This chapter will prepare students to:

- understand the development of the recording process
- explain the impact of the Depression and World War II on the industry
- recognize the significance of recording technology
- discuss the impact of file sharing
- explain how the digital age is affecting the recording industry
- describe the departments that make up the recording industry
- understand the current economic problems of the industry

Chapter main points:

1. Thomas Edison pioneered the development of the phonograph, which was first used as a device to record voice. Emile Berliner perfected the modern technique of recording music in a spiral pattern on a disk. By the end of WWI, record players were found in most American homes.

2. The coming of radio and the depression hurt the development of the recording industry, but the business was able to survive because of the popularity of jukeboxes.

3. After WWII, the industry grew quickly because of the development of magnetic tape recording and the LP record and, most of all, because radio stations began to play recorded music as part of their formats.

4. Rock-and-roll music helped spur record sales and made young people an important part of the market for recorded music.

5. Digital downloading is transforming the basic way the music industry conducts business.

6. There are four segments in the recording industry: talent, production, distribution, and retail.

7. Four big companies dominate the record business.

8. *Billboard* magazine’s charts are the most important form of audience feedback for the industry.

9. After several years of growth, the recording industry’s revenue has declined, due in part to the declining popularity of the CD format.
Early Technologies

Thomas Edison invented the phonograph in 1877 (it recorded on a tinfoil cylinder); seen as suitable for dictation, not music. Competition came from Chinchester Bell and Charles Tainter’s graphophone, which recorded onto a wax cylinder, and Emile Berliner’s gramophone, which made spiral track recordings on a flat disc.

Nickelodeons in the 1890s were an amusement arcade device that played a two-minute musical recording for five cents. They were popular and demand for “entertainment cylinders” grew.

Rivalry and Growth

Emile Berliner premiered the Victrola in 1906. It was the first disc player designed to look like furniture. He formed the Victor Talking Machine Company (the trademark was the famous picture of a dog peering into the bell of a gramophone with the logo, “His Master’s Voice”). By 1912, the disk format had captured the market.

By 1914, record players and record collections became a household standard, fueled by a national dance craze that lasted through WWI. The boom continued into the 1920s with the dawn of the Jazz Age (the blues and jazz music foundation for the Roaring Twenties era), but didn't last.

The Impact of Radio on the Recording Industry

By 1924 record player sales dropped 50 percent from the previous year, largely due to the popularity of live music delivered via the new radio medium. Record companies improved the sound quality of recordings, and marketed combined radio-phonograph devices, a clear indication the two media could coexist. When RCA and Victor merged in 1929 the new company was dominated by the radio operation.

The Depression Years

The early part of the 1930s saw record sales plummet. With a hard economy imposing record low profits on the industry, a new coin-operated music device called the jukebox helped rescue the industry during the Depression years. Installed in bars, diners, and drugstores, jukeboxes helped boost record sales nearly 500 percent between 1934 and 1939.

World War II and After

Shellac, a vital manufacturing ingredient for records, was declared a vital defense commodity by the government during the war, and record making plummeted. Adding to industry woes was the 1942-1944 strike by the American Federation of Musicians, who feared losing jobs because of "canned" music. Capitol records, however, began sending free records to radio stations to promote certain songs; this practice revolutionized both media.
In 1948 Columbia Records introduced the 33 1/3 rpm long-playing record (the LP). RCA introduced the 45 rpm record, and the marketing battles of this era soon became known as the "Battle of the Speeds." Soon the 33 1/3 became the preferred format for albums, and the 45 remained the choice for singles; the older 78 rpm format quietly disappeared.

In the 1950s stereophonic players debuted, which doubled the number of records being sold.

TV's increasing popularity affected both radio and the recording industry. Many radio stars migrated to TV, so local radio stations were forced to look for new ways to attract audiences; playing the Top 40 songs became one of the most popular ideas.

The Coming of Rock and Roll

Rock has roots in black rhythm and blues, commercial white popular music, country and western, and jazz. Rock and roll owed much of its explosive popularity to new singers such as Elvis Presley, Bill Haley, Buddy Holly, Little Richard, Jerry Lee Lewis, and Chuck Berry.

The Commercialization of Rock

For various reasons (some scandalous, some not), many original rock stars left the scene by 1959. The radio-recording payola scandals of the period further blemished the image of rock and roll. In the early 1960s, the industry feared its bottom line might suffer and made an effort to clean up rock's image with a new wave of wholesome, clean-cut American singers: Ricky Nelson, Bobby Vinton, Paul Anka, Connie Francis, Fabian, the Four Seasons, Annette Funicello, Brenda Lee.

