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## Creative industry: Music industries subsector in Indonesia

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**Abstract.** The objective of this research are : 1. How is the development of the creative industry in the music sub-sector? 2. How is the SWOT analysis of the creative industry in the music sub-sector? Research method is descriptive qualitative methods. The result of this research is with the SWOT analysis available, the music industry in this digital era has both positive and negative things that can be considered by a music production team. Recommendation of the study is This royalty issue will harm musicians because they cannot enjoy the four rights that should be obtained, namely the right to reproduction, the right to copy the original copyrighted work; desirous rights, commonly used for advertisements, trailers, films; distribution rights, the exclusive rights of the copyright holder to distribute their copyrighted works; and performing rights, exclusive rights obtained by the owner of the work to broadcast, play, and display his song to the wider community.

**Keywords.** Music Industry, Creative Industry, SWOT analysis, Indonesia

### 1.1. Background

Together with gaming applications and movies, the discourse of the music will be the three priority areas of development today, following three emerging economic areas: crafts, cooking, and fashion. (Julianto, 2017). Based on the 2017 Bekraf-BPS Creative Economy Survey, until 2016 the contribution of the music sub-industry to the GDP of the creative economy was still less than 1%. However, music is one of the four fastest growing sub-sectors, as the music sub-sector grew by 7.26% in 2017, second only to the visual communication design sub-sector (10.26%). (BEKRAF and BPPS, 2017). The Diversity of Indonesian Music Intellectual Property Ideas 49 Currently, ecrac Indonesia has significantly increased its contribution to the music sub-industry. Seeing this development, Bekraf places music as one of the sub-sectors with the highest priority. In this regard, going forward, the music industry's GDP growth is expected to contribute.

However, the development of the potential for the creative economy of music is still concentrated in the music performance industry. The music industry is involved either directly (on location) or through media intermediaries (including audiovisual media such as radio and television and the Internet) to record and distribute its products. The fact shows that the development of the music sub-industry which is of concern to the Creative Economy Bureau (BEKRAF) seems to only focus on the development of the popular music industry and its show business. It is undeniable that industrial music has proven to help increase the GDP of Indonesia's creative economy. Therefore, efforts to develop the creative economy of the music

industry are undoubtedly the result.

With the development of technology, times have changed, and finally the discourse of music has entered the digital era. Cassettes and CDs were once the main formats for selling music, but were eventually overwhelmed by the compactness of digital formats. When technology changed the lifestyle of the younger generation in the mid-2000s, music lovers who used to love cassette and CD format music finally changed. This is how music consumption is converted into digital form and downloaded over the Internet.

The climax in 2013 was the closure of the Aquarius Mahakam music store in Jakarta which also forced the closure of other Aquarius music stores in Surabaya and Bandung. Legendary music store Disc Tara also felt the bad news, and the company was forced to discontinue its entire chain of stores in Indonesia in 2015. This was due to a reduction in purchases of original physical cassettes, CDs, VCDs, and DVDs. It is undeniable that these changes have also forced the industry to adapt to the digital world. Not only in the way it is sold, but also in the physical form of music album packaging and visual content displayed.

This change is expected to give a new look to the music industry, and a strategy is needed to build a market that will remain in the digital stream of Indonesian popular music. Since the Creative Economy Agency (Bekraf) lists the music industry as one of the 15 sub-sectors of Indonesia's creative economy income, various forms of innovation are needed because after all, music is a resource that needs to be managed more creatively.

## **1.2. Problem Formulation**

- 1.2.1. How is the development of the creative industry in the music sub-sector?
- 1.2.2. How is the SWOT analysis of the creative industry in the music sub-sector?

## **2. Literature review**

### **2.1. Creative Industries Creative**

Industries are industrial sectors originating from the utilization of individual creativity, skills, and talents to create prosperity and employment opportunities through the creation and utilization of the individual's creative and creative power. Through the creative economy, it is hoped that industrial development in Indonesia, which was previously dominated by the mining and oil and gas sector, can shift to alternative industrial sectors originating from renewable sources, and focus more on creating the creative power of the Indonesian people.

