

Digitization Impact and Challenges on the Music Publishing Practices of the Malaysian Music Industry

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Abstract

The purpose of this study is to investigate the digitization impacts and challenges on the music publishing practices of the Malaysian music industry. This research analyzes how music publishers adapt to the changes in music publishing practices due to digitization. It focuses on the factors that changed the roles of music publishers in the digital era, the impacts and challenges brought by the technological innovation in the Malaysian music industry, and the consequences of the effects and challenges.

Keywords: Music Business; Music Industry; Music Publishing; Music Digitization

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1.0 Introduction

The music industry operates so that it involves a team of industry professionals working together to manage the profitable music business. It encompasses all aspects, including the music's creation, recording, performance, and promotion. However, how the music industry operates has been changing ever since the emergence of the Internet and digitization. Each key player in the music industry, the producers, Artists & Repertoire (A&R), songwriters, record labels, and music publishers, are forced to undergo shifting roles to adapt to the never-ending changes. The digital age in the music industry began in the 1970s "when digital technologies were introduced in music production and recording". The use of technologies expanded to music distribution when compact disks were introduced during the 1980s. It evolved rapidly once Internet technologies existed, where it became the most critical driver of change. It was during the late 1990s and early 2000s. Internet technologies brought every remaining part of the music business, including "promotion and talent development, into digital technology". During this period, the change was overwhelming as the number of technological innovations proliferated. It is when music technology brands such as SoundCloud, last.FM, Spotify, iTunes, Pandora, and many more existed. (Wikström, 2013, p. 8). This research will specifically focus on the transitions of the roles of music publishers from the year 2010 until 2019. Every record label or publishing group has strategies for its businesses with the same goal: to achieve the most profitable out of their outcomes. The process must go along with digitization, as that is what the current era of the music industry is. For every step taken in developing and sustaining the music industry, there are always impacts and challenges that come through. Thus, this research focuses on the digitization impact and its challenges on music publishing practices in a case study on the Malaysian music industry. Subsequently, in order to achieve the goal of this research, the following research objectives are being proposed.

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2.0 Review of Related Literature

The purpose of this research is to investigate the digitization impacts and its challenges on the music publishing practices of the Malaysian music industry. This research analyzes how music publishers adapt to the changes in the music publishing practices due to digitization. It is crucial to understand the phenomenon that led to the enormous difference. Several types of research have been done where researchers attempted to understand the impact of the Internet and digitization that affected the music industry and how it works. Morris (2010) stated that:

Recording labels, music retailers and individual artists have evolved in their own right, companies and individuals with diverse interests in technology, computing, and the internet are primarily responsible for the recent re-arrangements of music industrial relations" (p. 16).

Global Music Report (2018) stated that record companies are operating towards creating a better experience for music consumers by licensing their music and working with technology companies. It is happening with audio streaming services and social media platforms. "They are taking on complex challenges, building systems and clearing rights to bring exciting, yet easily accessible, music experiences" (Global Music Report, 2018).

2.1 Shifting from Physical Distribution to Digital Distribution

As cited by Vaccaro and Cohn (2011), mass production and distribution of physical goods are parts of the traditional business model in the music industry (Hughes & Lang, 2003). Record labels would manufacture the product, which is the CDs, and then distribute it to retail stores. However, other mediums were used to sell their products, including artists selling their CDs at concerts, online e-tailers, and direct leading clubs.

CDs are no longer the primary business model in the music industry today since digitization. CD stores in Malaysia have been gradually closed within the past few years, and only a couple of stores are left. As claimed by Moreau (2013), "digital files are much easier and less expensive to produce than CDs. The elimination of CD manufacturing and distribution reduces the cost by about 35%." (Curien & Moreau, 2006). Despite the development of digital music does not revolve around "traditional manufacturing, production, and marketing", "the digital music commodity is surrounded by a massive legal, technical and a cultural grey area" (Morris, 2010; Ismail et al., 2021). There are many debates regarding the music industry's traditional and current business models. It was concluded that online music was not a financial rationale for investment. Moreau (2013) stated that "the idea of selling only a few songs at a retail price of \$0.99 rather than a whole album at about \$15 was not financially attractive" (p. 26). Moreover, the tangibility of physical commodities helps to create more value as CDs come with "packaging, contents, artwork and liner notes" (Morris, 2010, p. 30).

2.2 Internet and social media as a Means for Distribution and Promotion

Record companies used to be a powerful medium to promote and distribute music. However, the free and open communication of the Internet and the rise of social media has primarily minimized the costs for musicians, thus decreasing the relevancy of record companies (Gamal, 2012). According to Latonero (2003), "The friction incurred by all the costs of distributing products in real space would be alleviated by the ability to transfer bits across the Internet instantaneously" (p. 130). Barr (2016) conducted research in which researcher interviewed several people with different levels of expertise. They were selected purposively and described as "creators". Based on the results, all the creators being interviewed were active users of digital production software to record their music, digital platforms to disseminate their music, and social media networks to market their music.

