STRUCTURAL CHANGES IN THE PHONOGRAPH RECORD INDUSTRY AND ITS CHANNELS OF DISTRIBUTION, 1946-1966

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ABSTRACT

Technological changes in sound recording and reproduction combined with changes in popular preferences led to a deconcentration of the phonograph record industry and significant changes in its channels of distribution in the 20 year period immediately following World War II.

The purpose of this paper is to describe the changes in the channels of distribution for phonograph records, a consumer good, during a period of significant technological change in the nature of the product itself and the means by which it was produced. The twenty years immediately following World War II stretch from the introduction of 33-1/3 rpm "LPs" and 7-inch "45s" to the time when prerecorded cassette tapes began to achieve a significant share of the sales of recorded music.

The paper begins by looking at the industry as it existed in 1946-47, just before the introduction of LPs and 45s. It then turns to that technology's introduction, the nearly simultaneous development of tape equipment for producing the recordings, and the significant changes in musical preferences which occurred during the middle of the period studied. Next, the effects of these changes on the structure of the industry are described; new producers and labels proliferated and, with a similar expansion in the number of retail outlets for the product (made possible by its new unbreakable quality), the channels of distribution underwent substantial change.

THE PHONOGRAPH RECORD INDUSTRY IN 1946

While the introduction of electricity in the 1920s into the recording process and the phonographs which reproduced their sounds led to enhanced sound quality, the phonograph record in 1946-47 was not much different than it had been 40 years before. In the recording studio, sound was converted into the vibrations of a stylus which cut indentations in the groove it produced on a relatively soft disc (or master). This master was used to produce a metal negative (matrix) which, in turn, was used to stamp out thousands of copies. The copies (records) were nearly exact copies of the master and, when spun at the same speed, a stylus (or needle) connected to an electric pickup produced electrical impulses which, when amplified, reproduced the sounds imbedded in the master.

With this technology, recording and reproduction must be done at the same speed and, while the speed had been somewhat uncertain before the introduction of electric motors to drive both recording and phonograph turntables, the industry settled on 78 revolutions per minute in the late 1920s (Gelatt 1977, p. 66). The records (or 78s) held about 85 grooves per inch (Schicke 1974, p. 120), limiting the length of time of a side. Popular music was recorded almost exclusively on 10 inch discs, meaning that each side of those records had a playing time of, at most, 3 minutes. Most classical music was produced on 12 inch discs, allowing for about 4-1/2 to 5 minutes of playing time per side. Longer classical works were combined into albums (literally, books holding multiple discs); a typical symphony required 3 to 5 discs. Because some consumers owned phonographs with automatic record changers

(which would drop a stack of discs onto the turntable one by one) and others did not, most classical albums came in two forms (called "manual" and "automatic") with the sides sequenced appropriately, effectively doubling the inventory requirements for all parties in the channel. Some popular music was sold in albums but most appeared as singles with one song on each side.

Although some records, such as those sent to radio stations for promotional purposes, were meant to be played only a very few times and could be produced on soft vinyl, those headed for the consumer market or the juke boxes needed to be durable enough for frequent repeat play with a relatively heavy tone arm. The most widely used material for record production was called "shellac" and, while durable, the records made from this material were quite brittle; dropped on their edge from a height of a few inches onto a hard surface and they would crack making them unplayable.

The primary outlets for records were the specialized record retailer and the record departments of music and department stores. Due to their fragility, records generally were kept behind the counter, although the consumer expected to hear the record in a listening booth before buying to hear the music and to check the record for any possible cracks. It was difficult to see hairline cracks which might have developed during shipping or handling at the store and the only fully reliable way to detect them was to listen for the "click" as the record played. This was important to the customer because retailers almost never took returns and became doubly so when buying an album, as a crack in any one record ruined the entire album.

A service producer, the juke box operator, was another record customer. While juke boxes may have played some role in promoting records, when weekly sales and juke box plays were reported separately in the Billboard data for about 20 months during 1945-47, the two series mirrored each other very closely; if anything, the juke box plays lagged record sales slightly. Thus, it appears that juke box operators were
better described as customers than promoters. It should be noted that the technology of 78s mandated that the juke box of the time could hold very few records. A 1947 advertisement for Seaburg, a leading manufacturer of juke boxes (Billboard 1947), showed a machine capable of playing one side of 30 records and claimed it to have the largest capacity available.

