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Marketing for the Music Industry

Defining a Viable Strategy in a Future
Context

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“To those in the business who care about the music, too”
D. Bakerville

*To Anna,
may the love of your family bring you back with them soon.*

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Introduction

For at least forty years marketing theories and practices have been supporting the evolution of the music industry.

Because of the peculiar nature of this field, where the word *art* matches with the word *product*, many theoretical frameworks and approaches have been developed in order to combine in a functional way the traditional marketing used for cars, beans, and jeans with the cultural/artistic marketing, which in turn is adopted for theatre plays, museums, books, and also, music.

It has been apparent lately how much the principles of the marketing mix that supports a new model of shoes' launch are similar to the ones involved in the release of a music record. Nonetheless, the artistic nature of the creation as well as the expectations and the consumers' needs are able to taint and affect the marketing process and make it quite distinguished.

In the galaxy of the arts and cultural market, the gravity center that keeps together many different systems is composed by the creative nature of the product and the artist's key role. There is a central area made up by a pool of organizations specialized in making and distributing performing arts (theatre, ballet, opera, concerts, etc.), and visual arts (galleries, museum, expositions, etc.). Then we have the art *industry*, a constellation that involves large-scale reproductions of one single art-piece (movies, music albums, books, etc.).

This second area could be depicted as revolving further in the galaxy, and it is influenced and attracted by the characteristics and the drivers of other consumer goods markets, as well as by different managerial and marketing models. This is the place where we find the Home Entertainment Industry (H.E.I.), and the recorded music industry itself.

Adopting a marketing perspective, the contamination that actually *feeds* the music industry system lies between two basic processes. The general marketplace's one, in which an organization aims to supply an emerging demand through its resources and capability; and the artistic/cultural one, by which, starting from the product, the organization identifies and targets the potential consumers, creating then an operative strategy adapting several variables (price, promotion, and distribution) in order to reach the consumers.

During the years various marketing models have been provided by the academic world, with the purpose of fully merging with these processes, which were elaborated and gradually adopted by the music industry.

The issue here is that none of the market, industry, or society are static systems. This galaxy is moving and changing, considerably fast indeed. Hence, the theoretical support to this field should be flexible, renewable, or at least should be re-thought accordingly with the environmental changes.

This is exactly what has *not* been done.

The lack of theoretical support for this business is mostly due to a fast evolution of both new technologies and market linkages, and the difficulties in adapting new non-conventional marketing approaches to operative strategies. In addition, there is an understandable tendency in narrowing the studies on singular elements, such as new distribution channels and methods. Furthermore, a strict focus on social media branding and communication would be preferred, rather than embracing a broader investigation.

The present work is meant to provide an objective analysis regarding the guidelines of the music industry's marketing strategies in the near future.

To do so I'll first go through a literature review concerning past and present marketing models, focusing on the ones most adopted by the music industry, and their effectiveness as well as their weaknesses will be thus pointed out.

An outlook on the actual situation of music industry with data analysis concerning record sales and revenue sources will be presented; I will then highlight weaknesses and threats to the established marketing models, by linking them with society evolution and changes in music consumption patterns. A particular attention will be given to technology innovations, and to market linkages evolution.

The final goal will be to structure a general and viable marketing strategy by defining several key points, which may directly support specific operative decisions.

The inputs considered to get to such conclusions come from the study of a wide portion of academic and sectorial publications, as well as from the understanding of a foreseeable market scenario, and from the result of several interview issued by managers that kindly gave their contributes to this work as industry-*insiders*.

1. Marketing the Music

1.1. Evolution of Marketing Theories and Approaches

The most attractive aspect of marketing as a discipline lies in its dynamic connection with the society. Despite a solid background of basic principles, the concept of marketing itself has developed during the years according to the change of markets, business models¹, customers' demand, industrial evolutions, as well as environment and society evolution.

In order to fully get into this matter, before heading to the specific branch of music industry marketing, a general landmark framework may be structured by outlining key concepts and models.

The broad definition of marketing is strictly linked with its final purpose, which is to realize *exchanges* between organizations and customers, by means of products or services. These exchanges should respect and satisfy three subjects: the customers, the organizations, and the society where they take place. Hence, the marketing is defined as

“the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.”²

In line with the goal of the entire organization, through all its other branches and departments, marketing activities should be oriented by two simple principles: achieve the satisfaction of the consumer, and provide a product/service superior than the competitors' ones.³

In the end, regardless the approach or orientation in use, we can always find in the essence of marketing three plain dimensions⁴.

¹ A “Business Model” has been defined by Afuah and Tucci as “the method by which a firm builds and uses its resources to offer its customers better value than its competitors and to make money doing so”. See *Internet Business Models and Strategies: Text and Cases*, A. Afuah, C. L. Tucci, McGraw-Hill Education, 2003.

² *American Marketing Association*, 2007.

³ *Fondamenti di Marketing*, R. P. Bagozzi, 2001.

⁴ *Market-Driven Management: Strategic & Operational Marketing*, J. J. Lambin, Palgrave Macmillan, 2000.

- a) The ideological dimension, where a background mindset should be placed to guide all the activities toward the satisfaction of consumers' demand.
- b) The analytical dimension, that includes all the process to analyze and understand the market, and more broadly the environment and the society. This is a core area, in which the marketing strategies are developed according to information and feedbacks from outside the organization.
- c) The operative dimension, where the strategies and patterns previously established must be translated in operative decisions and actions through all the marketing instruments. It is here that the *marketing mix* is shaped. We will deal later with the several areas involved in this process.

These three dimensions are strictly interdependent among them, and they are considerable as an on-going process of analysis, planning and action that should be driven by the marketing management.

The above-mentioned marketing principles, nowadays widely in use, are the results of years of evolution and adaptation to the economics and social system.

Looking back at this progression, it appears clear how these concepts relate to the economic history. In particular, they depend on several factors such as the trade-off between supply and demand, as well as the kind of market to serve and the level of competition in it.⁵

We propose hereafter an overview of marketing approaches and orientations, outlining their functions with respect to their goals and theoretical premises.

To design these frameworks the following categories are up token:

- Approach: the theoretical background;
- Orientation: the strategy focus;
- Sub-orientation: in a structured model, the more specific marketing tools.

⁵ Many of the studies on the evolutionary aspect of marketing, and not only, refer to the work of Professor Philip Kotler, who brought a fundamental contribution in structuring marketing as a proper academic discipline. His book *Marketing Management: Analysis, Planning and Control* (Englewood Cliffs, N.J., Prentice-Hall, 1967) is to date the most used textbook in graduate school of business worldwide.

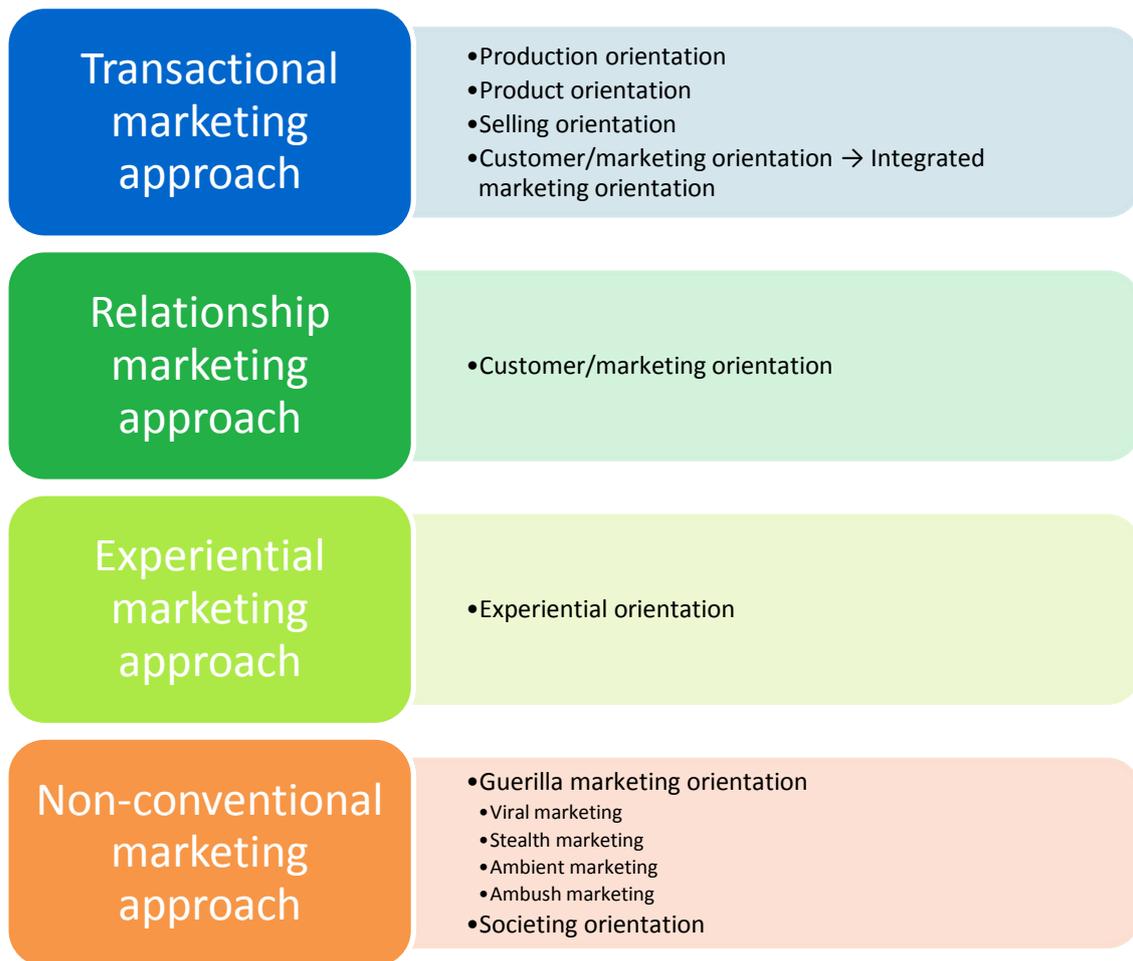


FIGURE 1 - Marketing Approaches / Orientations Outline

1.1.1. Transactional Marketing Approach

This is probably the most common approach. Certainly it is the oldest one and still the most reliable in terms of supplied operative tools.

The transactional marketing is strictly based on the exchange of a good (product or service) between an organization and a client: this has remained basically the only approach in use until the eighties. Although the first studies on this matter date back even in the late 1920s, only after the mid-twentieth century a consistent academic literature began to spread thanks to the work of academics like Philip Kotler, Robert J. Keith and Neil H. Borden.

The several orientations included in this framework may be seen through a historical prospective⁶. They are actually considered as a sequence of steps that brought the marketing itself from a side role to an essential function for any business company.

Transactional marketing embraces the four main orientations listed hereafter.

Production Orientation

Usually related to an environment where the demand exceeds the supply, this orientation focuses on the production process. All the efforts are meant to achieve the production's high efficiency, and the widespread of distribution. These paths were largely followed in Western Europe during the first half of the last century.

The role of marketing is considered *passive*. It does exist as a function only to manage the distribution and manage the selling process; without any strategic guideline to make, and totally subordinate to the production function.

Product Orientation

The focus here is on the product and its characteristics. Competitors on the same market may negatively affect the sales, hence a company aims to differentiate the product by increasing quality, features and performances. Anyway these developments are not directly motivated by the needs of the consumer⁷, in fact there is no feedbacks gathering.

The marketing objective is to manage distribution and sales, emphasizing the peculiar aspects of the product. There is not a real connection between the marketing and production functions.

Selling Orientation

The environment is characterized by an increasing competition and a forthcoming market saturation. Many firms adopt mass production systems that create constant

⁶ *Market-Driven Management: Strategic & Operational Marketing*, J. J. Lambin, Palgrave Macmillan, 2000.

⁷ This issue has provided the background for many marketing constructive criticisms through the years. It was the cornerstone of the perspective change that brought marketing focus on customers' needs, and to develop then further theory as the "jobs-to-be-done" one. Here the attention is directed to the final and higher purpose for which consumers buy a certain product, that becomes so nothing but an instrument to achieve a tangible/intangible benefit. See *The Innovator's Solution: Using Good Theory to Solve the Dilemmas of Growth*, C. M. Christensen, M. E. Raynor, Harvard Business School Press, 2003; *What Customers Want: Using Outcome-Driven Innovation to Create Breakthrough Products and Services*, A. Ulwick, McGraw-Hill Education, 2005; "Finding the Right Job for Your Product", C. M. Christensen, S. D. Anthony, G. Berstell, D. Nitterhouse, *MIT Sloan Management Review*, 2007.

distribution flows. The distance (both physical and psychological) between the organization and the client grows up; large retailers appear and the role of marketing becomes more important. Such a situation could be found in the U.S. as well as in central/western Europe around the early sixties, especially with the spread of long-lasting consumer goods accessible for the middle class.

The role of marketing is to create an efficient sales network with the distribution, coordinate and manage the selling process itself, promote the product and the firm, and realize basic market researches.

Customer Orientation (or Marketing Orientation)

A turning point has been made by the companies that gradually adopted this orientation. Given a low-rate market growth and a higher sophisticate demand, organizations must follow new strategies to hang in their market shares. Progressively more and more firms focused their attention on the clients' needs and satisfaction⁸; hence the product development has been influenced by the marketing researches, which became sharpen and more precise (several techniques as market segmentation evolved with this new marketing orientation)⁹.

The marketing function gains thus a central role in the organization. Starting from the market researches, this function is requested to design the product(s), and place it on the market by working on price, distribution and promotion. The pool of instruments the firm places its supply through takes the name of *marketing mix*¹⁰.

It is around this orientation that the marketing constructive criticism has shaped through the years a multi-area model to support and coordinate all the strategic decisions. This model, commonly known as *the 4Ps*¹¹, later extended to *7Ps* with the spread of *Service Dominant Logic*¹² is structured as follow:

⁸ A remarkable piece by R. J. Keith, titled "The Marketing Revolution", was published in the 1960 on the *Journal of Marketing*. It is still considered the milestone of the "marketing orientation" concept, as it actually brought under the spotlight for the first time the importance of consumers' needs and satisfaction.

⁹ There was a significant shift from the analysis of the *consumer* (more generic) to the investigation of the *client*, actually a deeper study on the purchaser's profile. This change of approach took place, referring to the Western Europe and the United States, between the late sixties and the eighties.

¹⁰ "The Concept of the Marketing Mix", N. H. Borden, *Journal of Advertising Research*, 1964.

¹¹ The 4Ps model was first introduced by Michigan State University's professor E. J. McCarthy in 1960. See *Basic Marketing: a managerial approach*, E. J. McCarthy, Irwin, 1960.

¹² "Evolving to a New Dominant Logic for Marketing", S. Vargo, R. Lusch, *Journal of Marketing*, 2004.

- *Product* - (or service) both end products or semi finished, tangible or intangible goods. The strategic process that affects the product realization is developed by marketing department along with the research and development department (R&D)¹³. After several analysis on the product lifecycle, on the market environment and consumers' expectations, a product may be developed through a sequential process or a parallel/overlapping process¹⁴. In any case the main steps will be as follow: ideas generation, ideas selection, product concept development, economic analysis, actual product development, launch, and commercialization.
- *Promotion* - this is a fundamental area widely studied and discussed, and it's grounded in the *communication process* activated by the company toward several subjects. The purpose is to show in full-scale not only the product/service offered, but the whole set of tangible and intangible assets of the firm itself. A relationship between the company and its interlocutors is built up, and through the communication channels, the messages, and the different perception stimulated, an overall image of the organization will be shaped. Communication strategies must be structured on steps (clarify the objectives, shape the message, identify the right media, analyze the feedbacks), and it has to be related to the different area in which it takes place: markets, social environment, investors/partners, and inside staffers. An operative promotion plan commonly consists of the following items:
 - a) Promotion mix, including all viable and adequate channels. Advertising, direct promotion through the sale forces, public relations, and sponsorships must be considered and structured.
 - b) Determination and allocation of a communication budget, which will be related to the objectives and channels of the above-mentioned mix.
 - c) Effectiveness analysis, based on several feedbacks split in cognitive response (communication effectiveness), affective response (psycho-social effectiveness), and consumer behavior response (consequences on sales).
- *Price* - pricing politics should consider several objectives: to ensure an appropriate *Return On Investment (R.O.I.)*, to maximize the profits, to achieve a certain market positioning (given that the price is one of the factors that most affect the consumer's perception of a product), to differentiate the product from the competitors' ones.

¹³ It is not rare also to find interdepartmental teams, tasked to the product development under the supervision of a single product manager who coordinates the various activities.

¹⁴ "The new new product development game", H. Takeuchi, I. Nonaka, *Harvard Business Review*, 1986.

Whichever will be the pricing strategy to follow, three fundamental variables should be always considered: costs, demand and competition.

- *Place* - that is actually *distribution*, the activity by which goods are transferred from the production place to the Place Of Selling (*P.O.S.*). These goods must be stocked and made available to the clients. The role of distribution should be *placing* a product on the market via a four-step chain: transfer, splitting, stocking and assortment. Within this process we find five different exchange flows¹⁵: propriety flow from the ownership to the organization (e.g. assets and investments); physical exchange flow from the organization to final customer or retailers (placing of product/services); order flow and monetary flow (from retailers or customers to the organization); and information flow (among all the subjects involved).

Despite its solidity the 4Ps basic model presents some lacks around the management of certain areas such as the specific show of a product/service during its delivery, the final delivering process itself, and the relationships building with the customers. All of these aspects belong to the previously mentioned *Service Dominant Logic* which was effectively explored by Vargo and Lusch in 2004¹⁶. Under this perspective is clearly more relevant the provision of services rather than a mere sale of consumer goods. The elements that brought this vision to the fore can be found in the intangible products offer increasing, as well as in the rising of the relationship importance between firms and customers, which will be discussed hereafter.

As a matter of fact the 4Ps model needed therefore to be reviewed and adapted according to the change of markets and society. Three more Ps (introduced first by Booms and Bitner¹⁷, and reviewed then by Moorthi¹⁸ and others) were added to the McCarthy's 4Ps model. This evolution, as well as the proposals of other marketing frameworks¹⁹, marks the attempt of providing newer tools to the marketing management. To form a new 7Ps model, the additions are:

¹⁵ *Market-Driven Management: Strategic & Operational Marketing*, J. J. Lambin, Palgrave Macmillan, 2000.

