





MusicToMyEars

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The Music Industry's Web Of Intrigue

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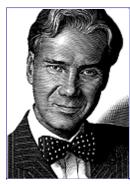
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Multimedia Billboard Radio Imagine an industry that has allocated (and mostly spent) more than \$4 billion in funds on ventures that have thus far made back less than \$1 million—globally. Think about it. Spending \$4 billion to earn under \$1 million. If such calamitous business practices seem like a scenario for a possible "industry meltdown," you've reached the same conclusion regarding the profitable prospects of online digital music sales as OC&C Strategy Consultants, a London-based international financial advisory firm for media industries. In a new study titled The Digital Dilemma—Making Music, Losing Money? OC&C merged comprehensive fact-finding discussions with more than 50 players in the U.S. and the U.K.—including music labels, online music retailers, digital-rights management execs, and digital intermediaries or digital service providers—into a damning report, concluding that "paid-for digital music still accounts for less than 0.01% of sales in any market."

Legitimate download services and digital subscription models sanctioned by the music business have resulted in a monumental loss of both money and time for a hard-pressed industry. One of the functions of this trade publication is to inform readers of where best to put their money, and since 1999, this columnist has examined the faulty business-cum-cultural reasoning behind online music enterprises for corporations and individual copyright holders (Music to My Ears, Billboard, Aug. 7, 1999), as well as offered commentary on the "paucity of both Internet profits and online listening audiences" for legitimate downloads and cited "insights" from a prior era about interim technologies and their transitional worth" (Music to My Ears, Billboard, Oct. 9, 1999). Music and media execs have recently told Billboard they do not expect any profits in online digital music sales for at least two years. Technical and financial experts this columnist canvassed during the past three years have privately concluded there may not be any profits in this realm during this decade—if ever—and have pulled their money from it.

The Web and technology have their uses (this publication goes to press electronically each week), but the mere existence of either entity is no guarantee of diverse viability. The 1899-1926 pre-history of popular





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radio provides instructive parallels, being a purportedly "revolutionary" communication medium that remained limited in its applications even when it later reached full functional maturity. By the time the originally headphone-tethered "ham" (a merger of the words "hobbyist" and "amateur") radio evolved to feature the widely accepted on/off switch and the loudspeaker—whereby consumers needed no preparatory skills for maximum enjoyment—it had receded into the background of public life. Unless, that is, it had something of unprecedented substance to offer—in which case, the airwaves seemed even more invisible as a vehicle for imaginative programming that transcended its context.

Myopic technologists and greedy software manufacturers always argue that the medium is the destination—and they're regularly mistaken. Music downloads, for example, are primitive trinkets that miscomprehend both the transient "personal broadcasting" allure of file swapping and the more lasting, pride-of-ownership appeal of quality physical product. The do-it-yourself perspective is never the most evolved or lucrative point in a product's life cycle; rather, the nobody-does-it-better position is, and short-sighted record companies will regret relinquishing claims to practical superiority. In fact, the music industry has spent the past two decades diminishing the experience of recorded music, whether reducing the size and merit of most CD packaging to the point where it's too paltry to invite lasting curiosity or proffering the often thin and tinny sound of digital music as if it's a "perfect" product.

A casual survey of top artists this writer has recently visited in studios revealed that analog recording is regularly preferred due to the myriad aural attributes of that process, regardless of whether the final music is (however reluctantly) poured into a digital mold for buyers. Until the day that U2, Yo-Yo Ma, or McCoy Tyner are willing to trade their master tapes with any passerby for either the downloaded, burned, or commercially purchased copies of those same recordings, you can be certain that corporate pronouncements about the vast marketplace value of digital music are all saddle and no horse.

Conventional piracy and the middle-class larceny of large-scale online bootlegging via CD burning or other means should be prosecuted. But years of ongoing reportorial inquiries have yielded anecdotal reasons for the proliferation of peer-to-peer file swapping. Chief among them are the frustrations of commercial radio, which plays little that's surprising beyond certain singles or format-restricted remixes of those singles—neither of which are usually available for individual purchase. The record industry has adopted the off-putting and commercially poisonous habit of telling consumers what they want rather than answering their needs and complaints. Recent studies show that even hardcore fans

have scant knowledge of the latest releases by established acts. The satisfactions of album-length releases have been systematically obscured in the marketplace by limited public exposure on either radio or TV. Many of the songs receiving the most aggressive pushes are designed to appeal to the prurient interests of nominal/cursory listeners. Such tacky sideshows rarely translate into a stable consumer base.

At a time when specious accounting practices in the business community are being assailed, the Recording Industry Assn. of America was touting Shaggy's 2000 Hotshot release as the best-selling album of 2001 with an alleged 5 1/2 million units sold. Actually, that figure was, at best, the sum of shipments in 2001—an archaic and hype-prone method when compared with SoundScan's hard tallies of 4.81 million units purchased of Linkin Park's Hybrid Theory vs. 4.52 million units for Shaggy's album.

Meanwhile, imagine the other ways that the \$4 billion lost on online music ventures might have been spent: for example, on salaries for seasoned employees with the expertise (and sufficient budgets) to sign, market, and distribute the physical products of serious artists whose unique talents could have blossomed into worthy catalogs of recorded music.

Instead, the heavily funded online sphere has become a web of intrigue for any businesses intent on siphoning cash while eluding the operating guidelines and logical expectations that generally govern the rest of the capitalistic landscape. (Attention stockholders of the tech persuasion: When was the last time you saw cash dividends?) Clumsy phrases like the "complex economies of developing e-commerce" arise whenever excuses are being made for MusicNet and Pressplay, the major-labels' widely panned online digital music rental sites ("Hitting All the Wrong Notes" was the headline on TIME's Feb. 25 evaluation), which are more likely calculated to increase corporate ownership of the tracks than extend services to fans. MusicNet and Pressplay are proving as reluctant to cut credible deals with artists and publishers for copyrighted music as was the illicit Napster file-sharing enterprise that the majors battled to disconnect. Somehow, it's easy for corporations to find \$4 billion for murky digital goose chases but hard for them to accept the basic cost of doing business. At least the Copyright Arbitration Royalty Panel, in its Feb. 20 recommendations to the Library of Congress, called for direct payment to artists of non-subscription Webcast digital royalties, but such payments should extend to all digital modes of music delivery, broadcast, and distribution. Show all parties the money.

Almost as disappointingly elusive as online music profits are the rising number of out-of-power music and media executives who once undermined artists' cases for copyright and contract issues before assorted industry

and governmental bodies, only to sometimes flip their positions after parachuting from their respective posts. This was evidenced by a recent statement from former BMG U.K. & Europe president Richard Griffiths, just hired as international president of a U.S. artist management firm, who now amazingly asserts, "In the record business, people are realizing that record companies only care about selling records, therefore they don't care about long-term careers."

Indeed. And Congress, the Department of Justice, European parliaments, and investigative agencies in Brussels or elsewhere should realize that the overwhelming majority of long-term careers in the music industry are those of the artists, whose creative legacies last far longer than the opportunistic policies of most of the music executives and corporate entities associated with them. In the digital revolution, cynics fought crassly for market share and the spoils of venture capital. In the American Revolution, citizens fought courageously for the right to be law-abiding corporations unto themselves if they so chose. If one creator/copyright holder seeking legitimate protection and compensation for his or her music cannot prevail against an array of high-handed holding companies seeking to avoid fair play and honest obligations, we are facing a threat to our social democracy that will equal or surpass the industry meltdown we may yet invite.

-- Timothy White

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