

**Interpreting music consumption data published by the music
industry to inform the career choices of music graduates**

by

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KEY WORDS:

Consumer studies, consumer behaviour, South African music industry, career opportunities, music graduates, performing artists, recording artists, music sales, digital distribution, music distribution.

ABBREVIATIONS AND ACRONYMS

A&R: Artists and Repertoire

Blog: A website/page that is regularly updated and usually run by an individual or small group and usually written in an informal and/or conversational manner.

BMG: Bertelsmann Music Group

CD: Compact Disk

CEO: Chief Executive Officer

DVD: Digital Versatile Disc

EMI: Electric and Musical Industries

File sharing: The practice of or ability to transmit files and data from one computer to another via a network or the Internet.

IFPI: International Federation of the Phonographic Industry

MP3: A means of compressing a sound sequence into a very small file, to enable digital storage and transmission.

P2P: Peer-to-peer file sharing allows users to access media files such as books, music, movies and games using a P2P software program that searches for other connected computers on a P2P network to locate the desired content.

RIAA: Recording Industry Association of America

RiSA: Recording Industry of South Africa

SABC: South African Broadcasting Corporation

SAMRO: South African Music Rights Organisation

Vinyl: A synthetic resin or plastic consisting of polyvinyl chloride or a related polymer used for phonograph records; also a terminology used for the double-sided 12-inch or 7-inch vinyl long/extended playing record format.

EXPLANATION OF KEY TERMS

The following are key terms used in the music technology business:

Album: A compilation of recorded music, typically 40 to 75 minutes in duration, within a single physical unit of a recording medium or a digital compilation. The term is also used for the double-sided 12-inch vinyl long playing record format.

Album equivalent units: Unit of measure of recorded music product units, one full length DVD or one digital album purchase is considered to be one album (unit) equivalent.

A&R: “Artists and repertoire” is a division of a record label or music publishing company which is responsible for scouting for new artists/music and overseeing the artistic development of recording artists and songwriters. It may also refer to a weekly session dealing with such matters.

Internet population: The number of users within a country who have access to and utilise the Internet. This may range from Internet users who access the Internet numerous times a week to those who access it once within a period of several months.

Online piracy: The illegal uploading of an audio recording and distribution thereof and/or the illegal downloading of an audio recording.

Piracy: The illegal and unauthorised duplication and distribution of the recorded content of an original recording, without the proper licenses or consent of the rights’ owner(s). To maintain consistency with the statistics provided by international organisations such as the International Federation of the Phonographic Industry (IFPI), all forms of illegal duplication will be referred to as piracy in this research.

Single: Originally a terminology used for the 7-inch double-sided, vinyl record format. Now an original, single recorded audio track typically between 2 to 5 minutes in duration.

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CHAPTER 1

Introduction

1.1 Background: The use of consumer behaviour studies

The way in which products are used by consumers and marketed to them has been the subject of a great deal of research since the early 1950s. This research field is known as consumer behaviour studies, and results generated by specific studies regarding customers' reactions to products (both new and existing) are probably the single most important factor used in determining the financial viability of businesses and the products that they market.

According to Armstrong (1991), consumer behaviour study blends rudiments from sociology, social anthropology, psychology, marketing and economics and tries to comprehend the decision-making processes of buyers, both individually as well as in groups. It attempts to understand people's wants.

The customer and/or consumer plays three different roles: at one and the same time s/he can fulfil the role of user, payer and buyer, or one of these roles, or any two of these roles. These are complex, interrelated roles, and research has shown that consumer behaviour is difficult to predict, even for experts in the field. Consumer behaviour studies are therefore not limited to studies in economics, but are often also the subject of research in psychology.

All manufacturing and retail industries rely on consumer behaviour studies to ensure that they are financially successful. To show how this operates, one could use the graphics on page 2 as illustration:

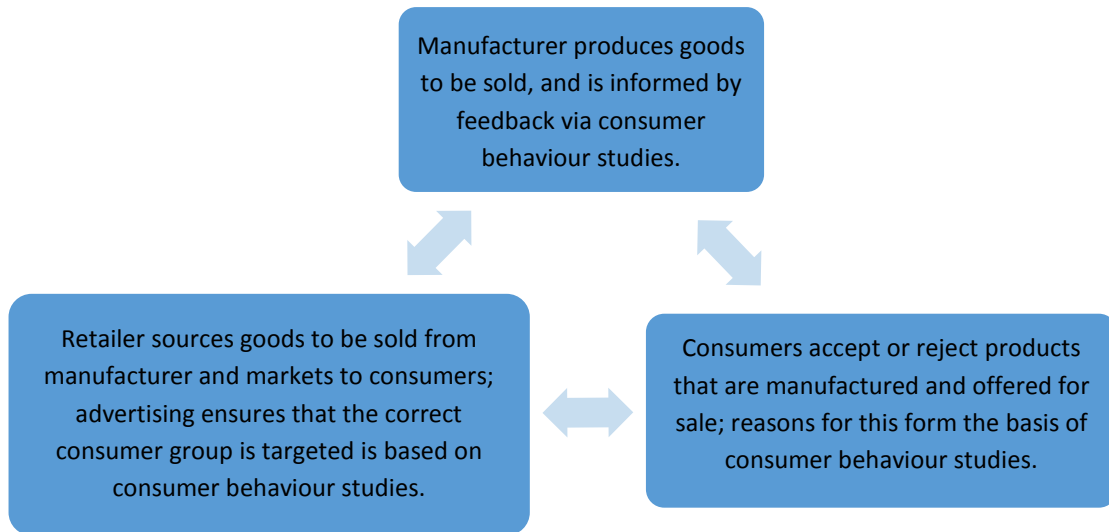


Figure 1.1: The role of consumer consumption studies in the manufacturing and retail sector (Jansen van Rensburg & Feenstra)

A similar situation exists in the music industry. The roles of the manufacturer and retailer do not change, and they can be accurately identified.

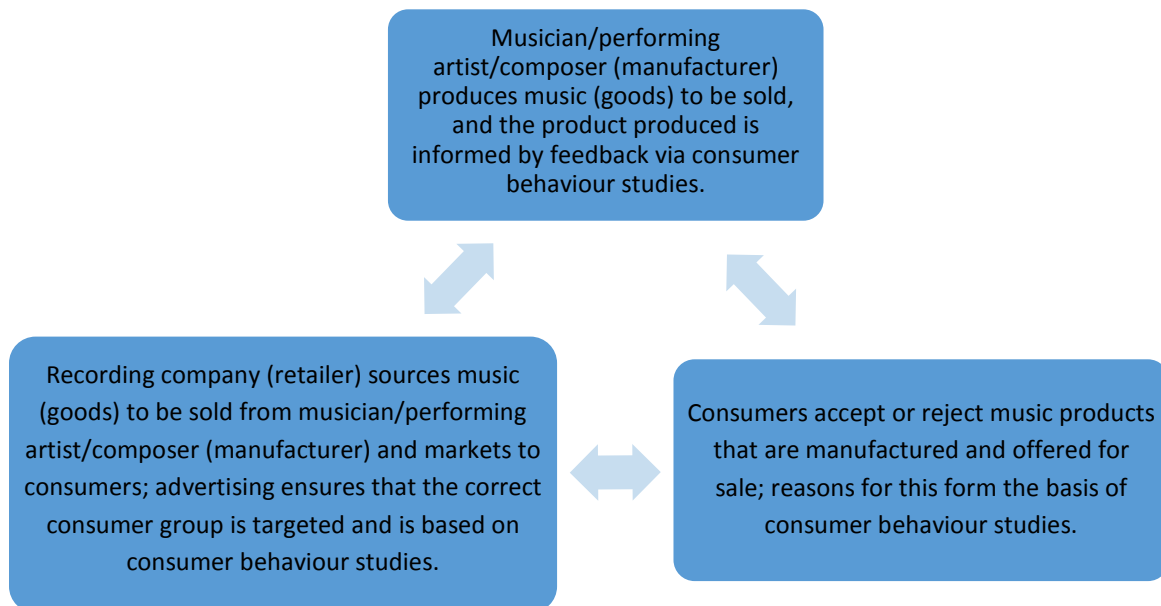


Figure 1.2: The role of consumer behaviour studies in the manufacturing and retail sector of the music industry (Jansen van Rensburg & Feenstra)

1.2 Consumer behaviour studies relating to the music industry

Many studies have been done both locally and internationally concerning consumer behaviour in the music industry, particularly regarding consumers' music consumption habits (see Chapter 3: Literature Review). These have covered wide areas, ranging from the age,

gender and ethnicity of groups that purchase certain music, to listening and purchasing behaviours. The numerous and regular studies undertaken lead us to infer that the music business, as embodied in the recording companies that play the role of retailers, is highly informed about the nature of their market.

Music is a product that is offered for sale on different levels, in different forms and to a vast variety of consumers. Social action is to a large extent constructed and organized through the acts of listening to, consuming and interacting with music; it forms part of our individual and group cultural material as well as our everyday life. The way in which we consume music is not simply about listening to it, but includes the manner in which it synthesizes with our personal and social lives.

This was recognised by one of the major recording companies in South Africa, Gallo Africa, as far back as the 1930s when it specifically targeted the growth of the rising black jazz bands in Johannesburg by recording their works. Recordings were made of new choral music by black composers like D. J. Marivate, as well as recordings of indigenous music, much of which was also distributed outside South Africa.

Rupert Bopape was a significant figure of the South African music industry for about thirty years, he started recording music with Troubador Recording during the early 1950s after which he paired up with EMI and founded the Dark City Sisters. The Dark City Sisters formed part of the 1950s rise of various female vocal groups in South Africa and they became one of the most renowned and biggest selling South African female groups of the late 1950s (Feenstra 2015: 67). Bopape was also responsible for discovering Zakes Nkosi and Elijah Nkwanyana amongst being involved with the globally renowned Ladysmith Black Mambazo. (Maponya 2012).

The discovery of gold on the Witwatersrand during the late 1880s gave birth to the city of Johannesburg including various mining centres on Witwatersrand. This gave way to the emergence of a variety of new South African musical styles, which was to a significant extent due to the labour migration. Apart from being working hubs, these mining centres became cultural hubs resulting in a melting pot of African cultures and music. Musicians of this paradigm did not limit themselves to one style of music, especially during a period when music was undergoing many developments that followed rapidly on each other. The history

of black popular music in South Africa has relatively recently started to be documented, but a lot of the original documentation and many of the recordings have been lost, this results in some conflicting information, especially on internet websites. (Feenstra 2016: 63).

After Rupert Bopape had formed the Dark City Sisters for the EMI record company, Bopape moved to Gallo Record Company and formed another vocal group, the Mahotella Queens with the intention of the Queens being a rival to the Dark City Sisters, and they did. The Mahotella Queens has been one of the most successful South African popular music groups for more than 40 years. (Feenstra 2016: 69).

Marabi is a jazz style that originated around 1930 in townships on the Witwatersrand, South Africa. It is often also called African, or township, jazz. The social and economic conditions of working-class life greatly influenced its development. (Feenstra 2016: 64).

South African black city culture has been influenced by trends from the United States since at least the 1920s when gramophones and gramophone records started to flood the country. This affordable source of entertainment was easily available to everyone, as were American-made films. During the late 1920s, black dance bands showing a distinct American influence began to be formed. The music was, however, also infused with indigenous marabi-based style characteristics, often in swing style and this developed into a new jazz style that became known as African jazz or mbaqanga from about 1960. Although disputes exist around the date of the actual origin of the style, with some people placing it as far back as 1920, others finding the 1940s to be the starting point, and yet others determining the date to be the 1950s or 1960s. Since mbaqanga is essentially a fusion of styles that included both marabi and kwela, choosing the 1960s as a starting point seems to be sensible. The style became widely known through the work of jazz pianist-composer Gideon Nxumalo who was the producer and presenter of the weekly programme *This is Bantu Jazz* that was broadcast on the SABC. In this programme, he introduced new musical styles and performers to South African listeners. (Feenstra 2016: 73).

This simply goes to show that consumer behaviour and research has played a significant role in the South African music industry since as early as the 1930s and similarly so in the United States and Europe if one considers the consumer demands and music industry strategies

employed during the jazz movements of the same time. These consumer studies were the main factors taken into consideration when a recording company decided whether to accept and/or reject musicians and their products.

More recent developments have been a subject of great interest to me, as evidenced by my undergraduate studies in which I undertook research regarding the effects of digital distribution on the South African music industry (Jansen van Rensburg, 2013).

I have, however, not been able to trace any studies that document how this information is transmitted to the most important component of the market: the musicians who act as manufacturers of the goods to be sold. In many cases, performing and recording musicians speak of having “lucky breaks” through which they gained the attention of recording companies by being heard by talent scouts employed by recording companies. This dates as far back as the mid-1900s in South Africa, with Adolph Johannes “Dollar” Brand (b.1934), who changed his name to Abdullah Ibrahim after his conversion to Islam, being an excellent example. Ibrahim is one of South Africa’s most renowned pianists and composers who started his career by playing in the Jazz Epistles with Hugh Masakela. Together they recorded the first South African jazz album, *Jazz Epistles: Verse 1* (1960). Ibrahim moved to Europe with his wife during 1962 and a year later, Duke Ellington, who was in Zürich on a European tour, heard Ibrahim perform there as “The Dollar Brand Trio”. Ellington was so impressed that he helped set up a recording session with Reprise Records, and they produced the album *Duke Ellington presents The Dollar Brand Trio*. (Feenstra 2016: 155). This was the start of his illustrious career, and is merely one of many examples of a “lucky break”. Currently, some musicians also participate in fiercely-contested public competitions such as “Idols” in the popular music sector and the many international competitions in the classical music sector to gain the attention of recording companies or performing career opportunities.

This study aims to contribute to the understanding of the South African music industry by music graduates intending to follow careers as recording and/or performing artists. It will investigate the situation in South Africa by analysing two sets of data:

- (i) The data that is available to recording companies regarding music consumption behaviour; and
- (ii) The data gathered by means of questionnaires made available to final-year music students at the Universities of the Witwatersrand and Pretoria regarding

their general impression of career possibilities after graduating from a university.

This data will be interpreted and then presented in a way in which music graduates can determine the optimal way in which they can market themselves and their product.

1.3 The influence of digital distribution on the music industry

In a previous study entitled “The effect of digital distribution on music sales in South Africa from 2002 to 2013” (2013), I discovered that the escalating tendency of digital music purchases affected South African music sales from 2002 to 2013. It was found that the increase of digital distribution has had an on-going and momentous effect on the South African music industry. It was also evident that previously snubbed local genres are now on the rise due to the opportunities afforded by digital distribution.

Digital distribution became effective in South Africa in 2002/3 with the establishment of legal digital distribution mobile network services as well as internet-based digital distribution services. Distribution via mobile network services and internet-based services continue to be used presently. Illegal peer-to-peer networks also began to contribute to the distribution process.

Physical sales, however, dominated the South African market from 2000 to 2006 and effectively peaked in 2006 with a wholesale turnover of over R996 million. Although South African-specific statistics for the years since 2006 remain difficult to obtain, various leading figures in the South African music industry maintain that physical sales remained the preferred medium of distribution up until 2013. During a personal interview with Mubanga Malama, digital accounts manager for Universal Music Group South Africa 2013, held in Johannesburg on 21 August 2013 and another interview held with Russel Crawford, the commercial director for Sony Music Africa and board member of RiSA on 26 August 2013, both executives confirmed that physical sales were extremely successful from 2002 to 2005 and peaked in 2005 with almost one billion CD sales (Jansen van Rensburg 2013: 17). At the same time, it also became evident that retailers were adapting to a decline in physical sales that was caused by the growth in digital distribution both locally as well as internationally. Retail stores in South Africa and abroad had to adapt to the advantages and disadvantages of

digital distribution. During 2013 they were selling goods ranging from accessories, vinyl, clothing, merchandise, cell phones, and computer games to DVDs and movies. In 2013, retail stores consequently had a significantly smaller music catalogue in comparison to five years earlier. This means that they only stocked the top sellers in order to move stock more effectively; this is still the case currently regarding the remaining physical outlets in South Africa (Jansen van Rensburg 2013, 20).

Digital distribution has an undeniable and on-going effect on the continuing evolution of the music business. Significant changes that reflect this include:

- The merging of major record labels
 - Eric Boorstin (2004) writes that the “big five” major labels which dominated the music industry in 2004 included Sony Music, Universal, EMI, Warner Brothers and Bertelsmann Music Group (BMG). Together they controlled 75% of global recorded music sales. Similarly, Russel Crawford, Mubanga Malama, Andrew Mitchley (Chief Operations Officer and head of A&R for David Gresham Records, 2013) and Derek Loud (the digital accounts manager for Sony Music Group Africa, 2013) designated the top three major labels in South Africa as Universal Music Group (who bought EMI), Sony Music Group (which includes BMG) and Warner Brothers (Jansen van Rensburg 2013: 22).
- The rise of the independent artist
 - The top independent record labels in South Africa include David Gresham Records, Just Music and Sheer Music who deal with the more alternative genres and TS Records and Soul Candy who promote the urban genres (Jansen van Rensburg 2013: 22). The increase of digital distribution stimulated the rise of the independent artist who operates separately from record labels, taking full advantage of the opportunities offered by the Internet (Green 2012:5). It is, however, argued that record labels hold the advantage since they have access to crucial industry statistics, strategies and expertise. For an independent artist to gain optimum achievement in South Africa he/she needs access to these statistics, media feedback and marketing strategies. Independent labels also cannot rely on extensive promotion, and this causes many artists to specialise in music of a particular genre in order to build consumer loyalty and brand recognition (Boorstin 2004: 10). The advent of the Internet increased the independent artist’s means to

promote and sell music globally to a mass market at a fraction of the cost required for the production, printing, duplicating and distributing of albums or recorded music (Green 2012).

- The production process
 - The production process remains relatively unchanged; however, labels sell physical units and digital files simultaneously to accommodate both markets.

Even though physical sales remained the preferred medium of music distribution when my study was completed in 2013, key figures in the South African music industry predicted an on-going decline in physical sales together with an increase in digital distribution. Currently, although there has been a significant rise in digital sales, the South African music industry still considers physical sales to be the most profitable medium of distribution even though the future of physical sales remains unsure. In 2013 it was predicted that streaming services would proliferate; this prediction was accurate. The growth of digital distribution led to the rise of the independent artist, and music stores also adapted to digital delivery by shrinking their music catalogues to only include top sellers and focusing on selling other music-related products. Previously overlooked local genres, now thrived due to the opportunities afforded by digital distribution.

1.4 The research problem

The South African music industry is constantly trying to keep abreast of consumer behaviour in areas such as distribution, sales, organization and consumption habits. From information released by recording companies in South Africa, it appears that the way in which South Africans consume music has changed significantly over the past decade. Moreover, while the industry has access to this knowledge, most aspiring musicians do not, and may therefore be disadvantaged when attempting to launch their careers. Such knowledge may also be able to influence established musicians whose careers are flagging and who wish to keep abreast of trends.

This study will investigate what the changes in consumer behaviour are and how knowledge of these changes and their implications may impact on and influence the career decisions of musicians, especially those entering the South African music market and performance paradigm for the first time.

1.5 The purpose of the study

The ever-evolving means through which people consume music has an ongoing effect on the South African music industry as well as its related participants.

The purpose of this research is to contribute to the way in which musicians understand the South African music industry. This will be done by exploring the various aspects related to music consumption habits between 2002 and 2015 and how this affects music graduates in the South African music industry. This can improve the situation of musicians who enter the world of work by enabling them to market their products appropriately. It may also assist established musicians to rebrand themselves to fulfil current music consumer demands.

A number of studies concerning music consumption habits and its effect on the music industry internationally have been conducted. The aim of this study is not to draw conclusions applicable to the international music industry, but to shed light on the effect of music consumption habits specifically in a South African context. The outcomes of international studies will be used to inform the present research on music consumption habits in South Africa.

1.6 Delimitation of the study

This study will be limited to data available for the period 2002 – 2015. The starting date chosen for the study continues from a previous study of mine in which it was shown that consumer habits had changed significantly in South Africa around 2002 and 2003. This was directly due to the establishment of legal digital distribution mobile network services (Jansen van Rensburg 2013: 29).

The final date was chosen because music industry figures are always released retrospectively. Figures released in 2016 relate to 2015, and this will be the most recent data available to me.

1.7 The research question

The main research question of this study is:

- How could knowledge about the change in consumption habits of music consumers in South Africa between 2002 and 2015 influence the career choices of music graduates intending to follow careers as recording and/or performing artists?

To answer the main research question, it is necessary to answer the following sub-questions:

- How are people currently consuming music in South Africa?
- What consumer habits surround the live performance and recording paradigm?
- How does the escalating availability of local music genres influence consumer preferences?
- How do the above-mentioned consumer habits affect South African musicians?
- Does the availability of consumer data affect musicians' career choices?

CHAPTER 2

Research methodology

2.1 Research design

The research design of this study can be described as archival research methodology employing interpretative research techniques to make recommendations to music graduates concerning their career choices (Mouton 2001: 149).

2.1.1 Why this choice of methodology?

This study lends itself to a mixed methodology that employs archival, comparative and qualitative research methods.

- The study is archival because it makes use of data archived by the recording industry.
- The study is comparative because comparisons need to be drawn between studies that have been done in different geographic locations around the world, including South Africa, between 2002 and 2015.
- Qualitative research is required to interpret the data gathered and to make recommendations regarding how this data may be utilised by musicians in their career choices.

2.2 Data sources

Primary data collection will consist of

- (i) Data gathered from electronic archival data sourced from organisations in the South African music industry that is in the public domain.
- (ii) Responses of students to questionnaires issued.

2.3 Data collection techniques

Primary data will be gathered by analysing data from the South African music industry that is in the public domain. This will primarily involve Internet archives and documents sourced from the music industry organisations in South Africa.

Data provided by students will be in the form of written responses to a questionnaire that has been compiled (see Appendix E). A specific time and place was arranged with the relevant

heads of departments and staff of the music departments of the University of Pretoria and the University of the Witwatersrand for the distribution and answering of the questionnaires. Since very specific responses are required concerning the availability of data, it was envisaged that the total response time would be no more than 30 minutes, and this proved to be correct.

2.4 Issues of reliability and validity

In this study, the members of the sample group will answer questionnaires individually and this will avoid contamination of information (Routio, 2007a). Reliability is ensured because a variety of students with differing backgrounds and possibly also differing choices in music career will be sampled. Should a high degree of consensus amongst those involved be apparent, the information gathered can be regarded as being valid and reliable. This is known as triangulation (Guion, 2002).

To triangulate my findings, I intend to present a questionnaire to final-year music students at the University of Pretoria and the University of the Witwatersrand to ascertain whether and how their knowledge of the broad music industry has affected their career choices. The questionnaire is attached as Appendix E.

CHAPTER 3

Literature review

3.1 Introduction

In a previous study entitled “The effect of digital distribution on music sales in South Africa from 2002 to 2013” (2013), I discovered that the escalating tendency of digital music purchases affected South African music sales from 2002 to 2013. It was found that the increase of digital distribution had had an on-going and momentous effect on the South African music industry. It was also evident that previously neglected local genres now proliferate due to the opportunities afforded by digital distribution.

Philips, a company from the Netherlands who introduced innovations such as x-ray and radio technology from as early as 1914, was amongst the first companies to begin work on the compact disk (CD) in 1969. During the mid-1980s, the CD began to dominate vinyl as the favoured format for recorded sound. The first CD that sold one million copies came in 1986 with Dire Strait’s “Brothers In Arms”. By 1992, CD sales in the United States amounted to 1.115 billion, with sales of pre-recorded cassettes at 1.55 billion, vinyl albums at 130 million and singles at 330 million. By the mid-1990s, CDs dominated all other means of music distribution and towards the end of the 1990s, a substantial debate developed regarding the CD’s future as a format. The idea of audio demands entirely through the internet cast doubts about the CD format’s hegemonic position. This gave birth to digital distribution. (Jansen van Rensburg 2013: 1).

The United States opened the Apple iTunes music store in 2003 and this gave consumers a new legal opportunity to purchase music online. Consumers could even buy a single song for about \$0.99 instead of a full-length album. Since then, the iTunes music store has grown tremendously and has seen the rise of various other legal music streaming and subscription services. Steve Jobs, Apple’s founder and chief executive, saw an opportunity to preserve the convenience of being able to purchase music legally from the comfort of your own home, but also made it possible for consumers to acquire their music legally, thus financially supporting the musicians and their respective labels. (Jansen van Rensburg 2013: 2).

The way in which music is consumed (used, paid for and bought) has changed significantly during the last approximately 60 years. Musicians now depend not only on live performances for their income, but also on recordings, TV broadcasts and Internet facilities such as iTunes, YouTube, Soundcloud and, more recently, Internet-based streaming services like Deezer, Spotify and Apple Music. This means that music consumption occurs in multiple mediums that continue to undergo processes of evolution (Ouellet 2007). It is also highly dependent on the technologies through which we experience it: the way in which it is “distributed, rendered, purchased, organized, shared, chosen, listened to, interacted with and repurposed” (Brown & O’Hara 2006: 3).

The two researchers Lacher and Mizerski (1994) were the first to attempt to quantify consumer behaviour regarding music. They created the first music consumption model, known as the Hedonic Music Consumption Model, in 1994. The model was created to analyse the responses that listening to rock music creates, and to determine whether the responses created influenced the listener’s intention to buy the music.

Over the last 20 years this model has been widely used in music consumption studies.

Brown and O’Hara (2006) found that technical shifts over recent years have disrupted existing music practices and created new social phenomena around music and its consumption. While in some respects, these new digital alternatives afford some common social and behavioural phenomena with their historical counterparts, there are important new behaviours and social consequences of their new digital capabilities. The aim of their book was to explore the impact of technology on the way people consume music within the context of their everyday lives. In particular, the book’s concern is to emphasise the social and collaborative behaviours and values that occur around music consumption. This study is still relevant today because similar to a decade ago, technology still influences and shapes the music consumerism practices and these practices in turn influences and shapes the technology surrounding it as well perhaps, as the career viabilities of music graduates in South Africa.

