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Thorley, M.

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Crowdfunding and alternative modes of production

Mark Thorley

Crowdfunding has rapidly gained exposure as a new way for musicians, composers, record producers and all manner of music creatives to find new ways of realizing their work. Amongst the general excitement, there is often considerable media interest in musicians or producers who succeed in crowdfunding a project that has been neglected by the mainstream. Such interest plays into the recorded music industry's long history of celebrating recording artists and performers who find "success," despite being largely ignored by the mainstream. The narrative of the struggling musician who carries on despite continued rejection lends significant credibility to how they are viewed by fans and consumer. So when a music creative uses crowdfunding successfully, it serves to firstly continue this narrative – that is, the aspirant musician finds a way, through hard work and ingenuity to be supported by enlightened and empowered followers. Secondly, however, it throws just as much light on crowdfunding as a credible and effective way for new music to be brought into a form wherein it can find an audience. In this way, there is often as much excitement about crowdfunding and the particular platform used as there is about the project itself.

There is therefore obvious resonance between crowdfunding as an alternative funding mechanism and an "alternative" approach to music production in its widest sense. Just as an alternative approach to music production eschews the mainstream and obvious, so crowdfunding avoids the usual functions of angel investors, shareholders and blatant commercial exploitation. In this way, crowdfunding and an "alternative" approach to production seem like comfortable and well-suited co-habitees. However, amongst the maelstrom focussed on successful crowdfunded projects, the unloved pitches remain just as that. The work does not come to fruition, the producers, despite their potential, do not realise their concepts, and no one is really the wiser.

This chapter takes a look at the relationship between crowdfunding and what I term "alternative modes of production." I first examine the established model of

music production before outlining what is meant by an “alternative mode of production.” From there, I critique the immediate attraction of crowdfunding before discussing four elements which need to be considered as crucial to an effective relationship between crowdfunding and an alternative mode of production. These elements are: considered rationale, ignoring the record company model, anticipating potential supporter motivations and actively engaging with participants.

The established model and alternative modes of production

Before the advent of sound recording, musician and audience shared the same space and time – they would be in the same room with the audience hearing the performance as it was played. Sound recording, starting with the acoustic era and through the electrical, magnetic and digital eras, brought a new disjuncture – the performance could be heard many years after it was played and in a different environment. Schafer (1977 [1969]: 43-47) terms this separation of sound from its source as “schizophonia,” noting that it is electroacoustic production that has brought about the change. Alongside this emergence of the recorded music product however, a whole new field of activity based around the discovery, management and economic exploitation of music has emerged, namely the recorded music industry. As the complexity of territories, markets and genres has increased, the recorded music industry has taken an increasing role in filling the gap between the music creator and the listener. A highly complex function beyond the scope of this chapter and covered in depth elsewhere (Hull 2004; Passman 2009), there are two key aspects of this increasing role. Firstly, the “industry” takes a significant portion of the funds spent on recorded music and secondly, it plays an increasing role in deciding what music is recorded, promoted or in other ways, supported. Off the back of the “technical” emergence of the recorded music product therefore, a massive machine (apart from the actual recording process) has emerged. Turning to the first aspect, to the layperson unfamiliar with the inner workings of the recorded music industry, the proportion of funds given to a recording artist may seem low. For example, whilst a recording artist typically receives between 8% and 20% of wholesale purchase price, there are usually many deductions for producer fees, studio time, packaging costs, breakages and territory variations, such that the actual figure is much lower. In defense of such

contracts though, organizations such as the IFPI are usually quick to point out the additional costs of promoting and supporting recording artists – in a major market such as the UK or US, this could range from \$0.5 and \$2 million (IFPI 2016). This reflects the considerable cost of supporting and promoting recording artists to make them economically viable. Secondly, to maximise the economic return on such an investment, the music industry does much to mould and alter music before it is released. For example, it wields complete choice over who is contracted to start with, how much they are paid, what and where they record, whether the recording is released, and how it is promoted. Furthermore, control goes beyond this to encompass exclusivity, the right of the record company (but not the artist) to terminate, and the retention of copyright in recordings even after dissolution of the contract has taken place. A whole new set of intermediaries are involved in controlling this process, their ultimate aim being to ensure that the music produced finds a set of consumers who are willing to pay for it.

