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Barry Sosnick, President

Direct: (917) 612-7890
Email: barry.sosnick@earful.info
Web: www.earful.info

Surviving a Consolidating Music Industry: Education

Education improves the chances of surviving a consolidating music industry. It also tends to boost incomes too. This makes the music business degrees offered by many colleges more attractive for current and future label and publishing workforce.

The music industry consolidated from six major labels to four over the last eight years. In 1998, Universal acquired Polygram, creating the largest recorded music company in the world; twice the size of its closest competitor. In 2004, Sony and BMG merged to create a company equal in stature to Universal. Warner and EMI, the other two major record labels, flirted with a merger.

Increasing industry concentration usually is met with trepidation. The duplication that mergers create is eliminated with layoffs. Consolidation combined with the industry-wide downturn the music industry is experiencing can create a panic among employees throughout the supply chain and those hoping to enter the music industry.

Research shows that the chance of remaining employed in a consolidating industry is tied to education. Dale Belman and John S. Heywood, economists at the University of Wisconsin, found that the education level increased with industry concentration. The researchers observed that a concentrated industry, such as the music industry, hire higher quality employees, and that quality was linked to education.

Industry concentration correlates with innovation. Innovation requires research and development (R&D). The music industry constantly conducts R&D to develop new products in the form of artist & repertoire (A&R) to launch new artists. In addition, it is exploring new product formats, such as ringtones and subscriptions, and digital rights management to protect their intellectual property. Therefore, the record labels, consciously or not, should trend toward hiring better-educated employees.

The music industry has a pipeline to a quality education. Dozens of colleges offer a bachelor's degree in music business, and a few have a masters program. The degree combines business fundamentals—accounting, finance, management and marketing—with classes specifically tailored to the recorded music industry. Record promotion, music publishing and copyright, music business contracts, concert production and promotion, music marketing are just a few of the specialized classes offered. Many of the programs are housed in the music department, which requires students to be able to play an instrument and read music.

Music executives should embrace music business graduates. The burden and cost of training employees is shifted from the company to the college. Most students completed one or more internships, so they arrive with experience. Furthermore, the holistic nature of the degree aligns them with the direction the music industry is taking. Studying A&R, distribution, publishing and touring prepares graduates to develop ancillary revenue streams for their future employers.

The survivors eventually may benefit from higher salaries, justifying the investment in a music business undergraduate and graduate education. A study by James Peoples Jr. found that employees in industries with firms formed by mergers earned significantly more than workers in other industries.

An additional benefit to obtaining a music business degree is that it is one of the few undergraduate programs that focuses on protecting and exploiting intellectual property and rapidly changing product lines. The companies with the greatest margins are those that use intellectual property rights—patents, trademarks and copyrights—to defend their market. Many of these companies are in industries with short product lifecycles, for example, computer software, videogames, movies, etc. Having a music business degree positions graduates to pursue opportunities in some of the most profitable industries; flexibility that becomes an additional level of security in a consolidating industry.

About the Author

Barry Sosnick is the president and founder of Earful.info, a provider of strategic marketing and risk management solutions to the recorded music industry. He is also a professor at Five Towns College, teaching classes in music marketing, public opinion research, small business management and entrepreneurship. Mr. Sosnick was an equity analyst, most recently with Fahnestock & Co. (now Oppenheimer & Co.), where he provided research on the home entertainment and consumer electronics retailers, and assisted mergers and acquisitions, and public and private financings. Barry was a senior project leader with the prestigious political polling and market research firm Luntz Research Companies, where he guided political, legal and marketing strategies for Fortune 500 companies and elected officials.

Barry Sosnick presented "How the RIAA's Legal Strategy Decreased Music Industry Efficiency" with Krystal Yoniak at the Music and Entertainment Industry Educators Association (MEIEA) conference in 2006 at the University of the Pacific (Stockton, CA). MEIEA is the association for entertainment industry academics. He presented at the University of Miami at the 2005 MEIEA conference a paper entitled, "A Capital Budgeting Approach to Understanding Artist-Label Relationships," co-authored with Peter Alhadeff, an economics professor at the Berklee School of Music. He co-authored research with music business graduate students from the University of Miami entitled, "The Changing Recorded Music Industry," presented at Loyola University New Orleans MEIEA conference in 2003. Barry is a frequent speaker and panel member at universities and industry conferences, including the National Association of Recording Merchandisers (NARM). Mr. Sosnick also serves on the MEIEA advisory board and the MEIEA Journal Reviewer and Editorial Committee.