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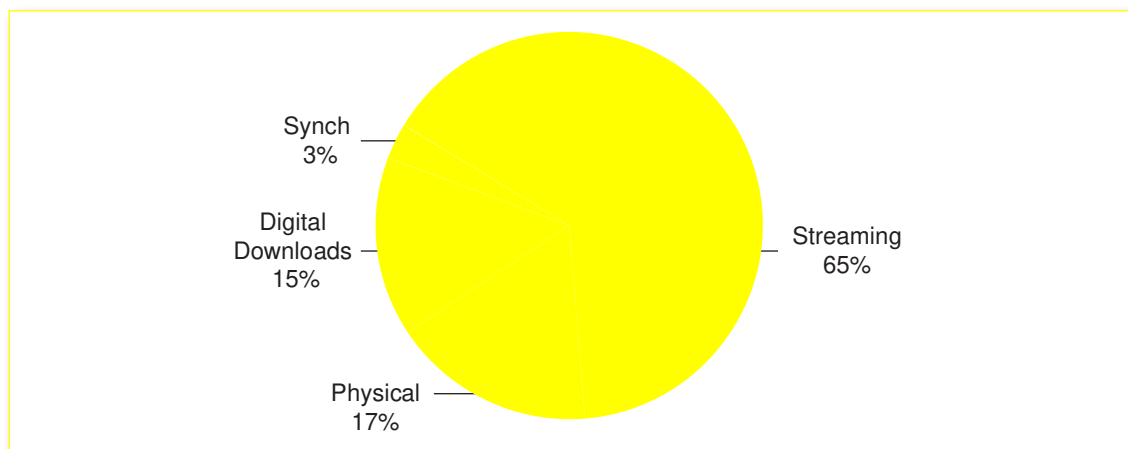


DAVID BASKERVILLE // TIM BASKERVILLE

MUSIC BUSINESS HANDBOOK AND CAREER GUIDE

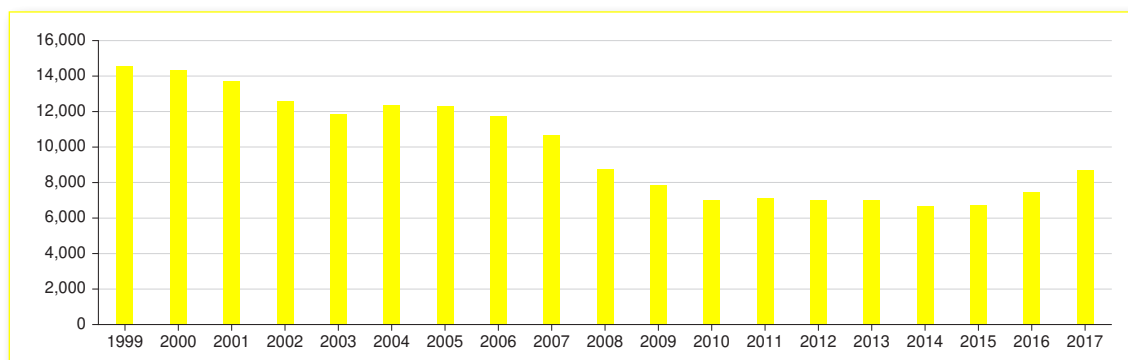


U.S. Recorded Music Industry Revenue: 2017



Source: RIAA

U.S Recorded Music Revenue 1999–2017 (millions of dollars)



Source: RIAA

U.S. Recorded Music Revenue 1999–2017 (millions of dollars)

	1999	2001	2003	2005	2007	2009	2011	2013	2015	2017
CD	13,038.7	12,988.8	11,268.9	10,531.1	7,464.5	4,321.9	3,104.2	2,143.4	1,446.2	1,058.8
Cassette	1,109.6	358.1	108.1	13.1	3.0	0.0	0.0	0.0	0.0	0.0
Vinyl	59.7	58.8	43.2	27.4	26.9	66.3	124.0	213.7	339.1	394.6
Music Video (Physical)	376.7	335.2	434.2	623.4	491.3	213.6	152.8	106.8	76.9	42.1
Digital Downloads	0.0	0.0	0.0	503.7	1,339.2	1,963.5	2,628.3	2,828.5	2,259.8	1,279.7
Ringtone, Ringback, Other	0.0	0.0	0.0	421.6	1,055.8	702.8	276.2	98.0	54.6	51.1
Paid Digital Subscription	0.0	0.0	0.0	149.2	234.0	206.2	247.8	643.3	1,156.7	4,092.2
SoundExchange Distributions	0.0	0.0	0.0	20.4	36.2	155.5	292.0	590.4	802.6	652.0
Ad-supported Streaming	0.0	0.0	0.0	0.0	0.0	0.0	113.8	220.9	372.0	920.4
Synchronization	0.0	0.0	0.0	0.0	0.0	201.2	196.5	189.7	202.9	232.1
TOTAL	14,584.7	13,740.9	11,854.4	12,289.9	10,650.9	7,831.0	7,135.6	7,034.7	6,710.8	8,723.0

Notes:

- Services with no retail value equivalent included at wholesale value.
- SoundExchange Distributions are estimated payments in dollars to performers and copyright holders for digital radio services under statutory licenses.
- Paid Subscription includes streaming, tethered, and other paid subscription services not operating under statutory licenses.

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MUSIC BUSINESS HANDBOOK AND CAREER GUIDE

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To my family, and to those in the business who care about the music, too

DAVID BASKERVILLE

Professor Emeritus, Late of the University of Colorado, Denver

TIM BASKERVILLE

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FOREWORD

Nile Rodgers

ARTISTS NEED TO BE GOOD LISTENERS, TOO

I'll never forget what the late David Bowie told me was his objective when I produced his album *Let's Dance*. He said, "Nile, darling, what we've got to do is come up with something that's the same but really quite different."

Don't laugh, because David was the consummate artist with an impresario's keen sense of the market. He knew the audience wants new musical sensations, but not so new that they are completely alien. Keeping your eye on the audience has been my philosophy ever since I was a skinny kid with glasses from the streets of New York, a musician who broke into the business playing in the house band at the Apollo Theater in Harlem.

My advice to the next generation of musical talent is to explore with an open mind and discover the musical world that's out there. Don't assume that you are so smart and talented that the world is absolutely going to find you on your terms.

The music business, after all, is business. And business requires focus. I make my songs for the specific gatekeeper that I see just in front of me. The gatekeeper could be an A&R dude, who I know will then take my song to the label boss. I'm not looking way down the road like when I drive a car. This philosophy focuses creativity on a simple and achievable objective.

I've never had a manager because I always want to figure out the marketplace myself and then plot my next move (although not having a manager is right for me, it may not be right for others). When I started out, it was the age of the rock star—the Rolling Stones, Yes, and Jimi Hendrix. I knew that I'd never make it as a rock star because I didn't look the type. So I wrote songs that were catchier and more commercial than theirs.

When I broke into the business, all we could hope for was that our records would get on the radio and land on the *Billboard* charts. The business was like a distant fortress with high walls and just a few gatekeepers. As artists—the musicians, producers, and songwriters—we had to figure out how to get over that fortress wall.

In today's digital age, music is everywhere, creating a flat, wide landscape with many points of entry. It's not just record labels and radio stations anymore. In recent years, retailers ranging from coffee shops to clothing stores have sold select CDs, giving them national distribution. Clothing manufacturers, liquor marketers, tobacco companies, electronics companies, and other consumer product outfits sell and sponsor music in deals with artists, creating whole new classes of music financiers and enablers.



Photo by Kathy Hutchins / Shutterstock.com.

James Taylor, who is a friend of mine, made one of the single smartest moves of his entire career—and he has an incredible career going—when he did a Christmas album distributed through Hallmark Cards stores. This album sold over a million copies; Hallmark covered the cost of the recording, and James kept ownership of the master. Now that’s what I call knowing the audience and working the system!

