

## How New Market Categories Are Created

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It is a natural human tendency to categorize. From the food we eat, to the clothes we wear, and to the cars we drive, people categorize in multiple ways. Consciously or not, the drive to categorize is a way to make sense of the world. To inject order and certainty into an otherwise chaotic world. However, we seldom think about how categories are created. What are the origins of the categories we now take for granted? Indeed, when a new *market* category is created something extraordinary does occur: the introduction of a novel product or service. Bringing something novel to the market often threatens the status quo, pits incumbents against innovators, and disrupts the existing order. But it also has the potential to generate vast amounts of wealth.

### The Rise of Ridesharing and Social Media

Until 2009, taxis in the United States had a monopoly in public car transportation for decades. That year, Uber was founded. Uber introduced a novel service that disrupted the taxi industry and created a new market category: ridesharing. The dramatic drop in New York City's taxi medallion prices from a \$1 million peak in 2014 to under \$200,000 nowadays can be seen as the second most notorious outcome of this disruption. The first one? Uber's market capitalization of \$134 billions.

A similar disruption happened with social media in the mid-2000s. Facebook and Twitter revolutionized the way people produced and consumed information and eroded traditional media's profits. Today, millennials seldom read the morning newspaper or watch the evening TV news. For them, producing and consuming information through social media, anytime and anywhere, is the new normal.

The creation of ridesharing and social media occurred in mainstream markets, those that are characterized by established and accepted practices. Yet, the creation of categories can also occur in the underground through novel practices that contrast starkly with those established, making underground markets extremely conflictive. This is the case of the creation of electronic dance music or EDM.

### EDM's Creation in the Underground

We conducted a historical investigation of EDM in the United States between 1979 and 1999 to understand how EDM went from an underground activity to a multibillion-dollar market. The origin of EDM can be traced back to the early 1980s, when innovative DJs in Chicago and Detroit, like Frankie Knuckles and Derrick May, created novel music sounds characterized by repetitive electronic beats, that came to be known as house and techno. These musical styles attracted enthusiastic crowds that soon morphed into many rave communities throughout the United States, leading to the creation of the rave scene in the late 1980s.

This scene was defined by its opposition to the mainstream, with amateur DJs crafting hundreds of rave music subgenres; independent promoters organizing rave parties in secret, and sometimes illegal, locations; and rave communities created a subculture instilled with a collaborative philosophy that contrasted with the market's focus on competition. Together, they created the EDM category in the underground.

### EDM's Integration into the Mainstream

In the early 1990s, this novel and underground category drew increasing coverage from mainstream media outlets, attracting the attention of government authorities and resulting in the stigmatization of the rave communities. However, this coverage also drew interest from producers and promoters in the music industry who, perceiving EDM's profit potential, tried to monetize these underground communities using mainstream practices like organizing rave parties in commercial venues and signing DJs to produce records. Facing resistance from rave communities who sought to protect the purity of their scene, these efforts failed.

In the late 1990s a second attempt followed. However, this time entrepreneurial actors in the mainstream *and* underground worked together to adapt underground practices and introduce these into the mainstream. Producers gave rave music a new name: electronica. DJs experimented with pop sounds (Fatboy Slim's Praise You), pop artists experimented with electronic beats (Cher's Believe), and DJs and pop artists increasingly collaborated (Madonna and William Orbit in Ray of Light). Promoters, like Pasquale Rotella, reinvented rave parties as electronic music festivals, turning them into multistage concerts like Electric Daisy Carnival. All these actions made EDM more accessible for traditional audiences and helped to introduce the genre into the mainstream.

### **From Underground to Mainstream... And Back**

The creation of EDM was an extremely conflictive process, pitting for years underground communities against mainstream market actors. And yet, EDM eventually generated (and continues to generate) enormous amounts of wealth. For its part, rave communities continue to exist in the underground, still stigmatized, but also still a vital source of creative inspiration for the music industry.

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