This existing way of working has received extensive criticism from recording artists and producers. For example, in his unsuccessful court case (*Panayiotou v Sony Music Entertainment (UK) Ltd.* [1994]), George Michael referred to his recording contract as “professional slavery.” Similarly, Prince wrote the word “slave” on his cheek in reference to his contractual relationship with Warner Brothers. Both cases seem to pour scorn on the apparent imbalance of control. The existing way of working has also been critiqued widely in academic circles. Around the time that the “magnetic era” of sound recording was beginning, Adorno and Horkheimer first introduced the concept of the “culture industry” in *Dialectic of Enlightenment* (2002 [1944]). Here, they proposed that popular culture (as opposed to the “higher arts”) is merely a factory production line producing standardized cultural goods to keep mass society in their place. In this somewhat pessimistic view, they state that “culture today is infecting everything with sameness” (ibid.: 94). Schiller continues this theme, outlining the manner in which corporatism is seen to negatively effect the production of culture. Commenting on the commercialization of culture, Schiller states, “What distinguishes their situation in the industrial-capitalist era, and especially in its most recent development, are the relentless and successful efforts to separate these elemental expressions of human creativity from their group and community origins for the purpose of selling them to those who can pay for them” (1989: 31). Schiller also draws heavily on UNESCO’s *Cultural Industries: A Challenge For The Future*

of Culture report. The issues addressed by UNESCO are, by nature of the organization's remit, global, and the challenge addressed is summed up as "the gradual eclipse or marginalization of cultural messages that did not take the form of goods, primarily of value as marketable commodities" (UNESCO 1982: 10). However, since this time many popular music academics have taken a slightly more pragmatic view. However, the overwhelming fact that the pursuit of profit is intertwined with the whole process is acknowledged, such as where Frith outlines that the industrialization of music is "not something which 'happens' to music but a process which fuses (and confuses) capital, technical and musical arguments" (1987: 54). Given that much of the growth of the cultural industries and more particularly, the recorded music industry has been driven by technological innovation, the question of whether crowdfunding as a technological approach can offer an alternative is highly pertinent.

Although writers on the music industries have used the term "modes of production" quite extensively, it was originally coined by Karl Marx in *Das Kapital* (2009 [1867]). Marx' reference to the combination of "productive forces" and the "relations of production" has significant relevance to the music industries and in particular, the manner in which it has altered during the last two decades. For example, the "productive forces" (tools, machinery, labour) have altered significantly in the production environment with the rise of project, home and laptop-based studios fundamentally driven by improved computing power and storage. The "relations of production" (power, legal frameworks, industry structure) have subsequently altered under the influence of digital networks. Arguably, some elements here have changed more substantially than others. For example, the rise of social media and other emerging technologies has altered the relationship between music producers and consumers (O'Hara and Brown 2006). However, legal frameworks have often lagged behind technological change and struggled to cope with changes in practice. The term "modes of production" is therefore useful and has thus been used in a variety of contexts already. An example of this is where Park, with relevance to Marx' "productive forces," outlines "established modes of production resulting from ownership patterns" (2007: 118). Here, Park is outlining the control of production as being routed in the ownership of facilities, expertise and intellectual property. Using the term more flexibly with reference to Tin Pan Alley, Wise explains the mode of production prevalent there as "music provided on demand, tailored to particular needs

in a thoroughly professional, business-like manner” (2012: 502). Somewhat differently, referring to music routed in a specific locale (that of North Queensland and Torres Strait), Salisbury notes that whereas in the past music performers were at the mercy of industry gatekeepers, “in the current climate the ‘new modes’ of production have allowed Aboriginal and Torres Strait artists to take control over their own careers and to promote themselves directly to the consumer” (2013: 39). The term “new modes” here seems to suggest a co-existence with established models wherein being able to promote directly to consumers can overcome the issues to which, for example UNESCO (1982) make reference to.

