INNOVATION AND DIVERSITY IN THE POPULAR MUSIC INDUSTRY, 1969 TO 1990

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This study investigates the organization of the music industry in the United States and its effect on innovation and diversity in American popular music during the 1970s and 1980s. I revise and update Peterson and Berger’s (1975) analysis of the popular music industry and observe that, contrary to their assumption that high market concentration leads to homogeneity and standardization in popular music, innovation and diversity in popular music in high market concentration depends on the system of development and production used by major record companies. Major record companies employ an open system of development and production that incorporates innovation and diversity as an effective strategy in maintaining the viability and control of the market. As examples, I discuss new styles of music appearing in the 1980s, radio and music video exposure, and distribution and retailing. I show that the level of innovation and diversity in large culture industries depends more directly on the specific organization of each industry and the structure of its market than on the degree of market concentration.

In their seminal work on innovation and diversity in American popular music, Peterson and Berger (1975) demonstrated how the organization of the popular music industry and its market affected the music that America heard. In this work, they provided important empirical support for the organizational-market perspective they and other American sociologists were developing (Hirsch 1972; Dominick and Pierce 1976; DiMaggio 1977; Coser, Kadushin, and Powell 1982). This approach rejects the assumption, prevalent in both the mass society and culture industry perspectives, that large culture industries in modern capitalism tend toward the production of homogeneous, standardized cultural products. As DiMaggio (1977) suggests, the organizational-market perspective considers the potential for innovation and diversity to be specific to each culture industry, depending on its organization and the dynamics of its market.

Peterson and Berger (1975) showed how the burst of innovation and diversity that marked popular music in the late 1950s and the 1960s was preceded by a major change in the organization of the popular music industry and market. In the early 1950s, radio moved from a single national market to discrete local markets, giving a large number of independent record producers access to the popular music market. Prior to this change, four major record companies (RCA Victor, Columbia, Decca, and Capitol) had maintained effective control of the popular music market and had produced a generally homogeneous and standardized popular music. The new competitive market undermined the effective control of this oligopoly. Innovative independent record companies began to merchandise new and diverse music to the consumer and to tap the “unsated demand” of the popular music market. Thus began the burst of innovation and diversity in popular music in the late 1950s and 1960s.

Peterson and Berger concluded from their study that innovation and diversity depend to a large extent on the degree of “market concentration.” They argued that high market concentration leads to homogeneity and standardization, while low market concentration (competitive market) leads to innovation and diversity. They supported their argument by analyzing the Billboard Top 10 Hit Singles charts from 1949 to 1972. Peterson and Berger also contended that
by the early 1970s a process of "reoligopolization" had started, and they predicted a continued increase in market concentration and a corresponding decrease in innovation and diversity in popular music.

Peterson and Berger's predictions were supported by Rothenbuhler and Dimnick's (1982) analysis of the Billboard charts from 1974 to 1980. Burnett and Weber (1989) updated the analysis to 1986 and partially confirmed the prediction of increasing market concentration, but they argued that trends in diversity appearing in the 1980s suggested a new dynamic of "equilibrium" in the popular music market. Burnett and Weber argued that the major record companies had adopted an organizational strategy of "coopting or incorporating" independent producers and that the popular music market would continue to be characterized by high market concentration with diversity fluctuating in response to the changing tastes of consumers, especially young new consumers. Peterson and Berger (1971) recognized the possibility of such a strategy in their discussion of the incorporation of "entrepreneurship" (independent record companies) by major record companies as a strategy against a "turbulent" (competitive) market. They concluded, however, that after the reduction of effective competition, entrepreneurship among producers in these companies would be significantly reduced.

Denisoff's (1986), Garofalo's (1987) and Sajek's (1988) analyses of the popular music industry supported Burnett and Weber's argument. These authors described how major record companies in the 1970s and 1980s developed a new organizational strategy for effective control of the contemporary market. These companies maintain their control by monopolizing large-scale manufacturing, distribution, and access to the major avenues of exposure — radio, television, and film. Peterson and Berger (1975) pointed out that major record companies achieved similar control over distribution and exposure ("merchandising") in the 1940s and early 1950s. Major record companies since the late 1960s, however, have established a different strategy to develop and produce contemporary music — far different from the strategy they used previously (Denisoff 1986): instead of the "closed" system of in-house development and production characteristic of the 1940s and 1950s, major record companies have established an "open" system that incorporates or establishes a number of semiautonomous label divisions within each company, which then establish links with smaller independent labels and independent record producers.²

Garofalo (1987) and Gray (1988) argued that what Peterson and Berger (1971) considered a temporary strategy in response to the competitive market of the 1960s has become an institutionalized practice for major record companies. First, this strategy guarantees major record companies the large financial benefits of monopolizing the end process of popular music production and distribution. Second, by establishing links with a large number of music producers, many of whom have relative autonomy in relation to the major record companies and their label divisions, major record companies can respond to the "unpredictability" of the music market and ensure that successful new artists and musical styles are quickly incorporated into the popular music market they effectively control.

In this study I address the effect that the contemporary strategy of major record companies has had on innovation and diversity in popular music since the late 1960s. The central question is whether the new organizational and marketing strategy instituted by major record companies produces high market concentration without the homogeneity and standardization of popular music predicted by Peterson and Berger. I begin by revising and updating Peterson and Berger's analysis of the Billboard popular music charts. In addition to pursuing their analysis of market concentration and innovation and diversity, my analysis of the charts includes two case studies of new musical styles that appeared in the 1980s: New Wave and Rap. Finally, I address the possible effect that radio and music video channels and the distribution and retailing of recorded music have had on innovation and diversity during this period.

