

## **ENTERTAINMENT**

### **Canadian Music Week**

#### **Is it closing time for the music industry?**

If you are a music lover or musician, the future of wireless Internet Audio looks bright. But the industry needs to wake up fast, or else, writes DON TAPSCOTT.

**By DON TAPSCOTT**

**Special to the Globe and Mail**

**Saturday, February 22, 2003 – Page R16**

When the head honchos of the Canadian music recording industry gather this week in Toronto to discuss the industry's outlook, there won't be much backslapping and big smiles. Thanks in part to the Internet, CD sales are in a freefall and record company revenues and stock prices continue to sink. Many analysts are predicting the current record companies will be replaced by a new industry within 5 years. At the current rate, within 18 months there will be virtually no stores selling only CDs.

But if you're a music lover or musician, life looks fantastic. Thanks to that same Internet, consumers have unprecedented access to a treasure trove of tunes. Musicians will soon have unprecedented opportunity to earn a living playing an instrument and singing the songs they love. If the record companies wake up, they could join the party too.

The reason the future is so bright is that soon we'll all plug in to around-the-clock streaming Internet audio, happily paying a few extra dollars a month to our Internet Service Provider for the privilege.

We're not there just yet. But in the next few years the requisite technology will fall into place. Then most of us will carry a wireless Internet uber-gadget wherever we go – a unified cell phone/personal digital assistant/Blackberry/camera/GPS locator/video recorder/co-pilot for life. This device will capture and filter the barrage of digital data coming at us from all directions. Lunchtime? Your digital co-pilot will tell you the price and quality of every tuna salad sandwich for sale within 500 meters.

Even better, your uber-gadget will receive wireless Internet audio, a loose term I use to describe the various forms of streaming audio starting to appear on the Internet. With streaming audio, you can hear the music you love anytime, anywhere.

This is why the downloading music sites recently announced by some of the record companies are a step in the right direction — but only as a stopgap solution that won't be around for long. In the world of ubiquitous streaming Internet audio we'll have less use for our iPods. They won't be worth the hassle. Why fuss with choosing, loading, and arranging thousands of songs on an MP3 player when you can wirelessly access any piece of music you want no matter where you are? As media analyst Jim Griffin says, downloading – taking possession of music – will be silly and undesirable.

Don't confuse streaming Internet audio with today's commercial AM and FM music radio. Most of those stations have grating commercials and repeat ad nauseum the same three dozen songs.

Internet audio is bliss. No commercials. Music you crave. Endless variety and high quality. Already there are hundreds of web sites that stream music, often focusing on niche markets, such as "low-key female jazz singers." While researching this article I stumbled on to the BBC's online rock station called 6 Music. Great tunes, many of which I've never heard.

But this just hints at the potential of streaming audio. Soon it will be interactive and learn my tastes. I will vote thumbs up or down to tunes while I'm listening (if I care to) and my digital uber-gadget will refine its music list. I'll ask my digital co-pilot to retrieve upbeat tunes for me from my high school years that feature great guitar riffs. While driving to the cottage I'll ask for an hour's worth of Mick Jagger's favourite folk songs. I may just ask my cyber gadget to improve my mood, and it will create a playlist based on my choices from the prior year. And if I want Stairway to Heaven, I'll just ask for that.

This is great news for budding musicians, since music isn't exclusionary in its use. In an increasingly hectic society, almost all of us have less time for the activities we enjoy. Except listening to music. Music makes a good experience better. This is particularly true of younger music fans, whose lust for tunes has been fueled with portable Walkmans and MP3 players. Snowboarders high in the Rockies have perfect snow and a gloriously blue sky, yet they slap on headphones and pump up the volume. Music also makes bad experiences sufferable; witness traffic jams.

The upshot is that consumers want to listen to a greater number of artists. Greater total listening time equals greater number of artists listened to. Restated, the consumers' lust for variety means they will happily listen to artists whose CDs they previously wouldn't have wanted or couldn't have afforded to buy.

The evidence of this is overwhelming: Napster and its many progeny. The total amount of music being traded online today on services such as Kazaa far eclipses Napster in its heyday. People, particularly youth, have an insatiable appetite for different tunes. Downloading mp3s continues to strain campus networks. When the barrier of expensive CDs disappeared, people went wacko over music.

Most corporate executives would feel they had died and gone to heaven if their customers showed the same zeal for their products as people feel towards music. But the music industry behaves as if this is some sort of curse.

So when faced with online file-swapping by an estimated 50 million North Americans, the US record industry executives said their best customers were actually common crooks. But it's not as if consumers stole music they otherwise would have paid for. That option didn't exist. My son has 1000 tunes on his iPod, selected from about 500 CDs. To buy the CDs would have cost him \$7500, and this would make him the unhappy owner of an extra 8,000 tunes he didn't want. He can't afford to do this. So he downloaded the tunes or ripped them from friends' CDs. The industry gave him no practical choice. He didn't choose between free music and paid music; he chose between music he loves and virtually no music at all.

While the recording industry's business model seems broken at the moment, this is not new. It was broken ten years ago. Rather than serving as a conduit for musicians to reach the market, it acted more as a bottleneck. By the industry's own admission, it had built such a stunningly bloated and expensive distribution system that only a tiny fraction of new albums released actually made a profit. Record companies survived by making "big bets" — gambling on one superstar album to the next, rather than making a large amount of different music available to consumers at a affordable price.

So how will musicians make a living in the new world? We'll simply expand existing compensation systems. The owners of restaurants, bars, health clubs and other music-playing public venues already pay fees to central clearing houses that forward the money to composers and performers based on how often their music is played. One simple option is to put a flat surcharge on Internet Service Providers of only just \$7 a month — about what the average household in Canada pays per month on CDs. This creates a pool of money that can be distributed fairly to composers (and their publishers), artists (and their agents or labels), ISPs, and the music providers (perhaps like Kazaa or son of Kazaa) – all based on actual use.

The upshot is that many more niche musicians could make a living by reaching out to supporters around the world at virtually no cost. Most music will be created and recorded much more cheaply than in the past. There will always be megastars such as the Rolling Stones or Celine Dion, but the threshold of where a band becomes "profitable" will be much lower, so more musicians will earn a living from their talents than is currently the case. Record companies could start taking "small bets" — lowering their risk and increasing profitability. The amount of high-quality music available to consumers will soar, and music will be even more integral to our lives.

One remembers the famous claim that what was good for GM must be good for America. The recording industry's arguments exude the same attitude. Record company bosses think society's top priority today must be restoring record company revenue and profits. But music lovers and musicians have a different perspective. They want to know how musicians can exploit the extraordinary technology of the internet to expand the audience and enable more musicians to make a living doing what they love, and improve the quality of life of consumers. To survive, record companies must embrace these broader objectives and then resolve how then can make profits in the process. It can be done, but the companies are going to have to be a lot more energetic and creative.

Sounds good to me.

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