MUSIC CONSUMPTION AND PUBLISHING IN TODAY´S MUSIC INDUSTRY

Music publishing for an independent record label

Kristian Pienimäki

Bachelor’s Thesis
05 2015

Degree Programme in Music and Media Management
School of Business
<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Type of publication</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pienimäki, Kristian</td>
<td>Bachelor’s Thesis</td>
<td>15.05.2015</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pages</th>
<th>Language</th>
<th>Permission for web publication</th>
</tr>
</thead>
<tbody>
<tr>
<td>44 (Appendices 1)</td>
<td>English</td>
<td>(X)</td>
</tr>
</tbody>
</table>

**Title of publication**

**MUSIC CONSUMPTION AND PUBLISHING IN TODAY’S MUSIC INDUSTRY**

Music publishing for an independent record label

**Degree programme**

Degree Programme in Music and Media Management

**Tutor(s)**

MIKKULAINEN, Ilari

**Assigned by**

Meiän Musiikki

**Abstract**

For the last two decades the changes in music technology and music consumption have affected music publishing as well as its viability. Much due to music digitalization and the overall decline in physical sales, the music industry has been forced to re-evaluate the means of publishing. The topic of the thesis is of current interest since the music industry is still in the state of change and new research is important.

The thesis was assigned by an independent record label called Meiän Musiikki. The study aimed to produce coherent data about the current environment of music consumption as well as about the current challenges and opportunities of music publishing specifically for an independent record label. The goal of the thesis was to provide both valid data as well as suggestions for future music publishing.

The research was carried out by studying previously published data as well as conducting semi-structured qualitative interviews. The interviewees were chosen for their experience in the Finnish music industry. The main objective of the interviews was to establish an understanding of the current state of music consumption and to examine important revenue streams in today’s music publishing.

The study showed that music publishing in a physical format was no longer the dominant source of revenue. Although the results of the study indicated that digital publishing was the most viable format there were still developments in minor markets that supported physical publishing. In today’s publishing the success depends on diversifying the revenue streams by using multiple publishing channels with the help of market research as well as making music as much available as possible.

**Keywords**

music consumption, music publishing, Meiän Musiikki, interview,
<table>
<thead>
<tr>
<th>Tekijä(t)</th>
<th>Pienimäki, Kristian</th>
</tr>
</thead>
<tbody>
<tr>
<td>Julkaisun laji</td>
<td>Opinnäytetyö</td>
</tr>
<tr>
<td>Sivumäärä</td>
<td>44 (Liitteet 1 )</td>
</tr>
<tr>
<td>Päivämäärä</td>
<td>15.05.2015</td>
</tr>
<tr>
<td>Julkaisun kieli</td>
<td>englanti</td>
</tr>
<tr>
<td>Verkkojulkaisulupa</td>
<td>myönnetty (X)</td>
</tr>
</tbody>
</table>

**Työn nimi**

**MUSIIKIN KULUTUS SEKÄ KUSTANNUS NYKYSIESSÄ MUSIINKITEOLLISUUDESSA**

Musiikin julkaisu pienlevy-yhtiölle

**Koulutushjelma**

Degree Programme in Music and Media Management

**Työn ohjaaja(t)**

MIIKKULAINEN, Ilari

**Toimeksiantaja(t)**

Meiän Musiikki

**Tiivistelmä**

Viimeisen kahdenkymmenen vuoden aikana muutokset musiikin teknologiassa sekä musiikin kulutuksessa ovat muokanneet musiikin kustannusta sekä sen kannattavuutta. Musiikin digitalisaatio sekä fyysisten julkaisujen vähenevä myynti on osaltaan ajanut musiikkiteollisuuden arvioimaan musiikkikustannusta uudestaan. Opinnäytetyön aihe on ajankohtainen, koska musiikkiteollisuus edelleen muuttuu ja uusi tutkimustyö on tärkeää.

Tämän opinnäytetyön toimeksiantaja oli itsenäinen levy-yhtiö Meiän Musiikki. Tutkimus pyrkii tuottamaan johdonmukaista tietoa niin tämän hetkisestä musiikin kulutuksen ympäristöstä kuin myös ajankohtaisista haasteista ja mahdollisuuksista musiikkikustannuksen saralla erityisesti itsenäiselle levy-yhtiölle. Opinnäytetyön tavoite on tarjota pätevää tietoa sekä ehdotuksia tulevaisuuden musiikkikustannukselle.

Tutkimustyö toteutettiin tutkimalla aiemmin julkaistua tietoa sekä teettämällä puolijäseneltyjä laadullisia haastatteluja. Haastateltavat valittiin heidän alan kokemuksensa perusteella. Haastattelujen päätavoite oli saavuttaa ymmärrys tämänhetkisestä musiikin kulutuksesta sekä kartoittaa tärkeät tulonlähteet nykyajan musiikkikustannuksessa.

Tutkimus osoitti että musiikin julkaisu fyysisessä formaatissa ei enää ollut hallitseva tulonlähde. Vaikkakin tutkimuksen tulokset osoittivat että digitaalinen formaatti oli kannettavin, muutokset pienemmillä markkinoilla tukivat edelleen fyysistä musiikin kustannusta. Nykyajan musiikkikustannuksen menestys on riippuvainen tulolähteiden monipuolistamisesta sekä musiikin saatavuudesta käytävän useita kustannuskanavia markkinatutkimuksen avulla.

**Avainsanat (asiasonat)**

musiikin kulutus, musiikin julkaisu, Meiän Musiikki, haastattelu,

**Muut tiedot**
CONTENTS

1 INTRODUCTION .................................................................................................................. 3

2 THEORETICAL BACKGROUND .......................................................................................... 4

   2.1 Changes of music consumption ..................................................................................... 4
   2.2 Current trends in music consumption ........................................................................... 6
   2.3 Music publishing in the information age ....................................................................... 8
   2.4 The independent markets ............................................................................................. 12

3 METHODS, CASE & OBJECTIVES .................................................................................... 15

   3.1 Methods ...................................................................................................................... 15
   3.2 Case ............................................................................................................................. 19
   3.3 Objectives .................................................................................................................... 20

4 INTERVIEWS ...................................................................................................................... 21

   4.1 The development and current state of music consumption in Finland .................... 21
   4.2 Important factors in current publishing ....................................................................... 23
   4.3 Viability of physical publishing .................................................................................... 26
   4.4 Revenue streams ......................................................................................................... 28

5 FINDINGS .......................................................................................................................... 30

   5.1 State of music consumption in Finland ....................................................................... 30
   5.2 Implementing publishing on the current market ......................................................... 31
   5.3 Viability of physical publishing .................................................................................... 32
   5.4 Important revenue streams for an independent record label ..................................... 33

6 DISCUSSION ....................................................................................................................... 34

   6.1 Current state of music consumption in Finland ......................................................... 34
   6.2 Important revenue streams for an independent label .................................................. 35
6.3 Independent digital publishing .................................................................36

6.4 Independent physical publishing .............................................................37

6.5 Conclusion .................................................................................................37

7 REFERENCES .................................................................................................40

8 APPENDICES .................................................................................................44
1 INTRODUCTION

This thesis studied the changes in music consumption and the ramifications of those changes on the music publishing of an independent record label in Finland. The thesis concentrated on the trends of music consumption, revenue streams, the use of digital publishing platforms and assessing the viability of publishing physical formats. The main focus of the thesis was on studying publishing as well as looking into the revenue streams of the music industry and providing Meïän Musiikki with current data as well as suggestions for future business.

Currently the global recording industry is at a structural breaking point. Since the early 2000’s physical record sales have plummeted on a global level and the current consumption trends seem to favor digital downloads and streaming. Historically, the sale of physical recordings has been one of the corner stones of the music industry’s revenue streams, but since the development of new technology and new trends in music consumption, the value and viability of physical music publishing requires reassessment. New trends in music consumption currently affect the way music is published, and the changes in publishing require updated data so as to secure its viability, which supports the study of the thesis subject.