**METHODOLOGY**

Following the work of Peterson and Berger (1975), I analyze data on the popular music industry available in the music charts of Billboard, ² The major record companies ranked by their share of the record market are WCI, CBS, and RCA in the top tier of majors and MCA, Capitol-EMI and Polygram fluctuating in rank as fourth, fifth and sixth. Some of the more successful independents that eventually integrated into the major record companies as semiautonomous label divisions were Atlantic Records (WCI-1967), A & M (RCA-1979), Motown Records (MCA-1983), and Arista (RCA-1983). Examples of small "indies" with distribution agreements are Slash (WCI), I.R.S. (MCA), and Tommy Boy (WCI).
the most widely read music industry magazine in the United States. As an independent source of information, Billboard supplies the music industry with weekly and annual music charts that act as barometers of “success” and “popularity” in the unpredictable music market. Although other music magazines, such as Cashbox or Rolling Stone, provide their own charts, Billboard’s charts are recognized as the most reliable and accurate (Peterson and Berger 1975; Hesbacher, Downing, and Berger 1975; Anderson, Hesbacher, Etzkorn, and Denisoff 1980; Denisoff 1986).

Peterson and Berger focused on those pop singles that reached the Top 10 on the weekly Billboard Hot 100 Singles chart each year from 1948 to 1973. They measured the music industry’s control of the production and consumption of popular music by firm concentration, defined as the percentage of Top 10 hit singles produced or distributed by either the top four or eight record companies (four firm and eight firm concentration) in a given year. They also used as a measure of industry control the absolute number of firms and labels represented in the charts each year.

Peterson and Berger measured innovation and diversity in several ways. First, they used the number of different Top 10 singles and Number One singles each year as indicators of diversity, with an increase in number indicating an increase in diversity. Second, they used the percentage of “new artists” (first time on the pop charts) relative to “established artists” (artists with hits in three of the previous four years) as an indicator of innovation. Finally, they used changes in the content and diversity of lyrics during this period as additional indicators of innovation and diversity in popular music.

In the present study I focus on both singles and albums that appeared on the Billboard Annual Top 10 Hit Singles and Albums charts from 1969 to 1990. Although Peterson and Berger, and also Rothenbuhler and Dimmick (1982) and Burnett and Weber (1989), focused on songs that reached the Top 10 on the weekly charts each year, my data set and theirs are similar enough for comparison, as demonstrated by the close agreement between the data on firm concentration in this study and the studies by both Rothenbuhler and Dimmick and Burnett and Weber. Data on the number of Top 10 and Number One hit singles each year from 1949 to 1990, however, also provides a direct up-dating of Peterson and Berger.

The analysis of albums obviously provides new empirical evidence with which to test Peterson and Berger’s claims. More important, however, is the fact that singles are no longer the dominant form of popular recorded music as they were in the 1950s up to the mid-1960s. Since the late 1960s, albums have become the preferred recorded form of popular music for both the industry and the consumer, while singles increasingly have become tied to album releases (Sutherland 1984; Denisoff 1986). Therefore Peterson and Berger’s method of measuring changes in the singles charts becomes increasingly inadequate as singles represent a smaller and smaller share of the market, dropping from 37 percent in 1973 to 24 percent in 1980 and to 12 percent in 1988 (see Table 1). In addition, the Hot 100 Singles chart may also be less significant as a barometer of popular musical taste, since it is based on both retail sales and radio airplay, while the Top 100 Albums chart is based solely on retail sales. Billboard measures radio airplay for the Hot 100 Singles by using reports only from stations that use a Contemporary Hit Radio (CHR) (formerly Top 40 Radio) format. Although one time this format dominated radio, today no such claim can be made. The CHR format reaches only a specific segment of the market identified by demographics and musical preference; the Hot 100 Singles thus is less effective in ranking overall popular music consumption (airplay and sales) than it was in the past (Barnes 1988; Ellis 1991). Since the Top 100 Albums chart is based on all retail sales, it better reflects the full range of popular music (Ellis 1991).3

Unlike both Rothenbuhler and Dimmick (1982) and Burnett and Weber (1989), who restricted their measures to the number of Top 10 and Number One hit singles each year,4 I followed Peterson and Berger by calculating the number of new and established artists each year as a more specific measurement of innovation.5 The number

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3 One also could argue that the purchase of a record demonstrates an impact on an individual and the popular imagination that is greater than that of mere radio airplay — what one writer described as the difference between an “active” listener versus a “passive” listener (Denisoff 1986).

4 Rothenbuhler and Dimmick (1982) also included the “concentration” of top record producers (Top 4 and Top 8); which they saw as more a measure of control by record companies than a measure of diversity.

5 New artists (first time on the charts) and established artists (on the charts in three of the previous four years) do not comprise all artists appearing on the charts. Artists in any particular year who have appeared previously but are not firmly established in
Table 1. Numbers of Singles and Albums Sold, Retail Value, and Percentage Change From 1973 to 1988

<table>
<thead>
<tr>
<th>Year</th>
<th>Singles</th>
<th>Albums</th>
<th>Total</th>
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<th>Percent Change</th>
<th>Retail Value (Millions of Dollars)</th>
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* Percent change in total retail value based on constant 1973 dollars.

Note: Numbers in parentheses are percentages of total; shaded area ( ) indicates recessionary period in record industry.


of Top 10 and Number One hits in any given year are more an indicator of diversity, and do not indicate the level of innovation.

I analyzed the Billboard charts to address three basic questions: (1) Has "realigopolization" of the industry continued through the 1970s and 1980s as shown by firm concentration in the annual charts? (2) Is the open system of development and production of popular music evident in the ratio of labels to firms in the Top 10 hit singles and album charts? (3) What changes in innovation and diversity, if any, are evident in the annual charts from 1969 to 1990? I measured innovation by the percentage of new and established artists appearing on the annual charts, and diversity by both the number of individual artists appearing on the annual singles and albums charts and the number of Top 10 and Number One singles for each year. Finally, I supplemented the general analysis of the Billboard charts by measuring the success in reaching the charts of two innovative genres, New Wave and Rap. These cases address all three questions: industry control, the contemporary strategy of major record companies, and innovation and diversity in contemporary popular music.
RESULTS

Industry Control

As Peterson and Berger predicted, the realignment of the popular music market continued uninterrupted through the 1970s and 1980s in both the singles and album market (see Tables 2a and 2b). In the pop singles market from 1969 to 1990, four-firm concentration increased from 46.5 percent to 81.0 percent and eight-firm concentration from 66.0 percent to 97.0 percent. The album market from 1969 to 1990 shows an increase in four-firm concentration from 54.5 percent to 80.5 percent and eight-firm concentration from 80.5 percent to 96.0 percent.

