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Into tomorrow¹

Constructing scenarios for the record industry in the 21-century

Author: Erik G Ageberg
Tutor: Else Nygren

¹ Weller, Paul from the album Paul Weller (1992)

Abstract

Titel: Into tomorrow – Constructing scenarios for the record industry in the 21-century.

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Author: Erik G Ageberg

Tutor: Else Nygren

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Purpose/Aim: The aim of this paper is to, through scenario planning methodology, present recommendations in order for record companies to be competitive in the near future. In order to achieve this goal three questions were asked. (1) What are the most central problems of the record industry? (2) How can these problems affect the future in the industry? (3) In what way can record companies' work to avoid these problems? The paper focuses on the Swedish market partly because of the given timeframe but also because of Sweden's position in that of file sharing as well as technological advances. It is also assumed in this paper that the future of music sales will be concentrated to the Internet.

Material/Method: The chosen method for this paper was scenario planning. An extensive literature study was complemented with interviews of key players involved in content consumption over the Internet.

Main results: A fundamental issue for the future of the music industry is that of legislation. The outcome of the record industry's future is almost exclusively dependent on the way, which the legislation takes. A stricter legislation, which includes violations of citizens' personal integrity, may backfire and result in political pirate parties' becoming members of parliaments. This may in turn result in that the intellectual property laws of the nineteenth century are removed. Suing private persons and trackers can result in record companies alienating an entire generation of music consumers. Record companies' attempts to retain music as a product may prove to be futile within time, but they can absolutely prolong the period in which it is a product. It is nevertheless, not entirely negative for music to become a service. By being a service music can more easily be attached to another service, like an Internet subscription, or an experience.

Keywords: Scenario planning, Record industry, pirates, file sharing, IPRED

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1 Introduction

When Emile Berliner invented the gramophone in 1887, the big news was that people could listen to music without physically being at a concert.² Artists were handy men who got paid at a concert or a recording session. With time, Music came to be associated with the medium in which it was delivered and not primarily the artists themselves. Originally it was a wax-roll, which brought Music home to the people; later it was the vinyl disc, CD, cassette tape and eventually a file on the computer. But already with the 1980's CD disk, Music made the transition from analogue to digital and was delivered digitally to the consumers. The legal quarrels, debates of copyright laws of today followed this transition.³

Today, the Internet has become a central part of the Swedes' everyday life. Many grade schools has various schoolwork done on the computer, E-shopping has increased dramatically and the Internet has taken over as one of the major communication tools. In the aftermath of the great Internet-boom many new companies have popped- up using the Internet in very different ways than traditional companies. Many record companies give away music for free over the Internet while most of the traditional companies still hold on very tight to their products and try to control as much of the material as possible.

Sweden was once famous for it's various people movements or community movements. Traditionally these movements consisted of people doing non-profit work for the benefit of a choir or a sports club. Today these types of movements have dramatically decreased but a new one has emerged as a force to be reckoned with. Illegal downloading is today one of the biggest people movements in Sweden. The youth section of the Pirate party is now the biggest political youth section with more than 30 000 members.⁴ But file sharing didn't start in Sweden. In 1999 the young American Shawn Fanning released the downloading program Napster. Napster wasn't meant to be spread to the public, only to his friends. Instead it became the biggest and first downloading program. Even though the illegal Napster was closed down two years later a legal version was created without the same success. Even if Napster was closed, it didn't stop other platforms from being designed and further spreading the art of downloading.⁵ Today piracy and file sharing is a reality which the record companies have to live with and find new ways to compete with. In this paper we will, through scenario constructing, examine the next five years of the record industry and what models these companies can use to be profitable in a shifting market.

² Kusek, D & Lenhard, G, *The Future of Music*, Berklee Press, Boston (2005), pp. 13.

³ Ibid, pp. 4.

⁴ The Piratepartiets website: www.piratpartiet.se (Visited: 2009-04-20).

⁵ Helmersson, Dicte, "Napster", www.ne.se (Visited: 2009-04-20).

1.1 Purpose / Aim

The Aim of this paper is to, based on scenario construction theory, present some probable future events in the music industry, and focus on some major questions which record companies should take under consideration in order to be competitive in the future.

1.1.1 Problem

In order to fulfil the purpose of this paper three very basic questions were asked; (1) What are the most central problems of the record industry? (2) How can these problems affect the future of the industry? (3) what way can record companies work to avoid these problems?

1.2 Delimitation

The focus of this paper is limited to Swedish major record companies, even though it is difficult to view the record industry as a national industry. By major record companies, from now on called 'record companies', the paper refers to EMI, Sony music, Warner music and Universal music, the four biggest record companies in the world. In order to make the problem more easily to overview, this paper has had the starting point that the future for music sales are focused to the Internet. For both limitations Sweden's highly evolved Internet society and the different controversies that lie within that community has made this easier. It should be pointed out that the paper only examines the record industry and not the entire music industry, which includes concert promoters and such.

1.3 Disposition

The papers disposition follows the same five topics, or factors, based on the instructions of Peter Schwartz, throughout the entire paper. When working with scenarios he recommends that social, technical, political, economical and environmental factors make up the base of the method.

In the papers first chapter (2) the five factors are introduced by a presentation of the theoretical framework. The theories include theory of planned behaviour for the social factor, technological determinism and distribution theory for the technological factor, models of international law and digital content for the political factor and finally, the theory of value chains to understand the economical factors. These theories will provide the readers with sufficient understanding of the problem to continue to the next chapter (3), *factors*, in which the empirical material is presented in the light of the previously presented theories. The empirical material is constituted by a vast array of different problems, historic events and new innovations, which are all reconnected to the previously presented theories in chapter 2.