Bernardo and Martins (2014) researched the disintermediation effects on independent approaches to the music business. It is when artists take charge of their music, producing, distributing, and promoting them, and they no longer rely on major record labels. Major record labels used to be "a lucrative business model, and have been the main driver of the industry" (p. 8). They found that independent musicians leverage the use of the Internet and social media. Apart from distribution and promotion, online management tools and task management applications are delivered in the cloud as software-as-a-service. "Online social media such as Facebook, Twitter, MySpace, and YouTube provide great tools to market products, services, and ideas. Several sites, online marketers, and blogs guide how music artists can best use these tools" (Bernardo & Martins, 2014). According to Gamal (2012), some of the roles of record labels have been minimized. Thus, they had to do some innovation. However, their relevance and importance are still preserved with "their wealth of experience, connections with major media organizations and radio stations, public relations expertise, access to mainstream forms of distribution, and general knowledge of career strategizing" (p. 24). Artists can quickly gain popularity through the Internet, a more convenient and affordable alternative to producing music, promoting themselves, reaching fans, and distributing their content (Gamal, 2012). It gave consumers a more comprehensive selection and easier access to music, threatening the roles of record labels, particularly music publishers. Gamal (2012) stated the following:

"The record companies have partially lost hold of the control that once allowed them to keep prices for music and their profits high. Ultimately, fundamental changes in production, distribution, and promotion brought on by the transformation of the economic climate redistributed profits and created new business opportunities" (p.21).

2.3 Internet as a Gateway to Illegal Downloading

With the existence of the Internet, websites such as peer-to-peer file sharing programs can easily be accessed. One of the pioneering peer-to-peer programs is Napster, created by Shawn Fanning and became the most popular application on the Internet, with an estimated

38 million users as of 2003. The simplicity and convenience of Napster to search for MP3 was the factor that made it so famous (Latonero, 2003, p. 171). According to Gillespie (2009) and Burkat & McCourt (2006), as cited by Arditi (2012), music has been distributed through the system of peer-to-peer file sharing across the United States in which it is no longer needed to rely on intermediaries to get the music to record stores. Anyone can access the Internet and peer-to-peer sharing programs, which act as a public distribution platform. Thus, the recording industry's exclusive control over music distribution had been threatened by the users of peer-to-peer programs that act as music distributors. Arditi (2012) concluded that the "disintermediation of the Internet presents risks to the record labels because it destroys the advantage that the major record labels have had over independent labels and artists in the production, storage, and distribution of music" (p. 197). "The record companies were not only hurting from a sales perspective, but their technique of legal action against individuals for illegal file sharing was not by any means a sustainable approach to digital music and began to harm their image among consumers" (Gamal, 2012, p. 18). The peer-to-peer file sharing network Napster "enabled individuals to effectively steal and share music," which is incidental to the decrease in CD sales (Mooney, Samanta, Zadeh, 2010, p. 1). Online communities could "connect and illegally share copyrighted music without any payment to the artist" (Mooney, Samanta & Zadeh, 2010, p. 4). According to Leyshon (2008), the top-ten peer-to-peer download programs in 2003 made it possible to download music illegally. It was estimated that those programs had been downloaded more than 640 million times, with 2.3 billion files being downloaded across the networks monthly (p. 1311). Peer-to-peer networks are "illegally swallowing the profits of recording artists and the music industry as a whole" (Mooney, Samanta, Zadeh, 2010, p. 1).

2.4 Copyright

Copyright is an important institution for the music industry. It determines the boundary between who is allowed and who is not allowed to use a specific product under specified conditions. According to Dolfsma (2004), the emergence of the Internet as an electronic channel has severely affected existing business practices where the industry faces a dramatic change. The framework of business practices among music publishers and record companies depends "on having control over copyrights" (p. 226). Arditi (2012) stated, "Copyright separated musicians from their means of production- their creative songs are the object of their labour. Copyright legislation enabled musicians, their estates or representatives (i.e., publishing companies or record labels) to own non-commodified pieces of music previously" (p. 76). It is challenging to maintain excludability as "music is being transformed into an information product" (Dolfsma, 2004, p. 226). Music can be freely disseminated through the Internet without losing its quality, creating a massive problem for record companies (Dolfsma, 2004).

2.5 Digital Streaming and Downloading Services

It has been stated by the Global Music Report (2018) that digital revenues grew 19.1% to US\$ 9.4 billion whereby accounted for over half (54%) of total recorded music industry revenues worldwide for the first time. The global surge in streaming was a primary factor, with an increase of 41.1%, with paid subscription audio streams at a positive 45.5%. A 20.5% decline followed it in revenue; digital downloads accounted for 20% of global digital revenue. "In 32 markets, digital revenues now account for more than half the recorded music market with six further countries crossing the threshold last year" (Global Music Report, 2018, p. 13).

The development of iTunes by Apple has been a successful innovation where the revenues from downloads exceeded \$1 billion per annum in 2005. Apple, one of the many legal online sources available on the Internet, offers "downloads that ensure that revenue flows from consumers to record companies, publishing companies, and artists". (Leyshon, 2008, p. 1311). Spotify also emerged as a successful music streaming service which it garnered €8 billion paid to rightsholders since its launch with 157 million active users and 71 million paying subscribers (Global Music Report, 2018).

