

You and Me Got a Whole Lot of History:

An historical analysis of music distribution and formats, and the socio-cultural trends that have shaped them.

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A dissertation submitted to
Auckland University of Technology
in partial fulfillment of the requirements of the
Master of Business Degree (MBus)

2016

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Abstract

The music industry has been in a state of flux for the past 20 years. Disrupted by the digital revolution, and the significant consumer uptake in the piracy of music product, revenues have fallen substantially over a relatively short period of time. This case study analyzes the historical timeline of music product formats and distribution methods whilst contextualizing them through the socio-cultural trends that have shaped the shifts in music format and distribution methods, through a business lens. From the distribution of physical music product, through all the transitional periods surrounding the digital revolution, and the new model of non-acquisition consumption through streaming, the consumer behaviour trends that have impacted on music distribution and format are analyzed as important influencing factors. The case study uncovers an industry resistant to change, and an industry that behaves in a wholly reactive way to consumer behaviour trends.

This research also discusses the potential future around the sale of recorded music, as socio-cultural trends continue to shape the development of music as a cultural commodity. A distribution strategy for maximizing revenue for each distribution method and format is proposed, by strategically releasing new recorded music products (albums) physically, digitally and through streaming service in a specific timeline in order to avoid the cannibalization of each format. It is further proposed that the future of recorded music may not actually lie in the sale of recorded music being a primary revenue stream for the music industry going forward, and instead may be more appropriately utilized as a marketing vehicle to drive consumer spending in more lucrative revenue streams such as live performance, and branded merchandise.

(Also, the title is a One Direction lyric).

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II. Attestation of Authorship

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person (except where explicitly defined in the acknowledgements), nor material which to a substantial extent has been submitted for the award of any other degree or diploma of a university or other institution of higher learning.

A handwritten signature in black ink, consisting of several loops and a final flourish.

III. Acknowledgements

It's hard to know where to start, in acknowledging all of the people who have helped make this dissertation happen. The most significant and important people in the writing of this dissertation have been my two fantastic supervisors; Dr. Katharine Jones and Dr. Roger Marshall. Their calming influence, patience and encouragement is genuinely the only reason that this research has been completed at all. Further, their unwavering belief in my abilities, and absolute trust in my integrity has been instrumental in my making it this far. There aren't enough words to adequately convey my absolute gratitude for everything they have done for me during this process.

Also, a massive thank you to my parents; both of whom have stopped me from wanting to chew on glass on many occasions over the past 8 weeks. The love and support I've received (whilst being completely irrational writing this) has got me through the most difficult few weeks of my academic career. Also, the logical argument of "we paid your fees upfront, so no, you can't drop out" was definitely instrumental in getting me to completion. Thank you for always being a shoulder to cry on, and pretending to know exactly what I was talking about when I came up with weird music industry theories.

Finally, to all my fantastic friends who have been incredibly supportive throughout this process- we can finally see each other again now that this is over! The late night proof-reading sessions, and reminding me how close I was to being finished were always appreciated.

The question I've had most whilst writing this case study has been "but why music?". I think this quote sums it up best, and also operates as a great introduction to this case study:

*Some people believe in God. I believe in music.
Some people pray. I turn up the radio.*

-Jared Leto

1. Introduction

I believe that music changes the world; Music is the soundtrack to everyone's lives. Try and do anything, from watching a movie, to getting married without music. It entertains, and it also moves you, it enlightens you and can also teach you.

-Ron Shapiro

(Executive Vice-President/ General Manager of Atlantic Records)

Research Background and Context

This dissertation is about music product, and the music industry in a transitional state. Throughout history, as technology has developed, so too has the format and methods of distribution of music products. As music has developed in format and distribution from a physical, tangible product, to a digital format and distribution channel, through to a non-acquisition model of consumption with subscription-based streaming services, so too have consumer perceptions of the value of music as a commodity developed (Cox, 2015). As music as a commodity has shifted from being a physical collection of songs vinyl and cassette, to a collection of digital files on compact disc through to being individual digital files on computers and digital devices, this has had significant effects both on the revenue streams for the music industry, and for the ways in which music affects consumers' relationship with music as a commodity and how they encounter it (Cox, 2015).

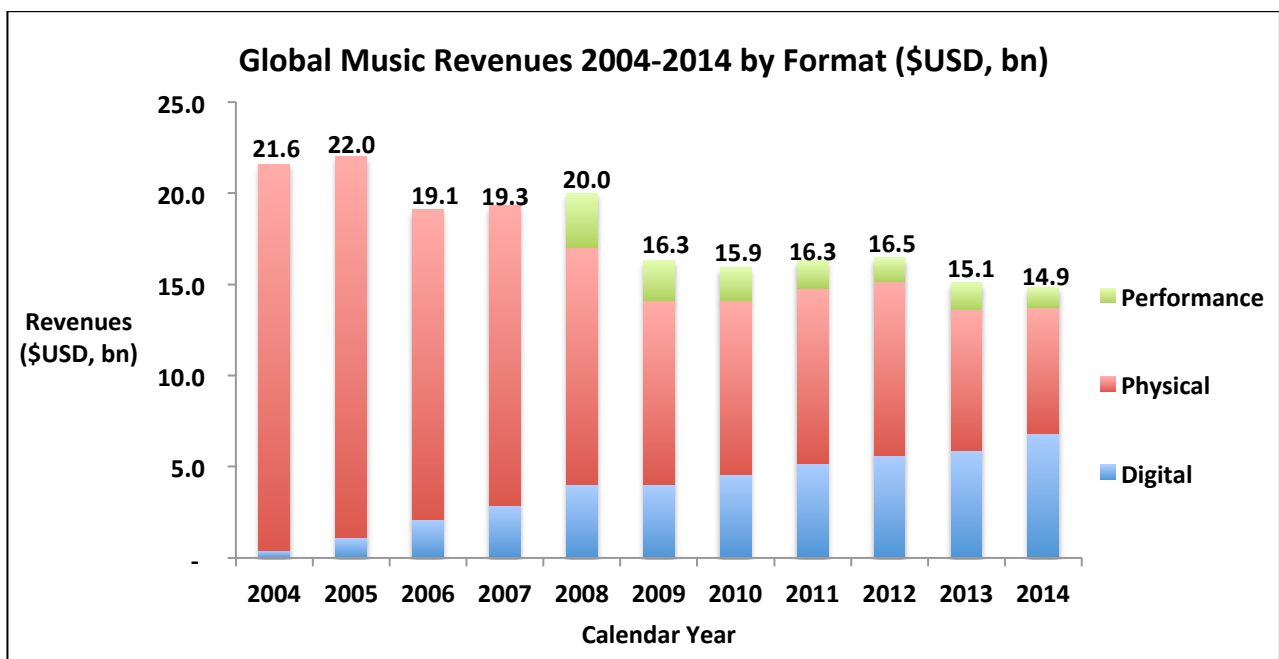


Figure 1. Global Music Revenues 2004-2014 by Format. Sourced from IFPI Digital Music Reports. IFPI (2005), (2006), (2007), (2008), (2009), (2010), (2011), (2012), (2013), (2014), (2015).

Figure 1, above, is illustrative of the dramatic and rapid changes in global music industry revenues, by format and distribution method (IFPI, 2005-2014). The International Federation of the Phonographic Industry (IFPI) is the representative body for the recorded music industry worldwide, and they present the global music industry revenues by format in an annual Digital Music Report from data collated from local recording industry bodies (the Recording Industry Association of New Zealand (RIANZ) and the Recording Industry Association of America (RIAA) as examples). What Figure 1 illustrates is an industry in the midst of a dramatic shift not only in the overall profitability of the commodity being sold (music), but also in the format and distribution method that consumers are utilizing to access the commodity. In 2004, revenues from digitally distributed music products contributed only 2% to the overall revenue of the recorded music industry (IFPI, 2005), and in the space of only 10 years that percentage share has increased to 46% of the overall revenue for the industry in 2014 (IFPI, 2015). Overall, sales of digitally distributed music product have grown by 1,612% since 2004, which is significant even before contextualizing that the total music market has shrunk by 32% over the same time period (IFPI, 2005; 2015).

Further, as illustrated in Figure 1, from 2008 revenues from performance were also contextualized as a recorded music revenue stream; performance in this context applies to revenues sourced from the licensing of existing recorded music product for use in other media (film, television, gaming and advertising). Performance is an important inclusion, because as a revenue stream it was borne out of necessity as a result of a drop in over \$2 billion USD of annual revenue from 2005-2007 (IFPI, 2006; 2008). From 2000, illegal downloading has been the fastest growing activity on the Internet (Graziano and Rainie, 2001), which partially contributed to the significant drop in revenue. As a result, a new revenue stream was harnessed to capitalize on the recorded music as a product, and from 2008 performance has contributed up to 15% of the total annual revenue for recorded music, globally (IFPI, 2009-2015).

Problem Identification

The music industry has been in a constant state of flux for almost the past 20 years. The remarkable consumer uptake of illegal downloading and piracy has irrevocably changed the business model that the music industry had previously employed, and is responsible for an over 62% decline in revenue over 15 years (IFPI, 2015). Illegal downloading has

been increasing in volume, and since 2000 it has been the fastest growing activity on the Internet (Graziano and Rainie, 2001). This case study will collate and analyze the historical timeline of music product formats, and methods of distribution of music products within the context of socio-cultural trends that have been shaped, or were responsible in shaping, the format and distribution models from a business perspective. On a scale beyond that of the music business, this research will also serve to analyze the value of cultural goods, and the conflicted assemblage in the ongoing development of technologies, consumers, and industries that contribute to the uses and meanings of music formats as they continue to develop.

The digitization of music is a case study in media convergence- connecting creativity and commerce in a narrative that concerns itself with a dichotomy of creatives and businesspeople, and the way in which consumers take value from digital commodities. It is a powerful illustration of how technological shifts and shifts in socio-cultural trends are shaping and are, in turn, shaped by cultural commodities (the notion of which is discussed in further detail in Chapter 3, Case Study under Music as a Commodity). In essence, it is a narrative around how commodity formats and distribution change through a process of digitization, and now a model of non-acquisition, and the reasons why these matter for the music and media we consumers love.

Within an academic context, there is a literary gap around looking at music distribution and formats as an holistic timeline, as the topic of music distribution and format has been historically researched only within silos and without context applied to how socio-cultural trends and consumer behaviour has had an effect on these shifts. As a result, this particular piece of research is filling a literary gap, by analyzing the full historical timeline of music distribution methods and formats, and how shifts to new distribution methods and music formats have been influenced by or have influenced socio-cultural trends. Further, it is proposed that by analyzing the full historical timeline of music distribution methods and formats over time with context given to the socio-cultural trends that have shaped them, this will help the music business in gaining a greater understanding in consumer behaviour trends which are influencing their product in a continually changing media and technological landscape.

Research Objectives

This research will be investigating the relationship that music as a product has with consumers, within the context of socio-cultural forces, using a lens informed by a business perspective. It will operate as an historical analysis and timeline of the methods of distribution of music products (albums and singles) in the context of socio-cultural trends that have shaped, or were responsible in shaping the business distribution models.

Investigating the following will support the above research focus:

- ✓ Explaining the relationship between socio-cultural trends, and the methods of distribution of music products.
- ✓ What is the ongoing sustainability of the current music industry business model?
- ✓ Extend the extant knowledge of commodity form and distribution changes through a process of digitization, and what that means for media in an increasingly digital world.

Research Significance

More people are consuming more music than at any other point in history (Greenburg, 2015), and increasingly music has more cultural significance and meaning in the minds of consumers (O'Reilly, Larsen and Kubacki, 2013). Music continues to be an important cultural and personal marker, illustrated by the previously quoted Ron Shapiro (2002) who argues that music is so heavily ingrained in every social and personal occasion, that music in the lives of consumers is more than entertainment; it enlightens, teaches and shapes social occasion and perception. Jason Flom, the former CEO of Capitol Records, puts it most succinctly in saying “perceptual studies have shown that in the hierarchy of needs, the two things that people care most about are music and sex. So there’s no question that music is a primal need, and it’s unbelievably powerful” (Cubbins and Leto, 2012). In a time of such dramatic and significant changes in revenues for the music industry, and changes in the format and distribution methods for music as a commodity, this topic is not only culturally relevant, but also incredibly interesting. As these changes continue to occur as technology develops, this topic is leading edge.

It is proposed that there is a set of three stakeholders who will benefit most from the undertaking of and results of this research: the creatives (artists and bands), the business (record labels) and the consumer (described and discussed in greater detail in **3.1**).

Industry Context). The benefits of this research to each of the three aforementioned stakeholder groups are outlined below:

- *The Creatives*

The Creatives stand to gain only a little benefit from this research, as their income and revenue streams are so heavily influenced by the The Business and The Consumers. However, it is proposed that this research which investigates and illustrates the ways in which consumer behavior and socio-cultural trends are influenced by or are influencing music distribution and formats, that creative who are not under contract to one of the major record labels can stand to make more informed decisions about self-releasing music products.

