

**Crafting the Commons:
Modern Approaches to Music as
Product**

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A dissertation submitted in fulfillment of the requirements for the award of the degree
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Crafting the Commons: Modern Approaches to Music as Product

By

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Abstract

In this dissertation, modern approaches to record labels, music as product, and copyright in the music industry were investigated. The possibility of successfully creating, implementing, and operating an independent, not-for-profit, commercial record label that services the needs of the South African College of Music (SACM), with a flexible approach to the music industry, music as product, and copyright was hypothesised. The current state of the music industry, and specifically the record industry, was researched, with special regard given to modern aspects of the industry as well as the technological advancements that through history have contributed to the evolution of the industry to its current state. The concept of copyright was explored in its traditional, modernized, and adapted forms. In addition, traditional and modern models of major and independent record labels were assessed in order to gain insight into the processes involved in the creation and operation of such entities, along with the way in which artists function in the modern record industry environment. Finally, the project of creating the mentioned record label within a tertiary education institution was researched through practical implementation and evaluation. As a part of this implementation, a specific recording project at the SACM was researched, undertaken in practice, and documented in order to research potential opportunities and obstacles in the creation of a recorded music album, with special significance for future projects. The hypothesis was proved correct, but a flexible approach to the entire process was also proved a necessity in that constant optimization and adaptation is required to facilitate the successful continuation of such a record label. Future considerations and innovation-based paths forward for similar projects were also provided.

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Introduction

As the modern music industry is an entity that is constantly evolving and expanding into new frontiers in almost all regards, creating a new strategy for business and copyright implementation has become a major consideration for music industry entities. As sales move from the physical realm to the digital (IFPI, 2014), many new challenges arise – most notably in the strategic exploitation of intellectual property. Innovation will be the key to overcoming modern copyright dilemmas such as piracy, artists’ and publishers’ rights, and the protection of intellectual property, without which the impetus for the creation of new art as a commercial product will very likely decline. The search for a business and copyright strategy – which can be implemented in a new or already existing record label – that will protect the interests of both artist and consumer, ensure the propagation of new business and opportunities, and promote the continuation of a rich musical culture in a sustainable manner is in the best interests of all parties involved. The importance of these developments as a field of study is considerable and holds the potential to alter the future of the music industry and the experience of the music scene for the better.

Following these statements, this dissertation will investigate a project to be undertaken at a tertiary education institution, the South African College of Music (SACM – part of the University of Cape Town), which provides music education in several streams.

Music Technology is a stream of education that has been incorporated into the SACM structures. This stream makes use of an education model combining theoretical and vocational studies. On the practical side, Music Technology (MT) will become an umbrella entity for both audio and visual recording practices, forming an entrepreneurial legal entity that will publish recorded music, but which will also provide students and staff from the SACM with access to practical music technological experiences.

The mentioned project itself consists primarily of the creation of two collaborative, but separate record labels that will function within the structures of the South African College of Music and the University of Cape Town as

commercial, not-for-profit entities with the goal of acting as a showcase for a range of musical activities within the SACM and University.

The first label – South African College of Music Productions (SACM Productions) – is the so-called “professional” label. It is devoted to recording and producing (or facilitating the production of) professional quality sound recordings with the end goal of commercial, not-for-profit release, purchase and consumption. These recordings will generally be released in the form of complete albums or single tracks. The second label – University of Cape Town South African College of Music Project Recordings (UCPR) – will be implemented as a tool to be used by the SACM to provide students with an opportunity to get to know the many facets of recording, producing, packaging and selling compact disc and digital albums. Here, compilations and collaborative works will be the primary output. The range of musical styles and project types will not be limited. This means that compositions from all SACM divisions, as well as fieldwork recordings, will be considered for release.

Although there exist two distinct record labels, only one will be the focus of this dissertation, i.e. SACM Productions. The decision was made with regard to the structure and goals of the record label, as well as the feasibility and timeframe wherein the given label will function. The structure and goals of SACM Productions are most relative to the process research and ideals of this dissertation; its implementation and operation are also currently active, creating an opportunity for the research in question.

The focus of this dissertation will therefore be the way in which to achieve all of the above, the possible pitfalls involved, as well as the potential opportunities for increased applicability and future growth. The theoretical foundation, structuring, implementation, and operation of a record label of this kind will be researched. In addition, the need to optimize this for integration into the SACM structures is also of critical importance. Also, issues regarding copyright and potentially applicable strategies for a label of this kind will be explored.

The above suggested research topic raises various questions as to how this can all be achieved; how flexible copyright licensing can be effectively integrated in the record label setup; the characteristics of the consumer, artist, and label interaction; the infrastructure involved in the setup and operation of the label; and many more.

Hypothesis

The dissertation will proceed according to the hypothesis that it is possible to successfully design, implement, and operate an independent, not-for-profit, commercial record label that services the needs of the South African College of Music with a flexible approach to the music industry, music as product, and copyright.

The hypothesis for this project is dually directed. It originates from the statement that a new, effective copyright strategy exists for use within the modern music industry, and that a new strategy like this will imply a shift in the overall business/operation strategy being followed by a given entity within the industry. The exact nature of the copyright- and business strategies will likely be correspondingly influential on each other, creating a situation where the commercial entity will need to manoeuvre to accommodate each strategy in conjunction with the other, thus the need for flexibility in the structuring of the entity. This flexible approach will be implemented in the overall design and implementation of the record label, but also in the creation of each individual recording project. In order to maximise the efficacy of the label and improve its continuation, the entire process of creation and release of a given recording project will be uniquely approached and optimized.

Testing the Hypothesis

In order to test or evaluate this hypothesis, the state of the music industry will first need to be evaluated and researched to find potentially appropriate, implementable business strategic and copyright solutions.

Secondly, the hypothesis is dependent on the existence of an applicable music industry entity upon which will be focused to ascertain the potential for using an innovative business and copyright strategy. Here the creation, structure, and

implementation of an alternative to the traditional/prevalent record label business approach (i.e. solely capitalistically orientated) will be researched. The hypothesis that in fact there is such an implementable alternative will then be directed from the point of view of the implicated tertiary music institution aiming to integrate a record label structure into its own existing structure. Here it will be looked at whether another effective manner of approach to the music industry, and especially the music retail industry, can be implemented. Several different approaches will be researched in this regard.

Lastly, the copyright and overall commercial release strategy will be evaluated within the structures of the selected entity, with the focus placed on specific projects being undertaken in the form of case studies or proof of concepts. An approach of producing musical material for commercial release, as a form of research output by a University, will be looked into, but a strong focus will also be placed on a project-by-project evaluation of the situation and which strategy should be implemented. Additional special focus will be placed on record labels already operating alternative business strategies with unique modes of generating funds for maintaining and expanding the labels, as well as unique approaches of dealing with artists and artists' rights.

Premise for Proof of Concept

As there is a record label being implemented at the University of Cape Town's South African College of Music, the opportunity for the aforementioned research and practical application has been provided. It will be researched whether the hypothesised approach of creating a unique optimization for each project is a manageable objective. "Project" in this sense refers to the creation of a marketable/consumable musical product, generally in the form of a musical album or one or more separate tracks. The need for individual optimization exists because of the wide variety of musical content and material that is aimed for release, along with the funding and resources that will be allocated to each individual project. The issue of music used simply as consumable and marketable product (which implies that consumer demand is a prime consideration) will be put into perspective with music used simply as creative output (which implies less focus on consumer demand, but with increased

subjective considerations), as well as a hybrid approach. This will be looked at not as a philosophical issue, but rather as a question of what will be most effective and applicable with regard to the given vision and mission of the music industry entity in question.

Methodology

All of the issues raised by the undertaking of this dissertation will be researched through available literature, as well as past and current case studies. The author is currently involved in the creation and operation processes of the SACM Productions record label in the capacity of junior manager, including project management and co-authoring the business strategy. The added insight gained while working in this specific music industry environment will act as prominent practical research. There exist many sources of literature with regard to the current and past states of the music industry. As with any new endeavour, it is of paramount importance to gain insight from earlier sources, granting a perspective on the challenges and opportunities that the field of study has provided in the past, and how it is being handled in the current climate. With the music industry as specific focus, the importance of the role played by technological developments will be a key consideration in predicting which path the industry will take in the future and how best to adapt to it.

Therefore a historical perspective will first be taken, whereafter the functioning of the current music industry and record labels within the recording industry will be discussed through the available literature. The technological nature of this enterprise will also be supported by the wide range of information available through online statistics and other sources. Additionally, the practical experience with the record label creation process and the industry professionals involved, as well as the various considerations, successes and failures, obstacles and opportunities, which were discovered during each initial music album's creation process, provide an invaluable inside perspective of several aspects in this regard. This will be integrated with the available information to provide an in-depth view of the practical side of the researched topics. As the research will be done in parallel to the physical implementation and operation of the SACM

Productions record label, decisions will be made following the study of the industry, and the arguments and considerations involved in these decisions will provide research material according to the success, failure, or adaptation of their outcomes. This kind of practical and flexible insight should prove invaluable in both the academic and practical goals that are aimed at with this dissertation and the relevant record label.

As mentioned it will be necessary for each individual project to be handled with a unique approach. Each aspect of a given project will be inspected and evaluated according to the perceived outcome and reason for its creation. Whether an album/track is created for commercial gain, as research output, as promotional material, for the sake of art, as a commission, as competition material, etc. will affect almost every level of the creation and release process, and so alter the way in which these are approached from the point of view of the record label. Once again, these considerations will be taken into account in the academic sense, thereby providing insight into the most effective way to handle similar future projects, as well as its effect on the record label's business model. The potential and actual opportunities and pitfalls of the specific end-products released by the record label will be discussed, as well as other considerations that might be taken in regard to future projects of this nature. Important general aspects to be considered include the following:

- The album creation processes to be implemented
- Most effective approach in the production, marketing, and sale of albums
- Intellectual property, copyright, and royalty considerations for albums
- Implications for the growth of the record label
- Implications for the success of future albums

The completed research should provide a roadmap outlining the creation and operation of the record label in question, with additional possibilities, outcomes, and considerations to be taken for future steps in the evolution of the label and the record industry.

Chapter 1 – The Music Industry and Copyright

The music industry is a global economic industry that encompasses all sectors involved in the process of creating revenues from music as primary product. There is a complex and far-ranging interaction between different sectors within the industry as a whole, including various industrial and service sectors. The output of the music industry is also greatly varied and includes products, services, as well as intellectual property. Revenues are taken from the sale and/or provision of various combinations of these outputs to the consumer. The industrial sector of the industry is concerned with the physical manufacture of products for sale such as sound recording, production, and playback hardware and software along with a myriad of other products. On the service side of the industry are persons concerned with producing intellectual property content and providing facilitating services such as production, management, administration, publishing, and promotion among others. Apart from the general binary division of products and services, it is worth noting what the general sectors of the music industry are, even though most of these interact with and rely heavily on several others. Here follows a general distinction of these separate industry sectors within the music industry:

- Recording and Production Industry
- Record Industry
- Publishing Industry
- Live Performance Industry
- Brand Industry
- Media Industry
- Education Industry

(Shaw, 2010)

What connects all of the above industries is the concept of intellectual property that is inherent to a given piece of music. The commercial exploitation of this intellectual property is what creates economic value and is the basis of the music industry (Shaw, 2010).

Brief Historical Perspective

In order to understand how the modern music industry functions, it is valuable to look at the way and means by which it came to be in its current state. An in-depth discussion of the history of the music industry is not within the scope of this dissertation, but a brief historical perspective should contribute to a broad understanding of the industry.

Throughout the history of the music industry it has almost always been defined and shaped by technological advancements and innovations (Baskerville & Baskerville, 2013). Although the technological progress was not always viewed favourably by everyone, there is no denying that it was largely these advances that helped make the music industry the major global economic force that it is today.

One of the most important historical developments in the creation of the modern music industry was of course the technological breakthrough of radio in the 1920s. Radio was the first form of mass media communication, being responsible for the vast expansion of the music audience through its widespread accessibility (Lule, 2015) (Kamat, 2012). This prompted a larger paying audience, which naturally spawned more lucrative business opportunities.

The next development was the birth of synchronisation rights when “talking pictures” or “talkies” – referring to motion pictures with a synchronised audible dialogue sound track, as distinct from the preceding silent films – were first introduced. Musical works performed on film were an almost immediate success as well, with patrons more than willing to pay for tickets to experience popular artists’ songs on the screen (Ulano, 2009).

With the growing prevalence of radio, music publishing became focused on the promotion of popular artists that featured extensively on radio broadcasts (Flattum, 2006), growing the publishing industry to a nationally focused enterprise from the earlier situation where it was only locally concentrated.

The current trend of the popular solo vocal artist’s music being the most widely consumed product in the music industry, originated with the popular Big Band lead singers of the early 20th century (Flattum, 2006). Talent and management

agencies quickly realized that these lead singers were the main focus of the consumers' attention and reshaped them to be solo artists performing for higher prices.

Owing to the incredibly popular American radio broadcasts through the Armed Forces Radio network around the world during the Second World War, mass media became even more prevalent, along with a rise in the demand for American music (Rose, 2010). The exponential rise in music consumption during the aftermath of the war meant that the music industry started to reach the mass market.

Following this, in the late 1940s, the release of recorded music on a long-playing record (LP) by Columbia Records prompted even further growth in the music industry, as this new format became the prevalent means of listening to music (Feedbands, 2014). As the format made possible a much longer playing time than before (± 6 times longer playing time), greater value was assigned to each record released, thereby boosting profits. Added to this development, low-cost tape recorders became available and high-fidelity sound experienced great growth (Morton, 2006), meaning that if consumers wanted to experience their favourite music, they would no longer be forced to travel and pay for performances at concert halls, but could rather listen to this music as much as they desired – in high quality – at home.

This growth in popularity naturally saw the rise of music being sold in general retail stores (Baskerville & Baskerville, 2013), where people would be able to see the records when they went shopping for other items. This proved a very effective sale strategy, and eventually even the risks involved in investing in an unpredictable industry such as the music industry, became a tolerable risk to larger corporations wanting a part in the lucrative opportunities it presented. Here it became a more acceptable practice for banks to grant loans to several types of professionals in the music industry, where before it would have been done with reluctance and at great expense. This change came about because the possibility existed for an investor to invest a relatively low amount in the production of a music album, and eventually receive a substantial return when the album's sales were good and the royalties went to the publisher. Because many inexperienced investors viewed this opportunity in the industry in a very

naïve way, thinking that every opportunity was bound to be successful, the buying and selling of music recording and publishing companies eventually created a situation where the larger part of the industry's revenues were controlled by a small number of large and influential corporations as insufficient returns led to many smaller companies being bought out by the larger (Cosper, 2009). These few corporations' smart investment strategies gave rise to the colloquial term "the Big 6", used to refer to these dominating major record companies. Following the trend, eventually this number shrank to become the "Big 3" that control the largest share of the music industry today. To adapt the famous line from George R.R. Martin's novel *A Game of Thrones* – "In the game of record labels, you win or you are assimilated."

During the early 1980s, the creation of the compact disc (CD) proved to be another major step in the forward motion of the music industry, along with the launch of the Music Television (MTV) channel. The CD with its versatility and long playing time quickly became the format of choice for the majority of consumers (Bowen, 1996), even though audiophiles were (and still are) unconvinced about the quality of the media. It very quickly overtook the then still "new" technology of cassette tapes as the most popular format. This change also provided the opportunity for record labels to re-release the most popular records of their earlier music catalogue on the new digital format, which proved a very successful business strategy as consumers readily bought CD versions of their favourite music. Eventually many records were released on solely CD format, meaning that consumers would have to move to the new technology or be unable to listen to new releases. MTV on the other hand was responsible for a revolution in the way that music is marketed to the public as well as the way in which promotion is approached. New musical acts benefitted especially from this new promotional platform. The added visual stimulus provided by music videos and concert broadcasts proved to be very effective in making Music Television a greatly influential cultural force, once again bringing popular music to more consumers (Baskerville & Baskerville, 2013).

Following this development, as the trend has shown, a new technological breakthrough once again prompted a shift in the industry. The mid-1990s creation of the world's now most widely used digital music format – the MP3,

which compresses digital music files to fractions of their original size – enabled consumers to easily distribute music freely over the Internet (Lavorgna, 2013). This tipped the balance of control from record companies towards consumers, who were now able to duplicate any recorded piece of music identically, thereby breaking the control previously held by record labels when formats that could only be played (not duplicated/alterd) were the sole means of acquiring music. The growth in ease of interpersonal distribution through MP3's shaped the industry to where consumers now had much more leverage in determining musical trends, and artists were quick to recognize and implement this situation as a promotional tool; record labels naturally followed soon after.