Lacher and Mizerski (1994) believe that little consumer research has addressed the decision-making process behind its purchase even though the recorded music industry is a multibillion

dollar industry. Their experimental findings showed that the sensorial, emotional, imaginable and analytical responses to music had a direct influence on the affective and experimental responses, which as a result influenced purchase intention. The dominant indicator of intention to purchase was the need to re-experience the music. Liking the music failed to show evidence of being an indicator of purchase intention as was the experimental response, which measures the music's ability to create an absorbing experience.

This research is still relevant today because if one can pinpoint and augment the dominant indicator amongst music consumers of any territory with regards to intention to purchase, one can better market oneself in any musical orientated career and optimise career success in the 21st century. Perhaps a similar study to Latcher and Mizerski's can be adapted and implemented in South Africa, which could in turn inform music graduates to better prepare them for the world of work.

The study by Hargreaves and North (1997) determined that physical record purchases are probably the ultimate behavioural measure of musical preference because purchasing music additionally involves the purchaser's time, effort and money. Another view can be that this concept has not changed drastically since 1977 because music purchases, even though they are now done in a different way (digitally), probably remain the ultimate behavioural measure of musical preference because purchasing music still involves the consumer's time, effort and money. This measure for example could not be revealed in Latcher and Mizerski's findings.

Following the pioneering work of Lacher and Mizeski (1994), some music consumption studies that directly impact on factors such as sales and marketing have been done internationally and follow in this literature review. Important studies include Longhurst's book *Popular music and society* (1995), Holland (1996: 95), Chan and Goldthorpe (2005), Arnold et al. (2011) and more recently Cermakova et al. (2014) which details similar consumer behavioural findings which follows in this literature review. Important South African studies include Rocha Leal (2014) which details, amongst other crucial information, the analysis of various Government policy documents to determine its expectations of higher education and thus of music education within higher education.

In the ensuing section I broadly discuss studies that have been published regarding music consumption habits in each of four specific geographic areas, namely America, Britain,

Europe, and South Africa. A fifth category involves other studies relating to music consumption habits and their ongoing effects on the music industry. The literature review has been geographically arranged to provide an overview of global trends, and, where applicable, to compare the conclusions reached in South African studies with other data.

The present review is selective and by no means an exhaustive survey of the sources available. It does, however, give considerable insight into the factors considered to be important in various countries. For example, in the United States of America the influence of someone's "class" on their music consumption behaviour is never investigated, since "class" is a foreign concept in that country. In Great Britain, however, "class" features strongly, since the society itself is based on distinct divisions that include the aristocracy, a broad middle class and lower class workers as well as those "on the dole", receiving government grants to support themselves. Whether "class" is a determining factor in South Africa, and how "class" could be defined in this country, particularly regarding traditional societies ruled by a nobility consisting of kings and/or chiefs, is an area that still requires a great deal of investigation.

By contrast, few studies have been done concerning the correlation between consumption habits and career choices. One such study was undertaken by Sanna Kullenmark (2012) at the University of Stockholm, Sweden. Her dissertation concerned music consumption in the ubiquitous music landscape of the time. According to Kullenmark the new global network economy shows both challenges and opportunities for consumers and producers. Her study confirmed that, with the rapid development in technology and usage patterns music can be consumed in a vast array of settings. Rocha Leal (2014) conducted a similar study to determine how higher education music education programmes are assisting and preparing graduates for the world of work in the South African music industry. Since music can be consumed in various ways, there was a need to move away from strictly purchase-orientated theories regarding consumption and include action-orientated theories.

The theoretical framework used by Kullenmark was underpinned by two behavioural concepts for consumption, namely the cognitive and the affective. Fourteen Swedish and American individuals participated in qualitative interviews. By using a model that viewed the responses as either purchase- or action-oriented, the purpose underlying the respondents' music consumption was revealed. All the groups showed a tendency to consume music as a

result of the activity performed, and all the participants showed a tendency to switch the form of music consumption according to the orientation of the activity performed, which is a significant result.

Regardless of any prior investment, it was apparent that consumers tend to switch quickly and easily from one consumption behaviour to another as soon as the situation calls for a change in behaviour. Respondents were prepared to consume music using a certain genre or a certain technology once the new technology had been established and was common enough to avoid the initial risk involved in making the wrong decision by switching their behaviour.

Variety-seeking was also common to all the groups and affected how they switched their music consumption behaviour. The affective-orientated respondents acted differently when compared to the others, reflecting an apparent emotional attachment to music consumption.

Other factors that featured in the choice of how music is consumed included social settings; the need to create (which could include music and/or moods); and the desire to block out mental distractions. An unforeseen finding was that many music consumers based their choice of timing, technology, and genre chosen to fit the activity in which they were participating.

Even though these social, economic and demographic studies have been done internationally, some contrasts the South African territory significantly, however some of them can perhaps reveal clues as to how similar studies can be done in South Africa.

3.2 American studies relating to music consumption habits

One of the earliest American studies to include the influence of music consumption habits on popular music is Longhurst's book *Popular music and society* (1995). It provides an introduction to the study of popular music and is based on the belief that the analysis of popular music also needs to be informed by a broader discourse in sociology and cultural studies. It focuses on the way popular music was produced, structured as text and understood by audiences at that time (1995). The book includes data on the contemporary production and consumption of popular music. This data is predominantly drawn from the USA but data from the UK is included to provide correlation and differences.

Longhurst also provides overviews and a critique of theories. Longhurst believes that there are two dominant means in which popular music has been written about academically namely: journalistically and by enthusiast: in a critical mode and a celebratory mode. Longhurst further explains how either of these modes has a “political” and an “aesthetic” dimension, which are sometimes linked together or conflated. The critical mode is against popular music (or perhaps popular culture) in two main ways. For example, it can be viewed as having regressive ideas about race or gender. Moreover, in “aesthetic” mode, the music can be seen as inferior. This type of critique has been developed in sophisticated manners by certain authors, which is considered in his book. The celebratory mode is the mirror image of the critical, music is valued because it expresses values that criticize dominant political powers, or enables the expression of ideas that seek social and cultural change; it is also sometimes viewed as innovative and doing new things in musical terms and is this to be valued aesthetically. (Longhurst 2007: 24).

The official website of the RIAA provides data dating back to 2004.

Holland (1996: 95) narrowed his research to investigate the annual consumer profile of the Recording Industry Association of America (RIAA) for 1995. The data provided showed fairly steady buying habits in 1995, with CDs continuing to take market share from cassettes. The first album to be manufactured on CD by the Phillips-owned PolyGram pressing factory was ABBA’s *The Visitors* (1981) and the first album commercially released on CD came in 1982 with Billy Joel’s *52nd Street*, the CD started dominating the music markets since its arrival in the beginning of the 1980s and continued to do so through the 1990s. Data also revealed that rock and country music was still dominating the market. Genres such as urban contemporary, rap, and classical purchases reflected some significant market-share proliferation.

Jeffrey (1997: 8, 103) reported on the results of a RIAA annual consumer profile, which was conducted by telephone between January and December 1996 and includes specific statistics about the results of the polling of 3,051 music consumers. Jeffrey found that the CD was continuing to climb as the configuration of choice in the United States of America. The full-length CD accounted for 68.4% of music purchases, up from 65% in 1995. At the same time,

the cassette continued its decline in the market-share and dropped to 19.3% of purchases from 25.1% the year before. Vinyl purchases were basically flat in 1996 at 0.6% of sales, after falling as low as 0.3% in 1993. In 1996, almost one out of every two people who bought music did so from a record store (49.9%). This, however, represents a fairly steady erosion of music stores' market share over the time span from 1986 – 1996. In 1997, record stores accounted for 65% of purchases or nearly two out of every three people who purchased music.

Boorstin (2004) examines the effect of Internet access on CD sales in *Music sales in the age of file sharing*. He combined census data pertaining to the United States on population characteristics with Nielson SoundScan data on CD sales for 99 metropolitan areas in the years 1998, 2000 and 2001. Boorstin estimated the relationship between Internet access and CD sales for four age groups including children aged 5 to 14, young adults aged 15 to 24, adults aged 25 to 44, and adults aged 45 and older. He found that, in general, Internet access has a positive and statistically insignificant effect on CD sales. Boorstin's findings suggest that file sharing is not the cause of the decline in record sales as reported by recording companies since the 1990s and that, although file sharing decreased the record purchases by younger age groups (5 to 24), it increased the purchases of people aged 25 and older in 2004.

Between 2001 – 2005 the recording industry internationally reported a fall in physical music sales. Consequently Zentner (2005) from the School of Management at the University of Texas, Dallas, conducted a study which utilized data from a panel of country-level (Texas) to determine the extent to which file sharing affected the global fall of music sales in this period. The results found that sales in countries with higher Internet and broadband penetration were affected more directly, with physical music sales dropping sharply. This suggests that music downloads could explain at least in part the drop in sales reported for that period. Some evidence was also found that file-sharing could be a reason for a change in the structure of sales by repertoire types, with a higher drop in sales of the types of music that are shared more often.

In a paper about youth and music consumption in the postmodern age, Hayes (2006) analyses the return of vinyl as an alternative format for music consumption in a digital age. He based his study on interviews conducted during field research on the effectivity of popular music and argues that, most significantly, “youth consumers adopt the seemingly regressive

technology of LPs and turntables to resist industry-regulated contemporary modes of music consumption”. Additionally, their participation in a vinyl culture enables them to respond to two of postmodernism’s main doctrines: a preoccupation with nostalgia, and a perceived loss of personal agency.

In an article by Burkart (2008), *Trends in digital music archiving*, a change in the mode of music consumption from record collecting to digital archiving and subscribing to a music service is assessed. The article argues that the subscription model is unviable. It tracks the trade-offs made by music consumers who exchange purchasing recordings for subscribing to music downloads and streaming services and reaches the conclusion that the incommensurability between the activities of the music collector and those of the music service user are two different things.

According to Forde (2009), a report from the Performing Rights Society of America (PRS) for music suggests that understanding illegal digital platforms helps move the music industry closer to licensing them. The report was compiled by the PRS’s chief economist Will Page and Eric Garland, the CEO of BigChampagne and they found that consumers are seeking the same music on both legal and illegal digital platforms. They suggest that understanding this similarity in consumption behaviour can offer insight into how to respond to peer-to-peer (P2P) services. BigChampagne is a technology-driven media measurement company and the dashboard is used primarily by music industry professionals such as concert promoters, radio programmers, managers, agents and marketers to access information about the popularity of artists and songs across radio airplay, online streaming, social activity, sales and live events. The company provides other services including business intelligence production and competitive intelligence for users of the dashboard via access to proprietary data and data management combined with web applications and other technologies.

P2P services refer to peer-to-peer file sharing allows users to access media files such as books, music, movies and games using a P2P software program that searches for other connected computers on a P2P network to locate the desired content. P2P music services were often illegal, unlicensed services such as Piratebay and Soundcloud but up until recently a variety of legal services has infiltrated the global music market with services such as iTunes, Deezer, Spotify and Tidal.

The PRS study which was previously available online, has now been removed. This study also suggested that deep-rooted consumer patterns highlight future digital trends. Page stresses that the report is intended to contribute to the industry's collective understanding of how best to move forward. The study adds that high-profile litigation is not essentially stemming illegal downloading. He provides as an example that Lady Gaga's *The Fame* was downloaded 388,000 times in one week via The Pirate Bay at a time when publicity of the legal action against the site was at its highest. This suggests that people are not intimidated by the threat of legal action, possibly because they regard online actions as being untraceable, or perhaps that online actions would not affect them personally but rather the services that provide illegal content.

Adolescents are important consumers since they are in a significant period of identity formation. Music is of utmost importance in this regard; it has been described as "a catalyst for individuals forming an identity" (Nuttall 2009: 211). In his study, Nuttall (2009) aimed to explore the ways in which adolescents' music use and consumption facilitates a greater understanding of identity formation and psychological or peer group practices. Twelve adolescents participated in twenty-four in-depth interviews over periods of between six and twelve months. Every candidate was interviewed twice and the focus was on observing changes in the individual's music consumption practices. Initial findings demonstrated that music is used to build social capital, to create boundaries and to enhance social inclusion and exclusion. A similar study has not yet been undertaken in South Africa, and this area is now ripe for research, not only among adolescents, but also among the so-called "born free" or "Millennials" group, those born after 1994.

Cockrill et al. (2011) have extended the current debate around the consumption and addictiveness of electronic media such as television, video games and the Internet to research the use of MP3 technology. For some users, the freedom of being able to enjoy music at any time and from any place has led to behaviour that controls other aspects of their lives. This study combines a qualitative deprivation study and a quantitative survey of over 200 adults to explore the addictiveness of music consumption. Results indicate that, for some consumers, music use is addictive and has negative effects on their lives. For most consumers, however, music is a life enhancing activity. Negative effects could include an unhealthy addictiveness towards the purchasing of new or existing music, which could be a financial burden. It could

also mean that the music consumed has a negative effect on the mood or disposition of a specific consumer.

3.3 Studies concerning music consumption habits in the UK

The article by Oakes (2003) *Demographic and sponsorship considerations for jazz and classical music festivals* highlights the necessity for improved managerial awareness of the demographic profile of the audience for arts festivals. This study compared the consumption habits and demographic profile of audiences at two separate international festivals (Classical and Jazz music) occurring at the same venues in the same town in the southwest of England. It highlights the importance of a strategic fit between the demographics of music festival patrons and a sponsoring organization's target segments. The article also examines the potential demand for increased cross selling of alternative live entertainment services as well as exploring issues influencing the recall of festival support based on accurate or erroneous information.

Since the term consumer also refers to "eating/ingesting" music, certain terms that are directly associated with consumption and "eating" such as "omnivores" and "omnivore-univore" were also coined.

Chan and Goldthorpe (2005) used survey data to test three arguments concerning the connection between social stratification and cultural consumption. The authors labelled these as the homology, individualisation and omnivore-univore arguments. Homology refers to the quality or condition of being homologous which relates to having the same relation or relative position. Individualisation refers to discrimination of the individual from the generic group. According to Hazir (2015) the term cultural omnivorousness was first introduced to the cultural consumption literature by Richard Peterson, in 1992, to refer to a particular appreciation profile, omnivorous consumers have an increased breadth of cultural taste and willingness to cross-established hierarchical cultural genre boundaries. The article stresses in particular the importance of maintaining the Weberian distinction between class and status. It concentrates on musical consumption and applies latent class models to identify types of musical consumers. The authors then analysed the characteristics of these consumer types through a regression analysis that included a range of demographic and stratification

variables. Interestingly it was found that the type of musical consumption proved to be more closely associated with status and education than with class. In other words, a better educated middle class individual with a high social status because of level of employment (for example, a factory manager) would consume a certain type of music while a less educated middle class individual with a lower social status as a result of level of level of employment (for example a factory worker) would consume a different type of music. These results proved to be more consonant with the omnivore-univore arguments, and failed to provide substantial support for the homology or individualization arguments.

According to Johnstone (2009) *Music Week* was to introduce a range of new charts, which would track both the musical habits and the opinions of millions of web users. The charts would use data gathered from social media, blogs and file-sharing networks to offer a holistic view of the artists creating most activity online on a weekly basis. An audience measurement company called Musicmetric, using technology that could determine the amount of online text relating to artists as well as the rate of downloads and plays, would generate the data. Students from the Imperial College and UCL (London's Global University) founded Musicmetric in January 2008 with the aim of analysing data on behalf of record labels.

Apple acquired Musicmetric during 2015 to add analytics to its Beats Music, music streaming service. Musicmetric launched in 2008 and was able to track data on sales for music labels and other music industry clients, they also provided artists with social networking statistics and BitTorrent downloads and ended up expanding to YouTube videos. Musicmetric has also regularly released research into online piracy providing the music industry with crucial information. Musicmetric is now a division of Semetric, the London-based start-up who managed to raise £3m of funding in the beginning of 2013 to expand its business into other areas, including e-books, television shows, films and games. Around the same time, it also struck a deal with music streaming service Spotify to integrate its data into Musicmetric's dashboard, which remains one of the primary manners through which record labels track their Spotify streams. The rival in this case is called Big Sound which has a different deal with Spotify to provide analytics for musicians. (Dredge 2015).

Since the 1950 popular music "revolution", the conventional view upheld by the music industry has been that the key target market for popular music is the young music consumer. A paper by Arnold et al. (2011) challenges this viewpoint. With increasingly more accessible

music and the research into music consumption revealing an augmented eclectic and complex market, the conventional marketing model and the bases used to segment the young consumer market for music appear less relevant and effective as a means of marketing and distributing music products. The qualitative methodology applied in this recent study examines the music consumption behaviour amongst young people. It focuses on and questions the existence and relevance of what the authors labelled “tribes”.

The authors proposed that six “consumer tribes” could be identified using consumer centric profiles that are based on the way in which music is consumed, market awareness, technological knowledge, and the use of music in the construction and maintenance of identity. Strategies, especially regarding marketing and distribution implications for record companies, are also presented. This could be implemented in any territory globally and would certainly also work in South Africa. I have not investigated this in any depth as it requires a separate study. I assume that one would probably find that the local major record labels make use of existing analytic services that are used across the respective global major labels and implemented at the respective major record label headquarters, for example Sony Music entertainment New York.

In a study conducted by Cermakova et al. (2014) the association of different uses of music, music consumption, and individual differences in personality, trait emotional intelligence, and demographics were examined. A total of 535 British participants completed a series of questionnaires including uses of music inventory, the international personality item pool, and the trait emotional intelligence questionnaire as well as a novel scale designed to assess music consumption. Chamorro-Premuzic and Furnham devised the Uses of Music Inventory, a 15-item scale that assesses three distinct motives for using music: first, the extent to which music is used for inducing moods (emotional use of music); secondly, the extent to which an individual listens to music in an intellectual or rational manner (cognitive use of music) and; thirdly, the extent to which an individual uses, tolerates and enjoys music while working (background use of music) (Cermakova 2014: 287). The International Personality Item Pool (IPIP) comprised 50 items assessing Extraversion, Agreeableness, Conscientiousness, Emotional Stability, Neuroticism and Openness to Experience. The music consumption was a purpose-designed 10-item scale to assess the frequency with which individuals used music in actual terms and items included statements about the frequency with which individuals

bought and downloaded songs and music videos, as well as how regularly they attended music performances or watched music programmes on television. (Cermakova 2014: 289). Results indicated significant positive effects for all factors of the use of music, as well as the negative effects of age, on music consumption. The results revealed that participant demographics were significant predictors of certain uses of music. Men were more likely than women to use music for cognitive or intellectual reasons. In contrast, women were more likely to use music for emotional reasons, which is consistent with previous work showing that men and woman differ with regard to their perception of emotional expression in music. It was also found that older participants were less likely to use music for background purposes, a possible explanation might be that music is typically more important in the lives of younger people, particularly adolescents. Increasing age could also be associated with a decline in the appreciation of music, which could result in greater distraction experienced by older individuals in the presence of background music. These findings could probably be challenged in further studies.

Another interesting discovery was that education level was negatively associated with the use of music for background situations, independently of age. (Cermakova 2014: 296). Additionally, the effects of neuroticism on emotional music use as contrasted with openness on cognitive music use were replicated. The hypothesis of a positive effect of extraversion onto background music use as opposed to trait emotional intelligence onto the emotional use of music was not supported. Results relate to consumer research as well as their theoretical implications regarding the psychology of musical preferences.

3.4 Studies regarding music consumption habits in Europe

As today's digital technology modifies the ways in which cultural goods are consumed and produced, the analysis of consumption patterns has become one of the most important activities for producers in the cultural industries. Information on consumer habits become a strategic resource with which to anticipate competitors and improve the fit between supply and demand (Molteni & Ordanini 2003: 1).

It would come across that European studies regarding this paradigm focus heavily on the influence of digital sales and the correlation with Internet access.

According to Rose (2000), the development of networked information appliances, combined

with the proliferation of broadband Internet access, greatly influences media consumption in the home environment. In his paper *Music in the home: Interfaces for music appliances*, Rose considers the influence of these developments on consuming music, a common domestic activity. After the summary of strengths and weaknesses of accessing music in physical and digital formats, the study presents a design concept, which is intended to combine the advantages of the old and new media. Rose also conducted an informal survey of music consumption habits concentrating on CD formats. The study revealed that there is a difference between how consumers choose music to buy and music to listen to. When consumers make a purchase it is often more about adding to an existing collection than what they want to listen to. The study also revealed that sometimes consumers make purchases based purely on genre and cover art.

As today's digital technology modifies the ways in which cultural goods are consumed and produced, the analysis of consumption patterns has become one of the most important activities for producers in the cultural industries. Information on consumer habits become a strategic resource with which to anticipate competitors and improve the fit between supply and demand (Molteni & Ordanini 2003: 1).

The aim of a study conducted by Frenzel et al. (2003) was to investigate internet-related consumer music procurement behaviour and its effects on traditional or conventional music procurement using an online questionnaire with a sample of more than 4,000 Internet users. This study prefers to use the word "procurement" as opposed to "purchase" because some procurement satisfies the consumers' need for music but they do not pay for it. The results showed four motivating factors for the preparedness to pay for online music. Further cluster analysis identified three meaningful and distinct downloader groups who were willing to purchase music: demanding downloaders, general download approvers, and procurement autonomous. There was a similarity between consumer price sensitivity for two different commercial online-music distribution models and most users had similar ideas as to how much a commercial download service should cost. The article also discusses implications for marketing research and practitioners.

In a paper called *Analysis of Music Consumption in French Graduate Schools* by Bounie, Bourreau and Waelbroeck (2005) the impact of music file sharing on CD purchases is

analysed. Conventionally two arguments are presented in terms of the impact of digital music on CD sales. These are that firstly, MP3 downloads only reduce sales of legitimate CDs and secondly, consumption of free MP3s could lead potential consumers to buy CDs which they would never otherwise have bought (sampling). The paper investigates whether “sampling” occurs and what the positive and negative effects on CD purchases are. The main contribution of this article is to show that there are two populations of MP3 users: people who use MP3 to sample and discover new music through physical changes, which often results in the purchasing of more CDs and people who mainly use file-sharing networks such as Peer-to-peer networks as substitutes to regular CDs (the pirates). The estimation results had two implications; Firstly, new business models should try and better discriminate between these two types of users of digital music in order to extract more surplus from their avid music fans – something which has since been implemented with legal, licensed music streaming services. Secondly, new business models should also encourage the formation of online communities as the results suggest that people who share music through personal contacts among a community have a higher probability to purchase more CDs – This has also since been implemented by record label strategists and music streaming services in collaboration with social media platforms.

The book *Consuming Music Together: Social and Collaborative Aspects of Music Consumption Technologies*, edited by Brown and O’Hara (2006) features contributing authors from The UK, USA, Sweden, Ireland, France and Germany and was published in the Netherlands. The relationship between technology and music consumption habits on a daily basis can be depicted by looking at some of the most important technical shifts over the years and how these generated new social phenomena around music consumption. The home taping technology, which was considered to be a threat in terms of replacing actual music purchase, is a noteworthy example. Social research suggested that the effect of home taping technology on music consumption was extremely complex because it provided a means by which friends could share music. This created a rich social backbone providing a vehicle for identity, management and tokens of affection and gift giving (Brown & O’Hara 2006: 3).

In an article written by Favaro and Frateschi (2007), an empirical analysis of the “patterns of cultural choice” in the musical domain in Italy is presented. The aim of the article was to determine whether musical tastes in Italy are diversified due to the presence of a group of “cultural omnivores”. Through the specification of the set of alternatives into three groupings

of musical genres (classical music, popular music and world music), they were able to detect the qualified influence of various socio-economic characteristics on the probability of having “univorous” or “omnivorous” musical likings. The study additionally verified the existence of different patterns of music consumption by testing the significance between the estimated coefficients of the probability functions related to the three groupings of musical genres. The study found that age, gender and education are significant predictors of an omnivorous taste.

Magaudda (2011) of the University of Padova, Italy wrote an article in the *Journal of Consumer Culture* in which music consumption practices in the age of “dematerialization” are discussed. According to Magaudda, dematerialization of *objets d'art* and material items is an important concern in consumer studies, especially when taking into account the on-going changes regarding the consumption of cultural goods. Magaudda adopts a theory-of-practice method to analyse the consequences of dematerialization on the practices of digital music consumption. The article is based on empirical data collected during research into the appropriation of digital music technologies involving 25 narrative interviews with young Italian digital consumers. The three main focuses were technologies involved in the contemporary consumption of music, namely the iPod, external hard drive, and the vinyl disc. The empirical analysis proved that music digitalization does not mean less materiality in the actual practice of listeners; that material objects still maintain an important position in digital music; and that materiality nowadays forms an even more crucial role in shaping a consumer’s practices. Materiality is the quality or character of being material or composed of matter, materialism can also refer to the denoting or consisting of physical objects rather than the mind or spirit.