The author of the thesis had a practical training period at a small Finnish independent record label called Meïän Musiikki in the spring of 2014. The work included the whole spectrum of work in the organization from audio and visual content production to basic logistics and public relations. The idea for the thesis came during the practical training from the realization that most of the music at Meïän Musiikki was still released in a variety of formats from physical CDs, LPs and cassettes to digital downloads and streams. The main question was: Is publishing physical recordings still a viable option? Other related questions were: What role does digital publishing play for an independent record label and what is the most viable source of revenue for an independent record label such as Meïän Musiikki?

Established in 2011 by Matti Salminen and Samppa Rinne, Meïän Musiikki is a small independent record label that currently operates in Helsinki and Lahti, Finland. The main focus of the record label is to continue independently by publishing musical
projects with the hope to expand the operation to a point where it can work on multiple projects at once with stable publishing and promotion outlets. Furthermore, the goal of the record label is to provide its artists with publishing as well as the entire available production work in-house and to ensure its sustainability.

2 THEORETICAL BACKGROUND

2.1 Changes of music consumption

“The first crisis of the recording industry came as early as 1907, when the first dip in sales occurred after years of rapid growth. ... Now the focus in the sale of recorded music is shifting from physical form to files.” (Gronow, 2013, 304-305)

The landscape of the music industry has historically been full on changes brought on by new technology, economic change and innovation. Mass consumption of physical music publications can be dated back to as early as the late 1800’s, when the common economic wellbeing around the western civilization began to affect the consumption of instruments and written music. Although the data is scarce the estimated amount of sold written music is somewhere around a hundred million. (Gronow, 2013, 11.) The domestic consumption of records kept growing for the most of the 1900’s, which is evident from the fact that despite occasional disturbances, the amount of revenue in the U.S music industry did not indicate a definitive decline until the early 2000’s, according to the RIAA, the Recording Industry Association of America (See figure 1) (DeGusta, 2013).
By introducing the CD format in 1982 the music industry expanded to new heights and was a 14.6 billion entity in the late 1990’s (Hull, 2004, 2). After the growth of the 1990’s, the physical music sales started to decline. In the U.S alone in 2009 the sales of recorded music were worth less than a half of the value they were in 1999 (Levine, 2011, 37).

Technological changes brought by the information age made it possible to consume music without the immediate need to pay for it. In August 1999 the peer-to-peer file-sharing platform Napster caused aggravation in both record labels and artists (Hull, 2004, 263). Opposing to the illegal share of music, the information age also brought forth the easy access online digital music providers that focused on legal downloading and music streaming. These digital platforms, such as the iTunes Store established in 2003 and Spotify established in 2008, represent the current model of downloading and streaming music. Since the early 2000’s, much of the music consumption seemed to be shifting away from the traditional physical recording consumption. The biggest change in consumption came with the second generation of consumers who had grown into this new trend of file sharing (Levine, 2011, 54).
2.2 Current trends in music consumption

“Major changes in technology have always had significant effects on this technologically grounded industry.” (Hull, 2004, 266)

Throughout the various developments in the music industry’s history it seems that music consumption is constant, yet the format of the product varies with every new development. The way consumers consume and discover music seems to change along with technology and the economy. For the last decade fast developments in technology have changed the face of the music industry creating the need for up-to-date data. The RIAA and SoundScan began following digital sales in 2004, roughly a year from launching of the iTunes Store (Hutchinson, Macy, & Allen, 2010, 53). In Finland the IFPI Musiikki Tuottajat have followed digital sales since 2005, and according to their data, the sales have nearly doubled every two years since they started collecting data (Musiikin Tuottajat, 2014).

Basing on the Nielsen Entertainment & Billboard’s 2014 mid-year music industry report, it seems that although some older formats, such as vinyl records are reviving their sales, the main trend of music consumption for the future is digital downloading and, most importantly, consumption via streaming (Nielsen Company, 2014). According to the RIAA, in the U.S music streaming amounted to 21 percent of the music industry revenue in 2013 (Friedlander, 2013). According to the IFPI statistics from 2013 (Musiikin Tuottajat, 2014), the numbers of streaming in Finland are not as strong as the figures in the U.S. Nevertheless, Universal Music Finland’s commercial director states that although Finland is behind its Nordic partners, Sweden and Norway, streaming is the future of the entertainment business. Furthermore, he specifies that although streaming services, such as Spotify, have received criticism for their viability it is vital to remember that for new online companies it takes time to produce profit. (Mannonen, 2014.) The streaming technology and techniques are still largely under assessment in some cases. In an article by Rolling Stone, both Warner Music’s chief executive as well as Universal Music’s chairman expressed concerns towards ad-supported on-demand streaming...
and its viability. (Knopper, 2015).

Besides the popularity of streaming, an interesting development in music consumption is the ever-growing importance of social media. According to Soundcloud’s Dave Haynes, the power of discovering new music is currently in the hands of the fans rather than a few record labels, A&R men, radio and TV executives and magazines (Topping, 2010). A resent study initiated by the Finnish collection society Teosto with the co-operation of its Nordic sister organizations Koda and Tono reveals that social media have become a major factor in music consumption. According to the study, 21 percent of the Finnish people use social media as a platform to find new music. Furthermore, between the ages 15 and 25 years 48 percent use social platforms to share their findings in Finland. (Teosto, 2014.)

According to an article by The Telegraph, the emergence of the smartphone technology into the mainstream made the phones an important part of music experience and influenced the way in which media were in general managed. This development is due to the smartphones convenient joining with consumption and discovery. (Bolza, 2013.) Smartphone technology has seemingly established its steady place in music consumption. According to The Nielsen Company, after radio and computers the smartphone is the third most popular appliance in The United States for music consumption, and its status is growing stronger (Nielsen Company, 2014). The popularity of the smartphone has possibly partially affected in the rapid rise of digital wholesale in Finland. According to the IFPI, in Finland digital sales made more than a fourth of all wholesale sales as early as 2012 (Musiikki Tuottajat, 2014).

According to a recent study by The Nielsen Company (2014), radio is still the top platform for music consumption in the U.S with 59 percent of the music consumers using AM/FM or online radio streams for music listening. Stefan Möller states in his recent article that radio is still a popular medium in Finland, but what ultimately affects its future is the youth’s media behavior. Stefan furthermore, states that radio is firstly a content provider, but that the future will focus more on the content of radio personalities. (Möller, 2014.)
2.3 Music publishing in the information age

The music business environment has obviously changed to a great extent in a short amount of time. Nevertheless, one aspect has not changed, and that is the fact that the business still needs revenue in order to survive and stay viable. Due to rapid changes in music consumption, entrepreneurs in the business are beginning to plan their actions accordingly in order to sustain their business. Platforms and formats aside, seemingly the essence of business is still to follow the three income streams of revenue (see figure 2), which can be seen as a depiction of the three streams of cash flow. The model is in the center of music business, and it depicts the three different aspects of utilizing the capital value of a performance. An artist can create economic benefit through: Live appearances, recordings or songwriter’s rights. (Hull, 2004, 20.)

Figure 2: Three income streams model of the recording industry

(Hull, 2004, 24)
According to the Shipment and Revenue Statistics of the RIAA, the most popular physical publishing format in the U.S for music is still the CD. However, CD recordings as formats are losing their popularity at an alarming rate amongst consumers. (Friedlander, 2013.) The declining popularity of CD’s seems to indicate that the format has a seemingly low value, and that the consumers no longer respond to music published in the CD format. In Finland the CD format is still the most popular although its popularity drastically dropped between the years 2006 and 2007 and the same development can be seen today (Musiikki Tuottajat, 2014). In an article published by Yle, the founder of Finnish independent Monsp records Keijo Kiiskinen states that streaming has already taken the CD’s place as the number one format at Monsp (Talvio, 2014).