In terms of fan/consumer interaction, the Internet redefined the concept of mass media. Through the wide range of platforms available, an interactive connection with consumers is now available on a much more direct level than was previously possible. This has the potential to generate a very effective gauge of what consumers' preferences are, making it possible for artists and record labels to more accurately predict which types of music will be popular, decreasing the risks involved in the release of new material, while simultaneously creating greater consumer satisfaction (Baskerville & Baskerville, 2013). However, the rise of the Internet as a facilitating force in the music industry has been met with varying attitudes. While it has the potential to be an extremely efficient means of distribution, it has also shown that it has the potential to act as an engine for piracy.

The Modern Music Industry

It is easy to recognize that the world of technology has influenced the music industry immensely, especially since the advent of recorded music. Newer technologies have transformed the way in which music can be made, recorded, stored, and played back. Not only that, but also all manner of consumer interaction and service provision have been expanded with the opportunities provided by these technologies.

Now the digital era has brought about a great shift, as there is an ever-increasing departure from physical recordings and storage towards a product that can be accessed and used digitally (IFPI, 2015). The question now becomes the manner in which record labels will function in the digital age, and how copyright will be affected under the digital influence. Dahl (2009) argues the fact that whereas copyright has traditionally been exploited in order to make large revenues from one or two prominent sources generally over a short period of time, it is moving towards being used to gain smaller revenues from a greater number of sources over a longer period.

It can be argued that the value of musical copyright is being strongly undermined in the digital age, as it requires very little effort to create a precise copy of any digital music file. This in turn begs the question as to how copyright should be handled, and whether there is an effective solution or modification that can be used to successfully retain the ownership integrity of a given musical work. This also reflects to the record label, and makes room for new strategies in the sale and promotion of musical products. The current declining trend for usage of any physical format that cannot be transferred or duplicated with great ease, seems to point to an eventual, largely encompassing move to solely digital formats (Dahl, 2009).

From the start, the recorded music industry has revolved around a structure that consists of the production, distribution, promotion, and selling of a product in the form of sound recordings on physical media. However, through the evolution of technology, the music industry now has to adapt to the possibility of new business structures that consist of the same production, distribution, promotion, and selling of a product, but in the form of digital media (Van Hooff, 2007).

MP3

It has been reported that only after the rise and widespread use of the MP3¹ musical format, could the Internet start to play a major role in the distribution of music (Alves & Michael, 2005). This utility factor is still evident in the massive popularity of the format today, even though it was already released in 1995.

¹ MPEG I or II, layer 3

Since the MP3 format has come into being, many music industry economic experts have suggested that digital sales will likely eventually surpass physical CD sales (Martins, 2014). This process is currently definitely underway. The first record label to achieve this state of sales was Atlantic Records – which is now owned by the Warner Music Group – in November 2008 (Arango, 2008). The rise of the MP3 over the CD can largely be attributed to a variety of factors, namely the financial benefits for consumers in making use of peer-traded files, as well as the convenience of being able to purchase digital music, which is quickly and easily accessible and usable, as well as having a much shorter waiting time for receiving the product when ordering – download vs. delivery. The physical nature of CDs make them more cumbersome to the user than digital files that can be stored in great numbers on a single device, as well as being generally more expensive than digital downloads owing to the cost of physical packaging and distribution (Boorstin, 2005).

Sales – Traditional vs. Current

The fact that distribution is gradually shifting to the digital realm is also affecting the traditional model for income in the music industry. This model makes use of three main streams of revenue (or four, depending on the way in which the income streams are classified) that make use of a musical recording as the product. In addition to the direct revenues from sales and licensing, various royalties are also paid to the owner of the relative copyright on a piece of music when it is broadcast in a public form. The sale of other related products and/or service are not defined here, as they are not directly influenced by the shift to digital distribution. The traditional revenue streams are:

1. The sale of recorded music
2. The broadcasting of recorded music
3. Live performances
4. Licensing music for use

(Dahl, 2009)

As the Internet enables potential consumers to download music for free, revenues from the first two streams are likely to be diminished. If the traditional model is followed, there will be a movement toward a situation where the majority of income for artists will come from live performances, with other revenue streams correspondingly diminishing.

However, the music industry is adapting as it has shown to be able to do in the past. In the currently evolving music industry climate, the various entities that were involved in their respective parts of the production process have become much less clearly defined. Many of the traditional roles are overlapping as the tools needed to complete many of the tasks involved have become cheaper, more easily accessible, and more user-friendly. E.g. artists are able to record, produce, and release their own music to the public without the necessity of a record label as a part of the process. Music stores have moved away from being solely a physical location where all sales are done, towards a much more versatile and varied approach – online stores, smart-device applications, and other digital download services are all forming a part of what used to be a single store or retailer (Baskerville & Baskerville, 2013).

Even the manner or form in which musical products are being sold has become a greatly varied concept. As mentioned, music is now sold either digitally or physically, and in a wide range of forms, including single tracks, full albums, compilations, music videos, live performances, etc. Some entities also sell not the product itself, but rather access to their products for a once off or recurring fee (another form of music licensing), e.g. streaming services. In addition, the revenue can still come as a direct result of the primary product (the musical material) being sold or from the sale of related or secondary products, such as merchandise and live performances, which are promoted by making use of the primary product (Dahl, 2009).

This progression of technology in the music industry has created a situation where digital products (e.g. music albums) with their ease of use and accessibility are becoming more sought after than their physical counterparts,

i.e. the market demand for digitalised products is growing, meaning that physical manufacturing and distribution will likely keep losing importance for musicians themselves, who might look to more cost-effective ways of bringing music to their fans.

As record labels are experiencing a decline in revenues from physical album sales, the majority of them are branching out to alternate streams for profit (Rottgardt, 2009). Advances in technology have facilitated a change in the way that consumers approach the music market. This has special relevance to the way in which the industry is being digitalised.

Digital Music as Revenue Stream

According to Duenner (2010), the prevalence of downloading (legal and illegal) does have a definite impact on the music industry, the largest impact being on the amount of physical units sold. However, there is not a negative overall trend in revenues because of digital music sales.

This is also reflected in global statistics as digital music as a stream of revenue has shown immense growth in recent years. In 2009, digital streams already accounted for 20% of the total revenue for sales in the recorded music industry, and have continued to grow to the current prevalence of 39% in 2013. (IFPI, 2014) Since 2012, the digital music stream has been boosting revenues for the music industry for the first time since the inception of peer-to-peer (P2P) services through the infamous Napster service (Baskerville & Baskerville, 2013). This increase of market share in terms of revenue has also broadened the range of choice for the consumer, now also including musical tracks that are not restricted by DRM (Digital Rights Management), a system of protection that disables the transfer of a downloaded file from one platform to another (Rottgardt, 2009). This absence of DRM means that consumers can liberally move their legally acquired music to any device capable of supporting the format.

According to the International Federation of the Phonographic Industry (2014), in 2011, around 95% of all music downloaded from the Internet worldwide was done illegally and without being paid for. If this is considered in terms of the

large revenue percentage that digital downloads still make up, it clearly shows how popular the digital medium has become in recent times.

Online Services and Social Media

The forerunner in the digital music retail sector is Apple's **iTunes** – with 63% of the global digital download market share, it is currently the largest music retail service in the world, with the closest online music retailer being **Amazon MP3** with 22% of the market share (NPD Group, 2012). Owing to the success of the iTunes store, there is now a myriad of web services and platforms that enable an artist to release their recorded material to the public through the iTunes store. The iTunes store is also constantly expanding its service to more countries, with a great leap having been taken in 2012 when the number of countries to which the service was available, was doubled by the addition of over 50 more countries to the international retail network (Apple Inc., 2012). In terms of promotion and marketing, there also exists a wide variety of interactive and social websites that can be used by artists and labels to promote their product to anyone in the world with an Internet connection (Dahl, 2009). Examples of these sites include Facebook (Facebook, 2015), Twitter (Twitter, Inc., 2015), YouTube (YouTube, 2015), Google+ (Google, 2015), and SoundCloud (SoundCloud, 2015).

Digital Downloads

Digital downloads currently form the largest part of digital music revenues at 67% of the worldwide total (IFPI, 2014). All of the major record labels recognise digital downloads and sales as important revenue streams, and have therefore started working closely with services such as iTunes and Amazon in this regard. Recently digital sales have also grown greatly in South Africa, largely owing to the opening of the South African iTunes store in 2012 (Apple Inc., 2012). Although digital downloads and the associated threat of piracy originally had a negative connotation for the music industry and was largely met with disapproval from the seller's point of view, recent years have seen record companies and publishers move to incorporate downloads as a major sales avenue (Rottgardt, 2009). The shift to the acceptance and focused implementation of digital downloads as a revenue stream has yielded several new strategies from labels and online retailers to improve the consumer

download experience and provide increased incentive for consumers to make use of legitimate means of acquiring digital music. An example of industry innovation can be seen in the creation of Apple's iCloud service for the iTunes platform in 2011. The service is based on "Cloud" computing and storage, whereby data can be stored and accessed from several Internet access points, because it is stored on the infrastructure of online networks provided by service providers and not only on any single hardware platform. The iCloud service grants its users access to their full collection of music on any compatible digital device that they possess. The service comes at a yearly fee of \$25.00 and is endorsed by the majority of international record companies, including the majors, in return for a profit share of the yearly fee (Matzukis, 2013). The service removes the process of having to manually transfer purchased music files from one device to one or more others, and also creates a single comprehensive music library for the consumer where all their music is collected. Google also released a similar service in 2011 in the form of Google Play Music for the Android operating system platform, where purchased music can be streamed to any linked device after its initial purchase (Matzukis, 2013).

Streaming

Streaming refers to the occurrence where a digital application plays recorded sound from continuously downloaded data off the Internet. This downloaded data cannot be used outside the specific platform from which it was streamed, as the consumer does not actually own the music itself, but is only licensed to listen to it by using the given application (Wilson, 2007). If music is streamed from the World Wide Web, the streamed data is deleted when the online session is over or sometimes directly after playback, so the actual musical data does not remain on the computer or digital device.

Streaming can be either interactive or not. If a stream is interactive, the user has the ability to decide what he/she listens to and is also generally able to manipulate the time parameter of a the given piece of music, i.e. by forwarding, rewinding, pausing, etc. Non-interactive streams include webcasts where a stream continuously plays and the user can access it and turn it off (and in some cases pause and resume the stream), but not decide what is played. This form of

broadcast is valued by many consumers because several international radio stations based in a specific country can be accessed from many other countries as well. The use of this type of service generally arises from the consumer's preferences not being met by local radio alternatives (Shaw, 2010).

In terms of copyright and royalties, an online streaming platform or application will require public performance licensing for both the compositional and mechanical rights of a sound recording made available to consumers (Matzukis, 2013). This means that whenever a consumer accesses the sound recording, royalties are paid to the appropriate parties.

In recent years, interactive streaming has become an ever-growing revenue share of online digital subscription services, and a steady stream of revenue continued to come from ad-supported online streaming services. Subscription services, including paid and free variants, grew by 51% worldwide, and for the first time broke the USD1 Billion yearly revenue mark, showing the incredible growth of this stream of revenue (IFPI, 2014).

Coinciding with this growth the trend is that more consumers are departing from the use of piracy based services and are willing to pay for legitimate services that compensate the owners of the copyright. From 2010 to 2013 the number of paying service subscribers grew from 8 million to 28 million and the upward trend is still continuing (IFPI, 2014). One of the biggest arguments against music streaming services is that the artist receives too little compensation through this revenue stream – e.g. in general an artist makes less than 1 US cent per track streamed through the Spotify streaming service (Matzukis, 2013). This implies that the way in which recording and publishing contracts are set up will need to be carefully inspected and negotiated by artists in order to ensure they get a fair share of their music's profits.

Streaming Services

Spotify is one of the most prominent and successful international music streaming services available (Pullen, 2015). Based in Sweden, it offers a wide range of music from major and independent labels for streaming in a regulated digital environment. The service is not currently available in South Africa, but the

company's vision extends to eventually covering all countries. Visual and audio advertising form a large part of revenues for the service and is a part of the experience for all free users. Any registered user has unlimited access to music on the service for 6 months, whereafter limited access (10 hours per month) is imposed. There are two forms of subscription available – the “unlimited” model and the “premium” model. Advertisements and playing restrictions are removed with the unlimited option, with the premium providing the same in addition to extra features such as higher quality audio, offline access, and access through the mobile application.

In response to the rapid growth of streaming as a revenue stream, Apple recently integrated the **Beats Music** streaming service into its iTunes platform in order to create a streaming service to rival the other major providers (Apple Inc., 2015).

There are several other services with similar business models available. **Deezer** is another major worldwide streaming service, based in France. It is partnered with the Orange Telecom service, and is almost available in all countries, including South Africa (Vermeulen, 2011). The service also strategically integrated its services to the Facebook social network platform, enabling it to reach an ever-growing audience. Similarly, Spotify is partnered with Virgin Media. These structured agreements work to identify certain labels with potential for commercial success on the targeted platform; the record label in turn provide music from artists that have potential for large-scale online distribution (Vermeulen, 2011).

Another streaming service that is worth mentioning because of its popularity is **Pandora**. Although the service is only available in the USA, Australia, and New Zealand, it is one of the most widely used streaming services in the world (Pandora Media, 2015).

South Africa has its own online streaming service in the **Simfy Africa** music service. The service follows a similar subscription model with a limited free access service in the form of a trial experience (Simfy Africa, 2015). Other major streaming services currently available in South Africa include 8tracks, Grooveshark, Rara, Rdio, SoundCloud, Ubuntu One Music, and MixRadio (previously owned by Nokia and Microsoft) (Vermeulen, 2011). The growing

Internet-enabled mobile device penetration into the South African populace has also made room for growth in the subscription based streaming market.

As the prevalence of digital consumerism increases, the interaction between artist, label, and online retail platforms will grow more important – the drive of the artist and label to get their music sold will be paramount in the process of actually making an album successful online (Matzukis, 2013).

Royalties

As a point of interest, it should be noted that in the early days of digital distribution, royalty payments were especially difficult to settle owing to the vast network through which sales were made and the fact that the technological infrastructure was not advanced enough to handle the administration effectively. Fortunately, this issue has now been mended through the quick advancement of technology – royalties and commissions are now widely calculated and distributed through automated means (Dahl, 2009).

Argument for a Solely Digital Product

It has been suggested by Gartner Research that more record labels should primarily start making use of digital distribution, as the continued focus on CD sales is hindering the progression to the digital medium. The counter argument to this is that although Internet penetration has been growing, still not everyone has access to download services, and many consumers definitely still prefer to purchase a physical album (Dahl, 2009). Putting the focus on digital sales and making CDs a more exclusive, almost specialty item will then invariably drive up the cost.

Digital Distribution Companies

In the current music industry, the importance of digital distribution cannot be overstated. The growth of digital distribution has given rise to the creation of several companies that act as third party services in the chain of distribution (Baskerville & Baskerville, 2013). The primary function of these companies is to handle the process of making an artist or record label's musical products available for sale on the various online stores and streaming services available across the globe. The incentive to use one of these services comes from the

company taking over the administration of the sale of a musical product, in most cases making the income process much simpler and more consumer-friendly than would have been the case had the independent artist or record label attempted to undertake the task on their own. This is not the case with the major record labels, as these generally have standing distribution agreements with most major retailers on an immense scale through their own networks.

The specific functionality and advantages that one or more of these third party distributors may have with regard to the specific needs and goals of a given record label, will be the key consideration in selecting which will be most effective. Therefore, a comparison between the major digital distribution services will prove a useful guide in selecting the one most suitable.

The most prominent independent digital distributors are CDBaby, Tunecore, Distrokid, Loudr, MondoTunes, Reverbnation, and Zimbalam (Herstand, 2015). All of these services sell music on iTunes worldwide, which is a key consideration for any digital music distribution.

Starting operations in 1998, **CDBaby** was the first independent digital distribution company and is currently one of the largest digital distributors in the world (CD Baby, 2015). It has a large consumer base, and has upwards of 330,000 artists that are registered for its services. The company has a good track record alongside its long service time, so reliability and experience are definitely some of its strong points in the industry. Because of the company's reliability, it has been able to come to an agreement with iTunes regarding track submission and uploading, which means that submitted tracks or albums only take 1 to 2 days to be available on iTunes. CDBaby offers a paid service with several benefits and many features, but also offers a basic free service, which might be very advantageous to entities that can't or don't want to spend money on such a service. The service payment system works on a "per album" or "per track" basis, with no yearly fees involved. The fees are \$14.95 per single track and \$59.00 per album. The free service enables an artist or record label to sell its music through its own website, Facebook page, as well as through CDBaby itself. In addition, the CDBaby embeddable music player and online store also forms a part of the

package, giving additional functionality. The counterweighting drawback to the lack of yearly/additional fees is that CDBaby works on a commission basis as well, taking 9% of sales from paying users and 15% from free users. However, as a part of the paid digital distribution service, they also provide physical CD (and Vinyl) distribution worldwide at an additional cost to the consumer. A great advantage is also that CDBaby provides weekly Trend Reports from iTunes, making it possible for the artist or record label to see how their product is faring in the market. Lastly, CDBaby also provides a publishing service for premium subscribers – however, this service is only available in the USA.