According to Filimon, Garcia-Alvarez and López-Sintas (2008) the data that they used demonstrated that middle class consumers have an omnivorous pattern of consumption or tastes, contrary to Bourdieu’s predictions of a “snob” pattern of consumption. The use of commodities as status indicators addresses differences in social value according to the individual patterns of consumptions, Bourdieu (1979) developed this proposition thoroughly whilst researching French consumption patterns as early as the 1970s. The research however, generalised the elitist and exclusive pattern of consumption exhibited by French upper social classes resulting in it being challenged at different occasions (Peterson 2005). An example of this is the manner in which elitism can include aspects of popular culture (DiMaggio 1987)

has been interpreted as a limitation of the explanatory capacity of Bourdieu's theory of habitus for understanding the cultural consumption patterns shown in the North American society (see Holt's 1998 review). The structuring capacity of the cultural, economic and social capital has also been challenged. This is where the anthropology of consumption (Douglas and Isherwood 1979) reconciles Bourdieu's theory of taste, based on a snob pattern of consumption paired with the persistent evidence of an omnivorous middle class consumer. To further investigate the implications of Bourdieu's framework for omnivorousness, they made use of the anthropological view of consumption to analyse Spaniards' musical tastes and consumption. Results demonstrated various omnivorous patterns of musical consumption associated with upper class consumers. A higher position on the social ladder was connected to more omnivorous tastes and a better use of technologies that freed the consumer from fixed periodicities such as physical sales and dependency in music consumption. Different kinds of social, cultural and economic levels of capital configure subjects' structural constraints and hence their tastes in musical genres and the technological media used to consume them. This may be directly contrasted with the situation in a poorer country such as Nigeria where master copies are sold to street vendors who duplicate the music onto CDs and distribute them on the side of the road.

Another study concerning Spanish music consumption was done by Cuadrado-Garcia and Montoro-Pons (2011). According to them, changing consumption habits have rearranged the popular music market in the last decade, and a pattern in which live music attendance gets an increasing share of the market has emerged. New consumption patterns within the music industry have resulted in an on-going process of structural change, cuts in pre-recorded music sales have gone hand in hand with the increasing relevance of the live market as a source of income for artists and record labels. Live performances used to be a means of promoting sales of pre-recorded music but this purpose is no longer relevant as the diminishing share of the pre-recorded music sector shows that the rise of illicit file-sharing, paired with the fact that legal digital downloads allow consumers to buy single tracks rather than albums which explains the reduction of the profitability market. These demand-led changes have had a significant effect on the supply side of the music industry. Some of these global trends can be observed at a local level in the Spanish popular music market. The recording industry, severely hit by the decline in demand, has adapted to the new environment by offering all-inclusive management services to artists in an attempt to capture part of the income of live performances. After a period of growth in the live sector and the demand of summer music

festivals, competition has led to a reorganisation and consolidation, with some festivals being driven out of the market and well-established ones aiming at expanding to new locations. Their work analyses the demand for the popular music sector considering its dual dimension as supplier of live performances as well as pre-recorded music. They made use of the 2006/2007 wave of Spain's *Survey on habits and cultural practices*, and approximated a bivariate probit model for attendance to live performances and the purchase of pre-recorded music. They found that the profile average and frequent consumer in both markets showed similarities, also that gender and the role of cultural capital affects the outcome. Regarding the main objective, which was to analyse the profile of the popular music consumer, considering both live and pre-recorded popular music, they have profiled the average and frequent music consumer. Empirical results indicated that similarities between both types, being gender, age and the impact of active practice and cultural participation common covariates. There are however significant differences between frequent and average consumers. The most significant difference is on the stronger role played at the time constraints for live attendance for frequent consumers. In this instance, time availability becomes a dominant determinant of frequent consumption at a higher level than income. It was also found that differences with regards to the potential substitution effect between live and pre-recorded music for a share of the population. It was found that the demand for popular music by some frequent consumers was a demand for information, this can be catered by alternative means. For everyone else, the demand for live music has to be something else than the demand for information. Significant differences include time restrictions and relation to economic activity as well as the use of technology. A direct causal link was established between pre-recorded music and attendance at live concerts that could perhaps explain the recent institutional changes in the industry.

In a study by Dejean, Moreau and Nguyen (2012) a representative survey of 2,000 French individuals was used to determine whether consumption of music through streaming services, such as Spotify or YouTube, is a substitute or a complement to other music consumption modes such as CD, pay-downloads or live music. The results showed that consuming music as streams (the consumer does not own the music but attains access to it) has no clear effect on CD sales but proves to be a complement to buying music online. Streaming services also positively affect live music attendance, however only in respect of national or international artists who are available on streaming services. These results are most exciting as they

suggest a new music ecosystem in which the “possession” and the “access” modes of recorded music consumption might coexist.

Aguiar and Martens (2013) analysed the behaviour of more than 16,500 European digital music consumers on the Internet in their paper *Digital music consumption on the internet: Evidence from Clickstream data*. Clickstream data has a database of more than 16,000 European consumers and the paper estimates the effects of illegal downloading and legal streaming on the legal purchases of digital music. Their results suggest that Internet uses do not picture illegal downloading as a substitute for legal digital music. A 10% increase in clicks on illegal downloading websites leads to a 0.2% increase in clicks on legal purchases websites. Online streaming services have been found to have a marginally larger (yet still small) effect on the purchases of digital audio, suggesting that these two modes of music consumption complement each other.

The authors also discovered significant cross-country variations in these effects. All of these effects were captured by their country-specific dummy variables and they were unfortunately unable to identify the relevant importance of these different mechanisms however, it remains natural to consider these country differences may also influence the displacement rates of licensed purchases of digital music by unlicensed downloading and licenced streaming. For instance, individuals with different perceptions of piracy were likely to have different music consumption habits, more specifically, consumers with more permissive attitudes toward piracy were perhaps more likely to substitute licensed consumption of digital music by unlicensed consumption and should therefore present higher displacement rates. Similarly, individuals coming from countries with more stringent copyright laws could be affected by the latter when deciding on consuming pirated content and may refrain from using this type of consumption channel. Looking at the relationship between unlicensed downloading and licensed purchasing some of the more interesting variations include: French users present the largest coefficients (about 0.046) followed by Germans (0.041) and by UK users (0.026). The most significant difference appears in Spain and Italy which reveals very small elasticities of 0.005. This means that a 10% increase in the clicks on unlicensed downloading websites is associated with almost no change in visits to licensed purchasing websites for Spanish and Italian users.

3.4 Studies in South Africa

Digital distribution with regard to music sales entails the digital delivery of albums, singles, music videos and live DVDs via web-based store fronts to consumers. In 2006 the gross turnover of the South African music industry was estimated to be R900 million per year and it offered employment to 15,000 people. Despite its considerable turnover, very few academic studies about the music industry have been completed in South Africa. Of these, the most important one is De Villiers' study, *The South African music industry: An analytical perspective* (2006). According to De Villiers (2006: 1) the music business in South Africa has always been a vague and difficult topic of discussion for music industry participants such as artists and performing musicians. De Villiers regards the reasons for this as being unclear, however he believes that this places an obligation on the local music business researcher to contribute to the general understanding of the topic. His study was one of the most important ones that influenced me to research this field.

De Villiers suggests that the music industry worldwide is evolving as a result of commercial, technological and demographic developments. According to him, the extent of the strategic impact of these developments on the South African music industry is evaluated in terms of internal and external factors, such as consumer buying power, audio-visual piracy and counterfeiting of music paraphernalia. Furthermore, South Africa and its music industry have momentous technological and socio-economic challenges and opportunities. De Villiers concluded that South Africa, as a then emerging participant in the global music industry, was ideally positioned for the development and implementation of new technological and commercial systems, such as the download distribution channel.

Rocha Leal (2014) conducted a study to determine how higher education music education programmes are assisting and preparing graduates for the world of work in the South African music industry. The research included the structure of the South African music industry and the availability and viability of careers within it. Research was conducted to determine which type of recorded music is currently earning the most money through its consumption. Rocha Leal's research also includes the analysis of various Government policy documents to determine its expectations of higher education and thus of music education within higher education. The information gathered was used to create a set of criteria against which all four-year BMus degrees currently offered in South Africa were assessed. Results were used

to determine how well BMus qualifications are preparing graduates for the modern music industry. As the data gathered as part of the research for this dissertation will show, very little, if any, preparation is done, and students are consequently not aware of the opportunities available to them. This will be further discussed in Chapter 4.

According to Mochiko (2012), iTunes' thriving online store gave South African music enthusiasts access to a library of about 20-million local and international tracks. Until December 2012 the service had not been available in South Africa. It had to be accessed via international addresses. The iTunes catalogue includes an "incredible selection" of local and international music from all of the major labels and thousands of independent labels as well. Prices range from R6.99 to R8.99 per track and the South African Music Rights Organization gladly welcomes "any platform that makes music available legitimately to buying consumers". Mochiko is a journalist for Business Day Live, a South African national daily newspaper that includes Business Times and covers economics, business and politics as an online platform.

Caryn Green (2012) wrote a research report entitled *The Internet and South African music: The impact of the Internet on the protection of South African recording artists' copyrights and consumer's fair use rights*. The South African music industry is considerably affected by developments in new media specifically how music is recorded, distributed, archived and protected. Before the rise of new media, the music product was a tangible "physical" unit, usually in the form of a cassette, CD or Vinyl and meant that the record labels had the power to control the sale and use thereof, to an extent. With the advent and nature of an intangible music product that could be shared via the Internet so the traditional notions of production, rights, ownership and usage were redefined. Green states that this has led to the rise of the Independent artist who operates independently of a record label, taking advantage of the opportunities afforded by the Internet.

Green (2012) expects that the impact on the protection of South African recording artists' copyrights and consumers' fair use rights can be defined by two opposing approaches: the "value commons" and the "creative commons", each of which are discussed below.

The "value commons" is supported primarily by record labels in the music industry. It advocates for stronger policy enforcement, Digital Rights Management (DRM) and a

universal pay-per-view, pay-per-use and pay-per-listen coordination. From a musician's perspective, the "value commons" approach is not ideal as it works to benefit record labels that own the music created by signed or commissioned musicians and requires that all costs for making the album be returned to the company. This means that eighty-five percent of artists are actually in debt to their labels after records are released.

The "creative commons" is supported by recording musicians and consumers using the Internet. It advocates for the Internet to be treated as a platform for promotion and knowledge sharing. Green's research argues for a balance between the "value commons" and the "creative commons" theories.

The relationship between the Internet and the music industry is remarkable because of its promotional opportunities and its implications for the protection of copyright. Green believes that the majority of South African artists rely primarily on the sale of their music to sustain themselves, rendering their view solely from the perspective of the creative commons as a means for global exposure and information sharing, this is insufficient. However, policy and technology developed in support of the value commons to protect copyrights are also inadequate. A balance between the development of policy and technology to prevent digital piracy, while promoting the fair use rights of Internet users is, therefore, necessary. (Green 2012: 6).

In a previous research paper, "The effects of digital distribution on music sales in South Africa from 2002 to 2013" (2013), I investigated how the escalating tendency of online music purchases affected South African music sales from 2002 to 2013. I found that the increase of digital distribution has had a momentous, and still has an on-going, effect on the South African music industry. Despite the increase of digital sales as opposed to physical ones, the South African music industry still considered physical sales to be the most profitable medium of distribution while acknowledging that its future may be uncertain. Music stores, however, have been significantly affected by the upsurge in demand for digital delivery. They have downsized their music catalogues to include top sellers only and focus almost entirely on music-related paraphernalia.

3.5 Other studies concerning music consumption habits

Martin and McCracken (2001) examined cross-country differences in marketing imagery by studying marketing imagery in music videos broadcast in the United Kingdom and New Zealand. Their results suggested that UK music videos contained more brand references, fashion imagery and role model behaviour outcomes than New Zealand music shows. Popular music marketing references were dominantly visual. Research like this can perhaps give an insight to the optimum way of capitalising on digital music products by getting brand endorsements or product placements involved in the process.

The music industry internationally is searching for a business model that would let it tap into the new mode of file-sharing consumption. Music file-sharing habits has not been systematically and consistently analysed in the literature, but the paper entitled *File sharing as a form of music consumption* by Huang (2005) from Taiwan presents an analytical framework which looks at digital music sharing behaviour from the perspectives of moral judgment, social networking and expertise. It then presents a conceptual model of sharing though a set of hypotheses. An empirical study based on the model provides insight into sharing habits, and this model may be used to study file-sharing consumption in countries outside Taiwan, as well as to track changes in these habits.

Tchebwa (2005: 46) found that the situation in Africa with regard to digital music occurrences could be summarised as follows: The continent is an assortment of fifty-three independent countries, which correlates to a possible music market of more than 800 million consumers of which 65 percent live in rural areas. Every country in Africa contains an average of fifty ethnic groups, which corresponds to almost as many traditional forms of music per country. In 2005 there were only a small number of CD manufacturers, most of which were located in South Africa, and some fifty-odd recording studios of which ninety percent fell under the “home studio” category.

According to the International Federation of the Phonographic Industry (IFPI) (2013), Africa represented 0,4 percent of the world market for sound media. Average sales of African CDs are between 10,000 and 50,000 in Europe, whereas West Africa’s highest seller remains the audiocassette with sales of between 200,000 – 300,000 copies. African musicians

predominantly rely on the dissemination of their music through broadcasts on local radio and television. In Africa one can expect to find an average of one national radio and television channel per country operating alongside three private ones. This, together with the dearth of recording studios, severely hampers the market of African musicians. South Africa is the most obvious exception to this situation, and the advantages of the South African situation, which closely reflects the situation in most Western European countries, will be discussed in Chapter 4.

According to Osae-Brown (2013), the growing online platform for digital music distribution in Nigeria is currently valued at \$100 million with Spinlet, iRoking and iTunes dominating the market. In one of the highest profile moves to date, Universal Music Group and Samsung Electronics in August 2013 announced the launching of The Kleek, a pan-African digital music service, which contains music from Universal's international catalogue as well as local African artists. Mark Redguard, marketing manager of online music service Spinlet sees tremendous potential for digital sales in Nigeria and the rest of Africa.

Häkkinen, Nettamo and Nirhamo (2006) conducted a study in New York and Hong Kong regarding the retrieving, consuming and managing of digital music content as it relates to mobile music consumption. The study focused on the personal relationship people have with music entertainment technology and content. The typical actions related to personal music management are also looked at and, more specifically, how they are accomplished and where they take. The study further reported on the differences found in mobile music consumption between these two cultural settings.

In a paper by Chen, Lin and Shang (2008) a conceptual model of music downloading looks at and integrates seldom-noticed perspectives with traditional explanations. 834 samples were drawn from a survey of peer-to-peer (P2P) users in Taiwan and the data revealed that people are maximizing value while downloading music. It also revealed that fashion involvement influences the perception of consumption value from music downloads and moral reasoning moderates the relationships among fashion involvement, consumption value and behavioural intention to download music.

In the article by Roose and Van der Stichele (2010), *Living room vs. concert hall: patterns of*

music consumption in Flanders, the relationship between public and private music consumption is investigated making use of a large-scale survey of the Flemish population in Belgium. The analyses focused on whether public and private music consumption have different mutual relationships, in which the one affects the other and to what extent there is convergence between the genres that people listen to at home and at concerts. The survey *Cultural Participation in Flanders 2003-2004* is a large-scale survey of a representative sample of the Flemish population aged 14-85. Flanders is a highly urbanised, densely populated, Dutch-speaking part of Belgium with a population of 6.1 million in 2010, of which approximately 10% are of foreign descent (5% from inside the European Union). The findings suggested that music consumption is positively related to all indicators of cultural capital such as educational attainment, enrolment in arts classes, and public participation of the parents. The strongest effects were evident for genres such as classical music and opera, and it diminished for genres such as world, traditional, popular and rock music. Results included the fact that cultural capital was superior for public participation in comparison to private consumption. There is a difference between what music consumers listen to at home as opposed to when attending concerts and live performances, and social circumstances can also determine which public performances and concerts are attended. This suggested that not only information processing capacity is involved when attending concerts but also social barriers like familiarity with the rules of decorum and network homophily, or the tendency of individuals to associate and bond with similar others. The private sphere, by contrast, where no external status plays a role, results in an omnivorous approach towards music consumption.

3.6 Conclusion

As may be seen from this Literature Review, studies, regardless of their geographic location, generally identify similar trends globally. It would therefore be important for a musician entering the world of work to be able to position him/herself optimally so that not only a local and/or national career but also an international one may be built. Taking consumption habits into consideration when taking career decisions is the only way in which success can be achieved.

A prime example of how this can be beneficial to one's career is South African soprano Pretty Yende who came to international attention in 2010 when she became the first artist in the history of the Belvedere Competition (a most prestigious international singing

competition for young opera singers established by Placido Domingo, the chair of IFPI) to win First Prize in every category. Yende made her first professional operatic debut at the Latvian National Theatre in Riga as Micaela in *Carmen* and in 2013 caused a sensation when she stood in for the renowned soprano Nino Machaidze at a month's notice to sing in Rossini's *Le Comte Ory* at New York's Metropolitan Opera. Later in that same year she stood in for another operatic legend, Cecilia Bartoli, singing the same role in Vienna. Since then she has since performed in nearly all the major theatres of the world. She has marketed herself actively on Facebook, placing reviews of all her performances, as well as going "live" on the medium. Yende is currently signed to Sony Music Entertainment and recently released a highly-anticipated album entitled *A Journey* which, perhaps also because of her active personal marketing strategy, became a top-selling album, not only for physical sales but also on iTunes. Despite the genre attracting what is widely considered to be a niche market, Yende has carved an extremely successful career within it, and in a very short period through her considered marketing strategies.

CHAPTER 4

Presentation and discussion of data

4.1 Background

As has already become evident in earlier chapters, most commentators are agreed that recorded music drives economic activity in the music industry as well as in the wider digital economy. At the heart of social media and digital platforms is music, which generates billions of dollars of revenues in consumer hardware sales, technology as well as through music tourism. An assortment of revenue streams is created by record companies' investment in artists. Data collected by the International Federation of the Phonographic Industry (IFPI) from its members, for example, revealed that the recording industry invested US \$4.3 billion globally during 2013. This amount is equal to more than 15% of industry revenues.

Earlier data, gathered by the IFPI for the period 2008-2013, estimated the investment in A&R and marketing at US \$20 billion. Such investment is often seen as a catalyst for a variety of economic activities. In October 2014, a study was undertaken in the UK by BPI. This estimated that music accounted for an additional £11 billion through the sale of technology products in the period 2008-2012. This is significant because it represents almost three times the value of the recorded music market during the same period. The study, *Relationship between music content and technological markets*, included technology such as MP3 players and integrated audio systems. An additional £8.4 billion in sales of smartphones and £2.5 billion in sales of tablets were recorded. (IFPI Annual report 2015: 32).

The use of social media platforms is largely driven by music. Users regularly exchange recommendations about artists and groups, and inform other users when they are sharing links to audio, video or press publications. According to Twitter, 50% of its users follow at least one musician. Twitter's *Most Followed People* chart reflects this phenomenon: Katy Perry, for example, tops this chart with more than 63 million followers. Other musicians listed in the top 10 of this chart include Justin Bieber, Taylor Swift, Lady Gaga, Britney Spears, Justin Timberlake and Rihanna. Twitter's market capitalisation was almost US \$30 billion during February 2014.

YouTube is another example of a platform driven by music; nine of the top ten most viewed

videos of all time on YouTube are music related. During 2014 the most watched music video was Psy's *Gangnam Style*, which has over two billion views to date on a single posting, and there are several others. David Guetta has about 60 million "likes" on his Facebook page. Music also drives substantial revenues from branding partnerships through which artists promote brands from consumer goods, drinks and clothes. (IFPI Annual report 2015: 33).

Tourism is a worldwide market valued at over US \$3 trillion, and governments and tourist boards are increasingly recognising the role of music as a driving factor of the tourism market. *Wish You Were Here*, a study published in 2013 by UK Music/VisitBritain, estimated that music tourism generated US \$3.6 billion for the UK economy from a total of 6.5 million music tourists in 2012. In America, Austin in Texas has successfully branded itself the "Live Music Capital of the World", partly due to its annual South by Southwest (SXSW) music and film festival. It also earns US \$1.6 billion in annual revenues from music tourists and other visitors. (IFPI Annual report 2015: 33).

4.2 Accessing international data

The single most important source of data about the music recording industry emanates from the International Federation of the Phonographic Industry (IFPI). The IFPI releases an annual *Digital Music Report*, which aims to establish how the music industry is adapting to the digital age as well as discussing the challenges and opportunities it faces. Much emphasis is placed on its reports in this chapter since they are the most important sources for accessing data.

The IFPI represents the interests of nearly 1300 record companies from all over the world. The IFPI is registered in Switzerland and have offices in London, Hong Kong, Brussels and Miami with the addition of a representative office in Beijing. There are to date, 57 countries with IFPI affiliated national groups or music licensing companies and 61 markets where their member companies operate. The IFPI's mission is to promote the value of recorded music through its economic value in creating growth, jobs and investment as well as its cultural value to society and people's lives. The IFPI also strives to safeguard the rights of its members, who create, produce and invest in music so that they are effectively protected and

enforced by licencing and generating commercial value for each available channel across the globe. (IFPI Annual report 2015).

The IFPI is central to a globally coordinated network of different national organisations. The IFPI operates on a day to day basis, their member record companies make up a variety of decision-making bodies, covering areas from legal strategy to market research, performance rights to communications. Its main board superintends the IFPI, comprising the international heads of major and independent record companies. Anti-piracy at the IFPI comprises of a global team that supports member companies in all anti-piracy activities who deliver a 24/7 pre-release monitoring; a high-volume notice and takedown programme which is reinforced by a technical investigation resource to help establish the source of possible leaks. The IFPI has about 1300 member companies in 62 different countries, and these members include both major and independent labels. In South Africa, members of the IFPI include Sony Music Entertainment as well as Universal South Africa. (IFPI Annual report 2015).

In 2014 the IFPI produced the Global Recording Artist Chart which provides a multi-format ranking measuring the success of artists across physical format sales, downloads and streaming. The chart is intended to present a true barometer of that year's most popular artists. Streaming data obtained from various countries' singles charts of 2013 was introduced to formulate final chart positions, and this resulted in several markets discussing the introduction of streaming figures into their albums charts as well. (IFPI Annual report 2015: 10).

On the IFPI chart, the top ten global recording artists of 2014, ranked from 1 to 10, were Taylor Swift, One Direction, Ed Sheeran, Coldplay, AC/DC, Michael Jackson, Pink Floyd, Sam Smith, Katy Perry, and Beyoncé.

The compilation of the IFPI top artist chart has been independently verified through procedures agreed to and set by the BDO LLP. Soundtracks and albums comprising of compilations by various artists were excluded. In a separate chart, "Top selling global albums of 2014", the number one selling album of 2014 was the *Frozen* motion picture soundtrack by various artists which exceeded 10 million sales and topped the charts world-wide. This album, released in November 2013, went on to top the Billboard album chart for 16 non-consecutive weeks. (IFPI Annual report 2015: 12).

The reliability and accuracy of these charts depend on record companies and chart compilers who assure the figures and therefore that the charts also reflect the popularity of an artist's music, including streaming services. Countries such as Australia, Austria, Denmark, Germany, Netherlands, Poland, Spain, Sweden, Switzerland, UK and US have started using streaming data to formulate their album charts. Other countries include on-demand audio streams in their charts, obtaining data from services such as Spotify, Deezer and Xbox; currently most of these exclude video streams.

Audio streams are converted to downloads to determine how popular they are with consumers using the model which was developed by Sweden and the other Nordic countries, where streaming is the preferred method of music consumption. The calculation to arrive at the conversion rate involves taking the average download revenue per track divided by the average audio ad-supported and premium streaming revenue per track. This model is reviewed frequently to ensure its reliability.

The effect of incorporating streaming has been to slow the pace of track moves on charts due to the consumption being measured over time, rather than through once-off purchases. (IFPI Annual report 2015: 13).

The year 2014 marked approximately 15 years during which the global digital revolution has taken place, and in this revolution music has led the other creative industries. The music sector's transition to the digital world is entering a new phase, which is driven by consumer demands and habits; the instant availability of music on mobile devices; a choice between diverse services; and, most significantly, by the rise of music streaming.

The same year also marked the point at which the music industry witnessed the continuation of the constant shift from music models based on ownership towards those based on access. Consumer behaviour is moving towards instant, real-time, anytime-anywhere access, facilitated by the integration of services across various platforms and cloud storage. Smartphones, tablets and phablets are powerful computers with social media interfaces, allowing instant payment, subscription and sharing. All these features combine to contribute to a consumer culture of immediacy and instant access. (IFPI Annual report 2015: 14).

4.3 Physical format sales

The recording industry has historically been based on physical format sales. These sales have shown an 8.1% decline, as have download sales which saw an 8% decline in sales. This resulted in an overall recorded music revenue decline by 0.4% to US\$14.97 billion. (IFPI Annual report 2015: 7). Global music industry revenues from physical formats accounted for less than half of the total industry revenues (46%). However, a marked format diversity between different countries can be identified, with a notable physical market share still recorded in countries such as Australia (65%), France (57%), Germany (70%), Japan (78%), Poland (71%) and South Africa (62%). Vinyl remains a niche product, accounting for 2% of global revenues, but the format appeared to be recovering with sales increasing 54.7% in 2014.

Music is, therefore, a portfolio-based business, with revenues generated from a diverse assortment of channels including music subscription services, CDs, vinyl LPs, downloads and performance rights licensing. Within this portfolio, the key drivers of change in 2014 were the rise of streaming and the decline of physical and download revenues.

According to Edgar Berger, chairman and CEO of Sony Music Entertainment International, “The music industry is managing the transitions from physical to digital, PC to mobile and download to streaming at the same time. In that context, I think the industry is performing remarkably well and with a paid subscription model, we are building a business that is here to stay.” (IFPI Annual report 2015: 7).

4.4 The rise of digital sales and services

The IFPI chairperson, Plácido Domingo, confirmed in the IFPI *Digital Music Report* of 2014 (2014: 4) that music has become available on an extensive range of digital services.

Consumers can listen to any genre of music as they go about their daily/nightly lives. This allows them to discover new music via recommendation services that cater to consumers’ tastes. Consumers can engage with artists on social media and social networks and no longer need to rely on physical delivery of their favourite music (refer to my previous comments concerning Pretty Yende’s strategies). The digital music realm brings new methods to access

culture and this phenomenon stems from the on-going technological changes that occur on a regular basis.