- *The Business*

The Business stands to gain the most from this research, given that this research is being framed with through a major record label focused lens. It is proposed that this research, and specifically the development of a strategy to maximize revenues through a specific release plan across all formats and distribution methods will result in increased revenue flow to the business over time, and a greater understanding of the ways in which consumer behaviour shapes the business and it's core product.

- *The Consumer*

Within the context of this research, The Consumer as a stakeholder is actually a unit being analysed in order to benefit the other two stakeholders. However there are potential benefits to the consumers as a result of this research as a result of this research having benefits to the creative and the business- insofar as with the business having a better understanding of consumer behaviour and socio-cultural trends around the consumption of music product, there is the potential for the business to develop release strategies for music products which are beneficial to the consumer.

2. Method

Introduction

This research is undertaken as an historical case study. Yin (2014) describes a case study methodology as being an enquiry that investigates a contemporary phenomenon in depth and within its real life context, especially when the boundaries between phenomenon and context are not clearly defined. The purpose is to provide a level of detail and understanding, which allows for thorough analysis of the complex and particularistic nature of specific phenomena (Denzin and Lincoln, 2005) – similar to the notion of a ‘thick description’ (Geertz, 1994). The case for the current topic of research is the historical shifts that have occurred over time in the format and distribution of

music as a commodity, within the context of the socio-cultural trends that have shaped, or have been shaped by such shifts.

Rationale for Qualitative Case Study approach

Historical analysis within the scope of a case study works on the assumption that constant change is occurring over time (Hollander, Rassuli, Jones and Dix, 2005; Merriam, 1998), and at its core the purpose of an historical case study is to identify and explain shifts and changes between determined time periods (Smith and Lux, 1993). Primarily, an historical case study methodology is used to research either change or continuity over time (Savitt, 1980), and considers specific contexts, events, socio-cultural impacts and periods of time within the scope of the specific case being researched (Hollander et al., 2005; Savitt, 1980; Denzin and Lincoln, 2005). An historical case study acknowledges that the timeline within which shifts happen is often a key to understanding the influence of those shifts in the processing of more major changes (Griffin, 1993; Amenta, 2009). As such it is the ability within an historical case study to compartmentalize separate events of a research timeline, which makes it possible to identify and research the socio-cultural shifts between determined periods (Hollander et al., 2005; Smith and Lux, 1993). Key to the current research is the fact that an historical case study methodology thoroughly contextualizes socio-cultural circumstances and ideological assumptions surrounding the topic of research (Smith and Lux, 1993; Hollander et al., 2005; Ragin and Becker, 1992), as opposed to researching the phenomena in isolation of its cultural context. Further, an historical case study seeks to research the processes and causes of change and place these within a deeper cultural context around the researched phenomena (Hollander et al., 2005; Smith and Lux, 1993).

In line with the previously mentioned features of an historical analysis within a case study methodology, the scope of the current research sits firmly within this methodology. The current research is investigating an abridged longitudinal history of the formats and distribution methods of music as a commodity within the socio-cultural contexts that have influenced, or are influenced by the shifts in music format and distribution methods over time. An historical case study methodology allows for the aforementioned topic of research to be compartmentalized according to significant shifts in the format and distribution of music as a commodity (Smith and Lux, 1993; Hollander et al., 2005). This in turn allows for a thorough investigation into the cultural contexts involved in the

development of these shifts (Savitt, 1980). Furthermore, as the topic of research is being investigated retrospectively within its' historical context, an historical case study methodology is an appropriate approach to this topic of research (as opposed to a standard case study approach where the phenomena can be actively observed in the modern context (Yin, 2014)).

Methodological Approach: Case Study

The case being researched is exploring and analyzing the changes in the format and distribution methods of music as a commodity, within a socio-cultural consumer behaviour context. This case will be researched as an historical timeline in totality, through three pre-determined time periods.

The undertaking of this historical case study is an iterative process, with collection and analysis of official documents (document analysis) laying the fundamental basis for the remainder of the research and analysis. The initial document analysis will operate primarily as the development of an historical timeline by analyzing official industry revenues and sales data in the form of financial reports in order to appropriately break up the historical timeline in to separate periods by significant consumption and revenue shifts (Hollander et al., 2005; Smith and Lux, 1993). The distinction of time periods within the historical timeline is key in developing separate areas to analyse and draw comparisons between (Hollander et al., 2005; Amenta, 2009).

Once the historical timeline and periods for analysis have been developed, data collection in the form of academic and industry sanctioned and conducted research, extant literature and media reports will be collected and analysed in Chapter 4, Results (see 3.5. Sources of Case Study Evidence below for further discussion). The results chapter will operate as the full historical timeline of music format and distribution methods and the socio-cultural contexts that have shaped them.

Sources of Case Study Evidence

In the utilizing of a case study methodology it is advantageous to utilize multiple sources of evidence to gain a thorough and complete perspective of the unit of analysis (Yin, 2014). The sources of evidence for the proposed research will be secondary in the form of extant literature on music industry distribution, existing studies (both academic

and industry sanctioned and conducted), sales reports, and annual reports from international and local recording industry bodies. This combination of sources of evidence aims to strategically combine managerial and practical data with an academic and theoretical underpinning in order to bring about the most significant contribution to both theory and practice.

Archival Records

Archival record analysis is an important source of case study evidence, and is inclusive of sales reports, annual reports, and all sales data (Yin, 2014). As previously discussed, there will be an initial archival record and document analysis in order to establish the historical timeline and develop the distinct time periods for analysis within the context of the historical case study.

For the case being researched, sales data and annual reports are important documents in the application of fact-based context - especially annual revenue reports from local and international recording industry bodies. This case study will be specifically including annual reports from three main recording industry bodies, one of which accounts for the most significant contribution to global digital music revenues, one being the local recording industry body for the researcher, and the third being the global recording industry body. As each country and global region has a recording industry body that is responsible for collating and presenting documents like annual revenue reports, limiting the scope of the documents used in the context of this case study will result in stronger and more relevant data being presented. Within the context of this research, revenues and sales documents will be sourced from the following territories and recording industry bodies:

- ✓ The Recording Industry Association of New Zealand (RIANZ)

Data from RIANZ will provide data relevant to the researcher's local industry context. This will provide ease of access to annual reports, as well as assisting in any practical applications of this research to the local industry.

- ✓ The Recording Industry Association of America (RIAA)

The North American recording industry is the largest in the world, and in 2014 contributed over 50% of digital revenues to global digital music revenues (IFPI, 2015).

As such, the North American music industry is the most important territory to contextualize.

✓ The International Federation of the Phonographic Industry (IFPI)

The IFPI is the representative body for the global recorded music industry, and represents individuals and businesses on every continent. They are responsible for collating all annual reports and revenue reports from local recording industry bodies, and collating the regional data in to an annual global music report (IFPI, 2015).

Documents

In the context of an historical case study, documents are important in providing a level of accurate and fact-based context (Bernard and Bernard, 2012; Ragin and Becker, 1992). Further supporting the revenues and sales reports, documents for analysis including media articles will also be used as a source of evidence, sourced specifically from industry publications (Billboard Magazine, Audience Magazine and the like). The use of industry documents will bring a relevance to the findings and discussion of this research beyond an academic context, which will help provide additional managerial implications from the findings. Relying on an initial analysis of documents and archival records to develop an historical timeline will form the basis of the organization and development of periods of analysis for this case study.

Extant Literature

While extant literature is an unofficial source of evidence in a case study (Yin, 2014), it is an important source within the scope of this research. As this case study relies solely on secondary data collection for analysis, a higher level of importance is placed upon extant literature in an academic context for providing valuable insight in to the socio-cultural trends and consumer behaviour within these trends. Literature from both marketing and music industry academic journals will be used as a source of evidence in supporting the source documents and providing an additional layer of context. Thus, the collection of sources contributes to the notion of thick description (Geertz, 1994) within the context of a case study. In providing an additional layer of context through academic extant literature, this will extend the stream of knowledge on the topic.

3. Case study; the music industry, and an evolving social and business model

3.1. Industry context

Key Stakeholders

The Creative

In the simplest form, the creative is the brand being exploited for monetary return by the business. The creative in this context is the musician or artist who creates the music product for sale and distribution by a record label (The Business, below for further detail). Creatives sign with record labels in order to have their music produced, marketed and distributed to consumers, usually by one of the three multinational major record labels as a means of attaining income (O'Reilly et al., 2013). Creatives make money by the sale of music products through their record label, however in a modern major record label context, 75% of signed artists fail to sell enough records to turn a profit, and less than 10% of signed artists sell enough records to see any royalties (Avalon, 2009; Nagel, 1988). There is an inherent conflict that the creative faces, which is between their artistic ambition, and the economic viability of their profession (O'Reilly et al., 2013; Cubbins and Leto, 2012).

The Business

The businesses behind the music industry are the record labels. Largely the industry operates as an oligopoly, with three multinational record labels (known as the major labels) having control over 73% of the international recorded music industry (Macy, Rolston, Allen and Hutchison, 2015), of which the remaining 27% is made up of independent record labels. Since the dawn of digital music piracy in 2000, the structure of the industry with regards to the record labels has dramatically changed - there has been significant consolidation of the major labels who control the most substantial stake in the industry (Inghelbrecht, 2015). At the turn of the millennium there were five major record labels; Universal, EMI, Sony, BMG and EMI (Inghelbrecht, 2015) that had an 87% controlling stake in the recorded music industry (Hutchison, Macy and Allen, 2010). As a result of shrinking revenues at the hand of digital piracy and failure to innovate, a consolidation of the record labels occurred as BMG was absorbed into Sony in 2007 (European Commission Press Release, 2007), and EMI's assets were divided and sold in 2011 with the historical catalogue of recordings being sold to Sony, and the current roster

of artists and their recordings being sold to Universal (Greenburg, 2011). Note that it is the three major record labels that are providing the context for this case study, as they have the controlling share in the recorded music industry, and are more internationally generalizable as each major record label operates in almost every geographic territory.

The role of the record label in the distribution of music products is to act somewhat as an intermediary between the creatives and the consumer, insofar as they utilize their existing channels for marketing, publicity and distribution to diffuse musical product with a level of expertise and connectedness beyond that of the creative and their management team. As previously mentioned, the three major record labels have representative offices in most geographic territories (illustratively, New Zealand has a local office for Universal, Sony and Warner who represent their local roster of artists, as well as the artists represented by the label internationally).

The three major record labels represent an area of supplier concentration, which has led them to have significant market power and an appetite for brinkmanship (Inghelbrecht, 2015). The collective bargaining power of the major record labels have put them in a position of being able to negotiate especially favourable contracts for royalty payments from streaming services which have resulted in a number of streaming services not turning a profit, or even breaking even despite the high consumer uptake in streaming (quintupled in the last two years; Cookson, 2015). Further, it is the executives of the major labels who are prophesizing the end of days for some streaming services, with Lucian Grange, CEO of Universal stating that the end of free music for Spotify and YouTube will soon arrive (Inghelbrecht, 2015). This is a stance that takes significant confidence given that Spotify and YouTube are the number one music subscription service, and the number one music video distributor on an international scale, respectively.

The Consumer

The role of the consumer as a key stakeholder in the music industry has been as transitional and transformational as the major record labels, if not more so. Music can be consumed everywhere, and infiltrates the everyday existence of consumers (O'Reilly et al., 2013). Consumers engage with music through the consumption of other media, such as television, radio, gaming, and advertisements (Elberse, 2010; Simun, 2009), as well as

actively selecting the music they choose to listen to. While the digitization process has changed the way that music as a commodity is acquired, purchased and used, the inherent connection that consumers have with music has always been important.

The importance of music, as judged by the sheer ubiquity of its presence, is enormous... There is probably no other human cultural activity which is so all-pervasive and which reaches into, shapes and often controls so much of human behaviour.

