

Chapter 11

How Digital Changed the Music Industry

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Abstract This article aims to point out main changes of the music industry since the advent of the Internet and how the fashion industry can learn from it. Different factors are researched with a birds-eye perspective by conducting a literature review. The results are limited by the availability of sources and the implications are based on a theoretical foundation. For further research the conclusions drawn for the fashion industry have to be proven empirically. After reading the paper, the reader has rather an overview of the changed circumstances and how the music industry reacted than deep knowledge in each field. More specifically, this paper gives an overview of the changed circumstances due to digitalisation and how the music industry reacted within. As both the fashion and music industry have their similarities, they are limited in their comparability, since fashion products cannot be fully digitalized like a music record. The fact that the music industry had to reinvent itself rapidly to adopt new possibilities and chances results from the article. To make use of the sustainability trend and to build communities in order to include them in the creation process are the major suggestions for the fashion industry.

Keywords Fashion · Music · Digital · Streaming · Sharing economy

11.1 Introduction

The development of the digitalisation with the upcoming changes, risks and chances is resounded throughout the land. Voepel (2015), director of the world economy institute of Hamburg, warns to see the digitalisation just from the technical point of view. According to him it would be a radical change of the economy and the society with challenges, which are not yet understandable. Whereas Angela Merkel invites companies, to lose the fear of digital changes and to be brave

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(Merkel 2015), Matthias Doepfner, the chief executive of the German publisher Axel-Springer, predicts that the digital change will hit all of us (Doepfner 2015).

This paper aims to show the recent process of the digitalisation of the music industry and provides approaches, how far the fashion industry is able to adopt the approaches of the music industry to solve own. By conducting a literature review, main changes of the music industry with the advent of the Internet will be shown. Every major change of the music industry is transferred to the fashion business to reveal the actual state. In the following discussion the implications for the music industry will be described as well as approaches to adopt that into the fashion setting. Overall, the paper is limited by the availability of sources of the actual state, because the digitalisation is an ongoing process with new ideas and changes every day.

As the media and entertainment sector is one of the first to be digitalized this article focuses on how the digitalisation changed the landscape of the music industry (Bradley et al. 2015). Regarding the changes in the recent years in the music industry, it is necessary to compare the processes and mechanisms of the music economy before the digital age with the ones nowadays. Therefore, the shifts of revenue streams as well as the process from a raw record to the consumer, the way of consumption, privacy and quality issues will be analysed by conducting a literature review.

Next to the music industry, the state of the fashion industry is researched in the literature review. After having an overlook of the main characteristics that changed with the digitalisation of the music industry, comparable factors of the fashion industry will be elaborated. By comparing both industries in the following discussion, the article describes to which extent the fashion industry has already learned and can learn from the advanced digital state of the music industry. The paper aims to have a bird's-eye view on the state of the digitalized music industry and to provide different approaches of comparability of both industries without diving too deep into one topic.

11.2 Literature Review

11.2.1 *Music Industry as the Pioneer of a Digitalized Industry*

Meisel and Sullivan (2002) wrote about the state of the music industry “Other digital content industries should pay close attention for they are next in line to experience the revolution”. Today the music industry can be named as a pioneer when it comes to the digitalisation of industries. To illustrate an overview of the digitalisation, Bradley et al. (2015) conducted a research with a survey of 941 business leaders in 12 countries around the globe. A result is their digital vortex (Fig. 11.1), which shows the industries ranked by their expected order within the digital transformation.

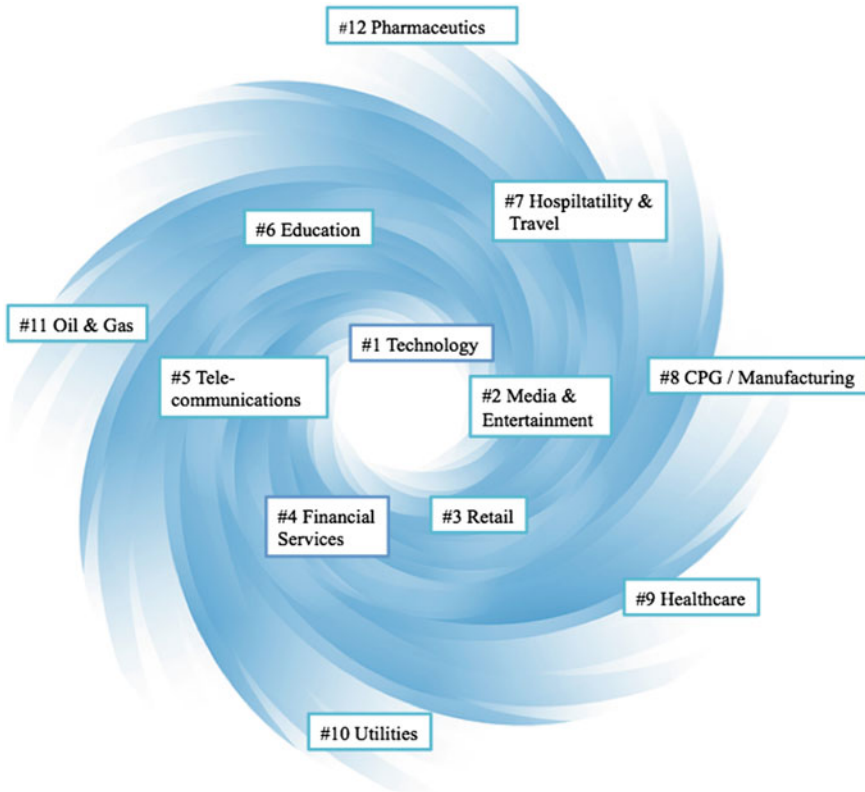


Fig. 11.1 The digital vortex, own illustration adopted from Global Center for Digital Business Transformation