¹⁶ "Evolving to a New Dominant Logic for Marketing", S. Vargo, R. Lusch, *Journal of Marketing*, 2004.

¹⁷ "Marketing Strategies and Organization Structures for Service Firms", B. H. Booms, M. J. Bitner in *Marketing of Services*, J. H. Donnelly, W. R. George, American Marketing Association, 1981.

¹⁸ "An approach to branding services" Y. L. R. Moorthi in *Journal of Service Marketing*, 2002.

¹⁹ I.e. the Lauterborn's "4Cs" classification, see *The New Marketing Paradigm: Integrated Marketing Communications*, D. E. Schultz, S. I. Tannenbaum, R. F. Lauterborn, McGraw-Hill Professional, 1994.

- *Physical evidence* - the set of elements that affect the customer's perception of a product/service and of the company which is providing it. Especially in the case of an intangible product, the image built by the company through its selling channels will be fundamental to lower the customers' uncertainty, and reassure them about the reliability of the very product.
- *People* – both the very employees of the company, and whoever else work, present or sell the product. The human resources department should select the right people for any particular position, and make sure about their on-going training and proficiency levels. Especially for the after-sale frame the role of the personnel that come in touch with the customers is crucial for the complete satisfaction the needs to these last ones. This point, if crucial for service industries, is also extremely relevant in the business-to-business selling field of all other companies.²⁰
- *Process* – the course of actions by which the product/service is ultimately made available to the customers, as well as the information set and the whole customer care granted by the company. The key point here is the structure of channels that ensure the presence of the firm when this is needed by its clients.

The customer orientation (or marketing orientation) just described, after a remarkable evolution, and a widespread diffusion through the last three decades of the last century, came to a transformation at the outset of the new millennium. All the principles of customer orientation were reconsidered under the light of a new objective: to guarantee the role of marketing as a binding element between the company and the market, as well as between the inner functions of a company itself²¹. This evolution took the name of *integrated marketing*²². In this development a key role has assumed by a systematic analysis of all stakeholders' expectations and behaviors that influence the sales. The results of this analysis should coordinate the work of all company's departments as an assimilated knowledge. By doing so a "marketing culture" is supposed to pervade all areas and processes. The marketing becomes thus a glue, meant to facilitate the inner business synergies. The stakeholders considered under this orientation are:

²⁰ *Marketing and the 7Ps. A brief summary of marketing and how it works*, The Chartered Institute of Marketing, 2009.

²¹ *Market-Driven Management: Strategic & Operational Marketing*, J. J. Lambin, Palgrave Macmillan, 2000.

²² *Marketing Management*, P. Kotler, K. L. Keller, L. Kevin, Pearson Education, 2012.

- *Final client*, whose needs have to be satisfied;
- *Distributors*, for which a specific trade marketing (business to business) has to be used;
- *Competitors*, direct and indirect;
- *Physical subscribers/advisors*, (if present) which are key-intermediates who drive the choice of final customers (e.g. doctors, pharmacists, designers, or, in the music and entertainment business, critics and reviewers);
- *Social-economic environment*, the whole context including communities and public institutions.

Finally, this last orientation functioned as a bridge between the whole transactional approach and a new marketing perspective, the *holistic* one. The holistic orientation is nothing but a synthesis of different approaches that we'll see hereafter, along with the integrated marketing. In fact it is composed of four elements: *internal marketing*, *integrated marketing*, *relationship marketing* and *socially responsive marketing*. This is an attempt to put together different marketing visions considering the transactional approach's weak points and, above all, the new theoretical structures built during the last fifteen years.

1.1.2. Relationship Marketing Approach

The constructive criticism is an enduring driver in the marketing evolution. Every new step made into this matter comes from a reconsideration of the previous one. The relationship marketing embraces and improve many weaknesses of the transactional approach. Above all, the key-point of this evolution is the focus shifting from the mere sales transactions to the relationship between company and customers, the client's satisfaction, and retention.

The scope of this marketing approach is to establish a solid, long-term relationship between the firm and each single customer. This will be then the main way to maximize not only the company's profit through the increasing of both commercial transactions and the intensity/quantity of products/services sold, but also the customer's satisfaction.

Recalling that this is a cross-functional approach, involving all organization's areas²³, we can summarize the main instruments of relationship marketing approach as follow:

- *Brand management*, to increase and consolidate the product's high-value perceived by the customer.
- *Information system*, market researches and demographic analysis are conducted; while the organization collects customers' information through dedicated databases. Thanks to ad-hoc software for data collection it is possible to create a very specific knowledge of single client's behavior. This will permit the consolidation of both a fidelity plan and a one-to-one communication model.
- *Customers retention*, to maintain a strong link with the customer. If in the transactional approach the focus was on the attraction of clients rather than maintaining the actual ones, here it is considered essential to strengthen the present relationships.²⁴ There are several tools for this purpose: dedicated customer service, loyalty programs, membership programs, special promotions, customer switching prevention, cross selling and cross promotions (with related product/service of the same firm).
- *Bilateral narrow communication*, a communication between the company and a narrow segment of clients, aiming to the one-to-one model that can ensure a continuous exchange of information. This will keep the client up-to-date on any company's initiative and promotion, and moreover will instruct the organization about the client's needs and behavior evolution.

1.1.3. Experiential Marketing Approach

In the last three decades the great majority firms providing consumer goods have had to face an increasing market saturation along with some radical evolutions in purchasing patterns. The most relevant outcomes of this picture is the sharpening of consumers' demand. The basic functional and instrumental benefits provided by a product or a service became more and more insufficient to the consumer.

²³ *Relationship Marketing*, M. Christopher, A. Payne, D. Ballantyne, Butterworth-Heinemann, 1991.

²⁴ In a fulfilled marketplace (a situation many today's market are characterized by), it has been proven that it may be as much as 5 times more expensive to apply an "offensive" marketing strategy to attract new customers than ensuring a continuative relationship with the current clients. See *Principles of Marketing*, P. Kotler, V. Wong, J. Saunders, G. Armstrong, Pearson, 1999.

Therefore, at the end of the nineties, several marketing scholars rather shifted their attention to the *experience* that a consumer would have lived by purchasing a certain product, and by getting actively involved in the marketing process related to it. Bernd Schmitt in 1999 proposed an accurate essay on this topic, where he stated that consumers

“...want products, communication, and marketing campaigns that they can relate to and they can incorporate into their lives. They want products, communication, and marketing campaigns to deliver an experience.”²⁵

He also identified this marketing approach with a company’s effort in enhancing the consumption experience through all the marketing stages, including product/service development. Hence the core of experiential marketing is that a product has to be not only developed, but more importantly presented to the consumer for the experience it will provide.

There is a key point which distinguishes *de facto* this approach from a product-oriented transactional marketing model²⁶, is the absolute predominance of a hedonic type of experience against an utilitarian one in the overall promotion. This means that the organization, in spite of communicating to the consumers the mere functional benefits related to the product, will enhance the hedonistic, pleasure-seeking side of the experiential process that customers are indirectly purchasing.²⁷

The experiential marketing approach features some characteristics that need to be developed in order for a firm to obtain the best results when adopting this approach.

According to the model presented by Clinton Lanier in 2008²⁸, these characteristics are the following:

- Narrativity – the overall set of communications that will be established between the organization and the client as well as from client to client, must be narrativity-driven. The narrative discourse is structured on specific elements such theme, plots, characters, and settings; it is also shaped in a defined context

²⁵ *Experiential Marketing: How to get customers to sense, feel, think, act, relate*, B. H. Schmitt, Free Press, 1999, p. 22.

²⁶ Cf. “Product Orientation” in “Transactional Marketing Approach”, par. 1.1.1. above.

²⁷ *Experiential Marketing: Exploring the dimensions, characteristics, and logic of firm-driven experiences*, C. D. Lanier, ProQuest Information and Learning Company, 2008.

²⁸ *Ibidem* as ²⁷.

through time, goals, and outcomes. These elements will provide a framework for the consumer to mentally elaborate his/her experience. The narrative form of information provided and acquired will make also easier for the customer to memorize the experience and therefore share it with others.

- Connectivity – a relevant aspect of the experiential-oriented marketing strategy is the network of connections; nowadays this feature relies mostly on the Internet services. It appears critical for the marketing to foster and encourage communication and interconnection: not only this will consolidate the memories of the experience, but it will also help increasing the product/service knowledge among the consumers.
- Liminality – through the marketing experience a consumer is meant to be transported into a “liminal”, imaginary dimension. By mentally trespassing the limits of time and space, a fascinating realm of discovery and opportunities must be structured. The subject will go through several degrees of participation and interaction: this form of engagement will be extremely useful to interface the consumer with the service/product provider. Narrativity and connectivity elements integrate this process by supporting a shared and well-defined ideal dimension.
- Multiplicity – the marketing process has to involve a person’s senses, emotions, intellect, imagination, body, social relations and core being.²⁹ The consumer experience, as well as the respective marketing experience, should be structured through several *stimuli* across all of these human dimensions. This will result in a positive and furthermore memorable impact on the consumer.³⁰

1.1.4. Non-Conventional Marketing Approach

The last approach proposed is the most recently investigated by the marketing scholars. A theoretical background for this approach actually had been introduced as far ago as in the 1980s³¹, however it grew more structured only at the beginning of the present century.

²⁹ *Experiential Marketing: How to get customers to sense, feel, think, act, relate*, B. H. Schmitt, Free Press, 1999.

³⁰ *The Experience Economy*, B. J. Pine, J. H. Gilmore, Harvard Business School Press, 1999.

³¹ *Guerrilla Marketing*, J. C. Levinson, Houghton-Mifflin, 1984.

Non-conventional marketing arose from two basic principles, providing respectively philosophical and pragmatic foundations.

The first one lies into the awareness of society and consumer's patterns evolution. Within the marketing field, both the academic community and the actual business management environment were thus influenced.

On the academic side, it grew a general criticism on Kotler's marketing paradigm, which is based on the realization and promotion of the best product/service to satisfy a specific consumer's desire. This has been considered a too simple and antiquated structure on which effective marketing strategies can be built, considering a society where the fruition of goods is heading far and beyond the mere needs' satisfaction. Consumption models imply nowadays an amalgam of traditions, shared rituals, hierarchies, beliefs, as well as social relationships and culture. According with these observations, several new marketing models were hence proposed and discussed. We already went through two of them, which are Relationship and Experiential Marketing.³² Despite a deep review of society and the introduction of new marketing guidelines, these new approaches still rely partially on Transactional Marketing³³ instruments (e.g. the "4Ps" system). The reason for this can be found into the solidity and reliability that such thoroughly-tested tools provide in implementing an actual marketing plan.

On the industry side, the marketing managers experienced an increasing pressure brought by the inefficacy of old marketing visions and by a growing tension toward the marketing innovation as a form of competitive advantage in the business. Hence, various strategies considered as "alternative" to the Transactional Marketing have been put in act (e.g. forms of *Viral* or *Ambient* Marketing). However, there was in the beginning a severe lack of integrated theoretical backgrounds to support these attempted strategies.

From a pragmatic perspective the second principle of non-conventional marketing refers to a common element of all the orientations and instruments included in this approach. It consists in obtaining an equal or better result on the communication side than the one achieved with a "traditional" marketing approach, by using a smaller budget. To reach this objective, according to the characteristic of any orientation and sub-orientation, a

³² Cf. "Relationship Marketing Approach" par. 1.1.2., and "Experiential Marketing Approach" par. 1.1.3. above.

³³ Cf. "Transactional Marketing Approach" par. 1.1.1. above.

great flexibility and a very creative mindset is required. A marketing manager should be able to study the social dynamics and take advantage of them.

This marketing approach features two main orientation, namely *Guerrilla Marketing* (the real core of non-conventional marketing), and the newer *Societing*. Into the Guerrilla Marketing, according with the framework presented by Cova, Giordano, and Pallera, we find four dimensions or sub-orientations, which are Viral Marketing, Stealth Marketing, Ambient Marketing, and Ambush Marketing.³⁴

1.2. Marketing for the Music Industry: Structures, Approaches and Activities

The core concept in which the marketing for recording industry is grounded reflects the principles of general marketing as explained in the first paragraph: a specific consumer's need is satisfied by an organization through creating and exchanging a product. The basic conditions which allow this exchange are indeed the same for any commercial transaction, including music records. There have to be two parties, each one with something that might be of value to the other. Both of the subjects has to meet the following requirements: be capable to communicate and delivery, accept or reject the transaction, and be considered appropriate to deal with the other one.³⁵ The purpose of marketing is to find the best way to reach the so-called *Point of Sale*, the final step where the transaction between organization and consumer effectively takes place. Here a music record is provided again a monetary disbursement.

The activity of providing a record, notwithstanding the actual record format (*tangible* like vinyl, tape, and CD, or *intangible* such as digital file), involves several steps on the industry-side. All of these steps, which can be influenced or even guided by the marketing function, concern essentially two processes, namely product creation and product delivery. Before delving into the matter of marketing organization, a broad outlook of the recording industry's structure is presented through these processes.

The main source for the music business analysis is given by the United States market, which constitutes a landmark for the global industry under several aspects. This is

³⁴ *Marketing non-convenzionale: Viral, Guerrilla, Tribal, Societing e i 10 principi fondamentali del marketing postmoderno*, B. Cova, A. Giordano, M. Pallera, Gruppo 24 Ore, 2012.

³⁵ *Marketing in the Music Industry*, C. W. Hall, F. J. Taylor, Pearson, 2006.

indeed the world's biggest national market, with 4.48 billion U.S. dollars of sales³⁶, and it is also the place where all major companies (even if foreign-owned) are based³⁷. Furthermore, the great majority of field studies and academic publications come from American universities-affiliated experts.

1.2.1. Record Labels and Distributors

To create and deliver a music record to a customer, two main subjects are involved: a record company (also called *label*), and a distribution company. These entities can be separated (and partitioned themselves), or they can be present side by side in the very same firm or under the same ownership.

While a label manages all activities involved in the realization and marketing management of a record, the distributor is asked to move the final product into the marketplace. The physical distribution structure of this industry has been severely undermined in the recent past by the dematerialization of record's support nonetheless it performed a key role in shaping the whole music industry throughout its history.

In the United States, where the leader record companies were born, the distribution system has grown since the early twenties through several steps. In the early years of the vinyl, labels would entrust for the sales organizations that handled many different consumer goods. Until the late 1960s the distribution was carried out by few independent record stores along with big electronics and home entertainment products wholesaler. During the 1970s, along with the birth of several new labels, an independent distribution network was developed just for music records; that was only the first step before the larger retailers advent, with branched sub-distributors and "discount-houses". At this time, in the late seventies, the biggest record companies realized that to satisfy the increasing demand and fight the minor labels' independent networks, they had to start their very own distribution. The industry in the late 1980s was constituted by major labels (like Columbia Records) which distributed their product, independent labels that were able to join forces to start their own distribution (Warner, Atlantic, and Electra), and other minor labels that would sell records via independent distributors. In the last

³⁶ *Recording Industry in Numbers: The recorded music market in 2012*, IFPI, 2013.

³⁷ As explained hereafter, the three multinational music majors are: Sony Music Entertainment, owned by the Japanese Sony Corporation; Universal Music Group, owned by the French media conglomerate Vivendi; and Warner Music Group, owned from 2011 by the U.S. based (and privately controlled) Access Industries. All of these companies are based in the United States.

two decades of twentieth century, the distribution was the real driver for the industry development, and the key to the run for market shares.

While the major labels were growing big, also the *independents* increasingly asked for a well-structured distribution that could assure them a widespread retail presence as well as a regular cash flow to fuel their activity. This allowed the major distributors (tied up with the major labels) to bridle the independents by providing their distribution services, or even directly acquiring the labels themselves. Such developments brought the industry toward an oligopoly layout that downsized the numbers of players: from the six distribution giants at the end of the eighties (Warner Music Group, EMI, Sony, BMG, Universal Music Group, and PolyGram) to the nowadays big three groups which are Universal Music Group, Sony Music Entertainment, and Warner Music Group. These majors hold a market share that fluctuated between 73.7% to 76% of global sales across the last six years.³⁸

The operative activity of a record music firm embraces several functions and departments as shown by FIGURE 1 hereafter. This is a broad scheme reflecting a vertically-integrated structure: we may find such configuration in a major music firm, which holds at the same time the record company (label) and the distribution company.

³⁸ *Music and Copyright*, Informa Telecoms & Media, 2008 – 2012.