-Merriam (1964, pg. 218)

Within the scope of this case study, the music consumer is contextualized and defined by the consumption of recorded music product. While traditional discourse around the music consumer has been hallmarked by an economic exchange and acquisition of physical music product for consumption (O'Reilly et al., 2013), changes to how the consumer is conceptualized are evident. As the sales of music product have declined at the hands of illegal downloading, and with the prominence of streaming services, a new conceptualization of the consumer is required. As music product has changed from being a physical product, to a digital product, to being a streamed product, as a commodity there has been a shift towards music being considered an experiential good, whereby the meaning generated by consumers from consuming the product is manifested not through the ownership of the product, but by experiencing the product. Consumers now have multiple channels to access music product from, representative of varying levels of involvement, financial investment, legality and relative ease of access. As a result, more people are consuming more music than at any other point in history, and the distribution and format shifts meet consumer's hedonic and utilitarian needs through both format and content. It has been postulated by Lonsdale and North (2011) through a lens of uses and gratifications that there are six purposes for which people consume music and other mass media;

1. Manage and alleviate negative feelings, or to create and optimize a positive mood (mood management)
2. Present, project or construct a social image of oneself to others and society (personal identity)
3. Learn and make sense of what is going on in the world (surveillance)
4. Alleviate boredom, pass the time and relax (diversion)

5. Participate and engage in music regardless of musical ability e.g., singing along (musical participation)
6. Transportation back to another time, to invoke memories (reflect on the past)

As illustrated above the music consumer is entirely an individual, and each unique consumer can have equally unique reasons for consumption of music product, in each of the above contexts (Lonsdale and North, 2011). The congruence of the six uses of music and the use-values that underpin the experiential perspective is an important intersection in the modern consumption of music. The individual experience of the consumption of music is often characterized by a complex interplay of all of the above functions (Larsen and Lawson, 2010; Larsen, Lawson and Todd, 2009). The concept of music consumption and musical engagement is centered around a consumer choosing a music product to experience, and consuming it in a way that best meets the use-values as an experiential good, and a commodity.

Music as a Commodity

Whether or not music is a commodity has been a topic of debate within academia and cultural studies. Traditional definitions of a commodity are hallmarked by defining a tangible raw material product, however there has been an ongoing debate, especially within cultural industries, that suggests that we re-examine the ‘objectness’ of commodities (Buck-Morss, 1995). Much like traditional commodities (illustratively, petroleum and milk powder) the production of music meets the plentiful consumer demand, there is (largely) little differentiation between commercial music products (Houghton, 2011), and the wholesale and retail prices of music fluctuates with consumer demand and as a result of socio-cultural trends. Illustratively, as a result of the large consumer uptake in piracy of music, the format and retail price of music product changed from being an album of songs for a single price, to being available as individual tracks for close to \$1.

The concept of the commodity of music has developed throughout the changes of music format and distribution method. Originally the cultural commodity of recorded music was the physical music product, be that vinyl records, cassette tapes or compact discs, and the value of the commodity was directly linked to the tangible good of an entire album of recorded music. At the rise of the digital revolution and significant consumer uptake in

digital piracy of musical product the 'record' was divided in to independent tracks, and an album of music lost its value as a cultural commodity (Witt, 2015). As music began to circulate through the Internet for little or no cost to consumers and sales of physical music product began to nosedive, the commodity of music developed from being inherently linked to the physical tangible product of an album of recorded music, to being linked to either a physical or digital product. As the product circulates ubiquitously as individual tracks online, the value of the commodity is decreased as consumer demand and socio-cultural trends impact on the real and perceived value of music as a commodity, in the same way traditional commodities are shaped by external factors. As the format and method of distribution of music has further developed to a model of non-acquisition consumption through streaming services, the concept of music as a cultural commodity has been forced to further develop beyond the product and it's manifestation (physical or digital product), to being redefined as the cultural good in and of itself (the recorded music). These changes have had a dramatic impact on the profit margin of recorded music product on a global scale. According to Ernst & Young, music has the lowest profit margin and margin growth within the media and entertainment industry at large (Pham, 2013), and profit margins continue to slip to a current record low of 10%, which is a far cry from the 20% profit margin as little as 15 years ago (Inghelbrecht, 2015).

With regard to the sale of music product, the record labels aim to distribute and sell as many units as possible through physical and digital distribution channels - so much so that the relative success or failure of an album is inherently linked to the sales of the album through weekly chart placings and official chart certifications. As a commodity, albums and recorded music products are produced in significant number, and must be purchased in equally significant number in order to achieve chart placings. Chart certifications for albums differ in quantity sold by the geographic location (relative to the territory population); illustratively in New Zealand albums are awarded a gold certification for the sale of 7,500 units, and a platinum certification for the sale of 15,000 units (The Official New Zealand Music Charts, n.d.). In America albums are awarded a gold certification for 1,000,000 units sold, and platinum certification for 2,000,000 units sold (Recording Industry Association of America, n.d.). In a wholly interruptive and unprecedented move, hip-hop collective Wu-Tang Clan manufactured and sold only a single copy of their album *The Wu- Once Upon A Time in Shaolin* in 2015 for US\$2 million, absolutely at odds with traditional manufacture and distribution strategies of music product

(Greenburg, 2014). In a cultural time when music circulates ubiquitously on the Internet via illegal and pirated copies and streaming services, the release of a single copy of an album provokes a discussion amongst the industry and consumers around the value of music as a cultural commodity. Wu-Tang member RZA proposed the single album stunt in order to combat the consistent devaluation of music as a commodity, stating “especially nowadays when it’s been devalued and diminished to almost the point that it has to be given away for free” (Greenburg, 2014). As music typically circulates ubiquitously through the Internet through many millions of copies, the manufacture of a single copy aims to bring value back to a music product as a cultural commodity.

Industry Revenue Streams

In contextualizing industry revenue streams, this case study is only concerned with revenues associated with recorded music product; an important distinction as there exists multiple other streams of revenue, including live music (performance) revenue, brand revenue (the sale of branded merchandise) and sponsorship. The sale of recorded music product makes up the largest stream of revenue for the record labels (IFPI, 2013), with the second being royalties from “public performances”, a concept where artists are paid for any public performance of their work, including streams on a streaming service, plays on radio and any public performance of their work.

Historically, record labels have only been concerned with the sales and distribution of recorded music products, leaving the aforementioned alternative revenue streams (performance, brand and sponsorship) as being solely for the creative; however as a result of consistently shrinking sales and profits in the industry, the record labels have had to resort to new revenue streams in order to maintain cash flow through the business. These new revenue streams have manifested as so-called ‘360 Deals’, and are dubbed as such due to the fact that when an artist is signed to the record label, the contract signed gives a percentage of all of the artists earnings (all 360 degrees, so all-encompassing), including performance, sales of merchandise and sponsorship (Cubbins and Leto 2012). 360 deals have risen to prominence in recent years in response to a decline in recorded music sales; the additional revenue streams are outside the scope of this case study which has a sole focus on the recorded music revenue streams, but are mentioned to apply context to the businesses who make their living through the exploitation of the creatives’ brand.

3.2. Socio-cultural trends

The scope of this case study sits firmly within the theory base of consumer culture theory. The concept of consumer culture theory revolves around the perspective that there is a dynamic relationship between the actions of consumers the marketplace and the cultural meanings assigned to the commodity (Arnould and Thompson, 2005). Similarly with other commodities, the uses and meanings around the consumption of music reflect a cultural narrative back to us. Taussig (1993) describes commodities as being markers in time and history, or a ‘petrified historical event’, where abstract and concrete combine in to cultural meaning. That is to say that commodities reference what it is that consumers value, what they circulate, and those that have been forgotten. In the same way as traditional commodities, the commodification of music is a sign and a symbol, as it is representative of an “economy of meaning and practices of expenditure in which an object, be it a commodity or a fetish, spills over its referent and suffuses its component parts with an ineffable radiance” (Taussig, 1993, pg 233). All music has these qualities, but it is especially in the analysis of digital music as a commodity that these meanings become more obvious (Morris, 2015). Within its data and code lie insights about music as a cultural form and lessons for all kinds of commodities that are currently undergoing digitization.

In defining socio-cultural trends within the scope of this research, a socio-cultural trend is an identified consumer behaviour trend, which merges both social and cultural elements examined with post-modern implications (Cova, 1997). The cultural meaning of commodities and cultural goods (like music products) is in a state of consistent fluidity, aided partially by collective and individual efforts of producers, marketers and consumers (McCracken, 1986). As meaning is assigned and developed around cultural goods (either by consumers, or by business) the commodity is shaped and transitioned around the meaning applied (Holbrook and Addis, 2007; McCracken, 1986). Therefore, as a force in the shaping of commodities and cultural goods, a socio-cultural lens through which to analyze a transient history of music products as a consumer good and cultural commodity is not only appropriate, but also essential in providing the necessary context to the scope of this research.

3.3. Pre-2000. Music as a physical format, and physical distribution

The state of the music industry

Music consumption is simply the act of listening to music (Holbrook and Anand, 1990). Before the development and wide spread adoption of modern technology, music was listened to live and in person, and as such was a commodity for the wealthy and upper-class (Lacher and Mizereski, 1994). The development of relatively low cost and accessible methods of distributing and listening to recorded music product brought recorded music in to the homes and personal spaces of most western citizens (Konečni, 1982), and developed the music industry in to a global multi-billion dollar entity (Lacher and Mizereski, 1994). The music industry is characterized through the 1950's to the 1970's as having increased profits and sales, with an annual growth of roughly 20% year on year through to 1978 (Krasilovsky and Schemel, 2007). The most significant and dramatic growth occurred during the 1970's, where revenues grew from \$2 billion USD at the beginning of the decade, to over \$4 billion USD by 1978 (Krasilovsky and Schemel, 2007). In the decades following through to the 1990's, revenues and profits continued to grow at a slower rate; roughly 6% year on year through to 1995 (US Department of Commerce, 1992). The slowing of revenues and profits through this time period is partially accounted for by a slowing of the American economy, as well as a rise in consumers access to personal audio recording equipment, so that they were able to tape music from radio for personal consumption (Krasilovsky and Schemel, 2007).

Technological improvements in the quality and portability of music products were instrumental in the growth of the music industry during the pre-digital era. From the late 1940's through to the close of the 1960's, the dominant music format was the vinyl record (Hutchison et al., 2010; Krasilovsky and Schemel, 2007). The vinyl format was limited in its quality and portability, as the physical product was large in size (12 inches), and required a large and expensive turntable in order to be played. As a result, vinyl LP's were largely limited to being consumed in the home, within the context of private use. Cassettes were introduced as an analogue music format in the 1960's, and helped to make music a more portable commodity, especially with the closely following development and launch of the cassette Walkman (Albright, 2013). The release of the Walkman meant that, for the first time in the history of music, the consumption of music could be a portable and personal experience, and removed recorded music from being a commodity tied to

consumption within the home (Krasilovsky and Schemel, 2007). By 1983, sales of cassette tapes exceeded those of vinyl LPs, and became the music format of choice of consumers (Krasilovsky and Schemel, 2007). In the late 1980's, the first digital music format was developed and released for commercial consumption in the form of the compact disc (CD) (Albright, 2013). In comparison to previous music formats, the CD was celebrated as having substantially higher quality and clarity of sound, which is attributed to the audio data being digitally encoded on to the disc to be read by lasers and transmitted as an electrical signal (Albright, 2013) this is in contrast to the analogue mechanical reading of vinyl and cassette formats (Krasilovsky and Schemel, 2007). Due to the high quality and relatively cheap cost of production of CDs and CD players, the compact disc became the most dominant physical music format by 2001, making up 64% of all music sales with cassette tapes contributing 35%, and vinyl LPs contributing only 1% (Krasilovsky and Schemel, 2007).

The pre-digital music era was driven primarily by four key stakeholders; the creatives, the record labels, the record stores and the radio (Hutchison et al., 2010). Discovery of new musical product was driven through the record label getting the creatives' music on rotation with radio, and sales of albums were in turn driven by consumers listening to content from the radio (Hutchison et al., 2010). If a consumer wanted to purchase a song they had heard and enjoyed on the radio, they had to purchase an entire bundled album by the artist in order to get the one song they were interested in. This is as a result of the commodity of the music product being only manifested as an entire album of songs not as individual tracks, which implies inherent value as a cultural commodity (Witt, 2015).

Socio-cultural trends and forces

Cultural commodities such as literature, art and music provide a challenging context for research, as the consumption of such commodities is wholly linked to a hedonic form of consumption - usually entirely apart from any utilitarian functions or performance benefits gained through the experience of the commodity (Hirschman and Holbrook, 1982). Hedonic consumption attempts to explore consumption as an experience, as opposed to a processing of information. Due to the fact that the consumption of music has a significant emotional component that outweighs the utilitarian and objective benefits of consumption of music products, it is argued that the purchase and consumption of music is wholly a form of hedonic consumption (Lacher and Mizereski, 1994; Lacher, 1989;

Hirschman and Holbrook, 1982). According to Sloboda (1985), "The reason that most of us take part in musical activity, be it composing, performing, or listening, is that music is capable of arousing in us deep and significant emotions". In the pre-digital era, the consumption and acquisition of recorded music happened through media exposure to music (through listening to the radio and watching television), and following media exposure a purchase of physical musical product. This consumption pattern is unique to music, as initial exposure to the music product occurs through the consumption of another form of media such as radio, and continued a consumption experience occurs through the purchase of the music product (Lacher, 1989). Further, purchase of music products is unique in that the purchase of the product is made for continued experience of the product (listening to the music a number of times), allowing the consumer to be in temporal control of their consumption of the product (Lacher, 1989; Lacher and Mizereski, 1994). Another unique characteristic of music as a product is that continued re-purchase of the product is rare and unnecessary, except in cases of a damaged product, or to give as a gift (Lacher and Mizereski, 1994).

