

Transformations in Indian music industry in the post digital revolution scenario

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ABSTRACT

In the post digital revolution scenario, music industry is passing through turbulent times the world over; the innovations and spread of technological changes is making music industry change its organizational structures to hitherto unknown forms. The music industry has grown in the last fifty years to become an important global industry. It encompasses a major area of economic activity, and attracts huge global investment. Over the last few years, the proliferation of digital music, the popularity of MP3 format and the emergence of Internet as a viable distribution medium have disrupted the existing music format, pricing and distribution standards. In India also the pattern of music consumption and distribution has shifted radically in the post digitisation era. The trends and patterns of music industry in India is in fact a reflection of the changes that have been taking place in the global sphere. The technological revolution, resulting in the digitalization of music, attendant problems of piracy and anti-piracy moves, changes in copyright laws- all reflect global patterns.

Keywords: recorded music, digital music, mobile music, music genres

1. INTRODUCTION

Entertainment industry is going through a period of structural change. The spread of digital technology has transformed the sector from physical to digital. This change can be witnessed in almost all the segments of the entertainment industry. This is especially true of music industry where the shift from analog to digital platform is much easier. A technology revolution is a great stride forward for any industry; costs would come down; profits would rise and those who surround the industry and live by it would benefit. The structure of music industry has been transformed by the digital revolution, the powerful record companies who were the intermediaries find themselves redundant though still performing music promotion and allied peripheral activities. Creators of music are more powerful, though the act of creation of music is complex and require the services of others, which is still managed by the old intermediaries. A new face or a new voice is not completely dependent on music producers for promotion. They can upload their music via the net and can create an appreciative audience by themselves. Stars are created overnight and producers of music bend before popular appeal. Over the last few years, the proliferation of digital music, the popularity of MP3 format and the emergence of Internet as a viable distribution medium have disrupted the existing music format, pricing and distribution standards.

The organizational structure of the music industry can be divided into two periods. The traditional music industry before widespread file sharing and the music market under the impact of peer-to-peer networks. Music companies and artists depend on each other as they work together to produce music products for the mass consumer market. Artists create music, while companies promote and distribute the copyrighted works. The findings of the traditional music industry are that, companies can do more efficient marketing and have command over the essential retail distribution network. Hence their role in the production process is indispensable and they should own the copyright. This is the reality of the music business as it exists today. But as information technology advances further, alternative ways to

promote and distribute music emerge. Labels become less important as artistic inputs dominate the innovation process. Artists can promote themselves via the web as costless electronic distribution becomes possible.

2. GLOBAL MUSIC MARKET

The size of the sound recording industry is measured by the volume and value of retail sales of records issued in various formats including singles, vinyl discs, compact discs, music cassettes and so on. More than 80 percent of the world market is controlled by the five largest transnational conglomerates EMI, BMG, Warner music group, Sony music entertainment and universal PolyGram. In addition, there are a number of independent record companies, mostly nationally based and relatively small, but often catering to particular types or styles of music in defiance of the mass market orientation (T-Series, Magna sound).

Record sales grew rapidly in the period up until the mid-1990's (PWC report 2005). There was a significant decline in the market share of vinyl records matched by a huge increase in the sale of compact discs. The share of cassettes in music sales has fallen steadily worldwide from 52 percent in 1991 to 23 percent a decade later while share of CD's has grown to comprise almost three quarters of all units sold at present time. There was a slowdown in the global music market in the second half of the 1990's. In the 21st century, consumers spent less money on recorded music than they had in 1990s, in all formats. Total revenues for CDs, vinyl, cassettes and digital downloads in the world dropped 25% from \$38.6 billion in 1999 to \$27.5 billion in 2008 according to IFPI report. According to the IFPI report 2010, digital channels now account for 27% of music sale. The music sector is generating far greater revenue from the online and mobile market than any other sector in the creative industries. In US, the largest digital music market, during the last eight years digital revenues have increased from 0 to 40% of the US music market. But this does not offset the sharp decline in sales of physical formats in the music industry.

During the late 1990s, the internet along with advances in audio and communication technology led to the explosion of illegal online music. People could extract music tracks from CDs, compress them to MP3 or other audio formats, upload the files to a website and share them with other internet users. This trend together with more advanced compression technologies has led to the emergence of portable audio devices like I pods, which has huge storage capacity. These gadgets enable the user to easily store and transport a large number of songs without the bulkiness of CDs or cassettes. Another important change is that mobile music has emerged as the most prominent segment of music industry.

