

# The ‘Lost Generation’ of the Music Industry

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When rock ‘n’ roll was young, teenagers were hanging around in front of music stores and were listening to the latest music. When the stores closed in the evening and the boys and girls wanted to listen to their music at home, they had to buy the records. The juveniles’ budget was very small at that time, so they preferred to buy a single with their favorite song instead of the whole album. The point of this story is: Teens were identified as the most important target group by big music groups. Since they were supposed to be lifetime buyers.

Teenagers of today have little in common with the beatniks at that time as consumers—at least from producers’ point of view. And so music producers call today’s fourteen-year-old teenagers the ‘Gen D’: A new generation of special customers who are important for the financial survival of the music groups. By the way, the ‘D’ stands for ‘digital’ and ‘download’.

Characteristically for the ‘Gen D’ is that they more often use the computer in order to listen to music than they use the stereo. For many of them it has been quite a while since their last purchase of a CD in a store, because it is easier to download music from the Internet with programs like Gnutella, KaZaA or LimeWire. With a fast connection like DSL you can download fa-

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This paper is the translation of my article “Die ‘verlorene Generation’ der Musikindustrie”. You can find it on my homepage <http://www.imhorst.net> and you can contact me through christian<at>imhorst.net.

favorite songs, chartbreakers and one-hit wonders in less than two minutes. It would take more time to buy a CD offline and to take it home. This is the reason, if you want to believe the statements of the music industry, why music groups produce a deficit of billions of dollars per annum.

However there are good news too: It seems that Apple's music store 'iTunes' with 99 Cent per song will be accepted by the 'Generation D'. The store was started April 2003 and by the end of the summer more than three million songs were sold. Other online music stores also want to take this success up.

At its zenith Napster—the first widely-used peer-to-peer music sharing service—many kids could assure honestly that they didn't know that downloading music from the Internet without payment was illegal. Today, most of them know that, but they go on with downloading over KaZaa or other programs. Some record producers came up with the term 'lost generation' for those kids, because for them teens got used too much to a free-of-charge mentality in the Internet and it would be hard to get them back as paying customers. In addition Paul Vidich the executive vice president of the Warner Music Group, said on 16th June 2003 in the *San Francisco Chronicle*: "I don't see them as a lost generation. They've become lost music buyers, but not lost music consumers."<sup>1</sup>

In the 'Generation D' the roles of buyers and consumers have fallen apart, where the beatnik was one. Consumers can listen to music now without paying for it due to the Internet. After the golden age of Napster most teenagers know that the unpaid download of music is illegal, but they don't think of thievery at first glance. Why should they? Music is a digital commodity and an artist's intellectual property, even more it seems to be the intellectual property of record lables. As digital goods music is a special commodity, because it does not decrease by being shared.

In the new century western juveniles are technique freaks, and new technologies like DVD and cell phones compete with digital music and Internet. Teenagers do not have problems with multitasking at the computer. They switch from doing homework to surfing on the World Wide Web to listening

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<sup>1</sup><http://www.sfgate.com/cgi-bin/article.cgi?file=/chronicle/archive/2003/06/16/BU15767.DTL>

to Internet Radio to arranging play lists of MP3's. It is in and fashionable to download this MP3's. However, to download music and the purchase of a CD does not really compete with each other. Like young Eagon Brown said to the *Chronical*: "I used to buy CD singles when I was in middle school, but now that they have it through Kazaa I don't need to do it anymore. I download the one-hit wonders. But if it's an album I know is really good, I'll buy it. I couldn't give it up and start going to the store and spending \$20 on a CD with one song I want to hear."

For many juveniles like Brown file sharing might be a violation of law, but morally it seems to be right. Why should I pay for the whole CD when I only want one song? And there are further reasons: You give away burned CD's to friends, because you do not want to give away the original and run the risk of getting it back scratched. And at last, the burned CD replaces the mixed tape, which may you have recorded for your boy- or girlfriend. This practice was tolerated in the past and should be forbidden now? That's the reason why many juveniles think like Brown: "Maybe if there were harsher penalties and I felt more worried about getting in trouble, I might stop. But it hasn't happened to me. I'm not worried."