The vortex was chosen because “it pulls objects towards its centre (...), objects do not travel a predictable path from the outside to the centre” (Bradley et al. 2015). Their study confirms the statement of (Meisel and Sullivan 2002), that the media and entertainment industry will follow the technology in the digitalization process. Whereas the technology provides the infrastructure, the media and entertainment sector is the one, which is the closest to the middle of the vortex.

11.2.2 The Transformation of the Music Industry

Regarding the music industry, there is almost no other industry that has undergone more changes and challenges in the past years. Coming from vinyl discs made out of shellac over cassettes to CDs, the technology of compressed digital audio, known as MP3, made it possible to send audio files on a digital way in an approximated

quality to CDs (Tschmuck 2012). Besides that, it was from now on possible to store the music on a hard drive and to take it to the outside without carrying CDs or cassettes (Leurdijk and Nieuwenhuis 2012). The penetration and development of the Internet paired with the invention of the peer-to-peer file sharing (P2P) led to an open file sharing system through the World Wide Web called Napster. Users had the possibility to share and download music files through the Internet. After the Recording Industry Association of America (RIAA) succeeded in filing a lawsuit for copyright infringements of Napster in 1999 the music industry was warned. The major labels then tried to establish own e-commerce platforms to sell the music directly to the users and other platforms like Emusic tried to start the e-commerce record business but failed due to lack of the repertoire of licences and consumer usability (Tschmuck 2012). In 2003, apple managed to get the licences of the four big major labels (Warner Music Group, Sony BMG, EMI and Universal Music Group) and established iTunes, an online MP3 store to download tracks and albums. In 2010, iTunes reached the milestone of 10 billion sold downloads and was the market leader (Bruno 2010). At the same time, streaming services like Deezer, Spotify or last.fm started their business. These services offered two options: a free music on-demand-stream, which was ad-supported or an ad-free subscription option (Tschmuck 2012). Apple followed them in June 2015 and launched their streaming service called Apple Music. In June 2016, Apple reached 20 million subscribers, trailing Spotify by 20 million (Halperin 2016). Pandora, which is an Internet radio station with more than 80 million active listeners which live mainly in the U.S., should also be named here, but it is more seen as an free-listening platform of different radio stations with less than four million subscribers in 2015 (Trefis Team 2015). The fourth big player comparing the number of active listeners is Soundcloud. With about 350 million listeners per month it is the world's largest audio streaming service. On Soundcloud anyone can upload audio content and share it with friends or the publicity who can listen for free, which is the main difference between Soundcloud and the other named streaming services (Pitt 2015).

The streaming services with their subscribers are a main-driver of the digital music revenue and this is also illustrated in the revamped chart regulations by billboard. In December 2014 billboard revealed a new method, which was introduced to include streams into the regulations (billboard.com 2014). The technical changes and also the growing number of consumers who prefer an access- or subscription-model to an ownership one changed the revenues of the music industry in the recent years (Pitt 2015), which is also shown in Fig. 11.2.

Today, the music industry can be separated into four revenue streams: digital sales, physical sales, performance-right revenues and synchronization revenues. In 2015, the global digital music revenue was 6.7 billion US dollars. It was the first time, that the digital revenue was more than the physical one (5.8 billion US-Dollars). Nearly half of it was created by streaming services (IFPI 2016). According to the Global Music Report 2015, the number of music streaming users is expected to be doubled from 166 million in 2014 to 335 million in 2020 (IFPI 2015).

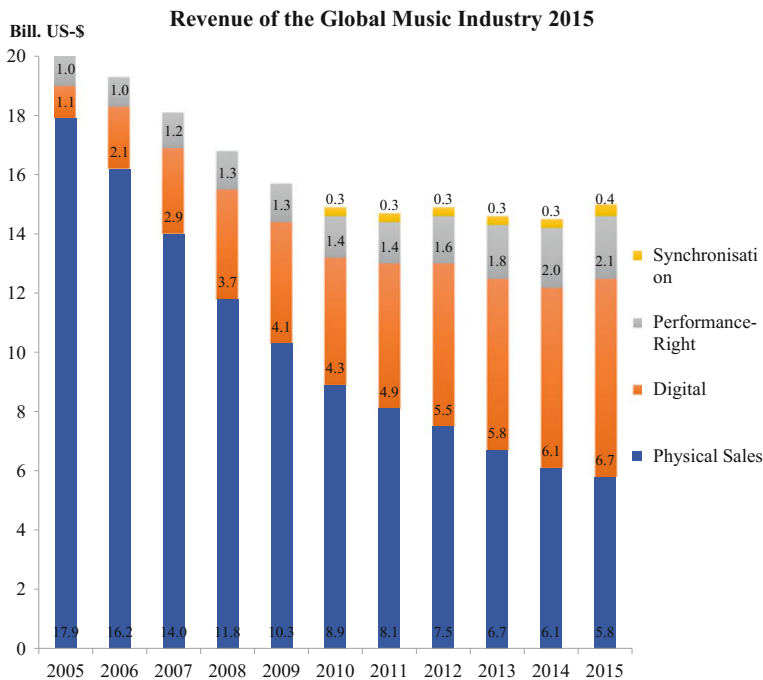


Fig. 11.2 Revenue of the Global Music Industry until 2015. Own illustration based on the Global Music Report (IFPI 2016)