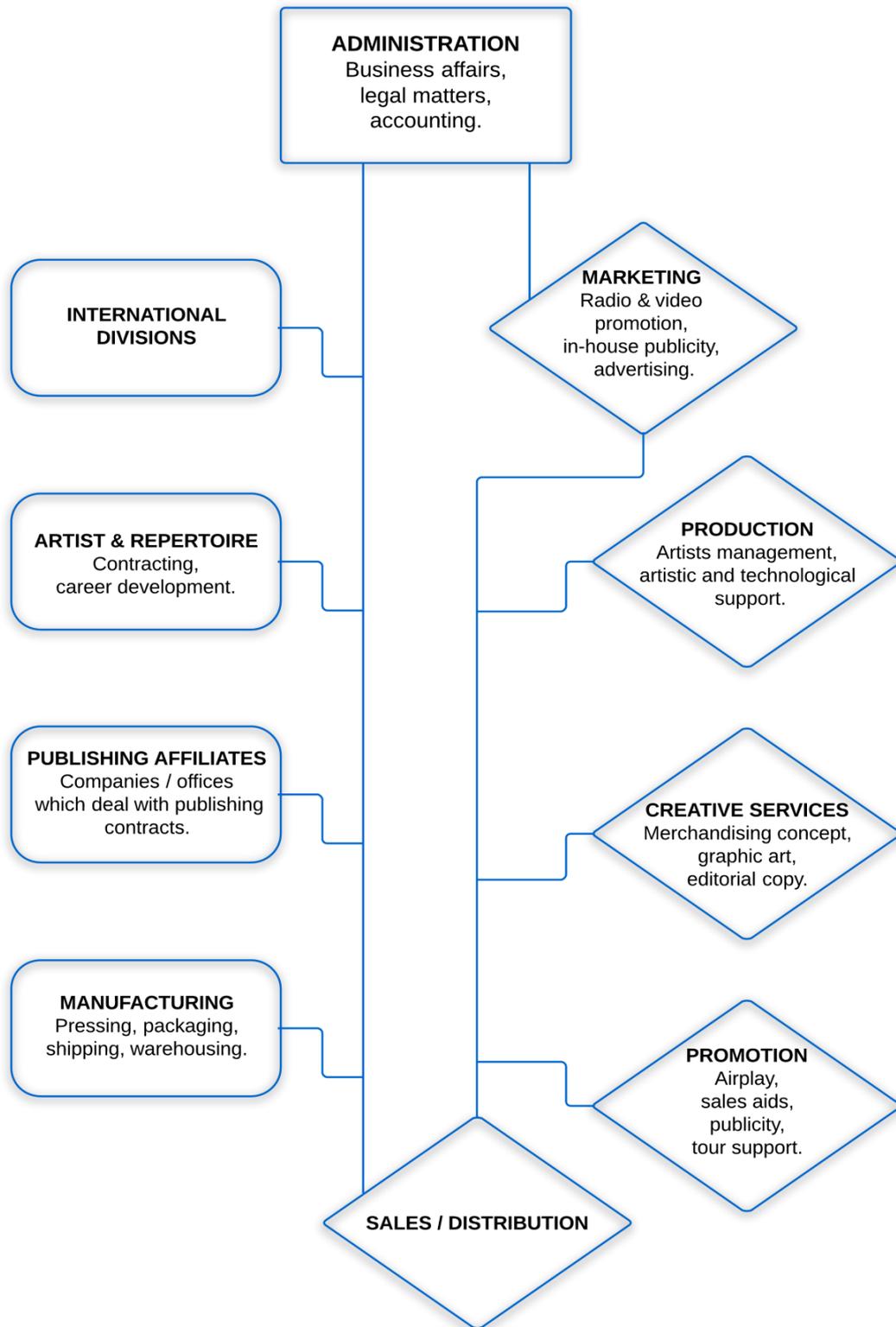


FIGURE 2 - Record company structure.³⁹

³⁹ Personal elaboration on *Music Business Handbook and Career Guide*, D. Baskerville, Sage, 2006, p. 308.

The diagram in FIGURE 1 demonstrates that marketing-related activities (diamond items on the right) hold several fundamental tasks, all of them controlled by the label's marketing management.

1.2.2. A Controversial Basic Marketing Approach

Hall and Taylor describe the function of marketing for the recording industry as follow:

“Marketing organizations should identify and satisfy consumer needs through an integrated effort. Once a record company has made a commitment to release a musical product, a strategy must be employed that will eventually touch the music consumer. This strategy involves several departments in a music marketing organization. The process by which recorded music is brought to the consumer embraces packaging, merchandising, product management, advertising, distribution, sales, promotion, publicity, label, distribution marketing and market research.”⁴⁰

The expression “identify and satisfy consumer needs”, which refers to the determination in the first place of target markets' wants and needs, is the gateway to a never-ending debate concerning the influence of record companies on the music demand.

As we mentioned in the introduction, the music industry (as the whole entertainment industry) seen from a managerial and marketing perspective, lies between the art/cultural market and the general consumer goods' one. It means that in this field two different marketing paths can be followed:

- a) The traditional marketing path, which starts right from the market. A firm collects information about the needs of potential customers, the company then elaborates and sells a certain product trying to meet effectively and efficiently the consumers' demand. In this case the company's work is driven by the market.

⁴⁰ *Marketing in the Music Industry*, C. W. Hall, F. J. Taylor, Pearson, 2006.



FIGURE 3 - a) Traditional Marketing Path.

- b) The arts and culture marketing path, which starts from the product. The purpose is to provide the highest number of consumers with the piece of art, by adapting all of the other marketing mix tools to the product.⁴¹ Hence the process will go from the product to the market analysis, in order to identify the best strategy to deliver it, and then a marketing mix will be structured to reach the target consumers

⁴¹ *Marketing delle Arti e della Cultura*, F. Colbert, ETAS Libri, 2000.

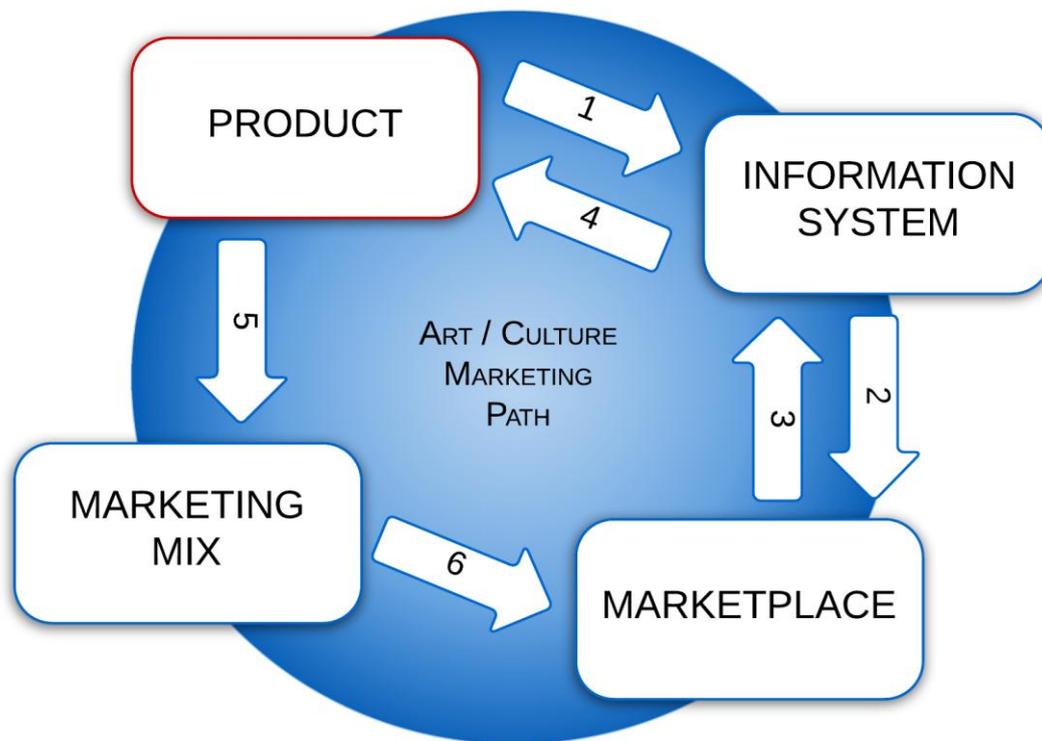


FIGURE 4 - b) Art / Culture Marketing Path.

This second process for the marketing comes from the sphere of nonprofit and public institutions, where the mission usually regards the spreading and valuing of works of art, instead of the mere profits maximization. As suggested by Mokwa as long ago as 1980, the marketing role for such organizations is to “make the artist’s creations and performances meeting the right audience”.⁴²

Another thesis in support to the *art-product-centric* approach is given by the core value of the product itself, which lies in the artist’s creativity. Whichever content is conveyed through the creation, the uniqueness will be found in the artist’s personal elaboration. According to this perspective, the artist and its product should be the starting point for the whole marketing process.⁴³ Even though “mixed approaches” may be adopted, when

⁴² *Marketing the Arts*, M. P. Mokwa, W. M. Dawson, E. A. Prieve, Greenwood Publishing Group, 1980.

⁴³ The artist’s role and the creative processes have been broadly discussed and analyzed under different aspects by Dewey (*Art as Experience*, J. Dewey, Southern Illinois University Press, 1934), and Hirschman (“Aesthetics, Ideologies, and the Limits of the Marketing Concept”, E. C. Hirsch, in *Journal of Marketing*, 47, 1983) among the others. This topics have been also reconsidered for a new culture marketing approach by Casarin (“Quale marketing per le organizzazioni culturali? Oltre l’approccio pluralistico”, F. Casarin, in *Economia e management delle aziende di produzione culturale*, M. Rispoli, G. Brunetti, il Mulino, 2009).

it is possible to adapt a few art product aspects or features to the demand, the two paths just explained are the keystones to opposed marketing architectures.

When it comes to the music business, this debate raises the following questions: does a traditional marketing process (starting from the market), lead the major record companies to predict the market trends and therefore influence the product itself? And how much a piece of art such as a music album is hence shaped by the demand?

This delicate issue is not meant to find a real solution, let alone if we consider the blurry borderline between the healthy influence of society in an artist's production, and the unhealthy pressures from the market (usually funneled by the record company or by the artist's management). However it is relevant to consider this topic when approaching the marketing for the music industry, especially in a social environment like the one we live in, where artists, organizations, and consumers are so connected together with an unpredictable equilibrium.

1.2.3. Record Companies Marketing Management

In order to reach the company's objectives, the marketing organization must seek for exchanges and relationships with the target markets. These exchanges should be created, built, and maintained through a four-levels process:

- ❖ Analysis;
- ❖ Planning;
- ❖ Implementation;
- ❖ Control.

By following these steps the marketing management is asked to set a strategy to reach the music consumers. The strategy will be then put into effect through a specific and operative marketing plan. For this plan to be well-oriented, two key objectives have to be targeted regardless the type of music, the artist or the audience: making the public aware of the product, and facilitating as much as possible the purchase through the distribution channels.⁴⁴ The established marketing approach, widely adopted by the

⁴⁴ *Marketing in the Music Industry*, C. W. Hall, F. J. Taylor, Pearson, 2006.

major companies until the last decade (even though lately much argued, as we see in the following) is therefore focused on promotion and distribution above all.

We propose here a basic scheme explaining how most of record companies manage the marketing tasks through a specific structure: most likely it will be integrated in the company itself, even though it is possible to find specific functions (as publicity or media services) committed to external subjects. It has to be noted that these operative frameworks maintained its very structures until most part of 2000s, when several factors accrued their threats to the efficacy of this system. As of today, a reshaping process is still on the go, as all subjects involved in the industry are struggling to face market's half-run evolution.

The distribution activity, most assuredly essential to the whole industry, depends on the guidelines provided by the record company, and will be treated separately afterwards.

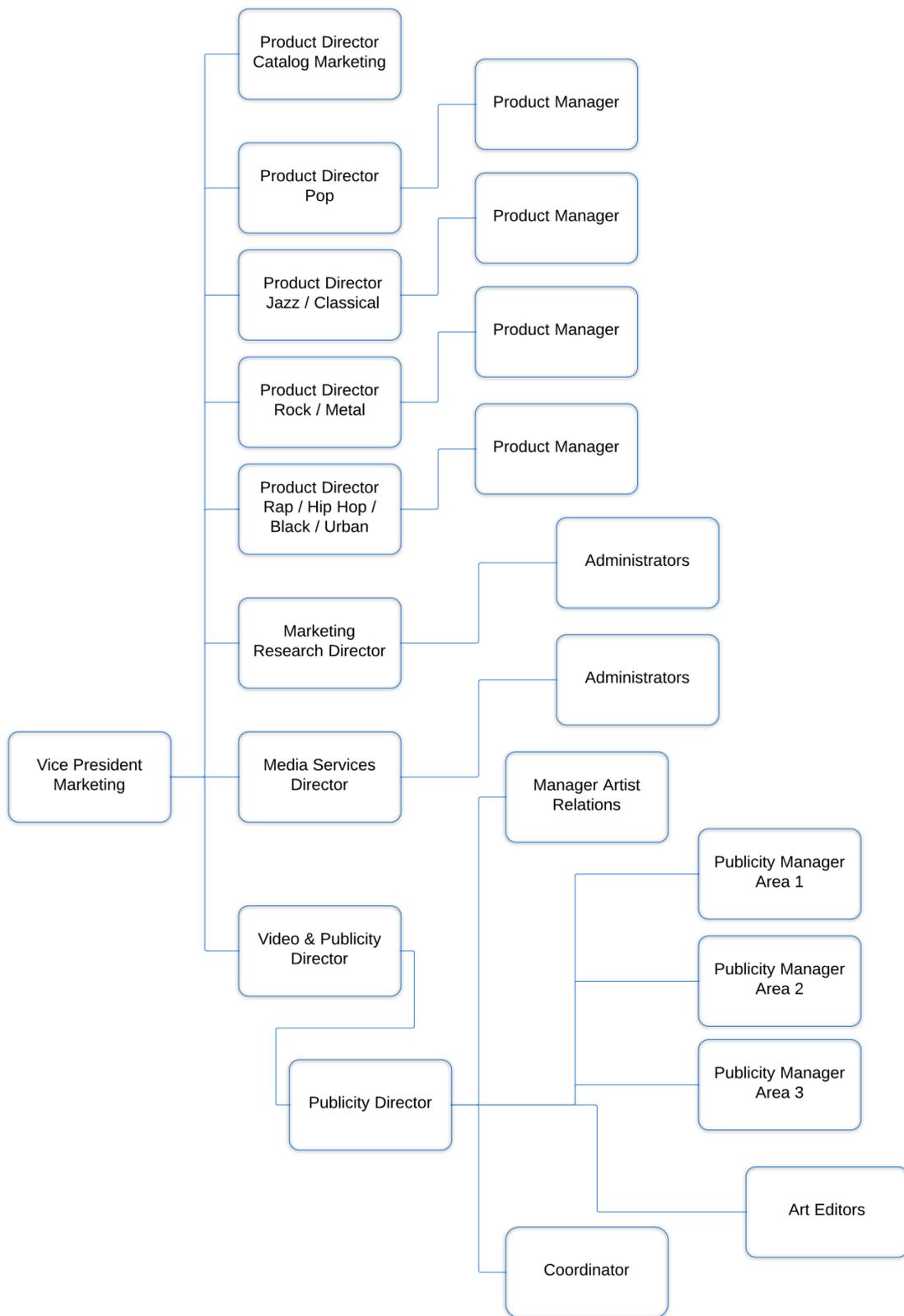


FIGURE 5 - Example of a major record company's marketing structure.⁴⁵

⁴⁵ Personal elaboration on the model provided in *Marketing in the Music Industry*, C. W. Hall, F. J. Taylor, Pearson, 2006, p. 58.

The diagram above (FIGURE 2) represents the subjects (or departments) involved in the marketing process. According to the analysis of Hall and Taylor, the main activities carried on in this process are:

- **Product Management:** under the leadership of a product director, this department is responsible for planning, managing and monitoring all the marketing activities. Once an artist with an album has been assigned to a management team, this will have to request and allocate the right budget, target the market to penetrate, and draw up a detailed marketing plan before the album release. Product director and product manager should be close to the artist and to his/her personal management, and they also have to be constantly in touch with the company's upper management as well as with other departments. The broad product management's plan includes scheduling and funding tables for all marketing activities like singles releasing, packaging, advertising, promotion, tours, display, and videos. The plan should also present the artist with his/her background, and show the sales forecast. Usually the primary marketing plan is broad, general and very inclusive; the ones made later by the single department, offices or teams (e.g. publicity or media services) will be more detailed and focused.
- **Promotion:** this function is the backbone for a successful record's marketing campaign. It involves several activities finalized to the maximization of the artist's work exposure throughout all the media. The main channel is the airplay, hence the radio stations, closely followed by TV appearances with music video and other contents.
- **Publicity:** after targeting a specific segment of the music records' market, the publicity team or department has to reach that potential customers' attention by setting up interviews, presentations and featuring on the appropriate newspapers and magazines (both printed and online). The same should happen with TV shows and other public events that could increase the artist's exposition.
- **Market Research:** this is the field of analysis and researches on the market and on the music demand. There are national and international industry trade associations (e.g. *RIAA – Record Industry Association of America, Music Business Association, IFPI – International Federation of Phonographic Industry*) which provide on regular basis market researches regarding sales,

distribution channels, demographic charts, market trends, shipment volumes comparisons, and forecasts among many other data. By taking advantage of these analysis, as well as with the own company's researches, audits, feedbacks and focus group⁴⁶, the market research people have to elaborate all the information. They will have then to provide the other departments with their results, so that the marketing strategy could be made accordingly, to the extent of influencing the product itself.⁴⁷

- **Label Marketing:** every record company needs to keep close relationships with the organization which distribute its product in a specific market. The Label Marketing activity involves a substantial number of representatives, whose responsibility is to match the distribution efforts with the label's marketing targets and priority. This is possible by helping the distribution offices in developing and implementing a coherent marketing plan⁴⁸, and by updating them about radio and television promotion, publicity, and general sales data. In a few words the label representatives act as a link between the record company and the distribution. This is actually a key role, especially given the presence of competitor labels distributed by the very same organization.
- **Financial:** this office or department, that works across the whole company structure, is responsible for allocating the funds needed for the various activities, including all those related to the marketing process. The financial team has also to monitor the budget requests and the actual expenditure statements, advising all the departments upon the profitability of each record's release. The financial function of course is strictly monitored by the central administration accounting office.

1.2.4. Distribution Structure

⁴⁶ A "focus group" in the marketing field is a qualitative data collection technique utilized to gain information about attitudes, beliefs, and behaviors of a certain target market. A selection of 6 to 12 representatives of a the specific target market is made, then the group is gathered for a one or two-hours meeting, under the supervision of one or more moderators. This technique is particularly useful both to test a new product before launching it, and to understand the customers' behavior from a psychosocial point of view.

⁴⁷ Cf. par. 1.2.2. above.

⁴⁸ The specific distribution marketing plan must be compiled in line with the general marketing plan drawn up by the label's Product Director.

As explained earlier⁴⁹, the music records distribution has been the keystone in the process that shaped the global music industry as we know it today. It affected not only the market shares and the competition, but the organizations' structure itself. The wholesale distribution was structured through the years by the major companies, which looked at it as

“the most critical element in any record’s company attempt to introduce a product and sustain sales once a project proves successful.”⁵⁰

By analyzing the U.S. music industry structure, we find a highly branched distribution model, divided in national management (the “headquarters”) and several field offices in charge of different functions. The national distribution management usually includes the following positions:

- *President, Vice President*: responsible of managing the distribution by allocating resources; maximizing the sales; planning, developing, and monitoring operative strategies; stimulating all departments' teams; managing the organization's human resources, building and maintaining proper relationships with all the industry stakeholders.
- *Director of Label Liaison*: head of the relations between record companies and distribution organization, this person has to take care about all the major and minor labels whose records are distributed. He or she will work by the side of labels' marketing directors to optimize the products' exposition and therefore increasing the sales.
- *Director of Sale Administration*: in charge of providing administrative services as well as financial analysis and sales programs, plans, and reports to all the distribution's departments. This figure is also involved (along with the record companies) in the product pricing process.
- *Director of Distribution and Warehousing*: this is the key role for the management of actual distribution (especially for the physical product). The Distribution Director takes care of the orders, the shipping, the warehousing, and the inventory of a music record. He or she needs to work constantly with the

⁴⁹ Cf. par. 1.2.1. above.