Many kids do not have problems with illegal downloads of music, because they think that the guys in pinstripes of the music business could get over losing some Dollars or Euros. But Cary Sherman, president of the Recording Industry Association of America (RIAA), does not accept that as a reason in the *Chronical*: "Tell that to the thousands of people who have been laid off, tell that to the thousands of records stores that have been closed, tell that to the artists who aren't getting signed."

The music industry has tried to solve the problem with a strong moralizing undertone up to now. Lawyers have told kids that illegal downloads are evil and a criminal offense. But why should juveniles have a moral problem, if such guys miss some money in their wallets? Apple's music store iTunes is from an economic point of view the only interesting answer to this problem.

For teenagers iTunes is attractive. The user interface is stylish to the core: from the web interface of the online store over the MP3 player iPod and to the one-hit wonders for 99 Cent. The 99 Cent offer seems to be cheaper than the

whole CD for 20 Dollars. Many a time teenagers seem to be more impressed by a stylish surface and demonstrate a lack of interest in how things work in detail.

In the *Chronicle* Paul Vidich talks positive about the right approach of iTunes, more than ever since imitators try to capture the market. He is sure that iTunes and other vendors will change things. On the one hand record labels could start selling of albums with one or two songs online. On the other hand albums could be released from the time when there are enough singles to fill it. That would be a total turnaround from today's practice and "there are things that will happen that will begin to change the way we do business", Vidich went on. The main point of illegal downloads of music from the Internet is that today's music industry offers albums which, as a product, many juveniles do not want in this form anymore. Teenagers want to buy affordable music song by song and not in a bundle on a sound storage medium. Why should they waste their money for a CD, when there is only one good song on it? The fast download of the song from the Internet seems to be smarter and cheaper.

Many juveniles do not have moral problems with the illegal download of music, because they think that many artists do get less money from their record lable than they believe them to be worth. In her article "Courtney Love does the math" from the online magazine *salon.com* Courtney Love, singer of the group *Hole*, confirm such thoughts: "Artists want to believe that we can make lots of money if we're successful. But there are hundreds of stories about artists in their 60s and 70s who are broke because they never made a dime from their hit records. And real success is still a long shot for a new artist today. [...] Artists who have generated billions of dollars for an industry die broke and un-cared for. And they're not actors or participators. They're the rightful owners, originators and performers of original compositions. This is piracy."<sup>2</sup>

In the good old time of rock'n'roll the customers were adapted to the business of the music industry by the music industry itself. Today, music can be shared as digital goods with only one mouse click and the industry is in a

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<sup>2</sup><http://dir.salon.com/tech/feature/2000/06/14/love/index.html>

desperate situation, because they have to adapt themselves to the new situation with new products, new channels of distribution and so on. With iTunes music groups have discovered new trade channels. Leading manufacturers of nonalcoholic beverages have given away millions of songs by printing the access code to iTunes or other online stores on the inside of their bottle-caps. But with promotion like this the music industry will enforce the impression that music is for free or at least that it is really cheap. Songs are going to be give-aways from marketing departments of big corporate groups.

But the action of the RIAA against people who do pirate copying and the commercials against piracy have had an impact on juveniles. This is the reason why some former pirates have kept their hands off illegal downloads. Still, the music industry does not benefit from it: These kids do not buy more CD's. The actual problem persists: Why should I buy the whole CD for 15 or more Euros/Dollars when there is only one good song on it?

Kids prefer internet radio like *last.fm*. It is the best alternative solution in respect of download songs illegally or to buy overpriced CD's. Internet radio gives you the opportunity to arrange your favorite songs. You can play this songs in a random playlist or you can listen to the whole album. If a 'friend' of the radio community likes the same music the internet radio calls your attention to his list and to the songs which in your list are missing and you might want to put on your own. You can listen to this list experimentally. If you like a song, it stays in your list and the internet radio is searching for similar music and you have won a new favorite artist without an expensive mispurchase. If you do not like the song, you can ban him from your playlist and you do not have to listen to it ever again.

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