Major record companies in the 1970s were able to regain a significant portion of the popular music market in several ways. By successfully recruiting popular musicians from the late 1960s and actively signing up new musicians in the 1970s, they successfully integrated a large pool of established and new talent in popular music (Denisoff 1986). They also initiated the contemporary strategy of “incorporation” of independent, competitive producers. The “majors” incorporated as label divisions such independent labels as Bell/Arista (CBS, 1969 to 1979), Asylum (WCI, 1973), Island (WCI, 1977), and Casablanca (Polygram, 1977). They also established distribution agreements with a large number of small independent labels. In conjunction with the strategy of incorporation, major record companies also began in the mid-1970s to move toward more direct control of distribution by reestablishing company-controlled branch distribution, thus slowly recapturing control of distribution from independent distributors (Sanjek 1988).

The 1980s witnessed further consolidation of major record companies’ effective control over the popular music market. This consolidation was spurred significantly by the music industry’s recession from 1979 to 1983 (see Table 1). Beginning in 1979, record sales dropped off and for an industry accustomed to uninterrupted yearly increases of profits and sales since the 1950s, this was an unmitigated disaster (Denisoff 1986). The first significant effect of the recession was the incorporation of the remaining large independent labels (A & M, Arista [independent from 1979 to 1983], Chrysalis, and Motown), which reached distribution and joint ownership agreements with the majors. Control by the six major record companies (WCI, CBS, RCA, MCA, Capitol-EMI, and Polygram) over distribution rights was extended “to virtually all recorded music produced in the United States” (Sanjek 1988, p. 609). Both the singles and album charts show evidence of the recession’s effect on market concentration with two distinct periods of consolidation: the recession from 1979 to 1983, and the final consolidation in the wake of the recession from 1983 to 1990. By the final period of consolidation, the top four firms manufactured or distributed just over four-fifths of all the artists in the annual pop charts.

The Open System of Production

The strategy of incorporation and the open system of development and production by major record companies become evident by comparing the number of labels to the number of firms in the annual charts each year from 1969 to 1990. In Peterson and Berger’s data on the Top 10 Hit Singles, up until the early 1960s the number of labels was nearly the same as the number of firms with only a few more labels than firms (see Figure 1a) — i.e., a major record company would carry at most three or four labels. With the initial consolidation by the major record companies in the 1960s, the integration of independent labels already had become evident in Peterson and Berger’s data: the number of firms dropped from 40.0 in 1961–1962 to 20.5 in 1971–1972, while the number of labels dropped only 2.5 over the ten years, from 50.0 to 47.5. In the Annual Top 100 Singles and Albums charts from 1969 to 1990 (see Figure 1b), the number of firms manufacturing and distributing records dropped significantly for both singles and albums from 30.5 for singles and 20.5 for albums in 1969–1970 down to only 8.5 for singles and 10.0 for albums by 1989–1990. However, the number of labels in the singles market remained at 32.0 in 1989–1990 (down from 48.5 in 1969–1970) and the number of labels in the albums market remained at 36.5 in 1989–1990, compared to 37 in 1969–1970. The changes since 1949 in the ratio of labels to firms seen in the Billboard charts suggest that the tre-

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6 Both the data collected on Tables 2a and 2b, and the data from the work of Peterson and Berger, are presented in two year intervals (e.g., 1969–1970). These intervals represent an average of the measurements for each year.

7 A record/label is assigned to a major record company if it is either a division of the company (Atlantic-WCI) or associated with a division (Atco/Atlantic-WCI), or has a manufacturing and/or distribution agreement with the company (Geffen-WCI).
### Table 2a. Annual Top 100 Singles From 1969 to 1990

<table>
<thead>
<tr>
<th>Year</th>
<th>Percent 4-Firm</th>
<th>Percent 8-Firm</th>
<th>Number of Labels</th>
<th>Number of Firms</th>
<th>Number of New Artists</th>
<th>Number of Est. Artists</th>
<th>Total Artists</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969–1970</td>
<td>46.5</td>
<td>66.0</td>
<td>48.5</td>
<td>30.5 (53.6)</td>
<td>44.5*</td>
<td>10.0 (12.0)</td>
<td>83.0b</td>
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<td>1971–1972</td>
<td>47.5</td>
<td>72.5</td>
<td>51.0</td>
<td>22.0 (60.6)</td>
<td>53.0</td>
<td>10.0 (11.4)</td>
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<td>57.0</td>
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<td>34.0</td>
<td>9.0 (45.0)</td>
<td>34.0</td>
<td>9.5 (12.6)</td>
<td>75.5</td>
</tr>
<tr>
<td>1987–1988</td>
<td>84.5</td>
<td>97.5</td>
<td>26.5</td>
<td>9.0 (44.8)</td>
<td>32.5</td>
<td>7.0 (9.7)</td>
<td>72.5</td>
</tr>
<tr>
<td>1989–1990</td>
<td>81.0</td>
<td>97.0</td>
<td>32.0</td>
<td>8.5 (49.3)</td>
<td>37.0</td>
<td>9.0 (12.0)</td>
<td>75.0</td>
</tr>
</tbody>
</table>