11.2.3 From Artist/Designer to Consumer

11.2.3.1 The Music Supply Chain Before the Advent of the Internet

Within a supply chain, the upstream parties provide input and adds value to the product before passing it on downstream to the next company or to the customer (Porter and Advantage 1985). The traditional supply chain in the music business has been very static and the main actors were well established. Main established parties means that they belong to the so-called “big-four” record major labels that earned approximately 80% of the global music revenue until the appearance of the Internet (Graham et al. 2004).

Figure 11.3 shows the governing position of the major record companies in the process of bringing music to market. New labels, studios, as well as manufacturing and distribution companies have been vertically integrated means bought by one of the major labels. This led to a market situation, in which independent labels paid millions of dollars to use the distribution or the manufacturing structure of the majors. A dependency which permitted the majors to obtain contractual options on the independent act (Alexander 1994). With the up- and downstream expansion the recording companies achieved to use the economies of scale. On the one hand,

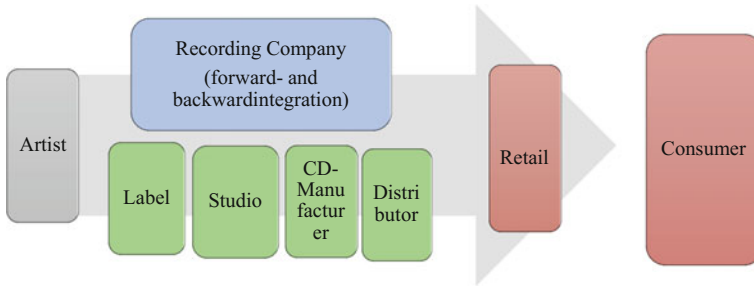


Fig. 11.3 The governing mechanism of major labels in the music supply chain. Own illustration adopted from Graham et al. (2004)

the majors were able to average the costs per unit and avoided high contract costs with manufacturers or distributors by integrating the tiers of the supply chain (Graham et al. 2004). On the other hand, major labels have the financial risk on their side by investing in studio time, marketing, distribution and by paying the artist in advance. Experts of major labels calculate that 10% of new material must cover the losses of the rest, because about 80% would fail to cover their costs (Caves 2000; Vogel 2007). Thus, this oligopolistic structure was characterized by high market entry costs and artists, which either remained independent and focused on niche markets or made contracts with major labels for trying to enter the mass-market.

As the recording companies had their core competencies in recording, distribution and promotion the further technological development progress of the digitalisation can be described as competency destroying (Moreau 2013).

From an artist point of view, the entry barriers for the music market changed with the digitalisation and especially with the Internet. As the Internet is often seen as a shop with infinite shelf space, the place is not limited like it was in the record shops before (Aguar and Waldfogel 2015). Starting with the record of a track, the expenses today are far less than it was 20 years ago. (Alexander 1994) argued that the production for a track of an independent act would have been approximately 4000–25,000 US dollars in 1994 whereas the production of a single recorded product of a major act would have been ranged between 100,000 US dollars to well over 500,000. Today an artist can record a track with “a few hundred dollars worth of software rather than hundreds of thousands of dollars of studio time” (Greenstein and Tucker 2015). Regarding the distribution of recorded music, the fact that music is not anymore stored on physical units changed the whole system. In the early 90s, the way of a music record to the consumer started with the shipment of the records from the record company to record distributors, who made copies for the retail outlets selling it to the consumer. As described above, today everyone can upload audio content to Soundcloud and publish it to the world. The main promotion driver of recorded music is and always was to hear it. Before the advent of the Internet, the only sources for listening to music was the radio. Thus, the radio was the most effective channel for promoting new records (Alexander 1994). With the Internet,

the number of free-listening platforms exploited and everyone who was online had access to it.

To sum up, the publication, distribution and promotion before the advent of the Internet caused high costs and therefore the independent labels were limited by their budgets. Regarding the distribution, they used the infrastructure of major labels. This was a dependency, which allowed the majors to obtain contractual options of the independent acts. Further Alexander (Alexander 1994) argued, that the oligopolistic structure of the music market allowed the majors to control it, which led to fewer new releases than a competitive structure would provide. Following him, the raised “payola” expenditures are one example for that. The core idea of the Payola-system was to pay money or give other goods to radio station program directors and disc jockeys to play tracks on the radio. Because smaller independent labels could not afford that, records of them began to vanish from the top 40 airwaves (Dannen 1991).

11.2.3.2 The Supply Chain After the Advent of the Internet

Today the independent labels organize themselves for not being dependent anymore on the majors or parts of them. According to (Moreau 2013) the major labels used their power to delay the shift to the digital distribution and even though it would have been predictable, they tried to minimize the upheaval. Alison Wenham, CEO of the 2006-founded Worldwide Independent Network (WIN), stated in an interview in 2015, that the “Independents are ready to take their place on the front line” now (Wenham 2015). In her opinion it is seismic, that Apple confirmed the importance of independent music to their brand. In fact, the technology and especially the web changed the music industry and revenue share, as shown in Fig. 11.4.

