Music Industry
Studies of the music industry usually focus on understanding popular music as a commodity or to critique the structure and workings of the global music industry, based on an assumption that musical production is capitalist while viewing capitalism as an economic system. This has led to a mythical, widespread belief in the 1950s as the birth year of popular music in the US. In reality, the music industry has its beginnings sometime in the nineteenth century and reached its peak during the 1990s with the emergence of satellite, cable, and digital technologies. This entry accordingly adopts the three phases in the history of capitalist hegemony since the nineteenth century—liberal, organized, and neoliberal capitalism—to consider the music industry in each of these cultural contexts.

19th century – 1945
Beginning in the late nineteenth century, new technologies of sound recording emerged that paved a new way for music to be objectified and commodified. Music gradually became a different kind of mass commodity. By 1900, the phonograph and its successor, the gramophone, became the first mass-recording devices and media for the dissemination of popular music. The Deutsche Grammophon Company (est. 1898) and the US-based Victor Talking Machine Company (est. 1901) marketed this new sound reproduction technology by using “local” sounds from around the world and distributing them “translocally”. The flourishing new industry soon attracted entrepreneurs, and local record industries emerged in England, Germany, France, and Russia, with the more successful ones later consolidating and merging. In Japan, for instance, record companies emerged at the turn of the century, growing into six significant record companies, which had licensing agreements with major German and US firms by the 1930s. The leading centers of the early record industry were based in the US (New York) and Europe, with Berlin ranking with the cities like London, Paris, and Vienna. German record companies, specifically, played a significant role in producing classical recordings, including opera, solo instrumentalists (violin virtuosi), and orchestral music. The success in Europe meant that American record companies also became interested in classical music and symphonic works. The success of record production increasingly depended on performances by renowned performers, with the Italian opera singer Enrico Caruso (1873 – 1921) becoming known in the United States as the world’s greatest singer and best-selling artist in the early years of recording.

By the 1920s, records had been made in nearly every country, with the exception of small and poorer countries, while most of the more “exotic” recordings were sold in local markets. For instance, the first recordings were made in sub-Saharan Africa and a local music industry emerged in Australia. This time also marked the “official” beginnings of the industrialization of recorded music production and broadcasting. The American record industry was concentrated in New York where the nature of American popular music changed dramatically. Besides a wave of new dance crazes, black musicians began to be recorded on a larger scale in Chicago, while New York became the center of jazz. Soon after there were jazz bands and clubs in all major European cities (e.g. the Hot Club of Berlin). The 1920s also saw the first recordings of the Southern White folk tradition, initially marketed and aimed at rural customers as “old time tunes” or “hillbilly”, eventually growing into the colossal country music industry, with Nashville becoming its primary center. As a uniquely American genre, country also found great response in the early 1930s in Australia and New Zealand where local artists of American hillbilly who successfully absorbed the idiom into their uniquely Australian and New Zealand context.

While recording technology was in its infancy in the 1920s and phonographs were still expensive for the average person, most people still relied on the radio to listen to music. Radio thus played a significant role in disseminating recorded music than other media. During the 1920s and 1930s, new music professions developed, including the professional pop singer, session musician, A&R person, record producer, disc jockey, studio engineer, and critic. Many established record companies went bankrupt or merged, such as Grammophon and Columbia which became EMI, a trend of concentration that also occurred in the US. Radio's popularity helped to keep the record industry alive, as, gradually, the music industry made particular use of the potential reach offered by radio broadcasting when it became a potent medium for advertising.

1945 – 1970s

In the 1940s, London-based Columbia and Berlin's Deutsche Grammophon offices were destroyed, and the public did not have the means to buy records. Similarly, Japan's record industry was devastated and only slowly recovered during the 1950s. Across the ocean, however, record production in the US was about to peak. The 1940s mark the beginnings of more intense globalizing tendencies linked to the evolution of capitalism in the US, where the recording industry witnessed a dramatic boom, with more than half of the world's total records sold in the US. In the 1950s, overall record sales in the world were dominated by the US record market. The history of the music industry became the history of the American record industry.

