The Music Industry: Rhythm, Size and Something Else
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The decrease in the music industry’s sales figures – according to the RIAA they dropped from €40,000 to €32,000 million in only three years - and its growing globalization makes it easy to picture that a merger the size of EMI and the newly named Time Warner will mean huge incomes.

Still, is this the only choice for the recording companies? Almost certainly the answer is no.

Undoubtedly, a bigger size brings a certain size of profits, but bigger doesn’t always mean better. On the one hand, working with a bigger structure enables the recording company to increase its efficiency in record launching processes, in recording and in promoting their artists. At the same time, it increases their power of negotiation with distributors, who will see themselves forced to take on a significant part of the price decreases in the mid- and short terms. This power of negotiation also gains importance for artists, who are already asking for a bigger portion of the income coming from their albums, which stands at the moment at less than 10% of their value.

Yet, big-sized mergers also have their dark side. Apart from adding complexity, these operations take their time and aren’t free of surprises - due to a bigger number of units and people working in the merged company. The cost that unifying former rivals, establishing new structures and confronting the negative effect of personnel lay offs – inherent to these processes— has on motivation is not trivial.

The most important thing however, is that the roots of the problem aren’t addressed. The potential acquisition will allow EMI to get well known artists like Madonna and Metallic. Still, that doesn’t guarantee them more effectiveness in identifying and signing the musical talents that will produce the profits of tomorrow.

Only those recording companies able to recognize and support the stars of tomorrow, as much as generate innovative solutions for the doubts being thrown over the music industry through internet downloading and piracy, will be the winners of tomorrow. To win, size is important, but it isn’t enough.