the activities of PolyGram's own operating companies, and wanted to be sure that they did not promote 3T1 in a way that would divert sales from 3T3" (FTC 2002, 14). The initial concern was *internal* competition. In this case, the moratorium was being used by Decca as an instrument of control, an instrument to force internal prioritization and focus on the operating companies. The fact that the company was involved in a JV with a competitor only served to complicate the situation. If an operating company is asked to curtail promotion of a product (3T1), and it understands that the JV partner has a product that could act as an equal substitute (3T2), it is natural that it will ask whether the JV partner will also be complying with the plan. This is what occurred, and is what led to the moratorium agreement.

The judge's dismissal of consumer confusion possibly arising through multiple versions is interesting, as discussion of multiple versions and consumers being "overwhelmed by choice" was highly topical at the time (Arnold 1997). At the time of the case "a well-stocked record store might carry as many as eighty recordings of a major work such as Beethoven's fifth symphony. Deutsche Grammophon carried thirteen recordings of this work in its 1996 catalog, the Decca catalog offered ten recordings of this work, and the Philips catalog carried eight" (Arnold 1997, 12). This was perceived as a problem, inhibiting purchase through confusion (Arnold 1997). Thus a marketing impulse to simplify a consumer proposition may look to an antitrust regulator as an attempt to curtail consumer choice.

What Can Managers in Music Organizations Learn?

What can music and entertainment managers learn from the case? In terms of practical implications for managers, three recommendations are proposed:

1. Greater care in anticipating issues at the outset of the venture;
2. Greater care in structuring; and
3. A recognition that antitrust law is too confusing and uncertain for general managers to attempt to navigate without highly spe-

cialized legal assistance.

Anticipate Issues at the Outset of the Venture

It would have helped PolyGram's defense considerably if it had been able to anticipate some of the issues that arose, and had introduced them into the JV agreement from the outset. What sorts of opportunistic behavior might arise (Kolasky and Elliott 2004, 54)? How will the JV partners interact once the venture is launched (Meyer and Ludwin 2005, 70)?

Exercise Greater Care in Joint Venture Legal Structuring

PolyGram's case would have been considerably strengthened had 3T1 and 3T2 been placed into the JV. The problematic nature of the fact that 3T1 and 3T2 were outside the JV was reiterated in the 2005 D.C. Circuit decision (Meyer and Ludwin 2005). This would presumably have complicated the deal, but had 3T1 and 3T2 been integrated into the JV, pricing and promotional conversations relating to those catalog albums would have been conversations about joint property, that the venture owned and legally controlled, not catalog assets owned by individual organizations. Creativity can be brought to bear in terms of examining every option, for example, "existing products might be wrapped into the venture but subject to a separate set of cost- and revenue-sharing formulae. Or they may be included for some purposes—sales and marketing, perhaps, so as to bring within the venture those functions that might bear most directly on the venture's success—but not others" (Meyer and Ludwin 2005, 70).

To make this point more emphatically, Figure 1 depicts the relationship that existed, with the catalog albums outside the JV. Figure 2 depicts the relationship that would have provided better protection.

Get Help — It's Too Hard

If there is one thing that should be clear from this short history and analysis, it's that the Three Tenors rulings resulted in "confusion" (Verschelden 2007, 465) and "uncertainty" (Meyer and Ludwin 2005, 63). The Three Tenors case was approached by the FTC as an opportunity to clarify certain aspects of the application of antitrust law to joint venture agreements (McChesney 2004). If this was an aspiration, from a managerial point of view it was a comprehensive failure, and the resulting confusion has made it more likely that managers will appear before the FTC. It is understood that healthy debate and dissenting opinions are important to

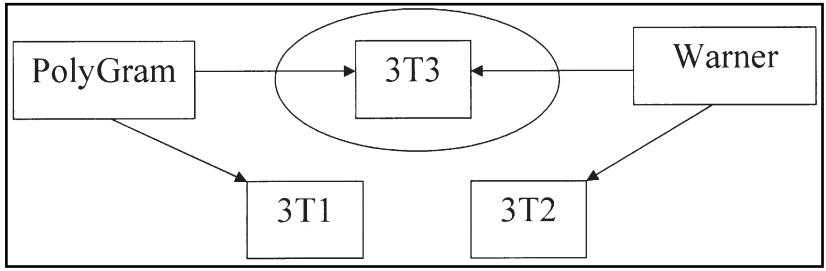

Figure 1. 3T1 and 3T2 excluded from the JV agreement.

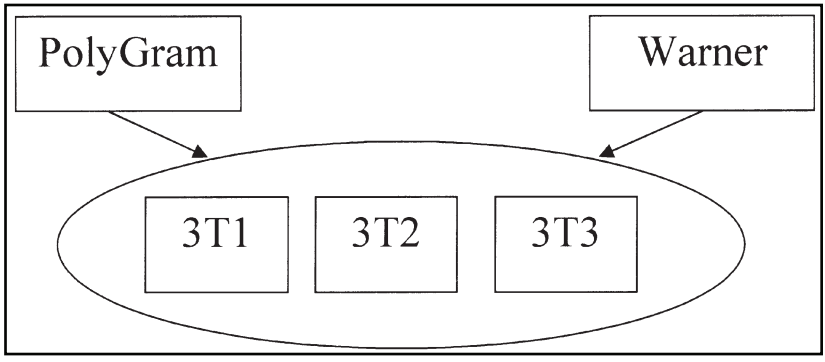

Figure 2. All albums explicitly included in the JV agreement.

evolving the law, but the degree of controversy surrounding this case has done nothing to inspire managerial confidence that clear guidelines exist on how one should proceed. If law professors whose specialization is antitrust law can profess incredulity at FTC decisions, what hope is there for the average general manager? It is interesting that PolyGram and Warner had lawyers involved in JV meetings and deliberations, yet this did not prevent the partnership falling foul of the FTC. The author has presented the facts of this case as a cautionary tale to business students in Australia and Switzerland (in the context of marketing ethics and music business courses) and has often received the comment from students that the ruling appeared counterintuitive. This accords with Kolasky and Elliott's comment that the FTC ruling shows what happens when "theory gets in the way of common sense" (2004, 50). Therefore it is important that general

managers do not simply employ common sense and their own intuition in crafting agreements!

Another point that should be made, given the extensive coverage of murder trials in television dramas, is that music managers may come to an antitrust matter with the expectation that managerial *intention* will represent a key part of the trial and the defense. They may imagine themselves saying, "At no time did I intend to harm the interests of the American consumer, Your Honor." One quickly discovers however that, "Modern antitrust law is steeped in microeconomics, and suits rely heavily on economic expert witnesses. Indeed, expert testimony is often the 'whole game' in an antitrust dispute because experts testify about dispositive issues such as the competitive effect of a business practice or the relevant boundaries of a market" (Haw 2012, 1261).

Conclusion

This paper has summarized the background to the trial, the legal rulings, the published criticism of the rulings, and attempted to summarize what can be learned from it all, not for a legal audience, but an audience of music managers. The key learnings are to:

1. Anticipate issues at the outset of the venture;
2. Exercise greater care in structuring; and
3. Recognize that antitrust law is too confusing and uncertain for general managers to attempt to navigate without highly specialized legal assistance.

The degree to which contemporary major record companies have become more centralized is the degree to which measures like a moratorium will become less necessary in enforcing marketing prioritization. That said, the case is still highly relevant given the consolidation of major record company ownership, and the fluid, dynamic nature of the contemporary music industry. The creation of deals and partnerships will continue, and history that isn't understood will be repeated.

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Paul Saintilan is the Dean of Collarts in Australia and has held senior positions in Australia and the United Kingdom in the recorded music and performing arts sectors. In the 1990s he was based in London where he worked as an International Marketing Director at EMI and Director of Strategic Development at the Decca Record Company. He has worked in not-for-profit concert presentation as Director of Marketing & Development at Musica Viva Australia. From 2005 to 2010 he headed up the arts and entertainment management program at the Australian Institute of Music and successfully negotiated and launched the Master of Arts Management program at Sydney Opera House. Since then he has worked as a Visiting Lecturer at the Glion Institute of Higher Education, Montreux, and as an Adjunct Professor at Webster University, Geneva. In August 2013 he was appointed Dean of The Australian College of the Arts (Collarts) in Melbourne. Saintilan completed a Bachelor of Music (Hons.) degree at the University of Sydney, studying composition with Peter Sculthorpe. He has an MBA degree from the Australian Graduate School of Management at the University of NSW. He is completing a Ph.D. project in entertainment marketing at Deakin University, Australia, under the supervision of Professor Ruth Rentschler.

Budgeting for Crowdfunding Rewards

Luiz Augusto Buff
University of California Los Angeles School of Law

Peter Alhadeff
Berklee College of Music

Abstract

Musicians, artists, and music business entrepreneurs need cash to start a project and nurture it to fruition. They are hardly unique in this respect and face many of the considerations the general public does, i.e., is the need for money for the short term or for the long term? Is there a small or a large amount of risk involved? Today, fortunately, there is more flexibility in the marketplace. Resources can be marshaled on a piecemeal basis as needed by entrepreneurs or musicians to achieve a particular and often tactical goal. Crowdfunding and venture capital are two examples of a new type of milestone or ad hoc financing that both blurs the distinction between short and long money and helps defray risk. The implication for artists, musicians, and music business entrepreneurs could be momentous.

This paper focuses on crowdfunding only. It suggests a simple methodology for a musician or music entrepreneur to budget his or her own project. The costs of rewards for fans are variable and depend on the number and category of fan pledges. Knowing ahead of time what the possible distribution of such rewards may be is key, and so is the understanding of the average pledge per contributor gathered from historical data. The authors argue that raising funds online in return for rewards is based on too much guessing, when it should be more informed. Starting from recent Kickstarter data, they show, step by step and with a spreadsheet, how to prepare a professional crowdfunding budget that includes taxes, service fees, and contingency arrears. This type of budgeting is not as obvious as it seems, and the paper fills a gap in the current music business literature.

Keywords: crowdfunding, fanfunding, music business, entrepreneurship, Kickstarter

Introduction

More than fifteen years ago, when the World Wide Web was still in its early years and its full potential as a social network was yet to be revealed, the British band Marillion was able to raise US$60,000 to finance

their U.S. tour through an internet campaign. In the following years, we witnessed the rising of collective financing online.[1] The music website ArtistShare was created in 2000, becoming the first online platform for fanfunding, successfully raising funds for a Grammy Award-winning album by Maria Schneider, among other projects.[2] Since then, raising funds using the internet has grown by leaps and bounds. Today, crowdfunding is incorporated in the vocabulary, meaning online contributions by the general public, above all, to a diverse pool of creative projects. Gradually, other online platforms crowded ArtistShare out—notably among them, Kickstarter. Kickstarter broke the music financing record with Amanda Palmer's $1.2 million campaign, which paid for her new album and tour.[3] The power of crowdfunding seems to grow by the day and the phenomenon now goes well beyond music. Recently, Ouya brought to market, also with Kickstarter, an Android-based video game console. The required pledge of $950,000 led to collections of $8.5 million, with 63,000 contributors advancing, on average, $135 each.[4] The total compares in size to a first round of venture financing.

According to trade organization *Crowdsourcing.org* there are currently four categories of crowdfunding platforms available on the internet, defined as Equity-based, Lending-based, Reward-based, and Donation-based.[5] In the first two, contributors expect financial returns in exchange for their pledges; in the reward-based model, a person contributes to a campaign in exchange for a reward and the degree of exclusivity in those rewards generally grows with the size of the contribution; finally, in donation-based crowdfunding funders contribute without expecting anything in return because the project appeals to their personal beliefs. However, the most popular crowdfunding model is still the rewards-based model, representing 43% of the global crowdfunding industry, with an expected market growth of 524% in the next year.[6] There are an increasing number of crowdfunding platforms in this category such as Indiegogo, PledgeMusic, RocketHub, and, of course, Kickstarter, which we will use as a reference in this paper because it is the largest and most widely known.

The rewards-based crowdfunding model strongly appeals to music projects because it permits artists to raise funds before they start working on the project; the project can be executed only if the goal is met. Artists can then cover their production costs, and possibly break even before the project even starts. Kickstarter has launched more than 22,000 music campaigns in its four-year lifespan; however, only around 54% have suc-

ceeded in reaching the campaign goal.[7] This means one in two projects fail to raise the necessary money. Most importantly, but less discussed, is the fact that even when they succeed in meeting their goals, project owners might have not budgeted correctly, having to access other funds to conclude the project, delaying the expected delivery date of the campaign, and sometimes never fulfilling the project. Since crowdfunding functions also as a marketing platform, non-fulfillment, or less-than-par fulfillment, jeopardizes the image of artists, and makes them lose credibility with fans.

Guesswork, Misconception, and Method

The reason for these failures is that most of the campaigns are being planned based on guesswork and misconception.

On guesswork: despite the availability of general data provided by some of the crowdfunding platforms, a more professional and statistical approach is missing. It would be extremely useful for new music projects to use the information available in order to realistically set goals and more accurately estimate the number of contributors needed to realize a successful endeavor.

On misconception: successful campaigns fail at the fulfillment stage if the campaign asks only for the amount needed to realize the project, i.e., it seeks only to cover the studio costs to record an album, or the price of a van for a band to go on tour. The costs of raising money via crowdfunding far exceed the initial budget goal of the project, and include the costs of delivering the rewards, platform fees, taxes, and other unexpected costs.

The fact is that budgeting for a crowdfunding campaign is often problematic because it is difficult to know ahead of time the distribution of rewards fans will choose. Moreover, it is even harder to guess what an average pledge will be, and this is a critical piece for a successful crowdfunding campaign.

In this paper we have compiled information from one hundred successfully funded Kickstarter music projects completed between February 11 and 23, 2013. However, any crowdfunding campaign would have to start from current examples of comparable campaigns, and the main object of the paper is to outline a simple methodology for a musician or music entrepreneur to properly budget his or her own crowdfunding campaign. Therefore, more data points than one hundred campaigns would have added only marginally to the value of the paper. If the method is understood, the user can update the Excel template that is supplied at http://bit.

ly/13taRoN, with current data and be as thorough as he or she wishes.

As budgeting properly for crowdfunding rewards is a craft that is learned only by doing the numbers, we recommend that the reader plow through the various sheets of our Excel template, either while reading the rest of this paper or even in advance of the following text.

General Crowdfunding

Researching campaigns similar to the one in mind is critical. It can bring fresh ideas to the table, perfect a pitch, better define a product, find potential partners, and get insights for different offerings. Scott Steinberg, in his book *The Crowdfunding Bible,* offers a comprehensive list of what to look for.[8] Additionally, compiling data from similar projects might be a very useful tool for correctly budgeting a campaign, especially because it can offer examples of how contributors were distributed among the different tiers of rewards in successful campaigns, and what the average pledge per backer was. It turns out that both metrics are the two key drivers in the budgeting methodology we are proposing.

Attempting to find hard data about music crowdfunding projects is difficult. For example, the Kickstarter "Stats" section of its website gives only aggregate data, not music data, about funding success rates, dollars pledged, and identifiable trends among successful and unsuccessful projects.[9] The "Kickstarter School" page is more pointed, but music projects are not separately identified. "To date," it reads, "the most popular pledge amount is $25 and the average pledge is around $70."[10]

Indiegogo's help desk suggests a simple calculation to estimate the number of backers a project will require: "Divide your goal amount by 100, [and this will be] the estimate of how many people need to donate to your campaign in order to meet your goal."[11] An Indiegogo blog post does suggest how to price perks: "Perks at the $25 level are the most popular and help you extend your network and boost publicity; perks in the $51-100 range will support the bulk of your fundraising."[12] Two interesting graphics are also offered revealing (i) the percent of pledges by perk amount, and (ii) the percent of total dollars raised by perk amount. However, once again, the data set is not exclusively about music projects.

Another platform, RocketHub, maintains that the average contribution, where music is presumably included, is $75 per person. RocketHub gives a general estimate of the numbers of contributors needed to reach different goals: to raise $1,000 to $10,000, forty to two hundred contributors

are necessary; to raise between $10,000 and $100,000, one hundred and fifty or more contributors are necessary; and to raise more than $100,000, a project owner will need to reach more than one thousand people.[13]

Finally, award-winning filmmaker and seasoned crowdfunder Lucas McNelly has collected much disaggregated data for film and video projects. His empirical approach is an inspiration for what follows, but the analysis of music projects is, understandably, lacking.[14]

Music Crowdfunding

As mentioned, we analyzed one hundred successfully funded music projects from Kickstarter. Our sample size is representative of the entire range of music projects on the Kickstarter platform, especially considering the pledge categories as defined on the "Kickstarter Stats" page.[15] Most successfully funded music projects raised between $1,000 and $9,999. We did not include pledge categories above $100,000 as they account for

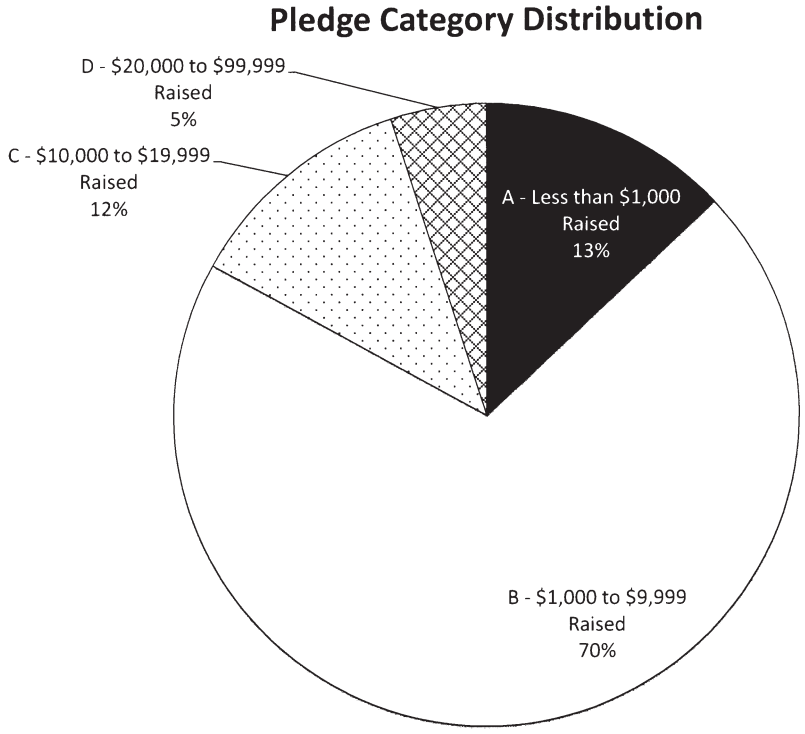

Figure 1. Overview of music pledges, in dollars.

much less than one percent of the total. Figure 1 demonstrates how the campaigns in the data set are distributed among the different pledge categories.

An important factor extracted from the research is the average amount of money that contributors donate in exchange for the rewards offered—which we call the average pledge per backer. In Figure 2 we notice that projects that raised larger amounts of money had, on average, larger contributions from their backers. We take note too that the average pledge per backer, in the aggregate, is $62. Particular music genres, of course, are different to the average.

Another factor is the historical distribution of rewards chosen by contributors. There are multiple tiers of rewards offered in a crowdfunding campaign. In Figure 3 we aggregate the different pledge amounts into reward tiers and calculate the percentage of backers that contributed to each tier ("undisclosed backers" are contributors who either decided to simply donate pledges without receiving rewards in exchange, or preferred not to disclose to each tier they have contributed). The data set of Figure 3 provides in-depth insight into the history of successful music campaigns.

Budgeting Methodology

We now discuss our budgeting methodology. There are significant costs associated with running a crowdfunding campaign that should be considered when setting a final goal. Our formula factors in those costs and returns a corrected goal value.

$$\text{Final Goal} = \frac{\text{Initial Budget Goal}}{1-\left(\%\ \text{Rewards Cost} + \%\ \text{Fees} + \%\ \text{Taxes} + \%\ \text{Contingency}\right)}$$

Each part of the formula is elaborated below.

The Initial Budget Goal

The first step towards creating a budget is to understand the project, research it, and negotiate prices with service providers and manufacturers. To demonstrate the application of the formula we will simulate a fictitious campaign where a band has to develop a budget for the recording of an album. After factoring all the expenses, including rehearsals, recording studio, equipment rental, producer fees, copyright filings, artwork design, mixing, mastering, transportation expenses, and other expenses for the

Pledge Category and Genre	Qty	Avg Goal	Avg Pledge	Avg Backers	Avg Pledge/ Backer
A - Less than $1,000 Raised	13	$454	$576	17	$34
Classical Music	1	$250	$305	14	$22
Country & Folk	2	$550	$715	28	$26
Indie Rock	3	$450	$563	14	$41
Music	2	$675	$700	21	$34
Rock	5	$370	$532	14	$38
B - $1,000 to $9,999 Raised	70	$3,261	$3,814	69	$56
Classical Music	8	$2,938	$3,248	43	$75
Country & Folk	7	$3,386	$4,207	75	$56
Electronic Music	1	$3,250	$4,434	108	$41
Hip-Hop	3	$2,167	$2,467	53	$47
Indie Rock	12	$3,542	$4,145	86	$48
Jazz	2	$2,800	$3,327	58	$57
Music	18	$3,981	$4,554	74	$61
Pop	3	$2,183	$3,541	96	$37
Rock	11	$2,479	$2,731	40	$67
World Music	5	$3,540	$4,134	87	$47
C - $10,000 to $19,999 Raised	12	$9,523	$13,547	196	$69
Country & Folk	3	$9,333	$12,432	124	$100
Indie Rock	1	$6,500	$17,935	106	$169
Jazz	1	$10,000	$10,647	155	$69
Music	3	$11,257	$13,227	144	$92
Pop	1	$6,000	$14,804	668	$22
Rock	3	$10,000	$14,066	205	$69
D - $20,000 to $99,999 Raised	5	$17,900	$22,974	321	$71
Country & Folk	1	$15,000	$21,611	515	$42
Indie Rock	2	$22,500	$23,765	78	$307
Music	1	$10,000	$21,090	575	$37
Pop	1	$19,500	$24,638	362	$68
Grand Total	**100**	**$4,379**	**$5,519**	**90**	**$62**

Figure 2. Average pledge per music genre.

Pledge Category	Qty	>$0 <$5	>$5 <$10	>$10 <$25	>$25 <$50	>$50 <$100	>$100 <$250	>$250 <$500	>$500 <$1,000	>$1,000 <$2,500	>$2,501	Und
A - Less than $1,000	13	9.50%	14.48%	34.39%	17.19%	5.43%	0.90%	0.00%	0.00%	0.00%	0.00%	18.10%
B - $1,000 to $9,999	70	5.32%	13.63%	38.00%	18.41%	9.40%	3.13%	1.42%	0.25%	0.04%	0.00%	10.40%
C - $10,000 to $19,999	12	15.21%	8.78%	33.57%	18.19%	11.08%	3.71%	1.32%	0.60%	0.13%	0.09%	7.33%
D - $20,000 to $99,999	5	1.06%	12.57%	39.51%	30.24%	6.78%	2.92%	0.81%	0.37%	0.06%	0.12%	5.54%
Grand Total	100	7.24%	12.19%	37.03%	20.44%	9.27%	3.19%	1.25%	0.36%	0.07%	0.04%	8.92%

Figure 3. Backers per reward tier.

recording of the album, the project owner comes up with the following budget (Figure 4).

The band already has $12,000 in savings, so only $8,000 will be required. A common mistake in crowdfunding is to set the goal of the campaign at $8,000. According to the statistics mentioned above, the project would fit into the most successful pledge category, considering that more than 70% of the successful music projects raised between $1,000 and $9,999. However, as we are going to demonstrate, for this campaign to be viable, the goal must account for several other costs beyond the initial budget presented in Figure 4.

Category	Total
Preproduction (arrangement, rehearsals, etc.)	$500
Copyright Administration (licenses, registration. etc.)	$1,200
Recording Studio	$5,000
Mixing/Mastering	$3,000
Transportation	$1,000
Equipment Rental	$500
Producer Fees	$1,500
Union/Musician Fees	$3,000
Artwork (photo shoot, graphic design, etc.)	$1,000
Manufacturing	$1,500
Unforeseen Expenses (10%)	$1,800
Total	$20,000
Band Savings	$12,000
Remaining Balance (to be raised via crowdfunding)	$8,000

Figure 4. Sample recording budget (initial budget goal).

Reward Costs

Apart from the amount necessary to realize the project there are costs associated with the rewards offered for different contribution tiers. It is common in crowdfunding campaigns that at every new reward tier a new perk is offered alongside the rewards from the previous tiers. Hence, every new tier should include the costs of previous tiers when estimating costs of production. Below (Figure 5) is a list of rewards created for our campaign. We can see that the cost of every reward factors in the costs of previous rewards.

Contribution	Rewards	Reward Cost	Total Tier Cost
$5	Album Download and Stickers	$0.49	$0.49
$10	All of the Above + CD	$1.79	$2.28
$25	All of the Above + Autographed CD	$-	$2.28
$50	All of the Above + T-shirt	$12.99	$15.27
$100	All of the Above + Poster	$4.89	$20.16
$250	All of the Above + 1h Skype Class	$-	$20.16
$500	All of the Above + Visit to the Studio	$-	$20.16
$1,000	All of the Above + Concert VIP Ticket	$129.00	$149.16
$2,500	All of the Above + Producer Credit	$-	$149.16
$5,000	All of the Above + Private Concert	$500.00	$649.16
Donation	N/A	$-	$-

Figure 5. List and cost of rewards.

It is important to think creatively when defining rewards, adding value to each level without necessarily increasing the costs. In the example, autographed CDs are more appealing to fans than regular CDs, and there are no significant costs associated with an autograph. Hence, the margins of return are higher, especially for the most popular reward tiers, between $10 and $50. Additionally, it is imperative not to underestimate the costs for the shipping and handling of rewards. If the project scales and there is no provision for shipping costs, most of the proceeds from the campaign might end up being spent on fulfillment rather than towards financing the project.

Historical data plays an important role in estimating the costs of rewards. Dividing the initial budget goal by the average contribution per backer found in Figure 2 ($62), we estimate the number of contributors necessary to reach the goal. Then, applying the distribution of backers from our research in Figure 3, we can estimate the number of contributors in each tier—thus predicting the total costs of rewards. The total cost of the rewards can then be expressed as a percentage of the total, and it maintains that proportion in any goal that is set (see Figure 6).

In this example we observe that with the given costs of rewards, the percentage of the total money raised that is going to be spent on rewards, is 12.95%. Manipulating the costs of each reward might significantly change the percentage devoted to rewards fulfillment. Note that results can be

					Straight Budget Goal	
					$8,000.00	
Contribution	Rewards	Reward Cost	Total Tier Cost	Distribution	Estimated # of Backers	Estimated Cost
$5	Album Download and Stickers	$0.49	$0.49	7.24%	9.42	$4.62
$10	All of the Above + CD	$1.79	$2.28	12.19%	15.86	$36.16
$25	All of the Above + Autographed CD	$-	$2.28	37.03%	48.16	$109.80
$50	All of the Above + T-shirt	$12.99	$15.27	20.44%	26.59	$405.96
$100	All of the Above + Poster	$4.89	$20.16	9.27%	12.06	$243.14
$250	All of the Above + 1h Skype Class	$-	$20.16	3.19%	4.15	$83.58
$500	All of the Above + Visit to the Studio	$-	$20.16	1.25%	1.62	$32.73
$1,000	All of the Above + Concert VIP Ticket	$129.00	$149.16	0.36%	0.46	$69.19
$2,500	All of the Above + Producer Credit	$-	$149.16	0.07%	0.09	$12.97
$5,000	All of the Above + Private Concert	$500.00	$649.16	0.04%	0.06	$37.64
Donation	N/A	$-	$-	8.92%	11.60	$-
				TOTAL	130.06	$1,035.79

DATA	
Avg. $/Backer	$62
Budget Needed	$8,000.00
Rewards Cost Percentage	12.95%

Figure 6. The percentage cost of rewards.

updated with the latest Kickstarter data, extended to other sites such as Indiegogo, and even broken down by musical genres, pledge categories, or other relevant factors. Even when historical data from older projects do not seem relevant for a new crowdfunding campaign, the methodology has its use: a subjective distribution of rewards can be guessed, together with its average backing, to reveal the likely cash goal.

Service Fees

The Kickstarter business model is based on retaining a small fee of five percent from successful campaigns. Additionally, there are payment-processing fees (that in the case of Kickstarter are collected by Amazon Payments). The fees for handling the money average between three and five percent of the total money raised.[16] Other websites such as Indiegogo or PledgeMusic have different fee structures, and budgets should be properly adjusted to reflect the processing fees of the platform in use.

Taxes

Beyond the costs of the rewards and the fees charged by the platform, project owners should expect to pay taxes on money raised via crowdfunding. Kickstarter and its payment processor, Amazon Payments, are required to send a 1099-K Form reporting "Merchant Card and Third Party Network Payments" to the Internal Revenue Service for any project that exceeds $20,000 with more than 200 transactions.[17] The taxes owed for a crowdfunding campaign vary in every case, and might include federal income tax, sales tax, gift tax, and self-employment taxes, among others. On the other hand there are a series of deductions and tactics that can be applied in order to reduce the amount owed. Furthermore, the type of business entity chosen by the project manager, as well as the accounting method used—accrual, or cash basis—significantly impact how taxes are going to be handled in any specific campaign.

We think it is reasonable to allocate ten percent of the final goal for taxes. The figure is speculative and dependent on the means of the project manager. If crowdfunding monies are perceived as income, we've erred on the side of less wealthy individuals, who would not be paying the highest income tax rate. A less likely scenario is that an aggressive tax professional might justify rewards for a particular campaign as donations. In that case, the tax rate would be non-existent, although the fees of the tax professional would need to be accounted for. It is advisable to consult with

a professional accountant in order to properly estimate the amount owed.

A Contingency Correction

The last item in the budget is a contingency factor for unforeseen expenses. This is an arbitrary percentage set to cover unexpected costs, including extra costs of fulfillment or taxes. To illustrate the necessity of a contingency factor, consider the possibility that one of the rewards offered in a specific tier is a t-shirt, and twenty-six people are expected to receive that reward. However, you then learn that the manufacturer requires a minimum order of fifty; costs would be higher than expected. Once a contingency factor is established, it adds a degree of flexibility to the collection process. A five percent contingency is set in this sample budget.

The Final Goal

In our example, the band collects $8,000 for its recording project. The initial goal is exceeded by the costs of running a crowdfunding campaign, which we have identified as the rewards costs, at 12.95%; the fees, at 10%; the taxes, at another 10%; and the contingency factor, at 5%. The result is:

$$\text{Final Goal} = \frac{\text{Initial Budget Goal}}{1-\left(\%\ \text{Rewards Cost} + \%\ \text{Fees} + \%\ \text{Taxes} + \%\ \text{Contingency}\right)}$$

We have said that a common mistake is making the goal of the crowdfunding campaign identical, or almost identical, to the initial budget goal. As can be seen from the projections in Figure 7, the band would be setting itself up for some economic hardship with $8,000 as its goal. Applying the budget formula, however, it is easy to estimate a breakeven goal. We recommend adjusting results to a round number to play it safe. Note that in this example the band members were using $12,000 from savings, and needed $8,000 from crowdfunding, so in order to really break even they would need to recoup their $12,000 either by exceeding their goal with pledges from the campaign, or in future sales of the album.

The formula also provides useful insights about the number of contributors necessary to reach a given campaign goal. A project owner can better evaluate his or her chances of success by (i) comparing the number in the model to his or her actual fan base, (ii) make judgments about Facebook friends and Twitter followers that may turn into backers, and (iii)

	Straight Budget Goal		Breakeven Goal		Adjusted Goal	
	$8,000.00		$12,892.29		$13,000.00	
Contribution	Estimated # of Backers	Estimated Cost	Estimated # of Backers	Estimated Cost	Estimated # of Backers	Estimated Cost
$5	9.42	$4.62	15.18	$7.44	15.31	$7.50
$10	15.86	$36.16	25.56	$58.27	25.77	$58.76
$25	48.16	$109.80	77.60	$176.94	78.25	$178.42
$50	26.59	$405.96	42.84	$654.22	43.20	$659.69
$100	12.06	$243.14	19.44	$391.83	19.60	$395.11
$250	4.15	$83.58	6.68	$134.69	6.74	$135.82
$500	1.62	$32.73	2.62	$52.75	2.64	$53.19
$1,000	0.46	$69.19	0.75	$111.50	0.75	$112.44
$2,500	0.09	$12.97	0.14	$20.91	0.14	$21.08
$5,000	0.06	$37.64	0.09	$60.66	0.09	$61.17
Donation	11.60	$-	18.69	$-	18.84	$-
TOTAL	**130.06**	**$1,035.79**	**209.59**	**$1,669.22**	**211.34**	**$1,683.16**
	Taxes	$800.00	Taxes	$1,289.23	Taxes	$1,300.00
	Fees	$800.00	Fees	$1,289.23	Fees	$1,300.00
	Contingency	$400.00	Contingency	$644.61	Contingency	$650.00
	Net Balance	**$4,964.21**	**Net Balance**	**$8,000.00**	**Net Balance**	**$8,066.84**

Figure 7. Breakeven and adjusted goals.

generally set standards for a more targeted marketing and public relations effort.

Conclusion

Crowdfunding is not for the faint of heart, but properly harnessed it can help artists and creators achieve their goals. There is substantial work involved at every step, starting with the pre-production of the project, continuing through the execution of the actual campaign, and ending well only after the hurdles of fulfillment are overcome.

Sound budgeting is at the core of any serious attempt at the medium. But, right now, crowdfunding needs to be infused with a healthy dose of realism. It can be done better and produce more successful and sustainable campaigns. We provide an Excel template to that end. The spreadsheet, which makes our methodology clear, can be (i) adapted for specific music campaigns by desired goal or genre, (ii) used in the simulation of different scenarios and for data updates, and (iii) extended to non-musical projects. Once again, please see http://bit.ly/13taRoN.

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Luiz Augusto Buff is a Brazilian lawyer, currently specializing in Entertainment, Media, and Intellectual Property Law at UCLA School of Law. Previously, Buff studied Music Business and Management at Berklee College of Music where he coordinated the law section of the academic publication *The Music Business Journal*. Buff developed experience in the music industry both as a musician and as working at companies such as Warner Bros. Pictures, consulting firm Digital Cowboys, and Ted Kurland Associates.

Peter Alhadeff is a Professor and founding faculty member of Music Business/Management at Berklee College of Music. He was a speaker at Midem 2012, Rethink Music 2011, keynote speaker at the Business and Economics Society International, Athens, 2010, and Conference Chair at the Music and Entertainment Industry Educators Association, Boston, 2009. He is the Executive Director of Berklee's *Music Business Journal* (http://www.thembj.org), and the author of *Music Business Finance*, a Berklee Online course (October 2013). Alhadeff was named Musical Coordinator for the Special Awards Ceremony at the Latin Grammy, Las Vegas, 2007. He founded *Recording Magazine en Español* and its successor, *Músico Pro*. Alhadeff holds a doctorate from Oxford University, England, and held positions at the University of London and the Inter-American Bank at the Instituto Di Tella, Buenos Aires. He has published with the National Academy of Arts and Sciences and in refereed journals and books on economic development, including the St. Antony's/ Macmillan Series.

The Urbanization of the Billboard Top Album and Singles Charts: How SoundScan Changed the Game

John P. Kellogg
Berklee College of Music

The author acknowledges and thanks research assistant Dominika Hwang for her excellent work on this project.

Abstract

Resistance to *Billboard's* recent incorporation of digital download sales and streaming data along with radio to determine weekly chart rankings on the Hot Country and R&B/Hip-Hop Song charts was to be expected. Uproar over the magazine's changes to chart methodology date back more than sixty years to its first publication of the Hot 100, a weekly chart that determines the most popular singles in America. However, the most controversial change occurred with the publication's 1991 decision to incorporate SoundScan data in determining rankings on both the Top 200 Album and Hot 100 Singles charts. While some experts predicted the change would alter the make-up of specific genres of music appearing on the weekly monitors, few had the foresight to project the significant increase in certain types of music hitting the top of the charts after the alteration to these most important measurements of popularity of American music. Urban music (R&B/Rap) and Country titles roared to the top echelons of both charts immediately thereafter.

This paper will explore the severity of the change and its effects on the marketing, production, and business plan decisions that emerged as a result thereof, and led to Urban music dominating the charts for the next twenty years.

The document will delve into the history of *Billboard's* determination to change its methods in 1991 and, through an examination of both pre- and post-change data in charts, diagrams, and empirical evidence, investigate the resulting changes in both the complexion of the artists and the content of popular music in the last decade of the twentieth and the first decade of the twenty-first century.

Keywords: *Billboard*, SoundScan, music business, Urban music, chart rankings

Introduction

It's been said anonymously, and repeated in many industry circles, "The music business is a game where you can't make a living, only a killing. The key is to try to have as many killings (successes) in a row as you can." Following that line of thinking, the reading, studying, and analyzing of *Billboard* magazine's weekly charts is a practice many music professionals engage in to make decisions on behalf of their companies, artists, clients, or associates in an attempt to create as many successive "killings" as possible. Every game has rules and regulations that have to be complied with in order for contestants to be successful. In addition to the rules, certain practices, procedures, and methods make the process of playing and chances of winning greater. Occasionally, certain rules, practices, and protocols undergo severe adjustments that may create controversy and redirect the course of the game. This article is written to both document and examine an adjustment in *Billboard* chart-ranking methodology that changed not only the genre make-up of the charts, but also influenced several elements of a burgeoning music industry during its peak period, the 1990s, and beyond.

Billboard, the leading and sole surviving weekly music publication,[1] has ranked black music since 1942 under various designations including Race Records, Harlem Hit Parade, R&B, Soul, and black music charts.[2] In 1948, *Billboard's* chart manager, Jerry Wexler, coined the term Rhythm and Blues (R&B) to identify music that was marketed primarily to black consumers and played on radio stations targeting black listeners. Since that time, R&B music has had a significant impact on the popular music scene. Soultracks.com's Chris Rizak says:

> While its influence had been silently profound during most of the 20th century, in the 1960s black music firmly established itself as the music of a nation. Motown called itself "The Sound of Young America," and popular secular music derived from Gospel and Blues roots became the dominant creative and cultural driver—a role it would maintain for the next several decades.[3]

Motown's promulgation of the "Sound of Young America" did accelerate the popularity of black music among the general market audience. The influence of R&B/Soul music continues to this day with the recent

rise of an Electronic Dance Music (EDM) genre that was born out of the musical stylings of the R&B/Disco music of the 1970s.

Urban music initially was a term used to reference a musical genre of the 1980s and 90s defined by recordings by Rhythm and Blues or Soul artists with broad crossover appeal. Urban contemporary began as an American radio format designed to appeal to advertisers who felt that "black radio" would not reach a wide enough audience.[4] Rap/Hip-Hop music, also an urban art form, originated in the boroughs of New York City in the latter 1970s and 80s. As Rap/Hip-Hop music (an extension of R&B/Soul) grew during the last two decades of the twentieth century, the term "Urban Music" was employed to identify the aggregate genres.

Billboard's change of methodology in determining Top Album and Hot 100 Singles chart rankings to include the use of actual point-of-sale information from SoundScan in 1991 led to a significant increase in the sales, amount, and frequency of Urban music being programmed on Top 40 radio in the latter 90s and extending into the new millennium. It also gave rise to other significant changes in the music business in general that are worth noting.

History of *Billboard's* Top Album and Singles Charts

On March 24, 1956 *Billboard* inaugurated a weekly Best Selling Popular Albums chart in response to the explosion in sales of R&B influenced Rock & Roll music. Prior to that time, R&B music was relegated to only R&B charts that marginalized the significance of its actual market appeal. Ironically, the chart's first number-one album was *Belafonte* by Harry Belafonte.[5] *Billboard* commenced publication of the weekly "Hot 100" singles chart in 1958. Touted at the time as the "complete, accurate, up-to-the minute information useful to all in the field as a reliable predictor of future sales"[6] the chart ranks what are considered the most popular records at the moment. The album format however, soon replaced the single record as the most profitable configuration for record companies and eventually, *Billboard* introduced a weekly list of the best selling albums, the Billboard Top 200 in 1991. On March 14, 1992 the moniker was changed to the Billboard 200[7] and became the new measure of success for both artists and their record companies.

Billboard's weekly charts of various categories of music has, at times, been a source of controversy, from the methods used to determine the important chart positions, to the decisions made by certain industry

parties based on the rankings. Chart information serves as a determinative factor in deciding which artists are signed, for how much, and the amount of funds allocated in marketing and promoting their careers.

