

Research Series
Paper No. 2
November 1997

Clusters in Ireland

THE IRISH POPULAR MUSIC INDUSTRY:
AN APPLICATION OF PORTER'S CLUSTER ANALYSIS

by
Paula Clancy and Mary Twomey

National Economic and Social Council

neso

An Chomhairle Náisiúnta Eacnamaíoch agus Sóisialach

NATIONAL ECONOMIC AND SOCIAL COUNCIL

Constitution and Terms of Reference

1. The main tasks of the National Economic and Social Council shall be to provide a forum for discussion of the principles relating to the efficient development of the national economy and the achievement of social justice, and to advise the Government through the Taoiseach, on their application. The Council shall have regard, inter alia, to:
 - (i) the realisation of the highest possible levels of employment at adequate reward.
 - (ii) the attainment of the highest sustainable rate of economic growth.
 - (iii) the fair and equitable distribution of the income and wealth of the nation.
 - (iv) reasonable price stability and long-term equilibrium in the balance of payments.
 - (v) the balanced development of all regions in the country, and
 - (vi) the social implications of economic growth, including the need to protect the environment.
2. The Council may consider such matters either on its own initiative or at the request of the Government.
3. Members of the Government will meet regularly with NESC on their initiative or on the initiative of NESC to discuss any matters arising from the terms of reference and in particular to discuss specific economic and social policy measures and plans and to explore together proposals and actions to improve economic and social conditions. Any reports which the Council may produce shall be submitted to the Government, and shall be laid before each House of the Oireachtas and published.
4. The membership of the Council shall comprise a Chairperson appointed by the Government in consultation with the interests represented on the Council, and
 - Six persons nominated by agricultural organisations;
 - Six persons nominated by the Irish Business and Employers Confederation and the Construction Industry Federation;
 - Six persons nominated by the Irish Congress of Trade Unions;
 - Fifteen other persons nominated by the Government, including one from the National Youth Council, the Secretary of the Department of Finance, the Secretary of the Department of Tourism and Trade, the Secretary of the Department of Enterprise and Employment, the Secretary of the Department of Social Welfare and the Assistant Secretary, Office of the Taoiseach.Any other Government Department shall have the right of audience at Council meetings if warranted by the Council's agenda, subject to the right of the Chairperson to regulate the numbers attending.
5. The term of office of members shall be for three years. Casual vacancies shall be filled by the Government or by the nominating body as appropriate. Members filling casual vacancies may hold office until the expiry of the other members' current term of office.
6. The numbers, remuneration and conditions of service of staff are subject to the approval of the Taoiseach.
7. The Council shall regulate its own procedure.

Research Series
Paper No. 2
November 1997

THE IRISH POPULAR MUSIC INDUSTRY: AN APPLICATION OF PORTER'S CLUSTER ANALYSIS

by
Paula Clancy and Mary Twomey

nesc

Copies of this document may be obtained from

The National Economic and Social Council,
Dublin Castle,
Dublin 2

or
The Government Publications Sales Office

Price: £5.00

Pn. 4561

ISBN: 1-898724-08-3

MEMBERSHIP OF THE NATIONAL ECONOMIC AND SOCIAL COUNCIL

Chairman:

Mr Paddy Teahon

Government Nominees:

Ms. Carol Fawsitt (Fawsitt & Co. Solicitors)
Prof. Patrick Honohan (ESRI)
Dr. David Jacobson (DCU)
Ms. Anne Maher (The Pensions Board)
Prof. Alan Matthews (TCD)
Mr. Dara Murphy (Variety Supplies and Party Rentals Ltd.)
Ms. Mary Murphy (INOU)
Ms. Michelle Norris (National Youth Council)
Dr. Ann Ryan (St. Patrick's College, Maynooth)

Observer from European Communities:

Mr Brian O'Loughlin DG II Office, Brussels

Nominees from Government Departments:

Mr. P. Mullarkey Secretary, Department of Finance
Mr. P. Haran Secretary, Department of Enterprise & Employment
Ms. M. Hayes Secretary, Department of Tourism, Sport & Recreation
Mr. E. Sullivan Secretary, Department of Social, Community & Family Affairs
Ms. J. O'Neill Assist. Secretary, Department of Tourism, Sport & Recreation

Nominated by Irish Business & Employers Confederation:

Mr. John Dunne
Mr. Brian Sweeney
Mr. Tom Toner
Ms. Lorraine Sweeney
Ms. Rosemary Steen

Nominated by the Irish Congress of Trade Unions:

Mr. Peter Cassells
Mr. Phil Flynn
Mr. Owen Nulty
Mr. Jimmy Somers
Ms. Patricia O'Donovan
Ms. Lenore Mrkwicka

Nominated by the Irish Co-operative Organisation Society:

Mr. Gregory Tierney

Nominated by the Irish Creamery Milk Suppliers' Association:

Ms. Betty Kehoe
Mr. Ciaran Dolan

Nominated by Macra na Feirme:

Mr. Tom Curran

Nominated by the Construction Industry Federation:

Mr. George Hennessy

Nominated by the Irish Farmers' Association:

Ms. Mairead Lavery

Mr. Michael Berkery

Contents

	Page No.
ACKNOWLEDGEMENTS.....	vi
PREFACE.....	xiii
1. INTRODUCTION.....	1
2. STRUCTURE AND PERFORMANCE OF THE POPULAR MUSIC INDUSTRY.....	5
3. FACTOR CONDITIONS.....	22
4. DEMAND CONDITIONS.....	34
5. RELATED AND SUPPORTING INDUSTRIES.....	43
6. STRATEGY, STRUCTURE AND RIVALRY.....	57
7. ASSESSMENT AND CONCLUSIONS.....	70
APPENDIX.....	82
BIBLIOGRAPHY.....	83

ACKNOWLEDGEMENTS

This paper forms part of a more extensive research project commissioned by NESC.

The project began in October, 1995 and went through a number of different stages during which many people offered advice, discussion and assistance and we would like to acknowledge their contribution.

Professor Rory O'Donnell, Kevin Hannigan and Noel Cahill of NESC met with us at a number of stages and we are grateful to them for their input. We would also like to thank Dr Síle O'Connor, Paddy Teahon and Dr David Jacobson for their assistance. A number of members of the Council made helpful comments on the report and these are much appreciated.

Many colleagues in the Graduate School of Business, UCD, were very helpful to us, particularly in discussing the selection of industries as case studies, as well as the methodological approach. We would like to thank Prof Bill Roche, Prof Frank Bradley, Prof Enda Hession, Dr Eleanor O'Higgins, Prof James Crowley, Tom Byrnes, Dr Tony Meenaghan, Dr Joe Cogan, Dr Michael Bannon, Dr Teresa Brannick and Sean de Burca. Dr Frank Roche made a particularly significant input at this stage and we would like to express our gratitude to him in particular.

We also benefited from the advice of Dr Marku Lammi, co-author of the 'Advantage Finland' study and we would like to thank him for his contribution.

The research involved a considerable degree of primary research in the form of confidential in-depth interviews with a large number of people in each of the three industries studied. We are particularly grateful to all of those who co-operated with the study in this way and who so generously made their time and expertise available to us.

The individual case studies also benefited from the help of a number of industry specialists and we would like to thank them for their input.

For the study of the music industry we had considerable assistance from John Fay, particularly at the early stages of the research, Noel Delaney from the Department of Arts, Culture and the Gaeltacht,

Hugh Duffy and Ian Minch from the Irish Music Rights Organisation, Dick Doyle from the Irish Federation of Phonographic Industries and Michael Kenna from An Bord Trachtála.

We would like to express our deep appreciation to Josephine Murtagh, Geraldine McEvoy, Susan Neilson and Sharon Lyons for their valuable administrative input into the editing and preparation of this report.

(i) Introduction

In recent years, much discussion of Irish industrial policy has focused on the fact that successful economic and employment performance seems to require the development of competitive advantage in a range of interlinked industries or sectors. This discussion reflects the insights produced by international researchers, particularly Porter (1990). It has also influenced the Culliton review of industrial policy which concluded that "the explicit identification of a limited number of promising niches and segments in which to build industrial clusters should be an important element guiding direct intervention by government agencies" (Industrial Policy Review Group, 1992, p.74).

In order to explore the implications of this issue for Ireland, the National Economic and Social Council commissioned a study to examine the importance of industrial clusters for industrial development, and the suitability of Porter's clustering model, in the Irish context. The study involved analysing the experience of three Irish sectors, and considered the extent to which the presence of clusters of related or connected industries have been important in accounting for the degree of competitive success attained in each case. This paper presents the findings on one of the sectors concerned.

In the overall study, three relatively successful Irish sectors were selected for examination, each one chosen because it characterised an important aspect of the architecture of the Irish industrial landscape. The sectors were one in indigenous manufacturing, the *dairy industry*; one which is influenced to an appreciable degree by some form of contact or interaction with foreign companies in Ireland, the indigenous *software industry*; and one internationally traded service, the *music industry*. The case studies of each of the three industries were primarily intended to examine the extent of the influence of industry clusters and the applicability of Porter's approach, rather than to focus on the industry itself. Each case study adopts a similar approach, first profiling and assessing the performance of the industry and then using the Diamond Model, developed by Porter (1990), as a framework for analysing the

determinants of competitive advantage and the significance of clustering in each industry.

(ii) Porter's Diamond Model

Porter's model is discussed in detail in Porter (1990) and it will be only briefly summarised here. His thesis is that to understand why nations gain competitive advantage the focus should be on particular competitive industries within the nation arguing that it is certain characteristics of the nation that leads to industry competitiveness. For national competitive advantage to occur, however, it is not sufficient to have a number of unconnected successful industries, but instead it is necessary to develop clusters of competitive industries which are linked together through having in common a range of supporting conditions. Porter maintains that all of this is much more likely to occur if the clusters are located in the same geographical space because such proximity facilitates the flow of information from which the capability to innovate and to upgrade competitiveness develops. Porter states that this claim can be empirically supported. His study found that "the phenomenon of industry clustering is so pervasive that it appears to be a central feature of advanced national economies" (p149).

According to Porter the competitive advantage of an industry is seen as arising from four different determinants, which are created within the home base of the nation state: factor conditions, demand conditions, related and supporting industries, and firm strategy, structure and rivalry. He also identifies two residual influences: government and chance events.

Factor Conditions

The quantity and quality of factors of production, such as labour, capital and infrastructure, are clearly one determinant of competitive advantage. However, in Porter's view the factors of greatest significance to sustainable competitive advantage are those which are advanced and tailored to the needs of specific industries, i.e. specialised. For example, an advanced factor is a university research institute, and a specialised factor is an institute with specific expertise. These key inputs are not inherited but are created within a nation. It is the rate at which factors are created, upgraded and made more specialised to particular industries that is most

important for competitive advantage. The creation of factors varies widely across nations and among industries.

Demand Conditions

Domestic demand conditions can play an important role in shaping the rate and character of improvement and innovation by firms. Porter considers three broad attributes of home demand to be important:

- *composition* of home demand: especially sophisticated, demanding and anticipatory buyers.
- *size and pattern of growth*: e.g. early home demand which anticipates international trends.
- *internationalisation* of demand: transmission of a nation's domestic preferences to foreign markets.

Related and Supporting Industries

The third broad determinant of advantage in an industry is the presence of related and supporting or supplier industries which are also internationally competitive. The geographic proximity of internationally competitive supplier industries facilitates the process of innovation and upgrading in downstream industries in several ways;

- efficient, early and rapid access to the most cost-effective inputs
- facilitation of ongoing co-ordination of firms and their suppliers
- access to valuable sources of information and insights, harvested by supplier companies from their international positions.

Competitive advantage in related industries – i.e. those that can share technology or skills or which involve products that are complementary, can provide opportunities for information flow and technological inter-change and often leads to new competitive industries. In addition, small entrepreneurial firms are frequently spun-off from larger companies. As with home-based suppliers, proximity and cultural similarity make such interchange easier than is the case with foreign firms.

Firm Strategy, Structure and Rivalry

The fourth broad determinant of national competitive advantage in an industry is the context in which firms are created, organised and managed, as well as the nature of domestic rivalry. Porter argues that goals and strategies of firms, and the way they organise, vary widely among nations, in ways that are influenced by their national environments and that, in turn, influence their competitive advantage.

Porter's model accords particular importance to the presence of strong local rivals as a key to the development of successful industries in all nations. Even where substantial economies of scale are necessary, a number of rival local firms are important. The domestic nature of the rivalry is important, because of the beneficial effects of visibility, ensuring that rivalry will be particularly intense because of personal pride. Domestic rivalry is also important in stimulating pressure to innovate because of the inability of each individual enterprise to rely on shared advantages which stem from the nation, such as factor costs or a local supplier base.

Government and Chance

Two other elements of the Porter diamond model are the role of government and the role of chance. While acknowledging the influence of both these elements, Porter argues that the way in which they affect competitive advantage is mediated through each of the four major determinants of competitive advantage and can have either a positive or negative effect.

Determinants as a System

A key feature of the model is that the determinants operate as a system. One determinant is almost never sufficient on its own to ensure competitive success. Furthermore each determinant affects the others, although some interactions between the four determinants are stronger and more important than others. For example:

- the effect of home demand on the development of related and supporting industries may be dependent on its overall size and rate of growth.
- domestic rivalry is shaped by rapidly increasing and sophisticated demand which attracts new entry into an industry

as well as factor creating mechanisms which provide entrepreneurs who enter the industry.

Clusters, clustering and competitive success

The conditions which bring about industry clustering grow directly out of the determinants of competitive advantage and are a manifestation of their systemic character. One competitive industry helps to develop and to support another in a mutually reinforcing process. For example, one competitive industry may be a sophisticated buyer of the products and services of its supplier industries. In this situation, the purchasing industry helps to create the domestic demand conditions which support the competitive advantage of the supplier industries, while the suppliers, if they are competitive, help to sustain the competitive advantage of the purchasing industry through their role as supporting industries. As another example, two or more "related" industries may require similar sets of specialised labour skills. Each of the industries, in such a situation, can help to develop the pool of labour skills through training and experience gained on-the-job, and each can benefit from the enhanced factor conditions (skilled labour) resulting in part from the presence of the other related industries. This process of clustering, i.e. the development of vertical and horizontal linkages between industries, is promoted by the interactions between the four determinants of competitive advantage. Porter's central contention is that competitive advantage arises from the overall configuration of the Diamond. Sectors achieve optimal competitive advantage when they have strengths in each corner of the Diamond, which reinforce each other.

(iii) Critiques of Porter

There is now a well-developed body of international literature which critically reviews Porter's model and which is summarised below.

1. Lack of Theoretical Specification

At a general or conceptual level it has been argued that Porter's theory is irrefutable (Davies *et al.*, 1995) and also that it lacks precision, determinacy and strong predictive ability (Grant, 1991; Beije & Nuys, 1995).

2. Geographic proximity

The importance of geographic proximity may be partial and industry specific. Competitive advantage of firms and industries may depend as much on transnational linkages as on local interaction. (Capello, 1996; Penttinen, 1994). There also appears in many industries to be some tendency towards dispersal as the industry develops (Dalum *et al.*, 1991).

3. Cooperation and Competition

For Porter a key outcome of geographic clustering is the way in which it promotes interaction among competing companies. His primary emphasis is on competitive rivalry, but he does make reference to the beneficial role of non-direct forms of collaborative arrangements. However, Porter (1990) does not provide any description of networks in relation to his cluster concept and pays little attention to the manner in which relationships actually operate (Nuys, 1995, p.28). Neither does he actually address the major principles of interaction between enterprises – such as trust, dependency, status, power and economic motive – so that it remains unclear as to why and how interaction between firms is set up. (Boekema & Van Houtum, 1995).

4. Small Open Economies (SOEs)

It has been argued that the model does not work very well for smaller open economies such as Canada, Finland, Austria, New Zealand and Ireland (Rugman and D'Cruz, 1993; Bellak and Weiss, 1993; O'Donnellan, 1994 and O'Donnell, 1997). One of the issues about the relevance of Porter's Diamond model specifically to small open countries refers to the important role of domestic demand. In order to attain a minimum efficient size, industries from SOEs, especially those focused on niche markets, commonly have to export a substantial proportion of their output, from the early stages of their development. This suggests that domestic demand often cannot be a major determinant of competitive advantage for industries in small countries.

A second issue is that of the importance attached to rivalry between domestic firms in his model. Small countries may not be able to support a number of domestic rival firms in an

industry. But firms from small countries commonly have to export significantly to attain a competitive scale of production, and thus will encounter sufficiently intense competitive rivalry from foreign firms in international markets.

5. *Role of Multinational Enterprises*

Porter's (1990) procedure is one which, by and large, excludes foreign owned firms from the study of national competitive advantage. In his view, foreign-owned subsidiaries are generally not sources of competitive advantage for the host country. Some of the critique of Porter's theory deals with his treatment of inbound foreign investment (Rugman and D'Cruz, 1993; Rugman and Verbeke, 1993; Bellak and Weiss, 1993; Dunning, 1992a). This issue has been most comprehensively addressed by Dunning (1992b), who suggests that more explicit attention should be given to the ways in which the transnationalisation of business activity could have either a positive or negative impact on the competitive advantage of the host country.

6. *Resource-based industries*

Porter avoided including in his research industries that were highly dependent on natural resources, arguing that such industries do not provide the basis for competitive advantage in advanced economies. Studies of two relatively small economies dependent on resource-based industries, Canada and New Zealand (Yetton et al., 1992; Cartwright, 1993), concluded that Porter's model was inadequate for resource intensive industries, questioned the implicit assumption that a causal relationship exists between the home-based Diamond and competitive success and found that the model worked poorly in predicting or prescribing the characteristics of internationally competitive resource-based industries. The studies found that successful resource-based industries often have substantial overseas investment and suggest that there is a need to incorporate a broader range of off-shore variables in the analysis of competitive advantage of these industries.

(iv) **Porter's Model in this Paper**

This paper presents an analysis of competitive advantage and the

significance of industry clustering in the case of the Irish Popular Music industry. It profiles and assesses the performance of the industry, and then uses Porter's model simply as a framework for analysing the determinants of competitive advantage and the role of clustering. But it does so in a way which is informed by an awareness of the critiques of Porter's model, as outlined above.

1 INTRODUCTION

The popular Irish music industry dates back to the late 1960s and early 1970s. It is widely regarded as one of our most important cultural industries, with internationally successful Irish popular music artists such as U2, Enya, Van Morrison and Sinead O'Connor cited amongst our biggest exports. The industry is most commonly defined as consisting of a number of smaller sub-sectors, including not only artists and record companies but also, publishers, promoters, managers, activities associated with recording, live music and retail activity. In this paper, the music industry is more narrowly defined as comprising the originators of the music product, which in turn is defined as the musical composition, its live performance and the recording made of it. Using this definition, the originators are both the artist and record company. Other components are treated as part of either the industry's supplier or buyer chain.

The remainder of this introductory section briefly sets the industry in a global context and traces the evolution of its development here in Ireland. The next section describes the structure and performance of the industry. Sections 3 to 6, in accordance with the Porter framework, consider the role of Irish factor conditions, domestic demand conditions, related and supporting industries and firm strategy, structure and rivalry to assess the impact of each on the development of the industry. The conclusions arrived at are summarised in section 7 which also examines the impact of the determinants on the formation of a music "cluster" and considers the implications for government policy.

(i) Global Context

The music industry is "one integral component of an increasingly global network of inter-connected leisure and entertainment industries" (Negus, 1992, p1). The domination of the industry by a few multidimensional large corporations has been one of its characteristic features since the 1920s. Through a series of mergers and acquisitions the names have changed throughout the century, but the global structure of the industry has remained essentially the same¹.

1. See Negus (1992) for a detailed treatment of the history of the global record industry.

The recording industry was initially formed in North America and Europe. This is where key manufacturing operations and retail practices evolved and were concentrated, and where artistic and commercial policies developed. The activities of transnational corporations together with their major market outlets have been concentrated within a "triad" composed of the US, Europe and Japan. Recently Europe has overtaken the US as the biggest market, while the fastest growing markets are in Asia (IFPI, 1995). The location of hardware manufacturing plants and software recording facilities follow this pattern. The global production and consumption of popular music in the 1990s is defined by the North Atlantic Anglo-American cultural movements of sounds and images, and European, US and Japanese dominance of finance and music hardware (Negus, 1992, p.14).

