

The Classical Music Industry and the Future that Digital Innovations can Bring to Its Business Models

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Abstract. I am submitting a paper that focuses on the Culture and Creative Industries, in particular concentrating on the classical music field and the use of digital technology to drive its business forward. As a niche area of the music industry, classical music organisations have adopted innovative initiatives to grow their business model. As far back as 1989, this sector has attempted to engage in a process of mass consumerism with mixed success.

Initially business models in the UK classical music industry looked at using pop marketing techniques to broaden their consumer base. This was exemplified in 1989 through the marketing of the now iconic EMI recording of Vivaldi's Four Seasons with the violinist Nigel Kennedy. The publicity campaign was unique for a classical music recording. Instead of a traditional marketing approach, pop procedures were employed. In a further development, the first of the '3 Tenors' concerts held in 1989 to mark the final match of the 1990 World Cup Football Competition took place, a novelty that led to worldwide sales for the 1990 recording of over 12 million CDs, cassettes and videos combined.

Both projects undeniably helped further classical music as a form of popular culture. Earlier precedent demonstrates pieces of classical music being used for adverts or films and becoming populist. The potential extent of this market was larger than the core classical one and therefore would require further marketing investment into general media (rather than specific music media). This twin approach has remained in today's current classical music business practice.

Alongside pop marketing techniques, this sector has moved relatively recently into trading online. For classical music with its long movements and part of a slow-moving market (compared to pop music) this area of the business only witnessed an increase in activity through the expansion of Broadband, now accessed by reaching 70% of the population in 2010 in UK.

My paper will discuss how online trade has progressed, especially via the smaller record companies. This portrays a shift from the dominance of the major companies to the independents, and to individual artists. A further aspect I consider is the growth of artist independence. With direct access to the market, musicians In summary, my paper is intended to provoke discussion about a niche area of the music business, with a particular focus on online activity in the classical sector, how developments have been achieved over a ten year time frame and a look at the future.

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1. Introduction

My focus today is the music industry with a particular focus on the classical music field and the use of digital technologies, which are driving its business forward. As a niche area of the music industry, classical music organisations have adopted innovative initiatives to grow their business model. As far back as 1989, this sector has attempted to engage in a process of mass consumerism with mixed success. In reality the last 20 years in the recording sector have witnessed the classical industry being overtly commercial in its outlook and this has (perhaps inevitably) had an impact on other areas of the classical market in particular live performance.

Initially business models in the UK classical music industry looked at using pop marketing techniques to broaden their consumer base. This was exemplified in 1989 through the marketing of the now iconic EMI recording of Vivaldi's Four Seasons with the violinist Nigel Kennedy. The publicity campaign was unique for a classical music recording. Instead of a traditional marketing approach, pop procedures were employed. Single track promotional release prior to full album distribution, pop music stations targeted, outside poster campaign, tv appearances, interviews with Kennedy coupled with national radio and tv advertising were factors. Even the UK based music industry trade magazine Music Week gave it a front cover, unheard of then for a classical album as these slide shows. Its success was seen in achieving 2 million sales, the best-selling classical music recording of all time at that point.[i] In a further development, the first of the '3 Tenors' concerts held in 1989 to mark the final match of the 1990 World Cup Football Competition took place, a novelty that led to worldwide sales for the 1990 recording of over 12 million CDs, cassettes and videos combined and 23 million for the 1990, 1994 and 1998 '3 Tenors' recordings.[ii] Impressive figures for a classical album.

Both projects undeniably helped further classical music as a form of popular culture. They began moving the classical sector as the IFPI 2009 annual report states: '*from a model based only on sales to one of "monetising" access to music.*'[iii] Following on from the incorporation of pop marketing principles into its business methods, the last six years have witnessed increasing use of the internet for trade and marketing in the classical sector; this has further developed the opportunity for exposing the classical music genre to well outside its traditional market. It is interesting to note that one of the world's pre-eminent composers Sir Peter Maxwell Davies was already using the internet in 2004 to sell his music.