As a result the initial exposure of the music product to the consumer through the consumption of other media is an essential component in the consumption and purchase of recorded music product. Studies have shown that the more often a consumer is exposed to a stimuli (in this case, a music single on the radio), the more favourable their ongoing perceptions of the stimuli are, partially explained through mere-exposure theory (Hargreaves, 1984). Repeat consumption may occur frequently, however the purchase of the recorded music product is required in order for the consumer to have full temporal control over their experience and re-experience of the music product over time (Lacher, 1989; Lacher and Mizereski, 1994). Therefore the purchase of a music product is only one part of the consumption experience, even as an integral part of repeated consumption.

Music is also used as a means of facilitating and supplementing social situations (Konečni, 1982). Cultural commodities are often used as signifiers and identifiers in the formation of personal identity within a social context (Lacher, 1989; Warde, 1994; Dennisoff and Levine, 1972). As such, it has been proposed that societal and social pressures (such as peer pressure among young adults) have the propensity to influence consumption and purchase behaviour. While it is accepted in academia that consumption of music is largely hedonic (Lacher and Mizereski, 1994; Hirschman and Holbrook,

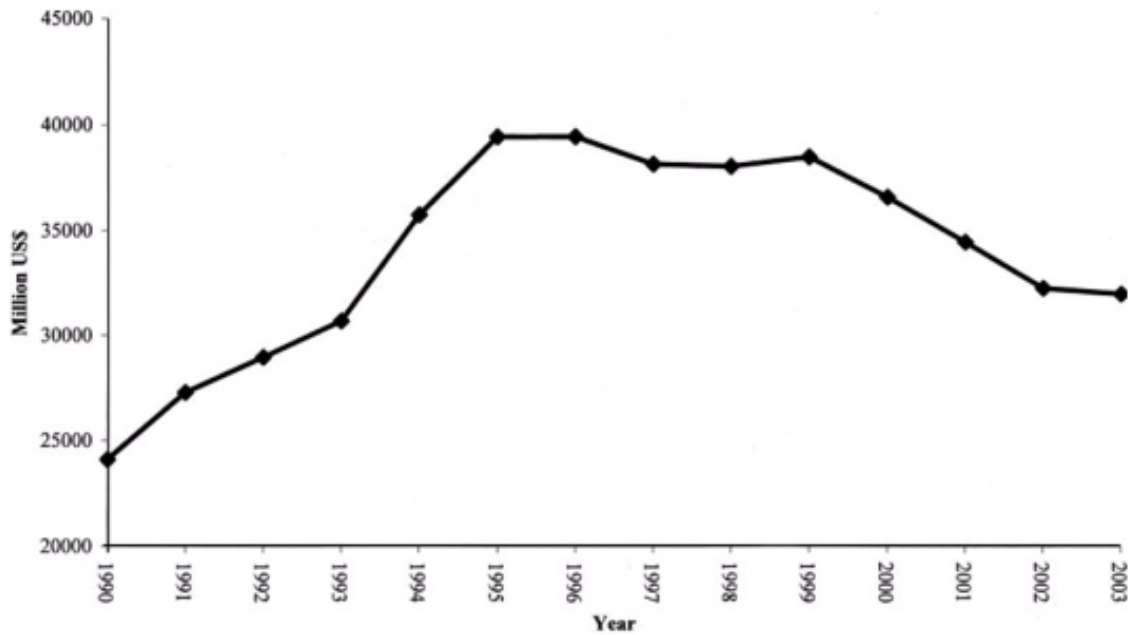
1982), the purchase of music product could be influenced as much by the social status of consumption of the product as much as the intrinsic and hedonic benefits of the product (Lacher, 1989). Simply, if a teenager is the only person in their social group who doesn't own a specific album, their personal and social identity is potentially compromised, and as such the consumer may be influenced in to consumption and purchase of the music product in order to maintain their social standing within a group of their peers. This is inherently connected to the ownership of physical music products, (Denisoff and Levine, 1972), and how the ownership of the product is connected to a presentation of personal and social identity of consumers, as a cultural artifact.

3.4. 2000-2010. The Digital Revolution

From a simple perspective, the switch to a digital distribution method from a physical format distribution method has been directly responsible for the dramatic and consistent decline in global recorded music revenues over the past 15 years. In 1999 the file-sharing website, Napster, was launched, and it is from 1999 that the sales of music began to plunge. Through a socio-cultural lens it is clear that the movement from the distribution of a tangible, physical, music product to a purely digital, intangible, product has had implications related to consumer perceptions towards music as a commodity.

The new state of the music industry

Within the context of the music industry in a time of massive technological change, the digital revolution is largely defined by falling revenues, widespread piracy and panic by industry managers and commentators. Since the launch and popularization of peer-to-peer (P2P) sharing networks in 1999, industry revenues have begun to decline - see Figure 2. The rapid rate of consumer uptake in digital piracy, and illegal acquisition of music product has been estimated by preliminary evidence to reduce the US GDP by \$12.5 billion per annum (Siwek, 2007), a substantial loss to both the business and creatives.



(Retrieved from IFPI, 2004.) Figure 2. Global Music Sales in \$USD Millions.

In contextualizing illegal downloading within the music industry, the IFPI (2011) define piracy as “the deliberate infringement of copyright on a commercial scale”. This definition includes physical piracy, which is the unlawful duplication of music products, where a physical product is sold with identical sound recordings on it; counterfeiting, bootlegging and Internet piracy are the other forms. While Internet piracy may not be commercial from the perspective of an individual unauthorized file sharer, the overall magnitude of the illegal file sharing has significant commercial impact (Hull, Hutchinson and Strasser, 2011). While previously, any copy of a physical music product (vinyl record, cassette tape) resulted in a lower quality and clarity product, the development of digital audio files on compact disc made the conversion of audio data from CD to an MP3 file on a computer a direct copy of largely identical quality, and small file size (Aspray, 2008). The relatively small file size awarded by the MP3 format gave rise to an ease of sharing through the Internet.

As piracy and illegal downloading became a prominent (though illegal) distribution method, consumers had few legal options to acquire music through digital channels. In response to peer to peer (P2P) sharing sites such as Napster, the major record labels buried them in litigation around copyright infringement (Menta, 1999), preferring to resist technological advancements and consumer advancements towards the wide spread use

and acceptance of digital distribution methods for music products. The record labels were unresponsive to consumer demand for a legal digital distribution method for music products, and instead turned their attention to bringing legal action against individual music consumers in tandem with bringing legal action against the people behind P2P sharing networks, as a means of making up for displaced sales and revenues from physical music products (O'reilly et al., 2013). In response to growing consumer demand for a digital format and distribution method, in 2004 device manufacturer Apple launched iTunes; a legal digital music distribution system where consumers were able to purchase whole albums, and individual tracks (Paxson, 2010). Apple priced individual tracks initially at \$0.89 USD - a loss-leader pricing strategy, developed to aide in the sales of additional devices, given that they are, at the core of their business, a device manufacturer (Paxson, 2010; Cubbins and Leto, 2012). The fact that record labels were more preoccupied with burying their consumers in litigation for the illegal acquisition of their products than they were with developing their own digital distribution method has put them in the continued position of having a device manufacturer being the largest music distributor in the world (Paxson, 2010; Cubbins and Leto, 2012), instead of how they could have feasibly dominated their own distribution channels, netting in higher revenue and returns long-term. However, the rise of legal distribution (beginning with Apple's iTunes) added a level of complexity to the music market, offering the potential for record companies to recover a portion of their displaced sales.

Contextually, the music industry remains largely dependent on the sales of recorded music, however the unbundling of entire albums in to individual tracks which can be purchased for less than one dollar have continued to damage revenues (Elberse, 2010). The study by Elberse (2010) discovered that there is a significant group of music consumers who prefer to only consume a small number of individual tracks from an album, and thus the unbundling of the album package in to individual tracks has been tantamount to only releasing singles, as opposed to releasing an entire crafted album. This has been further supported in another study, in which 69.4% of surveyed consumers had a demonstrable preference to purchase a single track, as opposed to an entire album (Amberg and Schröder, 2007). As individual tracks can be purchased for less than one dollar, the real and perceived value of music as a commodity shifted in the minds of consumers. The IFPI estimate that over 40 billion tracks were illegally downloaded in 2008 (IFPI, 2009). The development of new music technology, faster Internet

connections, and a wide range of mobile devices which can be used for music consumption have facilitated the Internet as a space prime for illegal downloads and music piracy. The digital embezzlement has demonstrably decreased revenues and profit, but more significantly it has distorted the dynamic market of digital music.

Socio-cultural trends and forces

Through a consumer-focused lens it is clear that the physical format to digital format has had implications related to consumer perceptions towards music as a commodity. One of the primary literary topics surrounding the change in consumer perceptions towards music as a commodity is that of ethics and the ethical implications of illegal downloads and piracy. Ethical arguments are particularly pertinent when discussing music as a commodity, because as music as a product has shifted from being a physical and tangible product to a digital one consumers who partake in illegal downloading and piracy are forced to justify their illegal and unethical actions to themselves. Largely, research has pointed to an ability in consumers to morally disengage from the ethicality of their actions, a concept explained in further detail below.

Moral Disengagement

Lyonski and Durvasula (2008) discovered in their survey of 364 university students that consumers who regularly illegally download music are able to morally disconnect from the illegality of their actions. This was demonstrated as 100% of the respondents claimed they would never steal a CD from a store, but the same people would illegally download the same album (Lyonski and Durvasula, 2008). Moral disengagement is the process by which humans convince themselves that in a particular context rules or laws do not apply to them, and in so doing they avoid self-condemnation which has the propensity to impact on a persons self-worth (Bandura, 1990). The theory of moral disengagement is linked to other studies too, with Bonner and O'Higgins (2010), and Siegfried and Ashley (2010) determining that consumers morally disengage from illegally downloading music in order to not perpetuate feelings of guilt for committing an ultimately illegal act. A social implication that is potentially associated with broad moral disengagement of illegal downloading is that it becomes the status quo and that piracy, while illegal, becomes socially acceptable. When an illegal action becomes socially acceptable and a significant enough amount of people partake in it, it becomes much more difficult to convince consumers of their ultimate wrongdoing. This will be expanded further shortly, around the

effectiveness of anti-piracy arguments. The social implications of broad moral disengagement investigated by Bonner and O'Higgins (2010) were that many respondents simply viewed illegal downloading as the status quo in modern consumption, and as such were less critical on the ethics surrounding piracy and illegal downloads. Which is exactly the problem - moral disengagement around illegal downloads on a broad scale has lead consumers to believe that piracy is simply the status-quo, and as such the amount of illegal downloads occurring increases at the cost of physical music sales. As the trend around moral disengagement from the illegality of piracy and illegal downloading has manifested, equally this has had significant effects on the revenue of the music industry through displaced sales.

Ethical Justification

While related to moral disengagement, the topic of ethical justification is a far more active state of mind in the consumer, wherein consumers aren't just disengaging from the illegality of piracy but are actively justifying their position on piracy on an ethical basis. A review of the extant literature on the subject of ethical justifications categorizes arguments in to one of three categories:

1. Piracy isn't ethically wrong. Music is a non-essential item and is too expensive, especially for an intangible product like a digital record (Chiou, Huang and Lee 2005; Kwong, Yau, Lee, Sin and Alan 2003; Bonner and O'Higgins, 2010).

This argument is based in the financial worth of music as a commodity. Consumers perceive a massive disconnect between the value of a tangible copy of a record, and a digital copy of a record. This disconnect is not matched in their perceptions by the retail value of both formats. Consumers argue that to pay \$20 for a digital copy of an album with zero tangibility is extortion given that a physical copy has the same retail value, despite the increased costs associated with packaging and distribution (Chiou et. al, 2005). Consumers respond to businesses in terms of their perceptions of fair treatment and expectations of value and control between marketers and themselves (Gould, 1992), and consumers are able to ethically justify their position on piracy by arguing that the record labels are not exercising fair treatment. In a similar study conducted around the piracy of software, it showed that consumers were more likely to justify the piracy of goods that have a cost structure largely comprised of fixed costs (like music) as opposed to variable

costs (Nunes et. al, 2004). Therefore because a digital format record has zero distribution, manufacturing and packaging costs associated with it, there is little to no perceived market value (Kwong et al., 2003), and no manufacturers or distributors have been left out of pocket by the act of piracy in the minds of pro-piracy consumers. Further, this justification isn't based on the ability of consumers to afford the product, as the study by Bonner and O'Higgins (2010) revealed that there is no connection between employment status (student vs. full time employed), and the rate of downloading in consumers.