The new record speeds of 33 and 45 signaled the power of the big American companies. Indeed, the 1940s saw the beginnings of an increasingly integrated and concentrated music recording industry, dominated by an oligopoly of US-based major record companies and their take-overs of/tie-ins with more wide-ranging music interests and other entertainment industries like film and radio. By the mid-1940s, there were three Giants, Columbia, RCA Victor, and Decca, with competition from three smaller competitors, Capitol MGM, and Mercury, which, with their own factories and effective sales organization, imitated the operations of the Big Three and produced a wide range of music aimed at music consumers all over the US. As demand for records grew, people working at the fringes of the music industry, including record salesmen, radio shop owners, managers, and the like, began to set up their own record companies, and within a few years hundreds of smaller independents specializing in one particular kind of music had sprung up all over the country, some of which had considerable influence on the future development of the record industry and recorded music. By the 1950s, the music recording industry was clearly divided into the major companies and the smaller independents, some of which became very successful indeed.

With increased competition for record sales at the time by the 1950s, new sales tactics had to be developed, leading to the emergence of aggressive advertising and promotional campaigns in newspapers and on billboards that could only be afforded by major companies. Another key to success was radio, which had the potential to trigger big hits of completely unknown records through promotion by the radio announcer. Record companies regularly began to bribe radio announcers (a practice known as "payola"), forged request letters to radio stations, buy their own records to increase sale statistics, offer an artist to play for free, or credit a radio announcer as co-composer. The new marketing logic impacted on sale strategies of rock music that depended on a "star" system of performers who could guarantee financial profits to cover such upfront promotional costs. Under the motto "sex sells", sexual exploitation and objectification of women, as well as gendered stereotyping developed as core advertising strategies to achieve profitable music record sales at the time. Many small companies discontinued, as the Big Few, with their superior organized distribution networks, advertising departments, and famous artists won back their dominance over the US music market.

While the US record industry had exploded into rapid growth immediately after the war, Europe became divided into a US-led Western Bloc and a Soviet-led Eastern Bloc. As Western Europe slowly recovered from the economic downturn causes of the war, the record industry began to flourish again, with West European record sales doubling between 1955 and 1960. The old companies like EMI and Decca retaining their dominance for a long time. A large proportion of records sold here were of American origin and pressed locally under license agreements, while the newly emerging singing stars in the US became famous in Western Europe. The best-selling records were dominated by American singers of the 1950s and 1960s, while sales of classical music recordings recovered more quickly. Meanwhile, vernacular popular music, or popular music in national idioms, from across Europe was still being produced, most which sold nationally.

In Eastern Europe and the Soviet Union, the record industry developed differently and remained largely unknown to the West. The record industry in the communist bloc was typically concentrated in the hands of one state-owned company: SSSR (Soviet Union), AMIGA (GDR), Polskie Nagranie (Poland), Supraphon (Czechoslovakia), Hungaroton (Hungary), Electrecord (Romania), and Balkanton (Bulgaria). Educational and cultural-political goals tended to dominate record production in these countries, and record artists and their recordings had to be wedded to socialist realism promoted by their communist states. In the Soviet Union, the record companies that existed before the revolution became nationalized under socialism, with its first products featuring speeches by Lenin and reissues of selected old recordings, followed in the 1930s by more concentrated efforts to record classical, jazz, folk, and traditional music from across its large territory. Since the 1960s, socialist labels like the newly established Melodiya company in the Soviet Union began marketing their artists' recordings on a larger scale abroad, and with annual sales of nearly 200 million during the 1970s, Melodiya became one of the six largest record companies worldwide. The East German label AMIGA has become legendary for its turbulent success in both East and West Germany, both musically and economically, which recorded the complete repertoire of contemporary GDR music.

In Asia, Japan slowly recovered from the devastation of the world war, and with the introduction of the LP, the number of record companies grew. While there was a growing number of smaller local companies, the most significant companies were joint ventures between electronics companies and the largest record corporations: Sony-CBS, Matsushita-PolyGram, Toshiba-EMI, JVC-RCA. During the 1950s and 1960s, there was a growing demand for western popular music, notably rock, but also for other genres like jazz, classical music, and other styles. This trend turned around during the 1970s when demand for domestic products grew and outsold musical imports, although modern Japanese music has been moving closer toward rock in style. Since the 1980s, Japan has grown into the second largest record market worldwide, with Japanese-owned CBS becoming one of the world's largest record companies. During the 1980s and following Japan's lead, other Asian countries like South Korea, China, Taiwan, Singapore, Indonesia, and the Philippines have witnessed growing record sales.

