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Making money out of music

new thinking for the creative economy

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Making money out of music:

the role of music and radio in regional economic development

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About box

box is a new series of writings from the West Midlands on the opportunities and challenges for regional development offered by the creative economy.

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new thinking for the creative economy

1. Introduction

During the research for this short analysis, we met struggling musicians trying to make music full-time, club night and live gig promoters hoping to break even, industry old-hands who had managed (against the odds) to make a living from music for over thirty years, record shop owners who were closing up shop because they could no longer compete with big chains and internet sales, and key staff in local radio stations and in the small enterprises that provided professional services for commercial and community radio as they struggled to understand what was going to happen to such a fast-changing industry. While all of them were case studies of how to make a basic living out of music, they did not initially seem to be a basis for the economic regeneration of a city. On the other hand, the figures we analysed for income from the music industry are impressive. UK retail sales revenues for recorded music have averaged £1900 million a year over the last decade, and even modest estimates of its wider economic value are at about £5billion[1].

There is an important line that connects these small-scale local businesses to the operations of the major entertainment corporations. From the point of view of the A&R departments in the major companies, and to many of the long-term local survivors, that line is a simple one: the local gigs are where the new talent first becomes apparent; the local music managers and record companies are where they get their first big breaks; and the experience of the ‘old hands’ takes them through to the wider sales of national recognition and the major record company contract. From the point of view of the sales and marketing teams of the major companies, and the local venue and retail entrepreneurs, there is another line: the locality is where the big name stars sell their records, play a night of a national tour, or merely act as the sound track to a good night out. This isn't a regional music economy, but one corner of a global one.

There is another regional music economy though. Most major European cities have a thriving entertainment quarter where a formerly forgotten land of warehouses and rundown commercial properties has been transformed. A few minutes watching the money pass over the till tells you music is business. And back from the bars, clubs and live venues there are small recording studios, music managers, graphic designers, and equipment hire. These clusters of small businesses have become the focus of attention for departments of state, economic development agencies and city councils. They are now officially part of the 'Cultural Industries', and it's argued that it's these businesses that can make the city more attractive to live in, that can expand in the declining, low rent areas, of the city and bring them back to life, and more fundamentally that they can make money and create jobs. They are seen as part of our post-industrial future.

In this paper I explore the basics of how music can make money and create jobs in a regional economy; how global music economies work and what their implications are for regions outside a capital city; and how regional policies and strategies could both expand and sustain such a regional music economy. At the heart of the matter are some fundamental issues about the relationship between the city, the wider region in which it sits, and the capitals of commercial culture where the major companies are based; between music culture and music commerce; and between entrepreneurial spirit and planning. Is there an economic benefit to the locality when it is the source for a new generation of international music stars? How can a local music scene be sustained if it's simply a transit camp for the talent, and an outpost of consumption for a global entertainment industry? How can we encourage people who make a successful living out of music to make that living in our locality? How can we convert at least some of those pounds spent locally on music and entertainment into local jobs? What's the difference between subsidising local culture and investing in its economic future?

In turn I look at how music makes money and creates jobs; what constitutes a regional music economy; and music's place in the knowledge-driven cluster economy and in urban culture. I give particular attention to how music economies have developed, and to the challenges of the new digital online music economy. The final section offers some basic conclusions for a regional music development strategy.

2. How does music make money and create jobs?

Music makes money when people pay for it, and creates jobs for those who supply it. In the music industry you have a job because you add something to a stage of music production. Joining the music-makers who account for 17 per cent of employment in the music industry are retail jobs accounting for nearly one third of employees, record companies employees at about 15 per cent, and the remaining third or so in equal numbers from composition, venues, recording studios, equipment manufacture, music broadcasting, video production, and journalism. The process of getting music to people who will pay for it and then making sure they pay for it - and maybe even encouraging them a bit - involves a lot of people. And it involves a lot of technology. Estimates of how much money is actually made from music, and how many people are employed, differ considerably. There tends to be an emphasis on recorded music and sales of records as the core source of revenue. The UK Department for Culture Media and Sport values annual revenue from music making at £5bn annually, £1.3bn of which they estimate comes in exports earnings, and suggests 130,000 are employed in the sector as artists, composers, publishers, producers, managers, agents, promoters and record company and online music entrepreneurs[2]. By including retail, music broadcasting and journalism, recording and equipment, and entertainment venues the employment and value figure can quadruple.

