



INTERNET & THE P2P REVOLUTION IN THE MUSIC INDUSTRY

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MUSIC INDUSTRY.

- 19th century : only used sheet music.
- 20th century : records, cassettes, CD's, etc.
- This music industry has become as a global industry whether in Moscow or Miami, Paris or Peking, London or Lusaka, the same record are being listened to and the same companies are supplying them.



CONT...

- Big companies that having a problems in the music industry are Universal, Sony BMG, Warner and EMI.



CONT...

- They have claimed that since 2001, the total European market for recorded music has lost 22 per cent of its value
- All of this were because the internet and P2P have made the revolution for the music industry.



INTRODUCTION.

- P2P : is a system of sharing files directly between network users, without the assistance or the interference of a central server. It allows surfers to connect with each other to search for and to download content.



INTERNET AND P2P REVOLUTION

- Napster was the first of the massively popular peer-to-peer file sharing systems
- Napster specialized exclusively in music in the form of MP3 files and presented a user-friendly interface
- Napster was initially created in 1999 by 19 year old Shawn Fanning who attended Boston Northeastern University. The program was written to help better find music downloads online.



CONT...

- Legal issues led to several major recording companies losing their revenues in music sales and backed by RIAA (Recording Industry Association of America) launching a lawsuit to file sharing companies.
- So in 2005, Napster reincarnated offering legal music download service. Online music markets were set to grow and Napster entered market at the right time – at the beginning of the growth.



QUESTION 1:

LIST THE MAIN WAYS IN WHICH IT
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QUESTION 1:

List the main ways in which it could be said that Shawn fanning changed the rules of the music industry.

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MUSIC ENTERTAINMENT



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UNIVERSAL MUSIC

○ Shawn fanning said :-

- ✓ He wanted to spend his time developing a computer program which would make it easier to find and swap music via internet.

○ Two competing views:-

- 1) Allow companies to increase their service provision and make greater profits.
- 2) Allow individuals to create a community of equals where they can exchange ideas, products and services on a no-cost, peer to peer (p2p) basis.



The main ways:-

- i. Make the music industry sharing or the distribution easier, peer to peer
 - ✓ Make it user more fun to get any music that there want, even though the music is new in industry.
 - ✓ Saving money and time with has this P2P.

- ii. Cut down music label and retail shop equal to chain supply chain.
 - ✓ This p2p make music industry more difficult to survive because they facing a lot of problem to make the music but other people easy to copy.



iii. Exploit artist income

- ✓ when user only can get any music or song from p2p, so where the artist can get the income because no more people will buy their CD, VCD or DVD.

iv. Planning music label into financial risks

- ✓ music industry has potential to get the big loser because of this p2p.

v. Forces bricks to clicks over the distribution channel

- ✓ from traditional concepts to modern concepts.
- ✓ p2p replace the industrial music business because people no need to buy just can download from p2p.



- v. Planning music label into financial risks
 - ✓ music industry has potential to get the big loser because of this p2p.
- vi. Forces bricks to clicks over the distribution channel
 - ✓ from traditional concepts to modern concepts.
- vii. p2p replace the industrial music business because people no need to buy just can download from p2p.



QUESTION 2;

What are the main strategic options facing the big record labels in coping with the challenges posed by the internet?

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THE OPTIONS ARE;

- Stop the Napster and other similar organizations from facilitates music swapping,
 - ✓ Napster was being sue and taking to the court for copyright infringement.
 - ✓ Now Napster are no longer free applications for user, they've make a subscription fees to use the application.



CONTINUE,

- Big labels have make their own online music store.
 - ✓ EMI music, collaborate with pioneer digital music Apple's iTunes Store.
 - ✓ All of its digital repertoire available at a much higher sound quality than existing downloads and free of digital rights management (DRM) restrictions.



CONTINUE,

- ✓ Give added value, lower price[if downloads online], twice better sound quality, free-DRM, can be upgrade if someone have the DRM tracks/albums online.