As for promotional methods, in the immediate post-World War II era network radio was still strong and the number of radio stations relatively small, although growing rapidly. To the extent stations programmed music, most used studio musicians for live performance or "remotes" from locations where popular orchestras or singers performed. A few disc jockeys (e.g. Fred Robbins and Martin Block) were on network radio and reached a national audience. Others, (e.g. Dave Garroway) worked on so-called clear channel radio stations which, at night, gave them access to a nearly national audience. However, the true "age of the disc jockey" lay ahead (after television had displaced network radio) and other forms of promotion were of greater importance. Many popular performers had radio shows of their own and, of course, performed the same songs they had recorded. Musicals were a very popular motion picture form and songs (and performers) with a movie tie were guaranteed wide exposure. Other forms of promotion were conducted through the channels of distribution in classic "push" style.

Contrasted to today's popular music business in which songs and performers are nearly synonymous, there was an independence of the two in this period. Several examples illustrate the point. First, a very popular Saturday night radio program, "Your Hit Parade," featured the week's top songs performed by the program's staff musicians. Although this group of artists performed the hit songs each week, they rarely produced a top selling record. Second, as shown on Table 1, of the 25 records which were among the weekly top three sellers in 1946, only 18 song titles are represented. For 20 of the 52 weeks that year, two recorded versions of the same song were among the top three sellers and during one six week period, these two were on the same label. Over an 11 week period, there were three versions of "The Gypsy" among the top three sellers, although only two were on the list during any one week. Finally, for the songs represented by these weekly top three selling records, there were, on average, seven

recorded versions available, often more than one on the same label (Billboard 1946, 1947).

On the other hand, star performers have always been important, and the 25 top three sellers during this period were recorded by only 13 artists. Three performers each had three and five artists had two each (Table 1).

Finally, in 1946-47 the industry was highly concentrated. The 1947 Census of Manufacturing counted 96 record manufacturers and showed the 4-firm concentration ratio of 79%, an 8-firm ratio of 87%, and a 20-firm ratio of 94% (Table 2). (Obviously using a different definition of "record manufacturer," the 1946-47 Billboard directory counted 217 record manufacturers in the United States producing 378 labels.) Further indications of concentration are found in the data on top hits; of the

Table 1

Weekly Top 3 Recordings, 1946, 1956, and 1966

	1946	1956	1966
Recordings	25	25	36
Average Weeks as Number One	4.2	5.1	2.3
Average Weeks in Top 40	NA	19.8	10.3
Songs	18	25	36
Artists	13	18	25
Most Records by One Artist	3	6	3
Records by Top Three Artists	9	10	9
Labels	5	11	20
Traditional Big Four	24	14	10
Largest Four Labels	24	18	14

Sources: Billboard 1947; Whitburn 1983

Table 2

Concentration Ratios for Recording Manfacturers, 1947 and 1967

	1947	1967
Manufacturers	96	306
Percentage of Industry Shipments Accounted for by:		
4 Largest Firms	79%	58%
8 Largest Firms	87	67
20 Largest Firms	94	81
50 Largest Firms	(NA)	92

Source: U. S. Census of Business, 1947 and 1967.

previously mentioned 25 records which were weekly top sellers in 1946, 24 were produced by the largest four companies. During this period Capital was only beginning to be a force in the industry and Columbia, Victor and Decca were responsible for 22 of these hits (Table 1).

CHANGES IN TECHNOLOGY

The Speed Revolution

There are only two ways to extend the time which a record will play; increase the number of grooves or slow the speed at which it revolves. Several attempts to do either or both had been made as early as 1904 but, beginning in 1945, Columbia began research to produce "microgroove" records which would play at a slower speed. Simultaneously, the Philco Corporation was perfecting a needle-pickup-tone arm that would allow these recordings to be played (good accounts of these developments are given by Gelatt 1977, esp. ch. 22 and Schicke 1974, esp. chs. 12 & 13.) By September 1947, these efforts had been successful, and Columbia began making plans for product launches of records and phonographs to exploit the new technology - the "long playing record" (LP). Other producers were offered the new technology and, because the 12-inch discs would hold at least 18 minutes of music on a side, those with classical lists showed the most interest. In early 1948, the dominant producer of classical recordings, RCA, was approached and the system demonstrated for their executives. While there was some interest, RCA was working on its own microgroove recording system. Negotiations broke down and in June, 1948, Columbia began selling its LP system to the public. In February, 1949, RCA countered with its 45 rpm system but began producing LPs in late 1950.