Years ago, the business was more combative and appeared punctuated with endless battles between artists and labels. Today, the environment is much more collaborative, with fewer battles. That transformation requires listening with an open mind but doesn’t mean agreeing to what doesn’t sound right. Once, I was in a disagreement with a label over one of my songs. The label was slow to come around to my view but finally agreed to destroy hundreds of thousands of singles that were just about to ship and replaced them with *Good Times*, the song my band CHIC wanted. It ultimately went on to become one of our most influential songs and No. 1 on the *Billboard* chart.

That incident illustrates the big stick of leverage that the artist—who often is portrayed as powerless—actually wields in dealing with labels and other big entities that are partners in the music industry. Despite their armies of executives and their mounds of corporate money, the big companies know deep down that they don’t *really* know. It’s the artist who has a feel for the music, and—if listening to my advice—it’s the artist who makes the effort to understand the audience.

The late Ahmet Ertegun—the legendary label executive known for his eye for up-and-coming talent—confided this little secret when I first met him. He told me, “Kid, the reason I’m letting you do whatever you want to do is because I learned early on that *I* am not the ultimate consumer.”

The lesson: Listen to the audience, and the audience will listen to you.

Nile Rodgers is a recording artist, songwriter, video game scorer, and record producer who has collaborated with David Bowie, Eric Clapton, Madonna, and Diana Ross. His guitar-driven CHIC funk recording “Le Freak” is Atlantic Records’ biggest single of all time; the song was inducted into the Grammy Hall of Fame. Rodgers personally received the Rock and Roll Hall of Fame’s Award for Musical Excellence. He is a founder of the We Are Family Foundation. Read more about him in his memoir, *Le Freak: An Upside Down Story of Family, Disco and Destiny*.

PREFACE

To even the casual observer, it's obvious the U.S. music industry has been on a long roller coaster ride. Going back as far as the late 19th century, there were songs that sold more than a million copies and live audiences clamoring to buy tickets to shows. Not bad at all, considering mass media hadn't even been invented yet. But since then there have also been wars, a Great Depression, multiple recessions, and other upheavals sending the business into periodic downward swoops that decimated many music businesses, their entrepreneurial founders, and the creators whose imagination and passion fueled the periodic upswings.

The last few years have been an instructive case in point: As the 20th century drew to a close, recorded music went into a deep swoon as long-established physical media sales plummeted, piracy became a cultural cancer, and those guiding the music business held on for dear life—or gave up before seeing how the ride would end.

Lately, the roller coaster has started once again up the incline. Digital media's latest manifestation, streaming, started pouring rivers of cash into thirsty record companies, beginning to fill their nearly empty tanks.

What's the lesson from all these up-and-down gyrations? One takeaway is that predicting the next few years is next to impossible. But the other takeaway is that over time, one way or another, the industry seems to find a new track that leads to recovery, and eventually to prosperity.

So, why *this* book?

After all, there are now dozens of excellent written guides on one aspect or another of the music business, usually with a tight focus on a particular topic—artist management, or tips on contract negotiation, or concert promotion, or music products, and the like.

What *Music Business Handbook and Career Guide* does is show the interrelationship between two major themes:

First, an unusually comprehensive overview of the multifaceted industry itself—a more all-encompassing treatment than offered in other books.

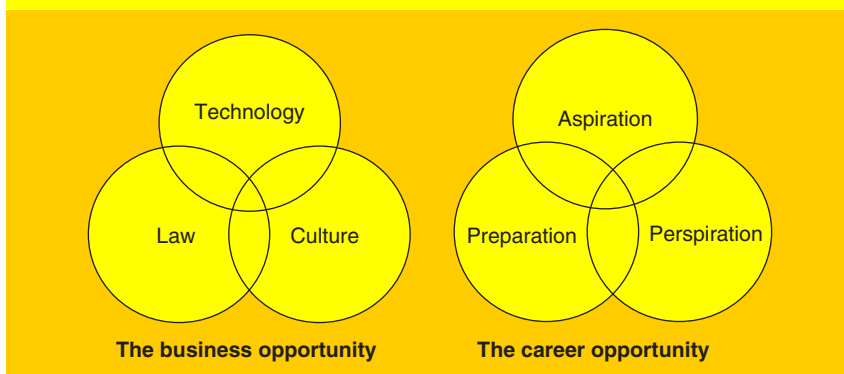
Second, a spotlight on the relationship of these many aspects of the industry with scores of specific career paths—everything from rock star, to music therapist, to web analytics expert.

If you're a fan of Venn diagrams, Figure P.1 on the next page may explain the two key dynamics that are addressed in the following several hundred pages.

On the industry side, we lay out in considerable detail how the industry is shaped by the confluence of technology, law, and culture. And we explain how career success for an individual depends on having a clear goal (aspiration), the right knowledge and training (preparation), and hard work and persistence (perspiration). Understanding *both* diagrams is critical. Career planning is likely to falter if assumptions about the industry itself are unrealistic or outdated.

To help master these concepts, this 12th edition continues our tradition of communicating both the enduring ideas that have shaped the industry for decades as well as the new realities that transform our understanding with jaw-dropping frequency. Whatever else you can say about the music industry, it is not static.

Figure P.1



A few highlights of what is new and improved:

- An entirely new chapter (14) on music streaming, which has quickly dominated revenue for recorded music.
- Implications of the passage of the 2018 Music Modernization Act, as well as insights from high-profile copyright cases (3).
- How music publishers are enjoying the many routes to more stable income (5).
- Where changes in licensing are impacting creators, composition performance licensing, compulsory and negotiated mechanicals, and sound recording licenses (6).
- When labels and their marketing and promotion engines (13) are adapting to big changes in consumer consumption.
- How music video (20) has been upended by the online resolution—how videos are made, where they are seen, and how and for whom they produce money (or don't!).

Our narrative in this edition has changed as well. We've reorganized some chapters to recognize today's new alignment of the issues.

Perhaps as important, we've humanized the story by offering more vignettes than ever illustrating how individuals in different industry roles advanced in their careers, as well as how they've adjusted to the interlocking influences of technology, law, and culture. Notable examples new to this edition include label executive Joe Gallo (chapter 10), and music publisher Jacob Fain (chapter 5).

As we collectively swoosh up and down the roller coaster, one truth remains: for individuals who are prepared and who have passion and focus, there is genuine opportunity for players as diverse as the inventors of new digital tools as well as the DIY creators of the next big sound.

The band is tuning up. Grab your seat.

Tim Baskerville
October 2018
Los Angeles

ONLINE RESOURCES

study.sagepub.com/baskerville12e

Password-protected **Instructor Resources** include the following:

- A **test bank** by Tim Baskerville is available containing multiple choice, true/false, and essay questions for each chapter. The test bank provides you with a diverse range of pre-written options as well as the opportunity for editing any question and/or inserting your own personalized questions to effectively assess students' progress and understanding.
- Editable, chapter-specific Microsoft® **PowerPoint® slides** by Tim Baskerville offer you complete flexibility in easily creating a multimedia presentation for your course.
- **Chapter-specific discussion questions** help launch classroom interaction by prompting students to engage with the material and by reinforcing important content.
- **Teaching tips** are designed for instructors to expand questions to students, or initiate class discussion.
- **Web exercises** direct both instructors and students to useful and current web sites, along with creative activities to extend and reinforce learning or allow for further research on important chapter topics.
- **Web resources** are included for further research and insights.
- General resources include templates and forms students can use in the music business.

ACKNOWLEDGMENTS

We wish to thank the individuals and organizations who were helpful in generously sharing their knowledge of the business during the preparation of this 12th edition and its predecessors. Once again, our anchor reporting for this edition comes from Robert Marich, a veteran entertainment journalist (*The Hollywood Reporter*; *Variety*) who for years has set the standard for coverage of entertainment and media. Key contributors for this edition also include project manager and photo editor Deborah Barber, Mark J. Davis, Esq., and U.K.-based author Dave Laing.