According to the Ministry of Trade of the Republic of Indonesia (2009, p.5), the Creative Industry is an industry that originates from the utilization of individual creativity, skills and talents to create prosperity and employment opportunities by generating and empowering the individual's creative and creative power. Simatupang (2008, p.69) also explains that the creative industry is an industry that relies on talents, skills, and creativity which are the basic elements of each individual. The main elements of the creative industry are creativity, expertise, and talents that have the potential to increase welfare through offering intellectual creations. Meanwhile, among experts in this field, it seems that there is no fundamental difference in understanding between the Creative Economy and the Creative Industry. Judging from the aspect of practical needs, it is actually not a serious problem. In general, it can be said that both contain the meaning of creativity-based activities that affect the economy or community welfare. The scope of activities of the creative economy can cover many aspects. The Ministry of Trade (2008, p.4) identifies at least 14 sectors that are included in the creative economy, namely:

- 1) Advertising

Is a creative activity related to advertising services, which includes the process of creation, production, and distribution of advertisements produced. Examples include market research, advertising communication planning, outdoor advertising, production of advertising materials, promotions, and others.

2) **Architecture**

is a creative activity related to building design services, construction cost planning, heritage building conservation, construction supervision both from macro to micro levels.

3) **Art Market**

is a creative activity related to original, unique, rare and high aesthetic value items through auctions, galleries, and others. For example: musical instruments, printing, crafts, painting.

4) **Crafts are**

creative activities related to the creation, production and distribution of products made by craftsmen starting from the initial design to the product completion process, including handicrafts made of precious stones, natural and artificial fibers, leather, rattan, bamboo, wood, metal (gold, silver, copper, bronze, iron) wood, glass, porcelain, cloth, marble, clay, and chalk. Handicraft products are generally only produced in relatively small quantities (not mass production).

5) **Design**

Is a creative activity related to the creation of graphic design, interior design, product design, industrial design, corporate identity consulting and marketing research services as well as packaging production and packaging services.

6) ***Fashion***

Is a creative activity related to the creation of clothing designs, footwear designs, and other fashion accessories designs, production of fashion clothing and accessories, consulting product lines *fashion*, and distribution of products *fashion*.

7) **Film, video and photography**

Is a creative activity related to the creation of video production, film, and photography services, as well as the distribution of video recordings and films. This includes script writing, film dubbing, cinematography, soap operas, and film exhibitions.

8) **Interactive games are**

creative activities related to the creation, production, and distribution of computer and video games of an entertainment, agility, and educational nature. The interactive game sub-sector is not dominated as mere entertainment but also as a learning or educational aid.

9) **Music**

is a creative activity related to the creation/composition, performance, and distribution of sound recordings.

10) **Performing arts**

is a creative activity related to content development, performance production (e.g. ballet, traditional dance, contemporary dance, drama, traditional music, theater music, opera, including

ethnic music tours), design and manufacture of performance clothing, stage setting, and lighting.

11) **Publishing and printing**

Is a creative activity related to content writing and publishing of books, journals, newspapers, magazines, tabloids, and digital content as well as the activities of news agencies and news seekers. This sub-sector also includes the issuance of stamps, stamp duty, banknotes, check forms, demand deposits, share certificates, stock bonds, other securities, passports, airline tickets, and other special issues. It also includes the publication of photographs, engraving and postcards, forms, posters, reproductions, printing of paintings, and other printed matter, including recording *microfilm*.

12) **Computer and software services are**

creative activities related to the development of information technology including computer services, data processing, database development, software development, system integration, system design and analysis, software architecture design, software and hardware infrastructure design, as well as portal design including its maintenance.

13) **Radio and Television**

Is a creative activity related to the creation, production and packaging of television shows (such as *games*, *quizzes*, *reality shows*, *infotainment*, and others), broadcasting, and transmitting television and radio program content, including station activities *relay* (re-transmitters). radio and television broadcasts.

14) **Research and Development**

is a creative activity related to innovative businesses that offer the discovery of science and technology and the application of these sciences and knowledge for product improvement and the creation of new products, new processes, new materials, new tools, new methods, and new technologies that can meet needs. markets include those related to the humanities such as research and development of language, literature, and the arts as well as business and management consulting services.

15) **Culinary**

This creative activity is a new one, in the future it is planned to be included in the creative industry sector by conducting a study on the mapping of Indonesian processed food products that can increase their competitiveness in the retail market and international market.

It can be seen that the scope of the creative economy is largely an economic sector that does not require large production scales. Unlike the manufacturing industry which is oriented to the quantity of products, the creative industry relies more on the quality of human resources. In fact, more creative industries emerge from small and medium industry groups.

## **2.2. Music Industry Music**

Is an important part of people's lives in the world, as a secondary need, music continues to be attached to human daily life, for example, music is often found on television, radio, public places, and so on (Arifan, 2006: 8).

The human need to listen to music has made the music industry develop until now.