### Table 2b. Annual Top 100 Albums From 1969 to 1990

<table>
<thead>
<tr>
<th>Year</th>
<th>Percent 4-Firm</th>
<th>Percent 8-Firm</th>
<th>Number of Labels</th>
<th>Number of Firms</th>
<th>Number of New Artists</th>
<th>Number of Est. Artists</th>
<th>Total Artists</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969–1970</td>
<td>54.5</td>
<td>80.5</td>
<td>37.0</td>
<td>20.5 (51.0)</td>
<td>38.0*</td>
<td>13.0 (17.4)</td>
<td>74.5b</td>
</tr>
<tr>
<td>1971–1972</td>
<td>60.5</td>
<td>84.0</td>
<td>39.5</td>
<td>16.5 (44.4)</td>
<td>35.5</td>
<td>14.5 (18.1)</td>
<td>80.0</td>
</tr>
<tr>
<td>1973–1974</td>
<td>62.0</td>
<td>84.0</td>
<td>39.5</td>
<td>15.5 (38.5)</td>
<td>31.0</td>
<td>17.0 (21.1)</td>
<td>80.5</td>
</tr>
<tr>
<td>1975–1976</td>
<td>61.0</td>
<td>85.5</td>
<td>42.0</td>
<td>16.0 (41.0)</td>
<td>35.5</td>
<td>20.0 (23.1)</td>
<td>86.5</td>
</tr>
<tr>
<td>1977–1978</td>
<td>66.5</td>
<td>85.5</td>
<td>34.5</td>
<td>16.5 (42.6)</td>
<td>37.5</td>
<td>15.0 (17.0)</td>
<td>88.0</td>
</tr>
<tr>
<td>1979–1980</td>
<td>76.5</td>
<td>95.0</td>
<td>39.0</td>
<td>11.5 (35.5)</td>
<td>32.5</td>
<td>23.5 (25.7)</td>
<td>91.5</td>
</tr>
<tr>
<td>1981–1982</td>
<td>75.0</td>
<td>96.5</td>
<td>35.5</td>
<td>10.5 (33.9)</td>
<td>31.5</td>
<td>23.0 (24.7)</td>
<td>93.0</td>
</tr>
<tr>
<td>1983–1984</td>
<td>83.5</td>
<td>98.5</td>
<td>40.0</td>
<td>8.5 (36.3)</td>
<td>32.5</td>
<td>21.5 (24.0)</td>
<td>89.5</td>
</tr>
<tr>
<td>1985–1986</td>
<td>83.0</td>
<td>97.5</td>
<td>34.0</td>
<td>8.5 (42.9)</td>
<td>41.0</td>
<td>19.0 (19.9)</td>
<td>95.5</td>
</tr>
<tr>
<td>1987–1988</td>
<td>79.5</td>
<td>96.0</td>
<td>33.5</td>
<td>9.5 (37.6)</td>
<td>36.5</td>
<td>19.0 (19.6)</td>
<td>97.0</td>
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<tr>
<td>1989–1990</td>
<td>82.0</td>
<td>96.0</td>
<td>36.5</td>
<td>10.0 (39.1)</td>
<td>37.5</td>
<td>13.0 (13.5)</td>
<td>96.0</td>
</tr>
</tbody>
</table>

*a New and established artists do not represent all artists on the charts.

b Number of total artists represents all artists on the charts.

Note: Numbers in parentheses are percentages of all artists.

Sources: Billboard, Annual Top 100 Singles and Albums Charts (1965–1990).
mendous increase in market concentration from 1969 to 1990 has not led to a closed system of production for the “top hits” similar to the system used by major record companies during the 1940s and early 1950s. The large number of labels compared to firms in the 1980s demonstrates that the open system which uses several independent division labels and establishes links with small independent labels characterizes the contemporary development and production of popular music.

The ratio of labels to firms is significant because it indicates that there is a large number of individuals associated with major record companies, either as independents or through division labels, who decide which artists and which musical styles eventually are recorded. The open system depends on these producers having the autonomy to make these decisions (Peterson and Berger 1971). Peterson (1990), in reference to division labels in the 1970s, suggests that major record companies essentially became financing and distribution companies for division labels that operated as small independent firms. Such independent division labels appearing in the charts are Atlantic/WCI, Elektra/WCI, A & M/RCA, Arista/RCA, Epic/CBS, Motown/MCA, and Mercury/Capitol-EMI. Manufacturing and distribution agreements with independent labels also give major record companies access to even a larger number of producers. Such associated independents appearing in the charts are I.R.S./MCA, Def Jam/CBS, Geffen/WCI, QWest/WCI and Sire/WCI. Finally, both Peterson and Berger (1971) and DiMaggio (1977) suggest that the larger the number of decision makers involved in producing records, the greater the potential for innovation and diversity, regardless of whether innovation and diversity are the specific goal of major record companies.

The success of Warner Communication (WCI), demonstrates both the advantages of the open system of development and production and its continued importance as an organizational strategy in the 1980s. Warner, the most successful major record company, is considered the first to recognize the advantages of the open system (Denisoff 1986; Sanjek 1988) and exemplifies what Peterson and Berger (1975) refer to as the “multidivisional” form of the record industry. In the late 1960s, Warner, which had already acquired Reprise in 1963, expanded its portfolio even further by incorporating as divisions the successful independent labels Atlantic (1967) and Elektra (1969). In the 1970s, WCI incorporated other successful independents such as Asylum (1973) and Island (1977). These independent divisions in the 1970s and 1980s also established links with smaller independent labels, such as Capricorn/Warner and Swan Song/Atlantic in the 1970s and Slash/Warner, Ruthless/Atlantic, and Delicious Vinyl/Island in the 1980s. Links were also established with independent artists and producers, such as Quincy Jones (QWest), Prince (Paisley Park), and the most famous and successful independent producer of the 1980s, David Geffen (Geffen).  

The success of WCI’s open system of development and production is reflected in the annual pop charts from 1969 to 1990. In the albums charts, WCI had the largest share of the market for every year except 1983, averaging 24 percent in the 1970s and 30 percent in the 1980s. WCI also had the largest share of the market in the singles charts during this 22-year period, except for the years 1969, 1970, 1973, and 1983. It’s share of the annual singles charts averaged 20 percent in the 1970s and 29 percent in the 1980s. From 1969 to 1990, WCI also had the highest number of labels on the annual pop charts, except for the annual singles charts for 1969 and 1973. The continued importance of the open system for WCI’s success in the 1980s is evident in the number of labels associated with WCI in the annual pop charts: WCI averaged 11 per year during the postrecession period from 1983 to 1990, compared to eight per year during the 1970s. In 1990, WCI accounted for 36 percent of the hits in the annual singles charts and 33 percent of the hits in the annual albums chart, with 15 labels in each chart associated with WCI.