Although there were some similarities, the two systems were incompatible for the most part; Philco had been unable to engineer a record changer which would handle records of both systems. LPs were produced in two diameters, 10 and 12 inches, with a spindle hole of 1/4 inch. With about 300 grooves per inch, one side of a 12 inch disc would hold as much as 18 minutes of music while the 10 inch discs would hold about 12 minutes. The speed, 33-1/3, was the same as that used for "electrical transcriptions " (16 inch discs used for transmitting syndicated radio programs) and, although consumers would need to buy a new phonograph to play LPs, almost all radio stations had at least one turntable which operated at that speed. Columbia offered a player to convert one's existing phonograph for LPs at $29.95, a price later reduced to $9.95 (Gelatt 1977). The quality of reproduced sound was somewhat mixed; sustained notes tended to waver slightly (known as "wow") and loud, rhythmic passages produced some transfer among adjoining grooves producing a sort of echo effect.

By contrast, RCA's 45s were 7 inch discs with a spindle hole 1-1/2 inches in diameter. With a similar number of grooves per inch, one side of a 45 would hold about as much music as a 12 inch 78; in other words, longer works would still be broken up into shorter sections. Thus, while the LP could hold an entire symphony on one disc, the 45 system still required an album (a small box) of separate discs. Neither consumers nor radio stations had turntables geared for 45 rpm, so RCA produced a conversion player, originally priced at $24.95 and later reduced to $12.95 (Gelatt 1977). Unlike Columbia's LPs, which came in almost generic sleeves, RCA's albums featured lively colored covers.

Because of the smaller diameter of the discs and, therefore, the greater constancy of actual speed of needle movement, the 45s were held to have somewhat better sound quality, especially as they avoided "wow." However, both systems were monophonic (stereophonic systems were introduced in the late 1950s) and neither could claim legitimately to be "high fidelity" in terms of the frequency ranges captured.

As for their similarities, because of the much lighter headweight of the tone arm, discs of both systems were produced from vinyl. This reduced surface noise but, more important for the channels of distribution, were "unbreakable" (obviously that is a relative term for they could, with effort, be broken.) Further, the large spindle size of the 45s made it possible to engineer juke boxes with greater

capacity and reliability; by the 1960s juke boxes were available which could hold literally hundreds of discs.

Tape Technology

That sound could be recorded in a magnetic field had been known for many years. During World War II, the United States military developed recorders which used steel wire as the recording medium. As German equipment was captured toward the end of the War, it was discovered that their scientists had

Exhibit

Chronology of Technology and Market Developments

Year	Technology "Firsts"	Market "Firsts"
1946	Tape recording licencing	
1947		
1948	Columbia's LPs	
1949	R.C.A.'s 45s	Sam Goody sells only LPs
1950	High fidelity components	"MMS mail order "club"
1951	Overdubbed recording	
1952		Sam Goody #1 retailer
1953		
1954		
1955		Columbia Record Club
1956		Elvis' "Heartbreak Hotel"
1957		
1958	Stereo recordings	RCA & Capital Record Clubs
1959		
1960		Chubby Checker's "The Twist"
1961		
1962	8-track tapes	
1963		
1964	Tape cassettes	Beatles' ". .Hold Your Hand"
1965		

developed fairly sophisticated tape recorders and plastic tape. Controlled by the U. S. Alien Property Custodian, this technology was available by licence and quickly spread to a number of small companies. Using equipment produced by Ampex and tapes developed by Minnesota Mining and Manufacturing, Bing Crosby began recording his popular network radio program in July 1948. (Editors of Fortune, 1951). Although 8-track tapes did not appear on the market until 1962 and cassettes until 1964 (Gelatt 1977), by the time the move to LPs was underway, reel-to-reel tape units had been installed in most radio stations and were used by nearly all recording studios.

The ease with which editing could be accomplished, and the economies which this allowed, were quickly appreciated by the recording industry. Not only could tape capture longer stretches of music, but the final result could be edited, spliced, or patched. The equipment was much more portable and less expensive. As technology improved, sound could be captured on tracks and mixed into the final product before producing the master. The first overdubbed record is said to be the 1951 popular hit "How High the Moon" by Les Paul and Mary Ford. Overdubbing allowed the recording technician (or mixer) to add instruments and voices to augment the original. In short, tape made it possible to produce recordings with credible sound in many locations other than traditional studios, at lower cost with a lower initial investment.