(ii) Irish Popular Music Industry

The Irish popular music industry dates back to the late 1960s and early 1970s. Prior to that Irish popular music comprised concerts of light classical music and variety shows, Irish traditional music as exemplified by the activities of organisations such as Comhaltas Ceoltóirí Éireann and Gael Linn as well as folk and jazz music. Very little of the popular musical activity was of any economic significance. While there was an established local demand, particularly in rural areas for traditional music, even the best-known and most accomplished traditional musicians were unable to earn a living as performers (Richards, 1976). Popular dance music was provided by showbands during the 1950s and 1960s and consisted primarily of cover versions of hit songs from the UK and the US. While this latter activity was purely domestic in nature, it did enjoy huge popularity and provided significant employment. Industry sources indicate that during this period there were over 500 seven-piece bands and over 50 four-piece groups with support staff in the country.

Up to the mid 1970s, recordings made in Ireland concentrated on traditional music and poetry and were confined purely to the domestic market. During this period, Irish artists, many of whom wrote their own music and who had aspirations to international success in rock music, were forced to leave Ireland both because of the dominance of the showbands and also because of the absence of the infrastructure in Ireland to support their development. Well-

known examples include Rory Gallagher, Van Morrison and Thin Lizzy.

At this time there was little outlet for Irish rock music, with very few clubs where rock bands could play. The recording studios were not of sufficient standard to compete internationally and the showbands were monopolising radioplay. In addition, the big international bands were not attracted to play in Ireland and again there was no local supporting infrastructure, i.e. promoters and agents, capable of attracting international acts and/or appropriate venues. However, the success abroad of bands and artists, such as Thin Lizzy, provided embryonic rock bands in Ireland with inspiration and confidence. In particular, the actions of two individual bands, Horslips and the Boomtown Rats, both of whom launched their careers in Dublin, and, in the case of Horslips, remained committed to winning international success from a Dublin base, are regarded as being influential in the development of the nascent Irish popular music industry. Both were influential in a different way: the Boomtown Rats in demonstrating the capability of Irish acts to compete successfully in the UK and, subsequently, the US, with little prior domestic success, and Horslips in demonstrating that international success was achievable from an Irish base.

In the late 1970s there were a series of key and parallel developments: the formation of U2, who went on to be one of the biggest global successes in popular music; the launch of the rock magazine, *Hot Press*; the proliferation of pirate radio stations; the Dave Fanning Rock Show on the national radio station, 2FM; and the opening of Windmill Lane Recording Studios.

In the 1980s the Irish band U2 dominated the global popular music market creating a climate of openness to and interest in Irish bands as a promising source of international music repertoire. There was at that time a developing domestic infrastructure of the different components of the music industry supporting a growing number of local young bands and artists but still with little capacity to compete internationally. By the 1980s all of the six major record companies were represented by subsidiaries here in Ireland, although their principal function was to develop the small Irish market as an outlet for international repertoire. Nevertheless, there was some development of local Irish repertoire, principally for sale in the domestic market.

U2 are regarded as key to the development of some of these elements of the Irish infrastructure, to a level capable of competing internationally. For example, because of their use of the Irish recording studios, Windmill Lane, top international acts came to record and rehearse in Ireland. U2 also used Irish crews when they toured abroad, thus enabling Irish sound engineers, stage engineers and roadies to gain international experience. Subsequent to U2 a number of Irish rock acts have achieved international success: Sinead O'Connor, Enya, The Cranberries and most recently Boyzone. Currently, overseas success for this latter band is confined to the UK.

In addition to the developments in the rock and pop genres, Irish traditional and folk music developed in parallel, often crossing the boundary between folk and popular music, although not achieving the levels of success of the small number of rock acts. In the 1960s there was a resurgence of interest in the traditional/folk genre, much of which was due to the work of organisations such as Comhaltas Ceoltóirí Éireann. In this genre, artists such as Sean O'Riada, The Dubliners, Planxty and the Chieftains achieved a degree of international success. Artists currently associated with this genre, Mary Black, Christy Moore, Clannad and others, have been able to build sustainable careers in popular music, relying heavily on the local market but also achieving significant record sales in other markets, principally, the UK, the US and Germany.

2 STRUCTURE AND PERFORMANCE OF THE POPULAR MUSIC INDUSTRY

(i) Introduction

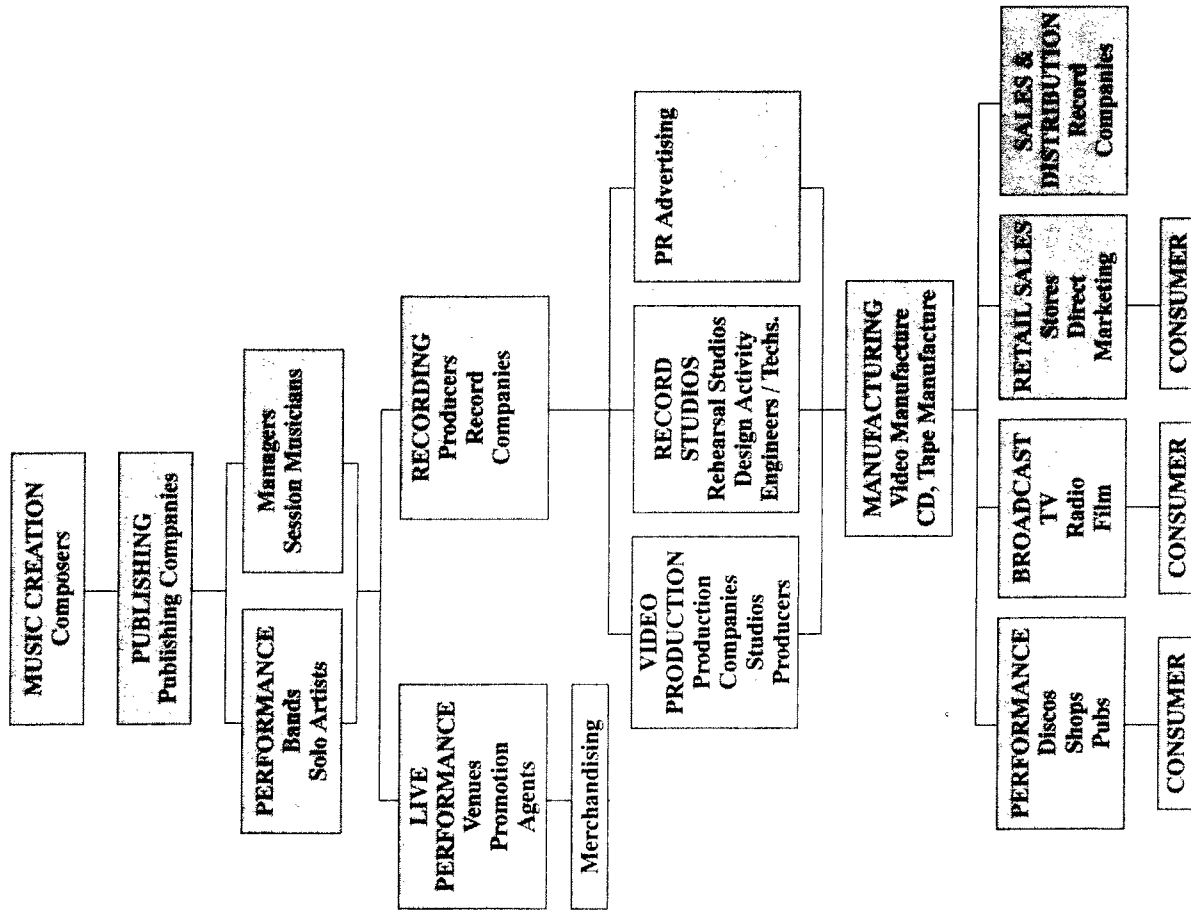
The indigenous Irish music industry is characterised as a set of primarily small-scale activities operated and controlled by a relatively small number of firms and individuals. Figure 1 sets out the components of the industry as it is most commonly conceived in industry reports and discussion. It identifies a chain of activity from the initial point of music creation through to when the music product, either through live performance or recorded music, reaches the end-user. In practise the business of making music is more complex and varied than this chart represents. For example, while composers and performers can be and often are two separate activities, it is now the norm for composers to perform their own music. Similarly, performers may launch a record by forming their own record company and, increasingly, performers now retain control of their own publishing. The manager, crucial to the management of the artist's career development, may be engaged by the artist following the signing of a record contract between the artist and the record company, and the producer, a key actor in the recording process, may be employed by the artist rather than the record company.

To date, the success of the indigenous Irish music industry must primarily be attributed to the brilliant performance of a small number of individual artists and their advisors. The artists – the songwriters and performers of music – are at once both the industry's core inputs and outputs as well as the primary source of value in the Irish context. The musical product is both the starting point of an industrial process as well as its final product (Frith, 1987). The record company is also key to the industrial process in that it is the main actor in the chain of activity which transforms music into the recorded product.

(ii) Artists (Performers and Composers)

The competitive success of the Irish popular music industry must be attributed to the success of a small number of artists. Accurate statistics across a range of performance indicators are notoriously difficult to establish. Nonetheless, the cumulative evidence is

FIGURE I
COMPONENTS AND STRUCTURE OF THE MUSIC INDUSTRY



Source: Adapted from Simpson, Xavier, Howarth (SXH), 1994, p.10.

sufficiently robust to allow us to conclude that Ireland has achieved some competitive advantage in this segment of the industry.

Market share

Various sources suggest that Ireland has a significant share of some of the major recorded music markets – for example, it has 4 per cent of the German market and approximately 3.5 per cent of the UK market.

Between 1986 and 1994 (with the exception of 1989 when Ireland was ranked fourth) Irish-originated artists were placed third in sales in the UK market behind the UK itself and the US (BPI, 1995, p.39; IFPI, 1993, p.18). Irish industry informants rank Ireland as being the fifth biggest source for international repertoire. This ranking is based on the acknowledged predominance of English language repertoire and Ireland's position as one of the six English speaking countries. This view is supported by the evidence from individual countries across Europe. While there have been some exceptional international successes from European countries, such as Sweden, Denmark, the Netherlands and France, the "cross-over"² capability of national artists has mostly been confined to nearby countries or is, at most, European-wide. It is acknowledged that no other European country (with the exception of the UK) has developed a capability to export the music of their local artists on a scale comparable to Ireland (MBI, 1995; Frith, 1996).

Revenue

In general the economic value of local musical talent that is internationally successful accrues to the international record company to whom the artist is signed rather than to the country of origin (Frith, 1996, p.101). Nonetheless royalty income³ is one of the most important elements of revenue for internationally successful Irish artists. Industry sources indicate that most of these artists are resident in Ireland and thus receive their royalties here. The value of net inflow of royalties can only be estimated and it is recognised by industry informants that these estimates have a wide margin of

2. "Cross-over" is defined as the ability of music repertoire which is local or national to appeal to an international audience. This concept is discussed in Frith (1996, pp.98-103).

3. A detailed description of the different kinds of royalties is provided in Stokes, Kennedy, Crowley (SKC), (1993).

TABLE 1
SUMMARY TABLE OF VALUE OF IRISH MUSIC INDUSTRY

SOURCE OF INCOME	MINIMUM OF RANGE	MAXIMUM OF RANGE	NOTES
Royalties:	£31.91m	£69.41m+	
(1) Performance – Composers	(1) £6.5m* collected by IMRO in 1995 (£2.5m in Ireland; £4m overseas)	(1) £36m – potential performance royalties (SKC, 1994, p.58)	(1) Key informants say that £36m is not attainable – IMRO expect £12m in '96
(2) Performance – Record Companies	(2) £2.9m collected by PPI in 1995 (excl overseas earnings)	(2) £2.9m+	(2) No data available for royalties collected overseas for Irish members
(3) Mechanical – Composers	(3) £0.51m collected by MCPS in 1995 (excl overseas earnings)	(3) £0.51m+	(3) No data available for royalties collected overseas for Irish members
(4) Record Sales – Artists	(4) £22m – based on SKC's estimates of net royalties for 1992 (1994, p.68)	(4) £30m – IBEC's (1995, p.15) estimates of net royalties for 1994	(4) Both sets of estimates are based on IFPI record sales data. These estimates are based on IFPI methodology (1994, pp.62-3)
Domestic Retail Sales	£8.2m – VAT on record sales of £48m in 1995 (IFPI, 1996)	£34m – assuming that 70 per cent of sales are retained in the economy	
Live Performances	£3.2m – revenues of 4.1m ECU for 1994-1995 (Laing, 1996, p.40)	£55m – IBEC (1995, p.16) estimate based on 5500 FTEs earning £10 000	
Merchandising	£0m+ – no reliable lower limit available	£30m – IBEC (1995, pp.15-16) guesstimate	No definition of <i>Merchandising</i> is provided
TOTAL	£43.31m+	£188.41m+	

* According to IMRO, it will be into 1997 before all royalties accruing for 1995 will be collected, therefore the figures given are minimums.

error. As is shown in Table 1, the minimum estimated income of Irish-originated artists is just less than £32 million per annum while the maximum ranges from £70 million upwards. The most significant of the royalty figures earned by artists is that from record sales. Recent figures suggest net inflow in the range of £22 million to £30 million annually, depending on the estimate used⁴. Based on some indicative figures on the record sales of their Irish artists provided by record companies in the course of this research, this range appears to be sustainable.

A second important source of income is that earned from performance royalties by composers and collected by the Irish Music Rights Organisation (IMRO). These are in the order of £6.5 million in 1995 (£2.5 million in Ireland and £4 million overseas). However, it is widely held in the industry that these figures hugely underestimate the true value of performance royalties, which are proving difficult to collect. It should also be noted that, comparatively, Ireland's absolute earnings from performance royalties are low, although this must in large part be attributable to the small size of the country. Of the fourteen EU countries listed, Ireland ranks third from the bottom with total composer and music publishers royalties of 13.5 million ECU (£10.4 million) in 1995 (Laing, 1996, p.29).

Estimates of the value of live performances throughout Europe are difficult to collect because of the informal character of the market in most countries and the fact that live music is not often assisted by public subsidy. In the Irish domestic market figures are based on estimates of the level of full time employment of performers in the economy (see discussion of employment below). A figure of £55 million has been suggested (IBEC, 1995). Industry sources suggest that for rock or pop music acts, live performances, with the exception of the major stars, are not a profitable activity and are used instead as a way of either attracting a record company to offer

4. The £22 million figure is based on International Federation of the Phonographic Industry (IFPI) (1993, p.18) estimates of Irish artists' market share of record sales in the world market of £245 million, a royalty rate of 10 per cent and net of royalty outflows of £2.475 million on record sales by foreign artists in Ireland. These figures relate to 1992. In 1994, IBEC (again based on methodology developed by the IFPI) estimated that Irish artists receive at least £33 million in direct payment from their record sales. Allowing for outflows from sales by overseas artists in Ireland, the net value is approximately £30 million (IBEC, 1995, p.15).

a record contract or as a way of promoting sales of an album made on foot of a record contract. Some indication of earning potential can be deduced from the figures for U2's last world tour, Zooropa, which grossed £40 million. However, the industry view appears to be that most of this amount was swallowed up in costs (similar ventures by the Rolling Stones and Pink Floyd are estimated to have earned in excess of £100 million). It is estimated that U2's 1997 world tour will gross £112 million (Evening Herald, 25/3/96). Income from merchandising is estimated to be also a significant element of the revenue earning capacity of successful Irish-originated artists. Once again, accurate figures are not available, making it difficult to comment further.

Employment

Industry reports suggest that there is a large pool of talented composers and performers in Ireland (IBEC, 1995, p.19). The very fluid employment profile of the industry, a consequence of the relatively low barriers to entry, makes it difficult to be precise on the numbers employed. Estimates also vary widely, due to differences in what is being measured and the ways in which different categories of composers and performers are combined (see Table 2). An estimate of the number of composers, based on 1993 data, is circa 1,000 which is thought to translate into roughly 500 full time equivalents. In 1994, there were over 1,050 Irish composers listed among the members of the Performance Rights Society (PRS) of the UK, the body responsible for collecting royalties on behalf of composers, while in 1996, the Irish Music Rights Organisation (IMRO) had 1,500 members⁵. This represents an increase of 15 per cent over 1995, which indicates considerable growth in the number of available artists. Burke (1995) found that 73 per cent of Irish composers wrote chart music, that is popular music, 12 per cent wrote non-chart traditional music, 5 per cent wrote classical music and a further 6 per cent wrote commercial music.

5. IMRO was founded in 1988 as a subsidiary licensing arm of the PRS and became independent on January 1, 1995 (Music & Copyright, 1995). Not all Irish writers are members of IMRO for a number of reasons including: a belief that better copyright protection is available elsewhere; for facilitation of royalty collection, they are members of the country where their publisher is based; a perceived advantage of belonging to the collection society of their most important export market. For similar reasons, there are non Irish-originated artists members of IMRO.

TABLE 2
EMPLOYMENT IN THE IRISH MUSIC INDUSTRY, 1993

Sector	Simpson Xavier Horwath (SXH)		IFPI		Coopers Lybrand	
	Numbers	FTEs	FTEs	FTEs	FTEs	FTEs
Composers	1,000	500	1,060		550	
Publishers	50	50				
Performers*	11,500	5,500	1,250		5,500	
Live Performance Support	500	500			500	

Source: IBEC, 1995, Table 1.1, p14.

* The key difference between the estimates is due to the IFPI's concentration on full-time workers.

Of the first two groups more than 90 per cent of the composers were also performers. Popular music bands and solo artists come and go very quickly, making it difficult to estimate their number. There are an estimated 1,000 popular music bands and solo artists in Ireland, more than half (probably two-thirds) of whom are based in Dublin (SKC, 1994, p.21). However, research in Britain has indicated that the number of bands in a city is approximately 1 per 1,000 population (Negus 1992, p.41) suggesting that there are approximately 1,000 bands in Dublin alone. The estimated range of numbers of performers is from a low of 1,250 to a high of 5,500 full time equivalents.

Similar problems arise in relation to comparisons of employment levels with other countries because of differences in method of calculation. However, information as indicated in Table 3, suggests that Ireland has a significantly higher ratio of performers to population than a selection of other EU countries, including the UK⁶. Based on a comparison of the entries listed in the Hot Press Directory⁷, the number of artists (defined as performers/composers) grew by an average annual rate of 11 per cent per annum in the sector over the fifteen year period 1979-1994, compared with just 2

6. It should be noted that this higher ratio of performers to population in Ireland is based on the SXH's (1994) estimate of 5,500 FTEs, and not IFPI's (1993) figure of 1,250 FTE performers.

7. Hot Press Directory is the established directory of companies in the popular music sector.

TABLE 3
NUMBER OF FULL TIME EQUIVALENT (FTE) PERFORMERS PER 1,000
INHABITANTS IN A SELECTION OF EU COUNTRIES

Country	Population (in millions)	No of FTE Performers	No of Performers per 1,000 inhabitants
Ireland ¹	3.6	5,500	1.53
Finland ²	5.1	1,000	0.35
France ³	57.7	20,000	0.20
UK ⁴	58.0	21,700	0.37

Source: Laing, 1996, p.41.

Notes: (1) In Ireland, there are an estimated 11,500 musicians, or 5,500 FTE performers (Coopers & Lybrand, 1994).

(2) In Finland, there are 4,200 people working as musicians, of which 1,200 are in the classical sector. The FTE of the 3,000 popular musicians is estimated to be probably less than 1,000.

(3) France had 16,164 full time musicians and singers (all sectors) and 18,145 part-time performers, which is the equivalent of 20,000 FTEs.

(4) According to a 1990 census in the UK, 21,700 people "identified themselves as musicians". No figure for FTEs was given.

per cent in Services as a whole (Burke, 1995, p.3; IBEC, 1995, p.14).

Despite this apparently healthy growth in numbers of artists, far fewer are earning an economic wage. In a recent study, Burke (1993, p.52) found that 81 per cent of composers claim to have made less income from performance and composing than they required to remain in the profession. Over a quarter of respondents are in receipt of social welfare benefits to supplement their income from royalties and live performance. This is comparable to the situation across Europe. Assuming that 8,000 to 9,000 ECUs (circa £6,000-£7,000 depending on exchange rate) in total annual royalty payments from mechanical and performance right sources is taken as the lowest level at which a composer can be said to be earning a living, only 3 per cent of composers in Denmark and 4 per cent in Austria are earning an economic wage. In the UK, only 7.5 per cent of PRS members exist as full time composers albeit in many cases with an income below the UK national average. The number of people earning a living from composing music in Europe as a whole is estimated to be 15,000 (Laing, 1996, p.34).