The British Invasion

In 1964, the Beatles took rock and roll by storm with a sound that was widely recognized as upbeat and innovative. Many other British groups followed, but not all followed the same music style; the Rolling Stones and the Animals, for example, exemplified a new blues-based, harsher, and slightly more aggressive sound. American genres developed, too, including folk (Bob Dylan, Joan Baez) and soul music (recorded on the Motown label).

Transitions

Music genres in the late 1960s reflected the social experimentation and cultural transition of the times. Freedom, experimentation, and innovation were encouraged, and the lines of genres were crossed. For example, the Band introduced country rock; the Who recorded a rock opera, Tommy; Blood, Sweat, and Tears blended jazz, rock and classical music. By the 1970s, rock music became part of the counterculture, giving rise to heavy metal.

Industry Trends: 1970-1990s

The recording industry enjoyed a boom the 70s thanks to disco, but profits headed south during the early 80s. Then Michael Jackson's Thriller album was released, along with some blockbuster movie soundtrack albums, and profits returned. The dominance of CDs in the 1990s was also good for the bottom line because profit margins are higher for CDs than for tapes, so despite fluctuations revenues generally increased during the 1990s.
The Contemporary Sound Recording Industry

The sound recording industry is moving away from selling shiny discs (atoms) to selling digital music (bits).

Illegal file sharing is still a problem, but the closing of Limewire in 2010 resulted in a decline of pirated music.

The sound recording industry remains highly concentrated with the four biggest firms controlling about 85 percent of the market.

SOUND RECORDING IN THE DIGITAL AGE

Transition

Once the recording industry switched from analog to digital technology, it became vulnerable. The recordings were no longer locked into the physical objects (LPs, tapes) but were encoded as pure information – binary numbers – from which music could be recovered. The industry was blind to the threat made possible by the Internet and the personal computer, and was thrust into the digital age before it was prepared. Illegal file-sharing changed the industry forever, but it forced the recording industry to figure out a way to make music easier to buy than to steal.

The biggest developments in the past two decades that have reshaped the industry are:

- the emergence of portable MP3 players
- the smart phone with built-in MP3 capability
- Apple’s online iTunes store

These three innovations (above) had three impacts:

- the single song replaced the album as the preferred method of buying music
- Americans now consume a significant portion of their music via portable devices; MP3 players created a new cottage industry with over 200 accessories
- Traditional brick-and-mortar stores are disappearing and downloading music has increased dramatically.

Mobile Music

The Sony Walkman was the first device that allowed consumers to take their recorded music with them. The iPod, iPhone and related devices continue that tradition. Mobile music can be accessed in two ways: purchasing songs from an online source and downloading them to their computer then sideloading the song to a digital player, and direct downloading to smart phones such as the iPhone or Google’s Android.

In 2011, Apple introduced the iCloud, allowing consumers to store music and access it from a remote server and access it from any of his/her devices (iPhone, iPad, laptop, desktop, etc.)
**User-Generated Content**

Two types of user-generated content are relevant to the music industry:

- artists and record labels that make their content available for others to incorporate into their home-made productions
- user-generated videos posted on YouTube and other video sharing Web sites

**Social Media**

For many years, the music industry viewed the Internet as the enemy since it made possible the sharing of music files. The development of social media has made the industry re-evaluate its attitude:

- major artists and labels use Facebook and Twitter to promote new songs
- artists are exploring ways to sell songs directly through Facebook
- social media have become the preferred way for new acts to promote themselves
- fans use social media to communicate among themselves about songs and artists they like.

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**SOUND RECORDING DEFINING FEATURES**

Defining features of sound recording include:

- It is a cultural force, characterizing social groups, defining movements and trends in society; as such, it helps shape modern culture.
- It is an international enterprise, with albums being sold worldwide and recording artists touring around the world.
- The recording business is a unique blend of business and talent.

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**RECORD INDUSTRY ORGANIZATION**

The recording industry can be divided into four major segments: talent, production, distribution, and retail.

**Talent**

The talent segment of the industry consists of all the singers, musicians, songwriters, arrangers, and lyricists who hope to make money by recording and selling songs, but the road to success is hard and long. Few make it big. A group's first step is usually to perform for local clubs and events. Traditionally, if they survive, they'll take their act on the road to gain experience, money and a little recognition. Alternatively, some bands and artists turn to the Internet for exposure, posting videos on YouTube, Facebook or MySpace.
Production

At a recording studio the group records a number of songs. Audio engineers use elaborate sound-mixing systems to get the right sound. When the label releases the group's single or album, promotion, publicity, advertising, merchandising, and packaging expertise start in. Though there are dozens of record companies, four firms dominate the industry: Time Warner, Sony, Universal and EMI.