Key sources for this edition include composer Fletcher Beasley; CueChronicle's Vincent Cirilli; peermusic senior VP for Legal and Business Affairs Timothy A. Cohan; composer and officer of Screen Composers Guild of Canada Darren Fung; AEG senior VP for Global Partnerships Stew Heathcote; ASCAP senior VP for Film/TV Shawn LeMone; American University professor and Executive in Residence John Simson; and president of Warner/Chappell Music, Nashville, Ben Vaughn.

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We have relied heavily through several editions for fresh insights from leading scholars in music business education. Just a few of the many: Carl Anderson of Bradley University; Courtney Blankenship of Western Illinois University; Don Gorder of Berklee College of Music; Robert Grafrerick of University of North Alabama; Tim Hays of Elmhurst College; Kristel Kemmerer of Lamar State College Port Arthur; Carole Knisely of York College of Pennsylvania; Ava Lawrence of Northeastern University; David P. Leonard of TREBAS Institute;

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And, we are compelled to mention the ongoing role of the Music and Entertainment Industry Educators Association (MEIEA), which has trail-blazed in the field—gaining respect in both the halls of academe and in the corridors of business.

To all of those mentioned here and to many other friends who have shared their knowledge of the music business with us—thank you.

ABOUT THE AUTHORS

DAVID BASKERVILLE



► Author David Baskerville (right) receiving ASCAP's Deems Taylor Award, given each year for outstanding books on music. The presentation is by Academy Award-winning songwriter Hal David, representing ASCAP.

Author **David Baskerville** (1918–1986) received a PhD in music from UCLA. His background included staff composer-conductor for NBC-Hollywood; arranger for Nelson Riddle, Paramount Pictures, and 20th Century Fox; television producer for BBC-London; conductor at Radio City Music Hall; trombonist with the Seattle Symphony, Los Angeles Philharmonic, and NBC-Hollywood orchestra; executive vice president of Ad-Staff, Inc., producer of award-winning broadcast commercials; executive editor of Tor Music Publishing Company; and president of Sherwood Recording Studios, North Hollywood.

He also served as a consultant to companies in the entertainment industry, such as Walt Disney Productions, and to research and marketing firms, such as Vidmar Communications in Los Angeles.

As an educator, Dr. Baskerville created and directed the music management program at the University of Colorado at Denver, where he became professor emeritus. He was a guest lecturer, consultant, or clinician at USC, UCLA,

Chicago Musical College, Hartt School of Music, the Ohio State University, University of Miami, and Trebas Institute in Canada.

He was a featured speaker at national conventions of the Music Educators National Conference, College Music Society, National Association of Jazz Educators, and the National Association of Schools of Music.

TIM BASKERVILLE



Author **Tim Baskerville** has a diverse background in entertainment and media. He began his career in broadcasting after receiving a BA in theater arts from UCLA. Early affiliations included CBS and Cox Broadcasting, where he served as a staff writer-producer. The first TV documentary he created for CBS TV stations was nominated for an Emmy.

As a publisher and entrepreneur, he launched business periodicals on the home video software industry, global film distribution, and multinational broadcasting. Today, a publishing company he founded in London in the 1990s is one of the

world's leading providers of data on new media and mobile entertainment (www.ovum.informa.com).

In recent years, he served as president of what is now the SNL Kagan unit of S&P Global Market Intelligence, the leading provider of financial analysis on the media industry, and CEO of JupiterResearch (acquired by Forrester Research), a key source of consumer research on Web behavior and new media.

As a consultant, Baskerville's clients have included the Motion Picture Association of America, *Variety*, Time Warner, IBM, International Data Corp., Young & Rubicam, JVC America, Apple, and The Rockefeller Foundation. He has been both a strategy consultant and weekly columnist for *Billboard*.

Baskerville was vice president of the Music and Entertainment Industry Educators Association (MEIEA); member of the Writers Guild of America, West; and chapter founder of the Overseas Press Club of America. He has served on the boards of both public and private companies that publish and distribute business information.



"I never cared much for poverty."

—Igor Stravinsky

Photo ©iStock.com/ anouchka.

OVERTURE

How much has the music business changed since the 20th century gave way to the 21st? More than many could have imagined only a few beats back. What remains the same? More than you might expect, given the chorus of questions about its future direction and shape. Yes, the music industry looks radically different today, having been reshaped by a still-evolving digital landscape, but the fundamentals of the business—the creation, publishing, packaging, marketing, distribution, and sale of music—are constant. Creators still create at one end, artists and merchants continue to “monetize” a music product at the other, and an array of equally passionate, talented individuals—agents, managers, producers, sound engineers, **label** executives, bookers, **promoters**, broadcasters, business advisers, **lawyers**, accountants—perform their vital roles throughout the process.¹ The differences, of course, are in the details. Those details are what this book is all about.

That, then, is what will be laid out in the following chapters: the core fundamentals of the *music business* (the term is used here to include the art, the profession, and the business of music), along with the industry’s current state of the art (those 21st-century details). Not only do we examine the major changes in music and its audiences, but we also set forth in detail just who produces the music, who consumes it, and how the artists, merchants, and others in that long music chain divvy up the billions of dollars that the industry produces. Armed with a thorough understanding of both, a music-industry hopeful will be well prepared for a career not only in today’s music business but also in the music business of tomorrow—one in which the next seismic shifts are surely only a few more beats away.

MUSIC AND SOCIETY: WE’VE GOT MUSIC IN US

Prepare for some surprises: Perceptions of the profession and business of music are usually at wide variance from reality. This is partly because the field is so diverse and changes so rapidly, but it is also because its public face—the major **record label** and chart-topping superstar—reveals such a small piece of the whole picture. But it can be understood. It is argued that the music business, particularly the recording industry, is fundamentally irrational. But most of what really goes on in the business and the profession does submit to rational analysis.

We can begin to understand the music business, or any large and diverse activity, as we examine each of its components. That is our method here. But

before we do this, let's consider the overall magnitude of the industry today. These facts can provide some perspective about the U. S. music industry:

- Some 377 *billion* music streams were played in the United States in 2017, according to researcher BuzzAngle, reflecting the consumer affection for free and flat-fee subscription media services.
- Some 620 million legal digital music downloads were sold in the United States in that year, down from a peak in 2012.
- From the format's introduction in 1982, 15 billion prerecorded music CD have been sold in the United States, although CDs are now in steep decline.
- Concert giant Live Nation alone sells more than 500 million tickets a year.
- One of five Americans plays a musical instrument, it is estimated. These musicians spend billions of dollars a year on instruments, accessories, and **sheet music**.

The love affair starts young—listening to music is cited as the most popular activity among teens. Our passion for music is not limited to any one **genre**, although a cursory glance through the major-media pop-culture lens might suggest so. The League of American Orchestras estimates there are 28,000 orchestral concerts in the United States each year. This particular audience for live orchestra music numbers around 25 million admissions each season from more than 1,200 nonprofit professional, semiprofessional, and youth companies.

Nor is the desire strong only in the United States: Recorded music is one of the primary forms of entertainment worldwide, ringing up a reported \$17.3 billion, for record companies globally in 2017 after they suffered a painful decade-and-a-half slide from the beginning of the century.

Meanwhile, ever-cheaper digital production tools, along with the wide-open online world, have combined to spark an explosion of choices for every possible music taste (or lack thereof), and those options are often only a click away from being pumped into the many varieties of pocket-size digital media devices attached to eager ears around the globe. Musicians are no longer restricted in their expression by the laws of acoustics—new electronic ways to make music are invented every year, offering a composer or video producer more controls than 10 fingers can handle. The people with access to newer technology are limited in their expressive capacities only by their imaginations.

In short, the *music* side of the music business is booming.

ADJUSTING TO A FAST-CHANGING WORLD

What about the *business* side of the music business? A straight line between a strong consumer appetite for music and a fat, happy music industry is far from guaranteed. Great music does still break through, as it always has, and great business is still being done. It is simply being done differently. The major recorded music companies that continue to control the lion's share of the **market** are

exploring new business models and alliances, different types of artist contracts, and previously untapped **licensing** opportunities for current hits and their important **catalog** (“old”) titles. Musicians and recording artists—newcomers and veterans alike—are discovering that there are more ways than ever to do it yourself: build a fan base, book shows, record music, and support themselves by selling music on the Web. Many artists are picking and choosing those areas where they need or desire professional muscle and those segments of their art or business that can be done better or cheaper with some DIY sweat.