The use of online trade combined with a pop marketing approach to increase mass media promotion is now an integral part of the classical business. The resulting success of both the Four Seasons and the first '3 Tenors' albums saw the major record companies re-structure their classical music divisions into a two-tiered system: one core classical and the other strategic classical. The latter devised campaigns which would reach a consumer not necessarily (and unlikely to be) interested in the interpretation of the music itself; instead the spotlight was on either the artist him or herself or repertoire which could be easily listened to and did not require analysis. This is an example of what Adorno and Horkheimer argue was happening to the music industry in 1940s. In their treatise *Dialektik der Aufklärung* (Dialectic of Enlightenment) of 1944 they state that culture as a business becomes *industrialised* and that culture is moving towards being a *commodity*. [iv] In other words music becomes *products which are tailored for the consumption by the masses*. [v] This twin approach has remained in today's current classical music business practice. Pop marketing was one tool that enabled classical music to reach non-traditional markets; internet development has encouraged the classical sector to adapt to a new environment. It has a different take on Adorno's comments on the culture industry as one of anti-enlightenment, when he describes it as '*progressive technical domination, [which] becomes mass deception...impedes the development of autonomous, independent individuals who judge and decide for themselves*' [vi] My paper today will show that classical musicians have not been impeded, in fact the

opposite. The growth in online trade in the music market as a whole has significantly enhanced the opportunities for individuals to listen to classical music and to decide for themselves, whether to explore the genre further. In addition, it has empowered the artist him/herself.

So what are the technological advances that have been incorporated into the classical industry and what has been its impact? For classical music with its long movements and part of a slow-moving market (compared to pop music) this area of the business only witnessed an increase in activity through the expansion of Broadband, now accessed by reaching 70% of the population in 2010 in UK.[vii] In fact an Ofcom study this year indicated that 76% of UK homes are now connected to the internet and 74% have broadband.[viii] This high penetration is good for the short-term but longer term, classical music needs high speed downloadable capability. It is the rollout of super-fast broadband that could be crucial, certainly to the UK music market, to facilitate online trade growth. The same report also suggests that 500,000 UK households have now adopted superfast broadband services (those that advertise top speeds of 30Mbps+), which is a fivefold increase from 2010.[ix] Yet despite the growth in availability of super-fast services and the range of services that are available,

There is a European context here. The classical music business is global and expansion of broadband and super broadband is equally important in other countries outside the UK. Recent statistics indicate growth in the EU: between July 2009 and July 2010, the number of broadband lines has continued to grow throughout the EU by 8% (albeit more slowly than the 11% growth of a year before). As of July 2010, there were around 128 million fixed broadband lines in the EU, with 9 million new lines added since July 2009. There are approximately 220 million households in the EU.[xiii] Digital Subscriber Line (DSL) remains the most common technology to access broadband in Europe with 100 million lines, but its market share is declining in favour of higher-speed fibre architectures and cable with Docsis 3.0 (an upgrade of cable networks allowing very-high speed internet). Fibre-to-the-home (FTTH) grew by 40% between July 2009 and July 2010, but currently only represents 1.7% of the total lines in Europe as it is present only in a handful of countries (notably Sweden, where 24% of broadband lines are FTTH).[xi]

Therefore the growth of classical music is dependent on how e-tailers are forging new business models of operating in the classical area. As my next slide shows, digital revenues (compiled by IFPI) are rising throughout the world. South Korea leads the way with 55% and USA slightly behind with 49%. There is a big jump down to a range of countries between 20% and 29%. The lower chart is more instrumental in that it shows that in 2010 nearly 30% of revenue is now accounted for by digital. In the UK, classical sales are still dominated by physical product as this slide indicates, although still low at 3.5%.

Music downloads are still the dominant source of digital revenue and continued growth in 2010. iTunes has sold more than 10 billion downloads since it was established in 2003. It has been joined by a range of competitors including Amazon, 7digital, HMV and Tesco.[x] Indeed the newly launched iTunes Match lets you store your entire collection, including music that has been ripped from CDs or purchased somewhere other than iTunes for \$24.99 a year. With a playback of 256Kbps, music can be downloaded to up to 10 Apple devices. [xi]

Online trade has progressed, especially via the smaller record companies. This portrays a shift from the dominance of the major companies to the independents, and to individual artists. The Naxos and Chandos labels were the leaders in this field. Naxos set up its online service, ClassicsOnline, in 2007 and the following year released the largest online collection of 320 kbps, DRM-free classical music albums available for download. The company now boasts over 29,000 albums and over ¾ million tracks.[xii] Perhaps the complete acceptance of new technology within the classical industry is seen in the small label, Hänssler Classics, which released the complete works of Bach pre-loaded onto a special edition 120GB iPod.[xiii]

