

How the Internet has Affected the Music Industry

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Introduction

In this report I will discuss the findings from my Special Subject Investigation project. My main aim for this research project was to explore how the Internet has affected the music industry. This aim was then elaborated upon with sub-aims that ask more specific questions in order to direct and focus my research. These sub-aims appear as sub-titled sections within the main discussion of this report.

I chose to look at how the Internet has affected the music industry because I have an interest in technology as well as a passion for music. The changes that are taking place will change the whole media industry for ever but the music industry was one of the first to feel the effects, and one of the most strongly affected compared to other areas of the media/entertainment industry.

Whether you are involved in the industry or not, the Internet has completely revolutionised the way all of us access and think about music, and like the internet, this is world-wide. I want to look at how and when these changes took place, how people (and organisations) have reacted and what the future might be for the music industry.

In my research the most unexpected thing I discovered was how strong the arguments are against the RIAA and the fact that most of its actions 'in the best interest' of protecting the industry have actually just made things much worse for everyone.

Discussion

When did the Internet start affecting the industry and how?

The digital revolution effectively started in 1999^[1] with the advent of the file sharing network Napster. It allowed people to easily swap MP3 files between their computers. For the first time they had unrestricted access to almost any music they wanted for free where ever they were in the world. It was very popular because people could download the songs they wanted without having to get a whole album^[2], they also had access to tracks that would otherwise be difficult to get hold of (like obscure B-sides and demos).



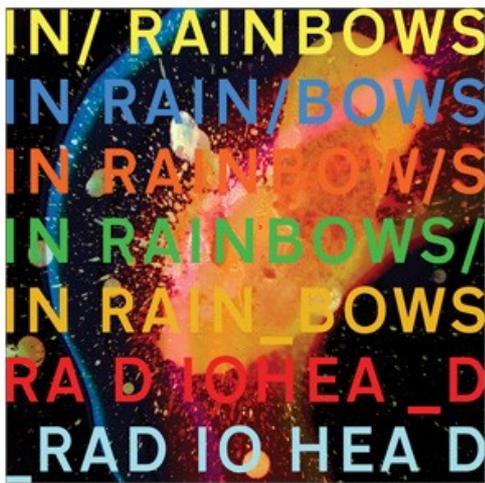
The Napster community mushroomed in size to over 849,000^[3] users and peaked in February 2001^[4] but then was shut down by court order from the first of almost 300^[5] court cases that would follow. Although Napster was shut down after only two years, it paved the way for many other file sharing networks that continue to be popular such as KaZaa, gnutella, LimeWire and BitTorrent.



The RIAA (Recording Industry Association of America) started suing individuals who had downloaded copyrighted material because they claimed the record industry was losing business due to piracy. The number of records shipped globally started decreasing in 1999 and dropping faster and faster.^[6]

At a glance it looks like the effect of file sharing on music sales is an extremely negative one but there are other sides to the argument.

The RIAA represents the record companies, but obviously the major labels are larger and more powerful, so they have a bigger say in the policy-making of the RIAA. The dinosaur-like major labels only saw the internet as a threat because they didn't understand it and it didn't fit into their old business models. They just tried to make the internet disappear instead of embracing it as a new platform for limitless enterprises. They were losing money so they pointed the blame at file sharing and labelled their biggest audience – the youth of today – thieves.^[7]



On the other hand, more individual labels and artists like Radiohead for example are seeing huge benefits from the internet. When Radiohead released their latest album *In Rainbows* their record contract had expired. Their last four albums had been leaked on the internet so everyone had heard them before they had officially been released. so they thought “we'll leak it, then”.^[8]

They were quoted as saying "I like the people at our record company, but the time is at hand when you have to ask why anyone needs one. And, yes, it probably would give us some perverse pleasure to say 'F___ you' to this decaying business model."^[9]

So they released their latest album in a brand new way: people could download it from their website and pay as much or as little they wanted (or even download it for free). This move sent shockwaves throughout the industry: "This feels like yet another death knell," emailed an A&R executive at a major European label. "If the best band in the world doesn't want a part of us, I'm not sure what's left for this business."^[9]