Indeed, the very definitions of artist, label, retailer, and even music product are blurring and changing. An artist increasingly may be his own label—and his own retailer with direct online sales to consumers and uploads to streamers such as Spotify or Pandora. A composer might compose music for a symphony, a commercial, a film, and a videogame. A music store might be a vinyl specialty shop, a **streaming** service, a merchandising section in a **big-box** retailer, or an app on a cell phone. These “stores” may sell music in the form of albums or singles, physically or digitally, or they may rent online access to it for a monthly subscription fee. The product—the recorded music itself—can be a direct source of revenue for artists and labels, or it might be viewed more as a method of promotion for bringing in revenue from touring and merchandise. (After all, it’s hard to download and share a T-shirt.)

New technologies also bring vast new opportunities to evolve and expand—whether the technology in question is audio streaming, music-video services, broadcasting, or even the once-obsolete LP (long-playing) format that refuses to attend its own funeral. History’s overarching lesson: the industry has been rocked by waves of always new technologies for more than a century, and after rocky adjustments the business has always emerged healthier and more prosperous.

HISTORICAL DEVELOPMENT

Finding a Paying Audience

History books provide only spotty information on how the musician fared in earlier times as a professional. We can assume that, in the beginning, music making was undertaken by individuals and groups simply for their own pleasure. The performer was also the composer. If there was an audience, it was a social or religious gathering; it did not occur to the early musicians that they might develop an audience that would pay to hear them sing their songs.

Among the first important professional musicians in Western civilization were the mimes of the Greek and Roman theater. They were singing-dancing actors. Roman law held them to be disreputable types, calling them *infami* (outlaws). In the Middle Ages the minstrels of Germany and the jongleurs of France were the first professionals. These musicians were actually vaudevillians, and their acts might include not only singing and dancing but also juggling, card tricks, and even knife throwing and trained animals. Show business had begun—in the Middle Ages!

A handful of musicians involved in secular music managed to earn at least part of their livelihood during the Middle Ages and Renaissance. But in the religious sector, almost no musicians enjoyed real professional status. The choirboys and choirmen of the Western church performed in the cathedral choirs as just

another part of their Christian service. Professional composers in the religious field seem to have first appeared in Paris around 1100 AD at Notre Dame Cathedral. But musicologists cannot provide a satisfactory account of how the profession of composing music took shape in the following centuries. To this day, church musicians in most communities are either unpaid or paid below professional rates.

Conditions for the working musician were somewhat better in Germany in the 15th and 16th centuries. The tradition of **guilds** included the music trade. Musicians' guilds influenced not only working conditions but also creative and artistic standards. These early guilds were active in organizing composition and singing contests and formulated elaborate rules for them; an accurate account of these proceedings may be found in Richard Wagner's opera *Die Meistersinger Von Nürnberg*.

Over time in Europe, increasing numbers of artists were employed by the nobility as house musicians. Composers and performers were put on the royal payroll to make music in the salons, ballrooms, and chapels for their wealthy patrons. But nobility looked down on these artists as servants, and they were expected to use the rear entrances to royal buildings. In addition, musicians' royal patrons would frequently pay them late or not at all. Despite considerable advances in status, modern-day musicians sometimes complain that they still do not receive appropriate respect for their talents and professional stature.

In our own time and place, the champion for elevating the status of the music profession is the American Federation of Musicians (AFM), a labor union with members in the United States and Canada. AFM **locals** receive requests regularly from sponsors of civic events, political rallies, and community benefits. These requests are usually sung in the same key: "Please, would you just send over some musicians for our event? They'll really enjoy it and, of course, we'll have some nice refreshments for them." AFM locals have developed an effective response for unreasonable requests of this kind: They offer to supply union musicians without fee, provided the other trades and professions—stagehands, waiters, teamsters, bartenders, and security staff—also work without pay. It is a fair offer; there are few takers.

Gradually, musicians acquired recognition as professionals with the development of a new phenomenon, the paying audience. This first occurred in the musical theater and opera, particularly in Italy and England. When the public began to pay its way into a room to hear music, the music business had begun. By the 1800s the public had accepted the idea that you had to buy a ticket to hear a professional. Increasing numbers of paid concerts developed, not only in European cities such as Vienna, London, and Paris, but also in New York, Philadelphia, and Boston.

We lack reliable accounts of who organized and promoted the earliest paid employment for professional musicians. Perhaps the earliest notable artist's manager or agent was Mozart's father, Leopold Mozart, who discovered his son's talent before the youngster had barely graduated from diapers. When Wolfgang was six years old, father Leopold started presenting his son to all of Europe. But Mozart's father did not teach his son much about career management. Mozart Junior earned considerable sums in his short lifetime but seems to have died a pauper. Mismanagement of money and careers is a sadly familiar song played throughout music history.

A more recent ancestor of today's concert impresario was circus genius P. T. Barnum. In 1850, when opera singer Jenny Lind, "The Swedish

Nightingale,” came to America, Barnum presented her around the country as if she had descended from the heavens. Barnum’s bookings earned the artist \$150,000 in her American tour, big money indeed in those days.

Barnum understood that the public likes a good show, and the music business grew, even in the classical field, in a razzle-dazzle, show-biz atmosphere. At the same time Barnum was touring Jenny Lind, other entrepreneurs were developing enthusiastic audiences for that unique American contribution to theater—the minstrel show. This is not the place to address the racist aspects of that phenomenon; our interest in minstrelsy here must be limited to how it fostered the development of the popular music business. As early as the Middle Ages, musicians from Africa were in Europe entertaining whites. But it was not until the mid-19th century, with the development of the minstrel show, that blacks began to find a place in the white musical world as full professionals. Although most of the performers were white, increasing numbers of blacks began to take part. This development turned out to be of historical significance, for it would be impossible even to conceive of music in the 20th century without the pervasive influence of black musicians.

The increasing popularity of minstrelsy in the 1850 to 1900 period enlarged public awareness and appreciation of popular music and the entertainment business. Near the end of Reconstruction, the size and affluence of the middle class grew. By the 1890s the piano was a standard adornment in the parlors of upper-middle-class families. On thousands of piano music racks across the land, one would probably find, in addition to some Stephen Foster songs and a hymnal, a copy of “After the Ball.” The year was 1892, and this song was the first to sell more than a million copies in a 12-month period.

By the 1890s a number of large publishing houses had developed, such as E. B. Marks, Witmark Bros., T. B. Harms, Leo B. Feist, Mills Music, and Shapiro, Bernstein & Co. These popular music publishers took pride in being able to spot potential hits. When they couldn’t find them, the publishers wrote the songs themselves or put composers on weekly salaries to work **in-house**.

These late 19th-century publishers developed the merchandising methods that prevailed until radio became a key music marketing platform in the 1920s. Songs were introduced in a number of ways. In the final days of minstrelsy (which died around 1900), song pluggers would attempt to persuade performers to use material coming off the presses. When more-polished on-stage vaudeville and burlesque began to displace minstrel shows, pluggers contacted headliners and even lesser acts to try to get them to use the songs their firms were pushing at the time. A sheet-music publisher who could come up with a piece of material that some vaudeville headliner like Al Jolson or Eddie Cantor would sing was almost ensured a hit, for these were the superstars of their day.

At this point in the music business story, technology stepped in to play a starring role, not unlike the one it occupies today. And also not unlike today, many in the industry first feared that it might be more villain than hero. That hot new innovation? Radio.

Mass Media

The world has always been full of music lovers, but it was not until the development of mass communication technology that so many new audiences were discovered. Until the 1920s most professional music making was addressed to a

small, elite audience that was accustomed to buying tickets to attend the opera, the symphony, or perhaps a Broadway musical. When radio (and, later, records and television) came along, that elite audience not only continued but also grew. But now it was joined and immeasurably augmented by the giant middle-class with taste for folk music, **country** and western songs, blues, and jazz. Mass media forever changed the size and composition of the music audience, and merchants were quick to respond to the new millions of paying customers.