Following the empirical material is the Method in which the process of aggregating the material is described. The results, or the scenarios, follow the method. The chapter is divided into three different scenarios, each following the same disposition as previous chapters where each factor is discussed. The three scenarios are quite different and built around more general directions in which society may move. The first scenario is called *The Free Society*, the second scenario is called *The Corporate Society*, and the third and final scenario is called *The Individual Society*. It should be noted that scenarios are not, by any means, a way to foresee

the future, merely a way to discuss the future. The range of the scenarios is quite wide, which means that the theoretical and empirical material also is very diverse. Since we are looking at social transformations and not only a social phenomenon or a technical achievement, this extensive background is necessary.

After the scenarios have been presented an attempt to compress the material into a shorter and more easily understood text is made in the chapter Conclusion after which follows a short discussion. Please note that there is a word list enclosed as number 1 in the back of this paper.

2. Theory

2.1 Scenarios

The future is impossible to predict accurately, for instance development in technology, changing of regimes, and economic recession or growth. This doesn't mean that businesses still don't have to make decisions. Because of the unpredictable nature of forecasting the future business still have to have tools to make the decisions. These tools are scenarios.⁶ There are two distinguishable types of scenarios, (1) Framework scenarios, which cover a wide array of factors such as the economic situation for the entire world; and (2) Project scenarios, which cover a well-defined area of interest. Framework scenarios need to be edited down to a condensed form in order to use it while Project scenarios are edited by nature.⁷

Scenarios give the readers a context in which they can think, talk, and act about complex line of factors. In this context Scenarios mean; A set of organized ways to speculate about the future.⁸ According to Peter Schwartz scenarios most often seem to fall into three categories, namely: more of the same but better, more of the same but worse or a dramatic shift in some way. It is on the other hand extremely rare that one of the scenarios are the way which society develops, instead, most often the reality will be a combination of the three scenarios.⁹ The number three, or four maximum, is decided so that different scenarios don't conflict with one another¹⁰.

When constructing scenarios the first step is to isolate a question that one wants to make. When the question has been asked, several factors come into play that affect the outcome of the question posed. Some of these factors are predetermined, others are much more uncertain.¹¹ Every company and activity is driven by particular key factors. Some of them are within the enterprise like workforce and goals. Others come from the outside, such as government regulations. But many of these forces, are not obvious.¹² One must see driving forces to start thinking about a scenario in order to know which factors will be significant and which will not?¹³ Driving forces are often obvious to one person and not to another. That is why it is good to construct scenarios in teams, brainstorming.¹⁴ To answer the questions one must ask one's self several questions, and what repercussions they may have on the factors.¹⁵ What are the ramifications of any given event?¹⁶ Decision-making is a constant shift between narrow and wide questions.¹⁷ But all this is preparation in order to do the real work:

⁶ Galer, G & Van Der Heijden, K, "Scenarios and Their Contribution to Organizational Learning: From Practice to Theory", *Handbook of Organizational Learning & Knowledge*, (Oxford university press, (2001), pp. 851.

⁷ Ibid.

⁸ Ibid, pp. Xiv.

⁹ Ibid, pp. 19-20.

¹⁰ Galer, G & Van Der Heijden, K, "Scenarios and Their Contribution to Organizational Learning: From Practice to Theory", *Handbook of Organizational Learning & Knowledge*, (Oxford university press, (2001), pp. 851.

¹¹ Schwartz, Peter, *The Art of the Long View*, John Wiley & Sons, Ltd, Chichester (1998), pp. 26.

¹² Ibid, pp. 101.

¹³ Ibid, pp. 102.

¹⁴ Ibid, pp. 103.

¹⁵ Ibid, pp. 26.

¹⁶ Ibid, pp. 13.

¹⁷ Ibid, pp. 56.

constructing the scenarios.¹⁸ The scenario process involves research, hunting and gathering information, to educate your self.¹⁹ Being a scenario-planner means becoming aware of one's filter and always adjusting it.

Scenarios are tools for preparing a company or other organisation for future events that might affect the organization in one way or another.²⁰ Different scenarios derive from giving some factors more room or importance than others.²¹ It is important to note that constructing scenarios are not, in any way, an attempt to see into the future. Rather, scenarios are organized ways to fantasize about the future and ways to show us what might happen in the future and then prepare us.²²

When altering the impact of potential important factors we get different scenarios.²³ Schläffer and Arnold write in their paper *Media and network innovation – technological paths, customer needs and business logic* that no one really knows the consumer needs when a product is released. Therefore, when developing a new product, assumptions have to be made in order to do so. For this reason, the scenario technique can help when looking at technological development and future customer needs.²⁴ When constructing scenarios one should always look for some key aspects that usually affect the results. This is the technological and scientific development; perception-altering events such as the fairly new craze over global warming or a pandemic. Often affecting aspects can be found in the fringes of two disciplines such as the connection between law and technology.²⁵ Scenarios can be used to identify and evaluate options. The value of the scenario approach is that it enables users to identify predictable and un-predictable factors in a situation.²⁶

2.2 Social theory

2.2.1 Theory of planned behaviour

The first and most important questions when it comes to music and the Internet are the social aspects, how do people regard downloading both legal and illegal? What do they expect of music over the Internet? The view the consumers have of themselves is important when looking back at how the downloading started. When downloading started, with Napster and Kazaa, everyone was aware that it was illegal. That was also the case with Pirate Bay who's name tells us that these actions are not acceptable. Even Pirate Bay's logo (a ship with two bones and a tape) is a logo stolen from the 1980s British campaign to stop home taping of music "*Home taping is killing*

¹⁸ Schwartz, Peter, *The Art of the Long View*, John Wiley & Sons, Ltd, Chichester (1998), pp. 27.