During the dawn of the 21st century, with the sales of CD records in decline, the transition to total digital music consumption in all markets seemed imminent. However, in the mid 2000’s there was significant rise in the sales of vinyl recordings. In Finland, after twelve years of low sales, the sale of vinyl records has steadily risen since 2007, and in 2013 alone, the market share nearly doubled from the previous year (Musiikki Tuottajat, 2014). Monsp owner Keijo Kiiskinen states that currently vinyl releases are beating CD’s in sales at Monsp, and that half of releases are as well released on cassette (Talvio, 2014). The change in consumption cannot be attributed to one specific cause, but according to Levykauppa Äx owner Jyri Lipponen, one possible explanation for the attraction of vinyl records is their emphasis on art and music as well as the emotional charge that they can induce (Lötjönen, 2014).
Figure 3: The sale of physical records in Finland

![Pie charts showing the sale of physical records in Finland. CD sales increased from 2012 to 2014, while vinyl sales also increased.](image)

(Talvio, 2014)

Similar consumption trends can be observed globally. According to Nielsen Entertainment & Billboard’s 2014 mid-year music industry report, the mid-year sales of LP’s were 40 percent higher in 2014 than in 2013 whereas CD’s where down to almost 20 percent (Nielsen Company, 2014). The newfound excitement in vinyl may be a minor change in the overall consumption, but it is still a trend that seems to influence the market. In certain retail stores in Finland the demand has been actually sufficiently high enough to encourage the selling of record turntables and spare parts (Myöhänen, 2014). Furthermore, the recent infatuation with vinyl records has many of the vinyl manufacturers work overtime due to huge demands and small resources. In some cases in the U.S one company is in charge of supplying 90 percent of the raw vinyl needed in the manufacturing of records. (Shah, 2014.)

Although the volume of CD’s sold in Finland outweigh the LP by a factor of nearly 20, the growth is still promising (see figure 3). The viability of physical publishing still relies on its position as a solid revenue source. According to the data published by IFPI, in Finland the revenues provided by the physical sales no longer trump the digital revenue streams (see figure 4) (Musiikin Tuottajat, 2014). As seen in the statistics, the physical sales have declined since last year whereas the digital sales
have grown ever stronger. Yet, the success and popularity of digital publishing is not directly destroying the physical consumption. In some cases a well-executed free digital release may push the physical release in sales. According to Aly Barchi (2014), the free digital release of the underground hip-hop groups Run the Jewels debut album managed to push the physical sales.

Figure 4: Cumulative sales revenue in Finland 2014

(Musiikkituottajat, 2014)

The value of digital publishing is in its efficiency. According to Geoffrey P. Hull (2004, 257), peer-to-peer file sharing is without much doubt the most efficient method to distribute recording and music in general. Due to its convenience, the music industry generally has begun to embrace digital publishing. As early as 2009, many major distributors already had sites where music could be bought directly from the conglomerate (Hutchinson, Macy, & Allen 2010, 264).

In today’s music consumption the streaming services seem to be the strongest in popularity and growth. According to Bobby Owsinski (2014), the reason behind streaming popularity is the obvious convenience of the format and as the markets develop the industry seems to follow. According to Billboard magazine, the CEO of Warner Music Group disclosed that they had already increased their streaming revenues by 74 percent in 2014 (Peoples, 2014). Seemingly streaming platforms are growing more important and showing that music consumption is not equivalent to music sales. Music sales are declining, but the actual consumption of music is increasing (Hutchinson, Macy, & Allen 2010, 1).
If the consumption trends as well as the market developments stay the course there might be an ever-growing market that benefits from digital sales and streaming affecting global economies. Legal legislation renewals are doing their part in developing digital music publishing. In the EU legislation renewals are currently working for bettering the digital music market and maximizing the convenience for all EU countries (European Conservatives and Reformists Group, 2014). New legislations, such as the forth mentioned, are a clear indicator that current digital music consumption has grown to be an actual force in the European markets.

2.4 The independent markets

When discussing major record labels and independent record labels it is important to make a distinction between the two. Within the last 15 years there has been some changes in the music industry and the differences between major and independent record labels are no longer as absolute as they have been in the past. Independent record labels have co-operated with major record labels and visa-versa. (Christman, 2011.) Nevertheless, for the sake of the study there has to be a distinction made between the two. One definition for an independent record label is that its not owned by a bigger record company or corporation, yet it still may have distribution deals with large conglomerates (Hull, Hutchison & Straser, 2011, 187). No matter what the definition may be it is obvious that independent record labels are making big headway. The advances in technology following by the decline in production costs have paved the way for independent labels. In Finland these developments came to be as well as early as the late 1990´s. (Heikkinen, 2001.)

In the U.S the majority of the music market is divided amongst three major record labels and the independent sector. The biggest major record label to date being Universal Music. (Statista, 2015.) The biggest market share in the U.S belongs to the combined independent sector, which has gained more sales than the major label groups (American Association of Independent Music, 2015). The development in the U.S music markets shares has been favorable towards independent record labels
with a market share steady rising at least 0.5 percent since 2011 (Statista, 2015). The favorable climate for independent record labels has been a reaction to changes in music consumption. The rise of streaming services and the decline of FM radio has created a situation where major record labels hold less control over the markets (Atkinson, 2014). Nevertheless, the power of the independent record labels in the markets comes from their collective amount. The situation for an independent record label individually is less favorable.

As established earlier in the study, the current music market increasingly relies on digital sales and limitedly in physical sales such as vinyl records. Globally the independent record labels amounted to 29.2 percent of all physical sales revenue in the industry in 2014, making it the second biggest in the global market (Music & Copyright’s Blog, 2015). Still independent record labels lack the vast resources of the major record labels, which might result in difficulties when publishing music in physical formats. According to Mike Campbell (2015), the resent rise in vinyl record sales has actually had a negative effect on the independent record labels. The limited amount of vinyl pressing plants and the increasing demand for vinyl records has created a bottleneck in the production. Huge demands and low resources in the pressing plants cause severe delaying in the independent record label’s releases and prioritizing on the bigger major record label orders. (Campbell, 2015.)

For both independent and major record labels, the importance of digital publishing and distribution seems to be a key factor in success. Online streaming services have established their ground in today’s music consumption with service providers, such as Spotify, which has grown to be the most used music streaming service in Finland (Hiltunen, Jokinen, Kaira, 2014, 4). However, it is hard to observe whether the major record labels benefits from sites such as Spotify are necessarily align with the benefits for an independent record label due to transparency. In an article published by The New Yorker, it is stated that Spotify’s payouts for independent record labels and music distributors are more open to the public compared to the business conducted with major record labels. Furthermore, according to The New Yorker, the original licensing agreements between Spotify and the major record labels are kept under a nondisclosure agreement, which makes it more difficult make the comparison between the two. (Seabrook, 2014.) According to Markus Nordenstregn
(2015), the main fault in Spotify’s revenue division is that it does not reflect consumer behavior, meaning *user centric*, instead it divides the revenue based on general amount of streamings, meaning *pro-rata* (see figure 5). The reason why Spotify operates like that is most likely for the benefit of the three major labels that own their share of Spotify, says Markus (Nordenstreng, 2015).