Although Peterson and Berger (1971, 1975) acknowledged the incorporation of independent entrepreneurs by major record companies and the existence of a multidivisional form of organization in the early 1970s, they argued that the successful reconsolidation of the popular music market by the majors would lead these firms to rely less on an open system of development and production and to move again toward a more closed system. According to Peterson and Berger, significantly less innovation and diversity

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8 All the division labels and independent labels mentioned in association with WCI appeared in the annual pop charts.
9 In 1963, Warner ranked fourth behind RCA, Columbia, and Capitol. With the acquisition of Reprise, Warner jumped to second place by the late 1960s before acquiring Atlantic and Elektra.
would again characterize popular music once major record companies regained their oligopoly of the market. The ratio of labels to firms and the case of Warner Communications, however, suggest that the open system remains an important strategy, regardless of the realignopolization of the market. The analysis of new, established, and total number of artists in the annual pop charts, as well as the number of Top 10 and Number One hit singles each year, reflect changes in innovation and diversity in popular music during this same period.

**Innovation and Diversity**

Analysis of the number of new and established artists in the annual charts from 1969 to 1990 (see Tables 2a and 2b) partially confirms the argument that high market concentration reduces innovation and diversity. During the consolidation of the market by major record companies in the 1970s through the recessionary period of 1979 to 1982, the percentage of new artists appearing on the annual charts gradually declined from 53.5 to 38.1 for singles and 50.0 to 33.9 for albums — a
decline that confirms Peterson and Berger's argument. However, the low point for both the singles and albums charts was 1981–1982, and subsequent years have shown an increase in the percentage of new artists, despite continuing market concentration. By 1989–1990, the percentage of new artists in the singles charts had risen to 49.3 and in the albums chart to 39.1. Understanding the negative influence of market concentration on innovation becomes even more problematic when one considers that the percentages for new artists in both charts for 1989–1990 are comparable to the years 1973–1974 when the market was significantly less concentrated. Since the years from 1979 to 1982 were also part of the infamous recession in the record industry, it is difficult to tell whether the drop in new artists during these years was simply a result of recessionary pressure on the industry or an effect of increased market concentration.

The percentage of established artists (artists with hits in three of the previous four years) appearing on the annual pop charts from 1969 to 1990 also throws into question the positive relationship of high market concentration to homogeneity and standardization that Peterson and Berger posited (see Tables 2a and 2b). In the Annual Top 100 Singles charts from 1969 to 1990, the percentages of established artists showed no significant change over the 22-year period: 12 percent for both the years 1969–1970 and 1989–1990. During the 22-year period the percentage fluctuates from a low of 3.6 percent in 1977–1978 to a high of 15.9 percent in 1983–1984. The Annual Top 100 Album charts showed a gradual, though modest, increase in the percentage of established artists from 17.4 percent in 1969–1970 to 25.7 in 1979–1980. However, after 1979–1980 the percentages of established artists gradually declined and by 1989–1990 it fell to the lowest point for the entire 22-year period! The percentage of established artists represents the extent to which the popular music market is dominated by a few artists — and therefore indicates the market's level of homogeneity. While market concentration increased significantly during this 22-year period, the stable percentage of established artists provides no evidence that the popular music market increased in homogeneity.\(^\text{10}\)

One way to measure diversity is to consider the number of artists appearing each year in the annual charts. These figures differ for the singles and albums markets from 1969 to 1990 (see Ta-

\(^{10}\)Actually, the dynamics shown for established artists in the annual pop charts from 1969 to 1990 were already evident Peterson and Berger's (1975) analysis. In the Top 10 hit singles from 1949 to 1972 analyzed by Peterson and Berger, the percentage of established artists dropped drastically from 50 percent of artists in 1949–1950 to a low of 10.1 percent in 1957–1958. Yet even with the increase in market concentration beginning in the early 1960s, the percentage of established artists remained low, never rising above 18.8 percent.
bles 2a and 2b). The numbers of artists in the singles charts fell slightly between 1969–1970 and 1989–1990, from 83 to 75.5: This decline provides weak evidence in support of Peterson and Berger’s argument, given the tremendous increase in market concentration during this period. The albums market shows a completely different pattern — a pattern that contradicts Peterson and Berger’s argument. The number of artists appearing in the Annual Top 100 Albums chart has gradually increased from 47.5 in 1969–1970 to 96 in 1989–1990. This gradual increase indicates that greater diversity occurred at the same time that major record companies were re-establishing oligopolistic control of the market.

The number of Top 10 hit singles and Number One hit singles each year is another way to measure diversity. The pattern of change from 1949 to 1990 (see Figure 2) resembles the one just described for the number of new artists. From a high in 1965–1966, this number generally declined until it reached the lowest point in 1981–1982, the latter part of the record industry recession. After 1981–1982, the number of Top 10 hit singles increased dramatically, reaching 112 in 1987–1988. Such a dramatic increase suggests the possibility of a significant change in the relationship between market concentration and diversity. The overall pattern contradicts the prediction of Peterson and Berger, since the highest points appeared in 1973–1974 and 1987–1988, rather than in the periods of lowest market concentration.

The analysis of indices of innovation and diversity in the Billboard pop charts disproves Peterson and Berger’s claim that the realigopolization of the popular music market would lead to a significant reduction in innovation and diversity. During the 1970s and the recession period of 1979 to 1982, trends in the percentages of new artists in the annual charts and the numbers of Top 10 and Number One hits do indicate that the consolidation of the market during this time reduced the level of innovation and diversity in popular music. However, trends in the percentages of established artists and the total numbers of artists in the annual pop charts suggest that even during this period market consolidation did not lead to the expected dominance of the charts by a significantly reduced number of artists. Further, the trends in all the measures of innovation and diversity for the postrecession period of 1983 to 1990 indicate that despite continued market consolidation by major record companies, innovation and diversity increased during this period.

By 1989–1990, the level of innovation and diversity evident in the annual pop charts was not significantly different than in 1973–1974, despite the significant increase in market concentration since 1973 and the long 12-year period starting in 1979, in which the top four record companies each year consistently controlled 75 percent or more of the market and the top eight companies 95 percent or more.

The overall picture during this 22-year period suggests that Burnett and Weber’s (1989) argument is correct. The initial consolidation of the market during the 1970s fits Peterson and Berger’s model. By the 1980s, however, with the establishment and refinement of an open system of development and production by major record companies, Peterson and Berger’s model no longer adequately describes the industry. After a substantial period of high market concentration, significant levels of innovation and diversity continue. The homogeneity and standardization characteristic of the “Big Four” oligopoly in the 1940s and early 1950s has not returned, despite realigopolization.