Burke's (1995, p.4) analysis of the factors affecting the supply of artists suggests that there is a positive correlation between unemployment and the number of artists and a negative relationship between employment vacancies and the number of artists. Because artists depend on consumer expenditure, it was not surprising that Burke found a positive correlation between the number of artists and both the real manufacturing wage rate and real GDP. He also found that the supply of artists was positively correlated to the real value of IMRO performance royalty revenue. The findings from his survey are supported by figures from IMRO on the royalty-earning capacity of their members. Of the 1,500 members, approximately two-thirds earn less than £250 per annum from royalty income and fewer than 20 per cent earn more than £1,000 per annum, with only 5 per cent, or about 75 composers, earning £10,000 and over.

A further important indicator of earning potential is the winning of a record contract. Available figures suggest that fewer than 10 per cent of the estimated population of artists have a contract with a record company. It can be estimated with reasonable certainty (based on indicative data received from a number of these companies) that there are fewer than sixty Irish artists signed to one of the labels owned or controlled by the "big six" international record companies, of which around half are signed to the subsidiaries located here in Ireland. In addition, there are a number of Irish artists who are signed to independent labels. However, signing a record contract, while a necessary first step towards success either in the domestic or international markets, is an indication of potential earnings only. In practice, the industry is high risk with a very high failure rate. It is estimated that just one in eight of the artists signed achieve success (Negus, 1992, p.40).

Economically viable artists in the industry are commonly divided into 3 tiers: international artists, which would include U2, Enya, The Cranberries, Boyzone, Van Morrison and Sinéad O'Connor; middle sector acts, for example, Mary Black, Eleanor McEvoy, Francis Black who primarily serve the domestic market but with some export activity; and "Irish" local music, produced for the domestic audience only.

Each year it is estimated that only a handful of new artists, sourced from any nationality, is signed with one of the global record companies. The market saturation with new records (often produced by the artist without any record deal), the emphasis on reproducing

back catalogues and the global strategy of the majors to create "the total star" means that opportunities for new artists, including Irish artists, remain very poor.

(iii) Record Companies

In 1996, a total number of 90 record companies, both foreign-owned and indigenous, were listed in the Hot Press Directory (1996) which represents an annual average increase of 8 per cent in the fifteen year period since 1981. However, only 48 are members of the industry's trade association the Irish Federation of Phonographic Industry (IFPI) and fewer still (37) provide the association with information on their activities⁸. The structure of the Irish record company industry is one of domination by six overseas companies, which control 80 per cent of the domestic market, a handful of smaller, partially or wholly foreign-owned companies and a large number of small indigenous independent record companies.

Each of the six majors is part of a larger corporate structure that is involved in other related industries (see Table 4 for details of individual corporations). Each is also characterised by enormous financial resources and capital mobility, capable of funding aggressive growth strategies. The combination of capital intensity with market internationalisation (the majority of European markets are dominated by international pop and classical music) means that economies of scale are both critical and achievable i.e. in manufacturing, distribution and retail. For example, for UK record labels the revenue from sales to the rest of the world, particularly to North America and Europe is a more important source of income than domestic sales. Revenue from British sales alone is often not sufficient to cover the overheads and costs involved.

All of the "big six" major record corporations have subsidiaries in Ireland, established for at least 10 years. Many are here considerably longer, for example, EMI have a subsidiary in Ireland since 1960. Initially, these subsidiaries were involved in

8. The figure of 37 refers to the number of establishments. However, a number are actually labels for different music genres belonging to the same company. For example, Virgin and Island are labels of the Polygram group. Thus the number of separate record company enterprises is even smaller than the figure of 37 would indicate.

TABLE 4
SUMMARY TABLE OF THE ACTIVITIES OF THE CORPORATIONS THAT DOMINATE THE MUSIC INDUSTRY

NAME OF COMPANY	MUSIC SECTION	NATIONALITY	PRIMARY CORPORATE ACTIVITIES	OVERALL % OF COMPANY SALES	ELEMENTS OF THE MUSIC BUSINESS	% OF WORLD MARKET (1995) IN MUSIC
Bertelsmann (German) Private	Bertelsmann Music Group (BMG)	German	Book Publishing, Entertainment, Gruner & Jahr Magazines, Printing	32% 32% 20% 10%	Record Companies	1.1%
Thorn/EMI	EMI Music	English	MUSIC/MUSIC PUBLISHING (HMV) TV/VCR Hardware Rental Security Business	48% 11% 35% 6%	Record Companies Studio Recording Music Publishing Record Manufacturing	14.1%
Philips	Polygram	Dutch	MUSIC Film Production Electronics Medical Systems Philips Communications Systems	- - - - -	Recording Companies Music Publishing Video Production Video Marketing CD Manufacturing	17%
Seagram	MCA Music	Canadian	Liquor Music Film/TV Production Theme Parks	- - - -	Record Companies	6.3%
Sony Corp	Sony Music Entertainment Inc.	Japanese	Other Electronics Audio Equipment Televisions Video Equipment Music Film Production	23% 18% 17% 12% 7%	Record Companies CD Manufacture Tape Manufacture	15.5%
WEA (USA)	Warner Music Group	American	Film Production Music Publishing Cable Programming HBO Theme Parks	30% 24% 20% 14% 9% 3%	Record Companies Publishing CD Manufacture Tape Manufacture Digitized Cable Radio	15%

Sources: CEC, 1994 and 1995; Company Reports; Music & Copyright - Various Issues.
Note: Information Incomplete; Overall % of company sales is for 1994 for BMG & Sony, 1995 for EMI & Warner

manufacturing (which ceased circa 20 years ago) as well as distribution. Sony, who operated as CBS Records until 1987, has been in Ireland for 24 years. Until the 1990s the MNE subsidiaries were little more than distribution depots and marketing wings of the UK company. In the last three years, all but Sony (who also distribute on behalf of Warners) have ceased distributing from Ireland and instead manage distribution direct from the UK. There are a small number of smaller foreign-owned companies also with branches located in Ireland.

Of the 37 companies who provide the IFPI with information, approximately 20 are foreign-owned. In addition, using the Hot Press Directory as the indicator, there are a large number of small, Irish-owned independent record companies, the great majority of which are cottage industries, employing less than five people, with many employing only one person. The principal function of many of these latter is to launch records on behalf of acts/solo artists who are unable to win a record contract with an established company. Overall, according to industry sources, there are very few viable independent record companies.

Barriers to entry to the industry at this level are low. The failure rate of indigenous record companies is estimated to be high. Many record labels are set up by bands who fail to get a record contract with an already established company. One such example is Dervish – a traditional band who set up their own label “Whirling Discs” five years ago, in order to release their debut album, Harmony Hill. If an independent company becomes successful, usually because of its success with a single act, it is vulnerable to take over by a “major” or a larger foreign-owned independent.

Of the 90 companies listed in Hot Press, less than one-fifth are located outside the greater Dublin area (see Table 5).

TABLE 5
LOCATION OF COMPANIES

Location	Dublin Area	Cork	Mid-West	Midlands	East	West
No. of companies	74	2	4	4	1	5

Source: Hot Press Directory, 1996.

Total estimates⁹ of employment in all record companies based in Ireland, both domestic and foreign-owned, range between 66 and 250. Data from record companies suggests that at least 100 people are employed by the MNEs so that total indigenous record company employment does not exceed a further 150 people. Again because of the absence of reliable data, it is not possible to comment with certainty on whether there has been an increase in employment in the industry, but information from some of the subsidiaries of the majors, suggests that, while there is some movement within individual companies, the overall trend is a static one.

The six major MNEs dominate the Irish domestic market, accounting for circa 80 per cent¹⁰ of domestic sales. This market share is comparable to the share of the big six record companies world-wide. They account for between 75 per cent and 81 per cent of the global market. Industry sources suggest that the actual share is even greater. While there has been movement between companies within the foreign-owned and domestic sectors the relative balance of market share between the two sectors is unchanged in the five year period since 1991. Approximately a further 10 per cent of the market is held by other wholly or partly foreign-owned companies. This means that the large majority of indigenous independent companies share 10 per cent or less of the domestic market¹¹.

Global music sales in 1995 were valued at US\$39.7 billion. These figures underestimate the total value of the music industry since they refer only to the value of sales of recorded music and do not include revenues generated through “invisible” earnings, i.e. exploitation of music rights¹² discussed earlier in the context of artist revenue generation. In 1995, the top five markets (US, Japan, Germany, UK, France) accounted for 70 per cent of music sales (US\$27.8 billion). The value of domestic sales was £48 million in 1995 which represents just 0.2 per cent of the world market,

9. See IBEC (1995, pp.13-14).

10. Industry sources suggest that trade statistics are not fully reliable. There is widespread agreement in the industry, both in Ireland and elsewhere, that the major record companies are extremely secretive about revealing information. Fully reliable figures are therefore not available. See Negus (1992) for discussion of the problem.

11. This information was obtained from IFPI Ireland.

12. The importance of “invisible” earnings is increasing. In the UK, invisible earnings accounted for 69 per cent of total gross overseas earnings or 86 per cent of net overseas earnings in 1993 (British Invisibles, 1995, p.28).

reflecting the fact that Ireland is one of the world's smallest markets (IFPI, 1996).

The share of the music sales held by the different markets has not varied significantly in the past 10 years. However, it is forecast that China will have become the fifth largest market by the year 2000 with sales of US\$2.9 billion (MBI, 1995, p.7). The music market, it is believed, will be less concentrated in the year 2000 with the top five markets accounting for less than 60 per cent, as opposed to 1995 when they accounted for 70 per cent (US\$27.8 billion). Although the proportion of world sales accounted for by Latin American markets has remained unchanged at 5 per cent over the last decade, absolute sales have more than trebled between 1985 and 1995 (IFPI, 1996). While the overall rate of growth in the Irish market in 1995 was almost 18 per cent compared with just under 10 per cent world-wide, the average annual growth rate in record sales in Ireland, since 1981, was 7.5 per cent, compared to 8.7 per cent world-wide, 8.1 per cent in the UK and 8.3 per cent in the US (IFPI 1996; 1990) (see Table 6).

Export sales by record companies

Traditionally the export market for indigenous record companies has been limited to countries with strong Irish affiliations such as the UK, the US and Australia. However, the international market has been extended by traditional artists such as the Chieftains and Clannad. It is suggested that their experimentation with different instruments and other musical disciplines has led to the development of new markets for Irish music in other countries such as Germany and Sweden (IFPI, 1993).

Smaller companies with limited financial and marketing resources have difficulty in developing these markets fully (IFPI, 1993). Figures provided for one internationally successful Irish band indicates expenditure in excess of £0.5 million over a period of 3 years. While the average investment in a local act by an MNE subsidiary could exceed £30,000, that by an indigenous company is significantly lower. To break even on the investment in an artist (and before any other costs of manufacture, distribution, overhead and finance) the record company would have to sell approximately 8,000 CDs or 23,000 cassettes. For a new artist to achieve such sales is virtually unheard of in Ireland where an album selling 10,000 copies is deemed to be a success.

TABLE 6:

COMPARISON OF ANNUAL GROWTH RATES OF SALES OF SOUNDRECORDINGS (VALUE, 1981-1995)

YEAR	WORLD WIDE %	US %	UK %	IRELAND %
1981	-	2.79	(2.64)	-
1982	(8.94)	(8.27)	8.12	(17.44)
1983	7.14	4.74	6.16	11.97
1984	0.00	14.58	11.92	0.00
1985	2.08	0.40	21.12	13.21
1986	14.29	6.00	11.59	7.82
1987	21.43	19.70	23.18	3.38
1988	19.41	12.34	21.14	12.64
1989	6.4	3.3	1.0	5.8
1990	11.6	14.0	6.4	N/A
1991	9.6	4.7	1.7	N/A
1992	9.8	14.97	(7.3)	3.4
1993	6.4	10.9	(1.1)	2.6
1994	17.8	20.4	19.7	3.6
1995	9.9	2.2	8.7	17.7
1981-1995	8.7	8.3	8.1	7.5

Source: IFPI, 1996; 1995; 1990.

Note: (i) Figures are not available for Ireland or IFPI prior to 1981.

(ii) No 1990 sales available.

(iii) Between 1989 and 1991, growth of 63.3 per cent for Ireland.

Export activity is crucial given the small size of the Irish market. Industry sources indicate that absolute export activity is extremely limited, although some individual companies claim that exports represent 50 to 90 per cent of their sales. In 1992, record companies (including the MNE subsidiaries) generated export sales of IR£10 million, £8 million of which were to Northern Ireland (IFPI, 1993). Figures supplied by An Bord Trachtála (ABT) indicate strong growth of exports by indigenous companies from £616,000 in 1990 to £12 million in 1995¹³. In addition, there is a view that there is

13. The music export figures available from ABT are incomplete. There are approximately 60 to 70 "targeted companies" on file, of which 20 to 30 make a return. Companies seeking ABT funding are required to make a return. It is estimated that the data supplied by returning companies represents about 75 to 80 per cent of exports. Publishers and management companies as well as record companies are included. In practice, very few management companies

more actual export activity, for example, artists selling their tapes/albums as they perform live in international markets, than is captured in those statistics which are available.

(iv) The Competitiveness of the Irish Music Industry

The absence or unreliability of data makes analysis of the performance of the music industry in Ireland very difficult. Notwithstanding this major constraint, the available information indicates that Ireland has achieved considerable comparative success in terms of a number of internationally successful artists quite disproportionate to the size of the country's population.

Stripping out the activities of these artists, however, the picture of the music industry is less impressive. The domestic market for recorded music is dominated by imports and its growth rate lags somewhat behind the global rate and is exceeded by a number of other fast growing countries and regions. Data on export levels and markets for locally-produced recorded music is very sketchy and, therefore, difficult to draw conclusions from in relation to growth and future prospects. Exploitation of intellectual property rights, other than artists' royalties is the other major revenue generating activity of the industry. However, the information which is available suggests that there are real constraints on collection of royalties. In addition, loosely-based estimates of earnings from live performances and merchandising indicate earning potential, but the absence of data makes it impossible to comment. In terms of its structure the indigenous industry is made up of small-scale enterprises, hampered by difficulties in relation to access to capital and to the necessary export markets.

The argument is frequently made by industry analysts and lobbyists that considerable, albeit inadequate, development of the facilities necessary to realise international success has taken place over the last twenty years in Ireland and that substantial additional

make returns. Companies make a return on the basis of their business activity overseas. This comprises either exports of product or copyright, or both, thereby sometimes leading to double counting. The difficulty in obtaining accurate and reliable export data is further compounded by the inclusion of royalties collected by IMRO in Ireland and estimates for non-returning companies. Furthermore, comparisons over time are not to be relied on because of differences in the database.

development is the correct strategic approach for the future. In the following sections the Porter Diamond model of competitive advantage is applied in order to evaluate this claim.

3 FACTOR CONDITIONS

This section outlines the factor conditions that influence the environment for the Irish popular music industry.

(i) Language

The fact that Ireland is primarily English speaking is identified as the most important reason for the comparative success internationally of Irish artists. The English language is the primary language of global popular music and the first language of the biggest market in the world, the US, which accounts for almost one-third of world record sales. World sales of recordings have always been dominated by those made by both British artists and North American artists.

In the late 1970s, a detailed analysis of the Billboard charts of top selling records around the world found that songs with lyrics in English dominated the charts in most countries (Negus, 1992). Shore (1983, p.264) concluded that 'there is a predominantly one-way flow of music from the United States, and to a lesser extent from Britain, to other parts of the world'. There is evidence that this is still the case. The Anglophone "bloc" of the UK, Ireland, the US and Canada had 66 of the top 100 albums and 42 of the Top 100 singles in the EU in 1995 (Laing, 1996, p.27).

In countries where English is the main language hit records in any other language are almost non-existent. Furthermore, in countries where English is not the primary language, a large proportion of the music sold has English lyrics, thus providing a large global market open to artists from the English-speaking world (Negus, 1992, p.10). Bands like Abba, Aha and Roxette who originally came from non-English speaking countries were contractually bound to write their music in English in order to win international record deals (Adoni et al., 1994). However, whether the predominance of the English language in international repertoire will continue in the future is open to question. There is evidence to suggest that the important future markets will not be primarily English-speaking (MBI, 1995; Rutten, 1991). This together with the increasing importance of "national" musics is believed to account for a deterioration in the economic performance of the global "mega-star" and suggests that "there is a limit to the economic rationale

that a global industry should concentrate on providing the same products to as many customers in as many countries as possible" (Rutten, 1996, p.72).

(ii) Ireland as a Unique Cultural Formation

Porter (1990) defined infrastructure as including "such things as the housing stock and cultural institutions, which affect the quality of life and the attractiveness of a nation as a place to live and work" (p.75). There is widespread consensus among industry informants that the quality and style of life in Ireland are important factors for both Irish artists who decide to remain here and foreign artists who move here.

In many ways "Ireland Inc.," represents a unique cultural formation and as such has become a brand name which provides benefits to Ireland as a preferred location for international music industry players. The reputation of Ireland also provides access to international markets in two ways: audiences are more receptive to Irish artists and important gatekeepers within the international music industry are more open to Irish artists. Ireland's brand name as a location derives from a number of separate but interrelated characteristics. These encompass first, the cultural traits of friendliness on the one hand with a respect for privacy on the other. Second, a perception of Ireland as a fashionable centre for those involved in all aspects of the entertainment industries, including film, music, leisure and fashion design. Third, the reputation of Ireland as particularly rich in the arts, historically as well as currently in literature and more recently, since the advent of U2, in popular music. Fourth, a specific interest in the "Celtic" influence on music combined with the perceived emphasis on a tradition of live music activity in Ireland (regarded as a major attraction for the tourist industry). Fifth, the image of Ireland as a non-colonial/imperialist state which provides a positive image in some of the important markets, particularly in Europe. Sixth, Ireland's cultural position, including its language, somewhere between American and English musical culture, provides Irish artists with an advantage in the *familiarity* that Irish music has with the music in these two markets and seventh, Ireland is regarded as a tax-friendly environment for composers.

While there is consensus that this "brand reputation" is a reality

providing real if intangible benefits to the music industry and beyond that to the tourist industry, its sustainability is somewhat more in doubt. The perception of Ireland as the place to be can easily be destroyed or overtaken by some chance event or fashion trend. Those who argue from this perspective emphasise the need to put in place the necessary infrastructure to support and to underpin the predominantly ephemeral reasons why people choose to locate in Ireland or to be more open to Irish products.

(iii) Popular Music Artists as Key Human Resources

As a resource to the Irish music industry there is a contested view as to whether Ireland is comparatively richer in the number and *quality* of its artists. The Irish demographic structure, given the comparatively high proportion of its population in the younger age groups, certainly provides a relatively larger pool from which popular musicians might emerge, in that Ireland has the most youthful population in Europe (Lambkin, 1996). In the absence of hard data, industry informants vary on whether Ireland does have a significantly greater proportion of popular musicians than is the case in other countries. While there is certainly a view that the Irish market is saturated with aspiring young bands and solo artists, there is no evidence to suggest that this is unique to Ireland.

There are those who argue strongly that Ireland possesses an inherited advantage in story-telling and in performance which has been adapted to provide Irish popular musicians with a natural advantage, providing them with the critical competitive advantage of an ability to “crossover” from music which is purely “local” or “national” in character to one which has international appeal. There is also a view that Irish people have access to a greater diversity of musical forms than is the case in many other countries. In contrast, a number of those interviewed insist that the success of U2 is unique and is a result of a particular combination of musical talent, management, vision and drive. For those who have achieved international success since U2, such as Sinéad O’Connor, Enya and The Cranberries a similar combination of luck and determination is viewed as responsible although the presence of an indigenous music industry infrastructure and the growing reputation of Ireland as a source of successful acts contributed to their success.

(iv) R&D in the Music Industry – A&R activity

Record companies utilise artist and repertoire (A&R) staff to identify, sign and nurture new acts and to act as a go between for the artists and the marketing departments of the record companies. A&R people will typically work closely with the artist after a contract has been signed and will remain responsible for the act, overseeing its career development (Negus, 1992). A&R activity has to be seen as the research and development function of the music industry. In smaller companies, the A&R function is part of the job of a number of staff members, particularly the MD.