This chapter deliberately uses the term “alternative modes of production” to imply that it goes beyond the “new” modes of production referred to by Salisbury (2013). It does this with a focus on US and Western Europe though – it must be noted that issues such as poverty and rife cassette piracy make territories (such as Africa, for example) a totally different picture to explore (Shepherd 2003: 639). So whilst “new” modes encompass the use of emergent technology to promote and distribute directly to the consumer, crowdfunding has the potential for a much deeper impact that challenges the very assumptions and practice routed in the sound recording era. Whilst much academic focus is still on the production of a recorded artefact which the music consumer pays for, the producer of music or sound can now deliver a whole series of auditory experiences to a listener, who in return can provide a whole series of valued activities not necessarily limited to the allocation of funds. The term also plays deliberately into the challenges for production in an age of globalization. On this subject, and with reference to the effect of increased company mergers and concentration in production generally (not particularly music or media), Scholte notes that “Alternative modes of production have arguably never been as weak in the world economy” (2005: 183). Notably though, much has changed with technology since then, including the rise of crowdfunding. However, in a more recent reference to how corporatism has pseudo-humanised popular media in order to control copyright, Cvetkovski notes, “There is little room for alternative modes of production in popular media” (2013: 67).

The immediate attractions of crowdfunding

The pivotal attraction of crowdfunding is that the producer can connect directly with their audience (and potential backer), as the cultural intermediary (Bourdieu 1984) is taken out of the equation. This means that, first and foremost, the producer need not go through the time-consuming (and often unsuccessful) process of trying to secure a commercial arrangement with, say, a record company. Just in terms of time and effort, this can seem attractive. However, it may also be attractive from a philosophical standpoint, particularly if the producer, with an “alternative” take on their own creative output, dislikes the commercial orientation of major record companies. Continued consolidation of ownership of record companies (and indeed media generally) has done little to help the music industry’s poor reputation for developing creativity. Although crowdfunding is often thought of as an aspirants’ route to market, in fact, many music practitioners who have had prior commercial contracts use it after previous (sometimes disappointing) contractual arrangements. An established producer or practitioner may also be attracted by the opportunity to leverage their fan base or network through social media (though such a fan base may have been supported by prior commercial partners). Secondly and related to this is the low quality threshold which exists with crowdfunding. With the established model, there are commonly accepted approaches to pitching a potential product to say, a record company, that are set by professionals in that field (Ursell 2006), and this involves cost and time. In fact, as the recorded music industry has been more challenged by the shifting sands of technology, its attitude to taking risks has worsened. As Negus (1992: 40) notes, decision makers want to see product that is already proven in the market – and the cost of this “proving” falls with the producer. With crowdfunding there is no such threshold of quality, so whilst crowdfunding platforms do vet projects for suitability, this is a fairly broad approach checking for issues of legality and possible ethics. Given that crowdfunding platforms are themselves dependent upon driving traffic to their sites, even risky or edgy projects with no hope of being funded can be attractive – this is often part of the marketing message to potential project initiators. The quality threshold and associated cost is therefore low. Thirdly, and related to the first point, is being able to retain greater control with the creative work. In a commercial relationship with a record company, the producer has to surrender

legal and creative control of their work to the record company in return for the financial support to produce work. The more creative and independently minded a producer is, the more likely that this will be a problem particularly given the issues of homogenization highlighted earlier. Lastly, a crowdfunded project means that the producer retains more of the revenue. In contrast to the typical figures discussed earlier, crowdfunding platforms generally take between 5% and 10% of the funds if the project is successfully funded. The crowdfunding producer therefore gets more of the revenue, and also has control over how it is spent.

Against this backdrop, the potential of crowdfunding to significantly shift practice for producers into an “alternative mode” cannot be underestimated. However, much of the thinking behind its appropriation is understandably grounded in the era of recorded music. The following sections therefore outline four elements necessary of consideration to maximize the opportunity for crowdfunding to support an alternative mode of production.

A considered rationale

The barriers to entry to the economically rewarding part of the recorded music industry are high. Furthermore, even once a practitioner gains some sort of commercial contract, success is far from guaranteed. In reality, according to Frith, 90% of records make a loss (2001: 33), whilst according to Kretschmer, 10% of records released account for 90% of turnover for labels (2001: 425). Indeed, it is no accident that crowdfunded music projects have grown in a time when signings to record labels have declined. One such example of an established practitioner’s success in the form of Amanda Palmer is discussed by Potts (2012). The fact that Amanda Palmer had been in prior commercial relationships with Roadrunner Records (of which Warner Music Group have held a majority stake since 2008) is often ignored. The pivotal point for Palmer came when Roadrunner Records asked that a video be re-edited to change her appearance. The ensuing backlash involved Palmer and her fans rallying against Roadrunner Records, from whose contract she was eventually released. The manner in which Palmer and her fans worked together against the record company is referred to by Potts (2012) as resistance to, or outright rejection of “cultural norms” – collectively, they reacted to the record company’s

control of the creative product. In Palmer's case, the end result was her being released from her contract with Roadrunner Records, and secondarily the opportunity to launch an independent career funded in part by crowdfunding.