¹⁹ Ibid, pp. 60.

²⁰ Ibid, pp. 4.

²¹ Schläffer, C & Arnold, H, *Media and network innovation – technological paths, customer needs and business logic*, pp. 1.

²² Schwartz, Peter, *The Art of the Long View*, John Wiley & Sons, Ltd, Chichester (1998), pp. 6.

²³ Schläffer, C & Arnold, H, *Media and network innovation – technological paths, customer needs and business logic*, pp. 1.

²⁴ Ibid.

²⁵ Schwartz, Peter, *The Art of the Long View*, John Wiley & Sons, Ltd, Chichester (1998), pp. 62-69.

²⁶ Galer, G & Van Der Heijden, K, "Scenarios and Their Contribution to Organizational Learning: From Practice to Theory", *Handbook of Organizational Learning & Knowledge*, (Oxford university press, (2001), pp. 854.

music".²⁷ So, even though people know that file sharing is illegal they do it anyway. This is partly contributed to how people negotiate with themselves in a various array of social contexts. An example of this can be: driving faster than allowed on the highway. In her dissertation, Sonja Forward writes about people's different attitudes when it comes to speeding in an urban area and in a more rural area. Even if the respondents consider both scenarios wrong, the level of seriousness and the reasons for doing it shifted.²⁸ I will not try to describe the psychological reasons for why people speed or download music illegally, only describe it as: I know that it's wrong, but.... So, when people download illegally or break the law in other ways, they tend to construct arguments to show that they are not doing anything wrong. This is central in *Theory of Planned behaviour*. This is important when we try to understand the underlying reasons for the increasing popularity of illegal downloading as well as the probable future of the connection between law and society. It may be easier for consumers to create reasons for illegal activity when they connote a company or an industry with something bad. When the entertainment industries sue file sharers the general public, who doesn't have any ties to the industry, turns on the companies, which helps them construct new arguments for not buying music.

But not all file sharers construct arguments to legitimise themselves. Instead, the Swedish Pirate community has very elaborate and sophisticated arguments about file sharing and freedom of the sharing of information. The basic point in the piracy community is: File sharing isn't wrong, the copyright laws are wrong. What they mean is that the copyright laws are a product of a society that we no longer live in. As far as buying digital music online apparently it is quite popular in some social groups. iTunes has sold more than 4 billion songs since it's opening in 2003.²⁹

2.3 Technical Theory

2.3.1 Technological determinism

In the paradigm shift in the regulation of digital content, mentioned above in section 3.4.2, there is an assumption closely connected called technological determinism. Technological determinism includes the causal relationship between technological developments and the social impact of this.³⁰ For social evolution, technical innovations are considered to be one of the most important factors. The basic idea of Technological determinism is that technological advances follows a predictable and linear pattern and can be traced backwards in time as well as tracing the social impact it has made.³¹ It may be said that the advances of technology and society has been one of co evolution. Therefore, technological advances such as the possibility to share files over the Internet also affects peoples views of accessing content and the structure

²⁷ Rydell, A & Sundberg, S, *Piraterna – De svenska fildelarna som plundrade Hollywood*, Ordfront, Stockholm (2009), pp. 12.

²⁸ Forward, Sonja, "An assessment of what motivates road violations", Uppsala University Press, Uppsala, (2008), pp. 1-8.

²⁹ Buskirk, Eliot Van, "iTunes Store May Capture One-Quarter of Worldwide Music by 2012" Wired magazine, (2008-04-27) (Visited: 2009-04-27).

³⁰ Verhulst, Stefan G., "The Regulation of Digital Content" *The Handbook of New Media*, (2nd ed), Sage publications, London (2008), pp. 331.

³¹ Daryl Slack, J & Macgregor Wise, J, "Cultural Studies and Communication Technology", *The Handbook of New Media*, (2nd ed), Sage publications, London (2008), pp. 143.

of capitalizing on the new technology.³² The connection between technological and social advances in the context of the Internet follows in the next section, 2.5.2.

2.3.2 Three laws

The assumption of content and network abundance, mentioned above, is based on three laws: Moore's law, Metcalfe's law and Gilder's law. Moore's law and Gilder's law are of a technical nature. Moore concludes that computer power will increase dramatically and the price of computer power will decrease at the same rate. Gilder bases say that bandwidth will rise at three times the rate of which processing power increases. The third and final law, Metcalfe's, explains the growth of the Internet. He concludes that as a network grows, the value of being connected to it grows even more. Or in other words, the value of a network is correspondent to the square number of nodes it has.³³ Therefore, it is considered valued that a network is global. The global networks imply that networks don't take consideration to national borders. Governments have to realize that the technological advances will not respect the judiciary that accompanies national borders.

Even democracy on the Internet is biased. All technology has a tendency towards, either centralization or decentralization. The Internet is biased towards decentralization.³⁴ When talking about technological bias gender bias is usually brought to attention. Not least in dealing with the Internet, which is very much a male-dominated arena, especially transparent in file sharing.³⁵ The decentralized nature of the Internet of course affects the way in which its users approach its possibilities, and why national borders have no effect on its use.