According to Domingo, this has caused a great deal of debate within the global music industry regarding how copyright and the rights of the music creators are affected. While the formats through which we consume music have changed, the music itself has not. To preserve opportunities and benefits from investment by record companies and independent artists to build a career, governments everywhere must make sure that the laws that protected creators in the physical delivery age are updated and adapted accordingly for the digital delivery age. Copyright provides the groundwork of the digital music market place because it enables right holders to license new services that music consumers might desire. There were approximately 37 million recordings available on leading digital services in 2013, something that was unimaginable a decade ago, and it is therefore crucial to create a sustainable digital marketplace that will continue to fund investment in artists so that, in turn, more music can be created.

The IFPI Digital Music Report of 2014 had already confirmed that the revenue generated by recorded music had, in most major markets, shown growth. The American music market continued to stabilize and grow in terms of trade revenue in 2013 and Europe returned to growth after roughly 12 years of stagnation. In Japan, the world's second biggest music market, revenues declined in 2013, and this decline had a negative impact on what was otherwise a largely positive global picture.

Additionally, the IFPI report indicated that streaming and subscription services were thriving, which meant that digital music was moving into a recognizable new phase. Record companies, having licensed services on a global scale, could also tap into the enormous potential of emerging markets. Edgar Berger, Chairman and CEO, International, Sony Music Entertainment maintained that "Music has always been at the forefront of digital revolution, leading the way for other creative industries and defining the future of digital entertainment. Today, music's digital revolution is moving to the next phase as consumers embrace streaming and subscription models in markets around the world." (IFPI 2014 Report: 7).

His view is supported by the recent emergence of new services such as iTunes and Beats. These new services extend existing international services such as Deezer, Google Play, Spotify and YouTube which are generating income in many new markets because of global expansion. Competition amongst these services is fierce, which is a positive reflection of the development of the digital music landscape. The report states that it is clear that music streaming services and subscriptions have become a mainstream model for the music business and its future. In 2011 there were 8 million paying subscribers to subscription services and by 2014 this number had increased to 28 million. The music industry is, therefore, a mixed economy of diverse consumer channels and revenue streams. (IFPI 2014 report: 5). This is confirmed in Figure 4.1 (below).

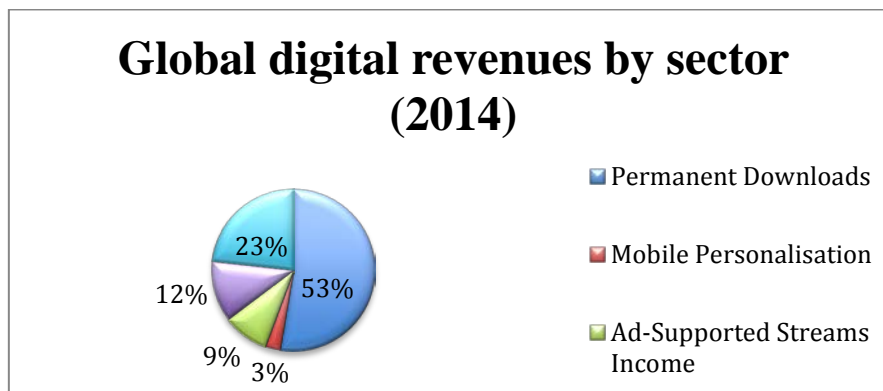


Figure 4.1: Global digital revenues by sector (2014)
Source: IFPI 2015 report: 7.

Frances Moore, the Chief Executive of the IFPI, reported that the Global Recording Artists Chart launched in 2014 by the organisation, reflects this shift. The chart serves as a new measurement of success that reflects the popularity of artists across the numerous ways consumers enjoy and use music by highlighting the success of artists across physical sales, downloads and streaming. Most new territories report that the increase of Internet and mobile music penetration is paired with an increasing demand for handheld devices, a demand most licensed music services are capable of meeting. Record companies are consequently also increasing their activity in Africa because technology offers the opportunity to reach many consumers for the first time. (IFPI 2014 report: 5). With the development of technology and ever-changing consumer habits and behaviour, the music business continues to expand into emerging markets and create new business models. This entices more consumers to explore

digital music services which in turn brings artists to a wider global audience. (IFPI 2014 Report: 6)

In his report of 2015, Moore remarked on the market changes that had occurred. He reported that sales had become increasingly driven by the consumer's desire for access to, rather than ownership of, music. The 2015 IFPI annual digital music report therefore aimed to reflect the current state of the recording industry and its source for optimism. One significant factor was that consumers were better tended to than ever before, as confirmed by the consumer research in this field. An ever-growing number of consumers has instant access to an enormous variety of music numbering more than 43 million tracks. In 2015 there were more than 400 licensed music services globally and each of these were ferociously competing for consumers' business by offering more choices from an enormous variety of music. (IFPI Annual report 2015: 5).

4.4.1 The growth of the digital download market

Digital services have become global phenomena which have allowed the recording industry to reach markets that it could not previously reach by means of physical retailing. Global digitization has brought licensed services to roughly 200 countries. Since 2011 the number of paying subscribers globally increased to 41 million users, with the potential to attract millions more and for digital services to gain an even greater scale. This could be realized through pushing partnerships with Internet Service Providers (ISPs) or through more varied payment models tailored to specific consumer groups. Frances Moore, the Chief Executive of the IFPI, believes the most important issue for the music industry is to achieve sustained growth and a fair reward for rights holders. (IFPI Annual report 2015: 5).

In 2013, digital revenues in America grew by 4.3% to \$5.9 billion in retail terms. Digital sales and subscriptions accounted for 39% of the total industry global revenues in 2014. In three of the world's top ten markets, digital channels accounted for most revenues during the same year. (IFPI 2014 Report: 6)

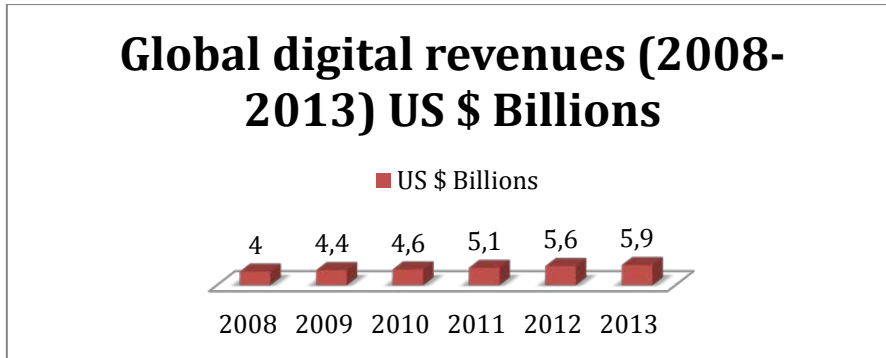


Figure 4.2: Global digital revenues (2008-2013) US\$ billions
 Source: IFPI 2014 Report: 6

When these figures are further refined, the growth in the different sectors becomes clear, as indicated in Figures 4.3, 4.4 and 4.5 (below). Subscription and ad-supported services showed an 18% increase of digital revenues between 2008 – 2013. (IFPI 2014 Report: 9). Music subscription services now form part of a variety of industry revenue streams and can be free-to-consumer or paid-for. In both cases, it is constantly growing across all major markets. Relatively new services include Beats Music, while YouTube launched subscription services in early 2014. Beats One and Apple Music went live in South Africa in 2015, but YouTube (Paid) is not yet available in South Africa, only in the USA. The subscription model is resulting in loyal consumerism, as consumers move from pirate services to a licenced music environment that remunerates artists and rights holders. (IFPI 2014 Report: 7).

Geographically the global music market is very diverse. Markets grow at different speeds and favour different consumption models. Consumer research conducted by IPSOS Media CT for IFPI identified contrasting preferences for service types in Germany, UK and US (where downloads are more popular) and in France, Italy and Sweden (where streaming is the favoured model.) (IFPI 2014 Report: 9).

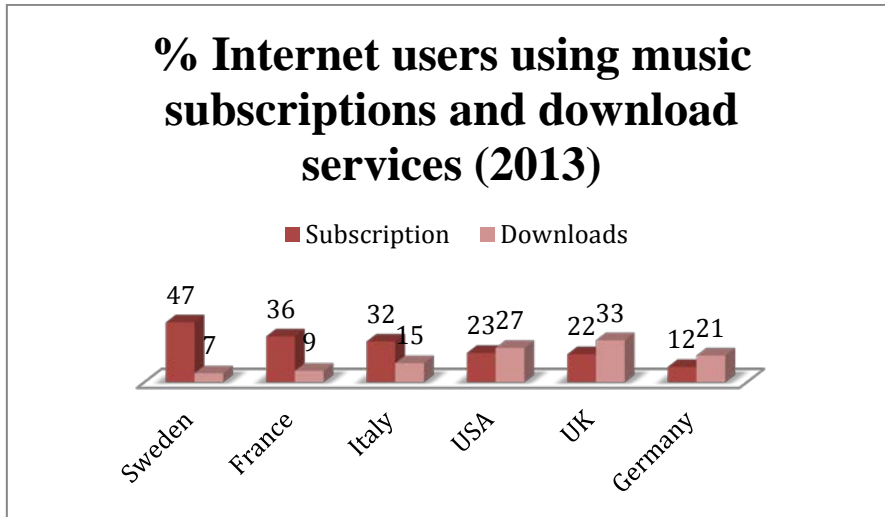


Figure 4.3: % Internet users using music subscription and download services (2013)
Source: IFPI 2014 Report: 9

Advertising-supported streaming services such as YouTube and Vevo had also grown and this growth resulted in an increase in music video revenues. YouTube had been extended to more than 50 countries, adding 13 in 2013 alone.

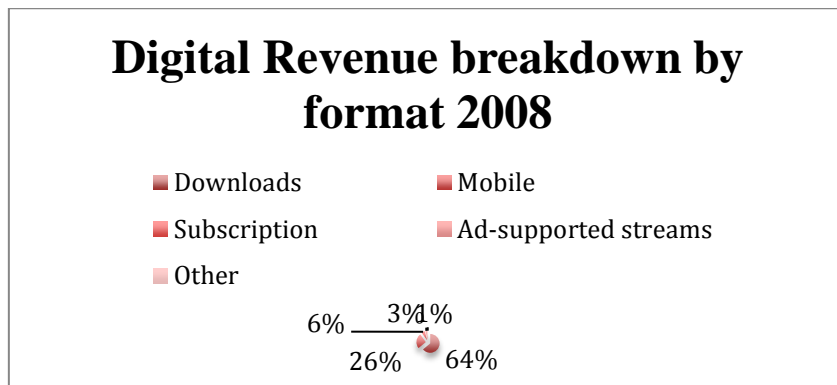


Figure 4.4: Digital revenue breakdown by format, 2008
Source: IFPI 2014 Report: 9

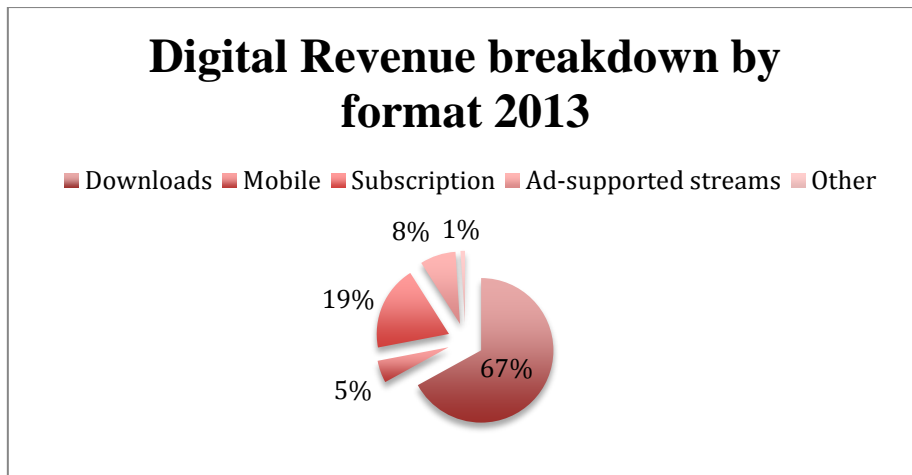


Figure 4.5: Digital revenue breakdown by format, 2013
Source: IFPI 2014 Report: 9

The digital download model had become a crucial revenue stream. Downloads accounted for a significant two-thirds of digital revenues (67%), and this assisted the growth of developing markets such as South Africa, Hong Kong, Philippines and Slovakia. Despite this, consumers still demonstrated a strong demand for owning the digital album format in 2013. (IFPI 2014 Report: 7).

Three distinct market groups exist: first, countries in northern Europe, where streaming and subscription services are thriving; second, the major markets of North America and Europe where streaming is growing fast but where downloads continued to deliver the most revenue in 2013; and third, numerous other countries which include emerging markets, such as Brazil and Mexico, where both downloads and ad-supported streaming were growing significantly. (IFPI 2014 Report: 9).

Record companies had consequently adapted their business model to one based on access to music as opposed to exclusive ownership of music. This was reflected in the growth of subscription and streaming revenues as a percentage of digital revenues globally. (IFPI 2014 Report: 7).

The IFPI report of 2015, however, paints a slightly different picture. Downloads still accounted for the bulk of global digital revenues (53%), but declined by 8% in 2014. Single track downloads declined by 10.9% in 2014, while digital albums saw revenues decline by

4.2%. Download sales declined in virtually all established markets, but continued to grow in some emerging markets. The IFPI identified this global decline as driven by various causes, including the significant growth of Android smartphones and tablets, which are more orientated to streaming services than to downloads. This has combined with a certain amount of substitution as consumers move from download to streaming services. (IFPI Annual report 2015: 8)

The value of download sales remains the dominant source of digital revenue for record companies despite the fall in value by 8% in 2014, an increase on the 2% drop in 2013. The global decline is primarily driven by the maturing of downloads in developed economies, with double digit declines in most major markets. However, download sales continue to grow in some emerging markets, particularly in Asia. A contributing factor to this is the competition offered from other entertainment products within the iTunes store with consumer spending now spread across a greater range of products including films, games, apps and TV shows. Some companies report that in-store gift card has shifted towards the purchase of applications. Unlike the music industry's previous shifts from cassettes and vinyl to CD and downloads, the transition from downloads to streaming is faster because consumers do not also need to buy new hardware. Video streaming continues to grow in popularity worldwide and advertising-supported revenues, which are the predominant source of revenue from video streaming services, increased by 38.6% by 2014. (IFPI Annual report 2015: 21).

4.4.2 Streaming and subscription services

Max Hole, the chairman and CEO of Universal Music Group International, affirms that the recorded music business now includes the development of streaming and subscription services as part of its core business. The on-going growth of mobile devices means the music industry can reach millions of music consumers in emerging markets for the first time.

Rob Wiesenthal of the Warner Music Group reported that, as the industry migrates to a mobile dominated ecosystem, a natural transition occurs towards services which provide subscription access rather than direct ownership. This influences consumers' consumption habits: consumers are now more likely to experiment and discover new music. Wiesenthal consequently states the aim of the Warner Music Group as being twofold: firstly, to ensure

that their music is accessible on the services that consumers are embracing; and secondly, that artists are paid fairly. (IFPI Annual report 2015: 15).

4.4.2.1 Streaming services

The global recording industry is facing an important transition in the ever-evolving digital market place. The key features of this evolution, driven by consumers, is the rapid growth of music streaming; a marked diversity of revenue streams and trends from one country to another; and a continued evolution from traditional models of music ownership to the new fast-growing model of music access. In 2014, the industry's global digital revenues increased by 6.9% to US\$6.85 billion. The industry derived the same proportion of revenues from digital channels (46%) as physical format sales (46%). (IFPI Annual report 2015: 6).

Streaming services globally are extremely competitive due to a few bigger providers either entering new markets or consolidating their position in existing ones. Some of the most important subscription service providers are also backed by the biggest international service providers. YouTube, for example, launched a subscription service called *Music Key* in November 2014. This service which offers advertisement-free listening, the ability to listen to music offline, and in the background via a user's smartphone even when it is locked. Apple entered the streaming market with its acquisition of *Beats* for US \$3billion and then launched *Apple Music*, which is integrated with its iOS operating system. It is estimated that Apple has access to more than 800 million credit card accounts. These major international services are considered influential in the evolution of streaming and reaching global audiences.

Other major international services continue to move into important markets. Amazon launched *Prime Music*. Deezer initially launched in the US but is available almost globally today. Spotify launched in Canada but has since reached many different territories. MTV Trax operates in the UK, and Guvera and Rdio entered India. (IFPI Annual report 2015: 17).

Factors that have influenced digital consumerism include a better technology infrastructure; smartphone penetration of the market; the price of devices; storage space on devices; and car integration. Moreover, global transitions at different speeds and in different territories are resulting in a vibrant global market. Data for Scandinavian countries such as Sweden,

Denmark and Norway, for example, demonstrate the regenerating potential of the streaming model in countries that have particularly fast internet services. (IFPI 2014 Report: 9).

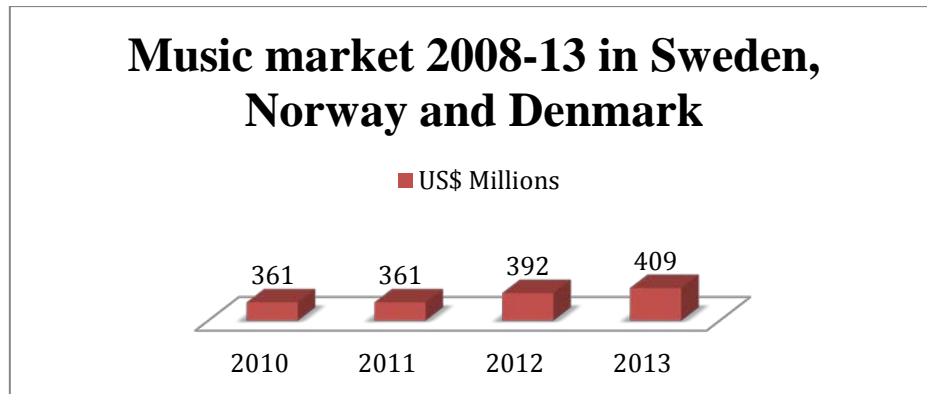


Figure 4.6: Music market 2008-13 in Sweden, Norway and Denmark
 Source: IFPI 2014 Report: 9.

During the early phases of streaming services, access to unlimited repertoire was the global selling point. The focus has now shifted and services compete to offer better curation and recommendations to consumers. Curation has become more sophisticated and tailored to different consumer groups. Deezer’s chief executive officer, Hans-Holger Albrecht, notes that editor recommendation that is tailored to the listener’s taste is key to customer retention. Other streaming services have invested in more intelligent music recommendation. Beats has attempted to differentiate itself from other services by hiring music experts and offering the human touch in compiling and curating its playlists. Similarly, Google purchased Songza, which promises to deliver human-curated playlists based on a mix of taste, mood and data. Apple acquired Semetric which includes the brand Musicmetric. Musicmetric provides record companies with analysis and data regarding music downloads, streaming, and the use of social media. Record companies have also invested in this area with Sony Music purchasing Filtr, Universal Music launching Digster.fm and Warner Music buying Playlists.net, which aggregates and recommends playlists created on Spotify. (IFPI Annual report 2015: 20).

Pricing options are already becoming more diversified as streaming services broaden the parameters of the “basic free versus premium” model and constantly offer new package types. This is extremely beneficial to the consumer and it encourages paying for music rather

than pirating. Deezer Elite, for example, offer users access to high quality audio streams for €19.99 (approximately R290.00) with a range of promotional offers for subscribers who commit to a year’s subscription. Other services are starting to offer family plans, where a consumer pays a little more than the individual subscription cost and in return can allow access to a specific number of family members. Some services believe there is a market for a lower cost product that does not offer access to the full repertoire of more than 40 million licenced tracks. In emerging markets, digital services are experimenting with pricing to reach the mass market. (IFPI Annual report 2015: 21).

4.4.2.2 Subscription services

Music subscription services have seen paying user numbers grow steadily in recent years, and this growth is reflected in the growth in digital revenues. An estimated 41 million people worldwide now pay for a music subscription service – up from 28 million in 2013 and 8 million when data was first compiled in 2010. (IFPI Annual report 2015: 6).

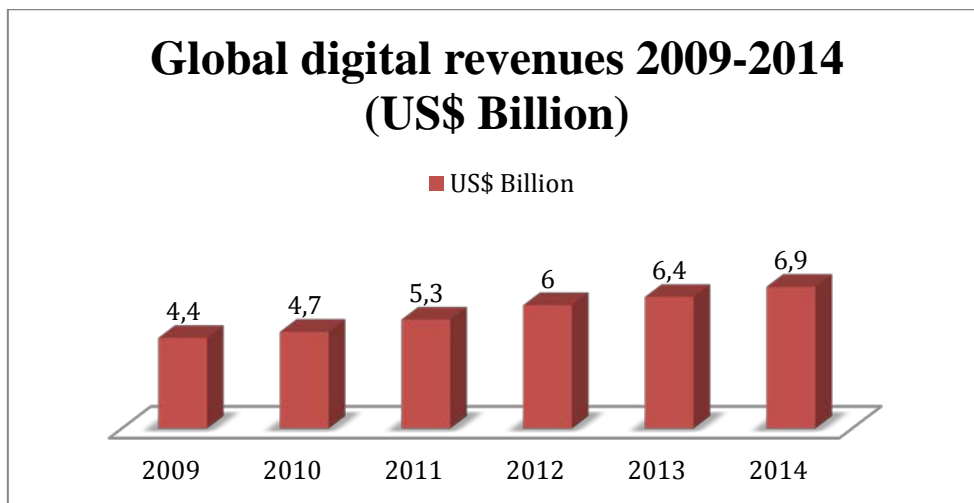


Figure 4.7: Global digital revenues 2009-2014
Source: IFPI Annual report 2015: 7.

Music subscription services are a major driver of digital growth, sustaining a sharp upward since they were first introduced. The revenues from music subscription in 2014 made up 23% of digital revenues globally, up from 18% in 2013.

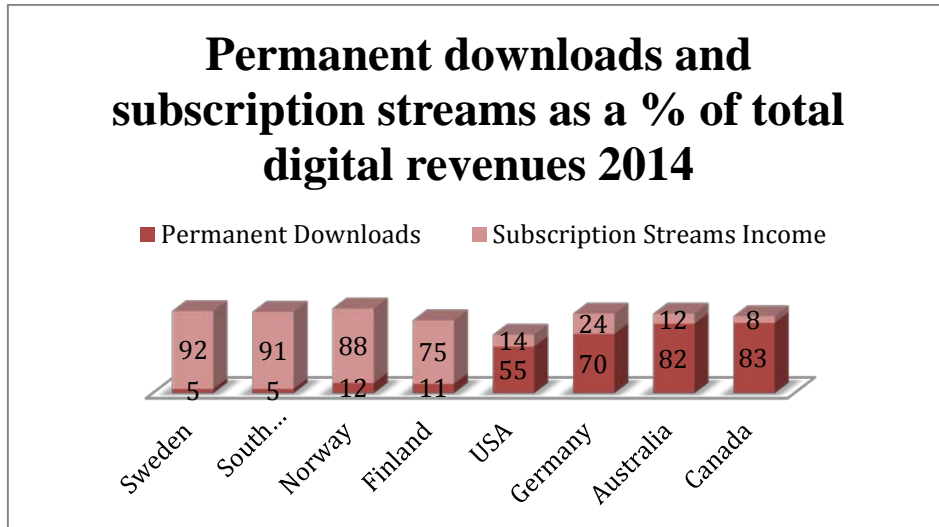


Figure 4.8: Permanent downloads and subscription streams as a % of total digital revenues (2014)

Source: IFPI Annual report 2015: 8.

Subscription services have changed the means through which rights holders are paid. Artists who are continuously listened to on licensed streaming services benefit from a constant revenue stream. Because repertoire can sell over a longer period than in the physical market, this consumption model is sustainable. More than a decade ago, most record companies' revenue came from a small number of successful artists. Because subscription services have removed the barrier to music discovery as well, record companies are now paying out royalties to more artists than ever before. Artists are benefitting from wider audiences, and users also start consuming music from a younger age. (IFPI Annual report 2014: 34).

The German market, which is the third largest for recorded music in the world, shows some interesting deviations. In Germany, the average age of a music consumer is 46, significantly higher than in most other countries. This is also reflected in the popularity of traditional repertoire such as Classical music, Schlager and Alpine folk music. Compared to other territories, Germany showed a relatively slow transition to digital music consumption.

The German market combines a lasting and healthy physical sector with a fast-growing and extremely competitive streaming market. Overall, the market increased in value by 1.9% in 2014 to a staggering US\$1.40 billion. Physical format account for 70% of the market and their value dropped by just 1.5% in 2014, significantly below the 8.1% global fall in physical

sales. Digital revenues accounted for 22% of the market in 2014. The subscription market is also thriving, possibly due to an extremely competitive environment and fourteen significant services including Spotify, Deezer, and bundling telecommunication partnerships between Napster, which runs through O2.

4.4.3 Internet radio services

Vevo made a significant development to its service in 2013, launching in Germany, the Netherlands and Poland. Record companies in addition have started licensing Internet radio services, which are custom-made to the consumer. Internet radio specialises in music discovery and the creation of playlists based on a specific genre or artist. An example of an Internet radio service was developed by iTunes in 2013 and is called iTunes Radio. The radio station is seen by many as an opportunity to globalise an Internet radio model, which has been predominantly restricted to the US. A vital feature of the iTunes Radio service is the “buy” option, which directs listeners to the iTunes store where they can purchase and download specific tracks, or entire albums/extended plays. (IFPI Annual report 2014: 20).