⁵⁰ *Marketing in the Music Industry*, C. W. Hall, F. J. Taylor, Pearson, 2006.

record company's manufacturing function (which can be inside the organization, or committed to external subjects).

For a distribution structure that was based on the physical product, a solid and widely branched field organization was absolutely needed. This used to be a key sector for the industry's growth, in fact it gathers the offices involved in the last step of the transaction between the company and the customers. These offices are meant to handle the relations with retailers and to establish the company's actual presence on the territory; they include personnel that carry out administrative, marketing, and sales functions.

We will treat hereafter the reasons why this very structure is becoming more and more obsolete, which mainly attain to the record's support dematerialization. However until the middle of 2000s a field distribution office would include the following profiles with the relative tasks:

- *National Assortment Representative* - managing the assortment and general inventory as well as sale priority;
- *Account Director* - developing business plans, distribution marketing plans, leading and coordinating the office's team;
- *National Accounts Coordinator* – (present only in selected offices) providing sales reports and administrative support to several sales teams, managing the merchandising materials supply to retailers, controlling orders and shipping;
- *Senior Account Executive* - overseeing all the marketing and sales strategies, reporting to the central office;
- *Market Director* – managing all the sales and marketing activities in the main (regional) offices; his or her staff is composed by
 - *Marketing Assistant* – supporting the marketing team, planning and monitoring the events and marketing campaigns, maintaining the organization's presence through the retailers;
 - *Regional Market Coordinator* – looking after the advertising coordination, and managing the communications between the regional offices; the Regional Market Coordinator is assisted by

- *Mailroom Clerk* – sending and receiving mail and materials, ordering the regional offices' supply;
- *Office Assistant* – secretary and receptionist in the single office;
- *Sales Representative* – managing actual distribution relationships with local retailers and wholesalers;
- *Catalog Sales Representative* – managing distribution of catalog products;
- *Artist Development Representative* – promoting an artist among the retailers, providing information and feedback to the sales team;
- *College and Lifestyle Representative* – managing the marketing activities into the colleges (or colleges-near) facilities as well as into the shopping centers (also said “lifestyles”);
- *Field Marketing Representative* – providing and monitoring merchandising materials to the retailers.

All these profiles compose the records distribution structure over the country. In order for the company to be really branched, there are regional offices (usually located in the main cities) and also subordinate offices with only a few of the positions above. It is important to emphasize that this is a highly-structured distribution configuration, referred to as a typical U.S. music major model. We may actually find way more simple and de-structured organizations in other countries presenting minor or weaker music markets.

The marketing guidelines provided by the record company clearly affect the distribution organization's work, however, distinctions about the specific strategies are made depending on the relationship between the two of them.⁵¹ Both the label and the distributor hold marketing functions (executed by several offices and departments), whose objectives must be merged through a cooperative plan of action.

⁵¹ Different distribution agreements or contracts may be stipulated according to the business relationships: the label can be owned (or sub-owned) by the same distribution company's group, or it can be an independent label occasionally supported by a major distributor. The terms of the agreement change from case to case and the marketing cooperation varies accordingly.

As in the record company, so in the distribution organization we find a marketing function which consists in the following tools:

- Sale Price – the price to the retailer or to the final customer;
- Guarantees – official agreements that usually eliminates or lowers the commercial risks for the distribution company;
- Merchandising – any merchandising and promotional material to be provided to the retailer.⁵²
- In Store Play – free record to be heard by customer in stores or in the shopping centers;
- Advertising Support – all the advertising space that will be purchased in radio, TV, Web, newspaper, magazines, and printed materials.

All of these elements have to be included and accurately described in the marketing plan, the reference document for all distribution marketing activities, developed by the Market Director accordingly with Account Director. In this plan we will also find specifics about the product, the dating (payment terms with contingent discounts for the retailer), the overall promotion schedule, and updates on local or national broadcaster (TV, radio) playing the records or hosting the artists.

⁵² Also said “Point Of Purchase” or “P.O.P.” to indicate all promotional and/or informative material displayed in the store.

2. Research Directions Addressing Music Market Latest Evolution

2.1. Methodology

The horizon of music industry has been recently reshaped by a remarkable conjunction of forces, that came from both technology progress and society evolution.

To outline the most relevant effects these forces had on the marketing models, the present work has adopted a qualitative approach. It is my belief that such a dynamic and complex topic must be approached through a reflection on consumers and marketers behaviors. Empirical studies with quantitative analysis may be thereafter conducted to confirm the conclusions, presented at the end of the present work in form of proposals. In particular, an explorative study has been conducted, proposing a specific process of data collection and analysis in order to describe an evolving environment.⁵³ The unit of analysis on which the present study is focused on is the U.S. recorded music industry. This empirical setting has been chosen not only because of its leading position among global music sales, but also because of both the great numbers of academic researches referred to and the presence of the few headquarters of multinational companies which drive the mainstream recorded music market all over the world.

After an academic literary review on general marketing developments, and the broadly used models and structures in this specific industry, an outline of the latest evolutions is proposed. Secondary data have been extrapolated from official sales reports. It has also been analyzed and presented with the purpose of highlighting selected trends. Furthermore, in-depth personal interviews were granted by music industry insiders. The most relevant two of them were granted by Jacopo Pesce, Radio and TV promotion manager for Universal Music Italy, and Elena Lattore, A&R and Product Manager for the Italian label Mescal. Among the others, important contributions were provided by Linda Coopman, former marketing manager for Sony-BMG Music Entertainment, and current marketing lector at Howest University. Finally, according to the inputs and ideas which emerged in the interviews, a few micro-case studies will be brought up to

⁵³ For the definitions of “qualitative approach”, “exploratory study”, and other useful concepts to the general research studies’ structure understanding, see *Case Study Research; Design and Methods*, R. K. Yin, Sage, 2013.

exemplify effective strategies' key-points that should be considered in a future marketing context.

2.2. Latest Evolutions of Music Market

In order to get a big picture of the music industry, we can sort this business according to the music consumption ways: *live music* and *recorded music*. However simple it may seem, these are actually the only two ways in which music can be fruited and enjoyed.

There is a deep and strong connection between these two branches of music business, and as of today it is impossible to imagine the one outliving the other. Since the widespread of commercial records over the first three decades of twentieth century, the recording industry gained a preponderant role, which increased with the advent of radio broadcasting and pop music. The *record* is so far considered as the centerpiece for the whole industry, both for the importance of the product itself to music consumers, and for the related sales volume that still fuel the organizations' activities. Anyway this pattern has been recently argued as anything but long-lasting for the future. In fact, both the nature of the product and the revenue sources are evolving, threatening the business' established structure, and allegedly changing the balance between the live and the recording sectors.

We will outline hereafter the latest market evolution of *recording industry*, that broad side of music business which purpose is to create and sell (in copies) musical compositions of any kind.

After a healthy period during the nineties' second half, global music sales reached their peak in 1999⁵⁴. However, soon in the aftermath, a steady decrease affected the whole recording industry, which came to see a slight recovery only in 2012, with the global revenue rising a 0,3% after more than ten years of uninterrupted decline.⁵⁵ The graph in FIGURE 5 shows the severe fall of physically-supported music from 2002 to 2012, along with the consistent increase in digital sales. A thin growth of performance rights⁵⁶ and synchronization revenue⁵⁷ is depicted too.

⁵⁴ In 1999, over 28 billion of dollars was collected by record companies on a global scale (source: *IFPI*).

⁵⁵ *Recording Industry in Numbers: The recorded music market in 2012*, IFPI, 2013.

⁵⁶ Performance (or Performing) Rights regulate the right of perform someone else's music in public. A band or an artist must obtain the license to play that specific composition and then remit the monetary royalties which will be portioned among the composer, the lyricist and the copyright's holder. These

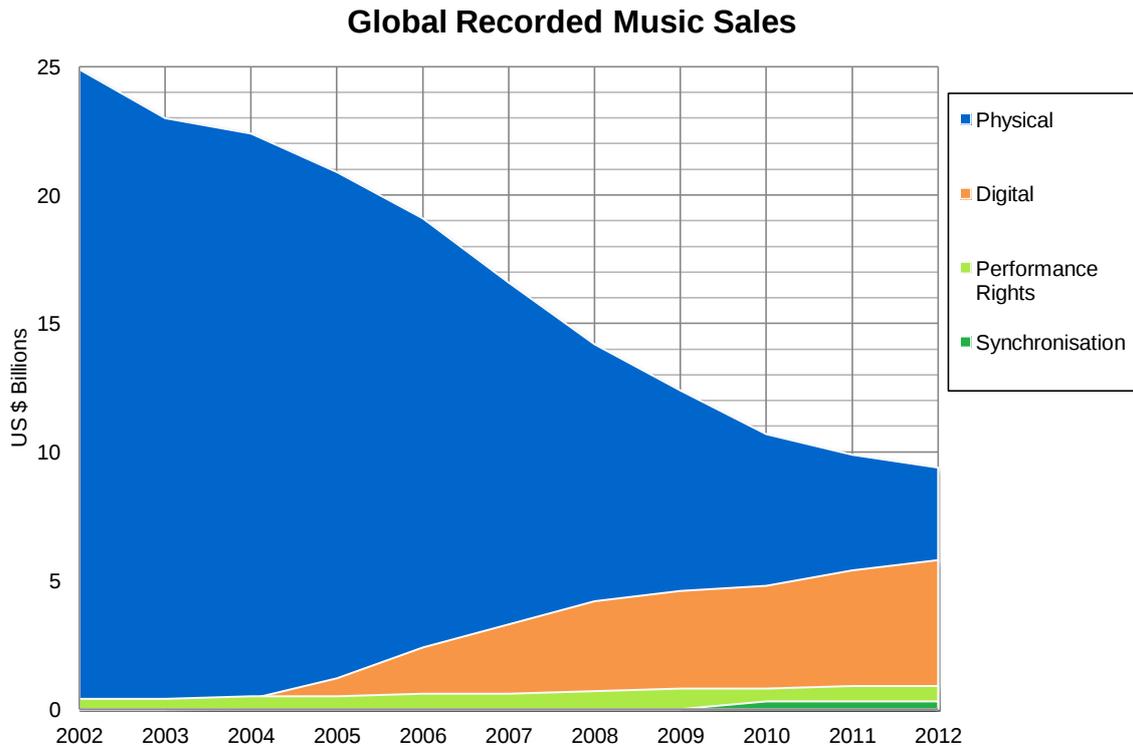


FIGURE 6 - Global Recorded Music Sales and Revenue Streams. Source: *IFPI*.

The spread of computers, laptops, smart phones, combined with the development and the mass-access to the ICT (Information and Communications Technology) shaped a new configuration of all contents’ fruition. The advent of broadband Internet, along with other major technological developments in recording, copying, and digitization, revolutionized the music consumption patterns. These changes fueled the outbreak of digital sales, whereas on the other hand they fostered the so-called “music piracy”, which has been largely addressed as the main driver in the overall sales drop.

2.2.1. The Impact of Piracy

The practice of music piracy consists in obtaining, using and/or distributing music records without the consent of the copyright’s owner, and more importantly without paying the due monetary price. The illegal reproduction of music contents protected by

transactions are usually regulated by national performing rights societies (such as ASCAP, BMI, and SESAC in the U.S.) that collect the royalties and then compensate both the authors and the copyright’s owner, who is most likely the publisher.

⁵⁷ By providing a Synchronization License, the copyright’s holder allows a subject to insert the music piece into a visual creation (e.g. movies, TV shows, and video advertising). The synchronization royalties are split between the owner of the studio in which the track has been recorded (this is the “Master License”), and the copyright’s owner, who will therefore pay lyricists and composers.

copyright existed even across the eighties and the nineties, when music could be transferred from vinyl to magnetic cassettes, or from a cassette to another. This used to be a common practice, although in most of the cases the copy would have considerably poorer quality than the original, and the duplicating process was anything but immediate. At that time the music industry wouldn't consider this kind of piracy a real issue, mainly because of two reasons: the record sales trend was showing a rise, and furthermore a consumer that would be satisfied with a poor music quality, did hardly ever belong to the record companies' target market anyway.⁵⁸

At the end of the last century, high-quality copying tools and supports such as CD-R started to fuel a broader diffusion of piracy, which finally became a consolidated consumption model (and therefore a serious threat to the established industry) with the rise of *Peer-to-Peer*⁵⁹ file exchange on the Internet. Thanks to the large diffusion of digital format files like MP3 and the widespread of mass-accessible internet services, a proper business model based on illegal music file trading appeared. At the base of this model were organizations like Napster and Kazaa which provided free software created to exchange music (and other contents) via P2P networks.

“Organizations offering renegade services and content can be considered business models due to their contribution to economic value in the form of knowledge and content provided by the participants.”⁶⁰

With this description Vaccaro and Cohn underline the relevance of the so-called “Renegade Business Model”, which is, in this case, an extremely efficient infrastructure adopted by many organizations that indirectly provide music to the consumer for free. The sources of revenue for such organizations consist mainly in advertising spaces or applications included in the software, as well as from partnerships with other companies that promote legally licensed contents.

⁵⁸ “A New Era for the Music Industry: How New Technologies and the Internet Affect the Way Music is Valued and have an Impact on Output Quality”, T. Patokos, *Panoeconomicus*, 55(2), 233-248, 2008.

⁵⁹ The Peer-To-Peer (or P2P) network is a connection between several “nodes”, such as computer terminals. Given the decentralized architecture of this network, every terminal connected can both supply and use shared contents without the need for a central administrative system (or “server”).

⁶⁰ “The Evolution of Business Models and Marketing Strategies in the Music Industry”, V. L. Vaccaro, D. Y. Cohn, *The International Journal on Media Management*, 6 (1&2), 46-58, 2004. See also Business Models and System Architectures of Virtual Communities: From a Sociological Phenomenon to Peer-to-Peer Architectures, U. Lechner, J. Hummel, *International Journal of Electronics and Communications*, 6(3), 41-53, 2002.

This new model of free, uncontrollable music sharing and consumption shook the music industry, which reacted harshly via its trade associations by means of a strong legal prosecution counter offensive, as well as through lobbying for stricter regulations. Napster, the first company which had provided a client software for P2P sharing, was shut down in 2001 by the U.S. court system, and that was only the beginning of a conflict between the music majors and the “pirate organizations”. During the 2000s many other P2P service providers were born, some of them, like LimeWire, Morpheus, and eMule, were based on a pure P2P system that didn’t require a central server.⁶¹ Despite several legal disputes, both in Europe and in the U.S. that brought governments and political institutions to reconsider the issue of copyright’s infringement in the digital era, music piracy proliferated during all the first decade of this century.⁶² It is indeed very hard to determine the real size of this illegal trading. The IFPI reported that in 2007 for each music track sold, as many as twenty were illegally downloaded⁶³; some more recent estimation display no less than 405 millions of music releases (album and singles) illegally downloaded only via BitTorrent⁶⁴ in the first half of 2012.⁶⁵ It has been argued that these figures might be decreasing soon under the effect of a new music consumption way built on “cloud storage” and new access-modeled services that we’ll discuss hereafter. Stephen Bryan, executive vice president at Warner Music Group, speaking on this matter recently said that:

“the shift to the cloud could be as significant for the consumer as the shift from physical product to digital consumption. It provides a level of convenience around our content that is increasingly difficult for unlicensed services to replicate.”⁶⁶

A last remarkable point about the music piracy concerns its *actual* impact on the record sales. Many times the illegal download or the unauthorized copying in general have been pointed out as the only cause for sales’ dramatic drop; the issue has been often recalled by media and largely discussed under legal, commercial, and even ethical

⁶¹ The presence of many de-centralized servers (instead of a unique provider that could be targeted) represented one of the major issues in the legal prosecution of pirate organizations.

⁶² “The Impact of Illegal Peer-to-Peer File Sharing on the Media Industry”, S. Goel, P. Miesing, U. Chandra, *California Management Review*, 52(3), 6-33, 2010.

⁶³ *IFPI Digital Music Report 2008*, IFPI, 2008.

⁶⁴ BitTorrent is one of the most used network protocols for Peer-to-Peer, and it can be run via numerous client software.

⁶⁵ Musicmetric Digital Music Index DMI, 2012.

⁶⁶ Interview reported on *IFPI Digital Music Report 2013: Engine of a digital world*, IFPI, 2013, p. 14.

aspects. In the same way that too little space has been given to the argument of how poorly the industry was responding to the changing of society and consumers' behaviors at the dawn of new millennium, it is also probably true that the effect of piracy on the industry has been overemphasized. The generalized deduction that unauthorized fruition of music provokes a severe loss to the music industry was based on the wrong assumption that every lost sale could be valued at a retail price. However, the great majority of consumers who use pirated records, as argued by Towse, would not have paid the regular cost anyway: thus their demand would not have been effective at those prices.⁶⁷

More realistically, the piracy itself is the catalyst of several factors, some of those, like the poor economy and the consumers' shift in purchase priorities, independently affected the music sales already.⁶⁸

To realize what actually can be done for the piracy and its contingent issues, a superficial glance at the statistics should be overstepped. What must be really taken into account from this picture is how the music consumption pattern is evolving, which means "as part of the emerging trend on the Internet of self-organizing, emergent digital community networks."⁶⁹ As far as the music piracy through new technologies might be the easiest answer to the record sales drop, those very same new technologies along with environmental changes have primarily affected the society itself. Furthermore, general customers dissatisfaction toward the traditional music companies' business model has grown, setting the stage for piracy to proliferate. Assuming that the marketing function is the bridge par excellence between an organization and its customers, we'll analyze the failures and the opportunities of the established marketing model and investigate viable improvements.