The problem with this motivation, and why it may not always end so well, is that it is largely "reactionary," stemming from frustration with established ways of working particularly in Artist and Repertoire (A&R) functions. In managing music output, A&R has two main functions – deciding what artists to contract, and deciding how resources (financial and personnel) are used in the development of their music and image (Negus 1992: 48). Deciding to use crowdfunding from a reactionary stance is therefore a decision that the A&R function can be better exercised for the benefit of the producer by the producer themselves. However, this shows an under-appreciation of both the depth and breadth of A&R. For example, in terms of depth, the A&R function takes many decisions such as where to record, what to record, what personnel to involve, contractual terms and so forth. All of these choices involve time and expertise in a bid to maximize economic and critical results. Whilst an established artist or producer may have some of these skills, an aspirant music creator at an early stage of their career (when they are most in need of this expertise) is likely to be deficient in this aspect. Furthermore, the breadth of A&R is just as easily underestimated and underappreciated whereas in actual fact, as Negus (2002: 506) notes, even functions such as accounting and business affairs contribute to A&R. So, the manner in which the recording process needs to be supported with financial management, marketing, promotion, and project management is important but often overlooked.

The issue is, that where there is frustration with other methods, crowdfunding offers an alternative where the barriers to entry are low. However, the typical work traditionally undertaken by A&R still needs to be addressed, and indeed the success of any project is highly dependent upon such work. As evidence of this, whilst there seems to be no quality threshold for setting up a crowdfunding project, in fact, as Mollick (2014) notes, the greater the preparedness (as a reflection of quality) of a project, the more likely it is to be funded. In choosing to use crowdfunding as an alternative mode of production then, the producer needs to have a clear rationale for doing so based upon the fact that they have the expertise to undertake the necessary work.

Ignore the record company model

Given the prior discussions, it would be easy to think of crowdfunding as an alternative where the crowdfunding producer becomes the record company. The reality is, however, far more complex. In fact, D'Amato (2009) argues that it is the crowdfunding platforms, which are in many ways like labels in disguise. The key difference is that the crowdfunding platforms are not risking their own money but rather, risking that of the funders. The fact that the platforms put little effort into unsuccessful projects but take revenue from those projects that are successful is remarkably familiar. Additionally, when platforms host unsuccessful projects which drive traffic to their site, and build awareness of their brand, they are in fact, offloading research, development and promotional work to others. This is again very similar to the way in which record companies traditionally allowed others to take on risk from which they subsequently benefit.

Given that crowdfunding producers often use the medium because they can retain ownership and control of the works, it is perhaps understandable that they think of themselves rather than the platform as most like a record company. So, although the emergence of disruptive technology (digital networks, participatory platforms) would seem to have totally undermined this model (in the same way that technology created it in the first place), crowdfunding producers lack either the will or foresight to think differently. Decades of recorded music practice may well have led to entrenched ways of thinking about intellectual property, its management and exploitation. The problem is that whilst the producer may now have more control, it is actually over a more limited set of options. For example, whilst a record company maintains established commercial relationships with, say, labels in other territories who can release and promote recordings under license and film/television companies to whom they can give synchronisation licenses, the crowdfunding producer has no such access to this infrastructure. Nor do they have the expertise to do the complex work usually routinely undertaken by a record company to exploit and manage intellectual property.

In reality then, though the producer retains much of the choice that a record company held due to ownership of works, they need to think and act quite differently.

Whereas the “new mode” of production outlined by Salisbury (2013) suggests some movement, an “alternative mode of production” can, and needs to change more.

