Introduction

Music is an art form in the medium of sound. Musical experience involves—at minimum—a maker and a listener and an exchange between them consisting of music, meaning, appreciation, and, sometimes, money. To thrive, a music business must in some way facilitate that exchange in order to monetize the experience.

But it's not just about money. A music experience can also be transformative, life affirming, and culturally powerful. The right popular song at the right time can change the world. Music is the core product and service of a multibillion-dollar industry. Music can make you fall in love, or break your heart.

That's what this book is all about. All of it.

Create, Produce, Consume: New Models for Understanding Music Business is an exploration of the music experience cycle. It looks at artist/audience and producer/consumer relationships—not necessarily the same thing—from creation to production to reception and from creation to consumption. Each chapter offers a different perspective on the processes and structures that provide access and guide listeners to discover, experience, and interact with music and musical artists. The goal is to help the reader to understand and be able to explain why an established music enterprise works, to predict how well an emerging venture may perform, and to plan an entirely new one from the ground up.

The content of this book is not arranged chronologically, but by topic. It begins in the first chapter with an overview of the music experience cycle from creation to reception and, ultimately, consumption. The next two chapters look in detail at the core elements of that cycle, production and reception, from multiple perspectives. From there the chapters spiral outward to consider how reception becomes consumption, is taken to scale, and is monetized, localized, diffused, and disrupted across networks, corporations, and a society increasingly addicted to spectacle and media. At each stage, from chapter to chapter, the experience cycle is viewed from a new perspective and the overall complexity of the music business progressively revealed in greater scope and detail.

Along the way, readers are introduced to a variety of analytical tools and encouraged to develop an adaptive expertise that is well suited to the complex and rapidly evolving economy and culture of music. The reader is also challenged to dive deeper and create conceptual prototypes of as yet unbuilt musical ventures or to enhance ones they have already launched.

The path ends where it started, with the vital importance of creating a song that someone will fall in love with or use to change the world, even if only for three minutes. The difference is that the reader is better prepared to understand how and why that has happened. And, most critically, is empowered to act and make it happen for themselves.

A brief overview of the chapters follows.

1. INCEPTION

Introduces the processes that connect creators to listeners and provide access to musical experiences and products. Defines critical concepts including complexity theory, cycles of stability and disruption, and adaptive expertise. Introduces the principal analytical tools used in the book, including case studies, process models, and conceptual prototypes.

2. PRODUCTION

Begins with a fundamental definition of "production" as the means to create access to musical experiences, whether live or technologically mediated. Explores the impact of production technologies on music creation and distribution. Considers how casual listeners become consumers and how that "journey" is managed.

3. RECEPTION

Examines the ways listeners discover, engage, and interact with music and music creators. Introduces fundamental concepts about the neurobiology of music listening and how production techniques grab and hold a listener's attention and shape musical preferences. Explores how consumers also shape production decisions via Internet-based fandoms.

4. COMMODIFICATION

Focuses on what happens when production and reception are scaled upward for massive distribution and consumption. Explores the pros and cons of turning music and musicians into products and how, on a sufficiently large scale, the music industry is both an economic and a cultural driver for society as a whole.

5. MONETIZATION

Explores how the relationship between ownership and access creates value through the three main sectors of music enterprise: publishing and licensing; concerts, tours, and festivals; and recording and distributive media. Copyright—the primary mechanism for managing ownership of musical productivity—is examined in relationship to each of these sectors. The ongoing effects of technological innovation on copyright law and music business practice are traced throughout.

6. LOCATION

Examines the relationships between local communities, venues, record labels, and musical genre development. Considers whether or not a music scene can be started "from scratch," or must arise organically from the context in which it appears.

7. DIFFUSION

Considers how music is distributed to optimize cultural and economic impact. Begins with the perspective of the previous chapter—the local music scene—and examines the methods by which local music becomes global.

8. DISRUPTION

Uses the concept of *creative destruction* to examine cycles of stability and disruption as applied to music. Explores the concept of "adaptive expertise" as the capacity to respond to disruption by reusing or adapting existing solutions, or creating entirely new ones. Posits that adaptivity is the key to surviving and thriving in the volatile music and entertainment sectors of economy.

9. CONNECTION

Reviews the various structures and processes that connect music, musicians, and music enterprises, including artist-to-audience, artist-to-artist, business-to-artist, and business-to-business relationships. Also examines how music can be the basis for the formation of communities and subcultural groups, from the shared experience of a concert audience, to fan clubs, to the Internet fandoms that impact productivity metrics for the industry.

10. INCORPORATION

Considers business structures that facilitate and monetize production and reception. Introduces theoretical perspectives that address startups, adaption/disruption, and the management of creativity and risk. Gives examples that embody the application of these principles to twenty-first-century musical culture and markets.