2.3.3 Distribution

The traditional or analogue means of distribution relied on scarcity of ways to distribute content. This gave the perception that the content of media needed to be controlled. The digital evolution during the last ten years has made this perception, abundantly clearly, very much out of date.³⁶ Verhulst argues that, in the debate of digital content, it is assumed that there is an abundance of content, as opposed to the scarcity of the analogue model. As a part of this new environment for content traditional mediators are obsolete. Because of the increase in information and the number of channels in which to access this information as well as the reduced price of production and distribution some players are no longer as needed as in the analogue model.³⁷

The increase of available content on the Internet has been addressed in the book *The Long Tail* written by former *Wired magazine* writer Chris Anderson. Anderson shows that the traditional ways to sell music only comply with the most popular and demanded music. The remaining music is not available for consumption. Anderson

³² Daryl Slack, J & Macgregor Wise, J, "Cultural Studies and Communication Technology", *The Handbook of New Media*, (2nd ed), Sage publications, London (2008), pp. 150.

³³ Verhulst, Stefan G., "The Regulation of Digital Content" *The Handbook of New Media*, (2nd ed), Sage publications, London (2008), pp. 333..

³⁴ Daryl Slack, J & Macgregor Wise, J, "Cultural Studies and Communication Technology", *The Handbook of New Media*, (2nd ed), Sage publications, London (2008), pp. 150.

³⁵ Ibid, pp. 151.

³⁶ Verhulst, Stefan G., "The Regulation of Digital Content" *The Handbook of New Media*, (2nd ed), Sage publications, London (2008), pp. 332.

³⁷ Ibid, pp. 332.

juxtaposes Wal-mart, Americas biggest CD-tailor with the e-tailor Rhapsody. Wal-mart had approximately 60.000 songs in any given store, where as Rhapsody had 1,5 million, which all were downloaded at least once a month.³⁸ So even the songs which didn't make it into Wal-marts top 60.000, they still generated profit. The 100.000 to 800.0000 most popular songs on rhapsody represented 15 % of Rhapsody's turnover or 16 million downloads.³⁹ 99 % of all Music is un-available at Wall-mart.⁴⁰ This coincides with Anders Edström-Frejmans research concluding that most Music searched after on the web would be characterized as old or obscure.⁴¹

In the essay Media and network innovation, Schläffer & Arnold, discuss that classical TV broadcasting will loose its importance to interactive and mobile IPTV service.⁴² If looking at Peer 2 peer networks as part of a distribution value chain it's very different from that of the traditional distribution chains. As Schläffer & Arnold puts it, its business ecosystem is obviously quite different.⁴³ In a P2P network every user can act as a server, since a file is chopped up in several smaller pieces and then distributed to the downloaders. This technology is also the reason the music that would be described as obscure or as long-tail content can be found over the Internet.⁴⁴ Peer 2 Peer-systems have been developed to supply the growing demand of user-generated and, person or group-specific content.⁴⁵ Schläffer & Arnold writes that P2P TV makes it possible to distribute niche content at a very low cost. This is TV 2.0.⁴⁶ This new TV has two major functionalities: Personalized and customized content, like regional news and weather, and the distribution of user-generated content.⁴⁷ This widening of TV's uses and function seriously changes the value of the product and the value chain it self. All the new functions of the TV can be seen in the spectrum of active and passive, depending on the extent of which the functions are used. Most users of today's media are somewhat passive users.

The possibility of distributing user-generated content also means that the quantity of content increases, which makes distribution long-tail content very easy. These new functions on the IPTV shows great promise, although they require a behavioural change from the users.⁴⁸

³⁸ Anderson, Chris, (Översättning: Poletto Andersson, Mia), *The Long Tail*, Bonnier Fakta, Stockholm (2007), pp. 31.

³⁹ Ibid, pp. 35.

⁴⁰ Ibid, pp. 40.

⁴¹ Edström-Frejman, Anders, "On-line Consumers – What Do They Share, Download and Stream?", KTH, Stockholm 2006, pp. 7.

⁴² Schläffer, C & Arnold, H, Media and network innovation – technological paths, customer needs and business logic, pp. 3.

⁴³ Ibid, 1.

⁴⁴ Ibid.

⁴⁵ Ibid.

⁴⁶ Ibid, pp. 3.

⁴⁷ Ibid, pp. 4.

⁴⁸ Ibid.

2.4 Political Theory

2.4.1 The Surveillance society

One of the most known parts of George Orwell's famous book, 1984, is that Big Brother is watching. In David Kusek and Gerd Leonhard's book, *the Future of music*, today's surveillance society is described. Kusek and Leonhard claims that the surveillance started with the U.S government's claims of national security with resulted in new laws concerning the surveillance of the citizens.⁴⁹ Once the national security laws are in place the door is open for big business to impose similar laws but concerning piracy. Lobbyists continuously try to persuade legislators to legalize searches of home computers and to sabotage the computers if illegal files were found.⁵⁰

Kusek and Leonhard continue by pointing towards the increasing amount of video surveillance cameras in public places installed in many countries. Not least is the ease in which companies can create a watertight profile of a person just by looking at a person's credit card bill. People also use major corporations as e-mail account suppliers and telephone providers, also good ways to track consumers.⁵¹

The authors claim that all this surveillance can be a powerful weapon if used by corporations and an even scarier weapon if it falls in the wrong hands. According to Kusek and Leonhard people are, well within their right, very concerned about their privacy on the web. For content to be bought and delivered to a large part of the population over the web, a solution to these privacy problems must be found. Creating a service of this type is a tremendous opportunity for new enterprises.⁵²

While surveillance can be described as eave dropping it is in this context more a question of state and corporations monitoring the population.⁵³

In the wake of 9/11 many businesses in the U.S approached the government with offers to help fight terrorism. They had been refining their products for a long time and could now implement them all over the country together with the government.⁵⁴

TiVo announced that the 2004 Super bowl faux pas starring Justin Timberlake and Janet Jackson was the 'most replayed moment' ever. In 2000 it was revealed that previous customers at Amazon were charged higher prices for the same book than a fist time customer.⁵⁵ The public became aware of the surveillance society that they where in the midst of.