2. Piracy isn't ethically wrong because artists and producers are not fairly compensated from revenue derived of music sales, and instead money just lines the pockets of the major record labels (Cluley, 2013; Lysonski and Durvasula, 2008; Ang et. al, 2001; Coyle et. al, 2008).

Cluley (2013) discovered, somewhat ironically, that both opponents and proponents of illegal downloading utilize the same ethical argument against one another. Opponents argue that illegal downloading is stealing property and doesn't fairly compensate the producers of the content. On the same argument, proponents argue that the major record labels and music businesses do not fairly compensate the artists and producers regardless. The revenue stream from music sales for artists and producers goes through their respective label, and the model is that roughly 85% of sales revenue is the labels' cut, and from the remaining 15% the artist uses that to pay any advances and expenses that are owed to the label; expenses which often outweigh the artists cut of revenue (Guzman, 2003). These long-form contracts are designed for the financial benefit of the label (Cubbins and Leto, 2012). This gives weighting to the ethical justification for consumers who argue the above, because if the creators and producers of the music are seeing no financial benefit from their purchase, it is then ethical to not pay for the record at all. In the research conducted by Lysonski and Durvasula (2008), consumers' intention to download was not significantly correlated to 'not paying recording artists their rightful profits is unethical,' which demonstrates a gap between perceived ethics and the actions an individual takes. Simply, attitude does not impact on actions.

3. It is the people who are facilitating the piracy [and illegal download] of music, not the downloaders who are morally and ethically corrupt, and doing the law-breaking (Cordell et. al, 1996; Kwong et. al, 2003; Weijters et. al, 2014).

The argument that it is actually the people facilitating the piracy are the unethical party is fairly outdated, and contextually links back to a time when physical CD's were copied and sold in markets (Cordell et. al, 1996; Kwong et. al, 2003). Before the digital music era, the distribution of physical illegal copies of records was limited, because significant sales-volumes would result in law enforcement attention (Kwong et. al, 2003). In this case it is the distributor and not the purchaser who is faced with criminal penalties, and this has produced an ethical hang-over despite the distribution change to digital (Weijters et. al, 2014).

The issue with the Internet is that it facilitates the easy and free distribution of copyrighted material; and it is solely the responsibility of a copyright holder to uphold the rights to distribution of their work as opposed to a law enforcement body (Weijters et. al, 2014). In a pre-digital era, the criminal action was in the unauthorized duplication and distribution of product for financial gain, but in the new digital landscape the criminal action isn't solely in the facilitating and distribution of copyrighted material, but also in the illegal downloading of copyrighted material. This has put the music industry in a position of having to track and chase down large numbers of infringers, who are engaging in what is ultimately a relatively minor copyright infringement (Langenderfer and Cook, 2001), whilst also trying to take out the facilitators of illegal downloading forums.

Consistently since the mid 90's, recording industry bodies have attempted to take down the 'big players' who facilitate the most piracy and illegal downloads. These public cases where those who provide the forum for illegal file sharing are demonized in the media have added weight to those consumers who argue that it is the facilitators and not the downloaders who are doing the law-breaking: for example Napster's Sean Parker was publically sued by A&M, Dr Dre and Metallica in 2000; The four founders of the worlds largest torrenting site *The Pirate Bay* were sent to prison in 2009 for facilitating and encouraging the illegal sharing of copyrighted materials; Kim DotCom of Megaupload fame has been criminally indicted for the facilitation and storage of copyrighted materials, and is being sued by the Recording Industry Association of America. Ultimately it is easier for copyright holders to target those doing the bulk of the illegal distribution than it is to target individuals who, as previously mentioned, are participating in what is ultimately a relatively minor copyright infringement by downloading albums.

The Effectiveness of Anti-Piracy Arguments

As global revenues from music sales have consistently nosedived by 62% from the launch of illegal file sharing and piracy in 1999 up until 2012, it's fair to say that anti-piracy arguments have had little impact on consumer behaviour. The labels and recording industry associations in territories have, by focusing on the economic implications of illegal downloading, seen an increased trend in illegal downloads. The music industry didn't take issue with illegal downloads until it began eating in to their marketshare, so now taking out illegal downloading appears to be a case of trying to dominate the digital distribution channels (Cluley, 2013). Similarly, in a reactive move (as opposed to proactive), in 2000 the RIAA sued Napster on behalf of the major record labels (at the time Universal, Sony, Warner and EMI), with the intention of closing Napster and encouraging consumers to return to purchasing CDs.

However, in a study by Colbert et al. (2003), it was determined that the closure of Napster resulted in negative emotions towards the music business in the Napster consumers, which ultimately drove them to search elsewhere for file sharing sites to download music. Colbert et al. (2003) also determined in their research that there was a significantly lower intention in those consumers to return to purchasing CDs after the closure of Napster. In 2007 the Recording Industry Association of America ran a 'guilt' campaign, publicizing that illegal downloads were responsible for a loss of US\$4.5 billion in revenue from sales of music (RIAA, 2007). However research by Silverthorne (2004) suggests piracy has an insignificant effect on the sales of CDs, and is instead giving artists extended access to consumers beyond those capable of making a purchase. Ultimately it appears that consumers do not apply the economic implications to their ethical justifications, and as such economically focused arguments have been an ineffective tool to combat piracy.

Giesler (2008) conducted a seven-year longitudinal study of consumer attitudes towards the war on piracy and developed a conceptualization of how markets change over time through market drama, building on the theory of Turner (1988) on Social Drama. Social drama accounts for the symbolism of conflict and crisis resolution inherent in society, and also in consumption habits in the music industry. Illegal downloading is a social drama in which consumers are separated by their behaviour and attitudes towards piracy in to one of four groups or 'hero-models' (Hacker, Sonic Warrior, Sonic Pacifist and Cyberpunk).

Each of the four groups follows certain narratives, which makes some of the four roles easier to convince to stop illegal downloading (Giesler, 2008). For every action taken by a 'hero', a reaction is made by the recording industry to counteract it. Whenever an action is taken, the record labels have restructured their business model in a reactive move against an emergent socio-cultural trend.

Another mechanism being employed by the music business to encourage the purchase of music product, as opposed to illegal downloading records, is capitalizing on the idolization and worship of the artists by the consumers (Chiou et. al, 2005; Bonner and O'Higgins, 2008). Instead of communicating how harmful illegal downloads are economically, labels and management teams within the music business are instead working on creating deeper and more intense connections between the fans and the artists. These fans, which display signs of idolization or worship, display behavioural expressions of their idolization through collecting records, joining official fan clubs and engaging in the promotion of artists (Bonner and O'Higgins, 2008). Research undertaken by both Bonner and OHiggins (2008) and Chiou et. al (2005) determines that idolization or worship of an artist doesn't only impact on the consumers overall attitude towards piracy, but it also directly impacts on their intention to pirate records from their idolized artists. The research suggests that consumers who possess feeling of worship and idolization are more inclined to legally acquire music products by the artist they idolize, and are markedly less likely to partake in the illegal acquisition of their music product through piracy and illegal downloading.

So, it appears that there have been three ways of combatting piracy that are more effective than ethics based guilt campaigns. The RIAA tactic of strong-arming consumers and issuing 20,000 fines per year in the USA may have merit in so far as punitive action for criminal wrong-doing and sending a message, however it has done very little in stopping or even slowing down the rate of piracy and illegal music downloads occurring (Knopper, 2007). Similarly the Recording Industry Association of New Zealand has issued fines since 2011 at \$600 per fine, labelled by RIANZ as a 'deterrent fine' (Pullar-Strecker, 2014). The other tactic has been to make the legal acquisition of music more financially acceptable; a model utilised by Apple iTunes where consumers can purchase a single song for less than \$2, and recently subscription based streaming services like Pandora and

Spotify where consumers have access to over 2 million songs without purchasing them outright (the concept of streaming is discussed in further detail in the following sections).

Finally, leveraging off a consumer base that is actively engaged with an artist and expresses worship or idolisation. Having a consumer base that is happy to pay for music at a price that they determine is reasonable and fair will, in the long term, ensure that revenues can stop decreasing. Ultimately anti-piracy arguments in terms of morals, ethics and guilt have been unsuccessful in altering consumer behavior (Astous et. al, 2005; Cluley, 2013; Colbert et. al, 2003; Lyonski and Durvasula, 2008; Cesareo and Pastore, 2014). Consumer attitudes toward illegal downloading are positively determined by economic and hedonic benefits and negatively by ethical judgment (Cesareo and Pastore, 2014).

3.5. 2010- Present. Non-acquisition consumption (streaming)

Since the rise of digital distribution channels for music and other media products, the music industry has had to undergo significant transformation as a result of plummeting revenues (Elberse, 2010). In a reactionary move to the slowing of music revenues at the hands of illegal downloading, record labels have sought a new viable business model in order to address a large and legitimate demand for music online (Papies, Eggers and Wlömert, 2011; Sinha and Mandel, 2008; IFPI, 2015;). Harnessing a new model of music consumption in the form of non-acquisition consumption through streaming services has ushered in a new era in the way music is distributed, and has also ensured a new stream of revenue for the music business and creatives; however this new model is not without controversy (as discussed further below) (Sinha and Mandel, 2008; Papies, et al., 2011).

The rise of the digital mp3 file at the consumer level continues to develop from a model of ownership of music, towards an experience of service (Macy et al., 2015; O'Reilly et al., 2013). The experience being offered is giving consumers access to entire libraries of music product without an outright purchase; in many cases there is a monthly charge for premium-level service (Wlömert and Papies, 2015; Schlereth and Skiera, 2012). Revenue flow from a streaming service to the business and creative is dependent on 'plays', or the amount of consumer listens over time (Wlömert and Papies, 2015), and are paid out in the

form of ‘royalty payments’; a concept borrowed from traditional ‘pay-per-play’ royalty payment models developed and used broadly in the context of radio (Macy et al., 2015).

Within the context of streaming services, not all are created equal. A streaming service is categorized by allowing consumers access to music without the necessity of purchasing the music product outright, however there are four hemispheres within which every streaming service sits (see Figure 3).

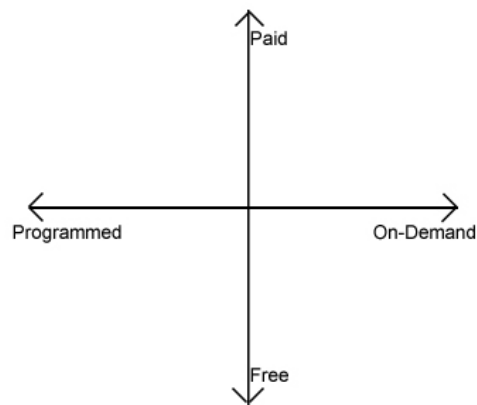


Figure 3. Characteristics of Streaming Services.

The differentiating axes in Figure 3 separate the streaming services by their dominant characteristics. The vertical axis represents where on the continuum a streaming service sits; from a wholly free product, to a premium subscription based product. The horizontal axis is representative of how on-demand the service is; from consumers having full control over the music they choose to listen to, to the service being made up of pre-programmed music material (such as playlists). Every streaming service exists somewhere on this chart, with the most popular services inhabiting the top right hemisphere as premium subscription based services which are entirely on-demand (for example, services such as Spotify, Apple Music and Tidal). Similarly, in the bottom right hemisphere exists another popular streaming service, YouTube, as well as Spotify’s ‘freemium’ model (expanded in further detail below). In the left hemispheres of the chart sit the programmed services, with free streaming services iHeartRadio and Pandora occupying the lower hemisphere, and streaming services of yesteryear like Nokia Music and rdio occupying the top left hemisphere. As the streaming market has become more influential and competitive, subscription-based paid services which remove the control the customer

has in the selection of music through a process of pre-programming content have fallen in to non-existence, as comparable services now offer a higher degree of customization and service at a comparable fee (Macy et al., 2015).