Billboard's Ever-Changing Chart-Ranking Methodology

The formula used to determine *Billboard* chart rankings has undergone a significant number of changes over the years. *Billboard* frequently alters the method of determining the rankings in its weekly charts.[8] In late 2012, the publication's change in the factors used to determine the rankings of various genre charts caused a new rancor within certain elements of the music industry. At that time, the Hot Country Songs, Urban Songs, Rock Songs, Rap Songs, and Latin Songs chart formulations were changed to factor in not only sales and multi-format radio play, but streaming data from digital services Spotify, Muve, Slacker, Rhapsody and others. Critics complain that the new system favors each genre's crossover-radio play artists and hinders both traditional and up-and-coming independent artists. Taylor Swift is an example of an immediate winner of the change in formula. Her Pop crossover singles *We are Never Ever Getting Back Together* and *Red* ascended to the top two positions of the revised Hot Country chart, relegating singles by more traditional country artists like Miranda Lambert, Jason Aldean, and Toby Keith to lower positions.[9]

In February 2013, *Billboard* made another controversial decision, adding YouTube streaming data to its methodology for determining chart position on the Billboard Hot 100. Commentator Eduardo Loret de Mola, states, "Online streaming, especially YouTube, is becoming increasingly relevant in today's music industry."[10] The impact of that decision was immediate, as the number-one track on the chart the first week of implementation, March 2, 2013, was viral sensation *Harlem Shake* by DJ/Producer Baaur. While the single's sales of 262,000 units that week would have placed it in the top fifteen on the chart without factoring in the YouTube views, the inclusion of this data accelerated the record to the top of the chart. The long-term impact of this decision is yet to be determined and the quality and long-term potential of artists that have substantial YouTube video success remains to be seen. However, while the history of *Billboard* chart-ranking formula alterations is constantly evolving, there was one change that drastically revised the course of popular music and the business surrounding it.

The Introduction of SoundScan to *Billboard's* Chart Formulation

While several *Billboard* chart formulation changes have had varying effects on the course of the music industry, an important transformation occurred in 1991 when SoundScan data was first factored into the calculation of rankings on the Top 200 Album (May 25, 1991) and Hot 100 Single (November 30, 1991) charts. SoundScan, founded in 1991 by Michael Shalett and Michael Fine, is a computerized music retail sale tracking data resource that verifies sales as soon as an album's or single's barcode is scanned at retail outlets.

Prior to including SoundScan in the formula for calculating album chart positions, *Billboard's* method of ranking albums included primarily verbal reports from retail managers, who were subject to corruption. At the time, some in the industry alleged rampant record label bribing of music store managers to report their albums at a high position with the intent of manipulating the charts.[11] Prior to changing the Hot 100 ranking formula, the chart was compiled manually by a *Billboard* staff that spent hours on the telephone with record stores finding out which records were selling, and with radio stations to find out which songs were on or added to their playlists that week. However, on November 30, 1991 the magazine switched to two data collection services: Broadcast Data Systems (referred to as BDS, an automated digital tally of all broadcasts and internet play of recordings) and SoundScan. Both were developed by Nielsen.[12]

Much has been written on the positive effects this change has had on the Country music genre. Many with Country music pedigree hailed the introduction of SoundScan to chart ranking calculations. At the time of implementation, Jimmy Bowen, President of Capitol Record's Nashville operation offered, "SoundScan is the best thing that's happened to the music business in thirty-seven years. The real statistics that these two guys (Shalett and Fine) give the industry have completely overhauled America's perception of what a pop hit is."[13]

One of the few academic studies of this change was documented in *When Market Information Constitutes Fields: Sensemaking of Markets in the Commercial Music Industry* by N. Anand and Richard A. Peterson (Anand/Peterson) which focused on a case study of how the inclusion of SoundScan in the formula for determining the Billboard Top 200 album chart changed record industry participants' understanding of their markets. The paper noted differences the change had on music from various genres

appearing on the Billboard Top 200 Album chart.[14] Their study compared the number of albums from various genre charts (Rock, Country, R&B/Hip-Hop, etc.) appearing on the Billboard Top 200 Albums weekly chart for thirteen weeks prior and subsequent to *Billboard's* incorporation of SoundScan data in determining chart rankings. However, in discussing the results of their research, they chose to highlight the difference realized in only one market, Country music, noting that the number of Country albums appearing in the top fifty positions of the chart tripled following the introduction of SoundScan data to the formula. While the authors focused their comment on the increase of Country albums in the top fifty positions, in my estimation, they failed to assess the real impact the change made on the Urban music market by stating only briefly that the number of Urban albums appearing on the chart was relatively unchanged. Varied recollections of the event have been offered and a separate analysis of the pre- and post-change data leads to another conclusion.

The Urbanization of the Billboard Top 200 Albums and Hot 100 Singles Charts

Even though a recording's appearance in the top fifty of either the Top 200 Album or Hot 100 Singles chart is noteworthy, the achievement of ranking in the top twenty of either chart is a traditional measure of greater popularity and success in the recording field. In order to test whether *Billboard's* adoption of SoundScan in determining chart position had an impact on the number of R&B/Hip-Hop Albums appearing in the upper echelon (top twenty) of the Top 200 album chart, a calculation of the number and percentage increase or decrease of Urban albums appearing in the top twenty of the chart before and after May 25, 1991 was made. The method used tracked the number of albums from the Top R&B/Hip-Hop Albums chart that also simultaneously appeared within the top twenty of the Billboard Top 200 Album charts each week during the same thirteen-week periods employed in the Anand/Peterson study. As can be seen in Figure 1, such analysis indicates a substantial increase in the number of Urban albums ranking in the top twenty of the chart after the SoundScan formula was introduced. In addition, Figure 2 shows a substantial post-period percentage increase of 24%.

In addition, research was conducted to discover whether there was a change in the number of Urban singles appearing on the Billboard Hot 100 chart immediately following the inclusion of SoundScan information as a

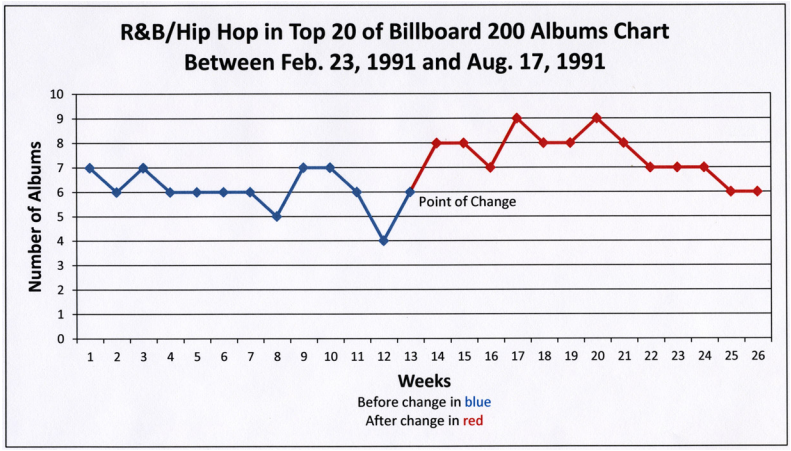

Figure 1. R&B/Hip Hop in Top 20 of Billboard 200 Albums Chart Between Feb. 23, 1991 and Aug. 17, 1991.

determinative factor. Figures 3 and 4 illustrate and calculate the percentage increase in appearances of Urban music on the big chart, as it is sometimes called. Using the same method of measure employed in the Top 200 Album chart analysis, the study showed a 32% average weekly increase in Urban singles reaching the upper echelon (top twenty) of the Hot 100 singles chart following the change.

Ramifications of Incorporating SoundScan into the *Billboard* Chart Ranking Formula

The immediate difference in the number of Urban records appearing on the Top 200 Album and Hot 100 charts caused by adding SoundScan to the formula was even a surprise to *Billboard*.[15] The instant recognition of the selling power of Urban records also changed the initiatives of major and independent record labels. The influence of independent labels like Tommy Boy Records and Ruthless Records began to surge in recognition of sales of theretofore unheralded rap artists like N.W.A. Even major labels that had formerly turned a blind eye to the success of Urban music were forced to deal with this new force in the industry. Ray Tisdale, Director of Business and Legal Affairs of Capitol Records at the time, reveals, "SoundScan was very beneficial to R&B and black music because it showed it was selling in much better numbers than the labels actually thought. In the music business, they were saying the Pop artists were re-

Week	R&B/Hip-Hop Albums in Top 20 of the Billboard 200	Before Change (Feb. 23, 1991 - May 18, 1991)	After Change (May 25, 1991 - Aug. 17, 1991)
1		7	8
2		6	8
3		7	7
4		6	9
5		6	8
6		6	8
7		6	9
8		5	8
9		7	7
10		7	7
11		6	7
12		4	6
13		6	6
	Sum	79	98
	Average per week	6.1	7.5
	Average difference per week	1.5	
	Percentage change	24%	

Figure 2. R&B/Hip-Hop Albums in Top 20 of the Billboard 200.

ally selling and they really weren't. What *was* selling was the Hip-Hop and Rap artists and there was a refusal to accept what the reality was."[16]

Entertainment lawyer George Gilbert also supports that contention, sharing, "There were people at the major labels who were in complete and total denial about what was really happening with Hip-Hop and Rap music until SoundScan leveled the playing field. Urban music departments generated a lot of money."[17]

Several labels undertook new initiatives to expand their A&R reach in the Urban music areas, signing more Urban production companies and artists to fill their pipeline with high volume sales product. A&M partnered with producers Jimmy "Jam" Harris and Terry Lewis to form Perspective Records in 1991. Arista, which had already entered into a joint venture

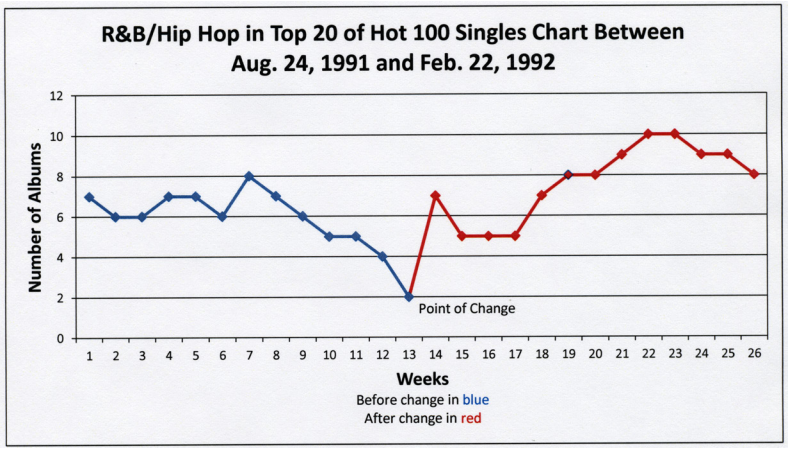

Figure 3. R&B/Hip Hop in Top 20 of Hot 100 Singles Chart Between Aug. 24, 1991 and Feb. 22, 1992.

agreement with hit Urban producers L.A. and Babyface, creating the La-Face label in 1989, continued its expansion into the genre by crafting a similar agreement with Sean "Diddy" Combs' Bad Boy Records in 1993.

However, Urban marketing executives at major labels were frustrated that the same efforts weren't made to expand their marketing budgets. Former BMG Regional Urban Marketing Manager Michael Trammel states, "Prior to SoundScan, we (Urban marketing executives) knew that black music sales were sustaining a lot of these companies, but the Urban marketing budgets were under-funded. The Rock and Pop acts always seemed to have bigger budgets than the budgets we had for Urban acts. Even after the SoundScan change, the senior marketing executives would put a cap on the amount of marketing money the Urban division had to work with."[18]

On the retail side, some independent stores located in urban areas initially resisted affiliating with, and reporting sales to, SoundScan. Many mom and pop retailers in the black community were hesitant to let the record companies know how many records they were actually selling. They were concerned that if they reported which records were selling in great numbers, the label's sales representatives would alert the big-box and chain retailers, who could then stock the big sellers and sell them at a discounted price, undercutting their market. Further in the interview with Trammell, he expresses disbelief in *Billboard's* chart ranking system prior

Week	R&B/Hip-Hop Albums in Top 20 of the Hot 100 Singles	Before Change (Aug. 24, 1991 - Nov. 23, 1991)	After Change (Nov. 30, 1991 - Feb. 22, 1992)
1		7	7
2		6	5
3		6	5
4		7	5
5		7	7
6		6	8
7		8	8
8		7	9
9		6	10
10		5	10
11		5	9
12		4	9
13		2	8
	Sum	76	100
	Average per week	5.8	7.7
	Average difference per week	1.8	
	Percentage change	32%	

Figure 4. R&B/Hip-Hop Albums in Top 20 of the Hot 100 Singles.

to SoundScan. "Prior to SoundScan, they had no clue which black artists were selling in big numbers."[19] Dedry Jones, owner of Track One Records and spokesperson at the time for the twenty-one retail store member Urban Music Retailers Association, avers, "The labels get this information about what we're selling…and then they'll tell their large retail accounts so they will start buying the same thing."[20] But soon major labels started showing more favor to SoundScan reporting retailers and eventually, to some of the reluctant retailers, the lure of receiving boxes of free singles and albums became a strong incentive to eventually conform to SoundScan.

The initial fears of Urban retailers may have been well founded. Mass merchants and chain stores provided stiff competition over the subsequent years and, due to several other factors, including the emerging

digital age, only a handful of Urban retailers remain. Jones could only identify five members of the Urban Music Retailers Association organization that are still in business.[21] Some Urban retailers were not so resistant. Skippy White, owner of Skippy White's retail operation in Boston, Massachusetts states, "I felt reporting to SoundScan was an advantage to me. They actually had to provide us with a computer, because prior to that, we didn't have a computer. Having three stores you don't know what's happening in the other two stores that you're not in at any one time. So this was a way of really keeping on top of the inventory."[22]

The rise of chart activity of Urban records in the upper echelon of the charts also had an impact on the type of deals Urban artists' attorneys could obtain from record labels and publishing companies. In the 1970s and 80s there was an unwritten rule that initial recording contract advances for new Urban artists were routinely one to two hundred thousand dollars less than those given to new Rock or Pop artists. As a result of having documented evidence of the selling power of Urban artists from SoundScan, the potential for Urban artists to receive higher advances and other more beneficial contractual terms was dramatically improved.[23]

The more accurate accounting of the sale of Urban music also impacted the amount and nature of the genre's radio play. *Billboard* inaugurated a Mainstream Top 40 chart in 1992 that, over the course of several years, was flooded with Urban records. During 1993, the first full year of the chart's existence, Urban titles made up 32% of each weekly top ten.[24] Current Vice-President of Promotion/Research & Information Systems at Island Def Jam Music Group, Rich Westover, recalls, "Hip-Hop had an amazing run in the nineties and early twenty-first century. With Jay-Z, every album he came out with was number one."[25] During the first few years of this century, Urban music dominated *Billboard's* weekly Hot 100, culminating with R&B or Hip-Hop artists performing all of the number one songs on that chart in 2004.[26]

The rapid increase of chart activity of Urban music was not the only charge led by the inclusion of SoundScan in determining rankings on *Billboard's* charts. The adoption of SoundScan as a measure of actual retail music sales also positively affected other areas of the music business. Former Senior Economist of ASCAP and now the President of Massarsky Consulting Inc., Barry Massarsky, says, "The development of SoundScan gave Wall Street a reason to consider purchasing both publishing and master recording catalogs. The information obtained from SoundScan not

only provided reliable data that enabled investors to forecast earnings and build new business models around these valuable assets but also took the enforcement of copyright to a new level because it provided data upon which to predict recoverable losses from infringement of copyright."[27] In addition, the SoundScan information also made music executives aware that albums didn't start at a low position and then climb the charts, as was thought prior to the change. Instead, albums would start close to the top of the chart and then fall, unless or until another hit single from the album was subsequently released.[28]

Conclusion

Billboard's weekly charts are the most noteworthy measure of the popularity of singles and albums in the U.S. market. In an effort to maintain that status, the publication constantly changes the factors used to determine the cherished rankings. Recent changes in *Billboard's* formula, that incorporate such factors as digital streaming, social media activity, and YouTube views, have drawn both criticism and acclaim from various sources within the music industry. However, one change resulted in a paradigm shift in the scope of the Urban music genre and its influence on the future of popular music. The insertion of SoundScan into the formula for determining chart position on *Billboard's* charts in 1991 resulted in an immediate and significant increase in appearances of Urban music in the upper echelon (top twenty) of both the Top 200 Billboard Album and Top 100 Singles charts and changed the direction of the popular music industry in the 1990s and first part of the twenty-first century. The increase in recognition, sales, and radio play of Urban music afforded by the verification of the power of its sales, resulted in significant changes to music business practices not only in Urban music but across the music industry.

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John P. Kellogg, Esq., is Assistant Chair of Music Business/Management at Berklee College of Music. A graduate of Syracuse University, he received a BA degree in Political Science and a MS degree in Television and Radio from the Newhouse School of Communications. He attended both Case Western Reserve University School of Law where he earned his Juris Doctor degree and the college's Weatherhead School of Management. Licensed to practice in the states of New York and Ohio, he has represented recording artists Levert, The O'Jays, Eddie Levert, Sr., LSG, Stat Quo of Shady/Aftermath Records, G-Dep of Bad Boy Records, and served as a member of the management team for the late R&B recording star Gerald Levert, whom he represented throughout his career. A former vocalist with the group Cameo and author of the international best-seller *Take Care of Your Music Business*: *The Legal and Business Aspects You Need to Know to Grow in the Music Industry*, and numerous legal articles and editorials, Kellogg has been profiled in *Billboard*, *Ebony*, *Black Issues*, *Jet*, and *In the Black* magazines. Kellogg was a 2005 inductee into the Black Entertainment and Sports Lawyer's Association Hall of Fame (BESLA) and named to the *Ebony* magazine Power 150 list of African-American Organization Leaders. A current member of the Board of Directors of the Music and Entertainment Industry Educators Association (MEIEA), Kellogg was also the first African-American elected President of the organization in 2009. He provides a bi-weekly radio commentary about the entertainment business on Clear Channel station Power 620 AM, serves as a talent judge on Emmy-award winning television program *Community Auditions*, and frequently reports about current music industry issues on radio, television, and other media outlets. His clients include jazz saxophonist Walter Beasley, Emily Luther of internet sensation Emily Luther and Charlie Puth, composer and musical director Bill Banfield, Grammy-nominated gospel artist Jason Champion, Eddie Levert of The O'Jays, and others.

A Historical Investigation of Patterns in Sophomore Album Release

Jennifer Fowler
Belmont University

Stuart J. Fowler
Middle Tennessee State University

Rush Hicks
Belmont University

Abstract

Nielsen SoundScan and *Billboard* chart data for the periods 1993-2003 are utilized to create a cohort panel dataset comprised of "Heatseekers" artists and groups for the purpose of studying historical patterns of sophomore album release. Following Hendricks and Sorensen (2008), the genres used in this study include Rock, Rap/R&B/Dance, and Country/Blues. The econometric model employed is a hazard function as described in Cameron and Trivedi (2009) and Wooldridge (2010). For the panel of acts, the paper documents the following empirical facts. First, the hazard function indicates that most sophomore albums are released 45 months after the debut album and if a sophomore release does not occur within 80 months of the debut album there will most likely be no sophomore release. Second, the time between album release is a function of past album sales; all else equal, the larger the hit the less time it takes for the next album to be released. Third, genre influences the timing of release; all else constant, the Rap/R&B/Dance genre consistently delayed sophomore albums relative to the Country/Blues and Rock genres. Fourth, conditional on successful debut album sales, acts from the Country/Blues and Rap/R&B/Dance genres release more quickly than acts from the Rock genre.

Keywords: sophomore album release, supply of music, cohort data, incidence rate, hazard function

Introduction

Using Nielsen SoundScan and *Billboard* chart data for the periods 1993-2003, this paper develops a cohort panel dataset comprised of "Heatseekers Albums" artists and groups for the purpose of studying historical patterns of sophomore album release. Knowing when and why sophomore

albums are released is of importance to social scientists as it allows the testing of various behavioral theories. Additionally, music industry practitioners and educators may find the description of sophomore album releases important because it indicates how acts (artists, groups, and labels) have historically behaved thus identifying a standard for industry behavior.

The estimation model includes variables that affect the timing of an act's sophomore release. How these variables impact the timing is a priori unknown and thus is a puzzle. One such variable is the cumulative debut album sales. A successful debut album could indicate the future success of a sophomore album resulting in a shorter sophomore release time frame. Alternatively, debut release success may give acts more time to improve and complete the sophomore album thus delaying its release. Another possibility is that past success may not be as important since all of the acts studied have had initial success as indicated by the Heatseekers Albums chart.

Another variable used to test the timing of release is the genre of the act. For various reasons, certain genres may be more efficient in the production and release process due to the number of tracks associated with the album. For example, classical and jazz albums can be more efficiently recorded relative to Hot 100 pop albums that often consist of more than one hundred tracks to edit and mix. Additionally, given the common wisdom that artists have their entire life to write the first album but only a year to write the second, the availability of material within a genre may impact the timing.[1] In total, the main variables used to explain the timing of sophomore album release are chosen based on a theoretical description of the primitives that describe the economic motivations to release an album.

For the panel of acts, the paper documents the following empirical facts about the timing of the sophomore album release. First, the hazard function indicates that most sophomore albums are released 45 months after the debut album and if a sophomore release does not occur within 80 months of the debut album there will most likely be no sophomore release. Second, the time between album release is a function of past album sales; all else equal, the larger the hit the less time it takes for the next album to be released. Third, genre influences the timing of release. Holding all else constant, the Rap/R&B/Dance genre consistently delayed sophomore albums relative to the Country/Blues and Rock genres. Fourth, conditional on successful debut album sales, acts from the Country/Blues and Rap/R&B/Dance genres release more quickly than acts from the Rock

genre. Although the third and fourth empirical facts seem to contradict each other, a simple example clarifies the two. At the extreme, a rap artist with zero debut album sales would have a delayed release relative to a rock artist with the same sales level. However, the probability that a rap artist will release before a rock artist increases as debut albums become more successful.

Data

Following Hendricks and Sorensen (2008), a sample cohort is constructed using *Billboard's* Heatseekers Albums chart of new or developing acts[2] for the time period 1993-1994. To estimate the econometric model, a sample cohort is needed for two main reasons: (1) the universe of possible acts is too large and (2) employing a sample cohort allows one to compare acts in the same part of their career lifecycle. In total, the sample cohort describes the album sales history of 111 acts whose album reaches *Billboard's* Heatseekers Albums chart in 1993 and 1994. The Heatseekers Albums chart lists the sales ranking of the top 25 new or ascendant artists and bands each week. Although more than 111 acts appeared on the Heatseekers Albums chart during 1993-1994, a smaller number of acts make up the sample cohort because the intent of the paper is to focus on new or ascendant music acts versus artists breaking away from established groups (e.g., Walter Becker of Steely Dan), comedians (e.g., Jeff Foxworthy), and children's acts (e.g., Barney) that also made the Heatseekers Albums chart during that time frame. Table 1 identifies the cohort of 111 acts studied in the paper and shows that the cohort incorporates a diverse group of acts from which we based our estimates.

Once the acts were identified and a cohort developed, a discography was collected in order to determine the number of albums produced and distributed through 2003.[3] For the purpose of this study, albums are defined to have multiple (~10) tracks per unit. Thus, singles and EPs are excluded. Moreover, not all acts in the cohort dataset produced and distributed holiday albums and compilations so these too are excluded from this study. The end date was chosen in order to keep sales measurement consistent over the study time period. Thus, digital units, and the complications associated with combining sales, are not considered in this analysis. After completion of the discography of the acts, Nielsen SoundScan was used to construct album sales history and complete the cohort data set. Operating since 1991, Nielsen SoundScan currently collects weekly point-of-sale

Acts Cohort
4 pm, Doug Supernaw, Shawn Camp, Rick Trevino, Fugees
Duice, Suede, K7, The Indians
Gibson/Miller Band, Vertical Hold, Faith Hill, Eternal, Kirk Franklin
Martha Wash, Robin S., Us3, John Berry, Bone Thugs-n-Harmony
B-Legit, D-Shot, Gabrielle, 12 Gauge, Hootie & the Blowfish
Boy Krazy, Shania Twain, Total Devastation, Collective Soul, 311
Ant Banks, Candlebox, Liz Phair, Celly Cel, Weezer
Arcade Fire, DMG, Dig, Guesss, Ill Al Skratch
Intro, Clay Walker, The Conscious Daughters, Frente!, B-Tribe
H-Town, Brother Cane, October Project, Anotha Level, Ken Mellons
Tool, Fat Joe, The Screamin' Cheetah Wheelies, Blackgirl
Boogiemonsters, 95 South, Joe, Sheryl Crow, Ahmad, Lil' ½ Dead
Toby Keith, Shaggy, Kurious, The Iguanas, O.C.
Radiohead, Hoodratz, Meshell Ndegeocello, Tha Mexakinz, Dis-n-Dat
Tracy Byrd, Gary Hoey, Kristin Hersh, 69 Boyz, Veruca Salt
Ricky Lynn Gregg, Joshua Kadison, RAab, Kenny Chesney
Brad, Mac Mall, Patra, Pride and Glory
Masta Ace Incorporated, Black Moon, Shadz of Lingo, Born Jamericans
5th Ward Boyz, Counting Crows, One Dove, Velocity Girl
Aimee Mann, Coming of Age, Top Authority, Lari White
The Coup, Artifacts, Extra Prolific, N-Phase
The London Suede, Vicious, Flatlinerz, Oasis
Deadeye Dick, C-Bo, Luscious Jackson, Usher
Joshua Redman Quartet, G. Love & Special Sauce, The Beatnuts

Table 1. Acts Cohort (source: *Billboard* Heatseekers Albums Chart – 1993-1994).

data from 14,000 retail outlets across North America and functions as a central clearinghouse for music industry data.[4]

Following Hendricks and Sorensen (2008), the genres used in this study include: Rock, Rap/R&B/Dance, and Country/Blues. Table 2 highlights the cohort dataset by genre with respect to the number of acts per genre, the incidence rate of second album releases, and the average number of months to second release.

As indicated in Table 2, Rap/R&B/Dance is the largest genre with 63 acts, followed by Rock with 32 acts, and Country/Blues with 16 acts for a total of 111 artists and groups. The incidence rate represents the probability that a second album is released within a one-month period during 1993-2003. The last column is the average time (in months) an act takes to release its second album. Thus, the incidence rate represents an average

Cohort Data Description			
Genre	Number of Acts	Incidence Rate	Avg. No. of Months to 2nd Release
Rock	32	0.0344828	28.0938
Rap/R&B/Dance	63	0.0120414	56.6825
Country/Blues	16	0.0453258	22.0625
Total/Average	111	0.0186606	43.4505

Table 2. Cohort data description

for a one-month time period, while the average release time represents the average number of months across acts. The high incidence rate of the Country/Blues genre, 0.04532, shows that in any month there is a 4.5 percent chance a second album will be released. Additionally, in the Country/Blues genre, it takes acts 22 months to release a second album. Similarly, acts within the Rock genre have a 3.4% probability of releasing a second album in any month and, on average, release a sophomore album within 28 months of the debut album. On the other hand, the acts associated with Rap/R&B/Dance have a low incidence rate, 1.2%, and release a sophomore album on average every 56.7 months. The difference between Rap/R&B/Dance and the other genres is due to the fact that several acts within the genre never released a second album during the research time frame.

Figure 1 illustrates the Nielsen SoundScan sales history of one of the acts, Radiohead, from the cohort dataset constructed using the methodology described above.[5] Radiohead represents an example of one act in the dataset that released a sophomore album.[6] The bottom area of Figure 1 represents the sales history of Radiohead's debut album *Pablo Honey*. The top area represents the sales history associated with the band's sophomore release *The Bends*. One noticeable takeaway is that the debut album follows the peaks and declines of the sophomore album indicating that increases in sales of the sophomore album lead to increases in sales of the debut album. While Figure 1 provides some interesting results with respect to sales history, in order to investigate the historical impact of sophomore album release associated with each act, an econometric model is needed.

The Econometric Model and Theory

The econometric model employed to estimate sophomore album release is a hazard function described in Cameron and Trivedi (2009) and

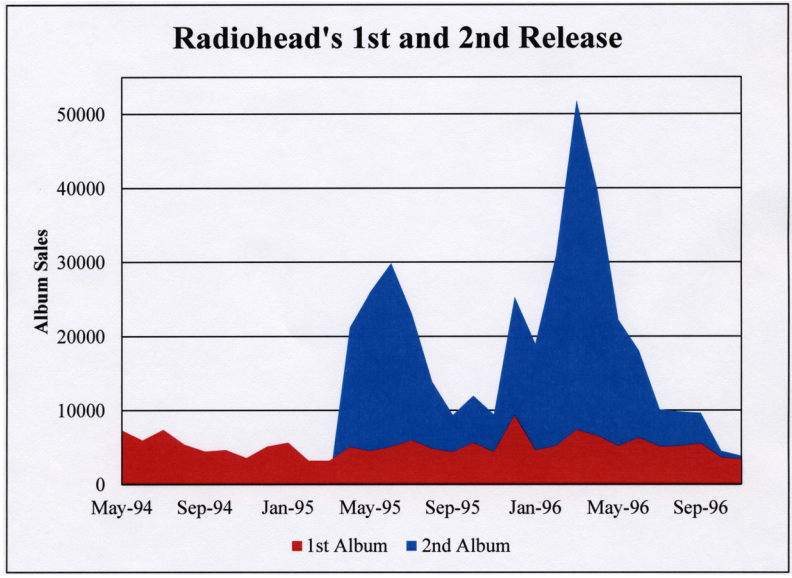

Figure 1. Radiohead's first and second release.

Wooldridge (2010). The hazard function denotes the probability that sophomore albums will be released by act, *i,* at any time, *t*, and is defined as:

$$h(X_{i,t}) = 1 - \exp[-\exp(X_{i,t}\beta + \gamma_i)]$$

where $X_{i,t}$ is a vector of variables that are used to describe the hazard function (e.g., cumulative debut album sales and genre). The elements inside β and γ are coefficients to be estimated. The coefficient vector β represents the probability of album release behavior of the acts. For example, a significant, positive coefficient β on cumulative debut album sales implies that acts are more likely to have an early sophomore release. The γ_i represents unique characteristics associated with each act. For example, Kenny Chesney's first month of debut album sales was 20,000 units while Radiohead's first month of debut album sales was fewer than 1,000 units.

To be specific, the variables that are included in the vector $X_{i,t}$ are from four main categories. The first set of variables relates to time. One would not expect an act to release a sophomore album immediately following the debut album release date. As time progresses, however, one

would expect the probability of a sophomore release to increase. It may also be the case that there is a maximum time limit associated with a sophomore release such that the album will not be released. To control for these effects, two variables are employed: time from debut release (*time*) and time squared ($time^2$) capturing the quadratic effects described above. We expect the coefficient associated with *time* to be positive whereas $time^2$ is expected to be negative.

The next set of variables describes the past success of the debut album. Cumulative debut album sales (*sales*) are included as our measure of past debut album success. On one hand, a successful debut album could indicate the future success of a sophomore album. Thus, the coefficient of *sales* is expected to be positive. On the other hand, debut release success may give acts more time to improve and complete a sophomore album. If that holds, the coefficient of *sales* is expected to be negative. A final possibility is that past success may not be as important since all of the acts studied have had initial success given their identification on the Heatseekers Albums chart. In this case, one would expect the coefficient on *sales* to be zero.

A third set of variables relate to genre. Using the definition of genre from Hendricks and Sorensen (2012), two dummy variables are constructed relative to the Rock genre: *Rap/R&B/Dance* and *Country/Blues*. For various reasons, certain genres may be more efficient in the release process. For example, if the *Country/Blues* genre can be tracked, edited, and mixed in a shorter time frame than the Rock genre, *Country/Blues* is expected to be positive. Additionally, given the common wisdom that artists have their entire life to write the first album but only a year to write the second, the availability of material within a genre may impact the timing. For example, if the *Country/Blues* genre is characterized by many professional songwriters relative to the Rock genre, *Country/Blues* is expected to be positive.

The final set of variables incorporates the effects from the interaction of past debut album sales and genre relative to Rock: *sales*Rap/R&B/Dance* and *sales*Country/Blues*. The coefficient of the interaction terms would be positive when the probability of sophomore album release for the *Rap/R&B/Dance* and *Country/Blues* genres increases faster than the Rock genre as debut albums become more successful. This might occur when there is considerable variance of success within the genres of *Rap/R&B/Dance* and *Country/Blues* with respect to Rock.

Results

Table 3 presents the estimation results employing maximum likelihood to the hazard function. Here * indicates the coefficients are statistically significant at the 5% level.[7] The first two rows show, as expected, the coefficients for *time* and $time^2$ are positive and negative, respectively. This suggests that as time progresses the probability of a sophomore release increases. It also indicates that there is a maximum time limit associated with a sophomore release.

Taken together, the results relative to *time* and $time^2$ produce a quadratic estimated hazard function for the 111-cohort dataset as illustrated in Figure 2. In the first few months after the debut release, the probability of a sophomore release is extremely low. As time progresses, however, the likelihood of a sophomore album release rises. In fact, the hazard function illustrates that sophomore album release most often occurs within 45 months after the debut album and if the sophomore album is not released within 80 months after the debut album, it probably never will be.

Table 3 highlights the fact that the variable *sales* is positive and significant at the 5% level. This implies that acts within the same genre that have achieved a successful debut album will more quickly release a sophomore album relative to those acts that had a less successful debut album. The results also indicate that there is no incentive for successful debut album acts to delay a sophomore album release for reasons associated with

Estimation Results		
Variable	Coefficient	Std. Error
time	0.1162949*	0.0221281
$time^2$	-0.0014571*	0.0002966
sales	8.63e-08*	1.13e-08
Rap/R&B/Dance	-1.302987*	0.2948817
Country/Blues	0.1523804	0.4220972
*sales*Rap/R&B/Dance*	1.34e-06*	5.04e-07
*sales*Country/Blues*	2.11e-06*	9.443-07
Constant	-4.902492*	0.3765369
N	4,823	
$X^2_{(7)}$	46.027*	

Table 3. Estimation Results (* indicates the coefficients are statistically significant at the 5% level).

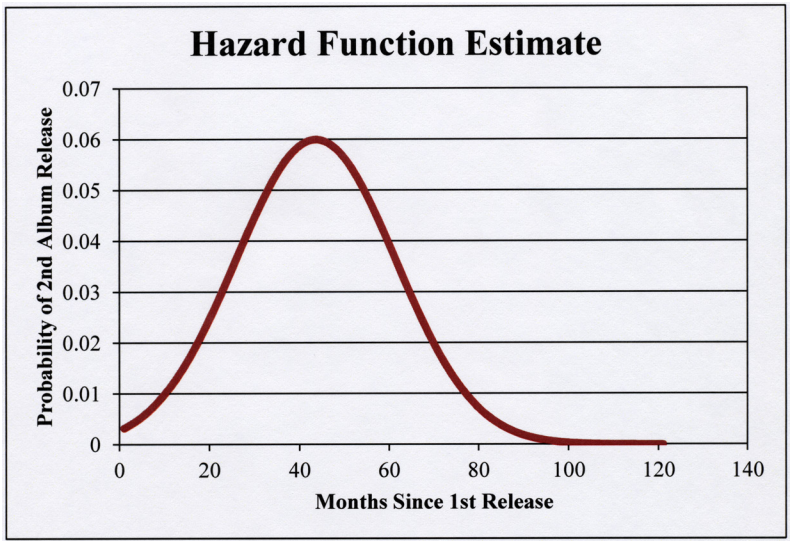

Figure 2. Hazard function estimate.

improved creation or production.

The results in Table 3 with respect to genre are interesting for a couple of reasons. First, the significant, negative coefficient of -1.303 indicates that *Rap/R&B/Dance* acts are less likely, at any time, to release a sophomore album than acts from the Rock genre. Second, because the coefficient on the *County/Blues* variable is insignificant, the Rock and *Country/Blues* genres are not significantly different with respect to the probability of a sophomore album release.

Conditional on successful debut album sales, acts from the *Rap/R&B/Dance* and *Country/Blues* genres release more quickly than acts from the Rock genre as indicated by the significant, positive coefficients for *sales*Rap/R&B/Dance* and *sales*Country/Blues*. Although this result appears to contradict the previous results for the genre variables, a simple example clarifies. Consider a rap artist with zero debut album sales. At any time, the artist should have a lower probability of sophomore release relative to a rock artist with the same debut album sales level of zero. However, as both the rap and rock acts' cumulative debut album sales increase, the probability of a sophomore release for the rap artist increases more quickly than that for the rock artist.

Conclusions

This paper created a historic cohort panel dataset of Heatseekers Albums acts employing Nielsen SoundScan and *Billboard* chart data for the periods 1993-2003. Using the dataset, a hazard function model was estimated for the purpose of determining what economic variables determine the probability of an act's sophomore album release. Given the estimated coefficients, a hazard function was constructed for the cohort dataset.

The estimation results along with the plotted hazard function displayed several interesting empirical facts with regard to sophomore album release. First, the hazard function is quadratic with respect to months since debut album release indicating the most likely time for a sophomore album to be released and identifying a point beyond which no sophomore album will be released. Specifically, most acts release a sophomore album within 45 months of the release date of the debut album and if a sophomore album release does not occur within 80 months of the debut album there will most likely be no sophomore release. Second, successful debut album release acts are *more likely* to release a sophomore album at any point in their career cycle. However, this implies that making the Heatseekers Albums chart does not necessarily guarantee a sophomore album release. Third, genre matters—at least for *Rap/R&B/Dance* acts—even when compared to rock acts with the same sales. Finally, our results show that the probability of sophomore release increases more rapidly with respect to cumulative debut album sales for those acts associated with the *Rap/R&B/Dance* and *County/Blues* genres relative to the rock genre.

The results presented in this paper will be of interest to social scientists, industry practitioners, and educators because they identify 45 months as a potential industry standard for sophomore album release. Additionally, the results identify 80 months as a maximum limit on the release time. Future research will include the expansion of the cohort panel dataset by increasing the number of acts included in the analysis over time, extending the number of subsequent album releases, and developing a model to incorporate the impact of the digital revolution on subsequent album releases.

Endnotes

1. The authors would like to thank Dr. David Tough of Belmont University and Pat McMakin, Sr. of Ocean Way Nashville for their insights into genre-related timing of album release.
2. *Billboard* defines Heatseekers Albums as "the week's top-selling albums by new or developing acts, defined as those who have never appeared on the top 100 of the Billboard 200 or the top 10 of R&B/Hip-Hop Albums, Country Albums, Latin Albums, Christian Albums, or Gospel Albums. If a title reaches any of those levels, it and the act's subsequent albums are then ineligible to appear on Heatseekers Albums. Titles are ranked by sales data as compiled by Nielsen SoundScan." For more information see http://www.billboard.com/charts/heatseekers-albums.
3. Discography information was compiled from discogs.com and verified relative to the artist websites when possible.
4. For more information about Nielsen SoundScan and its databases see http://nielsen.soundscan.com/help/help.html.
5. Graphs such as Figure 1 were constructed with respect to many of the cohort acts but were not included for two main reasons: (1) the authors wanted to conserve both time and space and (2) simply illustrating sales history is not the focus of this research.
6. Note that there are twenty-one acts that never released a sophomore album.
7. A coefficient that is statistically significant at the 5% level implies that one is 95% sure that the coefficient is not equal to zero.

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Jennifer Fowler is an assistant professor of economics and music business at Belmont University. A native Tennessean, Fowler earned her Ph.D. in 2005 in the field of economics from Middle Tennessee State University in Murfreesboro, Tennessee. Professor Fowler's teaching and research interests include entertainment industry economics, consumer expenditures, and macroeconomic theory. She has published in the *MEIEA Journal*, the *Journal of Economics and Economic Education*, and the *Academy of Entrepreneurship Journal*. Dr. Fowler is currently undertaking research with respect to entertainment mergers, intermediation in the music industry, and artist/label optimization behavior. She is a member of the American Economic Association, MEIEA, and the Southern Economics Association.

Stuart J. Fowler is an associate professor of economics at Middle Tennessee State University. Fowler earned his Doctor of Philosophy in 1999 in the field of economics from Southern Methodist University in Dallas, Texas. Professor Fowler's teaching and research interests include entertainment industry consumption, household consumption, monetary and macroeconomic theory. He is currently undertaking research with respect to the dynamic choice of new album issues. Dr. Fowler is a member of the American Economic Association and the Southern Economics Association.

Rush Hicks earned his undergraduate degree in music is from Ole Miss and his law degree from Mercer University in 1981. Since that time, he has practiced law in Nashville on historic Music Row representing artists, songwriters, artist managers, business managers, record companies, record producers, booking agencies, and publishing companies. Hicks taught previously at Middle Tennessee State University in the Recording Industry department and since 2005 has been an assistant professor in the Mike Curb College of Entertainment and Music Business at Belmont University. He teaches courses in Music Licensing, Artist Management, Intellectual Property, Copyright, and Legal Issues in the Music Industry.

Malcolm Chisholm: An Evaluation of Traditional Audio Engineering

Paul S. Linden
University of Southern Mississippi

Abstract

The career of longtime Chicago area audio engineer and notable Chess Records session recorder Malcolm Chisholm (1929-2003) serves as a window for assessing the stakes of technological and cultural developments around the birth of Rock & Roll. Chisholm stands within the traditional art-versus-commerce debate as an example of the post-World War II craftsman ethos marginalized by an incoming, corporate-determined paradigm. Contextual maps locate Chisholm's style and environment of audio production as well as his impact within the rebranding of electrified Blues music into mainstream genres like Rock music. Interviews of former students and professional associates provide first-hand accounts of core philosophies, approaches, and equipment preferences. Opposing recording techniques including isolation versus ambience, live recording versus overdubbing, and the overall tolerance of imperfection distinguish the modern and traditional approaches.