Just working on the DCMS figures, if this revenue from recorded music was distributed across the UK by population, it would provide revenues of half a billion pounds to the West Midlands. This is not the case, however. The whole music, video, film music and photography sub-sector reaches £11.25m[3].

The reason for this is that the UK music industry is largely based in London, and organised overwhelmingly into four major corporations who also dominate the world's music consumption. To understand the dynamics of how wealth and employment are created by the music industry, why it is dominated by major corporations, and why music industry activity is more prevalent in some regions over others we need to grapple with some basic concepts. First, we need a sense of how music has economic value. Second, how music developed through different commodity forms. Third, how this development made 'scale' the most significant factor in music industry economics from the mid part of the twentieth century to its close.

Although the music industry does make things (records, DVDs, merchandising) it mainly provides services, and the things it makes are just vehicles for the services. As consumers we (mostly, anyway) want the music not the disc; but the disc allows the music to be turned into something that has a financial value; into a commodity.

This process of commodification took place over a century. In the nineteenth century Music Hall proprietors contained music within a building and charged for entry, controlling how people could hear music, and ensuring that they paid to do so. At the same time some new professional roles were created: the singers and musicians were paid to work; individuals with the knack of selecting the most popular singers and musicians were paid handsomely; and those who promoted the singers into stars even more so. The popularity of stars became so great that the songs they sang were promoted by their very fame. In turn the stars were paid to sing songs that would be sold as sheet music for middle-class homes. Very quickly, more money could be earned selling the sheet music than in singing the song or running the Hall; and the latter two became promotional activities for the former[4].

The importance of scale

This is the result of scale. In the music industry scale counts for everything. Printing another copy of a sheet of music was very cheap compared with providing live entertainment for extra customers. Although Music Halls grew to spectacular sizes, the stars capable of attracting so many paying customers demanded high fees, and there was a limit to capacity, and so even when there was demand, the whole event would have to be repeated. Recordings of music that can be copied cheaply will always make more economically exploitable commodities than live performances. A whole new industry of businesses and professions now made money through the royalty on every sheet of music sold and on every song sung in public, as well as in the fees for the stars who sang them, and cash that the punters paid to hear them live.

Radio and cinema which developed in the early twentieth century employed these stars, and extended the economies of scale. One radio performance could be transmitted hundreds of miles, and a single reel of film could be shown to audience after audience across the world. That meant more people could hear the star sing the song, and more people were likely to buy the sheet music. Cinemas, small clubs, musical theatres and dance venues replaced large live venues. Radio broadcasts promoted the live appearances of singers and bands and music publishers used the stars as promotion for their sheet sales. Scale drove an expansion in the wealth created, the profits made and the numbers employed[5].

Recorded music on discs took longer than expected to become the centre of the music industry. In the late 1920s, just as records were set to become the main way that people listened to music, North America and Europe plunged into economic depression. Most music lovers calculated that it was cheaper to buy a radio and then listen to music (and lots more besides) for free than to buy a record player and pay for each additional song. As prosperity rose, and 'single' and 'long playing' vinyl discs were introduced, the record took over from the song sheet and the live event as the key commodity of popular music. Now there were even more stages in the commodification of popular music, more places to add value, and more media connections available for cross promotion. Scale became even more important because it was even more expensive to make a record, distribute and promote it, compared with the small cost of pressing an extra disc. The more of a single recording you could sell, the more money could be made[6]. CDs just carried on the basic economics of record production. This model was only disrupted when discs were replaced by digital audio files you could distribute over the internet, store on disk, and carry easily.

These developments from live performance through radio and cinema to discs and the wealth and professional roles it created out of scale also led to a dominant form for the industry. Big companies benefit when there is money to be made from selling on a grand scale. They can cover the cost of the recording, pay stars an advance on future sales, pay the upfront costs of pressing multiple copies, and the promotional and distribution costs to make it well known and available. Large corporations came to dominate the popular music industry. Using the profits from selling thousands (and then millions) of records they first bought up their competitors and then recording studios, promotions houses and publishers. By the 1970s there were a handful of record companies responsible for over 70% of the world's record sales[7]. Now there are only four major music corporations, each part of a transnational entertainment corporation. Sony-BMG unites the Japanese electronics corporation with the German media conglomerate[8]. EMI holds on as a British-based music record company, publisher, and exploiter of back catalogue[9]. Time Warner's music division and the Universal Music Group are each part of major US-based entertainment conglomerates[10]. These corporations organise their activities around three major territories: the USA, Europe and Japan. The UK is dominant in Europe, and London is the European centre for the corporations. Each nation will have a capital city office responsible for finding talented music-makers, and for promoting and selling the major label's international stars through the media, and most importantly through radio.