Not that this tremendous upside was clear from the start. Industry leaders misjudged radio broadcasting. When it started in the 1920s, the publishers fought it, believing that “giving music away” through this medium would hurt sheet music sales. Overexposure via radio broadcasting, they argued, was killing songs in six weeks; potential customers could not get down to the store to make a purchase before the song’s popularity had waned. It should be pointed out that publishers’ income from broadcast performances took some time to become meaningful.

Another significant technological development in the entertainment field occurred in 1927 when the talkies began. Movie producers discovered, with the very first sound film (a musical titled *The Jazz Singer*, starring Al Jolson), that audiences would buy a lot of theater tickets to hear songs sung on the silver screen. The major studios began scrambling for **synchronization rights** to enable them to add music to films and to turn out musical films in rapid succession.

During the Great Depression of the 1930s, million-selling records disappeared and sales of sheet music collapsed. Attendance at vaudeville theaters dropped, too, with the growing popularity of the movie musical. Concurrent with these depressions in the music market, radio broadcasting grew rapidly. Music publishers now shifted their attention from plugging vaudeville performers to the new stars of radio. The **network** broadcasts at that time emanated mostly from New York, Chicago, and Los Angeles. Publishers closed their regional offices across the land and focused their plugging efforts on these new broadcasting centers. It worked. The publishers quickly discovered that they should point their promotional efforts toward the big bands and their singers who had weekly, sometimes nightly, radio broadcasts (which, at that time, were referred to as remotes). Song-plugging had grown from a local to a national enterprise with the development of network radio.

Publishers were not the only ones to benefit from the coming of network broadcasting. Big bands became name bands because of network radio. Then the name bands became the **record** stars. Management noticed that the best-selling big band **records** featured the band’s singer. Alert talent handlers pulled the singers off the bandstand (Frank Sinatra, Doris Day, Ella Fitzgerald, etc.) and started them working alone—for much more money. This was the beginning of the present era of the dominance of the popular singer; they became the new stars and superstars, with the help of recordings and films.

During World War II the whole world seemed to discover the appeal of America’s popular music, enchanted by its brassy, up-tempo big-band tunes. Much of this worldwide popularity was fostered by the Armed Forces Radio network. With more than 90 **stations** broadcasting American-made records around the world, millions of listeners—and not just the GIs for whom the broadcasts were intended—heard the great entertainment available from this kind of music. By the late 1940s the American style had become a world style.

When the GIs returned home, they bought large quantities of records. Music instrument factories, which had been shut down earlier to produce

weapons, were now spewing out guitars, organs, pianos, and wind and percussion instruments in quantity. The *recorded* music industry as well as the music *products* industry were reaching a mass market.

Record companies were moving millions of singles in the 1940s. When Columbia came out with the long-playing (LP) vinyl platter record, the music business again experienced a development of overwhelming significance. Now, instead of two songs per record, songwriters and publishers could place 12 songs on a release. On the new LP record buyers could hear an entire Broadway show, opera buffs could carry home an entire opera in a box, and complete symphonies could easily fit on one LP. The dollar volume of classical records grew to 10% of the market (versus under 2% today).

Concurrent with the growing popularity of LPs was the increasing availability of low-cost tape recorders. Add to this the boom in high-fidelity sound. For a relatively low cost, consumers could hear recorded or broadcast music with a quality of sound that was better, audiophiles believed, than that offered at their local concert halls.

The music business began to attract a new breed of merchants: inventors of new distribution and merchandising methods. The most significant marketing development at the time was the discovery that people would buy records wherever they shopped. Enter the **rack jobber**. This new kind of music merchant set up and continuously restocked record racks in supermarkets, variety stores, department stores—anywhere shoppers passed by.

Large corporations began to notice that people in the music publishing and record business were making lots of money. They decided to buy in. By the 1970s even conservative bankers got the message: music enterprise was now an acceptable risk. Bankers began making loans to music publishers, record producers, and artists' managers—the types of people they used to classify with street vendors. The main attraction to these new investors was record production. In what other kind of business enterprise could someone invest, say, \$20,000 in a **master** tape, then receive from it royalties 100 times that amount for distribution rights, if the record hit? To the inexperienced investor, the music business began to look like a money tree. By the 1970s the buying and selling of music companies resulted in the majority of industry revenue becoming controlled by a handful of giant corporations (to become the longtime “Big 6,” a small club that would shrink to an even smaller “Big 3” in later years).

Dawn of the Digital Millennium

As we've seen, for most of the 20th century the modern music industry was forged by two then-new technologies—the phonograph record and broadcasting. As the 21st century approached, a third force—digital technology—emerged to shake the industry's foundations.² At first, the ramifications were mostly benign as labels shook their **analog** catalogs, and out poured dollars as consumers replaced their record collections with the digital discs and then scooped up new CD-only releases. Digital technology radically altered not only the business of music but also its creation, manufacture, distribution, and consumption. Furthermore, it changed the very culture of how music is created, with inexpensive technologies to record, present, distribute, promote, and play music, fashioning a unique artistic and commercial digital democracy, which drew music creator and music consumer closer even as it blurred the boundary between them.

Digital's power was most graphically illustrated in the arena of distribution. When Philips and Sony collaborated on the development of the compact disc (CD) in the 1980s, few predicted the extent to which digital technology, in combination with the Internet, would revolutionize the business.

Eventually it emerged that **digital recording** and distribution created a quagmire of conflicting benefits and disadvantages. In the early years of the new era, those making the actual recordings—recording artists, producers, and **engineers**—found in the digital medium freedom from the technical constraints of analog tape, including tape noise and limited dynamic range. Furthermore, as digital audio technology progressed, musicians and producers were given powerful new tools, such as digital signal processing systems (DSP)—digital reverbs, delays, samplers, looping, pitch-tuning, and editing capability—that vastly enhanced their ability to create and assemble sounds.

And record labels initially benefited. When the CD music format was officially introduced in 1982, labels were able to demand sales-royalty rate reductions from recording artists, ostensibly to help mitigate the legitimate cost of fostering the new medium but simultaneously increasing label profits. The CD was the first digital format for music playback adopted by the mass consumer market, so it was a technological marvel. The impact of digital had just begun.

Cue new technology once more. The arrival of the MP3 format onto the scene in the 1990s was a somewhat unsettling composition. When digital music was further compressed into files that could be distributed over the Internet freely (in every sense of the word), a new form of mass media became, in part, a medium controlled by the masses. The ability of consumers to make duplicate recordings imperiled the grip that labels held on music when play-only media such as the LP were the standard. The most fervent of music fans were now taste-makers, although not yet hit-makers, as they sought out, chatted up, and distributed songs online.

iTunes Arrives

At the turn of the century the most robust new business model for the music industry emerged from a computer company, which was both appropriate and ironic, given the computer's central place in the upheaval of the music business. Apple's iTunes was a way to legitimize and monetize music file downloading.

The economics were cut and dried: Labels received a fixed amount from each sale, approximately two-thirds of \$0.99 single-song downloads, with that formula more or less extrapolated for complete digital album sales. However, the labels lobbied vigorously for Apple to raise its prices, a move that Apple resisted until 2008, when a reformulated agreement between iTunes and the labels resulted in both sides compromising on two key points: Apple would for the first time permit a variable pricing scheme, keeping the \$0.99 128-KB-resolution single-song download and adding a \$1.29 price point for higher-quality downloads at 256 KB, as well as a \$0.69



► Steve Jobs (C) of Apple with Bono (L) and The Edge of U2 celebrate the release of the new Apple iPod family of products in 2004.

