Technological and Consumer Shifts in the Music Industry

Nikolaus T. Butz, University of Wisconsin-Stevens Point
Florian Stifel, University of North Dakota
Patrick L. Schultz, University of North Dakota
Patrick B. O’Neill, University of North Dakota

Abstract
The music industry has long been a symbol of the damaging potential of the Internet. With the rise of digital media, consumers began transferring music from physical mediums, such as CDs, onto computers. At the same time, music distribution via the Internet increased considerably. Numerous independent music streaming services were launched only to fail shortly after. Despite the odds, rapper Jay Z decided to test a new approach by reimagining the Tidal streaming service. With Tidal, Jay Z sought to address industry concerns over economic viability and fairness to artists. To this end, Tidal tried to recruit a loyal contingency of artists by offering them a better compensation model in exchange for exclusive content. However, since record companies, rather than artists, control music licensing rights, it was hard for Tidal to get musicians to agree on a standard for distribution, pricing, and marketing. Tidal faced a difficult challenge positioning itself.

Learning Outcomes
In completing this assignment, students should be able to:

1. Analyze the macro environmental impact on an industry using PEST analysis
2. Apply the principle of industry analysis to analyze an industry using Porter’s five forces
3. Recommend a strategy for a company based on the fit between the findings of a SWOT analysis and the environment

Application
The case is most appropriate for graduate or undergraduate courses in strategic management, innovation management, and strategic market planning.

Key Words
Music industry, streaming, digital downloads, Tidal, Pandora, Spotify, Rhapsody, Rdio

Contact
Nikolaus T. Butz, School of Business and Economics, College of Professional Studies, University of Wisconsin - Stevens Point, 1901 4th Ave., Stevens Point, WI 54481.
Email nbutz@uwsp.edu. Phone 715-346-3420