**Figure 5: User centric vs pro-rata**

![User centric vs pro-rata diagram](image)

Service providers, such as Spotify, are not the only digital publishing channels for Finnish independent record labels and new service providers, such as YouTube Music Key, are creating competition on today’s market (Hiltunen, Jokinen, Kaira 2014, 4). Finland is one of the seven countries where YouTube Music Key is released in. The new streaming service works on monthly payments and is the prime challenger for Spotify. (Jokelainen, 2014.) The question for independent labels in Finland is: Will the
money be dealt pro-rata or user centric? Actions to secure fair trade in the digital publishing markets have surfaced in the last few years, such as the: *Labels fair deal declaration* (Worldwide Independent Network, 2014). According to Rolling Stone, over 700 independent record labels have signed the declaration to ensure: transparency in royalty statements, accounting for upfront money not related to the music sales, fair standards for digital music services, support for independent record labels and support for artists who are against unauthorized use of their music (Grow, 2014).

### 3 METHODS, CASE & OBJECTIVES

This part of the thesis elaborates on the methods, case and objectives of the study. Both the methods used as well as the intent behind them are specified in the methods section. Next, this part introduces the case as well as discusses the importance of the topic. Lastly, the objectives of the study are presented. The objectives include a breakdown of the overall intent of the study as well as a point-by-point division of the specific objectives.

#### 3.1 Methods

The structure of the study followed three stages: collection of previously published data, collection of new data by using interviews and the authors’ analysis. The initial step studying the subject was to collect previously published data from various sources and compile them into the theoretical background. The second step in the study was to collect data from industry professionals and independent record label entrepreneurs via interviews. Since most of the data already available was either outdated or directed towards the global music market and major record labels, the main emphasis of the study was the data acquired in the interviews. The last step in the study was to assemble the previously published information as well as the results
of the interviews and analyze the two and reach a coherent analysis of the current situation for Meiän Musiikki.

Based on the *research onion* (see figure 6) the present study is an interpretivistic approach to inductive research. For a study that involves people and their behavior with-in markets, rather than inanimate objects, the best course of action is to use the interpretivistic approach (Saunders, Lewis, & Thornhill, 2008, 116). Furthermore, the study was conducted as inductive research where the theory is constructed at the end of the research process rather than building the study on a premise that will be either disproven or proven. Furthermore, when emphasizing qualitative data collection rather than quantitative, the more suitable approach for research is inductive. (Saunders, Lewis, & Thornhill, 2008, 125-127.) The thesis used the grounded theory method by first collecting previously published data without an initial theory to prove or disprove and later building on observations (Saunders, Lewis, & Thornhill, 2008, 149).

Figure 6: research onion

![Research Onion Diagram](Saunders, Lewis, & Thornhill, 2008, 108)
According to *Research Methods for Business Students* (Saunders, Lewis, & Thornhill, 2008), the main difference between a qualitative data collection and quantitative data collection is in the nature of the data. In quantitative research the meaning is expressed numerically whereas in qualitative the meaning comes from verbal expressions. Furthermore, in qualitative research the key element of collecting the data is the conceptualization, whereas in the quantitative research the key element is analysis in terms of statistics and diagrams. (Saunders, Lewis, & Thornhill, 2008, 482.) The use of a qualitative data collection method was vital for the study since the study relied heavily on interview-based data. The primary data collection method used in the study was a qualitative data collection since the observations and results most heavily relied on the outcome of the interviews. However, as a whole, the thesis used a mixed methodology by using both methods, but not combining them (Saunders, Lewis, & Thornhill, 2008, 152). Although the thesis acknowledged historical events and discussed developments through decades, the main objective was to study the current events rather than long-term changes, which made the study a cross-sectional study (Saunders, Lewis & Thornhill, 2008, 155).

According to Irwing Seidman (2013, 13), interviewing is the most coherent method of extracting meaning through language due to people’s understanding of language. This is an important factor since, a great deal of the vital information concerning the independent music industry in Finland seems to be in experience rather than written sources. The use of interviews was a conscious decision since it was the most suitable technique for acquiring specialized data from the industry. The author of the thesis planned the structure of the interviews and conducted the interviews during the course of the writing process. Due to the nature of the thesis the structure of the interviews was a qualitative research interview i.e. a semi-structured interview. The use of a semi-structured interview was to ensure a natural flow of the conversation and to provide the possibility to add new questions during the course of the interview. (Saunders, Lewis, & Thornhill, 2008, 320.)

The questions to which all interviews are based on, but not bound by, can be found in the appendices. The full interviews, including one text file and three MP3-files, are accessible upon request from the author. The interviewees were chosen for their
experience as well as their expertise in the independent music field. Each interview was conducted face to face in the location best suited for the interviewee except for the interview with Antti Valkama, which was conducted via email exchange. The interviewees chosen for the thesis were Mikko Kuoppala, Miika Särmäkari, Matti Salminen and Antti Valkama.

**Mikko Kuoppala** is a Finnish hip-hop artist and an entrepreneur who currently works as a label manager for Johanna Kustannus, a subsidiary of Universal Music. He started his musical career as an independent artist in early 2000 and got his first recording deal in 2006 from the Finnish independent record label Monsp Records. He created and co-founded the artist-booking agency Ramin Välitys in 2009 and an online music and merchandise store Katin Tavara in 2010. Furthermore, he founded his own independent record label Yellowmic in 2008. In 2012 his band Teflon Brothers got a recording deal from Universal Music, which eventually led him to his job as the label manager at Johannan Kustannus in 2013.

**Miika Särmäkari** is a Finnish hip-hop artist who has worked in various fields of the media industry. He began his artist work in the late 1990’s. Initially he worked with private press and smaller independent record labels, but later got signed to Monsp Records. During his career he has worked with his own record label Rutilus Records, conducted music workshops as well as worked with independent artist booking. Furthermore, he has worked for the multimedia company Basso Media and in 2010 he was made the head editor of Basso Magazine. Currently he is working in exporting Finnish music in Music Finland.

**Matti Salminen** is a Finnish hip-hop artist and entrepreneur who currently works on multiple music projects as well as co-runs the independent record label Meiän Musiikki. His previous work includes running a small independent record label Hella Records as well as working for multiple independent record labels such as Monsp Records and 3rd Rail Records.

**Antti Valkama** is the customer manager at the Finnish Composers´ Copyright Society Teosto who currently works with various startup companies and music
consumption based clients. His main area of responsibility is to provide tailor-made solutions for clients on matters such as licensing, usage of music online as well as advice in the publishing of music for IP-right holders. (* Valkamas interview includes additional research by Turo Pekari who is currently working as a researcher for the Finnish Composers’ Copyright Society Teosto.)

3.2 Case

The changes in music consumption have affected the whole global music industry. Changes in revenue streams affect profits, which ultimately can affect how publishing is conducted. For an independent music publisher important questions are: What exactly is the change in consumption? Furthermore, an important question is: How it affects business and how to adjust to the situation? Most of the current data available is directed at the major U.S market and the available research data for the independent market in Finland is scarce.

As the current situation furthers there are possible benefits as well as pitfalls in the new developments in both music consumption as well as music publishing, which is why the study is relevant for the client. In the author’s opinion currently the problem in music publication is finding a viable format and/or platform, which supports the business model and strategy of the publisher. A company, such as Meiän Musiikki, where the main business focus is total independency in publishing will gain practical benefits from the data presented in the study.

With the new trends in music consumption the study of both physical and digital consumption is vital. The resent changes in physical music consumption have brought down the dominant CD-format whilst partially reviving the LP-format. Much of today’s music consumption is based on digital platforms with most of the consumption happening via streaming. However, much of the benefits of streaming platforms seem to benefit the major record labels more than the independent record labels. Both structural changes in revenue collecting as well as new consumption
trends support the need for specific current data, which supports the subject of the thesis.