Region	2004	2005	2006	2007	2008	2009	2010	2011	2012	CAGR
United States	520588	545295	576762	504934	498639	466333	491896	508029	536741	-0.81
(% Change)	6	4.7	5.7	-12	-12	-6	5	3.2	5.6	-
EMEA	462875	494202	533473	454104	470444	460569	522828	549867	569277	1.88
(% Change)	19	7.9	-7.9	-14.8	3.6	-2.1	13.5	5.2	3.5	-
Asia Pacific	254478	278861	304404	341076	364832	371256	438351	462232	492655	8.64
(% Change)	9.5	9.15	12.04	6.9	1.76	18.07	6.9	5.4	6.6	-
Latin America	36582	40989	45982	51535	67145	59093	77122	84455	92198	12.44

(% Change)	-25.8	12.04	12.18	12.07	30.2	-11.9	30.5	9.5	9.16	-
Canada	34551	35657	38719	38399	40044	39504	41801	44166	46868	3.46
(% Change)	33.4	3.2	8.58	-0.8	4.28	-1.34	5.81	5.65	6.11	-
Total	1309074	1395004	1499340	1390048	1441104	1396755	1571998	1648749	1737739	2.93
(% Change)		6.159839	6.958795	-7.86246	3.542839	-3.17515	11.14779	4.655105	5.121022	-

Source: Compiled from PWC reports on Global entertainment and media industry for various years

The year 2004 to 2005 marks a period of change. During this period internet penetration increased and digital sales of music emerged, causing structural changes in music industry. During the period 2005 to 2012, many countries experience a fall in entertainment market, especially US, showing a negative CAGR (Compound annual growth rate) of -0.81. The CAGR from 2004 to 2012 shows a high growth rate in the entertainment and media market by Latin American countries and Asia Pacific region. Canada and Middle East countries show comparatively slow growth. Global entertainment market also shows sluggish growth of 2.93.

Table 2: Global Recorded music market-Physical /Digital sales (\$Millions)

Music Sales (millions of dollars)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	CAGR
Physical Distribution	32398	29480	25367	20971	18269	16119	14371	12987	11824	10885	-7.57
Digital Distribution	2127	3610	5212	6269	8103	9800	11670	13366	15141	16988	24
Total	34525	33090	30579	27240	26372	25919	26041	26353	26965	27873	-2.54

Source: Compiled from PWC reports on Global entertainment and media industry for various years

In all the countries, the sale of music has shown an increasing trend. This is mainly because digital sales of music are fast growing. The decline in physical sales is compensated by the increase of digital sales. A look at the global recorded music market from 2005 to 2014 shows that the physical sales of recorded music market is gradually declining. It has fallen from 32,398 million dollars to 10,885 million dollars. The digital sales have increased from 2,127 million dollars to 16,988 million dollars.

In the global recorded music market, in the last two years there has been a slight increase in growth. But the overall growth is negative with a CAGR equal to -2.54. The digital sales of music are fast growing with a CAGR of 24 per cent. Physical sales have declined showing a negative CAGR of -7.57. The decline in physical sales is compensated by the increase of digital sales.

The Music industry shows a revenue of 13.1billionRs in 2012 as compared to 6.7 billion Rs in 2004. A hundred percent increase can be seen in the total sales. But there is a shift in sales from physical to digital components. Sale of cassettes and CD's is the traditional source of income for music companies and constitutes the physical component of sales. It fell from 6.7 billion Rs in 2004 to 2.3 billion Rs in 2012, a fall of 65%. In 2004 there was only physical sales,

digital sales emerged from 2005 onwards. Physical sales are mainly in the form of CD's with film songs standing out as the most important genre in this category. Most of the demand in this category is from film music. Devotional genre is the next important segment of the music market with 10% business share in physical sales. Increasing mobile penetration, advent of 2G/3G and portable music players have given a boost to digital music; however physical sales continue to drop with piracy being the main culprit.

3. INDIAN MUSIC MARKET

In India the pattern of music consumption and distribution has shifted radically. Music buying has decreased.; the number of units being sold is falling. This has led to a spiralling decline in revenues. Mobile music has become a major revenue stream for the music industry, globally far ahead of the revenues from conventional music distribution channels. But unlike in the past, today, music lovers in the country have a few options opening up to legally buying music online. In 2009, Hungama launched its music portal to tap this growing market. In the last few years, the response to pirated content has been strong but on the other hand, the number of consumers on the Internet is steadily on the rise.