4.4.4 The impact of smartphones and tablets

The music industry, and more specifically record companies, has now monetised the consumption of music in ways that were unimagined a mere 5 years ago. This is reflected in the increase of smartphone penetration, and the associated increasing investment in local record companies and domestic repertoire. (IFPI Annual report 2014: 10).

Digital music consumption appears to have shifted from fixed-line desktop computers to on-the-go consumption on wireless smartphones and tablet devices which now seem to be providing the foundation for developments globally in music consumption. Competition between the Android and Apple iOS platforms has, in turn, created a variety of choices for the consumer. Digital music has started to move from a model based largely on ownership to a more multidimensional model built around access largely because record companies licensed services to operate in more than 150 countries between 2012 and 2014.

The spread of smartphones and bundling partnerships has contributed significantly to the growth of streaming and subscription. According to research conducted by eMarketer.com,

global smartphone penetration was estimated to have increased by 25.1% in 2014, embracing 1.76 billion users globally. By 2018, researchers estimate that a potential 2.73 billion users, or approximately 40% of the global population, will have access to smartphones and bundling opportunities.

The forerunner of the user-created playlist was Spotify's launch of a mobile free tier, soon after by Deezer's launch of *Flow*, which is a personalised and unlimited ad-supported smart radio available free of charge on mobile phones.

In order to reach the mass market, significant investment in the marketing and promotion of subscription services is essential. Bundling deals that offer subscription services together with user tariffs, are key strategies to reach the mass market and can possibly become the preferred integration of payments for music into broadband and phone subscription services in many countries. In South Africa, Deezer has teamed up with Vodacom and similar partnerships are now found throughout the world. Such monetised partnerships in emerging territories have results in positive growth both from the artists' and industry's perspectives. (IFPI Annual report 2015: 17).

Further research done by IPSOS in 2015 revealed that 35% of respondents in 13 selected markets had accessed free music streaming services over a six-month period as opposed to 16% who made use of paid-for services. According to Mark Piibe, Executive Vice President of Sony Music Entertainment (Global Business Development and Digital Strategy), "We need to get subscription streaming to an inflection point at which it becomes mass-market in major territories, rather than merely being a niche product. Once we see subscription services in countries like the US, UK and Germany reach a level of population penetration that we saw in Sweden in the first couple of years after Spotify launched there, then the market will really have begun to surge." According to Piibe, important ways to build a mass market are firstly, increasing bundling partnerships and integrating more music subscriptions into phone billing; secondly, better consumer education to improve awareness of the value of the paid subscription service; and thirdly, varied payment methods and options. (IFPI Annual report 2015: 19).

The biggest growth area between 2012 and 2013 was music subscription, during which time revenues went up by 51.3% globally. Downloads, however, remained the largest revenue segment of the digital music business (67%). (IFPI Annual report 2014: 17).

Around 2012, the depth and volume of a catalogue became the key battlegrounds amongst digital service providers. In 2014, major services offered up to 37 million tracks, and it has become evident that the competition now involves attracting recommendation and encouraging discovery. This largely occurs by using smartphones which are now the primary point of Internet access for many people. During 2010, there were about 8 million paying subscribers to music streaming services. In 2011 the number of subscribers grew to 13 million, 20 million in 2012, and 28 million during 2014.

Artists residing in countries with high rates of streaming have recognised the benefits of streaming both financially as well as in the creative process. According to Carl Vernersson of the Night Management Company, who manages international best-selling Swedish DJ Avicii, streaming services offer three key benefits to artists. (IFPI Annual report 2014: 19) Firstly, “from a financial perspective, streaming gives songs a longer life and sustainability, meaning that you receive income over a long time. It may not be as much as when you get something peaking on a download service in the first three or four weeks. But with streaming, it generates income for ten, fifteen or twenty years, and that is royalties, not just publishing income.” The second benefit is in the creative domain. Vernersson says, “With the streaming revenue model, it is even more important to deliver a solid album and not just a bundle or a single. That is something that I like about streaming from a creative perspective. People are not forced to go for a bundle-only download to get a single. They can make their own playlist and explore music in a way that wasn’t possible before – even though the concept of playlists has existed for a very long time. (IFPI Annual report 2014: 19) Thirdly, there are anti-piracy benefits. Vernersson maintains that “The big success for piracy was the accessibility it gave – people didn’t have to go to the record store, they could download the single and have it. Now, streaming services have achieved the same accessibility as piracy and more – but the difference is that they are making money and are able to pay artists.” (IFPI Annual report 2014: 19).

One of the biggest and most utilised music services globally is YouTube. In 2014 YouTube was monetised and licensed in virtually every country. It is the biggest single access point to music for consumers worldwide, with over one billion users across the world. Developments in the management of user-generated content (UGC) are assisting rights holders in obtaining income from YouTube as well as other licensed platforms. Google's content identification system (ContentID) and similar systems utilised by other platforms has made it possible for rights holders to differentiate between video types, allowing the streaming of non-official UGC such as "mashups" to be licensed and monetised, rather than removed for infringing copyright. An example of a "mashup" occurred in 2014, where footage was seen from the original 1960s series of *Star Trek* mixed with Miley Cyrus' performance at the 2013 MTV Music Video Awards. (IFPI Annual report 2014: 20).

The IFPI believes that numerous, enormous global markets are not yet operating at their optimum potential, partly due to underdeveloped payment systems, but also because of high piracy rates and little or no tradition of paying for music. The advent of smartphones able to access licensed music services has started to change this scenario. To reach the mass market, it is proposed that record companies should follow the example of providers in Europe and North America, where music services have partnered with Internet Service Providers (ISP) to offer music services bundled with phone and data packages. This establishes a convenient payment system and adds value to the services of the ISP. The Netherlands has also become one of the fastest-growing markets for music streaming services, with overall digital revenues up 56.1% in 2013. (IFPI Annual report 2014: 21).

The French electronic music duo Daft Punk showed one of the most significant global releases in 2013 with their album *Random Access Memories*. The record is sophisticated and contemporary and its record label is backed by an innovative and successful marketing campaign. According to John Fleckenstein, the EVP at Sony Music Entertainment (International), the partnership between the duo and the record company was the key that enabled them to create a campaign as exciting as the album itself. Fleckenstein elaborates: "In the summer of 2012, around ten of us convened in a Paris studio to meet Daft Punk, listen to their album and understand their vision for how they wanted it released to the world. It was

immediately apparent that the music was truly exceptional and we needed a campaign that matched the scale of their vision.”

Sony had just over six months between the first meeting and the album’s release, and during this time they put together a sophisticated global campaign. The elements that made this campaign unique include that the “artists” are two robots. They do not have a “public” voice nor do they participate in, or give, interviews. Despite this, Daft Punk has an international fan base that at the time was demanding more music and keenly awaiting information regarding the release. Sony had to be creative with its marketing campaign as it did not have access to unlimited funds. What contributed to the success of this campaign is the fact that Sony united the scale of advertising and its timing, which meant that the campaign was launched globally and simultaneously. While every marketing action was to be carried out in the physical world, it had to be reflected in the “virtual” world of digital/social media as well. The inspiration for this approach came from Daft Punk’s fascination with some of the film and album premieres of the 1970s and 1980s.

The campaign therefore started with strictly coordinated outdoor advertising placed in well known worldwide locations and a short mysterious television teaser using a snippet from one of their songs, *Get Lucky*. Billboards were erected in recognisable locations around the world, including, for example, on local Gauteng highways. In response to this, fans started generating their own content and started conversing about the release. One fan even created a popular 10-minute audio loop of the snippet in the teaser video. The approach was taken right through to the live performance and intrigued fans all over the world. The album was released across all formats simultaneously and was, at that time, the biggest ever pre-ordered album on iTunes. The album succeeded significantly and highlights how artists and labels can work together to generate a high level of global awareness and interest in an album’s launch. It also demonstrates how creating awareness of a new, upcoming release can in turn be used to motivate fans and consumers to be in the vanguard of an artist’s digital campaign. (IFPI Annual report 2014: 24).

4.5 Reporting revenue

In its 2015 report, the IFPI amended the methodology and scope of its coverage of performance rights revenues. Globally, including figures for the US, performance rights revenues now refer to distributions made to record companies (including non-recurring

distributions) in the same year that they reflect on record company accounts. Previously the IFPI had reported performance revenues, excluding non-recurring distributions, one year in arrears. This change aligned the IFPI's worldwide reporting with the RIAA reporting practice for the US. Historical performance rights revenues have now been restated to reflect these changes and to provide equivalent year-on-year comparisons. (IFPI Annual report 2015: 8)

Performance rights revenue income for 2014 from the use of recorded music by broadcasters and public venues increased by 8.3% and that year accounted for 6% of total industry revenues, or US\$948 million. These figures include revenues resulting from litigation cases.

Income from the use of music in advertising, film, games and television programmes (known as synchronisation revenues) increased by 8.4% in 2014 with notable improvements in market growth in France (46.6% growth), Germany (30.4% growth) and Japan (33.5% growth).

4.6 Generating revenue for artists

As has been discussed, the recorded music business has successfully transformed itself for the digital age. Consumers now largely have access to the music they want anywhere, anytime, on any device. Record companies have licenced up to 43 million tracks and more than 400 digital music services worldwide, which in turn created a US \$6.9 billion digital business.

Something that has not changed dramatically is that investing in artists is the music industry's core business. It is estimated that record companies invested more than US \$20 billion between 2009 and 2014 in A&R and marketing alone. Artists have seen their payments increase as a share of overall record company revenues. (IFPI Annual report 2015: 22).

Music and other creative industries help power economic growth, creating jobs and generating tax revenues. Social media platforms like Facebook and Twitter benefit from the presence of artists who attract huge numbers of users, generate significant activity and help drive their business. Music also plays a key role for some digital platforms looking to build a vast global audience of users. In short, the music industry has made changes needed for it to

continue leading the creative industries in the digital world. But this job is never finished, because further steps are continually needed to secure the industry's long-term success and viability.

A primary objective and on-going challenge in the digital music market is meeting consumer demand while generating sufficient revenues for artists and labels alike. Both major and independent record companies have licenced their repertoire to the advertising-supported tiers of streaming services, viewing them as being crucial to persuading users to upgrade to premium subscription accounts on services like Spotify and Deezer. (IFPI Annual report 2015: 19).

During 2014 the IFPI conducted research to determine how royalty payments have changed as the market shifted from physical to digital sales. The data compiled by the IFPI was supplied by three major recording companies, and covered local sales for locally-signed artists in 18 major markets outside Japan and the US between 2009 and 2014. Figures indicated that, while sales revenue fell by 17%, total artist payments – in the form of royalties and un-recouped advances – declined far less in real terms (fell by 6%) and increased significantly as a share of sales revenue (rose by 13%). Over this five-year period, the data shows that total payments by record companies to local artists totalled more than US \$1.5 billion across the 18 markets. (IFPI Annual report 2015: 20).

The Swedish market shows the most positive trend in artist remuneration. In Sweden, paid streaming predominates, accounting for 68% of total industry revenues. Payments to artists between 2009 and 2014 in Sweden rose 111% as opposed to a 47% rise of corresponding sales revenue. Furthermore, IFPI data reveals that in most markets where subscription services account for more than 30% of revenues, artists have benefited from the growing sales and are receiving more money and a larger share of the revenues. The data also suggests that, across a substantial sample of markets, remuneration to local artists as a share of sales revenues has seen a significantly more positive development than the trend in overall sales income. This suggests that paid streaming services in particular have had a positive impact on overall payments to artists. (IFPI Annual report 2015: 19).

Streaming services present a new means of revenue generation for record companies, but they also present a new payment model for artists because figures are based on consumption of

music over a continuous period. Artists are being assured of steady incomes over time, and as revenue generated by streaming services continue to grow across the consumer base, overall revenues also increase. However, Glen Barros, the President and CEO of Concord Music in the US, does not view the revenue generated from streaming as being ideal. He has said: “I believe that one of our problems is that we’re trying to evaluate a new business model through an old-world mentality. Rather than worry about how many streams it takes to earn a dollar, we should be focused on converting music buyers into music subscribers. If we could get even half of the people that buy music every year to pay for a subscription, it’s simple math to see that it will be a healthy business.” (IFPI Annual report 2015: 20).

The chief concern, however, is the “value-gap” which arises from the very significant mismatch between the value that certain digital platforms extract from music and the value returned to the rights owners. This is the most important issue affecting the business environment for record companies today. It is the primary reason why, despite offering consumers better choice, access and value than ever before, the recorded music industry has not achieved sustainable year-on-year revenue growth. A successful digital music industry that invests in and rewards artists needs to create a fair digital marketplace. (IFPI Annual report 2015: 22).

At the core of this “value gap” is a market distortion caused by the way in which digital services circumvent the normal rules of music listening. This allows them to generate a considerable share of global music consumption in a way that diminishes the revenues that should rightfully be returned to creators and rights owners. An example of this is may be given by comparing the share of revenue derived by rights owners from services (for example, Spotify and Deezer) and those derived from content platforms (for example, YouTube and Daily Motion).

According to IFPI data, music subscription services have 42 million paying global subscribers and in excess of an additional 100 million active users in their “freemium” tiers. YouTube claims more than one billion unique users monthly and is thought to be the world’s most popular access route to music. As opposed to this, total global revenues to record companies generated by exclusively free-to-consumer advertising-supported services (mostly

video platforms) amounted to less than half the total amount paid by subscription services to the industry. This phenomenon is known as the “value gap”. (IFPI Annual report 2015: 23).

One means of diminishing the “value gap” is to create a fair licensing environment, something that currently seems to be lacking. This might be because specific content platforms (Including YouTube and Daily Motion) claim that they are merely neutral hosting services entitled to benefit from exemptions to copyright law (similar to internet service providers), as opposed to digital distribution services (like Deezer and Spotify) which do not benefit from such exemptions. This distorts rights owners’ negotiations with the content platforms. (IFPI Annual report 2015: 23).

4.7 Piracy and legal challenges

For the music business to be successful, the legal environment, particularly regarding copyright law, must be conducive to doing business, and this has proved to be challenging. The IFPI estimates that 26% of Internet users worldwide regularly access unlicensed/pirate services. The estimate however, only applies to desktop-based devices and omits the use of smartphones and tablets for mobile piracy. Digital piracy undermines the licensed music business across many forms and channels including peer-to-peer (P2P) file-sharing networks, cyberlockers and aggregators, unlicensed streaming and stream ripping, and mobile applications.

The music industry has responded to these challenges in several ways. Consumer education programmes regarding copyright and the value of music have been launched. The industry cooperates with law enforcement agencies to try to put an end to online piracy, and there has been litigation against online pirate services. There is active engagement with policymakers and legislators worldwide to create an environment in which the music sector can grow. The recorded music industry is working closely with online stores to remove applications that infringe copyright, and to ensure that applications cannot access illegal websites. Globally, courts are finding that effective enforcement of the law also requires greater cooperation from online intermediaries. (IFPI Annual report 2014: 40).

Liability exemptions that have become known as “safe harbours” were introduced to protect

genuinely passive and neutral online service providers from liability. Apparently, these exemptions cannot apply to services that play an active role in the distribution, promotion and monetising of content. On this basis, it is not justified for content platforms such as Daily Motion or YouTube to claim the status of a neutral hosting service. Such claims undermine the negotiating position of right holders and creates unfair competition between individual services. When it is classified as a neutral content host, a service may effectively refuse to negotiate for a licence. Rather than becoming fully licenced itself, the service can claim it needs a licence only on behalf of its customers, and it only needs to remove unlicensed content once a right holder issues it with a takedown notice. This procedure, in most cases, is not sufficiently effective to stop making unlicensed music available, which is, in plain language, piracy. This also unfairly affects rival digital services that are trying to build or expand subscription offerings. (IFPI Annual report 2015: 23).

Rights holders are not the only ones who believe that intermediaries have a responsibility to confront piracy: music consumers believe so as well. IPSOS MediaCt conducted research across ten countries, and the results showed that more than half of all Internet users think search engines should prioritise licenced services in search results. This proportion surprisingly increases to 57% among those who use unlicensed services. 52%, similarly think that companies should not advertise on unlicensed services, a figure that, again surprisingly, increases to 55% of those who use unlicensed sites. (IFPI Annual report 2014: 40).

IPSOS conducted similar research regarding consumer attitudes towards piracy across 13 countries in 2015, and this once more confirmed that 52% of respondents agreed that downloading or streaming without the copyright owner's permission was theft. In addition, 43% of respondents believed that Internet service providers should take more responsibility to prevent the illegal distribution of music online. (IFPI Annual report 2015: 38).

ISPs have consequently acted to prevent online piracy by blocking infringing websites, and this has been a widely accepted and effective procedure. The blocking of such websites has also become common practice with courts all over the world having consistently found that such blockings achieves an appropriate balance of fundamental rights. Rights holders also work with ISPs on notification programmes aimed at educating users regarding the value of

copyright. Account holders are notified that their account is being used unlawfully, and that there is the possibility of consequences, which can include fines if warnings are repeatedly ignored. In 19 different countries, ISPs have been ordered to block access to over 480 copyright infringing websites. During 2014, the Court of Justice of the European Union ruled that the blocking of copyright infringing sites is compatible with EU law, including the EU Charter of Fundamental Rights. Outside the EU, the blocking of websites that infringes copyright has been authorised in countries including Argentina, India, Indonesia, Malaysia, Mexico, South Korea and Turkey. During March 2015, the Australian government introduced draft legislation that would enable rights holders to seek website blocking injunctions. (IFPI Annual report 2015: 39).

Website blocking has been proved to be effective where applied, but blocking an individual site does not have a significant impact on traffic to unlicensed services. It is only when many leading sites are blocked that major impact can be observed. Since websites like Pirate Bay and various other sites have been blocked in the UK, there has been a 45% decline in visitors from the UK to all BitTorrent sites, whether blocked by ISPs or not. The recording industry continues to call for website blocking legislation where it does not already exist. This applies to countries which already have a legal basis for blocking; procedures to introduce such action can, however, be slow and burdensome. (IFPI Annual report 2015: 39).

Search engines play a significant role in directing traffic towards unlicensed websites and provide links and methods to obtain content. During 2014, a study titled *Do Search Engines Influence Media Piracy?* undertaken by Carnegie Mellon University in the US, found that 94% of Internet users presented with search results that mostly linked to licensed services purchased a film, as opposed to the 57% who did so when presented with results that mostly linked to infringement services. The conclusions suggested that, by reducing the prominence of pirated links, a viable policy option in the fight against intellectual property theft could be implemented. Google joined this campaign in 2014, and the changes made during this time initially had a positive effect. Pirate sites that were subjected to numerous notices from Google, were forced down the rankings. Licenced sites, on the other hand, did not necessarily benefit much from the change and other pirate sites merely replaced the ones that were taken down. The IFPI believes that more should be done to direct consumers to licensed services as opposed to pirated sites. (IFPI Annual report 2015: 39).

Advertising remains a large source of income for many online pirate services. Rights holders are working on the problem with the advertising industry and intermediaries in all possible ways available to them. Advertisers in turn realise that the appearance of their branding on pirate sites can be damaging to their reputation but many of these brands do not know or cannot control where their advertising is being placed, as several intermediaries between the brand and the websites on which their advert appears exist. The estimated advertising revenue of pirate sites in 2013 was US \$227 million. During the same year, the technology company White Bullet conducted a successful pilot study on behalf of the police. The project resulted in the decline of mainstream advertisements appearing on pirate sites and the success of the project resulted in the police launching a permanent programme in 2014.

Search engines have undertaken to do more about the current situation regarding online piracy, but there is still a lot to be done. Google, for example, announced that they would be changing their algorithm in August 2012, but this has had little impact as the infringing sites found on search results were simply moved lower down on the list of results. Search engines continue to remain the main gateway to pirated online content.

The music industry, however, believes that search engines have the technological expertise to do more than they are doing at present to help combat piracy. During January 2014, the IFPI issued a statement calling on search engines to take a number of measures, which include fulfilling their undertaking to demote sites receiving extensive numbers of piracy notices, and ensuring that the “take down” of a song is effective and does not only mean temporary removal. In some cases, the recording industry has taken legal actions against big scale online piracy services. (IFPI Annual report 2014: 43).

The IFPI features a list of licensed digital music services that is also available on the www.Pro-Music.org information resource. It claims to be the most comprehensive directory of the world’s legal digital music services. It offers a guide to getting music online with a comprehensive global list of digital music services as well as links to 400 legal music services in over 150 countries; listed by country and model. The website also offers educational resources which include copyright FAQs a guide for parents and teachers,

resources for schools and general information regarding the global music industry. (IFPI Annual report 2015: 30).

The 2014 report features the following digital services available in South Africa at the time of publication: Deezer, iTunes, Lookandlisten.co.za, MTN Play, MySpace, Nokia Mix Radio, rara.com, Rdio, Simfy, The Kleek, Vimeo, and YouTube. (IFPI Annual report 2014: 46). The Pro-Music directory lists the South African legal and licensed download services to include Google Play, iTunes, MITTRACKS and MTN Play. Similarly, legal licenced streaming services in South Africa include Apple Music, Deezer, Google Play, The Kleek, Liedjie, Simfy and Tidal. Advertising supported services in South Africa include Myspace, Vimeo and YouTube. (Pro-Music).

Music piracy poses an ongoing problem for the music industry, since it also acts as a brake on sustainable growth. Rights holders continue to push for copyright laws to be fit for the digital age. Cooperation between rights holders and Internet intermediaries including payment providers, advertising and mobile app platforms are vital in order to take responsible action to help confront the problem. Using data from comScore and Nielsen, the IFPI estimates that 20% of fixed-line Internet users globally regularly access services offering copyright infringing music. Digital piracy is ever-evolving and takes many forms including distribution of unauthorised music through platforms such as Tumblr and Twitter, unlicensed cyberlockers, BitTorrent file-sharing, and stream ripping. The IFPI estimates that in 2014 there were four billion music downloads via BitTorrent alone, the majority of which infringe copyright. (IFPI Annual report 2015: 38).

The chairman of the IFPI, Plácido Domingo, has urged policymakers to promote and protect copyright. He fervently believes that artists should be remunerated for their work, and this is only possible if all the entities that are involved respect copyright in the digital marketplace, which is where music is increasingly distributed. Just because something is now distributed online, rather than stores, does not imply that the product no longer has any value. Domingo also wishes for an industry where investment in new artists will continue to increase as it has done historically because this could result in a greater variety of music for music consumers everywhere. (IFPI Annual report 2015: 4).

Advertisements for renowned brands predominantly fund pirate websites. Despite many initiatives that are underway, the advertising industry is yet to take effective action. Research conducted by MediaLink for the Digital Citizens Alliance, published in February 2014, found that 596 infringing sites generated US \$227 million a year in advertising revenue with adverts appearing from blue chip firms. Major brands also advertise on pirate sites including Barclays Bank, AirAsia, British Airways, eBay and Microsoft. Driven by the consumer demand for music, this advertising generates exposure for the brand, as well as revenues for the pirate site, for the advertising industry, and for those companies involved in placing the advertising. The artists, songwriters, producers and labels whose music is involved receive nothing. In July 2014, the European Commission announced that its EU action plan on the enforcement of intellectual property rights would include consultation with all stakeholders on applying due diligence throughout supply chains as a way of preventing commercial scale IP infringements. They would also facilitate Memoranda of Understanding to reduce the profits of commercial scale IP infringements in the online environment, and these would involve advertising service providers as well as payment services. (IFPI Annual report 2015: 40).

Mobile devices are a growing means of music consumption and pirated products accessed on them can be expected to follow. In 2014, the NPD in the US published a study which suggested that 27 million people used mobile apps to obtain at least one unlicensed song. Mobile applications can also act as piracy enablers, facilitating user access to infringing content through downloading, streaming, stream ripping, and search. (IFPI Annual report 2015: 40).

An online guide, *Music and the Internet: A guide for parents and teachers* may also be found on the website of www.Pro-Music.org. The guide aims to keep parents, teachers and young people well informed on how to stay safe and legal when enjoying entertainment on the Internet or via a mobile device. The guide stresses how utilising illegal file sharing programmes exposes users to the risk of unwelcome content such as viruses, pornography and violent images. This kind of file-sharing software can also compromise the user's privacy and security by accessing a computer and sharing what is stored on it with the outside world. The guide makes the reader aware of how copyright law applies to downloading, sharing and the streaming of music, and that it is similar to the physical distribution paradigm. Copyright

laws are there to protect the artists, musicians, producers and music industry entities who get rewarded fairly from the use of legal sites and allow them to continue creating and producing music.

A frequently asked question regarding legal issues on music consumption is “How are people who illegally file-share found out?” The answer is that, generally, file sharing is happening on public networks. Every electronic device connecting to the Internet is assigned (typically by their Internet Service Provider) a unique number known as an IP address. Details of this number as well as data showing the material used illegally are either visible on, or can be easily obtained from, such services. Usually, these customer details can be obtained from the ISP through law enforcement or a civil court order, which allows the copyright holder(s) to take legal action against the infringers.

Paying for music does not necessarily mean that its use must be legal. There are websites, usually within countries with poor enforcement of copyright laws, which sell tracks and albums very inexpensively because they are doing so illegally, without paying the owners of those rights.

4.8 Reaching the African market

Despite the impact of African music and artists on music repertoire across the world, most countries in Africa have historically not been significant markets for the international music industry. This has changed. The advent of digital technology is now enabling the recorded music industry to reach a vast number of music consumers across Africa for the very first time. The whole continent has, furthermore, become a significant point of interest for record companies which are also establishing innovative services and invest in A&R.

The African music market is steadily growing, partly due to smartphone penetration. In March 2013, the International Telecoms Union (ITU) reported that mobile broadband penetration in sub-Saharan Africa had increased from a mere 2% in 2010 to 11% in 2013. As a result, the director of Sony Music Entertainment (Africa), Sean Watson could state that “The forecasts for smartphone growth in Africa over the next few years are staggering.”