3.3 Objectives

Due to the nature of the subject matter and the availability of published data the thesis addresses the situation of the global music industry and the overall development of consumption. However, the main focus was to study the market environment for a Finnish independent record label and produce a study that would ultimately benefit Meiän Musiikki. Since much of the current pre-published data available mostly concerns major record labels and the music industry on a global or U.S based level, and data for independent artists and record labels is scarce, one of the main goals was to provide customized data of the independent music markets in Finland. The main objective of the interviews was to explore the current business environment and to establish how to sustain Meiän Musiikki’s business viability for the future. Furthermore, the objective for the thesis is to answer to the following questions:

1. What is the development and current state of music consumption in Finland?

2. Considering the current consumption trends, what are the important factors for implementing digital publishing for an independent record label?

3. What is the viability of physical publishing?

4. Considering revenue streams, what are the most important platforms for an independent record label?
4 INTERVIEWS

4.1 The development and current state of music consumption in Finland

Many of the same points were made in the interviews that supported the data presented in the theoretical background. Kuoppala pointed out that the big breaking point in consumption seemed to have come in the early 2000’s when technological advantages paved the way for easier music reproduction, which then deflated the value of the physical recording. Furthermore, with the rise of the Internet the peer-to-peer file sharing created a rapid shift in the consumption trends. When the markets were presented with a free alternative approach to music consumption the trends followed the development and in doing so affected the sale of music.

“2000-luvun alussa tuli nää tallentimet. Elikkä sitä ennen CD oli ollu niinku vinyyli tai joku tällänen. Sä et voi ite tehä sitä niin sillon se tuntuu joltaan arvokkaalta tulevaisuuden laser diskiltä, mut heti kun sää pystyt tekee siitä tuli sellanen helppo ja halpa vaan sisältöä sisältävä muovi lätä. Sit samaan aikaan internet nopeutu ja keitty ja ekat viis vuotta se lataus vaan paheni ja paheni.” (In the early 2000’s came the recorders. So before that CD’s were as vinyl or something like that. You cannot make one by yourself, so it feels like a valuable future laser disk, but as soon as you could make one your self it became an easy and cheap plastic plate that contains some content. During that also the Internet became faster and more developed and the first five years the downloading just got worse and worse.) (Kuoppala, 2014.)

The global developments can be seen to coincide with the developments in Finland. The major changes in consumption have taken place between the formats, which has forced the music industry to re-evaluate publishing. Salminen underlined how much the new trends in consumption had changed the way that music was produced today.

“Suurinpia muutoksia oli tää CD-myynnin täydellinen romahdaminen. Kehnoakin levyä olis varmaan menny muutama tuhat sillon aikoinaan.”
Nykyään tonnia ei riko kovinkaan moni.” (One of the biggest changes was the total collapse in CD sales. Back in the day even a poor record could sell over a thousand. Nowadays not many can even break the one thousand mark.) (Salminen, 2015)

Since the initial confusion caused by the digitalization of the media and music the development of music consumption seems to be finally taking shape. Särmäkari stated that music consumption had changed to a great extent and that the convenience and affordability of many digital platforms had become the driving values in music consumption.

“Luulen et jos X-määrä nuoria musiikinkuluttajia sais päätää ne kuulis uudet biisit varmaan mielellään suoraan jostain suosikki artistinsa instagram-profiilista painamalla playtä. Tavallaan mahollisimman helpon käyttöksen läpi.” (I think if an X-number of young music consumers could have their say they would probably gladly listen to new songs directly from their favorite artist’s Instagram page by pressing play. In a way through the easiest possible user interface.) (Särmäkari, 2014)

These resent developments affect the structure of music business as well as how the business should be conducted in order to stay afloat. Särmäkari stated that there were still differences in trends between the national markets in Europe. In some markets, such as Germany, much of the consumption still supports the physical formats while the situation in some Nordic countries seems to be turning towards digital consumption. In Finland, much like in Sweden, the consumption is moving towards streaming where the main emphasis is on single songs as opposed to a whole album.

“Eri alueilla on tosi paljon eroja. Esimerkiks Saksassa myydään tosi paljon fyysistä äänitettä. ... Ruotsissa se streamaus on niin suositut että se alkaa vaikuttaa jo siihen miten livejä suunnitellaan. ... Suomi on enemmän siinä Ruotsin jengissä. Kyllä sen fyysinen myynti on todella dramaattisesti laskussa.” (In different areas there are a lot of differences. For an example in Germany they still sell a lot of physical recordings. ... In Sweden streaming is so popular that it has begun to affect the way they plan live performances. ...
Finland is in the same boat as Sweden. Its physical sales are really dramatically declining.) (Särmäkari, 2014)

The markets are not completely homogeneous although much of music consumption is moving towards digital downloading and streaming. In Europe alone the differences between areas and provinces can affect how music is consumed, but importantly in Finland there have been developments in consumption between musical genres alone. Kuoppala stated that the differences between genres were often differences in consumer profiles and target groups. Different target groups can vary in different age demographics, which can affect the format in which the music is consumed. An important factor in establishing a viable market is pin pointing the genre which the artist or record label is generally associated with.

“Koko ajan ku siirrytään pois fyysisestä myynnistä se tapahtuu kohderyhmittäin kuitenkin, käyttäjäryhmittäin. … Mistä artistin tulonmuodostus tulee riippuu ihan täysin siitä genrestä ja kohderyhmästä.” (Constantly when moving away from the physical sale it happens still in target groups, in user groups. … Where an artist establishes he´s or her income formation is dependent on its genre and target group.) (Kuoppala, 2014)

### 4.2 Important factors in current publishing

In todays publishing Särmäkari sees that it is crucial to make the music available, which means that the digital platforms are utilized resourcefully.

“Kyllä se on vaan niin että ne digitaaliset kanavat on järkeviä ja se et ne biisit on saatavilla. Se on se pointti.” (That it is digital channels are sensible as well as having the songs available. That’s the point.) (Särmäkari, 2014)

The developments in music consumption have created new ways of providing content as well as new techniques to benefit from non-physical formats yet there are still challenges for the future especially for independent record labels. According to Salminen, although there have been improvements in the development of digital
content distribution the changes come slow and do not affect the independent record labels as it affects the major record labels.

“Nyt aletaan olla jo siinä et sitä musiikkia saa ilmasiksa jo niinku luvallisestikin ja nyt pitäis keksiä miten siitä saa joku rahaa muuten ku ne samat labelit jotka sen Spotfin omistaa.” (Now that we are in the situation where you can have music for free with permission there should be a way to have it make money to more than just the labels that own Spotify.) (Salminen, 2015)

Valkama saw the potential on both digital and physical publishing and stated that the best possible solution is a possible combination of both. Physical publishing may benefit a small fan base but the benefits of digital publishing lie in its approachability.

“Sanoisin, että paras julkaisumuoto on jonkinlainen kombinaatio fyysisestä ja digitaalisesta maailmasta. Pelkkä fyysinen julkaisu palvelee varmasti pienempää fanikuntaa, mutta digitaalisissa palveluissa esillä olo varmasti madaltaa uusien potentialisten kuuntelijoiden kynnystä tutustua ko. julkaisuun.” (I would say that the best form of publishing is a some what combination of physical as well as the digital world. Strictly physical publishing best serves a smaller fan base, but digital exposure definitely lowers the threshold for new potential listeners to get to know the publication.) (Valkama, 2015)

Besides the actual formats themselves Kuoppala stated that an important angle to publishing is the importance of marketing research behind the activity. The publisher’s asset is an all ready established network that can better the situation to the artists benefit.