“Labels can still be influential and profitable by focusing on younger acts that need their muscle to get radio play and placement in record stores — but only if the music itself remains a saleable commodity. "That's the interesting part of all this," says a producer who works primarily with American rap artists. "Radiohead is the best band in the world; if you can pay whatever you want for music by the best band in the world, why would you pay \$13 dollars or \$.99 cents for music by somebody less talented? Once you open that door and start giving music away legally, I'm not sure there's any going back.”^[9]

How have industry professionals been affected?

The Internet has allowed people to do collaborative work with musicians across the globe in ways that would never have been possible before. For example one of the best drummers in one part of the world could lay down a drum track, then send it to other musicians around the world to record their parts on top of the first track.^[10]



Writing and recording your own music and releasing CDs just wasn't possible before. Advances in technology mean it's easy to set up your own website and post your music online. Suddenly it's very affordable and your marketing can potentially reach the whole world because when you're using the internet you aren't limited to a geographic area.^[11]

Everything is much more DIY than it used to be. When the industry was in its prime roles were assigned to different people, you'd have a sound engineer, producer, manager, promoter etc. but now one person can do it all if you have the time, energy and motivation.^[11]

How has this affected job prospects in the industry?

Despite all of the press about the economy and the music industry dying, the people I interviewed were very positive when I approached this question. They told me that the industry as we used to know it is dying, but actually there are huge opportunities out there if you're creative and hard working. "Actually there are greater opportunities than ever before. They are greater opportunities for people who go in with their eyes open. If you go in expecting things to be as they used to be, then you're going to be sadly disappointed."^[11]

"Now it's very much a world for the entrepreneur, in other words the person who's going to say 'I see an opportunity there, I'm going to go for it!'"^[11]



"For every one person who doesn't put the effort in there are a thousand people who will, but if you're creative and work hard you will get there in the end."^[10]

"There are new things happening all the time. The industry is constantly evolving. Five years ago nobody had even thought of facebook or myspace and now they're completely central to most peoples operations in the industry."^[10]



The age of the Internet also benefits people with a diverse set of skills. For example if you're an artist you need to investigate recording techniques, marketing techniques and of all the roles the industry used to provide, then learn to do it yourself.^[11]

What methods have been used to try and combat illegal file sharing?

Various methods have been used to attempt to deter file sharing with varying success. In 2001 the RIAA started filing thousands of court cases against people infringing copyright. In December 2008 they stopped their mass law suits, the reasoning being that they have essentially done their job in making possible “the dramatic change in the music market” that has allowed them to stop.

The success of these court cases is however quite dubious for the following reasons:

Since 2003 they have sued about 35,000 people including single mothers, a dead person and a 13-year old girl. This heavy handed or clumsy approach was a PR shambles and did nothing to improve the image of the industry in times of need.^[12]

In a survey of teens done in 2008 on behalf of Microsoft, less than half (48%) expected to be punished for illegally downloading copyrighted material. And only 51% actually knew about law surrounding illegal downloads.^[13]

Another method used was DRM (Digital Rights Management), this is a form of encryption on music files that means they can't be copied or played on a computer or device that isn't “authorised”.

This was somewhat successful in limiting the illegal distribution of music, but it stifled the popularity of legal download centres such as iTunes, because people didn't like these restrictions because they felt they had paid for the music so they should be able to do what they wanted with it. DRM caused a lot of hassle because a track bought on iTunes for example wouldn't play on anything but an iPod.^[1]

How has Apple (with iTunes and the iPod) affected the industry?