Keywords: Malcolm Chisholm, Chess Records, recording industry, analog recording, audio production, recording techniques

Introduction

At 10:57 a.m. on September 5, 1977, a Titan-Centaur expendable rocket provided Chuck Berry and Chess Records with Rock & Roll's first interstellar distribution deal. *Johnny B. Goode*, along with twenty-six other tracks, was engraved onto a gold-plated gramophone record and placed aboard Voyager 1 to serve as a window onto the best of human culture.[1] The record was the work of some of the greatest names in Chicago Blues and early Rock & Roll, but it would have been no more than a fleeting memory if not for the steady hand of a Chicago-based audio engineer named Malcolm Chisholm (1929-2003).[2] The study at hand argues for Mr. Chisholm as a historical figure whose significance merits recognition in the context of the twentieth-century recording industry. Not only can his impact be linked directly to the birth of Rock & Roll, but his experience allows us to confront core precepts of a traditional form of audio engineering

considered arcane by some modern approaches. This research demands a re-evaluation of the relationship between technological advancement and product quality. To what degree does the widespread belief that "newer equals better" reach from consumer electronics into professional audio? To what degree are artistic concepts like authenticity and empathy under erasure by the countervailing drives toward speed and profit? The purpose of this study is not simply to argue for greater visibility for Chisholm as a major contributor to what has become mainstream popular music, but to recognize a larger paradigm shift through his experience. Chisholm stands within the traditional art-versus-commerce debate as an example of the post-World War II craftsman ethos marginalized by an incoming, corporate-determined paradigm.

Methodology

What is known of Chisholm can be divided into five categories: his recordings; his resume and other personal notes; interviews of him; passing references in books and articles; and the recollections of his family, students, and colleagues.[3] Given the fact that the first four of these categories comprise works that have largely been made available either as audio, digital, or print publications, this study adopts oral history as a methodology that allows for access to a largely untapped resource. Personal interviews of former students, colleagues, and family members provide a clear view onto Chisholm's approaches, techniques, and experiences. Contextual analysis allows us to position this experience relative to historical, cultural, and technological forces acting upon the industry in which he worked. Together, these approaches allow us to recognize Chisholm's specific contribution to popular music within the larger story of the Rock & Roll era.

The interviews were conducted using a questionnaire organized around three topics: Chisholm's visibility; his approach and techniques; and his impact on the field.[4] Respondents were offered the option of telephone interviews (that I transcribed and remitted for their approval) or filling out the questionnaire on their own via email attachment. Ten of the twelve respondents opted for the telephone interview. All interviews were conducted between August 2012 and May 2013.

Biographical Overview

Mr. Chisholm was a Chicago native best known for his work engi-

neering Blues sessions for Chess Records despite also recording some of the twentieth century's greatest Jazz and popular musicians.[5] An obituary published by the Engineering and Recording Society of Chicago (EARS) reveals a curious, adventuresome type, "a true renaissance man" who added photography, undersea diving, and extensive travel among his exploits.[6] Looking at his professional career, we can discern three phases. In the first period (1948-1955) Chisholm was a certified electronics technician (ET 1) and licensed radioman with the U.S. Coast Guard and United Airlines respectively. In his audio professional phase (1955-1977), Chisholm entered the recording industry under Bill Putnam (1920-1989) at Universal Recording and developed a wide skill set freelancing for Chess and other Chicago area studios.[7] His academic phase (1978-2003) represents Chisholm's work as a professor of audio for Columbia College. Our study seeks an objective understanding of Chisholm's work as an audio professional (phase II) by interviewing former students and surviving colleagues, mostly from the period of his work at Columbia (phase III).

Interviews with Chisholm's students from this period show that he was a polarizing figure that weeded out uncommitted students quickly. They also reveal him as a champion of technologies that were rapidly becoming "old-school" in the face of the impending analog-digital divide. Interviewees indicate that Chisholm's successful history with older analog practices made him disinclined toward newer production styles. In the 1980s the program at Columbia reflected the state of the art incorporating MIDI and other computer-aided sound production. Although program administrators recall Chisholm "going along" with the curricular changes reflective of digital technology, most student sources indicate his resistance to it was evident.[8] As we will show, it should be no surprise if he recognized a reduction in the role of engineer as craftsman in the very innovation of digital technology. Incoming digital technologies progressively meant less time and money spent on audio production as well as replacing people with machines (i.e., MIDI keyboards serving as string sections, drum machines, and so on).

In order to appreciate the terms of Chisholm's professional orientation, it is necessary to have a sense of the general state of the music business over this period, as well as a more specific idea of the development of audio engineering as a craft. Contextual maps will inform our understanding of Chisholm's particular case by revealing mid-twentieth-century audio engineering in terms of its terminology, its technological develop-

ments, and its larger cultural context. Because many of our interviewees knew Chisholm during his final career phase, our ability to understand his core engineering philosophies and approaches (acquired in his middle period) requires an expanded research chronology. Before looking directly at the interviews, let us outline the cultural and historical context informing our findings.

Recording the Rock and Roll Era: 1955-1975

It is important to understand Chisholm's audio career in relation to the larger forces shaping the recording industry. Chisholm's career provides intimate witness to the eruption of Rock & Roll out of marginalized folk genres. The importance of this backdrop is that it allows us to situate the craft of the audio engineer within the larger socio-cultural shifts implicating race, genre, and industry ownership. For their part, the sounds of black R&B arrived in the nighttime hours of the late 1940s and early 1950s to seduce mainstream American youth like a jive-talking pied piper.[9] By 1953, white teens were the early adopters driving the rise of a rambunctious form of black popular music. The proverbial genie was out of the bottle and there was no way for the conservative 1950s establishment to stem the groundswell of this new sound and the ensuing musical and cultural revolution. From the limited perspective of his work for Chess, Chisholm stands at a sort of cultural crossroads. He was hired by immigrant record label owners to make recordings of southern black musicians that would fuel the British Invasion. The sounds he recorded operated a sort of racial and international translation. They spoke to mainstream youth audiences at home and abroad on topics like sexuality and revolt; topics often swept under the silence of taboo.

Chess and The Rise of the Independent Label

As parents raised on Victorian-era values bristled at the thought of their sons and daughters dancing to this sexually suggestive music, the white-owned music industry was equally ill prepared for the first stirrings of what was to become the Rock & Roll revolution. The conservative track of the major record labels has made them historically slow to respond to new trends in popular music. This is especially evident in the 1950s. After passing on Rock & Roll as a fad, the major labels found themselves playing catch-up from the second half of the 1950s through the 1960s.[10] Initially unable to exploit this explosive new sound, the majors ceded to

legions of upstart labels pushing local talent through a largely unregulated promotions sector. The upstart independent labels used tactics like payola to access radio play and, by the end of the 1950s, the majors had lost about sixty percent of the market-share they had enjoyed at the start of that decade.[11] Newer and smaller labels like Chess, Vee-Jay, Modern, and Specialty could afford to gamble on fringe markets. By and large, they gambled and won. The majors regained some initial traction by way of rebranding race music with white artists—most notably through cover songs and RCA's acquisition of Elvis from Sun. The major labels ultimately recovered through horizontal integration in time to profit from the post-British invasion era groups. But the records that would shape the direction of Rock were independently released.

At this time in Illinois, Chisholm's fortunes intertwined with Bill Putnam, a luminary figure sometimes called the "father of music recording."[12] Putnam's Universal Recording studio had been in Chicago since 1947 and, by the mid 1950s, it was the premier recording studio in the Midwest. Various clients contracted Universal Recording, including Chess Records who made many of their classic Blues sides there before opening their own studio in 1958. By the time Chisholm worked his initial session for the Chess brothers, their label had eight years in the record business. Over that time, the label successfully exploited the electrified sounds of transplant Delta Bluesmen like McKinley Morganfield (a.k.a. "Muddy Waters," 1915-1983) and Chester Burnett (a.k.a. "Howlin' Wolf," 1910-1976). A pair of number-one R&B records by harmonica ace Marion "Little Walter" Jacobs (1930-1968) also helped the label grow.[13] In 1955, Chess was hitting on all cylinders with some thirty-two singles released and a roster of impressive Blues artists including Chuck Berry, Muddy, Wolf, and Walter, as well as Willie Mabon (1925-1985), Percy Mayfield (1920-1984), and Eddie Boyd (1914-1994).[14] The label was entering into its peak period. As we will see below, engineering these sessions alongside of singer-songwriter and producer Willie Dixon (1915-1992) represents a significant part of Chisholm's formation as an audio engineer.

In 1955 Chicago, Malcolm Chisholm stands at a unique place and time. His work for Chess would directly solidify the very links between many of these artists and the emerging white, mainstream version of their music that would be known as Rock & Roll. Chess recording artists are cited as major influences to both the Beatles and the Rolling Stones. Not only did Stones guitarist Keith Richards explicitly model his playing on

that of Chuck Berry, the band itself is named after one of Muddy Waters' songs. Legendary Rock and Roll groups who have covered Waters' songs include: Led Zeppelin (*You Shook Me*), The Rolling Stones (*I Just Want To Be Loved*), The Animals (*Louisiana Blues*), The Doors (*Close To You*), and The Allman Brothers (*Trouble No More*). The Chess catalog remains the crown jewel of the Chicago Blues discography. Before Chess sold its facilities to General Recording and Tape in 1969, they provided a platform for Malcolm Chisholm to capture and craft the specific sonic quality of recordings that served as beacons for many of the greatest Rock & Roll bands of the 1960s and 1970s.

Relevant Audio Engineering and Production Models

Referring to the larger context of audio production models in the twentieth century signifies core elements of the "Malcolm Chisholm Sound" validated by Chess, Universal, Dr. Sagan, the Rolling Stones, and many others. Geoffrey Hull divides the history of audio production into three general eras or "models": the pre-industrial, the industrial, and the post-industrial.[15] While these eras have significant overlap, they present a useful map to organize a century's worth of practice. Hull's depiction of the "industrial model" represents standard practices from the mid 1920s until the mid 1970s. The model is centered on the recording studio conceived as a large, fixed sound lab around which teams of specialists converge in order to arrive at a finished "master" recording. The advent of tape as a recording medium is important enough to subdivide the entire industrial era into two periods: one dominated by disc masters (1925-1950) and a later one dominated by tape (1950–1985). Success in this environment (limited as it is in terms of available tracks and ease of editing) requires talented artists as well as resourcefulness on the part of an engineer who may have to record several dozen musicians, often with somewhere between two and eight tracks.[16] This resourcefulness refers to the craft of an engineer to successfully troubleshoot any problems threatening the session, including electronic repair of any and all related equipment.

Framing this image of the industrial model, Hull provides a "before and after" picture of audio production. The pre-industrial approach is based on an acoustic-mechanical model that spans from 1897 (the opening of Berliner Discs in Philadelphia) up to the advent of electrical recording in 1925. In the pre-industrial environment, recording machines were brought to locations that were convenient to artists such as a hotel room or

warehouse. Simplicity was key: the engineer set up the machines next to the performance and captured the sounds. There was no editing, and only one live take would be chosen for each song.

In the later, post-industrial model, this simplicity is threatened. In part this has to do with the decrease in gatekeepers and the demise of the commercial studio. From the late 1970s to the present day, access to the studio is progressively less regulated by gatekeepers like record companies with the means to pay for commercial studio time. The recording process is democratized due in large part to the advent of digital technology reducing the basic functions of a recording studio to fit onto a laptop computer. In a digital environment, there is virtually no limit to the amount of available tracks. Wires and cables are significantly eliminated, and numerous audio effects are easily available. The knowledge required to properly dial in complex audio equipment of the analog era is conveniently reduced to virtual pre-programmed settings. While MIDI, synthesis, DAW software, and plug-ins made post-industrial production convenient, the lure of its limitlessness opened the door to overproduction and illegal distribution.

In terms of his day-to-day experience as an engineer in the tape era, Chisholm worked either alone or with an assistant engineer to execute the vision of the producer. During the industrial era of audio production, a record company would typically finance the recording session. The company would turn over responsibility and a vision for the finished master to the producer. As the senior engineer, Chisholm would liaise between the producer and the musicians to select and connect microphones, arrange the live space, and ultimately operate the equipment to record and play the performance back for critique. Concerns voiced by the producer may require any number of adjustments in terms of the overall balance, how well each instrument is represented, or in terms of the tonal properties of any given instrument or group of instruments. Once a satisfactory performance is captured, the mixing process (called tracking in today's post-industrial model) is complete barring any dubs, and the engineering process turns toward a final phase called mastering.[17] In the post-industrial model, producers would often shop the final mixes to mastering engineers before selecting the one whose work they prefer. In the case of Chisholm's work for Chess, there is cause to wonder if Leonard and Phil Chess gave him the go ahead to master his own work.[18] With the master in hand and approved, the marketing and promotional functions of the label typically begin and the work of the engineer is essentially complete. The degree to

which Malcolm Chisholm exemplified this theoretical role depends on the contingencies of any one of the hundreds of sessions on which he worked.

Malcolm Chisholm: An Organic Model of Audio Engineering

At this point, Chisholm's profile as an engineer emerges in relation to both the various maps representing audio production as well as the larger cultural forces acting upon the entire recording industry. According to Hull's map above, Chisholm's career fits squarely into the second ("tape") phase of the industrial period of audio production. However, there are strong residual currents from the roots of engineering. Chisholm's resume reveals a multi-talented and active freelance engineer linking the pioneering of Putnam with one of the strongest independent labels of the 1950s and 1960s. We see the importance of his work during this period inasmuch as leaders of the British and American Rock movement later cite the recordings produced as highly influential.[19] What was it about these often raw sounding recordings that captivated the artistic imaginations of these mainstream rockers? In the next section I will argue that part of the appeal of those records is the vital energy, naturalness, and simplicity with which these performances were captured.

So what is the "Malcolm Chisholm Sound" and what steps did he take to achieve it? The interview questions are focused on his approaches regarding both the live room as a performance space as well as his predilections on equipment types and use. Despite his preference of a limited number of microphones and recording equipment, we still find a wide spectrum of sounds he put to tape. A good example of this can be found in the divergent terms used to describe Chisholm's sound. His wife Ann uses the word "clarity," while authors Jim Cogan and William Clark used the term "gut-bucket" (meaning, raw, unpolished).[20] Certainly, we are dealing with the subjectivity of perception, but there are other over-arching factors including the pace of technology and Chisholm's own development—both of which vary over time. For example, when Chisholm was teaching at Columbia College, closer to the end of his career, his default recording model was based on how to record a big band rather than a small Blues or rock combo.[21] The interviews however lead to some of the basic principals that Chisholm developed across his entire audio career before passing them on to his students. These include live room setup and a counterintuitive evaluation of both microphone bleed and performance errors.[22]

Professionalism and Setting up the Live Room

Regarding Chisholm's approach to the "live room," the interviewees speak to issues of overall room size, acoustics, visibility, and issues related to the experience and comfort of the performers. Gil E., Jeff M., and Harrison C. all recall Chisholm's views on room size. "Big enough to throw a football pass, twenty to thirty yards in its longest stretch, with high ceilings" recalls Gil E.[23] Harrison C. also provides a rationale: "A big room like Abbey Road gets better isolation because the sound that does come back (i.e., reverberate) has lost so much of its energy, as a result of the distance traveled, that the amount of bleed into another microphone is negligible."[24] While a dozen engineers would likely have a dozen different opinions on this point, it reveals Chisholm's approach to be tolerant of a certain amount of noise. But what is the trade-off? Why accept unnecessary noise if quieter recordings can be achieved? As we will see below, interviewees indicate Chisholm's ideal for a performance that closely resembles a live show in its natural comfort and energy.

Attending to the artists' experience is an issue addressed by multiple interviewees that also has implications for the live room setup. Gil E. reports, "Everyone was set up in the same room, including the vocals. […] I recall Malcolm emphasizing a need for the musicians to see and hear each other." Jeff M. adds, "Malcolm was big on the musicians not wearing headphones, if they needed foldback (monitors), give them a little and it would be OK." Harrison C. communicates the philosophy underlying this point:

> Set them up as if they are playing a gig, and then you go from there. A band plays in a room, not a box. They play to and with each other. You could call this organic, I call it traditional.[25]

This approach is certainly not new, but it has been marginalized in the post-industrial era. It is a traditional setup that produces a natural or "organic" sound of a group playing in a room. This may seem overly simplistic, and it should. This is in contrast to the post-industrial era in which engineers like to isolate each instrument in a different room. With several tracks and processors for each instrument, there is an increased chance for the collective sound of the group to get overshadowed by, or lost in, the complexities of overproduction.

The modern distinction between mixing and tracking was another theme in the interviews. In order to more clearly see operating in the earlier environment, it is important to preclude this distinction. Operating efficiently and professionally under time pressure is an overarching lesson that makes sense in the industrial model since studios were hired by the day or even by the hour. Jeff M. shows how Chisholm's insistence on efficient setup counterbalances protracted concern for the artist experience: "He didn't do a lot of production; he wanted to be up and running fast. How long to get a drum tone? Thirty seconds…" This is echoed by Harrison C., "Our assignment on the last day of class was to mix a sixteen-track, four-minute piece before it played out. The channels were unmarked and had to be memorized. It taught me to get the mic in the right spot, then mixing is a breeze." In other words, Chisholm's model does not distinguish between tracking and mixing.[26]

Microphones and Bleed

With respect to Chisholm's recommendations on equipment and its use, interviewees addressed component types and brands, microphone types and placement, the related issues of bleed and isolation.[27] A common point addressed by many of the interviewees was the implications posed by recording a group live in the studio. Essentially, it throws out the post-industrial distinction between tracking and mixing. Setting up all instruments in the same room results in the process of mixing taking place before the record button is pushed. The mix is in the microphone placements because of the signals blending together. As such, Chisholm's engineering model requires a positive evaluation of bleed. A common example of this phenomenon would be when the sound of the drummer ends up entering (i.e., "bleeding into") the vocal microphone. By contrast, the post-industrial model offers a negative evaluation of this phenomenon. It moves to stop such bleeding by isolating instruments in order to make edits easier as in repairing errors in the artists' performance.[28] However, "Malcolm has a different evaluation of bleed," Gil E. recalls:

> He presented it as something that glues the sound together. He believed it brought excitement to the record. When a band plays hits together, the bleed reinforces the cumulative effect of that shared energy.[29]

Jeff M. recalls Chisholm approaching bleed "as part of the naturalness" of the performance he wanted to capture. Harrison C.'s recollection frames bleed in terms of a "common shared energy," stating simply, "I record energy." To allow for the circulation of that energy, former students reported that Chisholm did not rely on baffles or "gobos" (go-betweens or large panels to isolate noise sources from one another in the live space). Harrison C. goes on to state that at most, there may be "some little gobos around the drums, something like the cover of the Buzzcocks album *Singles: Going Steady*." Interestingly, Nigel K. recalls increased use of "gobos" by circa-2001. In the context provided by our study, we see this shift not only as evidence of Chisholm's versatility but as a suggestion of his accommodation of the modern approach common to the post-industrial model in place at Columbia College.

So how can the term "organic" enlighten a modern understanding of audio engineering? As we have seen, Chisholm's model was based on the simplicity of the earliest recording practices: few tracks in the service of the musicians performing live as a group. He applied this simplicity to what Hull dubs the "industrial" model of audio recording. It is a sort of pre-industrial/industrial overlap not unlike remote recording. Only this time, rather than bringing the recorder to the show, you bring the show to the recorder. In other words, the studio setup should resemble a live performance atmosphere (to a reasonable degree) given the importance of the studio in the industrial model. The fact that Chisholm championed this simple model as the industry was favoring greater complexity works by way of contrast to make his sound stand out. At its core, Chisholm's version of late industrial engineering invites us to see the performers as a single, living, breathing, and bleeding creature whether a fifty-piece orchestra or a four-piece jazz combo. In contrast to the trending digital technologies, Chisholm's traditional approach is more oriented towards capturing a musical performance than generating a virtual facsimile of one.

Furthermore, the organic approach celebrates the creativity of the performers more than that of the engineers and producers on the other side of the glass. Reducing the amount of intrusiveness represented by the studio (and its representatives) favors the naturalness of the performance itself. There is none of the experimental engineering associated with the later Beatles records. Allowing the musicians to self-regulate in terms of their level (as opposed to asking or telling them what to do) is an example of this philosophy.[30] Another is recognizing the bleed between microphones

as a sort of vital interplay where energy and excitement passes between the internal parts of the living ensemble. The organic model encourages the recognition of musicians as parts of the same larger body. Chisholm taught his engineers not to sever those body parts but to encourage them to play together without modifying their natural ability to hear each other (headphones) or to see each other (isolation or sight-line restrictions).

Discussion and Conclusion

The relationship between Blues and Rock & Roll has been an overarching area of research for me over the last several years. My choice of this particular research paper comes in part from the recognition of Malcolm Chisholm as an important yet lesser-known player in the larger history of twentieth-century U.S. popular culture. Having grown up with his recordings as my impromptu textbooks for learning how to play and appreciate Blues music, these records and their place in the larger history of early Rock & Roll are subjects I have come to value both as a musician and a scholar. My decision to interview Chisholm's former students and associates was driven by some personal motivations, including the inability to fulfill my desire to meet or work with this figure I have grown to esteem. While my choice of questions is generally oriented toward the lack of scholarship on Mr. Chisholm, my evaluation and interpretation of the responses is colored by a strong appreciation for his work. In particular, my bias works to associate Mr. Chisholm's approaches and techniques with both the performances as well as the larger history of race, oppression, and voice all working to make many of these recordings so poignant.

Some of the work of this project has been to correct that bias and return to objective truths, locating them within shared reference points such as histories and conceptual maps. In this respect, I am reminded of Chisholm's adaptation of the famous fourteenth-century "razor" of William of Ockham. Chisholm used the acronym K.I.S.S. (standing for "Keep It Simple, Stupid") to apply Ockham's idea that the simplest approach to a phenomenon is usually the right one. This dictum resonates in various ways throughout these interviews of industry professionals who had been his students twenty or thirty years ago. Speaking of Chisholm's criticisms of digital technology (drum machines, synthesizer-instruments in the place of "real" ones), Scott Greiner observes:

> While I sometimes found this dismissal of new techniques frustrating, every ounce of session wisdom he bestowed on us is still relevant today. Perhaps even more relevant today with the amount of nonsense and technical distraction available to us. Just because you can, doesn't mean you should.[31]

This strong point speaks clearly to the changing dynamic of how the same techniques are evaluated at different points in time. Chisholm's techniques were a matter of current practice at the time of his professional practice, but they were perceived as uninteresting and obsolete by the time he was teaching. From today's perspective, some thirty years into post-industrial recording, the older approaches regain their appeal for a variety of reasons. The true reach of Chisholm's shadow falls well beyond the commonplace music industry issues like trends, novelties of product differentiation, and the nostalgia cycles. The basic philosophy revealed by his approach is nothing more than realizing the ideal of faithful transparency: the successful engineer measures the limits of audio to recreate the performance or event as it was. This approach translates to the product itself—the term "hi-fi" or "high fidelity" started appearing on records in the 1950s. A "high fidelity" recording is one that is close to the original, like a transparent pane of glass through which the original may be clearly perceived. Spend an evening alone with Chisholm's recording of Ahmad Jamal's *Live at the Pershing* and it is not hard to see yourself in that Chicago hotel back in 1958.

Finally, let us underline the distinctly human dimension of audio engineering according to Chisholm. He discusses learning how to engineer the low-brow Blues sessions under the guidance of Chess Records' songwriter, producer, and bass-player, Willie Dixon.

> With the assistance of Will Dixon, who would occasionally tap you on the shoulder—a sensation not to be forgotten easily—I learned about Blues rapidly. He trained his own engineer as it were. It got to an ideal situation where we didn't have to talk to each other.[32]

The relationship Chisholm shared with Dixon reveals an essential, nearly telepathic quality to his apprenticeship recording Blues. This passage sig-

nifies the close friendship developed between Chisholm and Dixon as an ideal situation in which their tastes coincided to the point where Dixon did not need to verbalize what he wanted. Speaking of the "working standards" imparted by Dixon, Chisholm elucidates a key, human dimension to his own sound:

> Will had pretty strict standards and would not put out a record *without* a mistake (emphasis mine). If the master take is perfect, Will has been known to do another take. I suspect […] that it may be a trademark and I wouldn't be amazed if Will thought that a record should have, somewhere, a mistake in it to prove that it was played by human beings.[33]

This seminal trademark, passed across the socio-cultural borders that would have otherwise separated Dixon and Chisholm, provides an overarching orientation to the career of the disciple. There is empathy in the preservation of the error as a specifically human quality; it makes the art human as well. It insists on the status of music as a form of human expression by requiring some small imperfection as a certificate of authenticity. Such an understanding refutes the virtual perfection of the post-industrial environment in which computer algorithms work to replace the craftsmanship of a trained audio engineer. As a result, Malcolm Chisholm is an important exemplar of an engineering ethic oriented towards capturing the excitement of a living, breathing, and bleeding ensemble, playing live in the studio. If the excitement of the performance is great enough to fracture the perfection of the arrangement, it is a keeper.

APPENDIX

Interview Respondents

The pool of interviewees consists of fifteen individuals including one family member (Chisholm's wife, Ann), two academic colleagues (Barney K. and Chris J.), four professional associates (fellow engineers and producers Demetrius B. and Peter K. as well as former Chess associates Ernest B. and Fareed M.), and nine former students, nearly all of whom have continued in the audio production industry and some of whom also became audio instructors. These students worked under Chisholm between 1983 and 2001 at what is now called the Audio Arts & Acoustics department at Columbia College in Chicago. The former students interviewed for this study include Gil E., Harrison C., Irwin G., Jeff M., Karl D., Lewis S., Mark U., Nigel K., and Oscar W. I was able to expand the contact list through the initial input of Barney K. and Gil E. who then referred me to others, and so on.

Endnotes

1. "Voyager Mission: Fast Facts," *NASA, Heliophysics Division*, accessed April 27, 2013, http://voyager.jpl.nasa.gov/mission/fastfacts.html.
2. Fred Rothwell, *Long Distance Information: Chuck Berry's Recorded Legacy* (New York: Music Mentor Books, 2001), 48. The session musicians included Fred Below on drums, Willie Dixon on acoustic bass, and Lafayette Leake on piano.
3. Known interviews of Chisholm include *Tape Op* and *Mix* magazine. Chisholm's wife, "Ann" was interviewed by *Living Blues*. Chisholm's personal notes have been posted online by his son, Collin (c.f.: www.malcolmchisholm.com). Passing references may be found in Jim Cogan and William Clark's *Temples of Sound* (San Francisco: Chronicle Books, 2008), John Collins' *The Story of Chess Records* (New York: Bloomsbury, 1998), Nadine Cohodas' *Spinning Blues into Gold: The Chess Brothers and the Legendary Chess Brothers* (New York: St. Martin's Griffin, 2001), and Rich Cohen's *Machers and Rockers: Chess Records and the Business of Rock and Roll* (New York: W.W. Norton & Co., 2004).
4. Information regarding the interviews may be found in the appendix.
5. His resume lists luminaries of these genres including: Jazz greats like Ella Fitzgerald, Dizzy Gillespie, Etta James, and Gene Krupa; Blues legends like John Lee Hooker, Muddy Waters, Howlin' Wolf, and Sonny Boy Williamson; popular musicians including Frank Sinatra, Chuck Berry, Jerry Lee Lewis, and Dean Martin as well as "legitimate" music like the Fine Arts String Quartet, Chicago Symphony Orchestra, and the New York Woodwind Quartet. These names represent about one-tenth of what appears on his resume as a "partial list of artists recorded as a music mixer."
6. "Malcolm Chisholm: 1929-2003 RIP," *The Eardrum* published by the Engineering and Recording Society of Chicago (online resource), accessed April 27, 2013, http://www.ears-chicago.org/eardrum/2003.07.shtml. Chisholm served as the president of EARS in the 1990s.
7. Chisholm worked most often as a "music mixer" and doing mastering. He also did some editing, quality control, sound system design, and installation as well as equipment maintenance. Jeff Mack pro-

vides insight into the perception of Chisholm as unorthodox: "A lot of people looked at him as a dinosaur. He hated digital. He never used overheads for drums. He would ask questions [to the students] and wouldn't lead you, but make you sit there for thirty minutes and figure it out on your own. He weeded out a lot of students." Jeff Mack, telephone interview by the author, March 18, 2013.

8. "Chris J.," head of the Columbia program from 1985-2007: "Over the years we had to tell Malcolm that you can't teach as many classes as you used to teach, or we've had to change the syllabus a little bit this way and that way, and he always responded with great graciousness and understanding. I always appreciated that about Malcolm." Memorial (Audio) Doug Jones.mp3, published under creative commons by Colin Chisholm's site Malcolmchisholm.com, accessed April 27, 2013, http://www.malcolmchisholm.com/memorial-audio/. On the other hand, Bernie Mack adds, "A lot of people looked at him as a dinosaur, he hated digital."
9. This is a literal reference to AM signal propagation, often associated with the groundswell of black R&B among white youths prior to its mainstream appropriation under the brand of "Rock & Roll." For example, see James Moody & Paul Dexter's *Concert Lighting: Techniques, Art and Business* (New York: Focal Press, 2009), 4.
10. Albin Zak, *I Don't Sound Like Nobody: Remaking Music in 1950s America* (Ann Arbor: University Press, 2010), 171.
11. These under-the-table cash payments to DJs in exchange for airplay were illegal and resulted in U.S. Senate hearings bringing the entire industry under greater regulation. For social, historical, and cultural reviews of the payola hearings of the late 1950s, see Michael Bertrand, *Race, Rock, and Elvis* (Chicago: University of Illinois Press, 2000), 84-91; Russell and David Sanjek, *American Popular Music Business in the 20th Century* (New York: Oxford University Press, 1991), 173-177; and Wes Smith, *The Pied Pipers of Rock 'n' Roll: Radio Deejays of the 50s and 60s* (Athens, Georgia: Longstreet Press, 1989).
12. Bruce Swedien, *In the Studio with Michael Jackson* (New York: Hal Leonard, 2009), 150.
13. Collins, op. cit., p. 45. Jacobs' number ones include *My Babe* in 1955 and *Juke* in 1951.
14. "45 Discography for Chess Records," *Global Dog Productions*,

accessed April 27, 2013, http://www.globaldogproductions.info/c/chess.html.

15. Geoffrey Hull, *The Recording Industry* (New York: Routledge, 2004), 161-162.
16. "Jeff M." recalls Chisholm telling students they should be able to setup and get tone for fifty musicians in one live room with one compressor and two tracks, all in no more than five minutes.
17. Since the recording is made with all the musicians live in the same room, the mix is done before the recording. This is an important difference between the industrial and post-industrial models, as well as a likely reason for using the name "mixing engineer" to refer to the process of setting up and recording the performance.
18. "Lacquer mastering" is cited as the second duty for each of Chisholm's Chess-related resume entries.
19. An unverified story that has nonetheless passed into the lore of Beatlemania has Paul McCartney responding to reporters at the JFK airport at the start of the group's first U.S. tour in 1964. According to the story, a reporter asks what the group wants to see in the U.S., "Muddy Waters," replies McCartney. The reporter replies "Where's that?" To which McCartney replies "Don't you know who your own famous people are here?" See Victor Coelho, *Cambridge Companion to the Guitar* (Cambridge: University Press, 2003), 106 and; Jas Obrecht, *Rollin' and Tumblin': The Postwar Blues Guitarists* (New York: Backbeat Books, 2000), 13.
20. Ann Chisholm, telephone interview by the author, March 19, 2013 and; Jim Cogan and William Clark, *Temples of Sound: Inside the Great Recording Studios* (San Francisco: Chronicle Books, 2008), 121.
21. The big band model is a more effective teaching tool given the wide array of instruments and ensemble arrangements it provides, like brass, reeds, guitar, bass, drums, strings, vocalist, percussion, etc.
22. "Bleed" is a production term used to describe sounds from a secondary source entering into a microphone dedicated to another, primary instrument.
23. Gil E., telephone interview by the author, June 15, 2012. Jeff M. confirms this, indicating a size of "about 50 feet by 100 feet."
24. Harrison C., telephone interview by the author, March 25, 2013.

25. Ibid.
26. See note 16 above.
27. Jeff M. and others recall Chisholm insisting on Ampex tape machines and preamps as well as 1176 compressors, URI far-field monitors, and Tannoy near-field monitors. A typical 1950s system would have been tracking/mixing onto a 2 or 4-track tape machine, then mastering to 2-track quarter-inch.
28. The result can be independently isolating all noise sources, what Harrison C. calls "playing in a box." Another effect of the ability to edit independent tracks for errors is that musicianship does not have to be as good in the post-industrial model.
29. Gil E., telephone interview by the author, June 15, 2012.
30. Harrison C. and Jeff M. shared Chisholm's technique for this, namely to record a section of music after the group was set up, then inviting them in to listen and recognize any adjustments in terms of level that needed to be made.
31. Scott I., interview by written questionnaire, April 11, 2013.
32. Willie Dixon and Don Snowden, *I am the Blues* (New York: Da Capo Press, 1989), 95.
33. Ibid., 151.

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Paul Linden is an associate professor and Recording Industry Sequence Head at the University of Southern Mississippi. Dr. Linden carries twenty years of experience in various sectors of the recording industry. His professional resume includes credits as a performer, publisher, promoter, producer, agent, and manager for U.S.-based Blues groups in Western Europe. Dr. Linden holds a Ph.D. in Literature from Emory University (2003) and a Masters in Mass Communication from the University of Southern Mississippi (2013). His research interests include interdisciplinary and theoretical approaches to music industry studies. A selection of recent and forthcoming publications includes "Coping with Narcissism: Causes, Effects, and Solutions for the Artist Manager," "Race, Hegemony, and the Birth of Rock & Roll," "Malcolm Chisholm: An Evaluation of Traditional Audio Engineering," and "Measuring Insistency: A Content Analysis of Tom Waits' Lyrics." Dr. Linden's research has been cited in the recent authoritative history of Fender amplifiers, *The Soul of Tone: 60 Years of Fender Amps* (Hal Leonard, 2007) and *Vintage Guitar Magazine*. He is also a regular contributor to magazines like the *Tone Quest Report* and the French magazine, *Blues & Co.*

Teaching Modern Production and Songwriting Techniques: What Makes a Hit Song?

David Tough
Belmont University

Abstract

Most casual listeners would regard the job of a professional songwriter or producer as more of an art than a science. Yet some producers and songwriters consistently create songs that make listeners shout, weep, buy, and even illegally download the music they are hearing. These types of writers are typically not available to apprentice hundreds of students so, how do we learn from their craft?

This article attempts to answer several questions about the concept of hit song science (HSS) as related to the instruction of future music producers and songwriters. Hit song science is defined as the task that attempts to predict, prior to its distribution, whether a given song will be a commercial success solely based on its audio characteristics (De Bie, et al. 2011). Questions include:

1. What do modern hit songs have in common, and how are they changing?
2. What techniques can an aspiring producer and songwriter use to effectively reach a commercial audience?
3. What type of song is reaching the top of the charts in this new world of social media, digital distribution, illegal downloading, and radio consolidation?

Keywords: songwriting, hit songs, hit song science, music informatics, music business, music education

Overview

The purpose of this research study is to quantify new, commercially successful methods used in modern music production and songwriting so that they can be applied and disseminated in the classroom setting.

This paper will examine some of the common factors that are shared between successful songs released by Billboard Hot 100 music artists over

an eighteen-month period. Thus, by applying statistical analysis to a number of metrics including tempo, form, pronouns, introduction length, song length, archetypes, subject matter, and repetition of title, we can guide our students to focus their efforts toward a more commercially appealing result.

The results of this research can also be used by working music producers and songwriters to improve or update their craft. Unsigned bands and artists can use the information to mold and choose songs that have a greater chance of commercial success. Additionally, artist managers, A&R, and radio can use the results of this analysis to determine the viability of their artists' existing songs as hits in the current market.

Review of Literature

As long as there has been popular music, there have been authors writing about the anatomy of pop songs and how to "write a hit" for the popular music market. However, hit song science, an application of computers and statistics, is a relatively recent development. Several companies and research labs have created programs to address the subject. Most developments have occurred within the fields of music informatics, music data mining, and computer science.

First Commercial Applications of Hit Song Science

Polyphonic HMI (Human Media Interface), a subsidiary of Grupo AIA, introduced the concept of the hit song science computer program in 2003. The company claimed that machine learning could create a music profile to predict hit songs from its audio features (Elberse 2006).

HMI's program used a process called "spectral de-convolution," which analyzes over 25 characteristics from a dataset of over 3.5 million past commercial hits since the 1950s. This includes beat, chord progression, duration, fullness of sound, harmony, melody, octave, pitch, rhythm, sonic brilliance, and tempo. Based on its characteristics, each song was then mapped onto a multidimensional scatter plot termed the "music universe." Songs with mathematical similarities were positioned very close to one another forming clusters on the chart (Elberse 2006).

HMI found that most songs that had made it to the Singles Top 40 of the Billboard Hot 100 between 1998 and 2003 formed within 50 to 60 common cluster areas. The company could then examine whether or not an unreleased song mapped with these established clusters. Mike Mc-

Cready, the CEO of Polyphonic and now CEO of MusicXray, states, "If a song falls within one of these clusters, we can't necessarily say that it will be a hit. We just know it has the potential. The song has to conform to a couple of other criteria in order to become a hit: it has to sound like a hit, be promoted like a hit, and be marketable. But if a song falls outside of the clusters, we know it will probably not become a hit" (Elberse 2006).

Polyphonic had initially used the technology to develop a music recommendation system. The idea was to develop a device placed in music stores that provided recommendations to shoppers, thereby helping retailers to increase sales. Music Intelligence Solutions was one of the first companies to spawn off from HMI's use of this technology. HMI's software can also be used as a way of recommending new music to audiences by creating personalized radio stations, such as Pandora. Following HMI's lead, other services such as MusicXray, Mixcloud, Uplaya, and Band Metrics have also utilized this technology (Elberse 2006).

McCready further states,

> Hit Song Science is to the music industry what the X-ray machine was to medicine. The first time someone told a doctor he could look inside a patient's body without cutting it open, it probably sounded like science fiction too… in the end, the X-ray machine is a tool that helps the doctor see something that he could not see before, and he can use that information to make better decisions. That is exactly what Hit Song Science does, and that is what matters. I know that we are just a millimeter away from this thing taking off.
>
> Not using the best available data in the music business could also be considered malpractice but since lives are not on the line (just livelihoods and careers) there is no external pressure in our industry to adopt these kinds of best-practices. In fact, there is more industry-recognized glory when you can attribute success to elusive golden ears and gut instinct—much like the mystique surrounding a professional athlete. (McCready 2011)

Score a Hit

In 2011, Dr. Tijl De Bie, project leader and a senior lecturer in artificial intelligence at the University of Bristol in England, led a team that gathered fifty years of hit song data from the Top 40 charts in Britain. Using the data, they created a computer equation that attempts to rank a song's hit potential. The researchers broke the characteristics of a hit song into twenty-three differentiating factors including tempo, length, harmonic simplicity, mode, relative loudness, inherent energy, danceability, and stability of the song's beat (Scoreahit.com 2013). The researchers also used a time shifting algorithm that learned optimum features of the songs in the dataset through time using release date.

Some of the conclusions reached by the study seem fairly apparent to students of popular music history yet become validated by the program's output. The study results include:

1. Pop music hits from the 1950s through the early 1970s tended to be harmonically simpler than non-hits.
2. At the end of the 1970s through the early 1980s danceability became an important factor in determining a hit song.
3. From the late 1980s forward songs at the top of the charts became more harmonically complex than songs at the bottom.
4. Since the late 1980s, simple binary rhythms have proven to be more successful than complex rhythms.
5. Slow songs such as ballads were popular in the 1980s and 1990s, while listeners in the new millennium prefer fast songs.
6. Loudness "wars" are real and can be measured. The dynamic range of music has decreased every decade resulting in progressively louder songs (De Bie 2011).

The "score a hit" equation does not always choose a hit, however. The researchers admitted in June 2012 that the most recent cumulative performance is around sixty percent. Examples of the program's failure are *November Rain* and *Man in the Mirror*, which both defied conventions in tempo and loudness. However, the researchers attribute the success of these outliers to other factors that cannot be measured by the program such

as artist popularity, music video impact, and lyric content. Another interesting fact about the score a hit program is that it constantly evolves with public taste. Since the pool of chart-topping hits is always growing and changing, the machine learning algorithms employed by the researchers in this study continue to update themselves as musical tastes evolve.

Other Music-Focused Hit Song Science Studies and Research

Gary Burns (1987) provided a framework of categories in which popular music hooks fall (lyrical, melodic, instrumental, etc.), and analyzed each of these types of hooks by giving examples of popular songs.

In 2005, Ruth Dhanaraj and Beth Logan from Hewlett Packard Labs conducted a study titled "Automatic Prediction of Hit Songs." The researchers considered a database of 1,700 songs. They scanned song lyrics using probabilistic latent semantic analysis (PLSA), and also scanned timbral aspects of the audio using mel-frequency cepstral coefficients (MFCCs). Their results indicated that lyric-based features were slightly more effective than audio-based features at predicting hits. When they combined lyrics and audio they found that they achieved the highest rate of prediction using 32-sound audio features, and 8-topic lyric features. However, the study does not further define which audio and lyric features were the most accurate predictors.

In 2008, François Pachet and Pierre Roy of Sony Computer Science Laboratories published the study "Hit Song Science is Not Yet a Science." The researchers argued that sustained claims made in the MIR community and in the media about the existence of hit song science cannot be validated. The data used in the study was mined from the HiFind Database. The researchers analyzed 32,000 songs using 16 identifiers that included: style, genre, and musical setup; and main instruments, variant, dynamics, tempo, era/epoch, metric, country, situation, mood, character, language, rhythm, and popularity. The researchers concluded that song popularity prediction using algorithms is not any better than random guesswork.

