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Big Business in the Music Business

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Big Business in the Music Business

By Kortney Burton

Like the entirety of the U.S. business world, the music industry is dominated by big businesses. These big businesses, such as the three major record labels, run the music industry and little happens without their hand being behind it and profiting from whatever "it" is. While these labels have been crucial to the success of so many popular artists we hear on the radio today, they have overshadowed the careers of other artists not involved with them through their control of the market. Just as major corporations in all business sectors have over the years continued to buy out small, local businesses and taken away valuable business through mass production, major labels have the effect of reducing opportunity for smaller artists trying to make it in the industry through the majors' mass production of similar-sounding pop artists. By owning so much of the industry, the majors eliminate competition, although such competition can actually be good for a growing business. Because of such practices, many artists may struggle to find an audience for their music, consumers have been brainwashed as to what they view as "good music," and most importantly, the industry continues to be held back from changing with the times.

Today the three major labels are Sony, Universal, and Warner, who collectively own or control 80% of the music out there ("How the Big Four Record Labels Became the Big Three."). They have a monopoly on the recorded music industry that makes it more difficult for an artist to get their music heard if they are not signed to one of these labels. All of these labels have smaller, subsidiary labels that work under them, but in the end, the three major labels are the ones with the power that make the big decisions.

Being signed to a major label is not necessarily a bad thing for the artist; because of the power of labels, an artist signed to them has a much better chance of becoming famous and making a substantial profit. However, as the industry has changed and physical and digital download sales continue to decrease, labels take more and more of their artists' profits in order to stay afloat. In the past decade, this became known as something called the 360 deal. In an article by *NPR's* Tom Cole, in which the president of Gold Village Entertainment, Danny Goldberg, is quoted, Goldberg states, "a 360 deal is not something that has a precise definition. But in general, what it means is usually a deal with a record company in which the record company also participates in the income of all of the other aspects of the artist's work, such as songwriting and merchandise, in addition to making money off the records" ("You Ask, We Answer: What Exactly Is A 360 Deal?"). This is why so many artists today are apprehensive about being signed to a major label; they want to be able to do it on their own so they know where the royalties from the music they create are going. Royalties are money an artist earns from selling their creative work, or income from streams, downloads, etc. Going it alone though, without the support of a major record label, is incredibly difficult because of the monopoly major labels have of the industry.

While major labels obviously have control over the artists that are signed to them, labels also have a certain amount of leverage over music consumers. When major labels distribute most of the music playing on the radio and being sold in stores, the music people are exposed to via these mainstream outlets is limited. Having money and connections is how one makes it in the music industry and this is exactly what major labels have. This is why the popular artists you see today in all media and in retail stores are ones that are signed to one of the three major labels. As for radio's influence on music listeners, Eric Weisbard writes in an *NPR* article, "Radio sold listeners to advertisers, not music to fans, and that meant being pragmatic about the tastes of groups highly defined by age, gender, race and class, not vaunting musical standards" ("Radio, Radio: How Formats Shaped, Splintered And Remade Pop Music"). Because of this, the music played on popular radio stations is about what makes money, not necessarily what is considered "good music" by other established musicians or people working in the industry. Most radio stations focus on pop music, which makes sense because it draws the largest audience.

However, this music is popular because of how it is marketed, not always because of its musicality. Major labels are able to put forth the money to get their artists songs played on the radio as much as possible. Marketing, in all aspects, costs money and that is one thing that the major labels are not lacking in. Music consumers have grown so used to the media being covered with artists signed to these major labels that it could be argued listeners have gotten lazy. In the past people have not always actively looked for new music or less popular artists because they did not have to; they had major labels pushing their own music down their throats. This is not to say that the music coming from these labels is bad, but it reduces exposure for non-major label artists who may have just as much potential. Consumers are merely being led by what is being sold to them.

Although major labels still play a dominant role in the music industry, they are not capable of stopping the business from changing and advancing with the times. In the past five to ten years, artists have actually started to realize that major labels might not be as essential as they were before. Because of technology advancements such as music streaming, artists do not have to go through a label to have their music released on such platforms. In 2018, Spotify, according to an article in the *New York Times*, actually started to make licensing agreements with independent artists and managers ("A New Spotify Initiative Makes the Big Record Labels

Nervous.”). Ben Sisario writes, “Spotify typically pays a record label around 52 percent of the revenue generated by each stream, or play, of a given song. The label, in turn, pays the artist a royalty of anywhere from 15 percent to, in some cases, 50 percent of its cut. By agreeing to a direct licensing deal with Spotify, artists and their representatives are able to keep the whole [label] payout.” For an artist, being able to actually keep the entirety of the label’s share of money earned from streaming, although a small amount per stream, is a big deal. This one step is not going to completely eliminate the need for labels. However, as the industry continues to evolve, signing to a major label could become less of a necessary act.

Overall, the influence that the major labels have on today’s industry does not promote a flexible, long-lasting market. These labels stifle artists’ creativity by influencing them to make music that will make money rather than music that they are passionate about. The labels also influence music customers’ choice in product and could continue to struggle with finding ways to make money as technology keeps advancing. If major labels do not find ways to change how they run their companies, the industry will merely pass them by. Major labels have had tremendous influence over the industry, not always in a negative connotation, but the business world is constantly changing and being flexible is the most important aspect to be able to survive in the new music industry.

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