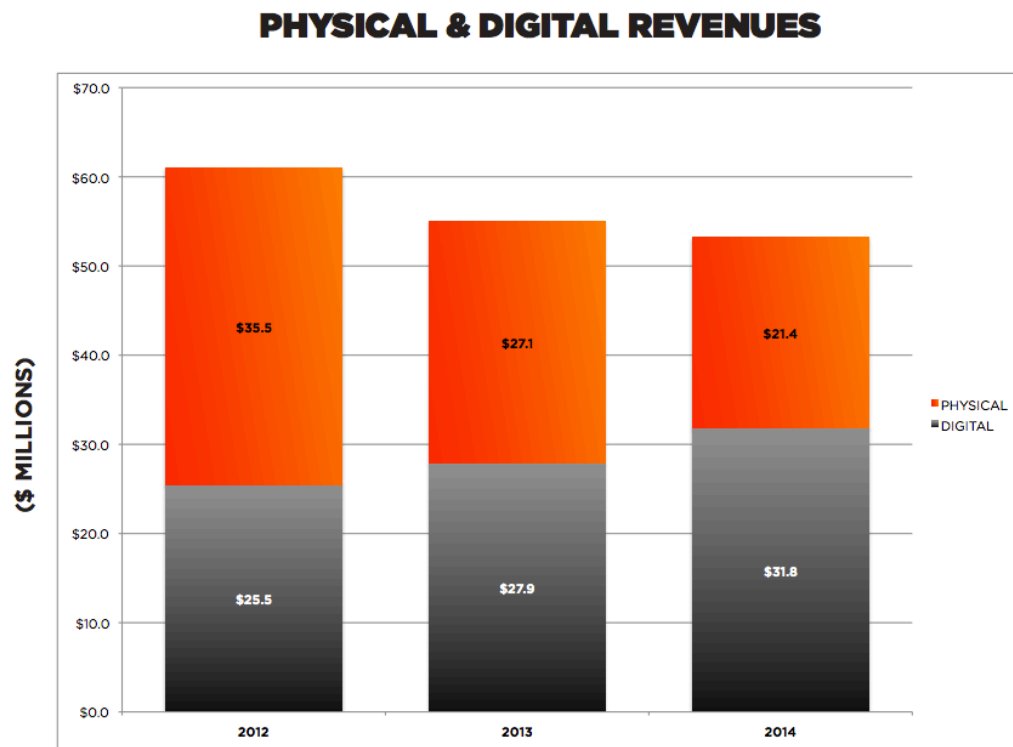
Revenue streams from each streaming service differ by which hemisphere of the chart they occupy. Illustratively, services that occupy the two lower hemispheres on the chart (such as YouTube and Pandora) net revenue to pay royalties to the business and creatives through advertising. Advertising revenues are sourced either through site-based advertising, for example the use of banner advertising and visual advertising, or interruptive advertising (visual and audio advertising which temporarily interrupts the use of service for the consumer temporarily) (Wlömert and Papies, 2015). Services that charge a monthly fee occupy the top hemispheres of the chart, and are subscription based; services like Apple Music and Spotify. In exchange for a regular fee, consumers are awarded full control of the music they choose to listen to, and experience no advertising.

The outlier in discussing the revenue streams of specific streaming services is Spotify, as both of the Spotify models have been implemented on an opt-in basis. Spotify offers a premium, subscription-based service for a monthly fee, which incurs no interruptive advertising and full control. They also alternatively offer a ‘freemium’ product which has no monthly fee, but in exchange the consumer is limited to 10 listening hours per month, and interruptive advertisements every four songs (Gobry, 2011).

The new, new state of the music industry

The International Federation of the Phonographic Industry (IFPI) is the representative body of the international recorded music industry, and their 2014 revenue statistics concerning the global revenue of the music industry paint a picture of an industry beginning to change their business model. For the first year in 15, the decline in international recorded music sales slowed considerably in 2014, and has reported it’s best year-on-year performance since 1998 (Moore, 2015). Globally, sales of music in 2014 netted USD\$15 billion across all formats (physical, digital, licensed streaming and live performance/broadcast). Consumption of music is changing – for the first time in history revenue from physical sales of music were matched by digital revenues globally, each making up 46% of the total market revenue in 2014 (IFPI, 2015). In the New Zealand

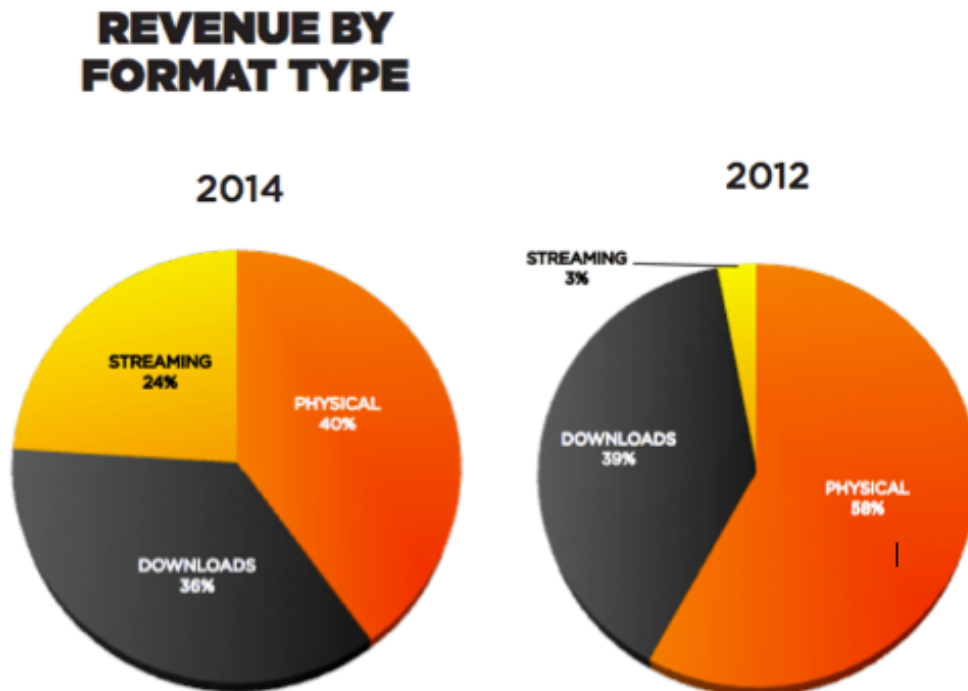
context, the industry is also looking healthier. As illustrated in Figure X, revenue from digital music is growing significantly year on year.



(Retrieved from RMNZ annual report.) Figure 4. Recorded Music New Zealand (2015). Physical and Digital Music revenues in New Zealand, 2012-2014.

Also telling, is the slowing of loss of revenue year-on-year – while there was a 9.8% loss of revenue from 2012 to 2013, there was only a 3.2% loss of revenue from 2013 to 2014. Further, sales from digitally distributed music products continue to grow from contributing 41% to revenue from music sales in 2012 to 59% in 2014. One of the most influential factors on the growth of revenue from digital music has been the consumer uptake of subscription-based streaming services that, as illustrated in Figure 2, has been responsible for the entire growth in digital revenues. If subscription-based streaming services continue to grow as a valid method of digital distribution, there is likely to be a marked decrease in lost revenues due to illegal downloads and piracy, as this new model

is based on the concept of non-ownership of the music product itself, and instead having access to entire libraries of music without purchasing them (Cesareo and Pastore, 2014).



(Retrieved from RMNZ annual report.) Figure 5. Recorded Music New Zealand (2015). Revenue by music format type in New Zealand, 2012-2014.

Streaming has become such an important method of digital distribution and revenue that in 2015 Warner Music Group (one of the aforementioned three major record labels) experienced streaming revenue becoming their largest source of revenue; significantly exceeding revenues from digital downloads (Telford, 2015). In an unprecedented shift, in the context of Warner Music Group streaming grew by 43% in the fourth quarter of 2015 (Warner Music Group, 2015), which resulted in a 34% rise in streaming royalties across the 2015 fiscal year. The significant rise in streaming royalties is responsible for a rise of 6.2% for Warner Music Group's revenues across the 2015 fiscal year (WVG Annual Report, 2015). This highlights the industry potential to embrace a new model of doing business in the music industry; a model where consumers feel they are paying a fair and reasonable price for the consumption of music, and the record labels and creatives are being compensated for the consumption of their products.

Controversy around streaming

The utilization of streaming services and adding a model of non-acquisition consumption to the music industry distribution mix has been a controversial topic of debate both in the industry (Peoples, 2015; IFPI 2011; IFPI 2012), and in academia (Sinha and Mandel, 2008; Papies, Eggers and Wlömert, 2011; Wlömert and Papies, 2015). While there are a number of compelling arguments in favour of streaming services from the perspective of the creatives, the business, and the consumer, there are equally strong arguments against streaming.

One of the most hotly debated arguments against including streaming as a valid method of music distribution is in the fact that it will cannibalise other distribution revenue streams (physical purchase and digital downloads) (Youngs, 2010; Wlömert and Papies, 2015). The former chairman of Warner Music Group, Edgar Bronfman has famously cast doubt on the long-term viability of streaming revenues, stating “free streaming services are clearly not net-positive for the industry” (Youngs, 2010). In favour of streaming services, it is argued that free and ‘freemium’ services will provide consumers a legitimate legal alternative to illegal downloads and file sharing (Sinha and Mandel, 2008). However it is also argued that these free services run the risk of deterring existing consumers who regularly purchase music by giving them access to such a large catalogue of music free of charge (Wlömert and Papies, 2015). As music streaming is such a comparatively low cost alternative to purchasing music, it has the potential to either eat in to existing record sales revenues, or occupy a legal and legitimate space where consumers who would previously illegally download music will stop partaking in piracy behaviours (Borja, Dieringer and Daw, 2015).

Further to the concerns around streaming services cannibalizing product and existing revenue streams, controversy with respect to the remuneration of streaming to artists has also become a topic of discussion and debate between the industry and creatives. The highest profile boycott of streaming services is Taylor Swift, when she publically condemned the model of streaming services in 2014, provoking a wider discussion about the monetary value of music as a cultural commodity.

Spotify feels to me like a grand experiment. I'm not willing to contribute my life's work to an experiment that

I don't feel fairly compensates the writers, producers, artists and creators of this music.

-Taylor Swift (2014)

In essence, Taylor Swift's thought-piece for the Wall Street Journal (Swift, 2014) and interview from Time Magazine (Dickey, 2014) is an extension of the previously-discussed controversy around how streaming has the potential to cannibalize existing revenue streams, in so far as she brings a creative's perspective to the discussion. Swift's argument centres on an inherent value that music has as an art and a cultural artifact, and how free streaming services are essentially devaluing music as a product to the point where it is literally freely given away (Swift, 2014). As one of the most high profile and successful pop-stars in the music industry, her op-ed piece for the Wall Street Journal (2014) sparked discussion, arguing on both sides of the streaming debate. The most convincing argument that Swift is wrong in the removing of her music from free streaming services such as Spotify, lie in the longevity of the revenue stream beyond an initial purchase (though Spotify does offer a premium service for a monthly fee, 'freemium' subscribers have identical access to artists and albums as paying members).

That is, while a consumer who purchases an album for a fixed cost can essentially listen to it without limit or further remuneration to the artist, the consumer who is streaming music from a streaming service will continue to (indirectly) give revenue to the artist for every single time the song is listened to, for the duration of the copyright (Ferro, 2014).

Further to the argument of continued remuneration throughout the lifecycle of the music product, other creatives have condemned Swift's opinion and attitude, arguing in defense of streaming services. The condemnations sit within three arguments; in defense of the Spotify model and technological developments (Jones, 2014), the allowing of indiscriminate access of your music to consumers so that your music can reach as many fans as possible (Staff, 2015), and the importance of the services for discovery and trial as a means of leading towards a future stream of revenue from new consumers (Brodsky, 2014). Equally powerful and famous creative have raised their voice against Swift's anti-Spotify sentiments, with the likes of Michael Jackson's producer Quincy Jones stating:

Spotify is paying out 70% of their revenue to musicians and rights holders. If I had to release 'Thriller' today, you can be sure I'd want it on Spotify. The genie is not going back in the bottle friends; let's work together to find solutions to the music industry's problems.

-Quincy Jones (2014)

Similarly Dave Grohl, frontman of the Foo Fighters, has previously stated that streaming services like Spotify are an important part of the entire music business model, as they encourage consumer spending in other areas like live performance:

Me personally? I don't fucking care... I don't care if you pay \$1 or fucking \$20 for it, just listen to the fucking song... You want people to fucking listen to your music? Give them your music. And then go play a show. They like hearing your music? They'll go see a show. To me it's that simple.