In 2012, Dr. Alisun Pawley and psychologist Dr. Daniel Müllensiefen conducted a study in which they gathered data in the nightclubs across northern England. Pawley recorded each song played in the nightclub and measured the proportion of people singing along to it. She then did a musical analysis of a large subset of songs regarding the vocal performance on the recording, as well as the structure of the songs.

The researchers found that long and detailed musical phrases, multi-pitch changes in a song's hook, male vocalists, and vocalists straining to sing at the top of their registers compelled crowds to sing along. Topping their list of songs that stirred listeners was the classic hit *We Are the Champions* by the band Queen (Pawley and Müllensiefen 2012).

In his book, *Murphy's Laws of Songwriting* (Murphy Music Consulting, Inc., 2011), ASCAP vice president Ralph Murphy discusses what makes a song commercially viable within the country radio format. Murphy discusses everything from audience psychology to song themes, tempos, pronouns, and forms, and gives advice to the aspiring songwriter.

David Penn runs the popular website www.hitsongsdeconstructed.com, which is "dedicated to identifying what makes a song a hit." The site offers reports for subscribers with in-depth statistical analysis of current pop songwriting trends.

Jay Frank, former senior vice president of music strategy at CMT, and head of music programming at Yahoo, also attempts to give statistically driven advice to aspiring producers, songwriters, and music business people who wish to create commercial hits in the new millennia. In the text *Futurehit.DNA* (Futurehit, Inc., 2009), Frank points out that the digital revolution has made music discovery harder and the ability to keep the listener's attention more difficult. He analyzes past and present music production, songwriting, and packing trends and gives great insight into how to reach the consumer in today's market. He provides fifteen factors on how to adapt music productions to interface with modern standards and business models.

Lyric-Related Studies

It should be noted that not all attempts at predicting hits focus on deconstructing the DNA of a song's audio characteristics. As mentioned earlier, Ruth Dhanaraj and Beth Logan's results (2005) indicated that lyric-based analysis along with audio analysis is somewhat more effective than audio-based analysis alone at determining the success of songs. In 2012, Bhaukaurally, Didorally, and Pudaruth created a simple software program that automatically generated lyrics to a given melody and then compared the correlation to the existing hit lyrics with 48.15% of study participants identifying the computer-generated lyrics as written by a human songwriter.

An archetype is a universally understood pattern of behavior or a

prototype upon which others are copied, patterned, or emulated. Archetypes are used in myths and storytelling in all cultures. Marc Kuchner, a NASA scientist and songwriter, studied several hundred country songs, identifying some common archetypes in country music. Kuchner maintains that twelve stock characters continue to reappear in song lyrics, or any story. These include the Innocent (innocent child), the Outlaw (the rebel), the Sage (giver of wisdom), the Hero/Warrior, the Lover, the Everyman (regular guy or gal on the street), the Joker, the Explorer (adventurer), the Caregiver, the Wizard (magician), the Creator (Einstein), and the Ruler (the CEO). Examples of these in contemporary film culture are Star Wars' characters, Luke Skywalker as the Innocent (naïve and dressed in white), grey-bearded Obi-Wan Kenobi as the Sage, Han Solo as the Outlaw, and Darth Vader as the Ruler. Kuchner is also able to apply these archetypes to music. For example, Tim McGraw's song *Nothing To Die For* features the narrator as a Sage who gives his wisdom to a drunk driver. In Sugarland's *It Happens* the narrator takes the role of an Innocent in her attitude toward life.

Medical Studies

A group of researchers lead by Dr. Greg Berns conducted research at Emory University School of Medicine on adolescents, ages 12-17, using magnetic resonance imaging (MRI). The researchers used fifteen-second clips from bands on Myspace and measured the neurobiological responses to the songs. The participants were asked to rate each song on a scale of one to five. The bands had not become popular yet and none of the songs had charted on the *Billboard* charts. Originally, the data from the study was meant to evaluate teen conformity when given their peers' opinions of each song. However, when Berns evaluated the data years later, he identified a statistically significant correlation between participant's neurobiological responses and each song's sales figures from 2007 to 2010. Berns stated, "The brain responses could predict about one-third of the songs that would eventually go on to sell more than 20,000 units." The participant's ratings from one to five however did not correlate. The results of this study suggest it may be possible to use innate responses from a sample of people across the population to predict commercial success of a song (Melville 2011).

Methodology

Attributes for this study were compiled from the Billboard Hot 100 charts found online at http://www.billboard.com. The Billboard Hot 100 chart ranks the popularity of singles in all genres in the United States, offering an industry recognized data point to identify the commercial success of a song. The chart is issued weekly by Billboard and chart rankings are based on radio play and sales as a "representative selection of popular music across time in America." Billboard.com defines the Hot 100 chart as, "the week's most popular current songs across all genres, ranked by radio airplay audience impressions as measured by Nielsen BDS, sales data as compiled by Nielsen SoundScan, and streaming activity data from online music sources tracked by Nielsen BDS. Songs are defined as current if they are newly-released titles, or songs receiving widespread airplay and/or sales activity for the first time." It should be noted that in March 2012, during the timeframe of this study, *Billboard* began to incorporate its on-demand songs chart into the equation that compiles the Hot 100 (Freeman 2012).

The dataset used in this study was Billboard Hot 100 charts, January 1, 2011 through April 31, 2012, which included 136 songs. The Billboard 100 was chosen as it was primarily a chart of singles (not albums) and was not genre specific. The majority of the data was downloaded directly from the online charts. Additional data such as identifying beats per minute (BPM) was found by listening to songs on the Spotify service, and using Tempo Tapper software. If a song's run on the Billboard 100 started in 2011 and carried into 2012 (e.g., Adele's *Rolling In The Deep*), the data was traced back to the week that the song appeared on the chart. *Harlem Shake* was the only instrumental song to appear on the Hot 100 during this period so it was excluded from lyrical analysis. Metrics chosen for this study are those that 1) were easiest to gather data for, and 2) easiest for production and songwriting students to immediately apply to their creative process.

Results and Discussion

Introduction Length

The average length of the introductions to the songs in this dataset is 11 seconds, with 56% of the introductions lasting 0 to 10 seconds. It should be noted that 26 of the 136 songs (19%) have *no introductions* (Figure 1). Jay Frank argues that the commercial purpose for a song's

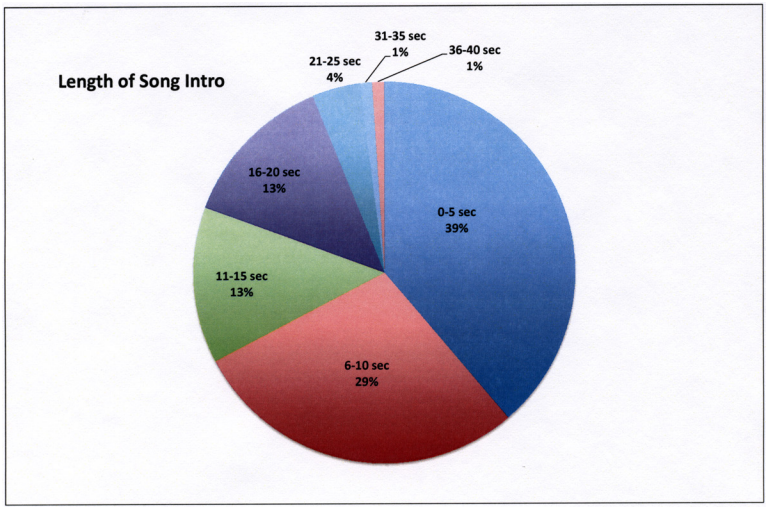

Figure 1. Length of song introductions.

introduction in the past was to give radio DJs "talk over time" (Frank 2009). With technologies that are portable and digital, skipping a non-engaging intro is easy for the listener. In today's market the consumer's attention span is shorter than ever, resulting in the need for the producer and songwriter to employ "tight engaging introductions," or sometimes no introductions at all (Frank 2009).

Frank argues that after the first listen, introductions of modern songs should trigger something unique about it in the first four seconds. If this does not happen the listeners will not be able to identify the song (from their first listen) and therefore not be able to purchase it immediately on iTunes (Frank 2009). Additionally, Murphy asserts that the producer/songwriter must get listeners involved within the first sixty seconds or less, or they will turn off the song (Murphy 2011). Songs in the digital streaming format need a minimum of sixty seconds of listening time to count as a play, and thus generate royalty earnings (Frank 2009).

It is worth noting that 33 of the 136 songs (24%) in this dataset begin with either a chorus or hook, a trend that harkens back to the commercial music of the 1930s and 1940s with the Verse, Verse, Chorus, Verse (AABA) style form.

Song Length

The average length of all songs in the dataset was three minutes,

fifty-one seconds (3:51). Thirty-one percent of the songs were over four minutes (Figure 2). One reason for the increase in average length of a song from the past standard of 3.0 to 3.5 minutes is the inclusion of sources into the Billboard Hot 100 (YouTube, streaming sites, etc.) that do not rely on song length as much as traditional radio did. A good example of this trend is *Can't Hold Us* by Macklemore & Ryan Lewis (featuring Ray Dalton), that includes a development section in the middle of the song that doesn't contribute lyrically (horns and "nanas") and lasts approximately one minute.

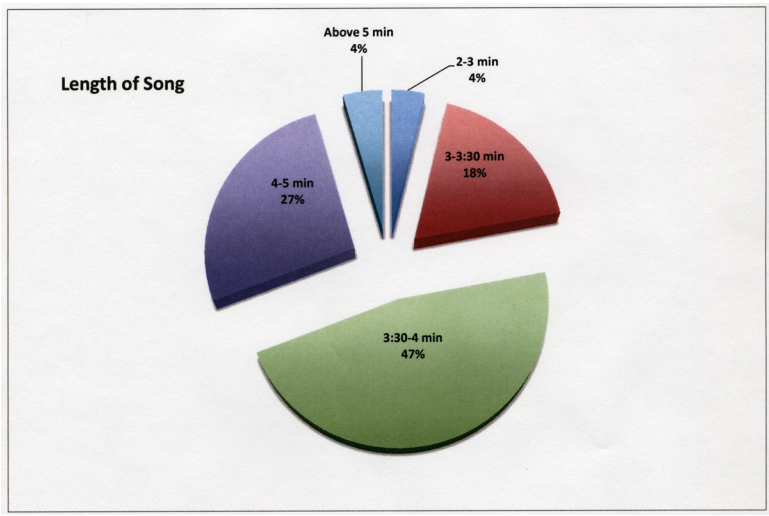

Figure 2. Length of songs.

Song Tempo

The average tempo for the songs in the dataset was 110.19 beats per minute (BPM). Fifty percent of the 136 songs in the dataset were 120 BPM, or faster (Figure 3). The mode of all tempos was 128 BPM, meaning ten songs featured that popular tempo including, *Hey Baby (Drop It to the Floor*, *S&M*, *Super Bass*, *Tonight (I'm Lovin' You)*, *The Edge of Glory*, *Last Friday Night (T.G.I.F.) Without You*, *Good Feeling*, *Wild Ones*, and *Domino*. *Super Bass* is an example of a song that went from half time to full time. In cases such as this, the tempo of the chorus or main hook was used as the tempo identifier.

Since the end of the 1970s, danceability has become an important

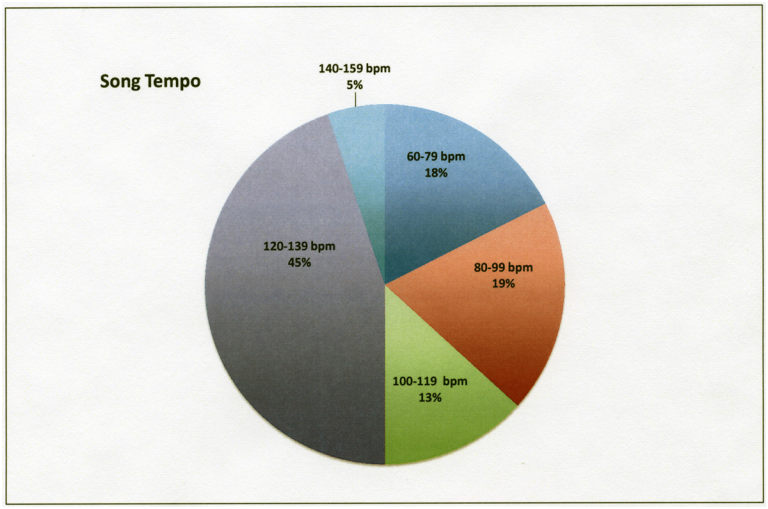

Figure 3. Song tempos in beats per minute (BPM).

factor to determine a hit song. This fact is evidenced by average tempo and the fact that 48 of the 136 songs (35%) exhibited some type of electronic dance music (EDM) influence including Electro, Trance, House, and Dubstep (De Bie, et al. 2011). The Echo Nest dataset defines danceability as "the ease with which a person could dance to a song, over the course of the whole song."

Point of View

In this section, the song perspective, or song "viewpoint," is analyzed. The viewpoint in first person was defined as using the pronouns "I, me, we, us, or mine." Third person songs were considered storyteller songs where the singer acts as the observer and describes the outward scene to the listener using pronouns such as "he, she, they, her, him, or it." The viewpoint in second person perspective was considered the artist speaking directly to someone. The pronouns considered in this scenario were "you, us, and we."

Every song in this dataset is sung from the narrator's point of view to another party (second person). Some songs such as *Gangnam Style*, *Pumped Up Kicks*, and *Super Bass*, seem to transition into third person but ultimately, the story is still being told and described by the narrator (i.e., the artist). The use of second person (speaking directly to the listeners) draws them in and holds their attention, as opposed to telling a story

about a third party (Murphy 2011). This was evidenced by the dataset. 101 of the 136 songs (74%) speak to the listeners by using the word "you" in the lyric. If they didn't use "you" the other songs used the collective form, such as "we". 45 songs (33%) also used the word "we" in the lyric to engage the listeners.

According to Murphy, the only time popular songs should use the third person is if the central character in the song is too old, too young, not cool enough, or not the image the singer wishes to project. An example would be a singer who does not have children, but is singing about a character in third person who does. Murphy argues that not too many storyteller songs exist in pop music today.

Song Subject

Love ruled the game when it came to the subject of songs in the Billboard Hot 100 over the past year-and-a-half. 88 of the 136 songs (65%) were about love/sex, framed in either a positive or negative theme. 20 of the 136 songs (15%) were about partying, and 19 of the 136 songs (14%) were about pride, or providing inspiration to the listener. (See Appendix A for a synopsis of song themes.)

Archetype

A good song, just like an effective brand, can evoke an archetype we have inside us. When we hear a song that contains an authentic archetype, the song brings meaning to our lives (Kuchner 2009).

Don't let Paul McCartney tell you there are too many silly love songs; the Lover archetype is by far the favored narrator role (Table 1). The other two popular roles for the narrator are Explorer (a young adult seeing the world and having new experiences such as in the song *Home* by Phillip Phillips), and the Sage, dispensing inspirational advice such as in the song *Firework* by Katy Perry.

Use of Title in Song

Jay Frank argues that a song's hook and title should provide the public instant accessibility for purchase and 87% of the songs reviewed follow his advice. However, the songs *Rocketeer*, *S&M*, *E.T.*, *The Lazy Song*, *Til the World Ends*, *Dirt Road Anthem*, *Ni**as in Paris*, and *Thrift Shop* do not include the use of the title in the lyrics.

Archetype	Song Count	Percent
Everyman	13	10%
Explorer	22	16%
Lover	55	40%
Innocent	2	1%
Rebel	8	6%
Sage	18	13%
Warrior	18	13%

Table 1. Archetypes by count and percent.

Song Form

Echoing back to the AABA song form, and the "get-to-the-chorus-quick" mentality, 33 (24%) of the songs started on the chorus/hook with little or no musical introduction, and 12 songs (9%) had a brief musical intro but went straight to the chorus. In other words, 33% of the songs started with a chorus, not a verse. 37 of the songs (27%) had a rap integrated somewhere in the song (verse, bridge, or throughout). Only 7 of the 136 songs (5%) had some type of instrumental solo section.

Song forms varied widely but two of the most popular were:

> Intro, Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Bridge, Chorus; and
>
> Intro, Verse, Chorus, Verse Chorus, Bridge Chorus.

Two of the most interesting and inventive song forms were Will.I.Am's *Scream and Shout*:

> Intro, Pre-Chorus, Chorus, Hook, Verse, Pre-Chorus, Chorus, Hook, Bridge, Chorus, Chorus, Outro;

and Fun's *Some Nights*:

> Chorus, Hook, Verse, Turn, Chorus, Bridge, Break, Vocal Solo, Hook, Outro Verse with Guitar Solo

Other interesting song anomalies include *Just Can't Get Enough*, which changes tempo and ends with the bridge; *Dirt Road Anthem*, a country song with rap verses and a guitar solo; and *Don't Wake Me Up*, which starts with spoken word. A synopsis of song forms is found in Appendix B.

Artist Collaborations, Gender, and Number of Songwriters Per Song

An amazing 47 of 136 songs (35%) in the dataset featured collaborations between artists, for example Pitbull, featuring T-Pain. The most common type of collaboration was a typical pop song with a rap verse injected into the form. This was present in one out of four of the songs.

Also, male vocals dominated the charts. 80 of the songs (59%) featured a male lead singer, with female lead vocals at 49 songs (36%). Only 4% featured both genders. The obvious fact is that choosing two types of artists from two different genres to perform on a song widens its appeal and chances for commercial success. However, there may be a musical reason why this technique is effective. Frank writes that in order to be a commercially successful song in today's market, a song cannot rely on a monotonous, sampled groove in order to be hit-worthy. It must have several textures and style changes. Additionally, the listener typically hits the "boredom mark" with a song at around two minutes of play. If something interesting like a fast rap or a developed instrumental section can be inserted into the song, Frank maintains it will keep the listener's interest. He cites the song by the Gorillaz, *Feel Good Inc.,* as an example of a constant shift in styles contributing to a song's popularity (Frank 2009).

Other Data Analysis

In this section, only songs that had moved off the Hot 100 by the end of the study period (April 31, 2012) were considered. This was done so that their total weeks on the chart could be analyzed in relation to other variables. The Pearson correlation (which measures how closely variables are related) was used to analyze several relationships within the dataset. (Results can range with "R values" from -1, a perfect negative correlation, to +1, a perfect positive correlation, with a result of 0 meaning there is no relationship.) No significant R values were found between the variables (see Table 2).

Variable 1	vs. Variable 2	"R" Value
Weeks on Hot 100	Number of times title appears in song	-0.070744647
Weeks on Hot 100	Number of songwriters	-0.082844834
Number of songwriters	Number of times title appears in song	0.070472709
Weeks on Hot 100	Beats per minute	0.171480492
Weeks on Hot 100	Song length	0.016943914
Song length	Beats per minute	-0.243176415

Table 2. Pearson correlation.

Conclusions

A hit is a moving target. Even though there may never be a set formula for a hit song, we can use evolving trends in production and songwriting to help guide our students to make the most commercially successful product possible. Students need to be aware that the public's taste does shift over time. The study presented here concentrated in finding common threads among songs that were already deemed current hits by *Billboard*.

The evidence suggests that students studying the craft of production and songwriting would have the best chance of being "commercially successful" in today's music market if they applied the following techniques:

- Write and produce a song without an introduction (or a very short one)
- Begin the song with the chorus. Do not worry too much about song length, as long as it is shorter than four minutes
- Set the song at a danceable tempo and incorporate some EDM influences
- Compose lyrics from a narrator's point of view with pronouns aimed directly toward the listener (you, we, and us)
- Write about love and have the "narrator" assume the role of the "Lover" archetype. Do not mix archetypes
- Use the song title in the hook/chorus lyrics throughout the song (a minimum of fifteen times)

- Do not be afraid to get other writers involved in the songwriting and production process. In fact, there is a better chance of success with a team of three or four writers
- Use a variety of textures in the production to appeal to listeners from multiple genres
- Play with song form; it does not have to be typical
- Don't be afraid to feature more than one artist on the track, it will likely increase the song's chance of success

Songwriting and production students also need to understand that marketing, radio promotion, tours, and even the artist's look all contribute to making a song a chart success. Follow-up studies could include a multivariate analysis and comparison of these factors alongside the data presented above to see how much external factors versus song formula play into making a song a hit. Much of what appeals to the public about music is that it is a combination of familiarity and surprise. Therefore, there will always be a place for musical creativity in and out of the classroom.

Public demand is a driving force in a market economy. However, personal expression in music will always flourish. Students should learn about music's changing forms and application within a commercial context. Hopefully, we can use the information from this study as one of many tools to guide our students toward creating a successful commercial song or commercial music production.

Appendix A

Synopsis of Song Themes: Billboard Hot 100 Charts Jan. 1, 2011 through April 31, 2012

Synopsis
A message about having fun, doing what you want, and not caring what other people think
A message about letting go of everything and partying on the weekend
A message about lovers seeing the world together
A message about partying and having a good time
A song about accepting your past and your flaws because we're all made perfect
A song about doing whatever it takes to get back up on your feet and live out your dreams
A song about girls who can be both classy and crazy when appropriate; Oppan Gangnam Style = "(I have my own style) It's Gangnam Style," so the guy is saying that's his style when it comes to women because he acts the same
A song about having fun for the sake of living while you're still young
A song about "kicking back" and being lazy for a day
A song about living your life while you're still alive, regardless of consequences
A song about loving yourself no matter what other people think, specifically targeted at the LGBT community
A song about making the best of your time with someone and partying like it's your last night
A song about not being able to hold someone back (party, love, music-industry, etc.)
A song about partying and letting everything in your life go for a night
A song about taking it slow with someone because you care enough not to want to mess anything up
A song about the misunderstood members of society partying and celebrating their differences
A song about a bunch of young people causing trouble because they're bored
A song about a guy who's gone crazy and wants to kill the hipsters at his school
A song about BDSM
A song about believing in yourself when life gives you challenge
A song about dancing like it's the end of the world
A song about embracing your own beauty and potential even though you may feel insignificant
A song about getting on the dance floor and having a good time
A song about going on in the face of opposition
A song about gossip putting friction into a potential relationship

A song about having a good time at a party
A song about having fancy things in the future
A song about having fun and doing what you want because that's what life is supposed to be for
A song about hooking up with someone and having fun like there's no tomorrow
A song about how someone is addicted to the love of someone else
A song about hustling
A song about leading a revolution; breaking out of prison, etc. (escape song)
A song about letting go of everything else and dancing to the music
A song about living on the edge with someone you love
A song about love—and how this person makes you feel. "I love the way you make me feel."
A song about not caring about what other people think of you
A song about partying all night and not caring
A song about partying and celebrating being young
A song about seeing the world and living your life to the fullest
A song about sexual methods
A song about the world coming apart but two lovers still having each other
A song that expresses the existential angst of a young protagonist who is a long way from home
Confident guy singing about hitting on a woman in first-person
Girl asking a guy to be different than all of the others and give her a good time
Girl asking a guy to love her like she's the only person right for him (the only girl in the world)
Girl asking a guy where he's been all of her life because she's been searching for someone like him
Girl finally lets go of a guy that she's been hanging onto for too long
Girl getting angry at herself for getting with a guy even though she knew he was trouble
Girl getting back on her feet stronger after an ended relationship
Girl getting her hopes up on a guy and telling him to call her
Girl going after a crazy guy for the thrill
Girl hoping to get with a guy after looking for someone for a long time
Girl looking back and realizing that her failed relationship made her stronger in the end
Girl looks back and realizes that she should've taken the chance she had with a good friend while their feelings were mutual and before he found someone else
Girl looks back at a time that she rebounded after a bad relationship and both ended badly
Girl looks back on a destructive relationship that was good at the time

Girl looks back on a relationship that she thought was going to end up serious and last a lifetime
Girl recalling the crazy stuff she did last Friday night and how she would do it all again
Girl seeking revenge after being wronged in a relationship
Girl singing about a relationship that made her forget all her past doubts and problems with love
Girl singing about a relationship that was close but ended suddenly
Girl singing about putting her defenses up, so she won't fall in love with this one guy
Girl still holding onto a lost relationship and hoping that the guy will come back to her like in a movie
Girl talking about a guy that's caught her eye
Girl talking about being in love with someone who's bad for her
Girl talking about how her and her mate feel larger than life when they're together
Girl talking about how she needs to escape from life for awhile
Girl talking about how she's addicted to the love of a guy
Girl talking about how she's going to keep going strong to spite a guy that did her wrong in a relationship
Girl talking about the otherworldly love she gets from a guy
Girl talking about wanting to go all night with a guy
Girl telling a fickle ex-boyfriend that she's not ever dating him again
Girl telling a guy that she's coming back to town to give him another chance since they have history
Guy begging his friend to remember his former self he's lost sight of
Guy being thankful for the good time a girl gave him, song about living in the moment
Guy holding onto love that will inevitably fade
Guy letting a girl know that he will be there for her whenever she's ready after going through a destructive relationship with someone else
Guy promises a girl that he will always be waiting for her, and if she doesn't return, at least they had a good thing going
Guy rapping about the process of getting to the top (he started at the bottom)
Guy recalling a relationship that ended in burning bridges
Guy remembering and trying to come to terms with the struggles of his past
Guy reminiscing about old times
Guy singing about dancing provocatively and/or hooking up with a girl
Guy singing about how all he needs is a girl
Guy singing about how the only thing he is sure about in his life is his relationships with a girl
Guy singing about life-changing events, but his father telling him not to worry ("see heaven's got a plan for you")

Guy singing about riding around with his “baby” (on back roads, through farm towns, etc.)
Guy singing about saying goodbye to his old ways, and coming back to the “love of his life”
Guy singing about showing a girl about love; when he’s in his suit & tie
Guy talking about “hooking up” with a girl at a club
Guy talking about hooking up with a girl
Guy talking about how a girl has sex with guys for all the bad reasons, and he wants to be the good
Guy talking about how awesome his car is with a secondary reference to his hometown football team
Guy talking about how he doesn’t understand why a girl has such low self-esteem, and that her modesty is what makes her beautiful
Guy talking about the girls at a strip bar
Guy talks about going to a strip club and how much he likes girls’ asses
Guy talks about how he’s going to impress a girl and win her over for the night
Guy talks about how his world will turn dark and rainy if his girlfriend leaves him
Guy talks about how lost he is without a certain girl
Guy talks about how much power he has and how good he feels about himself
Guy talks about how the girl he’s seeing waits up for him every night and she gets horny around 5 a.m.
Guy telling a girl not to be afraid as they go from place to place, physically and in their relationship
Guy telling a girl off after she used him and moved on to the next guy
Guy telling a girl she’s beautiful and can love someone, even though she doesn’t think she can after all of the destructive relationships she’s had
Guy telling a girl that even though she has insecurities about herself and her past, he will love her
Guy telling a girl that even though she never truly had feelings for him, he would do anything for her
Guy telling a girl that even though they’ve had a rough past, they can put that aside and just be two young people
Guy telling a girl that he loves her for who she is and she should never change
Guy telling a girl that he’s proud of her for being a responsible person and she shouldn’t waste her time on people that don’t respect that
Guy telling a girl that no matter what else happens in his life, he’ll be happy if she loves him
Guy telling a girl that she’s what he’s been looking for
Guy telling a girl that they need to break up for her own good because she has given him more than he’s willing to give back
Guy telling a girl why she should be his girlfriend

Guy trying to contain thoughts of seducing a girl
Guy trying to hold a broken relationship together with physical attraction
Man and woman singing about wanting the other to stay
Man realizing his past relationship was bad after meeting new girl
Man regretting all of the time he spent with a woman and the potential they could have had
Man seducing a woman
Man shocked when he unexpectedly runs into a woman for the first time in forever and admits he still cares for her
Man singing about how he hopes woman's new guy treats her better; and does the things he should have for her
Man singing about impressing people with awesome swag he got from thrift stores
Man talks about how easily he gets everything he wants, portrays hedonism
Men rapping about their problems with bad girls, and solving their problems by having intercourse with them…
Men rapping about their women—and stating they're good as long as the women love them
Possibly a song about being afraid of the dark, or a girl recalling someone helping her through a rough time in her life and how it made her stronger
Singer believes he is the center of attention whenever he goes out
Singer compares love to music, saying that you have to listen to a song over and over and it will grow on you, and that a girl should give him a chance
Song about two people getting the "party" started
Song about drinking and smoking all the time
Song about how perspectives on life and/or dreams can change and result in a loss of innocence
Song about not caring and just having a good time
Song about staying strong in the face of hardship
Woman refusing to get back with a man because he acts like he owns her and doesn't know a thing about her
Woman singing about a relationship being "bent," but doing what it takes to fix it and love again

Appendix B

Synopsis of Song Forms: Billboard Hot 100 Charts Jan. 1, 2011 through April 31, 2012

Song Forms
Intro, Verse, Chorus, Verse, Chorus, Bridge (with Chorus), Chorus
Hook, Rap Verse, Hook, Break, Rap Verse, Hook, Outro
Chorus, Verse, Chorus, Verse, Chorus, Bridge, Chorus
Verse, Chorus, Verse, Chorus, Bridge, Chorus
Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Bridge, Chorus, Outro
Intro, Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Bridge, Chorus, Outro
Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Break, Chorus
Hook, Rap Verse, Hook, Verse, Chorus, Hook, Verse, Chorus, Bridge, Hook, Chorus
Hook, Rap Verse, Hook, Rap Verse, Hook, Bridge, Hook
Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Bridge, Chorus
Intro, Rap Verse, Chorus, Rap Verse, Bridge, Chorus, Outro
Intro, Chorus, Break, Verse, Chorus, Break, Chorus, Outro
Verse, Pre-Chorus, Chorus, Rap Verse, Chorus, Verse, Pre-Chorus, Chorus, Pre-Chorus, Chorus, Outro
Chorus, Rap Verse, Chorus, Rap Verse, Chorus, Bridge, Chorus, Outro
Intro, Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Bridge (with Chorus), Chorus, Outro
Intro, Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Rap Bridge, Chorus, Outro
Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Bridge, Chorus
Chorus, Rap Verse, Chorus, Rap Verse, Chorus, Bridge, Chorus, Outro
Hook, Verse, Chorus, Hook, Verse, Chorus, Bridge, Chorus, Outro
Intro, Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Break, Chorus
Chorus, Rap Verse, Chorus, Rap Verse, Chorus, Bridge, Chorus
Intro, Rap Verse, Chorus, Rap Verse, Chorus, Rap Verse, Chorus, Outro
Intro, Verse, Chorus, Break, Verse, Chorus, Bridge, Chorus, Outro
Intro, Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Bridge, Chorus, Outro
Chorus, Rap Verse, Chorus, Rap Verse, Chorus, Break, Bridge
Intro, Verse, Chorus, Break, Verse, Chorus, Bridge, Chorus, Outro
Chorus, Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Bridge, Chorus
Intro, Verse, Pre-Chorus, Break, Verse, Pre-Chorus, Break, Chorus, Break, Chorus
Intro, Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Bridge, Chorus
Intro, Rap Verse, Pre-Chorus, Chorus, Rap Verse, Pre-Chorus, Chorus, Bridge, Chorus

Intro, Hook, Break, Verse, Chorus, Break, Bridge, Chorus, Outro
Intro, Chorus, Rap Verse, Pre-Chorus, Chorus, Rap Verse, Pre-Chorus, Chorus, Rap Verse, Pre-Chorus
Intro, Verse, Chorus, Verse, Chorus, Break, Bridge, Chorus, Repeat Verse
Intro, Chorus, Rap Verse, Chorus, Rap Verse, Chorus, Guitar Solo, Chorus, Outro
Hook, Verse, Pre-Chorus, Chorus, Hook, Verse, Pre-Chorus, Chorus, Break, Bridge, Chorus, Outro
Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Break, Bridge, Chorus, Outro
Intro, Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Bridge (with Chorus), Chorus
Intro, Rap Verse, Pre-Chorus, Chorus, Rap Verse, Pre-Chorus, Chorus, Bridge, Chorus
Intro, Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Bridge, Chorus, Outro
Intro, Verse, Chorus, Verse, Chorus, Break, Chorus, Outro
Intro, Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Sax Solo, Chorus, Outro
Intro, Rap Verse, Pre-Chorus, Chorus, Rap Verse, Pre-Chorus, Chorus, Rap Verse, Pre-Chorus, Chorus, Outro
Chorus, Rap Verse, Chorus, Rap Verse, Chorus, Bridge, Chorus, Outro
Intro, Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Break, Sax Solo, Chorus
Chorus, Rap Verse, Chorus, Rap Verse, Bridge, Chorus
Chorus, Rap Verse, Pre-Chorus, Chorus, Rap Verse, Pre-Chorus, Chorus, Bridge, Chorus
Intro, Verse, Chorus, Verse, Chorus, Bridge, Chorus
Intro, Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Bridge, Chorus, Outro
Intro, Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Bridge, Chorus, Outro
Intro, Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Break, Chorus
Chorus, Verse, Chorus, Verse, Chorus, Break (with Chorus), Chorus
Intro, Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Guitar Solo, Bridge, Chorus, Repeat Verse
Intro, Hook, Rap Verse, Hook, Rap Verse, Hook, Rap Verse, Hook, Rap Verse, Hook, Break, Bridge
Intro, Rap Verse, Pre-Chorus, Chorus, Rap Verse, Pre-Chorus, Chorus, Bridge (with Chorus), Chorus
Intro, Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Bridge, Chorus, Outro
Intro, Verse, Pre-Chorus, Chorus, Break, Verse, Pre-Chorus, Chorus, Bridge, Pre-Chorus, Chorus
Intro, Verse, Hook, Break (with Hook), Verse, Hook, Break (with Hook), Hook, Outro
Intro, Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Bridge, Chorus
Intro, Verse, Pre-Chorus, Chorus, Break, Verse, Pre-Chorus, Chorus, Bridge (with 1st Verse), Chorus, Break, Chorus

Hook, Verse, Double Hook, Verse, Double Hook, Bridge, Hook
Intro, Chorus, Rap Verse, Chorus, Rap Verse, Chorus, Break, Bridge, Chorus
Intro, Verse, Pre-Chorus, Chorus, Break, Verse, Pre-Chorus, Chorus, Bridge, Pre-Chorus, Chorus, Outro
Intro, Rap Verse, Chorus, Rap Verse, Chorus, Bridge, Chorus, Outro
Intro, Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Bridge (with Chorus), Chorus
Intro, Rap Verse, Chorus, Rap Verse, Break, Chorus, Outro
Intro, Verse, Chorus, Verse, Chorus, Bridge, Chorus
Chorus, Double Rap Verse, Chorus, Double Rap Verse, Chorus, Bridge, Chorus, Outro
Intro, Verse, Guest Verse, Verse, Break, Guest Verse
Intro, Verse, Chorus, Verse, Chorus, Guitar Solo, Bridge, Chorus, Outro
Hook, Rap Verse, Hook, Rap Verse, Hook, Outro
Intro, Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Bridge, Chorus
Hook, Rap Verse, Hook, Rap Verse, Bridge, Hook, Verse, Hook
Intro, Verse, Chorus, Verse, Chorus, Break, Chorus
Intro, Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Bridge, Chorus
Intro, Verse, Chorus, Verse, Chorus, Bridge, Chorus, Refrain/Outro
Intro, Verse, Chorus, Verse, Chorus, Bridge, Chorus
Intro, Verse, Break, Verse, Chorus, Break, Bridge, Chorus, Outro
Chorus, Rap Verse, Chorus, Rap Verse, Chorus, Bridge, Chorus, Outro
Hook, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Bridge, Hook, Chorus
Hook, Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Bridge, Hook
Intro, Verse, Chorus, Break, Verse, Chorus, Break, Bridge, Chorus
Intro, Hook, Verse, Chorus, Verse, Chorus, Double Bridge, Chorus
Intro, Verse, Chorus, Verse, Chorus, Bridge, Chorus
Intro, Verse, Pre-Chorus, Chorus, Break, Verse, Pre-Chorus, Chorus, Bridge (with Chorus), Chorus
Intro, Verse, Pre-Chorus, Chorus, Break, Verse, Pre-Chorus, Chorus, Bridge, Chorus, Outro
Intro, Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Bridge (with Chorus), Chorus
Intro, Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Bridge, Chorus
Chorus, Hook, Verse, Turn, Chorus, Bridge, Break, Vocal Solo, Hook, Outro Verse (with Guitar Solo)
Intro, Verse, Chorus, Verse, Chorus, Guitar Solo, Bridge, Chorus, Outro
Intro, Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Bridge, Chorus

Intro, Verse, Pre-Chorus Chorus, Break, Verse, Pre-Chorus, Chorus, Bridge (with Chorus), Chorus, Outro
Intro, Verse, Pre-Chorus, Chorus, Break, Verse, Pre-Chorus, Chorus, Bridge, Chorus
Chorus, Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Bridge, Chorus
Hook, Pre-Chorus, Chorus, Break, Hook, Pre-Chorus, Chorus, Break, Bridge, Hook
Intro, Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Bridge, Chorus
Chorus, Rap Verse, Chorus, Break, Rap Verse, Bridge, Chorus, Outro
Intro, Pre-Chorus, Chorus, Pre-Chorus, Chorus, Bridge, Pre-Chorus, Chorus
Hook, Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Bridge, Hook, Chorus
Verse, Chorus, Break, Verse, Chorus, Break, Bridge, Chorus, Outro
Intro, Verse, Pre-Chorus, Chorus, Break, Verse, Pre-Chorus, Chorus, Bridge, Chorus
Intro, Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Bridge, Chorus, Outro
Intro, Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Bridge, Chorus, Outro
Intro, Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Bridge, Chorus, Outro
Intro, Verse, Chorus, Break, Verse, Chorus, Break, Chorus, Outro
Chorus, Rap Verse, Chorus, Break, Rap Verse, Chorus, Break, Bridge, Break, Chorus
Intro, Verse, Pre-Chorus, Chorus, Verse, Pre-Chorus, Chorus, Bridge, Chorus
Intro, Verse, Pre-Chorus, Chorus (w/ Hook), Verse, Pre-Chorus, Chorus (w/ Hook), Hook
Intro, Hook, Verse, Pre-Chorus, Hook, Break, Verse, Pre-Chorus, Hook, Break, Bridge, Hook, Break, Hook
Intro, Verse, Verse, Chorus, Verse, Chorus, Bridge, Chorus
Intro, Hook, Verse, Pre-Chorus, Chorus (w/Hook), Verse, Pre-Chorus, Chorus (w/Hook), Break, Chorus (w/Hook)
Chorus, Break, Verse, Chorus, Break, Bridge, Repeat Verse, Chorus
Intro, Verse, Chorus, Break, Verse, Bridge, Chorus, Outro
Intro, Verse, Chorus, Verse, Chorus, Bridge, Chorus, Outro
Intro, Verse, Chorus, Verse, Chorus, Bridge, Guitar Solo, Chorus, Outro, Repeat Verse
Intro, Verse, Chorus, Verse, Chorus, Break, Bridge, Chorus, Outro
Intro, Chorus, Rap Verse, Chorus, Rap Verse, Chorus, Rap Verse, Chorus, Outro
Intro, Pre-Chorus, Chorus, Hook, Verse, Pre-Chorus, Chorus, Hook, Bridge, Chorus, Chorus, Outro

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David "Dave" Tough is assistant professor of Audio Engineering Technology at Belmont University. He has worked for Capitol Records, Warner Chappell Music Publishing, BMG Music Publishing, and Warner Electric Atlanta Distribution. Prior to coming to Belmont University, Dr. Tough was an assistant professor and headed the Music Business Emphasis at Cal Poly Pomona in Los Angeles, California. He has also served as instructor of Recording Technology at the University of North Alabama. At Belmont he teaches Music Production courses to two hundred students per year.

Dr. Tough has a Bachelor of Arts degree in Music from the University of North Texas, Master of Business Administration from Pepperdine University, an ADR certificate from Pepperdine School of Law, and a Doctorate in Higher Education Administration from Tennessee State University. His research interest is in the area of recording arts curriculum development.

In addition to his university teaching, Dr. Tough has produced, engineered, and written for several independent artists in Los Angeles and Nashville as well as producing and writing songs for major motion pictures and television. He operates his own music production company in Nashville at www.davetough.com. He is a member of The College Music Society, The American Society of Composers, Authors, and Publishers, and has served on the AES committee in Nashville, on the Music and Entertainment Industry Educators Association Board, and is a voting Grammy member.

The author wishes to thank Casey Benefield, Robert Moss, and Kyle Webber for their help in gathering data for this study.

So What Does "Set Fire To The Rain" *Really* Mean? A Typology for Analyzing Pop Song Lyrics Using Narrative Theory and Semiotics

Quint Randle
Brigham Young University
Keith Evans
Student, Brigham Young University

Abstract

Lyrics that tell a story have always been a defining characteristic of American popular music, yet the narrativity of pop music is underrepresented in academic literature. This paper utilizes a combination of semiotics and narrative theory to present a systematic method that can be used to analyze and codify the lyrics of virtually any pop song into one of four major categories based on whether it has an open or closed reading and a defined or undefined narrative. It is hoped that this typology can be used both to better understand how pop music plays a role in cultural storytelling and to aid teachers and students in the development and understanding of songwriting pedagogy.