Tunecore is also one of the largest digital distributors in the world (Tunecore, 2015). This service has also existed for a long time (since 2006), making it a very experienced service provider. Being a reputable entity, reliability is also a positive factor. One of the main advantages of their service is that they do not take a commission on the music sold. In addition, Tunecore provides daily Trend Reports for not only iTunes, but also Amazon MP3 and the Spotify streaming service. This enables the user to evaluate the performance of their musical product effectively on several sales platforms. Tunecore works with a yearly subscription fee structure: The first year of distribution is covered by the initial signup fee paid for a single track (\$9.99) or album (\$29.99), whereafter there is a yearly fee (\$9.99 for single tracks, \$49.99 for albums) to keep the distribution going. The company regularly expands its distribution network to include more stores, but a major disincentive for using the service is that every additional store added incurs a fee to the artist or record label for its exploitation. A fee of \$2.00 per newly added store can be paid, or an encompassing \$10.00 fee can be paid at signup to make use of the service's Store Automator, which automatically adds the music to all newly used stores. Tunecore is the only distributor that charges for this expansion. As there are a great many digital stores available – with the popularity of these regularly fluctuating – and more constantly being created, it has the potential to be a negative factor for certain users. Tunecore offers a variety of extra features to artists and record labels, but most of these are also only available at additional expense.

Distrokid is one of the newest digital distribution services available – it was made available to the public in October 2013 – and works with a different model than most of the other distribution companies (Distrokid, 2015). Its service is based on a yearly subscription model for a fee of \$19.99. The major advantage of Distrokid is that there is no limit on the amount of tracks that can be released through this service and there are no additional fees, regardless of the number of tracks or albums released. They also do not take any commission on the music sold. The service also generally has a very quick upload time (between 2 and 4 hours) to the iTunes store, and the user is constantly kept up to date via e-mail on the status of the uploaded music. Although the service only provides access to 7 online stores, the stores included are those with the largest current market share, including Amazon, Spotify, Google Play, Beats (now a part of iTunes), Rdio, and Deezer. The service is very focused and therefore does not have as many additional features as some of the other distribution companies.

Loudr is another a relatively new distributor, also opening its services during October 2013. The focus of Loudr is artists who do cover versions of already existing songs and want these to be released on iTunes (Loudr, 2015). One of the company's main positive aspects is that it deals with the entire process of getting performance and mechanical licenses for its artists directly from publishers. Loudr also has a download store platform of its own. The company works solely on a commission base and there are no signup fees involved, which could potentially be advantageous for certain artists or record labels. The commission taken by the company is 15% for original creations and 30% for cover songs. There is no limit in the amount of musical material that an artist can submit through the service. Another worthwhile feature of this service is that it offers the option of splitting revenues. This means that a collaborative work by several artists is handled as such and sales revenues can be split directly to the given artists or other persons involved. The service also submits musical material directly to the Pandora online streaming platform, being the only distribution service to do so. One of the few drawbacks of this service is that several of the additional features that are provided such as digital booklet creation and iTunes

pre-order setup must be done through a support member and cannot be completed by the user through the Loudr website.

An interesting distributor is **Mondotunes**. This service is unlike the other independent digital distributors in that it does not have its own direct network of stores, but rather works through the distribution network of the major label, the Universal Music Group (MondoTunes, 2015). This structure means that Mondotunes has connections to the most stores of any digital distributor, making music available to the same retail outlets as the Universal Music Group. A drawback arising from channelling their distribution through another company is that it takes around 30 days from submission for a product to be released on the iTunes store. If the user desires a quicker guaranteed release time, a fee of \$25.00 will ensure it becomes available within 14 days. There are no yearly or recurring fees involved, with set rates for releasing a single track (\$7.99), a demo/EP album (\$24.99), or a full album (\$37.99). In addition, a 10% commission is taken on all sales. The company also offers a variety of other services, like the ability to register as a record label for an additional cost, marketing opportunities, video distribution, and others. Unfortunately, the company has received some negative publicity in recent times with regard to slander and deceptive behaviour.

ReverbNation is a distribution company with a focus on new artists that are not yet strongly established within the music industry (ReverbNation, 2015). They have a very large network of signed acts on their website, with many artists from all over the world making use of their services. Like Mondotunes, the company makes use of an established distribution network in the form of the INgrooves Music Group's far-reaching distribution network. The company currently works with package structure, where the user can select which combination of services is most suitable. E.g. the \$19.95 monthly package includes a mailing list service (with ±10,000 subscribers), free song downloads, 2 album releases per year, and opportunities for live performance bookings and other forms of promotional exposure. The fact that the company has such a large database of artists means that their touring and live performance guide can easily assist artists in finding live performance opportunities in several cities worldwide. A possible drawback

for the service is that an artist signed to Reverbnation might have difficulty in operating independently from the service as everything setup through the service is heavily labelled with the Reverbnation brand. As mentioned, the service is almost solely geared towards new artists in the industry, making the service less suitable for established artists.

Zimbalam is a digital distribution company founded by the independent distribution company Believe Digital (Zimbalam, 2015). They have quickly become a major distribution service with over 100,000 artists registered with the service as of February 2015. The company still operates separately from Believe Digital, but still has access to the Believe network of stores, along with its databases and existing technological infrastructure. Zimbalam has put effort into its worldwide service, offering full customer support all over the world. The Zimbalam website can also be accessed and used in 13 different languages. Additional included services added to the distribution package are a newsletter manager, a unique URL webpage, as well an embeddable music player. There are no recurring fees involved in using the service – the release of a single track comes at a \$19.99 fee, with a full album release charged at \$29.99. The company also takes a 10% commission on sales. Zimbalam offers the user weekly Trend Reports for iTunes, Spotify, and Deezer. Because the Zimbalam service is operated as a part the Believe Digital Company, another potential advantage is that once a user becomes commercially successful through Zimbalam, Believe Records or Believe Distribution could offer to sign them, providing personalised interaction and superior promotion opportunities. Some of the disincentives to make use of Zimbalam are that it is the only company to charge a takedown fee if the user wants a track or album removed from the company's distribution network; also, it is the only company to pay the artist at quarterly intervals rather than monthly, weekly, or instantly. As of mid-2015, the Zimbalam service has been shutting down in North America due to the parent company having purchased Tunecore (Herstand, 2015).

Traditional and Current Promotion Streams

Traditionally there have been three main streams of promotion that a record label would make use of, in order to boost sales. These are radio, TV music videos, and promotion in record stores themselves. However, with the growth of the Internet, almost all of these are becoming less useful. Online alternatives are becoming more prominent, as these are so easily accessible and interactive, putting the consumer in control (Dahl, 2009).

Online Promotion Developments

Promotion has also seen a lot of growth in the area of interpersonal communication online. There are a great variety of ways in which people are communicating and recommending music to their contacts. Social networking has become a booming platform for promotion, and this is evident by its popularity as a promotional resource for record labels and as a platform for recommendation between consumers (Dahl, 2009). The other popular services include musical blogs, band websites, email, online magazines and newspapers, and many more. If used effectively, these forms of recommendation have the potential to generate a large amount of publicity for artists new to the industry. It has also become a widespread practice to fully integrate social media (such as Facebook, Google+, and Twitter) into many blogs, applications, and websites. This effectively creates an integrated- and far-reaching online forum, where specific sites aren't isolated any longer, but enable the user to share links and opinions directly on the relevant social media that he/she uses.

Technological Advancements in Sound Recognition

Another important and useful tool to be aware of is application software for mobile devices (such as smart phones, tablet computers, etc.) that recognizes and identifies music that is being listened to by the user. The built-in microphone of a device is used to record a fragment of a piece of music, analyse it, and compare it against the application's database of music, whereafter the user can see the name of the song, artist, album, and additional information depending on the track. Some applications provide direct links to online stores and streaming sites such as YouTube and Spotify, and many are integrated with online social networks like Facebook and Twitter. For a label to successfully integrate their

products with such a service that is being widely utilised in its target market can be a key component in achieving product recognition. A simple example – if a song is playing on the radio and a listener enjoys it, but doesn't know the name of the artist or the song, it is much more unlikely that the listener will eventually buy the work of the artist in question; whereas if the listener can quickly employ an application to identify the artist/song, he/she can purchase the music later from a store, or even immediately online. The two most popular music recognition applications in the world are **Shazam** and **Soundhound**, both being free to use and available on all major mobile operating systems (Papanicholas, 2012).

Peer-to-peer, downloads, and piracy

Peer-to-peer (P2P) networks decreased the costs involved in online sharing of files, as the P2P protocol relies on files that exist on users' own computers rather than on a central storage computer. Napster was one of the first entities to successfully make use of this protocol, providing an online service that could locate locally shared files on other users' computers (Boorstin, 2005). This initially proved very effective, although the legal implications were never correctly dealt with and this caused the eventual collapse of the Napster service. However, if the legal aspects involved could be correctly approached, there might be room for a P2P service from a record label. Many of the large labels are working to gain larger revenues from online sources by providing legitimate digital file format download services. However, there is little incentive for consumers to make use of these services, as these still have to compete with elusive P2P networks where consumers can download the same music for free.

There are two effects that play opposing roles when one considers the idea of file sharing or free downloads. The first can be thought of as a kind of sampling effect. This refers to the opportunity for consumers to experience and evaluate the music in question before eventually buying it. The second is an effect of replacement, which means that the ability to download music for free will take away the incentive of the consumer to eventually pay for that music (Dahl, 2009). The sampling effect is especially positive in the realm of new musical acts

that have not yet gained widespread popularity. For these artists the primary goal is to gain a consumer base/following, which has the potential to develop much more quickly if the music is available for free; as these relatively unknown artists are not yet selling a substantial amount of albums, they have little to lose from the effect of replacement. However, on the whole it will be very important to note how these two effects balance each other when thinking about the use of free downloading in the structures of a record label. An early suggestion for a solution could be to make only a certain selection available for sampling, or to disallow downloads, but to make online streaming of the tracks available. Although downloads have taken a rise in popularity as a method of obtaining music, the physical album still retains certain incentives that cannot be replaced; a physical product that a consumer can hold in their hands, included artwork, lyrics, and an inherent reliability are all aspects that are hard to replace.

In terms of piracy, an early study from 2003 by Edison Research already showed that the greater majority of U.S.A. citizens under the age of 18 have participated in illegal downloading. However, only a fifth of the older population (aged 30 to 50) had done the same. These numbers also corroborated another study from the Pew Internet Project in 2001 (Boorstin, 2005). Taking the difference in Internet and digital culture penetration over time into account for South Africa, the economic state of most markets, and from personal experience, it is likely for South African persons under the age of 18 to exhibit the same behaviour. The majority of illegally downloaded files are of music that has been mass marketed and is high in commercial popularity (Dahl, 2009). Adult consumers (generally defined here as aged over 30) are generally less inclined towards these commercial products, and are also more likely to eventually spend money on purchasing the products that they discover through sampling. The study by Boorstin shows that in general, free downloads decrease sales under the younger population, whereas it increases sales under the older population.

Free Music as Promotional Tool

It can be argued that making music available online for free can be a very effective promotional tool to the majority of artists that are not categorized

under the very famous and commercially successful group of superstar artists. An early case from 2002 already gives some credit to this point – the recording artist Janis Ian had not released any commercial hit recordings in 27 years, and in 2002 reported an additional income of \$2,700.00 per year from sales of records that came in only after consumers had initially downloaded her music for free (Dahl, 2009).

Intellectual Property

The concept of a record deal that focuses mainly on the exploitation of only the intellectual property rights on the sound recording itself is being replaced by the necessity of having a more varied field of income, from several sources. Copyright is still very important, but the focus is being broadened to the intellectual property rights on the *composed work*, rather than only being on the *sound recording* of that work. The trend is such that revenues are being gained in a much larger percentage from the copyright on the composition than before, also meaning a shift of economic balance towards the composer. In addition, this type of revenue not only comes from a vast array of sources rather than from only a few, but should generally function on the long term.

Licensing and Synchronization

Whereas the total revenue percentage from selling recorded musical material is still on the decline, the pervasive use of music for other goals including movies, multimedia advertising, video games, as well as brand- and merchandising deals (i.e. various forms of the music licensing stream), is very much on the rise (IFPI, 2015). This kind of licensing goes way beyond the traditional use of simply licensing the rights of a composition to be performed (although this still forms a revenue stream of its own). This is bringing about a situation where the creator of a piece of music is in a position where they will receive the majority of the compensation. Licensing for film, television, video games, and other services/products are now a very large part of the market and the position of the musical supervisor for projects of this nature is likewise growing in importance, beginning to eclipse that of the traditional Artist & Repertoire position at record labels (Dahl, 2009). Once again, the key term seems to be diversification.

Costs

Digitalisation in the music industry is also greatly affecting the overall costs involved in the release of a given product. Manufacturing, distribution, and promotion have all become digital to a very large extent, accelerated by the rise in worldwide Internet penetration and download speeds, as well as the continuous growth of worldwide online infrastructure (Rottgardt, 2009). The costs of digital distribution and promotion are greatly reduced relative to the traditional physical manner of achieving them. This means that the costs for supplying and marketing a product is decreased and the process for completing a sale in the digital realm is much more cost-effective than the physical alternative (Dahl, 2009).

The way in which different record labels approach this development will differ from one to the other, especially in regard to the different strategies adopted by major labels vs. that of independent labels (Van Hooff, 2007).

Major Record Labels

Three major record labels currently dominate the global music industry. These labels are very large international commercial entities that have access to vast resources and distribution/promotional networks. These companies control many smaller record labels and have the vast majority of the market share. The so-called “Big Three” companies are the Universal Music Group, Sony Music Entertainment, and the Warner Music Group (Greenburg, 2015). In South Africa Universal and Sony are also active as the major record labels, but Warner is represented by Gallo Records, which is technically still labelled as an independent record label. In South Africa around 85% of record sales are controlled by these labels, and 85-90% of broadcasting airplay (Matzukis, 2013). The remaining record labels that exist in South Africa and throughout the world are generally termed as “independent” record labels.

Independent Label Diversification

Many smaller record labels have distribution arrangements with the majors, enabling them to tap into and make use of these large networks in order to effectively bring their product to the consumer, even though they do not have the assets to do it using only their own networks (Rottgardt, 2009).

Alongside the major labels, independent labels have also put increased focus on diversification of their revenue streams in recent times (Matzukis, 2013). For independents, this need to diversify is even more critical, as their continued growth and success is largely dependant on the occurrence of applicable new business opportunities. Therefore, the more diversified their focus areas are, the lower the overall risk of financial failure. Also, the wider the variety of revenue streams, the better the possibility that a lucrative opportunity may be discovered and exploited. Independents also generally structure their resources in a flexible manner, as they do not have the capital and resources of a major label. Therefore, the resources they do possess must be adaptable enough to place appropriate focus on the revenue areas that are most successful. This adaptability is most effective when coupled with specific attention to consumer demand.

Argument for Independent Artist

The implication that there is a possibility, or at least that there is room, for an artist to become commercially successful without signing a contract with a record label does exist, just as the possibility of failing to become a commercial success even with the aid of a record label also exists. Whether a given record or artist will in fact be a commercial success depends on a multitude of factors. However, it has been found that at the present moment the record label still has a large enough positive influence on the possible growth and commercial exploitation of a given record, so that its role has not yet become obsolete. The record label currently remains a very influential force in terms of promotion, as well as distribution (Dahl, 2009).

The South African Music Industry

The South African music industry forms a part of the global music industry, and owing to the prevalence of globalisation/westernisation it is greatly influenced by global – especially American – music trends (Alexander, 2007). Added to this are the constant growth of Internet penetration for the South African populace, and the widespread popularity of mobile devices capable of accessing global online music stores.

However, it is worthwhile to take a look at the South African music industry as an entity of its own, and the way in which it functions.

Value Chain in South African Music Industry

In the South African context, Shaw (2010) defines broad categories of role-players in the value chain of the music industry. The value chain shows where and how role-players are involved in the process of creating a product to be made available to the consumer. Excluding the consumers, who are the main force guiding the music taste of the market, there are four categories/groups – creators, enablers, facilitators, and revealers.

Creators

Creators are the central point of the music industry, creating content for the industry to utilise. Composers, performers, and producers all form part of this category. This generally is the largest section of the value chain, which is a typical characteristic of industries depending on creativity (e.g. the same applies to the film industry). Owing largely to the rise of the Internet and digital technology, record labels' domination of the industry is gradually being displaced by this group.

Enablers

Enablers are the entities that make use of the creators' abilities for the mutual gain of both parties. These include record companies, publishers, manufacturers, distributors, artist managers, entertainment lawyers, etc. This group has largely been in the control seat of the music industry in recent times, usually being corporately structured and well organised.

Facilitators

Facilitators are there to create a platform of operation for all the other groups. These are member organisations, promoting the interest of their members and generally regulating the industry by providing networking, bargaining, and managing royalties. In South Africa, certain government departments also play facilitating roles, e.g. in intellectual property legislation and music education.

