

Impacts of music piracy



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In the future, the only way musicians will make money is by playing live. New federal legislation says universities must agree to provide not just deterrents but also “ alternatives” to peer-to-peer piracy, such as paying monthly subscription fees to the music industry for their students, on penalty of losing all financial aid for their students.

When record companies appeared, services they were providing were necessary in order for people to listen to recorded music, making and selling records was a major undertaking. This was a starting point of development of recording techniques and record studios, at that time making recorded music available to masses required a significant capital and investments, which in turn required a legal structure that would provide stable profits and return on the required investment. Music industry used to provide people with tools that were essential to listen to recorder music and the difference between that time and our days is that record companies charge people for permission to use tools people already have that they did not provide, that in fact people paid someone else for, yet the legal structure that developed during the time when that services were useful remains. The legal structure says if you don't pay you are breaking the law therefore you are criminal and the reason it has not been changed is because of “ STARS” the entire structure of the record industry is built around their interests. Records produce good money for the industry and almost nothing goes to the pocket of musician.

This particular diagram is a good example of old model of music production chain, In our days there is no need of Publisher, Distributors and in most cases manufacturers, modern technology allows to burn CDs at home

publish own records using internet distributing the material across the World Wide Web physically and digitally.

In old days, musician had to pay to almost every person in Music Production chain to record, studios, engineers, managers, labels, publishers, legal departments, distribution networks etc. in fact all of the departments and services belong to the same corporation and the record companies are not actually record companies at all.

“ To begin with, we should note that the major “ record companies” are not actually record companies at all but huge media conglomerates. Most “ independent” labels are owned by a corporate label. Each “ major” is in turn owned by an even bigger corporation, and so on up the food chain. At the top of the chain sit a tiny handful of media giants: Time Warner, Disney, Rupert Murdoch’s News Corporation, Bertelsmann of Germany, Viacom (formerly CBS) and General Electric. These corporations are among the world’s largest. All are listed in Fortune Magazine’s “ Global 500” largest corporations in the world. They have integrated both horizontally (owning lots of record labels, lots of newspapers, and radio stations) and vertically (controlling newspapers, magazines, book publishing houses, and movie and TV production studios, as well as print distribution systems, cable and broadcast TV networks, radio stations, telephone lines, satellite systems, web portals, billboards, and more).”

In contemporary world there are very few recording projects that actually require use of the Cutting-edge technology studios. The Internet and World Wide Web have changed the character of music distribution with laptops and

desktop PCs loaded with hardware and software necessary for high-quality sound recording. All the hardware and software applications are available for the average class people not mentioning internet piracy and “ cracked” software that is available to download using peer-to-peer applications.

The problem of piracy has been rising for the past 10 years, and the numbers of “ pirates” are growing day by day. From my personal experience every person that is using computer came across piracy and became victims or even the pirates themselves and the reason for that is simple, easy and user friendly peer-to-peer software takes only couple of minutes to setup and another minute to become familiar with interface and all the features, in another 10 minutes it is possible to find your favorite artist and download your favorite album. That is in fact so convenient that it is becoming only the question of conscience whether it is a problem or an opportunity to become pirate.

Realizing the problem of piracy Sony tried innovative approach to earn money on digital music, In 2000 Sony launched online music store “ the Store” where the price for a track was \$3. 50 that turned off many early adopters of the service moreover, users were actually only renting the tracks for that \$3. 50 and after a certain point the files expired and could not be played again without repurchase, which was not a successful attempt and service failed quickly. Having that experience In 2003 Apple inc. run iTunes Store, with tremendous success with the Ipod sales which no doubts influences Music industry and the policy of digital music distribution.

That is a breakthrough for digital music and especially for mp3 format.

According to information by Apple CEO Steve Jobs at the end of the second week of January, 2008, the store has sold 4 billion songs, accounting for more than 70% of worldwide online digital music sales.

There were many disputes on the World Wide Web and newspapers and other mass media sources about Ipod users and digital music in overall, where topics like " Ipod users are thieves" were headline. My own opinion is that it looks like a Dog chasing own tail, on the one hand technologies are growing very fast and there is nothing to put on the 200 GB HDD except tons of music and movies, the same with iPods it is highly improbable to have that amount of music in physical quantity, 40gb of Ipods capacity is approximately 5000 tracks which is around 200 albums...

In our days it is becoming more and more difficult for the music industry to ignore the basic economics, technology progress and the outdated legal structures of the industry such as unenforceable property rights (because it is impossible to sue everyone) and " zero" production costs (Peer-to-Peer and file sharing systems became way too popular).

All the big labels such as SONY BMG, Warner and others have now given up on DRM (*" Short for d igital r ights m anagement, a system for protecting the copyrights of data circulated via the Internet or other digital media by enabling secure distribution and/or disabling illegal distribution of the data. Typically, a DRM system protects intellectual property by either encrypting the data so that it can only be accessed by authorized users or marking the*

content with a digital watermark or similar method so that the content can not be freely distributed.”)

Music Companies still trying to charge for their music, but it's becoming more and more clear that as long as there is a free alternative (Peer-to peer and other file sharing systems), the price of music and other media will have to fall.