-Dave Grohl

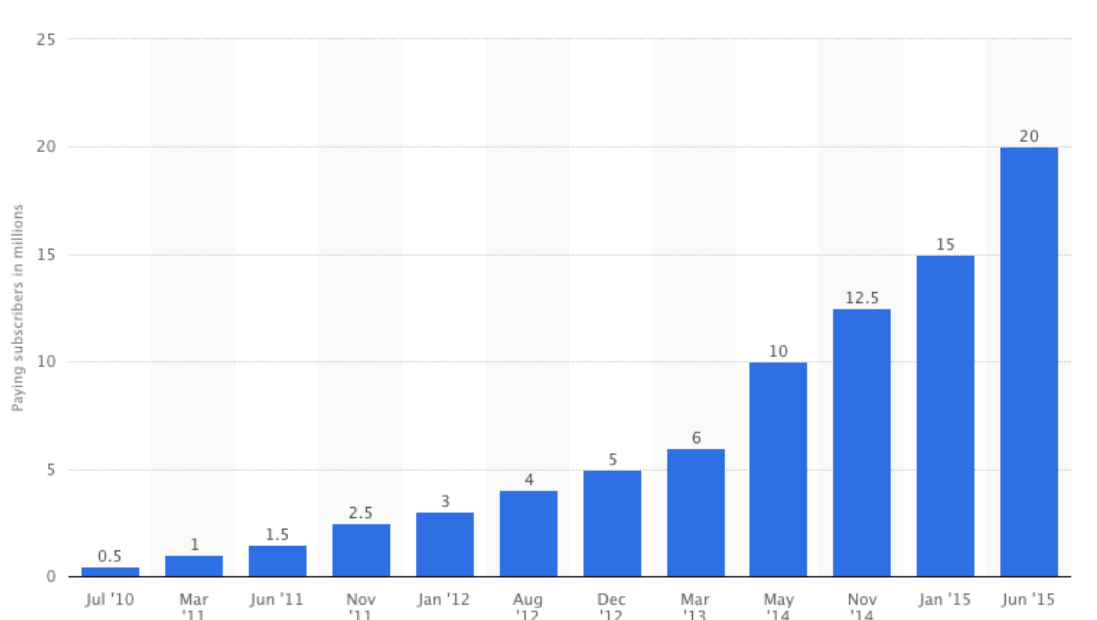
(Quoted from Brodsky, 2014)

In essence, the defense of Spotify, and creatives continuing to utilize Spotify as a valid method of digital distribution revolves around encouraging consumers to legally consume the music product, by making it as easy as possible to access (Ferro, 2014). However in the case of Taylor Swift, her 2014 release *1989* sold 1.28 million units in the first week of sale, after an intentional withholding of releasing the album on streaming services (Dickey, 2014) - an impressive statistic, but potentially a testament to her international superstardom which would have otherwise still happened, regardless of her position on streaming services (Ferro, 2014).

Socio-cultural trends and forces

The utilizing of streaming services as a means of accessing and listening to music has undergone a rapid consumer uptake in recent years, which is illustrated by streaming now being the largest source of recorded music revenue for some of the major record labels in 2015 (Telford, 2015; WMG Annual Report, 2015). Indeed, the rapid rate of diffusion and adoption of streaming services is a socio-cultural trend in and of itself, especially in

contextualizing that Spotify has the largest number of subscribers of music streaming services (D’Orazio, 2016); since it’s launch in mid 2010, the service now has in excess of 20 million premium subscribers as of June 2015 (consumers who pay a monthly fee to use the service) (Warren, 2015). In addition to the rapid rate of adoption of Spotify, competitor Apple Music launched as a streaming service in 2015, with a wholly premium offering (no free, or ‘freemium’ services). In the first year of operation, Apple Music has gained 10 million paid subscribers to its service (Garrahan and Bradshaw, 2016). Streaming is growing at an almost exponential rate, with the British Phonographic Industry stating that in the first six months of 2015, streaming in the UK was up 80% on 2014 data (BPI Press Release, 2015). This translates to over 11.5 billion streams through streaming services in the first six months of 2015 (BPI Press Release, 2015; Walsh, 2015), which is in comparison to a total of 14.8 billion streams through streaming services across the entirety of 2014 (Walsh, 2015) - a statistic which speaks to the massive socio-cultural trend that is the consumer uptake in streaming services. See Figure 6 below illustrating the growth of Spotify since it’s inception in 2010, illustrative of the significant recent growth in the consumer uptake in paid subscription-based streaming services.



(Retrieved from Spotify press releases.) Figure 6. Spotify Press Release (2015). Spotify paid subscribers 2010-2015.

This significant recent consumer uptake is at odds with initial research into streaming as a method of music distribution, and is demonstrative of a socio-cultural shift towards

widespread consumer acceptance of the distribution method. Research undertaken as early as 2011 into consumer attitudes towards streaming pointed to consumers still having a demonstrated preference for ownership of music product, as opposed to streaming music product (Resnikoff, 2012b). The same study surveyed consumers between the ages of 18 and 64, and uncovered that 92% of music consumers prefer to own the music they consume, and 84% of the same consumers believe that they will never give up owning music, in exchange for using a paid streaming service (Resnikoff, 2012a). Since the research was conducted in 2011, the amount of paid subscribers to Spotify has increased by 700% (see Figure 6), and it therefore stands to reason that there has been a significant socio-cultural shift in favour of streaming services.

One of the core propositions of Spotify and other streaming services is that they operate as a legitimate and legal alternative for consumers to piracy and illegal downloads of music product. The value proposition to consumers for subscribing to streaming services revolves around having a user interface which is incredibly easy to navigate, containing a vast library of music product, is relatively cheap (or free), and is a legal alternative to piracy of product which mitigates all risk of litigation (Curtis, 2013). Initial studies were indicative that by providing consumers with cheap, viable alternatives to piracy and illegal downloading of music product, consumers are significantly less likely to engage in piracy, with one such study indicating that streaming services were responsible for an 82.5% decline in piracy (Curtis, 2013). Further to the findings of the aforementioned study determining that streaming services were responsible for a decline in music piracy, research by Anguins and Martins (2014) uncovered that there is no correlation between consumers who are subscribers to streaming services accessing illegally downloaded music content. They also discovered that there is a positive correlation between consumers paying for music subscription services, and the legal acquisition of music product through other distribution methods and formats (Anguins and Martins, 2014).

More recent studies have had contrasting results around consumers who subscribe to streaming services, and their habits around piracy of music product. In a study by Borja, Dieringer and Daw (2015) it was discovered that a consumer being a subscriber to a music streaming service increases the probability that they will also illegally download by 23.5%. This is consistent with the 2015 Global Music Industry Report data, which stipulates that piracy of music is up 16.5% worldwide in 2015 in comparison to 2014

(Reid, 2016). Further, as consumer attitude towards piracy is positively determined by economic and hedonic benefits (Cesareo and Pastore, 2014), and a favourable attitude to piracy results in a consumer being less willing to try subscription-based streaming services, it stands to reason that the most prolific music pirates are not engaging with streaming services, regardless of the utilitarian benefits (Cesareo and Pastore, 2014). One of the reasons around this dichotomy of results around the relationship between consumers who subscribe to streaming services, and their behaviour towards piracy of music product lies in the deterrent effect. This can partially account for the decline in piracy early on in the streaming services life cycle, and the recent increase in piracy. The deterrent effect lies in the early publicizing of the launch of streaming services, and the narrative surrounding them; a narrative that is consistent with providing consumers with a legal and cheap alternative to piracy, whilst also contextualizing the illegality of illegal downloading (Munro, 2015). This narrative is further supported by free trials of the streaming services (Munro, 2015) encouraging consumer uptake in streaming, in lieu of illegal downloading. However, as the free trials come to an end, and the media coverage and narrative around the streaming services subsides, the deterrent effect wears off, and illegal downloading and piracy commence again. This is illustrated in the 16.5% increase in global piracy of music in 2015 compared with 2014 (Reid, 2016).

4. Discussion

A convergence of models – towards a new model of distribution

As music formats and distribution models have developed over time, the general perception and attitude of the music business towards these changes is that each new iteration and format change is a risk to the existing model, and will be disruptive to existing revenue streams. This inherent mistrust on the part of the industry towards the technological developments and new formats has resulted in an industry that is wholly reactive to change, as opposed to being proactive. This reactive attitude has had significant effect on revenue streams, when contextualizing that as consumers began to access music products through digital distribution channels, the record labels fought the digital revolution. As a result, Apple launched iTunes and is now the biggest music distributor in the world (Cubbins and Leto, 2012). Had the record labels not fought the emerging digital distribution model and instead proactively developed their own digital

distribution channels, the largest music distributor internationally would not be a technology device manufacturer. The major record labels handed over control of a lucrative distribution revenue stream to a business that creates and sells products for music to be listened on, when that revenue stream could have been a channel of their own.

With consistent talk about cannibalizing revenues from new distribution channels, each distribution channel is essentially silo-d, and is in direct competition with the other distribution channels. Illustratively, the topic of digital distribution being responsible for a consistent decline in revenues from physical distributed product is a literary trope rolled out by industry media and publications towards the end of each financial year. However by thinking of each distribution method and format as in direct competition for revenue spend with one another, an opportunity for a convergence of models is entirely overlooked. If the format of the music products and their distribution methods were instead perceived as complimentary, and as servicing the specific needs of a segmented consumer group as opposed to cannibalizing one another, a convergence can occur which has the potential to result in increased revenue for all format and distribution types, and an overall increase in revenue for the record labels.

It is proposed that in the development of the distribution model for music product releases (albums), that all three of the discussed format and distribution methods are utilized according to a timeline devised by their core characteristics, as previously explained. The aim is for each format and distribution method to be viewed as integral pieces of an overarching strategy, and valid revenue streams in their own rights as opposed to threats to each other's bottom line. The following discussion proposes a converged distribution model, which utilizes all format and distribution methods for a new release album for a major label artist:

1. Digital channel distribution

On release date, the album is released and distributed through digital channels. It is proposed that availability be made at the same time for every international territory in which the music product is being released. The rationale for a synchronous release is related to a justification around making the product as accessible to all consumers as possible. This is to discourage piracy by consumers who would have otherwise purchased the music product if it was available (Quirk, 2015).

2. Physical channel distribution

Closely following a digital distribution of the music product, a distribution of physical product is released. While academics and media have heralded the slumping of revenues from physical music sales as the end of all physical format music products (Slaughter, 2013; Bockstead et al., 2005; Styvén, 2007), in actuality there has been a resurgence in physical format sales in the form of vinyl records (Wolff-Mann, 2015). So important is the resurgence in vinyl sales that in 2015 sales from vinyl records contributed 39% more revenue than free, advertisement supported streaming services (Wolff-Mann, 2015). The rationale with utilizing a physical distribution channel following a digital release lies in that consumers have the potential of purchasing a digital copy in advance of being able to access the music product through physical channels. Furthermore, in the context of a physical format music product like vinyl records, there is no digital aspect to the product, and it can therefore not be utilized in a digital context (through smartphones, computers or mp3 players), further encouraging a purchase of both a physical and digital copy of the music product.

3. Distribution through Streaming Services

After a delayed period from when the album is released and distributed through physical and digital channels, the album is released for distribution through streaming services. It is proposed that this time-delay between distributing the music product in physical and digital channels, and distributing through streaming services be between one and two months. The rationale for the delay is related to the space of time in which an artist sells the largest amount of product post-release date, given that the first week of album sales contribute upwards of 25% to the total sales during an album's life-cycle (Peoples, 2011). In order to encourage a purchase of the music product in either physical or digital format, withholding access to the music product through a streaming service has the potential of increasing revenue from digital and physical distribution without being cannibalized by said streaming services.

Illustrative of the benefit of such a distribution model is in the first-week sales of Taylor Swift's album *1989*, and Adele's album *25*, each netting 1.28 million units sold (Dickey, 2014) and 3.38 million units sold (Caulfield, 2015) respectively in their first week of sale after both publicly condemning streaming services and withholding distribution through

streaming services. In contrast, equally popular artist Rihanna released her album *Anti* in January 2016 solely through digital distribution channels (without a physical format distribution at all) and through streaming services, resulting in less than 1,000 units sold (Forde, 2016) but 14 million streams (Morris, 2016) in the first week post-release. It is therefore logical that when consumers are presented with an opportunity to stream a new release music product, or purchase the product outright through other distribution channels, they are choosing the distribution model that is cheapest to them, and is the weakest revenue stream to the artist.

The benefits of utilizing all three distribution models in a converged new model of distribution have the potential to be significant to revenues over time. While each format and distribution method has characteristics that are inherently targeting specific groups of consumers, there is potential for consumers to utilize more than one format type and distribution method in the course of their consumption relationship with the music product. For example a consumer may initially purchase a digital copy of an album so as to have immediate access to the product in lieu of accessing the product through streaming services, followed by a physical (vinyl) copy as a tangible piece of music content. In the months following the physical and digital releases, the album is released on streaming services and the same consumer has the potential of accessing the music product through a streaming distribution method also. This equates to purchases not being detrimentally affected by cannibalization due to streaming services. This is especially pertinent given that in excess of 25% of sales of the recorded music product are sold within the first week of release (Peoples, 2011), whilst also opening up streaming as a valid revenue stream for the future of the album. Because artists are paid on a per-stream basis, streaming has the potential of being an incredibly lucrative stream of revenue long-term, beyond the initial sales spike post-release.

