Music as a Positional Good: Why Market Success Might Actually Drive Away Some Fans?

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Abstract

The Oxford Dictionary of Economics defines "goods" as things that people (e.g., consumers) prefer to consume more of rather than less. Further, these "goods" overwhelmingly adhere to a relationship between price and quantity known as the Law of Demand wherein consumers will purchase more of a good at lower prices than at higher prices. How the demand for these "goods" reacts to non-price stimuli is also well known and yields a place in the market system for marketing. Traditionally, the adoption of marketing techniques to alter the consumer satisfaction process and thus consumer demand has predictable impacts on the market for a good.

The demand for music (e.g., songs and concerts) has characteristically been treated as one of these traditional "goods." The way music is priced, distributed and promoted has changed over time, but this evolution has largely been crafted based on the assumption that music was a commodity to be dealt with as most other goods. Implicit in this assumption was the idea that the application of traditional marketing techniques would lead to greater sales and profits for the parties involved in the production of music and the producers of the "good" known as music would welcome these changes. Simply, the "good" known as music would follow the assumed tenants of both marketing and economics to the betterment of all parties involved in the market transaction.

This paper attempts to answer several questions related to the how the "good" music is defined. What if music is not a traditional "good" in the sense that consumers do not react to marketing in the typical way? What if some, if not many, consumers (and maybe some producers) are "turned off" by the market growth for a musical artist resulting from the traditional marketing techniques (i.e., selling out)? How can we redefine the "good" music and how can economists and marketers alter their behaviors in light of the redefinition?

This paper suggests that the "good" music in many cases should be defined as a positional good. Positional goods are goods whose value/utility or satisfaction is based at least partially on its ranking in desirability by others. The concept of a positional good makes market analyses more complicated.

As noted above, the traditional good reacts in predictable ways to actions like a reduction in price. If price falls, consumers are more willing and able to purchase the good and sales increase. The producer simply needs to think about the balance between the price/quantity tradeoff, production costs and profitability. With positional goods, the analysis takes on an additional dimension in that the increase in sales resulting from the price reduction now makes the good less attractive in the marketplace to many consumers thus lowering the number of consumers. Thus, the traditional equilibrium between supply and demand is not sufficient to predict market outcomes. With positional goods, you have the additional issue of variability in the underlying nature of demand that must be considered.

Finally, the paper discusses the additional difficulty in knowing whether or not the good in question (i.e., music) is a positional good. What are the keys to identifying a positional good? Does the genre of the music or the age of the initial audience have an impact?

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Keywords: Positional Goods, Music, and Marketing.

Relevance to Marketing Educators, Researchers and Practitioners: Most marketing, like most economics, is based on traditional assumptions about the nature of the good(s) involved. This study discusses how viewing music as a positional good can impact the economics and marketing of music.

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