

Music industry optimistic about Apple-Beats deal

May 30 2014, by Chris Talbott

When Cortez Bryant decided to negotiate a headphones marketing deal for his clients Lil Wayne and Nicki Minaj a few years ago, he turned down more money from other more established companies to sign with Beats By Dre for a simple reason.

"There was a bunch of history there, so at the end of the day I took less upfront money to be part of this deal with people who understood pop culture" Bryant said. "I try to stick to that because if I lose touch with pop culture, then I'm out of the [music business](#)."

A day after the sale of Beats By Dre on Wednesday to tech giant Apple Inc., members of the [music industry](#) were abuzz about what the \$3 billion deal might mean for an area thought to be in an irreversible decline. Label executive Jimmy Iovine and business partner Dr. Dre's move to Apple has those who make their money on music expecting changes that are generally positive for the overall business—though maybe not for every artist trying to make a living.

"It's all wins," said Daniel Glass, owner of Mumford & Sons label Glassnote Records. "It's a win for everybody and the fact is the value of a copyright, a master, went up a lot. Think about it: The perception and value of music went up because of the amount of hands this will be in."

The industry inadvertently opened the door for file sharing when it refused to sign a deal with Napster at the turn of the century. Few people pay for music, and with physical and digital sales declining, the value of

music has continued to decrease as members of the industry resisted the new—but different—revenue model from streaming.

In the confusion, some forgot the power of music. It's now about more than the song, something innovative thinkers like Iovine and Dre have never forgotten.

"Apple wouldn't have been built, at least not the way it was, without music, without the iPod, without iTunes and everything else that follows since then," said Billboard deputy editor Yinka Adegoke. "We shouldn't forget that. It's quite clear Apple didn't forget that. There is great value to music and this deal is a great reminder of that. Even if you don't buy music directly, this shows the importance of music in the modern world."

The deal, which Adegoke calls a "game-changer," happens at a time of great movement in the business. Only recently have record labels, artists and managers started to accept the subscription streaming model, which pays artists per track play rather than in a lump sum when an album or track is sold.

With digital sales starting to decline, Apple added a streaming radio component to its digital sales catalog, but was still left out of the subscription market. The addition of Beats not only gives the company cool hardware to package with its devices, but also gives it a streaming service, recently launched with much media attention, without building one from scratch.

Spotify's success—the streamer recently announced it had reached 10 million paid subscribers—the Beats-Apple deal and YouTube's impending entry into the market have insiders looking differently at the inevitability of streaming. Doc McGhee, manager for Kiss and Darius Rucker, said the movement has changed the minds of many label

executives, something akin to "turning a 700-foot ship."

It might be scary to throw your lot in with a startup, but Apple brings a long track record of success. As McGhee puts it, "They're the Tiger Woods of tech. They're not winning as much, but they're still winning more than everybody else."

Apple has the track record—and current customer base—to engender trust as its current and future partners navigate the new music world.

"This deal will make music streaming go mainstream," Adegoke said. "You just have to think about Apple's access to 800 million credit card accounts, hundreds of millions of devices, the IOS ecosystem. We knew this was coming, that streaming would be the access for music, but we needed something like this to happen so the average person will see that actually paying \$10 a month for music isn't that big of a deal."

Many expect a rapid consolidation or change in the music world as the giants take the field. For some, the decision on where to place your trust—or your bet—got a lot easier Wednesday.

"I think this tips it Apple's way because over the years iTunes has been known as the platform to go access music and to get it digitally," Bryant said. "I think they're just going to add on to what they've already accomplished, taking people away from physical sales, being ahead of the game with their devices and linking it to the iTunes store so you can purchase music and movies, and I think this will just add to the portfolio. I think the Apple brand, because it's so strong, will knock those guys out."

Bryant believes the deal will allow independent and boutique labels more access to the playing field, but others think the move may help stabilize the major labels.

"People are beginning to understand this new valuation of music, that it's not all about how many records you sell," Adegoke said. "It's really about being smart and leveraging your relationships in the music business, which is basically what Jimmy Iovine and Dr. Dre have done."

McGhee said the deal doesn't solve a basic problem in the [music](#) industry: Streaming revenues aren't always making it to the artists in significant ways. He says 10 million streams bring a songwriter about \$300 in royalties. If that keeps up, there will be dire trickle-down consequences.

"What I believe is going to have to happen is if artists and writers cannot make any money, they will go to a different field to make money and we're going to lose a lot of creative people, a lot of songwriters," he said.

"... They're teaching the world to stream and not to buy. They're saying you don't need to own anything anymore, you don't need to deal with a CD anymore. All you have to do is say to Beats or Apple, 'I'm having a country barbecue today, send me a playlist.' You never have to physically own anything. It's just all renting. They just don't want to give much of their rent to the artist. They have to."

Glass believes Apple's entry into the market may quickly change things, including the fair pay argument. Competition is always good, and many things must still shake out for the picture to come into focus for the industry.

"I think seeing all these competitors now in the streaming business just makes it better," he said. "Amazon's making strides. We haven't talked about YouTube yet. Where's that monster? That's a biggie. What about when that one gets loose?"

© 2014 The Associated Press. All rights reserved.

Citation: Music industry optimistic about Apple-Beats deal (2014, May 30) retrieved 13 April 2024 from <https://phys.org/news/2014-05-music-industry-optimistic-apple-beats.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.