Photo by Tim Mosenfelder/Getty Images.

price for back-catalog songs, applicable at the labels' discretion. For their part, the record labels agreed to let Apple remove embedded **digital rights management (DRM)** code from the song files.

iTunes created the template for a new music distribution system, one followed by other retailers, including Amazon and Walmart. But it also established another trend that was detrimental to conventional record labels, which had built much of their revenue from the sale of CDs to consumers who often bought a CD just to access one or two favorite songs. Now consumers could simply buy the few songs they really wanted.

Digital Threat Grows

The growth of the Internet in the 1990s was a catalyst that would eventually transform the music business. It spawned a virtually unregulatable yet broadly accessible platform to distribute digitized music files between computers, known as **P2P** file sharing. Now music easily copied by anyone yielded *exact* digital duplicates, which was not possible with prior analog formats. Pristine digital copying reduced the incentive to buy legitimate recordings. Early P2P networks like Napster and Grokster, and websites like The Pirate Bay and LimeWire, were big drivers behind the record company sales slump that began with the new century. Global recorded music sales dropped by nearly half in the following decade. As a result, the digital millennium dawned with an era of financial pain for the industry. Music **piracy** mushroomed, engendering annual financial losses in the hundreds of millions of dollars for labels, music publishers, and the artists, producers, instrumentalists, and songwriters who depended on music sales for their livelihood. And to one degree or another, the challenge still exists. The International Federation of the Phonographic Industry (IFPI) cites research that 3 in 10 Internet users engaged in stream ripping over a recent six-month period. So the epicenter of piracy is no longer just concentrated at bad-actor websites with P2P sharing. Today it includes the exploitation of streaming services through unauthorized copying, sharing, and signal theft.

A lengthy series of legal battles and buyouts left the major recording corporations in control of some of the most well-known file-sharing entities, including iconic Napster, but the giant corporations had little in the way of innate organizational or entrepreneurial skills to turn these newly acquired entities to their own advantage. In fact, it would not be until 2016 that growth returned to aggregate U.S. recorded music sales, when streaming revenue rose to make up for some of the decline in physical media sales.

Congress and the Courts

As the digital Pandora's box began to open years ago, the music industry fought back using legislation, litigation, and market propaganda. Several key pieces of digital technology legislation were passed in the United States. The Audio Home Recording Act (AHRA) of 1992 stipulated by whom and for what purposes digital copies could be legitimately made. The Digital Millennium Copyright Act of 1998 was more comprehensive, particularly in establishing a mechanism for securing copyrighted music online. But legislation proved too weak to address the issue and furthermore revealed a growing divide between the digital zeitgeist

and legacy entities that had built fortunes on the foundation of inviolate **intellectual property** (IP). Case in point: in 2012, the proposed-legislation Stop Online Piracy Act (SOPA), whose provisions included allowing copyright holders to request court orders that would bar access to alleged infringing websites and far stricter penalties for infringers, was blocked by furious lobbying from a consortium of entities ranging from Google to library associations, who asserted that SOPA would lead to wholesale censorship of the Internet.

In 2007 the Record Industry Association of America (RIAA) turned to mass litigation. It sued colleges, universities (their central servers had become a popular file-sharing nexus among students, the largest cohort of early illicit downloaders), and individuals. The civil litigations were tactically successful but strategically dubious, causing public relations damage to the record industry as a whole. The RIAA eventually shifted to publicity campaigns to raise awareness about the implications of illegal music distribution.

The RIAA's efforts may have gone as far as they could. DRM encryption and the threat of litigation were deterrents to some casual file sharers, but they did little to affect the apparent hard-core file-sharing of users who were likely to continue downloading illicitly. This legislative/litigious game of technological cat-and-mouse made one thing clear: the mechanisms of law and regulation simply could not keep up with the rapid innovation that digital technology brought to music. The public wanted music whenever and wherever they decided, and thus ultimately changed the economic structure of the music industry. *The music business ecosystem would have to adapt—if it could.*

THE DIGITAL FUTURE IN CONTEXT

In many ways the industry *has* adapted. The concert business is up—a segment of the business not easily displaced by a digital substitute. Music publishing revenue is healthy, taking advantage of the exploitation of rights in a wider variety of distribution forms. The use of music in TV and films provides a reliable revenue source for many artists and composers. Genres that many assumed were short-lived, such as hip-hop and electronic dance music (EDM), demonstrated resiliency. And streaming behemoths, once the *bête noir* of artists yearning for a return to the per unit royalty rates of a bygone era, are a dominating income source.

The upheaval that the music industry experienced in recent years is in some ways familiar. Every technology-led revolution of the past two centuries—railroads, telephones, electricity, the Internet—experienced similar stages of evolution: an embryonic, high-tech stage (limited accessibility, technology rapidly evolves), an entrepreneurial stage (technology stabilizes and attracts capital), an explosive growth stage (numerous commercial start-ups and multiple business models appear, a stage many consider the music industry to be occupying now), and a consolidation phase (fewer participants but larger entities due to mergers and acquisitions, a stage record labels exploited successfully in decades past).

But the digital revolution, while following familiar business patterns, has also changed the attitude of more than a generation of music consumers, perhaps irrevocably. For instance, the ease with which digital distribution made music freely accessible has created a culture in which music is often viewed as being free of cost. The public often perceived a legal conflict as one between

corporate hegemony and individual rights, a situation that encouraged a widely held perception that the cost of music product was out of proportion to the cost of making it.

Ultimately, as the encrusted shell of the old music business disintegrates, digital technology has made the music business entrepreneurial once again. With access to affordable production of music and digital distribution less encumbered by the capital and logistical requirements of what is now called the legacy business, the music industry has become less mythical and more accessible to more people. As a result of digital technology, the music business may have shed some of its mystique and glamour, but in the process it has become a viable career choice in more ways and for more people than ever before.

NOTES

1. Words in **boldface** type indicate inclusion in the glossary section.
2. While the term “digital” was originally only used to contrast with the term “analog,” many in the industry today use it informally to embrace all forms of new, nonphysical media and their associated business models. Strictly speaking, the CD, the leading physical format of the age, is itself a digital format, and distinct from the analog LP and cassette formats it supplanted.

CHAPTER TAKEAWAYS

- The rise of the middle class in the late 19th century made possible the first blockbuster music publishing hit, “After the Ball,” which sold more than a million print units in 1892.
- Technology in its many forms has been a consistent driver of the changing business—from the invention of radio, to movies, to TV, to vinyl LPs, to CDs, to downloads, and to streaming.
- Digital technology has been a double-edged sword, improving the ability to produce new sounds but disrupting the established economic order.
- The major labels were initially caught flat-footed by the digital era, watching with alarm as start-ups and outsiders such as Apple, Pandora, and Spotify pioneered disruptive business paths.
- Despite upheavals, U.S. record company revenue and streaming growth have largely stabilized.

KEY TERMS

Digital Rights Management (DRM) (p. 11)	label (p. 3)	streaming (p. 5)
intellectual property (p. 12)	P2P (p. 11)	synchronization rights (p. 8)
	rack jobber (p. 9)	

DISCUSSION QUESTIONS

1. Discuss the evolution of music into a formal business, from church choirs of the Middle Ages to the modern enterprise in the 21st century.
2. In terms of creativity and distribution models, what's changed in the music business in recent years and what remains the same?
4. With the shift to digital media, explain why aspiring and semi-pro musicians were helped and why the major recorded music labels suffered.
5. Recorded music revenue slumped with the advent of nonphysical, but what other parts of the music business have enjoyed good economic times in recent years?
6. Discuss the implications of consumers adopting the mindset that music should be free and the implication of music being demystified as consumers utilize affordable recording equipment.



“I would rather play ‘Chiquita Banana’
and have my swimming pool than
play Bach and starve.”

—Big Band leader Xavier Cugat

©iStock.com/PeoplesImages

THE MUSIC BUSINESS SYSTEM

The music industry can be described as having two essential elements: the musician and the audience. Drawing them together is the business of music. Despite the distracting spotlight of changing technology, the music industry continues to operate much like other large, multifaceted commercial activities. A main difference between the music business and most other industries is, of course, its artistically driven product and the constant tug of hair-trigger cultural shifts. In examining the business aspects of music, it is the rapid change of product that makes this business almost unique.