Revealers

Revealers refer to the aggregating parties that have direct access to the consumer market. This includes all kinds of consumer, media, and social interaction entities such as the press, retail operators, social networks, music promoters and venues, online and mobile musical content providers, and others. Facilitators also play a role in this industry by regulating the various media involved.

Development of Enablers and Promotion Through Digital Technologies

Although the mentioned categories of “enablers” still exist, they have had to adopt their approach to several areas within the industry, because of new technology and opportunities that go along with it. Especially in the promotional areas of the industry, this technological aspect is proving a crucial determinant of where the focus for consumer interaction should be placed. Because the Internet is so perfectly suited for distributing digital media, a rapid growth in the prevalence of artist-, company- and retail websites has been observed (IFPI, 2015). These are filling an ever-larger portion of the promotional industry. Another key role-player with relevance to the technological shift in the industry is the mobile- and/or smart device. Devices such as smart phones, tablets, digital music/video players, etc. integrate several functions, all incorporating the ability to play back music. This has created an even greater demand for digital musical content – as today most of these devices are able to access the Internet, mobile commerce is a very rapidly growing medium for music (IFPI, 2015).

Facilitating and Administrative Entities in South Africa

There are many facilitating bodies in the South African music industry, and it is important for artists, companies, and other role-players to know where to integrate. The government also has specialised departments that are aimed at promoting and developing the music industry in South Africa. The Department of Arts and Culture and the National Arts Council are heavily involved and active in creating initiatives and funding developments in music (Shaw, 2010). As mentioned, there are several representing bodies respectively offering membership to all of the parties involved in the music industry’s value chain. E.g. certain entities only specialise in management of mechanical rights involved in

music releases, whereas others might be a body representing the independent record labels, or even a specific genre of music. Especially in the realm of recorded music in South Africa, a few very important entities are SAMRO (South African Music Rights Organisation), RiSA (Recording Industry of South Africa), and CAPASSO (Composers Authors and Publishers Association).

RiSA is the main representing body for record labels in South Africa, keeping track of sales and providing a platform to regulate fair practice in the industry (Stop Piracy Organisation, 2015). This includes a code of conduct to help combat bribery and ensure transparency in contracts between artists, record labels, and other parties. It also endeavours to combat piracy by levying members on products that are manufactured.

SAMRO manages performance-, synchronisation-, and mechanical rights in South Africa (SAMRO, 2015). They are responsible for the collection and payment of royalties for composers, publishers, and artists. Once one of these parties has created a new work, they must notify SAMRO in order to be eligible to receive their royalties.

Until recently NORM was the major mechanical rights management organisation in South Africa. They were responsible for the administration of mechanical rights, as well as the licensing for usage of its members' copyrighted material. However, in 2014, a new entity evolved from the coming together of NORM and SAMRO in order to present a singular representative organisation for mechanical rights in South Africa – The Composers Authors and Publishers Association (CAPASSO). In June 2014, NORM officially ceased operation under that name and CAPASSO is now the primary mechanical rights management organisation in South Africa (CAPASSO, 2014).

Copyright

Definition of Copyright

At the basic level copyright refers to the exclusive right held by its owner to publish, reproduce, and sell a work of art or another piece of intellectual

property (Merriam-Webster, 2015). Copyright exists in subsistence to a piece of intellectual property, which means that there must be some form of existing intellectual property for copyright to exist. In most countries, including South Africa, the intellectual property in question must exist in a concrete form for it to be protected by copyright laws (Shaw, 2010). However, it is important to note that even though the work is on a certain fixed medium, it is still the intellectual property that is protected by copyright, and not the physical medium. It does not matter in what physical form the intellectual property is, its copyright consistently applies.

Reasons for Copyright

There are two general reasons for the existence of copyright. The first is to create value that may be used to make a financial profit from the creation, production and reproduction of intellectual property works. The creator(s) of the given work then have exclusive control over any commercial application. This secured ownership in turn provides incentive for the creation and production of other works, which stimulates and grows the industry as a whole.

The second main reason for its existence is to protect the creator's integrity and involvement with his/her intellectual property (Dahl, 2009).

Layers of Copyright

Copyright in the music industry is quite complex, being made up of several layers in even only a single recorded work (Passman, 2011). Distinct parties might own each layer of copyright that exists in a given musical piece, and each layer of copyright might have specific implications for its owner.

Compositional vs. Mechanical Rights

In general there are two main variants of copyright that exist within a piece of recorded music. The first refers to the copyright on the piece of music itself, i.e. the composition. The second refers to the copyright on the recorded version of the piece of music, i.e. the sound recording (Rosen, 2008). Respectively, these rights are generally owned by the writer of the work (the right on the composition) and then the performer and/or the producer/engineer (the right on the recording/mechanical rights).

As the producer and/or engineer is commonly selected or employed by the record label, the record label also retains the mechanical rights in these circumstances (Dahl, 2009).

Economic vs. Moral Rights

It is worth mentioning that in terms of compositional rights a distinction is also sometimes made between economic and moral rights, although these are not regularly major factors in the South African music industry. Economic rights refer to the right to produce copies of an original work, sell these copies, and in general make the work publicly available. Moral rights refer to the rights of the creator, which protects the creator's position as the creator of a given work of intellectual property, as well as granting the right to be known as the original creator (Dahl, 2009). This in turn grants the right to legally challenge any unjust distortion or adjustment of the work. Economic rights are transferrable, whereas moral rights are not. Alongside economic and moral rights, exist mechanical rights. These are the rights on the sound recording of a given piece of music and are first bestowed on the producer of the given recording. As most large record labels generally employ a specifically chosen producer, the label itself usually owns the mechanical rights.

Intellectual Property and Copyright in South Africa

In South Africa, intellectual property is protected by copyright law immediately after its creation (ICTS, 2011), i.e. no registration is required, as long as its origin can be verified. In terms of copyright, intellectual property is categorised as intangible, moveable property. However, it is much easier to gain/exploit the value of a piece of intellectual property when it is in a tangible form. It is also a great aid to notify the representing organisations of the creation of a new work in order to ease the process when it becomes necessary to prove ownership.

The author of an original work is generally the first owner of the copyright on it. This copyright grants certain rights to the owner of the work, i.e. publishing/printing the work, which is the graphical right; reproduction/reprinting of the given work, which is the reproduction right; and performing the work or displaying it in a public space, which is the performance

right (Shaw, 2010). South African copyright law extends to all South African citizens, irrespective of their current place/country of residence.

Creative Commons

Creative Commons (CC) refers to the non-profit organization, founded in 2001, that has designed a new breed of licensing possibilities that provide an approach to copyright different than the traditional “all rights reserved” (Creative Commons, 2013). With a CC license, the copyright holder determines the extent to which his/her intellectual property may be utilised by others that have/can obtain the license, i.e. “some rights reserved”. This concept opens the possibility of simpler, legal sharing of knowledge and resources in the public domain, while still giving the original creator control over his/her work.

What this means is that a CC license enables the owner of a given copyright to decide which rights they wish to retain (e.g. the right to be named as original artist, the right to all profit made from the work, etc.). CC licenses are currently being used in several areas, such as music, video, photos, electronic courses, newspapers, and many more. Wikipedia, one of the most frequently visited websites today, is operated under a license of this kind (Creative Commons, 2015). Creative Commons enables many people to share material between one another in a legitimate way, where the terms of use are stipulated.

The License

A CC license is expressed in three ways: the Commons Deed describes the license in layman’s terms; the Legal Code is the legally specific version of the license; and the Digital Code is a computer file that contains all the info of the license, and can be encoded into digital material (Creative Commons, 2015). This is designed with focus on websites, where the license can be displayed and data can be provided to interfacing applications and search engines.

There are four main elements that can be combined to create a license:

- Attribution
- NoDerivs
- NonCommercial
- ShareAlike

Attribution says the original creator of a given work must be credited as such – i.e. it can't be plagiarized; NoDerivs means the work cannot be altered or adapted to another format; NonCommercial states that the work may not be used to generate profit – i.e. it can't be used commercially; ShareAlike is an interesting element, which states, “If you alter, transform, or build upon this work, you may distribute the resulting work only under a license identical to this one” (Creative Commons, 2015).

There is a 'Share Music' CC button that can be linked to a track, album, or other part of a webpage, which will state which rights the owner of the music retains and grants.

Each license allows the licensee to copy, distribute, showcase, and perform a work. A requirement of the licensing process is that the licensee makes clear the license terms of the given work (Creative Commons, 2013). This type of license is geared towards P2P (peer-to-peer) file sharing that is used extensively in the current consumer market. This enables consumers to legally share music that they've purchased.

Chapter 2 – The Record Label

Economic Context

As the topic of this dissertation concerns the South African music industry, which forms part of the greater South African business world and economic system, it is prudent to firstly take a look at how the relevant business entities are described within the larger economic context. The South African economic system is described as a mixed economy incorporating elements and approaches of both the free-market and socialist economic systems (Du Toit, Erasmus, & Strydom, 2010). What this refers to is that the South African economic system is based as a free-market economy, but with a large amount of involvement and ownership from the government in certain sectors. This situation means that South African consumers have a relatively high degree of freedom when it comes to buying and selling most products and services. In a largely market-based economy such as South Africa, businesses (including those within the music industry) fulfil the role of converting resources into products and/or services that service the needs of the consumers within that market (Passman, 2011). This economic system creates and also relies heavily on the creation of these business entities in order to service the wishes/needs of the community.

In South Africa, these business entities are generally grouped into three categories, i.e. business organisations, government organisations, and non-profit-seeking organisations (Du Toit, Erasmus, & Strydom, 2010). Business organisations here refer to privately owned companies/enterprises that have the main goal of generating a profit by satisfying the needs of the consumer either through a product or service, while also accepting the risks involved in doing so. Government organisations in the South African economic system are enterprises or corporations owned by the state itself. These corporations are generally regarded as organisations that also satisfy the needs of the community by providing products and services that are classified as being of high strategic, political, or economic importance. This includes transport infrastructure, energy, healthcare, education, and military applications among others. However, many state-owned enterprises are also operated as profit-seeking ventures, existing

alongside and even competing with enterprises in the private sector. Eskom and Transnet are two prominent examples of profit-seeking government organisations. The final category – non-profit-seeking organisations – consists of institutions that primarily serve the needs of the community that have not been met by either the private sector or the state/government. As the classification suggests, these entities do not seek profits in return for their services. Instead these entities rely not only on finances coming from the consumers/communities that they serve, but also from external supporting sources such as the state or other institutions with an interest in their continued existence. Although profit is not a primary goal for organisations of this kind, a balance between income and expenditure is still very much a priority.

In modern terminology, a record label generally refers to a form of publishing company that manages one or more aspects centred on recorded music (Klein, 2003). In the South African recording industry, the most common occurrence is for record labels to exist as commercial entities operating in the category of business organisations, i.e. with the goal of making a profit (Shaw, 2010). More specifically, although a given record label may comprise several layers of operations regarding the creation of products and services, record labels in general are primarily concerned with the sale of a luxury good (i.e. recorded music in whatever form) to consumers in order to garner profits. However, exceptions to the rule do also exist; an example of this will be described under the Chapter 3, where the proof of concept record label to be implemented will fall under the category of a non-profit-seeking organisation.

To further clarify the position of a record label as business entity within the economic system as a whole, one needs to refer to the South African Companies Act No. 71 of 2008, which sets out the different variants of business structures that can exist in South Africa. Within this act several business structures are described, each of which has specific characteristics and requirements to be classified as such. Along with the abovementioned three categories, profit companies as business entities are further expanded into the following categories: *Private Company*, *Personal Liability Company*, or *Public Company*. The

vast majority of commercial record labels – which are more clearly defined in terms of structure and operations later in this chapter – currently active within the South African music industry, will be structured as either private or public companies; personal liability companies generally refer to certain specific professions such as attorneys, doctors, or accountants, where the directors and previous directors are jointly liable with the company for any debts or liabilities created during their period of office (Rocher, 2011). Both private and public companies exist as their own proper legal entity, being taxed in their own right and granting limited liability protection to their shareholders.

A private company, designated as (Pty Ltd), requires at least one director and one shareholder to be classified as such. Companies of this kind may not offer stocks/securities to the public for purchase. In contrast, a public company, designated as (Ltd), is generally created to offer shares to the public in order to obtain capital, and must have a minimum of three directors and one shareholder. Which of these business structures are best suited to a given record label will depend on its founder(s) and the company's goals and/or needs.

Traditional Model of the Record Label

According to Dahl (2009), one can view the concept of a traditional record label as playing a role similar to that of a bank; it traditionally provides resources and/or services to an artist in return for certain musical rights, as well as obligations from the artist. This state of affairs implies that both parties (the record label and the artist) require something from the other. The artist generally requires the capital, resources, connections, and professional experience of the record label in order to achieve their ideals (e.g. a vehicle for artistic expression, financial success, or popularity). The record label on the other hand requires a new product to make available to its consumer market, with the ideal of maximising the return on their financial investment. Additionally, in the release of a recorded album or work, the label is effectively taking on the largest portion of the risk involved, and so retains the vast majority of the profits. If the artist is the owner of their own mechanical rights, it is possible to license these rights to a record label to gain commercial exploitation.

Role and Functioning of Record Labels

At the most basic level a record label is an entity concerned with the production of recorded music as a product, along with other aspects related to bringing the given product to the public in a way that satisfies the record label's vision. Most record labels achieve this by financing or facilitating the creation and distribution of a musical product, as well as promoting the product for sale (Dahl, 2009). This fact implies that the record label will be searching for a product that it determines to be viable for commercial success, and thus puts some pressure on the contracted musician to create this viable product. Traditionally, the record label also played a key role in shaping the public image of a signed artist so that the targeted market can be exploited to its full potential (Shaw, 2010). The balance is therefore generally in favour of the record label, as the label is most often in a position of power over the signed artist – this is especially true for new signings, and less applicable to popular major artists.

Record Label/Company Perpetuation and Growth

The main goal of a record label (and virtually any company) is the perpetuation of the company itself through profitable or financially sustainable means. This can only be achieved if enough income is generated to cover all the expenditures involved in the maintenance and continuation of the label – the basic business principle. In addition, if a record label strives to grow (which is a common goal) it will need to make a net profit, which will put the company in a better position of economic power. This can in turn be utilised to grow the company to a point where a larger market share is achieved through e.g. greater production, distribution, and marketing capabilities. It is important to note that the way in which the perpetuation of the record label is achieved will depend greatly on strategic choices made by its directing body. However, some strategic choices are not purely economically inclined, but of an altruistic or philanthropic nature. These choices are less common with the major labels, as these are almost purely commercial companies. Independent labels are generally more connected with their consumers, as well as more emotionally orientated towards the label's produced music, which might make it more inclined to make altruistic choices in regards to its overall perpetuation strategy.

Production

Production is the main continuation strategy for a traditional record label, which means that it converts its resources, through use of its available personnel and infrastructure, into a marketable product in the form of a good or a service (Passman, 2011). The way this is achieved comes from a combination of artistic input and commercial input which leads to an output of a product such as one or more recorded tracks/songs that can then be utilised in different manners to facilitate a marketable product.

Value Created by the Record Label

Aside from the clear economic value that a record label aims to create with its musical products, it also creates cultural value in its produced music. This cultural value is impossible to measure empirically, and differs from the viewpoint of each individual, but it does play a significant role. The amount of cultural value created is related to the enjoyment or usefulness a consumer experiences when he/she experiences the product (Van Hooff, 2007). This cultural value is a key aspect in determining the price that consumers will pay for a given recording, as the cultural value is not directly linked to economic value or quality. Consumers might pay a great deal more for an album with a high cultural value to them than for a similarly produced album with little or no cultural value. Cultural value also has a potential spreading/trending effect where a high cultural value for a few individuals might influence others to attach the same cultural value to the product. This implies that cultural value might be more valuable than economic value in terms of sales and revenues.

Revenue Streams

Traditionally, it was generally possible for a musical act (artist) to be a financial success by utilising a limited number of large revenue streams. These streams included the selling of records and secondary products, live performance income through ticket sales, and publishing revenues from licensing (Down, 2006).

In the modern music industry, it has become increasingly challenging for an artist to make use of these streams, and effective prioritisation has become paramount. For example, the sale of records might not be at all the most effective

stream to a less well-known artist, and so more licensing deals might be made for the use of the music in certain other environments.

Sale of Album vs. Singles

There is also an argument for the sale of a complete album vs. single tracks. If a single track was not created specifically to be sold as such, it can be seen as an isolated piece of the larger work of art that is the full album, whereas the complete album gives the consumer the chance to experience the entire work of art as a whole (Boorstin, 2005). Even with the rise of digital music, the album as complete product is still highly valued by consumers (Rogers, 2013).

Additional/Secondary Marketable Products

In order to increase profits, a record label must maximize the effectiveness with which its infrastructure and resources are employed. This efficacy can be improved by supplying consumers with other products that are related to the main product, which is the recorded music. Such products include music DVD's, cell phone ringtones, physical items such as branded clothing or posters, and other exclusive content (Rogers, 2013).