New Musical Styles in the 1980s

To provide a clearer and deeper look at innovation and diversity I examined two new musical styles that appeared in the Billboard annual pop charts in the 1980s. Of course, what constitutes a specific style of popular music and whether such a style is new or innovative is part of the numerous debates among music critics, musicians and many active listeners in popular music. For this reason, I have chosen two styles in the 1980s that generally have been recognized, either positively or negatively, as representing new styles of music. They are most often referred to as New Wave and Rap.

What makes New Wave and Rap music “new” is not necessarily innovation in strictly formal musical terms. New Wave’s innovation lies in recombining previous styles into new meanings and styles of performance (Denisoff 1986; Straw 1988). New Wave’s eclectic recombination of existing musical forms and musical performance was an innovation of, and is distinct from, the formal and limited boundaries established in popular music in the 1970s (Straw 1988) by the stylistic limits of Rock music or in the boundaries rigidly set between Rock, Soul, and Disco. Frith (1988) pointed to the shift in New Wave toward a “pop sensibility” as distinct from a “rock sensibility.” Instead of adhering to an “authentic” rock
Table 3. New Wave and Rap Artists in the Annual Top 100 Charts: 1978–1990

<table>
<thead>
<tr>
<th>Year</th>
<th>New Wave Artists</th>
<th>Rap Artists</th>
<th>New Wave Artists</th>
<th>Rap Artists</th>
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<tbody>
<tr>
<td></td>
<td>Total</td>
<td>New</td>
<td>Total</td>
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<tr>
<td>1978</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
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<tr>
<td>1979</td>
<td>(2)</td>
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<td>1981</td>
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<td>1982</td>
<td>20</td>
<td>16</td>
<td>23</td>
<td>15</td>
</tr>
<tr>
<td>1983</td>
<td>(26)</td>
<td>(50)</td>
<td>(25)</td>
<td>(43)</td>
</tr>
<tr>
<td>1984</td>
<td>13</td>
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<td>8</td>
</tr>
<tr>
<td>1985</td>
<td>(18)</td>
<td>(22)</td>
<td>(14)</td>
<td>(21)</td>
</tr>
<tr>
<td>1986</td>
<td>15</td>
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</tr>
<tr>
<td></td>
<td>(15)</td>
<td>(7)</td>
<td>(15)</td>
<td>(10)</td>
</tr>
</tbody>
</table>

Note: Numbers in parentheses are New Wave and Rap artists as percentages of all artists and new artists in Top 100 charts.

Source: Billboard, Annual Top 100 Singles and Albums Charts.

form and presentation, New Wave “played” with styles of music, performance, and identity. Musicians and groups such as Soft Cell, Boy George/Culture Club, Human League, Spandau Ballet, Cyndi Lauper, Eurythmics, or Talking Heads were far from the usual style and performance of their contemporaries in Rock such as Bruce Springsteen, Tom Petty, or Iron Maiden.

Rap also represents significant innovations in musical form, meaning, and performance (Toop 1984; Shaw 1986). Rap blends funk pulse with rhymed streetwise narrative. It is also innovative in its sophisticated use of dubbing and remixing of sound “tracks” and “bits,” either self-produced or taken from a variety of previously recorded material. And of course, it represents a unique “subculture” or “message.”

Both New Wave and Rap music made significant inroads into the popular music market in the United States during the 1980s (see Table 3). In the Billboard annual charts, the first New Wave artist, Elvis Costello, appeared in the 1978 Annual Top 100 Albums chart. By 1982, 23 percent of new artists in the Top 100 albums and 27 percent of new artists in Top 100 singles represented the New Wave style. New Wave’s success peaked in 1983, when 43 percent and 50 percent of new artists in the annual albums and singles charts were New Wave. New Wave continued to represent a significant percentage of new artists until the end of the 1980s, when the charts reflect a decline in its popularity. New Wave obviously achieved significant success in the popular music market during the 1980s.

Rap first appeared on the Billboard annual pop charts in 1984 with the soundtrack album from the movie Breakin’, and in 1985 when the Fat Boys and Run-D.M.C. appeared as new artists in the annual albums chart. While Rap represented 31 percent of new artists in the annual albums
chart by 1989, it made up only 15 percent of new artists in the annual singles chart for that year. Only in 1990 did Rap establish significant success in both annual pop charts, with 31 percent of new artists in the albums chart and 28 percent in the singles chart representing Rap.

Except for a few artists distributed by the major independent labels Chrysalis and Aristar from 1979 to 1982, all New Wave music in the annual Top 100 charts was manufactured and distributed by major record companies. And virtually all Rap music in the annual pop charts was manufactured and distributed by major record companies.

Both New Wave and Rap music arose in urban "alternative" music scenes during in the late 1970s and early 1980s (Toop 1984; Shaw 1986; Ward, Stokes, and Tucker 1986; Straw 1988). Major record companies incorporated New Wave and Rap music either by establishing links to independent labels through manufacturing and distribution agreements or by directly recruiting new musicians for one of their division labels. In the case of New Wave, the direct recruitment and incorporation of new musicians was by far the most common strategy, with only the independent New Wave labels L.R.S. and Slash successfully entering the charts through manufacturing and distribution agreements. The incorporation of Rap, on the other hand, involved manufacturing and distribution agreements with independent labels to a far greater extent than New Wave.

Independent Rap labels such as Def Jam, Tommy Boy, Ruthless, Priority, Delicious Vinyl, and Uptown represented a large proportion of the Rap music reaching the "top of the pop charts."

