

The Future of Music: Manifesto for the Digital Music Revolution

By David Kusek and Gerd Leonhard

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Can you imagine a world where music flows into our homes much like water or electricity? A place where we pay a small monthly flat-fee for almost unlimited access to digital music? In their book, The Future of Music: Manifesto for the Digital Music Revolution, authors David Kusek and Gerd Leonhard predict that in the very near future, music will be ubiquitous. They envision that music will become more of a utility that seamlessly fits into our lives rather than merely a product.

As exciting as this may sound for music fans, not everyone would embrace such a concept with loving arms. The recording industry is hemorrhaging financially from declining CD sales and is desperately seeking ways to stop the bleeding. In attempts to recover lost sales the recording industry has done everything from filing lawsuits against file-sharers to dropping the prices of CDs. This was not always the case however. Not too long ago music consumers eager to buy their favorite artists' albums were at the mercy of the recording industry to pay around \$18 per CD. So why now is the recording industry in such dire straits?

Before answering that question, The Future of Music first debunks many popular myths regarding the music business, the most important of which is the misconception that the music industry is dying. The book states that more music has been "consumed" over the past 5 years than ever before even in the face of declining CD sales. This is

possible because the recording industry is just one small piece of the overall music industry pie. Today the music industry is alive and prosperous with the popularity of both legal and illegal digital music downloading services, where music fans are being exposed to a greater number of artists than ever before. So while record sales slump, other aspects of the music business including publishing, touring, merchandising are all doing quite well.

The Impact of Technology

After distinguishing the recording industry from the overall music business, the book discusses how advances in digital technology, including personal computers, digital recorders, the internet, legal online distribution services and illegal p2p services have already changed the music industry.

Such technologies have made artists and fans alike less dependent on the recording industry to create and distribute music. For instance, many artists and recording engineers are able to record high-quality albums from homemade studios using sophisticated equipment that was once too expensive to purchase. In addition, consumers no longer have to drive to the store to purchase CDs at high prices, but instead can simply sit in their homes and download music using both legal and illegal digital distribution services. The authors argue that such a distribution model has caused record companies to become less integral in the artists' success, and if they want to exist in the future, must adapt to the changing face of music distribution or die.

In addition to the way music is created and distributed, the authors find technology greatly impacting the way music is marketed and promoted to fans. In the past, marketing was typically the role of record labels who used the radio and MTV to

promote their artists. Today both of these channels of promotion are less effective and are being replaced by more direct marketing tools such as cell phones, artist websites, pod casting, internet radio, and even video games. Developing direct relationship with fans is vital for music companies and artists in the wake of the growing exposure fans will have to new artists all competing for their attention and dollars.

P2P: Illegal Arena or Untapped Market?

A good portion of the book is devoted to a discussion on p2p file-sharing services and the role they play in changing the music industry. Regardless of their legality, the convenience and expansive variety of music available on p2p services is far too great for many music fans to pass up. In fact, most top p2p services offer “tens of millions” of songs compared to only ten thousand CD titles sold in the average record store. The authors do not support the criminalization of online file-sharing and instead argue that such activity is a beneficial marketing tool that should be legitimized and exploited by music companies.

People have embraced p2p file-sharing software faster than any other technology including the telephone, personal computers, and even the internet. The book cites to statistics which “estimate that more files are being downloaded each month across the various [p2p] networks than are being sold by the music industry on an annual basis.”¹ However, even with the rampant amount of illegal downloading, legitimate digital music sales continue to thrive, reflecting the notion that people are willing to pay for music on the internet, for the right price. The authors question why record companies are focusing

¹ DAVID KUSEK & GERD LEONHARD, THE FUTURE OF MUSIC: MANIFESTO FOR THE DIGITAL MUSIC REVOLUTION 101 (JONATHAN FEIST & SUSAN LINDSAY eds., Berklee Press 2005).

their efforts on suing their own customers instead of legitimizing p2p file-sharing and tapping into a profitable revenue stream.

The Blame Game

The authors criticize the recording industry for its “single bullet” theory of blaming declining record sales on the popularity of online file-sharing, and instead argue the decline has less to do with illegal file-sharing and more to do with stiff competition from other forms of entertainment media. Consumers’ money once spent on CDs is now being used to purchase other types of entertainment such as video games, DVDs, online pornography, and computer software. The authors argue that consumers today do not see the price of a CD as a “good value” when compared to more sophisticated types of media.

In addition to more stringent competition from other forms of entertainment, the decline in record sales is due to the end of what the authors refer to as the “replacement cycle.” CDs were originally developed to replace vinyl records as a new more durable and portable digital format. Many customers spent considerable amounts of money replacing their old obsolete vinyl records with CDs, and as a result record companies were reaping the benefits of “double sales” for the same album. Sales figures were deceptively high, and as the replacement cycle wound down, album sales appeared drastically lower.

The authors also find the decline in record sales stems from the way CDs are actually sold. Larger retail stores such as Best Buy sell their CDs at deep discounts in order to increase foot traffic to drive sales of other more expensive merchandise. As a result, smaller record stores cannot compete and are forced to either reduce the variety of

music for sale or just close their doors altogether. The result is that there are actually less albums available for sale than ever before.

Seeing into the Future

The authors question the current litigation scare tactics used by record companies and contend that internet file-sharing is here to stay, and therefore the recording industry should instead embrace it as a great method to market music. The authors liken illegal internet file-sharing to cable television, which was once illegal but later legitimized using compulsory license to compensate media broadcasters.

This view of file-sharing leads to the authors' prediction that music will be ubiquitous and available for a monthly fee like our water or cable bills. Under their theory, record companies involved in music distribution would prosper by receiving profits from the blanket licensing of songs available on p2p services. This is by far a better alternative for the recording industry than simply receiving zero revenue from illegal file-sharing.

In addition to the recording industry, consumers would also prosper by having access to a large number of songs for a relatively small fee. Consumers already paying for music would likely continue to do so since the amount of music accessible would be vast and probably be much cheaper than they are paying for a single CD today! Those who are illegally downloading music from p2p services may be willing to pay for such a service because it would eliminate the threat of litigation and provide a way to better-compensate the artists they love.

The "New Look" Music Company

The demise of record companies will have few losing sleep at night, but these companies can still play important roles in the music industry. The authors predict that in the future, artists will sign with music companies which merge together the functions of record labels, artist management, music publishing, touring and merchandising. The book describes how uniting each of these revenue streams would lower the cost of production, distribution, and promotion for both the artist and the music company.

Under this model artists would retain the rights in their works and license them to the music companies, as opposed the typical scheme where record companies obtain most if not all copyrights in the artists' works. Music companies would then use legal digital online distribution services to distribute the songs and also act as the artists' publisher. By merging the touring and management aspects into the music company, the effects of lost sales due to illegal file-sharing is not as hard to swallow. This creative model puts the music company in the role of working for the artist to maximize revenue, and will ultimately benefit artists and fans the most.

Conclusion

The Future of Music should be read by anyone interested in music, period. It provides a detailed explanation about how the soon to be extinct model of music distribution is outdated in the wake of the internet and new technology. The book reveals the misconceptions surrounding the music industry and gives readers an accurate picture about how the business really works. Most importantly, the authors make many bold predictions about how we will all enjoy music in the future. After reading their book any music fan will be praying their visions are realized.