How Will the Music Industry Weather the Globalization Storm?

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Distribution Networks
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Presentation Overview

- Main Points of Dolfsma’s Article (3)
  - General Role of IT in Music Industry
  - Disabling of Copyright (the institution providing the foundation of the industry)
  - Future of Music Industry
- Connections to Class / My Thoughts

Role of IT in Music Industry

- Chances for new artists to be discovered
- Cheap purchase of music
- Allows musicians to offer music directly to customers but also poses threat to existing intermediaries (music publisher, record company, and retail outlets)
- Also effects the current basis for the institution of copyrights (argues that Internet best exempted from copyright)

Copyright

- Copyright is an instrumental institution
  - Encourages production of creative work
  - Ultimately benefits societal welfare and provides financial incentive for creators
- Establishes boundaries between who is allowed to use particular good and under which conditions and who is not allowed to use it
- To understand present structure of music industry (which includes the intermediaries like record company) copyright needs to be considered
Copyright (cont.)

- Argues that copyrights are ceremonial institutions (characterized as those that prevent developments from taking a turn to benefit all) and that the intermediaries (e.g. music publishers) receive more of the money/royalties than the creative individual.
- However, with IT, copyright becomes somewhat non-existent and will change the role of the intermediaries, the basic cost of music to consumers, the sources of income for artists, and the future variety of new music.

Future of Music Industry

- Internet market provides direct contact between musician and consumer without a third party but most likely will not be the dominant means of interaction.
- Current established intermediaries will survive if they respond to the technologically induced changes.
- But Internet has allowed other intermediaries/firms to enter the market.

Future of Music Industry (cont.)

- Unlike the already established intermediaries that have a financial position and brand name, new firms need to establish this in order to succeed. A way to do this is by virtual communities.
- Product innovation will be more important than process innovation.
- Traditional intermediaries need to establish links with independents, who are able to produce new artists or genres of music.

Future of Music Industry (cont.)

- IT has allowed local artists to become more available on global basis, allowing musicians to improve their bargaining positions with traditional record companies for a share of revenues from sales of recordables.
- Allow musicians to actually make a living from making music; creation of new superstars.
- Virtual economy will not necessarily substitute the physical economy.
Connections to Class

• Direct connection with lectures on Napster Case
• Connects with the concepts already discussed about the purpose of copyrights
• Concepts of Distribution Networks and questions how to redesign traditional industries into a network industry

My Thoughts / Questions

• Has the role of IT brought justice back to the original author? – May prove to be more profitable for artist and not intermediaries.
• Dolfsma seems optimistic about new artists making it in the business. Will these new artists still have to play catch up with the already established artists? Similar concepts to that of third world countries trying to catch up to ‘economically established’ countries.
• Internet market may bring in new artists but is that necessarily a good thing? Won’t this affect what society deems as ‘good music’ or even the value of music?
• What should the new role of intermediaries be?
• Should copyright laws exist? Without copyrights would authors still create?
• Should barriers for new intermediaries to enter the market be set rather than having open competition? What should these barriers be? Financial? State-controlled?
• Point Dolfsma did not make but worth mentioning: Internet possibly has allowed freedom of expression where music listening and production is scarce or controlled. Could the music internet market open doors for possible political/cultural movements?