Music radio

In contrast to America, music radio has had a very different development in the UK. In the US, Top 40 formats were established as early as the 1940s[11], and radio had become predominantly a medium for recorded music by the early 1970s. So central was radio in the popular music economy that it was seen as the sole determinant of what could be heard and so what was bought[12]. However, music radio (rather than music on radio) came very late to the UK when the BBC established Radio 1 and 2 in 1967, and local commercial radio started broadcasting in 1973. Even after these events, record companies placed as much emphasis on the music press, record-based clubs, discos, and live performance as promotional channels[13]. The tight regulation of commercial radio and BBC traditions led initially to a generalist approach to music broadcasting. However, the concept of the format is now at the heart of 'light touch' regulation of commercial radio aimed at the output of stations[14,15]. There are now nearly 400 over-the-air analogue and digital stations, and thousands of radio-like music streams available on the internet. Radio in the UK is now made up of a highly competitive commercial industry - a public service broadcaster extending the horizons of broadcasting through digital and online platforms - and a growing community sector. There is also a emergent number of entrepreneurs developing ways to exploit the potential of the internet for radio-like music services[16]. Although radio is following the music industry towards the concentrated ownership of radio groups, there are increasing opportunities for entrepreneurs and independent production companies to develop content for the BBC and Channel 4 public service broadcasts, as well as developing profitable models for online music consumption. However, radio broadcasts and record sales are dominated by 'international repertoire' - music that can sell in all major markets of the world. However, equally important to modern record company economics (and to many online stations) is the role of back catalogues licensed as content for other media or for compilations and re-releases, sold as part of new online strategies.

Nevertheless music companies remain focused on the retailing of recorded international repertoire. World sales of records alone are estimated to be worth over $US 33.6[17] billion mostly supplied by major record companies. There is a widely expressed concern that the development of international repertoire and the dominance of the major music corporations lead to malign cultural and economic impacts on national or regional music production. There are case studies from as wide afield as Singapore, the West Indies, Northern Europe, and Australasia[18].

A new music economy

The industry is in a period of significant change. The digitalisation of music formats and the use of internet technologies for distributing and promoting music have transformed almost every aspect of the industry. The charts have undergone substantial overhaul, downloads now dominate single sales, subscription services provide new models for the purchase of music, and the natural inclination of consumers to share and recommend their music to their friends and peers has been amplified exponentially. This new digital environment turns traditional music business practice on its head, although the new rules are not really clear yet. Online audiences ignore geography and their consumption is liberated from constraints of time. While digital media profoundly enhance some aspects of music promotion, distribution and consumption, they make others obsolete.

Two forces have been at the forefront of this change to date. First, software advances - in particular the development of compressed audio file formats, such as MP3 - allow recorded music to be easily stored, manipulated and transferred over the internet. Second, hardware advances including storage capacity, processing power and the network speeds of broadband internet connections have increased exponentially. The economic principle of scarcity on which the music economy is based is unravelling. Retailers can now sell one MP3 a million times over and still only ever have one in stock. New channels of distribution and promotion are abundant. The music and the money it generates can be made available instantaneously almost anywhere in the world.

The same is true for radio. Radio regulation is based upon the idea that broadcast frequencies are a scarce resource. While over-the-air radio digital broadcasting increases the number of services by transmitting several stations on one frequency, using the internet to stream audio practically removes any limitations on the number of radio stations that could be broadcast. Even more significantly it alters completely the economics of radio production[19]. In over-the-air radio the main costs are to be found in the capital base (its studio and transmitter) but additional listeners can be added within the transmission 'footprint' at no extra cost. When streaming audio over the internet each additional listener creates an additional cost because they take up expensive bandwidth.

The current mass solution of 'a few stations for many people' is primarily the result of the economics of broadcasting. The interactive nature of the internet, plus the opportunities for computerised music programme production, means that radio stations can now provide bespoke radio services at premium subscription rates, and that radio programmes can be accessed at the time and place of the listener's choice. As internet access is increasingly made available on mobile devices, the current advantages of over-the-air radio will be shared by internet delivered systems, and radio production and broadcast will enter a new era.