Simpson (2006) categorizes the various types of the music industry as follows: the mechanical era (welded pianos and sheet music), the electronic era (microphones, analog recording product formats), and the digital age (CDs, downloads, accessing music online). Murphy (2015) said the emergence of the digital era resulted in a decline in sales of physical products and prompted fundamental changes in the business and economic structure of the music industry, this is affecting how music is produced and consumed today. This trend is driven by technological developments, the most visible aspect of which is the rise of digital music formats and the relocation of music distribution, storage and consumption to online-based (O'Reilly et al, 2013: 24; Wikstrom, 2014).

The term digital era first appeared with *Compact Discs* (which store music as digital files) but through deep investigation the digital age can be divided into three phases:

- The first phase: the transition from cassette and vinyl to CD technology. This phase makes it possible to sell digital products (CD, *digital audio tape*, *digital compact cassette*, DVD) with the exact same quality as the audio quality of the digital master recording (Simpson, 2006: 276).
- The second phase: emerged at the beginning of the 21st century with the advent of digital download sharing via MP3 compression technology developed by the Motion Picture Experts Group (MPEG). The commercialization and popularity of the public internet and the emergence of *peer-to-peer networks* such as Napster facilitated music piracy (Ku, 2002). Legally digital downloads emerged in this phase and iTunes was the first to do so (Wikstrom, 2014).
- The third phase: it is in the current transition that there has been a significant shift towards streaming music digitally (free and via subscription) rather than selling products digitally leading to ownership. The growth of this streaming model has reduced the financial impact of digital music piracy (Brandle, 2014; Wikstrom, 2014). Wikstrom (2014) also says that the digital era of music has changed the experience of listening to music from “playing music” to “playing with music” highlighting the role of social media as well as the interactive role of streaming application interfaces.

### **3. Research methods**

#### **Research Methods:**

**This** type of research uses descriptive qualitative methods. According to I Made Winartha (2006:155), descriptive qualitative analysis method is analyzing, describing, and summarizing various conditions, situations from various data collected in the form of interviews or observations about the problems studied that occur in the field.

#### **3.1 Data Collection Techniques:**

Literature studies are theoretical studies, references and other scientific literature related to culture, values and norms that develop in the social situation under study (Sugiyono: 2012).

### 3.2 Data Analysis:

The data technique used is SWOT analysis according to Philip Kotler which is defined as an evaluation of the overall strengths, weaknesses, opportunities, and threats. SWOT analysis is one of the widely known instruments for analyzing the company's internal and external environment. This analysis is based on the assumption that an effective strategy will minimize weaknesses and threats. When applied accurately, this simple assumption has a huge impact on the design of a successful strategy.

- S : *Strength* is the strength of your business, such as quality, location, or other elements that make you superior to competitors.
- W: *Weakness* is a weakness that you want to examine when compared to competitors. Estimate all the shortcomings you have so that when you want to take steps you can find out what the weaknesses are
- O: *Opportunity* is an opportunity that you can seize
- Q: *Threat* is a threat that can come and we can see how we will anticipate this threat by seeing what threats will occur .

## 4. Discussion

### 4.1 Music Industry Development

Reports from the World Economic Forum (WEF) and PricewaterhouseCoopers (PwC) stated that since 2019 recordings in various forms such as physical albums, digital downloads, music licenses in films, advertisements, and games have dominated the source of revenue for the global music industry, which was previously dominated by music. by the source of live performances or concerts. Now the distribution of music is not always about the production of albums or *Extended Play* (EP) stored on cassette tapes or *compact discs* that are distributed to music stores, the distribution of music in the digital era that makes it easy for users to enjoy it has become a very potential thing.

Technological developments that have brought the music industry into the digital era have not only affected music lovers, but also the music production team. Music that previously could only be produced manually using various musical instruments such as guitars, keyboards, and drums, can now be produced through *software* computersuch as *Logic Pro*, *GarageBand*, *Ardor*, *Adobe Audition*, and so on. The many features in the *software* computermake the quality of the music more and more pleasant to hear.

Due to the increasing number of piracy and technological developments, now record labels and consumers are starting to useservices *streaming* to record and enjoy music. Thisservice *streaming* contributes almost 50% of the total revenue of the global music industry. According to data from the International Federation of the Phonographic Industry (IFPI) and WEF, services *streaming* music can earn US\$ 8.9 billion, which is equivalent to Rp 125.5 trillion globally, a rapid increase since 2013 which only earned Rp 19.7 billion. trillion.

The increasing contribution of services *streaming* cannot be separated from the increasing number of listeners. McKinsey & Company projects that service users *streaming* music in Asia will reach 87 million people by 2020, with the majority of users being younger than 35 years old. This shows that young people will become a potential market for service players *streaming* music.

Indonesia is the seventh largest digital music market in Asia, with a potential revenue of US\$ 21 million in 2015. Then in 2016, McKinsey & Company positioned Indonesia as the fourth most potential country for the digital music industry, after Thailand, Hong Kong. Kong, and

Malaysia.