Specialized recording studios developed as did firms that turned tape into master records and pressed copies; the 1967 Billboard directory lists 207 recording studios for hire and 113 pressing plants which did custom order work (including those owned by the major record manufacturers). These forces combined to lower the entry barriers into the industry.

CHANGES IN POPULAR PREFERENCES

During the period under study, a significant shift in consumer preferences in popular music occurred. At least two forces seemed to contribute. First, was a demographic change. By 1955, those born immediately after the end of World War II were 10 years old. From that year onward, the number of adolescents became absolutely and proportionately more numerous in the population. Combined with growing disposable incomes, the Baby Boom generation fueled the growth of the industry through the 1960s and beyond (Dranov 1980). Second, partially responsible for the change in preferences, and the speed with which those changes occurred, was the role of radio as a promotional tool. The number of U. S. radio stations increased from 1,726 in 1946 to 3,364 in 1955 (U. S. Department of Commerce, 1975). As the success of television was accompanied by the demise of network radio, stations became more dependent on recorded music to fill air time. In 1955, the Storz Broadcasting company, owner of several stations, introduced the "Top 40" format which soon spread to many other stations. Play lists for these stations were based on popularity, usually the Billboard "Top 40", and a very popular record might be played as many as 30 or 40 times per day (Gelatt 1977, pp. 306-307). These stations began to have an important influence on sales and competition for spots on the play list became intense, eventually leading to the practice of "payola." (The role of Top 40 stations in the promotion of popular records is well described by Rothenbuhler, 1987.) Parenthetically, the effects of other forms of promotion seem less certain. Media advertising for the entire industry was estimated to be only $300,000 in 1955; by 1962 it was estimated to be $11,000,000, much of it for record clubs (Federal Trade Commission 1967).

The results can be observed in the hits of the period. Looking at the list of Gold records (i.e., single phonograph records which sold more than 500,000 copies) for the period 1946-1965 (Ewen, 1966), the twenty years can be divided into two equal periods, 1946-1955 and 1956-1965, which roughly separate the "pre-Rock and Roll" and "early-Rock and Roll" eras. As two points of reference, Elvis Presley's first release was in 1956, a year in which six of his records were number one; the Beatles achieved a similar distinction in 1964. While a few artists had hits in both periods, there is relatively little overlap. Of the five top artists in the 1945-55 period, none had a hit after 1958; of the five top artists of the 1956-66 period, only one had a hit before 1956. A new age of artists came to the fore and, although Elvis recorded for RCA, many of the new artists were not under contract to major labels.

Although some 78 rpm popular records continued to be produced into the late 1950s, LPs largely replaced the album while 45s became the dominant medium for popular singles. By 1966, 52% of unit record sales and 24% of dollar sales were 45s. In that same year, records were still the dominant form of musical recording; they outsold the recently available prerecorded tapes by about 10 to 1. (Billboard 1966a).

As noted earlier, LPs and 45s were unbreakable, making them easier to ship and display, while taping changed the manner in which records were produced, allowing easier entry into the industry. By the mid-1950s, musical preferences began to change and, combined with an expanded market potential and the new technologies, the industry underwent significant structural changes and, along with them, changes in the channels of distribution. It is the purpose of this section to describe those changes.

Changes in Industry Structure

According to Dranov (1980), the sales of recordings grew somewhat faster than GNP during the period 1945-1965. According to the Census of Business, the value of shipments of phonograph recording industry grew somewhat less rapidly, but apparently still faster than GNP. The Federal Trade Commission reported that per capita record purchases almost tripled between 1954 and 1961 (Federal Trade Commission 1967, p. 48). One factor contributing to this growth may have been reduced price; the use of LPs significantly reduced the effective price of recorded music, compared to 78s.

Along with growth, the structure of the industry was changing. Table 2 is based on the Census of Business and shows that the number of manufacturers had increased. (The Billboard directories show larger numbers as shown in Table 4). According to Federal Trade Commission data (1967), of the 24 companies with the largest LP sales in 1962, 20 had entered the industry since 1941, 12 since 1948, and 8 since 1955. As noted above, entry was easy, surprisingly easy. Their report mentions 5 successful firms that had entered the industry in the 1950s, each with an initial investment between $1,000 and $5,000.

Although there do not appear to be data on record sales by music type, it appears that the early impact of LPs was on the growth of classical music sales. According to one source (Saunders 1952), classical and semi-classical records accounted for 20% of total sales in 1950, grew to at least 30-35% in 1952.