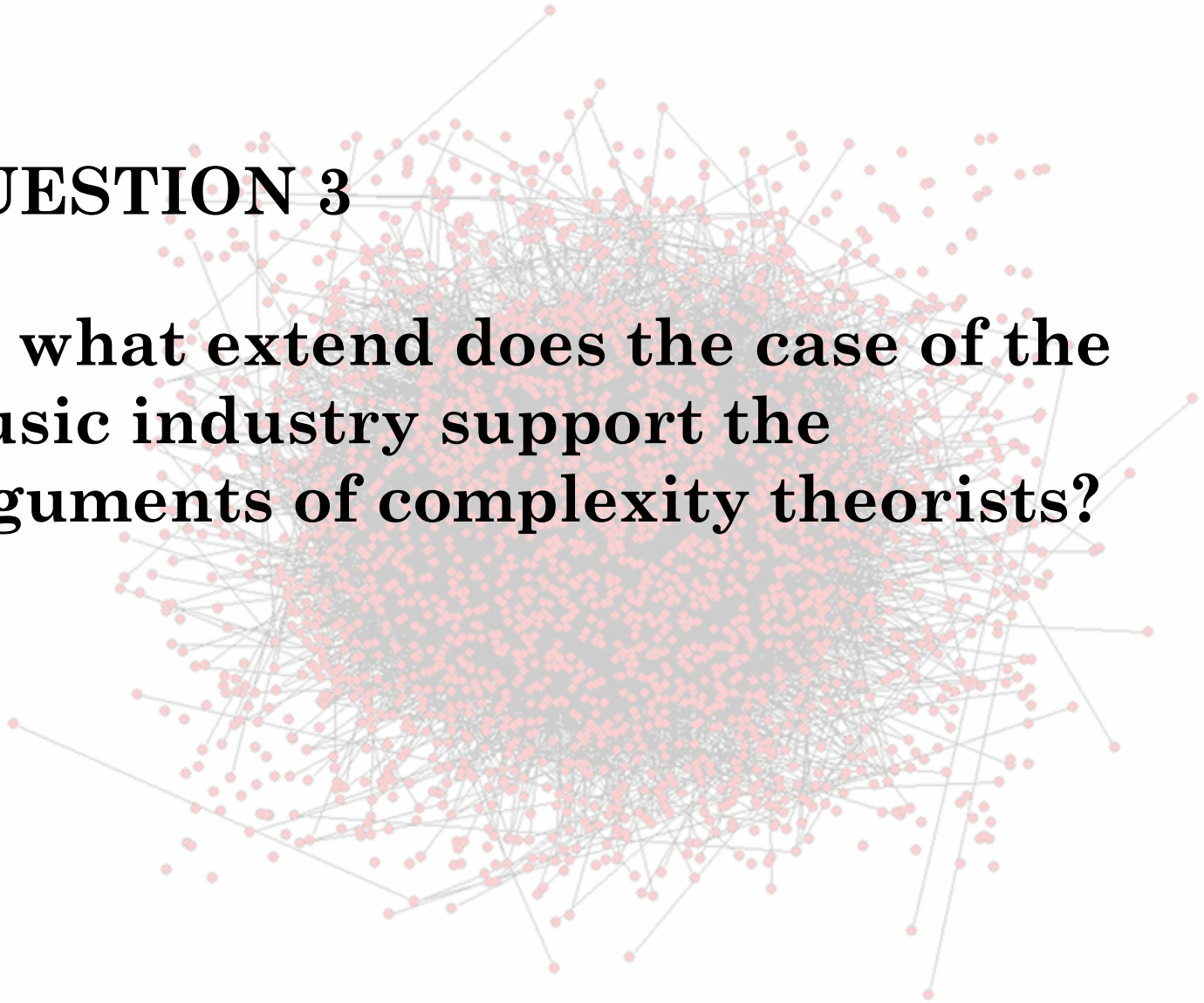
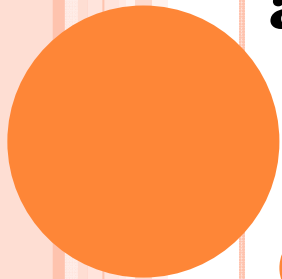
FROM THE STRATEGIC OPTION;

- Music industry have no way to run or avoid but have to adapt the new culture of music industry.
- "Selling digital music DRM-free is the right step forward for the music industry," said Steve Jobs, Apple's CEO.