Rs. Billion	2004	2005	2006	2007	2008	2009	2010	2011	2012	CAGR
Music Industry	6.7	7	7.2	7.6	7	7.5	9.5	11.9	13.1	8.35
% Change	-	0.04	0.03	0.0555	-0.0789	7.14	26.6	25.26	37.89	
Physical sales	6.7	6.5	6.6	6.5	5.3	4	3.3	2.8	2.3	-13.46
% Change	-	-0.03	0.02	-0.015	-0.185	-0.245	-0.175	-0.167	-0.3	
Mobile VAS	-	-	-	0.7	1	2.1	4.4	4.7	5	54.44
% Change	-	-	-	-	0.429	1.1	109.5	59.1	13.6	
Radio	-	-	-	0.2	0.4	1	1.2	1.4	1.6	50.62
% Change	-	-	-	-	1	1.5	20	16.7	12	
Internet	-	-	-	0	0	0.1	0.1	0.1	0.2	23.11
% Change	-	-	-	-	0.2	3.78	27.9	27.3	1	
Public Performance	-	-	-	0.2	0.2	0.4	0.5	0.6	0.7	32.24
% Change	-	-	-	-	0.478	0.53	31.5	19.1	5	
Digital sales	-	0.5	0.6	1.1	1.6	3.6	6.2	9.1	10.8	63.12
% Change	-	-	0.2	0.833	0.454	1.25	0.722	0.4677	0.19	

Source: Compiled from PWC reports on Global entertainment and media industry for various years

According to the PWC report-Media and entertainment outlook, the music industry in India is predicted to grow at a faster pace as the percentage sales of non-physical formats overtakes that of physical format. It is estimated that from the current share of 17%, the share of physical format would fall to 9% in 2014. A large portion of digital music downloads also happens through the mobile medium. Airtel declared itself as the largest music company in India with the revenues of Music Bharti surpassing the revenues of Saregama, the largest music company in India. It is estimated that over 20 crore music downloads were completed through Airtel connections in 2009. The growth of illegal file

sharing has been a major factor in the decline of legitimate music sales over the last decade. In virtually every country of the world, record sales have fallen since piracy became wide spread.

4. MUSIC GENRES- CHANGING PATTERN

Indian music, stretching back as it does about 2000 years is unique and, creates Specific problems for the Indian music industry. Indian classical music, both Hindustani and Carnatic, film music, Hindi and regional, devotional music, folk music of a wide variety and the different instruments used in them are quite different from western music .The creativity innovation and improvisation that an Indian musician is free to project in a concert is far different from a perfect rendering ,for example, of the moonlight sonata, that an Italian artist may render.

The most important feature of Indian music which impacts on the performance of the music industry players is the dominant role of film music, ever since music became a part of films. The singer actor Saigal thrilled Indian music lovers in the 40 s. The fifties and sixties are called the golden period of Indian music; great composers, lyricists and singers made Indian film music and music in India meant film music. But there are changes in this trend. There is deterioration in the quality of film songs well explained by sound economic factors. Film music can be downloaded even before the release of a film, thus drastically reducing the sale of CDs. The moral aspects of downloading being piracy and akin to theft have not much weight in a poor country like in India. The result is that film producers find that there is a fall in profits; they do not go in for the best composers, lyricists and even singers any more. The resulting fall in quality leads to a dissatisfaction for the music loving public. This is a classic case of vicious cycle in operation.

Another change in the Indian music scene is the arrival of albums. They find much favour with the young generation. Albums were almost unknown in Indian music. Exposure to western culture and western music has resulted in the awareness of and the possibility of producing albums. Musicians have a chance of experimenting with music and its visuals without depending on opportunities in films. This genre is becoming increasingly popular.

5. CONCLUSION

Music industry can no longer be assumed to mediate the relationship between the producer and consumer. In effect the internet offers to remove the middlemen and in so doing changes the nature of the mediation. Disintermediation circumvents the middlemen with a direct access relationship between producer and consumer. No longer are they needed to act as promoters and intermediaries. Indian music companies are waging an all-out war with the very consumers on whose goodwill they depend, on piracy issue. They proudly announce that India is the second country in registering cases against piracy. This is offering dramatic changes in the relationship between record companies and consumers and musicians and their fans. Creative artists and performers are better placed in the sense that they could get much exposure without the intervention of middlemen. There is a direct even pure communication between the musician and the listener. Direct access relationship makes marketing campaigns and advertising superfluous to some extent. Internet interaction increases the speed of music delivery. All these changes are cutting into the profits of music companies. Many of them have been obsessively focusing on profits and therefore the whole trend of changes is viewed with suspicion

The trends and patterns of music industry in India is in fact a reflection of the changes that have been taking place in the global sphere. The technological revolution, resulting in the digitalisation of music, attendant problems of piracy

and anti-piracy moves, changes in copyright laws- all reflect global patterns. Music has the power to transcend national and cultural boundaries.

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