Taping, because of its editing capability which reduced "takes," significantly reduced the costs of recording large groups such as symphony orchestras. Further, the portability of the equipment made it especially attractive to record artists in Europe where fees were much lower than they were in the United States. Data from one small producer of the time, Lyrichord, showed the break-even point for a recording made by a small symphony orchestra in Europe (69 pieces, no soloist) to be 2,000 copies sold at a price to the distributor of $2.27. The comparable figure for the same recording made in the United States was 7,000 copies (Saunders 1952) leading to the conclusion that, in the early 1950s, "$10,000 in capital, plus reasonable skill and luck, would carry a small record company through the issuance of enough releases so that subsequent expansion could be self-generating" (p. 176). The number of small producers of classical LPs expanded rapidly; the first Schwann catalog, dated August 1949, listed 11 companies producing LPs while the issue of November 1952 listed 160.

As the sea change in popular preferences began, new artists with no connection to the major record companies emerged. Taping made it possible to record anyone, anywhere, any time and, with overdubbing, produce almost any sort of sound; new producers of popular music sprang up. Trade sources estimated that, by the early 1960s, 5,000 LPs and 6,000 45s were released per year (Federal Trade Commission 1967). Thus, the average number of releases for a manufacturer was fewer than 35

and, per label, about 10. Given the size of the major firms, the small firms were very small indeed.

With growth of output and number of producers, there was a decline in the concentration of the industry. As shown in Table 2, the 4-, 8-, and 20-firm concentration ratios all declined between the 1947 Census and that taken in 1967. However, the 1967 concentration ratios may be overstated to some unknown degree. By the time of that Census, as Collins (1973) points out, "custom pressing" had become a common industry practice with even the major firms pressing records for smaller firms and, on occasion, each other. According to data analyzed by him, in 1966, 48% of all 45s and 30% of all LPs were produced "under contract," i.e., by a firm other than the manufacturer that owned the label. Since the major firms tended to have larger pressing capacity, the value of their shipments probably includes a substantial volume of pressing done for other manufacturers.

A different approach to looking at changes in popular music recording can be found by looking at hit records. Table 1 shows the top three records for each week in 1946, 1956, and 1966. Before going further, it must be noted that the 1946 data are not perfectly compatible with the later two years. The 1946 data are based on sales alone; data from 1956 and 1966 are taken from the "Top 40" list which was based on a blend of sales, air and juke box play (Whitburn 1983). However, as noted above, when reported separately, as in the 1946-47 period, juke box play and sales tended to be very close, lagging slightly. If, as seems reasonable to assume, air play would lead sales slightly, the effect of combining the three into an index would be to lengthen the time a given record spent at the top, relative to sales alone.

As can be seen in Table 1, the number of recordings included in the top three increased by about one third between 1956 and 1966. This is consistent with the drop in the average number of weeks any given record remained as "number one." As noted earlier, the 1946 top three often contained two versions of the same song; by 1956 "songs" had become synonymous with "recordings." In the years 1955-1966, there are only two instances in which two recordings of the same song appeared among the top three during the same time period (Whitburn 1983). The number of artists producing the top three steadily increased over the time period, although the number of hits per year produced by the top three artists remained relatively constant. The number and proportion of top three recordings produced by the traditional "Big Four" declined steadily, as did the number produced by the largest four manufacturers for each year, respectively.

CHANGES IN CHANNEL STRUCTURE

In addition to the expansion of the juke box market made possible by the nature of 45s, the unbreakable quality of 45s and LPs greatly expanded the number and variety of outlets which could deliver the product to the consumer. Record discounters, general merchandise discounters, record clubs, and rack jobbing became widespread. With many new producers and many new outlets, the number and methods of operation of wholesalers changed. Those developments are the subject of this section.

Changes in Retail Outlets

In the early 1950s, discount record stores sprang up in major metropolitan markets. Among the most prominent was Sam Goody, a New York retailer who had switched his entire inventory to classical and semi-classical LPs in 1949. Unlike 78s, the unbreakable LPs were well suited to open display and, since customers often knew the music they sought, self service. Goody's store resembled a supermarket; customers browsed through the aisles of open shelves and counters, taking their selections to checkout stands. Records were sealed in their jackets, there were no listening booths and, in the biggest departure from traditional record retailing, Goody's accepted returns. He advertised widely and developed over half of his volume through mail order. By 1952, Sam Goody claimed to be the largest record retailer in the United States, passing Liberty Record Shops, a New York chain (Saunders 1952).