Anticipate supporter motivations

Understanding customer motivations is obviously fundamental to the approach of any business. Music taste is clearly very difficult to predict though, as the music industry’s low proportion of recording artists who make a return on the investment attests to. Despite best efforts, commercial success still seems a game largely of chance. If being able to predict what music consumers will buy based upon decades of experience is a tricky proposition, crowdfunding is fraught with even more unknowns, with its geographically and culturally diverse set of possible funders.

The fundamental issue with crowdfunding though is that the potential funder of a project is not a music consumer. They are not buying a music product – instead, they are committing funds to a project yet to happen for which they will get an experiential return. On this point, the work of Gerber and Hui (2013: 8) is pertinent. In their work, the four main motivations for funders are: collecting rewards, helping others, being part of a community and supporting a cause. “Collecting rewards” means receiving some kind of experience, acknowledgement or artefact, whilst “helping others” reflects a more philanthropic approach to supporting those with which supporters have a particular connection. Being “part of a community” reflects the motivation to be involved in the work of a select group whilst “supporting a cause” reflects backing a project that resonates with supporters’ values and ties in with issues of personal identity (or identity to which they aspire). This starts to show how the “alternative mode of production” could work for a producer of music or sound, though thinking how the “offering” can address these complex motivations is clearly a challenge. Importantly, though, the crowdfunding producer does now have the tools and the flexibility (through ownership and control) to propose a project which addresses funders’ rather than music consumers’ motivations.

Given the general lack of research into the motivations of project supporters and particularly for music, uses and gratifications theory has considerable theoretical potential. Uses and gratifications theory is an approach to examining and understanding how people use media actively to satisfy defined personal needs. It is

relevant to crowdfunding because in taking the decision to make a contribution in exchange for reward, the crowdfunding project supporter engages deeply with social media. The theory has already been applied to social media engagement (Leung 2013), Internet use (LaRose et al 2001; Ruggeiro 2000) and furthermore, music listening (Lonsdale and North 2010).

The majority of research into uses and gratifications theory is based upon McQuail, Blumer and Brown's (1972) original work, which states that media use falls into four categories: (i) surveillance (keeping up with what's going on in the world), (ii) personal identity (who the user is), (iii) personal relationships (interaction with others) and (iv) diversion (the need for escapism or entertainment). A participant may use crowdfunding to stay engaged with developments in new music online (surveillance), as a means to express their sense of self and purpose (identity), as a way to be part of a community (personal relationships), as a means of escape from their usual life (diversion) or any combination of these. Much of this reflects the findings of Gerber and Hui (2013) outlined earlier. Similarly, in relation to music listening, Lonsdale and North's research notes primary motivations being related to distraction, with interpersonal relationships, personal identity and surveillance being of secondary importance (2010: 131). Engaging with crowdfunding would alter this balance, potentially bringing interpersonal relationships, personal identity and surveillance more to the fore. In fact, it could be argued that crowdfunding is actually an extension of uses and gratifications theory because it allows users to decide on other people's media experience.

These, admittedly limited areas of research underline how the producer interested in an alternative mode of production needs to anticipate supporter motivations as being very different to those of a music consumer. Whilst building an offering that ties in with these motivations may not be immediately obvious, the freedom and control that the producer has can enable them to do so in a manner not previously possible.

Active engagement with participants

Crowdfunding involves a new proximity of relationship between the music producer and the audience more akin to the situation prior to the era of sound recording. The

mechanism of the recorded music industry and cultural intermediaries seem, on the surface at least, to have disappeared. This newly proximate relationship presents an opportunity to engage more actively than before, bearing in mind the complex motivations of potential participants.

Given the fact that much of the appeal of crowdfunding centers on creative control, the benefits of engaging with participants actively, and potentially relinquishing some of that control, may not be immediately obvious. In examining the concept of control two examples from the world of film are relevant. The first is that of the Pottermore Platform and specifically how a fan, Heather Lawver, developed a web-based fictional school newspaper called the *The Daily Prophet*. Rather than valuing and engaging with this fan participation, Warner Brothers took legal action, viewing it as copyright infringement. By responding in this way, as Gallio and Martina note, “this case doesn’t bring any innovation: it is, in fact, a missed opportunity to re-think the idea of the ownership of the contents, since the immersive experience controlled by the powers-that-be is separated from the space that the fan is given within the same world” (2012: 2). Gallio and Martina compare this with the example of *Star Wars Uncut* where fans created a complete new film by submitting and editing a series of fifteen-second clips. The copyright owners, LucasFilm clearly had a case for legal action, however in this case took a more relaxed view which resulted in what Gallio and Martina call “a clear example of a successful dialogue between media corporation and fan bases” (2012: 3). As a result, the film went on to be nominated for an Emmy Award in the Interactive Media category. These two contrasting examples show how producers can choose to use the creative efforts of fans constructively or not.