A further aspect I consider highly significant is the growth of artist independence. With direct access to the market, musicians themselves are using the web as a tool for selling recordings, concert tickets and merchandise as well as social networking. Violinist Tasmin Little (seen in this slide) represents a paradigm, a classical parallel with the 2007 In Rainbows campaign pop group by Radiohead. The band's 'pay what you want' campaign achieved phenomenal success. Little's 'The Naked Violin' is in a similar mould, initially free to download, and including links to a range of music organisations and a personal introduction. This is a

prototype of how a professional classical musician has embraced technological developments in order to communicate with existing fans and attract new ones.[xiv]

And the violinist Nicola Benedetti has shown ingenuity in this field by releasing a series of mobile phone ringtones available off her website. As with other artists, her website shows the violinist on facebook and YouTube and she regularly posts a blog.[xv]

This is aptly defined by Celia Lury: ‘...a new kind of star is emerging; these stars are sustained through the strategic and self-conscious manipulation of performative intentionality across the media; their appeal derives from their capacity to make the actual virtual and the virtual actual...the “value added” from an artist comes not from the management of the distance between their image and their creative abilities, but from its collapse’ [xvi]

A good example of such projects in the orchestral world, including the Philharmonia’s interactive PLAY.orchestra. This consisted of 56 plastic cubes and 3 hot spots laid out on a full size orchestra stage with each cube containing a light and a speaker for the listener to stand on to hear a specific instrument. Including Bluetooth to access Philharmonia-owned ring tones was a further idea! [xvii]

Will the quality of music that is available for downloading, which I suggest is of particular importance to the classical music sphere, ever match the classical music buyer’s requirements. Will downloading classical music direct to computers and portable devices subsume physical buying in the future? I suggest they will not for (what I would describe) the core classical buyer even though sites for classical repertoire are leading the industry by offering above-CD quality downloads which come at a premium price. Linn Records is a case study with its authoritative website giving an overview Studio Master FLAC, Studio Master WMA, CD quality FLAC, CD quality WMA and MP3.[xviii]

The BBC Symphony Orchestra in this slide combine traditional advertising with a ‘listening’ feature which offers the potential buyer an opportunity to listen to a sample of the music to be performed at that concert.

New deals have been set between major have and developers of social and mobile gaming. Sony Music and EMI have deals, which include tracks within games. EMI was first in with MXP4’s Bopler titles, which have more than 200 tracks available globally with projected 1200 songs by end of the year. Their target is 3-4million active users. [xix]

Sony has an exclusive 6 month deal with Say What?! Mobile gaming title (8linQ developer. The Idea is users have to tap to match objects rolling along a conveyor belt to the lyrics of a song to score points. There are pre-loaded tracks and also new acts being promoted by Metropolis (the group 8lonQ is part of). Users can purchase the tracks£1.49 each from Sony within the game.

This should reach a buyer who may not buy music and is another avenue for Sony artists to be commercially exploited. [xx]

EMI VP of digital business development: ‘they are buying status and “fuel” for their game. That’s a rich seam and we have to be smart in how we exploit that’ [xxi]

Further developments include Facebook & the music market joining Research in Motion (RIM) and Google in the music market. Whilst RIM launched its own Blackberry Messenger for music (BBM Music service) [xxii] Facebook not only lets European users connect to their Spotify accounts, but in October launched ‘Music dashboard.’ This will allow users to stream music, passively seeing what friends are listening to while browsing the news feed.[xxiii]. The link to Spotify (the successful streaming service that now has ad-free subscriptions options) recently announced a new relationship with Facebook-all Spotify’s users’ listening habits are to be automatically pushed through onto their news feed, unless the user has indicated a private listening option.[xxiv]

2. Summary

In summary, I hope to have shown you a snap shot of online developments in the music industry and how a niche area such as classical music is adapting its business model to incorporate online activity and

developments in social networking. An acute awareness of the classical music consumer and how to market to them as they become more diverse and open to a wider competition is an essential part of the business. As Joshua Fineberg states: *'there are two ways in which technology could make a real impact... first technological innovations could facilitate many things that are not new. They might make existing processes better or cheaper in ways that might alter the situation meaningfully...the second way technology could change art is through the more profound revision of the role of artist and art-perceiver.'* Both are relevant to the current classical music business.[xxv]

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