“ LONDON — U. S. rock star Prince gave away his new album for free with a U. K. tabloid newspaper, weeks before its official launch, in a move that has caused dismay among music retailers .”

Some artists already started to use the situation and instead of fighting with the “ problems” started to look for the advantages and opportunities.

Marginal production costs are zero and like in case with software applications, it doesn't cost anything to produce another digital copy that would be as good as the original, as soon as the first copy exists anyone can create additional copies. Unless effective technical, legal or other artificial barriers to production can be created, simple economic theory dictates that zero marginal cost plus competition (The possibility that consumer will create and spread another copy) results in a zero price, unless government creates artificial barriers to a free market.

“ Sure, Radiohead is on a sustained run as the most interesting and innovative band in rock, but what makes In Rainbows important — easily the most important release in the recent history of the music business — are its record label and its retail price: there is none, and there is none. ”

In October 2007 Radiohead announced that their new album "In Rainbows" will be available to download free of charge, the fact is, the networks and peer to peer file sharing systems have grown into easy-to-use distribution methods for music - even easier than what Radiohead has been offering. According to Forbes website (www.forbes.com) about 240,000 users have been downloading album using Peer-to-peer (BitTorrent) sources "according to Big Champagne, a Los-Angeles-based company that tracks illegal downloading on the Internet. Over the following days, the file was downloaded about 100,000 more times each day—adding up to more than 500,000 total illegal downloads." Radiohead offered to download their album for free the only requirement was to set up an account on the website, but according to statistics that turned out to be not "cheap" enough!

"The recorded music industry ... has for too long been dependent on how many CDs can be sold," writes Guy Hands, EMI's chairman. "The industry, rather than embracing digitalization and the opportunities it brings for promotion of product and distribution through multiple channels, has stuck its head in the sand. Radiohead's actions are a wake-up call which we should all welcome and respond to with creativity and energy."

Nokia made a step forward offering music downloads for free on their mobiles by signing contract with Sony BMG

"Nokia will offer free 12-month access to music from artists of Sony BMG, the world's second-biggest label, to buyers of its particular music phones, the world's top cellphone maker said on Tuesday. Last December, Nokia unveiled a similar deal for its "Comes With Music" phones with the top

record label Universal .” Comes With Music is expected to launch in the second half of 2008 on a range of Nokia devices in selected markets,” Nokia said in a statement. Nokia gave no financial details. Sony BMG, home to artists including Beyonce , Bruce Springsteen and Celine Dion, is jointly owned by Sony Corp and German media group Bertelsmann AG. The new music offering from Nokia — the first cellphone maker to push heavily into content — would differ from any other package on the market as users can keep all the music they have downloaded during the 12 months.”

My personal opinion is whether you agree or disagree that the prices for the music will be zero or about zero but it is going to happen if the authorities would not take drastic measures to solve the issues as it appears that there is no “ easy” solution...

The new era is coming, the era of free recorded music and my believe is that everything is going in a right way, recorded music will become one of the marketing tools to get people to pay for the live concerts, that will put emphasis on organizational skills and on new dimension of the performances and performance quality which will result in cultural socialization and stronger community. In countries like Brazil people already started to use situation as an advantage and opportunity, people doing huge amount of remixes which resulting in new styles and music cultures like Techno Brega

“ In the North of Brazil, you have the Techno Brega movement. [...] You have a music producer who has a recording studio. [...] Probably a small one with good equipment. They invite the artists to these studios to make the CDs. They deliver it to the street vendors, so that they can replicate them. The

only people making a profit out of CD sales are the street vendors. The musicians don't expect any money from releasing the CDs."

People realized that CD sales model is not an effective way to earn money in our days it is outgrown to promotion side of business and what people are doing now is using CDs to record actual performances and then sell it to people who have attended the performance which is a good souvenir and memory of the event.

Services and web resources are developing for the benefits of artist. Web resources such as www.myspace.com or www.sellaband.com could be of great benefits to artist. Sellaband is a very perspective web project which is aimed to promote artist but in slightly different way then www.myspace.com, Artist creates a profile, uploading all the necessary information and maximum of 3 demo songs and looking for "believers", each believer have to invest at least 10\$ in artist and as soon as the amount of believers will reach 5000 the artist will receive 50000\$ to record the album, after the album has been produced the believers will receive limited edition CDs with all the bonuses, all services are absolutely free as for believers as for the artist, that is a very bright idea as the "believers" could be a very good source of money which is very important for the first album, the amount of believers could be less then 5000, the main concept is to rise 50000\$ therefore, in this case it is possible for artist to divide the source of money between believers and himself so that it could be 50% from artist and 50% from believers.

In conclusion, record labels are going down and struggling to make profits from CD sales and it appears that digital music selling is more reliable for revenue than CD sales. Copyrights and intellectual property rights law have to be updated to cooperate with current issues of piracy and file sharing protocols. CD Sales model has to be reincarnated to CD promotional model in order to regain the value of physical product with the emphasis put on live performances which should result in quality and cultural aspect of performances.