Keywords: lyrics, semiotics, narrative theory, songwriting, popular music

Introduction

Lyrics that tell a story have always been a defining characteristic of American popular music. Musical adaptations of nineteenth-century folklore (*The Ballad of John Henry*), teenage heartbreak songs of the early 1960s (*Tell Laura I Love Her*), and compositions by singer-songwriters of the 1970s (e.g., Harry Chapin, Jim Croce) all demonstrate Americans' appetites for listening to, becoming immersed in, and interpreting story. While some music genres, such as country, tend to emphasize linear narratives, many major pop hits leave listeners reading between the lines for some semblance of a story (Adele's *Set Fire To The Rain*). Even "meaningless" dance hits oftentimes offer some obvious or underlying narrative (LMFAO's *Party Rock Anthem*). Despite advances in technology and digital music tools, storytelling is still at the core of many of our culture's

mass-mediated musical expressions. In sum, story is song and song is story.

A quick Google search for "story songs" returns numerous sites offering best-of lists and commentaries: "26 Songs That Are Just as Good as Short Stories," "Ten Story Songs and the Stories behind Them," and many more. A follow-up search at a music community site (e.g., songmeanings.net) will reveal almost as many interpretations among listeners as there are songs to sing. The opinions offered up by visitors are oftentimes based on listeners' views of the song's story or on the message the songwriter was trying to convey. In many ways, both the art of conveying an explicit or implicit narrative and the listener identifying with that narrative are the essence or magic of pop music. Excuse the manufactured pop culture reference, but after all the makeup and dance moves, perhaps storytelling *is* the "X-Factor."

While there have been many analyses of song lyrics in a general or cultural sense (Tagg 1982, DeWall 2011) as well as studies on the effects of song lyrics on adolescents (American Academy of Pediatrics, Council on Communications and Media 2009, Peterson, Safer, and Jobes 2008, Greenfield 1987), little has been written on the construction of narrative or the structure of narrative in pop music (Neal 2007, Nicholls 2007). Even most basic how-to books on songwriting give the subject little direct attention, approaching narrative merely in passing as an approach, often comprised of just a section on archetypical story songs that have a very linear beginning, middle, and end (Brahemy 2006, Pattison 2009). With story being such an integral part of song, it is somewhat surprising that narrative theory has not been used more to parse out the elements or structure of story in song, explicit or implicit. Unlike narrative theory, however, semiotics has been used in several studies. For example, Machin (2010) outlines a variety of ways semiotics can be used to explicate the "meaning" of song lyrics at a micro or macro level.

This paper utilizes a combination of semiotics (Barthes 1974) and narrative theory (Bal 1997) to present a systematic method that can be used to analyze and codify the lyrics of virtually any pop song into one of four major categories. It is hoped that this typology can be used both to better understand how pop music plays a role in cultural storytelling and to aid teachers and students in the development and understanding of songwriting pedagogy.

Background

The topic of analyzing song narrativity must include a discussion of lyrical narrative origins. The narrativity of song is a rich area of study, as the origins of American popular music are rooted deep in storytelling. American pop traces its beginnings to Anglo-American folk music, which, in turn, is derived from European mythic and epic storytelling (Cooke 2000). Wandering minstrels and troubadours in Medieval and Renaissance Europe who performed in small hamlets cemented the oral transmission and regionally distinct nature of folk narratives, establishing that their music was for commoners (Tick and Beaudoin 2008). Historically, the simple subject matter and repetition of folk music were more of a practical choice rather than an artistic one: the orally transmitted nature of folk music dictated that it must be easily understood and easily memorized. The tendency for a simple form utilizing repeated phrases and lyrics carried over into modern pop music (Abrahams and Foss 1968).

The development of the broadside in the seventeenth and eighteenth centuries helped commercialize music and diminished the oral nature of folk songs. "Broadsides were lyrics printed on large sheets of paper and sold at the marketplace…[often with] an instruction to sing the lyrics to the tune of a well-established song" (Cooke 2000, 123). With the printing of song lyrics and tune names on broadsides, songs became tangible merchandise that could be held and collected, bought and sold. While early broadsides are often hard to distinguish from British ballads, these later fused with local "American" folk songs such as *The Ballad of Davy Crockett* or *Old John Brown* (both echoes of the European epic poem themselves). The broadside signaled the ending of the oral nature of American folk music and turned songs into commodities rather than just cultural or artistic expressions.

Around this same time, African spiritual music began to have an influence on the American pop song that cannot be overstated. Early Anglo-American folk ballads were usually written in the third-person perspective, and even when written in first person, these ballads almost universally were told from the perspective of some established character that is clearly not the narrator (Bronson and Child 1959). The general shift to a first-person narrative that came about in nineteenth-century American pop can be attributed, at least in part, to the influence of African-American spirituals: Whereas troubadour songs in Medieval and Renaissance Europe were either Biblical or epic in nature, the slaves' songs were often in the first

person. African-American slaves sang religious songs as a kind of metaphorical liberation, and the lyrics could apply directly to them (*Nobody Knows the Trouble I See*, *In that Great Gettin'-up Morning*, *Steal Away*; Moore 2000). Similarly, African-American spiritual music was more likely to feature the singer's own experiences than the exploits of a long-dead hero or saint. This first-person narrativity only became more prominent after the Civil War. Largely because of their exposure in minstrel shows and their baser, more prosaic topics, the so-called "negro" songs began to grow in popularity, becoming the pop music of the day (Tick and Beaudoin 2008).

Commercially viable songs with such prosaic subject matter found an incubator in Tin Pan Alley, a veritable factory of popular songs in the late 1800s and early 1900s (Charosh 1997). "Hack" writers produced formulaic sentimental ballads and other ditties for mass consumption (Pessen 1985). These writers often drew upon personal experience for a song's narrative, as shown by Charles Harris with his 1891 hit, *After the Ball*, which sold five million copies that decade (History Matters 2012). Songwriter Irving Berlin hinted at the trends of homogenization that would become staples in American pop, saying, "It's the love-element that sells the song. It comes before everything else in popular music" (1916, 695). And so it would for the rest of the century.

The history of twentieth-century pop music is somewhat more transparent (and, obviously, immediate): blues and ragtime, two African-American styles, mingled with European dance songs to create jazz (Gridley and Rave 1984). This genre, in turn, comingled with folk music from the rural South, creating bluegrass (Rosenberg 2012). This volatile combination would eventually develop into the rock and roll of the 1950s, which largely defined popular music through the rest of the century.

The library of rock music from the 1950s and 1960s is full of both explicit and ambiguous story songs: Elvis Presley's *Jailhouse Rock* and *In the Ghetto*, Chuck Berry's *Johnny B. Goode*, and The Beatles' *Eleanor Rigby* and *Norwegian Wood*. The 1970s saw a return of folk grassroots to the rock music scene, inspiring the quintessential story-songwriters like Bobbie Gentry (*Ode to Billie Joe*), Harry Chapin (*Cat's in the Cradle*), and Don McLean (*American Pie*). The pieces produced by these musicians are some of the most archetypal examples of the modern-day story song. These highly narrative works prove that the storytelling nature of American pop music was still alive and well in the latter half of the twentieth

century.

While, perhaps, the more explicit narrativity that developed in pop music in the 1970s has decreased in recent decades, story songs are still clearly visible in the contemporary music scene across all genres. Country music, still heavily influenced by American folk and the didactic Appalachian ballads of the nineteenth century (Neal 2012), is a particularly rich genre in which to study story songs. At the other end of the music spectrum, even rap music commonly features linear, first-person narratives, told from the perspective of the songwriter to elicit street credibility or listener empathy. With this background in mind, it is valuable to ask whether (and to what extent) pop music is still story-driven and what types of stories are being told?

Review of Literature

Scholars have used diverse approaches to lyrical analysis for an array of research purposes. One of the more common approaches is content or narrative analysis, which examines the various materials and subjects addressed within lyrics to better understand the kinds of messages and cultural themes being portrayed in pop music. For example, content analyses have been performed to examine the amount and kinds of sexual content in pop songs (Dukes et al. 2003, Martino et al. 2006, Primack, Gold et al. 2008). In these studies, the distinction between degrading and non-degrading sexual references plays a key role in defining the nature of pop songs' sexual content. Other research has focused on content analyses for substance abuse (Herd 2005, Primack, Dalton, et al. 2008, Markert 2001) and violence (Armstrong 2001).

Taking such studies a step further, an impressive body of work began in the 1980s that concerns the effects of various lyrics on social behaviors, particularly among youth (Leming 1987, Rosenbaum and Prinsky 1987, Ballard and Coates 1995, American Academy of Pediatrics 1996, Pardun, L'Engle, and Brown 2005). Studies such as these often conclude with varying degrees of certainty that the amount of sexual, violent, or otherwise negative content in pop song lyrics is growing, leading to increasingly negative effects on its young listeners. Such studies often employ communication theories such as social cognition (Bandura 2004, Martino et al. 2005) or social imitation (Miller and Dollard 1941) to explain why lyrics that highlight particular behaviors may have such an effect on listeners' attitudes and actions. Tempering the surge of negativity toward pop

music is Tobias Greitemeyer, who has studied extensively the effects of positive lyrics in songs like Michael Jackson's *Man in the Mirror* on pro-social behaviors (Greitemeyer 2009, 2011).

Compared to these and many other analyses of song lyrics for content and social effects, the use of narratology in lyrical analysis is a sparse if not empty field. Neal (2007) has given country music a thorough examination through the lens of what she terms the "time-shift narrative." In this study, Neal points out the multiple layers of meaning that can be found in a host of country song lyrics and provides an impressive list of songs that invoke this model. However, the model of time-shift narrative is quite particular, and as Neal concentrates on country music, the scope of this work is not sufficiently broad to use in a discussion of pop music, which generally comprises a higher level of ambiguity.

Another valuable contribution to this relatively unfurrowed field is Nicholls's (2007) study of pop music under the microscope of narrative theory. Therein, Nicholls comes closer to creating a usable typology for categorizing the narrativity and symbolism of songs by the likes of The Beatles and Genesis: a 1-to-5 scale increasing in the depth of a song's symbolic content and narrative structure. However, Nicholls's selection of older songs from the 1970s and 1980s implicitly calls for a reexamination using more current examples. Further, the title of Nicholls's piece ("Narrative Theory as an Analytical Tool in the Study of Popular Music Texts") is somewhat misleading since the study concerns not just the lyrical texts of pop songs but the music itself as well. In terms of lyrical content, however, this one-dimensional approach lacks precision and power.

This study focuses on only the lyrics of pop songs from all pop genres. By limiting its scope to lyrics alone, this study aims to provide a two-dimensional typology that is sufficiently confined in scope but that is also universal enough to be useable across any genre of song that contains lyrics. One now turns to the bodies of work concerning both narrative analysis and semiology in order to more clearly understand the tools of "story" measurement.

Theoretical Approach

The modern idea of using narrative to analyze discourse in general and texts in particular has been manifested across the last century in many forms. The school of Russian formalism from the early 1900s provides a good theoretical starting point. Propp's *Morphology of the Folktale* (1994)

famously laid forth his thirty-one narrative functions that constitute the fundamental elements of almost all narratives; Viktor Shklovsky and Boris Tomashevsky discussed the chronological facet of storytelling, developing, and popularizing the dichotomy of *fabula* and *sujet* to be able to separate the components of a story from the order in which those components are shared (Shklovsky 1990). The father of modern anthropology, Claude Lévi-Strauss, argues that conflict is the most essential component of all effective cultural narratives (1955). Sonja Foss's (1989) extensive work on rhetorical criticism devotes a substantial portion to the evaluation of both the form and substance of narrative as a persuasive tool.

Throughout the twentieth and into the twenty-first century, a number of scholars have sought to articulate more precise tools for identifying and clarifying components that constitute narrative, such as Jonnes (1990), Barthes and Duisit (1975), and Kindt and Müller (2003). From the role of the narrator to the chronological sequence of events, the recipe for what makes up a narrative is constantly being adjusted and reiterated. From Fisher's broad assertion that people are essentially storytelling animals and that all human communication is narrative based (1984), the operational definitions of narrative have become increasingly refined. And it seems only logical, since songs serve as one of humanity's oldest forms of storytelling, that lyrics would serve as fertile ground for an application of narrative analysis.

Unfortunately, while academia has addressed the narrativity of music, the examples are few and far between. Spicer and Covach (2010) have compiled analytical essays that utilize a broad range of approaches beyond musicology, including biography, ethnography, psychology, and narratology. Their compilation includes a chapter by Lori Burns that offers an examination of the insights to be gained by studying song lyrics and the power of lyrics to engage the listener authoritatively. However, Burns' study is ultimately concerned with the songwriters themselves and the autobiographical elements of their works. Focusing on analyzing the narrator/listener relationship within pop/rock songs by female artists, Burns gives us a zoomed-in view of one way to analyze song lyrics for narrativity.

Based on these useful but sparse offerings, it becomes clear that old concepts must be applied in new ways. One particularly indispensable piece of narratology scholarship is Mieke Bal's *Narratology: Introduction to the Theory of Narrative* (1997). Though not concerned with music

or lyrics, Bal's exhaustive work breaks down what precisely constitutes a narrative; in other words, what components must be present for a body of text to qualify as a "story"? To clearly define the presence or absence of narrativity within song lyrics, we use a scaled-down version of Mieke Bal's definition of fabula, or what Cobley (2010) calls the "raw material of a story." Bal defines "fabula" as consisting of four components: event, actor, time, and setting. While every song contains some element of character, the presence of the other factors—especially event—indicates an increasingly concrete fabula and thus a stronger narrative: a greater sense of story, per se.

As important as narratology scholarship is to our understanding of lyrical analysis, other disciplines are also useful in analyzing works that are poetic and potentially enigmatic, such as song lyrics. The field of semiotics—the study of symbolism and sign processes—provides another dimension from which to approach lyrical analysis, and, if anything, the body of semiological scholarship is even more diverse than narrativity. Interestingly, the Russian formalists were key in developing the modern field of semiotics as well. Viktor Shklovsky wrote extensively on the nature of symbols within text and the need to imbue discourse with deeper meaning and complexity than mere face value. Said Shklovsky:

> The purpose of art is to impart the sensation of things as they are perceived and not as they are known. The technique of art is to make objects "unfamiliar," to make forms difficult, to increase the difficulty and length of perception because the process of perception is an aesthetic end in itself and must be prolonged. Art is a way of experiencing the artfulness of an object. (Shklovsky 1988, 12)

These writers paved the way for future semiotics work by scholars such as Lévi-Strauss, Barthes, and a continuing stream of more contemporary scholars. Deely (1990) has dissected the messages encoded in both linguistic and literary works while Gaines (2010) has analyzed the use of symbols in the media generally and has discussed how to think critically about deciphering intended messages embedded within media.

Within the field of music, Tarasti (2002) has undertaken a thorough examination of symbolic implications found within music, detailing the capacity of various motifs and musical phrases to convey specific mean-

ings. Gorbman (1980) has also written on the subject, arguing that while a stand-alone classical piece would not qualify as narrative, film music does. Maus (1991) stated that when listeners can vaguely construe a sense of character, plot, and event, music takes on narrative qualities. Yet this area of study ignores those genres of music with lyrics. While Machin (2010) examines this approach for lyrics, we have been unable to identify a significant body of work exclusively detailing the analysis of song lyrics using semiotic measures. In his extensive list of literary genres that lend themselves to semiotic analysis, Barthes (1982) includes such obscure art forms as mime and stained glass but fails to mention music or song. It seems as if the entire genre of popular music has been overlooked by a field of scholarship too involved in literature, social commentary, and philosophy to even notice.

Despite his failure to include song lyrics as a venue for applying semiology, the value of Barthes's work for the development of semiotics is incalculable. In the seminal *S/Z,* Barthes (1974) outlines five "codes of meaning," or constructs for identifying different uses of symbols or implied meanings within texts. Barthes's five codes (hermeneutic, proairectic, semantic, symbolic, and cultural) serve as a roadmap for any serious student of semiotics to understand the variety of messages and meanings to be found within a text, including overlapping, codependent ones—a "braiding" of meanings, as he calls it (Barthes, 160).

For the purposes of articulating and analyzing the narrative of pop song lyrics in our study, we derived a typology based on four of Barthes's five codes that identify the components of a text that create multiple meanings. The hermeneutic and proairectic codes provide a general gauge of whether the song proposes questions to the listener either through the narrator's statements or by the tension-producing actions of the characters in the song. These raised questions can either be resolved or left open and unexplained to the reader (or, in our case, the listener). The semantic and symbolic codes also come from the same family, identifying connotations or symbolic meanings within the lyrics. The presence of these codes indicates that sufficient subtext exists to justify multiple meanings. Barthes's fifth code, the cultural code, is not actively included in this study because of its geo-cultural limits (namely the United States); thus cultural codes are assumed to be already embedded and understood by most listeners.

Construction of Typology

Analyzing pop song lyrics using narratology and semiotics is useful as cultural or sociological typology and also as pedagogy in beginning and intermediate songwriting classes. Relying upon Bal's and Barthes's delineations, we offer a matrix that maps the narrativity and symbolism of popular songs; this general categorization should allow for greater ease in identifying patterns and similarities among pop songs in various settings.

The typology we suggest is a two-dimensional grid with an *x*-axis and a *y*-axis, roughly charting both a song's narrativity and its inherent potential for symbolic meaning, or multiple readings, in order to gauge to what degree that song tells a story. The *x*-axis of our typology concerns the narrativity of the song, indicating an increasingly concrete narrative from left to right. By "defined narrative," we mean a song with a sequence of interrelated events (actual or implied), with specific characters who experience these events (and whose circumstances or character is altered thereby), and with a specific time and setting (goes beyond merely describing a static environment, such as a day at the beach wherein nothing but "beach" activity happens). Conversely, we use "undefined-narrative" to describe a song wherein there is not a distinguishable series of interrelated events, wherein the actors in the song do not undertake actions that cause a change or transformation in either the circumstances or the characters, and where a specific setting or time is not indicated.

For this narrative axis, elements of fabula include four components: event, actor, time, and setting. Events consist of sequential, interrelated actions that the actors (not necessarily people) undertake or experience. For example, in Taylor Swift's *Love Story*, the actor is described in the first verse as a young, love-struck girl with an overprotective father ("We were both young when I first saw you," "my daddy said, 'Stay away from Juliet'"). These actors experience the various events of the story ("I sneak out to the garden to see you," "He knelt to the ground and pulled out a ring"). Time and setting serve to solidify the narrativity of the events by placing them in a chronological and spatial context and relation to one another. In *Love Story*, the setting and time are also clearly defined by the lyrics ("I'm standing there on a balcony in summer air").

On the *y*-axis, we measure the openness of a song's narrative, as based on Barthes's narrative codes of meaning. By "open narrative," we mean a possibility of multiple meanings or readings derived from the lyrics of the song. By "closed narrative," we mean a more direct or literal

interpretation of the song's lyrics, one that cannot reasonably be interpolated to mean anything other than the presented material indicates. In these cases, Barthes's narrative codes are largely or entirely absent, resulting in a "face-value" lyric that means precisely and only what it tells.

Of Barthes's five codes of meaning, the first four were combined into pairs. Specifically, the hermeneutic and proairetic codes are combined to identify the questions and symbolic uncertainty of the song lyrics. The semantic and symbolic codes are also roughly grouped together to identify meanings beyond the surface level and connotations within the lyrics of the song.

Mapping pop songs onto this bi-axial grid results in four broad categories:

1. Closed reading/Undefined narrative
2. Open reading/Undefined narrative
3. Open reading/Defined narrative
4. Closed reading/Defined narrative

Analysis

With our typology outlined, we now employ it to map several recent hit songs for narrativity and semiotic openness as well as to suggest others, thus demonstrating its utility and generalizability. While we believe that the definition and identification of these four broad types is sufficiently useful, there is ample room for analysis within each of the four categories as well. However, we do not deem or offer this approach as quantitative at this point.

Closed reading/Undefined narrative—LMFAO's *Party Rock Anthem*

Representative of this category, *Party Rock Anthem* by LMFAO presents a relatively closed reading combined with a somewhat undefined narrative. This represents a great deal of pop music today across a variety of genres. In terms of narrative, the setting of the song is vaguely sketched out with the lines "in the club" and "in the house." It is clear that the singers are participating in a party of some kind, but where and when are not specified beyond "the club," "the house," and the equally vague "tonight." We are given a watery sense of actor from a few lines spoken

by the narrators about themselves: “Half black, half white, domino,“ “I got that devilish flow, rock ’n’ roll, no halo.” This does help establish the characters somewhat but not in a dynamic or concrete way. The only other sense of actor comes from the frequent use of the pronouns “us” and “we.” The listener understands that many people are partying somewhere, but no events occur to drive a narrative forward and the characters undergo no defined change.

Meanwhile, the song is relatively closed in its reading because of the literalness of the lyrics. Clearly, the party is not meant to signify or allude to something else. Barthes’s narrative codes are not utilized in the song since nothing could potentially surprise or challenge the listener and nothing requires later explication. The details are concrete and leave no unanswered questions about events or circumstances at the party.

Other current or well-known songs that represent relatively closed readings and undefined narratives might include:

- *Tongue Tied* by Grouplove
- *Pound the Alarm* by Nicki Minaj
- *I Hope You Dance* by Lee Ann Womack
- *As Long as You Love Me* by Justin Bieber featuring Big Sean
- *Bad Romance* by Lady Gaga
- *Fireflies* by Owl City

In sum, songs in this quadrant tend to have less room for multiple readings as well as non-existent or ambiguous narrative elements. (At first glance, one might think that *I Hope You Dance* might not belong in this category because “dance” is a metaphor for living life to its fullest. But while there is a reading, the reading is pretty much a given—relatively closed.)

Open reading/Undefined narrative—Mumford & Sons’ *The Cave*

Mumford & Sons’ *The Cave*, which peaked at No. 27 on the U.S. Billboard Hot 100 and No. 2 on Billboard’s Rock Song List, offers an open reading and undefined narrative. Similar to *Party Rock Anthem*, there is no specific narrative or story to speak of. The only moments that might be considered events (“walk away from all the fears and faults you’ve left

behind," "tie me to a post and block my ears," "come out of your cave walking on your hands") are highly figurative. Because they do not carry a clear sequential order and do not seem interrelated, these do not constitute events contributing to a fabula by Bal's definition.

Furthermore, no cues exist as to the time or sequencing of events or to a specific setting. "The sun, it rises slowly" should be considered metaphorical and not literal, and the references to a valley and a cave, taken in context, are clearly not meant to be taken at face value. In other words, because of the lack of specific time, setting, and event, there is not a significant or defined narrative being conveyed in this song. As with *Party Rock Anthem*, a sense of actor is present but faintly; the listener is made aware of two characters, the narrator and his friend or lover. It is implied in the first stanza that the latter has made some progression ("The sun, it rises slowly as you walk away from all the fears and the faults you've left behind"). But beyond this, we know nothing distinguishable about these two.

However, unlike *Party Rock Anthem*, this song is brimming with hermeneutic code. Questions arise at nearly every line: What faults are the second character walking away from? What is meant by the "harvest" mentioned? What does the noose around the neck symbolize? On a broader level (and later in the song), we might ask why the narrator seems to be shunning his friend now ("Sing all you want; I will not hear what you have to say"). These questions are left unanswered for the listener, an example of what Barthes calls snares (deliberately avoiding the truth) or equivocations (incomplete answers).

This song is thoroughly open in its reading. Besides some imagery that seems to be specifically referring to Plato's *Allegory of the Cave* (the song's title, as well as the lyrics "The sun, it rises slowly as you walk away from all the fears," "tie me to a post and block my ears"), most of the other lines in the song serve to raise more questions than they answer and bear the potential for many individual interpretations of meaning.

Other songs that may fit in the category of open reading/undefined narrative might be:

- *Some Nights* by fun.
- *Beautiful Day* by U2
- *Uprising* by Muse
- *Paradise* by Coldplay
- *Set Fire To The Rain* by Adele

In sum, the songs in this quadrant offer a nondescript or ambiguous narrative containing a lot for the listener to interpret "between the lines."

Open reading/Defined narrative—Ben Folds Five's *Brick*

Brick by Ben Folds Five is a good example of a relatively defined narrative with more open readings. A specific sequence of events is put forward, and actions both implied and evident are presented. What's more, these actions play a role in changing the circumstances and nature of the characters, who are painted dynamically by their emotions ("I'm feeling more alone than I ever have before") and their choices ("She broke down, and I broke down 'cause I was tired of lying"). Specific settings, locations, and times are given, serving to further establish the fabula and concretize the narrative ("Six a.m., day after Christmas" and "up the stairs to the apartment").

However, the reading is open because the narrator never states why he and the girl do not wish for her parents to "find [them] out." The listener wonders what they are hiding and where they are driving. Also, in the second verse, the narrator suddenly speaks in the second person, leaving the listener trying to piece together to whom the narrator is talking. Finally, in the last verse, the narrator fails to indicate specifically what he and the girl lied about. The lack of specific details provides an open reading for the listener wherein multiple meanings may be derived from the song. Herein is one of the basic elements of pop music: Each listener can make the song his or her own through multiple readings. (It should be noted that though the "deeper meaning" of this song is commonly known to music aficionados—the narrative deals with the circumstances and emotions of having an abortion—this information is not found within the song inherently and is only relatively common knowledge because of Ben Folds's willingness to speak on the subject of the song in press interviews.)

Beyond the open questions concerning the overall narrative, two themes flood the song. The first is the concept of being "alone." It is used several times to connote emotional distance and guilt rather than physical proximity (the same goes for "I am numb"; though in context it seems to be referencing the cold weather, the listener quickly learns that is not the case). The second major connotation is from the chorus: "She's a brick and I'm drowning slowly." Though the verses seem to convey a concrete, closed-ended narrative, the chorus is open-ended and interpretive enough to carry multiple possible meanings.

Other songs that feature relatively concrete narratives with open readings are as follows:

- *Ode to Billie Joe* by Bobbie Gentry
- *Atlantic City* by Bruce Springsteen
- *How to Save a Life* by The Fray
- *American Pie* by Don McLean
- *Need You Now* by Lady Antebellum
- *Somewhere Only We Know* by Keane

Closed reading/Defined narrative—Lee Brice's *Love Like Crazy*

A good example of a closed concrete narrative is Lee Brice's *Love Like Crazy*. Like *Brick*, the song conveys a specific story. The actors in the song are clearly presented as an old couple who married at a young age and who relate their history and advice to some unseen party (and, by extension, to the listener). The events of the song are given in flashback and are roughly chronological. From their young marriage to the home they moved into, from the family they raised to the husband's business exploits, the actors tell their story, complete with descriptions of time ("they've been together fifty-eight years now") and setting ("a little two-bedroom house on Maple Street").

Yet unlike *Brick*, where the presented story serves as a launching point for discovering deeper meanings, this is where the lyric interpretation ends for *Love Like Crazy*. Despite a few literary devices such as personification ("don't let your prayin' knees get lazy") and simple symbolism ("sweat" being used to signify hard work), the meaning or reading of the song is relatively fixed. The computers mentioned in the second verse really are computers; the "sixty-seven bucks a week" are just that; and when listeners hear the line about "six more mouths to feed," they know exactly what the narrator means: he is talking about children and nothing else. The reading is closed, and there are no elements in the lyrics that invite an open interpretation or have hidden meanings.

Other songs that could be classified with relatively closed readings and defined narratives are as follows:

- *We Are Never Ever Getting Back Together* by Taylor Swift
- *Nothing* by The Script
- *Jesus, Take the Wheel* by Carrie Underwood
- *Party in the U.S.A.* by Miley Cyrus
- *Drive By* by Train
- *Call Me Maybe* by Carly Rae Jepsen

Conclusion and Discussion

This paper describes and operationalizes a typology for analyzing and placing pop song lyrics into four major categories. We argue that virtually any pop song with lyrics can be categorized using this typology. The implications of the development and its use are manifold. First, the method works conceptually. Two theoretical approaches were identified—narrativity and semiotics—and applied in a new way across an underappreciated cultural artifact. The results showed that semiotic and narrative theory were useful in analyzing and typing song lyrics, thus extending the usefulness of these theories. Combining the theoretical approaches also yielded results that are more contemporary and precise than some previous analyses of pop music lyrics.

One application of the typology might be a longitudinal study that identifies storytelling trends in popular music. But a similar study might quantify how the lyrics in various genres of pop music have evolved—with some styles becoming more denotative and others becoming more connotative, mirroring parts of society in general. For example, one might hypothesize that while popular culture in the United States has become more post-modern in recent decades, typical pop songs have moved from being more explicit and denotative to being more implied and connotative. From a commercial standpoint, it might be valuable to see what genres and kinds of story songs generate greater attention and success than others.

One of the most useful benefits of this study is in songwriting pedagogy. This typology gives songwriters and teachers a frame through which they can analyze the characteristics of model pop songs. But these categories or approaches can also serve as baselines for idea generation and self-editing as student songwriters seek to hone their skills. In a general sense, novice and intermediate songwriters can better identify the type of song they are writing from a song's lyrical inception. They can also better understand what lyric types tend to be successful in particular genres.

One activity a teacher might assign would be for students to first analyze several songs using these characteristics, then, assign students to write four first verses on the same general topic, with each verse using one of the four different types. We have presented this typology and approach at songwriting classes and workshops over the past several years and have received numerous positive comments from novice and intermediate songwriters as to how their eyes have been opened to better songwriting and self-critique through these exercises.

The initial construction of this typology was qualitative and exploratory. Additional refinements can be made as future research is developed. One next step might be to create scales to quantify the levels of both narrativity and openness to interpretation of the lyrics. The results could then be physically plotted at various points within the four quadrants or categories. The relative open or closed nature of a lyric would probably be more difficult to quantify compared to the lyric's level of narrativity, but the increased precision makes this methodology even more useful. However, even without this level of precision, we feel that the initial typology as it stands makes a meaningful contribution to the theoretical literature in the analysis of pop music and at the same time provides a useful tool for teaching the art of songwriting.

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Quint Randle is an associate professor in the Department of Communications at Brigham Young University where he teaches writing and new media. He is co-founder of the Pear-Award-winning band Joshua Creek. He has written two No. 1 Christian Country songs, along with others published by Los Angeles- and Nashville-based publishers. He is the co-author of the book *Making Money Making Music* and co-founder of Drums On Demand, a leading loop maker. In 1986 he founded *Gig Magazine*. Quint holds a Ph.D. in mass media from Michigan State University and an M.A. from Pepperdine.

Keith Evans is pursuing his Masters Degree in Mass Communications at Brigham Young University, after having received a B.A. in American History. His professional and pedagogical experience has focused on music education and performing, including national television and performances/workshops throughout the Western United States.

Network Perspectives on the Relevance of New Revenue Streams in the Digital Era Music Industry

Stanislas Renard
Colby College

Gregory Faulk
Belmont University

Peter Spang Goodrich
Providence College

Abstract

Along with the shift in the distribution of prerecorded music from retail outlets to online and satellite sources engendered by digital technology came changes in the roles of the various participants and the introduction of new participants. With displacement taking place, the authors wish to assess the relative importance of newly created revenue streams in the digital era. This study focuses on the economic implications of changes in network relationships fostered by digitized music and consequently the method of analysis is Social Network Analysis (SNA). This is the first study of its kind to assess the relevance of the revenue streams from a network perspective. Results show that traditional agents in the music industry (songwriters, artists, music publishers, record labels) have retained their relatively strong positions since the year 2000. However, some new agents (revenue streams) in the digital era are significantly reorganizing the network as a whole. When weighted for economic impact, digital aggregators/interactive service payments, digital performance royalties/SoundExchange, the YouTube Partner Program, as well as crowdfunding, rank in the top half of economic relationships. The study offers quantifiable validation to its findings and informs us that the "new" revenue sources have not yet achieved their full economic potential but are already well positioned to undermine the dominance of the more traditional revenue streams in the music industry.

Keywords: music industry, social network analysis, revenue streams, digital music

Editor's note: the charts in this article are high resolution images that may be enlarged for detailed viewing on screen or for printing. The print edition of the MEIEA Journal *contains monochrome versions of these same images.*

Introduction

Along with the shift in the distribution of prerecorded music from retail outlets to online and satellite sources engendered by digital technology came changes in the roles of the various participants and the introduction of new participants. With displacement taking place, the authors wish to assess the relative importance of newly created revenue streams in the digital era. This study focuses on the economic implications of changes in network relationships fostered by digitized music and consequently the method of analysis is Social Network Analysis (SNA). This is the first study of its kind to assess the relevance of the revenue streams from a network perspective. Results show that traditional agents in the music industry (songwriters, artists, music publishers, record labels) have retained their relatively strong positions since the year 2000. However, some new agents (revenue streams) in the digital era are significantly reorganizing the network as a whole. When weighted for economic impact, digital aggregators/interactive service payments, digital performance royalties/SoundExchange, the YouTube Partner Program, as well as crowdfunding, rank in the top half of economic relationships. The study offers quantifiable validation to its findings and informs us that the "new" revenue sources have not yet achieved their full economic potential but are already well positioned to undermine the dominance of the more traditional revenue streams in the music industry. To understand the significance of these new agents, one needs to understand the role of advances in technology in the digital distribution and consumption of music.

Technology drives digital music delivery. Although downloading music from the internet was in theory possible from the start of that medium—since music can be converted into digital formats like any other content and can be distributed accordingly—it was not until the end of the 1990s that four major technological developments changed downloading music and sound from a possibility to a reality. The first and best-known development of compression technology was the MP3.[1] The Fraunhofer

MP3 reduced sound file size without losing too much quality. A 128KB MP3 version of a CD track is ten to twelve times smaller than the original file. The second development was the introduction of high-speed, flat-rate internet connections. First ISDN, and after that cable and ADSL connections reduced download time to a fraction of what it used to be. Formerly, an MP3 track would take 24 minutes to download with the standard 14.4KB modem while a T1 connection can accomplish the same within 20 seconds. The third development was the introduction of multimedia computers with more storage capacity and sound playback capabilities such as sound cards and speakers. Hard disk capacity moved from 10-20MB, which was only suitable for storing two to five tracks, to 300-500GB. The last and most visible development was the introduction of free, user-friendly software to "rip" CD tracks into MP3 files, to play MP3 tracks, and most of all to download music files from the internet.

The importance of internet-downloaded music reached its watershed in the year 2000. Internet file sharing (mostly music) exploded with the introduction of Napster in mid-1999. By 2000 the internet started becoming a fundamental force for change for the music industry. Whether this was constructive or destructive depends in large part on the response of the established players. The issue was recognized early on by Leyshon (2001):

> Software formats have elicited a conservative, critical response, a discourse founded in the existing social and technological hierarchies of the industry. Meanwhile, on the other hand, software formats have been welcomed by others precisely because they are seen to be a means to dismantle the industry's established hierarchies and power relations. Although in opposition to one another, these two positions at least agree upon one thing: that the rise of software formats such as the MP3 will bring about the end of the music industry as it is currently configured.[2]

Each managerial generation in the music business embarks on the same enthusiastic quest for the next "new thing" and each generation faces the same vexing challenges, most of which stem from tensions between protecting existing revenue streams critical to current success and supporting new concepts that may be crucial to future success.[3] This tension has been highly manifested in the digital era.

New Business Models for a New Era

When the first legitimate online retailers entered the market, the major record companies were somewhat reluctant to license their music to these services. However, with the rapid growth of illegal file sharing, record companies realized they had to offer file sharers an alternative to illegal downloading in order to limit the damage sharing was causing. This led to an increasing willingness among the record companies to license content to online music services.

The first legal service selling music online was eMusic, launched in the United States in 1998. This was followed by Wippit (U.K.) in 2000 and Pressplay, MusicNet, and OD2 in 2001. Many smaller, independent companies did license content to these services.

However, these companies failed to acquire content from the major record companies with many of the most popular artists and consequently did not attract massive appeal in the consumer market. It was only with the introduction of the iTunes Music Store in the U.S. in 2003 that the online music market started to gain momentum. Soon after, other major companies such as Amazon, Yahoo, Microsoft, Napster, Real, and Sony launched online music services, creating a multitude of different types of music services available to the consumers. Most of these were at first only available in the U.S. and in the larger European countries soon thereafter (U.K., Germany, and France).

Subscription services also evolved as a digital revenue source. As noted by Norman (2005), by 2005 there were two dominant models for the online distribution of music:

> The most dominant business model for online distribution of music is the single track download model, often referred to as the *à la carte* download model. This model is used by market leading iTunes Music Store and other major players such as Microsoft's MSN Music and Sony's Connect service. The single track download is also the model that most resembles the traditional physical retail model, where the consumer purchases a product gaining a sense of ownership, similar to the experience of purchasing a CD. A second dominant business model is the subscription model. The most common variant of this model allows customers unlimited access to a large

> catalog of music for a monthly fee. Users will then either be able to download or stream music. The nature of this model is significantly different to other models previously discussed as users do not claim ownership of any music. Subscription users are actually renting rather than owning music, and this business model represents a significant watershed in the nature of music distribution and consumer behavior. Big players in the online distribution business favoring this model are Napster and Rhapsody. There are also several examples of companies giving the customer the option of either purchasing tracks outright, or subscribing to a music service.[4]

Sources for delivery of digital music did not stop with these models. Other related models that emerged included streaming audio and video services as well as portable subscription services enabling the consumer to rent a large music catalog and play it on portable devices. Pandora, Last.fm, and Spotify sprang up in internet radio while SiriusXM (as it is now called) delivered music via satellites. For the first time in the U.S., recording artists and record labels received revenue for "air play."[5] This introduced new players and revenue streams in the music industry and digital performance royalties, digital aggregators, and SoundExchange were created to manage these revenues.

Other new players in the online music value chain are hardware manufacturers, internet service providers (ISPs), content portals, and mobile operators. Hardware manufacturers are not new to the music industry, but they are arguably the most active in the online music business. ISPs and content portals are new to the music value chain, offering various types of music services. Finally, with wireless technology, music is now also distributed across mobile networks, facilitated by mobile phone operators.[6] It created new revenue streams including interactive service payments and ringtones.

Norman (2005) expresses that, "In an attempt to become triple play providers (voice, broadband, and TV/content), ISPs increasingly offer interesting music content to their customers." One example of this type of service is offered by U.K.-based Playlouder MSP.[7]

Subscriptions led to a general change in the business paradigm from "owning" to "sharing" content, from product to service (Kusek and Leon-

hard 2005). As music access control becomes more important than music ownership control, once again, actors in the recorded music business must adapt to this change.[8] Entities like record labels relying on only one form of distribution with high profit margins such as CDs had to rethink their business model or disappear. Unlike labels, music publishers are not as closely tied to prerecorded music sales and therefore are better suited to handle the changing ways in which consumers choose to get their music.

According to IFPI[9] music companies and their partners have introduced many new legitimate services since 2000 to supplement traditional business models adapting to new forms of consumer demand. These include music access services, fully interoperable download stores, and advertising-supported offerings. At the same time, music companies are working to develop new revenue streams, ranging from creating value in the music experience (be it through games or merchandising products) to brand partnerships and improved broadcast and public performance rights.

Examples of "music access" models launched in 2008 and early 2009 include Nokia's Comes With Music available in the U.K., Italy, Sweden, Singapore, and Australia; Sony Ericsson's PlayNow service launched in Sweden as well as a service launched by local telecom TeliaSonera; Denmark's TDC PLAY; Vodafone Spain's unlimited music service; a music service from Finnish ISP DNA; and a number of such partnerships in France with ISPs and mobile operators including Neuf Cegetel, Orange, and SFR.[10] These partnerships have capitalized on the worldwide use of smartphones to significantly help drive mobile music consumption.

Many services now offer their music catalogues free of digital rights management (DRM), allowing for interoperability between devices. Also, early 2009 marked the introduction of variable pricing in the digital download market. On iTunes, most songs cost 99 U.S. cents while some new releases cost US$1.29 and many older catalog songs are priced at 69 cents. Similarly, Amazon and other online retailers are also offering tracks at different prices.

Music companies are working hard to monetize the rapidly growing area of social networks. A free-to-user experience business model predominates where spending by advertisers has tilted towards online platforms in the last few years. The internet accounts for about twenty percent of global advertising spending (US$99 billion).[11] Increasingly, music platforms on social networks link the unlimited streaming discovery environment with purchase opportunities. Music companies open additional revenue streams

by linking "free" streaming to an easy purchase experience leading to the permanent ownership of music tracks.

Music videos remain one of the top video categories online. Over half of the top thirty most watched videos on YouTube are licensed music videos from mainstream performers such as Avril Lavigne, Chris Brown, and so forth. From this evolved the YouTube Partner Program, an ad-based revenue stream. It also led to the evolution of fan funding (also known as crowdfunding) for aspiring artists.

In April 2009 Universal Music Group (UMG) and Google partnered to create Vevo, a new music video service which is a central repository for all of UMG's visual content such as music videos, interviews, and concert footage. YouTube provides the technology behind the service making it the first online streaming video service to syndicate the content. Negotiations to bring catalogs of other labels into the service are ongoing.

In summary, with the advent of online and satellite music distribution new income streams arose in the music industry: digital performance royalties, digital aggregators, interactive service payments, ringtones, the YouTube Partner Program, and crowdfunding. The question naturally arises, how important are they relative to existing revenue streams? Social Network Analysis methodology is employed to answer this question.[12]

Social Network Analysis Methodology and Applications

The main purpose of this study is to determine the role of new revenue agents in the digital era relative to existing players. This is accomplished by examining the strength of the relationships of the players in the music industry. Social Network Analysis (SNA) is well suited for this purpose. Because readers may not be familiar with SNA, a brief background explanation is provided.

