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Technology needed: LCD projector

Thanks to technology, more people are creating and listening to music than ever before. With computers and the internet, it is cheaper and easier to produce and distribute music. Instead of embracing technology, music companies are using technology like DRM to stifle innovation and user value, trying to control their evolving industry.

DRM gives record companies the feeling of control over their music – control they no longer have. But the economics of music are changing. The cost of distributing music has dropped to almost nothing, making music infinitely reproducible by anyone. Music companies used to decades of controlling distribution need to adjust to a new marketplace where plastic discs don't matter. This means radically changing music's business models.

Musicians and publishers feared the first digital music device, the player piano, more than a century ago. In 1906, John Phillips Sousa and music publishers asked Congress to ban the player. Instead, Congress instituted the compulsory license system still used today. This took away control from publishers, but helped everyone make more money by embracing the benefits of the technology, selling piano rolls to make songs more popular and performers more valuable.

Computers and the internet can be just as profitable when embraced. Musicians like Trent Reznor, Radiohead, Jill Sobule, Kristin Hersh, and Maria Schneider are experimenting with new business models using infinite goods to sell scarce goods. Reznor posted his own music on file-sharing networks while selling premium editions of his album with a Blu-Ray slideshow, vinyl version, and signature. Reznor grossed \$1.6 million in the first week even though his music was freely available online. Sobule and Hersh let fans support the creation of their albums by selling private performances, chances to sing on the album, or executive producer credits. Music companies study file-sharing networks to target advertising and decide tour locations based on the popularity of artists.

Most music companies treat new technology like the enemy, using DRM to limit what technology can do. DRM aims to prevent file-sharing, helping music companies control distribution of an infinite good, while taking away value from paying customers. Music companies expect customers to pay more dollars for less value.

But DRM does not stop file-sharing. Only one MP3 file is needed to spread to thousands of freeloading fans. Almost every form of DRM gets circumvented within days meaning one file always makes it onto file-sharing networks. EMI began selling DRM-free files on iTunes partly because DRM has no effect on piracy.

While DRM fails at its only purpose, it succeeds in making music less valuable, treating paying customers like criminals, and causing technical and public relations nightmares from installing malware (Sony rootkit) to failing devices (Blu-Ray players that don't play all Blu-Ray discs). DRM-free stores like Amazon and Wal-Mart evolved out of necessity. Music companies forced Apple to lock iTunes with DRM limiting files to only play on iPods. As Apple sold more music, it sold more iPods. When Amazon and Wal-Mart launched their music stores, they had to offer them DRM-free so songs could play on iPods. The music industry handed Apple control over its digital future, from pricing to marketing, because of DRM.

Some DRM validation services get canceled, leaving companies with expensive public embarrassments and unhappy customers with useless music. Yahoo, Google, and Microsoft all canceled support for their DRM. Yahoo and Google offered refunds or DRM-free alternatives to all customers while Microsoft, due to public outcry, reinstated its DRM.

It's up to the music industry to develop business models that embrace the promotional value of its music to sell more valuable scarce goods. Entertainment has used this model for decades: Television provides free shows supported by advertising and music uses the promotion of radio to increase album sales. There is more money to be made embracing technology rather than fighting it. People can listen to and share music, becoming bigger music fans, and increasing demand for scarce goods like concert tickets and collectibles. Thanks to computers and the internet, every MP3 is a promotional tool.

The music industry needs to adapt to the changing marketplace. Use technology to give customers more value: give people a reason to spend their money. DRM takes away value from customers, causes public relations nightmares, and provides no benefit except a false sense of control. Instead of fighting file-sharing, embrace it as a competitor and offer a more valuable customer experience, not try to control the experience. More value means more money. And that's good business.

### **Work Cited**

Doctorow, Cory. "Microsoft Research DRM talk." Microsoft offices, Redmond. 17 June 2004. 1 Sept. 2008 <<http://www.craphound.com/msftdrm.txt>>.

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