11. AGGREGATION

Explores the issue of aggregation: of audiences, of artists, and of the music they create. Introduces some of the methods by which producers aggregate information about consumers. Considers how data—about listeners, listening habits, recorded product, and curated playlists—have created a new web of aggregative possibilities, in which artists, producers, and listeners are all—potentially—"product." Introduces the burgeoning field of data analytics as a tool for prediction and control of outcomes in a volatile creative industry.

12. SIMULATION

This final chapter ponders spectacle: the creation and consumption of simulated realities. Considers several kinds of spectacles and their uses (and side effects) in society and commerce. Examines the effects of spectacle in music: technologies that blur distinctions between live and recorded performance, between advertising and content, and the deconstruction of the traditional forms, roles, and institutions of music.

Although, as indicated above, there are deep dives into specific music enterprise structures and theoretical frameworks along the way, the overarching orientation of the book is toward the most critical destination: the place where artists and audiences come together and share music making and cocreate artistic, social, and economic value.

Let's get started.

I

Inception

Creation, Production, Reception

Music most often begins as an idea or a feeling in the mind or heart of one person. Understanding how or why is a mystery beyond the scope of this text. Here, we will take musical creation as a given and focus on what comes after: shared musical experience, what makes it happen, and the forms of value it can generate.

Musical experience depends upon someone making and someone else listening to music. Performance can be technologically mediated so that performer and listener don't need to be in the same space at the same time. Or the performer and listener can be in the same room (or even be the same person). But for music to have wider impact, the minimum "equation" is one performer plus one listener equals a musical experience.

How music moves from an idea—*creation*—to the ears of listeners—*reception*—is where the *production* structures of music enterprise come into play. All forms of music production provide access to musical experience, regardless of venue or technological medium. Access to music and musicians is what brings music commerce, community, and culture to life. Consequently, managing access and the complex relationship between artist and audience is the essential mission of every music enterprise, regardless of where or when or in what genre it happens.

This chapter begins with an overview of the processes through which producers bring music, musical artists, and audiences together. This is followed by an introduction to fundamental concepts, analytical tools, and a methodology for new venture creation, all of which will be referenced throughout the remaining chapters.

PRODUCTION PROCESS: ACCESS, DISCOVERY, ENGAGEMENT

Because the inception of music is so often personal, the first challenge for anyone wanting to use it to create value is to make it possible for someone besides the creator to hear it. At the most fundamental level, this is a question of *access*.

For centuries, access to music meant that the listener had to be in the same space as the performer while the performance was happening. Late in the nineteenth and early twentieth centuries, technologies such as audio recording/playback and radio broadcasting made access possible even when artists and audiences were far apart or the acts of performing and listening were separated in time. A record played on the radio made it possible for a listener in Arizona to hear a performance recorded in Massachusetts, two years earlier.

New technologies that increased access to music—particularly those that made it more convenient or cheaper—changed listening and commercial consumption patterns. Musical styles previously limited to the players and listeners of a specific geographical region could be heard all over the country and, ultimately, the world. The scale of consumption changed as well: "handcrafted," one-of-a-kind local performances could become mass-produced products for audiences of millions. As the musical experiences and social/economic opportunities of creators expanded, creative practices changed too.

In addition, by the mid-twentieth century, broadcast and recording technologies moved musical experiences, previously available only in public spaces, into private ones. Music in a vast array of styles, from all over the world, could be heard in the comfort and convenience of one's own home via radio and records. The digital technologies of the late twentieth and early twenty-first centuries intensified these effects. Today, it is no exaggeration to say that access to any music, anywhere, at any time is a reality across the industrialized world.

Incredibly, this near universal, on-demand access to music is available at minimal or no cost to listeners. Musical experience—from the listener's perspective—has never been richer or more convenient. But at the same time, the emergence of this reception utopia has caused a major crisis for producers.

For music producers there has always been tension between facilitating access and controlling it. If music is too difficult to find, people won't hear it, let alone purchase it. If access is too easy, people don't need to pay and may even be able to function as "pirates," creating and distributing illegal copies.

The point of access to music is always also the point of monetization, whether in the form of a ticket that lets you into a concert or the purchase of a recording. Even broadcast media like radio monetize access—by providing advertisers access to listeners who must listen to or watch ads in order to hear (have access to) music.

When a new technology, a changing social behavior, or a combination of the two changes access it also affects both control and monetization, to which producers must respond. This phenomenon is both cyclic and inevitable (see chapter 8 for a discussion of this cycle) and has happened many times.[1] But, fueled by the "compressive effects" of digital technologies, the conflict between access and control became unusually intense early in the twenty-first century.[2] In later chapters we will look at some of the winners and losers in these rapidly evolving frameworks for production and consumption.

