Media Economics Workshop Napoli 2014

VIDEO KILLED THE RADIO STAR?
ONLINE MUSIC AND DIGITAL MUSIC SALES

Tobias Kretschmer and Christian Peukert

Discussion

Andrea Mangani
University of Pisa

Media Economics Workshop Napoli 2014

- **Basic idea**
  - YouTube and similar platforms offer samples of records (singles and albums), with two effects: sampling/promotional against displacement/substitution. Which one prevails?
- **Method**
  - natural experiment – GEMA ban (2009) on (a large share of) YouTube music videos; differences w.r.t. other nine countries (before/after the ban)
  - The ban (independent variable) is exogenous (no relevant demand or supply reaction)
  - Main analysis: the effect of the ban on chart sales ranks (not unit sales) of singles (ITunes)

- **Results**
  - Main: There's no significant correlation between a song popularity (sales ranking) and its average availability on YouTube(as measured in this paper)
  - Other tests: preordering (per se) does not have a significant effect on sales rank – while interacting preorders with other variables does
  - Interesting result: the ban has a significant (though small) effect on *album* sales rank: the availability of music videos produces a promotional effect given some similarity between the song (watched on YouTube) and the rest of the album

Media Economics Workshop Napoli 2014

- **strengths**
  - The objective is clear
  - Rich dataset
  - Clear descriptive statistics
- **remarks**
  - Related literature: impact of file sharing (see next slide)
  - Data: sources of sales other than ITunes? Just for control
  - Data-variables: many dummies/fixed effects? Why not include the age of the artist to control for popularity effects ("watch the video only for curiosity"/not interested in the "music")
  - Theory: concept of music "quality" – questionable
  - Theory: the theory that assesses the impact on album sales is somewhat "ad hoc" theory
  - Result interpretation: the promotional effect of YouTube availability offsets the substitution/displacement effect on sales – or: no effect at all!

Media Economics Workshop Napoli 2014

- **Additional references**
- “Hong, Seung-Hyun. "Measuring the Effect of Napster on Recorded Music Sales: Difference-in-Differences Estimates Under Compositional Changes." *Journal of Applied Econometrics* 28.2 (2013): 297-324.
- Liebowitz, Stan J. "Economists’ topsy-turvy view of piracy." *Review of Economic Research on Copyright Issues* 2.1 (2005): 5-17
- Liebowitz, Stan J. "Research Note-Testing File Sharing's Impact on Music Album Sales in Cities." *Management Science* 54.4 (2008): 852-859.
- Liebowitz, Stan J. "File Sharing: Creative Destruction or Just Plain Destruction?*." *Journal of Law and Economics* 49.1 (2006): 1-28.

YOUTUBE DECADE: CULTURAL CONVERGENCE IN RECORDE MUSIC

Lisa M. George and Christian Peukert

Discussion

Andrea Mangani
University of Pisa

Media Economics Workshop Napoli 2014

- **Basic idea**
  - YouTube and similar platforms cut costs of market entry – for both national and international artists. What is the net effect for local artists and popular international music?
- **Method**
  - natural experiment – GEMA ban (2009) on YouTube music videos
  - Main dependent variable: overlap of songs/artists in popular charts in 2002-2013 (Germany, Austria, USA) – since Ger and Aus are similar, comparing them to USA should lead to…
  - …differences in overlapping (Ger-USA; and AUS-USA) before/after the ban (2009)

Media Economics Workshop Napoli 2014

- **Results**
  - The availability of YouTube increases the US music on European top charts (or: removing the access to videos reduces the overlap of songs and artists)
  - Other tests:
    - YouTube does not increase the speed in the hit-making process
    - Increases turnover in top charts
    - Increases the number of unique titles (variety)
    - …although these last results are not completely clear (statistically)

Media Economics Workshop Napoli 2014

- **Strenghts**
  - Nice idea
  - Rich dataset
  - Some result is clear and strong
  - Several links with other studies
- **Comments (general)**
  - Convergence is multi-dimensional: YouTube and other platforms can hasten convergence along one dimension and slow down it along another; the same for "divergence"/localism
  - YouTube is a global/local force; ok, however, in absolute terms, it facilitates the access to US content (in the end, YouTube is an American medium) – is this unexpected?
  - The paper explores long run trends using short run data: perhaps this point can be discussed in the conclusions

Media Economics Workshop Napoli 2014

- **Minor points**

  - At the beginning of the paper the objective of the paper is not clear
  - The significance of differences on Table 2 must be shown explicitly
  - Graphs 1 and 2 are not clear without reading the text
  - Tables 5 to 7 can be aggregated
  - Conclusions do not include a discussion regarding the relationship between the results of the paper and other studies on the theme
  - The ban (availability of YouTube) reduces (increases) variety, as well as many other things