Ulrik Cahn, the vice-president responsible for digital business in emerging markets at Universal Music Group, confirms Watson's view when he reports that "You can really feel that something impressive is happening with digital music in Africa now. Two years ago, the digital business was almost all ringtones; today products and services are taking off and interest from our global partners in the continent is greater than it has ever been."

Africa's domestic digital music business is partnering with leading regional and national telecommunication operators such as MTN Nigeria, with 17 million subscribers and Safaricom, with 10 million subscribers. These operators have also contributed to the successful ring-tone market which now often consists of a well-known song rather than an abstract series of pitches. (IFPI Annual report 2014: 38).

In Nigeria, it is more common for mobile phone users to utilise music as opposed to a typical repetitive ring using a ringtone. This is the latest trend in this nation of 170 million people. A ring-back tone is a musical selection, chosen and selected by the owner of the mobile phone, which plays when their number is dialled. Once a call has been answered, the music stops and the conversation commences. A few years ago, the utilisation of music was very popular in the US and has since caught on in markets all over the globe including China. Ring-back tones are now the dominant consumer trend in Nigeria where they sell for just \$0.25 (approximately R0.70) per month. Ring-back tones are also providing an important new funding source to the music industry and this is evident in sales, which are rising rapidly. Tones now make up roughly 10% of Nigeria's *Chocolate City* production house, a successful music production house there. MTN, the biggest telecommunications firm in Africa, now sells up to \$80 million annually in ring-back tones. (Giokos 2016).

Sean Watson (Sony Music Entertainment) also states that the company "has already made a significant investment in the development of the phenomenal talent in sub-Saharan Africa and we are committed to continuing to partner with African artists to endeavour to bring their music not only to the world, but to African music lovers across their own continent." (IFPI Annual report 2014: 39). Since 2011 Sony Music Entertainment (Africa) has consequently signed Nigerian artist D'Banj, a Tanzanian gospel artist, Rose Muhando, Ugandan style icon Keko as well as Kenyan rapper and singer-songwriter Xtatic.

Randall Abrahams confirms this approach when he states that “[Universal Music is] engaging with artists across sub-Saharan Africa and in particular with independent labels and entrepreneurs as they are at the cutting edge of artist development in the region. We have a significant long-term commitment to investing in African artists and taking them beyond the continent to an international audience.” Universal Music has invested in African music for a considerable time, and are home to artists as South African superstar Zahara, Joey B and MadTrazz. (IFPI Annual report 2014: 39).

4.9 Ensuring that global markets are offered new music simultaneously

Today, almost everyone is or can be connected via the Internet and ever since music has been released by companies, release days for music have varied from country to country. Since the middle of 2015, major and independent record labels have begun to release new music on Fridays at 00:01, local time, in every market. New Music Fridays is an initiative to unify all new music release days worldwide so that fans and music consumers can access new music on the same day, on a global scale.

The strategy had been announced in February 2015, and this was followed by months of consultation with companies across the music supply chain in more than forty countries. It is being used to benefit music fans globally, and to ensure that consumers can access new releases on the day of release. Previously, release dates had varied from country to country which resulted in consumer frustration as new music became available in some countries before others.

Some artist groups strongly support this strategy and, according to former CEO of the Featured Artist Coalition, Crispin Hunt, a global release day presented a significant opportunity to re-engage the public with new music and re-kindle enthusiasm and anticipation around new releases.

In addition, the strategy has various advantages such as: catering for the consumer; harnessing the power of social media to promote new music for artists; and reducing the risk of music piracy by narrowing the gap between official release days in different countries. The

launch of “New Music Fridays” was supported by an international promotion campaign designed to engage consumers with new releases.

According to research conducted by TNS Ncompass in seven markets, including Brazil, France, Italy, Malaysia, Spain, Sweden and the US, 68% of consumers who expressed an interest in the topic favoured Friday or Saturday as a global release day. 6% Preferred Monday, 4% preferred Tuesday, 5% preferred Wednesday, 5% preferred Thursday, 25% preferred Friday, 43% preferred Saturday and 12% preferred Sunday. (IFPI Annual report 2015: 25).

Paul McGowan, CEO of Hilco, who is the owner of HMV, the UK’s largest music retailer, supports Hunt’s viewpoint and states: “A global release day is a totally logical move in today’s global music market and Friday is overwhelmingly the right choice for the day. Quite simply, new music should hit the high street when people hit the high street.” According to Kim Bayley, the chief executive of the Entertainment Retailers Association confirms his point of view, saying: “Retailers and digital services are the ultimate link in the chain between artists and music fans. Having a single worldwide release day reduces customer confusion about when new music is available and focuses everyone’s attention on new releases. Retailers are working hard to implement the change to Fridays and ensure that the advent of New Music Fridays is a success.” (New Music Fridays).

The timing of promotional campaigns has also become more precise as an increasing amount of data is becoming available to record companies. The data is compiled from streaming services and audio identification applications such as *Shazam*, and it is monitored closely to see where tracks are having an impact and are worth marketing more intensely. The growth of streaming platforms has greatly affected the way that promotional campaigns are run, especially for artists of dance music. Through streaming services, artists can get millions of streams with a song that is not a traditional “radio-friendly hit”. (IFPI Annual report 2015: 34).

Digitally releasing a single track from an album a few months before its official release holds great marketing value for labels. Immediate access to legally acquiring a single in advance

can create interest to purchase the entire product. Hosting exclusive listening sessions before the official release can provoke the same interest, especially given the current capability to share information instantly on social media. Production costs for physical and digital formats are more or less the same; it is only when releasing exclusively through digital distribution, that a producer can cut costs. A benefit of digital distribution is the fact that labels can sell whole discographies and catalogues digitally, and this has led to older works being re-mastered and sold to entice the digital consumer. (Jansen van Rensburg 2013: 24).

4.10 New technology

A variety of record companies are collaborating with other business partners to bring the latest technological developments to consumers. Amongst other things, this involves trying to predict how innovations can shape the marketing promotion and distribution of music.

A growing technological advance is immersive virtual reality technology. The leading company in this field is Oculus VR, which was acquired by Facebook in 2014. It has since worked with Universal Music and Samsung to produce a virtual reality experience involving several of Universal's artists. In one such experience, users can virtually enter a fairground themed around the band *The Who*, go into various rooms, meet the band, hear their music and see various iconic figures and images related to them. Deborah Hyacinth, vice president of international digital marketing at Universal Music Group says: "Immersive virtual reality is at least as transformative for video as when MTV or YouTube launched, potentially even more so. While the platforms for watching, videos have changed, the format itself has remained basically the same for decades. But now virtual reality allows us to take video in completely new directions, with levels of visual interaction and participation that until recently only existed in science fiction. It's very exciting to be at the beginnings of something that will be so powerful for artists and fans." (IFPI Annual report 2015: 33).

Record companies are also looking at wearable technology. As people start to use items such as smart watches, manufacturing companies and their associates are experimenting with audio recognition and determining how they can bring music to devices that are often used for other specific purposes such as health and fitness, but with less memory than phones. (IFPI Annual report 2015: 33).

4.11 Focusing on the South African market

As far as South Africa is concerned, record companies from all over the world are establishing direct relationships with local partners, which include telecommunication companies, aggregators, local services, publishing societies and independent labels. As may be seen in the discussion below, its data correlates closely with that of the global market.

Starting in 2013, significant changes identified in South Africa that have impacted on record sales were the merging of major record labels, and the rise of the independent artist. South Africa is the largest music market in Africa, and in 2013 it has seen digital music revenues rocket following the introduction of iTunes and several other streaming services such as The Kleek, Deezer, Rara and Simfy to the market. South Africa's digital revenues doubled in that year, accounting for 14% of a total market worth of US \$63 million. It is estimated that iTunes now accounts for between 40% and 50% of digital revenues in South Africa.

According to Randall Abrahams, the managing director of Universal Music (South and sub-Saharan Africa), "Music fans in Africa have never had access to such a rich and engaging licensed service before. Services such as The Kleek mark a sea change in the development of the digital market in the region." (IFPI Annual report 2014: 38).

4.11.1 Accessing consumer data for music sales in South Africa

One of the most important sources for accessing music consumption data is via the South African Music Awards (SAMAs) which provides data, and awards, based on a wide array of genres present in South Africa, including rock, kwaito, jazz, mbaqanga, classical, gospel, pop and many others. It is the longest-running music awards ceremony in South Africa. (SAMA 2015: 9).

The SAMA process involves the determination of SAMA categories, which usually occurs annually at the end of September or at the beginning of October, and its steering committee is generally responsible for the annual rules, criteria and determining the categories. During this same time judges are selected, based on their fields of expertise in each category. The beginning of November marks the call for entries and lasts for about a month. It is at this time that record labels and independent artists usually submit entries for the SAMA various categories that have been determined. During December, a vetting committee ensures that all albums and DVDs have been submitted in the appropriate categories and comply with SAMA

rules. During the same month, physical copies are sent out to the judges who score against criteria set by the steering committee. During December and January judging takes place online, and the judges also make recommendations for the Top 5 artists. A separate panel of judges decide on the Top 5 winners. The electronic judging system calculates the results, which are then sent to an independent auditing firm which conducts an audit to ensure the legitimacy and credibility of the scores. During February, Top 5 judges evaluate and adjudicate the recommended Top 5 nominees and the results are again audited.

During February, the supervisor committee collects airplay reports from two principal sources to determine the record of the year. Both principle companies monitor South African commercial stations and most SABC PBS stations. The bestselling album award is also determined in February and goes to the format that has sold the most units in the territory during the sales period. Sale figures are audited before results are determined. SAMA winners are announced at the SAMA ceremony held annually in April. (SAMA 2015: 10).

RiSA is responsible for determining the selling status of albums. In a personal interview, Roxanne Maritz, label manager for Columbia and Epic at Sony Music Entertainment Africa and who also serves in the RiSA executive, stated that the Executive Committee of RiSA had agreed to set the gold certification level for albums to 15,000 in respect of albums released from 1 December 2015. Platinum certification for albums was similarly set at 30,000 for albums released from 1 December 2015. RiSA believes that the new certification levels represent a more realistic benchmark for South African market conditions and will serve to optimize the marketing potential for albums that are performing well in South Africa. (Jansen van Rensburg 2016).

An example of a top South African seller is Zahara, who has sold about 200,000 units. Zahara released her debut album entitled *Loliwe* during 2011, and it reached platinum status during the first 13 days of release. It reached double platinum status in a mere 17 days. In 2011, Zahara could boast of seven South African Music Awards, which included the award for best female artist as well as the album of the year. (Jansen van Rensburg 2013: 24).

In the digital realm, sale statistics are immediately available to labels because album charts in South Africa are based on the “sell-in” system. This means that the artist receives gold status as soon as a label sells 15,000 albums to a retail store, even if the retail store might not have

sold all those albums. During 2013, it could take up to twelve months for labels to qualify this kind of information compared to the US, where album charts are still based on the “sell-through” system, which enables to receive sale statistics much quicker. Similar “sell through” services were introduced to South Africa during 2013, but at this stage they are still too expensive to utilise widely. (Jansen van Rensburg 2013: 24).

4.11.2 Use of Internet services in South Africa

An important aspect in the success of digital distribution is Internet speed. Internet speed was a contributing factor to the success of streaming services and digital distribution in the Nordic countries, Europe and the United States. (Jansen van Rensburg 2013: 27). In South Africa, this is still, to a certain extent, the case, but the connectivity options have improved markedly over the past 3 years because fibre optic connections have become more generally available in many parts of South Africa.

Digital distribution became effective in South Africa between 2002 and 2003 through the establishment of legal digital distribution mobile network services like Exact Mobile, MTN, Vodacom and the Nokia Store, as well as Internet-based digital services such as Apple’s iTunes music store. (Jansen van Rensburg 2013: 29). Mobile distribution was the forerunner of digital distribution, but, as can be ascertained from the data supplied below, both methods of distribution are thriving today.

South African Internet consumer spending was estimated at R24.1 billion in 2015 and it is expected to grow to a staggering R67.2 billion by 2018. It is also estimated that Internet access will account for 52.5% of overall consumer spend. This growth is predominantly due to the growth in the mobile segment and decreased tariffs; mobile Internet access comprised 89% of all Internet connections in South Africa during 2015.

The South African Internet access market has become mobile-dominated. About 22 years ago, when the very first commercial cellular networks became generally available in South Africa, no one could have predicted just how this would affect South Africans’ lifestyles. In 2015, 15 million South Africans were signed up to Facebook and, of these, almost 70% were

under the age of 35. Twitter had more than 7 million South African users and Instagram had nearly 5 million South African users. More than 6 million South Africans watched the South African Music Awards ceremony live on SABC and, significantly, most of these viewers were also under the age of 35. It is estimated that this same audience spends over 90 minutes on social media every day. (SAMA 2015: 37).

Since South African consumers gained access to the digital music market in about 2002, physical sales have remained a medium of distribution. However, as anticipated by key business figures in the South African music industry, this has and is changing with time. Symptomatic of this change is that retail music stores are now selling accessories, clothing and other merchandise, as well as the shrinking of their music catalogues to only include top sellers. (Jansen van Rensburg 2013: 21).

South Africa currently has 15 million mobile Internet users, and this number is estimated to grow to 35.2 million by the end of 2018 so that an estimated that 72% of South African mobile phone users will be mobile Internet users by the end of 2018. During 2013, mobile Internet access revenues reached R20.2 billion as opposed to R3.9 billion for fixed broadband access revenues for the same year. By 2018, it is estimated that 80% of broadband connections are expected to be DSL connections, a figure equating to 1.7 million people. (SAMA 2015: 7).

4.11.3 Interpreting music consumption data for South Africa

What do these figures mean for music consumption in South Africa? Rifiloe Ramogase, Chief Executive Officer of the South African Music Awards (SAMAs), has stated that the current music industry is a dynamic space, which builds on the volatile lessons of South Africa's past, to shape the future. The mass adoption of technology, the rise of the independent label, the endless stream of new distribution channels, limitless opportunities for cross-genre collaboration, Virtual Reality concerts, Digital Maskandi and Urban Gospel all form part of South Africa's transformation in the musical landscape. (SAMA 2016: 7).

Artists and music companies have been forced to adapt rapidly to the effects of digital distribution with innovative marketing and distribution strategies (Green 2012: 80). Considering the effect of digital distribution and other industry related transformations, both

independent and major labels were faced with the challenges that accompanied the advent of digital distribution and its effects on the South African music industry. Eric Boorstin (2004) identified the “big five” major labels which dominated the worldwide industry in 2004 as being Sony Music, Universal, EMI, Warner Brothers and Bertelsmann Music Group (BMG). Together they controlled 75% of global recorded music sales. The three major labels in South Africa are Universal Music Group (who bought EMI), Sony Music Group (which now includes BMG) and Warner Brothers. The top independent labels in South Africa include David Gresham Records and Just Music (who deal with alternative genres) and TS Records and Soul Candy (who promote the urban genres). (Jansen van Rensburg 2013: 22).

The Recording Industry of South Africa (RiSA) plays an important role in generating data, which is often presented at the annual South African Music Awards (SAMAs) ceremony. At the 2015 ceremony, it was announced that South Africa’s Internet population downloaded approximately 5.7 songs per month during 2015, many of which were from unlicensed websites. According to Nhlanhla Sibisi, Chief Executive Officer of RiSA, music piracy remains one of the main reasons our local music has showed a 30% decline in physical sales. (SAMA 2016: 64). The scale of the problem is enormous: in 2015 it was estimated at a local loss in revenue of R28.9 million per month or R347 million annually. (SAMA 2015: 7).

Given these figures, RiSA continues to actively counter online piracy through the deployment of several technical measures. Music piracy in South Africa as well as abroad remains a problem but a positive picture emerges once the risk and inconvenience associated with illegal download sites and the market penetration that licensed services are making is taken into consideration. The ideal situation is that, by offering a continuous supply of legitimate digital music services, local conditions will replicate the international trend of systematically displacing the need for infringing services. The searching and detection infrastructure, for example, allows RiSA to consistently detect and remove infringing links, both locally as well as abroad. This process has resulted in significantly less infringing material, especially high-priority releases and local albums, being available for download. Through its persistent monitoring and international collaboration efforts, RiSA has been responsible for the complete takedown of various piracy-centric websites and services. (SAMA 2015: 7).

Capasso is the service which acts as the mechanical rights collecting society in South Africa. Capasso connects composers and publishers with the users of music in the digital, physical and broadcast spaces across Africa. Capasso represents most music publishers as well as numerous composers, and seeks to form an integral part of the South African music copyright industry, placing emphasis on distribution excellence, inclusivity and transparency. (SAMA 2015: 45).

The ability to collect royalties from the state-owned South African Broadcasting Corporation (SABC) was extended in 2016. This is an important development, particularly when taking into consideration that in 2016 a decision was taken to broadcast 90% local music on all SABC radio stations, and the “needle time” royalty rate on all radio services was increased from the 3% set by the Supreme Court of Appeals to 4% by the SABC. Additionally, it was announced that the SABC had implemented royalty parity for all collecting societies, namely SAMRO, SAMPRO, the Independent Music Performance Rights Association (IMPRA) and the Association of Independent Record Companies (AIRCO). (SAMA 2016: 12).

Recording artists seldom receive significant royalties for records released through labels. In a typical contract, the costs of recording an album, promoting the album, the production of music videos and tour losses are usually “recoupable expenses”. This means that these expenses are deducted from the artist’s royalties before payment is made. Advances are occasionally given to artists to financially sustain them while recording albums, but these advances need to be paid back before the artist can benefit further from album sales. Often this advance is the only remuneration artists receive. According to the majority of artists, their income is mainly obtained through live performances (Boorstin 2004: 11). (Jansen van Rensburg 2013: 22).

The increase of digital distribution stimulated the rise of the independent artist who operates separately from record labels, taking full advantage of the opportunities offered by the Internet (Green 2012: 5). It is however argued that record labels hold the advantage since they have access to crucial industry statistics, strategies and expertise. For an independent artist to gain optimum achievement in South Africa he/she needs these statistics, media feedback and marketing strategies. Independent labels also cannot rely on extensive promotion, which cause many to specialise in music of a particular genre in order to build

consumer loyalty and brand recognition (Boorstin 2004:10).

However, Caryn Green (2012) found that many South Africans artists largely rely on music sales to sustain themselves and view the Internet solely as a means for global exposure and information sharing. This can clearly not be the case in the current music consumption age. The advent of the Internet increased the independent artist's means to promote and sell music globally to a mass market at a fraction of the cost required for the production, printing, duplicating and distributing of albums or recorded music. (Jansen van Rensburg 2013: 23).

An article published by SAMA in their 2016 magazine, *The age of digital in the music business* (SAMA 2016: 39), indicates that digital has become entrenched and part of our everyday lives. This is evidenced by the various options music consumers have as portals and aggregators that distribute the music. The local music industry is moving with the times, and this is indicated by actions ranging from significant sales on iTunes, to receiving decent streams and “likes” on Soundcloud. It is also evident in the number of labels that have closed their doors after not being able to adapt to the digital revolution. Accessibility and personal ability are the two great conveniences of the modern digital consumption age. Dependency on big recording and publishing companies is rapidly declining, putting the power directly into the consumer's hands. Thabiso Khati, the CEO of Cashtime Life, views digital platforms as an effective equaliser that has democratised music. There is no longer the need for a middleman to approve whether music is good enough to be recorded or not; the consumers themselves get to decide whether they wish to listen to it and buy it, or not. Digital platforms are good for artists as well as for labels as it gives the artist exposure without needing much help from anyone. Digital has changed the perspective on monetizing music by forcing artists and record labels to come up with new ways of achieving popularity and remaining in the spotlight while making money. (SAMA 2016: 39).

While SAMA claims to include all representative music genres played and/or listened to in South Africa, one glaring omission has been identified by Twitter.

During December 2015, Twitter collected and analysed data regarding the 2015 Grammy nominees. In anticipation of the ceremony itself, Twitter analysed the tweets from around the

world to see what they revealed about which music genres were the most talked about and where they are placed geographically. Time subsequently released a map of the results that revealed, most significantly, a cluster of country-music fans near Cape Town, South Africa. (Freney 2015: <http://time.com/3697123/music-genres-around-the-world-grammy-awards/>).

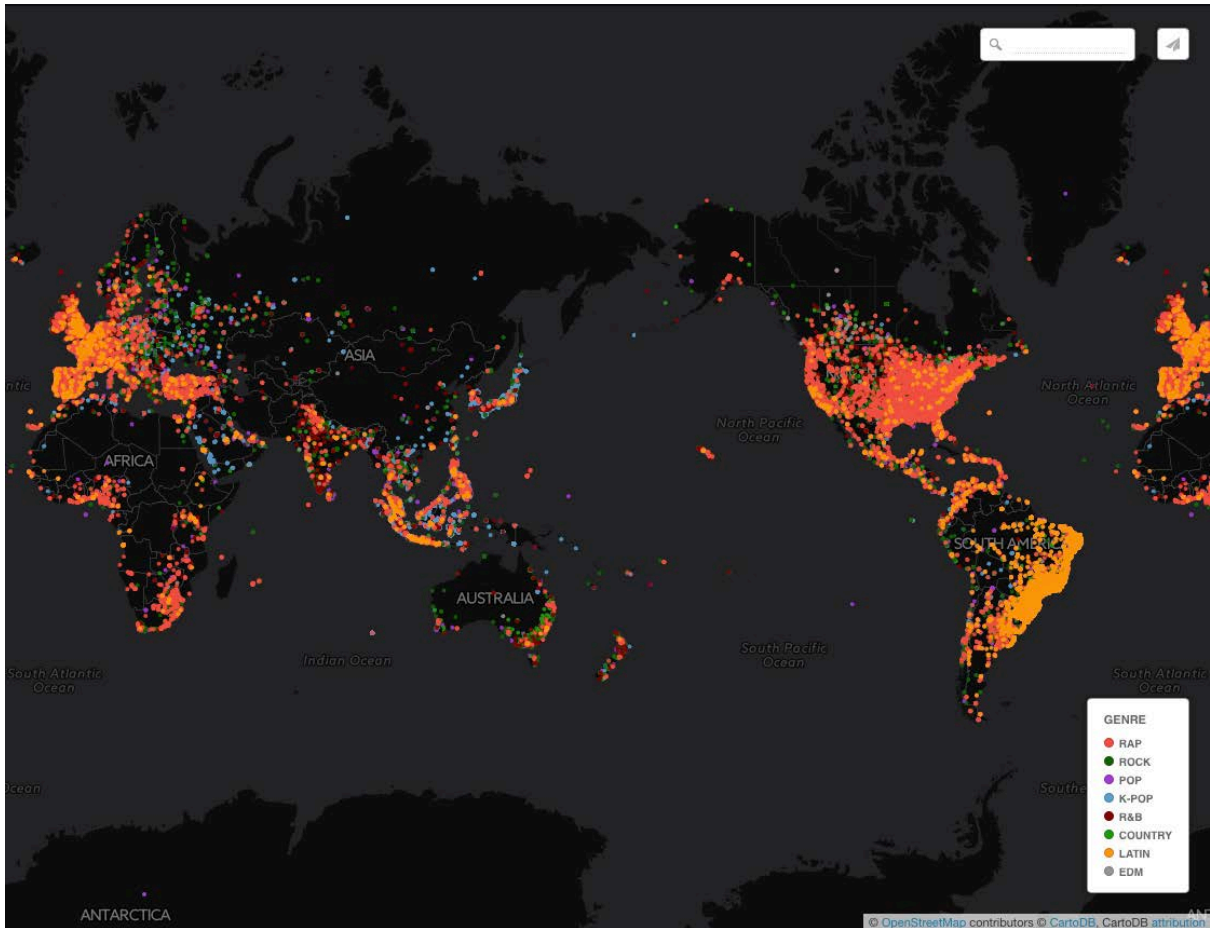


Figure 4.9: Worldwide tweets by genre and place, December 2015

Source: http://srogers.cartodb.com/viz/14ebbf8c-ac44-11e4-8a55-0e018d66dc29/embed_map

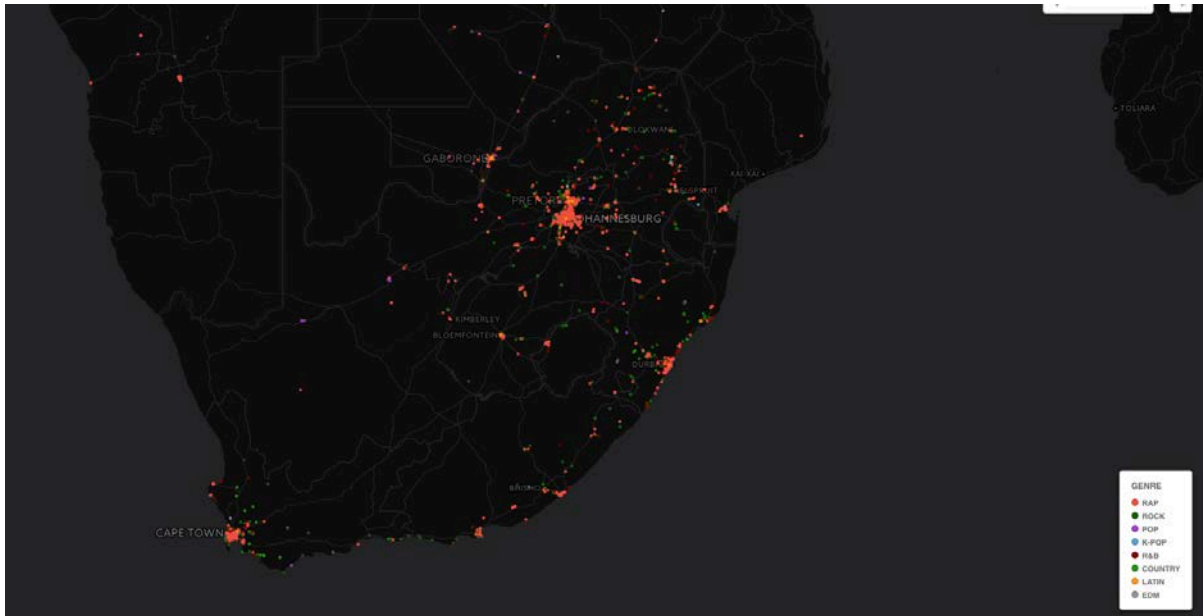


Figure 4.10: South African tweets by genre and place, December 2015
Source: http://srogers.cartodb.com/viz/14ebbf8c-ac44-11e4-8a55-0e018d66dc29/embed_map)

The popularity of this genre in South Africa obviously needs to be explored, as it could offer new artists a lucrative market.