Modern Models of the Record Label

Success through Cost-Effectiveness

According to Dahl (2009), the success of a modern record label will be dependant on the ability of the record label to produce, distribute, and promote music in the most cost-effective way, with success not necessarily coming to the record label that proposes to pull out all the stops to make a huge record. The new model of the music industry emphasises the maximization of revenues through the most effective and inexpensive production and promotion of a product. Certain labels still have their big, showpiece products, but even the major labels have varied their overall approach to the point where cost-efficacy is paramount (Dahl, 2009). Here innovation is a key requirement for any record label wanting to excel in the modern music industry. However, there are certain resources that are required, along with other conditions that must be fulfilled in order to be innovative in an effective and productive manner.

Financing

Perhaps the most obvious resource is financial capital. Without the funds required to maintain the record label and its activities, a label will soon cease to exist in the current competitive business market (Rottgardt, 2009). Also, the amount of available capital will greatly influence the possible activities of a label, including the scope of recording projects, promotional campaigns, etc. The finances in question can be gained from either internal or external sources. From a technical point of view, financial capital plays a key role in the quality of the assets that a label has access to from the beginning, as a financial investment will be needed to provide the equipment to be utilised in the creation of a marketable product. This in turn also directly influences the quality of the product that is produced – generally the greater the initial investment, the higher the possibility that the acquired assets will be of high quality, which increases the possibility that a product that the consumer regards as high quality will be created. The reason that a large initial investment does not necessarily guarantee a high quality product is owed to the nature of the process to create the product. At the basic level, the process of creating a recorded musical work consists of a few key steps when involving a record label. The first is for the two main parties involved, i.e. usually the artist and record label, to negotiate a contract to initiate the recording process. The artist, the label, or both in conjunction then involve a producer/engineer, who undertakes the physical recording process that should result in a pre-marketable product. This process involves the combined efforts of various people, and wherever human influence plays a role – especially where subjective input is used – there can be no explicit guarantee of a high quality product.

Organization

The organizational capacity of the record label's administration also plays a major role in the output of its product. A record label needs to convert the resources it possesses (input) into a marketable product (output). The label aims to constantly produce a product that is most appealing to the market to which it will be supplied, i.e. an innovative product (Rottgardt, 2009). This product can

only be achieved if the input resources are managed, employed, and shaped in an effective manner by the individuals involved in these aspects of the process.

Strategy

For a record label to have a sustainable business model, it also needs to have a sound strategy for its future continuation. This implies that the leadership structure of the label will need a definite vision for the future growth or maintenance of the label, which will also necessarily need to be adaptive to change in the market. This is a key consideration especially with regard to the discussed ever-changing technologies that are such an integrated part of the music industry. One of the most important qualities in an adaptive and innovative record label is to be able to very quickly recognize a potentially meaningful change in the market or the industry as a whole, whereafter an effectual response must be taken to the altering conditions (Rottgardt, 2009). This kind of response might encompass major and minor changes in internal structures and strategies, as well as in external interactions.

Digitalization and New Business Models

As mentioned in the previous chapter, the technological evolution relating to the music industry has shaped the business strategies and models employed by record labels in the record industry. Digitalization is the primary factor in determining the milieu of the modern record industry. This is prompting record labels and other companies in the music industry to hybridize their business models in order to facilitate the marketing and sale of digital music files and services. In addition to the alteration of traditional business models, the creation of several new models and strategies is an important aspect to consider for any company or entity new to the industry, with special relevance for record labels. Naturally these new business models will have several opportunities, as well as threats.

Dimitri Vietze (2015) lists several potential and currently in use models for modern record labels:

- A recording studio-based label that records an album and then licenses the recording to another type of label
- A type of label whose expertise is in marketing and distribution and that facilitates the release of completed recordings
- A label that licenses individual tracks for the creation of compilation albums
- A label that does 360° agreements, doing recording, publishing, while also profiting from live performance and merchandising revenues
- A label driven by the artist for the release of their own musical material, with the opportunity for expanding releases to other artists' music as well
- A label that disregards general physical distribution, and minimizes all distribution costs, selling music from platforms like live performances, their website, and through free online services like CD Baby
- A fan-interactive model, where the fans are asked to be the patrons and/or executive producers for an artist and facilitate the release of material
- A press-on-demand label, only distributing physical copies on demand
- A non-profit label, making use of a stream of subsidized record production through grant writing (high potential for the academic sector)

Many record labels already implement strategies such as these. In addition, hybrid approaches are also a natural path forward, where a record label can implement only specific parts in a combination of more than one business model as it suits the label and its goals.

Producer-Label

It has become more and more common for producers to cut out the record label step, and release the produced material online, under their own name/label. The costs of releasing music digitally are almost negligible compared to that of mass physical manufacturing and distribution that have been characteristic of the largest part of the music industry until recently (Dahl, 2009). This strategy

potentially makes room for a much more profitable situation for both producer and artist, where the high costs of the record label are cut out.

Record Label as Retailer

Considering the abovementioned fact, another possibility is for the record label itself to function as the retailer by making use of its own downloading platform. This idea can increase the profit share for the label; lower the retail price for the consumer; or create a compromise between the two.

The major advantage to a lowered retail price is that it creates an incentive for consumers to purchase music rather than download illegally. The target market for many record labels, especially independents, is the younger demographic, which is characterized by a generally low income (Ingram, 2009). This means that a decreased retail price would make it more easily possible for this market to purchase music legally.

A great advantage for the major record labels is that they possess vast networks for physical distribution in many countries around the globe, as well as insights into these various regional markets with their unique musical demands (Shaw, 2010). Before the current integration of record labels with online stores such as iTunes and Amazon MP3, some record labels had also moved towards download services of their own, where they are able to supply directly to the consumer. An example of such a download platform is *pressplay.com* from Universal and Sony (Rogers, 2013). These services only had limited success however, as the available catalogue only contained material by the relevant label and consumers demand a more complete catalogue, which is not possible without the combination of several record label catalogues.

Digital vs. Physical vs. Hybrid Distribution Methods

Digital distribution is currently still in a phase where it functions alongside the other, more traditional methods of distribution and sale. Even if the consumer would still prefer to obtain a physical copy of a given CD album, the Internet is easing that process as well. This happens through the “halfway station” between digital downloads and a physical retailer – the online store (Baskerville & Baskerville, 2013). These entities make it easily possible to order physical products online, and receive them at your home. This variety of methods for

providing what the consumer wants, in the way that they want it, is a definite step forward for the industry.

Secondary Digital Revenue Streams

As mentioned, other streams of revenue have also opened with digital technology, where additional content and products can be developed to satisfy the increasing demands of the consumer.

Music videos or live performance videos are very popular alternatives to the regular music tracks that can be sold or downloaded (Park, 2009). These also open other areas of revenue such as licensing agreements with online video platforms like YouTube and Vevo, where the label might receive an advertising profit share in return for the provision of video content to the site (Lindvall, 2013).

Digital Distribution and Manufacturing

Digital distribution is, in most cases, definitely much more efficient than its physical counterpart (Passman, 2011). There is no more need for an item to be physically carried to the consumer when it can be transmitted through the Internet or through a wireless connection. Even less obvious costs such as that of hiring storage space in a warehouse for the physical albums can largely be taken out of the equation.

In terms of manufacturing, costs are greatly reduced as a digital copy of the master record can be made with virtually no extra costs to the manufacturer, whereas physical media like CD albums have an inherent cost for the manufacturing of each separate unit (Passman, 2011). Additional costs involved in the making of an album like cover booklets and external packaging are also no longer applicable, and the artwork can be easily attached to the digital files without costs beyond that of the original design. (Van Hooff, 2007)

Digital “manufacturing” and distribution also decrease the level of risk taken by the label when selling, as there is no longer a risk that a shipment of unsold records will be returned and the investment lost.

Digitalization Lowering Costs

On the whole, this increases the return on each product sold, which means that costs are more easily covered. However, the low costs involving production may lead to an overall decrease in wholesale pricing. This could have the potential of eventually leading to a reduction in retail price – this comes from the lowered wholesale price, coupled with the fact that online download sellers do not necessarily require a middleman like a wholesaler, and can function as both wholesaler and retailer, eliminating these additional costs.

Digitalization in Marketing

The marketing sectors of the music industry have benefited greatly from the new digital opportunities. Digital marketing makes use of various streams; also making additional digital content available for download, such as exclusive live performance downloads, behind the scenes footage, links to artists' websites, free downloadable previews and other advertisement material. Marketing on the Internet is also largely uninhibited by international boundaries, and the possibility of marketing to the entire world as a consumer market is a great potential advantage. This, coupled with being able to provide anyone who has an Internet connection with the ability to download a music track they like, opens new markets and expands business opportunities. On social media it is also possible to do cheap, effective market research and to market to the identified target groups directly.

Social Media as A&R Department

Many of the larger record labels have begun making use of the publicity generated on online social media and live shows as a type of Artist & Repertoire (A&R) department (Dahl, 2009). The label searches for unsigned musical acts (or acts signed to a smaller label) that are gaining a convincing fan following, doing live shows and/or already releasing material to the public. The larger label can then gauge whether the act might prove to be a success in a larger sphere. This implies that smaller labels are generally used as a stepping-stone for an artist towards being signed to a major label.

Digital Infrastructure for Independents

As the future of the music industry continues to evolve in the digital realm, virtually every independent record label will also have to pursue the implicated revenue streams, and many have already begun the process of planning and working towards these (Rottgardt, 2009). An important step in this regard will be to build mutually beneficial business relationships with the parties that represent the digital realm such as Internet service providers, social networks, digital distributors, online stores, and technology companies that focus on music. An option that might be considered to better and promote this type of action is for independent labels to communicate with these business entities through the mouth of an association of several smaller labels, effectively giving their joint cause a better bargaining position.

Digital Challenges for Independents

Service specifically, independents seem to have difficulty with advertising- and mobile device services (such as ringtone downloads) because A) a song/track needs to sell a minimum amount of copies before it can be considered, which is generally more challenging in the involved niche markets of an independent label; and B) additional content in forms other than purely recorded music is required to make such deals work, and additional content might not necessarily be a financially feasible investment for an independent label (Rottgardt, 2009).

Digital Advantages for Independents

Legal digital downloading of music, however, is a highly sought after stream of revenue for independent labels. For an independent label, the advantages are very clear – with digital downloading the distribution of music for an independent's target market is cost-effective, targeted, and less effort than the physical equivalent. This puts independents in a position where they possess the same distribution opportunities as the major labels. It also creates room for independent labels to more easily expand to markets that were previously inaccessible and be able to provide the same services, without a physical presence (Rottgardt, 2009). Digital downloading has definitely grown into a very lucrative option for independents, where it used to be more of an additional promotional tool in the past.

Licensing and Social Network Integration

The rise in popularity of social networks has prompted a new development in the way that record labels create revenue. This comes in the form of licensing products as digital content. Record labels have begun to license exclusive content to online services that are free to use for consumers. This strategy attempts to integrate the record label's content into an already existing community of music consumers, where it can be accessed with minimal effort. The record label, as well as the artist and composer involved, can then generate revenue from either licensing fees, a percentage of the website's advertising income, or through other compensation agreements (Matzukis, 2013). Another way that record labels and their products have been integrated with online communities, especially where the focus is on music (such as SoundCloud), is that services such as these can redirect consumers to online stores (such as Amazon or iTunes) where the music can be purchased.

Independent labels generally find it difficult to fully exploit online social networks and other services that make use of advertisements. This comes back to the issue that these labels experience because their catalogues are very limited relevant to the major labels, which most frequently invest in these online services (Rottgardt, 2009). The limited nature of the independent label's catalogue also commonly necessitates a very focused (or niche) market, and this in turn also provides a disincentive for ad-services and social networks to link with independents, as the major labels can provide a much larger, more mass-appealing catalogue of music.

Torrent Application

The use of a torrent client program such as BitTorrent/uTorrent to facilitate downloads for an online record label is another possibility that might be exploited if the client program has a high enough penetration in the target market. In this case, the record label might develop a modified client program from the available open source clients and focus it for use in with its material. A torrent client works by dividing a given file into several smaller pieces of data. When downloaded, the torrent client gathers these different pieces from a wide range of other users (seeders) that are already in possession of the given file,

avoiding a bottleneck effect, as the download does not have only a single source (Love, 2012). This type of file sharing has the potential to be especially valuable in the realm of research and education, as many people can share ideas and data through a single facilitating program. The advantage is also that if one of the upload sources is disconnected, it won't disadvantage the users that are downloading as there are several sources providing the upload. A user can also contribute the pieces they have already downloaded as a source, even though they haven't yet finished downloading the entire file. However, this type of strategy seems to be counter-intuitive in the commercial record industry because it requires high market penetration, which is a general characteristic of major – or at the least, well-established – labels, but is aimed at labels with a lack of digital infrastructure or high market penetration, where there is a benefit to users also supplying download sources (Duenner, 2010).

Piracy as Marketing Tool

Although many consumers want to acquire their music legally, the fact that it is widely available for download at no cost (illegally) proves to be an effective disincentive. The music industry has been affected heavily by a changing mind-set where consumers view music as a so-called “public good” and are unwilling to pay for its consumption (Van Hooff, 2007). Although digital distribution has largely opened the door to illegal downloading and there is a strong negative feeling around digital piracy in the industry, it might be possible to utilise it as an effective marketing tool. Piracy has proven very difficult to restrict, but perhaps instead of exerting a large amount of effort in containing it, a record label can turn it to its advantage by making use of the positive aspects involved in free sharing of music on the Internet. Pirated music would not necessarily have been bought if the availability of pirating did not exist. However, if the music is pirated, it gets promoted to a larger market, even though it takes away direct revenue. The possibility exists that this exposure can in turn help produce indirect revenue if it emulated as a marketing tool. In a way P2P download sites also act as promotional tools, presenting a sampling effect to potential consumers. This can also possibly improve eventual sales and especially attendance at live performances of the given artist. Although not paying for

downloaded music acts as a strong disincentive to actually purchase the music, an incentive that should be kept in mind is that a legally downloaded version generally assures the consumer that the track is the original, and has not been contaminated by a virus or other malevolent software, as well as ensuring the downloaded material will be of high quality. As modern record labels take this into account and start to cater to consumers in the digital realm, it is already showing in the industry that many consumers move away from piracy to acquire music through legal means (Duenner, 2010). For many consumers the method of payment also plays a role in the argument for purchasing vs. illegally downloading a track or album. To provide further incentive to the consumer, the method of payment presented by record labels and online stores should ideally be made very straightforward and user-friendly, as well as secure and dependable (Rottgardt, 2009).

Creative Commons Record Labels

As mentioned, Creative Commons offers an alternative strategy in the way that record labels and artists approach copyright issues. There are several examples of record labels that have embraced CC licenses, making recorded music more widely and freely available than before. Among others, Magnatune is an early example of a successful record label that was based online and made use of CC licensing. There are also alternative cases where CC licensing is utilized online, such as the SoundCloud community where users are enabled to upload their music under a variety of CC licenses (SoundCloud, 2015); on the SoundCloud community Creative Commons itself also has an entire channel, with thousands of tracks and followers, dedicated to music under CC licenses. Freesound.com, an online sound-related (not necessarily music) community, also makes use of CC licensing (Freesound, 2015).

The argument for having an online music service based on a CC license includes the possibility for consumers to preview and evaluate music, and share music among peers with mutual preferences, while still making it possible to easily pay a fair price to support the artist. Here the opportunity is great for a new artist to get their music out to the consumer, and if the music is of high quality or

otherwise very popular, the artist's chances of being noticed are heightened. If this is the case, the copyright approach might be reviewed with the next release and either again based on CC or on a more commercial oriented copyright strategy, or even a hybrid approach.

Magnatune was the first record label to license music through an online service (Dahl, 2009). The now common practice where a record label commercially licenses usage outside the parameters of the original CC license was first introduced and popularised by Magnatune. It employed a licensing agreement where the money from sales and commercial licensing for a given track is split between label and artist (Magnatune, 2015). They have also made use of an interface on the website where a consumer may select the use for which the track is intended. The cost of the download with the applicable license is then calculated and the consumer can complete the download. Although this was quite an intricate system, a simplified adaptation may prove useful.

Other prominent Creative Commons record labels (Creative Commons, 2014) include the following:

Records on Ribs is a record label based in England, and uses CC licenses for its entire musical catalogue. Since being founded in 2008, the label has been a stable example of a record label that is not commercially orientated, instead focusing on the value of music itself. The service employs the use of donations along with its low-cost sales strategy. The label has created open source software for the setup and management of a record label in the form of its Ribcage software. This type of innovation could prove useful to other newly created record industry entities.

Vosotros is a California-based record label that experiments with innovative approaches to music distribution and publication. Their main goal is collaboration in music and the advancement of sharing music freely.

