

Creators and Consumers Come First: Defining the Future of the Music Industry

There can be no doubt that the arrival of the Internet at the door of the global music industry will challenge all aspects of the business to transform the way they make money from creators' works – or new players who do understand how to leverage the internet as a communications, distribution, and interactive framework for doing business will replace those stakeholders who fail to transform themselves.

This situation presents creators and their representatives with both a challenge and an opportunity: Will we play an active part in the transformation of the industry which has been created to disseminate musical creativity, or will we allow others in the chain to make decisions for us? Will we allow the legitimacy of artists to be used by other stakeholders in helping them to define the shape of the market, and hold onto their market share, or will we speak up ourselves and, in doing so, redefine the terms and conditions under which creators' works are exploited?

IMMF Secretary-General Peter Jenner has rightly said that creators and consumers are the only essential components in the dissemination of music. Everyone in between – including managers – is only useful to the extent that they work to make it ever simpler for those two stakeholders to interact with one another in an ever-increasing number of ways, and with ever-increasing transparency and ever-decreasing costs. Consumer groups have told us that they have exactly the same view – which is unfortunately not one that is universally held by the various stakeholders within the music industry, especially phonogram producers.

Despite the agitation of managers for decades for equitable contractual relations between phonogram producers and featured artists, only rather minor alterations of the general terms of contracts have been made possible. Artists and managers also feel that there is a distinct lack of sophistication on the part of the sound recording distribution business, which seem so often to value controlling markets above serving the public. It has been clear for decades that the advent of new ways for consumers to enjoy music are resisted, instead of embraced; consumers, for their part, feel that large record companies do not properly compensate artists for their work, do not price music-related products in a sensible or culturally-relevant fashion, and do not allow new business models which are not based upon CD-ROMs and other physical media to develop. This resistance to change results in less musical diversity in what is commercially available, with unreasonable restrictions on the formats and manner in which music can be legally acquired.

The advent of digital distribution of copyright has presented the entire music industry with an enormous opportunity, which is unfortunately viewed by many as a problem - just at a time where the bitter fruits of ownership of the major phonogram producers by public companies, with their quarterly, bottom-line / capital market-based focus and the short-term view that this causes – and the

resulting incompatibility of that focus with long-term artist development – have finally come home to roost. The result is the majors attempting to deal with the sea of red ink on their balance sheets by ‘persuading’ artists and their representatives to allow the majors a share in revenue streams traditionally reserved to artists – and, in respect of consumers, to attempt to prevent (or at least delay) their access to music via online distribution models, and to pursue them with lawsuits when they access music online via unauthorised mechanisms. Fundamentally, any industry which is based upon intellectual property is based upon intangibles, not physical products. Unfortunately, for too long the music industry has focussed on the media which is used to carry music, rather than focussing on the music itself, and finding or responding to new ways to allow the public legal access to the music that they love.

The electronic distribution of music will force fundamental changes to the business models of those who have built their entire *raison d’être* around the distribution of plastic discs. Rather than look with an open mind at their entire business models (which are obviously antiquated), they are attempting to persuade the world that the real problem is piracy of sound recordings over the internet.

There has never been a better time for artists’ representatives, consumer groups, and other stakeholders in the music industry to work concertedly to restructure the commercial terms under which music is made available to the public – and simultaneously to reframe the debate about how to make money in the Digital Age as an industry. The window of opportunity will not remain open forever – managers and their artists – along with all other stakeholders - must rise to the challenge and the opportunity which new technology is providing to us.