
**GORILLAS IN OUR MIDST:
SEARCHING FOR KING KONG IN THE MUSIC JUNGLE**

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1. INTRODUCTION

To paraphrase Mark Twain, reports of the music industry's portending death are premature. More accurately, the industry is in a Chinese crisis, so characterized by the spontaneous occurrence of danger and opportunity. But the fundamentals of brains, bits, and wires are the same as ever; i.e., people listen, artists perform, businesses learn, and markets punish. There is every reason to be careful, and no reason to despair, in the best and worst of times.

Major labels face the greatest challenge. True venture capitalists, labels historically invested considerable sums to find veritable needles in haystacks — an elusive group of successes that could sell enough albums to pay for the many other acts that could not. This financing system is now increasingly non-sustainable as the high-end potential of top-selling acts has diminished and market audiences have abandoned traditional promotional venues. Consequently, the major record companies have now come to develop new financing models for distributing, incubating, and monetizing talent. New revenue-sharing contracts, joint venture deals, and coalition arrangements involve independent labels, new technology providers, artists, and agents.

The issue before the industry is now primarily one of transactional and organizational economics — the ability to reshape contracts and institutions to make music production and distribution more profitable. The new market will evolve critically in response to present quandaries:

1. The center of the music industry will move from the sale of the compact disc/digital track to the integrated promotion of the entire recording act;
2. Labels will more equitably share in revenues from concerts, merchandise, and publishing, while artists will receive a greater share of label earnings;

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