2.2.2. Global Market Shares and Digital Trends

Worldwide, the music market is nowadays controlled by three major companies, faced by many independent labels. The pie chart in FIGURE 7 shows the market shares including *four* majors plus the independents' cut. During 2012 EMI (red marked share

⁶⁷ *A Textbook Of Cultural Economics*, R. Towse, Cambridge University Press, 2010.

⁶⁸ "The Evolution of Business Models and Marketing Strategies in the Music Industry", V. L. Vaccaro, D. Y. Cohn, *The International Journal on Media Management*, 6 (1&2), 46-58, 2004.

⁶⁹ *Recording Industry in Numbers: The recorded music market in 2012*, IFPI, 2013. See also "If I had a song: The culture of digital community networks and its impact on the music industry", J. Hughes, K. R. Lang, *International Journal on Media Management*, 5(3), 2003.

in the graph) has been split and acquired by Universal Music Group which bought the record division, and a consortium of companies led by Sony Music Entertainment which took the majority of publishing assets. Since Universal completed the acquisition at the end of the year's third quarter, the volume of EMI's revenues refers to the first three quarters only, thus Universal's share is comprehensive of record sales income of EMI in the last quarter.

We can see that, as in many other global industries, also in the music business a tendency toward an oligopolistic control is present⁷⁰. As of now, three “giants” (Universal, Sony, and Warner) remained, controlling the greatest majority of the market through a worldwide-branched structure and a massive financial strength. Each major company owns many other labels all around the globe.

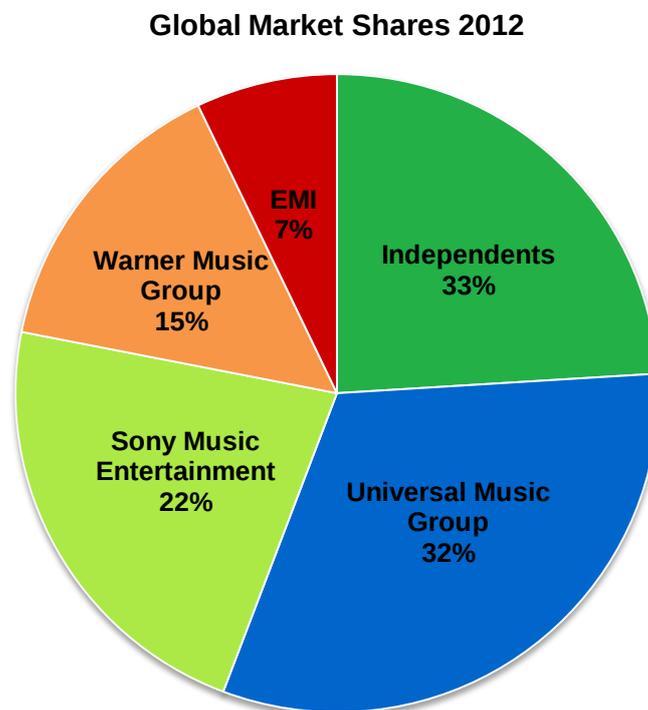


FIGURE 7 – Global Market Shares in 2012 by Record Company (and Independent Labels). [The chart refers to the revenues from record sales only, not from publishing rights' royalties or other incomes]. Source: *Music and Copyright*.

Other than through their financial security, majors have been enabled to expand and consolidate a predominant market share by controlling the physical records distribution. In the early 2000s it was nearly impossible for an artist or an independent label to reach

⁷⁰ Cf. “Record Labels and Distributors” par. 1.2.2. above.

the global limelight without signing a record deal or a distribution agreement with a major. However in the 2013 an independent-released song reached the peak of best-selling tracks in the U.S., closing the years at the second position (“Thrift shop” by rappers Macklemore and Ryan Lewis featuring vocals of singer Wanz, for the label Macklemore LLC)⁷¹. To find the previous independent artist reaching the top of U.S. single chart we have to go back at 1994⁷². Moreover, according to the anticipations provided by distinguished magazine Billboard⁷³, the independents’ share in global revenues would raised a 2% in the 2013, keeping the upward trend as previous years. These observations would seem to suggest that we can expect a further growth of independent music labels.

Regarding the music genres, the great majority of records go under the tags of pop or rock, as showed by FIGURE 8 hereafter.

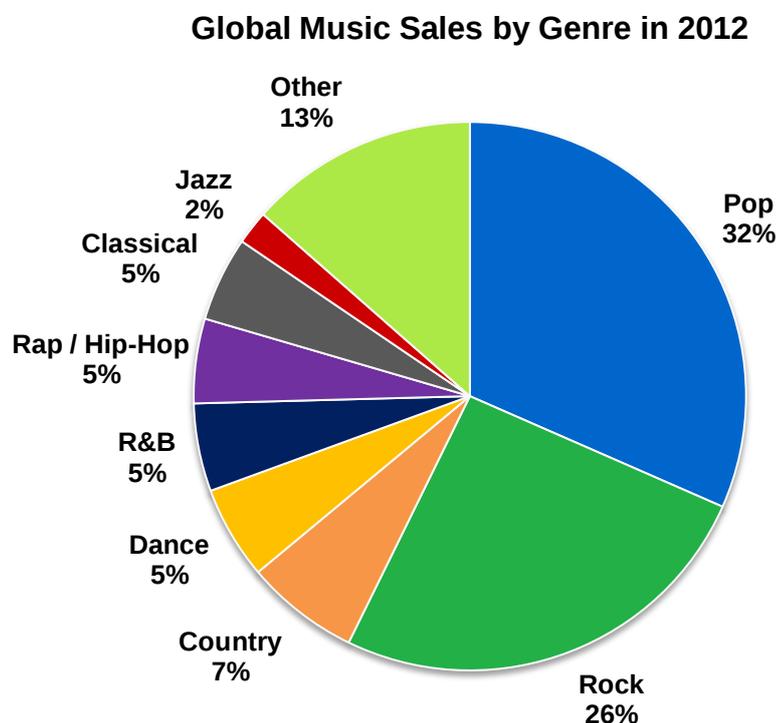


FIGURE 8 – Global Music Sales in 2012 by Genre. Source: Music and Copyright.

⁷¹ American rap duo Macklemore & Ryan Lewis were also the only artists to place two songs in the year-end top ten of U.S. album sales: “Thrift Shop” at the second position with 6,148,000 copies, and “Can’t Hold Us” at eighth position with 4,260,000 copies.

⁷² In 1994 with the song “Stay”, folk-pop singer Lisa Loeb reached the top of *Billboard Hot 100*. This chart accounts the best 100 singles for sales, radio airplay, and (recently) online streaming in the United States.

⁷³ Billboard is an American music magazine that features many internationally-recognized music charts. Broadly based on data provided by Nielsen’s SoundScan system, the Billboard charts utilize transversal information concerning record sales, web streaming, and radio air play.

Although the major companies retain an undeniable competitive advantage on the side of physical product distribution, which have helped them consolidating their leadership over the years, with the gradual streaming services and digital distribution channels taking over they may start losing ground in favor of the independents.⁷⁴ Furthermore, highly-structured multinational corporations are less flexible by their nature and reactive toward customers' behavioral changes, and new marketing models. In other words, they often miss relationship-building objectives in their marketing strategies, as well as a general close connection with the client. Otherwise this is often a keystone for the smaller and independent labels to broaden their target market.

As mentioned, 2012 was the first year of recovery for the music industry: the thin growth of 0,3% in global sales has been hailed by many analysts as a much awaited sign of life. It is evident how the very same digital sector, once accused to be the ruin of the market, is today its main savior.

The digital revenues, including downloaded files as well as streaming services, have already exceeded the physicals into leading markets like the United States, as well as in other emerging industries (e.g. Brazil, Sweden, China). As shown in FIGURE 9, this positive trend appears to be softer on a global scale and in other markets (e.g. Japan, Germany, Italy, Spain).

⁷⁴ “Indie artists are new No. 1 in music industry”, C. Atkinson, *New York Post*, Jan. 2, 2014.

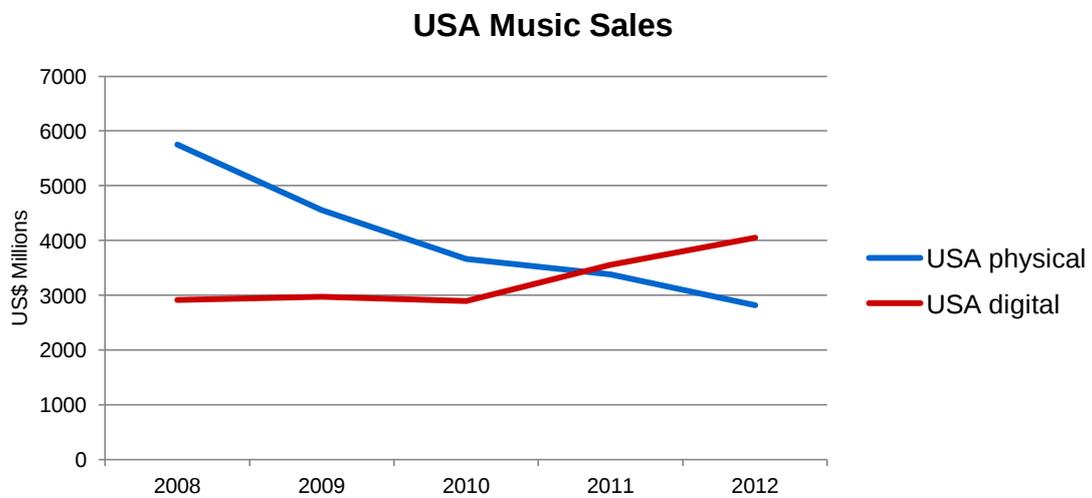
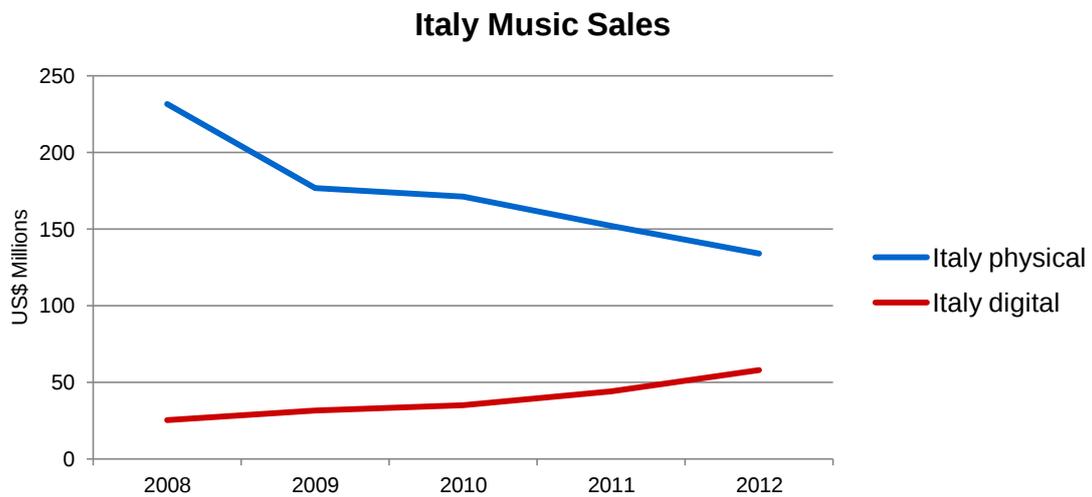
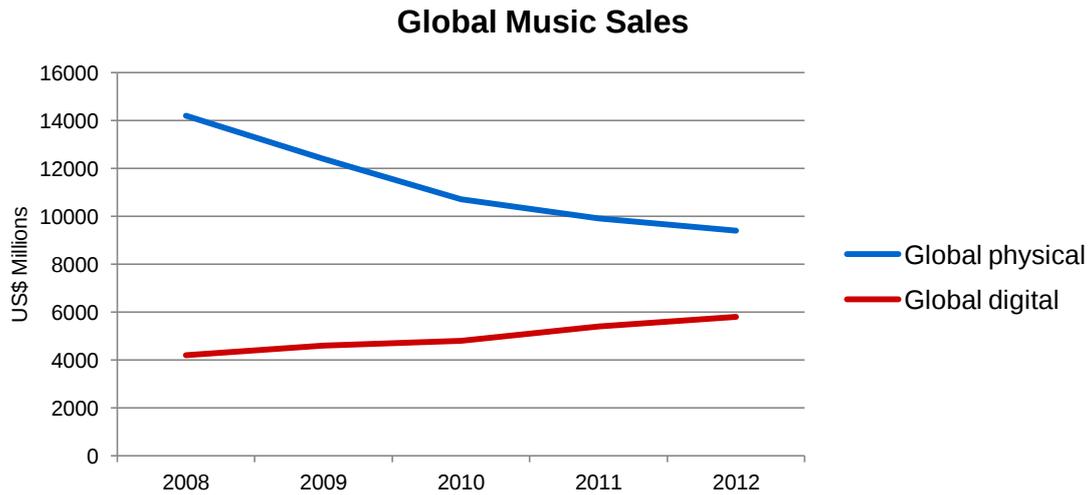


FIGURE 9 – Physical and Digital Music Records Sales: Global market, Italy, and USA. Source: IFPI.

3. Outline of a New Marketing Model

3.1. Main Features of the Traditional Marketing Model

The approaches, structures, and instruments for the recorded music marketing illustrated above fit into a clear theoretical model. Given the framework we proposed in paragraph 1.1., this model must be placed into the Transactional Approach. In fact, the industry has adopted a marketing method based on the exchange of a good, namely the music record. In spite of the peculiar artistic nature of the product, which arises some debates as mentioned in paragraph 1.2.2., this method appears as mainly customer-oriented, although with some distinctive traits.

The customer is indeed the center of attention, as proved by the use of market analysis and researches. Also, a preponderant role is played by the distribution, which is held by a separate and highly-structured organization.

Even if the several department of a music firm whose activities may fall under the “marketing” tag, this model doesn’t really present an integrated marketing approach. To maintain their position and stimulate their growth, record companies used to rely on distribution power and intensity of promotion. But they missed to create a real pervading marketing culture that could contemplate all the stakeholders’ expectation, and that could really *listen* to the society.

Finally, for what concerns the applicative side of the marketing, a traditional marketing mix is still in use. Despite being increasingly discussed in the academic world⁷⁵, the 4Ps and 7Ps models⁷⁶ are still adopted by music marketers, most likely because they find here concrete tools to develop their strategies.

The music industry is led by a few major companies, a group of giants which possess strong, highly-branched structures, along with a severe lack of flexibility and adaptation capacities. These firms are sheltered inside an old, thoroughly tested marketing approach, without paying enough attention to the winds of change that were blowing outside. These winds came from the technology innovations and from the evolution of

⁷⁵ I.e. “The Evolution of Business Models and Marketing Strategies in the Music Industry”, V. L. Vaccaro, D. Y. Cohn, *The International Journal on Media Management*, 6 (1&2), 46-58, 2004; “Against the Odds – The Marketing Dilemma of Physical Products in an Increasingly Virtual World”, K. Oestreicher, *10th International Conference Marketing Trends*, Paris, Jan. 20-22, 2011.

⁷⁶ Cf. “Customer Orientation” par. 1.1. above.

society, and they converged into a storm that in 15 years swept away more than 40% of the global music industry revenues⁷⁷.

3.2. Critics and Threats to the Established Music Marketing Model

3.2.1. The Effects of Disruptive Innovation

In the music records' market, several technology innovations have been introduced during the years. Some of them, like the Compact Disc support which was commercialized in the eighties, forced the music industry to deeply modified a fundamental branch of its activity, namely the manufacturing function. With regard to the CD, companies needed to gradually dismantle many production lines used for vinyl and magnetic tapes, and switch to the compact discs production. By providing higher fidelity, a longer lifespan and an easier format to be transported, this technology innovation creates a new market and displaced older support like cassettes and, partially, vinyl. However the renewals in this field didn't have a negative impact on the overall industry, in fact the growing demand for high-fidelity music supports were met, and the gradual adoption of a new product allowed the organizations to conduct and control the shift. Around a decade later, the spread of new technologies based on the product's dematerialization (e.g. MP3 files) and on the ICT - Information and Communication Technology (P2P, download, streaming services), brought on the opposite proper revolution into the music industry.

Bower and Christensen's concept of *Disruptive Technology*⁷⁸ appears to match the evolution brought by the introduction of CDs, while the overall transformation of music industry architecture relates more to Schumpeter's idea of *Creative Destruction*.⁷⁹ The broad concept is that an innovation or a set of innovations is/are capable of revolutionize an economic structure from within, destroying the established business models and replacing them with newer ones. Even though this concept (which initially

⁷⁷ From 1998 to 2012 global recorded music revenues decrease from 27.6 to 16.4 billion of US dollars. Source: *Recording Industry in Numbers: The recorded music market in 2012*, IFPI, 2013.

⁷⁸ "Disruptive Technologies: Catching the Wave", J. L. Bower, C. M. Christensen, *Harvard Business Review*, 73, n. 1 (Jan -Feb. 1995), 45-43.

⁷⁹ The concept of "Creative Destruction" was introduced by J. Schumpeter in his book *Capitalism, Socialism, and Democracy*, first published in 1942; (most recent edition: *Capitalism, Socialism, and Democracy*, J. A. Schumpeter, Routledge, 2013). Background ideas for this theory were already included in Karl Marx's "economic theory", first described with Friedrich Engels in *The Communist Manifesto*, published in 1848; (most recent edition: *The Communist Manifesto*, K. Marx, F. Engels, Penguin, 2011).

referred to the development pattern of capitalism), is used in macroeconomics analysis, it may give the sense of what happened lately in the music business, and broadly speaking in the whole entertainment industry.

The core question is: why a complex of format and distribution innovations (digital music format plus broadband internet access) affected so much the established music business and the respective marketing model? We are inclined to follow the reasoning set forth by K. Oestreicher, who found the main answer in the fact that these changes involved both technology and market linkages.⁸⁰ As shown above in par. 2.2., the music consumption model is heading toward the digital product, whose nature undeniably belongs more to a virtual space than to the traditional tangible exchange structure of goods. Hence all the linkages between this industry's stakeholders are moving towards the virtual area, which offers newer and so far less institutionalized music consumption models. From a marketing perspective this shift caused the established approach a severe distress, by threatening the strategies and the operative toolkit that had been created for a traditional market (FIGURE 10).