Bad Panda Records in Rome, Italy is another interesting instance of a CC-based record label. Since its inception in 2009, it has been releasing a new musical track every Monday under a CC license permitting users to alter and use the tracks if it is attributed to the original artist, not used for commercial exploitation, and again made available under the same license as the original. Once again, sharing and collaboration are a central ideal.

The German-based **Resting Bell** record label, with its extensive musical catalogue, releases all of its material on CC licenses. The Attribution, Non-Commercial, Non-Derivative license is used.

The first label to release a fully CC-licensed album with the full backing of a royalty collection society was **Urlyd** from Denmark. The label focuses on audio and visual material in the electronic music genre.

Alpinetech is a Swiss record label that focuses on a variety of genres, including electronic and post-punk music. The label's approach to using CC-licensing comes in the form of releasing single tracks from its catalogue under CC licenses to function as promotional material for the related albums.

Luxus Artica is an online record label that releases its material under CC licenses to facilitate sharing. However, the label is also focused on the artists themselves, working extensively with artists to assist with promotion, networking, as well as public image and product design. This hybrid-approach of record labels as artist management entities is also becoming more prevalent in the modern industry.

Another example of a hybrid-approach record label is **Silenced**, based in Belgium. Aside from being an officially non-profit record label focusing on electronic music releases, it also acts as a booking agency for artists and organizes live events.

Fading Ways from Canada was one of the first record labels to make use of CC licenses in 2004. It has been operating since 1996, and like Alpinetech also uses CC licenses on certain releases for promotional purposes and to grow incentive for physical sales.

RCRD LBL is actually an online-based network of independent record labels. The label releases new music every day with a large portion being released under CC licenses of all kinds.

Another Canada-based record label, **Noweapon**, acts as a collective community of artists with a focus on video-related musical material. Noweapon releases music under the same CC licenses as Bad Panda Records, with the aim of promoting collaboration and the creation of new musical products.

(Creative Commons, 2014)

Other Record Labels or Entities of Interest

Weathervane is a non-profit record label based in Philadelphia in the USA. The company was founded in 2009 with the goal of exploring new and complete way in which to create, support, and promote independent music in the form of a community for artists and consumers (Weathervane, 2015). The vision of the company is altruistically orientated in that it seeks to create a musical “ecosystem” where artists and consumers interact and are viewed as equally important parts in the creation of new music. One of the key products of the Weathervane label is their Shaking Through documentary series. The documentary series has two central goals. The first is to document the entire creation process of a piece of music by an independent artist and to give the audience insight into the inner workings of a record label and especially the recording process. The second is to give independent artists the opportunity to record in a highly professional environment. A more recently initialised project by Weathervane is the “Stems Project” where the pre-production or raw multi-tracks created during Shaking Through recording projects are made available worldwide for download. These tracks can then be edited, re-made, and shared by users in their own way. An innovative recording practice product for the

education sector is the Weathervane Instructor's Toolkit. This package available for purchase through Weathervane's website provides teaching resources concerned with recording practice. Resources such as audio-downloads from Weathervane's Shaking Through series, unique recording assignments, recording practice text documents, tutorial videos, and even direct online instruction and networking opportunities for both students and instructors are all provided in the toolkit, making it an extremely valuable tool for the academic and practical recording environment.

Just Music is one of the leading independent record labels in South Africa (Just Music, 2015). While having an impressive catalogue of South African artists and music, Just Music also represents the interests of several large independent international record labels and artists in South Africa. The company was founded in 2003 by Karl Anderson, who had previously held executive positions at both Gallo Records and EMI South Africa. The vision of the company was to expand the independent music scene, and this it has definitely done over the past years. In addition to the recorded music and publishing interests of the company, it also provides artist- and events-management services. Just Music is a strong example of the value of diversification in the modern music industry.

The Artist in the Modern Music Industry

Along with the overall changing climate in the music industry, the role of the artist in the industry is also transforming. Many traditional routes are no longer available for an artist to make a living through the music industry, while several more new opportunities also constantly arise. Several aspects of the industry that have a direct impact on the artist are evolving and it will be necessary for artists to adapt the way in which they think about and operate in the modern music industry.

Balancing of Artist and Label Relationship

In recent years manufacturing, marketing, and distribution have gradually moved away from that provided by traditional record labels and more towards the digital domain, with the possibility of the balance equalising between artist

and label (Shaw, 2010). The technological advances – personal computers, home recording hardware and software, new storage and playback possibilities, music publication websites, mobile device applications and online stores, online social networks for marketing, and others – have begun to make it possible for artists to do a lot more without the need of a record label.

Importance of Record Labels

However, large labels still have a large amount of capital and other resources, whereas new artists generally do not. In a sense, the change also makes the argument for having a record label, as the industry has become very saturated by the large amount of music available (having largely been made possible by the ease of digital recording and production) (Duenner, 2010). Along with ever increasing accessibility, the market is now almost overly full of musical acts that have to be sifted through to find something that appeals to the consumer and is also of sufficient quality. In this scenario the artist requires the “power” of the record label to provide promotion, distribution, manufacturing, etc. in order to stand out in the competitive market.

DIY and Studio Recording

Digital technology has drastically altered the cost-to-quality ratio of producing a high-quality sound recording, where it is now possible to make such a recording at a highly reduced cost relevant to the analogue process. Digitalization has also increased the simplicity of the recording process, making it more widely accessible as more people are able to do it without the need to necessarily hire a studio engineer.

With these solutions, many artists and/or producers make use of a hybrid approach. Especially in markets such as indie, electro, heavy metal, etc. (generally niche markets) it is often found that the artist will hire a recording studio, where it is possible to get the so-called “room sound” (referring to the natural reverb, acoustic properties, etc. of a recording room), in order to record only a specific instrument or two, such as drum tracks where this effect is very important. The rest of the instruments are then recorded in an informal recording setting, where there are much less or even no additional costs involved (Dahl, 2009).

Physical Distribution Challenge for Artists

Although the process of recording has become more accessible, more affordable, and easier for the unsigned artist, the aspects of physical distribution and marketing/promotion are still largely dominated by record labels (especially major record labels). This is because these actions require capital and resources, as well as the need to take on a monetary risk. Physical distribution can make up a great deal of the costs of an album – roughly 10% for major artists, with the cost naturally varying in relation to the required services, manufacturing costs, etc. (Matzukis, 2013).

Digital Distribution for Artists

Digital distribution is still growing very rapidly after its initial rise a few years ago – iTunes already surpassed Wal-Mart in 2008 as the largest retailer of music in North America (CBSNews, 2008). This shows how digital music is largely becoming the preferred format for consumers; therefore artists have to rely much less on the physical distribution of a major record label. It is possible (or rather, probable) that in the very near future the majority of distribution will be digital, with only the largest/most popular/most successful artists or acts being able to physically distribute their albums on a large scale (Matzukis, 2013).

Digital Rights Assignment

It is common for an artist to assign digital rights separately to the label, but many artists are feeling that digital distribution incur no (or very little) costs and these digital rights should therefore be retained by the artist. On the other side it can be argued from the label's side that digital services such as encoding, website maintenance, etc. and the staff to provide these services, still consume a substantial amount of capital – however, these costs are in fact tiny in comparison to the standard physical distribution model (Dahl, 2009).

Royalties and Manner of Sale

The manner of sale is also important – a music file can be sold either as the file itself, or as a restricted type of license to use the file. This means that a file can be bought once off without any extended terms of use, only the inherent copyright (Dahl, 2009). The licensing approach makes it possible for a consumer to share

the file with other parties. The implied royalties for each situation must then take the manner of distribution into consideration.

Promotion

The digital revolution has made it possible for artists to very easily record and upload their product to the World Wide Web, where it is accessible to almost any person with an Internet connection. Although it is now easier to find and experience material from new artists, digitalization has also opened the way for many more new artists to become active in their own distribution and promotion on online platforms. Whereas this is very advantageous to many artists, it also gives rise to what is being experienced as a saturation of the music industry. Millions of artists have made use of the newfound possibilities of the Internet, making for something of a surplus of music, where it becomes very difficult for a specific artist to be found, or for the consumer to find what they want (Dahl, 2009). This means that record labels have to implement a business model with an ever-increasing focus on promotion.

Online Promotion

As noted, the Internet plays the critical part in the digital future of the music industry. The Internet as communication network provides flexibility, accessibility, and interactivity to both artist and consumer, making it possible for an upcoming artist to promote him-/herself. This enables the artist to generate great publicity simply with effective product placement and -promotion online. Interpersonal promotion is becoming one of the primary sources of marketing for new artists, rendering traditional promotion through big companies (along with their costs) gradually more obsolete (Dahl, 2009).

The commercial success of the electronic music artist, Skrillex, is a strong example of the impact effective online promotion can have – having not signed with a label, Sonny Moore (a.k.a. Skrillex) recorded his early albums and EP's, and then released it solely on his MySpace page (BBC, 2015). He has now been nominated for eight Grammy awards, winning "Best Dance/Electronica Album," "Best Dance Recording," and "Best Remixed Recording, Non-Classical", as well as several other awards (under which MTV's "Electronic Dance Music Artist of the Year").

Other examples can be found with the bands *Arctic Monkeys* (England) and *Arcade Fire* (Canada), who both also made extensive use of online promotion in order to provide an initial flare of publicity.

However, it is important to remember that although online possibilities make it easier for a new artist to enter the industry, it also gives rise to more competition from other artists with the same idea. Here, the issue of piracy becomes increasingly unimportant as the issue of obscurity starts to surpass it. This is owed to the effort that is required from the consumer to actually find a specific new artist without directly searching for him/her. It can be seen that the most difficult aspect for a new artist to achieve commercial success in the modern music industry is not the creation and distribution of a product, but rather the ability to successfully market that product (Dahl, 2009). In that sense, the Internet enables the artist to reach out to potential consumers, but in the end the probability of a new musical act becoming a widespread success in a large demographic still comes down to the reaction of the initial consumers and the media. This is the disadvantage of making sole use of a form of distribution like a P2P service – the artist can easily distribute their product, but if there are no consumers that can recognize the artist, or take great effort to search for that specific kind of music, it won't help the artist's cause in a promotional sense. This is where a label can assist artists to get promoted effectively. The need to provide a filter for consumers to efficiently and effectively find artists they like is becoming one of the prime concerns to smaller labels and independent artists.

Success for Artists in the Modern Industry

On the other hand, the prediction of which musicians will be successful comes in the form of those that will be able to best bridge the gap between the digital and physical world. This means that the artists that can effectively convert online followers to followers in the offline world will be most successful in a commercial environment (Dahl, 2009). In this situation it is important to note how online promotion relates to offline promotion, and that the artist should not allow themselves to become disillusioned by the progress that is being made online. For example, Facebook is now one of the key promotional tools for any

artist. What makes it so effective is that the offline and online worlds are connected – the online users have the opportunity to share real world experiences, events, and opinions with one another, making it a platform that is not solely online, even if it is based there (Facebook, 2015).

Future Artist and Label Relationship

To reiterate, today artists themselves have the opportunity to manufacture, distribute, and promote a musical product online. The artist only has need of the record label when a situation arises where the artists cannot achieve a specific task themselves. What this suggests is that the Internet has many opportunities for putting the power into the hands of the artist; however, if the artist does not take sufficient initiative, it may also lead to a feeling of being overwhelmed by the vast ocean of musical acts on the web.

According to Dahl (2009), a prediction for the future interaction between the record label and the artist is that the occurrence where a record label explicitly owns the copyright to an artist's work should become less prevalent. In place of this traditional arrangement, the record label will rather be utilised in the role of managing and protecting the interest of the artist for a specified time (e.g., the release and promotion of a specific album) whereafter both parties will be able to reassess the performance of each other and decide to continue together accordingly. This is beneficial in the sense that there is incentive on both sides to perform well. This style of interaction implies that the record label will no longer gain profits solely from the artist's work, but rather from working alongside the artist to maximise profits for both parties.

Chapter 3 – Proof of Concept: SACM Productions

Following the background information provided on the modern music industry and specifically the record industry in the previous chapters, the hypothesis stating it is possible to successfully design and implement an independent, not-for-profit, commercial record label within the structures of a tertiary education institution will be researched through the practical implementation of such a project.

The first step will be to look at the context wherein the proposed record label will operate, i.e. the South African tertiary education system. The next step will be to describe the record label itself, i.e. what its goals are, how it could/should function, and why there is room for such a record label. The crux of this project is that it will differ greatly from the concept of a “traditional” record label, although it will still make extensive use of the template provided by the traditional type of label in order to differentiate its goals and the relative strategy for achieving them from what is already available. The notion of a traditional record label model vs. modern record label models is discussed at length in the previous chapter.

Record Labels in the South African Context

In the South African context there are several other record labels based at tertiary education facilities, but these generally have different approaches to that of the SACM record labels.

The first and likely most prominent example is that of the **International Library of African Music (ILAM)** at Rhodes University in the KwaZulu-Natal Province. The facility, founded by Hugh Tracey in 1954, is primarily an archive for the collection of African music recordings and related material (Shumba, 2015). Research into African music is also a prime concern with the annual journal *African Music*, extensive field recordings, and textbooks all forming part of the facility’s output.

Located at the University of Fort Hare in the Eastern Cape Province, the **Eastern Cape Audio Visual Centre (ECAVC)** is another prime example. This facility's focus is on the combination of audio and visual material and ranges from the production of films to graphic design and photography. The ECAVC comprises two recording studios, as well as a full film production studio. The facility has a commercial focus and rents out its services for several applications such as recording music, radio adverts, audiobooks, and corporate/music videos (ECAVC, 2015).

Both the Universities of Stellenbosch and North-West also have commercial recording studios that operate as independent entities, but in collaboration with their respective Universities. These are structured as proper business entities with one of the main goals being maximisation of profits. **Stellenbosch University (SUN) Studios** have several recording venues and a wide range of equipment, and are primarily geared toward the production of commercial classical and popular music albums and music/sound for films (SUN Studios, 2012). **Alabama Productions** at North-West University offers the full range of commercial record label services including recording and production, graphic design, marketing, packaging, and distribution. Although, this facility is also a primarily commercial entity, it offers opportunities to its student artists in the form of affordable rates and assistance (Alabama Productions, 2015).

SACM Productions

In the specific case of the **University of Cape Town, South African College of Music Productions (SACM Productions hereafter)** record label project, there are 2 labels being implemented as collaborative, but separate record labels. The goals that these have will generally differ from that of most commercial record labels. As these labels are based within the structures of an academic institution, with the main goal of promoting and providing education and research opportunities while acting as a showcase for the SACM, they will not be created in order to only satisfy a commercial role. Both of the labels aim to be non-profit entities, with SACM Productions being designated as a commercial non-profit

label, which will function as a showcase for professional recordings that are done within the structures of the SACM. Any profits will be used for the continuation and growth of the record label and its infrastructure, as well as funding future projects and necessary human resources. One of the main goals for this label will be to engage the SACM with the music industry in a direct manner. The way in which this will be achieved comes partially from the label's close working relationship with industry professionals in various fields such as recording engineering, mastering, recording infrastructure, as well as commercial and legal aspects. This will also insure that the product put forward by the label, as well as its presentation, is done in a way that comprises professional, industry standard quality. As the music industry itself is advancing along with the related technology, the record label will also require a degree of flexibility. In licensing terms, this means that each project will be handled as a unique case. This implies that there will exist various licensing options, which will be suited to each individual case. This required flexibility creates an ideal climate where the use of Creative Commons licensing might be pursued.

The other label – **UCPR** – will function as a sandbox environment for music technology students at the SACM. This label will therefore be an educative tool, used to provide incentive to students for honing practical skills, as well as giving the opportunity to work with and learn from industry professionals. It will also serve to create a platform where students can take individual incentive and their own projects can be created. The label will also focus on creating something of value in the form of educative resources and environments promoting education, as well as valuable research material and data.

This means that the fundamental structures on which it will be designed are in another category than that of the commercial record label. Although its main aim will be to promote the sharing of intellectual property (but without loss of credit for its creator), the label itself will still need to be a financially viable project for the University, being able to cover its own expenses. In order to provide incentive for the artist to release their work on the label, the artist will also need to be provided something concrete in return for their work. This might come in the way of promotional activity, for which the creative commons licensing system is very advantageous. The concept of royalties or some other form of

payment should also be investigated, but as the record label will be built on the idea of minor profit in favour of promoting free-flowing information and cultural value, it is more possible that it may not be a viable option.

This line of thought means that the label will be more of use to artists that do not have a well-established fan base, as promotion and opportunity to record in a professional environment in a cost effective manner will be the main incentive for providing musical works to this label.

As mentioned, for this specific research dissertation the focus will be on SACM Productions.

So, in moving away from the traditional form and ideal of a profit-based record label, there will need to be a source of capital and infrastructure inherent to the project, which is not entirely dependant on the financial success and profitability of the record label. This source of funding can be attained through a variety of ways:

Internal funding – The establishing institution, which has the highest interest in the project, can provide the majority of funding and infrastructure as a primary investor. This is the likely source of capital, as the establishing institution will want its interests to be top priority, something that the leverage of funding will be able to provide.