It is recognizable, that there is a slightly shift to the independent labels, but as one would expect high shifts to the Independents regarding the given circumstances of the liberated market, the slow shift is explained in the Worldwide Independent Market Report (WIN 2016). Following the report, more than half of the independent labels use the distribution of major labels. Major labels have an implemented distribution network structure, especially when it comes to international distribution. For the distribution fees are paid to the major labels, which bring revenue and also market share. Therefore the WIN launched their own distributor, who helps to reach a global audience.

In times of the Internet, Social Media and low budget records, the entry barriers of the music market were minimized. Knopper (Knopper 2009, p. 204) describes the new possibilities as a “shocking, liberating new world” in which artists can do the steps of recording, distribution and promoting on their own. For example, artists can create buzz via Social Media channels, e.g. Facebook or Twitter, after uploading their songs on YouTube or Soundcloud (Knopper 2009). Going that way, artists can reach listeners all over the world, without spending thousands of Euros. The manufacturing of CD’s or physical units in general is decreasing, because the

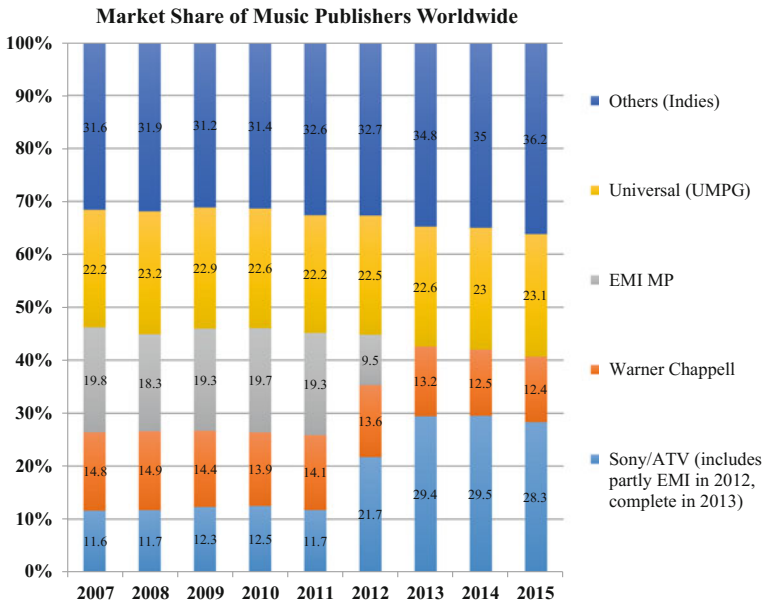


Fig. 11.4 Market share of music publishers worldwide. Own illustration based on Informa (2016)

consumption pattern changes. Therefore, it is not fundamental anymore to work with a CD manufacturer. The supply chain of physical goods transforms to a value chain, in which value is added to the informative good. Streaming Services, where listening and having access is more important than ownership, offer a large range of music to the consumer and through the flatrate-system of paying once for listening, the costs for exploring new music disappear.

Looking at the whole evolution of the music market, with digital piracy (further described in Sect. 11.2.7), declining revenue in total and a liberated market, the number of publications since the advent of the Internet is increasing (Handke 2012; Waldfogel 2015). While the number of releases of major and indie labels declined, the releases of unknown artist grew rapidly. This is a result of the democratisation of the music industry, where everyone can upload own music, but far not everyone has a nameable number of listeners.

11.2.3.3 The Fashion Supply Chain Before the Advent of the Internet

Christopher et al. (2004) argue, that the fashion supply chain is influenced by the four major characteristics of the fashion market:

- **Short life cycles:** The product is often designed to capture the moment. Thus, the period for selling it is very short and seasonal.

- **High volatility:** The demand for the product is not linear or stable and is influenced by unpredictable factors like weather, movies or influenced by stars.
- **Low predictability:** Because of the volatility, it is difficult to forecast the demand. Therefore the planning and procurement process is based on unsafe predictions.
- **High impulse purchasing:** Many purchasing decisions by consumers are made at the point of sale. The customer's need is created at the point of purchase.

In the traditional fashion supply chain, the lead-time from yarn-maker to the retailer takes more time than the period of selling the item. Therefore, the fashion business is mainly forecast-driven. The long lead-times are a result of cost minimisation, especially by producing overseas. Whereas the time of manufacturing accounts often just a few days, the different steps that occur before and afterwards take time, e.g. quota approvals, the letter of credit, the order-batching of the supplier, consolidating full container loads, etc. (Christopher et al. 2004). After all the way arriving at the store, the fashion industry offers their definition of the trend to the consumer who will buy it or not.

11.2.3.4 The Fashion Supply Chain After the Advent of the Internet

By implementing agile supply chains, fashion companies start to manufacture products on a demand-driven base. The agile supply chains are affected by IT-based virtual integration. The fast-fashion retailer Zara can be named as an example for an agile supply chain. According to McAfee et al. (2007) the aim of the fast-fashion retailer Zara is to link the customer's demand to the manufacturer and then link the manufacturer to distribution. Following the described business model, Zara did not want to push articles and collections to the market with cost-intensive marketing campaigns. They follow the trends and adapt them rapidly, "while they were still hot" (McAfee et al. 2007). Further the design process would not follow the designer who is the man ahead, it is wider and democratized. A group of "commercials" decide which products will be designed and produced. Additionally, store managers have the chance to decide which assortment they receive, based on what they think they will sell, instead of just accepting the collection sent by the headquarters. It seems like the fast-fashion supply chain cracks the traditional one in order to put the consumer in the centre of their designs.