2.4.2 International Law and digital content

In 1886 a convention was entered into forming todays laws on intellectual property. Originally ten states joined, and Sweden joined 1904. First of all the convention proclaims that a person has the same rights in the country in which he/she seeks protections in as its citizens. The Bern convention, which it has become known as, has a high degree of protection and is the foundation of all European countries copyright

⁴⁹ Kusek, D & Lenhard, G, *The Future of Music*, Berklee Press, Boston (2005), pp. 170.

⁵⁰ Ibid.

⁵¹ Ibid, 171.

⁵² Ibid.

⁵³ Chadwick, Andrew, "Issus and Controversies", *Internet Politics*, Oxford university Press, Oxford, (2006), pp. 259.

⁵⁴ Ibid, pp. 266.

⁵⁵ Ibid, pp. 267.

law. The American copyright laws are not the same because of the American reluctance to ratify the convention.⁵⁶ In 1998, the EU Data Protection Directive was implemented in the European Union. The main features of this are, (1) an organization must inform the individuals about the purpose of collecting information about them, how to contact the organization and if third parties will take part of the information. (2) The organization must offer the individuals to 'opt out'. If the information is, what is called, sensitive information, the individuals must be offered to 'opt in'. (3) Each organization handling personal data, must take appropriate measures to guarantee security and integrity. (4) Individuals must have access to the information in order to change and correct it. (5) Corporations and governments are explicitly forbidden to use the information in another way than the original one, without the permission of the individual. (6) The directive requires that governmental data protection agencies are created. And finally (7) Personal data, concerning EU citizens may only be transferred to countries outside the EU that adopt these rules.⁵⁷ These seven points concludes that the European Union is hesitant to the notion of data security on the web.

But the hesitation has changed during the last years. In Sweden two new laws exemplify the surveillance society as well as Europe's less strict data security laws. The first law is the FRA law, which mean that the Swedish government agency FRA, or the defence radio institution, can run intelligence surveillance of Swedish citizens even without a probable cause.⁵⁸ The second law is the IPRED law, which is formed after a directive from the European Union. IPRED, or Intellectual Property Rights Enforcement Directive, involves that a court can rule in favour of a content provider to demand personal information about an IP-number if there is probable cause that he or she has downloaded copyright protected material.⁵⁹

Stefan G. Verhulst writes in the article "The Regulation of Digital Content" about the ongoing paradigm shift in content regulation. The framework that make up the control of content are coming under more and more scrutiny. This revising has been going on for more than ten years, with all big players on the international arena very much involved such as the EU, the OECD, the U.K, the U.S and so forth.⁶⁰ It has been shown that the shift is one more of re-regulation than deregulation. However, it does not mean that the shift will not take place, it merely means that the shift will be 'evolutionary rather than revolutionary'.⁶¹ Verhulst means that doing nothing may retard the developments of the market, and shifting too soon may force a decision with not enough information to base it on. The geographical differences between the U.S and the EU, for instance, are very big and may cause problems if the content regulation moves too fast.⁶² To illustrate the difficulty of regulating across borders, especially with Europe and the U.S., the French-American hate speech laws of 2000 might serve as a good example. The French government attempted to block certain

⁵⁶ Art. "Bernkonventionen" (Osignerad), www.nationalencyklopedin.se, Besökt: 2009-05-14.

⁵⁷ Chadwick, Andrew, "Issus and Controversies", *Internet Politics*, Oxford university Press, Oxford, (2006), pp. 275.

⁵⁸ Art. "FRA" (Unsigned), www.nationalencyklopedin.se, (Visited: 2009-05-14).

⁵⁹ Gleisner, Ann-Sophie, "IPRED-lagen", www.nationalencyklopedin.se, (Visited: 2009-05-03).

⁶⁰ Verhulst, Stefan G., "The Regulation of Digital Content" *The Handbook of New Media*, (2nd ed), Sage publications, London (2008), pp. 329.

⁶¹ Ibid, pp. 330.

⁶² Ibid.

Yahoo! sites where Nazi items were sold which didn't agree with American free-speech laws of the first amendment.⁶³

2.5 Economical theory

2.5.1 The Old Economy and New Economy

In the article "Creative economy" By Terry Flew the old economy before the Internet, is put side by side to the new economy, which is focused around the Internet, in a comparison.⁶⁴ In this comparison he concludes that the Market for the new economy is Dynamic, Global and organized by networks. There are no hierarchy per se, this can be seen all over the Pirate community. The business is circled around innovation and knowledge over the old economy's mass production and cost efficiency. Because of the new economy's high demands for innovation and adaptation the changes within the economy are swift and rapid.⁶⁵

Flew continues to explain his comparison. The old economy is based on buyers and seller consciously exchanging currency where as the new economy is based on the relationship between suppliers and users. This also means that the old economy is based on material assets but based on intangible assets in the new economy. These intangible assets include ideas, brand identities, patents, copyrights, or to use one word, intellectual property. Since the products that are sold are non-material there is really no aspiration for consumers to own the products, instead it is the access of the products that are interesting.⁶⁶ These aspects are even more interesting when connected to culture. The new economy might be said to be a cultural capitalism, which uses the new means of communication and the commerce of culture.⁶⁷ This requires a change in the way we see culture. As we look at culture, 'the way of life', the aesthetic tradition and the industrial part of it, we find that culture can add value to the economy and therefore be used in a much wider sense. Preserving culture, like in museums, is an old way of looking at culture, instead, the realms of culture should be expanded into all areas of the economy and society.⁶⁸ Martin Lister points out that new media has greatly increased the possibility to take part in the media, this what Lister describes as interactivity.⁶⁹ This is also a great part of the new economy.