The level of activity of MNEs in Ireland, in terms of development of local artists, has traditionally been very low and in some cases non-existent. A&R activity is now becoming a more important feature of the major record companies’ Irish subsidiaries with discernible, if still small, increases in investment in local artists in the last five years. Because of the successes achieved internationally by a number of Irish-originated artists over the last twenty years and the consequent industry-wide perception that Ireland is a rich source of musical talent, further investment in Irish talent is likely to be forthcoming. However, the reasons for the present trend of increasing investment are more complex. Investment in local development of Irish artists by subsidiaries of the major companies appears to be primarily a function of a change in policy by the parent companies, a change which is vulnerable to further shifts in the future. This issue will be discussed further in section 6.

While information is sketchy, the existing evidence suggests that the level of investment in new artists among indigenous Irish record companies is extremely variable. Many Irish record companies, ranging from those with a successful artist signed to their label as well as those artists who form a label simply as a mechanism to make a record, are largely one act (whether band or solo artist) entities. This lack of investment in new artists is regarded by many as a significant handicap to the future development of the indigenous Irish music industry. It is argued that, with a small number of exceptions, potential internationally successful Irish acts will continue to have to look to either the UK or the US for record contracts.

(v) Technology

Ireland does not have any factor advantages in technical developments which relate to the music industry, although Simpson, Xavier, Howarth (SXH) (1994) note some related Irish activity. There is, however, widespread recognition that technical developments, including digital quality sound, satellite/cable diffusion and interactive technology, will change the structure of the music industry. What shape this will take and who are to be the main winners and losers in the Irish context is less clear. One scenario is that these developments will create opportunities for small players who will no longer be disadvantaged through lack of access to large-scale manufacturing and distribution facilities, and, particularly important in the Irish context, the disadvantage of peripherality will be neutralised. An alternative scenario is that the challenge posed to independents in the industry will be magnified. Access to international markets will be heavily dependent on linkages to major companies who are positioning themselves to control these new forms of music distribution. This suggests that the predicted developments in the transmission and diffusion of music (e.g. direct consumer access to music repertoires via databases) pose serious potential consequences for independent companies and indeed for small countries such as Ireland in cultural terms in the long-run (SXH, 1994; MBI, 1995). The problems include a possible major shift of consumer demand from pre-recorded tapes, discs and albums as well as widespread copying and manipulation of music given the ease with which music can be put onto the internet and downloaded. These developments make the whole issue of copyright legislation and its implementation of crucial importance.

(vi) Capital

The capital-intensive nature of the global industry means that economies of scale are critical, thus in part explaining why the recorded music industry is so highly concentrated, with the six multinational companies sharing at least 75 per cent of the world market (CEC, 1995). The lack of access to capital by indigenous record companies is one of the key weaknesses of the Irish music industry, limiting their capability to invest in the development of new acts. This is, however, a feature which small, independent record companies in other countries are likely to share and as such does not represent a comparative factor disadvantage for Ireland.

In addition, notwithstanding the recognised importance of capital for investment purposes, industry personnel argue that a high initial capital outlay on behalf of new artists is a high-risk strategy for the artist as well as for the record company. Much of this capital outlay is in the form of an advance paid to the artist to cover many of the costs and as such is recoupable by the record company against subsequent royalty earnings. The higher the initial investment the higher the sales necessary before the artist is actually earning, so that sales of, for example, 50,000, which may be considered in itself a success for a new artist may well be regarded by the record company as a failure, and may even mean dropping the artist as a client. This point is of relevance to the "second" tier of artists, particularly in the folk and traditional genres, whose music tends to have lower annual returns but which has a longer shelf-life. It is also relevant to new innovative artists, whose music might require a longer lead-time before appealing to consumer tastes. In this regard, access to capital for investment is of importance, but not necessarily on the scale available to the global companies. In addition, the management of investment decisions is as important as the actual amounts available. In the music industry predictions about which acts will be successful are as difficult for the large as for the small companies.

(vii) Knowledge Resources

There is a broad recognition of the value of specialised training not only in the technical aspects of the industry, for example sound engineering, but, more importantly, in relation to an understanding of the complexity of the music industry world-wide as well as specific business skills such as the role of accounting or law within the entertainment industry.

General music education for the population as a whole is part of state education policy (White Paper on *Education*, 1995). There is a widespread view that music education at both primary and secondary level has been neglected over a prolonged period. There is some specialised training now available including sub-degree, post-leaving certificate courses provided under the auspices of state-funded institutions in Dublin and Cork. These colleges provide courses in Rock Performance and Management, Multi-media Production and Studio Recording. Those courses with certification

are provided through the VEC system in Ireland, or are UK-based qualifications.

Other specialised courses are being considered, including third-level degree courses in music technology and in music management. Those third-level courses which currently exist relate to classical music and, while useful, are not specialised to the needs of the popular music industry. Additional training courses are also provided by two private colleges in Dublin. Courses are aimed at technicians who intend to work in recording studios. In addition, industry bodies and intermediary organisations have been reasonably active in providing occasional workshops, courses and seminars.

Overall, it is believed that Ireland lags behind other countries including Canada, Australia, the UK, Germany and the US in establishing dedicated advanced educational courses appropriate to the popular music industry. Examples are the Fribourg Rock and Pop School in Germany and the Liverpool Institute for the Performing Arts in the UK. However, compared with the US, Europe in general has very few high-level training and education centres for musicians in the popular music sector (Laing, 1996, p.52).

Burke (1993, p.73) found existing education and training facilities in Ireland to be significantly deficient, especially within the state education system and proposed that government should reorient resources devoted to promoting music education to initiatives such as the issuing of private music education vouchers and funding of community rehearsal/recording studio facilities. Industry informants, however, while in agreement that many of the essential competencies and skills are in short supply in Ireland, for example, producers, managers, and, in some cases, publishers, record company personnel and artists themselves, are less convinced of the benefits of formalised training in developing the music industry, arguing that the only effective way to learn the business is through experience. In this regard the small scale of the Irish market is regarded as the key constraint. Many attribute a lack of professionalism as well as a lack of specialisation to this characteristic.

(viii) Role of Government

The view was expressed in the course of this research that the structures and institutions whose function it is to develop and support indigenous industrial activity, whether in manufacturing or in services, are not fully appropriate to the needs of the music industry. However, on the other hand, and unlike regions such as Scotland, Irish music policy is part of State policy, thus, at least theoretically, allowing for a greater degree of coherence in terms of planning and policy-development for the industry (Frith, 1996, p.102).

Direct government subsidy for popular music in Ireland is extremely limited and is provided through the Irish Arts Council. In 1994, the Council's subsidy for music (including classical) was less than £1 million (Arts Council, 1994, p.94). This compares with a subsidy of 16 million ECU (£12 million) in France. French-speaking Belgium has a programme of public support for popular music, about 1.25 million ECUs (£1million) are provided to subsidise recordings and tours as well as performances in schools and in foreign promotion of Belgian music. In Finland, about one per cent of its 47 million ECUs (£36 million) provided for music in 1995, was in the form of aid for non-classical music (Laing, 1996, pp.53-54).

The majority of EU countries have in place a "blank tape" levy which allows for royalties to performers, composers and record companies, to be payable on sales of blank audio and video cassettes and, in some countries, on audio and video recording equipment also. Five EU countries, including Ireland, do not have provision for such a levy. Two of these, Portugal and Sweden, have voted in favour of a levy although no date for its introduction has yet been announced. A government-appointed committee has recommended that Ireland should adopt such a levy. In most countries, the legislation establishing the levy included a provision that a proportion of the money collected should be used for collective cultural purposes such as subsidies for concerts or training for musicians.

A number of interventions, directly through taxation measures and indirectly through semi-state agencies (principally An Bord Trachtála – the Irish Trade Board), have had an impact on the development of the industry.

The Finance Act 1969 introduced the artists exemption provision, according to which worldwide earnings arising from the exploitation of a work which is determined to be both original and creative and to have either cultural merit or artistic merit shall be tax free and is available to Irish residents (IBEC, 1995, p.48). Industry lobbyists believe that this tax advantage is important in both attracting non-Irish international artists to locate in Ireland and in retaining the residence of some of the most successful Irish artists in the country.

A second measure, although with limited impact to date is the Business Expansion Scheme (BES)¹⁴. When it was first introduced, the BES benefited only the recording studios. However, the 1996 budget extended the relief to the music industry, with effect from 1996/7, for investments in the production, marketing and promotion of new artists' recordings and associated videos. These additional measures are intended to provide further stimulation to the development of infrastructure.

Difficulties of access to international markets, for reasons of lack of capital and the lack of a network of contacts in the different markets are some of the major obstacles identified for the development of the industry. An Bord Trachtála, has responsibilities in relation to supporting the indigenous Irish companies with international marketing. The report prepared by the Irish Business and Employers Confederation (IBEC, 1995) found that support from An Bord Trachtála was totally inadequate, although respondents to this paper, from some indigenous record companies, indicated a positive regard for the assistance provided to these companies in the overseas promotion of Irish music. Industry sources suggest that there is a requirement for an international marketing body to act on behalf of the smaller Irish companies to help them to access foreign markets and to provide the scale necessary to compete with the majors.

Regulatory & Legal Framework

The music industry is governed by normal contract law in each jurisdiction as would be the case in any industry. The specific characteristics of music as a form of intellectual property, with consequent rights attaching to copyright owners and the need to

codify these rights, was recognised with the adoption of the Berne convention in 1886. The provisions for protection of intellectual property differ from country to country across Europe. The EU is to remove the resultant anomalies by introducing directives to harmonise copyright legislation within the EU.

Currently, Ireland lags behind other countries both in implementation of the EU directives and in the updating of existing legislation. This latter is regarded as of particular importance because of the implication of new technology for the distribution of recorded music¹⁵.

The Intellectual Property Unit within the Department of Enterprise and Employment was established in 1993 to review the operation of copyright law and to develop a new Copyright Bill, taking into account developments at domestic, European and international level. This Bill will represent a move towards a more copyright-friendly environment in Ireland.

(ix) Intermediary Organisations

The popular music industry in Ireland has a well-developed infrastructure of organisations and associations which have been formed specifically to organise, lobby and negotiate on behalf of their members. These include the Irish Federation of Phonographic Industry (IFPI), The Republic of Ireland Music Publishers Association (RIMPA) and Jobs in Music (JIM). There are three collection agencies operating in Ireland. The Irish Music Rights Organisation (IMRO) collects performance royalties on behalf of copyright owners. The Mechanical Copyright Protection Society (MCPS) is responsible for collecting mechanical royalties and the Phonographic Performance Ireland (PPI) represents the record companies' interests.

The establishment of an Irish-based royalty collection agency for composers is regarded as an important step in the development of local infrastructure. The UK-based Performing Rights Society (PRS) has been widely criticised for its casual attitude towards the collection of performance royalties of Irish artists, for which it was responsible until January 1, 1995. The challenge facing IMRO,

14. The BES was introduced in 1984 with a view to encouraging enterprise by allowing individual taxpayers relief for investment in companies carrying on certain trading operations.

15. For detailed discussion of copyright and its impact on the Irish Music Industry see IBEC (1995).

particularly in relation to overseas collection, is daunting given its small scale and the legislative environment within which it must work. For example, it is estimated that the performance royalties earned by composers should be £36 million annually, while the most recent available estimates for actual collection in 1996 are £12 million. The problems facing the collection agency include an inability to adequately monitor use of Irish-originated music in other markets and deductions of fixed percentages of royalty revenue in some markets (Burke, 1996).

The IFPI, the representative body of the record industry, has been in existence in Ireland since the late 1970s. The impact of the IFPI on the development of an indigenous industry is difficult to evaluate. It has produced a number of reports analysing the industry's developmental needs and lobbied government for legislative changes, successfully in some cases as evidenced by the removal of the 40 per cent excise duty on recorded music. However, until recently (September 1996), the organisation did not have a paid executive, thus limiting its activities. At present, the IFPI does not collect information on export markets in relation to either value or volume. Information on the structure of the indigenous industry itself, for example number of establishments or trends in employment, is also not available from the association. The fact that the organisation's chairperson is usually the MD of one of the Irish subsidiaries of the major record multinationals is also of interest, given the degree of difference between the activities of these subsidiaries and the local indigenous industry and, therefore, the differing needs.

(x) Relevance of Factors to Development of Competitiveness

A small number of factors have been identified as particularly positive for the Irish popular music industry: the fact that we are an English speaking nation; the development of a "brand" name for Ireland as an attractive location and the quality of its artists. It is difficult to say to what extent the "brand" name is a created factor which is by now difficult for other nations to copy or overtake because of the inextricable interaction of a number of different elements. These elements cover a wide spectrum from a set of cultural characteristics and a reputation for artistic achievement to specific tax incentives. There is, however, agreement that this brand reputation is an important but insufficient basis to support the

development of the industry. The unique quality of Irish artists is not one on which there is industry-wide consensus, while the advantage derived from being an English-speaking nation is vulnerable to a decline in demand for international repertoire.

There are also further issues to be considered in relation to the impact of factor conditions on industry competitiveness. Does the necessary infrastructure exist to develop and exploit these advantages? Some difficulties in this regard have already been identified. These include a low level of investment in and development of local artists and the underdevelopment of skills in international marketing, other business support services, including, crucially, artist management and specific creative and technical personnel, most importantly, producers.

Some measures have been taken by Government to assist in upgrading the competitiveness of the industry, primarily a range of tax incentives which are intended to promote the continued residence of artists here in Ireland and to encourage capital investment in firms. A further important measure is support for international marketing, provided through An Bord Trachtála. However, to date these measures have not been sufficient to either allow the small companies adequate access to foreign markets or to make available adequate finance for firm or artist development.

4 DEMAND

(i) Minimum Effective Size

The Irish market size is not big enough to support a viable independent popular music industry, except for a small number of those who are modestly successful within a particularly Irish niche. Ireland has one of the lowest expenditures per head of population on sound recordings. Per capita expenditure is broadly similar in the North American and North European markets, averaging just under \$30 per head whilst estimates of spending in most other countries provide a broad reflection of wealth. In 1995, Ireland had an average per capita spend of US\$22 placing it tenth among EU countries. The highest spending country in Europe is Denmark at \$58 per capita (Laing, 1996, p.18) In terms of average annual growth of per capita expenditure between 1989 and 1995, Ireland's growth rate is a healthy 14 per cent. This substantial growth, albeit from a low base is, however, not unusual in the industry world-wide (see Table 7).

TABLE 7
ALBUM SALES PER CAPITA IN A SELECTION OF COUNTRIES,
1989 AND 1995

Country	1989 \$US	1995 \$US	Average Annual Growth Rate (%)
Greece	4	12	20.1
Denmark	21	58	18.4
Japan	24	48*	14.9
Ireland	10	22	14.0
US	25	46*	13.0
Portugal	7	14	12.2
Spain	8	14	11.8
Italy	7	11	7.8
Sweden	31	43	5.6
UK	35	43	3.5

Sources: IBEC, 1994, p.30; BPI, 1995, p.63; IFPI, 1990.

* The figures relate to data on 1994 figures

The Irish market overall is forecast to show a rise in sales of about 10 per cent per annum to the year 2001, compared with a predicted

annual growth rate of 8 per cent globally (MBI, 1996). This is in part explained by the growth in retail activity through the presence of a number of multinational retail chains in Ireland in recent years, a healthier economy and higher employment. However, the fastest growing regions are predicted to be Eastern Europe (41 per cent per annum), Asia (37 per cent per annum), and Africa and the Middle East (24 per cent per annum) (Music & Copyright, May, 1996).

Industry informants suggest that the Irish consumer prefers to attend live music events rather than to buy recorded music. The presence of Dublin as part of the European tour circuit for internationally successful acts is cited as evidence of this pattern. While this is a widespread perception it is not universally shared. A number of industry informants believe that there has been a significant contraction of live venues available to acts in the past five years.

TABLE 8
PER CAPITA SPEND ON CONCERTS AND OTHER LIVE PERFORMANCES
(POPULAR) 1994-95 IN A SELECTION OF EU COUNTRIES

Country	Population (m)	Revenues (ECUm)	Per Capita Spend (ECU)
France	57.7	233	4.04
Germany	80.8	445	5.51
Ireland	3.6	4.1	1.14
Italy	57.1	64.3	1.13
Spain	39.1	60.0	1.53
UK	58.0	305	5.26

Source: Laing, 1996, p. 40.

This is explained as a change in demand from rock to dance genres of music. While it is true that there is a widespread availability of live music in an estimated 3,000 venues throughout Ireland, much of what is available is provided as part of the pub environment rather than sold as a separate activity. It is argued by some industry sources that the number of venues dedicated to popular music in Dublin is not greater than is the case in other cities of its size.

The available data from a selection of EU countries, (Table 8) suggests that per capita spend in Ireland on concerts and other popular live performances is one of the lowest in Europe (Laing, 1996, p.40). It has to be cautioned, however, that the figures used

are taken from different sources making comparisons difficult.¹⁶ The underlying reason for live performance is to promote specific recordings, to generate local interest and to spur the media to play an artist's recordings (Negus, 1992, p.130). Live performance for most artists is a promotional rather than a money-making activity. The majority of tours are undertaken with financial backing from the record company, which is later reclaimed from the artists earnings. Touring is, in fact, a risky business especially for a relatively unknown act.

(ii) Domestic Market – Local versus International Influences

Most European markets are heavily penetrated by international pop repertoire¹⁷. A wide variety of popular music genres exist within the broad category of international pop. Some of the better known include pop/rock, folk, world music, celtic/new age, MOR (middle of the road), AOR (adult orientated rock), C&W (country and western), soul, dance, reggae and heavy metal. International popular music typically represents 60 per cent of national sales. Domestic artists contribute around 30 per cent (in Greece, Italy and France this can reach 40 to 60 per cent of the domestic market) and classical recordings account for the remaining 10 per cent (see Table 9). The Irish market absorbs a higher proportion (80%) of international repertoire than is typically the case in other European countries.

Niches for which it is argued that there is a self-sustaining domestic market include traditional/folk music (Mary Black, Eleanor McEvoy) folk/ballad such as (Christy Moore, the Dubliners) and

16. Statistics for the live performance of popular music of all types are difficult to collect. However, there are detailed statistics for the sector where concert revenues are subject to a special tax (France and Italy) or where a representative industry body has collected information from its members (UK). Other statistics are derived from market research surveys on leisure activities while in some countries it is also possible to calculate the size of the live music sector from the performance royalties collected by the national authors society (Laing, 1996, p.39).

17. The record companies trade association, the International Federation of Phonographic Industries (IFPI), segments the market by repertoire as international, classical and domestic. It should be noted that, in relation to the Irish market, acts signed internationally to major record companies, such as U2, The Cranberries, Van Morrison, are classified as international pop rather than domestic.

Irish Country & Western (Daniel O'Donnell). Record companies report that there is a certain niche demand in Ireland for Irish-originated music which is unlikely to sell abroad. Similarly, there is a market in Ireland for a particular style of foreign artist who would not achieve the same level of success in other countries with the exception of his/her home country. However, as noted above, the level of demand for domestically produced music is comparatively low in Ireland.

TABLE 9

COMPARISON OF SALES BY REPERTOIRE BETWEEN IRELAND AND SOME OTHER COUNTRIES

Country	Popn m	Sales \$m	Domestic %	Int'l %	Classical %
Ireland	3.55	67.5	16.2	80.2	3.6
Denmark	5.18	273.3	30.9	64.6	4.5
Portugal	9.82	111.1	21.6	70.2	8.2
Norway	4.34	263.1	27.9	66.5	5.6
UK	58.26	2,384.6	51.1	41.9	7.0
US	263.25	11,836.9	N/A	N/A	N/A

Source: IFPI, 1995.

Policies of record companies

The scope of activities of the music industry has always been global (Ruitten, 1991). Most commonly the major MNEs have their head offices in either the UK or the US where global strategy and policy is set. These two countries also dominate international repertoire and are considered to be the key innovators in musical trends (Ruitten, 1996, p74). In this context the Irish market must be considered primarily as part of the global market. This is very much reflected in the choice of repertoire promoted by the MNEs in Ireland. The predominant activity of the Irish subsidiaries of the six MNEs in Ireland as elsewhere is the marketing of their repertoire of international popular music. International repertoire comprises a broad spectrum of individual genres and within this the individual subsidiaries have a certain autonomy concerning which artists to concentrate on in terms of marketing activity. The common experience, however, is that demand within the Irish market very quickly follows that demonstrated in the UK charts, so much so that the element of risk and/or requirement for heavy promotion is

considerably reduced for the Irish subsidiaries. The dominance of world markets by Anglo-American music and artists (as described in section 2) is reinforced by the way in which the American and British sales charts largely determine the local policies of record companies (Negus, 1992).