11.2.4 Individuality in a Liberated Market

11.2.4.1 Individuality in the Liberated Music Market

As a result of the interdependency of the music artists who are now able to skip the major record labels, the independent ones create their own sound to circumvent the

mass-produced competition (Hracs et al. 2013). By using own-recorded sounds, new production techniques and hand-painted artworks or also by numbering the records, the artists try to create individuality. The individuality to own the original vinyl disc, paired with the sound of vinyl (see Sect. 11.2.6 for further information) can be named as one driver for the increase of the popularity of this medium. Since the popularity is growing, the revenue of vinyl increased tenfold from 2006 to 2014 (IFPI 2015), there is a trend to own a physical good again, with enough blank space to create a personal, unique product, far away from the downloadable mass-market. As the production of a large number of units is still cost-intense, for Indie-musicians it is often not possible to produce more than 500 or less units of their album. Therefore, they turn the inability of producing more units into a source of value that creates buzz by producing a limited edition (Hracs et al. 2013). However, the music of these artists can often also be found on Soundcloud or other free-listening platforms to gain popularity. The first buzz is created there and people do their step into the fan-community, in which having the one vinyl of 100 produced ones or the t-Shirt with was in collaboration with artist XY distinguish one from each other, still connected by listening to the same artist (Hracs et al. 2013).

11.2.4.2 Individuality in the Fashion Market

In their study about music and fashion artists standing out in the crowd, Hracs et al. (2013) have a look onto the independent fashion scene of Stockholm, Berlin, Toronto and New York. By not only designing unique patterns but also using materials that are rare or difficult to replicate, independent fashion designers are able to differentiate themselves from the mass-market of fast-fashion chains. Often the choice of designers is to reuse materials, which add ethical value to their product but also individuality, because each item has a distinct used-look. Some designers also offer the main clothing article as a raw-version with some add-ons like different buttons or other embellishments to maintain the individuality of the combination.

When it comes to global brands trying to implement individuality, the possibility of choosing between colours, materials and patterns of Nike or Adidas should also be named here (Strähle and Grünewald 2017). Often the individuality in fashion is linked to a do-it-yourself community. In fact, to have an own, unique design from the first idea to the ready-to-wear product requires often own craftsmanship, but the possibility to create an own model at Adidas or Nike is an advent of the idea to implement the consumer into the design process. Being able to buy a limited-edition article can also cause individuality in the fashion business. Thus the major sneaker brands create hype around a product, but produce it in limited quantities to sell individuality (Cunningham 2008).

11.2.5 The Use of the Internet to Build Communities

11.2.5.1 The Indie Music Scene of South Korea

According to the yearly report of WIN (2016), the market share of independent labels in South Korea is 88%. Thus, South Korea is the music market with the highest market share of independent labels and can be seen as case study within the music industry. Burnes and Choi (2015) describe, that the music fans in the area of the capital Seoul transformed from passive consumers to active shapers of their music community. Whereas the supply chain of the major labels dominated the passive music listeners, the active shapers nowadays build up music communities, which have a direct exchange with the independent labels and artists. The communities are organized in Social Media groups, in which fans, labels and also artists are members. With professionals like video producers or event managers being member of the community, videos or events are created with low or no budget. The motivation is rather the creative freedom than a monetary reward.

Further Burnes and Choi (2015) state the mind-change regarding the Internet of the independent record labels in Seoul. First it was seen as an extension of the conventional advertising channels. Websites were set up to gather information about the artists, listen to them (without downloading) and check the tour dates. With the advent of Social Media, consumers preferred to share their music taste on their own profile pages. This means instead of the labels being able to control the feedback and discussion going on, the fans became more proactive and independent. For being spread among the community and to reach new listeners, the independent labels provide their music for downloads and did not see it as piracy anymore. The free downloads reach more listeners which are potential fans and that creates a bond between the label and the fans.

11.2.5.2 Community-Building in the Fashion Industry

Regarding the fashion Industry, Strähle and Grünewald (2017) claim “the interaction with the consumer is seen as a necessary evil”. The self-invented trends are trickling top-down on a monthly basis. But what consumers really adopt as their trend depends on many unpredictable factors. Due to the lack of time between the collections to adopt and translate consumer’s input, fashion brands should focus on creating unique, matching experiences. Another reason is the organizational structure of the creative process within a fashion company. Within the structure, the designer plays the major role deciding for the next trends. Actually, there is no given space for consumer inputs at this stage. Another approach are the Internet marketplaces like Etsy or DaWanda, where independent designers offer their products to consumers. Having the possibility to ask the designers for changes in

design or for realizing own sketches, it is very community-driven (Pace et al. 2013). Users of this network strive to have freedom in creativity. At Etsy.com, most of the designers are pro-amateurs, which means that they do it as a hobby. Thus, these community-driven marketplaces are a niche market but can be seen as one approach to implement consumers into the design process.

