

# **Establishing a Viable Music Industry in Developing Countries**

## **Background**

One of the most discussed topics in the media, by politicians, by celebrities and the public in general is how to improve the lot of developing countries. In the course of these widespread discussions there is almost never reference to “creative” industries and certainly not to music.

This may seem surprising, given that music is universally recognized for its cultural links with communities as well as its ability to have an emotional impact on people. How many times have you heard someone talk about the “tingle in their spine” feel or that they have been moved to tears by a song. These are well known phenomena. It is surprising therefore that understanding the background to this and also how to use it are usually not well understood by Governments and bureaucrats. Perhaps this is because of the difficulty in controlling or manipulating the art or perhaps it is just because it is too difficult to understand the difference between a popular or hit song and just “another” song. More likely, it is a classic case of not being able to reconcile culture and commerce!

Regardless of the reason, I would argue that it is a worthwhile exercise to take some time and to allocate resources to better understand the dynamics of the worldwide music business. This should include not only the cultural aspects but also the economic role as well as the impact on the introduction of beneficial technology. It is not as if this is an obscure business, or that there are no examples to study. In the case of virtually all of the Asian “tiger” economies, the improvement in their economic prosperity has been paralleled with the introduction and development of a local music industry. In the case of South Korea, for example, a modern music business has existed for about 25 years. Today Korean local music and artists makes up over 65% of local sales. The segment also has active participation from many significant local Korean companies. These factors have, no doubt, played a significant role in propelling Korea to its position today as the world leader in the digital transformation of the music business. The cultural and commercial benefits both direct and indirect have been significant.

It should be noted also that this has been achieved with relatively little or in many cases no Government financing other than the provision of appropriate legal and regulatory frameworks.

The current state of change (or perhaps even chaos) in the worldwide music business has also created a window of opportunity for developing countries which has arisen from a combination of technological and cultural reasons

1. Undoubtedly the introduction of digital transfer of music has significantly altered the barriers to entry for commercial exploitation of music. There are no longer any significant costs with transporting music around the world. The issue most commonly today seen as a barrier is; how do consumers find my music?
2. This fragmentation, along with the changed economic barriers is in the process of ushering in a music market made up of an increasing number of “niches”.
3. Consumers are increasingly looking to “find” new music. The digital environment has dramatically increased availability, but with a side effect of increasing boredom. It has also opened up an almost unlimited range of repertoire – far beyond any physical store and more conveniently packaged i.e. I can buy a song, if I want, rather than the expense of having to buy 10 to 20 songs usually included on an album.

So, as I see it, we have real examples that we can use, we have little or no real investment needed and a window of opportunity. By taking action I could foresee both economic benefits as well as an increased sense of social cohesion and preservation of culture.

What is need to tap into this?

## Actions

1. The most important step is to make the decision that music is important to the development of a country. This usually is for cultural reasons, but up front there needs to be a recognition at a policy level that culture and commerce can and will be reconciled. There also needs to be a commitment to develop an economically independent music sector that will contribute to the countries intellectual capital, economic GNP and culture. Without a deep level of commitment this process will almost certainly be de-railed as it is complex involving many steps. It is also a “creative” process so will involve some failures which must be seen within the overall context and objectives.
2. There needs to be positive actions focused on building a stock of “creative talent”. This should include training and educational programs aimed at building both technical and creative skills. There should also be particular emphasis given to building skills relevant in the digital arena.
3. There needs to be a focus on providing the necessary infrastructure. There are 2 key areas, the **first** requiring the implementation of an adequate copyright structure. This is not just a matter of establishing a legal framework but also ensuring that the necessary administrative structure to

ensure that efficient licensing, collection and distribution is undertaken. Effective copyright also relies heavily on providing adequate resources to ensure that the laws are enforced. Fortunately in these areas there are many precedents for developing countries and many international bodies such as WIPO to assist. As well, both the US and European Governments have resources available to assist in implementation of copyright regimes. The **second** infrastructure area is to enable the provision of adequate digital services. These may be in the form of broadband internet access but more realistically in the initial phases in the mobile space. Developing countries have the opportunity to leapfrog the many phases of development of the more advanced countries (think a “brick” as a mobile handset) and go for a modern digital service.