Radioplay

Radioplay is both a crucial promotional tool for the record companies, many arguing that it is what drives the industry, and an important user customer. Retailers will make the decision on whether to stock a record based upon the airplay the album gets in their area. In Ireland, as elsewhere, international repertoire dominates (Frith, 1996). Most of the independent stations use a "Top 40" format and do not offer new artists much opportunity for airplay (Negus, 1992, p.110). There is a view among some industry informants that here in Ireland, with the exception of some programmes on radio 2FM, most of the commercial radio stations play a safe selection. Opportunities for new artists, regarded as the life blood of the record companies in terms of future growth, are thus constrained as are opportunities for more "local" music.

Regulation of radioplay is an area where Government intervention can have a positive impact. The contracts under which radio stations licensed by the Independent Radio and Television Commission (IRTC) operate contain a clause requiring a 30 per cent Irish music content. In fact, over half the stations around the country were playing a very high level of Irish music, some as high as 50 per cent, before the introduction of this clause in 1994 (IRTC, 1994, pp.8-9).

The potential impact of radioplay in shaping consumer demand is shown in the influence of the "Dave Fanning Show" on Radio 2FM and of the rock magazine Hot Press. Rock bands have dominated the local Irish popular music scene, with relatively little development of either dance or "pop" music (Boyzone being a recent exception). This has been ascribed to the influence of media such as the Dave Fanning Show and also of Hot Press and the lack of any alternative supporting infrastructure for other genres such as dance and "pop". There is now some speculation that the impact of radioplay and chart music may be on the wane, with examples of bands becoming popular and selling records without any radioplay, particularly in the dance music genre.

Retail Stores

In Ireland, as elsewhere, there has been a considerable change in the structure of popular music retailing with the advent of large, mostly UK-based, multinational retail chains in Ireland, i.e. HMV, Virgin Megastores, Our Price and Tower, which stock the same international product as can be found in other major cities. Golden Discs which is Irish-owned, remains the largest retail chain, owning circa thirty branches. However, their relative market share has declined since the advent of the foreign-owned multinationals which now dominate the domestic market.

This development is largely welcomed by the subsidiaries of the major record companies, for whom there are a number of positive benefits. First, there is a perceived increase in "professionalism" in terms of market knowledge, product display and customer service. The larger scale and greater use of technology allows these chains to stock a wider spectrum of the catalogue and it also provides real-time information regarding which records are selling, through the use of barcodes and point of sale information systems. In addition, it is believed that the presence of these retailers has expanded the domestic market.

The relationships between the record companies and their buyers have also undergone change. Some informants argue that the balance of power has shifted more in favour of the retailers, while others argue that it continues to lie primarily with the record company because of their ownership of the product. Record companies now find themselves squeezed for margin because of the capability of the retailers to demand larger discount. However, the bigger record retailers will enter co-promotion and co-marketing deals on a project by project basis, something which was not available before. In addition, because of the increased competition between retailers, buyers have been forced to take greater risks in terms of buying in new releases from new acts. Many of the record companies describe their relationships with the major retailers as one of partnership, "they need us and we need them".

However, the arrival of the multinational retailers has had a more mixed impact on the indigenous record companies. The benefits include the expanded market and pressure to upgrade. But it has also had the effect of homogenising the record industry by eliminating the small, local record shop where a local band might

attract greater attention. New acts in particular are less likely to get shelf space in the large retail stores (Negus, 1992, pp.128-130).

Distribution

There have been major changes in the mode of distributing product by the record company MNEs in Ireland. Until very recently, each of the subsidiaries acted as the distributor for its own product (with the exception of Warner who was distributed by Sony). In 1996, the only remaining MNE distribution warehouse in Ireland is owned by Sony, which continues to distribute on behalf of Warners and a small number of Irish indigenous record companies (representing circa 5 per cent of the distribution activity). This development is regarded by the Majors themselves as having a positive impact on the Irish music industry in two ways. First, retail stores are now on-line to the major distribution warehouses in the UK whose range of stock is far wider than that ever carried by the local subsidiaries. Thus, the catalogue of available repertoire has greatly expanded thus contributing to an expansion of the market. Second, it allows the subsidiaries to focus on artist and repertoire activity.

The dominance of the Irish market by the major subsidiaries means there is little remaining activity for Irish-owned distributors. Many indigenous Irish labels are distributed through the Sony/Warner outlet, trading a lesser commitment to their product for access to the marketing and promotional prowess of a major. A number of indigenous record companies also distribute their own labels and, for example, in the case of Gael Linn, other Irish labels. The vast majority of this activity is locally-based, the level of export activity reflecting the limited export activity of Irish indigenous record companies, although a small number of companies are primarily export-oriented. The Irish distributors compete by gap-filling for the majors and supplying niche product to the major outlets and by distributing to small independent retail outlets.

(iii) Internationalisation of demand

Porter (1990, pp.97-99) argues that one of the important issues shaping demand conditions is the internationalisation of demand. In this regard, the 62 million people of Irish descent world-wide and the 18 per cent of the US population claiming Irish ancestry suggests that this factor should play a large part in "pulling" through

demand for Irish music. Industry sources indicate that Irish emigrants are more faithful to Irish cultural forms of entertainment than is the case for other nationalities and thus there is an important audience in foreign markets, particularly for forms of music associated with the traditional and folk genres. This has important implications as a potentially larger market for the local or national Irish genres which do not "crossover" to international repertoire, particularly in light of our earlier discussion of the limited opportunities in the Irish market.

(iv) Role of Government

The influence of Government on the size of domestic demand in the Irish market has been a negative one in the past and continues to be to a certain extent. A high level of indirect tax on sound recordings has always hampered its full development. Ireland has one of the highest VAT rates on recordings of any European country, at 23 per cent. The positive impact of lower VAT rates on record sales is demonstrated by the French experience. In France, in 1987, the rate of VAT on recordings was halved from 37 to 18.6 per cent and sales grew by 102 per cent over the following three years (IFPI, 1994, pp.46-47).

National regulations concerning the proportion of airplay to Irish musical content has already been shown to have some positive impact on local artist development. Government control of radio licenses and the rules and regulations regarding the operation of a radio station plays some part in affecting local demand conditions. However, the fewer commercial stations there are, the more likely it is that they will try to attract a large audience from a broad cross-section of the population. This means that most of the music is mainstream, popular music of well-established artists increasing the difficulties for unknown artists of gaining access to airplay.

(v) Impact of Demand Conditions on Industry Competitiveness.

To summarise, Irish domestic demand conditions are shaped in large part by international music trends and to this extent can be argued to have a positive impact on the competitiveness of Irish musicians whose repertoire is classified as international. However, the Irish consumer cannot be categorised as anticipatory having

regard to the way in which the UK/US charts drive consumer demand in Ireland. This is reflected in the manner in which Irish-originated successful popular artists still find it necessary to become successful abroad, prior to, rather than following, achievement in the local market. Well-known examples include the Boomtown Rats and, more recently, The Cranberries.

The impact of demand conditions are at best neutral and at worst negative for the development of indigenous record companies and for artists whose music will not “cross-over”. In an industry where scale is a key driving force, the size and potential rate of growth of the Irish market does not encourage large scale investment in purely “local” music. The dominance of international repertoire leaves little opportunity for the development of a truly indigenous popular music culture where it is a minority interest of a very small part of the domestic market, relying on opportunities in export markets as part of the “world” music genre. Evidence of increasing diversification of musical tastes may provide significant potential for “local” music in the future (Rutten, 1996). Given the limitations of Irish market size, the existence of the Irish “diaspora” is significant in this regard while government regulation in relation to radioplay plays a role in developing consumer tastes for “Irish” music.

5 RELATED AND SUPPORTING INDUSTRIES

(i) Structure of Supplier/Supporting Sector

There are a number of distinct but overlapping categories of supplier and supporting organisations to the music industry: those which primarily support the development of acts, whether bands or solo artists – publishers, managers, promoters, agents, legal and business service agents – and those which act as suppliers to the record company – studios, producers, mastering/mixing services, duplication and manufacturing, and various design services. It is difficult to disentangle these two categories and to identify one single chain of activity since it is the nature of the music business to organise these functions in different combinations. Not only does it frequently occur that a number of separate functions are integrated into a single structure, for example, the record company may also act as the publisher, the manager, the agent and the distributor but, in addition, the functions regarded as being properly those of one of these categories, for example, artist and repertoire (A&R) activity, are often undertaken by both the record company and the publisher. This type of overlap and blurring of boundaries is a function of both the small scale of the industry in Ireland and the life-style nature of much of the commercial activity¹⁸.

Table 10 shows that all suppliers to the music industry are small-scale, the largest enterprise in any of the categories does not exceed employment of more than 25 people, and the vast majority are little more than one-person operations. This has a negative impact on the possibilities for specialisation and professionalisation. Barriers to entry in many of the components are low, for example, in publishing, management, and small-scale studios. Many come into the business by chance, usually having worked already in one or more capacities in the industry (many as a member of a band). In these industry segments, informants suggest that few of the enterprises are commercially viable. For example, there are estimated to be only about ten “active” publishing companies and only about five are in any way profitable. Even for these five, survival is only possible through involvement in activities other

18. It should be noted that there is anecdotal evidence to suggest that these characteristics of the supplier industry segments in Ireland appear to be shared with other areas in other countries. See, for example, discussion of the music industry in Liverpool in Cohen (1991).

than publishing. These five would each have an estimated annual turnover (net of paying artists their share of royalties) of circa £30,000 from their publishing activities. Similarly, of the 57 recording studios who took part in a recent survey, 70 per cent had a turnover of less than £20,000 per annum (SKC, 1994, p.72).

There is evidence in supplier industry segments of significant growth in the actual number of entities in the fifteen year period since 1981. Between 1981 and 1996, the different supplier segments showed average annual growth rates of between 10 per cent and 24 per cent (see Table 10)¹⁹. How much of this increase in number of entities can be correlated with real growth of viable enterprises is more questionable. Given the small absolute scale of the Irish market and the limited export activity and given also the dominance of that market by international repertoire, very little of which is produced in Ireland, the scope for growth in the number of viable companies is extremely limited. Industry informants suggest that, because of the life-style commitment to the music industry by individuals described above, companies which do not prove to be viable will often fragment into yet smaller, often one-person entities.

Given that the number of record companies has grown at a much slower pace, circa 8 per cent per annum (Burke, 1995, p.3), much of the apparent growth in major components of the supplier infrastructure such as recording studios and publishers is likely to be, at least partially, explained by this process of fragmentation. Nonetheless, as has been noted earlier, the fragmented nature of the industry is probably not something which is peculiar to Ireland and it is reasonable to speculate that the observed growth is indicative of a deeper level of activity than exists in other countries or regions, outside of the major UK and US markets.

There is a broad range of activities associated with supplying services and products to the music industry. A selected number of these are discussed in some detail since they represent the major components of the process of developing and recording music: publishers, managers, recording studios, producers, manufacturing and duplication and design services.

19. Hot Press Directory, the only existing data base on the number of component music industry establishments, classifies the same company under the varying categories of activity carried out by the company resulting in a certain amount of double-counting. In addition, in the course of primary research it became evident that a number of companies listed as individual entities under each category are in fact different establishments of the same company.

TABLE 10

NUMBER, SIZE, OWNERSHIP, RATE OF GROWTH, AND EXPORT ACTIVITY OF A NUMBER OF SUPPORTING/SUPPLIER INDUSTRIES.

Type of Activity	Export Activity	No. of firms ¹ engaged in this activity (1996)	Annual average increase since 1981 (%)	Employment in largest company 1996	Ownership ²
Managers/Agents/Promoters	Y ³	26	14	25	
Irish Publishers	Y	59	11	<1	Irish
Recording Studios	Y	76	13	max 20	Irish
Rehearsal Studios	Y	11	17	n/a	Irish
Producers/Sound Engineers	Y	25	24	n/a	n/a
CD Manufacturing/Duplication	Y	11	10	20	Foreign
Design & Associated Services	Y	42	(4)	n/a	Irish
Merchandising	n/a	14	19	n/a	Irish
Business & Legal Services (include printers, PR & ins.)	N ⁴	14	15	n/a	Irish

Source: Hot Press Directory, 1996

Notes: (1) These numbers are not mutually exclusive

(2) Indicates whether predominantly Irish or foreign owned.

(3) y = there is some export activity by a small minority of enterprises within the industry segment

(4) n = there is no export activity at all

Publishers

The main functions of the publisher can be summarised as follows: administration of copyrighting songs, issuing licences, collecting royalties, paying writers and co-publishers; getting songs recorded – assisting or making a deal with a record company; finding writers, working with them to improve their songs, pairing them with co-writers and other similar services. Often a publisher pays the costs of creating a demo (an informal recording made solely for the purposes of pitching a song to artists).

Independent publishing companies are widely regarded as the weakest element in the Irish music industry value chain (SKC,

1994, p.23). Publishing companies, because of their small scale, experience the same difficulties as small record companies in accessing the kind of capital needed to attract successful artists²⁰. As with other components of the industry, publishing capability has only recently been developing in Ireland. Typically, indigenous publishers, have come into the business from other segments of the music industry: one leading publisher started as a band member, worked for a record label and also managed a band before entering publishing.

Small independent publishing companies in Ireland will license publishing rights to international repertoire from overseas major publishing companies and administer these rights both in the Irish market and also the European markets. Not all agree that publishing international repertoire is an appropriate focus for Irish companies. Some argue that instead the effort should be in getting Irish copyright and Irish songs and music into overseas markets. It is argued that this latter focus is viable since the large-scale multinational companies need to engage in sub-licensing deals with the smaller publishing outfits who operate an artist and repertoire (A&R) function. Local companies would fund and develop new talent in a manner similar to that provided by small independent record companies for the majors. As with other aspects of the business, development of international markets for Irish writers is through the development of a network of contacts.

World-wide the power of publishers has significantly decreased as their functions have contracted²¹. However, there is rapid growth in publishing incomes internationally, both in real terms and as a

20. Worldwide, the publishing industry is comprised of small companies with a small number of majors. Most of the majors are affiliated with a record and/or film company and are owned by the same global companies who control the music business in general.

21. There is an increasing trend for major songwriters to retain their own publishing (i.e. acting as their own publisher, retaining ownership of their copyright and perhaps hiring someone to do the clerical function of administration). In addition, the services historically provided by publishers can increasingly be provided by others. For example, the A&R functions of the publisher are frequently provided by either the manager or the record company or both. In many cases the record company includes publishing rights as part of the overall contract. It has to be noted that it is still a feature of the Irish music industry that publishers may perform some of the functions traditionally associated with managers and record companies.

proportion of the value of the music industry²². Industry sources attribute the increase in the contribution of publishing to total industry revenue to growing world-wide acceptance of the importance of copyright protection and strong copyright laws. For those publishers who continue to administer rights and to collect royalties the business can be a lucrative one. The publisher earns the interest on the revenue over the period s/he holds it (up to 6 months) before remitting it to the artist. Many artists are unhappy with these practices, but while the situation continues it is regarded by some industry sources as a market opportunity for the Irish industry if large publishing MNEs can be attracted to locate in the International Financial Services Centre (IFSC) in Ireland. Industry sources suggest that there is also dissatisfaction with the monopoly position of the national collection agencies and there are signs of moves to break this up. If this were to happen, attraction of competing collection societies to locate in Ireland, again in the IFSC, is mooted as a positive development for the industry.

Recording Studios

Recording Studios are a key component of the music industry and Ireland has developed this infrastructure over the past fifteen years from a position of thirteen such facilities in 1981, none of international standard, to over ninety in 1996, of which eight are of international standard. Industry informants suggest that there are even more, circa a couple of hundred Irish studios, capable of recording a traditional Irish music record to a high standard.

Of the eight Industry Standard studios one, Windmill Lane Studios, is a member of World Class Studios, an exclusive global group comprising seventy to one hundred members world-wide (SKC, 1994, p.29). In the other facilities there is huge variation in quality from the very basic to the highly professional. The main differentiating features are that of scale, the quality of technical equipment and studio reputation, i.e. who has recorded there.

The apparent growth in activity is surprising given that there has been a decline in the use of Irish studios in recent years. SKC (1994) suggest that this decline is because of the emphasis by record

22. In 1992, global music publishing revenues amounted to \$4,718.21 million, of which the highest proportion was for mechanical royalties collected for sales of sound and video recordings. Royalties from broadcasting were just under two thirds of mechanical royalties. (Music & Copyright, 1993).

companies on back catalogues rather than new recordings. However, it may also be a consequence of a change in the way the music business operates. More than ever, bands and musicians are taking control of the recording process themselves, by utilising relatively inexpensive new technology. Studios with sophisticated equipment are increasingly being used only for the final mixing of the master, while all the preparatory work, referred to as the preproduction work, is undertaken at home on computers.

Given this competitive environment, the industry is not able to sustain the number of studios that exist at present. As with other segments of the music industry, many are operating as lifestyle businesses. The entry costs are low, and people who are interested and committed to music are prepared to trade standard of living for the ability to do something they love.

A number of the subsidiaries of MNEs located in Ireland never or rarely use Irish studios. A number of reasons are given: higher cost, particularly in comparison to the UK, one of the biggest producers of music in the world; standards: only a handful of Irish recording studios are regarded as of international status and only one is world-class; and, finally, there is a lack of world-class producers. World-class producers, who tend not to be located in Ireland (IBEC, 1995, p.55), are pivotal in the choice of studio. Producers often have their own studio or prefer to use one in their own location, because of their perception of suitability of ambience and knowledge of locally available associated services. Choice of studio by small companies with new and developing acts is still governed by issues of availability and cost.

As already described, cost, particularly for recordings which require scale, as well as technical capability are necessary factors driving competitiveness. Increasingly, however, the continuing decline in the cost of the equipment required to run a studio will contribute to a reduction in importance of cost issues.

The differentiating features which will impact on a studio's competitiveness in the future will have to do with "ambience" and reputation. First, the "atmosphere" must match the artist and the sound that s/he is trying to generate. Second, the reputation of a studio can be crucial, and is often determined by the "names" who have recorded there. Word of mouth recommendations among local as well as global artists can increase the demand for a studio's

services. Irish-originated artists such as U2 or The Cranberries are in a pivotal position to influence the reputation of Irish studios.

Windmill Lane Studios developed its international reputation initially from its work with U2 and subsequently, through its work for a number of internationally successful artists, it is in the position of serving clients from other markets, including the UK and the US. According to SKC's (1994, p. 72) recent study of the sector, ten of the fifty-seven companies which they identified as trading in this sector stated that they have overseas artists (or domestic artists with overseas recording companies) using their facilities, representing 42 per cent of total recording days. Taking the sector as a whole, the overseas artist days represent about 12 per cent of total recording days. An impressive list of internationally successful artists, both Irish and foreign, using Irish recording facilities are cited in the SKC report. One implication of this is that Irish-based acts are often forced to travel to the UK because the international business which Windmill, as the top studio, can attract pushes up costs for local artists.

Producers

The record producer is regarded as a major creative force in the evolution of a song. Her/his contribution is crucial, the role is analogous to that of a director in a movie (Negus, 1992, p.88). S/he mixes the various sounds (e.g. vocals, guitar, piano, etc.), emphasising certain sounds over others. This selection process can substantially alter the final product so that the choice of producer is crucial for a band. The producer must "match" the artist's requirements and have a good sense of the sound that is right for the type of music the artist is playing (Negus, 1992, p.89). Additionally, the producer is generally responsible for selecting the studio, the session musicians, the instruments and all the other necessary inputs for producing the record (SKC, 1994, p.31).

The formation of a relationship between the artist and the producer can come about through various means. In some cases the artist chooses the producer based on experience or recommendations. In other cases the record company will recommend a producer to the artist (Negus, 1992). In this regard artists such as U2 or The Cranberries are in a position to choose the studio because of the willingness of a producer to be mobile to work with artists of this importance.

Music industry lobbyists argue for the extension of the writers tax exemption to producers as a means of encouraging producers to locate in Ireland, thus attracting artists to record in Ireland and thus assisting the development of the associated infrastructure, principally the recording studio.