Building a regional music economy has, then, to be understood in a series of contexts. These include how music has been commodified and exploited, how these commodities developed historically, and how they are concentrated in ownership and geographic location.

3. What is a regional music economy?

Given the domination in recorded music of large transnational corporations based in major capital cities, the role of music radio, other media and live music as promotional channels, and the heavy marketing of International Repertoire, what can we understand by the concept of a regional music economy? Well firstly, in spite of (or as some would argue, because of) this dominant organisational structure, independent record companies and local music thrive as cultural activities. Any history of popular music will be told as the rise of particular localised musical forms: New Orleans and Kansas City Jazz in the 1930s; Chicago Blues in the 1940s, New York Rock 'n' Roll in the 1950s; Motown in Detroit and Mersey Beat in Liverpool in the 1960s; Progressive Rock in Canterbury in the 1970s; Manchester's Madchester Sound and Bristol Trip Hop in the 1980s, Austin and Seattle Indie Rock in the 1990s to name but a few[20].

While each of these 'local sounds' owes a considerable debt to some imaginative PR in establishing them as a locale of original music, all of them also had distinctive music cultures and music economies in which some key artists and bands developed. These scenes were all based upon an infrastructure of venues, practice spaces, recording studios, record companies, record shops, fanzines, and often radio stations through which the music was circulated and a strong music culture established[21]. In almost all cases these institutions of the music culture were run by local entrepreneurs who nurtured the music, and often made good professional careers for themselves. In all cases though, as the key bands in the scenes became more widely known, they moved beyond the locality and signed to major labels with national and international distribution. We know about these local scenes because the consumption of the music they produced became international phenomena.

The continued innovation mapped out by this list of local sounds also signals the dynamic nature of popular music style. The causes of this, like everything to do with popular music culture, are complex and are rooted in the cultural value that music has for its consumers in articulating a sense of personal identity in a complicated world. This is particularly apparent in the youth audience that has dominated popular music for the last fifty years. Put simply, youngsters choose music which distinguishes them from their parents and older siblings and connects them to their peers. Music culture has therefore traditionally valued innovative, distinctive, and mostly localised musical styles.

Two notions of regional music economy

It is essential, then, in trying to understand regional music as an economic activity that we also understand it as a cultural activity. New music arises from dynamic and vital cultural environments, and these depend upon the existence of an economic infrastructure of small businesses which provide activities associated with live entertainment, recording, distribution and communication. From this base there are broadly two ways we can think about the regional music economy, and each results in a different understanding of economic prosperity, and so in turn different ways of understanding what policies and strategies will encourage and sustain prosperity and employment in the sector.

The first sense of a regional music economy is one linked directly to, and serving, the dominant international music economy outlined so far. On the one hand this sense of a regional music economy is focused on music-making talent and how it can become the basis for international success, and on the other as a site of consumption of popular music. The second sense looks at the economic and cultural activities which revolve around music, understood as being connected to record production and international distribution, but not reducible to them. We should start by looking at the first sense, before moving on to the second, wider, notion.

The key way in which the institutions of local music scenes have been understood is through the independent record company. Ten years ago there were estimated to be over 600 small record companies in the UK[22], and this has grown several fold with the development of an online supply of popular music. Such independents are valorised for their detachment from the major corporations, their closeness to new musical developments, and their willingness to take risks. However, it is very hard to sustain complete independence from the dominant music industry, and writers have often emphasised the web of connections between small and large record companies[23]. The place of independent entrepreneurs in the wider national and international music industry can be understood as a place in an economic ecological system. Dominant companies are generalists allowing them to occupy the majority of the space. Other companies have to become specialised, involving themselves in activities too small for the generalists to be interested in. Many such activities take place at the local level.

Having said that, as we have seen, one of the key ways in which local music operates is as part of dynamic new musical styles which often have international appeal. As any business owner will understand accessing international markets provides the basis for greater potential sales, and for economies of scale if these sales can be realised. For this reason many regionally based music entrepreneurs argue that the focus of regional economic strategy should be on improving the ability of local firms to export music[24]. It would be a mistake to think that wider sales of regionally produced music are not a key component of economic prosperity. However, the economics of scale in the record industry and the relationship between independent companies and larger corporations militates against this as the key to regional prosperity.