“Kohderyhmä ajattelu pitää olla julkaisijalla hallussa. ... Markkinointi käsitetään tosi yksisuuntasena. Se on mainostusta ja sillein osta osta osta vaikka se on levy-yhtiölle nimenomaan rakenteellista.” (The publisher needs to have target group thinking covered. Marketing is understood as one sided. It is advertising like buy buy buy although for a record label it is espacially structural.) (Kuoppala, 2014)
Kuoppala, Valkama and Särmäkari all agreed that in Finland radio is still an important ingredient in the current music industry. Kuoppala stated that as a source of revenue radio is mostly tailored for major record labels and popular music. For an independent record label the biggest channels and major radio play is not the most viable action. Särmäkari believed in the power of radio as a medium. However, in Finnish hip-hop in many cases the ability of radio as a medium may differ according to the goals. Valkama stated that the digitalization of music consumption has not diminished the popularity of radio, which is due to its editorial content as well as its ability to adapt to digital platforms.

“Suomessa kuunnellaan todella paljon suomalaista suomen kielistä musaa. Sit Suomessa kuunnellaan tosi paljon radioita. ... Siinä mielessä ei itsenäisen ei kannata liikaa alkaa tavottelee sitä koska se on tasapäistä vähän se koko radio maailma jos sää rupeet menee sinne indie levy-yhtiöönä se menettää koko sen integriteetin jos ne rupee tekee radio matskuu radioiden takiin.” (In Finland the amount of Finnish music listened in Finnish is high. In Finland radio is really popular. ... As an independent record label it’s not viable to go after it because the music is flat and to make radio music for radios may cost you your integrity.) (Kuoppala, 2014)

“Radio on tosi vahva. YleX on yks semmonen portinvartija joka on ominu esimo ton koko suomi-räp skenen todella hienosti. ... Mä uskon radion kykyyn tehä hittejä yhä edelleen tietysää mittakaavassa, mutta se riippuu tietysti vähän tavotteista.” (Radio is really strong. YleX is one of the gatekeepers who has taken the whole Finnish rap scene really well for an example. ... I still belive in the radios power to make hits in a certain scale, but it depends on the goals.) (Särmäkari, 2014)

“Digitaalisten musiikkialveluiden suosio ei ole vähentänyt radion kuuntelu ja itse uskoisin, että toimituksessille sisällöle on aina markkinansa. Digitaalisuuden myötä perinteisestä radion kuuntelusta osa on siirtynyt verkon puolelle.” (The popularity of digital music providers has not decreased radios popularity and I myself would believe that there always is a market for
editorial content. Due to digitalization some of the traditional listeners have switch to online radio.) (Valkama, 2015)

4.3 Viability of physical publishing

Kuoppala specified that at least on a major scale much of the sale in physical recordings is less and less viable. Specifically for many artists physical publishing of their music is less reliable, which means that on a major scale the ones gaining support for physical publishing are the ones that can deliver the needed sales numbers. For an independent record label the situation is more vague, but the developments seems to be similar.

“Niiden voluumi on jo tippunu sen kriittisen rajan yli että semmosta levyvalikoimaan kannattais kenenkään pitää esillä. ... Tällä hetkellä se on menny siihen että se on kaventunut se kärki niin paljon että sun ei kannata pitää niitä vähemmän myyviä levyjä koska taas päästään siihen että ne isommat myy niin paljon enemmän. ... Pienlevy-yhtiölle tilanne on vielä tosin niinku auki.” (Their volume has already dropped over the critical line so that a record collection like that should be displayed any more. ... At the moment it has come to it where the top has shrunk so much it is not viable to keep the ones that sale less because the ones that sell more sell so much more ... For small record labels the situation is still open.) (Kuoppala, 2014)

Valkama stated that physical publishing is faced with disadvantages when considering the distribution. In comparison digital publishing require less financial backing where as in physical publishing the risks are higher and the need for accurate sales predictions is key.

“Digitaalisen julkaisun etuna ovat sen alhaiset jakelukustannukset verrattuna fyysiseen julkaisuun. Fyysisellä puolella pitäisi myös olla tarkkaan ennustettuna myyntimääät, jotta tallennuskorvaukset ja kopioravaukset eivät sitoudu hyllyillä pölyttyviin levyihin.” (In comparison to physical
publishing the advantages of digital publishing are its low distribution costs. 
On the physical side there should also be precisely predicted sale numbers in 
order recording compensations as well as copy compensation are not tied to 
records gathering dust on the shelves. ) (Valkama, 2015)

Särmäkari stated that the current situation has affected the nature of the music 
publishing business. Companies that use to be able to take risks in publishing are 
forced to rethink their actions. Särmäkari stated bluntly that physical publishing 
today is not cost efficient.

“Ei se oo kannattavaa tällä hetkellä kustannusrakenteen puolesta.” (From an 
expenditure structure point of view, it is not viable.) (Särmäkari, 2014)

Furthermore, Särmäkari elaborated that for future and present businesses the means 
to do business with physical formats could be conducted more cost efficiently. 
Särmäkari stated that differences in music consumption with in genres can differ and 
that alternative means of funding the physical publishing, such as crowd funding, 
might be one specific way to conduct physical publishing with viable results.

“Fyysisen julkasun vahvuudet voi olla hyvin genrekohtasta. ... Ekologisesta 
näkökulmasta niin varmaan joku tollanen joukkurahotus mekanikka vois olla 
ihan paras tapa.” (The strengths of physical publishing can be genre specific. ... 
From an ecologic point of view crowd funding can be the best way to conduct 
it.) (Särmäkari, 2014)

According to Salminen, some of the physical publishing is still possible, but it is not 
always viable. Although digital publishing seems to be the number one format the 
physical publishing still might satisfy a certain need or at least support the digital 
sales.

“Tässä toiminassa on yllättävän hyväks osottautunu digimyynti. Vinyylit 
vaikka myy kaikki se plussa on aika laiha. CD:issä taas pystyy tekemään 
enemmän voittoa mutta niitä myydään niin vähän. Digitaalinen julkasu on 
hyvä kuhan tutkii kuinka paljon muut formaatit tukee sitä digiä.” (In this field 
of work digital sales have proven to be good. Vinyl’s although you sell all the 
profit is rather slim. CD’s can bring more profit but they sell so little. Digital
**publishing is good as long as you study how much the other formats are supporting it.** (Salminen, 2015)

### 4.4 Revenue streams

Kuoppala stated that in order for an independent record label to gain revenue in the current industry the key factor is in understanding the strengths of the company. Kuoppala pointed out that major record labels take on a 360° angle on their artists where the idea is to focus on as many aspects of the artists career as possible. Kuoppala still saw opportunities in artist development in an independent record label. An important viewpoint is to look at artist as a whole in stead through a singular channel.

“Tietyllä tavalla se että jos sulla on joku alue mitä sä tunnet hyvin, niin sun kannattaa yrittää ottaa se mahollisimman laajasti haltuun. Ajatella sitä artistia kokonaisuutena.” (In a ceraint way if you have an area that you know well then you should try to take it over as much as you can. To think about the artist as a whole.) (Kuoppala, 2014)

Salminen stated that on the ground level the most important stream of revenue surely comes from live appearances which is why the record labels are more interested in capitalizing on live shows as well as merchandising.

“Artistille tänä päivänä keikkailu on tärkein ja ku levyjä ostetaan vähän halutaan päästä osingoille keikoista ja merchandiseistä että siinä olis ees jotain pientä järkeää.” (For an artist gigs are most important and because album sales are down labels want to get in on it as well as the merchandises to make it sensible.) (Salminen, 2015)

According to Salminen, the best-case scenario for an independent record label is to utilize the channels that are available. Furthermore, Salminen stated that releasing new music works mainly as a tool to promote the artist and not to necessarily cash in on the product directly.
“Kyllä se täytyy olla siinä kokonaisuudessa se tienesti nykyään. Sä teet levyn joka mainostaa sitä artistia joka saa siitä keikkoja. Jos haluu tehdä tuloa on pakko ottaa myös haltuun nuo keikka jutut kans.” (The revenue has to come from the whole spectrum today. You make a record that promotes the artist and gets shows. If you want to make profit you have to include live appearances as well.) (Salminen, 2015)

Särmäkari focused his views on revenues streams on the bigger picture. He stated for an independent record label the amount of many small revenue streams can add up to an important sum. Since the structure of the business has changed the outlook should be in the large spectrum of revenue streams in the business as opposed to a singular important revenue stream.