A prime incentive for independent producers and new musicians to enter the fold of the majors was the effective control the majors had over distribution and exposure in the popular music market. New Wave and Rap artists and producers had no direct access to the popular music market via major independent distributors nor access to the major avenues of exposure — radio and music video channels. So while certain New Wave and Rap artists succeeded in entering the popular music market, their success depended on decisions made within the label divisions of major record companies, which, according to Garofalo (1987), still set limits or restrictions on the large number of artists within a new musical style who compete to reach the pop market. This view of the restrictions still imposed on popular music is most evident in the large number of music critics who point out that "noncritical" and "pop" Rappers, such as the Fat Boys or M.C. Hammer, are more successful than "critical" and "confrontational" Rappers, such as Grandmaster Flash or KRS-One (Flanagan 1989). However, in terms of the annual albums chart, several critical, confrontational, or controversial Rappers did reach the charts: N.W.A. (1989), Public Enemy (1990), Ice Cube (1990) and 2 Live Crew (1990). Regardless of what restrictions might be imposed in the contemporary popular music market, the success of New Wave and Rap demonstrates that major record companies through their open system of production can and do incorporate distinctive new music.11

RADIO AND MUSIC VIDEO CHANNELS

Other aspects of the music industry have played an important role in innovation and diversity in the popular music market during the 1970s and 1980s — particularly radio and music video channels. These channels serve as "gatekeepers" and can either block or facilitate the exposure of new musicians or musical styles (Hirsch 1972). They also have been shown to be the key media for motivating the purchase of recorded music (Denisoff 1986). Peterson and Berger (1975) also pointed to the important role of radio in popular music when they argued that the shift in radio from a national mass market to local, discrete markets in the mid-1950s provided previously unimaginable exposure for new styles of music. The advent of FM "free radio," made possible by a change in FCC regulations in 1965, also was of great importance in rejuvenating popular music (Eberly 1982; Denisoff 1986). Not surprisingly, the success of New Wave is consistently associated with the successful rise of an alternative medium of exposure in the early 1980s — the 24-hour music video channel MTV (Denisoff 1986; Straw 1988; Flanagan 1989).

11 The success of the contemporary strategy of major record companies also depends on the existence of alternative music markets, which are based predominantly in large cities and colleges. One alternative market has even reached international dimensions — the independent producer and distributor, Rough Trade, emerged from the punk/new wave scene in Britain. Also, college radio stations have played an important role in presenting young new artists who often record with obscure small independent labels. The importance of these alternative markets is shown by Billboard's introduction of the Modern Rock Tracks chart in 1988 to monitor college radio airplay and the Rap chart in 1989 to monitor the sales of rap recordings.
MTV, a joint venture of Warner Communications (WCI) and American Express, began cable broadcasting in August 1981. Executives at MTV targeted the youth market (aged 18 to 24) and promoted MTV as an alternative to the conservative playlists of radio (Denisoff 1986). In the early 1980s, because no significant video production of popular music existed in the United States, MTV relied on imported British New Wave music videos, which were readily available due to the long established use of music videos on British television (Denisoff 1986; Flanagan 1989). MTV was thus forced to become a channel for a new and innovative style of music. The link between MTV and the success of New Wave is evident in the annual Billboard charts. The initial success of New Wave in the annual charts in 1982 and 1983 corresponds to MTV’s rapid success during the same years. By 1983, MTV was broadcasting to 18.2 million homes (Denisoff 1986).

MTV’s association with the success of New Wave music is also linked to criticism of the radio industry in the 1970s. Several writers have suggested that the radio industry during the 1970s created its own constraints on innovation and diversity (Sutherland 1984; Straw 1988; Barnes 1988; Flanagan 1989). “Radio formats” dominated the airwaves, moving radio stations toward a more homogeneous style of music. The individual, and often eclectic, disk jockeys of the 1950s and 1960s were replaced by station program directors who confined the stations’ airplay to single, narrowly defined formats. Program directors also began to rely on companies and consultants who packaged successful formats for national distribution. The logic of radio formatting had both a conservative and homogenizing effect on radio airplay. Since MTV in its initial stages relied heavily on New Wave music videos, it attracted the attention of a large number of young viewers uninspired by the conservatism of radio. Just like radio stations in the 1950s and 1960s, MTV tapped the unsatisfied demand of the youth market by providing exposure to a new style of music.

Although MTV was instrumental in the success of British New Wave, it was still a formatted, “narrowcast” channel based on the logic of Album Oriented Rock (AOR) and Pop Rock radio formats (Denisoff 1986). Since MTV was the only national popular music video channel in the first half of the 1980s, many artists complained about its narrow playlist, which excluded a large number of artists and styles, particularly black and women artists (Denisoff 1986; Flanagan 1989). It was not surprising that the next “new” style that achieved success through MTV was Heavy Metal, a mid-1980s style of Rock (Straw 1990). By the end of the 1980s, however, the situation had changed significantly. In 1985, MTV introduced an alternative channel, VH-1, and, under pressure, eventually diversified its own playlist: at the same time other successful channels appeared, especially black music video channels.

In the 1980s, radio moved toward a greater variety of formats (Barnes 1989; Flanagan 1989). The major formats of Contemporary Hit Radio (CHR) and Adult Contemporary (AC) provided more open and diverse playlists than their corresponding formats in the 1970s (Barnes 1989). Major record companies in the early 1980s also began contracting with independent record-promotion specialists who were better able to promote new artists for radio airplay (Sanjek 1988; Rohter 1990). While the radio industry changed in favor of a slightly more diverse market, the logic of formatting remained, and continued to hinder the exposure of new music. New artists who did not fit one of the defined format categories remained outside popular radio airplay (Garofalo 1987). Rap music particularly suffered: during most of the 1980s, Rap was excluded from major radio airplay and, along with most black music, from MTV as well. Rap survived through its popular success in dance clubs in major urban cities (Toop 1984). Not until the late 1980s, spurred by the successful introduction of black music video channels and MTV’s opening up its playlist to black music (including a special Rap show), did Rap begin to achieve “popular” appeal.

Radio and music video channels during this period supported major record companies’ efforts to consolidate the popular music market. For example, at the same time that major record companies were incorporating independent labels and gaining control over national distribution, the radio industry was significantly limiting access to radio airplay for independently produced music. The conservatism of format radio gave major record companies exclusive access to radio airplay, similar to their effective control of radio before the early 1950s. The closed doors of the radio industry also provided significant inducement for independent musicians and labels to enter the fold of major record companies. After MTV’s initial success, artists tied to major record companies also had almost exclusive ac-
cess to national video channels. The high cost of producing a video and gaining access to the necessary equipment and facilities again provided another strong inducement for independent musicians and labels to associate with major record companies. By the 1980s, these companies had established effective control over national (and international) distribution of and exposure to popular music. Independent producers and new artists had no direct access to the popular music market; their only option was to integrate in some way into the major record companies’ open system of production.