11.2.6 Change in Consumption

With the switch from CD's over downloads to Streaming Services, the consumers do not have to buy an album of one artist anymore. Therefore, listeners can just pick the tracks they like and put them on a playlist (LOOP 2016; Mulligan 2016). Artists tend to release albums, which is the traditional way of publishing. Mulligan (2016) argues, that the album is not dead, certainly not as a creative construct, but that labels and artists have to think about a new way to face the new realities of the consumption.

In addition to the picking of single songs, listeners are more and more influenced by algorithms of YouTube and Spotify, which reflect their listening history and use this for the recommendation of new music in playlists or in case of Youtube with the next video (LOOP 2016; Zilch 2015). The playlists and virtual recommendations are replacing the record shop around the corner with the shop assistant, who gave recommendations, if possible based on the knowledge of the taste of the customer. In the study of LOOP (2016), called "Music & Millennials", 3.014 U.S. Respondents were asked, how they discover new music. Even though the results may not be representative for the whole music market and two or more answer options were possible, it reflects the overall tendency of using the intelligence of algorithms to get to know new music. After the important opinion of friends, which stated 46% of the respondents as source to discover new music, 34% of them cited Youtube and 32% said AM/FM Radio would influence them. Looking at the next generation, among the 15–19-year-old respondents 56% use YouTube and 23% listen to the AM/FM Radio to discover new music.

For the fashion market Silverstein and Butman (2006) claim that consumers avoid to be part of the middle-class. That means that middle-income consumers either shift for trading-down to low-priced products and services or trading-up to premium ones. The customer behaviour is not predictable nor where the money is spent on. Llopis (2014) argues, that companies tend to see the customer as their main-driver for more revenue. Brands focus on selling their product or service and not to engage with the consumer and solve a need. Therefore, the consumer is acting need-driven and it does not matter, which brand fulfils the needs the best. The product, the solution is the most important.

11.2.7 Sharing Economy

11.2.7.1 The Sharing Economy of the Music Industry

As the success of streaming services within the music industry shows that accessing and being able to listen to the music becomes more important than owning it, Spotify and other Streaming Services are often named as an example for the sharing economy. Belk (2014) sees Napster as one of the first models of it. Music was offered from users and others downloaded it, in this case without paying. He claims Streaming Services are the child of these illegal downloads, whereas the illegal download-platforms like PirateBay are still active. With regards to the low royalties that artists get from streaming services, one could claim that the own benefit comes first without thinking about the creators of the product. Thus Botsman and Rogers (2010) argue that sustainability is rare to be the main-driver for a successful business. But also other factors have to be taken into consideration if talking about the use of legal streaming services. Most of the streaming services are mobile optimized, what makes them easy to use on the smartphone for commuters or travellers. Furthermore the recommendation system often fits the taste of the listener and it is linked to social media services (Trefzger et al. 2015).

11.2.7.2 The Sharing Economy of the Fashion Industry

As Pedersen and Netter (2015) state, the collaborative consumption model of the sharing economy is still serving a niche market within the fashion industry. They researched the characteristics of the business model of four fashion libraries in northern Europe to explore how it works. They found out, that most of the libraries are driven by enthusiastic entrepreneurs working on a voluntary base and financed by some loyal members. But as the most consumers do not see their own benefit in participating, they go on buying their own clothes at the fashion chains. To give them a personal benefit (Pedersen and Netter 2015) the marketed value proposition for the consumer should not be to be sustainable, because this is rare to lead to success (Botsman and Rogers 2010). The libraries should be marketed through style with the advantage to try new styles without owning them, which means without spending much money to buy them.

11.2.8 The Change of Quality

11.2.8.1 The Change of Quality in the Music Industry

When it comes to the quality and the mastering process of music it changed with the digitalisation of the production. While vinyl limited the volume of songs because it

is at one point physically not possible to press it with higher volume, CDs with the digital technology are not limited anymore. More loudness caused more attention that is why it was used on vinyl and later also on CD's (Henshall 2012). With the advent of new technologies, which are able to look ahead which signals are next, peak levels are pulled down before they happen. Therefore, producers are able to raise the volume by using compressions to lower the peaks and increase the volume of more silent signals.

Producers argue, that the dynamic of the music today is far less than it was before the advent of the new technologies. Henshall (2012) compares the phenomenon with using glasses the first time. He argues that after being diagnosed as short or long-sighted and using glasses, one realizes that this is how the world looks like. It is the same with the quality of music. Over the course of generations, people are not aware of this issue because they are used to these records. In a video of the online magazine Production Advice (2013) Ian Shepherd shows the difference between older records in their original version with remastered versions. By playing sound examples and showing the curve of the compression, he shows the difference with the example of Michael Jackson's "Thriller". Further he states louder records would be harder to listen to and listeners would have to concentrate more on the music compared to older records. Viney (2008) proved, that louder records not gain more sales and a lot of music players but also streaming services, radio and TV equalize the volume by default. On his webpage, Shepherd (2013) states that labels do this because of fear, uncertainty and doubt within the highly competitive music industry.

Coming back to Henshall (2012) who describes the limitations of loudness on vinyl, he says that remastered CD's are "the biggest swindle in the music business". Looking at the revenue development of vinyl in the last years, it reflects that more and more users like the sound of it. Next to factors like being more individual by using vinyl or to have a physical record in hands, the sound quality can be named as a main-driver for the increase of the worldwide revenue made with vinyl from 34 million US dollars in 2006 to 347 million in 2014 (IFPI 2015).