3.0 Methodology

This research was conducted using the qualitative method to investigate the digitization impacts and challenges on the music publishing practices of the Malaysian music industry. Interview questions were designed to discover the factors that changed the roles of music publishers in the digital era, identify the challenges brought by technological innovation, and understand the advantages and disadvantages of the impacts and challenges on the Malaysian music industry. Secondary data from both internal and external sources are used in this research to gain a better insight into the impact of digitization and its challenges in the music industry. The sample for this study is two Malaysian music industry practitioners who experienced digitization. Interview questions were designed for this research. The semi-structured interview questions are adapted and developed from previous research. ("Learning Agility: Case Study of Record Business Professionals in the Digital Age" by Sarah McGovern, 2015 & "Music Artists' Strategies to Generate Revenue Through Technology" by Kalilu Kamara II, 2018). Internal sources as part of the secondary data were used in this research, such as data from MACP (Malaysian Author and Copyright Protection), theses, and dissertations of past researchers to provide more information for the research.

3.1 Data Collection

A face-to-face interview session with respondent one was done. Firstly, the researcher contacts each sample via e-mail and WhatsApp to inform them about the study and then asks for permission if they are willing to participate. Once the interview was completed, the researcher would ask for permission from the samples to record the audio of the whole session to do the data analysis. A list of interview questions was prepared to ask beforehand. Data collection from respondent two was done via an e-mail interview. The questionnaires were e-mailed, and then the answer from the respondent was returned. The interview sessions will be recorded and then transcribed for the analysis process. Data from dissertations and theses are re-analyzed and reviewed for this research.

4.0 Findings and Discussion

As a result, there are two significant findings from the data analyses, which are:

1. The impacts and challenges within the music industry that arise due to technological innovation.
2. The consequences of the impacts and challenges caused by digitization on the music industry.

4.1 *The impacts and challenges within the music industry that arise due to technological innovation.*

Regardless of what channel or platform one chooses to publish their music, there are always challenges that must be faced. With the advanced technology we have now, illegal doings are inevitable. That is one of the downsides of digital music, where even on online music streaming platforms, people can still retrieve the music illegally where there are online converters that enable people to do so, despite the music's locking owner them and making them private. With the technological world we live in, the music industry's survival is closely tied to the sincerity and honesty of the consumers. A natural person who values the music being created would tend to pay for the music or find any ways to consume them legally. It depends on the mindset of the person him or herself and the way they perceive music. Some would not even bother thinking about the creator of the music- the process and journey they had to go through to produce such music. Thus, they could not care less, and they believe that music is supposed to be for free. It has also been supported and proven by Leyshon that "there is now a culture of expectation among many music consumers that the default position for obtaining music is that it should be free" (p. 1312). Leyshon (2012) made an observation based on the outcome of Radiohead's 'In Rainbows' album in 2007, where the band experimented with selling the album at a price determined by the buyer. It resulted in most of those who got the album buying it for free.

4.2 *The Consequences of the Impacts and Challenges Caused by Digitization towards the Music Industry*

There have always been challenges in the music industry, but what triggers more of it is when we are in the digital age. The digital revolution has impacted the music industry a lot. Respondent 1 states that more artists are being produced almost every month today. People, especially young adults or teenagers, can get easily famous with the power of getting viral on social media. Many people crave attention and tend to do anything to receive fame, and once they do, record labels would look at them as a potential product to sell. Thus, the number of people or 'artists' signing with a record label is continuous; they start producing music. As with all previous eras, the music industry is highly competitive; it is not enough to be "talented" and hope to be discovered. Survival today requires musicians to embrace these new approaches — individually or collectively — to reach their audiences. It requires continual performance or product availability exposure via distribution and social media platforms. Gamal (2012) stated that the Internet and illegal piracy "undeniably played a major role in the massive shift in consumer preference by providing them with the means to easily access individual songs, without even stepping out of their front door" (p. 46). This supports the fact that some people tend to get and consume music without purchasing it. The existence of the Internet is indeed a life-changing experience and has created an enormous change, especially in the music industry.

5.0 Conclusion and Recommendations

After the digital revolution, the music industry affected the consumption and monetization of music. Thus, changing the mechanism of music publishing and how it operates today. Some changes are good and beneficial, and some are bad and degrading. For instance, digitization has made music consumption much more manageable, as people from all over the globe can access music just through their devices. It creates a convenient and favourable option among people as they would not need to go to the store to get physical copies to listen to music, hence the decrease in revenues gained from physical records. It is good because it saves up the production, manufacturing, and distribution cost of a record label. Social media algorithm, or algorithm, is another aspect impacted due to digitization, where the personalization of the user's preferences is sorted and filtered. It is very much recommended for labels and artists nowadays to utilize the algorithm tool and research the target listeners' demographics. In the digital era we are living in today, it is crucial to understand how important data are to selling our products.

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