The success of discount record stores, plus the manufacturers' realization that record covers were an important selling tool for self service, led general merchandise discounters such as Korvette to enter the field. Discount retailers of all types continued to prosper through the late 1950s and early 1960s. By 1965, Korvette claimed to be the largest single retailer of Columbia records (Billboard 1965).

It is difficult in any field to define "discounter" operationally and record retailing is no different. Table 3 shows the Billboard "Market Data Report" for 1961 and 1965. Based on final sales, stores of all kinds (including discounters) accounted for 52% of dollar sales in 1961, slipping to 43.9% in 1965. In terms of unit sales, they were stronger in the sales of 45s and lost share in both 45s and LPs between 1961 and 1965.

Table 3

Shares of Record Sales, by Outlet, 1961 and 1965

	1961		1965	
Dollar Sales (Shares)				
Retail Stores	51.7%		43.9%	
Rack Jobbers	25.1		37.3	
Juke Boxes	6.2		4.9	
Clubs and Mail Order	17.0		13.9	
Unit Sales (Shares)	LPs	45s	LPs	45s
Retail Stores	39.3%	50.5%	33.3%	43.8%
Rack Jobbers	34.7	22.0	46.5	34.1
Juke Boxes	0	27.5	0	22.1
Clubs and Mail Order	26.0	0	20.2	0

Source: Billboard 1966a

Because LPs were unbreakable and their contents fairly easy to describe to a buyer familiar with the work, the artist, or both, they were well suited to mail order selling. Early on, this was especially true for classical recordings but as radio became a greater influence in promoting records, it became increasingly true for popular records, too. Concert Hall Records, an independent label, began the "Musical Masterpiece Society" as a record club in 1950 and the Book of the Month Club soon entered the market (Gelatt 1977). Both produced their own records, all classical, mostly by relying on European artists. The major record companies took notice; Columbia started its own record club in 1955. RCA Victor and Capital, who had been acquired by EMI giving it the Angel label of classical recordings, entered the club business in 1958. Other clubs existed, many limiting their offerings to specialized fields (e.g., the Shakespeare Record Club, the Jazz Club of America) (Federal Trade Commission 1967).

Table 3 shows that record clubs and other mail order sellers accounted for 17% of the total

dollar volume of the industry in 1961 and had slipped to a 13.9% share by 1965. Because they handled only LPs, their unit shares of LPs are higher, 26% in 1961 and 20.2% in 1965.

Finally, it should be noted that juke boxes provided a relatively small market in terms of total dollar volume (6% in 1961 and 4.9% in 1961). However, in terms of the market for singles, when measured in unit terms, they were as important as the record clubs and other mail order outlets were for LPs.

Changes in Wholesaling:

In 1946, there were over 1,000 wholesalers (called "distributors" in the trade), most of whom dealt in the label (or labels) of a single manufacturer. By the end of the study period, at least two new forms of wholesalers had arisen, rack jobbers and one-stops, and the remaining distributors were representing dozens of manufacturers.

One-stops are an institution peculiar to the distribution of records; few, if any, references are made to them outside the trade literature of the time. Their origin seems to have been in the early 1950s and by 1966, there appear to have been 258 of them (Billboard 1966a). As juke boxes became larger and the sources of hit records became more numerous, the one-stop developed to provide the assortment required by juke box operators in "one stop." Some of their purchases were made directly from record manufacturers and some from distributors; at least a few of them appear to have been subsidiaries of other distributors. Whatever their sources, they handled mostly hit records and typically sold them at a price slightly higher than that of regular distributors. Although juke boxes did not use LPs, the one-stops began to carry them and, by 1966, the record retailers responding to a survey reported buying 55% of their singles and 27% of their LPs from one-stops (Billboard 1966a).

Virtually nonexistent as a distributor of recordings until the mid-1950s, the rack jobber became an important institution during the second decade of the study period. As can be seen in Table 3, by 1965 rack jobbers gained share from all other forms of distribution and were nearly as important as all retail stores in dollar volume and more important in the movement of LPs. One industry person estimated that rack jobbers were responsible for increasing the number of retail outlets carrying records from approximately 15,000 in 1955 to 150,000 in 1961 (Federal Trade Commission 1967). Initially, many record manufacturers were reluctant to undermine retailers by selling to rack jobbers and most relied on imports, "budget" and "kiddie" labels. It was soon apparent that LPs (by now enclosed in sealed packaging) with attractive covers could be sold in great quantities in racks and the products of all manufacturers gradually became available to rack jobbers (Federal Trade Commission 1967).

