

# The entrepreneurship of the Australian music office



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## The Entrepreneurship of The Australian Music Office

An entrepreneurial business demonstrating aggressive growth in Australia and in global markets is the Australian Music Office. Since advancements in the internet led to a viral flux in music piracy in the late 90's the music industry has met with much opposition.

For a while the decline in sales for many music suppliers was having a devastating effect on the industry very similar to the current decline the web-media market is causing for newspaper sales. Australia was not immune to this decline, but the advent of Steve Job's iPod along with the development of companies like The Australian Music Office globalized the music industry in a way that allowed it capitalize off of the music that being so heavily pirated.

In their essay, No More Shadow Boxing with Online Music Piracy: Strategic Business Models to Enhance Revenues, the Department of Operations and Information Management School of Business published a study in reaction to this phenomenon. They concluded that it is not necessary for a record company to contest music piracy corporations like Kazaa, or Napster due to the fact that it has no direct connection with revenue (2002). They found that this was especially true when the music downloaded illegally was of high quality. The recommendation for record companies to improve their revenues was basically to adopt and maintain subscription based pricing and online based search assistance.

This is a system where the consumer basically pays the record company for finding the current music online, and by paying a subscription fee they are

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able to download the top quality of the music for modest fee. Though this is not the traditional method of the way the record companies do business, it is seemingly a contrast between the industry and the internet.

Between 2004 and 2005, there were many initial attempts to make up for the losses in revenue record companies were experiencing due to major piracy sites. The Music Industry Piracy Investigations announced in a media release the results of a lawsuit where the Australian Recording Industry sought a record breaking pay out from Kazaa for major copyright infringement (MIPI, July 2006). Kazaa agrees to pay a compensation, and they go legal (MIPI, July 2006).

Though the Australian companies benefited from this case, it was proven that going after companies like Kazaa is not a substantial method of improving income for record companies. Despite this revenue sales continued to drop making it harder for developing music providers in regions like Australia and throughout the globe to establish a presence in the market. These revealed a niche market for The AMO to exploit.

The Australian Music Office was established in 2005 to assist record companies located in Australia at breaking into overseas markets to which they might not commonly claim access.

By contributing advice on export logistics, and strategy trends, and giving direct referrals, The Australian Music Office positioned itself as a significant supplement to the Australian music industry. In addition to offering this service, The Australian Music Office managed to develop many partnerships and provide increased exposure for the Australian music circuit throughout

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the globe. This was a major stride that had been impeded before by a lack of industry expertise.

Despite the fact that The Australian Music Office is a resource that developed from the AUSFTA agreement, basically making it the product of a government agency, its formation is an example of entrepreneurship by the Australian government because they capitalized on a niche market that revealed itself after the internet music piracy boom. A move that required much foresight and intuition that the AMO managed to pull off was to setup the Export Market Development Grant (EMDG). In between 2005 and 2006 the AMO distributed over \$1.

4 million to potential and already established Australian music industry exporters. This resulted in the AMO developing \$5.6 million in exports. Ultimately this move by the office showed gains in inbound tourism for Australia and dramatic growth in intellectual property exports. In collaboration with the monetized music download markets established by corporations like Zune and iTunes this proving be a significant supplement to Australia's GDP.

The key business move made by the AMO concerning the specific industries they distributed money to was to only supplement those industries that market directly to the music piracy community.

This has proven to be a smart business strategy in the music industry in that Gnarles Barkley's hit single Crazy is the first single ever to top the U. K. singles chart solely on download sales (BBC News, 2006). The fact that the

group purposely released the single for download a week before releasing it on CD is seen as the cause of their success.

It is the first single to top the U. K. single charts for nine weeks consecutively since 1994, and it has equaled Queen's 1975 classic Bohemian Rhapsody, which topped the U. K. charts for nine weeks as well. As of August 23 2006, the album sold 772, 000 copies (The Daily Record, 2006).

These are legitimate sales and don't include the number of copies of the album which were specifically marketed towards piracy. Garth Brooks is just proof that if the music is quality then it will be successful.

In sum, the establishment of The Australian Music Office was a genius business move and an example of entrepreneurship, because it took advantage of a niche market that opened up in response to the music piracy boom. This act by the Australian government can prove to be an informative business model for the newspaper industry as it is currently suffering from similar deficiencies world-wide due to the boom in web-media.

Whether carried out by a government agency or by an intuitive go-getter, The Australian Music Office has already demonstrated how to draw success from this niche market, and a way that can be recognized as pure entrepreneurship.

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