This link between the locale and the national and international music corporations can be understood as another production process through which music passes as it is made available for the widest possible consumption. The point is well made by the suggestion that such independent record companies and music enterprises are ‘the A&R departments of the major companies’. That is to say that in nurturing and developing new music-makers they find out artists who may have the potential for wider acceptance, and who may be able to sell at the levels that major record companies think it is worth investing in. As a specialist company grows it is not able to manage the greater scale and complexity of operation because of the expense and staff required. Until the end of the twentieth century the restrictions were usually to be found in issues of production, promotion and distribution. When records were primarily physical artefacts it was straightforward to press up small quantities, promote them through local gigs and media, hawk them round to local record shops or sell them direct. However, as the demand for a company's product increased record pressing plants want money upfront, the promotion to sustain sales is larger in scale and getting records to shops on a national or international scale way beyond a small company. There are certainly independent promotion companies and distributors, but again they are expensive. The small company has to look to a partner who, in return for a share of the profits from sales or a share of the business, will cover the costs of production, promotion and distribution. This is usually called a P&D deal, and the partner is almost always one of the large music industry corporations.

The chain of production, therefore, leads from producing, promoting and distributing in the locality, to 'moving to London and then New York'. If the local entrepreneurs involved are able business people then this can be very rewarding financially. The capital injection allows a record company to do far more, and a local music manager can operate in a much bigger market, benefiting their artists and their company. However, 'making it big' also leads to loss of control. P&D deals often quickly lead to joint ownership, and then to salaried positions in wholly-owned subsidiary of the corporation.

More importantly, the high revenues from 'making it big' mainly move out of the locality in which the artists and entrepreneurs started. The shared ownership transfers profits to the capital city, and then to the international base of the corporation. The entrepreneur and artists move to base themselves in the nation's capital, and any extra spending power they have moves with them. If the music and the artists of a local scene do make it big in terms of international sales that brings national benefits in terms of export sales. Britain makes a considerable income from sales of British music abroad, but the sales do not necessarily benefit the locality, and on their own they do not provide a sustainable base for that regional music economy. The very opposite is true - by moving talent, capital and enterprise out of the area these processes make the regional economy poorer.

What is clear is that strategies based simply on expanding the export potential of existing record companies will not in itself make a region's music economy more prosperous. Equally, trying to compete with the major, generalist, corporations is not sound business. The British regions do have some major comparative advantages though. British music has been an important part of the development of International Repertoire. Along with the USA, the UK is characterised with a large record market, with a large share for national music, and an important role for its music in international sales[25]. To a great extent, and certainly in comparison with regional music in other European countries, this has led to a strong sense of confidence in regional music as part of a successful national music culture. At the same time though this has lead to a forceful chain of production drawing successful music-makers and entrepreneurs out from the British regions. This is not a model for an expanding, sustainable, music economy. In simple terms it is the reason that, while the recent history is packed full of music-makers who developed in regional music scenes and then went on to international success, very little of the direct economic benefits of that success are apparent in the region. If anything the argument could be made that the reverse is true: regions with vital and self-sustaining music economies produce music-makers who go on to international success, which feeds back as a combination of heightened profile and local self confidence, and a small share in the added value which mostly accrues to the major corporations.

We need then to work with a wider sense of the music economy. Less focused on recorded music and export sales, and more on the combinations of culture and commerce that produce self-sustaining regional music economies. We need a sense of a prosperity that goes beyond a simple chain of production aimed at ‘making it big’, and focus on the live music and club activities, the communication media and the retail activities, that are at the heart of a music culture.

There have certainly been several attempts to map the businesses that make up the infrastructure of regional music economies and they give some insight into the types and extent of locally-based music businesses. At the same time there has been a growing body of academic theory which tries to understand cultural industries businesses and what conditions lead to their likely success. These publications are increasingly used as a basis for advocacy. The reports, business plans and strategy documents reviewed as part of this research drew heavily on the statistics and language found in this policy and academic work. It is worth using this material to interrogate further the central question here: how will regional music economy create sustainable employment and prosperity?

4. Music's place in the knowledge-driven cluster economy and in urban culture

In the theoretical work, music enterprise is seen as part of the new 'knowledge-driven economy'. The term is used by Charles Leadbetter as a way of contrasting traditional manufacture - where raw materials are processed into saleable goods - with more modern service-based enterprise, where he sees money to be made out of our skill at utilising creative ideas, or as he puts it rhetorically 'living on thin air'[26]. He places culture (and so music, design and fashion) at the centre of this new economy - the defining example of how creativity produces wealth[27]. From this perspective he argues for the promotion of independents as creative entrepreneurs[28] and a new understanding of entrepreneurship as a collective activity[29]. For Leadbetter, the two dimensions of this collective activity are an economic infrastructure built around networks and clusters, and collaboration among organisations within these clusters, with universities, government and the financial sector.