Not only a partial branch or sub-market has been involved in the digital (ICT-based) music revolution, but the whole industry's structure too, along with the marketing models it used to rely on.

⁸⁰ "Against the Odds – The Marketing Dilemma of Physical Products in an Increasingly Virtual World", K. Oestreicher, *10th International Conference Marketing Trends*, Paris, Jan. 20-22, 2011.

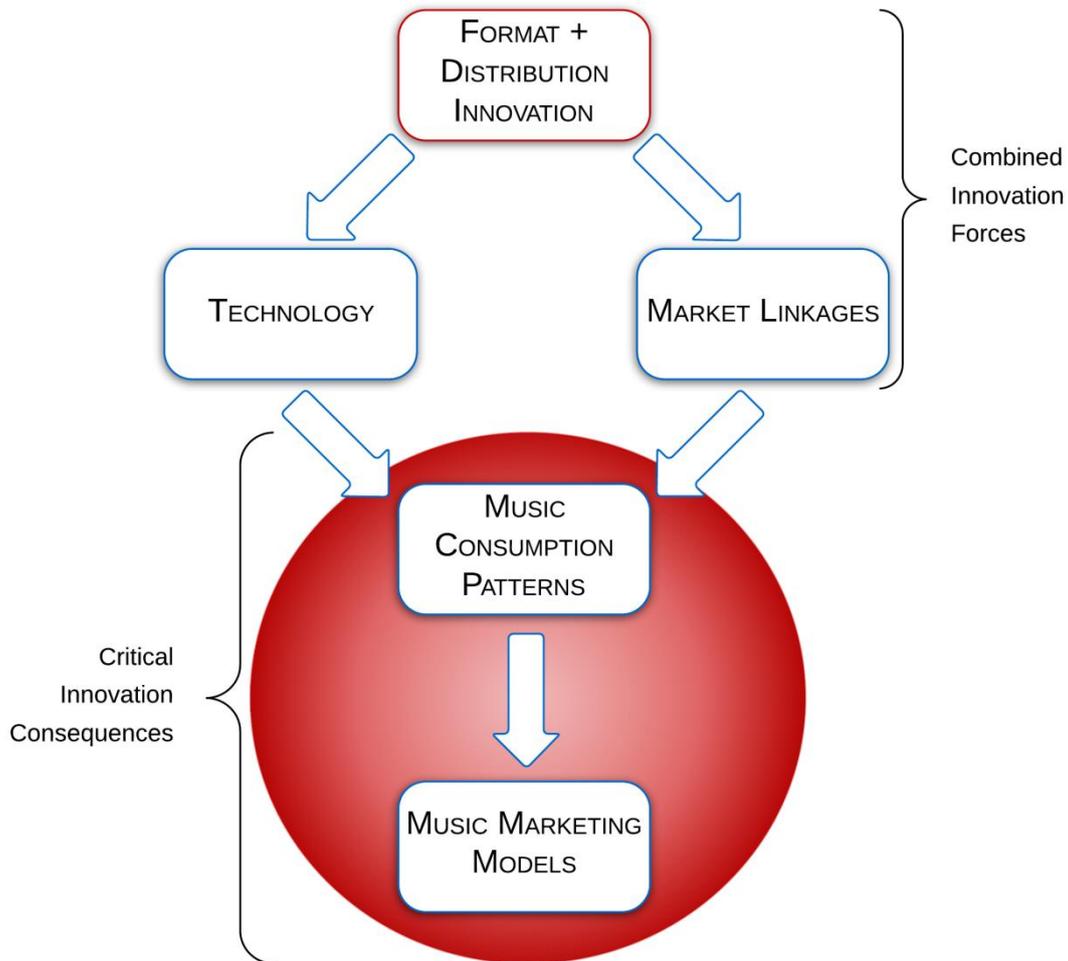


FIGURE 10 – Combined Innovation Forces Affecting Consumption Patterns and Marketing Models.

The radical changes in music consumption have been fueled by the mass-access technology innovations such as the broadband Internet. A fertile soil was yet prepared by the incapacity of record companies in adapting to the new dynamics of consumption.

“The HEI [Home Entertainment Industry] had 10 years time to study, assess and develop new strategies. As Kotler et al. stated as early as 2002, when downloads were still much less comfortable and a rather young trend, consumers are not anymore a marketing object for intensified promotion, but have become the market force. Instead of concentrating on processes to regain and reestablish consumers’ trust and preference, this industry criminalized many of those they desperately need for survival. [...] There was enough time to prepare for the new market environment and to develop renewed customer satisfaction. [...] Instead of developing new processes of customer satisfaction in form of innovative business models, this industry was focused on a format war in a constantly and sharply

declining market place, while acceptance of the virtual service and consumption via download rapidly increased.”⁸¹

As argued by Oestreicher, the music industry showed extremely scarce acceptance (and understanding) of virtual space. The main concern of major firms in the early 2000s was the war on music piracy: none of them had considered at that time the Internet as a possible source of revenues. On the other hand, the mass access to the Web⁸² entailed the emerging of new social dynamics which are likely to affect the consumption patterns. The most relevant may be considered as follow:

- The tribal affiliation and the “sense of community” are nowadays widespread social trends much emphasized through the Internet. Global communities and social networks are based on links, constant information flows, and experiences sharing models. In this framework, as argued by Rémy, the *experiential* aspect featured in a product, and even more the possibility of sharing that very experience, is absolutely relevant.⁸³ ICT and dematerialized product perfectly enhance this pattern, thus in such environment the *link* will be more relevant than the *thing* (product).⁸⁴
- The same concept of global tribe fostered by the Web’s social aspect appears to be relevant also when it comes to the business transactions. A virtual community with shared values and beliefs, will likely establish commercial transactions (or even just barter and exchange) among its own members. The community will tend to exclude institutional subjects, such as record companies or traditional retailers.⁸⁵

⁸¹ “Against the Odds – The Marketing Dilemma of Physical Products in an Increasingly Virtual World”, K. Oestreicher, *10th International Conference Marketing Trends*, Paris, Jan. 20-22, 2011, pp. 20-21. See also “Product Launch in a Declining Environment: The Blu-ray Disc – Opportunities and Struggle”, K. Oestreicher, N. Walton, M. Newnham, *Proceedings of the Seventeenth Annual South Dakota International Business Conference*, Rapid City, Sep. 30 – Oct. 02, 2010.

⁸² In particular the so-called “Web 2.0”, which presents a more interactive and content-sharing architecture than the previous World Wide Web configuration. This was brought by a series of cumulative changes in web pages editing techniques in the first half of the 2000s.

⁸³ Cf. “Experiential Marketing Approach” par. 1.1.3 above.

⁸⁴ “Marketing in a Hypermodern Society”, E. Rémy, *Proceedings of the 4th International Research Days on Marketing Communications*, Aarhus Mar. 26-27, 2009.

⁸⁵ “Marketing in a Hypermodern Society”, G. Lipovetsky, *Proceedings of the 4th International Research Days on Marketing Communications*, Aarhus Mar. 26-27, 2009.

- The “0-economy”, or “Follow the Free” model, described by Kelly as a transaction where the costs sustained by the consumer become void.⁸⁶ The music industry and other sectors of the Home Entertainment Industry are experiencing a critical switch from a market full of revenue sources, to a virtual environment plenty of 0-costs products and services (e.g. music sharing, and video streaming). The advent of alternative free consumption patterns, not only represents an obvious threat to the established business model, but more importantly it throws off balance the conventional market linkages. Thus, into such a reshaped environment, the market driving force will rather be the consumers’ network than the organization.

3.2.2. Weaknesses and Opportunities of the Established Marketing Mix

From a marketing perspective, the threats brought by innovation forces in technology and market linkages, affect all the 4Ps of marketing mix. Along with the industry structure itself, which was built for the physical product exchange, also the marketing model needs a complete renewal.

Looking more into detail at the inefficacy of the established marketing tools, we can describe it for each “P” as follow:

- *Product* – This element is certainly key for the marketing evolution. The main shift organizations have to face is from a physical product to a digital (dematerialized) one. Major changes in consumption models are represented by:
 - Full mobility,
 - Easier access,⁸⁷
 - Immediate consumption,
 - Permanent availability.

Furthermore, the physical product doesn’t support the idea of tribal affiliation and experiences sharing among consumers mentioned above⁸⁸. It is, according

⁸⁶ *New Rules for the New Economy*, K. Kelly, Penguin, 1999.

⁸⁷ Following the concept of “Customer Activity Cycle” 18 steps are needed to consume (listen) a song recorded on physically-supported album, against only 8 phases for a digital track. See “Against the Odds – The Marketing Dilemma of Physical Products in an Increasingly Virtual World”, K. Oestreicher, *10th International Conference Marketing Trends*, Paris, Jan. 20-22, 2011.

⁸⁸ Cf. “The Effects of Disruptive Innovation” par. 3.2.1. above.

to its nature, more related to an exclusive relationship established between the organization and a customer, with the first one driving the transaction.

Finally, a consequence of the dematerialization of the product, consists in its fragmentation. In a recorded music album, it used to be a common practice for record companies and artists to include both *hits* and *flops*. By doing so, top-selling songs would drive the album's sales despite the other less famous or appealing tracks. In other words, music labels used to conduct a strategic exploitation of the record as a product: by totally controlling its structure, they were able to drive customers towards the full-album purchase, regardless of the unfavorable percentage of hits versus flops in that very album. The download opportunity paved the way to a record's fragmentation, through the possibility of obtaining just a single song. Although specific price strategies are adopted even on the digital distribution channels to maximize the volume of songs sold, as of today consumers choices gained much more influence through the possibility of downloading only desired tracks.

- *Promotion* – In the field of promotion and communication, traditional patterns like B2B (Business to Business) or B2C (Business to Consumer) appear so far as insufficient. The growth of digital communities and Peer-to-Peer networks enhance the gradual exclusion of institutional participants and direct promotion. Not only a great promotional effort should be moved on the Internet, but it seems vital for the record companies to deeply understand the structure of Web related communication (e.g. social networks, blogs, mailing list) in order to really take advantage of the virtual space.

Moreover, consumers with strong sense of belonging to a virtual community, will perceive as increasingly less credible and less persuasive the promotional message coming from outside the community, and more specifically, from the organization. Instead a major role in this field seems to be played by the community's members/affiliates through evaluations and suggestions, as well as by trusted editorials unrelated to the industry.

Another key point concerning the promotion is the direct contact from artist to consumer. With the exception of particular labels of special interest for niche music sub-markets such as Jazz or Ethnic, where the label's name may actually prevail the artist's, in general the focus of the promotion is right on the artist. The ICT-based communication offers the opportunity to the artist of being in

direct touch with his/her fans, even if on a partial and usually superficial way. Thus, there are reasons to say that consumers will be much more attracted and stimulated from a promotional input coming from the artist himself than from the firm in general.

- *Price* – As mentioned before, fragmentation of the product in the virtual space is affecting the price strategy, whose focus is being shifted towards the single song instead of the album. However, discounts may be applied in order to encourage full album purchasing (or compilation, collection, greatest hits, etc.). Deluxe editions or special packaging are sold at a higher price on the physical product side. On the Internet, digital booklet or “extras” like audio/video material are often included to justify more expensive items. Both these extra-charged editions, whether digital or physical, are often used also with a promotional purpose right after the launch of a record.
- *Place* – The core concept of this element’s changing is the adoption of a virtual space as Point Of Sale. This space has an extreme broader assortment than any traditional record store; here it is also possible for the artist to sell directly his/her songs bypassing any other distributing structure.

The increasing supremacy in physical retail market gained by superstores and electronic-products retailer on proper record shops brought a significant decline in the presence of music-expert personnel.⁸⁹ The role of a knowing and reliable staff, who might be able to help the customer with specific recommendations, seems to be disappearing. At the same time on the digital side, and more specifically in the music streaming sector, algorithm-based processes are actuated and constantly improved to assist the consumer’s choices. On balance, it appears that online services will likely suffice to accomplish the same tasks of physical store’s personnel, even more when it is anything but “music knowledgeable”.

All of these arguments point to the fact that the established marketing mix, here above analyzed through the 4Ps model, is likely to become obsolete and even ineffective in a forthcoming digital music market.

⁸⁹ *Competitive Advantage: Creating and Sustaining Superior Performance*, M. Porter, Free Press, 2004.

“The challenging question is, whether small adaptive steps for the marketing mix can be sufficient, when revolutionary forces of innovation evolve their power, not forgetting that the marketing mix was developed for physical markets, when, e.g., ICT and multichannel were still foreign words. [...] Such complexity [...] may overstress the marketing mix’ capabilities due to an over-complexity of dimensions for which it was originally not created.”⁹⁰

As argued by Oestreicher, new markets and new consumption models ask for new marketing visions. The traditional one, tied to the transactional approach, presents an organization-centered framework, which basically neglects the active role of consumer in the digital era. The specific elements of such marketing mix are anything but a set of variables used to gain an edge in competition, however they rely on precise music consumption patterns that are meant to be displaced. These arguments lead us to the conclusion that a marginal improvement or adaptation of the present marketing model won’t be sufficient, rather, a new orientation will be needed. This new framework will be as efficient as will it respond to a strategic guidance close to the virtual market place’s evolution.

3.3. Viable Marketing Strategy Outline

The foregoing discussion has attempted to define the music marketing evolution according to the changing of consumption patterns and market forces. The arguments given above seem to set a framework where a shift from the transactional marketing approach to relationship marketing may be opportune. However there are still too many dynamic elements to structure a proper theoretical marketing background. Instead, a list of transversal key points will be provided hereafter. These are broad guidelines, on which will be possible to rely when structuring a more specific marketing strategy. Each of these guidelines may come from a broader concept discussed above, rather than from personal interviews with music marketing experts⁹¹ who highlighted emerging useful practice, or from the analysis of specific micro case studies.

Furthermore, the base for the following ideas is given by a few organizational arrangements. Marketing management should work on a project-based schedule, with a

⁹⁰ “Against the Odds – The Marketing Dilemma of Physical Products in an Increasingly Virtual World”, K. Oestreicher, *10th International Conference Marketing Trends*, Paris, Jan. 20-22, 2011, p. 17.

⁹¹ See APPENDIX A and APPENDIX B.

range going from one to three albums. All marketing activity should be planned, monitored, and implemented on a regular basis. The major role in the marketing process should be played by the record company's product manager, who must follow the realization of the record. This means that even before the phases of recording, mixing, and mastering, the product manager will get to be familiar with the artist and his/her music. The marketing team should be seeking the complicity and the interest of all the personnel in anyway involved in the process, and collecting information and suggestions from each specific area of expertise (e.g. web editors, public/press relations office). Product managers with their marketing team should also be in touch constantly with the artist's management, in order to plan all activity involving the artist's direct exposition (e.g. interviews, participation in TV/Radio shows, other displays). To sum up the key elements brought by the management in the marketing activity should be deep music knowledge, flexibility, and *transversality*.

Let us now turn our attention on the main strategic marketing guidelines, identified as follows:

- Music streaming services are reaching a remarkable role among the music consumption patterns. The access model is likely to be prevailing over the ownership one⁹². A first proposition for the record company is to build a solid partnership with this new access-based services providers. More specifically, a project-oriented promotional plan should be structured by both subjects: company and provider (distributor).
 - An exclusive album *premiere* may be granted from the label to the streaming platform, having in return a consistent promotional and enduring space on the platform itself.
 - “Cross promotion” may be established. This means that the record company, across all its promotion and publicity activities, will drive the attention to a specific streaming provider. In return, this streaming provider will ensure to keep the label's products in the spotlight: this can be done through any advertising spaces on the platform (e.g. audio commercial insertions or advertising banners on the website).

⁹² “Against the Odds – The Marketing Dilemma of Physical Products in an Increasingly Virtual World”, K. Oestreicher, 10th *International Conference Marketing Trends*, Paris, Jan. 20-22, 2011.

- With regards of the product and distribution, as mentioned above⁹³, the virtual space allows more flexible, immediate, and cost-effective strategies. As argued by Jacopo Pesce, Product Manager for Universal Music Italy⁹⁴, the physical format will likely be displaced by digital music at some point. However the CDs will endure for several years still, possibly as a minor sub-market.⁹⁵

We can understand this point by considering that major companies still hold a vertically-integrated structure which comprises the records distribution. This provides a competitive advantage which is undoubtedly threatened by digital product, but that still holds the ground. Moreover, the physical products still represent a significant stream of income for the mainstream artists, usually tied to majors. All of this points to the fact that experimental distribution approaches are often attempted by minor or independent music companies, rather than by major firms.

Regarding this matter Elena Lattore, A/R for Mescal (a well-known minor Italian label), mentioned the case of Perturbazione, a fairly known band, whose seventh album has been released only on a digital format. However the marketing strategy included a particular launch of the record, which was included in a special edition of a national music magazine (La Repubblica's XL). Elena stated that the idea was successful, and a low-volume of physical products generated a good impact on the digital sales and streaming revenues.

Hence, a viable specific strategy may consider a significantly reduced volume in physical distribution, focused on specific target markets. In this case Mescal started from the assumption that XL's readers would have appreciated (and that they would have bought) the magazine featuring the album. The experiment turned to be a success, representing thus an interesting mix between promotion and distribution.

A second proposition formulated for the record company is hence to gradually overstep the physical distribution, by means of non-institutional channels. Media partnerships between music firms and media platforms should be preferred, considering the specific artist's target market.

⁹³ Cf. "Weaknesses and Opportunities of the Established Marketing Mix" par. 3.2.2 above.

⁹⁴ See APPENDIX A.

⁹⁵ See PWC's forecast in APPENDIX C.

- The exposition of artists and band via social networks has become vital. As suggested above, the consumer in the digital era tends to prefer much more a direct message from the artist than a label-orchestrated promotion. This doesn't mean that the role of companies in this field is void, but the structure of any message which target the consumer should be designed carefully.