In 2001 MP3 players were cumbersome and ugly. They held a couple of hundred songs at best and putting tracks onto them was difficult. Then Apple unleashed the iPod. For the first time, people could have thousands of songs in their pockets and lose themselves in a world of their own music. They could listen to what ever they wanted where ever they wanted.^[15]

Paired with iTunes, it became addictive and almost too easy to download legal music and sync the new tracks to the iPod. They became a huge hit and together they went straight to becoming the most popular MP3 player and the most popular source of legal downloads in the world.^[15]

Now they dominate the entire world and last year even took Walmart's top spot in music sales with 19% of sales in the US.^[16] To date Apple have sold more 100 million iPods^[17] and five billion songs on iTunes.^[18]

Apple have changed the business model twice more with the release of

Starbucks iTunes store and mobile iTunes store on the iPhone. The Starbucks

iTunes store allows an iPod Touch or iPhone owner to walk into a Starbucks

coffee shop they can see on their mobile device what music is playing in the shop and follow a link to buy it from iTunes using the Starbuck's Wi-Fi connection.^[19] Mobile iTunes was introduced with the iPhone so users can buy music from iTunes anywhere there is a 3G mobile connection.^[20]



How has Apple's relationship with the industry changed over time?

When the iTunes store started gaining market share, Apple was heralded as the saviour of the industry, the one organisation that would make legal downloads profitable for the first time. All iTunes downloads were protected with DRM that meant the songs couldn't be copied or played on any MP3 players other than the iPod. Customers disliked this but Apple had the design skills and

market savvy to sell millions anyway. This DRM was bad for customer satisfaction but good for sales because it basically tied the iPod to iTunes so the two went hand-in-hand in their rise to fame.^[21]

However, now the record labels are realising Apple has a monopoly on the online music market and they don't like how much leverage Apple now has to get its own way. Figures have shown that DRM-free MP3s sell much much better than locked proprietary formats^[21] so the labels have started licensing their music to other companies such as amazon.com completely free of DRM in the hopes that it will make the market more fair.^[22]

What is the future of the industry?

From my research I've come to the conclusion that the industry as we know it does not have a future. "The Internet, globalisation and the credit crunch have changed the world for ever. Most of the large organisations that thrived in the 20th century will probably just disintegrate. Society and a lot of other things are going to change because of the way things are going. But music will almost certainly be more prevalent and important then ever before."^[11]

"This is because at the moment the internet is a very static medium with very little music on. Just as now every single shop, organisation and TV channel has their own identifying sound sound, that will happen with the internet, with websites. Music will be used at every opportunity."^[11]

"The major labels will break down. Majors won't have so much control. Now the indie labels have more power because they will have the ability to go out and find new bands and market them in new ways with lower overheads"^[10]

Conclusion

In doing this project I have found that the Internet essentially started taking music by storm when Napster file sharing became popular in 1999. The Internet has affected the industry in an uncountable number of ways but I have realised that although there is a huge amount of fuss in the media about the industry dying, the major labels and RIAA mostly have themselves to blame. Meanwhile, more innovative labels and artists like Radiohead are finding ground-breaking new ways to utilise the Internet in distributing their music and increasing their gains.

For professionals that aren't involved with the major labels, the Internet has predominantly been a positive force as it allows for international collaborations and instant distribution and promotion around the world. I have found that in order to market themselves, industry professionals are being required to diversify more and more in order to fill the gaps that the major labels can't fill.

In my interviews the people I spoke to expressed views that were surprisingly positive in these supposedly hard times. I was told that despite the hysteria of the major labels dying, there is actually a world of opportunity out there because of the Internet if you chose to make the most of it.

Many attempts have been made to stem the tide of file sharing and free distribution but most of them have been quite unsuccessful if not counter-productive because of their heavy-handed execution and the out-dated views of the large organisations in the industry.

Apple has helped the industry a lot by moving music consumers in the right direction in providing more attractive alternatives with iPods and iTunes. They have introduced more market models to make money out of music and technology but people have mixed views on whether Apple has saved the industry or if they are just taking monopolising and taking advantage now.

The future of the music industry is going to be very different from what it is now, it will be never return to how it used to be, everyone just has to adapt because the Internet will be the most important part of any sort of industry in the 21st century. There are big opportunities out there, they are just new opportunities that are accessed in different ways that the larger corporations are struggling to catch up with.

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