Distribution

There are six main outlets for music distributors:

- **Direct retail**: stores, many of them large chains that specialize in CD and tape sales
- **Rack jobbers**: racks in department stores and major discount chains
- **One-stops**: intermediary companies that buy from the record companies, then sell to smaller retail stores
- **Direct consumer sales** (a.k.a. packagers and record clubs): sales from TV promotions and record clubs
- **Online sales**: the consumer deals directly with an online retailer
- **Direct download**: Web sites such as iTunes, MSN Music or Wal-Mart offer single tracks or albums for purchase

Retail

Traditional record stores are facing stiff competition from online music sites and mass-market stores such as Wal-Mart and Target. As traditional music stores have closed, the mass marketers have become more important. In 2010, 33 percent of all CDs were purchased at mass merchandise stores. The biggest record retailer is iTunes, accounting for nearly 28 percent of the market, with Wal-Mart in second place. Some electronics retailers have started their own music downloading businesses.

OWNERSHIP IN THE RECORDING INDUSTRY

The recording industry is one of the most concentrated of all media industries, with four companies accounting for more than 85 percent of sales: Universal Music Group, Sony, EMI and Warner Music.

PRODUCING RECORDS

There are seven departments within the typical recording company:

- **artists and repertoire (A&R)** scouts new talent
- **sales and distribution** sells products, makes sure inventory gets to targeted markets
• advertising and merchandising plans media ad campaigns and point of purchase displays
• promotion helps market and promote the company’s artists
• business lawyers, accountants, researchers, financial analysts, secretarial staff
• publicity seeks press coverage and reviews for new performers in press
• artist development helps further artists’ careers with tours, concerts, and TV appearances

Making a Recording

For a new group to win a recording contract, they must convince someone in a record company that they have a sound that will sell. Some artists produce a demonstration disc, or demo. Some post videos on the Internet. Some bombard the A&R department with emails. If they are lucky, they are signed to a contract, and go to the studio to make a recording. A modern sound studio features full multi-track recording.

A band doesn’t even have to record a piece at the same time; with multitrack recordings each instrument, person, and effect can be recorded separately and professionally blended together later. After the recording session, the next step is the mix down, the technical job of mixing down the multiple tracks to a two-track stereo master.

THE ECONOMICS OF SOUND RECORDING

Economic Trends

The economic outlook for the recording industry is not encouraging. Revenues have declined after peaking in 2000. Sales of CDs continue to fall. However, legal digital downloading services, such as iTunes, are booming.

After nearly 20 years of growth, the industry has seen profits decline since 2000 – the year file-sharing programs became popular. A bright spot in this situation is that legal downloading services, such as iTunes, are booming.

New Business Models

Faced with declining revenues, the recording industry is exploring other ways to make money, such as an arrangement called a “360 deal” in which a company agrees to make a large cash payment to a performer and, in return, get a percentage of all revenue generated from concert tickets, t-shirts and other items.

The industry has also capitalized on the success of video games such as Guitar Hero, Rock Band and related games; record labels license their songs to the games in return for a fee.

Rock Performers: The Bottom Line

Until a few years ago, rock stars made most of their money from CD sales and downloads. Today, CD sales have fallen by more than 50 percent, and rock stars are looking for other sources of revenue including:
• touring
• corporate sponsorships
• merchandising
• product endorsements
• promotional deals

Out of all the recordings released every year, only about 10 percent are profitable.

### FEEDBACK

**Billboard Charts**

Feedback in the record industry is measured by *Billboard* magazine’s weekly ratings. For sales figures, *Billboard* relies on Nielsen SoundScan. SoundScan tracks sales in the U.S. and Canada. Data are collected weekly from about 14,000 outlets. To measure exposure, *Billboard* relies on Nielsen Broadcast Data Systems (NBDS). NBDS monitors airplay on more than 1,600 radio stations in the U.S., Canada and Puerto Rico.

In addition, radio stations usually monitor *Billboard* magazine to see which records they ought to be playing. Thus, sound recording also functions as a feedback mechanism for radio.

**Sound-Recording Audiences**

Demographic profiles for record audiences are difficult to come by because the recording industry is supported by audience purchases and not by advertising. Recording companies concentrate on overall sales figures rather than seeking detailed demographic information about their audiences.

In terms of music sales, people over 30 now account for about 55 percent of sales (a 25 percent increase from 1988), while spending by those 19 and under has declined from 32 to 21 percent. Music downloading varies by age, with teens through 29-year-olds the most active downloaders.

### RECORDING INDUSTRY: CAREER OUTLOOK

The outlook for the near future is not optimistic. The major recording labels have cut jobs and downsized departments. Employment opportunities may be better with companies that offer digital music downloads or with companies that sponsor tours and concerts.

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*End of Chapter 9*