A third proposition is to work on the overall communication side (including both publicity and promotion) with a team coordinated by the product manager, who should work side by side with the artist and his/her management. The importance of the team is related to a well-balanced flow of communication. An overwhelming (both in frequency and in contents' volume) amount of information should be avoided as much as a scarce presence on the media. The key points will be:

- The artist's imprint on the communication's formal aspects, in order to create the partial illusion in the audience of being always *in touch* with him/her.
 - A constant and balanced updating of web-media.
 - A maximization of audiovisual contents featured in any message or post.
- The video has a preponderant role into music promotion. The tendency will be to realize as much music footages as possible. The reasons are that video production costs have decreased lately, and also that web channels such Youtube or Vevo have gained great success and resonance.
- A fourth proposition for the marketing management is to maximize the numbers of videos (and backstage, or real-life shooting) for any artists. These contents should hence be largely used both as promotion material, both to enrich the primary product offer (i.e. by adding backstage footages to limited digital edition, or pre-sale offer, to tease and stimulate the consumers)
- The concept of "single" doesn't fit into the digital-oriented consumption. The terminology in use suggests the word "extract". A common practice at Universal Music Italy, reported Jacopo Pesce, is to use several extract (e.g. in mainstream-rap productions) to anticipate the album's launch and create expectation around it.

A fifth proposition is hence to schedule the release of three to five extracts before the album launch. Particularly they should be combined with digital pre-orders (e.g. the full album pre-order one or two weeks before the launch) to give something “in the hands” of the customer, who will otherwise receive anything but a confirmation message at that moment. Finally, the extracts can be or include also remixes of album’s songs, adding a particular value to that specific track.

Conclusion

The present is meant to enhance the understanding of music market evolution. This matter presents a very dynamic profile, as much as it is dynamic the society it is applied to. There are actual difficulties in exploring the marketing for the music industry through theoretical approach, in fact not so many contributes has come so far from the academic world. Single consumption patterns and distribution models are indeed studied and discussed, but often they miss to propose a big painting to embrace all the marketing activities.

Other than towards this direction, further studies may target several related topics that I couldn't examine in depth in this work. Among these are the political and legislative approach towards the music piracy, the live music sector, the revenue streams diversification, the concept of "prosumer" in music, and the market oligopoly created by the three multinational music majors.

Our conclusion is that the research focus concerning the marketing for the music industry should be on a basic revolution of marketing models, rather than still on the adaptation of previous ones. We also structured in five points a suggested background to be utilize for further strategic developments. These propositions embrace the partnership between record company and streaming services providers, the gradual overstepping of physical distribution, the integrated task-force for the Business-to-Consumer communication (with a major role played by the very artist), the maximization of promotion trough video materials, and finally the displaced of the concept of "single" by the one of "extract".

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APPENDIX A

Jacopo Pesce

Radio and Tv Promotion Manager / Product Manager

Universal Music Italy

Personal Interview

Puoi parlarmi del tuo ruolo alla Universal Music Italy?

Mi occupo di promo radio e tv, seguo tutti i progetti rap a 360 gradi, dalla parte artistica alla parte marketing alla parte promo. Il comparto marketing si regge su vari product manager che seguono tutta la realizzazione del disco.

Nella prima fase c'è un A&R (sul reparto rap faccio anche quello). Nel momento in cui finisce la parte di produzione si passa alla parte marketing, cioè idee per il lancio, posizionamento nei negozi, poi il marketing si coordina con la promozione per fare arrivare il disco alla gente e poi andarlo a vendere.

Siamo 4 product manager: 3 seguono artisti italiani e internazionali, io faccio promo italiani e internazionali e product manager per il rap. Product manager: da quando il disco esce dallo studio in poi. Coordina tutto il progetto.

Abbiamo uffici anche a Roma, ma poca roba.

Dipende molto dal progetto, si lavora a progetto, non ci sono decisioni o linee ferree o standardizzate.

Dipende tutto dal pubblico a cui si fa riferimento, anche se ci possono essere delle contaminazioni, di partenza il pubblico del pop non è lo stesso del pubblico del rap.

Con i Dogo siamo partiti dal loro zoccolo duro, e poi con PES siamo arrivati anche ai muratori e alle casalinghe, a chiunque.

Qual è lo stato attuale dell'industria musicale?

uno dei migliori momenti per la musica. Una figata. Hai fuori il cazzo che vuoi.

iTunes è una figata, quello che tutti vogliono, vai su e trovi quello che vuoi.

Non è solo un negozio, è una vetrina, parlo da addetto ai lavori. Non a caso nelle strategie per i progetti a cui lavoro puntano molto su iTunes, a parte il fatto che sta diventando il nostro partner commerciale n°1 (non lo scrivere perché non te lo posso dire).

iTunes è FONDAMENTALE, tutto ciò che gira attorno alla musica oggi gira intorno a quello. Agli mp3 e agli altri formati digitali. I numeri di iTunes sono impressionanti. Io mi sto divertendo con iTunes.

Spotify è la più grossa figata che ci sia. Ora bisogna capire se gli italiani sono pronti. Il problema è entrare nelle case degli Italiani e fargli capire che Spotify è una figata, far capire che per la musica bisogna pagare.

Se tu lavori in banca devi essere pagato, se lavori per la musica non devi essere pagato. Ma perché?

Come quando sento dire che i dischi costano troppo. Ma lo sanno quanto costa fare un disco?

Il disco ha dei costi, e anche alti. Perché compri i libri e li paghi e la musica deve essere gratis?

Il ragionamento dell'Italiano medio è: perché devo pagare quando posso averlo gratis? Magari lo ascolto su Youtube con una qualità di merda. Della qualità non gliene fotte un cazzo a nessuno. E' ovvio che a me o a te interessa, ma alla maggior parte no. Ma il ragazzino di 16 anni che sente i pezzi così dal telefonino non gliene frega niente. Poi vanno su emule beccano tutti i fake o la qualità scarsa e non gliene frega niente.

Quanto influirà Spotify in Italia?

Vedremo, è appena arrivato, in America è all'ordine del giorno, certo adesso tutti parla di Spotify, ma solo chi conosce la musica, chi si interessa di musica. Anche oggi, è servito questo [iPod] per scoprire iTunes, io l'ho scoperto quando volevo comprarmi l'iPod U2 edition che per forza di cose dovevi passare da iTunes per scaricarci la musica. Grazie a questi siamo arrivati anche a tanta altra gente.

I vecchi supporti fisici [cd]?

Non sono ancora morti, i cd rappresentano ancora una grossa fetta del nostro mercato. Sono dieci anni che sento che deve sparire il supporto fisico. Non è ancora arrivato il momento in cui il digitale supera il fisico. Tra cinque anni ci saranno ancora. Come formato almeno, non so i negozi di dischi. Non c'è ancora la mentalità in Italia per fruire la musica liquida, il supporto fisico è ancora troppo importante.

La crisi economica influirà più sul live che sul recorded music, perché sarà sempre più difficile organizzarli, e perché, anche dal lato dei fruitori, tirare fuori dalle tasche dei ragazzi trenta o cinquanta euro per un concerto è sempre più difficile.

Come vedi la convivenza tra le major, le big four (ora big three) e le case indipendenti?

Questa è la più grossa stronzata di tutti i tempi, le major vengono viste come cattive, o commerciali. Cosa significa essere andato in major? Guardami, ho 29 anni, i miei colleghi ne hanno 30-35, il nostro presidente ne ha 42, la major è vista ancora come quella che strumentalizza gli artisti o gli impone certe restrizioni alla loro musica, ma tutto ciò semplicemente non è mai esistito. Gli artisti sono liberi di fare quello che vogliono, possiamo decidere insieme alcune strategie, ma non c'è ingerenza sulla musica. Guarda il rap, con cui io sono più a contatto, Fibra prima di arrivare in major aveva fatto due dischi da indipendente, così i Club Dogo, Marracash aveva fatto una roba estremamente street, nemmeno un album, e con noi ha fatto disco d'oro al primo e al secondo album.

La major ha una struttura, e delle persone che ci lavorano in team. Nelle indipendenti forse puoi lavorare con meno pressioni, ma a livello di risorse umane, di energie spese sul singolo progetto non è che l'indipendente lavora più o meglio della major. Noi lavoriamo CON gli artisti. E' come underground contro commerciale, non significa niente, si fa musica per venderla e per farla ascoltare al maggior numero di persone possibile.

Con l'operazione Club Dogo, per Noi Siamo Il Club, ti faccio i complimenti, perché tra apparizioni radio, tv, Club Privee su Mtv, negli ultimi mesi non era possibile non conoscere i Dogo, e infatti i risultati sono arrivati. Forse avete anche avuto un terreno fertile perché loro come personaggi si prestano molto a tutto ciò.

Mi fa molto piacere quello che dici, e pensa che loro non hanno mai avuto le radio, io lavoro con loro dal 2009, Dogocrazia è stato il primo con la Universal, e non sono mai stati passati in radio fino a questo disco. Adesso probabilmente grazie anche al terreno fertile su cui fa presa il rap oggi in Italia possiamo avere più visibilità. Ma per questo dobbiamo ringraziare il lavoro che hanno fatto loro negli anni, così come Fibra, Marra e tanti altri.

Molte persone ascoltano PES in radio e poi, interessati, vanno a scoprirsi tutta la discografia passata.

C'è sicuramente una crescita, questo tipo di scoperta della musica poi ti fa apprezzare probabilmente la crescita che c'è stata dal punto di vista artistico. Così poi arrivi a più gente possibile.

Come ti sei mosso con i Dogo?

Prima eravamo strutturati diversamente [a livello aziendale], quindi io con loro sono arrivato solo verso la fine della produzione del disco.

Ci siamo visti in studio, abbiamo sentito i provini, che erano fortissimi, loro avevano già una grossa impronta del disco. Abbiamo riconosciuto che era fortissimo e che si poteva veramente fare il salto. Infatti il nostro obiettivo era fare il disco d'oro, e questa settimana arriverà anche il disco di platino.

Ci siamo messi a lavorare insieme e così via.

Per i featuring?

Dunque, non è sempre la stessa storia, con Giuliano Palma è stata un'idea loro perché hanno lo stesso manager. Avevano questo pezzo con questo ritornello super pop, con il ritmo raggieggiante, e Giuliano era perfetto.

Per il Cile, loro hanno sentito il pezzo in radio del Cile, Gue lo ha shazammato, ha visto che era un artista Universal. Allora Gue ha chiamato me chiedendomi chi era, io gli ho detto che era nostro, della cricca dei Negrita. Gli è piaciuto moltissimo. Noi avevamo il provino di "Tutto ciò che ho" e gli abbiamo proposto il featuring, abbiamo fatto da tramite.

Tutto molto semplice. Loro erano entusiasti e quindi gli hanno fatto cantare il ritornello.

A Marzo [2012] abbiamo messo giù una strategia con loro.

Il perno su cui si basava, siamo stati i primi in questo, è stata usare iTunes come vettore principale. Siamo stati i primi a mettere un pezzo in anteprima esclusiva su iTunes.

La strategia classica era: tirare fuori un singolo che anticipasse l'album, fare un video che andasse forte su Youtube, e via. Noi volevamo tirare fuori tre o quattro brani prima dell'uscita di tutto il disco, cosa che fanno in America nel rap, (questo tipo di musica è veloce, i fan ascoltano il disco e dopo sei mesi già si aspettano qualcos'altro, poi è ovvio che se provi ad allargare il pubblico, allora sul disco ci lavori un anno)

Abbiamo detto quali tiriamo fuori prima, questo e questo video, poi il video del singolo ufficiale, e poi un altro video prima del lancio dell'album. Quindi da fine marzo entro due mesi dovevamo aver pronti 4 video. Addirittura il video di "Tutto ciò che ho" che è uscito ad ottobre, è stato girato ad aprile. Abbiamo provato a fare quasi un video per ogni canzone.

Loro avevano avuto l'idea di fare i video di tutti i pezzi, a noi sembrava un'idea interessante, quindi abbiamo cercato di capire quali erano quelli che andavano fatti uscire prima, e gli siamo andati incontro.

Comunque fare i video ci vuole tempo, almeno alcune settimane. Quindi si mettono in produzione e via.

Adesso per il disco di Guè che esce a giugno abbiamo già girato due video [siamo a febbraio].

Un'idea che avevamo era mettere sul sito di Metro [quotidiano gratuito presente nelle maggiori città] dei frame dei video che dovevano uscire. Metro, un giornale free press estremamente popolare faceva l'articolo sui Dogo con loro in prima pagina, rimandando al loro sito per vedere il video. La stessa mattina usciva il pezzo su iTunes, e potevi ascoltarlo solo comprandolo su iTunes, il video non usciva, perché appena esce il video se lo rippano tutti. Quindi prima del video, sempre iTunes.

Prima del disco non abbiamo fatto uscire veri e propri singoli, ma estratti, o meglio: Cattivi Esempi, poi Chissenefrega (questo sì, singolo ufficiale), quello più giusto per partire, e poi Noi Siamo Il Club, che dava il titolo al disco, c'era Marracash, che per loro è sempre stato un compagno perfetto, e l'abbiamo messo gratuito su iTunes lo stesso giorno in cui partiva il pre-order dell'album. Quindi tu due settimane prima dell'uscita dell'album potevi acquistare gratuitamente il brano Noi Siamo Il Club, che era messo nella stessa room iTunes [funzione vetrina] del pre-order dell'album.

Con Fibra ad esempio avevamo giocato sul pre-order con assieme una traccia inedita fino a quel momento (Guerra e Pace su cui noi poi abbiamo fatto il video). Anche questa è una buona strategia.

Su Dargen D'Amico abbiamo fatto invece: tu compri il singolo su iTunes a 1,29 con un remix gratuito che ti arriva insieme. Prima tutte 'ste robe dovei farle pagare, anche se poco, adesso ci possiamo giocare di più. Stessa cosa faremo a fine marzo con due tracce gratuite stavolta, e infine il singolo ufficiale con remix gratuiti annessi, e infine col pre-order del disco una traccia da scaricare gratuitamente.

Sempre tenendo bene in mente la funzione di vetrina di iTunes. iTunes è fondamentale. Per Dargen ci sono due estratti con remix, il singolo ufficiale e l'estratto gratuito con il pre-order. Il tutto nell'arco dei due mesi che precedono l'uscita del disco.

Però attenzione, perché sul rap si lavora così, magari sul pop vale ancora il metodo del singolo ufficiale che anticipa l'album.

E' importante tenere presente che molti pezzi non necessariamente sono singoli da radio, ma possono lavorare molto bene come estratti sul web.

Quando parte l'aggancio a radio e tv?

Nel momento in cui si individua un brano. La scansione temporale è questa: se il disco esce il 5 giugno, il singolo presumibilmente sarà fuori un mese prima [primi di maggio], io comincio a mandare i pezzi alle radio a metà aprile [un mese / tre settimane prima del lancio]. Dipende dal rapporto che hai con le radio. Ci sono rapporti che noi abbiamo consolidato con i programmatori delle radio, noi andiamo da loro e proponiamo i nostri pezzi. Glieli proponiamo. Poi è ovvio che devi fargli capire che il progetto è solido, importante, che non si ferma ai singoli.

Per i Dogo abbiamo fatto anche degli ascolti in studio, abbiamo invitato i programmatori in studio facendoli sentire tutto il disco e gli abbiamo fatto sentire quali saranno i singoli.

Le interviste arrivano dopo, servono per la promozione del disco.

Per i progetti più particolari come Club Privee – Ti presento i Dogo [miniserie a puntate sulla realtà quotidiana del trio rap milanese]?

Lì c'è stato che è scattato il “fenomeno Dogo” ed Mtv ha voluto fare questo programma. In questo caso è stato il management dei Dogo a concludere l'affare. Mtv ha fatto la proposta al management per girare questa specie di docu-fiction.

Ok, ma per voi avere i Dogo che fanno Club Privee è una bella cosa, è un progetto che implica un bombardamento mediatico non indifferente. [Pubblicità del programma, repliche ed estratti disponibili sul sito di Mtv Italia ecc.].

Non ha riguardato principalmente noi, questi progetti vengono seguiti direttamente dal management degli artisti, certo che noi poi ci abbiamo lavorato, perché loro ci hanno seguito nelle trasmissioni televisive, e noi abbiamo seguito la realizzazione del progetto. Sono stati comunque quattro o cinque mesi di riprese. L'idea è stata di Mtv, ma sono proposte fluide, che vengono sul momento, non è una strategia pianificata.

Tutti questi progetti a sentire come li descrivi tu rientrano in una dimensione molto più terrena, sono molto semplici e non ci sono disegni o strategie incredibili dietro.

Ma perché è esattamente così che funziona. Quello che senti fuori sono tutte cazzate. Non c'è niente di vero. Con gli artisti ci si parla a quattr'occhi, ci vediamo, discutiamo e decidiamo cosa fare. Oggi tra due ore saremo qui a discutere con Guè Pequeno per parlare del suo progetto solista, è ovvio che ci sono discussioni e pareri diversi. Ma l'obiettivo è sempre uno solo.

In queste strategie rientrano anche la parte dei social media, o quelli sono compiti dell'ufficio stampa?

Ci lavoriamo sempre tutti insieme, la squadra è fondamentale, io mi occupo di varie cose e l'ufficio stampa mi supporta per molte di queste anche attraverso gli addetti web.

Tra tutti questi canali e strumenti di marketing promozionale, quali sono quelli su cui punteresti di più nel futuro prossimo?

La radio ancora oggi è importantissima, anche più del web. Per i pezzi, le hit è fondamentale. Anche iTunes è un cardine, ma se tu guardi i primi dieci pezzi venduti su iTunes sono anche tutte hit radiofoniche, senza la radio oggi in Italia la hit non la fai. E per adesso la radio rimarrà.

Video su Mtv, Youtube, Vevo. Negli Stati Uniti ormai sembra che le major guardino bene alla popolarità dei video sulla rete prima di mettere a contratto un artista.

Si questi servono ovviamente, soprattutto per vedere quanto seguito hai. Ma non è fondamentale. Tra l'altro si è scoperto che tu le views le puoi anche comprare quindi... Ma per esempio noi ora stiamo mettendo sotto contratto un ragazzo che sì, abbiamo visto fa dei bei numeri sul web, ma bisogna sempre valutare, non è che devi fare un milione di views. E' sicuramente un biglietto da visita interessante.

Poi anche la tv. La tv intesa come tv generalista ancora oggi è fondamentale. Se tu ci fai caso un artista che va ad esibirsi da Fazio, dopo un ora il disco va al numero uno su iTunes.

Ovviamente bisognerà tenere conto del target del programma. I Dogo stanno bene da Victoria a Quelli che il calcio ma a Porta a Porta non ce li vedo.