QUESTION 3

To what extent does the case of the music industry support the arguments of complexity theorists?



COMPLEXITY THEORY

- The developments of digital copying and global networking technologies have drastically transformed the music recording industry.
- The peer-to-peer (“P2P”) file sharing has result to contemporary file sharing arose in the context of a system designed to produce and distribute musical recordings
- Systems both occur naturally and result from human design. Complexity theory provides a conceptual model for a particular category of systems - complex adaptive systems.



COMPLEXITY THEORY

- Building on chaos theory, complexity theorists in both the hard and soft sciences have sought to identify fundamental characteristics of complex systems as diverse as the global environment, the human brain, nation states and tribal organizations, free market economies and stock markets.
- Analyze the complex system through which music sound recordings are produced and distributed - a human-created system.
- Within this system, technological, economic, social, legal, and political systems, and all their nested subsystems, overlap and interact with specific reference to sound recordings. Formal law, particularly copyright law, plays a critical role in the workings of this system. The music system exhibits the characteristics typical of all complex adaptive systems.



THE MUSIC SYSTEM AS A COMPLEX ADAPTIVE SYSTEM

Multiple, Interconnected Components

- Artists, their managers, agents, recording companies, industry associations, performance rights societies, distributors, advertisers, promoters, retailers, and consumers
- Independent artists create and distribute their own works. Consumers contribute to distribution by sharing works and creating new “mixes”
- The Internet multiplied those connections globally, low-cost direct connections between artists and consumers.



THE MUSIC SYSTEM AS A COMPLEX ADAPTIVE SYSTEM

Multiple, Interconnected Components

- In this system, we can identify many overlapping, interacting subsystems including music-related technologies, music markets, socio-cultural groups and practices, political organizations, and legal institution.
- All of these subsystems directly affect the production and distribution of music recordings
- Thus, the music system exhibits the complex structure typical of complex adaptive systems. Its behavior is similarly complex.



THE MUSIC SYSTEM AS A COMPLEX ADAPTIVE SYSTEM

Evolution and Co-evolution

- All systems exist within their own environment and they are also part of that environment. Therefore, as their environment changes they need to change to ensure best fit.
- P2P is forcing change in all of the subsystems coevolving within the music system.
- The music system has obviously adapted over time to encompass many new technologies, as well as changes in cultural behaviors and legal rules.



THE MUSIC SYSTEM AS A COMPLEX ADAPTIVE SYSTEM

Emergence

- The aggregation of the local, self-interested activities of actors in the music system has produced new emergent properties, including the growth of P2P file sharing and the responsive development of new business models.
- P2P development forced the music industry, finally, to quit dragging its feet and move ahead with legal online distribution systems and new forms of offline distribution.



THE MUSIC SYSTEM AS A COMPLEX ADAPTIVE SYSTEM

The Edge of Chaos

- Complexity theory is not the same as chaos theory.
- The most productive state to be in is at the edge of chaos where there is maximum variety and creativity, leading to new possibilities
- Professor Neil Netanel observes, in fact, that file sharing activity follows a power law distribution, in that the large majority of file sharing implicates a very small number of particularly popular works.
- Music sales follow a similar distribution—a relatively small number of hits produce the lion's share of sales.
- The emergence of successful business models and existence of power law distributions may indicate that the music system is poised at the edge of chaos.