Artist Management

Despite the fact that there are reportedly in excess of 100 managers/agents/promoters located here, a major problem in Ireland is a lack of managers with the necessary business expertise, as well as the national and international contacts, to represent Irish-originated artists successfully in the international market. The principal function of the manager is to steer the career of the performer. Managers handle the business arrangements for artists including: promoting the band, negotiating deals and administering all other organisational issues for the band. Industry informants have so far identified just a handful of such managers who have the capability to operate in the international market, all of whom represent an established, internationally successful act. Frequently, managers are mainly single act operators, sometimes exclusively so. Industry informants suggest that many lack the professionalism required by major record companies, including MNE subsidiaries located in Ireland.

The factors leading to success for a manager are very tied up with the apparently haphazard chance of success for those whom they are representing. Skills and traits identified are those of industry-relevant contacts, a business like approach and, as with many other aspects of the industry, a liking for and commitment to music.

There is at least one management company which is currently competing with international management houses for representation of non-Irish originated acts and this is a relatively recent development. Competitors are estimated to number only four or five world wide, located in Los Angeles, New York and London. Because of the earning capability of top international music this is a future earning potential for the Irish economy.

Designers and Associated Services

As indicated in Table 10 there are some Irish designers and associated services, both in terms of record CD sleeve covers and fashion design, who are used by both internationally successful Irish

designers have gone on to win international clients and to compete in the international market.

Tape Duplication and Manufacturing of CDs

In 1995, there were 85 CD production plants within the EU (Laing, 1996, p.21). Most of them are owned by major record companies, although some independent companies remain, for example, MPO (F) and Nimbus (UK). The music recording industry has become a very capital-intensive business, where competitiveness is a direct function of economies of scale, thus driving industry consolidation across Europe (CEC, 1994).

While the Hot Press directory lists 7 CD manufacturers in Ireland, industry sources suggest that there are in reality just two players, both foreign-owned firms, whose primary activity is the production of CD Roms. For the major record MNE subsidiaries located in Ireland there is a clear cost benefit in use of the company's own manufacturing facilities and consequently they will rely on Irish-based companies only for what is termed "gap-filling". Smaller independent companies use the services of a broker to mediate between them and the manufacturers. Even for this activity Irish companies have to compete with lower-cost, faster turn-around manufacturing plants and brokers abroad, principally in the UK.

Domestic companies face a contracting cassette market. While there is an expanding domestic market for CDs the economies of scale are such that it is difficult for Irish companies to justify the necessary investment. The situation is further complicated by the continual developments in technology, both in terms of internet and also new soundcarrier formats such as the minidisc. Consequently the life span of any new plant is likely to be limited.

(ii) Supplier Competitiveness

In general, the majority of industry segments which comprise the Irish supplier components to the music industry cannot be regarded as competitive in their own right. With some notable exceptions, they serve the domestic market only and, within that market, the greater balance of activity is in serving the local independent record companies and/or artists. There is some degree of usage of Irish supplier components by the subsidiaries of the MNEs in Ireland. However, in the course of primary research it emerged that a

number of the subsidiaries of major record companies make little use of Irish suppliers, because of issues ranging from higher costs, standards/quality issues and availability (see Tables 11 and 12). In this way the presence of MNEs has not been of much assistance in facilitating supplier development to a position where they can compete internationally. The reasons for this are multiple and varied including the fact that there has been a relatively low level of indigenous music recording activity undertaken by MNE subsidiaries because of the low level of local artist development to date. Other reasons are specific to particular components described above.

The small scale of the Irish market carries important implications for the future development of some industry segments. In those supplier industries where economies of scale are important, including production and distribution, Irish companies are not in a position to compete effectively. In the absence of significant local development of artists those supplier and supporting services which are not reliant in the same way on economies of scale, such as business and artist management, cannot rely on the domestic market and must focus on opportunities in export markets. The small scale of the industry in Ireland also militates against the level of skill specialisation regarded as important and which is accessible in other markets. There is, however, some evidence (see below) of a developing level of international competitiveness on the part of three of the key activities along the supply chain, albeit at present confined to a single enterprise in each case.

There is evidence too, of a considerable degree of geographic clustering in the greater Dublin area along the supply chain (see Table 13). The small-scale of activity in the Irish market combined with the level of proximity has a potentially positive impact on industry development since most of the key players know each other, meet regularly and thus have the opportunity to exchange information with potential benefits for their own business development.

Industry informants suggest that this does occur to some extent. The existence of cross-industry lobby groups reflects some level of information exchange. The small-scale also provides new and developing artists and companies with easier access to those who have already gained experience in the business, to the media and to retail/distribution outlets, than would be the case in larger, more

TABLE 11
USAGE OF SOME IRISH-BASED SUPPLIERS

Category of Supplier	Subsidiaries of Major Record Companies	Independent Record Companies	Internationally Successful Irish Artists	Internationally Successful Foreign Artists
Publishers	n/a	n/a	few	none
Management	n/a	n/a	all	none
Recording Studios	some	most	some	some
Producers	few	most	few	none
Manufacturing/Duplication	some	some	n/a	n/a
Design/Photography	most	most	some	some
Mastering	few	some	n/a	n/a
Merchandising	some	some	none	none
Business & Legal Services	n/a	n/a	most	none

TABLE 12
ISSUES DETERMINING USAGE OF SOME IRISH-BASED SUPPLIERS BY MNE'S

Category of Supplier	Costs	Quality of Service	Availability
Management	nr	(-)	nr
Recording Studios	(-)	(-)	(-)
Producers	nr	nr	(-)
Manufacturing/Duplication	(-)	nr	(-)
Designers/Photographers	na	(+)	(+)

Notes: (-) = negative impact
(+) = positive impact
nr = not relevant
n/a = not available

specialised markets. However, industry sources complain of the degree of fragmentation and poor information flows in the industry and there is little evidence of the kind of linkages described by Porter (1990), i.e. those which lead to important mutual benefits of learning and innovation.

(iii) Related Industries

It is commonly believed that the Irish music industry makes an important contribution to the tourist industry through the provision

TABLE 13
GEOGRAPHIC CLUSTERING IN THE GREATER DUBLIN AREA

Region	Managers	Publishers Studio	Recording	Manuftrs.	Producers	Designers
Dublin	81%	83%	65%	85%	80%	85%

Source: Hot Press Directory, 1996

of live music as a tourist entertainment feature and by creating an attractive brand.

Statistics are quoted which appear to indicate the reality of the first of these statements: a recent nation-wide survey of a representative sample of retail liquor outlets found that two-thirds (67 per cent) provided live musical entertainment in some form (Quinn, 1995): a recent study of tourists in Dingle found that more than 80 per cent of tourists visiting Dingle in Kerry reported "singing in pubs" or "traditional Irish music" to be their preferred form of entertainment (SKC, 1994, p.9). It is argued that these statistics usefully illustrate how the music industry contributes not only to the tourism industry, but also to the licensed trade and to the discotheque/night-club sector (Quinn, 1995).

It should be noted, however, that according to figures supplied by IMRO, much of the music played live in this manner is not Irish-originated music, but rather tends to be cover versions of international "pop" music. Similarly, much of the live music played in venues dedicated to this activity, for example, venues such as the Point and the RDS in Dublin, is imported, i.e. international foreign artists performing in Ireland. Tourist audiences for live music clearly provide additional employment and revenue generation for the music industry. In addition, the access of Irish music consumers to live performances of international stars contributes to their sophistication. However, the value of these kinds of live performances to the local development of Irish artists or to Irish indigenous companies is more questionable.

It does appear to be arguable that the availability of live music performances in Ireland contributes to its reputation as an attractive location thus contributing to the heritage and tourism industries. The phenomenon of "Riverdance" is cited as an example of this. Frith (1996) argues that "Riverdance's achievement has been less to

sell Ireland through its music than to define Ireland as its music" (p.100).

(iv) Impact of Supporting Industries on Competitiveness of the Music Industry

In considering the impact of the supplier industry segments on the competitiveness of the indigenous industry, that is local artists and local record companies, there are a number of factors to bear in mind. First, undoubtedly the structure of most supplier segments is unfavourable in that there are few, if any, viable enterprises in each one. In addition, the small scale in Ireland requires access to export markets for growth, which is at present quite limited. However, set against this, there is, overall, an impressive rate of growth in activity. There is also evidence of international competitiveness in some firms in three of the industry segments. To the extent that there is evidence of growth and some international competitiveness, supplier and supporting industries are likely to be of benefit to the development of local record companies and local artist development. In addition, the degree of interaction between firms which takes place and which is facilitated by geographic proximity within the greater Dublin area is regarded as helpful, most notably in its impact on factor creation. As yet, however, these positive benefits are counter-balanced by problems of underdevelopment in some segments and higher cost, lower quality in others.

The industry itself argues that what is needed for sustainable competitiveness is that Ireland needs to bring at least some of its associated supplier and supporting industries to comparable international standards. Currently, the reputation of Ireland and, particularly, Dublin as an attractive location for key players in the industry (glamour and perception of fashion being key motivating factors for those working in the industry) is regarded as providing the potential for further development of the supplier infrastructure. Industry sources argue that the sustainability of the "pull" factor in Ireland, based in the first instance on Ireland's reputation as an attractive location, depends on the development of facilities, including higher standard studios, and the creation of incentives to encourage those with key skills such as producers to move their activities to Ireland.

There must, however, be a degree of doubt about this strategy. An

important issue here is the degree to which virtually all aspects of the recording of music and the management and development of an artist are not bound by location. For example, Irish-based artists can and do use publishing, management and legal services based in the UK, can record anywhere in the world and use producers, designers etc. who are all equally mobile. Technical developments both in relation to the distribution of music and also the administration of the increasingly important rights associated with the creation, performance and recording of music are anticipated to add even more to this mobility. While it is feasible that this mobility may work in Ireland's favour, it can equally work against it.

6 STRATEGY STRUCTURE AND RIVALRY

(i) Strategy and Structure

The predominant activity of the overseas music companies in Ireland is the importing and sale of international repertoire. Up to 80 per cent of domestic sales are in this category (although it should be noted that this figure includes Irish-originated acts which are signed to record companies outside of Ireland). Just over 16 per cent of sales are categorised as Irish domestic music (IFPI, 1995).

Irish subsidiaries of global record companies

As noted earlier, local artist development is now becoming a somewhat more important feature of some of the bigger record company Irish subsidiaries. This is a development which reflects the policy of global record companies world-wide. Local repertoire is taking an increasing share of sales in a number of markets. The record companies are increasing their focus on local repertoire for two reasons. First, they are doing so where there is significant demand in local markets which are of sufficient scale to provide good economic returns. This is the case in many of the new markets opening up in Asia and Eastern Europe and elsewhere (MBI, 1995), but it is also true of well-established European markets, where the share of local repertoire can be as much as 50 per cent (Rutten, 1996, p.74). A second reason and the one which is relevant to Irish conditions, is the development of local artists who have the potential to "crossover" to other markets (MBI, 1995).

Development of locally-signed artists for the international market by overseas companies located in Ireland is extremely limited. It is only in the last two years or so that most MNE subsidiaries have become pro-active in the signing of local artists at all, while the popular music band "Boyzone" is the first example of a band signed to an Irish subsidiary for world-wide release. It is too early to form a view on whether this will be confined to a single instance or will become a sustainable trend, particularly since the world-wide trend is towards greater centralised funding for local artist development when the local subsidiary is unable to finance investment in the artist's international career (MBI, 1995). This is an important issue for two reasons. First, industry informants believe that the development of a successful indigenous popular music industry is dependent on increased local activity in this area. Currently,

because most internationally successful Irish artists are signed to record companies based in either the UK or the US, the stream of income earned by the record companies from their activities in relation to these artists accrues to the economy in which the record company is based and, thus, is lost to the Irish economy. A second argument is that at least some locally-based services and facilities which form important components of an indigenous industry are more likely to grow and thrive in the context of increased local artist development, although as has been discussed in the previous section the issue of economies of scale and the increasing mobility within the industry are important caveats to this argument.

Although Irish record company subsidiaries express a commitment to the development of local talent for international exploitation, their capability to follow independent strategies is questionable. Most of the major companies have a direct reporting relationship to the UK company chairman. The degree of autonomy with which each subsidiary operates is open to speculation and appears to vary from company to company. In Ireland, subsidiaries of MNEs have been constrained in local artist development by the scale of turnover from sales of international repertoire. The small absolute turnover has made it difficult to make the case to the parent company for investment of relatively large amounts (up to £750,000) in what is a very risky venture. There is some evidence of this changing both because of the perception of Ireland as a promising source of artists for international repertoire and because of an increasing awareness among the MDs of the local subsidiaries that the way they can make their name within their companies is by finding and championing a successful act. It is difficult to establish, therefore, how much local repertoire development is a strategy of the individual subsidiary located in Ireland or is driven by the parent companies' world-wide focus on this approach. In either case it is vulnerable to future policy changes by the parent company. To date, the global popular music industry has been dominated by English-language repertoire but, as has been noted in section 3, there is some evidence to suggest that the important future markets may not be primarily English-speaking, thus encouraging international companies to focus less on development of international repertoire, including local repertoire with "cross-over" potential, and instead to concentrate on repertoire in markets which are of sufficient scale to support local artists.

Furthermore, Negus (1992, p.11) points out that 'although the major

corporations are in theory concerned with finding and developing local talent throughout the world, this has in practise, whether in relation to local or international repertoire, taken second place to the marketing of acts from Britain and the US. In many countries the balance of power within record companies has been firmly structured, through the appointment of staff and through investment and policy decisions, to favour the marketing and promotion of international acts rather than the acquisition and development of local artists'. It is also suggested that the emphasis is actually in developing back catalogues and new compilations of the work of established artists rather than in new signings, which are regarded as much more risky. Certainly the evidence suggests that signing and subsequent investment is confined to a handful of new artists each year (IFPI, 1993; SKC, 1994; SXH, 1994). In Ireland, attitudes to development of local artists within subsidiaries have varied over time. For example, Warner Irl., during the 1980s, was very active in developing local Irish acts. The company had a number of successes including Moving Hearts, Mary Coughlan, Christy Moore and De Danann. At that time, however, it had no competition except from the struggling local labels. This lack of competition reflected the broad trend for global record companies to import international repertoire where the local market is not of a certain scale (Rutten, 1991, p.27).

Independent record companies

Local record companies operate in a difficult competitive environment. The predominance of imported international repertoire in the domestic market combined with the high cost and high risk of investment in artists, particularly in relation to marketing abroad, are only some of the difficulties they face. Unlike the subsidiaries of the majors, most of the indigenous companies have no option but to use local supplier and supporting services, many of which are higher cost and lower quality services than are available in other EU countries. Services/suppliers in these categories include business and legal services as well as recording and rehearsal studios. The independent record companies believe that one of the greatest obstacles to growth is the limited access to finance. The reluctance of Irish banks, in particular, to take music-based projects seriously was a common complaint in the course of the primary research. The reasons are perceived to be a combination of evaluation of the real level of risk attached to investment in a

record company and also a conservative attitude towards an industry still regarded as insubstantial in economic terms.

The strategies of independent companies are heavily influenced by the personal motivation of their owners: those who regard the music business as a business like any other and are interested in exploiting what ever opportunities there are; those who wish to grow their companies to be profitable entities, albeit within the constraints of their interest in a particular type of music; and, finally, those who essentially regard the company as a vehicle for the dissemination of a particular type of music and for whom financial success is very much a secondary matter. It is not possible to say how much the latter types of motivation dominate the independent sector or, to the extent that they do, how much this might differ from small independent record companies in other countries. For those companies which have this characteristic, however, it is reasonable to speculate that strategies for growing the companies will not be pursued with any vigour.

Industry informants suggest that the most successful of the independent labels service niche markets. For example, Ritz with Daniel O'Donnell serve a "middle of the road" (MOR) niche. Others, whom industry sources list among the main local players, serve the category of the market interested in the "folk/traditional" genre, e.g. Gael Linn, Tara, Dara. Industry informants suggest that record production costs are significantly lower for folk artists compared to rock bands and this reduces the pressures for international success. In addition, music of this genre tends to have a longer life-cycle than is the case for rock or pop music and as such is capable of providing an on-going stream of income. Other companies rely almost entirely on their export markets.

For many small record companies the most feasible option for growth is in terms of a take-over, wholly or in part by a larger foreign-owned record company. The local record company acts as an incubator for the developing artist and either the company itself is taken over, or, in course of time, the artist is signed to a global company and reaches international status. The back catalogue of such artists, if properly marketed, can be an important source of revenue for further investment in new acts by the local Irish companies. Examples are Gael Linn and Tara Records who control parts of Clannad and Christy Moore's valuable back catalogue. However, as noted earlier, the current emphasis on back catalogues,

which may be reinforced by the ageing demographic structure with an emphasis on established artists, reduces the demand for new artists.

The strategic challenge for the local record company is how to maximise their return on their early investment, in other words how to retain the ownership of musical rights and properties as much as possible and for as long as possible. The option of competing with the majors is not a feasible one in terms of artist investment, production, promotion or distribution capability (Frith, 1996). Since the value of ownership and control of music property rights is well-recognised by the major record companies this is a difficult task for the independents. The strategy of outright acquisition of local companies, as a mode of access to local repertoire, is the one favoured by the global record companies. This strategy is one of investment in, followed by full buy out of, local independents which have their own established local repertoire base. There are financial benefits to this approach for the global companies and it carries the additional advantage of providing greater control over the music rights (MBI, 1995).

Importance of export markets

Because of the dominance of the domestic market by the MNE record company subsidiaries and also because of its small absolute scale, independent record companies who wish to grow their business *and* retain ownership must develop export markets. One of the major difficulties for independent record companies is in establishing the necessary access to other markets. Varying strategies are used to overcome this obstacle. One of these is to enter licensing agreements, whereby, a small independent label will license an artist's recordings to a record company in another market. In return for the master tape together with the associated design work, the smaller label gains the financial benefit which will allow it to continue sourcing talent. Joint ventures are a variation on the sub-licensing deal, whereby the record company invests in the marketing and distribution of the album in the foreign territory, and in return, retains some control over the activity and a share in the profits. The potential of a joint venture with one of the majors here in Ireland is frequently mooted as one of the advantages of having local subsidiaries of MNEs based in Ireland. However, while it was tried in the case of at least one subsidiary and a local independent, in practice it does not appear to be a common occurrence. A third

strategic approach is that of establishing independent networks in the different markets through direct export. Direct export is the more profitable way of getting product to other markets but it is necessary to have the networks to undertake promotion and marketing. In comparison, sub-licensing involves less control over the way in which the product is marketed and, also, less financial return depending on the amount of redesign etc. which is required. In a small number of cases record companies have established an office/outlet in the UK because of the importance of this market and in at least one other case an Irish independent company has established a joint venture with an American outlet. Three of the independent record companies identified as successful are now either based in the UK or are part-owned by a UK company. In this latter case the Irish company relies on the UK head office to manage overseas exports and marketing.

While all of these strategies are used with varying degrees of success, access to export markets is an ongoing problem for local independents. Risks include finding that "partners" are unable to handle the music and/or artist appropriately and effectively, as well as a significant call on resources, both financial and time, in terms of investment in identifying suitable partners and building good working relationships.

Motivation, commitment and investment

There was consensus among those interviewed that a passion and deep interest in music is a major reason for their involvement in the industry. This is true across the industry and applies to both the subsidiaries of the major record companies and the local independent companies. Other factors mentioned were lifestyle, glamour, the exciting and fast-moving nature of the industry, and the ever-present possibility of finding the next big successful act. Financial reward was not found to be a major consideration – in Ireland the financial rewards are widely regarded as low, although in this regard, as in much else, a distinction must be drawn between the major subsidiaries and the independent companies. Even among the subsidiaries there seems little incentive from the structure of the reward systems to encourage innovation. For independents there is very little financial reward, a small handful are profitable, in many cases others are actually losing money. The majority of record companies are small, even those regarded as successful independents employ no more than five people, while the MNE

subsidiaries employ people ranging in number from eight to seventeen, with the exception of Sony, whose thirty-eight employees are largely accounted for by its distribution activity. The small number of people working in the industry and the small size of the enterprises precludes unionisation and the kind of standardised pay and working conditions associated with a highly unionised industry.

While the implications of this type of motivation and reward systems are positive for the general level of commitment to the industry it does not necessarily translate into high or sustained levels of investment. As was noted above the investment policies of the major subsidiaries are to a large extent dependent on the parent company. In addition, major record companies, perhaps because of the continuous drive to find the next mega star which will subvert the loss-making investments in artists who do not become successful, tend to be short-term in their investment decisions. Artists who do not recoup within a short time-span this high investment through sales are dropped by the company. Industry sources suggest that following U2's success the interest generated was found to have a negative impact on a number of similar Irish bands who were unable to live up to expectations of A&R personnel from major record companies.