Since the 1960s, the recording industry witnessed considerable growth worldwide due to the gradual decline of international trade barriers, the increasing standard of living and spending power of consumers, and the arrival of cheap cassette recorders. The US was still the leader in the recording industry, and CBS was one of the biggest record companies worldwide. The big corporations like Victor and CBS (US), EMI and Decca (Europe) grew in size as they extended their operations into all continents, and smaller companies continuously emerged, which either disappeared or merged with the big corporations. By the 1970s, Decca declined and the giants PolyGram (Europe) and Warner (US) rose to TNC size with operations in electronics and entertainment. By the 1970s, there were five giants dominating the recording industry, CBS, EMI, PolyGram, Warner, and RCA, who were all part of larger conglomerates and controlled around half of all record sales worldwide. The other half was shared between mid- and smaller-sized companies all over the world, which produced records in smaller numbers and were able to follow new trends more quickly, to nurture local traditions, and to produce music for minorities, while continuously interacting with the large corporations. Growth in record production itself was thereby steepest in developing countries, where large populations could now afford records, and where local subsidiaries of large corporations operated alongside small local companies to produce records for the local market. In the socialist bloc, meanwhile, the Soviet Union became the second biggest record manufacturer by 1970. By 1976, there were six giants, EMI, CBS, PolyGram, Warner, RCA, and Decca, which experienced a decline in overall sales, possibly due to the prevailing economic slump in England, the lack of new superstars, normal fluctuations in the economy, and, most likely, widespread bootlegging worldwide.

During the 1960s, jazz classical and popular music enjoyed success worldwide, while country remained a successful genre for its loyal US audience. The folk music industry flourished in Europe, particularly in German-speaking Alpine regions of Switzerland, Bavaria, and Austria. Even so, rock music become the prevailing style in the international record industry. This youth-oriented, modernized rock ‘n’ roll music became the music of the US baby-boom generation of the hippie culture. Rock accounted for over half the record sales in the US in the early 1970s and was internationalized with great success. More localized versions of rock music, sung in native languages, began to emerge in different parts of the world where Anglo-American hits were translated into the vernacular and the rhythms impacted on the indigenous sounds. In England, new songs were sung in English, yet this was not so in France, Italy, Finland, Sweden, and (to a lesser extent) the Netherlands and West Germany, and many other countries or regions in Europe. National (folk) rock was born, which was released by small national labels in small batches, and marketed to an enthusiastic following.

Since the 1970s

The 1970s marked the beginnings of neoliberalism, which resulted from the rise of free-market ideas, policies, and institutions and led to the collapse of the modernist project in many parts of the world. As a theory of political economic practices, neoliberalism is marked by its financialized nature, an era of global financial growth, increasing commodification, obsessive consumerism and consumption, which has become deeply embedded in societies around the world, but with local variants. The 1980s also marked a new era by the emergence of new technologies (e.g. satellite and cable communication, digital technologies), the collapse of the Eastern communist bloc, and the “truly” global reach of TNCs. The structures and workings of the global music industry illustrate this, dominated by the growth of transnational music corporations and their expansionist strategy in the name of corporate capitalism. Given the huge appeal of rock music in the 1960s, the US-based music recording industry evolved into global business powerhouses, facilitated by continuous vertical and horizontal mergers and consolidations. The structure and workings of the US-based music recording industry and its production values, organizational structures, and managerial practices with the manufacturing, production, and marketing of western pop and rock became replicated in the local music industries of countries around the world. Since the 1970s, the transnational music industries became similarly marked by the standardization of production patterns and the western pop-rock aesthetic. This meant that local music industries either mimicked major music corporations, or implemented professional conventions and complied with norms by the majors with whom they collaborated.