There is certainly evidence that there is a regionally-based economy of small independent businesses working in a knowledge-driven economy. Surveying the West Midlands a variety of recent studies identified 800 businesses with an average 5 staff employing a total of 3,400 workers[30]. The largest number of businesses are to be found in music venues and nightclubs (296), record retail (158), equipment retail (86), and recording studios (119). There were far fewer record labels (29) and agents and promoters (27). Nationally, 40% of music business have an annual turnover of less that £50,000 and only 20% achieve a turn over in excess of £500,000[31].

Echoing an emphasis on understanding both the economic and cultural dimensions of regional economies associated with the 'knowledge-driven economy', Charles Landry has argued that such enterprises should be understood as part of 'The Creative City'[32]. He sees creativity as analogous to learning and adapting, and argues that such businesses need clear targets, leadership, and a self-sustaining activity of improvement through networks of productive relationships. By contrast a key study of the West Midland's music industry has found "an obvious lack of any 'joined up' approach with regards to regional initiatives, the majority of activity being either local or country based. Similarly there is no over-arching strategy for music development in the regions"[33]. Respondents to an attitude survey within the same study identified lack of specialist business support, limited awareness of funding and 'paths for progress' as impediments to growth.

Regional development strategy has been increasingly based upon seeing economic sustainability in terms of 'clusters' of firms. The ideas here are most often developed from analyses established by Michael Porter[34]. His analysis seems to have a particular resonance for the idea of a regional music economy. First, because Porter explains why (in spite of globalising features of modern economies) small firms flourish when they cluster together in particular locales. Second, because his definition of a cluster emphasises the vertical relationships in the chain of production touched on before and the horizontal relationships of a network highlighted by Leadbetter and Landry. For the music industry the geographic closeness of small businesses built around venues, agents and promoters, recording, record labels, promotions and communication and retail creates a series of mutual benefits, develops the localised skilled workforce, and a culture of creativity and innovation.

Clustering as a dynamic process

Even more importantly, Porter sees clustering as a dynamic process through which growth and competitive advantage are created. Economic growth is multiplied through the cluster because the improved business of one firm generates demand vertically through the production process for the services of other firms earlier and later in the chain of production. The networks of the cluster encourage horizontal competition between similar firms, which in turn promotes innovation. As the cluster of businesses develops, specialisation among businesses is increasingly profitable. Clusters with strong relationships to the research and degree programmes at universities also promote specialisation and innovation. This emphasis on innovation and learning embeds the characteristics of the creative city highlighted by Landry, which in turn attracts skilled workers to the area and encourages young graduates to stay.

These ideas of the dynamic regional cultural economy can be seen in regional development policies to establish or expand the clustering of businesses in cultural quarters within individual cities. The experiences of Sheffield and Manchester provide interesting models of - and informative lessons on - creative cluster development[35]. In Sheffield the city council took a central role, investing in or instigating the creation of a venue, recording studios, a creative enterprise centre, and with lottery funding the National Centre for Popular Music (NCPM). These became the key institutions for a Cultural Industry Quarter (CIQ), linked to a strategy to present Sheffield as an international hub for music and other creative arts. Analysis suggests that the development created over 1,300 jobs in 150 businesses with an aggregate turnover of £25 million[36]. However, key institutions of the cultural quarter, notably the NCPM, failed quite spectacularly[37]. In addition many of the developments in Sheffield's popular music economy have taken place outside the CIQ. Brown et al describe the Sheffield policy as "facilities first; then attracting key companies which would both give credibility and begin to catalyse clusters of support or spin-off businesses around them"[38]. They also note that the council-run facilities did not fit well with the music business culture, and different music sub-sectors were located in different parts of the city. The city's own review report also noted that potential relationships with the local universities remained unfulfilled.

By contrast, Manchester's Northern Quarter, a former retail and warehouse area neglected by development in the 1970s, became host to a cluster of music industry businesses through more general economic development policies giving start-up support. Existing businesses relocated, and new ones were established around Affleck's Palace fashion retail complex, until the area was home to record companies, venues, and micro-businesses housed in office space. The impetus for the development came from entrepreneurs within the area, with the council responding to issues of infrastructure[39].