4.12 Educating students to enter the music industry

Apart from the approximately 88 employment opportunities directly related to a specialised musical background that have been identified by a study done by Berklee College (Rocha Leal 2014: 8), many employment opportunities available in the music industry have been designated generally as “Occupations in high demand” by the Department of Higher Education and Training. (Higher Education and Training 2016). These range from managerial positions in sales and marketing, advertising and public relations, supply and distribution and statisticians to production engineers and database designers and developers. Many of these occupations are not music-specific, but for a graduate wishing to enter the music industry a thorough knowledge of music is distinctly advantageous. A previous study by Rocha Leal investigated “...why the music industry in South Africa is not making use of trained music graduates within different organisations and why music businesses rather opt to train their own employees from scratch (Leal, 2012: 43), whilst music graduates are taking non-music jobs to make ends meet. Is the training that music students are receiving sufficiently preparing them for careers in the broader music industry, or only in a few aspects of the

music industry? Why is the music industry not opting to employ students with music qualifications?” (Rocha Leal 2014: 83). Part of the answer certainly lies in student responses to Question 2 of the questionnaire to which they responded, discussed on page 91ff.

Another range of more conventional careers were already identified in 1977. (Michels 1977). These include, but are obviously not limited to, the following:

- Acoustics
- Voice and hearing physiology
- Psychology of hearing
- Physiology of instrumental playing
- Music sociology
- Music psychology
- Music education
- Music philosophy
- Music aesthetics
- Instrument making
- Music criticism
- Philology
- Sociology
- Ethnology
- Physics
- Medicine
- Psychology

It comes as no surprise to find that many tertiary education institutions in South Africa offer degrees, diplomas or certificate courses in music. These courses have, in the past, generally been focussed on practical music-making, but some music departments are restructuring course offerings to accommodate the many and varied job opportunities that have now become available.

A selection of these new courses includes:

- The Tshwane University of Technology offers a music technology course as part of

their undergraduate music programme. This entails an overview and application of music technology as used in contemporary music production and it includes knowledge and application of hardware, software, operating systems and specific software-based applications in music notation and production. Aspects of basic acoustics and sound reinforcement are also addressed. Music business and business strategies are not covered in their curriculum.

(<http://www.tut.ac.za/students/facultiesdepartments/art/departments/perform/m/Pages/default.aspx>).

- At the University of South Africa, composition studies currently consist of modules in music technology as well as modules on musical entrepreneurship, which aim to prepare students for work in the music industry.
(<http://www.unisa.ac.za/default.asp?Cmd=ViewContent&ContentID=10798>).
- The University of Kwazulu-Natal's Electro-Acoustic music courses were the first of their kind at a tertiary educational institution in South Africa and the University markets them as being the most comprehensive and state-of-the-art in South Africa. The University further says that "Current job markets in music, ranging from music education to ethnomusicology and composition demand various degrees of technical musical experience and specialised computer literacy directly related to musical applications. The following areas are covered by various Electro-Acoustic music modules: Multi-track recording, mixing, live sound enhancement, MIDI, sampling, editing, synthesis, signal processing, editing and music desk top publishing."
(<http://music.ukzn.ac.za/academic-programmes/Music-technology.aspx>).
- The Campus of Performing Arts (COPA) is a music college specialising in contemporary popular music and it has campuses in Cape Town, Durban, Johannesburg and Pretoria. COPA offers full time courses in Music Production, which comprises of music technology, sound engineering and music business. COPA's Music Business course offers modules such as Business and Artist Management, Music Publishing, Music and Digital Distribution, Ethics in the music industry, and Music Law. (<http://copasa.co.za/project/music-business/>).

This study has, as a secondary aim, attempted to expand awareness of different career possibilities within the field of music in the South African music industry. Further comments will be found in Chapter 5.

CHAPTER 5

Research findings

5.1 Introduction

Music is a product that is offered for sale on different levels, in different forms and to a vast variety of consumers. Social action is, to a large extent, constructed and organized through the acts of listening to, consuming and interacting with music; it forms part of our individual and group cultural material as well as our everyday life. The manner in which we consume music is not simply about listening to it, but includes the way in which it synthesizes with our personal and social lives.

I have not been able to trace any studies that document how this information is transmitted to the most important component of the South African music market: the musicians who act as manufacturers of the goods to be sold. This study aims to contribute to the understanding of the South African music industry by:

- Investigating the situation in South Africa by analysing the data that is available to the recording companies regarding music consumption behaviour.
- The analysis of data gathered regarding students' general impression of career possibilities after studying music at a University.
- Interpreting the data gathered.
- Presenting the data in a way by means of which music graduates can determine how to market themselves and their product optimally.

The South African music industry is constantly trying to keep abreast of consumer behaviour in areas such as distribution, sales, organisation and consumption habits. While the industry has access to this knowledge, most aspiring musicians do not, and may therefore be actively disadvantaged when attempting to launch their careers. Such knowledge may also be able to influence established musicians whose careers are flagging and who wish to keep abreast of trends.

In this chapter, the data provided by fourth and final year music students from the University of Pretoria and the University of the Witwatersrand will be presented and analysed. It will

then be triangulated with the primary data to ascertain whether and how their knowledge of the broad South African music industry has affected their career choices.

5.2 Background to the data captured

The data-collection process of this study took place during the pandemonium experienced at South African Universities as a result of the “Fees must fall” movement. Brent Swails and Thabile Vilakazi, journalists for the American-based Cable News Network (CNN), reported that students across South Africa had been clamouring and marching for free higher education for more than a year. Tens of thousands of graduates and students, and also their parents, are crippled by student debt. Many students whose parents fought Apartheid believe that free education is their generation’s cause. (Swails 2016).

South African youth has been calling for the implementation of free (higher) education for many years, and particularly since the ruling African National Congress had promised to address the issue in its election manifestos of 2009 and again in 2014. According to South African government officials, free higher education is impossible in the short term; promises have been made to provide financial aid to the poorest students. Since September 2016, universities across South Africa witnessed violent protests that placed the most important academic term - the last one of the academic year - in jeopardy. It was evident that protesters did not trust either Government nor the universities’ administrative teams, and relied on their own structures to mediate. According to university administrators, efforts have been made to engage with student leaders on various occasions but to no avail; however, universities remained committed to the principle of working towards free education. (Swails 2016).

September 2016’s resurgence of the fees must fall protest has been piloted in on a tendency of violence against and by students, as experts debate the possibility of free education for South Africa, the country’s disability to sufficiently address the initial causes of the problem are finally catching up to it. In the beginning of the year South African Students’ Congress (Sasco) cautioned that more severe protests would occur in the event of a fees increase. Protests in anticipation of the announcement began at the University of KwaZulu-Natal (UKZN) in August and spread like wildfire across the country. When Blade Nzimande, South African Minister of Higher Education and Training announced that households earning below R 600,000.00 per annum would be exempt from paying the 8% fee increment proposed by

tertiary institutions, he also promised that government would subsidize the shortfall resulting from lack of funds. Nzimande however, left the decision of how much to increase fees by to the institutions themselves, conveniently dodging the free education debate. This resulted in violent protests, as “fees must fall” protesters made their dissatisfaction known. These protests resulted in severe damage to university properties, as well as deaths in some cases. After about two years of conflict and no apparent solutions, it appears that students, universities and government are unable to find common ground. (Dougan 2016).

The protests therefore caused numerous delays in gathering the data. Since universities across the country were affected by the same violent protest actions, with campuses on occasion being completely shut down, there was no point in attempting to gather the data from music departments other than those from whom permission had originally been sought, namely the University of the Witwatersrand and the University of Pretoria.

These two universities had originally been identified because they are situated in Gauteng province, the hub of the music industry in South Africa. I considered that final-year music students from these universities would be likely to have considered career options within the broad music industry on the one hand because of the geographic proximity to the industry, and on the other hand because the two cities involved (Johannesburg and Pretoria) are the *de facto* capitals of the country with citizens that are aware of both national and international trends. Should the responses to the questionnaires that I intended distributing to them to answer prove that my assumptions were incorrect, I would be able to answer my main research question and find a way to present the data so that music graduates can determine how to market themselves and their product optimally. Should the responses prove my assumptions correct, there would be no research question to answer.

Of the 19 students currently completing their BMus degrees at the University of Pretoria, 18 completed the questionnaire for this study.

A total of 10 students currently completing their BMus degrees at the University of the Witwatersrand completed the questionnaire for this study. It remains unclear how many fourth-year students are actually enrolled for the 2016 academic year; due to the lack of

communication with department officials as a result of the fees must fall disruptions, figures could not be verified.

It is perhaps no coincidence that the response from the University of Pretoria (UP) was easier to obtain than from the University of the Witwatersrand (Wits). The impact severity of the fees must fall movement has been far greater at Wits than at UP.

The willingness to participate in studies can be very advantageous for any institution and individual. This study, for example, can assist in the formation of young musicians' future careers as well as the decisions regarding those career choices. The study can also become a basis for similar studies encompassing Humanities departments across all South African Universities and inform their respective programmes and courses. The current debate regarding decolonisation seems to require a focus on programmes and courses in the Humanities, and this information could inform the University management regarding student grievances. When students, however, do not participate in such studies their grievances cannot be addressed, they can be given no information regarding future careers and opportunities, and they continue to be trapped in a cycle of being disadvantaged.

5.3 Intended career choices (Question 1)

The first question on the questionnaire addressed the important question of what career the student intends following after graduating.

At the University of Pretoria, it was evident that the majority of final year music students intend choose to further their personal education by pursuing postgraduate studies, or to become performing artists, or to enter the South African education system as music educators. Other, less significant career interests, include becoming a recording artist, composer, conductor, ethnomusicologist, sound engineer, producer, music therapist or specializing in music business.

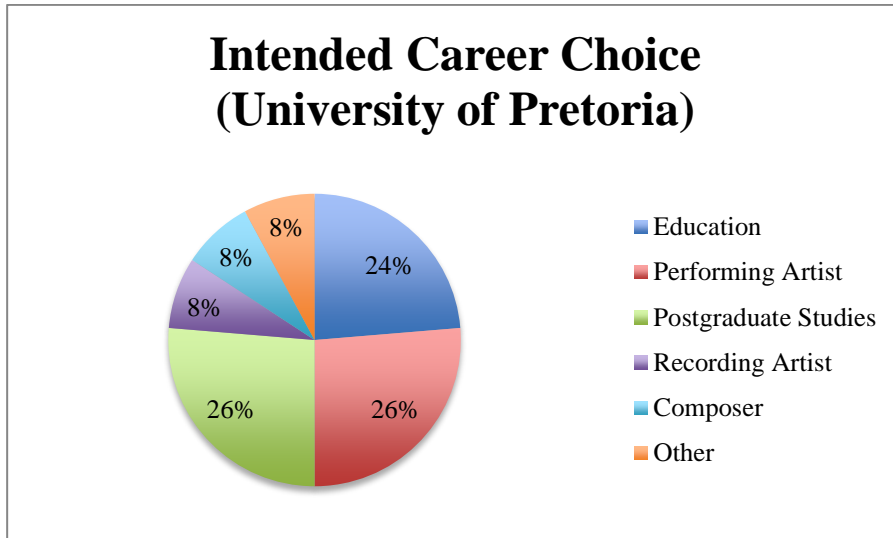


Figure 5.1: Intended career choice (University of Pretoria)

The University of the Witwatersrand showed a significantly different response to the same question. The majority of final-year students plan to pursue a career in composition. Other choices included getting involved in performance arts management, music therapy, sound engineering and music production. Other less significant career choices include music education, postgraduate studies, recording artist and performing artist.

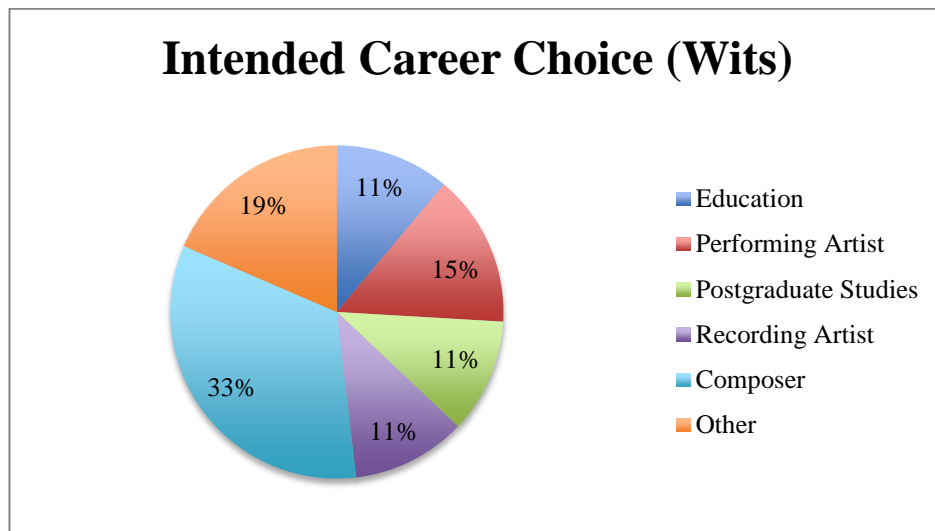


Figure 5.2: Intended career choice (Wits)

The answers to this question provide no indication why the career choices differ so significantly between these two tertiary institutions. It was thought that some indication of the reasons would be uncovered by the responses to the remaining questions. What is certain at this point is the fact that, for both these institutions, the majority (22%) of respondents plan

on becoming performing artists. This is effectively the prevalent career choice followed closely by postgraduate studies (20%), music education (19%), composition (18%), and the less significant career possibilities that include recording artist, music therapy, music producers, and performing arts managers.

5.4 Career guidance during studies (Question 2)

The second question on the questionnaire inquired whether students received any career guidance during the course of their studies at their respective universities and again the data showed vastly different results.

The majority of respondents at University of Pretoria (56%) claimed to have received career guidance during the course of their studies. All students stated that they had received the knowledge from their lecturers. The remaining 44% of respondents who said they did not receive any career guidance during their studies, obtained their career guidance from personal research, being involved in community musical projects such as church ensembles, and by observing international artists and watching movies. The latter option is a poor choice, as information disseminated in what is intended to be entertainment rather than a factual documentary, often proves to be a deception of the reality of the nature of the music industry.

The University of the Witwatersrand differed immensely. The majority of respondents from this university (70%) claimed that they did not receive any career guidance during the course of their studies. Most students claimed to have obtained their guidance through their successes and failures in the subjects contained in the programme that they were following, and their respective evaluations and assessments. The remaining 30% who did receive career guidance during their studies claimed to have obtained said guidance via personal research conducted.

As a result, it is safe to say that the responses to this question can be the true indicators for the variants in career choices between these two universities. Furthermore, it is evident that the majority of respondents across both universities (54%) did not receive any career guidance during the course of their studies and had to obtain guidance personally and individually. In my opinion, this situation can and should be improved. Good results could be

achieved through the addition and designation of a music business core module as part of the BMus degree.

It is worth noting that the Department of Basic Education has introduced an overview of the Music Industry as compulsory content for all Grade 12 learners offering the subject Music. (DBE 2011). This should partly address the issue of career guidance at school level.

Similarly, Music Business was included as a fundamental module of the generic BMus qualification (SAQA ID59301) generated and registered by the Standards Generating Body of the South African Qualifications Authority as far back as 2006, and reregistered again on 1 July 2015. Generic qualifications are intended to be used as measurements against which new and/or existing qualifications are evaluated. Neither of these universities is offering a BMus qualification aligned to the generic qualification. (SAQA 2015). The result is that the status quo is largely being maintained, to the distinct detriment of music graduates who are not sufficiently aware of the economic impact of the music industry as a whole, and to the detriment of music learners who have received an introduction to the field in Grade 12 and cannot continue these studies within either of the two music departments.

5.5 Availability of career guidance information during studies (Question 3)

To better understand what information regarding career guidance was at the respondents' disposal during the course of their studies, they were faced with exactly that question: what information was at your disposal regarding music career choices?

In this instance, the data gathered from both institutions was similar. Both UP respondents (24%) and Wits respondents (33%) reported that lecturers were their main source of information. Furthermore, the UP respondents indicated that the second source of information stemmed from music journals, books and magazines, while 20% of respondents gleaned the required information from electronic sources. Other, less significant sources of information, include media such as television and radio, social media, practical modules, external sources/individuals and live performances.

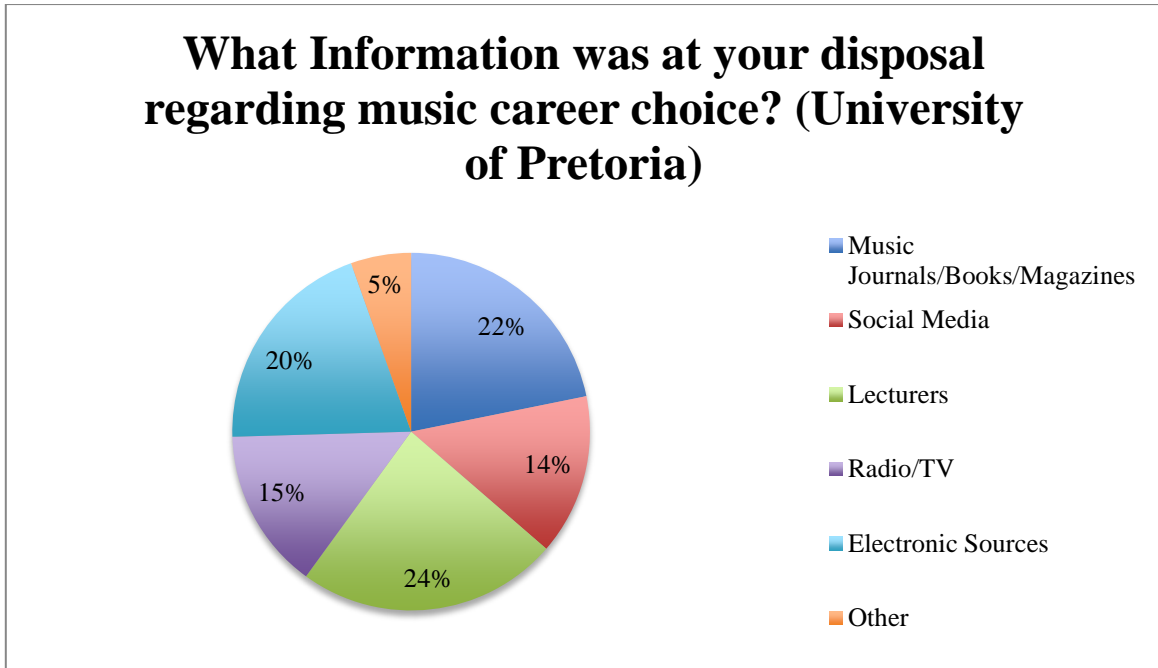


Figure 5.3: Information regarding music career choice at the disposal of students at UP.

Respondents from Wits indicated that social media was the second most important source of information regarding music career choices (21%), followed by radio and television (17%) and music journals, books and magazines (17%). Other, less significant sources of information, included electronic sources.

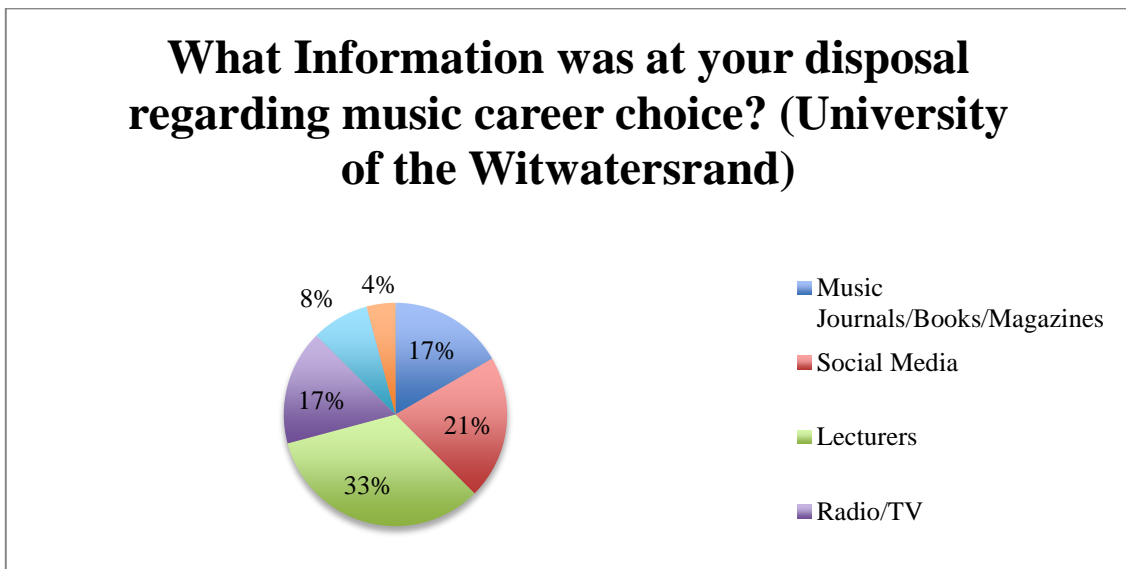


Figure 5.4: Information regarding music career choice at the disposal of students at Wits.

5.6 Global and local digital music business awareness (Question 4)

A total of 86% of the respondents involved in this study agreed that they are aware of the effect of the escalating tendency of online music purchases on a local and global scale. The manner in which they obtained this information was apparent in the responses to previous questions; however, comprehensive personal research would be necessary to reveal vital information regarding global and local digital distribution effects which could enhance music careers of graduates.

As has been discussed in Chapter 4, digital sales and - more importantly - digital distribution services have grown significantly over the past three years. While physical sales still hold a significant market share, the best sellers are specific genres such as Afrikaans, Gospel and House. The most significant exception was Sony Music's platinum-selling jazz compilation album of 2015 entitled "South African Jazz – The best of".

The few remaining music retailers have, over the last three years, adapted both locally and internationally by shrinking their music catalogues to include only top-sellers and they have turned their attention to selling other music-related products as well.

Digital distribution has, and will continue to have, an on-going effect on the evolution of the music business. This is clearly indicated by figures given for the period 2002 to 2016 that reflect the escalating tendency to make online music purchases and to favour streaming. This tendency will have an on-going effect on the South African music industry, and it can and should be harnessed in an aspiring and existing musician's career.

Amongst other important information that should be widely known is that the growth of digital distribution has led to the rise of the independent artist. Local artists of all genres can now become financially extremely successful because the opportunities afforded by digital delivery.

5.7 Aspiring performing and recording artists (Question 5)

The data relating to this section concerns only those respondents who intend establishing a career as a performing or recording artist. A total of 68% of respondents indicated that this option is their primary career choice.

5.8 Awareness of consumer studies (Question 6)

A question was presented to the respondents regarding their awareness of consumer studies. Almost two-thirds, 64%, of respondents from the UP were not aware of consumer studies compared to the 17% of respondents from Wits. It remains unclear why the results differ so significantly. However, when all the responses are combined, the overall results provide the data given in Figure 5.5.

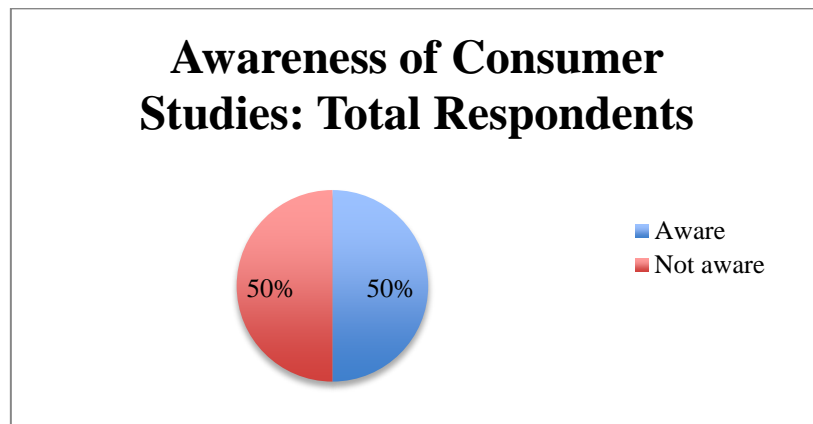


Figure 5.5: Awareness of consumer studies: Total respondents.

5.9 Consulting consumer studies (Questions 7 and 8)

Respondents were also asked to state whether they are aware that the music industry uses data concerning the way in which consumers access, buy, use and pay for music to decide on which artists to promote (Question 7). The results indicated that 85% of respondents were aware of this use of data by the music industry.

When asked if they had consulted any music industry data before deciding on their career as a performing artist (Question 8), it was evident that 70% of the respondents had not considered doing so. If the 85% who claimed that they are aware of the effect of consumer data on the success of musicians were responding truthfully, then it would be crucial for them to investigate or be offered this information before entering the world of work.

5.10 Distributing music industry data to music students (Question 9)

Respondents were asked to identify ways in which data made public by the music industry could be made easily available to music students. The responses showed that 21% (the

majority) of respondents would prefer to access this data by accessing websites. 18% of respondents indicated that course lectures should include this information.