The global music industry has become the most concentrated global media market. Currently there are three large music corporations: Universal Music Group (US-based; part of French media giant Vivendi); Sony Music Entertainment (part of media giant Sony, both US and Japan; includes BMG, part of German Bertelsmann); and Warner Music Group (US-based; separated from Time Warner in 2004). Each corporation consists of smaller companies and labels, owning growing portfolios of record labels in different territories and thereby dominating the music market globally. They own many well-known smaller labels, which, while often started by entrepreneurs, have been absorbed into the corporations, specifically when the signed artists promise high degrees of corporate success. The music industry is situated in the most developed countries (e.g. US, UK, Japan, Germany, France). In terms of its structure, two corporations (Universal Music and Sony Music) are subsidiaries of larger media conglomerates, characterized by cross-border ownership, trade, and global concentration. (Warner Music Group is independent, but similarly a conglomerate corporation.) The structure of the conglomerates, to which Universal and Sony belong, is thus underpinned by acquisitions of sub-companies, as well as mergers across larger corporations (horizontal integration). Through vertical mergers, corporations can connect smaller companies further up and down the production/consumption chain, such as for music touring and live performance. Both horizontal and vertical mergers enable corporations to create synergy with related entertainment industries by successfully aligning recording technologies with the dissemination capacities of other entertainment media, including radio, cinema, television, and the Internet. Big corporations continuously buy up smaller companies to help sell products across markets, so that business is fed to companies within the same corporation. This networked structure works in favor of both, corporations and smaller companies, which creates a system of mutual interdependence.

The 1980s marked a shift toward increasing cultural abstraction and the emergence of a new wave of consumption based on an image industry in fashion, lifestyle, and popular culture. MTV, owned by media giant Viacom, became established as a 24-hour commercial channel to promote the products, lifestyle, and fashion of its owning corporation and paying advertisers. The new aesthetic of modern life meant that visible brands and branding have become ubiquitous and accepted. Brands need music, particularly hits, in order to create value between brand, customers, musicians, and agencies. Apple, a technology hardware manufacturer, is often regarded as the ultimate example of how a brand harnessed music’s potential through its iTunes music download service and iPod phone to create value for its brand via emotional connections between its products and consumers. Branding is influenced by the cultural logic of cool, while cool technologies have further contributed to the veritable explosion of commodity fetishism and cool seduction under cool capitalism. Branding has become crucial for the music industry to survive due to the profound effects of the digitization of music and the evolution of new companies and business models, which meant that the music industry, in its traditional role as record label, lost a significant degree of relevance in the music landscape. The music industry has slowly shifted its focus toward building capability to advise brands, and to license their music and artists, along with live concert and radio plugging strategies. Similarly, the advertising industry has in turn looked toward music to beat back the detrimental effect of new technologies and to harness the emotion-evoking power of music to create distinctive and real connections between brands and their consumers. Consequently, the music industry has evolved into the B2B2C [Business to Business to Consumers] music industry. Developing brands around musicians has allowed the music industry to recoup losses encountered due to digitization, evident in the development of 360 ("multiple rights") deals, which grant the record companies a percentage of profits for all revenue generated by the artist brand, including record sales, touring, merchandising, licensing, endorsements, book publishing, and acting.

The arrival of global innovations such as travel, radio, television, and the Internet, has enabled music distribution to transcend national and international borders with the primary purpose of reaching global consumers. Popular music became a commodity for music transnational corporations (TNCs) to manipulate and sell back to consumers music through standardized means. Intercultural global exchanges, combined with economic pressures, have promoted stylistic borrowings and cross-fertilizations between different cultures, leading to the existence of hybrid popular music, alongside a desire to celebrate, resist, and oppose negative aspects of global capitalism. Yet this is not to question the global dominance of western musical styles and aesthetics, on the contrary. Existing alongside supplementary sub-fields of local, ethnically-flavored indigenous genres of popular music, pop-rock styles and genres are pervasive and ubiquitous across the world, especially in urban settings, which is the result of cosmopolitan omnivorousness. Since the 1990s, and with the emergence of digital technologies and the internet, popular music is marked by increased stylistic diversification in accordance with trends globally and locally. Along global trends, for instance, diversification is manifested by global electronic music, global hip hop, and global Bollywood. Local stylistic trends, meanwhile, rendered Anglo-American mainstream less relevant for national world pop cultures. In some instances, artists have occasionally produced their own variants of global stylistic patterns and successfully forayed into the global field, such as the teen pop idols of the 1990s and 2000s in K-Pop and J-Pop. International world pop stars, who also became part of the World Music craze in the west, are further examples of local musicians who have entered the international field of popular music with occasional success.

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See also: Commercial Music; Commodification; Media; Sound Recording; World Music

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