Involving customers as participants in the process of product development is not totally new. The literature in service marketing has for some time highlighted the customer’s role in service provision (Zeithaml 1981; Murray 1991; Blazevic and Lievens 2008). Crowdfunding furthers this concept of getting the supporter to help form the offering, based on the notion that their expertise and input will produce a better result. This also ties into research around “lead-user” theory such as that of von Hippel (1986) and von Hippel and Katz (2002). These works note that “lead-users” can successfully anticipate needs and new innovations months and years before the marketplace. It follows therefore that involving such active and useful backers more closely should be constructive.

As noted earlier, the lower cost tools now available to many have changed the “productive forces,” and new digital network connections have changed the “relations of production.” Participants can therefore be involved in projects in novel and interactive ways that can bring additional value to the project, and provide them with a novel experience. This ties in with Benkler’s argument that commons-based peer production is a viable alternative to capitalist production where inputs and outputs are freely shared (2006: 62, 146). While crowdfunding does not strictly adhere to the ideals of commons-based peer production (particularly as many crowdfunding producers wish to retain and exploit copyright), crowdfunding does draw on the “wealth of networks” concept to produce a range of outputs such as experience and community that are over and beyond surplus capital. Similarly, facilitating the active and creative engagement of participants also draws on concepts explored by Lessig (2008: 89-94). Where Lessig defines the “established model” referred to here as an example of a “read-only” culture, involving participants reciprocally means a “read/write” culture. Lessig notes that the commercial economy and the sharing economy can co-exist, in for example the hybrids of “community spaces,” “collaboration spaces” and “communities.” As Lessig notes, “A hybrid that respects the rights of the creator – both the original creator and the remixer – is more likely to survive than the one that doesn’t” (2008: 246).

The producer engaging in an alternative mode of production therefore needs to facilitate active engagement routed in the new proximity with the funder. By embracing lower production costs, the participant can be involved in new ways that deliver value both to the project, and to the participant themselves.

Summary

In summary, this chapter has examined the relationship between crowdfunding as an “alternative” funding stream and “alternative modes of production.” It has shown that beyond the “new” modes of production, an “alternative mode of production” now exists based upon the fundamental shift of emerging technology. Not only can the producer adopt new ways to promote and distribute recordings to listeners, those listeners can fund their work, give them ideas and even co-create with them. The “alternative mode” is therefore more reciprocal, more proximate and more innovative.

This is a significant shift for the producer of music and sound. Whereas the role of music producer is established, it is still rooted in the practice and approach of one hundred years of recorded music. Instead, it would now perhaps be better to use the term “Sound Producer” – that is, someone who ultimately co-ordinates an auditory experience for a listener. The capture of that event in a recorded form need not be the case though – it could be a live event, mediated online, it could be interactive or any number of variations.

Herein lies the potential of a true “alternative mode of production” involving crowdfunding. Rather than the funding, ideas and control coming from the recorded music industry, these elements come from the community of participants with whom there is proximity and shared “alternative” values. As this chapter has shown however, this can only work through careful consideration of the four elements discussed. Firstly, a project needs to have a considered rationale taking into account the need to address work traditionally undertaken by A&R. So although the interface between producer and audience has changed, many activities such as deciding what material to develop and how resources are used remain necessary. Secondly, the existing record company model needs to be ignored and replaced with a fresh approach. Whilst the crowdfunding producer does not have the capability to act as a record company, they do have the newfound control and flexibility to act in innovative ways that a record company could not. Thirdly, supporter motivations need to be anticipated bearing in mind that they are not music consumers. Instead, the complex motivations explored here suggest that the producer has considerable potential to entice likely supporters in new ways. Lastly, active engagement with participants needs to take place in order to build novel new sound experiences that bring value to supporter and producer.

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