Billboard's 1965 survey of the members of the National Association of Record Merchandisers, the rack jobbers' trade association (Billboard 1966b), showed over 27,000 outlets being serviced with over 90% being variety stores, supermarkets, drug stores, and discount department stores, in that order. Slightly more than 85% of the LPs sold through rack jobbers were of popular music (including country western and folk) with childrens', classical, jazz and others making up the rest.

During the period of this study, distributors declined in numbers and changed in character. Table 4 shows their numbers decreasing from 1,066 in 1947 to 384 in 1967. As will be noticed, the overwhelming majority of distributors in 1947 handled four or fewer labels (four was chosen as a cutoff point because several major manufacturers produced as many as four labels in 1947); the distributor with the most labels carried 18. By 1967, over half of the distributors carried 15 or more labels; most carried between 20 and 50 and one distributor handled 152. The distributors of the traditional Big Four had declined in number; all had experienced declines although Decca had declined more than the others. These distributors continued to handle their principal's brands exclusively. Two other manufacturers, Dot and Imperial, had mostly exclusive distributors. It should also be noted that the practice of some

Table 4

Manufacturers, Labels and Wholesalers, 1947 and 1967

	1947	1967
Manufacturers:		
Billboard Directory	217	358
Census of Business	96	306
Labels:	275	963
Wholesalers:		
Distributors:		
Big Four Manufacturers'	158	105
Other Manufacturers'		
1 - 4 labels	867	40
5 - 9 labels	21	22
10 - 15 labels	10	21
15 + labels	10	196
Total Distributors	1,066	384
One Stops	0	258
Rack Jobbers	0	267
Total Wholesalers	1,066	794

Source: Billboard 1947, 1966a

manufacturers acting as distributors for other, smaller manufacturers was just beginning. Thus, by handling the records of one manufacturer, a distributor might acquire the right (or obligation) to distribute the products of several other manufacturer. However, for the most part, the distributors who carried these "groups" of labels also handled the records of other manufacturers.

DISCUSSION AND CONCLUSIONS

During the period of the study, the recording industry underwent many changes. Technology, in the form of LPs and 45s, changed the product to make it deliverable to the consumer in new ways. The number of retail outlets expanded to include mostly non-record (or non-music) retailers; mail order became possible and the "rental" market (i.e., juke boxes) was enhanced.

Simultaneously, technology, in the form of tape recording, lowered the entry barriers to the production of records, and the number of firms and labels increased greatly. The decline of network radio led to expanded opportunities to promote (especially) popular recordings. Whether a cause or an effect, there was a shift in popular music preferences bringing new artists on new labels into the market and the recording industry, long dominated by a small number of large firms, experienced deconcentration on the production side.

Alderson's concept of the "Index of Sorting Balance" (1957, pp. 218-220) suggests what might be expected to happen to the channels of distribution. The Index is a ratio in which the number of suppliers plus the number of retailers form the denominator while the numerator is the "item flow" (the total number of products at the SKU level times the number of times each item is ordered during the year). As he points out, "The higher this ratio, the more favorable the situation for a wholesaler acting as an intermediary between producers and retailers" (p. 219). During the period of study, the denominator of the Index was increasing in an additive fashion but the numerator, through expanded offerings and shortened popularity cycles, was increasing even more rapidly in a multiplicative fashion.

Although the number of wholesalers declined as the market grew and changed, the character of wholesaling changed with the dominance shifting from the exclusive distributor to those whose central role was one of assorter. The largest labels continued to distribute through exclusive distributors but most of the other wholesalers who survived took on many labels. Item flow was especially high for juke boxes and non-traditional retailers (i.e., "racks") and specialized wholesaler institutions arose in the form of one-stops and rack jobbers to serve these forms of retailing.

Although it is likely to be an overstatement to put this in terms of causation, it appears that the triggering factor for all of this change was the technological change that affected the physical nature of the product. It should be noted, while the change from 78s to LPs and 45s produced some benefit for the consumer in the form of lower cost and easier storage, the basic benefit sought by the consumer, the ability to hear one's favorite music when one chose to do so, did not change.