4. Develop creative “hubs”. These are usually most effective usually when grouped around some sort of relevant creative infrastructure or building. A good example of this is a performing arts centre capable of dealing with various genres of music, from folk to orchestral to rock. In planning this thought should be given to multi use and the creation of a creative community working in close proximity. This will allow for more efficient “multi use” of the physical and digital facilities. It will also facilitate a more rapid learning rate as “experience” (both good and bad) is shared within the community. It also will instill a more vibrant and confident atmosphere which acts as a creative catalyst. Think “Nashville” as an example of a creative community regularly interacting on a formal and informal basis. In this case music is THE major contributor to the City’s economy directly through music sales and indirectly through tourism.

These actions are largely not expensive in a monetary sense; they do however require significant expenditure of “political capital” and strong will. One thing which is commonly misunderstood (deliberately or otherwise)....Creative industries and the music industry in particular are not easily subject to “economies of scale”. It is not how much you invest but rather how wisely you invest. This, I believe works to the significant benefit of developing countries.

### **Outcomes you should expect**

- A rapid uptake in interest in digital infrastructure. After all it is the content that makes the digital environment compelling not the boxes (however well designed and beautiful they may claim to be!) Unless you are Steve Jobs, you will eventually get very bored from looking at a blank iPod!!

- You will attract an inflow of foreign investment in local music artists and infrastructure. This will at a minimum involve international recording and publishing companies. There are NO countries in the world today (developing or otherwise) that have taken most of these actions that have not seen this happen. In fact past case studies have seen the two go hand in hand. This will facilitate the improvement in both the quality and quantity of music produced as well as creating economic opportunities, skills transfer and high value add jobs.
- A positive spin off in neighboring creative industries such as TV production. The interest in music will lead to music video production as well as music based TV programming.
- Any success will not only bring more attention to the country. This will not only have a direct monetary benefit but also have a positive impact on tourism. The NZ upsurge in tourism that resulted from the Lord of the Rings” movies serves as a good example of this.
- As the base of skilled musicians increases, an increased demand for international musicians, producers and other creators to work with them. This may see international artists wanting to work in the country or have local artists travel overseas to work. Either way there are economic and educational benefits.
- An increase in national identity and confidence.

Again none of these outcomes should come as any great surprise to an independent and informed observer. There are many examples which can fairly easily be studied., particularly in Asia over the past 20 or so years.

## **Other Issues**

Surely it is not all that easy, I am sure you are thinking. Also, the skeptics will say that all I am proposing is to transfer an existing unfair and outdated copyright regime. They will also say that this only creates a cultural homogenization as global culture exports (which is usually code for US culture) dominate local creative output.

Well, my response is to look at the facts....has this happened in Korea, Hong Kong or indeed any of the other developing countries in Asia, including here in China! The answer is a resounding no!

However, if you lack the necessary political will or leadership perhaps a few insurance policies (not that I am advocating them), but some of the following may be included as part of the overall package:

- Quotas for radio play for local content are common. Not just in developing countries like Malaysia but also in developed countries such as Australia and Canada. These need to be relevant to the volume of content available but can certainly provide incentives for local recordings.
- Tax incentives for local recordings. Again common in a number of countries, particularly Brazil, for example, which today has a vibrant and diversified local recording industry. How many people have visited Brazil because of song “The Boy from Ipanema”?
- Compulsory use of local musicians or artists to support any international touring act. Again a common requirement in many countries, having the benefit of either adding to the “experience” of local musicians or exposing them in front of larger audiences.

## **Conclusion**

To conclude, let me summarise.

- As a result of the digital revolution taking place in the music business, the fundamental economics of music distribution have changed. This has also led to a fragmentation of the market resulting in increased demand for new, different and niche types of music.
- There are no “economies of scale” in the music business. Arguably the opposite is true. This creates a natural advantage for “new” players, provided they understand and have available the enabling infrastructure.
- This infrastructure is not expensive in monetary terms but does require significant effort and persistence
- International assistance is readily available.
- The benefits are tangible and immediate. They are also fun and
- You can tilt the “playing field” a little to your advantage if need be to help ensure that you get the outcome that you want.
- What is needed is personal vision and an absolute commitment to see the introduction of a viable music industry through the inevitable introductory difficulties. The result I am sure will be seen in both high value add employment as well as a cultural enrichment.