Social Network Analysis is a methodological tool that belongs to the science of complexity. Mitchell Waldrop (1992) argues that complexity is:

> […] a subject that is still so new and wide-ranging that nobody knows quite how to define it, or even where its boundaries lie. But then, that is the whole point. If the field seems poorly defined at the moment, it is because complexity research is trying to grapple with questions that defy all conventional categories.[13]

Social Network Analysis suggests new methods for coping with evolving technologies and the evolving complexity of a dynamic competitive landscape. In the social sciences, social network analysis has become a powerful methodological tool alongside statistics. Network concepts have been defined, tested, and applied in research traditions throughout the social sciences, ranging from anthropology and sociology to business administration and history.[14] SNA focuses on ties among, for example, people, groups of people, organizations, and countries. These ties combine to form networks, which are then analyzed. Social network analysts assume that interpersonal, organizational, and national ties matter because they transmit behavior, attitudes, information, or goods.[15] Therefore, social network analysis offers the methodology to analyze social relations as it tells us how to conceptualize social networks and how to analyze them. The main goal of social network analysis is detecting and interpreting patterns of social ties among actors.[16]

Social Network Analysis is a powerful statistical tool to analyze a complex system such as the music industry. It offers a comprehensive visual output in both two- and three-dimensional forms offering depth and width perspectives. It also allows a mean to quantify relationships between all agents involved in the network. Finally, the SNA's topology provides direct information about the characteristics of network dynamics to identify descriptive as well as emerging patterns.

With respect to this study, the authors wish to understand the interrelations between all agents involved in the digital music revenue chain and assess whether control of information is correlated with control over the revenue chain as reflected by the SNA centralization measure and visual layout. To this purpose, the authors create a base model (Figure 1) identifying the agents and networks in the music industry. This is compared to an alternate model (Figure 6) coded with weighted links based on dollar value ranges to assess if the visual and/or quantifiable outputs differ significantly from the base.[17]

The sample data used to generate the two SNAs is represented in Table 1. The sample includes 60 *nodes* also known as *agents* or *vertices*. These nodes form a network. The nodes include revenue streams, recipients of these revenues, as well as creditors since one's revenues is another's expenses. Numbers rather than labels are used to avoid a clutter of text.

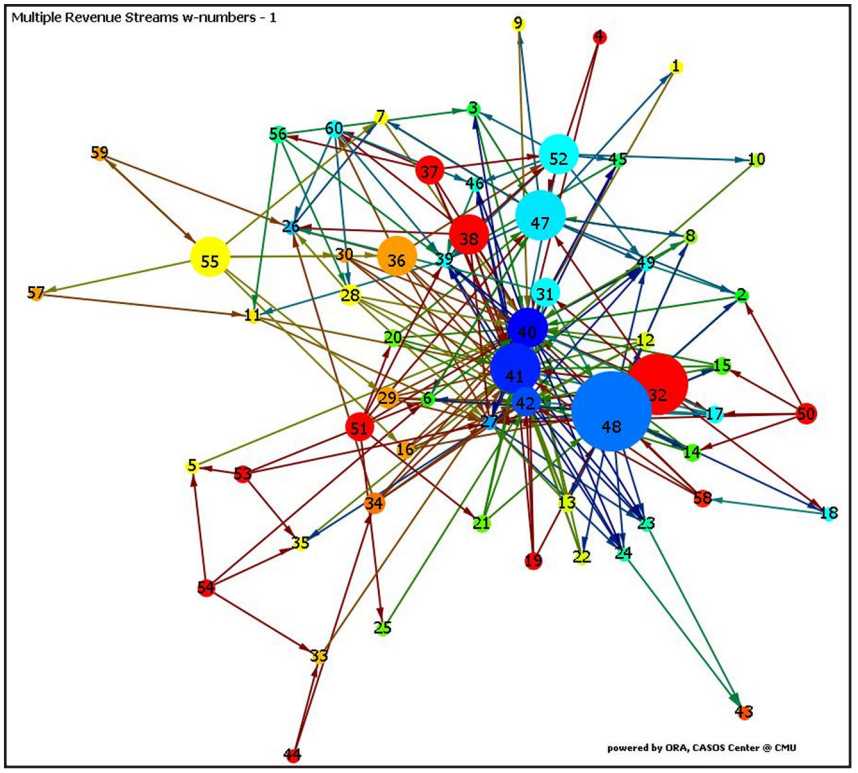

Figure 1. Social network analysis (SNA #1) representation of the financial streams in the digital era – base model.[18] (The charts in this article are high resolution images that may be enlarged for detailed viewing on screen or for printing.)

Node Number	Node Label	Node Number	Node Label
1	Publisher Advance	31	YouTube Partner Program
2	Mechanical Royalties	32	Ad Revenue
3	Commissions	33	Persona Licensing
4	Public Performance Royalties	34	Product Endorsements
5	Broadcast Compositions	35	Acting
6	Synch Licenses	36	Fan Funding
7	Sheet Music Sales	37	Sponsorship
8	Ringtones	38	Grants

9	Publisher Settlement	39	Arts Administrator
10	Salary from Orchestra/ Ensemble	40	Songwriter/Composer
11	Shows/Performance Fees	41	Performer
12	Label Advance	42	Recording Artist
13	Label Support	43	Session Musician
14	Retail Sales	44	Brand
15	Digital Sales	45	Booking Fees
16	Sales at Shows	46	Representation Fees
17	Interactive Service Payments (Rhapsody, Spotify, etc.)	47	Publisher(s)
18	Digital Performance Royalties (Internet Radio, SiriusXM, Pandora)	48	Record Label
19	AARC Royalties	49	Harry Fox Agency
20	Neighboring Rights Royalties	50	Digital Aggregator
21	AFM/Secondary Markets Fund	51	Collection Societies
22	Label Settlement	52	Ensemble/Band
23	Session-Musician/Sideman Fees for Studio Work	53	Broadcasting Company
24	Session-Musician/Sideman Fees for Live Work	54	Ad Agency
25	AFM/AFTRA Payments	55	Fan/Listener/Consumer
26	Music Teacher	56	Presenter
27	Producer	57	Ticket Sales
28	Honoraria or Speakers Fees	58	SoundExchange
29	Merchandise	59	Students
30	Fan Club	60	Music Schools

Table 1. Corresponding Nodes and Labels to Figure 1.[19]

The coding process involved in creating an SNA is quite simple. First, each node is typed using a simple word processor such as Wordpad or a text editor (e.g., Textpad). Each node is given arbitrarily a number by the author. In our models (see Table 1) we use the following arbitrage: (1) Publisher Advance, (2) Mechanical Rights, (3) Commissions, and so

forth. Then relationships are assessed and coded as shown in the following example, which shows the ties between three nodes:

> Publisher (47) gives Publisher Advance (1) to Songwriter/ Composer (40).

Our SNA models hold 221 links, thus 221 relationships shared by 60 nodes.

Once coded and processed through the graphic open-source software ORA, the music industry network is configured with the following attributes. A *capability* measure has been attributed to the sizes of the nodes. The capability measure detects entities with high or low degree relative to other entities. The formula discounts most agents having some connections and assumes a general discount to having large numbers of connections. Next, an *authority-central* measure has been attributed to the color of the nodes. A node is authority-central where its in-links are from nodes that have many out-links. Individuals and organizations that act as authorities are receiving information from a wide range of others who all send information to many others. An agent is authority-central if its in-links are from agents that are sending links to many others. Authority centrality is based on agent-by-agent matrix calculations. Finally, the links configuration is set up to show *directionality*—in this instance, the revenue flows from one agent to another.

The SNA in Figure 1 shows that content creators are most central to the network—no surprises there. Without them there would be no music industry. More importantly, the digital era content creators have now significantly more access to information, the distribution chain, and, therefore, to the revenue chain than ever before in the history of the music industry. Barriers of entry into the business of music have been significantly reduced and thus new opportunities have been created. The ever-growing flow of entrepreneurial independent artists is a perfect example of agents taking advantage of this revolution.

The authors have identified seven nodes associated with "new" revenue stream agents since 2000. These revenue streams include Ringtones (8), Interactive Service Payments (17), Digital Performance Royalties (18), YouTube Ad Revenues (31), Fan Funding also known as crowdfunding (36), Digital Aggregators (50) such as CD Baby or TuneCore, and the non-profit organization SoundExchange (58).

Note that YouTube Ad Revenues (31) and Fan Funding (36) are positioned at proximity to the content creators—Composer/Songwriter (40), Performers (41), and Recording Artists (42). Fan Funding (36) is placed at an equidistant point between the Consumers/Fans (55) and the content creators aforementioned. Services such as Kickstarter have been designed to promote the fans' financial involvement and support of their favorite content creators' projects.

More significant is the Ad Revenue (32) node, positioned as the single most important source of funding for services such as Spotify and Rhapsody, which are responsible for disbursing Interactive Service Payments (17) to content creators. Internet radio, SiriusXM, and Pandora, in large part also supported by ad revenue, pay out Digital Performance Royalties (18) via the non-profit company SoundExchange (58), acting as a collection society on behalf of the content creators.

Publishers (47) and Record Labels (48) still dominate the music industry. They have considerable access and control over information diffusion via all media, including social network websites such as Facebook and Twitter. In addition to owning large song and content catalogs yielding significant income, the major record labels and publishers still hold strong leverage over the digital content distribution supply chain as represented in the SNA (Figure 1).

Quantifiable Outputs and Significance

Table 2 gives us a set of basic network level measures. As mentioned earlier, SNA calculations are matrix-based and our sample data for our two SNAs (Figures 1 and 6) are 60 nodes. All subsequent numerical outputs have been generated by a 60 x 60 matrix as represented in Table 2, with rows and columns. Our total link count for our two SNAs is 221 and the *density* measure for both models is 0.06. The density measure shows the network's connection strength. Assuming that all nodes are connected to all possible others (60 x 60 = 3,600); the density measure would be 1.00

Measure	Value
Row count	60.000
Column count	60.000
Link count	221
Density	0.06

Table 2. Basic network level measures for SNA #1 (Figure 1).

with a maximum link count of 3,600. In a network with a density of 1.00 all agents/nodes would be equidistant from the center of that network. Therefore, our density measure of 0.06 means that only 6% of 3,600 possible links are represented in the SNA (221 / 3,600 = 0.06). This indicates that a few agents (nodes) within the network significantly dominate many others. Please refer to Figure 2 for a list of the most influential agents from the capability measure perspective. To recapitulate, the capability measure detects entities with high or low degree relative to other entities. The formula discounts that most agents have some connections and assumes a general discount for large numbers of connections. Figure 2 depicts a node size ranking from larger to smaller for the 24 largest nodes derived from Figure 1.

Table 3 is our analysis reference point. This table contains a node ranking in the left column based upon the output given by the total degree centrality metric, which is a combination of in-links + out-links, shown in the right column. This metric represents the link count associated with the node listed to its left also known as *source node*. Therefore, Table 3 indicates the potential for each agent represented to "cash in" on the commercial value of music as well as "pay out" revenues due to other agents as based upon their industry network position, thus, their total level of involvement within the industry.

Rank	Source Nodes	Unscaled
1	Songwriter/Composer	37.000
2	Performer	33.000
3	Label	28.000
4	Recording Artist	27.000
5	Producer	19.000
6	Publisher(s)	16.000
7	Arts Administrator	12.000
8	Ensemble/Band	10.000
9	Ad Revenue	9.000
10	Teacher	8.000
11	Fan (Crowd) Funding	8.000
12	Harry Fox Agency	8.000
13	Fan/Listener/Consumer	8.000
14	Synch Licenses	7.000

15	Interactive Service Payments	7.000
16	Honoraria or Speakers Fees	7.000
17	YouTube Partner Program	7.000
18	Grants	7.000
19	Music Schools	7.000
20	Mechanical Royalties	6.000
21	Ringtones	6.000
22	Retail Sales	6.000
23	Digital Sales	6.000
24	Session Musician/Sideman Fees for Studio Work	6.000
25	Session Musician/Sideman Fees for Live Work	6.000
26	Merchandise	6.000
27	Product Endorsements	6.000
28	Sponsorship	6.000
29	Representation Fees	6.000
30	Collection Societies	6.000
31	Commissions	5.000
32	Sheet Music Sales	5.000
33	Shows/Performance Fees	5.000
34	Label Advance	5.000
35	Label Support	5.000
36	Sales at Shows	5.000
37	Neighboring Rights Royalties	5.000
38	AFM/Secondary Markets Fund	5.000
39	Digital Aggregator	5.000
40	Presenter	5.000
41	SoundExchange	5.000
42	AARC Royalties	4.000
43	Label Settlement	4.000
44	Fan Club	4.000
45	Acting	4.000
46	Booking Fees	4.000
47	Broadcasting	4.000
48	Ad Agency	4.000
49	Broadcast Compositions	3.000
50	Digital Performance Royalties	3.000

51	Persona Licensing	3.000
52	Students	3.000
53	Publisher Advance	2.000
54	Public Performance Royalties	2.000
55	Publisher Settlement	2.000
56	Salary from Orchestra/Ensemble	2.000
57	AFM/AFTRA Payments	2.000
58	Session Musician	2.000
59	Brand	2.000
60	Ticket Sales	2.000
Mean: 0.062		
Std. Dev.: 0.061		

Table 3. Node ranking output for the SNA #1 (Figure 1).

Table 3 confirms the network connection importance of recognized music business members. Songwriters, performers, record labels, and publishers maintain dominant rankings. However, the newly created agents seem positioned to capitalize on music revenue streams. From those, crowdfunding has the highest rank (11) with a total degree centrality of 8.00. This is probably because of the ease of use and access to this service by all artists and their fans worldwide. It may partially displace the traditional music publisher and the role of record labels.

Interactive service payments and the YouTube Partner Program are tied with a total degree centrality of 7.00 and seem to outrank digital performance royalties (rank 50). However, digital performance royalties are being disbursed by SoundExchange (rank 41). Thus, if we add up the total degree centrality of both nodes minus one common link we get: 5.00 + 3.00 - 1.00 = 7.00. That calculation gives us an adjusted value, placing digital performance royalties at the same metric level as the interactive service payments (ISPs) and the YouTube Partner Program. Note that all artists have access to services such as Spotify and YouTube, but digital performance revenues from companies such as Pandora Radio and SiriusXM Radio are only open to invited artists, creating a barrier of entry to many mid-level artists.

Ringtones rank in the top half (rank 21) with a total degree centrality

of 6.00. Finally, the digital aggregators rank 39 with a total degree centrality of 5.00. However, digital aggregators are responsible for disbursing the interactive service payments and should yield a higher ranking following the same logic used previously with SoundExchange and digital performance royalties: 5.00 + 7.00 - 1.00 = 11.00. This adjusted metric (11.00) would place the interactive service payments/digital aggregator bundle in a leading spot within our current model—hypothetically ranking in eighth position behind the "arts administrators" node.

The digital recording era "new" revenue streams seem to hold strong positions within our model (Figure 1). Based on their network ranking, ISPs/digital aggregators are in leading position (11.00) followed by crowdfunding (8.00), the YouTube Partner Ad Program (7.00) tied with the digital performance royalties/SoundExchange (7.00) and ringtones (6.00). All seven outrank entrenched traditional revenue streams such as fees from students, public performance royalties, and ticket sales. Before the advent of the digital era, record labels and music publishers monopolized the economic activity of the music business. Our model shows that the "new" revenue streams have the potential to undermine that dominance.

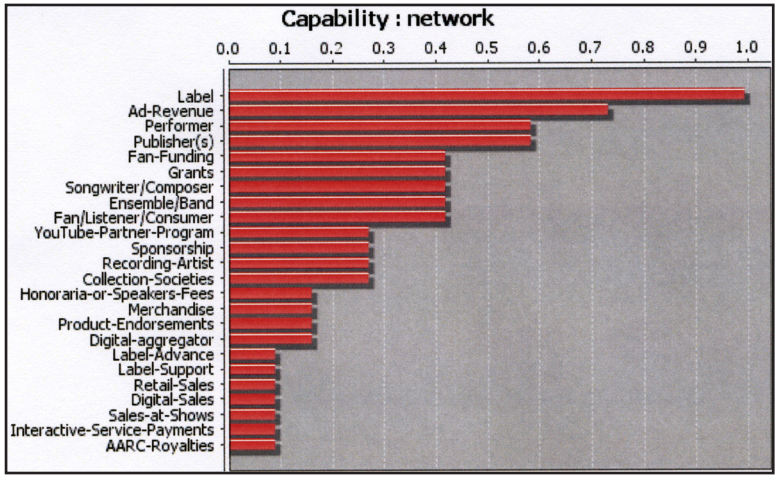

Figure 2. Capability measures for nodes for SNA #1.

SNA Model with Weighted Links and Significance

To ascribe economic value to the various agents in our second SNA, we assess international and domestic revenue streams to formulate three

broad dollar value ranges. One trusted source for collecting such data is the International Federation of the Phonographic Industry (IFPI). Figure 3 shows the impact of the music industry on its secondary markets such as video game sales, music TV & magazine advertising revenue, portable digital players, and audio home systems. In 2011 the rough estimate of the value of the global music industry (including secondary markets) was US$167.7 billion. However, only about $67.6 billion accounted for its primary market revenues as shown in Figure 5.

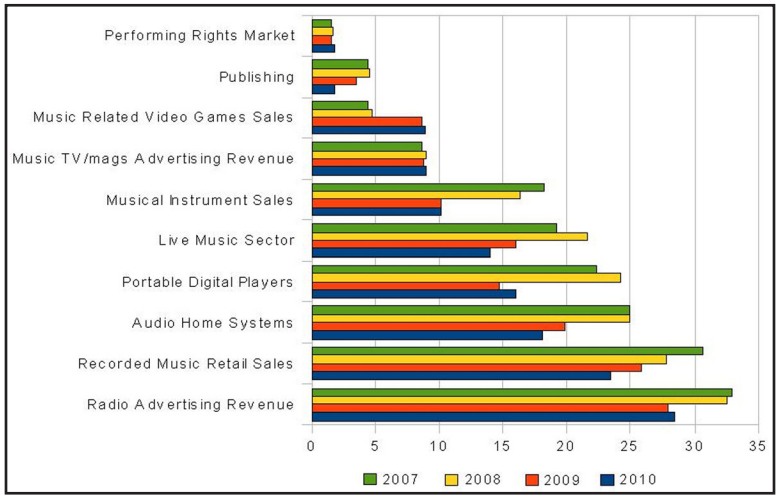

Figure 3. The broader music industry value in US$ Billions. (2007-2010). Source: IFPI 2008 & 2011 Reports.

A solid source of domestic revenue information is the Recording Industry Association of America (RIAA). Figure 4 shows music retail and digital sales trends in the United States from 1983 to 2010 by format and in billions of dollars. Note the decline of CD sales revenues reaching a pivotal point around the year 2000 and the start of the displacement phenomena by digital performance royalties, subscription models, mobile formats, music download capability (single and albums), and videos. This coincides with the appearance of the seven "new" music industry revenue streams identified in this study.

A third source of industry revenue information is eMarketer. Again, the revenues of the global music industry account for about US$67.6 billion but recorded music revenues only add up to about half of that estimate

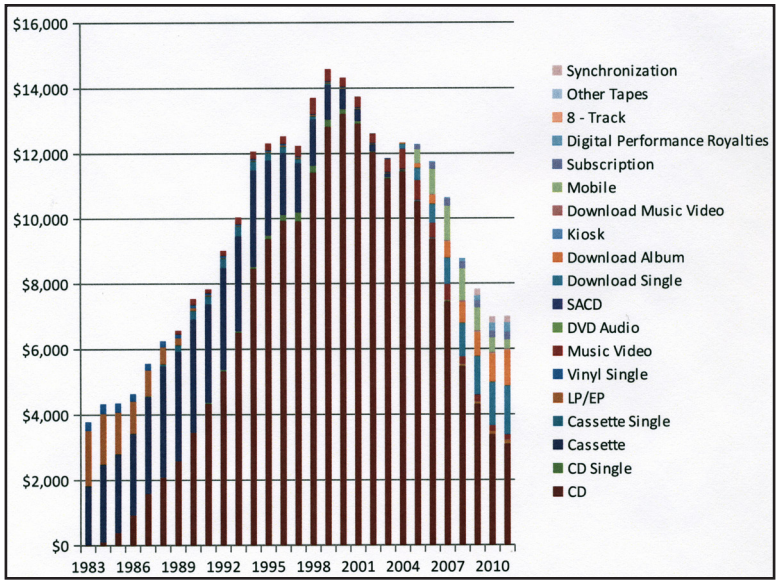

Figure 4. U.S. recorded sales (1983-2010) by format in US$ Billions. Source: RIAA 2011 report. (The charts in this article are high resolution images that may be enlarged for detailed viewing on screen or for printing.)

(Figure 5). All revenue subsets in Figure 5 have been gradually increasing—with the exception of physical format sales—showing the overall healthy state of the music industry.

Information collected from the aforementioned sources was mined to weight the economic importance of the various players (nodes) in our alternative model, SNA#2 (Figure 6). The attributes and methodology used to generate Figure 6 are identical to Figure 1 except for how the links were treated. The code used to generate Figure 6 and subsequently the output in Table 6 has been modified. Weighted links attributes have been assigned arbitrarily, ranging from 1 to 3 for SNA#2 with 1 being least relevant and 3 being the most relevant from an economic perspective. Attributes have been based on the results of Figures 3, 4, and 5. Weight 1 represents assessed values of less than $10 billion, weight 2 represents assessed values in between $10 billion and $20 billion, and weight 3 accounts for assessed values greater than $20 billion. Table 4 summarizes the assigned weights. There is no distinction of weight within one specific link, disregarding directionality, thus, the same weight is assigned to its in-link and out-link.

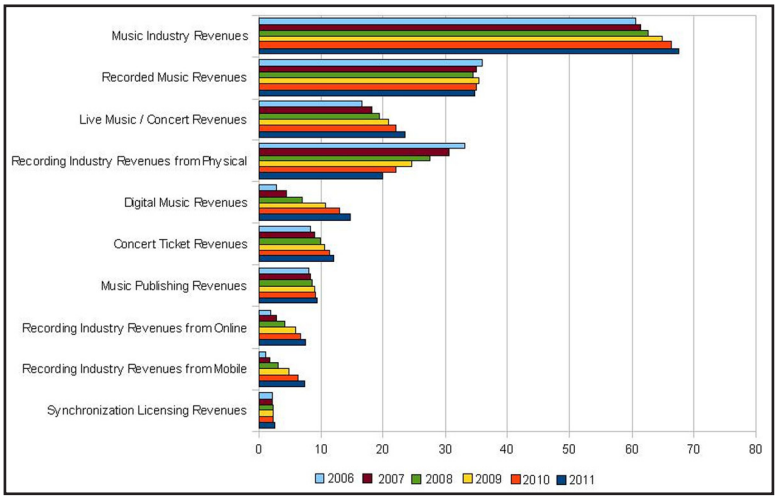

Figure 5. Global music industry revenues in US$ Billions (2006-2011). Source: *eMarketer*. (The charts in this article are high resolution images that may be enlarged for detailed viewing on screen or for printing.)

Note that the weights are not assigned to the nodes themselves but only the links generated by each node.

There is no significant visual change in Figure 6 besides a slight reorganization of the model. The capability measure is not altered by the weighted links. Therefore, the size of the nodes does not change. Thus, our base model still remains robust. Our second step is to analyze the nodes ranking output in Table 6 and to interpret the actual statistical changes.

Node Number	Node Label	Weight	Node Number	Node Label	Weight
1	Publisher Advance	1	31	YouTube Partner Program	1
2	Mechanical Royalties	1	32	Ad Revenue	3
3	Commissions	1	33	Persona Licensing	1
4	Public Performance Royalties	1	34	Product Endorsements	1
5	Broadcast Compositions	1	35	Acting	1
6	Synch Licenses	1	36	Fan Funding	1

7	Sheet Music Sales	1	37	Sponsorship	1
8	Ringtones	1	38	Grants	2
9	Publisher Settlement	1	39	Arts Administrator	3
10	Salary from Orchestra/ Ensemble	3	40	Songwriter/ Composer	3
11	Shows/ Performance Fees	3	41	Performer	3
12	Label Advance	1	42	Recording Artist	3
13	Label Support	1	43	Session Musician	3
14	Retail Sales	3	44	Brand	1
15	Digital Sales	2	45	Booking Fees	1
16	Sales at Shows	2	46	Representation Fees	1
17	Interactive Service Payments (Rhapsody, Spotify, etc.)	1	47	Publisher(s)	1
18	Digital Performance Royalties (Internet Radio, SiriusXM, Pandora)	1	48	Record Label	3
19	AARC Royalties	1	49	Harry Fox Agency	1
20	Neighboring Rights Royalties	1	50	Digital Aggregator	3
21	AFM/Secondary Markets Fund	1	51	Collection Societies	1
22	Label Settlement	1	52	Ensemble/Band	3
23	Session-Musician/ Sideman Fees for Studio Work	2	53	Broadcasting Company	3
24	Session-Musician/ Sideman Fees for Live Work	2	54	Ad Agency	3
25	AFM/AFTRA Payments	1	55	Fan/Listener/ Consumer	3
26	Music Teacher	3	56	Presenter	3
27	Producer	3	57	Ticket Sales	2
28	Honoraria or Speakers Fees	1	58	SoundExchange	1
29	Merchandise	2	59	Students	3

30	Fan Club	1	60	Music Schools	3

Table 4. Corresponding nodes and labels with weights (links only) for figure 2.

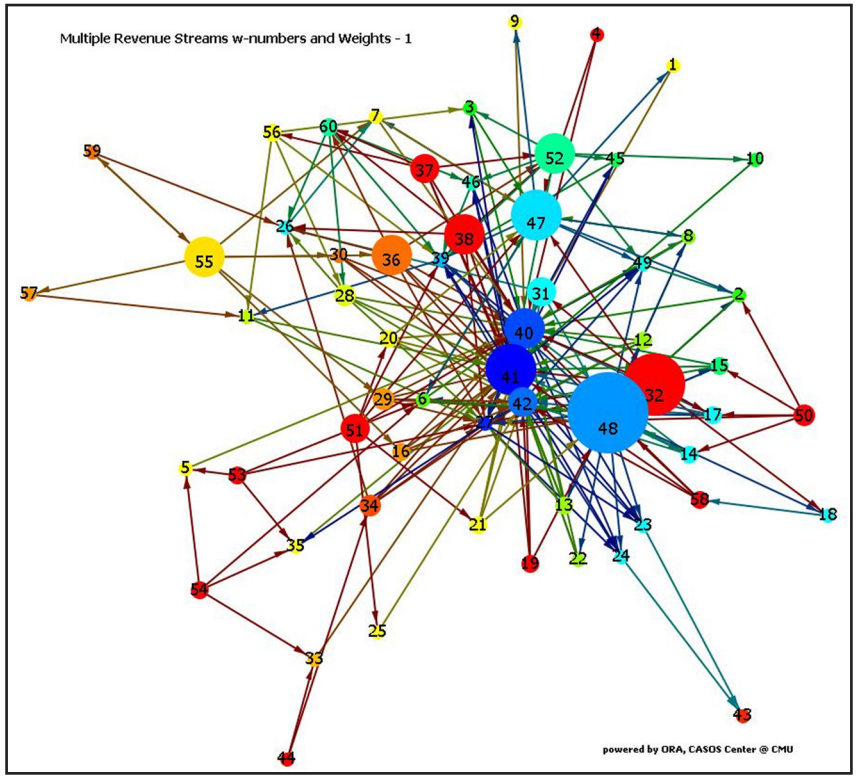

Figure 6. Social network analysis (SNA #2) representation of the financial streams in the digital era – weighted model. (The charts in this article are high resolution images that may be enlarged for detailed viewing on screen or for printing.)

Measure	Value
Row count	60.000
Column count	60.000
Link count	221
Density	0.06

Table 5. Basic network level measures for SNA #2 (Figure 6).

Rank	Source Nodes	Unscaled
1	Performer	53.000
2	Songwriter/Composer	51.000
3	Label	44.000
4	Recording Artist	41.000
5	Producer	39.000
6	Arts Administrator	36.000
7	Ad Revenue	27.000
8	Publisher(s)	20.000
9	Retail Sales	18.000
10	Ensemble/Band	17.000
11	Shows/Performance Fees	14.000
12	Grants	14.000
13	Teacher	13.000
14	Digital Sales	12.000
15	Session Musician/Sideman Fees for Studio Work	12.000
16	Session Musician/Sideman Fees for Live Work	12.000
17	Merchandise	12.000
18	Music Schools	12.000
19	Fan/Listener/Consumer	11.000
20	Sales at Shows	10.000
21	Digital Aggregator	10.000
22	Interactive Service Payments	9.000
23	YouTube Partner Program	9.000
24	Presenter	9.000

25	Fan (Crowd) Funding	8.000
26	Representation Fees	8.000
27	Harry Fox Agency	8.000
28	Collection Societies	8.000
29	Synch Licenses	7.000
30	Honoraria or Speakers Fees	7.000
31	Mechanical Royalties	6.000
32	Ringtones	6.000
33	Salary from Orchestra/Ensemble	6.000
34	Product Endorsements	6.000
35	Sponsorship	6.000
36	Booking Fees	6.000
37	Broadcasting	6.000
38	Commissions	5.000
39	Sheet Music Sales	5.000
40	Label Advance	5.000
41	Label Support	5.000
42	Digital Performance Royalties	5.000
43	Neighboring Rights Royalties	5.000
44	AFM/Secondary Markets Fund	5.000
45	SoundExchange	5.000
46	Students	5.000
47	AARC Royalties	4.000
48	Label Settlement	4.000
49	Fan Club	4.000
50	Acting	4.000
51	Session Musician	4.000
52	Ad Agency	4.000
53	Ticket sales	4.000
54	Broadcast Compositions	3.000
55	Persona Licensing	3.000
56	Publisher Advance	2.000
57	Public Performance Royalties	2.000
58	Publisher Settlement	2.000
59	AFM/AFTRA Payments	2.000
60	Brand	2.000

Mean: 0.032
Std. Dev.: 0.034

Table 6. Node ranking output for the SNA #2 (Figure 6).

Ranks in Table 6 differ significantly from Table 3 and most "unscaled" (total degree centrality) values in Table 6 are larger than corresponding nodes in Table 3. This is because the unscaled values in Table 3 did not have weights assigned to their links, therefore, the value for each link was 1. In Table 6 (and corresponding Figure 6) the unscaled values and node rankings have been altered because links have been assigned a weight of 1, 2, or 3, thus, the total degree capability for most links has been multiplied by two or three.

When compared to Table 3, the results of Table 6 indicate very little shift among traditional players in our network representation of the music business. Songwriters, performers, record labels, and publishers are once again in a prominent position within the network. When weighted for their economic importance, most of the new revenue sources rank lower. Interactive service payments drop to 22nd from 15th, YouTube Partner Ad Program drops from 23rd to 17th, crowdfunding drops from 11th to 25th, ringtones drop from 21st to 32nd, and SoundExchange moves from 41st to 45th. Two of the new revenue sources perform better than their network connections indicate. Digital aggregators/interactive service payments rank 18th when adjusted for economic impact (10.00+9.00-1.00=18.00) and digital performance royalties/SoundExhange (5.00+5.00-1.00=9.00) ties with the YouTube Partner Ad Program node. The following paragraphs discuss why rank changes may have occurred.

The top ranking "new" (unbundled) revenue stream is the digital aggregator (21) (CD Baby, TuneCore, etc.). This seems appropriate since these services are responsible for distributing digital content via several platforms (digital and physical sales as well as interactive service payments). The interactive service payments (22) and YouTube ad revenues (23) are listed ahead of digital performance royalties (42). This is understandable because the payout rates for Spotify (0.96 cents per song streamed) and the YouTube ad revenues (0.25 to 0.50 cents per video streamed) are significantly higher than those offered by Pandora (0.11

cents per song streamed). Also, crowdfunding (25) has produced a widespread impact in the music community. Ringtones (32) are again in last position behind crowdfunding (25), perhaps because ringtones are not a source of music listening per se, but rather an enhanced cell phone feature.

Table 7 presents the summary of our analysis. We notice several changes once the revenue flows (links) in the network have been assigned weights (dollar value ranges). The most noticeable difference is the rise of the digital performance royalties/SoundExchange bundle ahead of the YouTube Partner Ad revenues and crowdfunding. Ringtones stay in last position in our ranking. Another significant change is the overall backward shift of all the rankings in our second SNA model. This shift informs us that the "new" revenue sources have not yet achieved their full economic potential but are already well positioned to undermine the dominance of the more traditional revenue streams.

Conclusion

Accompanying the growing popularity of digital/satellite music distribution since 2000, various new methods of delivering prerecorded mu-

SNA #1 Base Model		
Nodes	Adjusted Unscaled	Adjusted Ranking
Digital Aggregators/Interactive Service Payments	11.00	6
Crowdfunding	8.00	11
Digital Performance Royalties/SoundExchange	7.00	15
Youtube Partner Ad Revenues	7.00	15
Ringtones	6.00	22
SNA #2 Model with Weighted Links		
Nodes	Adjusted Unscaled	Adjusted Ranking
Digital Aggregators/Interactive Service Payments	18.00	9
Digital Performance Royalties/SoundExchange	9.00	23
Youtube Partner Ad Revenues	9.00	23
Crowdfunding	8.00	26
Ringtones	6.00	32

Table 7. Comparative analysis for SNA #1 (Figure 1) and SNA #2 (Figure 6) with adjusted unscaled values and corresponding rankings.

sic have evolved: downloading, subscription services, streaming, satellite radio, and ringtones. This paper examines for the first time the relative importance of the revenue streams engendered by these changes by analyzing seven new revenue streams that have appeared since 2000 (digital aggregators, interactive service payments, the YouTube Partner Program, crowdfunding, ringtones, digital performance royalties, and SoundExchange).

This study is the first of its kind to assess the relevance of the revenue streams from a network perspective. With the use of Social Network Analysis (SNA), we present the music industry community with a quantifiable output solution to investigate complex relationships organized in a cardinal, ordinal, and nominal format. In addition, Social Network Analysis is a non-linear computational statistical tool that generates two- as well as three-dimensional visual outputs. It enables scholars to generate quantifiable validation to issues previously left to debate.

Two models and corresponding outputs have been created for this study. The outputs for both models indicate the potential for each agent represented to "cash in" on the commercial value of music as well as "pay out" revenues due to other agents as based upon their industry network position, thus, their total level of involvement within the industry. Both models have a low density measure, which indicates that a few agents (nodes) within the network significantly dominate many others. The first model (SNA#1, Figure 1 and Table 3) identifies the principal agents within a network representing the global music industry and has the advantage to isolate all current economic data from a bias analysis that may prove more accurate should recent economic trends not continue. This model offers a robust perspective on the interrelationships of a sample data of sixty agents (nodes) within the industry. Similarly to the banking industry, the control of and access to information and distribution channels is imperative for success in the music industry. The digital era content creators have now significantly more access to information, the distribution chain, and, therefore, to the revenue chain than ever before in the history of the music industry. Barriers of entry into the business of music have been significantly reduced and thus new opportunities have been created. Our model offers for the first time an integrated network perspective, showing clearly which members in the network dominate the industry.

The authors' intent in our second model (SNA#2, Figure 6 and Table 6) was to assess whether visual and/or quantifiable outputs differed sig-

nificantly from the base model when a value was given to each revenue stream. When weighted for their economic impact, the digital aggregators/interactive service payments bundle, digital performance royalties/SoundExchange combination, the YouTube Partner Program, and crowdfunding rank in the top half of networked relationships in the music industry. These findings attest to the commercial appeal of distributing digital content through several platforms (digital and physical sales as well as services such as Spotify, Rhapsody, Pandora, and SiriusXM Radio), YouTube's popularity, and the willingness of music consumers to invest in favored artists. Although not ranked in the top half of network relationships, ringtones, still represent a significant revenue source. In the future, the economic value of the "new" and high potential sources of prerecorded music revenue may match the rank location of the currently more prominent traditional revenue generating agents in the music industry.

Endnotes

1. The MP3 algorithm, invented and patented by Fraunhofer IIS, generates millions of dollars annually for the benefit of the Fraunhofer society. More recently Fraunhofer has invented the H.264/MPEG-4 AVC video compression standard. Accessed June 1, 2013. http://en.wikipedia.org/wiki/Fraunhofer_Society.
2. Andrew Leyshon, "Time-space (and digital) compression: software formats, musical networks, and the reorganization of the music industry," *Environment and Planning A* 33, no. 1 (2001): 49-77.
3. Rosabeth Moss Kanter, "Innovation: The Classic Traps," *Harvard Business Review* 84, no. 11 (2006): 72-83, 154.
4. Håkon Normann, "Digital Distribution of Music: The Role of Networks and Knowledge in the Norwegian Recorded Music Industry" (masters thesis, Faculty of Social Sciences, University of Oslo, Norway, 2005).
5. In the United States, songwriters and music publishers have always received royalties from terrestrial radio broadcasts, but recording artists and record labels have not. With the advent of the internet and satellite radio, legislation was passed granting royalties to both sets.
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7. Ibid.
8. David Kusek and Gerd Leonhard, *The Future of Music: Manifesto for the Digital Music Revolution* (Boston: Berklee Press, 2005).
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12. For an in-depth discussion of Social Network Analysis methodology see Stanislas Renard, Peter Spang Goodrich, and Philip Vos

Fellman, "Historical Changes in the Music Industry Supply Chain: A Perception of the Positioning of the Artist Musician," *Journal of the Music & Entertainment Industry Educators Association* 12, no.1 (2012), accessed June 1, 2013. http://meiea.org/Journal/Vol.12/Renard-Goodrich-Fellman-2012-MEIEA-Journal-Vol-12-No-1-p91.pdf.

13. Mitchell M. Waldrop, *Complexity: The Emerging Science at the Edge of Order and Chaos* (New York: Simon & Schuster, 1992).
14. Wouter de Nooy, Andrej Mrvar and Vladimir Batagelj, *Exploratory Social Network Analysis with Pajek* (Cambridge: Cambridge University Press, 2005).
15. Ibid.
16. For an in-depth discussion of Social Network Analysis methodology see Stanislas Renard, Peter Spang Goodrich, and Philip Vos Fellman, "Historical Changes in the Music Industry Supply Chain: A Perception of the Positioning of the Artist Musician," *Journal of the Music & Entertainment Industry Educators Association* 12, no.1 (2012), accessed June 1, 2013. http://meiea.org/Journal/Vol.12/Renard-Goodrich-Fellman-2012-MEIEA-Journal-Vol-12-No-1-p91.pdf.
17. Social Network Analysis representations via SNA open source software ORA designed by K. M. Carley, copyrights 2001-2011. Center for Computational Analysis of Social and Organizational Systems (CASOS), School of Computer Science, Carnegie Mellon University.
18. Ibid.
19. Recording artist and the session musician differ regarding compensation. Session musicians do not receive Label Support.

Stanislas Renard recently completed his doctoral dissertation "Unbundling the Supply Chain for the International Music Industry" at Southern New Hampshire University, in Manchester, New Hampshire where he has served as an adjunct faculty from 2006 to 2009. Renard also holds two Masters in Music from the Versailles Conservatory, France and the University of Massachusetts, Amherst as well as an M.B.A. from Providence College. He is the musical director of the Bohemian Quartet and has served as the executive director of the Community String Project, a non-profit organization offering affordable and accessible violin, viola, cello, and bass lessons in the East Bay, Rhode Island. Renard completed a second doctorate in music performance at the University of Connecticut, Storrs. He is currently the conductor of the Colby Symphony Orchestra, Violin/Viola Applied Music Associate, and instructor of music industry at Colby College. He is also an adjunct faculty in Management and Marketing at Eastern Connecticut State University.

Gregory Faulk teaches undergraduate and graduate corporate finance at Belmont University. He is also the Area Coordinator for Economics and Finance. He has thrice been selected as the Most Inspirational Professor at the Jack C. Massey Graduate School of Business. Aside from his teaching duties, Dr. Faulk serves the legal community as a forensic economist. He has been involved in valuation of the works of songwriters and recording artists including Tammy Wynette, Fred Rose, and Ledbelly. His research interests include entertainment industry studies, retirement planning, forensic economics, and pedagogy. He has a Ph.D. in Finance from Louisiana State University.

Peter Spang Goodrich is an Associate Professor in the School of Business, Management Department, Providence College. He teaches principles of management and uses his main research area of entrepreneurship in the folk music industry to provide numerous case studies for his undergraduate students. He is closely affiliated with Club Passim, in Cambridge, Massachusetts, perhaps the "Hub of the Folk Music Universe." He has published numerous research papers in this field. In order to facilitate his research, he decided to study music and perform music under the stage name "Doktor Krankheit" in order to better understand the artists he was interviewing.

"If you scale back now, you probably lose everything": State Tax Incentives and the Motion Picture Industry

Patrick Preston
Bay State College

Abstract

Examines the analyses of film production tax incentives by evaluators (key government agencies, industry stakeholders, and third parties) looking at U.S. state programs for developing their respective states into regional hubs for non-Los Angeles/New York City productions. Beginning with a short overview of successful alternative film production sites such as Vancouver, British Columbia and Louisiana, this study then looks at the popularity of these programs over the 2000s and the challenges facing them. These challenges include political pressure to end "wasteful" tax incentives, disproportionate benefit to out-of-state residents, and wide discrepancy among the states regarding appropriate data for program evaluation. This study concludes with the author's predictions on the potential outcome for these types of programs.