There is apparently really no reason for consumers to own content in the New Economy. Scholars Schläffer & Arnold suggests that in order for companies and products to succeed in the new Economy is to make consumers like and place value in their products, if this is achieved consumers might still purchase a product in order to own it.⁷⁰ Anders Edström-Frejman has suggested a model for how consumers argue

⁶³ Verhulst, Stefan G., "The Regulation of Digital Content" *The Handbook of New Media*, (2nd ed), Sage publications, London (2008), pp. 333.

⁶⁴ Hartley, John, Editor, "Creative Economy", *Creative Industries*, Blackwell Publishing Ltd, Oxford, (2007), pp. 347.

⁶⁵ Ibid.

⁶⁶ Ibid, pp. 350.

⁶⁷ Ibid.

⁶⁸ Ibid, pp. 358.

⁶⁹ Lister, Martin et al., *New Media – a Critical Introduction* (4th edition), Routledge, New York (2007), pp.20.

⁷⁰ Schläffer, C & Arnold, H, Media and network innovation – technological paths, customer needs and business logic, pp. 3.

when purchasing musical content. Three cornerstones are of importance: price, diversification and control.

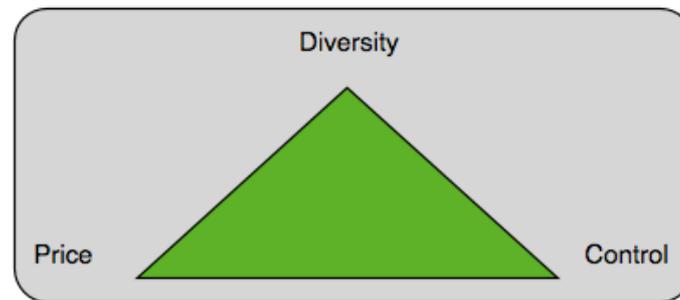


Fig 1. Edström-Frejman's model for Price, Diversity and Control.

Price is of course an important factor, but we will in this paper not detain our selves on price or pricing strategies. Diversification involves the amount of content available. Control includes a discussion whether or not content owners and distributors should aspire to control the content. In other words, should the content be imposed with some sort of limits on how to use it, like DRM-protection.⁷¹ The model works, not entirely different from that of Planned behaviour. The consumer constructs arguments, pro or con, about buying a certain product.

2.5.2 Value chains?

Value chains were first introduced by Harvard Professor Michael Porter in 1980 as a way to describe how products increase in value by each link of the value chain it passes through. Value chains can be divided into internal and external value chains where external comprise the work a company does together with other parties.⁷²

Traditionally, within the record industry, the external value chains are fairly simple. They usually only comprise a few actors such as the content provider, which usually owns the distributor, the marketer and the record store. The Internet has made it possible to assure value increase by aggregating, organizing, distributing and making a selection of the information without necessarily extending the value chain.⁷³ Instead there are in some digital content value chains only two players making up the value chain but with as many different steps as a value chain for physical products.⁷⁴ The players in the traditional record industry have had a very hierarchical role with very organized division of tasks. Today these players have gotten new assignments and places in the value chain involving the actual supply of musical content, which they previously not were involved with.⁷⁵ When discussing value chains for the digital music distribution the value increase of the products is actually considered from a consumer point of view.

⁷¹ Edström-Frejman, Anders, "On-line Consumers – What Do They Share, Download and Stream?", KTH, Stockholm 2006, s 1.

⁷² Chaffey, Dave, *E-business & E-commerce Management*, Pearson Education Ltd, Essex (2002), pp. 222.

⁷³ *Ibid*, pp. 223.

⁷⁴ Ageberg, Erik, *Att göra det Digitala till det Normala*, C-uppsats, Uppsala Universitet, (2008).

⁷⁵ Edström-Frejman, Anders, "P2P, "legal" Downloading Sites and the Future of Music Distribution", KTH, Stockholm (2004), pp. 1.

Since Michael Porter's creation of the value chains there have been many models of it. For the music industry mainly three have been of interest, namely the Scandinavian Info-company F&L's, Berndt Wirtz and Anders Edström-Frejman.

In 1998 F&L constructed following connection between the players of the digital music industry:

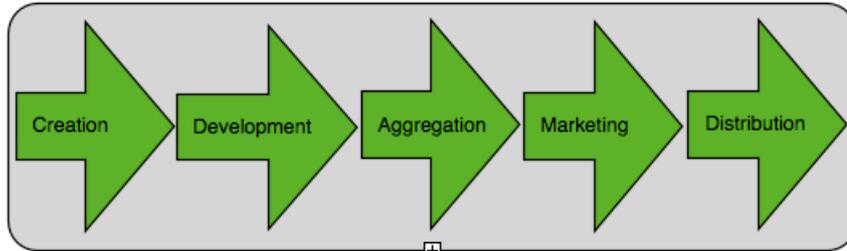


Fig. 2 F&L's Value chain.⁷⁶

The first link, Creation, can be matched together with the link: Development. These two links are the factual making of the music, from writing it to recording it. Once the product is ready it is delivered to the link Aggregation, which is the part which collects content and makes it available through e-tailers. Marketing is the same as in a traditional record industry value chain. The last link, Distribution, is the e-tailer from which content is bought.