“Luulen että sellasen yksityisen toimijan suurin mahollisuus on siinä kaikkien pienien purojen ymmärtämisessä ja opiskelussa ja optimoimisessa koko ajan. Miten voin saada vielä paremman plus minus nollan näsitä oheistuotteista ja kustannusoikeuksista?” (I think for an independent operative the biggest opportunity is in understanding all the small streams and studying them and optimizing them constantly. How can I get a better turnover from these merchandises and copyrights?) (Särmäkari, 2014)

According to Särmäkari, an important factor for a record label is its brand. Since the brand is a highly moldable entity its variety of uses should not go unexplored. He further specified the importance of a brand in everything from recordings to merchandising. By understanding you strengths as a brand can help you provide a bigger variety of services in the developing industry.

“Brändi voi olla niin muovautuva nykyään. Meiän Musiikki voi olla musiikkidäätte mutta voi myös olla räppi-workshopi, Meiän Musiikki voi olla t-paita. Toimialan tarpeiden ymmärtäminen tota kautta mitä palveluja se voi tarjota ois järkevää.” (A brand can be so flexible today. Meiän Musiikki can be a music recording but it can also be a rap workshop, Meiän Musiikki can be a t-shirt. Understanding the needs of the industry through that what services it can provide would be wise.) (Särmäkari, 2014)
5 FINDINGS

5.1 State of music consumption in Finland

By studying the interviews it was possible to gather a general understanding of the state of music consumption in Finland. It seems that on a global scale music consumption is moving rapidly towards a general market that relies on streaming and digital downloads. Although the market is not yet fully dependent on the digital sales in Finland, the development seems to be moving towards a similar path that the global markets are moving and generally on the publishing level trends seem to concentrate most heavily on digital platforms.

The physical consumption of music has decreased immensely as the consumers seem to move towards digital consumption. However, CDs hold their place as the number one physical format, yet the overall drop in sales and the rate in which the markets decrease seems to indicate that the CD is not on a strong foundation. Overall the development of consumption seems to partially favor vinyl records in Finland. Nevertheless, it is far too early to declare the faith of the vinyl record just yet. Nevertheless, the markets seem to favor convenience in consumption, which means that the cheapest fastest way to acquire music possibly stays dominant. Seemingly digital channels in music consumption are not only gaining more relevance they are developing to cater to the majority of Finnish consumption. Nevertheless, they are not the only viable revenue sources as long as physical sales hold their place.

According to the interviews with Särmäkari, Kuoppala and Valkama, traditional radio still is a valid medium through which music is consumed in Finland. It seems that generally the radio market in Finland is stable and developing with the new technologies and trends. For an independent record label in Finland the radio is both an opportunity as well as a possible divider. Considering the statement made by Kuoppala, for independent artists the radio may pose a problem since much of the music in major radio station playlists is not by definition always compatible with the goals of alternative music. Still considering the point made by Särmäkari the value of
radio seems to still be an important factor in consumers discovering new music and boosting notoriety especially in hip-hop.

5.2 Implementing publishing on the current market

An important aspect of current music publishing seems to be the use of various platforms and formats that allow the consumer to gain diverse access to the music. The statements made by Särmäkari and Valkama, seem to suggest that digital presence; as well as social media presence is a vital factor in breaking new music. Basing on the statements made by Kuoppala, especially todays publishing should rely heavily on market research and marketing. Points made by Särmäkari and Kuoppala, both point to that the key aspect in todays publishing seems to be knowing what your markets need and focusing on providing them with it with the maximum amount of convenience.

As states earlier, digital music consumption is still gaining more popularity amongst consumers. However, in many cases digital downloading is in decline. The most viable form of digital publishing seems to be publishing music through streaming services. Music streaming exploits to the growing need to access music easily and via numerous devices. However according to Salminen, independent record labels do not benefit from the model of payouts in most music streaming services. The music streaming services seem to favor the major record labels that are often shareowners of the service.

An important course of action in publishing seems to be in a widespread supply of music publications rather than blindly focusing on just one. Furthermore, an important factor in todays publishing in all markets is limiting unwanted risks. According to Särmäkari, for some smaller markets a wise approach towards publishing would be crowd funding. Due to the rapid changes in the music consumption trends and the lack of big corporate budgets, the independent music markets are highly risky. An important factor in the current music publishing is the
market search, which can possibly point the record label towards the most viable format of publishing as well as form a realistic image of the market and drastically reduce the risks of publishing.

5.3 Viability of physical publishing

Basing on the interviews it seems that generally speaking physical publishing is not viable as a sustainable business plan. The biggest problem in current physical publishing is the amount of money, effort and time that it takes to make a radically smaller amount of revenue than in the past. Although physical publishing may still hold certain specific values its main issue, when discussing its viability, is in the revenue streams. The risk that a publisher takes with physical formats is far greater than in digital formats and the means to a successful publishing is somewhere in cutting back those risks. Due to the fact that across genres there are differences in consumption, the biggest task in physical publishing is the market research as well as finding new techniques of financing the costs. According to Särmäkari and Kuoppala, in the current market where now more than ever the physical sales numbers are dependent on the genre, target group and niche audiences still dedicated in buying physical recordings, the market research and well-executed digital publishing seems to be the key in making the physical publishing viable.

The success of physical music publishing has been the revival of the vinyl records. However, for an independent label publishing in vinyl can result to be an overly high risk situation. According to Salminen, to its benefit the CD format is cheap to produce, which means it is far less risky as pressing vinyl records. Even on a major record label level physical publishing is less and less frequently used due to its risk. According to Valkama, major upside for digital publishing is its low distribution costs, which translates to a major downside to physical publishing.
5.4 Important revenue streams for an independent record label

The three income streams of revenue mostly seem to hold up as the dividers of revenue, but the balance of the three has shifted. The record industry, despite the marginal rise in the sell of vinyl records, has taken a much smaller role in the music market in the past few years, which has affected the revenue collection. An important factor in collecting revenue for an independent record label today seems to be in in-house diversity. According to the interviewees Kuoppala and Särmäkari, the key in maximizing the revenue streams is in understanding the record labels strength and possible services it might provide as well as creating a strong brand.

According to the interview with Salminen, it seems that despite early unwillingness from all major record labels there has been developments in capitalizing on digital downloading and streaming. However, as stated earlier the independent record labels do not seem to gain as much from it than the major record labels. This may to be due to the differences in possible licensing agreements or payouts. Furthermore, for independent record labels the pro-rata style of revenue division does not reflect the music consumer’s activity fairly.

Since the main focus of music consumption seems to be shifting away from physical consumption and the platforms for digital consumption are not yet as viable the focus should be in maximizing the possible alternative revenue streams. For an independent record label merchandising as well as commissions from live performing could direct some of the revenue flow back to the label. As Salminen pointed out in the interview, whether publishing is conducted through digital or physical the products main goal can be seen also as a promotional tool. Well-executed publishing can amount to well paid live performances, which possibly can create an important stream of revenue if utilized.
6 DISCUSSION

For an independent record label, such as Meiän Musiikki, that seeks moderate growth in publishing whilst maintaining self-sufficiency in its business, the current state of the music industry provides both opportunities and challenges. Although the independent markets in Finland are not as versatile as the global markets, there are divers music publishing possibilities available in Finland. Basing on the previously published data as well as the qualitative interviews the author was able to produce a take on the current state of music publishing and the revenue streams for a Finnish independent record label.