Keywords: motion picture industry, film production, tax incentives, state tax incentives

Introduction

At the 2013 MEIEA Summit in New Orleans, Philip Mann and Stephen M. Hamner, both of the Louisiana Economic Development Office, presented *An Exploration of Louisiana's Tax Credits for Film and Music,* an overview of the past and present initiatives of Louisiana to attract entertainment production projects to the state. While the panel discussion focused specifically on the Sound Recording Tax Incentive program in Louisiana, many states grapple with their own tax incentives for film production. The intent of this paper is to explore the context of these state tax incentive programs for film production by looking at 1) the types of incentives offered to film studios and producers, 2) the ten largest state programs, and 3) the economic arguments pro and con for offering film production tax incentive programs.

Background

As Mr. Mann and Mr. Hamner stated, Louisiana was the first state (1992) to offer incentives to lure film production away from the traditional film capitals of California and New York. For the first ten years of its existence, Louisiana's program underperformed (Grand 2006, 792-793), and any film production that had been lured away from Los Angeles or New York typically went to Vancouver, British Columbia. In order to develop "Hollywood North" in the 1990s, provincial officials used their own tax incentives and the favorable exchange rate between the U.S. and the Canadian dollars to develop the personnel and infrastructure necessary to offer filmmakers a viable alternative to Los Angeles and New York. However, the early lead that Vancouver had in becoming the third film capital evaporated as other U.S. states began offering programs of their own.[1]

In 2002, and again in 2005, Louisiana retooled its film production incentive program to address the concerns of film producers and to align its programs more closely with the goals of state officials. By the time of Louisiana's 2005 legislation rewrite, fourteen other states were offering tax incentives for film production, worth an estimated total of US$129 million, considerably more than the total of $1 million from five states offered at the time of the 2002 rewrite.

As recently as 2010, 43 states offered tax incentives to Hollywood worth an estimated $1.5 billion. Fearing being left behind by regional peers, states were competing with each other to offer the most attractive incentive programs, all with the goal of big Hollywood spending in their states. As the effects of the Great Recession continued and questions about state budget priorities for these types of programs were raised, six states admitted defeat (or reality) and dropped their programs, leaving 37 states to carry on as of 2013.

But what were these 37 states carrying on? In many respects, they were carrying on a marketing campaign in which state tax incentives became the latest free or cheap money tool Hollywood used to finance its output (after the drying up of the hedge fund money of the 2000s and the German tax shelters of the 1990s). Boosters for these types of programs presented state legislatures with the evidence of the success of the Louisiana and the New Mexico programs,[2] and their burgeoning film projects, as proof positive that state tax incentives could work. State film offices, local production and post-production houses, and local union chapters joined forces with film studios and producers to induce legislators to implement,

expand, or extend film production tax incentives.

As the states began to offer film production tax incentive programs, the next stage of the competition was set: that of offering increasingly attractive tax incentives to bring Hollywood knocking. The late entrants to the competition, analyzing the programs of the early adopters, tailored their programs to maximize in-state film production potential,[3] culminating in the program offered by Michigan in 2008 (since curtailed) that essentially gave qualified productions a 42% credit on film production expenses incurred in a "core community" (Idelson 2012). Although the number of states offering tax incentive programs for film production peaked at 43 in 2010, a secondary problem became apparent: that, of the remaining 37 states, the analyses of the efficiency and effectiveness of these types of programs were often spotty, filled with hyperbole, or not being done at all.

> Often, states that have conducted rigorous evaluations of some incentives virtually ignore others or assess them infrequently. Other states regularly examine these investments, but not thoroughly enough. (*Evidence Counts: Evaluating State Tax Incentives for Jobs and Growth 2012*)

In effect, the states were giving away $1.5 billion in incentives and in some instances becoming the victims of fraud,[4] but absent a reporting mandate from their legislatures, were doing no follow-up. And, once a state had offered a film production tax incentive, the pressure to keep the programs was intense, a zero-sum game in which there would be winners and losers:

> Will French, Louisiana Film and Entertainment Association president said the state's pitched battle with Georgia is more like a winner-take-all fight as the modern-day film industry disperses to regional hubs. "The question is: Who is going to have the hub?" French said. "We have to do this until we beat Georgia. If you scale back now, you probably lose everything." (Myers 2013)

The Types of Incentives

In order to become attractive filming locations, states offer filmmakers a variety of incentive packages. Table 1 outlines the typical incentives and how they operate. Not every state offered all of these programs, and of those states which did, many mixed and matched them to suit local tastes and expectations.

Type of Incentive	Key Features
Tax Credits	• Offered to companies that meet certain spending or hiring criteria for in-state production • Tax credits can either be transferable or refundable • Can be in the form of income tax, sales tax, or employee tax credits
Cash Rebates	• Used to reimburse expenses for qualified costs
Grants	• Used to offset costs to lower production expenses
Miscellaneous Assistance	• Location cost exemptions • Lodging or travel exemptions • Lower costs for government services

Table 1. Types of incentives. Source: (Luther 2010).

Tax credits is listed first as that is typically the most popular type of program offered by the states, and the primary focus of this paper. A tax credit is meant to offset a state tax liability that a filmmaker—either a lone producer or a studio—would have incurred in that state in which they were filming. Tax credits could be applied to income taxes, sales taxes, or employee taxes. In order for a state to use a tax credit as an incentive to entice a studio or a producer to film locally, the state should consider three questions:

1. Is the credit applicable to both in-state residents and out-of-state residents working on a qualified production?
2. Can the tax credit be applied to the tax liability of a "highly compensated individual? and
3. Is the tax credit either refundable or transferable?

The issue of whether or not the tax credit is applicable to both resident and non-resident employees of a film production may seem straightforward enough, but the implications of it goes well beyond the labels. Given both the geographic mobility of below-the-line film production crews and the professionally networked nature of the field, using a tax credit might end up benefiting non-residents of a state more often, or at higher wage rates, than the same credit would benefit state residents. This issue is a rallying point for opponents of tax incentives: that state funds for film work are going to non-residents rather than to the local film production community. Some states, recognizing this issue, reported on the wages earned by labor in both categories. Other states, however, might not have necessarily reported such data.

For the second question, on whether or not a "highly compensated individual" (typically one of the above-the-line categories of actors, directors, writers, or producers) would benefit from the tax credit, states which do not face a statutory limitation on offering the tax credit to a highly compensated individual approached this issue as a chance to compete against peer states.

The final issue, of whether or not the tax credit is refundable or transferable, remains one of the biggest selling points for selecting one state for filming over another. A refundable tax credit is one in which if the tax credit offered to the studio or producer exceeds their in-state tax liability, the state will refund the difference (in some cases at a reduced percentage). For example, in Massachusetts, producers could receive a 90% refund on their tax credit. However, a film studio or a producer might be better off with states that offered a transferable film credit. Staying with the previous example, Massachusetts does offer transferability. This type of tax credit means that (once again) if the film studio's or producer's tax credit exceeds their in-state tax liability, the studio or the producer could transfer (sell) the tax credit to a third party. The studio or the producer benefits by receiving the difference between their liability and their credit in the form of cash and the third parties (typically financial firms, insurance companies, or high net worth individuals) benefit in paying for a financial vehicle to reduce their own tax liability.[5] The biggest loser in this type of transaction is the state:

> Transferability has a particularly pernicious impact on state budgeting and accountability. It allows a film pro-

> ducer to gain a subsidy immediately (from the sale of the credit), but the costs may not show up on the state's books for several years because purchasers of film tax credits have several years to cash them before they expire. (Tannenwald 2010, 4)

States with the Largest Tax Incentives for Film Production

In December 2012 the *New York Times* (NYT) ran a three-part series entitled *The United States of Subsidies* which analyzed the range and scope of subsidies offered to key industries across the U.S. As part of that series, the NYT estimated that there were 1,874 different types of programs worth slightly over $80 billion (Story, Fehr, and Watkin 2012). One of the industries that benefited from these subsidies was the film industry and the NYT presented a chart of forty of the state programs. In their methodology section, the writers identified the following as their sources of information for the series: state agencies, government reports, commercial databases, company financial filings, and think tanks.[6] Highlighting the sources of the NYT chart is important to see the scope of the incentives and the various stakeholders tracking the incentives. However, the figures reported in the chart may have in fact been different from those self-reported by the states, especially as states often differ in how they categorize their programs.

Table 2 shows the most generous state programs for film production. Of the total $1.5 billion in tax incentives estimated to be offered to studios and producers, these top ten states offered $1.2 billion of those incentives.

Firstly, this table shows the category of Incentive Types (column 3); and, it is joined by the category Maximum Benefit (column 4). Maximum Benefit did not appear in the NYT series, but was drawn from the "Jurisdiction Comparison Tool of Production Incentives" offered by Entertainment Partners.[9] Secondly, the data in the Maximum Benefit column has been edited considerably, as the range and scope of the various state programs is extensive. In joining these two data sources, one can see both the broad category of the various types of tax incentives offered and the more narrow application of how the individual state programs appeal to filmmakers. Within each state program are both the seeds of the program's attractiveness to filmmakers and the information needed to exploit that program's weaknesses by peer states.

Ranking	State	Incentive Type/ Category per NYT Article Dec. 01, 2012[7]	Maximum Benefit[8]	Amount
1	New York	Corporate income tax credit, rebate, or reduction	"…30% of qualifying production local spend…; 30-35% of the qualifying post-production spend…"	$359 million
2	California	Corporate income and personal income tax breaks	"20% of qualifying local spend…"	$191 million
3	Louisiana	Corporate income tax credit, rebate, or reduction	"30% of qualifying local spend including the payroll for residents and nonresidents…"	$179 million
4	Pennsylvania	Corporate income tax credit, rebate, or reduction	"…25% of qualifying local spend…"	$96 million
5	Massachusetts	Corporate income tax credit, rebate, or reduction	"25% of payroll in the state…; 25% of local spend."	$85 million
6	Florida	Sales tax refund, exemptions, or other sales tax discounts	"20% of qualifying spend…"	$83 million
7	Michigan	Corporate income tax credit, rebate, or reduction	"27% of direct production expenditures…"	$77 million
8	Connecticut	Corporate income tax credit, rebate, or reduction	"…tiered credits based on local spend from 10% to 30%; the infrastructure tax credit is 20%..."	$64 million
9	Georgia	Corporate income tax credit, rebate, or reduction	"20% of the base investment in the state…"	$60 million
10	New Mexico	Corporate income tax credit, rebate, or reduction	"25% of qualifying local spend"	$47 million

Table 2. States ranked by size of incentive program. Sources: Story, Fehr and Watkins, "United States of Subsidies: Common Industries: Film 2012"; and (Entertainment Partners 2013).

> If we ourselves have a weakness with our competitors, Louisiana and Georgia, it's our cap. We cap talent and labor at the first million dollars, whereas Georgia and Louisiana don't cap talent or above-the-line salaries at all. They will qualify the entire salary to a highly compensated individual. [Aaron Syrett, North Carolina Film Office] (Altman 2012)

Given the array of incentives available, it is helpful to see how a producer or a studio, using one state's model, can utilize the film tax credit for economic benefit.

How Tax Incentives Work: One State's Model

Although it is not in the top ten of state programs, Hawaii, coming in at number eleven, has its own generous tax incentive package available to filmmakers. As stated on the web page of the Hawaii Film Office, Hawaii offers the following type of incentive:

> 15-20% MOTION PICTURE, DIGITAL MEDIA, & FILM PRODUCTION INCOME TAX CREDIT: This is a refundable tax credit based on a production company's Hawaii expenditures while producing a qualified film, television, commercial, or digital media project. The credit equals 15% of qualified production costs incurred on Oahu, and 20% on the neighbor islands (Big Island, Kauai, Lanai, Maui, Molokai).[10]

In order for a production to be considered a "qualified production," Hawaii requires that the production spend a minimum of $200,000 in the state filming a movie, television show episode, commercial, etc., with a yearly cap of $8,000,000. Additionally, Hawaii also allows the application of the tax credit for a "single season (up to 22 episodes) of a television series regularly filmed in the state (if the number of episodes per single season exceeds 22, additional episodes for the same season shall constitute a separate 'qualified production')."[11] With these guidelines in place, consider the incentives available for the rebooted television series *Hawaii Five-0.* Assume a conservative cost of $2 million per episode for production of a 23-episode season: $46 million; minus a yearly tax incentive cap

of $8 million; total cost of shooting the season: $38 million (19 episodes, with essentially four cost-free episodes for the season).

The thought of getting four cost-free episodes might be enticing to a studio at first glance. However, in the long run, when a studio commits financial resources to a location other than Los Angeles or New York City, and when it typically takes eighteen months for the development of a feature film, Hollywood has required and expected a high degree of stability from the selected state's tax incentive programs. Two states, New Mexico and Michigan, had both seen productions originally slated for their states fade as the studios have questioned whether or not the expected incentives would remain in place in the face of political opposition from governors or legislatures.

> When [Michigan] Gov. Rich Snyder capped the annual budget for incentive payouts at $25 million last year and changed the program from a tax credit to a direct cash refund, production in the state suffered. Though the cap has been raised to $50 million for fiscal year 2013, which began Oct. 1, production levels are still lower than in recent years. (Idelson 2012)

In 2011 New Mexico saw its film production tax incentive program challenged by Governor Susana Martinez. In response, the Director of the New Mexico Film Office, Nick Maniatis, summed up the issues facing New Mexico's film office: "The issue that we and other states have, and this is fairly universal, is there are some [in state government] that are philosophically against tax incentives for any industry" (Altman 2012). While hardly allaying Hollywood's concerns about the stability of tax incentive programs, Maniatis did call attention to the political process New Mexico went through to defend its tax incentive program, a process that most state film offices can expect to have to deal with, if they have not, like New Mexico and Michigan, already done so.

The MPAA on Film Production Tax Incentives

As would be expected, the Motion Picture Association of America (MPAA) views these types of programs favorably. Recognizing that there had to be a case made that rose above local boosterism (state film offices, union locals, in-state based production businesses) and addressed

the concerns of local opposition to the film production tax incentives, the MPAA commissioned a study by Ernst & Young in 2010 (*Evaluating the effectiveness of state film tax credit programs: Issues that need to be considered*) to advise states on how to benefit from these programs and to provide them with hypotheticals (production profiles, expenditures, and taxes) for consideration when undertaking a film production tax incentive program. For the MPAA it was important that in order for states to best evaluate their individual programs, the states need to gather data on the direct benefits of the programs (increased production spending in the state and increased production employment) and also on the indirect benefits, such as increased tourism.[12]

The MPAA report highlights some of the challenges other organizations (state and local agencies, tax and policy think tanks, independent evaluators, etc.) found when trying to compare the various programs offered by the states:

> A number of studies over the past decade have evaluated the costs and benefits of film tax credit programs. Each of these studies uses the standard tools employed by economists to estimate the economic effects of film tax credit programs but the studies differ in terms of their perspective and comprehensiveness. Thus, they produce a wide range of results. (Philips, Cline and Fox 2012, 15)

Because of the wide discrepancy in data reporting by the states, it was hard to standardize the economic benefits of the film production tax incentives nationally. In some reports, in addition to the actual number of FTE (Full Time Equivalent) employees working in film production, the data also include the economic impact of the incentives for other beneficiaries, such as companies that serve or supply the film productions, like lodging, restaurants, transportation, supplies, etc. Referred to by economists as the multiplier effect, these benefits, as well as any upgrades to any personnel or physical infrastructure to support film production, should have been calculated when a state reviewed its program, according to the MPAA report. Perhaps so; but until all states include these type of data, the discrepancies would remain. As another example of the multiplier effect, the MPAA report stated that a tangible benefit of tax incentives for film production was the role of movies in driving tourism to a state. In this

regard, most of the states agreed.

> Every year the state spends millions of taxpayer dollars to attract visitors and their money. But when Sandra Bullock was on national television describing her time here [picturesque Rockport, Massachusetts], it cost the state nothing. (Paleologos 2012)

> Having productions on the ground in your city or state can bring lasting economic benefits, not just while they are filming, but also into the future when tourists visit because of what they've seen on screen. We see all of the films and TV shows that film here in New York as postcards to the world. [Katherine Oliver, New York City Mayor's Office of Media and Entertainment] (Altman 2012)

The problem with this particular claim is that it is difficult to quantify, and begs the question economists have asked about tax incentives in the first place: is this the spending of public money that either the tourist or the film producer would have done in the state anyway? There is a small body of research on the impact of films on tourism and the case that the MPAA laid out in its 2010 report on film tourism is hardly compelling: of the six films cited, the oldest film was *Close Encounters of the Third Kind* from 1977 and the most recent was *Last of the Mohicans* from 1992, all well before the film production tax incentive programs began in earnest.[13]

Third Party Evaluations

With so much data available from the states and the industry (see Appendix A), it is helpful to look at what third party evaluators say about such programs. Interestingly, while much has been written about the inability of the political left and the political right to agree on anything nowadays, it was instructive to see that both the conservative Tax Foundation and the center/left Center on Budget and Policy Priorities agree that state tax incentives are a wasteful use of public resources and largely benefit the film industry, which hardly needs the help. "The competition among states transfers a large portion of the potential gains to the movie industry, not to local businesses or state coffers" (Henchman 2011). Both the Center on Budget and Policy Priorities and the Tax Foundation view these types of

programs as economically inefficient. They maintain that states incur significant costs without producing a tangible public benefit and that the return on investment to the states does not support continuing the programs.

The Tax Foundation, in its 2010 report *Movie Production Incentives: Blockbuster Support for a Lackluster Policy*, argues that the use of these tax incentives do not lead to the type of job growth anticipated by the states, and in offering (in their view) a wasteful tax incentive, the states actually increase the tax burden on other industries. Additionally, because so many states are locked into this type of competition, the incentives are growing increasingly outsized.[14] When the Tax Foundation addressed the issue of building the in-state personnel to support a film industry, the tax credit issue benefiting residents vs. non-residents addressed earlier, the response was:

> In many cases, therefore, state officials are creating temporary positions with limited options for upward mobility. Of those, those visitors pay for lodging, spend their wages, and generally contribute to the economy, but that isn't the sort of economic benefit that ordinarily makes a compelling case for a massive tax subsidy. (Luther 2010, 8)

One of the key features of the Tax Foundation report is that it outlines potential solutions policymakers could implement to end the tax incentive programs. These steps included a unilateral moratorium by an individual state to stop these incentives, a multilateral moratorium whereby several competing states agree to end their programs, and lastly federal action through the use of the Commerce Clause.[15] Regarding the unilateral moratorium, as stated above, with six states dropping out since the report was written in 2010, this option seems to be working for some of the states. As to multilateral moratorium, there is no indication that any states have acted in this way. Although considering the heat of the tax incentive battles between Louisiana-Georgia-Florida, New Mexico-Nevada, and the congestion of tax incentive programs in the New England region (Massachusetts-Rhode Island-Connecticut), multilateral moratorium may prove viable. Lastly, in seeking to implement a federal action under the Commerce Clause, the author argues that these incentives constitute "economic warfare among the states," which the federal government under the

Constitution is empowered to prevent. However, even the author recognizes that this option "may well usher in additional problems not considered here."[16]

On the other side of the ideological divide, the Center for Budget and Policy Priorities in its 2010 report *State Film Subsidies: Not Much Bang for Too Many Bucks* shared the Tax Foundation's concerns about the waste of these programs. "State governments cannot afford to fritter away scarce public funds on film subsidies, or, for that matter, any other wasteful tax break. On the contrary, policymakers should broaden the base of their taxes to create a fairer and more neutral tax system" (Tannenwald 2010).[17] In detailing why these types of programs do not work, the report cites among other issues, the cost of the programs, the greater benefits flowing to out-of-state residents, and the temporary nature and low pay of the jobs for the in-state residents.

> Jobs for in-state residents tend to be spotty, part-time, and relatively low-paying work…that is unlikely to build the foundations of strong economic development in the long term. (Tannenwald 2010, 1)

This concern of the Center for Budget and Policy Priorities about low-paying and temporary jobs had been picked up in news coverage in some of the states as they were examining their programs. The earlier referenced MPAA report seems to directly address this concern, giving the industry perspective:

> As the [local] industry develops over time, a greater share of movie spending will accrue to residents and in-state suppliers, which supports the long-run goal of creating jobs and incomes for a state's residents. (Philips, Cline and Fox 2012, 1)

As the debates about the efficiency and efficacy of the film production tax incentives continued, the Pew Center on the States released its own report in 2012, *Evidence Counts: Evaluating State Tax Incentives for Jobs and Growth*. In this report, the researchers look at how states evaluate all of their tax incentive programs, including tax incentives for film production. The goal of the report is to determine how effectively, if at all,

states evaluate their programs and what they do with the findings of these evaluations. In preparing its report, the Pew Center addressed the problem of reporting, standardization, and accuracy on evaluating the benefits of the tax incentive programs:

> The stakes are high. Because the numbers are not regularly or reliably reported, the exact cost of a state's tax incentives is unknown. Some states do not estimate or publish the costs, and among the many that do, differences in methodology prevent coming up with a reliable total. (6)

Once their evidence had been identified and selected, the Pew Center on the States evaluated states offering tax incentives on both the scope of their evaluations and on the quality of the evaluations. In assigning a rating for the scope of the evaluations, the Pew Center looked at whether the evaluations conducted by the states were 1) used to inform policy choices regarding the incentives and 2) if the states evaluated all of their tax incentive programs. For assigning a rating to a state based on the quality of its evaluations, "Pew looked at whether each evaluation 1) thoroughly examines the tax incentive's impact on the state's economy, and 2) draws clear conclusions about whether it is achieving the state's goal and how it might be improved."[18] Both parts of the Pew's evaluation were combined and states were rated as either 1) Leading the Way, 2) Mixed Results, or 3) Trailing Behind.

Based on these criteria, and our concerns about tax incentives for film production, of the ten top states with tax incentive programs in Table 2, six of the states (California, Massachusetts, Michigan, New Mexico, New York, and Pennsylvania) rate a Mixed Results score. Two states (Florida and Georgia) are rated Trailing Behind, leaving only Connecticut and Louisiana as rating a Leading the Way score. In stepping back and examining how the states offering the largest film production tax incentive programs rate when compared to all fifty states, one can see that the six states listed above with Mixed Results make up half of all states given this rating, while Florida and Georgia, rated Trailing Behind, make up a fraction of the twenty-six U.S. states whose tax incentive evaluation processes were rated as Trailing Behind. However, it is important to point out that the Pew Center report clearly states that a score of Leading the Way or Trailing Behind is not necessarily a clear cut vindication or condemnation.

As the report states:

> A lower rating in this study does not necessarily mean that a state's tax incentives are ineffective. Conversely, a higher rating does not mean that the state's policy makers are making sound, evidence-based decisions on incentives. States were assessed on how well they evaluate their incentives, not on the merits or effectiveness of the incentives themselves. (*Evidence Counts: Evaluating State Tax Incentives for Jobs and Growth* 2012, 12)

The Pew Center report helps us to understand, however imperfectly, which states in the top ten of film production tax incentives are doing a good job of evaluating their programs. But, the challenge of measuring the economic benefit impact remains. Until there is a standardized approach stakeholders are left with a wealth of conflicting claims about the benefits of these programs. One key area in which the benefit claims vary widely is in the number of FTEs for film production jobs. Absent a uniform reporting standard, it might be instructive to see how the Bureau of Labor Statistics categorizes employment and wages in the field. Using the NAICS code 512110 "Motion picture and video production" for 2011, we have the following breakdown of employees in this category among the ten top states for film production tax incentives (Table 3).

If this information is considered as percentages, one sees (predictably) that California (64%) and New York (25%) account for the majority of these positions; the other eight states comprise only 11% of the total. When compared to how states self-reported employment figures in their evaluations of film production incentive data, Massachusetts under-reported its 2011 film production employment (864 FTEs for both residents and non-residents), Georgia over-reported film product employment in its 2010 report (8,751) and Florida matched the Bureau of Labor Statistics employment figures for its 2011 report (3,584).

Conclusion

When Philip Mann and Stephen M. Hamner of the Louisiana Economic Development Office described the Louisiana Sound Recording Tax Incentive Program at the 2013 MEIEA Summit, and explained that the program would join the current film production tax incentive programs,

Ranking	State	Calculated Employment 2011
1	California	108,244
2	New York	42,169
3	Florida	3,583
4	Pennsylvania	3,377
5	Georgia	2,701
6	Louisiana	2,221
7	Michigan	2,129
8	Massachusetts	2,113
9	Connecticut	1,864
10	New Mexico	1,661

Table 3. Bureau of Labor Statistics quarterly census of employment and wages.

it sounded like an exciting new opportunity for current students in entertainment management, music industry, and audio production programs. However, as one looks more closely at these programs, one sees them as part of larger national debate on the efficiency and efficacy of tax incentive programs in general. The primary concern is that the hyperbole and boosterism so inherent in advocating for these types of programs will fall far short of the reality, and once the lukewarm or underperforming results are in, the programs will be cut. Another concern is that because there is no standardized way (number of local production jobs, return on investment to the states, etc.) of presenting the case for the benefit of these programs that the states, the MPAA, and the local advocates can agree on, the stakeholders are not making a compelling case for keeping them. Thirdly, given the current soft economic climate, it is reasonable to expect that some of the thirty-seven states currently offering film tax incentives will forgo their programs, clearing the field further. This could have two opposite effects: it could signal to Hollywood that the mad rush is over, and that states will no longer compete as vigorously with tax incentives. Or, conversely, with the narrowed field, the competition may actually increase, as the remaining states work harder to be the hub for non-Los Angeles/New York filming locations. The hope is that the good programs remain, that the states implementing them reap significant economic benefits, and

that there is more work for all in the field, especially for our students. But realistically, one should anticipate a significant contraction in state tax incentive programs for film production.

Rank	State	Date Published	Title	Publisher	Data Year Reported
1a	New York	May 8, 2012	Evaluating NYC media sector development and setting the stage for future growth: Final Report	The Boston Consulting Group	2011
1b	New York	December 3, 2012	Economic and Fiscal Impacts of the New York State Film Production Tax Credit	Motion Picture Association of America (prepared by HR&A Advisors, Inc.)	2011
2a	California	2011	California Film and Television Tax Credit Program: An Economic Impact Study (paid for by the MPAA)	Los Angeles County Economic Development Corporation	2009
2b	California	February 2012	There's No Place Like Home: Bringing Film & Television Production Back to California	The Headway Project, in Association with the Institute for Research on Labor and Employment, University of California, Los Angeles	2011
3a	Louisiana	August 2012	Louisiana Film Tax Credits: Costly Government Giveaways to Hollywood	Louisiana Budget Project	2011
4a	Pennsylvania	September 1, 2012	Report to the General Assembly on the Film Production Tax Credit Program	Pennsylvania Department of Community & Economic Development	2011
5a	Massachusetts	July 2009	A Report on the Massachusetts Film Industry Tax Incentives	Commonwealth of Massachusetts Department of Revenue	2006 - 2008
5b	Massachusetts	March 21, 2013	A Report on the Massachusetts Film Industry Tax Incentives	Commonwealth of Massachusetts Department of Revenue	2011

Appendix A: select reports on state tax incentives for film production.

Rank	State	Date Published	Title	Publisher	Data Year Reported
6a	Florida	2012	Fiscal Year 2011/2012 Film and Entertainment Industry Financial Incentive Performance Report	Florida Department of Economic Opportunity	2011
7a	Michigan	September 2010	Film Incentives in Michigan	MI Senate Fiscal Agency	2009
8a	Connecticut	December 2010	An Assessment of Connecticut's Tax Credit and Abatement Programs	Department of Economic and Community Development	2009
9a	Georgia	February 29, 2011	Economic Contributions of the Georgia Film and Television Industry	Meyers Norris Penny LLP	2010
10a	New Mexico	January 2009	Economic and Fiscal Impacts of the New Mexico Film Production Tax Credit	New Mexico State Film Office and the State Investment Council	2007
10b	New Mexico	June 29, 2012	2012 Tax Expenditure Report	New Mexico Taxation and Revenue Department	2011

Appendix A: select reports on state tax incentives for film production (continued).

Endnotes

1. "The city that pioneered the use of film incentives now finds itself struggling to compete with emerging rivals offering stronger tax credits and rebates. The industry also has been spooked by the return April 1 of a provincial sales tax that had previously exempted film production…Once the third-busiest film city after Los Angeles and New York, Vancouver has fallen into fifth or sixth place in North America. (Richard Verrier, "COMPANY TOWN: Vancouver, Canada, sees sharp drop-off in movie, TV production: The city that pioneered the use of film incentives is losing ground to rivals in eastern Canada and states such as Georgia and North Carolina," *Los Angeles Times*, May 1, 2013.)
2. In his article "Star Billing? Recasting State Tax Incentives for the 'Hollywood' Machine," Schonauer gives a concise history of the Louisiana, New Mexico, and New York experiences with their state's film tax credit programs.
3. "You don't always have to be the first one in and you don't have to be the one with the biggest incentives," Syrett (of North Carolina Film Office) says. "People want to know if you have the infrastructure to support their production and that their incentive isn't going to be caught up in red tape to point they'll never see it, so if you can take care of those things for someone, a 25%-incentive can easily look better than a 40% incentive" (Idelson 2012).
4. "In January, filmmaker Harel Goldstein of Calabasas pleaded guilty to defrauding Iowa's now-defunct film tax credit program. Former Iowa Film Office Director Tom Wheeler was convicted last year of one count of misconduct over his handling of state film tax credits. And in 2009, a former top film office official in Louisiana got a two-year prison sentence for steering tax credits to a local producer." (Richard Verrier, "COMPANY TOWN: Director who abused film tax credits gets prison sentence," *Los Angeles Times*, May 12, 2012.)
5. "A production company that is awarded $10 million in tax credits might sell them to a broker for $8.7 million. The broker then sells the credits to a financial company that owes state income taxes for a bit more—say $9 million, earning the broker a $300,000 profit. The financial firm can then claim the full $10 million in credits on

its tax return, saving $1 million" (Wallack 2012).

6. "State agencies, government reports, Investment Consulting Associates' ICAincentives.com, Good Jobs First's Subsidy Tracker Database, company financial filings, Equilar. State budget figures from Center on Budget and Policy Priorities and the National Association of State Budget Officers."
7. Source: http://www.nytimes.com/interactive/2012/12/01/us/government-incentives.html#film.
8. Source: http://www.entertainmentpartners.com/incentives/. The descriptions of the programs listed here have been edited to highlight the percentages. Please see Entertainment Partners web site for complete and current descriptions of each state's program.
9. Entertainment Partners is a full service Burbank, California based company that supports producers through its accounting, payroll services, production software, casting services, etc.
10. http://www.hawaiifilmoffice.com/film/incentives-tax-credits.
11. Hawaii Film Office, "Film Hawaii Overview & Instructions: Appendix A," July 1, 2013, accessed November 3, 2013, http://files.hawaii.gov/dbedt/film/incentives/Instructions%2020-25Credit%20(Revised%2010-3-13).pdf.
12. "A comprehensive benefit-cost analysis of film credits should compare tax credit costs to both private sector benefits (additional in-state jobs and income) and public sector benefits (higher state and local taxes) from a stronger economy, not just the net change in state tax collections" (Philips, Cline and Fox 2012).
13. Todd Longwell, in his article "The Biz's Taxing Solution" argued at one point that tourism is "generally not factored in as a multiplier." Other sources disagree. For example, The Ernst & Young report (page 13) "Evaluating the effectiveness of state film tax credit programs: Issues that need to be considered," sponsored by the MPAA, provided a scenario for considering tourism as a multiplier.
14. "By committing tax dollars and state effort into securing film jobs, state official miss the chance to use those resources instead for lowering tax burdens on all industries. Because MPIs (Motion Picture Incentives) are a field crowded with state competitors, committing huge recourses may have little payoff" (Tannenwald 2010, 9).
15. Luther 2010, 15.
16. Ibid., 16.

17. Ibid., 14.
18. *Evidence Counts: Evaluating State Tax Incentives for Jobs and Growth,* 2012.

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Patrick Preston is the Department Chair and an Associate Professor of the Entertainment Management Department at Bay State College in Boston. He received his B.A. in Theater Arts from the University of Massachusetts/Boston and both his M.A. in Public History and his Doctorate in Law & Policy from Northeastern University. His current fields of interests include the production, financing, and distribution of film and television. Prior to his coming to Bay State College in 2005, Patrick Preston was both an actor and playwright in the Boston/New England markets; and while in Los Angeles, he undertook additional coursework in screenwriting at the UCLA Writers Program and improv training with the Groundlings. At the MEIEA Los Angeles 2012 Summit, he presented the paper "Entertainment Management Students: Why They Share Files and How They Process Their Behavior."

Patrick Preston would like to thank Dr. William Koehler, Dean of the School of Management at Bay State College, for his support and research assistant Christopher Hoffmeister for his help on this article.

A Case Study on Spotify: Exploring Perceptions of the Music Streaming Service

Kate Swanson

The MEIEA Journal *occasionally features outstanding student papers. This undergraduate research paper was written by Kate Swanson, a recent graduate of Indiana University.*

Abstract

Spotify is a commercial music streaming service providing music content from a range of major and independent record labels. Spotify users can either subscribe to a "Freemium" model supported by advertisements or they can pay a premium to access additional features without advertisements. Since its inception in 2008, users of this service have totaled twenty million, five million of them paying monthly fees of either US$4.99 or $9.99.

Prominent artists such as Taylor Swift and The Black Keys have begun speaking out about this service, some even withholding their music from the service entirely, explaining that the payment model is unfair and that the service is cannibalizing album sales. Other artists praise the service for its ability to deliver a legal alternative to piracy, where artists can capture valuable information about their listeners and are compensated on a per-play basis.

Whether we like it or not, Spotify and related music streaming services represent a window into the future of the music industry. This study investigates the perceptions of streaming services like Spotify from the perspective of all parties involved: music industry professionals, artists, and consumers in order to identify perceived needs and positive developments. The conclusion offers suggestions for the future role of streaming services in the music industry based on the survey and interview results.

Keywords: Spotify, music streaming, music industry, music technology

Introduction

Music streaming services allow users access to millions of tracks from any web-connected computer legally and free of charge. These services are now viewed as a window into the future of the music industry.

Spotify is the fastest growing music streaming service in the world, with over 24 million active users worldwide and nearly 6 million paying between US$5 and $10 a month to use the service.[1] The company has posted growth at a staggering rate of nearly 8,000 subscriptions per day and is currently valued at $3 billion dollars.[2,3] Music streaming was up over 700 percent last year and people are listening to more music than they ever have before.[4] Nevertheless, there is also much controversy surrounding this service in the music industry.

Throughout this report, I discuss perceptions of the streaming service Spotify from the perspectives of the artist, label, distributor, publisher, and consumer, and how these perceptions are affecting music consumption habits, economics, and ultimately, the future of the industry. I conclude with recommendations on how to improve the service and work towards accommodating the needs of all parties involved.

Spotify

Spotify was first launched in October 2008 in Europe. Founder Daniel Ek saw an opportunity to utilize new technology to create a product that was better than piracy.[5] Once Spotify secured its spot as the second largest digital revenue generator in Europe, it entered the U.S. market in 2011.[6]

Spotify functions much like the popular downloading service iTunes. *Wired* magazine's Eliot Van Buskirk describes Spotify as, "a magical version of iTunes in which you've already bought every song in the world."[7] Music can be browsed using a search tool by track name, artist, or album. Users have the option of registering for a free account, supported by visual and radio-style advertising, or for one of two paid subscription models, which are ad-free and offer a range of additional features, such as higher bit rate streams and offline access to music. In the U.S. there are three types of Spotify accounts: Spotify Free, Spotify Unlimited, and Spotify Premium. The paid subscriptions are entirely free of ads and the listening time is unlimited. An unlimited subscription of $4.99 per month allows for unlimited access to Spotify's catalog on a desktop computer; a premium subscription of $9.99 per month offers unlimited listening and allows users to access Spotify on mobile devices and offline access to playlists."[8]

By offering a "freemium" option, Spotify hopes to encourage free users to convert to paying users. According to a source, the conversion rate from free to paid is about twenty-five percent.[9]

Spotify distributes back seventy percent in royalties "based on a pro rata share in accordance with the popularity of a piece of music."[10] This is paid out to whomever owns the rights to the music. In some cases, the artist owns his or her master recordings. In most cases, a record label or distributor owns these rights. The amount Spotify pays out is a pre-negotiated rate per-play or per-percent of revenue for streams. Although artists receive different royalties depending on deals made with their labels and distributors, on average, this amounts to $0.004 or just under half a cent per stream.

Major labels have leverage over streaming services like Spotify because without their enormous catalogues, streaming services could not exist. In January, music publisher Sony/ATV used this leverage to negotiate a twenty-five percent increase in royalties from Pandora. It may only be a matter of time until we see these same types of deals take shape with Spotify. In order to acquire rights to catalogs of music, in some cases, Spotify had to pay very large upfront fees to labels. Many of the major labels took equity in Spotify instead of cash. It is believed that majors received eighteen percent of Spotify shares.[11]

Spotify currently employs over 300 people, is available in 21 countries and has a catalog of over 20,000,000 songs. New applications are added almost daily to help aid in music discovery, like Pitchfork which shows the hottest new releases for indie artists, or TuneWiki which provides scrolling lyrics so one can sing along to one's favorite songs.

History of the Digitization of Music

Widespread digitization of music began in 1983 with the introduction of the compact disc.[12] Although this format was much smaller than its predecessor, its real claim to fame was that it stored music digitally, rather than in an analog format.

In the early 1990s, the MP3 was introduced. MP3 files are about eleven times smaller than their predecessor, allowing files to be sent via email and downloaded. Files could now be shared online and through email. This granted music the opportunity to be portable.

In 1999, the first large-scale peer-to-peer (P2P) service was introduced: Napster. Founded by eighteen-year-old Shawn Fanning, Napster

was a platform allowing people to share and swap MP3 music files.[13] The service allowed people access to whatever music they wanted, when they wanted it, and for free. Just nine months following its launch, the Napster community numbered more than twenty million users, and grew every day.[14] At its peak, Napster had over fifty-seven million users.[15] The service has since been shut down for copyright infringement, but its effects are still felt. Since Napster emerged, "music sales in the U.S. have dropped 47 percent, from $14.6 billion to $7.7 billion."[16]

A few short months later, in October 2001, Apple launched its first generation MP3 player, the iPod. As opposed to a bulky compact disc player, the iPod allowed users access to all their MP3 tracks in a convenient, stylish, and relatively inexpensive way. After just two years of offering downloads, Apple had sold over 500 million tracks through the iTunes music store.[17] By 2012, Apple's iTunes music store accounted for sixty percent of worldwide digital music sales.[18]

In 2002, Rhapsody, an online music service, was the first to launch a paid on-demand music streaming service. For a flat monthly fee, subscribers were allowed unlimited access to a library of digital music.

In 2005, the popular internet radio station Pandora was launched with the intention of creating a completely customizable radio experience. Pandora functions much like a traditional radio station except that the consumer selects a song or artist he or she wants to hear and a station is generated based upon the selection. Pandora is the result of the Music Genome Project, which is the only one of its kind. For the Music Genome Project, a trained music analyst listens to every song, new and old, and classifies it according to 450 distinct musical characteristics. One's Pandora station will stream music that has identical or similar elements to one's initial selection.

Between 2007 and 2010, a number of on-demand music subscription services emerged: Spotify, MOG, Deezer, and Rdio to name a few. These services operate much like Rhapsody, except that they offer users a free option in hopes of converting them to paying users.

Traditionally, digital music options forced users to store their music on their own hard drive. After a few thousand downloads, lack of storage space can really slow a computer down. And worse, if the hard drive crashes, the music is gone. In the past few years, new technology has arrived called cloud music storage. Files are instead stored on a third-party site. This allows files to be accessed across a variety of platforms from

one's cloud account anywhere in the world.

As technology has continued to advance and new services have emerged, consumers have grown to expect easy access and higher quality with little or no cost. Piracy is still not highly prosecuted in the United States, and it is very easy for consumers to access music online for free, even though most file-sharing services have since been shut down.

Traditional Income Stream Model

In the 1980s and 90s, before the proliferation of the internet, the music industry was actually over-inflated. Musicians could make a living just by selling sound recordings and touring. Much of this is attributed to the introduction of the CD. At this time, there was only one way for someone to listen to music—to buy it. The CD utilized digital technology, making music more accessible and affordable. It also provided an opportunity to reissue all catalog items as audiences were replacing LP and cassette collections with CDs.

A few years after the internet became mainstream, Napster was introduced and it came as a huge shock to the industry. The availability of free product and the value erosion of recorded music resulted in most customers buying much less product. There also became a general "freeconomics" expectation, meaning people expected things to be available cheap or for free. Since then, income streams for musicians have changed and, in many cases, diminished drastically.

The Future of Music Coalition has defined eight core means by which musicians would traditionally generate revenue.[19] These include money from songwriting/composing, salary as employees of a symphony, band, or ensemble, touring and live performance fees, money from sound recordings, session earnings, merchandise sales, teaching and "other" which includes about twenty other revenue streams.

For sound recordings, artists receive a percentage of the wholesale price.[20] According to information published on The Root, superstars can get 20 percent, but most get 12 percent to 14 percent.[21] On a $10 CD, a musician or band could make $1.20 to $1.40. Divided evenly between four bandmates, that amounts to a grim 30 cents each. On a 99-cent download, "a typical artist may earn 7 to 10 cents after deductions for the retailer, the record company, and the songwriter." In 2009, only 2.1 percent of the albums released sold even 5,000 copies.[22] Typically, a record company cannot recoup investments until a record goes gold, meaning it has sold

500,000 copies. In the case of 97.9 percent of artists, they won't see a penny from album sales, as all royalties go towards recouping the label's initial investment.

