

The emergence of a post-industrial music economy? Music and ICT synergies in Stockholm, Sweden

Dominic Power*, Johan Jansson

Department of Social and Economic Geography, Uppsala University, Box 513, S-75120 Uppsala, Sweden

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Abstract

Research into the music industry has for a long time been almost exclusively dominated by a focus on the production of albums and songs. In recent years, however, cities such as Stockholm have seen the growth of a profitable and varied music services industry producing everything from remixes to music marketing strategies. Standing at the forefront of this growth industry are a large number of firms attempting to combine in innovative ways music and ICT. This can take a variety of forms, for instance: selling and distributing music over the internet; web design and computerised advertising services tailored to music products; software design focused on multimedia products and virtual instruments; high-tech post-production and mixing services; and virtual centres and communities of music industry actors. The article will examine these activities within the city in attempt to measure the direction and cohesiveness of the emerging sector. The article concludes by arguing that these type of new industrial synergies tell us much about the way industrial innovations are formed in an interindustry and inter-cluster environment, and the future competitiveness and shape of the music industry. In particular, the article argues that evidence from Stockholm points to the emergence of a post-industrial musical economy.

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1. Introduction

The music industry is a complex and continually evolving industry which has had a long history of not only musical but also technological innovation and change. Technological development has radically effected everything from musical instruments to the creation of new musical styles. Technological change has also had a key role in the development of the industrial structure of the music industry and the commercial and distribution possibilities open to the industry (Gronow, 1983; Lopes, 1992; Burnett, 1993; Frith, 1993; Christiansen, 1995; Cusic, 1996; Peterson and Berger, 1996; McCourt and Rothenbuhler, 1997; Jones, 2002). The development of cheap and easily mass produced vinyl records radically changed the mass market possibilities open to the music industry and forced a radical

restructuring of the industry itself (Wallis, 1990; Wallis and Malm, 1990). Similarly in recent years pundits and academics alike have suggested that ICT-based advances such as the internet and new audio file formats (e.g. MP3 files) are laying the road to a new era for the music industry (Haring, 2000; Cooper and Harrison, 2001; Kretschmer et al., 2001; Leyshon, 2001; Merriden, 2001; Shirky, 2001; Alderman, 2002; Alexander, 2002; Ku, 2002; Menn, 2003). Indeed, most of the current debate and literature on the new technologies supposedly forcing a restructuring of the industry are entirely focused on the distribution of music through the internet: whether it be virtual CD shops or the illegal distribution of music as compressed computer files across the internet: e.g. using technology such as Napster or Gnutella (Leyshon, 2001; Shirky, 2001; Alderman, 2002; Alexander, 2002; Leyshon, 2003). These type of activities obviously have crucial implications for the music industry's business model, which is still one involving the mass distribution of large amounts of moulded plastic. In particular, the five global music 'majors' that dominate the global music industry see such developments as

* Corresponding author.

E-mail addresses: dominic.power@kultgeog.uu.se (D. Power), johan.jansson@kultgeog.uu.se (J. Jansson).

especially threatening not only to their ability to collect on their own copyrighted product but also their profitable and strategically useful domination of physical distribution networks. Whilst new technologies are not the only threat to sales of recorded music (the rise of DVDs and video games are increasingly competing for consumers' spending) and it is unclear whether such technologies are a permanent threat to recorded music it is clear to see that global sales of recorded music have in recent years been steadily declining. In 2002 world sales of recorded music fell by 7% in value and by 8% in the number of units sold following similar falls in 2001, 2000 and 1999. These trends have been particularly heavy in the world's two largest markets (that together account for 55% of global sales): in 2002 US unit sales fell 10% and Japanese sales fell by 9% (IFPI, 2003).

It is against this background that this article reports on the findings of a research project into the ways in which new information and communications technologies (ICT) are being combined with music by firms based in Stockholm. The purpose of the study, and this article, was to examine the development of ICT–music activities using exploratory data from Stockholm. In particular an attempt is made to understand the parameters and dynamics of these new activities and to question their relationships to existing music and ICT industries. Underlying this was a further concern to understand how such activities fit into the likely evolution of the music industry and economy.

In addition to presenting material on a relatively unstudied emerging area of the economy and music industry, the article addresses what the authors' consider to be two pressing issues: the very limited idea that academic and popular studies of music have had of what the music industry involves; and a relative lack of empirical studies of the effects of having a leg in more than one strong cluster. If we think in terms of, for example, an industrial systems approach we can see that the production of music products involves a variety of inputs and agents (sometimes collaborative, sometimes bitterly competitive) all of which are intrinsic parts of the 'creative' process which must be understood as essentially rooted in an industry based commercial logic that is often highly spatialised (Frith, 1991; Leyshon et al., 1998; Negus, 1998; Scott, 1999a; Hallencreutz et al., 2000; Hallencreutz, 2002). Literature on the music industry tends to overwhelmingly focus on artiste and record company centred views of the music industry and musical products. They focus on the process of musical creation (e.g. forming a band), the manufacture of a sellable product (e.g. signing a record contract that leads to large numbers of plastic discs being produced) and the eventual consumption of the finished product by fans/consumers; a story in which centres of production (Hesmondhalgh, 1996; Scott, 1999a,b, 2000) and global

record companies (Wallis and Malm, 1984; Hirsch, 1992; Malm and Wallis, 1992; Shapiro et al., 1992; Choi and Hilton, 1995; Alexander, 1996; Burnett, 1996; Sadler, 1997) have always had important roles. Whilst this artiste and record company focused process is undoubtedly the core of the music industry's activities and remaining profitability it is a focus which tends to leave out many of the related industries and activities that can be considered parts of a music industrial system. In particular, the artiste centred approach tends to treat activities such as song-writing, video production, merchandising, post-production, etc. as entirely dominated by and purely derivative of the core artiste-record company production axis. Although in many ways this is true, such a focus neglects the fact that a successful music industry in a certain place or region need not actually produce music. Such a view denigrates the important role played by related and service firms that are relatively independent of artistes and record companies in both the music industry and regional economies. The stress we place in this article on the growth of an independent musical services economy we hope will contribute to better understanding music as an industrial system with a variety of inputs and outputs. The article concludes by suggesting that such activities illustrate ongoing phenomena important to the future shape of the music industry. In particular, we argue that the music industry is rapidly moving away from a business model based on intellectual property rights contained in recorded music to one where a 'post-industrial' (Bell, 1974) musical economy exists: an economy where the value added and profits are to be found in information, service and related activities rather than manufacture.

Secondly, despite a rush of empirical studies into industrial clusters and cluster-based policy initiatives most studies tend to limit themselves to what is happening within industrial clusters (Bathelt et al., 2002; Malmberg and Maskell, 2002; Martin and Sunley, 2003; Power and Malmberg, 2003; Malmberg and Power, forthcoming). Research has mainly focused on the issue of whether or not being within an industrial cluster has positive effects or not for firms. However, Porter, amongst others, has drawn attention to the idea that commercial innovations appear not only within industrial clusters but most often at the intersection of existing clusters and sectors (Porter, 2001): innovation is here defined in a broad sense, as the ability to come up with new and better ways of organizing the production and marketing of new and better products (Porter, 1990; Lundvall, 1992; Nelson, 1993; Nonaka, 1994; Grant, 1996). Nevertheless, few empirical studies have addressed the issue of the way industrial innovations are formed in an inter-cluster environment: i.e. what is happening between two (or more) already established clusters in relation to new business activities and inno-

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