11.2.8.2 The Change of Quality in the Fashion Industry

For the recent trend of qualities in the fashion business, the fast-fashion chain Zara can be seen as representative for the fast-fashion business model. McAfee et al. (2007) state the main principle of Zara is speed-driven and does not build on high-quality items. The products are intended to have short life spans, both within the stores and at the customer. By trying to change the assortment of the shop floor each 4 weeks by about 75%, the customers should be influenced to come back by that period to not miss anything new. Additionally, Zara clothes are therefore not manufactured to be highly durable; the intention is to be worn about ten times. To bring it on point, in his Factbook about sustainability in fashion, Karaosman (2016) reports that a party top in average is worn 1.7 times before getting thrown away.

On the other side, there is the slow-fashion approach. Slow-fashion focuses on the garment-making process and the human and natural resources on which it depends (Cataldi et al. 2013). Slow-Fashion is created to maintain profits while paying attention to our existing ecological and social system. Cataldi et al. (2013) argue as the demand for fast-fashion will grow, so will the use of resources and the stress of our social system. Therefore, the aim of slow-fashion is to produce long-lasting, high quality products to reduce consumption and decrease the use of resources.

11.2.9 Piracy in the Creative Industries

11.2.9.1 Piracy Within the Music Industry

Since the advent of Napster, the music industry fights against digital piracy (Belk 2014; Tschmuck 2012). The advent of the Internet and especially the expansion of the broadband Internet made it possible to send files from one user to the other within a blink of an eye. In the late 90s, Napster arranged that users could download files, tracks, albums and charts from other users that bought them or also downloaded them. After the succeeded lawsuit, other providers take the place of Napster, e.g. PirateBay or Bittorrent (Belk 2014). The launch of Streaming Services was proposed to decrease the share of illegal downloads by offering a cheap alternative with a broad offer of music (Trefzger et al. 2015; Zilch 2015). Indeed the share of illegal seems to decrease, but not that much as expected. Therefore digital piracy is still a problem in the music industry.

11.2.9.2 Piracy Within the Fashion Industry

In the fashion industry the protection of designs differs from law to law. Whereas trademarks and copyrights are easy to register, the protection of designs in fashion are often hard and expensive to protect from piracy. Experts claim that the fashion industry suffers the lack of protection of fashion designs (Fischer 2008; Tu 2010). As the law differs from continent to continent, or even on country-level, both the authors demand for a new international property right, that protects not only the licences of movies and songs but also fashion designs globally. To give an overview Raustiala and Sprigman (2006) evaluate the market of counterfeit products to be bigger than the digital piracy volume of films and records. As it is possible to register your fashion design or trademark in the EU, the World Intellectual Property Organization (WIPO) states that the decision of registering a design or not has to be made on a case-to-case-basis. The WIPO argues, that the factor of time plays a huge role when deciding to spent thousands of Euros for registering a design in a world, in which fashion trends often just last 12 month or less but the registration lasts for at least 5 years (Fischer 2008; WIPO 2005). Thus, counterfeiting is still a problem

in the fashion business, because brands are often not sure beforehand, which design will last long and is therefore worth to register it and which not.

11.3 Discussion

In this part, the development of the music industry regarding the digitalisation will be compared and transferred to the fashion industry. Some characteristics are already recognizable in the fashion business and the music industry, as a pioneer of that field, offers new approaches.

First of all, the comparability of both branches is to some certain extent limited. As the main product of the music recording industry, the record itself, can be stored completely digital, which means physical goods are not necessary anymore, the main product of the fashion industry is not. There are approaches to have a design virtually and print it at home at a 3D-printer, but as this is not yet possible and not every home has a 3D-printer available, this article focuses on the given environment and circumstances (Kurzweil 2016).

Regarding the piracy in fashion, limited editions or high-fashion labels are often counterfeit. There is no need to fake a cheap article, because it is affordable to a wide range of people and it is not something to identify with or to represent the own individuality. As Streaming Services launched with the approach, to be better than the free, illegal online platforms, this can be transferred to the fashion industry in two ways. The first approach is the decreasing importance of owning something than having access. Instead of buying cheap counterfeit products consumers can borrow high-fashion articles and limited editions at fashion libraries. With the new possibility, consumers have to think twice whether to spend money for an own but counterfeit bag or to use it and just to pay their subscription-fee. By having the opportunity to borrow and test several styles, new ways of combining articles can be found easily without spending much money. The main disadvantage of this approach is the availability and the durability of products. Whereas digital music recordings can be listened countless times without diminish and with access from all over the world from thousands of users at the same time, the physical fashion product can be worn by just one consumer and looks used after a while (which can be an advantage as well). The other success factor of streaming services is the highly developed algorithm for recommendations. The new generation more and more uses Streaming Services and YouTube for exploring new music. The radio as main inspiration will be replaced step by step. The algorithms can learn from every play and every click that is done within the software, thus the recommendation matches the personal taste of the listener. Fashion companies struggle to collect that much data from the consumer to create a matching recommendation. Therefore, companies have to improve the way of collecting information. On the one hand, additional information can be generated through content-driven games but also the click- and buying behaviour has to be used to create unique recommendations. On the other hand, the personal contact with shop assistants at the brick-and-mortar

store can also be used. By focusing on the complex task to develop such algorithms for an individual, matching recommendation, the fashion brands create an additional benefit to the consumer. The lack of consultancy of the fashion e-commerce, compared with brick-and-mortar stores, can be reduced through algorithms.