In addition to unparalleled ease of access and an increasing difficulty monetizing it, the contemporary music business faces another issue.

Since the early 2000s, it has been possible for anyone to reach a global audience with musical (really any digital) product via the Internet. The production, distribution, and promotion of such products, ranging from professionally done recordings of original songs to home-made lip synch videos, became possible at minimal cost via web-based media hosting platforms like YouTube, SoundCloud, and Bandcamp (as well as Zoella and KSI for Gen Z-ers), and networking utilities like Facebook, Twitter, Instagram, Snapchat, and Musical.ly (for Boomers, Gen X, Millennials, and Gen Z, in roughly in that order of usage).[3]

The mechanisms of production, distribution, and promotion previously controlled by (and beneficial to) record labels and radio stations were democratized by the Internet. Much more music by many more creators and producers was available than ever before. The downside was that in removing the gatekeeping function of labels and networks, the curatorial function was removed as well. Everything becomes equally available online: good, bad, and ridiculous. The bandwidth is enormous but the signal-to-noise ratio is very poor. Because so much music is discoverable via the Web, for producers the question becomes one of how to ensure that listeners discover their music amid the millions of choices.

For most of the twentieth century, music *discovery* (how listeners find music) depended upon a coordination of radio play, retail record sales, and live shows, supplemented with print and broadcast media advertising and promotional appearances. Traditional discovery was part of a process that was relatively stable and well understood. As explained by Samuel Potts (Head of Radio, Columbia UK): "Previously, in the era of the traditional customer journey, we generated discovery for 8 to 12 weeks (allowing customers to discover new music by promoting through intermediaries such as TV, radio and press), and then the purchase or 'consumption' of music would come afterwards."[4]

Today, discovery increasingly depends on Internet-based platforms that incorporate a social networking component. In one sense this is not new, in that "telling your friends" has always been a valuable tool to promote music. But, like other aspects of the multidirectional networking on the Internet, the speed, scale, and interactivity in the present environment are unprecedented. In addition, Internet-based "fame" is extremely transitory and may last hours, perhaps a day or so at best.

As a result, the question confronting producers today is not only one of driving traffic to a YouTube channel, for example, but also one of fostering listener *engagement* with the content there. It is not now—nor has it ever been—sufficient to lead listeners to find an artist. A listener must personally connect to the artist's music and to the artist as a human being. This connection is the basis for longer-term relationships. Neither economic success nor cultural influence is achieved by way of "one and done" musical encounters. Successful management of the production process requires an integration of artist/music discovery and engagement, followed by consumption—ideally via multiple purchases of products and experiences—over time. As explored in later chapters, this process has been accelerated, compressed, demonetized/remonetized, and fundamentally altered in the digital era.

Developing a working understanding of the creation-production-reception cycle—and its potential to generate commercial consumption—depends upon knowledge of a wide range of historical and contemporary examples, as well as a degree of skill using concepts, theoretical frameworks, and analytical tools to analyze, compare, adapt, and apply them to emerging or entirely new musical ventures.

FUNDAMENTAL CONCEPTS

In this chapter we introduce three concepts and a brief overview of the theories from which they emerge: complex systems, stability/disruption cycles, and adaptive expertise. All are highly relevant to music enterprise across virtually all genres, eras, and locales. As such they are presented as foundational perspectives to which we will return a number of times throughout the text.

Complexity

The term "complex system" has a number of specific meanings that, depending upon context, can range from the casual—that how something works is "complicated"—to formal discipline-based meanings. These include, in mathematics, chaos theory; in biology, the physical processes of organisms; and in computer networking, the Internet. All of these "things" (except the casual, conversational usage) share some critical characteristics: that there are many seemingly independent elements, that these appear to function without central control and yet somehow "act together" to make the whole thing work.

We will take a deeper look at complex adaptive systems in chapter 8. But for now, a basic interpretation of complexity applicable to music enterprise might look something like this: a complex system is one that has many "moving parts" (people, products, processes) that are relatively simple to understand individually, but that act together to be productive and efficient without the benefit of a controlling authority.

Let's take that working definition for a spin.

There is, for example, no individual or organization that can with certainty produce a "number 1 hit single."[5] That distinction is the result of a large number of actions and interactions by and among songwriters, performers, producers, marketers, advertisers, communications experts, retailers, broadcast and web-based media platforms (and more) all acting independently (or at least semi-independently) but whose aggregate actions produce a "hit," a "song of the summer," a Grammy or CMA award nomination, or even the recognition of an artist as the "voice of a generation."

And that's just the production side of the process.