Artists could also tour in support of their album. But even here, a lucky artist can earn 60 percent of the revenue from a show. If he or she isn't playing five or six nights a week for more than 500 people each time, it's nearly impossible to make a living.[23] Many artists struggle just to break even on tour.

These two examples demonstrate an important fact. Problems in making a living as an artist stem much further back than streaming. Traditional income models yield slim returns, and in a depressed digital economy, people are buying less.

Perceived Pros and Cons of Music Subscription Services

As mentioned in the introduction of this paper, this conversation is focused on perceptions, or the way a specific party views and understands information. Although perceptions are often mistaken as fact, they do offer a closer look at why certain attitudes and behaviors exist. Regarding Spotify, I spoke with representatives of all the parties affected and collected a range of perceptions.

Artists

A number of influential artists—for example, Grizzly Bear, The Black Keys, and Galaxie 500—have expressed dissatisfaction with Spotify due to low royalties and perceived declines in album sales. To get a better idea for what other perceptions exist, I spoke with three bands, Braid, Company of Thieves, and White Rabbits, each of which has reached a different level of success in terms of number of fans.

When speaking with Bob Nanna, lead vocalist and guitarist for the emo/post-hardcore group Braid, he explained that, opposed to streaming, he would prefer that people bought the song, as the band gets paid "next to nothing" for streams.[24] Since his label, Polyvinyl Record Co., added Braid's 100-plus catalog to Spotify, Nanna claims to have received "less than $5.00." He isn't sure this service, with its current royalty structure, can be sustainable for small bands like Braid with just over 13,500 Facebook fans. Nanna thinks the service needs to become more "artist-focused." He and bandmates worry that Spotify is more interested in building a strong, lasting business than supporting artist's careers and the industry. Other

than a slight increase in social media buzz, Braid has seen little benefit from the service.

For a band with a slightly larger following (just over 31,000 Facebook fans), the conclusions are similar. Genevieve Schatz, lead vocalist of indie rock group Company of Thieves, explains, "It's hard knowing as a musician that I see my breakdown of royalties from Spotify and it's not as much as if someone just purchased the song."[25] Schatz was much more optimistic about the service Pandora, explaining, "With Spotify, you have to specifically seek it out. And it's just different. It's not like, 'Yay! You get exposure.' I know it's hard time money-wise and we're in a communication age and it's really cool that you can do that. And I would rather someone hear it than not hear it. But, financially speaking, no this is totally not lucrative." At one concert in January, Schatz and a bandmate mentioned on stage that they've really been struggling. When I approached their merchandise stand following the show, there was a tip box set up next to the t-shirts and posters. Her final thoughts about the service echoed Nanna's fear that the service is not artist-focused, "It's a business, just another business."

Finally, when speaking with Jamie Levinson, drummer for the rock act White Rabbits, he was very hopeful about the service. His band, which has over 51,000 Facebook fans, sees the potential in Spotify to act as an awesome discovery tool. Levinson believes the service is a "crucial value add to the music discovery process simply because the catalog is so vast and access is so unrestricted."[26] He continued by saying, "I understand that the revenue generating portion of the site is not entirely fair towards musicians/songwriters but I'm not interested in using Spotify to make money [right now]." Levinson explained that the band makes most of its money from touring and merchandise "because it is where we are most autonomous in our financial control." As far as an increase in ticket sales and media buzz as a result of streaming, Levinson is not convinced there is any correlation at this time. "Honestly, I don't think streaming has a major role in increasing ticket sales and media buzz. I think outlets like Pitchfork are really what drive exposure for most unknown artists. Spotify still needs those services to point people towards specifics. Otherwise it is just a massive catalog that is incredibly difficult to mine for new music."

Generally speaking, these three artists are representative of the views of many of today's musicians. Artists appreciate that the service has allowed more people access to their music and are happy that people are

listening to their music legally versus pirating. Smaller acts signed to independent labels, or acts that rely heavily on album sales as opposed to touring, seem to be more concerned with the royalty structure and what they believe to be "fair" returns. Larger acts that are still receiving most of their income from touring, or are receiving higher royalties as a result of major label deals, are more interested in how they can leverage this service to make it work for them. Also, artists feel like Spotify works too much like a traditional business. They are seeing their needs and interests fall by the wayside to increase a company's profits and market share. And in return, artists don't feel like they are benefitting in real, tangible ways. Finally, Spotify does not yet have the features to help consumers navigate and direct consumers towards new music. Artists praise Pandora for its ability to match fans and new music. They do not see Pandora as a threat. Instead, artists see it as a supplement to album sales rather than a replacement. Artists also receive a higher royalty rate from Pandora, as it functions like a radio station rather than a streaming service.

Artists are seeing the fractions of cents coming in from streams and may be incorrectly assuming that the consumers streaming are the same consumers that would have otherwise purchased the tracks. When asked, all three artists have observed no negative sales impacts as a result of streaming services. At this time, streaming revenues appear to be a supplement to album sales and touring, not a replacement. This information was verified in discussions with music consumers.

Consumers

This year, at the MIDEM music conference in France, music industry professional Tom Silverman explained, "97 percent of the world never buys music—not even Adele."[27] He identifies the most elusive demographic within the non-purchasing group to be in the 18-24 age bracket. As a 22-year old student living in a college town, I had access to a representative population sample for my research. In order to better understand the way the generation perceives this service and consumes music, I conducted a survey of 237 respondents. 61.2 percent of these respondents were between the ages of 18 and 24.

Among a list of subscription services, 55 percent of respondents between the ages of 18 and 24 are using the on-demand service Spotify on a daily or weekly basis. Pandora was the second highest subscription service, with 44 percent of respondents using the service daily or weekly

(Figure 1). When asked why they had chosen to use streaming services over alternatives, consumers cited convenience and quality. For some users, the service has actually helped to cut their monthly music budget.

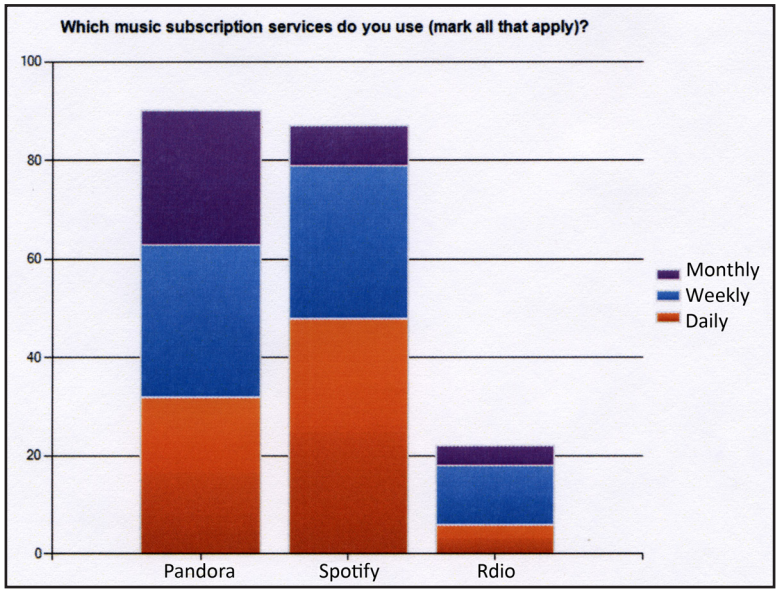

Figure 1. Survey question: Which music subscription services do you use (mark all that apply)?

The five largest sources for music consumption for 18-24 year olds, aside from streaming services, are YouTube, iTunes/paid download services, free/file-sharing, CD/vinyl, and Terrestrial Radio. These account for 87.4 percent, 51 percent, 38.4 percent, 35.6 percent, and 32.1 percent respectively. Among the top five sources for consumption are two paid sources, iTunes/paid download services and CD/vinyl. These data provide some unexpected information: a generation that has grown up with access to free music is still paying for music (Figure 2).

When respondents between 18 and 24 were asked how much they pay to use streaming services, 64 percent reported using the free model. A combined 15.2 percent pay some other amount to use the service monthly (Figure 3).

The majority of respondents between 18 and 24 indicate that their

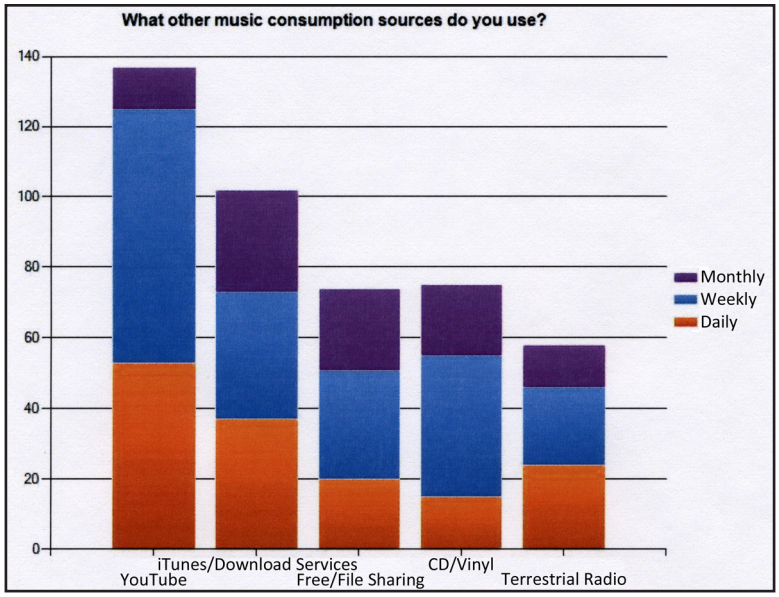

Figure 2. Survey question: What other music consumption sources do you use?

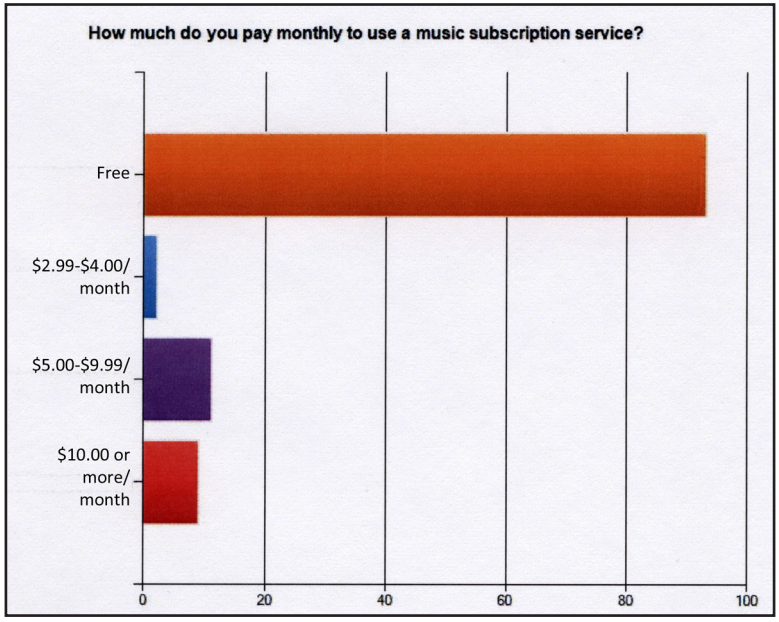

Figure 3. Survey question: How much do you pay monthly to use a music subscription service?

music-buying habits have been affected either somewhat or minimally by streaming services. Only 18 percent indicate the services have altered music-buying habits drastically or a lot (Figure 4). Results were even less dispersed for respondents over age 24, with 72 percent indicating the service has altered their habits somewhat or minimally.

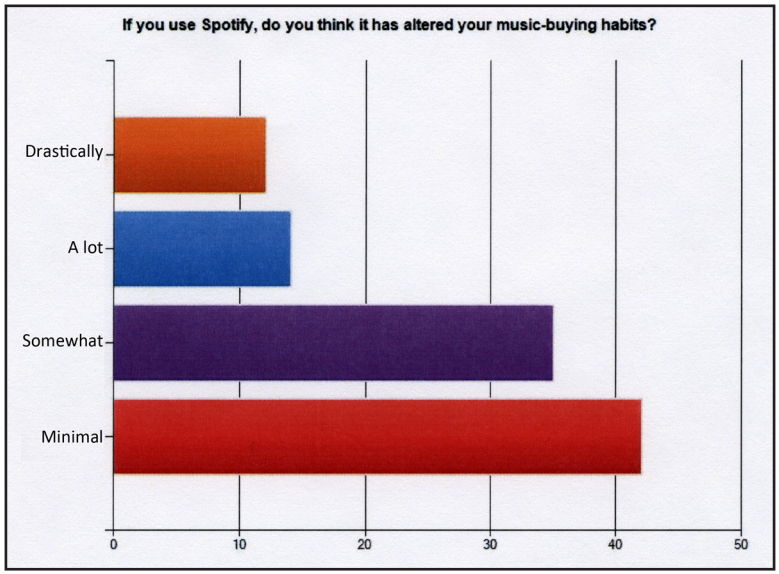

Figure 4. Survey question: If you use Spotify, do you think it has altered your music-buying habits?

In order to better understand the reasons why consumers are not using Spotify, I conducted a focus group with three non-users. Each classifies himself or herself as a casual listener—someone who doesn't specifically seek out new music but enjoys listening. Consumer A expressed her concern for this service, explaining, "Technology changes. No one knows how long stuff will be around anymore. Things come and go out of style; I fear [Spotify is] just a trend." This consumer points to a pre-existing relationship with iTunes. Using a service like Spotify "would take a lot of effort to get used to" and at this point, it doesn't seem worth it. Consumer B explained that she hasn't heard much about the service and asked if it was a pirating service. After I explained the service to her, she was not interested in the massive collection or convenience, stating, "I am exposed

to enough new music as is. I don't have any use for Spotify." Consumer C explained that it's not convenient for her. She mentioned, "The times I want to use it are walking to class or in the car—places I won't have Wi-Fi and places the free service won't work." She didn't see a need for trading her monthly five dollar iTunes music budget for a ten dollar premium subscription. She also cited Spotify's poor discovery features, explaining that in order to use Spotify, she needs to know what she's looking for. She thinks the service is catered to people who are "very focused and know what they're looking for." Each of these represents a different perception—that it's a trend, that its catalog is limited, that it's too expensive, and that it lacks discovery features.

Distributor and Label

Digital services like Spotify generally don't do business with musicians directly. Instead, they go through labels or distributors, which are then responsible for paying royalties based upon pre-negotiated rates.[28]

To learn more about the distributor and label in this discussion, I conducted personal interviews with Brad Sanders, the Digital Content Manager for Secretly Canadian Distribution and Jeff Beck, Accounting Manager at Saddle Creek Records.

The majority of the Secretly Canadian Distribution content was made available on Spotify early on. Sanders explained, "We recognized [Spotify] as a service worth working with and [Spotify] wanted our content."[29] Since it has been available, Sanders explained that, compared to iTunes, Spotify is a lot different to work with. For example, he mentioned that, "Spotify is not real open to promotions. You can get ads on Spotify but they don't have a curated editorial side." This makes it a lot more challenging for artists to stand out among what Sanders referred to as "a wilderness." At this point, "There's no hierarchy to Spotify; it's all an even playing field in terms of how easily you can find artists. [Distributors] don't have a lot of control and can't really attack it from a marketing standpoint."

Sanders had a few comments with regard to royalties, piracy, and curating. First, he expects royalties and payouts to continue rising as the industry begins to adapt to these changes. He also recognizes that as an alternative to piracy, Spotify is definitely a step in the right direction. As far as improving the way the service functions as a discovery mechanism, he thinks, "It could be better curated, or curated at all, because it's not." When asked how this might work, he suggested Spotify have a "dedicated

staff" whose job is curator or recommender, much like Pandora's Music Genome Project. Right now, all curation for Spotify is driven by bios and related artists. "There are not genre pages or 'picks of the week' at any real level beyond a semi-arbitrarily chosen group of big names on the front page every month."

Jeff Beck of Saddle Creek Records described a similar relationship with Spotify—one of "tactic approval." The company is utilizing Spotify just as it would any other service. Beck explained that the label even puts up singles pre-release so fans can "find and listen to the newest songs just as they would with any other service such as SoundCloud, YouTube, etc."[30] He explained that doing this "allows [Saddle Creek] to monetize listens all the way up to the release date."

Beck noted that none of the label's artists has observed any noticeable downturn in sales from digital services like Spotify. Instead, the label sees Spotify as an opportunity to "engage [a] particular group of customers and direct content towards them." He continued, "no band or label ever gets 100% customer engagement on any service, but that's part of the challenge. The business models are based strictly on volume: the more customers who stream your song, the more times the track is monetized, the more pennies drop into your bucket."

Publisher

The role of the publishing company is to protect, monitor, and monetize its copyrights on behalf of the songwriters it represents. I had the opportunity to speak with Sean McGraw, Vice President of Licensing/Administration for Downtown Music Publishing, an independent publishing company based in New York City. The company's catalog includes more than 60,000 copyrights and was recently recognized in *Billboard's* ranking of the top ten music publishers in the U.S.[31]

McGraw explained that the general position of the publishing company with regards to streaming is acceptance. He continued, "You have to brace for these types of things. [Spotify] is a fantastic service as long as everything is fair."[32] When asked to go into detail about what he believes to be "fair", he was unable to provide a clear answer. Instead, he pointed out recent trends, using ringtones and music-centered video games as examples. These are both unexpected revenue streams that have been extremely important in supporting an artist's career. Especially during a time when album sales are decreasing, ringtone and video game licensing has

filled a major revenue gap. As Spotify continues to grow, the main concern for publishing companies in the coming years is how the service will be restructured in a way that is "fair", or fills revenue gaps.

To continue, McGraw noted that Downtown Music Publishing has never withdrawn or prevented anything from being up on any music streaming site. However, he explained that Downtown has never authorized Spotify to use any of its compositions. Right now, labels are authorizing on behalf of the publishing company, which they aren't allowed to do. It remains unclear how this will pan out in the future and what effects it might have on the relationship between the publisher and the label.

Direct deals, or circumventing performing rights organizations, have become a hot topic when it comes to music publishing companies and streaming services. However, streaming services are still very hesitant at this point, as it would open them up to hundreds of new deals and negotiations. Companies like Downtown Music Publishing are definitely interested in negotiating these deals. Ultimately, the publishing company wants direct deals with everyone (iTunes, YouTube, etc.), as licensing companies such as the Harry Fox Agency are taking up to a ten percent share, dramatically cutting revenue for publishers.

To this point, Downtown Music Publishing has not observed any negative impacts as a result of streaming services, however, one could sense a bit of McGraw's apprehension about the future, which was confirmed by his final statement, "Publishing has always been called a business of pennies, but a business of micro-pennies—it becomes a bit of a concern."

How Spotify Has Altered Economics

The perceptions explored in the previous section play an important role in the economics of Spotify. As digital channels are rapidly expanding, new revenue streams have been created for artists that have expanded their capacity to earn. Aside from the eight core means by which artists traditionally generated revenue, discussed in a previous section, The Future of Music Coalition has identified thirteen new revenue streams to be the product of digitization and streaming:

- Streaming Mechanical Royalties
- Mechanical Royalties for Cloud Storage, Lockers, Limited Uses
- Ringtones Revenue

- Digital Sales
- Cloud Storage Payments
- Interactive Service Payments
- Digital Performance Royalties
- AARC Royalties
- Label Settlements
- AFM/AFTRA Payments
- YouTube Partner Program
- Ad Revenue
- Fan Funding

(Source: Future of Music Coalition, http://money.futureofmusic.org/revenue-streams-existing-expanded-new/)

With this many new revenue streams, it's hard to believe that artists are making substantially less money than they were fifteen years ago. Part of the reason is because interactive service payments will continue to occur over the lifetime of an artist, thus the capacity for an artist to earn does not diminish with time. Instead of a one-time profit of 7 to 10 cents when a track is purchased, artists will continue to receive payment every time a track is played. Given artists earn 7 to 10 cents on a 99-cent track download, a consumer who streams would only need to play a track 150 times before an artist earns the same amount he or she would earn from the purchase of a 99-cent track. When I consider my favorite artists and tracks, if I would have streamed their tunes rather than purchase them, the artists would have already yielded substantially more income. And I'm only 22 years old—imagine how much this could amount to by the time I am 30, 50, even 75 years old.

When speaking with artists, a distributor, a label, and a publisher, none had observed negative sales impacts as a result of the service. I do think it's sensible to assume that in the coming years, digital music sales will decline. But by the time sales are declining, streaming royalties should become enough of a substantial revenue source to make up for the difference.

The average download consumer spends $60 per year while the average subscriber spends $120.[33] It appears people are paying more than ever for music, especially in the 18-24 age bracket, but this increase in spending has not come with equal benefit to artists. A Spotify premium subscription costs $10 month. Of the $10, "$6 goes to the owner of the recordings, $1 goes to the owner of the publishing copyright, and Spotify

keeps $3. This is the same proportion by which revenues are shared in the iTunes model." Although it is an unconventional way of thinking and requires a "perceptual shift in the transactional relationship," the economics of Spotify conform exactly to the economics that have always existed in the music business.[34]

If leveraged correctly, Spotify can actually be a tremendous resource for the music industry. Global recorded music revenues in 2012 increased for the first time since 1999, up 0.3% to $16.5 billion. Leading the recovery with 9% growth to $5.6 billion total were digital sales, "which include direct sales on platforms like iTunes and revenue generated from streaming services like Spotify."[35] Artists are also using Spotify to monetize pre-release streams and generate interest in a new album. To use a recent example, Justin Timberlake's latest album, *The 20/20 Experience*, sold 980,000 copies in its first week.[36] In addition, the week following the release, tracks from the album took up six of the top ten most played songs on Rdio and tracks from the album were streamed nearly 7.7 million times. Timberlake's label is crediting these staggering sales numbers to free online streaming services.

Recommendations and the Future of the Industry

After completing research on Spotify, I have identified five aspects of the service that require improvement:

First, Spotify needs to become more artist-focused, meaning artists' interests and opinions need to be sought out and taken into consideration. For example, Spotify could share with artists the demographical and geographical data on who is streaming their music. This information could then be used for marketing and touring purposes. Unless artists feel like Spotify is their advocate, there will continue to be pushback and a loss of support from artists and fans.

Second, Spotify needs to continue working with labels and distributors to gain access to even more content, specifically content from DJs, older musicians, and representation from genres that are less mainstream—like jazz, blues, and world.

Third, Spotify needs to launch an advertising campaign to market the service to mainstream America. Before long, companies that already have enormous market shares like iTunes, Amazon, and Google will be launching similar services. In order to remain relevant, Spotify will need to be a household name and will need to have many more subscribers. In late May

2013, Spotify aired its first ever television commercial during *The Voice*. It will be very exciting to see this recommendation begin to take off.[37]

Next, the payment structure needs to be reconsidered and higher royalty rates ultimately need to be negotiated in support of the artists. This may be as simple as artists revisiting deals with their labels. It may be as massive as Spotify re-evaluating the way that it distributes royalties.

Finally, there needs to be curation and the addition of editorial content, including links to band websites and social media pages, as well as a third party site where the tracks could be purchased. Spotify could also consider having dedicated staff whose job is to direct fans to new music.

Spotify is currently "the biggest single revenue source for the music industry in Scandinavia." In Sweden specifically, "90 percent of digital music is streamed rather than downloaded." In this area, the service has had five years to grow and become a part of mainstream culture. I think it's safe to assume similar results would occur over a period of time here in the U.S.

All around us, there is evidence that the industry has changed. Since Napster, digital music sales have been declining and consumers have sought alternative means of acquiring music. Spotify is a promising solution. Keeping in mind all that we know about listening habits of younger generations, Spotify offers a way to monetize free listening—something traditionally we haven't been able to do.

One thing is for certain; the discussion does not end here. The pace of change for this technology is more likely to accelerate than slow down. The observations in this report have been made at a point in time and yet change in the industry is occurring daily.

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Kate Swanson is a recent graduate from the School of Public and Environmental Affairs at Indiana University with a degree in Arts Management. She has had diverse experience working in the music industry. From internships at a music publicity company and a booking agency, to working as a publicist and event consultant for a start-up music festival, Kate brings a unique perspective to the discussion of digitization and new music streaming technology. She currently resides in Chicago, Illinois and is working as a production assistant on the television show *Judge Mathis*.

Reviews

Kenneth LaBarre, Director; Hank Neuberger, Producer. *Lady Antebellum: Own the Night World Tour* (DVD). Eagle Rock Entertainment, 2012 (124 minutes, NTSC). www.eagle-rock.com.

Lady Antebellum has risen to become one of the most successful crossover country acts in recent memory. Their breakout 2009 hit single *Need You Now* topped both the *Billboard* Country and Hot 100 charts, opening up a broader market to the pop-leaning trio. This video combines one night's performance on the group's 2011-2012 arena headlining "Own the Night" tour, filmed in Little Rock, Arkansas, with selected backstage and tour-diary segments that provide the viewer with a good behind-the-scenes look at the roles and responsibilities artists and their support team assume when they get to the top levels of the music business.

For an introductory class in music industry studies, these clips are especially helpful in that the artists are speaking candidly about their aspirations and about their reliance on their eighty-person team to put on a successful show night after night. Three of the backstage segments bear note to help students see behind the spotlights, video walls, and three-level production stage that are used on the U.S. concert segments. The first, titled "From the Ground Up," details the production design and thought that goes into building and staging an eight-month-long arena tour. Set designers, riggers, lighting techs, sound, video, and backline crew are all shown in action helping to underscore their crucial offstage roles in preparing and executing each night's concert. The second, "The Road to Here," provides video clips of the band's early career, showing their work ethic and dedication to building an audience. It won't be lost on students that one of these gigs was to play in a rural truck stop/diner to celebrate the opening of deer season! Most of the diner's patrons ignore the band while a local radio personality shoves a mic between the trio serenading the sleepy crowd at 7 a.m. Nonetheless, Lady Antebellum soldiers on, touring in one Jeep Grand Cherokee with their acoustic guitars and merch boxes in the back. So much for overnight success.

The third segment may be the most insightful to what makes this band so successful. It's their 24/7 dedication to writing original songs that connect deeply with their audience. Titled, "Evolution of a Song," this

chapter starts with each member sharing his or her earliest involvement with music and the roles that supportive family played in early musical development. Singer Hillary Scott insightfully states that the trio see themselves as "songwriters, first" and that they are a band that chooses to focus their energy on songwriting every single day they are together. Scenes portray them working at their writer's craft individually and as a group, before Dave Heywood demonstrates their Pro Tools mini-studio, which they tour with to constantly cut new demos of songs. The efficacy of such an approach can be heard in the concert segments as the group plays their hook-laden crossover pop-country songs to the tumultuous acclaim of the packed arenas both here and overseas.

For a music business educator, *Lady Antebellum: Own the Night 2012 World Tour* offers an excellent first-person account of a phenomenally successful crossover act that retains a sense of wonder and humility about the path they've taken to the top, with plenty of the off-stage nuts and bolts on display to remind students of what really underpins their success and rise to international acclaim and multi-platinum success.

RJ Smith. *The One: The Life and Music of James Brown*. New York: Gotham Books (Penguin Group), 2012. www.us.penguingroup.com.

There has been no shortage of writing about the seminal singer, bandleader, and self-appointed "Godfather of Soul" James Brown. Brown is a fascinating figure, larger than life, often serving as a lightning rod for controversy throughout his career. Personally, I found myself looking forward to picking *The One* up from my bedside nightly as I journeyed through Smith's fascinating narrative, drawn along by his recounting of James Brown's long, productive, yet troubled life. In many ways, Brown looms as large as Louis Armstrong in the pantheon of genre-establishing, original American musical and cultural voices of the twentieth century. However, much of what has been published by and about Brown was filtered through his own prodigious PR, marketing, and hype machine. Refreshingly, RJ Smith's biography offers an engaging, thoroughly objective, and vivid portrayal of this deeply flawed, but supremely gifted artist,

showman, and entrepreneur. As did Armstrong, Brown grew up on the fringes of society, and learned how to fight to defend himself. That scrappiness and willingness to go head to head with anyone in authority that he perceived as a threat or disagreeing with his frequent and sometimes eccentric edicts is one of the threads that tie *The One* together.

Brown's rise from the depths of abject poverty, his imprisonments, battles with state and federal tax authorities, and his frequent brushes with the American legal system are not romanticized in any way, instead they provide the reader with a solid basis for understanding Brown's lifelong insistence on being wholly self-sufficient and trusting of very few persons. This story is told in a manner that allows the reader to draw one's own conclusions about Brown's business acumen, which seemed to vary throughout his career. Smith explains that Brown built up his extensive financial empire and investments without the help of the well-connected lawyers, accountants, and managers that we take for granted in today's music world. Nearly all of his close advisors lived in or near his home in Georgia. Not long before his 2006 death, Smith reports that Brown had set up two trusts, leaving the substantial receipts that his songs, image, likeness, royalties, and annuities would generate to benefit his grandchildren and impoverished children near the region he called home on the Georgia-South Carolina border. He also continued to draw a salary of $100,000 per month in his dotage, illustrating that even at the last stage of his career, he had marshaled his resources carefully enough to provide for himself and his extended family.

For a student of the music business, the book is a rich repository of Brown's dealings with all levels of the industry. Brown had an innate sense of where his money was coming from and how he was using it, even if he sometimes used his down-home mannerisms to give the impression that he was just an entertainer, another parallel to Louis Armstrong's public and private personae. Especially interesting is how he dealt with his various band members, most of whom were extremely talented artists in their own right, but subjected themselves to Brown's harsh treatment willingly, not only for the steady paycheck, but because they realized that as a concert performer, Brown was without equal and they were a part of making musical history. Tales of his nearly instantaneous music creation in the studio, using a riff or beat to build an iconic funk song such as *Get on the Good Foot*, while conducting the musicians to produce the music he heard in his head also makes for compelling reading.

This volume would be useful not only as a case study for a self-made artist, but also for any course in popular music, African American studies, or sociology that looks at the cultural or societal impacts of popular music. Brown's legacy includes many outpourings of social activism, lyrics, and interviews that addressed black self-reliance and entrepreneurship, convincing young Americans to stay in school, and a host of anti-drug songs and initiatives. The fact that Brown was a staunch Republican who corresponded regularly with politicians, presidents, and other power brokers provides rich material for discussion with students about music's and musicians' roles in our world. *The One* stands as a notable achievement providing a more balanced and well-researched look at one of the most interesting artist-entrepreneurs in American popular music, for which RJ Smith can be justifiably proud.

Keith Hatschek

Keith Hatschek is Professor of Music and Director of the Music Management Program at the University of the Pacific in Stockton, California. Prior to joining academia, he worked in the music business for more than twenty-five years. He is the author of two music industry books: *The Golden Moment: Recording Secrets of the Pros* and *How To Get a Job in the Music Industry*, which provides career development tools and strategies for young music professionals. He contributes monthly music industry commentary for the music blog, *Echoes-Insights for Independent Artists*. Among his research interests are music industry curriculum and pedagogy, student-led music businesses, recording and music technology, and the life and work of jazz pianist, Dave Brubeck. He has presented a number of conference papers and talks about Brubeck's role in Cold War jazz diplomacy, the Civil Rights movement and musicians' collaborative efforts to address segregation in the mid-twentieth-century United States.

Greg "Freddy" Camalier, Director; Stephen Badger and Greg "Freddy" Camalier, Executive Producers; Raji Mandelkorn, Co-Producer. *Muscle Shoals* (Video). Ear Goggles Productions, 2013. www.magpictures.com/muscleshoals/.

In a digital world where access to so much is easy and affordable, students can quickly drift into their specialized niche or interest area and not see or hear much literature beyond that narrow scope. Many music and entertainment industry programs provide a balance of text-context in the form of a popular music history class and these classes give that exposure and historical context.

That history contains many chapters about some very interesting places, but none more interesting than Muscle Shoals, Alabama. Yes, Alabama. Many chapters originate in urban places like New Orleans, Chicago, Memphis, Detroit, or Philadelphia. However, there are very few chapters where the setting is rural and southern. The documentary film *Muscle Shoals* gives some insight into how for more than fifty years, hit records have been written and produced in this small Alabama town.

With a running time of 102 minutes, Camalier and Badger tell the story of the emergence of Rick Hall as an independent producer, studio owner, and music publisher. The film covers the time period from roughly the early sixties through the mid-seventies and chronicles the Muscle Shoals music scene of that era. It features interviews with Mick Jagger, Bono, Keith Richards, Steve Winwood, Alicia Keys, Aretha Franklin, Gregg Allman, and Jimmy Cliff.

One of several consistent themes throughout the film is the tragedy filled young life of Hall. His mother abandoned the family at a young age, a younger brother fell into a boiling caldron of laundry, and a young wife was killed in an automobile accident. So, when one hears Hall declare about his career, "I wanted to be somebody. I wanted to be special," it is believable and powerful.

Hall's early successes were recordings made using a rhythm section that would soon become famous, The Swampers. This rhythm section is the one referred to in a line of the well-known song *Sweet Home Alabama*. It goes, "Now Muscle Shoals has got the Swampers, and they've been known to pick a song or two." The Swampers developed a characteristic sound that kept bringing acts to Hall's Fame Recording Studio. One of the hallmarks of the Swampers is that they had a "black" sound but were

all white. In fact, record company executives and artists alike came to Alabama to get those funky black players as their rhythm section only to find that they were "mighty pale," according to Swamper guitarist Jimmy Johnson. However, a conflict came about when Swampers Jimmy Johnson, David Hood, Barry Beckett, and Roger Hawkins broke away on their own and opened Muscle Shoals Sound Studio. Hall said, "This was war." This is the film's theme of conflict throughout and is resolved later in the film as Hall and the remaining Swampers gather for a reunion.

The music of Muscle Shoals, Alabama, is described by most as funky, a perfect mix of rhythm and blues, soul, and rock and roll. Jimmy Cliff states there are certain places on the earth where there is a "field of energy," and he defines Muscle Shoals as being one of those places. Bono says, "You're going to hear some of the greatest voices that ever were." The best compliment to the musical heritage of Muscle Shoals is Keith Richards' declaration, "You're in rock and roll heaven, man."

While Alabama Governor George Wallace was advocating segregation in 1960s-era Alabama, the northwest corner of the state found blacks and whites working alongside each other in recording studios. However, during breaks for meals, they were awkwardly not able to sit in the same areas of restaurants. In an interview, Wilson Pickett states his reservation about recording in Muscle Shoals and recalls his arrival at the town's tiny airport and being picked up "by a tall, skinny redneck" and driving by cotton fields on the way to the studio. However, some of Pickett's biggest hits, including *Land of 1000 Dances*, were recorded there.

Critics have given the film rave reviews for historical content. However, of note is Anthony Arendt's cinematography. Arendt captured the lush landscape and greenery of northern Alabama and one can almost feel the humidity of the deep South in several scenes.

The *Muscle Shoals* world premiere was at the Sundance Film Festival in January 2013 and the film has been featured in several other festivals as well. It was picked up for distribution by Mark Cuban's and Todd Wagner's Magnolia Pictures at SXSW in March 2013. The PBS program *Independent Lens* secured the film for broadcast in the United States. For serious students of popular music history, the film is a must see.

Robert Garfrerick

Robert Garfrerick is Professor and Eminent Scholar in Entertainment Industry at the University of North Alabama. Dr. Garfrerick teaches music business and songwriting classes. In addition to his teaching duties he is the Chair of the Department of Entertainment Industry. He has written songs recorded by Crystal Gayle, T. G. Sheppard, Marie Osmond, Johnny Lee, Gus Hardin, David Slater, and others.

Dr. Garfrerick has a Bachelor of Music degree from the University of Alabama, a Master of Arts in Music from Middle Tennessee State University, and a Doctorate in Education from Tennessee State University. His research interest is in the area of creativity, songwriting, and curriculum development. He presents and publishes this research regularly. Additionally, Dr. Garfrerick has been a speaker, presenter, performer, or clinician for groups such as The Songwriter's Guild of America (SGA), The Balsam Mountain Songwriter's Camp, Nashville Songwriters Association International (NSAI), and the Music and Entertainment Industry Educators Association (MEIEA). He is a voting member of the National Academy of Recording Arts & Sciences (NARAS), The American Society of Composers, Authors, and Publishers (ASCAP), the Muscle Shoals Music Association (MSMA), MEIEA, and NSAI.

David Flitner, Editor. *Less Noise, More Soul: The Search for Balance in the Art, Technology, and Commerce of Music*. Milwaukee: Hal Leonard Books, 2013. www.halleonardbooks.com.

This book makes for an interesting contrast with the Ariel Hyatt book reviewed below. Flitner's work is a collection of articles by fifteen authors representing a variety of functions in the industry. The common thread is a certain skepticism about the current direction of the industry and its impact on artistry as opposed to commerce. These concerns include the ever-present drive to raise the noise level of recordings, concerns about the increasing amount of corporate ownership of radio stations, and the effects of the iPod in decreasing the audience for radio, as well as the sale of albums. The contributors to the book, all with excellent credits, include mastering engineer Bob Ludwig, independent record label pioneer Will Ackerman, and other leading producers, engineers, musicians, and recording artists.

One of the most interesting comments is editor David Flitner's observation that rock music has been transformed from a position of "creative integrity" to a "soundtrack for fashion, promotion, and lifestyle." Not all readers will agree with the various authors' contentions. For example, Susan Rogers' statement that "powerful emotional responses to music have never depended on lyrical content," is one that will certainly not appeal to lyricists! Similarly, Bobby Frasier's statement that "music of the 30s, 40s, and 50s all sound distinctive because of the technology of recording" is a bit mystifying to this reader.

All in all Flitner's collection provides excellent food for classroom thought and study.

Ariel Hyatt. *Cyber PR For Musicians: Tools, Tricks & Tactics For Building Your Social Media House*. Brooklyn: Ariel Publicity, Artist Relations, and Booking, 2012. www.cyberprmusic.com.

Ariel Hyatt is a renowned New York publicist who has leaped into the internet as a promotional tool with alacrity and resolve. This book is the most complete book of its kind that I have encountered. The author presents a bewildering collection of promotional tools available for contemporary musicians. She covers blogs, Facebook, Pinterest, Google, Twitter, various mobile applications, and teaches the reader how to take

advantage of these platforms. She also evaluates all of these tools and then shows the artist how to develop a fan base and how to communicate with these fans. There are details about organizing a blog, writing newsletters, surveying fans, and much more.

The author is aware that many aspiring musicians are intimidated by the proliferation of these high tech tools and that they are not clear how best to utilize them. To dispel these fears she gives many net sources for videos that will be helpful in developing and utilizing these tools. She also gives nuts and bolts dollar figures about exactly what some of these platforms cost.

This book is a great tool for musicians and professors, and in fact is used at several colleges. The only thing I see missing from the book is a realistic assessment of the time and dollar commitment it takes to access and utilize all these platforms. After all, there are only so many hours in the day; there has to be a balance between the time it takes to write and develop the music, and the time we devote to self-promotion. Possibly that is the next book project for Ms. Hyatt, whose company has represented over 1,800 artists and bands.

People working in this industry, or teaching about it, need to be aware of this revolution in PR, and whether they wish to use these tools or not, this book provides a foundation for that information.

Bobby Owsinski. *The Touring Musician's Handbook*. Milwaukee: Hal Leonard Books, 2011. www.halleonardbooks.com.

For anyone who wants to go on large-scale tours as a hired-hand musician, singer, road manager, or audio person, this book is an essential guide. Having said that, the reality of the industry is that the sort of large-scale tours that this book covers will employ only a very small percentage of musicians who may want to do the work.

Owsinski defines each player in the tour in some detail. This includes monitor engineers, lighting directors, stage managers, and other personnel. He also provides a history of how tours developed as an industry from, for example, the chitlin' circuit of R&B performers to today's stadium and arena tours. Other sections of the book cover preparation for players of each instrument. This includes many hints for packing back-up cables, accessories, and even instruments for major tours.

An accompanying DVD-ROM has a gear preparation list and two

short movies where a touring musician takes the viewer through what needs to be packed in terms of gear and personal items. There is also a letter for the TSA (Transportation Security Administration), which is part of an agreement with the airlines that covers a musician's right to carry instruments aboard a plane. This is quite useful because I can tell the reader from personal experience that not all gate agents and cabin attendants are aware of this agreement.

Overall this is an excellent guide to large-scale tours. I only wish the author had offered more information about smaller-scale tours because the sad fact is that most of our students, and most musicians, will never be playing stadiums, or even arenas, and the majority of them won't have this high level of technical support.

There are nine interviews in the back of the book with techs, musicians, and even a music director. Unfortunately the author has printed some of the material from the interviews verbatim in the main text (occasionally even twice). Although the author stresses that tour musicians must duplicate the sound of the artist's records, Mike Holmes, a keyboard player interviewed by the author, takes the opposite view.

One of the book's strengths is the detail about the financial and social aspects of the life of the touring musician. The section on auditions reveals different strategies musicians use to get these gigs, including not doing auditions at all!

Dick Weissman

Dick Weissman is Associate Professor Emeritus at the University of Colorado Denver and an Adjunct Professor at Portland Community College. He has recorded and performed widely, with placements of his original music on BBC TV, NBC TV, and the Biography Channel. He has written twenty published books about music and the music industry, including his newest, *100 Best Books for Folk Fans*, to be published by Scarecrow Press in February 2014.