6.1 Current state of music consumption in Finland

The rapid change from a physical medium mainly to digital platforms and formats has left the global as well as the domestic music industry in a downturn. Both the major as well as the independent record labels have seen the affects of the current music consumption trends, as the physical sales decline and the profits from digital consumption are yet to be fully utilized. Consumers seem to prefer easy access online steaming platforms and generally the digital consumption of music is steadily rising in Finland. The importance of music streaming is undeniable. The music consumption in Finland seems to move towards a similar development as the markets in Sweden. Furthermore, a substantial portion of Finnish consumers share and discover music through social media and generally smartphones have become an important part of experiencing music since they conveniently combine music consumption with music discovery. As stated throughout the study, currently digital music consumption is dominant. Even with physical releases, an extensive online support with digital releases seem to be a major factor that can ultimately support the physical publishing as well.

With the current state of consumption leaning towards digital formats there still is a market for physical formats. On average it seems that consumers do not respond to music published in CDs and statistically LP sales have shown to produce rapidly
growing numbers. Although partly the declining popularity of CDs has boosted the LP’s market share in comparison, the overall consumption of vinyl records has shown that there still is a market for vinyl albeit small.

Contrary to the author’s preconceived notions, today’s music consumers seem to respond well to radio. From an independent music publishing standpoint the importance of radio is rather twofold. The popularity of radio creates possibilities for both independent and major record labels, yet a part of a few exceptions mostly the radio playlists are dominated by major record label artists with the biggest marketing behind them. Due to the changes in consumption and technology, a part of the traditional radio listening audience has moved online with the developments in streaming, which possibly could work as a fruitful environment for independent music.

6.2 Important revenue streams for an independent label

According to the research, the changes in music consumption have created a need for diversity in collecting revenue. Furthermore, an important feature for an independent record label is the readiness to move towards a comprehensive business model. With less emphasis on physical record sales the importance of the remaining revenue channels become vital. An independent record label, whose main expenses are pressing and various production costs, would benefit from additional revenue flow. In the current market an independent record label would be wise to get involved in its artists live performance booking, merchandising and digital publishing. This seems to be possible if the record label is able to offer the artist efficient in-house support. By focusing on its strengths and servicing the artists as a whole the company would be able to acquire a slice of the accumulative revenue from the artist. The current situation seems to be favoring companies that are willing and able to move towards a 360° angle of work. As well as serving the artists, an independent record label should think about the company’s brand as a flexible business entity that can harbor multiple services.
6.3 Independent digital publishing

The three income streams model seems to be moving towards a two stream model where the recordings revenue and the songwriters revenue form into a single digital revenue stream. With the recent questioning of the on-demand ad-supported streaming model as well as its viability to independent record labels and artists, it is clear that the development of music streaming is not yet as hoped. However, according to the data in the theoretical background as well as the interviews, the need for digital publishing is obvious. From the consumers point of view the number one concern is to have the music available. An active marketing on social media and a well-executed digital publishing can be the key in publishing’s success. Digital publishing seems to be important especially in the case of relatively unknown artists of whom the consumer is unaware of and therefore is less likely to purchase a physical record.

For an independent record label the need for easy accessibility with handheld devises seems to be a key factor. The common trends in music consumption favor streaming, which added to the easy access of the handheld devise leads to important revenue. The current popular streaming platforms are most lucrative for major record labels due to pro-rata as well as possible better licensing payouts. Nevertheless, the importance of well-executed digital publishing; videos, streaming and download can ensure instant attention for an artist, which in turn can favorably affect live appearance bookings, which would generate revenue. As a publishing channel the low costs of digital publishing makes it a well-founded decision. Nevertheless, the best-case scenario currently seems to be for the publisher where digital publishing supports physical publishing and visa versa.
6.4 Independent physical publishing

According to the gathered data through interviews and in the theoretical background, it seems that generally physical publishing lacks the qualities of a long-term solution. The data shows that although CDs can be considered as the number one physical format in Finland the popularity of the format is rapidly dropping. In some cases LP sales are exceeding the CD sales, which can be seen as a positive consumption shift towards LPs as well as an overall loss of the CD’s value. In some markets LPs and cassettes are gaining support from the consumers especially amongst independent music, still the revenue created is neither substantial or yet to be proven stable.

Physical publishing generally does not seem viable. However, for an alternative music publisher there is a small market for it in Finland. Currently the CD’s popularity is in decline, which makes the format a possible risk to publish in. Increasing interest in LPs has revived a whole industry of vinyl pressing over its capacity. To date, publishing LPs in the current market is more viable that it has been in ten years. However, its cost efficiency is not compatible of the CD’s, which adds to its risk as a possible publishing format. Furthermore, the success of both CDs and LPs relies on the support from low costing digital publishing, comprehensive sales estimates that minimizes risks as well as potentially securing the pressing costs from alternative revenue sources.

6.5 Conclusion

All of the current developments as well as the developments of the past seem to point towards a future music market that will mostly rely on digital music publishing. Developments in both global and the Finnish music market have shown strong indications that the future of music publishing is in a digital music market that heavily relies on streaming services. In the current music markets both physical and digital record sales are declining where as streaming services are gaining popularity.
The development between major and independent labels is twofold. The global market share of independent record labels is on the rise and due to developments in digital publishing the influence of major record labels is less dominant. Changes in music consumption and publishing have made it easier for independent artists and labels to build their business due to streaming popularity and the decline of FM-radio. Nevertheless, due to still present control of FM-radio, inequality in streaming service payouts, the overall lack of resources and the diverse nature of the revenue streams the independent market can be a challenge to succeed in.

For independent record labels physical music publishing in today’s market seems to be a high-risk situation that can offer little revenue in return. Generally today’s music publishing relies in making the product available via easy access while also providing for a small niche market with a physical publishing of their choice. In order to succeed in publishing both the digital as well as the physical publishing must support each other. Looking at current sales numbers and market shares it seems that an independent labels best course of action is to provide a physical record release for consumers who still value it as well as an easy digital access to the majority of consumers.

The obvious challenge for an independent music publisher, such as Meiän Musiikki, is the structural changes in today’s music consumption. Seemingly the most important action is to efficiently cover the platforms that are still viable. Radio both online and traditional should be utilized as well as possible with a specific emphasis on non-commercial alternative radio channels where major record labels are not as dominant. Furthermore, the possibilities in social media have proven to be valid tool in promoting publications with potentially a fifth of Finnish people using social media to discover new music.

In addition to social media digital releases, especially for Meiän Musiikki streaming seems to be the key for gaining early recognition to the artists, which can prove to be crucial for the independent publisher. The biggest problem with digital publishing is that the most popular format; streaming is still financially unequal in Finland, due to difficulties such as the Spotify’s pro-rata revenue distribution. As a revenue income digital publishing does not currently amount to a major stream of revenue for
independent record labels, but as a small part of diverse revenue streams it does add to the overall income.

Generally a major risk reducing action for Meiän Musiikki would be sufficient market research in both digital and physical publishing. Furthermore, publishing in physical formats for Meiän Musiikki has two distinctive sides to it. Physical formats still have a market in Finland, yet the independent record labels smaller resources create risks as well as inconveniences. In physical publishing the main issue is hitting the right sales forecast while limiting the risks involved. For Meiän Musiikki publishing physical formats is still possible, yet it requires the support of digital publishing as well as thorough market research before execution. In the current Finnish music market there seems to be no singular viable revenue source for an independent record label that should be solely focused on. Due to the weak revenue streams of publishing, the main goal for an independent label, such as Meiän Musiikki, should be focusing in the whole assortment of additional revenue streams meaning: live performances, album sales, merchandising and possibly services created in-house, such as workshops.
7 REFERENCES


Appendix 1: Interview questions