Even the combined expertise of all these actors and the considerable resources at their disposal will not, absent the enthusiastic participation of listeners/consumers, make a song rise to the top spot on the charts. The complex system for hit songs includes the listening public as well as the creators and producers and, since the early years of the twentieth century, music businesses have sought to understand what makes people love a song enough to make it a hit. Despite increasingly sophisticated research, sometimes the "hit-making machine" works exactly as planned, while at other times it does not.

The issue then is, perhaps, not how we see the "machinery" in all its complexity. The greater challenge is to know what specific action—what "button" to push—to make the system reliably and repeatably produce an intended result. In other words, the task for the artist/entrepreneur is doing it "on purpose" rather than waiting for "magic to happen." Consequently, the most critical consideration about the complex system of music production and reception is one of control.

A number of processes were developed by the music industry over the years intended to improve the chances of producing a hit and making a musical artist a star. For example, increasing public awareness of the artist and product via advertising and promotional activities is one such process. Tours to put the artist physically in front of audiences to create a personal connection and shared experience is another. For most of the twentieth century, the synergistic relationship between radio, record sales, and live shows was the foundational method believed to "engineer" successful outcomes most reliably.

Obviously, as a matter of historical fact, these control mechanisms did not always work. A big promotional budget and even an established brand do not necessarily produce a number one hit, a profitable record, or a successful tour. For example, the legendary "sophomore slump," in which artists with a popular debut album disappoint economically or artistically on their second release, is both common and yet not certain.[6] For emerging artists and first albums the results are even less predictable. What catches on and what disappears without a trace can depend upon variables that are not apparent during the creative or production phases or that simply don't work the way they are "supposed to" work.

The embarrassingly negative public response to the U2 and iTunes partnership in which the band provided their album *Songs of Innocence,* released in 2014, free to Apple customers is an example of such unpredicted and unintended results.[7] Fan demands to remove the "unwanted" product from the music libraries of their mobile devices were strident and incredibly well publicized in both social and professional media. The fiasco prompted embarrassed apologies from both Apple and Bono, on behalf of the band. Clearly this was not what the artists or the company intended.

Why one result and not another?

The issue is, complex systems are just that: complicated. There are too many moving parts (people, processes, and motivations) interacting in too many ways, often too quickly, for control to be easy. The Arctic Monkeys' groundbreaking online release of their debut album was initially considered a disastrous mistake by their label (a "leak" of massive proportions) until it turned out to be an industry-changing innovation. "What just happened here?" is not an unusual reaction in the business of breaking new music to the public.

Central to the difficulty of predicting outcomes, or even understanding results after the fact, is that it is possible to look too closely at an individual event and miss the larger picture. The converse is also true: an overarching brand strategy that is timely and appropriate doesn't matter if we (the audience) "don't hear a single." But it is the premise here that it is possible to do both: see the larger pattern as well as the individual elements and, more critically, their constantly morphing interactions.

That said, what this book cannot do—because, arguably, it cannot be done—is explain, once and for all, "how it works." There is no "trick" to it. Complex systems are self-organizing (people like what they like and do what they want), nonlinear (advertising does not necessarily equal sales and neither do social media "likes"), emergent (new technologies, trends, and behaviors appear), and dynamic in their movement from chaotic to ordered conditions and back again. Consequently, what worked beautifully for Band A last week may or may not work at all for Artist B today.

Because complex systems are dynamic and their behaviors are hard to predict, investments tend to be high risk. Much of the history of the music business—the growth of major record labels, as well as the promotional relationships between them, radio networks, and concert promoters—is a quest to control that complexity, or—depending on your point of view—to game the system. If, for example, one could suppress the competition *and* control the choices available to retailers and consumers, a streamlined process could—theoretically—emerge: a "star maker machine" that outputs "stars" and "hits" at a reasonably predictable rate.[8]

Such practices can and do work. Until they don't. This variability is also a process, the result of a recurring cycle between stability and disruption in business, economics, and culture. The next step toward understanding complexity in the music business is found in the relationship between stable and disruptive states.

Stability and Disruption

If we take "culture" to mean the cumulative effects of relationships among people (what we believe and do), institutions (collaborative structures such as governments, private organizations, as well as legal and economic systems), and artifacts (what we make), we can see that these elements are sometimes stable and long-lasting, while at other times highly changeable.

Change occurs in these elements of culture both individually and collectively. For example, the members of different generations may value different things and view what constitutes "normal" behavior differently. Such social shifts drive changes both in the government and in the economy. Music business models rise and fall as a result of shifts in musical styles and patterns of listener preference and consumption. Some musical trends or fads emerge and disappear quickly, while generational tastes and values change relatively slowly. In contrast emerging technologies can have far-reaching effects that manifest rapidly and disrupt established systems of both production and reception.

At other times, conditions seem stable. During such periods people understand how things work and the phrase "business as usual" applies.