Berndt Wirtz publicized his value chain the year after F&L. Wirtz chain was more distribution-oriented than the F&L chain.

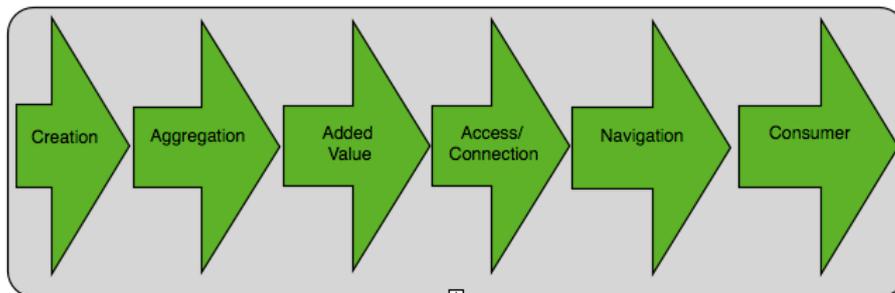


Fig 3. Berndt Wirtz value chain.⁷⁷

For the first two links, *Creation* and *Aggregation*, the same relationship applies as in F&L's value chain. The link *Added value* describes the service, which originally includes sales over the Internet (micro payments with credit cards), but now rather describes the ability to share playlists, or make the service more interactive. But Wirtz model also mentions the infrastructure in *Access/Connection* which includes high-speed Internet and the ISP's. *Navigation* is the browser, a link that in many ways is fundamental for using the Internet as we do today. Wirtz mean that intellectual value chains, such as digital music sales, doesn't mean that the players become fewer but that the players themselves are replaced.⁷⁸

Edström-Frejman's value chain doesn't take Access/Connection and navigation under consideration. Instead, the chain is more focused towards, what Wirtz call

⁷⁶ Tuomola, Arto, "Disintermediation and reintermediation of the sound recording value chain: Two case studies" i *Journal of Media Business Studies*, nr 1 2004, pp. 29.

⁷⁷ Ibid.

⁷⁸ Ibid, pp. 30.

Added value. In Edström-Frejman's case the Added value isn't aimed at credit card payments.

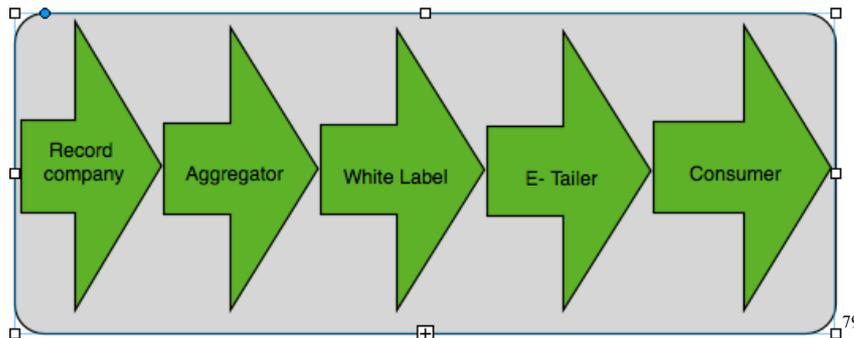


Fig 4. Edström Frejman's value chain.⁷⁹

Edström-Frejman mentions White labels as a link in the chain but not the infrastructural prerequisites needed for digital Music sales. This shows that Edström-Frejman is more interested in the business aspect of the value chain and not the infrastructural part. Keep in mind that the value chains above describe how a record company delivers music to a consumer through One e-tailer because they sell music in different file formats.⁸⁰

The value chains shown above can be seen as two different value chains, one for the creation to the distribution and one from the distribution to the end customer. Media economist Robert G Picard makes just that dichotomy.⁸¹

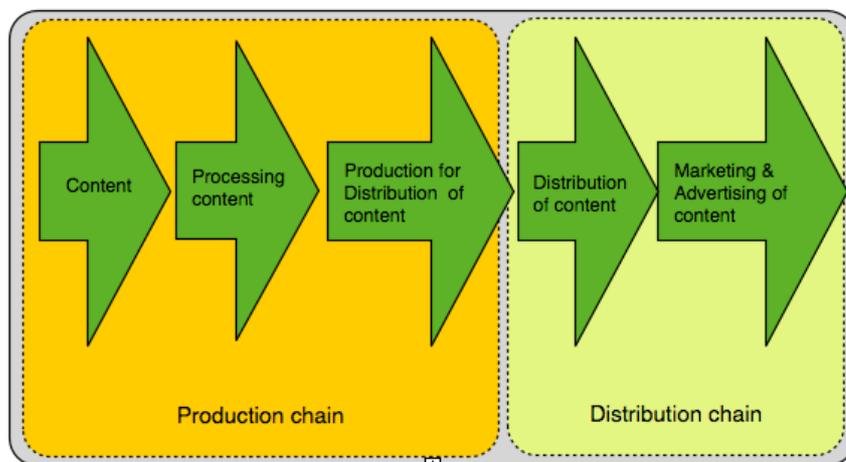


Figure 5. Robert G Picard's value chain⁸²

If one were to compile Picard's value chain and Wirtz part with the added value a chain divided in three parts would emerge: The Producer chain, the distribution chain and the added value chain.