Another important point is the quality of the produced good itself. To gain attention and to stay competitive in the music industry, producers tend to produce louder records that can be described as less dynamic. For the more dynamic records, superior music consumers listen more often to vinyl. This means an anti-trend to the digital record industry grows, aiming to have the better, dynamic quality of the record. Either indie artists with fans listening to vinyl or evergreens are pressed on the shellac plates nowadays. Thus, this trend and the consumer around it are comparable with the slow-fashion one. Slow-fashion consumers would like to have long-lasting products and do not follow every major trend. But overall, the fashion industry is trend driven with fast changes. In the music industry, genres are sometimes more, sometimes less popular, but the trends are not that fast and not that volatile.

According to Fig. 11.4, the indie labels gain market share within the music industry whereas the major fashion chains increase their market share step by step. The independent labels are organized under the umbrella organization of the worldwide independent networks, which leads them to more power, influence and to set up own structures, from artist to listener. Further, the independent labels use their freedom to create diversity, individual sounds and new recording techniques. Thus, the listener can find his individuality within a community that shares the same taste. In extreme, as in the area of Seoul, the community is part of the creation process and the market share of major labels shrinks due to lack of individuality and possibilities of participation. Listeners identify themselves with the music, the label and the artist, because they have the feeling of being part of the result. Looking at the fashion industry, some marketplaces like DaWanda or etsy.com exist and consumers use the possibility to interact with designers to create their own designs. But as mentioned, it is still a niche market. Regarding the major fashion business, brands and designers set the trends and push the products to the market. Consumers cannot influence it at any stage. The core idea of fulfilling a need is replaced by creating impulsive needs through marketing. Instead, brands should think about needs of the consumers and listen to them. Most of the labels are on Facebook, but use it as an advertising channel, like the indie labels in Seoul did before. The core idea of integrating Social Media to build communities that are part of the design process can also be transferred to the fashion industry. To take Facebook as an example, one can find numerous groups of users talking about shoes and apparel. Next to the trade of goods, these groups are often used to present own custom-made editions or to show head-to-toe outfit ideas and get feedback. Following the principle of the independent labels, designers and small labels could join these groups to get feedback, offer their products and get connected with the consumer. The agility of smaller company structures could be used to fasten the design- and decision process. By market it as a limited edition, the lack of money can be compensated and turned into a value. As a result, the consumer feels somewhat

connected to the product and the community feeling grows. Before the advent of the Internet and the Social Web, it was just possible to reach people on a local basis. Today, Social Media connects the whole world.

The Internet made it possible for everyone, to upload own records on free-listening pages. Experts often argue, that the Internet democratized the music industry. Thus, the number of records published by unknown artists grew rapidly. By uploading tons of music, the consumers and the industry is oversupplied to some certain extent. With more and more records published the attention of the consumer is hard to get for the artists. Therefore, most of the records on Soundcloud are of little interest for the consumer. Some artists, mostly hobby-musicians, do not aim to get signed at a label or to become superstars. Often it is just an outlet for presenting the created track to others and receiving feedback. However, through the democratization of the music industry, also more and more ambitious artists use the way of uploading free-listening tracks, hoping to be discovered by a label. By using social media, the artists grab for the attention of the consumer to gain popularity and fans. Having fans and followers can be a door-opener to be signed by a label, either major or indie. As a result, more and more artists try to reach the consumer, who is overwhelmed by the wide range. In addition, by signing more and more different artists, the revenue is shared through more artists without raising much. Thus, it became easier to publish records but harder to live from it. The fashion industry has to be aware of this phenomenon of decreasing revenues for each designer if everyone who has an idea can realize it. The advent of easy-to-use recording software made that possible for the music industry. But since the production of fashion apparel is not (yet) digitalized, entry barriers still exist and with regards to the material costs compared to recording music with a software, hobby-designers think twice whether to offer a collection on one of the marketplace platforms or not.

11.4 Conclusion

In summary, it can be said that the digitalization forced the music industry to adopt new possibilities and reinvent itself with a high pace. After a phase of decreasing revenues, the digital earnings, generated by sales and increasing amount of subscription-fees, are the main-driver to bring the revenues of the industry back to the top. While sticking to old patterns and structures, the major labels lose more and more market share. Next to the majority of fast adopting streaming listeners a target group of rather superior listeners developed who appreciate dynamic records, which are long-lasting from their point of view. By oversupplying the market, the democratization through the Internet led to less income for the artist in average. Unknown artists try to use new ways of presenting themselves but struggle to get attention within a landscape of countless artists.

By serving the same consumer, the fashion industry can use approaches of the music industry to solve own problems. By providing access to products and reach

the consumer with new business models of borrow instead of buy, the sales of counterfeit products may be able to be reduced. In addition, communities can be used to create brand value and individuality for the consumer, who is then part of the creation process. As music listeners step back to the old technique of the long-lasting vinyl, the slow-fashion industry can use the same approach of long-lasting products with a tendency to create individuality for the consumer.

The conclusion is drawn from a theoretical point of view and based on studies that are results of empirical researches. In order to prove the findings, especially the results for the fashion industry, further research with a specific research question regarding each topic has to be conducted.

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