A paper presented at this conference four years ago (Mittelstaedt, Kangun, and Carlson 1989) traced the development of a product change in medicines from powders and elixirs to tablets (or pills). Although the ingredients, and hence the medicinal benefits to the consumer, mostly were unaffected, the change in product form appeared to bring structural changes to the channels of distribution. This paper suggests a similar conclusion with respect to recorded music. Since channels exist to distribute products, it should not be surprising to conclude that the physical nature of a product plays an important role in determining the structure of those channels; when the product changes, channel structure may be expected to change.

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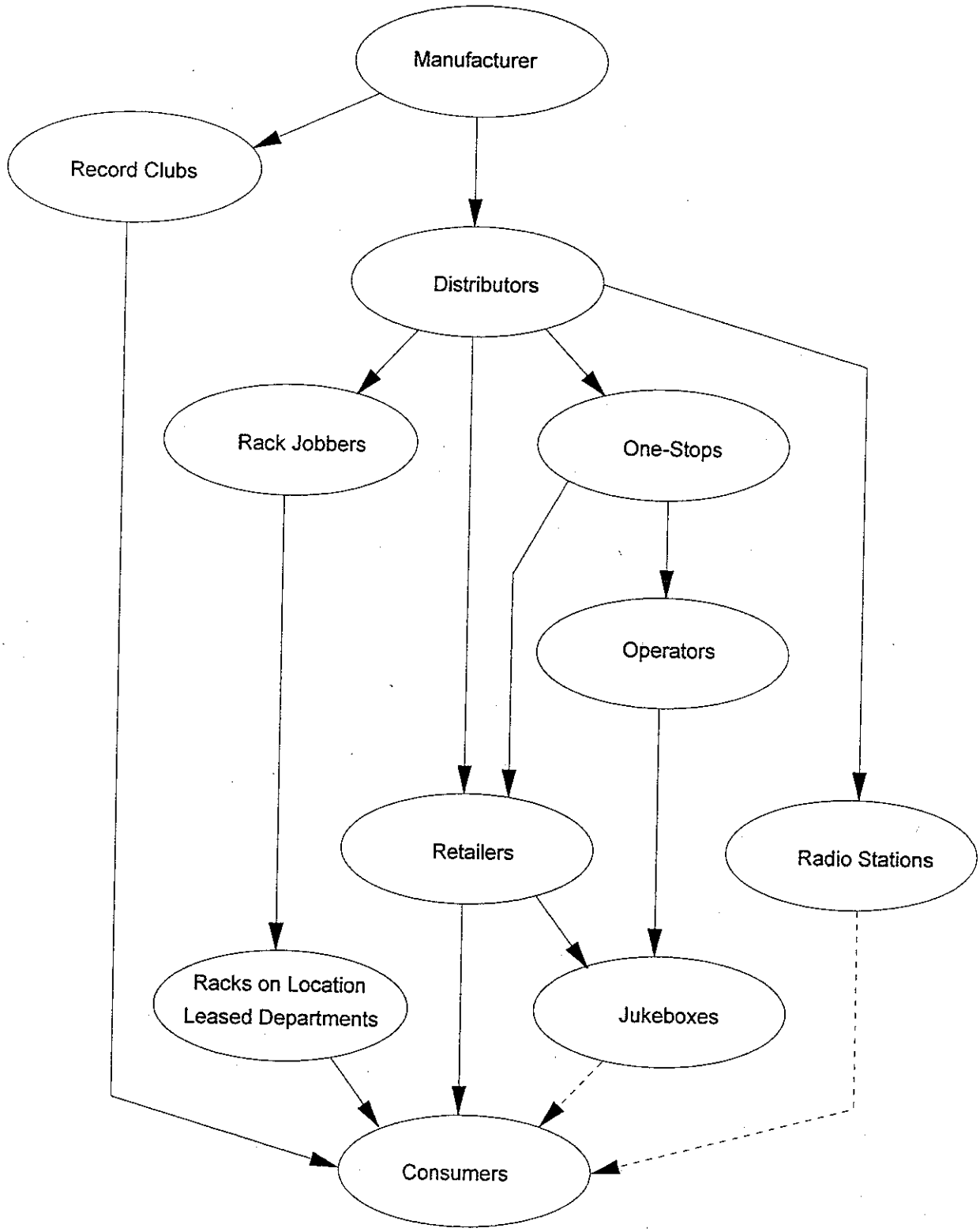
Figure

Institutions and Flows in the U.S. Record Industry, 1947-1967



Source: Shemel and Krasilovsky 1964