For local record companies investment in new acts can be problematic. For many it is a result of problems of access to capital and the high risk nature of the business, where failure with a single album can more than wipe out profits in any given year. Even where a company has achieved a high degree of success with a particular artist or band, the motivation for establishing the company in the first instance can prove to be an obstacle to reinvestment. As was noted earlier, at least some independent companies are formed simply as a vehicle for bringing the music of a single artist to public attention and such companies are reluctant to take on the management and development of new artists. In that sense, the commitment does not appear to be there to grow the company, but rather to use it as a vehicle for the existing acts during the working life of those currently involved. The fact that the vast majority of the independent record companies are such small-scale operations as to be regarded as cottage industries suggests that planning to grow beyond the working life span of the present incumbents is unlikely.

While all but one of the MDs of Irish subsidiaries of MNEs are Irish

it is not unreasonable to speculate that their primary loyalty is to the interests of the MNEs whom they represent so that their nationality is therefore of less relevance than their management approach. Traditionally, MNEs sought to employ young people who had an ear for music but who did not have business training. The perception is that the senior people in every record company tend to have come from an artist and repertoire (A&R) background or were themselves in bands. In the Irish context, there is a perception of a change in background from a broadly technical one, i.e. a capability in distribution or in manufacturing to a business one, i.e. a capability in marketing, finance and A&R. Among the MDs of Irish subsidiaries there are examples of people with a background in distribution, in marketing and in finance. There is also relatively little job mobility in the music industry in Ireland compared with the situation in the UK. MDs of successful record companies are either with the company for its lifespan or are employed for a considerable period of time. To date, the MDs of MNE subsidiaries were perceived to be averse to risk-taking, however, there are indications that this is changing and that some of the MDs are now more willing to take risks which exploit the recent increased focus of the parent company on development of local artists.

Traditionally, too, the background of most indigenous record company/ label owners/managers would be that of experience of one or more aspects of the music industry, many perhaps from the showband era, or those who started by trying to have their own music released.

(ii) Rivalry

As has already been noted the structure of the domestic record company industry is one of domination by the six record company majors whose principal activity is the sale of their company's international repertoire. Because of their dominant position there is no direct competitive rivalry between these companies and the relatively larger number of small independents.

Competition is, therefore, substantially confined to the six MNE subsidiaries. Competitive activity is concentrated on gaining access to the necessary airplay and retail display. Industry informants suggest that the MDs of the subsidiaries are judged primarily on their capability to perform vis a vis other subsidiaries of the same

company, that is, to maintain market share and achieve the same proportionate success as other territories. The nature of the recorded music product is such that a given company will be in a position to release only a certain number of new products in a given year, all of which usually have a maximum lifespan of no more than a number of weeks. Avoidance of losing out to substitute products is a major concern for all. If there is no new release in the shop for a period, consumers will not come in and thus opportunities for important impulse sales are lost. Therefore, record companies attempt, in an informal manner, to stagger their releases so as to avoid such head-to-head confrontation and to maintain an uninterrupted flow of product to the retail outlets.

Because of the predominance of the strategy of radio stations to play safe and sure options, i.e. the material which has already achieved chart success in the UK and/or the material of well-established international artists, the MNEs have little difficulty in dominating the access to radioplay. Similarly, their market dominance with the retailers assures their preferential access to the type of in-shop promotion and display which they seek.

The A&R function of development of local artists is one which is pursued in common by all record companies, both MNE and independent. Here again, differences in scale of potential investment by the record company, together with their differential access to resources for promotion, marketing and distribution means that there is no possibility of head-to-head competition between the MNEs and the independents. The level of competition between the MNEs in this area is difficult to evaluate. The individual companies have only recently begun to focus on A&R activity and have tended to sign artists serving different market segments .

The level of competition among Irish independent record companies is also low. The competition which does exist is in terms of competition for artists and many companies avoid head-to-head competition by concentrating on unknown artists who have not, as yet, attracted attention. The large number of aspiring artists means that this is a feasible approach. For artists who are in demand, competitive advantages include the existence of networks abroad and capability to pay an advance. Companies try to identify and sign a potentially successful act before their competitors. The factors for artist success include a market for the particular genre of music, appropriate genre for the particular record company, musical

capability and commitment/drive to be successful and to work hard to achieve this as well as a business attitude or sense. Many argue that those artists who are successful are those that have taken an independent attitude towards controlling the development of their own career.

Relationships between firms

Despite the degree of geographic proximity and the small scale of the industry there is little evidence of direct relationships between firms in the domestic market. Those relationships which do exist are indirect, through the industry trade associations, and for some, through membership of industry lobbying groups. There is a view that there is potential for co-operation between the majors and the independents in that independents bring a detailed knowledge of the particular music and its market while the MNEs have the marketing and financial capability to bring these acts successfully to export markets. As noted earlier, some MNE subsidiaries expressed an interest in the potential of joint ventures or sub-licensing deals in terms of a particular project but, to date, this has occurred only once or twice.

In effect, there is a certain divide between the subsidiaries and the independent companies, marked by a degree of hostility and resentment or at least wariness on the part of independents. There is, too, a perception on the part of some that the subsidiaries have a somewhat contemptuous attitude towards the independents. Part of this hostility or wariness may come from the real differences in company objectives and interests which exist between the two strata of firms and in part may come from the more abstract perception that major record companies allow the most vulnerable i.e. small companies, to take all the risks in terms of developing an artist and than at a certain stage when they look like they will be successful on a large scale, move in and take over.

It has been claimed (IFPI, 1993, p.21) that the presence of the major record companies provides opportunities for transference of management capability between local subsidiaries and the indigenous firms but evidence for this claim was not found in the course of the present research. There is little inter-firm mobility and no examples of spin-offs of new firm activity from MNEs. Such movement as does occur tends rather to be staff from independent companies seeking to work with an MNE, because of the greater job

security which is provided. Neither were examples found of mutual learning, for example, technology, R&D and marketing.

Three kinds of relationships appear to have important implications for the development of the Irish music industry. The first of these relates to those between the MDs of the different subsidiaries within individual MNEs. To the extent that the local subsidiaries pursue a strategy of developing locally-signed artists for international release, the key success factor is their capability to persuade their counterparts in other territories to accept the artists for promotion, marketing and distribution, something which has traditionally been difficult to achieve (Rutten, 1991, p.302). One of the factors influencing the success of the Irish MDs in doing so will be the assessment by their colleagues of the "crossover" possibilities of Irish artists. The disproportionate success of Irish artists to date and the positive "brand" reputation of Ireland are perceived to be helpful in this regard.

The second type of relationship is between firms both in Ireland and in other markets and relates to the importance to local independents of a variety of forms of inter-firm co-operation, as described earlier. Finally, the third type relates to the importance of a complex network of personal contacts in terms of identifying new artists. This is necessary because of the enormous difficulty experienced in accurately identifying consumer tastes in popular music as well as the fast-changing nature of musical styles and fashions and is of equal importance to both the large MNEs and the local firms (Negus, 1992, p.47).

(iii) Impact of Strategy, Structure and Rivalry on Firm Competitiveness

The international nature of the popular music industry necessarily drives the competitive strategies of Irish-based record companies, both the subsidiaries of the MNEs who dominate the Irish industry and the local independent sector. There appears to be considerable agreement within the industry that an increase in the number of local signings of Irish artists for development as international stars is important for the overall development of the industry. However, despite the current emphasis by MNE subsidiaries on the importance of signing local acts, it is clear that the likelihood of this happening is vulnerable to strategic decisions taken outside the

national context, and is dependent on the continuation of certain trends, i.e. the continued capability of Irish artists to appeal to international consumers and, further, the continued global emphasis on international repertoire.

The strategies for competitive growth which are available to local independent companies are constrained by the dominance of the major international record companies. Go-it-alone strategies can be followed successfully by very few independent companies, as is evident from the small number of viable independents. Growth is most commonly achieved through early development of artists who subsequently sign contracts with larger foreign-owned companies but whose early back catalogues remain with the developing company, or through alliances of some kind with other record companies in other markets. Companies are currently constrained from adopting the latter approach because of the relatively high costs in establishing networks while, to date, the degree of selling-on to majors has been limited in the Irish context.

Levels of investment in the industry are also identified as a problem and are at least in part a function of firm structure. For MNE subsidiaries, the nature of the reward systems and, traditionally, the background of key personnel contribute to a high degree of risk aversion. Given that by its very nature investment in new artists is a high risk business, this has obvious negative implications for the investment in artists by subsidiaries. There is, however, some evidence to suggest that there is now a greater willingness to invest, both because of the changing nature of key personnel and also because of the current emphasis on local artist development. While in some cases the association of the record company with a single artist explains the lack of investment in new artists, for independents the biggest constraint on investment continues to be lack of access to capital.

The Irish popular music industry is not a competitive industry to the extent that indigenous record companies are unable to compete with their foreign-owned MNEs in the domestic market and are underdeveloped in their access to export markets. In this sense, Porter's (1990) argument that strong domestic rivalry will be important as a pressure to upgrade and innovate is not relevant in relation to these small indigenous record companies as they attempt to build competitiveness. In this section, it has been shown that the degree of rivalry is limited because of the dominant position of the

MNEs. The initial factor driving success for local independent companies is the ability to identify a potentially successful artist and subsequently to sign that artist to the company. The market is, however, saturated with artists and the activity of identifying and signing one does not often bring companies into competitive rivalry, either with each other or with a major. Once signed, the main factor for success is a capability to develop the artist in foreign markets, which is more dependent on a capability to form relationships with firms in other territories than on competition with domestic rivals. In this regard, even local independent companies must look primarily to the competitive conditions in other markets and it would appear that their success rests more with a capability to form effective co-operative relationships in these markets than with head-to-head competition.

7 ASSESSMENT AND CONCLUSIONS

In this final section, the role of Porter's four determinants of competitive advantage in influencing both the level of success in the Irish music industry and in explaining its principal weaknesses are summarised. Following from this, the suitability of Porter's framework for analysing the Irish music industry and the relevance of clustering to its present and future competitiveness is considered. Finally, some policy conclusions for the industry are suggested.

(f) The Role of the Determinants of Competitive Advantage.

There is evidence to support the contention that Ireland has achieved considerable success in terms of its number of internationally successful artists, which is disproportionate to the size of the country's population. It is, however, difficult to estimate the economic contribution of these artists to Ireland, although industry informants suggest that most are Irish residents. Certainly, since the majority sign to international record companies located in either the UK or the US, most of the financial benefits accrue to these economies. Stripping out the activities of these stars, the picture of the music industry is one of more limited development. In terms of its structure the Irish recording industry is one dominated by a handful of foreign-owned global record companies. There is also a much larger number of small-scale, indigenous, enterprises very few of which are economically viable or can be regarded as competitive in the sense in which Porter (1990) would use the term. In summarising the findings derived from the application of the Porter model to the music industry it is useful to first discuss the findings in relation to the successful segment of the industry, i.e. its artists and then to present the findings in relation to the broader industry.

Sources of artist success

A small number of factor conditions have been identified as positive in the success of Irish artists: the fact that we are an English-speaking nation; the development of a "brand" name for Ireland as an attractive location supported by a range of tax measures, and as a source of successful artists; and, a somewhat more contested view, the "quality" of the Irish environment for music as one conducive to the development of musicians.

Domestic demand conditions have a largely positive impact on the competitive advantage of Irish popular music "stars", compared to markets other than the dominant UK and US markets. However, it is relevant to note that this is because Irish consumer tastes are shaped in large part by international music trends, controlled by companies whose home base is most commonly in the UK or the US. In this sense the Irish consumer can be regarded as sophisticated, although it cannot be regarded as a leader or anticipatory of demand in other markets. This is reflected in the fact that popular artists still find it necessary to become successful abroad prior to, rather than following, achievement of success in the local market. Overall however, to date the influence of domestic demand conditions is likely to have been positive in the development of artists who can "cross-over" to international repertoire.

In considering the contribution of supplier industry segments to the competitiveness or success of Irish artists, it is relevant to note that in virtually all cases successful Irish artists go abroad, not only to sign record contracts, but also to avail of many of the supplier inputs and supporting services. The most important factors driving local artists with international potential abroad are the scarcity of strong domestic record companies and the low level of investment in local artists by MNE subsidiaries, whose primary concern is the sale of international repertoire. However, an additional factor is the weakness of important supplier services in Ireland. While most of the important supplier industries are present to some degree, there are few, if any, viable enterprises in each one. The small scale of the Irish market means that indigenous supplier industries require access to export markets for growth, which is at present quite limited. There is also limited use of the available supplier services by the MNE subsidiaries, which in other circumstances might have provided indigenous supplier companies with an important and also sophisticated market outlet. Therefore, artists with international potential will still go abroad for access to record and publishing contracts, management and business/legal services. Once these contracts are achieved, other services in these markets are also used, including production and recording services as well as marketing and promotion services.

As has been noted above, the artists' primary need is for access to record companies capable of building an international career. To date, this has not been present in Ireland because of MNE policy of

limited local artist development and an absence of domestic companies capable of doing so. As regards firm strategy, structure and rivalry the international nature of the popular music industry necessarily drives the competitive strategies of Irish-based record companies, both of the subsidiaries of the MNEs and of the local independent sector. The strategies for competitive growth of subsidiaries are shaped by the overall corporate strategy, while the strategic options open to local independent companies are constrained by the dominance of the major international record companies.

Competitive constraints on the Irish Music Industry

Thus, the recent and present success of Irish artists is largely attributable to a combination of factor conditions and to the international nature of Irish demand conditions. However, the factor conditions present in Ireland, which have been suggested as important explanatory variables in relation to artist success, are an insufficient basis to support the development of the broader industry and are themselves vulnerable to being overtaken by changes in fashion and in consumer tastes for popular music. In addition, we have seen that most of the financial benefits from this success accrue to the economies in which the MNEs are located. Even to retain the economic benefits accruing from artist residency in Ireland depends on a continuation of a strategy of local artist development by MNEs. Thus the problem which faces the Irish industry in attempting to translate the presence of these successful artists into a sustainable, competitive local music industry rests in large part with the global nature of the industry and the hegemony of the MNEs.

Industry informants suggest that the solution lies in the provision of incentives to encourage development of local artists with significant “cross-over” potential by both MNE subsidiaries and indigenous companies, as well as the development of a local infrastructure of supplier industries as the means of encouraging continuing local residency of successful Irish artists and of attracting foreign artists and producers to locate in Ireland. These developments are also important for the “second tier” of artists, including those which remain “local” in appealing only to the domestic market and to specialised niche export markets and those which have some “cross-over” appeal internationally. In addition, for these artists the presence of a strong independent sector of record companies is

particularly important. Such companies increase the opportunities for aspiring artists and are, given the smaller initial capital outlay, also more likely to offer longer lead times to attract consumer interest, an important feature for the nurturing of new and innovative music. This second tier of artists also provides the seed bed from which a sustainable, albeit small number, of “mega” stars might emerge.

As noted at the outset of this discussion, these kinds of development have, as yet, not taken place on a scale which would give Ireland a competitive advantage. It is possible that this is because Ireland is still at an early stage of development of its music industry. Indeed this is the implied argument of industry reports, which point to the ongoing expansion of the industry since the 1970s, both in terms of numbers of entities as well as density of activity, to support this view. However, the application of the Porter framework points to other, structural explanations for the lack of competitiveness.

There are a number of factor conditions which are important not only to sustain the environment for producing artists of high quality but also for other necessary developments outlined above. These are either absent, or poorly-developed in Ireland. As has been noted, there is a low, albeit increasing, level of investment in local artist development (R&D). Specialised skills in international marketing, in other business support services including artist management and creative and technical expertise, most importantly, production, are also underdeveloped. General music education at primary and secondary levels is widely regarded as poor and educational facilities, geared to the needs of the popular music industry, appear to be underdeveloped compared with other countries. A number of industry informants are of the view that many of the skills required in the music industry can be acquired through experience only. However, such experience is available to only a limited extent in Ireland because of the small-scale of the industry here. Finally, while there is a well-developed group of organisations and associations representing the music industry, an infrastructure of intermediary bodies to support the industry, particularly in relation to artist development and export market access, is still poorly-developed in Ireland. Such an infrastructure is important if local artists signed to local record companies are to be successful.

The domestic market for recorded music is small in both absolute and relative terms. It is dominated by imports and its growth rate.

while impressive, lags somewhat behind the global rate and is exceeded by the rate in a number of other fast-growing countries and regions. The global nature of domestic demand, is not helpful to the development of more “local” music, that is music which is not likely to “crossover” to become part of international repertoire. Increasing diversification of musical tastes may provide significant potential for “local” music in the future (Ruiten, 1996). However, in an industry where scale is a key driving force, the size and potential rate of growth of the Irish market does not of itself encourage large scale investment in purely “local” music. In addition to the problem of small size, the composition of the Irish music market is heavily influenced by international repertoire and local artists and local independent record companies will continue to be restricted in terms of access to retail and distributions channels as well as to the crucially important air play. For the foreseeable future, growth for local artists and indigenous record companies specialising in “local” music will, therefore, continue to depend on export markets that are not yet well developed. In this regard there is some anecdotal evidence to support the contention that the Irish music industry is facilitated in reaching export audiences through the Irish “Diaspora”. Overall, domestic demand conditions have a negative impact or are at best of minor importance in relation to their influence on “local” artists and indigenous independent companies.

In this paper we have shown that some supplier industry segments in Ireland have some degree of international competitiveness. There is also an impressive rate of growth in the number of entities in supplier industry segments which are likely to have a depth and level of activity contributing to the modest success of both local and/or second tier artists and some independent companies. However, the majority of enterprises are small in size, including those in industries requiring scale, such as publishing and manufacturing. Furthermore, few enterprises are commercially viable. In addition, the technological developments in the industry combined with the mobility of many of its service providers mean that, compared to other industries, a local presence is of increasingly less importance than in other industries for successful artists or the larger record companies.

As in other countries, the oligopolistic nature of the global record music industry determines the structure as well as constrains the competitive strategies of the indigenous industry. As already noted,

direct competition with the MNEs is not a feasible option for small independent companies. Neither does development of competitive capability of independent companies appear to be dependent on the existence of strong domestic rivalry. However, co-operative arrangements with firms, particularly in other markets, do appear to be crucial as a means of sharing the costs of artist development, including promotion activities, and as a vehicle for reaching the important export markets. To date, there is little evidence of much direct interaction within Ireland, either between the independents and the subsidiaries of the Majors or between the independents themselves, while co-operative arrangements with firms in other markets are hampered by a lack of resources.

Dunning’s (1992a) framework for analysing the impact of TNCs on the Diamond of the host country is helpful in assessing the impact of the music MNEs on the Irish music industry. The nature of MNE investment in Ireland is predominantly one concerned with gaining access to the Irish market (i.e. market-seeking). As such, their presence, as well as the presence of the multinational record retailers, is likely to have contributed to an expansion of the domestic market and to have contributed to the development of a sophisticated Irish music consumer. In addition, their location here will have helped to create the perception of Ireland as an important centre of popular music. They have also been part of lobbying and advocacy groups in relation to government measures in support of the industry. However, a secondary motivation for their presence in Ireland is that of access to Irish artists with cross-over potential (i.e. resource-seeking) and, consequently, there has been relatively little investment in “local” artist development. Similarly, to date there is no evidence of MNEs reorienting their investment in Ireland towards the acquisition of strategic assets, i.e. by acquisition of or joint ventures/strategic alliances with Irish-owned independent record companies. Neither can it be said that Irish-owned companies gain access to the skills and capabilities of the MNE subsidiaries, in that there is no evidence of movement of personnel from these companies to Irish-owned companies. Finally, there is only limited use of supplier and supporting services by the MNE subsidiaries, thus contributing little to the upgrading of these industry segments.

(ii) Relevance of Clusters

The review of the impact of the determinants of competitive advantage on the music industry has been useful in explaining the degree of success which has been achieved to date, principally that of internationally successful artists. It has also been helpful in identifying the reasons why the industry cannot be considered a competitive one in the sense used by Porter (1990). However, while of value in demonstrating how and why the Irish music industry is not benefiting from a set of mutually-reinforcing determinants of competitiveness which have developed into a cluster of related and supporting competitive industry segments, the framework is more limited in helping us to identify the future strategic direction for the industry.