Future trends and propositions

One of the most consistent trends through each distribution method and format of music product is that the accessing of music product is a hedonic process, not utilitarian. As a result, an attempt to appeal to consumers through utilitarian arguments is ineffective, and the model needs to shift towards the offering of added value at each distribution method. The added value is connected to appealing to hedonic benefits of consumption or acquisition through legal avenues. There are a number of artists who have partially

adopted this model, by capitalizing on the benefits of the format and distribution method, however there are no records of an artist fully utilizing the value addition concept at each distribution level. The value adding at each level can be achieved through demonstrated methods:

- **Physical Distribution**

- Bonus tracks as an added value; the concept revolves around the inclusion of additional songs being included in the physical music product. Often this is done in a brand partnership between the artist and a specific music retailer. Illustratively, in a brand partnership between Adele and US retailer Target, Adele's 2015 album *25* was exclusively released in physical format through Target with the inclusion of 3 bonus tracks (Sullivan, 2015). This is propositioned as driving consumers to purchase a (potentially additional) copy of the physical album from the retailer, based on a perceived added value beyond the standard album issue, available through other physical retailers and digital distributors. It also drives genuine fans to seek out all variants of the album released, in order to ensure access to all songs on the album.
- Bundles and packages; the concept revolves around the addition of other tangible product with the purchase of the album. This is often done through the inclusion of exclusive branded merchandise of the artist as an incentive to purchase the album, and is unique to the physical format distribution. Illustratively, as an incentive to purchase an physical copy of The 1975's album *I Like It When You Sleep, For You Are So Beautiful Yet So Unaware Of It*, the first 500 consumers to purchase a physical copy were rewarded with an exclusive poster, unavailable to consumers attaining the album through other distribution methods (Coup de Main, 2016). This drives consumers to purchase through the perception of added value through exclusive product.

- **Digital Distribution**

- Bonus tracks as added value; similarly with physical distribution, exclusive songs are included as a part of the album through digital retailers. These bonus tracks are typically different from any bonus tracks offered through an aforementioned physical bonus track inclusion, so as to not cannibalise

the addition of value to the product. Importantly, in the inclusion of bonus tracks as an added value to the digital music product, the bonus tracks are often only available upon purchase of a ‘bundled album’. That is to say, it is necessary to purchase the entire album in order to have access to the bonus tracks. This is an important note, as with the traditional unbundling of albums through digital format distribution, individual tracks are available for purchase for such a small amount of money. As such, if the bonus tracks were available for purchase as individual tracks, there would be no added value to the consumer in the purchase of a whole album, when the addition of value has the specific purpose of incentivising the purchase of the music product.

- **Streaming**

- Exclusive content; the manufacture of exclusive content specific to the format, only accessible to subscribers of the streaming services. This is typically done through the recording of alternative versions of songs, to be released on the streaming service exclusively. Illustratively, Spotify has harnessed this concept most effectively through their ‘Spotify Sessions’, wherein every Tuesday the platform releases an EP from an artist, recorded live in front of a small group of fans in the Stockholm or New York Spotify office (Donohue, 2013). Each EP is preceded by a short interview with the artist, or Q&A with the fans present at the recording “offering the listener a glimpse into the mind of an artist that they simply don't get by listening to an album” (Donohue, 2013). By offering exclusively recorded tracks, and Q&A interviews through streaming services, these pose as an added value for the format and incentivise consumers to utilise the service.

Another proposed future trend is in the utilization of recorded music product not as the primary source of revenue for the business and the creatives, but as a marketing tool in order to benefit other more lucrative revenue streams. Illustratively, it is proposed that the release and distribution of recorded music product will simply operate as a vehicle to sell tickets to live performances, as live performance is a demonstrably more lucrative revenue stream than the sale of albums (Kafka, 2011). The potential of this trend is being demonstrated through the utilization of brand partnerships with, and sponsorship of artists which distribute the music product to consumers, but do not constitute an ‘album sale’.

This is most famously demonstrated by the partnership between Apple and U2, when U2's album *Songs of Innocence* was automatically distributed to all global consumers of Apple products (Hampp, 2014), a feat tantamount to giving away 500 million copies of the album. In the giving away of their album to 500 million consumers, the purpose was to introduce new consumers to U2, whilst also leveraging their brand relationship with existing consumers in order to benefit other revenue streams through the sale of the back catalogue of albums, and the sale of concert tickets.

This trend is further evidenced by the decision of artists to limit the distribution of their recorded music products. Illustratively, on the release of Kanye West's 2016 album *The Life of Pablo*, the distribution strategy is limited solely to being streamed through one specific streaming service: Tidal. It is important to note that Kanye West has ownership stakes in Tidal, and the distribution strategy around the exclusive release is inherently linked to the fact that the streaming service is facing financial difficulty, especially in an increasingly competitive marketplace (O'Brien, 2016). However, in limiting consumer access to the album and not releasing it for sale in physical or digital format, it stands to reason that revenues from the recorded music product are not the primary revenue stream for the artist, and are instead supplementary and operating as a vehicle to increase consumer spending in other ways (such as the sale of branded merchandise, or tickets for live performance). As a result, there is the potential for the model to continue to shift away from recorded music product being a primary revenue source for the music industry, and instead operate as recorded music being a vehicle to increase consumer spending in other more lucrative revenue streams.

Research Implications

Theoretical Implication

The most significant theoretical implication and contribution that this case study offers is in the offering of an holistic approach to what is a complex and ever-developing topic of research. The complex nature of socio-cultural trends and the way that they are inherently interlinked with consumption habits is an important topic of research, within the context of consumer culture theory (Arnould and Thompson, 2005). The concept of consumer culture theory revolves around the perspective that there is a dynamic relationship between the actions of consumers (purchase and consumption), the marketplace (the

development and evolution of distribution and format of music goods) and the cultural meanings assigned to the commodity (Arnould and Thompson, 2005).

Consumer culture denotes a social arrangement in which the relations between lived culture and social resources, and between meaningful ways of life and the symbolic and material resources on which they depend, are mediated through markets.

-Arnould and Thompson (2005)

By these definitions, the results and scope of this case study contribute to the stream of knowledge for consumer culture theory, as the distribution models and formats of music product are thoroughly investigated specifically through a socio-cultural lens. The distribution models and formats of music products (representative of the marketplace), and the actions of consumers are inter-reactionary pieces which drive purchase and consumption of goods; and beyond that, this case study analyzes the value of cultural goods, and the conflicted assemblage in the ongoing development of technologies, consumers, and industries that contribute to the uses and meanings of music formats as they continue to develop.

Further, this case study takes a holistic perspective at the topic of transitioning distribution models and formats of music products as a historical timeline of events, not as silos. Previous research has looked at music formats and distribution as being independent from one another, when in actuality the state of distribution of music product has largely been fluid and consistently transformational, as illustrated by this research. By looking at this contemporary cultural phenomenon through an historical case study, the impact of the socio-cultural trends which have impacted on the marketplace shifts become contextual over time, as opposed to in silos of time and context. This research also serves as an analysis around the value of cultural goods, and the conflicted assemblage in the ongoing development of technologies, consumers, and industries that contribute to the uses and meanings of music products and formats as they continue to develop.

Practical Implication

This historical case study has mapped out the marketplace shifts that have occurred in the music industry over a space of 40 years, and the socio-cultural trends that have impacted on these shifts. In analyzing the changes to format and distribution methods for music products, it is obvious that this paints a picture of an industry that consistently acts in a reactive way, as opposed to proactive. While there is nothing inherently wrong about an industry which is reactive to socio-cultural trends and influences, the slow rate at which the industry has embraced technological developments and new revenue streams is responsible for the substantial decline in industry revenues over the past 20 years. By fighting and litigating against consumers who were illegally sourcing music product through file sharing websites instead of developing a digital form of distribution, there is a potentially significant amount of lost revenues through digital sales which contributed to the substantial decline in revenues. This demonstrates a level of disconnect between the core businesses of the music industry, and their consumers. Therefore one of the managerial implications of this research is providing a retrospective look at how socio-cultural changes have shaped the music industry in to what it is today, potentially leading to an opportunity for managers within the industry to be proactively monitoring the socio-cultural trends and technological changes which may impact on their business models.

By extension, this case study has illustrated that seeing all technological advancements as a threat to existing revenue streams have put the record labels on the back foot. As a result, all distribution methods have operated in silos, as separate and competitive (potentially cannibalistic) revenue streams. Therefore, one of the most significant managerial implications and contributions of this case study lies in the proposed convergence of distribution methods to maximize the revenue streams of each distribution method and format as part of a cohesive distribution strategy. This converged model of distribution has the potential of increasing revenue and consumption of an album overall, as well as increasing the flow of revenue for each distribution method and format.

5. Conclusion

The music industry has undergone a period of rapid and significant change over the past 40 years. This case study has demonstrated that the record labels have been consistently resistant to change, and see each new technological and distribution development as a

threat to existing revenue streams. This is demonstrative of an industry that is out of step with its consumers, and developing socio-cultural trends. In an era where more people are consuming more music than at any other point in history, it is essential that the record labels develop a view that new and emergent distribution methods are not a cannibalistic threat to revenue. This way the industry has the potential to utilize a new converged model of distribution that has the potential to maximize revenues.

Limitations

The biggest issue with research and literature in to music consumption, consumer habits and socio-cultural trends relating to music is the rate at which technology is changing and developing. Articles written in 2005 aren't old in the context of academic literature, but the fact that they're referencing digital music platforms that haven't existed in close to a decade have contextual implications. The music business is operating in a period of rapid change, and such change has and is continuing to have impacts on music consumption habits and broader socio-cultural trends, along with influencing the way in which business models develop and work.

As non-acquisition consumption is still an emergent concept, the amount of academic literature and research about consumer responses, consumer behaviour and implications of streaming services is limited. However as non-acquisition consumption continues to grow in the number of consumers utilizing streaming services and as a valid distribution method and revenue stream, it is of increasing importance and interest both managerially, and academically. As a result, this case study has highlighted gaps in research that investigates the impact of socio-cultural trends such as the changing consumption landscape of music. A 1100% increase in share of revenue in New Zealand (Recorded Music New Zealand, 2015) is absolutely significant enough that academics should have published more extensively on this topic, and this is a significant literary gap. The switch from physical to digital product in the sale of music has resulted in an industry meltdown, and it has taken over 15 years for the music industry to change its business model in order to capitalize on new revenue streams.

Future research directions

It is proposed that this research be used as a springboard for future research in to how cultural goods and the transitory nature of the media we consume is shaped by socio-

cultural trends and consumer culture. This can be expanded beyond the scope of the music industry and applied to other media going through a transitional and digital transformation, such as the film and television industries. It is therefore proposed that an historical case study of the historical timelines of other developing media formats could be undertaken in an effort to better understand the ways in which consumer behaviour and socio-cultural trends are responsible for shaping and developing the ways in which media is sold and consumed in a modern context.

This case study specifically operates as a platform of extant knowledge of music distribution methods and formats, and by its nature it can guide enquiry as transitions and shifts continue to occur- continuing through a socio-cultural lens, or through any other critical lens. That is to suggest that this research, and this specific historical timeline is not complete, despite being complete to the current forms of music distribution and formats. It is therefore proposed that as changes in music distribution and format continue to develop in an ever-evolving digital landscape, there is the potential for an extension to this research to be undertaken in continuing to develop and build on this historical timeline. Music products and distribution methods will continue to be shaped by consumer behaviour and socio-cultural trends, and therefore this research has the potential to be extended along the exact same line of enquiry as developments and shifts continue to occur over time.

As previously discussed, this case study has highlighted a literary gap, specifically in the socio-cultural trends surrounding consumer behaviour and consumer uptake of subscription-based streaming services. A proposed area of future enquiry and research is in to how consumer perceptions, attitudes, behaviour and socio-cultural trends have changed and developed as music products have transitioned from a physical format product, to a digital format product, through to a product that consumers do not have to purchase to consume. As streaming is contextualized as a part of an evolving business distribution model, a future direction for research is looking in to how consumer perceptions of music as a commodity have shifted as a popularized model of non-acquisition consumption begins to be more dominant than physical and digital sales revenues. The latest shift towards streaming services and non-acquisition consumption has the potential of generating significant shifts in consumer perceptions as to the value of music as a commodity.

It is further proposed that an extension to this research be undertaken by testing the proposed strategy for distribution of a new music product (discussed and outlined in **4. Discussion**). Testing the viability and feasibility of the proposed model strategy through a process of surveying for consumer perceptions and intentions surrounding the release of a new music product would be beneficial, especially if coupled with a quantitative analysis of sales data from a business undertaking the proposed strategy would add significant weight to the proposed strategy as a means of maximizing revenues across all formats and distribution methods without cannibalizing one revenue stream from another.

Music will never die. It will always drive industry, it will always drive innovation, it will always be available to everyone- and everyone is always going to want it.

-Chester Bennington
Frontman of Linkin Park
(Quoted from Cubbins and Leto, 2012)

The future of the music business is unknown. That's what makes it exciting to some, and really scary to others. It doesn't really matter what the critics say, or what the gatekeepers say. Really, in this day and age in the music industry, the new gatekeepers are the fans.

-Angelica Cob-Baehler
Former VP of Media and Creative, EMI Records
(Quoted from Cubbins and Leto, 2012)

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