HELP WANTED!

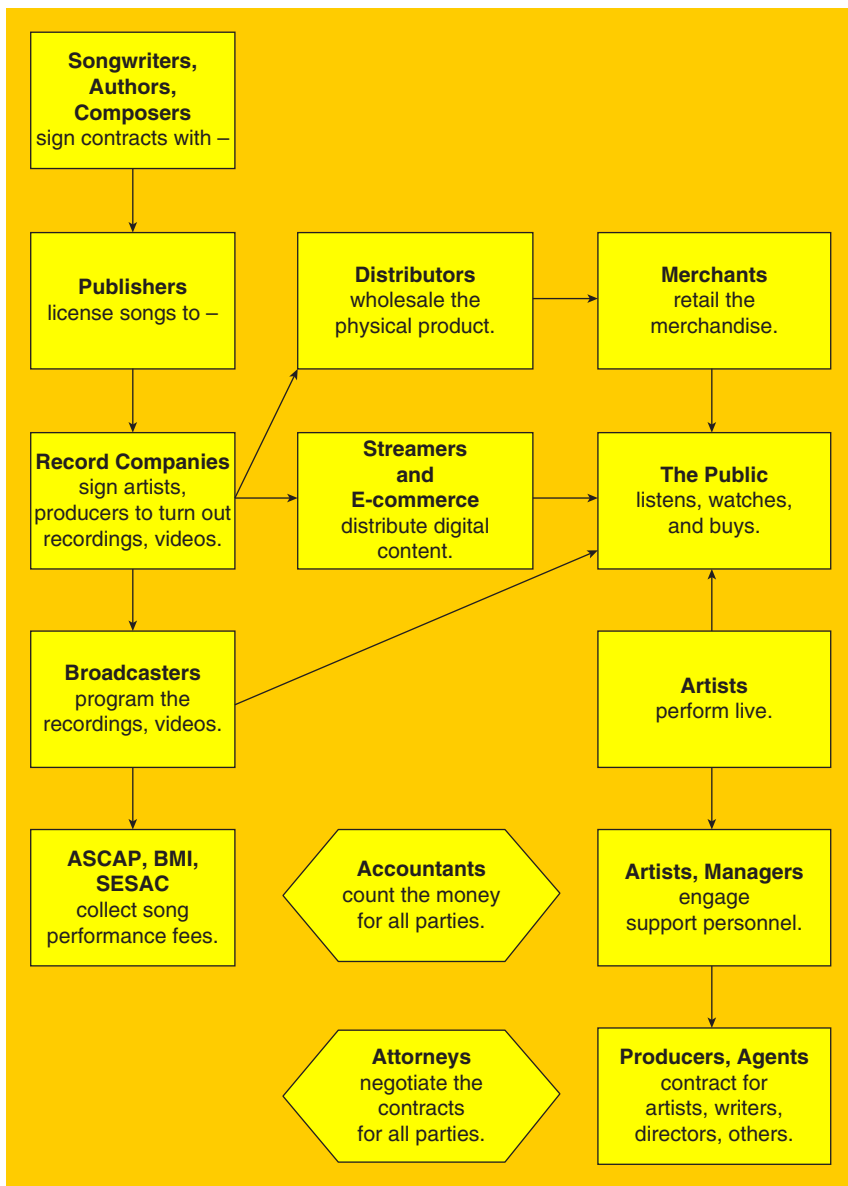
Over the years, transformational technology has reshaped the way people in the music business organize themselves to make a living. A century ago, a music publisher manufactured and shipped vast quantities of paper to retail stores throughout the land. Today, publishing might be the part-time vocation of a songwriter, whose assets reside entirely on a hard drive. A half-century ago, a record company exploited just about the only path to putting recorded music, for a fee, in the hands of consumers. Today, some idiosyncratic artists—either with no recording contract in the offing or disenchanted with their last contract—might record in a home studio and sell the resulting handiwork via download or license to a streaming service. A few decades ago, the nuanced performance of a large ensemble required having dozens of musicians on the payroll. Today, one or only a handful of musicians and **MIDI** controllers might provide a similar performance. The economists call this trend increased **productivity**. The old guard fears it, for jobs are jeopardized and investors in the legacy business models traumatized. But with change also comes opportunity.

Even if aided by semiconductors and seamless digital communications, a human being must still make the music, a human being must market and promote it, and human talent is the key ingredient all along the **value chain** between the original creative idea and the ears and eyes of a fan.

GETTING THROUGH THE MAZE

To analyze that value chain in detail, let's consider two different ways of viewing the industry as a whole. First, study the flowchart shown in Figure 2.1. It graphically illustrates the music business system and its principal subsystems.

Figure 2.1 The Music Business System and Selected Principal Subsystems



A second way of grasping the big picture is to examine the sequence of events that often occurs as a new song finds its way to market. As you will observe, the following list sets forth much of the same information appearing on the flowchart in Figure 2.1.

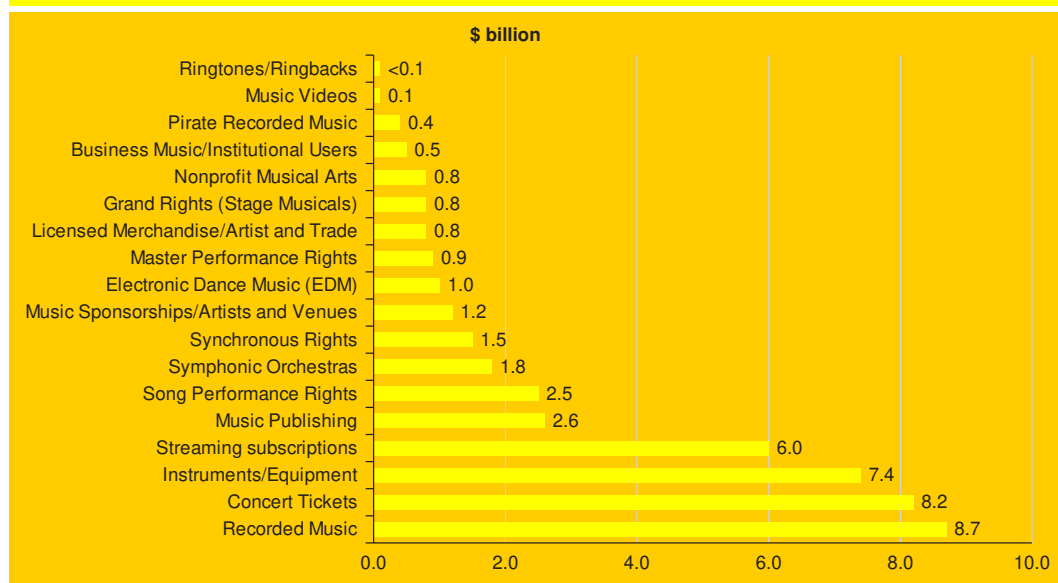
1. The composer—who sometimes is also the performing artist—writes a song and signs with a publisher.
2. The publisher persuades an artist (or that artist’s producer) to record the song.

3. Lawyers (at several stages) negotiate contracts between parties and specify terms for varying forms of usage and exploitation, such as **mechanical rights** and **synchronization licenses**.
4. The record company produces a recording and, possibly, a video version of the song.
5. **Promoters** persuade programmers to broadcast the audio recording and the video.
6. The record company uploads the song for online sale or streaming and ships the merchandise to **distributors**, who sell it to retailers.
7. In cases where artists retain distribution rights, artists sell music from their websites and negotiate deals directly with download and/or streaming digital platforms.
8. If the song becomes popular, a second wave of **exploitation** can occur—**licensing** of ringtones and merchandise connected to the song and/or artist.
9. A talent agency contacts promoters and venues to book a concert tour.
10. Concert promoters enlist cosponsors and sell the tickets.
11. The **road manager** moves the people and the equipment.
12. The concert **production manager** dresses the stage, lights it, and reinforces the sound.
13. The artists perform.
14. The performing rights organizations collect performance royalties.
15. The accountants count the money; the participants pay their bills.
16. The government collects the taxes.