The examples of Sheffield and Manchester reveal the importance of linking the development of a music economy to the music cultures out of which they operate. These cultural considerations can be seen as operating in three particular directions. First, the economic activities have to be strongly linked to the cultures of consumption which they serve. Second, the infrastructure has to be conducive to the creative and entrepreneurial culture of the people who do, and are likely to, work in the industry. Third, any regional music economy is made up of many subsets, and different genres of music are associated with different subcultures within the city, and so with different institutions and cultural activities.

The success of a regional music economy works hand in hand with the vitality of its music culture. Any physical infrastructure needs to promote micro-businesses and provide flexibility as they grow. The conclusions of the Brown, O'Connor and Cohen study of Manchester and Sheffield are particularly pertinent. They argue that local scenes cannot be seen as being autonomous from London, but that they must benefit from movement of local talent to the 'global centre'; that successful clusters build around networks of knowledge and creativity which promote innovation, adaptation and development; and that growth is initiated by low-key clusters and joint ventures attuned to the creative and entrepreneurial processes, rather than headline-catching initiatives; and that success depends upon the availability of information and knowledge.

There is one consistent absence in these discussions of cultural diversity though. As McEwen, Pollard and Henry have argued globalisation has not simply led to movement of capital across the world, but also to a mobility of people. They argue that we should "conceptualise Birmingham as a 'global' city by highlighting forms of economic globalisation that draw on the city's residents, their histories and their social and cultural networks"[40]. They highlight Birmingham's role in the Bhangra music industry as one example to demonstrate the importance of looking beyond dominant cultural traditions when thinking through ideas of economic clusters. Similar points could be made for Birmingham's distinctive African Caribbean population. Any understanding of the regional music economy that neglects such issues will be partial and one-dimensional.

Interestingly, such diversity issues have played a far greater importance in the regulation of radio. The radio regulator Ofcom has pursued diversity as a key aim both in the licensing of local commercial radio stations and in the development of a third tier of community radio. Licences for commercial radio are allocated in an open competition where applicants have to show the financial viability of their proposals and that the service they provide will "broaden choice for the listener"[41]. In larger cities this has led to the establishment of stations whose licences commit them to serve particular ethnic minority audiences. Not-for-profit stations must encourage participation in broadcasting "primarily for the good of members of the public or of particular communities and in order to deliver social gain"[42].

Whether over-the-air radio offers any significant opportunities for the creation of wealth within a regional economy is a matter for some debate. Few cities have more than half a dozen commercial stations, and they have become increasingly dominated by national groups. As competition has increased - and as the focus of regulations has shifted away from determining the inputs of station management to the output of the broadcasts - many aspects of station management have moved to the group headquarters, and staff numbers in stations have fallen. By contrast, the primary purposes of community stations are not commercial, although many have interpreted the imperative to create social gain in terms of the opportunity to provide training opportunities within the community they serve.

More generally, what Sheffield, Manchester and Birmingham offer in their cultural diversity is a strong popular music heritage. Manchester has been the most successful in utilising this as part of the city's profile. Other cities, though, have turned such a heritage into a key part of their tourism strategy. In the UK, Liverpool has probably been the most successful in working with such a heritage, but US cities like Chicago (and formally New Orleans) have given music a key place in establishing the city as tourist destination. Although the identification of Chicago with Blues music has had a distorting influence on the city's club scene[43], it has also meant that music, and the cultural life of the city, play central parts in City Hall policy and in the economic development[44]. There would seem to be economic potential in emphasising music heritage in regional music economies in other cities.

New digital music economies

The digitisation of audio, the ability to store massive quantities of audio in small amounts of physical space, and the ability to use the internet to access and distribute audio provide a wealth of opportunity to the regionally-based independent music enterprise. Independent record companies and artists can now distribute and retail their own music, or licensed back-catalogues, through their websites. The UK has a long tradition of licensing music from other countries to serve small but committed fan communities. The 'long tail' of large quantities of music which sells few copies a week is no longer a constraint, and independent artists can now easily and cheaply self-release their own material, and digitalised back catalogues can all be made available for sale[45]. The potential profitability of operating in niche areas of music is improved dramatically as music providers can cost-effectively service a large number of small audiences. These back catalogues along with new music can also be profitably licensed for other media and music becomes a prominent part of successful television programmes, films, games and online products.

