

The Music Industry: A Study in How Not to Adapt

Arguably no other industry has been as impacted by the rise of the Internet as the music industry. And, as record companies have so ably demonstrated, change can't be fought; it has to be adapted to. Read on to find out how the music industry has gaffed and why it's important for them to start getting it right.

By [James Campbell](#) 19 Sep 2003

To paraphrase Bob Dylan the music industry is a-changin'. That much is self-evident. And so much press has been given to the phenomenon of person-to-person (P2P) file sharing, and the resulting drop in music sales, that pretty much everyone knows it's an industry in trouble.

What is less obvious is why the major players in the industry have been so slow to recognise what's going around them and why they have yet to embrace those changes.

Perhaps this has best been demonstrated by the Recording Industry Association of America (RIAA), whose response to the situation has almost been comical. A recent ClickZ.com article by Rebecca Lieb listed an impressive series of gaffes by the RIAA, including shutting down Napster (the resulting publicity saw file-sharing skyrocket), being branded a cartel by the U.S. Department of Justice, disabling CDs from playing on PCs, drafting legislation to empower the organization to hack computers storing bootleg MP3s and destroy data, and sending dozens of erroneous cease-and-desist letters to individuals not hosting illegal MP3s on their drives. (1)

Less comical has been the effect on bottom line. In 2000, the 10 top-selling albums in the US sold 60m copies. In 2001 that dropped to 40m and last year was 34m. The music industry worldwide has shrunk from a \$40bn business in 2000 to a \$26bn industry in 2002. By refusing to adapt to people's obvious desire to access music in new ways, coupled with a persecution of people who do access music electronically the RIAA, and record companies worldwide, have created an industry crisis. (2)

But what exactly aren't they getting? To my mind there are three concurrent phenomena that record companies need to get their heads around.

For a start, the way people consume music has changed. The rise of the Internet coupled with the industry emphasis on releasing singles have had a direct impact on how much music people want, how they want to access it and the context in which they are likely to use it.

If there were any doubts about this, then surely Apple's highly successful iTunes, went a long way to dispelling them. iTunes - which is only accessible to US-based Apple users, allows users to download individual songs from a library of around 300,000 songs, at around a dollar a song - attracted over 2 million downloads in its first two weeks of existence. Although sales have slowed since then, thanks in part to the limited market able to access iTunes, it did show that, given the right price and big enough selection, people were willing to pay for downloads.

This would suggest that a radical rethink on how to distribute, market and package music is required. However, the industry has hardly embraced the idea of selling music in digital formats, dragging its feet to bring out an iTunes equivalent for PCs.

This unwillingness to adapt and advance is even more baffling when one considers how the place of music in the entertainment arena has changed. Ultimately there is much more competition for people's disposable income now than there was several years ago. This is particularly pertinent for the youth market, which accounts for the majority of music sales. DVDs, Playstations, cell phones and a mass of other options are competing against music.

Again this points to a need for a rethink in terms of how music is presented to its audience. Indeed, all-in-one entertainment systems can't be that far off. And with them may come advanced multimedia offerings. For example, future DVDs may feature the movie, the soundtrack to the movie and the game based on the movie.

Although that's purely speculative, there is indisputable evidence that effective music marketing is dependant on coverage in different mediums. The obvious incarnation of this would be the popularity of music videos. Another point in case would be Moby's Play album which became a massive sales success no small part because of several of its tracks high profile features in a number of television commercials.

But while the convenience of downloading and the changing role of music may explain why file sharing is so widespread, it doesn't touch on the morality of the issue. Why is it that so many people (an estimated 63 million Americans) - the vast majority of whom would probably never, say, shoplift - have no problem with stealing music?

My guess is that, in part, this is down to the culture that record companies have created. By relentlessly glorifying a culture where what's trendy and current is king, music has ultimately been cheapened and become disposable.

It's a common gripe among musicians that the music industry has increasingly become the domain of people who are fans of money rather than fans of music. And the relentless emphasis on "focus group friendly" music has led to a place where the creative process is often inverted. Nowadays it is not uncommon for there to be a focus group to determine what kind of music people would like to listen to followed by an effort to write and record that music. Although that kind of approach may seem sound on the surface it could be that in reality it robs much popular music of its creative energy and leads to art that is incapable of making a genuine emotional impact on its audience. Which, of course, is a handy reminder that it's not just how you sell, but what you sell.

To be fair, people copying and sharing music is nothing new - people have been taping songs off the radio for as long as radios and tapes have been around. But, the industry pursuing a strategy similar to Swatch (where one could have a new and disposable watch every week) coupled with a medium like the Internet that allows file sharing on a mass scale has spelled disaster.

There are encouraging signs that the music industry is starting to adapt. But it's left it late and the effect has been devastating on sales. It's important for the industry to get it right, because the file-sharing phenomenon and the way that people have changed their music consumption habits will, in the future, also have a serious impact on literature, films and other visual arts, and software. As recording artist Peter Gabriel recently said "The music industry is the canary down the coal mine and, unless we do something about it, will be the first to be extinguished by the gases of file sharing."(3)

(1). Rebecca Lieb, 2003. The RIAA Breaks Up the Brand.
<http://www.clickz.com/feedback/buzz/article.php/2233991>

(2). Media Guardian, July 15, 2003. Music industry hails drop in piracy.

<http://media.guardian.co.uk/newmedia/story/0,7496,998507,00.html>

(3). Media Guardian, April 28, 2003. Gabriel's call to arms.

<http://media.guardian.co.uk/mediaguardian/story/0,7558,944626,00.html>

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