SHOW ME THE MONEY

Many people would say the making of music hasn't changed much in centuries—since it's still all about a catchy tune performed by talented artists. Placing aside the obvious changes wrought by technology, the big transformation has been in the scale of the business. The music industry has mushroomed into an interconnected series of segmented multi-billion-dollar businesses in the United States (not even counting the intertwining of an even bigger business abroad). These businesses range from traditional recorded music to live concerts to sale of musical instruments and equipment to cell phone **ringtones**. As we'll learn in the pages to come, success often springs from moving back and forth from one business silo to another. But in order to understand the industry, we'll want to examine, chapter by chapter, each silo for the role it plays and the unique career opportunities it presents. Figure 2.2 shows just a sampling of the scores of segmented businesses. Many billions of dollars flow from business to business, as one sector's revenue (such as a composer's **royalty** receipts) is another sector's expense (a publisher's royalty expense). Thus, the same music dollar may at one time or another end up in the pockets of multiple industry participants.

Figure 2.2 U.S. Music Industry Revenue: Select Segments (estimate of billions of dollars annually)



Sources: Author's estimate based in part from *Billboard*, Recording Industry Association of America, National Music Publishers Association, NAMM, and other industry sources.

Notes: Figures include double counting of some revenue in overlapping categories, rounded to nearest hundred million dollars. Receipts for U.S. consumption or exploitation only. Figures are at the consumer-spend level, except where such retail data are not available or not relevant. Concert revenue does not include all performances and all secondary sales. Pirated Music estimates money changing hands and does not impute value lost from pirate activity. Ringtones/Ringbacks include a variety of categories sometimes referred to as personalization services. Sponsorship revenue excludes noncash bartered and in-kind services.

TOOLS OF THE TRADE: EVERYBODY'S GOTTA LEARN SOMETIME

Now that we see how big the industry is, and how diverse, how do we stay on top of it? Although being—and staying—informed has always been important in the music industry (or any industry, for that matter), in times of rapid change it is vital. A new trend, technology, or economic model that seemingly has little to do with a particular segment of the business may well suggest a new means of promotion, a potentially profitable new partnership, or an additional income stream to pursue. New types of licensing deals and previously unheard-of music distribution methods bring with them new twists and turns on **copyright** and **royalties** issues—issues that could mean money moving into (or out of) the pockets of numerous music business players. And, of course, job seekers looking for an “in” will need to know what new doors might be open to them and how best to educate and market themselves.

It is one of the great mysteries of the contemporary music scene, then, that many of those involved in it—composers, performers, businesspeople, educators—do not understand how it really works. Worse yet, much of what they believe they know is either out of date or incorrect. The result of this pervasive ignorance about

the business and the profession has been tragic. Top graduates of conservatories fail to get their careers even started. Aspiring business-side candidates lack the big-picture smarts and specialized savvy to succeed in a competitive digital age. Musicians navigating the **DIY** waters fall victim to sharks and their own lack of knowledge when relying solely on their own ingenuity.

So, what does the artist or the business executive do to get the information needed to function effectively in this field? Take the time to regularly read about music business, professional, and creative developments that are readily available online. Bookmark the websites that consistently deliver relevant information. Another source is the various professional meetings: These national (and international) affairs are sponsored by industry associations, trade magazines, performance rights organizations, and sometimes by artists' unions. Most have websites (you'll find a listing of the major associations and their sites inside the back cover of this book), offering industry overviews, news, and information, along with current research and publications to download or request (some free of charge, others for a fee). Specialized information can also be found in books on subjects such as copyright and pop songwriting; many of the industry associations' sites offer sector-specific suggestions.

Though Web searches can offer a wealth of information, you'll need to wade through a lot of junk to find the truly helpful gems (something to which anyone who has gone trolling for music online can attest). The best bets are a handful of well-respected blogs, some of which focus on the creative and others on the business side of music. Because websites come and go, asking around for recommendations—from fellow musicians, instructors, industry-connected friends of friends—can point to the cream of the current crop.

The most reliable sources of information for the serious student can be found in a select group of colleges, universities, and specialized institutions.¹ Following the leadership of the University of Miami in the mid-1960s, increasing numbers of accredited institutions are offering courses and degrees in the music business field. Course offerings include studies in music, certainly, but also in areas as diverse as business administration, accounting, marketing, business law, copyright, arts administration, entrepreneurship, and recording technology. Graduates of these programs cannot know it all, of course. But they are far better prepared than others to meet the wide-ranging demands of today's music industry.

And then there is the option of going to the source. Qualified professionals in the business can be found throughout North America, although many are concentrated in one of the three major recording centers—New York, Nashville, or Los Angeles—where the big music companies have their U.S. headquarters. Most of the music business, even today, is based on the star system—specifically, the recording **star system**—and these cities remain the high-powered nexus.



► Students working in the University of the Incarnate Word recording studio.

Photo by Doug Ensley.

THE MUSICIAN-ENTREPRENEUR

Case Study: Prospering by Constantly Adapting



▶ Gene Perla

Photo by Richard Stopa.

While our analysis of the music business necessarily presents a close-up view of the many specializations—from songwriting, to producing concerts, to streaming—the untold story of the industry is that sustained career

success often is *not* due to mastery of one specialized garden of knowledge. Frequently, success over the years and decades comes from an adaptability to hop from specialty to specialty.

That's the case for Gene Perla, who has made a living in the many nooks and crannies of the music industry available to a jazz bassist throughout his career—Broadway show sound designer, music publishing company founder, recording studio entrepreneur, songwriter, studio musician, and music teacher.

“Sure, I like to sit back and come up with the ‘grand concepts,’” he says of what drove him to work in so many music segments. “But I also like to deal with the nuts and bolts as well. I like to do the futzing and fudging about with things, so I really understand them.”

After several years of musical instrument higher education, Perla broke into the New York jazz scene as a bass player in the 1960s. Hoping to distribute the music of friends who could not get a record deal, he decided he needed to know how albums are made, so he enrolled in a technical school in Manhattan to study recording engineering. One night after class while relaxing in a night club where he sometimes performed, Perla was recognized by a stranger who offered him a job at Todd Rundgren's famous Secret Sound Studios. It was at Secret Sound, and not in formal classes, that Perla really learned recording through a series of from-the-ground-up jobs.

Years later, another chance meeting with a stranger led to a teaching job at another New York multimedia school, where Perla took advantage of a faculty perk that allowed teachers to take other classes free of charge. He learned video production and computer graphics, among many skills.

Still a performing musician making contacts in gigs around town, Perla eventually played bass and had two of his songs recorded for the Blue Note jazz album, *Genesis*, by Elvin Jones (famous as the drummer in the band of the late John Coltrane). Perla had already registered those songs with the U.S. Copyright Office—which was and remains a simple process—but then went the extra step of creating his own publishing company to license the songs. Today, his Perla Music is a money-maker and has a catalog with 100 compositions; he sells sheet music for these at \$3 a PDF download from his website. ASCAP and AMRA administer other aspects of Perla Music.

Along the way, with skills learned in jobs, in schools, and from personal contacts as a working musician, Perla established the Red Gate recording facility just outside New York City. His partner in this venture was Jan Hammer, keyboardist for the Mahavishnu Orchestra and composer of the *Miami Vice* theme song. Perla also established a small music label, PM Records. After another chance meeting, he was called to make an emergency rescue of a Broadway production just hours before show time. His tech knowledge enabled him to untangle a Musical Instrument Digital Interface (MIDI) setup whose otherwise bright software engineer messed up with improper cabling.

With that experience, he and partner Bernard Fox started their own sound design business for other stage productions such as *Beauty and the Beast*, *The Lion King*, and *City of Angels*. Sound designers provide equipment, billing shows weekly for service. Some \$125,000 of microphones were purchased to service a show that promptly closed after just seven performances, but Perla wasn't fazed.