This confirms that music students are unaware of the information already available to them, and once more points to the lack of information concerning the music business within their degree programmes. It also indicates a lack of basic research techniques applicable to the use of the Internet.

Music industry data and statistics can easily be accessed on websites like that of the IFPI, for vital global statistics, and data that focuses on the South African music industry is relatively easily obtainable from RiSA.

15% of the respondents suggested public presentations. Once again this indicates a lack of awareness of the many presentations that are made annually, including the local ones at the SAMAs. More importantly, it suggests a lack of awareness of the prestige and influence of the SAMAs. This in turn indicates that, despite the active involvement of the SABC in presenting the awards ceremony live, as well as the financial support of the Department of Arts and Culture, music students on the point of graduating and entering the broad music industry are not fully aware of the music market in general, or of its competitiveness.

Other suggestions made included networking with people in the South African music industry, using social media, consulting South African music industry representatives, and having access to simplified marketing explanations. It is of concern that “simplified market explanations” feature at all, since this aspect, as has been mentioned, features strongly in the content of the Grade 12 music curriculum, being the entire content of Topic 3 (General Music Knowledge) in Term 3 of the Grade 12 year. This could point to one of two equally concerning facts: either music teachers are not addressing this content as part of the curriculum; or universities do not require students who enrol for a music qualification to have the prior knowledge associated with the Grade 12 curriculum. In both cases the learners/students are those who are placed at a disadvantage.

Regarding the assessment of Topic 3 of the Grade 12: Music curriculum, it is clear that this content is given almost negligible status. Paper 1 of the examination paper of November 2015 required two questions to be answered regarding the entire term’s work. A maximum of 6 marks could be gained by answering the questions, which were:

- 5.3 What benefit does it have for you to register your composition with SAMRO? (4)
- 5.4 Arrange the following role-players in the music industry in the correct order according to their function in the process of producing a song. Write down only the letters in the correct order, for example EFGH.
 (A) Sound engineer (B) Songwriter (C) Radio presenter (D) Performer (2)

Judging by these questions, very little knowledge of the music industry is required from Grade 12 learners.

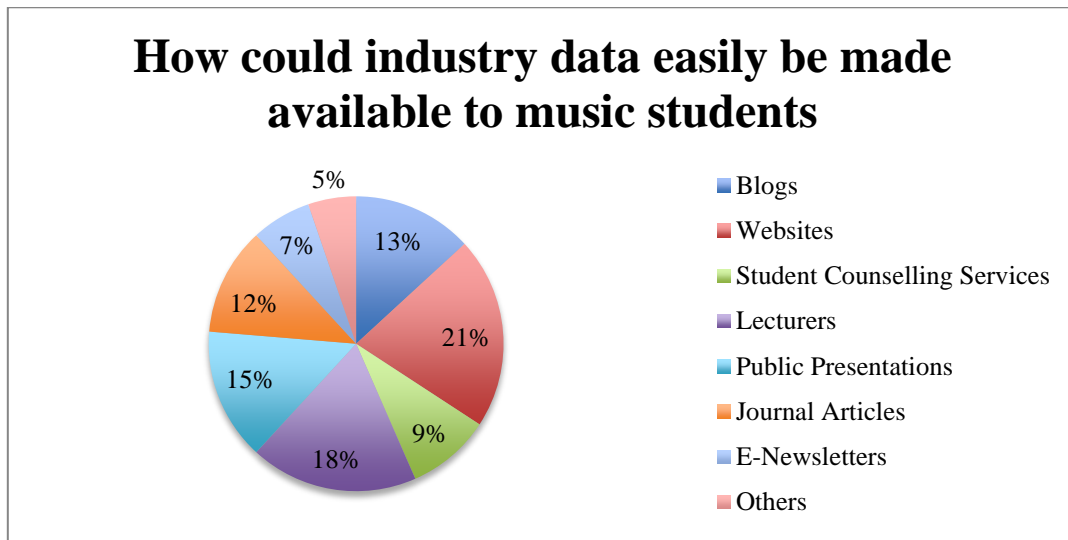


Figure 5.6: How could industry data easily be made available to students?

5.11 The importance of financial success in the chosen career (Question 10)

Sometimes people are curious to know how important financial success is in the creative field. Judging from the respondent’s results, only 30% find it very important.

This answer correlates with the lack of knowledge of the music industry especially regarding the revenues generated globally. It also correlates with the lack of knowledge about the South African music industry, especially about the importance of the SAMAs, and the huge

amounts invested in the industry by Government, state-owned enterprises, and the private sector.

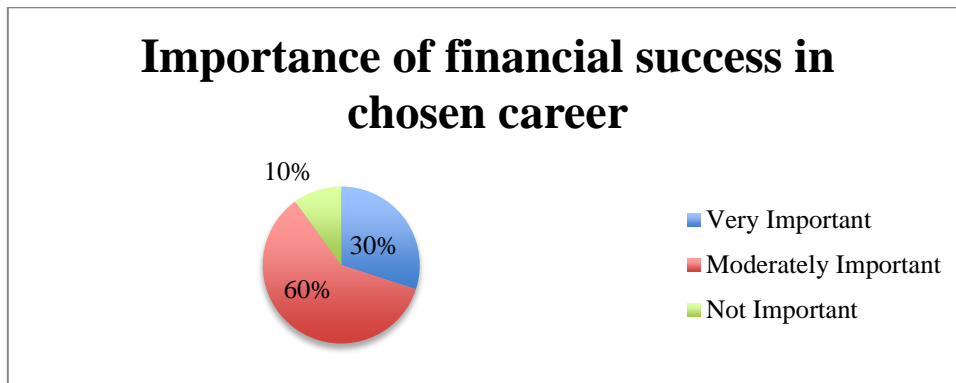


Figure 5.7: The importance of financial success in the chosen career.

5.12 Would having access to data that informs financial success affect career choice? (Question 11)

The last question raised the question whether respondents, if given music industry data that could influence their financial success as a performer/recording artist, would use this data to influence their career choice even if it meant compromising their artistic freedom. The results suggested that 60% of respondents would prefer to achieve financial success without having to compromise their artistic freedom. Of the remaining respondents, 20% were solely concerned with financial success, and the remaining 20% believed that financial success is not as important as artistic freedom.

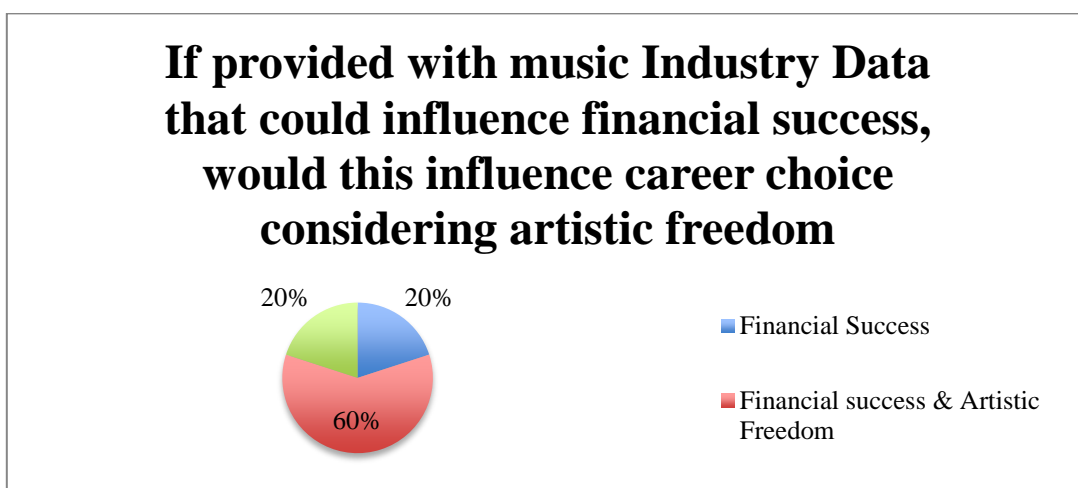


Figure 5.8: The importance of financial success in the chosen career as opposed to artistic freedom.

CHAPTER 6

Conclusion

6.1 Introduction

The aim of this study was to contribute to the understanding of the South African music industry in several related ways. Firstly, I aimed at investigating the situation in South Africa by analysing the data that is available to recording companies regarding music consumption behaviour. Secondly, I aimed to gather, analyse and interpret data concerning the general view of final-year music students regarding career possibilities in the music industry after having studied music at university. Lastly, I aimed to interpret that data, and then present the data in such a manner that music graduates can determine the optimal way in which they can market themselves and their product.

6.2 Conclusions to the sub-questions

The sub-questions will each be answered in the discussion that follows.

6.2.1 How are people currently consuming music in South Africa? (Chapter 4)

The use of digital services throughout the world has a twofold effect. Firstly, offering digital services has also allowed the recording industry to reach markets that it could not previously reach via physical retailing. Music is now available on an extensive range of digital services. Secondly, consumers can access any genre of music as they go about their daily lives and no longer have to rely on the physical delivery of their favourite music. The digital realm brings new methods to access culture and at the same time allow consumers to discover new music via recommendation services that cater to consumers' tastes. Moreover, consumers can also engage with artists on social media and social networks, bringing a virtual-reality, "personal" interaction between artists and consumers. These phenomena all stem from the on-going technological advances that regularly take place.

Despite several years of declining industry revenues, record companies continue to be the primary investors in new talent. Globally, the number of paying subscribers has increased by more than five-fold to 41 million users, and the potential to attract tens of millions more, and for digital services to achieve even wider usage, is a real possibility.

The recording industry has two fundamental distribution methods other than subscription and streaming services, namely physical format sales, which have shown a global 8.1% decline in revenue, and download sales, which have also seen an 8% decline in revenue.

Although physical sales are still a financially viable medium of music distribution in South Africa, key figures in the South African music industry have predicted an on-going decline in physical sales over the course of the next few years together with an increase in digital distribution methods. These distribution methods currently involve streaming and subscriptions, but the development of other methods are also possible. Currently it is expected that streaming services will proliferate.

It is now increasingly apparent that music streaming services and subscription services have become the mainstream models for the music business and its future. Music stores have adapted to digital delivery by shrinking their catalogues to accommodate top-sellers only, and focus on selling other music-related products as well.

The growth of digital distribution has also led to the rise of the independent artist. Previously neglected local genres now multiply.

6.2.2 What consumer habits surround the live performance and recording paradigm? (Chapter 4)

Revenues from performance rights are typically generated from broadcast, Internet radio stations and venue performances. Performance rights revenue saw great growth. Nowadays, an artist's income is predominantly earned from live performances as opposed to album sales; this is naturally relative to the artist's success.

Currently, the state of the music industry and its source for optimism is that consumers are better tended to than ever before. The number of consumers accessing music is increasing steadily year-on-year, as the consumer research in this field clearly demonstrates.

Music continues to be a portfolio-based business, with revenues generated from a diverse assortment of channels including music subscription services, CDs, vinyl LPs, downloads, and performance rights licensing. Within this portfolio, the key drivers of change recently have been the rise of streaming and the decline of physical and download revenues. YouTube alone has more than one billion users and music related content makes up a very large proportion of its use.

There were approximately 37 million recordings available on leading digital services in 2013, and by 2015 this number had increased to 43 million tracks. As a result, music recording revenues in many major markets have returned to growth. Streaming and subscription services are currently thriving, which indicates that digital music is moving into a recognizable new phase with record companies, having licensed services on a global scale, now tapping into the huge potential of emerging markets. Live performances may now easily be shared, and services such as YouTube and iTunes are consequently generating income in many new markets following their global expansion.

Advertising-supported streaming services such as YouTube and Vevo have grown considerably, and this has resulted in an increase in music video and live performance revenues. The monetisation of YouTube has recently been extended to more than 50 additional countries.

Recording artists seldom receive significant royalties for records released through labels. In a typical contract, the costs of recording an album, promoting the album, the production of music videos, and tour losses are usually “recoupable expenses”. This means that these expenses are deducted from the artist’s royalties before any payment is made. Advances are occasionally given to artists to financially sustain them while recording albums, but these advances need to be paid back before the artist can benefit in any way from album sales. Often this advance is the only remuneration artists receive. The majority of artists now claim that their income is mainly obtained through the revenue generated at live performances.

Global music revenues from physical formats accounted for less than half of the total industry revenues (46%) in 2015, but in South Africa, during the same year, the revenues generated

from physical formats was 62%. The music sector's own transition to the digital world is entering a new phase, driven by:

- consumer demands and habits;
- the instant availability of music on mobile devices;
- a broader choice between services with diverse offerings;
- and, most significantly, the rise of music streaming.

Consumer behaviour is moving towards instant, real-time access, and this is facilitated by the integration of services across various platforms and the impact of cloud storage.

Smartphones, tablets and phablets are powerful computers with social media interfaces that allow for instant payment, subscription, and sharing. All these features combine to contribute to a culture of immediacy and instant access for consumers.

6.2.3 How does the escalating availability of local music genres influence consumer preferences? (Chapter 3)

The South African music market consists of many diverse genres that represent the diversity of the country's population. These genres, to name a select few, include Afrikaans, kwaito, jazz, mbaqanga, classical, gospel, rock, hip hop and pop, and all impact daily on almost every South African's life in one way or another.

Previously neglected local genres are now thriving due to the opportunities afforded by digital distribution. Top-selling genres in South Africa now include Gospel (during 2015, *Joyous Celebration* sold two double platinum music DVDs) and the six South African artists that sold platinum in 2015 represented the Afrikaans, Gospel, South African jazz and Afro-Soul genres.

Research conducted by the IFPI reveals that African musicians predominantly rely on the dissemination of their music through broadcasts on local radio and television. Africa has approximately one national radio and television channel per country operating alongside three private ones. The situation is not entirely clear for South Africa, where the mobile market is increasing steadily, and further market research needs to be undertaken.

During 2016, South Africa's public service broadcaster embarked on a major transformation drive to ensure more local music on South African television, radio and digital platforms. The corporation made a drastic decision to increase local music content to 90% on all its platforms, and it is in this way that the SABC attempts to ensure that they are at the forefront of contributing to the growth of local music. The SABC also has active partnerships with RiSA and the SAMAs, and parity has been extended to the agencies that collect royalties on behalf of their members, namely SAMRO, SAMPRA, IMPRA and AIRCO. The SABC unilaterally also undertook to increase the royalty payment from 3% to 4% on its radio services. The policy of 90% local content coupled to an increase in royalties payable by the public broadcaster for all its radio stations will, no doubt, have a major impact on the way in which music is consumed locally, and future research will have to be undertaken to establish what this impact is, and whether it has materially affected the income through royalty payments of local artists.

6.2.4 Does the availability of consumer data affect musicians' career choices? (Chapter 5)

When researching the career choices of final year music students at two reputable universities in the Gauteng Province of South Africa, it was revealed that 22% of these students intended to pursue a career as performing artists, 20% intended to pursue postgraduate studies, 19% intended to enter the education profession, and 18% wanted to compose. The remaining statistics show that other intended career choices included music therapy, audio production, sound engineering, and being a session musician.

The consumer data that influences musicians' career choices is the career guidance they receive during their studies. How they obtain this guidance is of the utmost importance. It is quite alarming that 54% of respondents for this study did not receive significant career guidance during the course of their studies and were forced to obtain career guidance themselves. The way in which the remaining 46% of respondents received career guidance was during informal consultations with lecturer. I make this statement based on the fact that 54% did not receive any career guidance during the course of their studies, and they presumably attended the same classes as the respondents who did.

The respondents who did receive career guidance listed, as the second source of information, music journals, books and magazines. Less legitimate non-peer-reviewed media such as radio, television, electronic sources and social media were also listed as sources of information that students credited with offering career guidance.

An awareness of the effect of the escalating tendency of online music purchases on a local and global scale was acknowledged by 86% of the respondents. Judging by the manner in which they appear to have obtained this information, a deficient understanding of the strategies and business behind music sales as set out in chapter 4 can be assumed.

Amongst aspiring performing artists, half were not aware of consumer studies while half claimed to be aware of such studies. However, 70% did not find it necessary to consult any music industry data before deciding on their career as a performing artist.

Students suggested making use of lectures, public presentations, journal articles, websites, e-newsletters and student counselling services to provide undergraduates with the insight needed to make a success of being a professional performing artist. Significantly, however, 60% of respondents regarded financial success in their chosen career as being only moderately important, while only 30% regarded this aspect as being very important, and 10% did not regard financial success as being important at all. However, 60% - if they had the choice - would choose financial success without having to sacrifice artistic freedom while 20% were only concerned with financial success and 20% valued artistic freedom above all.

6.3 Conclusions to the research question: How could knowledge about the change in consumption habits of music consumers in South Africa between 2002 and 2015 influence the career choices of music graduates?

The manner in which music is consumed in any territory impacts in significant ways on the success of certain performance-orientated careers that rely on a financially-supportive fan-base. Such careers include those of the performing artist, recording artist, composer and music producer.

Music is a product that is offered for sale on different levels, in different forms and to a vast

variety of consumers. Social action is, to a large extent, constructed and organized through the acts of listening to, consuming and interacting with music; it forms part of our individual and group cultural material as well as our everyday life. The way in which we consume music is not simply about listening to it, but includes the way it synthesizes with our personal and social lives.

The manner in which music graduates understand the intricacies of music consumption habits can significantly affect their success or failure as a music practitioner in South Africa. Career guidance for music students has a direct correlation with career choices. All career guidance should be well informed and it should form an integral part of a music business module.

This study investigated what the changes in consumer behaviour have been during the last decade, and how knowledge of these changes and their implications can impact and influence the career decisions of musicians, especially those entering the South African music market and performance paradigm for the first time. It also aimed to contribute to the way in which musicians understand the South African music industry. This was done by exploring the various aspects related to music consumption habits between 2002 and 2015 and how this affected music graduates in the South African music industry. Hopefully the results generated and the subsequent intervention proposed will improve the situation of musicians who enter the world of work by enabling them to market their products appropriately. It may also assist established musicians to rebrand themselves to fulfil current music consumer demands

Since music is in fact a product or service that can be purchased, consumer behaviour studies, which has been the subject of a great deal of research since the early 1950s, should be investigated more closely through postgraduate studies within the field of music, as part of the musicology research field.

6.4 Conclusions to the research question: How can data concerning the music industry be disseminated effectively to music students?

Arbitrating the responses evident in Chapter 5, the majority of music students would prefer to access this data via websites. I have undertaken the responsibility to create a website that will contain links to all the music business data that is publicly available so that music students can navigate through some of the essential online sources and data that could positively

influence their respective careers and career choices. The website can be accessed by using the url: <http://wimjvr.wixsite.com/mbdsa>.

Furthermore, 18% of respondents indicated that course lectures should include this information. As undertaken, a summary of findings will be made available to the Heads of Department of the two music departments involved. It is to be hoped that these findings will be seriously considered for implementation by both universities as soon as possible.

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APPENDIX A

Permission to request final-year music students to complete a questionnaire

FACULTY OF HUMANITIES
DEPARTMENT of MUSIC

TEL (012) 420-3747 (*Secretary*)
FAX (012) 420-2248



UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

PRETORIA, 0002, SOUTH AFRICA

June 2015

Permission to request final-year music students to complete a questionnaire

Contact details of supervisor: Ms Marianne Feenstra
Tel: 084 384 8490
E-mail: marianne.feenstra@gmail.com
Researcher: Willem Petrus Jansen van Rensburg
Tel: 082 843 5088
E-mail: wim_jvr@yahoo.com

Title of study: A consumer study to inform musicians about career possibilities in the South African music industry.

Dear Professor _____

Your permission for me to present a questionnaire to be completed by your final-year music students during a scheduled time is hereby sought.

The completed questionnaire will provide part of the data for a research project aimed at investigating music consumption habits in South Africa to inform musicians about career opportunities. The students' answers will enable me to propose solutions relevant to how young musicians entering the music business can fulfil current music consumer demands.

A copy of the questionnaire is attached. It should take no more than 30 minutes to complete.

All student responses will remain anonymous.

The gathered information will be stored digitally for a period of 15 (fifteen) years in the Department of Music of the University of Pretoria. According to the tradition of this type of study, participation is voluntary and no remuneration is offered for contributions made to this research project.

It is my sincere hope that this research project will contribute to the successful entry of many young musicians into the music performance industry and that each participant will benefit from the shared knowledge that will be generated.

A summarised report of the findings will be made available to your Department for use by yourselves and your students to assist in their career-choices.

If you are willing to give permission for this study, please sign the letter below as a declaration of your consent.

Yours faithfully,

(student)

MARIANNE FEENSTRA

(supervisor)

APPENDIX B

Letter of Consent: Head of Department

FACULTY OF HUMANITIES
DEPARTMENT of MUSIC

TEL (012) 420-3747 (*Secretary*)
FAX (012) 420-2248



UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

PRETORIA, 0002, SOUTH AFRICA

Head of Department Consent Form

Researcher: Willem Petrus Jansen van Rensburg

Research Title: A consumer study to inform musicians about career possibilities
in the South African music industry.

I have read the contents of the information sheet. I fully understand its contents. I understand that only final-year music students have been invited to participate in this study and that their participation is voluntary.

I understand that the responses of the students from this Department of Music will remain anonymous.

Signed _____

Head of Department:

Name: _____

Researcher Signature: _____ Date: _____

Supervisor Signature: _____ Date: _____

APPENDIX C

Invitation to participate in research study

FACULTY OF HUMANITIES
DEPARTMENT of MUSIC

TEL (012) 420-3747 (*Secretary*)
FAX (012) 420-2248



UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

PRETORIA, 0002, SOUTH AFRICA

June 2015

Invitation to participate in research study by completing a questionnaire

Contact details of supervisor: Ms Marianne Feenstra
Tel: 084 384 8490
E-mail: marianne.feenstra@gmail.com
Researcher: Willem Petrus Jansen van Rensburg
Tel: 082 843 5088
E-mail: wim_jvr@yahoo.com

Title of study: A consumer study to inform musicians about career possibilities in the South African music industry.

Dear final-year music student

You are hereby invited to participate in a research project aimed at investigating music consumption habits in South Africa to inform musicians about career opportunities by completing a short questionnaire. Your responses will enable me to propose solutions relevant to how young musicians entering the music business can fulfil current music consumer demands.

I therefore ask your participation by completing the attached questionnaire. This questionnaire should take no more than 30 minutes to complete. You will remain anonymous.

The gathered information will be stored digitally for a period of 15 (fifteen) years in the Department of Music of the University of Pretoria. According to the tradition of this type of study, participation is voluntary and no remuneration is offered for contributions made to this research project.

On completion of the project, a summary of the results will be made available to your Department for your use.

It is my sincere hope that this research project will contribute to the successful entry of many young musicians into the music performance industry and that each participant will benefit from the shared knowledge that will be generated.

If you are willing to participate in this study, please sign the letter below as a declaration of your consent before completing the questionnaire attached.

Yours faithfully,

(student)

MARIANNE FEENSTRA

(supervisor)

APPENDIX D

Letter of informed consent

FACULTY OF HUMANITIES
DEPARTMENT of MUSIC

TEL (012) 420-3747 (*Secretary*)
FAX (012) 420-2248



UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

PRETORIA, 0002, SOUTH AFRICA

Participant Informed Consent Form

Researcher: Willem Petrus Jansen van Rensburg

Research Title: A consumer study to inform musicians about career possibilities
in the South African music industry.

I have read the contents of the information sheet. I fully understand its contents. I understand that I have been invited to participate in this study and that my participation is voluntary.

I understand that my participation is anonymous.

Signed _____

Participant Details:

Participant Name: _____

Researcher Signature: _____ Date: _____

Supervisor Signature: _____ Date: _____

APPENDIX E

Questionnaire

FACULTY OF HUMANITIES
DEPARTMENT of MUSIC
TEL (012) 420-3747 (*Secretary*)
FAX (012) 420-2248



UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

PRETORIA, 0002, SOUTH AFRICA

1. What career do you intend following after graduation? Please mark the appropriate block with a tick .

Education	<input type="checkbox"/>
Performing artist	<input type="checkbox"/>
Postgraduate studies	<input type="checkbox"/>
Recording artist	<input type="checkbox"/>
Composer	<input type="checkbox"/>
Other	<input type="checkbox"/>
Please specify	
-
2. Did you receive any career guidance advice during your studies that influenced your career choice?
Yes
No
If yes, please specify
-
3. If you did NOT receive any career guidance advice during your studies, please state what influenced your career choice.
-
4. What information was at your disposal regarding music career choices?
Music journals, books, magazines
Social media
Lecturers
Radio, TV and other media

Electronic sources

Other

Please specify

5. Do you intend following a career as a performing/recording artist?

Yes

No

If you answered YES to question 5, please proceed to question 6.

If you answered NO to question 5, these are all the questions we have for you today. Thank you for your participation in this study.

6. Are you aware of the field of research called consumer behaviour studies?

Yes

No

7. Are you aware that the music industry uses data concerning the way in which consumers access, buy, use and pay for music to decide on which artists to promote?

Yes

No

8. Did you consult any music industry data before deciding on your career as a performing artist?

Yes

No

9. How could music industry data be made easily available to music students? Mark all that you consider to be appropriate.

Blogs

Website

Student counselling services

- Lecturers
- Public presentations
- Journal articles
- Subscriptions to e-newsletters
- Other (please specify)

10. How important is financial success in your chosen career to you?

- Very important
- Moderately important
- Not important

11. If you were given music industry data that could influence your financial success as a performer/recording artist, would this influence your career choices even if it meant compromising your artistic freedom?

- Yes, financial success is essential to one's career
- I will only consider changing if I could have both financial success and artistic freedom
- No, financial success is not as important as artistic freedom

Those are all the questions that we have for you today.
Thank you for your participation in this study.