External funding – A third party (i.e. outside the record label or the establishing institution) can provide funding for the necessary infrastructure and setup costs. This implies that this third party also has an interest in the success (albeit not necessarily financially) of an innovative type of label like the one in question. This type of funding is naturally less probable, as an external investor should likely be interested in receiving a financial return on their investment – something that the type of label in question will not likely be able to provide in substantial amounts – as well as a degree of control over the functioning of the label itself. Although the current structure and ideals of SACM Productions will not make this possible, this possibility can not be wholly disregarded in general, as certain changes to the goal and functioning of the record label might make this option more appealing to external investors. As the record label is created within the structures of the University, it is difficult to see a place for other funders or

investors that are privately invested in the record label, because that would undermine the University's financial and bureaucratic system.

This means that currently the only viable option is to seek support from the University itself.

Challenges and Opportunities in the Creation of a Record Label Within a Tertiary Education Institution

With the creation of the aforementioned record label, there will naturally be several challenges, but also opportunities, with regard to the structure within which it is created. The setting of the label inside the structure of a University provides a host of positive and negative practical implications. Throughout the initial creation process and continuing on to the operational stage, many challenges and opportunities arose through practical experience, generally requiring certain decisions to be made. These situations were handled in the way that would hold the most potential for advancing the record label and the SACM's goals with the completed background research forming the basis from which all decisions are made.

Process of Registration

One of the first steps that need to be taken for a record label to become operational at a legally official level is the registration of the label at an administrative body such as RiSA, which represents the recording industry of South Africa. This is not explicitly required, but holds several possibly advantageous implications for the record label that joins, so it is generally encouraged. The implications include:

- A lowered fee for entries to the South African Music Awards
- Access to the services of RiSA's anti-piracy unit (RAPU)
- Implications from PPD² agreements made by RiSA with CAPASSO
- Royalties collected by the South African Music Performance Rights Association (SAMPRA, 2008)

² Published Price to Dealer – This refers to the price at which a record label sells a product to a representative of the secondary sector (shops or distributors). Generally an agreement of this nature also includes the percentage of the PPD that the artist will receive as royalties (Le Feldman & Associates, 2013).

The registration process is quite intuitive, as the prospective member can visit RiSA's website and simply download the necessary forms that need to be completed for the registration to be concluded. There are two forms that need to be completed in order for a new member to join.

First, there is a *Member Application Form*, where the prospective member's organization/company details are required, including confirmation of manufacture and distribution. The manufacture and distribution need to be confirmed with the respective companies, and their details and signatures are also required on the form.

Secondly, the *ISRC³ First Owner Code Application Form* needs to be completed in order to gain an ISRC code for the record label. This code is extremely important in the record industry as each piece of recorded music released by the record label is encoded with a unique instance of the record label's ISRC code. This unique number can then be used to identify the record anywhere in the world, and is widely used in administrative aspects relating to the recorded material.

Once these steps are completed and approved, the record label will be an officially registered entity with RiSA.

Capital

For any new business undertaking, capital and assets play an essential role in getting started. In the University setting, part of the initial challenge of such an undertaking, for which a short term return on investment is not a given, was securing funding for the projected activities and infrastructure of the record label. In this case the primary objective was to start with the production of marketable musical material as soon as possible, so that the record label would have a product to provide to consumers, thereby activating its business operations, and also to provide the University with a concrete product to substantiate the argument for the continuation of the record label. There are many known and unforeseen expenses involved in the production of a musical album, so once the first step of creating projected expense budgets for selected

³ International Standard Recording Code

initial projects was finalised, the challenge became acquiring the necessary funds.

Funding Process

As the record label project is an initiative of the University, any financial operation must go through the University's financial structures; therefore the required funding was first sought from the University itself. The RCIPS (Research Contracts and Intellectual Property Services) department of the University was approached first to apply for funding in the form of a pre-seed fund to get the project started (University of Cape Town, 2014). After the necessary applications and procedures were followed – this included the creation and submission of a formal business strategy for the record label and its operations, as well as the mentioned project budgets and registration forms – the potential and planning for the record label undertaking proved to be sufficient for the initial funds to be released for the completion of three recording and production projects through SACM Productions. However, here the funding challenge took on a different form in that all the funds would eventually have to be returned to the University through returns made by the record label itself. This, of course, placed added pressure on the label to be financially successful and perform effectively.

Available Assets

On the other hand, there were several assets already in place, which proved to be very beneficial.

Equipment

The practice of recordings being made at the SACM, as well as at the neighbouring Baxter Theatre, initially meant that there was a sufficient collection of microphones and other essential recording equipment already present within the SACM. With proper scheduling, these could be used for active recording projects. From 2013, the Music Technology department specifically then began acquiring several high quality microphones and pieces of key equipment through the SACM, building its own collection. This equipment could then be accessed at any time for use by the Music Technology program staff, as well as by the record label staff that have a strong link to the program itself and

whose goals often overlap. For example, the following list (taken from an e-mail excerpt from the SACM sound equipment manager) was used for a small-scale vocal/instrumental recording at the SACM:

“ I can do :

- 1 x Dynamic (SM 57 / 58)
- 1 X LD (TLM 193)
- 1 X Radial JDI DI Box (for laptop)
- 1 x Pair AKG 451 with Omni Capsules (for Spaced Pair)
- 1 x Headphone amp + Headphones + 2 Hp extension cables
- 1 X Latchlake Stand
- 8x Boom Stands + 16 x XLR cables
- TB mic and Mini Mixer

The other items are part of the Music Technology Pool in B 13 so would have to be requested via [person in charge], viz :

- 1 x Royer SF 24
- 2 x AKG C 414 Matched Pair
- 3 x Hp Extension cables “

Naturally, the easily accessible provision of these kinds of assets is incredibly advantageous to the Record Label Project as a whole, meaning that equipment-wise a very high standard of sound recording (especially in the South African and – more specifically – academic settings) is made possible.

Infrastructure

In terms of sound recording infrastructure, the creation of a record label within the structures of a University had additional advantages. The SACM created a dedicated sound recording environment within its main building, enabling recording projects to take place at any time, provided the necessary personnel were present. A recording control room was also installed in one of the SACM's main performance chambers, providing the opportunity to create recordings in a performance venue. The creation of these environments without the aid of an entity like the University would have entailed considerable capital expenditures for the label, which initially would not have been possible without an alternative injection of capital. Even the location of an appropriate and usable venue would have required an additional large amount of effort, which makes it very advantageous to be within the University's structures.

Human Resources

Operationally, the record label is handled by the University through the initiative of a single person, i.e. the creator of the record label. Additionally, with all of the available funds being dedicated to completing projects and creating essential physical and digital infrastructure, no funds are currently available for the hiring of extra administrative personnel. As an undertaking of this nature requires large amounts of planning and work, another challenge was how the operation of the record label would be executed effectively. With the head of the initiative also being a full-time lecturer at the SACM, additional personnel would be required to ensure this efficacy. As no immediate funds were available, volunteers from within the SACM were sought and recruited to assist with certain aspects of the project. The author is among those volunteering their services and has been assisting in the capacity of junior project manager. The challenge of this situation is that there is an absence of dedicated and experienced personnel for essential aspects of a record label such as marketing and distribution, and that inexperience can potentially lead to failure. An in-depth study of these aspects will need to be done by the available staff in order to ensure success. The hope is that research documentation like this dissertation might assist with the process. Although the rise of digital communities and online social networks have made promotion and marketing a possibility for anyone with an Internet connection, the expertise of a marketing professional still remains an invaluable and irreplaceable asset, the lack of which makes this a challenge for the label. Before funds can be set aside to acquire the human resources required in this regard, current staff will need to ensure extra care is taken to extensively investigate and exploit marketing and promotional streams.

Manufacturing

Physical album sales still make up the majority of sales in the record industry of South Africa (IFPI, 2014). This situation means that there is still a greater demand from consumers for a physical product, meaning it increases the potential of success for a record label if it can satisfy this consumer demand. As physical manufacturing is one of the more costly parts of the production process, a large portion of the funding for each recording project is given to the

manufacturing of the album. Once again it is of paramount importance to maximise cost-effectiveness in this regard. Although it poses a significant challenge, the prediction of the amount of album units to be physically manufactured should be approached very precisely. It is a general rule of thumb that the manufacturing cost per unit decreases as the amount being manufactured increases. This means that the more units are manufactured, the less the cost per unit becomes. However, the situation where too many units are manufactured is a risk to an independent record label, because if the units are not sold, it means that the funds could have been spent on another aspect or project. Manufacturing too few units also poses a risk, because if consumers demand a product and it is not available, the record label is impacted negatively and another press of the albums will be more costly. For initial projects, the budget of SACM Productions has shown to provide for between 500 or 1000 albums to be physically manufactured per project. Prices for manufacturing are quite competitive, so the process of selecting a manufacturing company is another challenge for the record label. Firstly, viable manufacturing companies need to be selected. This is done according to the companies' reputation, service quality, production time, and proximity to the record label (otherwise additional transportation costs also enter into the equation). Following this, the basic business procedure of acquiring quotations from the shortlist of selected manufacturing companies is done; whereafter the best candidate is selected. Initially, this can be done again for each project as industry pricing may fluctuate. However, it may be in the interest of the record label to build a working relationship with a single manufacturer in order to promote good service and make use of potential loyalty benefits. In this regard, the label has found the most success working with the Cape Town base company, Media Alliance, as primary service provider (Media Alliance, 2015).

Physical Distribution

The challenges regarding distribution may not be exclusive to a record label operating from a tertiary education institution, but are a very tangible challenge to almost any starting record label. Distribution here refers not only to the physical logistic involved in transporting the product to a given retailer or point

of sale, but also the creation or location of an actual point of sale. This is where the major challenge to the record label will enter into the equation.

With the quantity of recorded album units produced through the record label being of insufficient quantity to be a viable option for the large South African retail music chains (Hutchison, Allen, & Macy, 2012), the option of personal contact with smaller retailers and negotiating a point of sale in these smaller venues is one of the few retail sale opportunities available. Fortunately the University setting also provides another possible solution to this challenge. Every month there are several live performances, concerts, and events held at different locations in the University – e.g. March 2015, when five live public performances took place at the South African College of Music alone, which is an average number for any given month. These events present an opportunity to sell the music produced at the record label directly to the target market, i.e. the concert-going audience. Aside from events such as these that are directly related in nature to the product that is being marketed and made available for sale, other events with a different focus can also be viewed as potential locations for making sales – owing to the fact that the record label with the musical products it offers also acts as a great promotional tool and a source of prestige for the University itself. This creates a mutually beneficial situation for the record label and the University where the label as a showcase for the University is benefitted by even more opportunities for making its music publicly available. One such event was the 9th annual congress of the South African Society for Research in Music, which was held in July 2015 at the SACM (SACM, 2015), where recorded material from SACM Productions was made available for sale and was generally met with great interest from the attending academics and public.

Digital Distribution

Whereas the physical distribution system of SACM Productions currently remains a challenge to be navigated, the digital distribution system offers a variety of viable opportunities. The challenge here, as generally important with regard to many decisions in a commercial enterprise, is to once again find the solution that is most cost-effective. In terms of digital distribution, no physical manufacturing or transportation costs are involved, but depending on the sales

platform on which the music will be made available, there may be service-, registration-, commission-, and/or other hidden fees involved. Additionally, the consumer market of each digital platform differs and the target market naturally has to be taken into account. These issues pose the question of which digital sales platform(s) should be used to facilitate distribution of the musical products released by the record label. As mentioned, there are several variables and desirable outcomes that influence this decision. For SACM Productions, being a recently created entity with very specific spending parameters, securing funding for any operation outside the core activities involved in producing an end-product is currently almost impossible. Therefore, the focus in this decision making process is to minimize (and preferably eliminate) expenses while retaining maximum efficacy in bringing the product to the consumer in a presentable and professional manner.

Online Sales Platforms

Firstly, the possibility of the record label directly distributing the material digitally to consumers was considered, but found to be inadequate. An initial setback to this consideration was the challenging process that would have to be followed in order to practically implement a digital download and payment system on the record label's website. Being situated within the structures of the University of Cape Town, any payment system would have to be directly integrated into the University's current system. Although it is theoretically possible to create a individually dedicated funding, income, and expense system within these confines, the implementation of such a system would require a great deal of effort and time from a great many parties involved, with a constant need for administrative documentation to be updated, verified, resubmitted and evaluated. If the administrative aspect of the process could be successfully completed, there would still need to be created a practical and user-friendly way of providing the download and payment service on the website, implying further needed human resources and infrastructure. This did not prove to be viable option for the record label. As mentioned, the label had already received a pre-seed fund from the University's RCIPS department and these funds had to be expended in order to begin production of marketable material, which would in

turn be used to return the investment and create an opportunity for growing the record label in the form of future projects. With time being a critical component, a more efficient and immediate solution needed to be found. Additionally, this scenario would mean that the record label itself would provide the only digital point of sale on its own website. Even with a strongly established online presence, this manner of sale would not have nearly the reach of an official and widely used digital download platform, nor the proven user-friendly functionality of a professionally created service. Therefore, the decision was made to market and sell the record label's products on one or more digital platforms. After some initial research into this process, it was revealed that the primary way in which to make material available for purchase online, is to make use of a third party service provider (Herstand, 2015). The prevalent and successful use of services of this kind in the music industry also provided an incentive for SACM Productions to follow the proven example. Unfortunately another challenge arises with the use of a third party service (e.g. CDBaby) – that of establishing a method of payment in order to receive revenues from the service. As mentioned, the University has a centralised financial system through which all income and expenditures must pass. The process of linking a payment method through the PayPal service has so far proved challenging in that University bureaucracy must be navigated correctly so that funds deriving from the record label's activities can later be accessed after its payment into the University's account. This requires an accurate referencing system, without which the funds will remain inaccessible and revenues will not be accurately calculated.

Choice of Digital Distribution Company

There are several digital distribution companies that generally provide the service of releasing music on online stores and streaming services. Some of the most prominent and widely used global distribution services were compared in the first chapter. This comparison was used to aid in the selection of which service would be most suited for use by SACM Productions. At the end of the comparison, the most likely candidate for use by SACM Productions was CDBaby. The largest contributing factor in this decision was that the consumer market at

which SACM Productions aims its music is a niche market, and the ability to promote sales directly to these customers is already a possibility. The only service required from the digital distributor is the infrastructure that it offers in the form of online purchases. As mentioned, CDBaby has a free service where a user's music can be sold on their own website and Facebook page, as well as the CDBaby website. Initially, this looks to be the most cost-effective and suitable option for SACM Productions. Additionally, the other positive aspects of CDBaby, including the company's reputability and ease of use, added to the argument for using this specific service provider. This sentiment was also echoed by the advisory personnel at the RCIPS department and specialists including the record label's creator and website designer. In the future, a possibility that may be examined is to make use of the free option offered for the sale of the album, but to select a single track (or limited number of tracks) to be made available on the major music stores as well.

Legal Aspects and Industry Professionals

Once again there are also a lot of resource advantages in the given setting of the University. Intellectual property issues and other legal queries can be directed to the University's RCIPS department, where a legal department exists, providing a legally sound basis for every part of the undertaking. This ensures future stability and decreased risks for the record label. Issues such as the creation of a logo and trademark for the record label has been accomplished by working with the RCIPS legal department, ensuring the validity and legitimacy of the process and eventual result.

Additionally, being an old and reputable institution, the SACM has an already existing network of professional contacts within the music industry. This includes several key individuals as well as companies with a proven track record and expertise in the industry. Drawing on these resources through outsourcing greatly increases the potential quality of product that can be produced. Insights from these industry experts also aid in directing the record label's approach to various projects, and provide further links to helpful resources. An example of this is that the creation of a standard contract agreement between the record

label and the prospective artist can be placed in the hands of the legal professionals at the University.

Musical Material Quality and Artist Identification

The record label was created with the primary aim of showcasing music created and/or performed by the staff and students of the South African College of Music. This means that being located in a tertiary education faculty, where professional musicianship and excellence in music are among the most important traditions and goals being pursued, largely eliminates concerns of artist quality being below the sought standard.

Another great potential advantage to operation from within the SACM is that there is a constant source of new potential artists for the record label coming through the education system. Each year new students are added to the SACM's database, along with new staff occasionally being brought in and new contacts being made through interpersonal networking. This ensures that there will be an indefinite wealth of potential candidates for the creation and recording of new musical products through the record label, which naturally is a great advantage in that very little effort need be expended to locate new artists for the label. In addition, the quarterly mailing list of the SACM can be utilised as a promotional platform for notifying potential consumers of the activities and projects being undertaken and products being offered by the label. The fact that many of the musicians coming through the education system of the SACM are still relatively unknown in terms of popularity as artist also creates incentive for these artists to make use of the record label as a vehicle to get their music professionally produced and released, along with the promotional benefits this will have. In return, the record label will be able to use the profits from the sale of the album's initial physical replication (generally 500 to 1000 units), as well as profits made from digital sales completed through the record label, in order to fund future recording projects. This also implies another challenge in that the exact nature and structure of this type of agreement will need to be clearly defined and implemented, where the interest of all parties are looked after. This will then be done in collaboration with the mentioned human resources from the University.