Traditional promotional avenues for the music industry have their internet counterparts as well. The World Wide Web offers access to a global audience and new ways of interacting with customers at a significantly lower cost than many offline equivalents. The promotional power of radio has been replicated and expanded exponentially online, as has the number of outlets from which a consumer can choose to source music, many - though by no means all - working within the existing structure of copyright. Interactive sites allow fans to directly engage with the musicians and even remix the music; viral campaigns take on a life of their own and spread globally without the intervention of mass media. Older ways of thinking about music business need to be interrogated, and new ways adopted. However, most small music enterprises have neither the time nor the resources to step back, analyse the changes to the media environment and brainstorm new approaches. Again, strong relationships with universities which research in these areas can have substantial benefit. Moreover, some of the most significant economic forces in the online music world are not music companies at all. Amazon.com is one of the largest retailers of physical product, but they deploy innovative ways to sell and distribute music, making use of huge databases and user-generated content. Likewise, the largest retailer of digital music is a technology company: Apple. These companies are examples of regionally-based technology start-up companies who moved into all areas of music promotion, distribution and the mediation of consumption, in competition with traditional music organisations and their physical distribution and promotion networks.

The opportunities for innovative companies to make money in this new digital, online world are significant. Companies which formerly just 'got by' can make significant reductions in their costs, and some increases in their revenue, improving their stability and sustainability. Beyond this, however, those companies that can see that the new formats and distribution routes of digital music represent profound changes in the political economy and culture of making money out of music will be able to imagine and implement new approaches to music enterprise. Key to these changes is the notion that we are entering a second generation of the World Wide Web (usually referred to as Web 2.0).

For instance, most major companies responded to the digitisation and internet distribution of music by attempting to control file-sharing through digital rights management (DRM) and technical protection measures (TPM) because they see such activity as 'theft'. By contrast, entrepreneurs who understand Web 2.0 acknowledge such practices create new forms of cultural and commercial relationships that lead to the commodification of different aspects of music culture. While the record had been the primary commodity up until this point, and other media activities sources of promotion and marginal profit, in the new music economy the record is the source of promotion and marginal profit and the activities around user-generated content and social networking are the new primary commodity.

It is clear that the kind of innovation that would most benefit independent music business is that which is underpinned by a strong understanding of the effects of the new media environment which is designed for sustainable growth rather than one-off success and which is customised to the specific cultural and industrial conditions of the organisation and the scene it services. Generic internet solutions, while better than no solution, do not sufficiently address the "long tail" of online commerce, ideas of Web 2.0, and nor do they exploit new forms of commodification.

5. What have we learned?

The analysis presented in this paper suggests that any attempt to develop a vital regional music economy at the start of the twenty-first century has to pay attention to some key factors. By way of conclusion, they are as follows:

- enterprise clusters, regional networks, and scale in music industry activity can play a significant part in driving economic development. The role of cultural quarters in such development is important, but problematic, and is most successful when it builds on existing networks, relates to music culture and is open enough to the culture of music entrepreneurs

- dynamic partnerships between micro, small, and medium sized enterprises, the public sector, and higher education are key to creating a sustainable regional music economy. Public funds should not subsidise music-related economic activity, but should be selective investment in creating and spreading knowledge, promoting innovation, and strengthening interrelationship and synergies between a regionally-based partnership

- the traditional record industry is not necessarily at the heart of a regional music economy. Locally-based music consumption and its associated activities, live music, music heritage and tourism, and the wider music culture in which these activities take place are as important as supporting traditional attempts to export musical talent outside the region and the country

- understanding the potential of new technology, access, licensing, and the changing costs of production are central to new developments in regional economic activity. The potential for new forms of local radio and localised production using internet technologies is particularly undeveloped, and investment in capital and in developing 'know how' in such a new area would pay dividends. Such insights into online music and radio need to be disseminated as widely as possible, and innovation and experimentation supported in incubation units strongly linked to the wider networks and clusters

- having said that, traditional media currently still have important parts to play in the direct promotion of regional music and the creation of a vital local music culture. Developed relationships with the press, local radio and new forms of communication, and their sense of identity with the region, can be harnessed to provide access to local music entrepreneurs and exposure for local music makers. The role of community radio and its significance for local music culture is an area ripe for development.

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