It is difficult to determine the extent of the radio industry’s effect on innovation and diversity during the 1970s and 1980s independent of the consolidation of the market by major record companies. The case of MTV in the early 1980s, however, does suggest that an alternative to radio exposure (an alternative effectively controlled by major record companies) did provide greater innovation in popular music. Also, the change toward more diverse formats and playlists in radio, MTV’s move to diversify its playlists and programs, and the appearance of new music video channels geared toward different audiences all coincide with the increase in innovation and diversity evident in the annual pop charts from 1983 to 1990. The importance of radio and music video channels as media gatekeepers is obvious.

DISTRIBUTION AND RETAIL

The distribution and retailing of recorded music also may have affected innovation and diversity during the 1970s and 1980s. In the 1970s, for example, the major role of “rack jobbers” in retail presented certain constraints (Denisoff 1986). Rack jobbers are intermediate distributors who service mainly the “racks” of department, discount and other retail stores that do not sell primarily records and tapes. While rack jobbers enjoyed a third of total record sales in the 1960s, by the early 1970s they controlled 80 percent of sales, expanding their distribution to juke boxes and even record stores (Sanjek 1988). Rack jobbers were usually unfamiliar with the music they distributed, and tended to rely on “guaranteed” sales — i.e., established artists and information from the weekly Billboard charts (Denisoff 1986). Rack jobbers also were not interested in promoting new artists, nor were they in a position to do so (Denisoff 1986). The specific market that rack jobbers served also affected the retailing of popular music: although popular music extended into department, discount, and other retail stores, these stores had no interest in providing large or diverse selections or in promoting new artists.

The successful establishment of direct branch distribution by major record companies during the late 1970s and early 1980s significantly reduced the role of rack jobbers (Denisoff 1986; Sanjek 1988) and gave the companies greater opportunities to promote a large catalog of established and new artists. Furthermore, the growth of record stores in the 1980s significantly changed the retail market. In 1979, record stores accounted for only 45 percent of the retail market (Billboard 1984). In 1985, they accounted for 61 percent of the retail market, and 69 percent by 1988 (Recording Industry Association of America 1989). Unlike department, discount, and other retail stores, record stores provided a much larger selection of recorded music and had direct access to the large catalog of artists available at the branch distribution centers of major record companies. They provided greater access to popular music than consumers had in the 1970s, especially in small cities and suburban areas. On the other hand, branch distribution and record store retailing gave major record companies greater control over the retail market and greater access to the consumer. These changes in distribution and retailing probably have contributed to the corresponding increase in innovation and diversity in the popular music market in the 1980s.

Although with high market concentration the crucial factor determining innovation and diversity in popular music is obviously the system of development and production employed by major record companies, distribution and retailing, as Denisoff (1986) argues, constitute an additional “barrier” to the success of a record. In this sense, the organization of distribution and retailing in the 1980s, compared to the 1970s, was compatible with the contemporary strategy of major record companies. At the same time that changes in the 1980s in the avenues of exposure for popular music contributed to the success of the contemporary strategy of major record companies, greater access to consumers in the 1980s retail market also provided major record companies the opportunity to sell a larger and more diverse catalog of recorded music.

CONCLUSION

In their analysis of the popular music industry, Peterson and Berger (1975) argued that the successful oligopolization of the market by major
record companies would sharply reduce innova-
tion and diversity in popular music. Peterson and
Berger assumed that when major record compa-
nies established effective control of the market
they would tend toward a centralized, closed sys-
tem of development and production, which in turn
would tend to produce a homogeneous and stan-
ardized popular music. My central argument is
that major record companies have continued to
use an open system of development and produc-
tion, even though they have had more than a
decade of effective and unchallenged oligopolistic
control, and that this open system has produced
significant levels of innovation and diversity in
contemporary popular music. My research, simi-
lar to the study by Burnett and Weber (1989),
demonstrates that an oligopolistic market in pop-
ular music can sustain a significant level of inno-
vation and diversity.

The contemporary strategy of major record
companies relies on their exclusive control over
large-scale manufacturing, distribution, and ac-
to the principle avenues of exposure. With
this exclusive control, major record companies
have adopted a multidivisional corporate form
linked with a large number of independent pro-
ducers. This open system of development and
production remains under oligopolistic conditions
because major record companies find it advan-
tageous to incorporate new artists, producers, and
styles of music in order to constantly reinvigo-
rate the popular music market and to ensure that
no large unsat ted demand among consumers ma-
terializes (Garofalo 1987). The innovation and
diversity sustained by this open system helps
maintain a healthy, profitable, and secure market
(Gray 1988), and is therefore an effective stra-
 tegy for controlling the popular music market.

The contemporary popular music industry dem-
.onstrates that large culture industries, even under
oligopolistic conditions, can provide a significant
level of innovation and diversity. My analysis
shows that an organizational-market perspective
illuminates considerably the relationship between
large culture industries and their potential for in-
novation and diversity. Demonstrably, the level
of innovation and diversity under conditions of
high market concentration depends to a large ex-
tent on the system of development and produc-
tion used by large culture industries and on how
these industries structure their markets. Large
culture industries that use a closed system of
development and production geared toward a lim-
ited mass market—such as commercial prime time
television (Gitlin 1983) or the popular music in-
dustry in the 1940s and 1950s (Peterson and Berger
1975)—tend to produce generally homogeneous
and standardized cultural products. Large culture
industries that use an open system of develop-
ment and production geared toward a “loosely
segmented market” (DiMaggio 1977)—such as
the contemporary popular music industry—tend
to incorporate innovation and diversity as an ef-
effective strategy in maintaining the viability of
their market. High market concentration produces
no single, inevitable effect on innovation and diveri-
sity in large culture industries; instead, the effect
of high market concentration depends on the or-
organization of the specific industry and the struc-
ture of its market.

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