Academic & Project Network

In addition to the record label projects and activities that will be taking place within the SACM, the label will also aim to complete projects in collaboration with other Universities and commercial entities across the continent and around the world. This sort of collaboration could be very good exposure for all parties involved, as it would broaden the perspective of each entity and the people involved. As with the projects within the University, there are naturally several challenges involved in undertaking a project of this kind as well. One of the first potentially collaborative projects undertaken will be with the Weathervane record label (Weathervane, 2015). Several students from the SACM have already been enrolled in Weathervane's program for developing recording and mixing practice – the Weathervane Music Instructor's Toolkit (University of Cape Town, 2015). A collaborative effort will be made in the creation of a recorded product where both SACM Productions and Weathervane personnel are involved. Administration and legal aspects are among the most prominent challenges that will need to be navigated in order to successfully complete a project of this nature. However, if this can be successfully done, it will have a greatly positive impact for the SACM, as well as the record label itself in terms of experience and promotion.

Online Presence

A final challenge for the record label comes in the form of creating a professional and effective online presence. This includes the creation of a dedicated website with all of the integrated functionality required by a technology based entity. The record label's online presence will be one of its main sources of promotion, documenting its activities and also forming a platform for the sale of its products. This makes the effective functioning thereof a crucial factor in the success of the label. Here again, human and funding resources pose the largest challenge. The lack of dedicated, experienced personnel means that outsourcing is the only way to achieve the required goal of creating the website. Fortunately, the record label has built a relationship with a student at the SACM who is very adept and experienced in the creation of websites. His services were employed and the website is currently in the process of being created. The funding for the domain

fees were provided by the label's creator himself. Once the record label's website is made public, it will provide visitors with information concerning the activities of the label and events at the SACM, online resources, previews of musical material, as well as a point of sale for the record label's products through the CDBaby service.

In addition to the official website, a strong social networking presence will also need to be established in order to maximise the promotional reach of the label. Integrating social networks into the website itself is also a primary objective. An opportunity to consider here is the integration of an online music-based community (such as SoundCloud) as a widget on the record label website. Here, individually selected tracks or parts thereof can be made available as streamable or downloadable content, acting as promotional material.

Album Projects

As mentioned, the album production process will be studied in practice. The planned album projects will all aim to deliver an end product in the form of a complete physical recorded music album. Each album will be done under one of the two record labels that have been created in the structures of the SACM.

Several planned albums are already in various steps of the production process. Professional albums exploring both the strategy of using pre-recorded material to produce a compilation, and the strategy of recording within the SACM Productions structures are underway, with student compilations and individual recordings and collaborations also planned for the near future. These will explore strategies for cost-effectively producing quality products on minimal budgets and exploring purely online distribution avenues. The challenge here will be to ensure quality and marketability while simultaneously keeping costs as low as possible.

In this dissertation focus will be placed on the process of a recently completed album project, with certain aspects compared with other relevant projects.

The album will form part of the SACM Productions repertoire and will be constructed by taking sound material that has been pre-recorded and producing

an album from said material. The material will be mastered within SACM Productions' structures, and the end product will then also be made available for commercial sale through various channels.

SACM Productions Compilation Album Case Study

Personnel Involved:

- Album Creator – Liesl Stoltz
- Project Managers – Theo Herbst/Jacques Fouché
- Producers – Liesl Stoltz/Marek Pinski/Hendrik Hofmeyr
- Recording Engineers – Marek Pinski/Gerhard Roux
- Mixing – Marek Pinski
- Mastering – Joël Cormier
- Manufacturing – CDXpress
- Artistic Design – Igor Moulder
- Distribution – UCT, CDBaby, Interpersonal

Album Information

This album to be undertaken under the SACM Productions label will be a double CD album containing a selection of compositions by various South African composers, all recorded by Dr Liesl Stoltz and Marek Pinski and Gerhard Roux. Being a very accomplished and renowned flautist, Dr Stoltz created the concept for this album as a *Tribute to South African composers who wrote for flute*, which is also the title of the album. For SACM Productions at present, there are no definite selection criteria that apply to all prospective albums. Rather, selection is made on a project-by-project basis. Both Liesl Stoltz and Marek Pinski are well-known and reputable professionals in the South African music industry with both having an active connection to the SACM. Liesl Stoltz has also done extensive research on South African flute music and its demand in the commercial market; therefore this album was given the go-ahead to be produced.

This album will act as a proof of concept that the production of a professional-quality, marketable album by making use of pre-recorded musical material as

initial input is possible in a tertiary education environment. This writing will also serve as documentation for this album project, and a guideline for future projects of the same nature, providing a compendium of considerations important in the creation of such an album.

As the album in this project will be handled as research output, a base project budget of ZAR 30,000.00 has been secured from the Research Contracts & Intellectual Property Services department of UCT in the form of a pre-seed fund (University of Cape Town, 2014).

Creation Process

As all of the musical material had been recorded and mixed at an earlier time, the first step in the production process was to consider which works would be selected for the album, keeping in mind the total amount of recorded material and whether the album itself would be a single- or multiple disc album. In this case, there was enough material for 2 discs of music to be made. Under the experienced direction of Dr Liesl Stoltz (also a faculty member at the South African College of Music) and Marek Pinski (orchestral/instrumental recording engineer and music industry professional) 13 tracks were selected for inclusion on the first disc, and 10 on the second disc of the album.

After this selection process, it was necessary to make a decision with regard to the final order of the selected tracks on the discs, as this can have a significant effect on the listening experience of the consumer. This process was also handled by Liesl Stoltz and Marek Pinski, as well as Prof. Hendrik Hofmeyr, whose works are also featured on the album (South African College of Music, 2014).

Mastering

The next key consideration was the person/company that will handle the mastering of the recorded material. Because SACM Productions is still a fledgling professional entity, it has not yet been lucrative to hire a permanent professional mastering engineer and, as with many of the aspects involved in the CD production process, this service would have to be outsourced to industry professionals. For this specific task, the choice of mastering engineer first posed

the question of whether a local or international entity would be used. The previous album released by SACM Productions was mastered at the renowned Abbey Road studios in England, and the reasoning behind employing an international contact would solely be for the superior quality available internationally at established and experienced studios such as this. The eventual choice would come down to a balancing of cost and quality. As the international mastering engineers that were sought out had to be of very high quality, these generally proved to be much more expensive than local alternatives, even before the recorded material courier fee is included. After the project management had consulted, the choice was made that no compromise could be taken on sound quality, and that if costs were to be kept low, other aspects such as quantity of physical albums produced would have to be reduced. The Swiss mastering engineer Joël Cormier, a part-time employee of *Idee und Klang* (Idee und Klang, 2014) was first approached to handle this process, and was later selected after his initial quotation was accepted by the project's management team.

The reasoning behind the selection of Joël Cormier as mastering engineer for the project was twofold. The first was the exemplary quality of previous work he had done; he had previously done the mastering for two projects where Marek Pinski was also the recording engineer – *The Barber/Korngold/Waxman with the Cape Town Philharmonic and Perry So* album by Alexander Gilman, and *The Louis Spohr Clarinet Concertos* with Maria du Toit and the Cape Town Philharmonic. The end results of both these recordings are of very high quality and have been highly praised by several sources, including Klassik.com and the Dutch conductor Arjan Tien (Idee und Klang, 2014). The second reason for selecting Joël Cormier is to establish a connection between the SACM's Music Technology department, SACM Productions itself, and prominent music industry role-players. This is done in the interest of advancing both students and the SACM itself. Being connected to professionals in key positions within the industry will create room for more opportunities for the SACM's students, as well as reinforce SACM Productions' position as a reliable and prominent entity in the future.

Material Preparation

Before the mastering can be done however, the recorded material must first be prepared in the correct format and then sent to the mastering engineer. Although not the most obviously important step of the creation process, it is an indispensable one. It is essential to get the material to the mastering engineer on time and in perfect condition. For this album the recording engineer, Marek Pinski, took responsibility for this step of the process. This is generally an effective arrangement, as the recording engineer should have thorough knowledge about the recording sessions and the relevant sound data. Notes on all facets of the recorded material should be included, e.g. fades, compression, song order, etc. (Woltoñ, 2008). The preparation also has its own costs to consider, including the purchase of a portable Hard Disk Drive for the material's storage, special packaging to ensure the safety and integrity of the storage medium, the courier costs to send the HDD to the mastering engineer (which, in this case, means sending it to Switzerland), and finally the recording engineer's costs to prepare all of the session data in the correct format for use.

Album Reproduction Licensing

Once all of the initial administration has been completed, it is necessary to apply for the mechanical rights license to reproduce the album itself. It is illegal to continue with CD replication without the necessary authorisation (CAPASSO, 2015), and no legitimate manufacturing company will provide their services without it. The entity responsible for managing mechanical rights in South Africa is CAPASSO, the Composers, Authors, and Publishers Association. Owing to relatively recent legislative and copyright developments, there should now only be one entity responsible for managing a given form of copyright. This development prompted the two major mechanical rights entities, i.e. SAMRO and NORM, to integrate their services into a single entity responsible for all mechanical rights in South African music (CAPASSO, 2014). The necessary application forms for the different required mechanical rights are available for download on the CAPASSO website. In order to replicate physical albums, the *Application Form for OCW (Transactional Physical) Licensing* must be completed and approved by CAPASSO. The application form requires most of the basic

information surrounding the music album and the applicant, including a full track list for every album. The details of the manufacturing company to be used must also be filled in, so it is necessary to decide on the company beforehand. The quantity of CDs to be made must also be declared, along with the retail price of the album.

Album Artwork

Concerning artwork for the album, it is largely up to the artist/creator of the album to decide what they prefer. Artwork will always be a subjective part of the decision-making process, but in terms of making business sense it is sought after that the cost of hiring a professional artist does not exceed the functional value of the art itself. However, even this cannot be fully determined, as it remains subjective. In some cases it might even be to the benefit of the album to get a very renowned artist, even though the cost will likely be very high. A renowned visual artist's work might boost the value of the album as the music industry, and especially physical albums, depend greatly on the visual element as a marketing device and also a way for the music to be remembered by way of a visual stimulus (Jones & Sorger, 1999). This makes it important that the artwork/artist be selected for their role of strengthening the overall message of the album, as well as contributing to the overall image of the album, not removing from it.

For this specific album, Igor Moulder was selected as artist based on the subjective preference of Liesl Stoltz, the album's creator. Communication with the artist had already been established just prior to the commencement of the project, and previous examples of his artwork were evaluated and approved by Liesl Stoltz and the project's management team. The artwork involved consists of hand-drawn pen sketches, which are inspired by the characteristics, themes, and title of the album and its music.

EAN Coding

In the retail domain, it is also necessary to put a machine readable, International Article Number (EAN – originally called “European Article Number”) barcode on your product in order for the product to be viable for sale using a barcode scanner (Computalabel International, 2015). This is used to directly encode the product, in this case a music album, with a retail price that the customer will be

charged when the product is scanned at the point of sale. The barcode also has the function of crediting the supplier, in this case SACM Productions, with a sale and is then used to control inventory at the given retailer. The key consideration for a barcode is that it be a unique GS1⁴ registered number, which will then give the item its authentic item registration. Barcodes can be obtained through a third party service, or directly from the GS1 Company.

Distribution and Sales

Physical distribution of the album will be done primarily through sales at live performances and events at the SACM and the Baxter Theatre – a Point of Sale facility is currently being acquired and should be available soon so that recorded, secure sales can be made. This type of sale will naturally require effective management and presence at every concert opportunity. A professional and highly visible presence will be key in maximising sales. Initially shaping a professional image may incur certain additional costs, but it will be worthwhile in the long-term if the brand is established as a professional entity from the go. With most concerts performed in these venues being Classical, Jazz, or Traditional, the majority of attendants will likely have a taste for the kind of music being offered and will tend to be interested in buying from these styles as well.

If a variety of products can also be offered, the overall sales appeal should heighten as well. This will be done by adding more products to the point of sale as they become available. Marketing before, during, and after concerts (on posters, announcements, online, etc.) will also be necessary to maximise efficacy of the sales process, which could result in more sales than predicted.

A worthwhile consideration might also be to create an online ordering and delivery service so that consumers can order physical albums online. In addition, digital sales will be pursued and promoted extensively through the mentioned online presence of the label and through the CDBaby store.

⁴ GS1 is a global not-for-profit entity that has created the most comprehensive and widely used worldwide system of standards for the supply chain (GS1, 2014).

Pricing

In making a decision with regard to album pricing, the cost of production will have to be kept in mind in order to calculate the number of units that need to be sold in order to make a full return on investment. The price of a product of course also influences the number of potential sales, i.e. a lower price heightens potential for more sales. However, it should be kept in mind that if the price is too low, it might transfer an underlying impression of low quality, which is to be avoided. A predicted sales number should also be used in order to select the best pricing bracket.

For reference, at the popular South African retail chain store, *Musica*, the median classical CD album is sold at between R60,00 and R120,00, although several are priced higher. CD albums specifically categorized as South African (generally in traditional/popular South African styles, i.e. not classical) are priced at between R40.00 and R100.00 (Musica, 2015).

All considerations taken, the album price was set to R150,00 per unit for the Liesl Stoltz project, keeping in mind that the product is a double disc album.

Promotion

The album, along with other releases will be marketed to the greatest possible extent through the interpersonal network of the SACM and the University itself. This includes visual promotion in the form of posters and online adverts on the University and label websites, as well as promotion through the various mailing lists and announcements at live performances. In addition, social networks and online communities will be extensively used to boost promotion. Lastly, several local radio stations are supporters of innovative locally based projects such as this, and promotion through these is also a strong possibility. Examples include Fine Music Radio (FMR, 2014) and UCT's own station, UCT Radio (UCT Radio, 2015).

The popularity and financial success remains to be seen, but every consideration will be taken to ensure the best possible chance for its overall success. Feedback through sales and usage will also prove invaluable for upcoming releases.

Conclusion and Future Considerations

In concluding whether it is possible to successfully design, implement, and operate an independent, not-for-profit, commercial record label that services the needs of the South African College of Music with a flexible approach to the music industry, music as product, and copyright, the hypothesis was proven correct. The only aspect of the hypothesis that was not yet proved was the usage and implementation of more flexible copyright approaches in the record label. However, this will definitely be explored and experimented with more fully in the future, especially as the UCPR record label should provide a more suitable environment for this kind of licensing. Creative Commons licensing shows great potential for use in the release of teaching resources, student showcases, collaborations, and other projects online through SACM Productions and UCPR. The proposed collaborative projects especially lend themselves to this kind of licensing.

Although there are still many challenges to be navigated and potential pitfalls to discover, the initial design of the record label proved effective. The flexible approach has so far enabled SACM Productions to operate successfully and adapt to the challenges posed in its creation process. The proof of this comes from the successful official creation and registration of the SACM Productions record label, as well as the completion and release of two separate albums, with another nearing completion, and several more planned for the near future. In addition the recording infrastructure of the label is gradually expanding, while more industry networking relationships are constantly being formed and strengthened. This networking power has the potential to make up for shortcomings in the infrastructure of the label itself, as more suitable recording environments and equipment become available through industry contacts. Other future innovations in the realm of music technology at the SACM, including gesture interface projects; sound library and music database projects; as well as branching out to other media formats such as music for film and video games, will provide additional marketable material to the label, in turn promoting sales and further improving the prestige of the SACM.

Challenges that remain to be conquered include that of successfully implementing an online payment system for the record label, while refining the current physical payment system. Additionally, the publishing of the record label's website will need to be completed before sales and promotion can be fully exploited and utilized. The general online presence of the label in the form of social networking and online communities will need to be consolidated and improved for more effective marketing and evaluation of consumer preferences. Once the capital becomes available, digital distribution can be re-evaluated in order to make SACM Productions' music available on major online stores such as iTunes through the utilization of paid services from digital distributors such as CDBaby.

Much has been discovered about the album creation process, and the lessons learned will need to be translated into a more streamlined version of the creation process. This has already proved to be the case in more recently created albums, where experience has begun to increase efficiency in terms of both time and resource management.

With regard to the creation of an album itself, certain subjective considerations have already been taken. In comparing the discussed complete recording project to a recently started project where the recording itself was done from scratch under direct supervision of SACM Productions project managers, it has been shown that in the latter instance more control can be exercised in the recording process itself. This increased the likelihood of creating a product that more fully realizes subjective considerations with regard to the sound and quality of the end product, as direct control can be exercised at every step of the creation process. This will also increase the likelihood of the produced product being in line with the vision and goals of the record label.

Eventually, expansion of the record label could potentially include artist management services, more prevalent international tertiary education institution collaboration in the realm of music, and diversification of musical genres into several underlying record labels that form a part of the larger SACM Productions as the number of releases increase.

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