Certo, dovrai vedere che numeri fa il programma e che pubblico ha il programma. Quindi le tv generaliste sono ancora importantissime, in alcuni casi decisive.

Le tv musicali invece (non dire che te l'ho detto io), non è che abbiano ancora tutto questo senso. Guarda la programmazione di Mtv, son tutte serie, dov'è la musica?

DeeJay Tv è già un po' diversa perché è abbinata al vettore della radio ed è un altro discorso.

Oggi la tv musicale è Youtube. Prima io stavo davanti ad Mtv per aspettare il video di Jovanotti o di Jay-Z. Ora se vuoi vederti Jay-Z, prendi e vai su Youtube. Mtv ormai della musica non se ne importa. Non a caso Mtv nel logo ha tolto la scritta sotto che diceva "Music Television". Certo ci lavoriamo ancora, ma non è così importante.

C'è un modello di business che riguarda gli sponsor esterni. E' sempre più frequente vedere nei video prodotti con marchio visibile. Quello non è un caso. Così come per gli indumenti che utilizzano gli artisti in pubblico.

Se mi parli del futuro, questo è il futuro.

Fare business con l'artista stesso, non solo con la musica.

Il rap in Italia è in via di espansione e lavorativamente parlando è quello su cui ti diverti di più. C'è stato un gap di 10 anni tra Articolo 31, Frankie Hi-NRG, Neffa e il rap contemporaneo.

APPENDIX B

Elena Lattore

A&R / Product Manager

Mescal

Personal Interview

Qual è il tuo ruolo per Mescal? Sei stata anche A/R?

Mescal è un'etichetta indipendente, i ruoli sono meno strutturati rispetto all' a major che può comunque avere dei limiti. La Mescal è anche management e una delle cose fondamentali è stata la condivisione quasi all'unanimità dei progetti. E' partita come management e poi è diventata etichetta perché alcuni artisti non trovavano spazio nel major e da lì hanno deciso di farla diventare anche etichetta per farli produrre, per farli crescere. Questo è avvenuto nel '94 e ha influenzato l'aspetto lavorativo e di scelte. Facevamo una cernita prima separatamente, per conto nostro, e poi si sottoponeva l'ascolto anche agli altri. Il ruolo di A/R da noi era quello di fare una selezione di base e poi vedere quei progetti, magari già usciti, che potevano essere interessanti sia come management che come live. E questa è un'attività importante.

Voi avete anche il live?

Il live è nato quasi subito, dal '94, per poter lavorare sui progetti a 360°. E' stata un'esperienza quasi immediata. Adesso ci sono meno agenzie grosse ma anche 15/20 anni fa non era facile piazzare in un'agenzia un artista sconosciuto e rischiavi di andare a sbattere in un'agenzia che poi non lo seguiva. L'obbiettivo Mescal è invece a 360°. Tornando al mio ruolo, io arrivo da un mondo diverso, dal mondo del teatro e dal live. Nel '99 sono arrivata in Mescal e ho seguito il tour di Carmen Consoli. Da lì ho iniziato

a seguire tutto quello che era legato all'immagine dell'artista, grafica, dischi, video-clip, ecc.. Poi viene spontaneo curare anche l'aspetto del marketing.

La cosa che si evince è che non esistono strutture rigide...

Adesso le major controllano anche diverse agenzie live. Il live tiene ancora.

Il passaggio al marketing per me è avvenuto in modo naturale. Sono sempre stata affiancata da Valerio e abbiamo lavorato insieme.

Ma Valerio è socio unico della Mescal?

Sì, ed è molto attivo. Ha fondato la Mescal insieme a Ligabue che poi è andato via anche perché Valerio lo seguiva come manager

Esiste un ufficio marketing?

Da noi sulle porte non ci sono etichette, ma ovviamente c'è una suddivisione di ruoli. Le figure principali sono l'ufficio promozione e stampa, che cura l'aspetto discografico e quello live.

L'ufficio promozione che è anche l'ufficio stampa, quindi cura sia l'aspetto di promozione discografica che la parte live?

Sì, per dare continuità. Poi c'è la parte legale e l'ufficio live suddiviso in tre settori: booking, produzione e quello relativo alla contrattualistica. Poi ci siamo io e Valerio. Io mi occupo della produzione, quando gli artisti devono incidere. Quindi tutto ciò che riguarda la parte tecnica fino a grafiche, video-clip ecc. insomma occorre creare una strategia marketing che poi deve essere condivisa dall'ufficio stampa. Quello che stiamo cercando di fare è riuscire a legare un'uscita discografica a un evento. Creare un evento attorno al progetto.

Come distribuzione vi appoggiate a Major?

Adesso non più. Prima avevamo un contratto di esclusiva con Poligram poi passata a Universal, poi siamo passati in Emi, in Sony e poi c'è stato un passaggio successivo. Ad esempio i Modena City Rambles sono sempre stati un gruppo Poligram, poi Mescal ha deciso di co-produrli pur lasciando a loro la distribuzione. Si è cercato di scegliere una distribuzione adeguata al progetto ma non funzionava.

Quindi voi quando andavate a fare il contratto di distribuzione indicavate una strada, mettevate dei paletti?

Sì, sicuramente.

Ma c'erano grossi problemi anche per reperire i dischi. L'Universal ha un unico magazzino. Ci sono sempre meno negozi di dischi e sempre più prodotti..Il negozio si satura di titoli e se non hai i numeri della grande distribuzione non ce la puoi fare. Non eri presente. Universal ha un unico magazzino per tutta l'Europa, che si trova in Francia e spesso i dischi stampati in Italia vengono mandati là per poi essere rimandati in Italia e ci vogliono anche quaranta giorni per avere un disco. Quindi abbiamo deciso di rivolgerci alle distribuzioni indipendenti.

Ma sono piccole, senza mezzi...

Il problema è sempre quello: esserci nei negozi. Adesso abbiamo siglato un contratto per quanto riguarda la parte di vendita digitale con Believe che ha preso anche la distribuzione fisica e si appoggia ad una terza compagnia. La loro filosofia è quella di cucire addosso al prodotto un buon vestito. Poi ci sono tempi tecnici più ristretti, interlocutori più presenti e si riesce a coordinare tutte le operazioni.

Tornando al discorso da cui siamo partiti per quanto riguarda per esempio i Perturbazione, visti i problemi con i distributori, abbiamo deciso di non fare uscire il disco nei negozi ma di legarlo a una rivista, XL, cosa mai successa prima con un disco inedito. I primi siamo stati noi e l'abbiamo fatto per creare qualcosa su cui si possa parlare.

Quindi nel caso dei Perturbazione il disco è uscito con XL e poi in digitale?

In realtà in digitale è uscito in una versione un po' diversa.

Sì, stiamo ancora aspettando i dati di vendita di XL ma la cosa ha funzionato. Il disco è stato prodotto da Max Casacci dei Subsonica per vicinanza artistica... è andata bene!

E' stato facile trovare l'aggancio con XL?

Direi di sì; il progetto è piaciuto da subito e poi con loro siamo sempre stati in buoni rapporti.

Sì, la nostra filosofia comunque è quella di non essere mai troppo presenti in studio; puoi dare dei consigli e non imposizioni anche se è importante il confronto con l'artista.

Ricapitolando: per i Perturbazione c'è stato il contatto che hai fornito per fare incontrare Max Casacci con loro. Loro si sono trovati bene, è partito il progetto del disco; tu l'hai seguito durante la fase realizzativa senza essere eccessivamente presente, poi finisce il disco. Nel frattempo voi avevate già trovato l'aggancio con XL.

Quindi c'è stata l'uscita su XL con un certo formato; l'uscita in digitale con delle tracce in più e poi la possibilità di avere la deluxe edition con il confanetto e il book dentro. Loro stanno facendo il tour promozionale del disco...

Sì, hanno fatto un estivo e ora stanno facendo delle date nei club, giusto per tenersi caldi, e poi si vedrà.

In questo caso voi avete pianificato questa strategia aiutati dall'ufficio stampa.

Certo, questo più o meno è il processo che si segue con tutti.

L'assenza del prodotto fisico è una cosa fondamentale che io condivido.

Siamo stati contestati anche dal gruppo, perchè il fatto di non essere nei negozi sembra quasi che tu non sia veramente uscito. Se esci nei negozi magari esci con 1500 copie, qui siamo usciti con 23000 copie come prima tiratura.

E' una strategia giusta; a me dispiace che le strade per arrivare siano la TV commerciale o Sanremo, a meno che tu non abbia alle spalle una major che decide di credere in te.

Per quanto riguarda Sanremo è sempre stato così, è un caso a parte, esula un po' a livello di visibilità da quello che possono essere i talent. Una volta c'erano un sacco di trasmissioni musicali, di reti musicali come Tmc2, Videomusic; MTV non è più music television. A parte i video prima c'erano dei contenuti musicali che ora non ci sono più; adesso si trovano sul web. Per suonare devi andare o in trasmissioni generaliste come Che tempo che fa. X Factor ha di positivo, per gli ospiti, che fanno suonare live. La tristezza è che si lavora tanto sull'interpretazione e poco sull'aspetto cantautorale: questo è un po' il limite di tutti i talent. La gente va educata e ciò non riguarda solo la musica, la gente cresce anche attraverso la televisione se vuoi. Un programma come quello di Fazio qualcosa ti passa. La qualità non è sinonimo di pesantezza. Uno come Ligabue non è solo un interprete, i Subsonica hanno dei testi meno commerciali di quelli dei Modà, ma le loro sonorità ti portano a ballare, comunque ti diverti.

La domanda che sorge spontanea è: perchè mi ritrovo dei gruppi ad X Factor come se non ci avessero già saturati abbastanza?

Quello perchè è moda, perchè poi noi siamo anche molto esterofili e tutto quello che viene fatto all'estero ha successo.

C'è stato un bel gap anche nel rap italiano: da J Ax, Neffa e poi nulla fino a Emis Killa, Club Dogo.

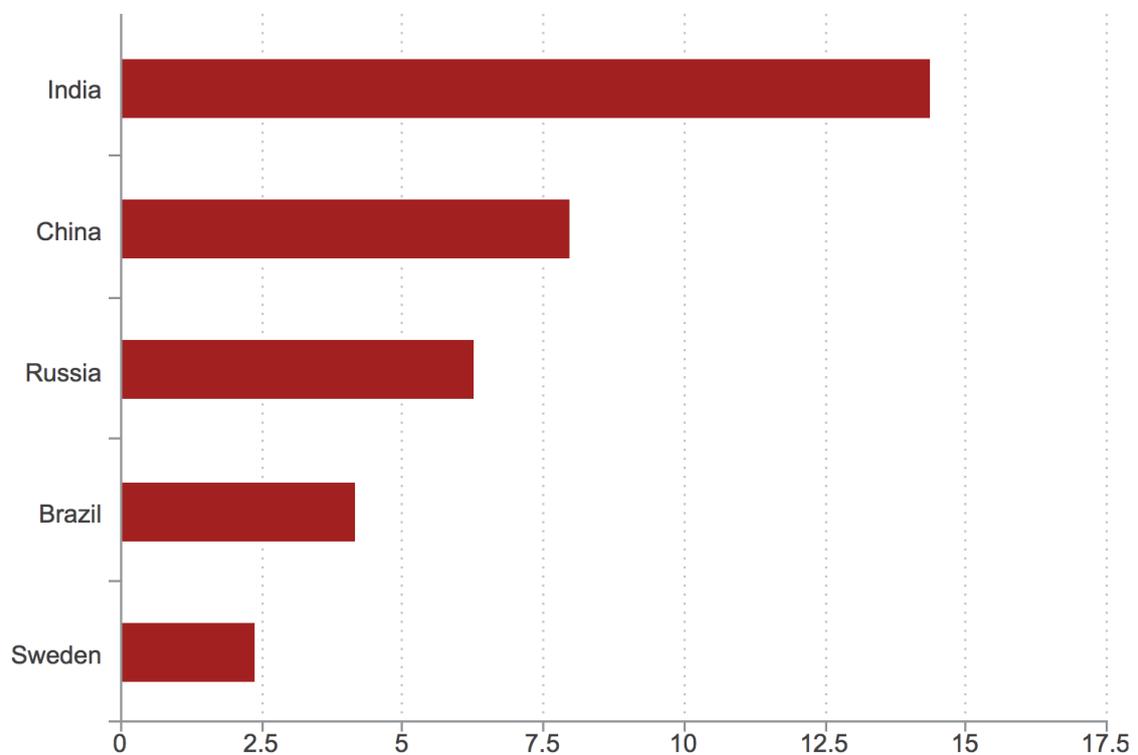
Noi recepiamo quello che avviene all'estero almeno con un paio d'anni di ritardo e secondo me il nuovo giro di rapper viene fuori anche da un certo disagio sociale.

APPENDIX C

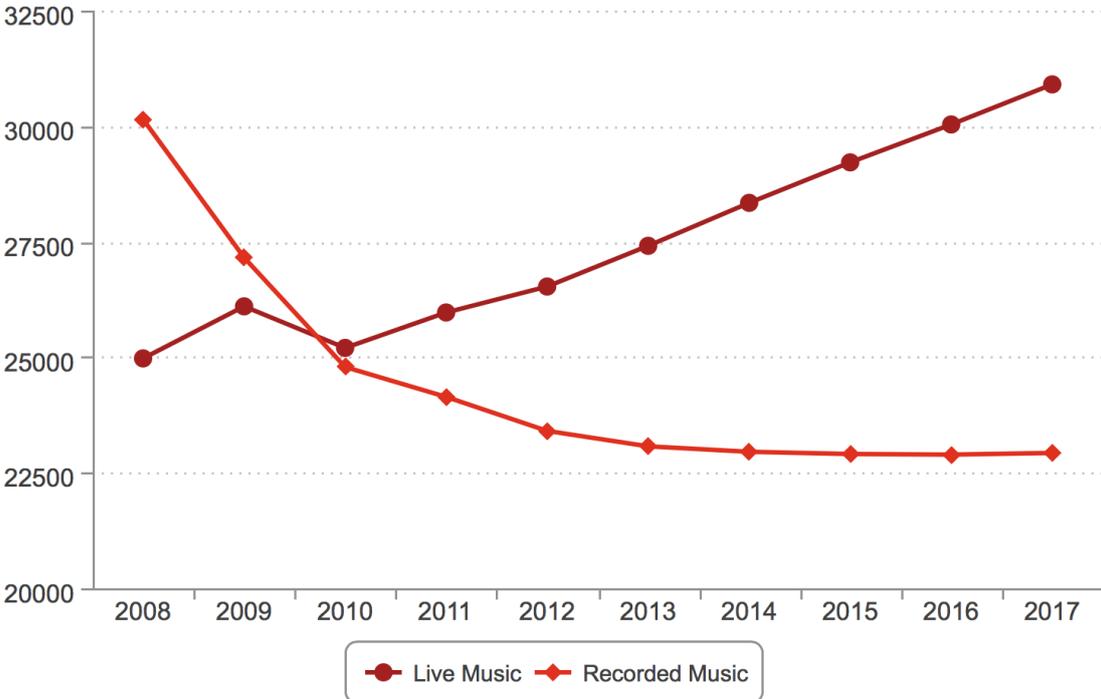
PwC's Music Industry Forecasts

Source: *Global Entertainment and Media Outlook*, PwC, 2013.

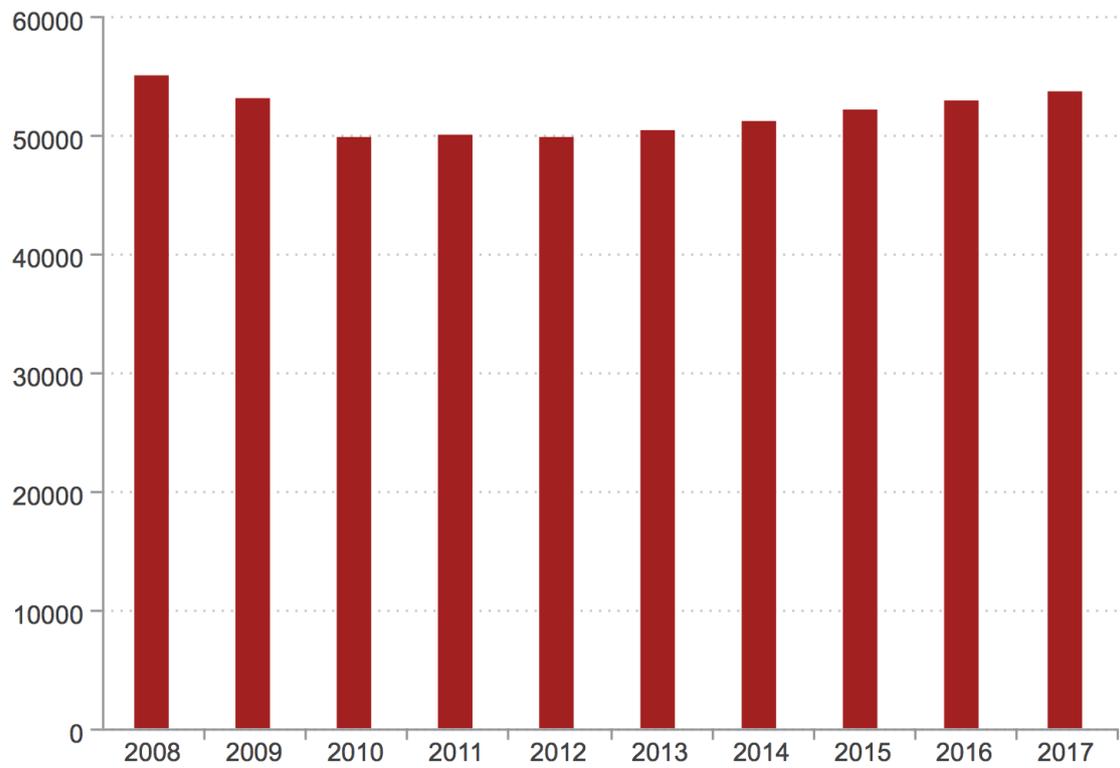
Forecast Growth for Selected Markets (2012-2017 CAGR %)



Global Live Music vs Recorded Music Revenues, 2008-2017 (US\$mn)



Global Music Revenues (US\$ mn) 2008-2017



Global Recorded Music Revenues Split by Physical and Digital (US\$ mn)
2008-2017