Porter's theoretical framework is designed to explain the reasons for the competitiveness of an industry. In the case of the music industry the absence of a clear competitive advantage, with the exception of the success of Irish artists, makes it difficult to comment on the general suitability of his framework. Notwithstanding this difficulty, the analysis undertaken in this chapter shows that for continued development of internationally successful Irish artists formation of a full cluster is not appropriate.

First, not all of the determinants identified by Porter are likely to have the importance his framework would suggest, at least in the Irish case. The determinants which have contributed to Irish artists' international success are factor conditions and domestic demand conditions, the latter primarily shaped by international influences. Less important are related and supporting industries, while the Irish record company industry has had a very small impact.

A second point concerns the relevance of national or regional boundaries. Such interest as is evident in local artist-development for international "cross-over" from subsidiaries of music MNEs will continue to be dependent on decisions taken by the parent company outside of the national context. This is a feature of investment by foreign-owned companies which Porter warns of and to this extent, Porter's emphasis on the importance of building strong indigenous local companies is justified. However, the conditions for building a company of a scale capable of competing with the MNEs are not present in Ireland. The structure of the global industry suggests that there is scope for a strong sub-sector of independent record companies to coexist with the MNEs. Such a development in

Ireland, however, is significantly dependent on local companies creating co-operative relationships with other firms, including firms in other markets, again outside of the national context. Because of the small-scale and composition of the Irish market, domestic rivalry is likely to be less important than Porter's model would suggest compared to the need to develop co-operative linkages, both local and international, and in this respect is closer to the theories of the network paradigm (Capello, 1996).

It is also the case that, while domestic demand conditions are favourable to the success of "cross-over" artists, they are shaped by Anglo-American influences which are controlled by companies which mostly have their home base in either the UK or the US market. In addition, to the extent that retailers influence the competitiveness of local independent record companies, these are all foreign-owned. For supplier industry segments, for reasons both of scale and increasing mobility, the capability to compete with companies in other markets seems to be more important than domestic conditions.

Created factors of training and experience in specialist skills are currently not available to the scale required and are already provided elsewhere. Without major intervention by government it is unlikely that such factors will ever be sufficiently developed here in Ireland. The industry does not itself have the capability to invest in this kind of infrastructure, a function of its small-scale.

Overall then, it can be seen that the Irish music industry operates in an environment in which virtually all aspects of the recording of music and the management and development of an artist are not bound by location (Jacobs and de Jong, 1992). Reich (1991, pp.177-178) has usefully coined the term "symbolic analysts", defined as people "who solve, identify and broker problems by manipulating symbols". This term describes many of the categories of activity in the music industry: musicians, publishers, producers, sound engineers as well as marketing strategists, tax consultants and accountants. Reich suggests that a key feature of symbolic analysts is that their services can be traded world-wide. Technical developments both in relation to the distribution of music and also the administration of the increasingly important rights associated with the creation, performance and recording of music are anticipated to add even more to this mobility.

From the foregoing, it is clear that the promotion of a “cluster” as defined by Porter is not suitable in the Irish context as an industrial policy strategy for the music industry. It is not necessary or relevant for continued artist development as international music “stars”. Because of the intense concentration of the global music industry, neither is it feasible to promote cluster development with the intention of fostering a comparative competitive advantage for the broader music industry.

However, in line not only with Porter but also other theorists who differ from Porter in many important respects, this paper did find evidence to suggest that there are benefits from a concentration of activities and from interactions between the different actors.

Thus, successful Irish artists have played a key role in the creation of the brand name of Ireland as an attractive location which in turn has assisted in increased activity in supplier industry segments and to the development of competitive suppliers in a small number of firms, usually a single firm in a small number of industry segments. While it is true that most record companies and supplier enterprises are struggling as economic entities, this increased activity combined with the real, if modest, levels of success achieved, has influenced the development of other factor-creating mechanisms. These would include, for example the development of Irish-based trade bodies and advocacy groups and the establishment of an independent national music rights organisation. The geographic concentration of these activities and enterprises within the greater Dublin area has facilitated the flow of information and development of explicit industry strategies in relation to some factor creation. The existence of a limited number of specialised courses and tax incentives and state-supported international marketing is more than likely a result, at least in part, of pressure from trade associations and other advocacy and lobby groups comprising representatives of the different industry segments (See Figure 2).

Therefore, it seems reasonable to suggest that, if Ireland is to maintain its brand reputation as an attractive location and also to reproduce and develop its music industry as an important element of its economic and cultural life, it is important to retain its internationally successful Irish artists as resident in Ireland, accepting that these stars will continue to link into the global music industry. Second, in order to build on the existing image and brand reputation of Ireland, it is important to provide an environment

FIGURE 2

COMPONENTS OF THE POPULAR MUSIC INDUSTRY PRESENT IN IRELAND

Related Industries in Ireland

Tourism

Important Irish Inputs

Publishing companies
Producers/Sound Engineers
Public Relations,
Advertisers
Artist Management,
Promoters/Agents
Music Event Management
Manufacturing CDs/Tape
Duplication
Studio Design

Core Activity

Artists
Record Companies

Customers in Ireland

Consumers
Distributors
Retailers
Record Stores

Supporting Services and Organisations

State Development
Agencies
Media Marketing
Specialist
Training/Educational
Facilities
Collection Societies
Trade Associations
Lobby/Advocacy Groups
Specialist Music Media

which is conducive to the emergence of a sustainable flow of artists. The presence of a local network of viable local record companies, some supplier industries and a support infrastructure of a combination of tax incentives, educational facilities and market access institutions, is likely to be necessary for this, at least at the early stages of an artists’ development.

(iii) Policy Implications

The question which might be posed is whether it makes strategic sense for industrial policy to support the continued development of a music industry in Ireland and, if so, in what way? The argument for support rests not only on the substantial economic value of the music industry itself and the need to reproduce and develop the conditions under which that economic value is realised, but also on a number of interdependent collective positive externalities, provided through the existence of a strong music industry (Durkan.

1994). A strong argument for a policy of continued support to the music industry is its contribution, albeit intangible and therefore difficult to quantify, to Ireland's "brand" reputation as an attractive location. This is of most obvious importance to the tourism industry but is also of relevance to those economic sectors dependent on foreign investment and to the related capability to attract and retain skilled and able people in the economy (Durkan, 1994, O'Hagan and Duffy, 1987). Durkan (1994), writing about the economic impact of the arts in general, further argues that these externalities cannot be realised if the arts are not embedded in the society.

What then is needed for industry development? Given the international nature of the industry and its domination by international companies, government impact on factor conditions is likely to have only a minor influence on the industry's development. Some measures have already been taken to assist the industry, primarily a range of tax incentives which are intended to promote the continued residence of artists here in Ireland. There are also tax schemes to encourage capital investment in firms and, most recently, artist development. As it seems likely that these have had a positive influence on industry development to date they should be continued. Direct support for local artist development is now provided in other countries and is widely regarded as crucial to the sustainability of the industry.

Provision for a general arts education in the primary and second level school curricula is widely regarded as inadequate at present. For music to be rooted in the society in such a way as will foster new and innovative musical talent, a knowledge and appreciation of music in all its forms is important. The creation of music education facilities, specialised to the needs of the music industry on a scale comparable to that already provided in other countries is, however, a more problematic policy issue. The availability of such educational opportunities elsewhere may make it a more attractive policy option to provide resources to aspiring musicians and others to travel abroad for their education rather than attempt to build such facilities in Ireland.

Industry informants argue that to support its inherent factor advantages and to facilitate an increase in development of artists locally, it needs to bring its associated supplier and supporting industries to international, if not world-class, status. However, direct government support for this strategy needs to be considered

carefully in light of the international nature of the industry and the degree of mobility inherent in many of these industry segments.

Despite the degree of geographic proximity and the small scale of the industry there is little evidence of the emergence of the kind of direct relationships between independent record companies or between independent record companies and the local subsidiaries of MNEs in the domestic market which have been identified as important for artist development. To date, domestic joint ventures or sub-licensing deals in Ireland, on a project by project basis, while regarded as potentially valuable, have occurred very infrequently. Furthermore, the international nature of the industry creates a requirement for trans-national linkages of all kinds. While there is evidence of a number of such linkages their development carries heavy resource implications which, at present, act as a constraint on their further development. An added difficulty is the lack of clarity in the literature on how, and in what circumstances, intervention to foster co-operation is successful (Staber, 1996). These issues suggest that a more proactive but experimental approach to promoting and facilitating various kinds of linkages should be considered. In its recent report Forte, an industry task force established by the Government to examine and recommend ways of developing the industry, recommended the establishment of a Music Board (Forte, 1996). The proposed body would have representation from both the public sector and the music industry and would have responsibility for the strategic policies of the industry as one of its major functions. If the proposal to establish a Music Board is adopted, its remit could include a responsibility for examining the appropriate ways in which linkages could be fostered.

A further important measure is support for international marketing, currently provided through An Bord Trachtála. In co-operation with the industry, the adequacy of present policy should be reviewed and the need for further measures should be considered.

RESEARCH METHODOLOGY

The Popular Music Industry

In recent years, there has been considerable discussion about the economic value of Irish cultural industries in general. In particular, the popular music industry has been the focus of considerable attention, with a number of reports attempting to ascertain its current value and its future potential. These reports provide an extremely useful base line of information and analysis of the Irish industry but they also make it clear that one of the great difficulties in assessing the performance of the industry is the absence of accurate concrete data. Exploratory interviews were first held with several industry informants to obtain an overview of the industry and the issues. Those interviewed included Keith Donald of MusicBase, Noel Delaney of the Department of Arts, Culture and the Gaeltacht, Dave Fanning of RTE, Johnny Lappin of the Republic of Ireland Music Publishers Association (RIMPA) and Jackie Hayden of Hot Press.

Primary research, in the form of personal interviews with key industry personnel, was carried out in two stages. The first stage comprised in-depth interviews with senior management of five of the six major record companies, which between them account for approximately 80 per cent of the market, and with the MDs of six independent record companies. The six independent companies, selected on the basis of information from key informants, represent a cross section of companies which vary in terms of ownership, size and music genre. We do not claim that the findings from our interviews are wholly representative of the industry, but they should nevertheless provide good insights into the workings of the industry. These personal interviews with the record companies were followed up with a questionnaire requesting information about the companies' activities which provided some additional, factual information.

The second stage involved a series of in-depth interviews with senior personnel from a number of related and supporting industry segments, including recording studios, publishing, distribution, retail, artist management, as well as representatives of industry bodies and the media.

The data for this research was collected during 1996.

BIBLIOGRAPHY

- Adoni, U., V.W. Mitchell and F.G. Prumbaum (1994), 'New Product Development and the Music Industry'. *Marketing Working Paper Series* No. 9405, Manchester School of Management.
- Arts Council (1994), *Annual Report, 1994*. Dublin.
- Bawden, T. (1995), 'Singing IBEC's Tune' in *Business and Finance*. November 23, p.4.
- Beije, P.R. and H.O. Nuys (eds), (1995), *The Dutch Diamond: The Usefulness of Porter in Analyzing Small Countries*. de Garant, Leuven-Apeldoorn.
- Bellak, C.J. and A. Weiss (1993), 'A Note on the Austrian Diamond'. *Management International Review*, vol. 33 (Special issue), pp.109-118.
- Billboard (1985-1995), *Billboard Charts*. New York.
- Boekema, F. and H.J. van Houtum (1995), 'Regional Economic Competitiveness; Porter & Beyond' in Beije, P.R. and H.O. Nuys (eds), *The Dutch Diamond: The Usefulness of Porter in Analyzing Small Countries*. de Garant, Leuven-Apeldoorn.
- Bowler, D. and B. Dray (1994), *U2: A Conspiracy of Hope*. Pan Books, London.
- British Invisibles (1995), *Overseas Earnings of the Music Industry*. London.
- British Phonographic Industry Limited (BPI) (1988), *BPI Yearbook*. London.
- British Phonographic Industry Limited (BPI) (1995), *BPI Statistical Handbook*. London.
- Burke, A. (1993), 'Tune Innovation and the Supply of Composer-Entrepreneurs'. *IMRO Report No. 2*, Services Industries Research Centre, University College, Dublin.
- Burke, A. (1995), 'Employment Prospects in the Irish Music Industry'. Paper presented to the *Statistical and Social Inquiry Society of Ireland*, Dublin.
- Burke, A. (1996, unpublished), *Competition in the Market for Composers' Performance Rights in Ireland*. IMRO, Dublin.
- Capello, R. (1996), 'Industrial Enterprises and Economic Space: the Network Paradigm'. *European Planning Studies*, vol. 4, no. 4, pp.485-498
- Cartwright, W. (1993), 'Multiple Linked "Diamonds" and the International Competitiveness of Export - Dependent Industries: The New Zealand Experience.' *Management International Review*, vol. 33 (Special issue), pp.55-70.
- Cohen, S. (1991), *Rock Culture in Liverpool: Popular Music in the Making*. Clarendon Press, Oxford.
- Commission of the European Communities (CEC) (1994), *Panorama of EU Industry 1994, Section on Music Recording*. CEC, Luxembourg.

- Commission of the European Communities (CEC) (1995), *Panorama of EU Industry 1994*, Section on 'Music Recording'. CEC, Luxembourg.
- Coopers & Lybrand (1994), *The Employment and Economic Significance of the Cultural Industries in Ireland*. Dublin.
- Dalum, B., U. Jørgensen, K. Møller and F. Valentim (1991), 'Porter og den erhvervspolitiske debat. *Samfundøkonomen*, vol. 7, pp.33-41.
- Davies, H., P. Whittle, P. Kwok and H.K. Polyu (1995), 'The Analysis of East Asian Competitiveness: Lessons from the Hong Kong Experience'. Hong Kong Polytechnic University & Lingnan College, Hong Kong.
- Denisoff R. (1986), *Tarnished Gold: The Record Industry Revisited*. Transaction Books, London.
- Dunning, J.H. (1992a), 'The Competitive Advantage of Countries and the Activities of Transnational Corporations'. *Transnational Corporations*, vol. 1, no. 1, pp.135-168.
- Dunning, J.H. (1992b), 'The Global Economy, Domestic Governance Strategies and Transnational Corporations: Interactions and Policy Implications'. *Transnational Corporations*, vol. 1, no. 3, pp.7-45.
- Durkan, J. (1994), *The Economics of the Arts in Ireland*, The Arts Council, Dublin.
- Education* (1995), Government White Paper. Stationery Office, Dublin.
- Evening Herald, The* (1996), 'U2 tour set to roll in £112m', 25 March.
- Forté (1996), *Access All Areas: Irish Music and International Industry*. Report to the Minister for Arts, Culture and the Gaeltacht, Dublin.
- Frith, S. (1987), 'The Industrialisation of Popular Music' in Lull, J. (ed), *Popular Music and Communication*. Sage, Newbury Park.
- Frith, S. (1996), 'Popular Music Policy and the Articulation of Regional Identities: The Case of Scotland and Ireland' in European Music Office (EMO), *Music in Europe*. Brussels.
- Grant, R.M. (1991), 'Porter's "Competitive Advantage Of Nations": An Assessment'. *Strategic Management Journal*, vol. 12, pp.535-548.
- Hot Press, (1981-1996), *The Hot Press Yearbook*. Dublin.
- Independent Radio and Television Commission (IRTC) (1994), *Review 1994*. Dublin.
- Industrial Policy Review Group (1992), *A Time for Change: Industrial Policy for the 1990s*. Stationery Office, Dublin.
- International Federation of the Phonographic Industry (IFPI) (1994), *The Recording Industry in Europe*. London.
- International Federation of the Phonographic Industry (IFPI) (1995), *The Recording Industry in Numbers-The IFPI Statistical Handbook*. London.
- International Federation of the Phonographic Industry (IFPI) (1996) (1996, unpublished), *World Sales, 1983-1996*. London.
- Irish Business and Employers Confederation (IBEC) (1995), *Striking the Right Note. A Submission to Government on the Development of the Irish Music Industry*. Dublin.
- Jacobs D., and M.W. De Jong (1992), 'Industrial Clusters and The Competitiveness of the Netherlands', *De Economist*, 140 Nr 2.
- Laing, D. (1996), 'The Economic Importance of Music in the European Union' in European Music Office (EMO), *Music in Europe*. Brussels.
- Lambkin, M. (1996), *The Irish Consumer Market: A Guidebook for Marketing Professionals*. The Marketing Society, Dublin.
- Meenaghan, J.A. (1988), 'High Visibility Celebrities, Marketing and Image-Making. *Irish Marketing Review*, vol. 3, pp.1-10.
- Music & Copyright* (various editions), Financial Times Telecom & Media Publishing. London.
- Music Business International (MBI) (1995), *MBI World Report 1995*. London
- Music Business International (MBI) (1996), *MBI World Report 1996*. London.
- Negus, K. (1992), *Producing Pop: Culture and Conflict in the Popular Music Industry*. Edward Arnold, London.
- Nuys, H.O. (1995), 'A Critical Review of Porter's Diamond with regard to Small Countries' in Beije, P.R. and H.O. Nuys (eds) (1995), *The Dutch Diamond: The Usefulness of Porter in Analyzing Small Countries*. de Garant, Leuven-Apeldoorn.
- O'Donnell, R. (1997), 'International Competitiveness in the Context of Peripheral Regions' in Fynes, B. and Ennis, S. (Eds) 'Competing from the Periphery' Studies in Irish Management, Dublin.
- O'Donnellan, N. (1994), 'The Presence of Porter's Sectoral Clustering in Irish Manufacturing'. *The Economic and Social Review*, vol. 25, no. 3, pp.221-232.
- O'Hagan, J.W. and C.T. Duffy (1987), *The Performing Arts and the Public Purse: an Economic Analysis*, The Arts Council, Dublin.
- Penttinen, R. (1994) 'Summary of the Critique on Porter's Diamond model: Porter's Diamond Model Modified to Suit the Finnish Paper and Board Machine Industry'. Keskuateluaiteita-Discussion Papers, No. 462, The Research Institute of the Finnish Economy.
- Porter, M.E. (1990), *The Competitive Advantage of Nations*. Macmillan, London.
- Quinn, B. (1995), 'The Value of the Live Music Industry - A Case Study of the Temple Bar Blues Festival'. Services Industries Research Centre Working Paper. No. 15, University College, Dublin.
- Quinn, B. (1996), 'Exploring the Irish Soundscape'. Paper presented to the Newman Scholar Seminar, Dublin.

- Reich, R. B. (1991), *The Work of Nations*, London, Simon & Schuster Ltd.
- Richards, J.M. (1976), 'Provision for the Arts'. The Arts Council, Dublin.
- Rugman, A.M. and J.R. D'Cruz (1993), 'The "Double Diamond" Model of International Competitiveness: The Canadian Experience'. *Management International Review*, vol. 33 (Special issue), pp.17-39.
- Rugman, A.M. and A. Verbeke (1993), 'Foreign Subsidiaries and Multinational Strategic Management: An Extension and Correction of Porter's Single Diamond Framework'. *Management International Review*, vol. 33, (Special issue) pp.71-84.
- Rutten, P. (1991), 'Local Popular Music on the National and International Market'. *Cultural Studies*, October, pp.294-305.
- Rutten, P. (1996), 'Global Sounds and Local Brews: Musical Developments and Music Industry in Europe', in European Music Office (EMO), *Music in Europe*. Brussels.
- Shore, L. (1983), *The Cross-roads of Business and Music*. PhD Thesis presented to Stanford University.
- Simpson Xavier Horwath Consulting (SXH) (1994), *A Strategic Vision for the Irish Music Industry*. Dublin.
- Staber, Udo (1996), 'Networks and Regional Development: Perspectives and Unresolved Issues' in *Business Networks for Prospects for Regional Development*, Walter de Gruyter, Berlin and New York.
- Stokes Kennedy Crowley (SKC) (1994), *A Report on the Irish Popular Music Industry*. Dublin.
- Waters, J. (1994), *Race of Angels: Ireland and the Genesis of U2*. The Blackstaff Press, Belfast.
- Yetton, P., J. Craig, J. Davis and F. Hilmer (1992), 'Are Diamonds a Country's Best Friend? A Critique of Porter's Theory of National Competition as Applied to Canada, New Zealand and Australia'. *Australian Journal of Management*, vol. 17, no. 1, pp.89-119.