Currently, the whole world is experiencing the COVID-19 pandemic since the beginning of 2020. All industries, including the music industry, were affected, such as the cancellation of concerts in Indonesia due to the large periodic social restrictions (PSBB). But on the other hand, this pandemic has further increased the potential of digital music. As can be seen from the increase in active users *Spotify* from 271 million active users to 299 million active users in the second quarter of 2020 globally.

The COVID-19 pandemic has also created a trend for concerts *online* among music lovers. The online concert trend was able to bring in more audiences because of its convenience, such as no audience limit, being able to enjoy it from anywhere, and cheaper ticket prices compared to concerts *offline*. In terms of *producers* or music industry players, it is also easier to cut costs and there is no complicated licensing process, so that concerts *online* are more efficient than concerts *offline*.

However, everything must have a positive and negative impact, as well as the music industry in this digital era. The negative side of the digital era in the music industry has caused musicians or musicians to be trapped in the issue of royalty. Even though Indonesia already has a Copyright Law, many people still don't understand the issue of royalties. This royalty issue will harm musicians because they cannot enjoy the four rights that should be obtained, namely the right to reproduction, the right to copy the original copyrighted work; desirous rights, commonly used for advertisements, trailers, films; distribution rights, the exclusive rights of the copyright holder to distribute their copyrighted works; and performing rights, exclusive rights obtained by the owner of the work to broadcast, play, and display his song to the wider community.

## **4.2 SWOT Analysis of the Music Industry in the Digital Age**

### *a. Strengths*

possessed by the music industry in the digital era are: The ability of artists or labels to produce music

Marketing capabilities, free online promotion Music fans with their respective genres Act Royalty

### *b. Weaknesses*

Weaknesses of the music industry in digital era, namely: Low production quality Poor marketing ability, not right on target

### *c. Opportunities*

Opportunities owned by the music industry in the digital era, namely:

*software* Computer that facilitates production services *Streaming*

New fan segment Retired competitors Technological advances Government support

### *d. Threats*

Threats owned by the music industry in the digital era, namely: Plagiarism

Music piracy

Haters (*haters*, the opposite of fans)

## **Conclusion**

The creative industry is an industrial sector that originates from the utilization of individual creativity, skills, and talents to create wealth and jobs through creation and utilization of the

creative power and creativity of the individual. With the creative industry, it can improve the welfare of the surrounding community by increasing employment opportunities. In the creative industry, there is one sub-sector in the form of the music sector which is an important part of people's lives in the world, with this need the music industry can develop rapidly to date. The music industry is divided into three phases, starting with the existence of compact discs that provide quality according to the recording, then entering the second phase which uses MP3 compression, which in that year there were various institutions that provided music legally and illegally, and the last phase was the phase when it uses digitally streamed music, with this method reducing piracy in the previous phase. Currently, music distribution is no longer just albums and *Extended Play*, but digital distribution that can make it easier for users. With the development of technology as it is now, not only makes it easier to distribute music, but also makes it easier for the production team with the availability of software that can make music quality better so as to produce music that is more ear-friendly. With the availability of services *streaming* music, in addition to making it easier for users to be able to listen to a work of art, the income generated for the global music industry has increased drastically from 2019, and this service also contributes up to 50% of the income of the global music industry. Indonesia itself occupies the seventh largest digital music market in Asia, with revenues of up to US\$ 21 million in 2015. Then in 2016 it increased to become the fourth most potential in the digital music industry. In 2020, the world is being affected by an epidemic that is quite dangerous in the spread of the virus, the impact of which greatly affects life, as well as the music industry is affected, such as by the existence of large periodic social restrictions in which music concerts are not allowed. But it has a good impact on services *streaming* music such as Spotify, whose users are increasing globally in 2020. With the limitation of the community by not being allowed to have live concerts, the creative team provides online concerts, with this online concert being positively accepted by the community, and with reduced concert preparations, cheaper ticket prices, and online concerts can be listened to anywhere and without any audience restrictions.

At the beginning of April, Indonesia was busy with matters related to royalties. This royalty issue will harm musicians because they cannot enjoy the four rights that should be obtained, namely the right to reproduction, the right to copy the original copyrighted work; desirous rights, commonly used for advertisements, trailers, films; distribution rights, the exclusive rights of the copyright holder to distribute their copyrighted works; and performing rights, exclusive rights obtained by the owner of the work to broadcast, play, and display his song to the wider community. With the SWOT analysis available, the music industry in this digital era has both positive and negative things that can be considered by a music production team.

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