⁷⁹ Edström-Frejman, Anders, "Emerging and Conflicting Business Models for Music Content in the Digital Environment", KTH, Stockholm 2008, pp. 3.

⁸⁰ Ibid.

⁸¹ Tuomola, Arto, "Disintermediation and reintermediation of the sound recording value chain: Two case studies" i *Journal of Media Business Studies*, nr 1 2004, s 30.

⁸² Ibid.

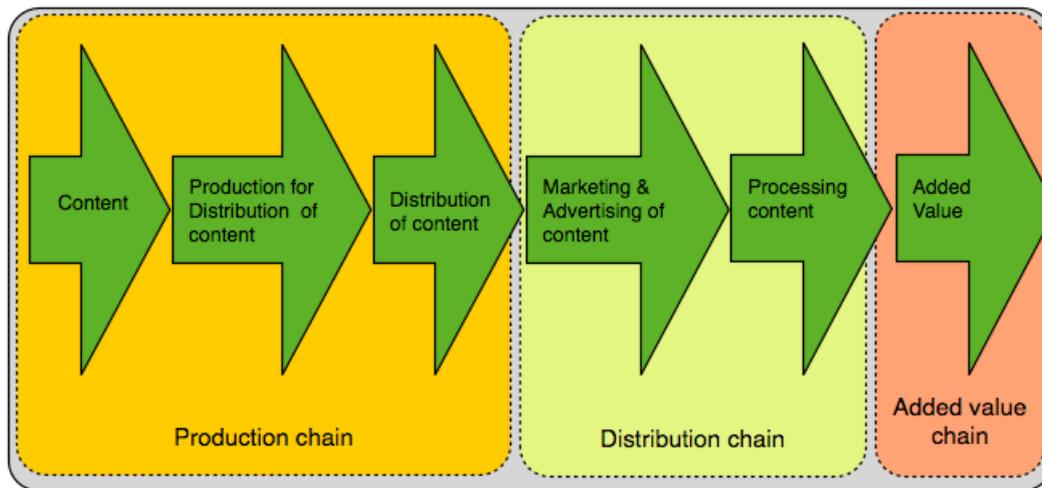


Figure 6. Modification of Picard's value chain⁸³

⁸³ Ageberg, Erik G, *Att göra det digitala till det normala*, C-uppsats, Uppsala Universitet, (2008).

3 Factors

3.1 Social Factors

When discussing Music, as so much else on the Internet, the central aspect must be the social impact it has on the consumers. Music by itself has a great impact on people's social life, as does the Internet. In this section, 3.1, we will look at the changing qualities of music.

3.1.1 The Ubiquity of Water

But even if downloading is at an all time high in Sweden, physical albums are still sold, though mostly over the Internet. cdon.com has increased their sales with 60% per year since the start in 1999 and had sales of one billion SEK during 2008.⁸⁴ In the book *the future of music*, David Kusek and Gerd Leonhard discuss the "ubiquity of water". By this they mean that, in most western countries, water is available just by turning on the tap. Water is fairly cheap and is included in most rents and there are few restrictions on the use of water. But regardless of this ubiquity of water in many countries, the market for premium water is enormous. By premium water they mean bottled water, which in many countries is more expensive than beer or gasoline. In Europe, before plumbing, water was the subject of negotiations and payments. When water later became available just by turning on the tap, the business of water changed dramatically.⁸⁵ This type of business model where premium products and non-premium products, or premium and economy products, exist side by side is also found in Swedish television. If you own a TV in Sweden, you have to pay a fee to the governmental TV-station Sveriges television. This is a government owned company that is financed by this mandatory fee. A Swede gets SVT1, SVT2, TV4 and TV6 without paying more than the mandatory fee. TV4 and TV6 are not financed by the fee but with advertisement. Besides this, households may pay for even more channels, some of them financed by advertisement, others by the consumers. In other parts of the world, the viewers don't have to pay at all. It is all financed by advertisement and pay-per-view. People pay little to get the basic water or TV and accept the fact that they have to pay more for added values. There are certainly differences between CD-quality sound and MP3's, but the difference isn't noteworthy if the cost of music is considered. Imagine how much it would cost to fill up your bathtub with Evian.⁸⁶ So the record companies don't control the tap water, only the bottled water.

What the record companies do today, either knowingly or not knowingly, when they restrict the access of music on the digital market, is that they construct or create a scarcity of content. But in today's digital world that doesn't work. Instead, Peer 2 peer users generate their own content, thus, bypassing the companies. In other words, record companies give away a large portion of the music market to consumers, that don't get any service. Content is one of the most basic rules when it comes to the Internet. Ownership over content is also the core of the debate of file sharing. Pirates think content should be free, and the corporate world thinks it should be owned. The success of iTunes and other music store suggests that this is a question, which is not

⁸⁴ Löwenfeldt, Jörgen, "Cdons skivförsäljning når rekordnivå" *www.IDG.se*, (2009-02-20) (Visited:2009-04-27).

⁸⁵ Kusek, D & Lenhard, G, *The Future of Music*, Berklee Press, Boston (2005), pp. 9.

⁸⁶ *Ibid*, pp. 11.

prioritized of the “common man”. What is a question though, is that of price. People have become increasingly used to getting music for free. The record companies explicitly contradict Edström-Frejman's model on Price, diversity and control, which suggests that content, or diversity, is a fundamental parameter for digital music sales. Stim's rapport “Pirater, Fildelare och Musikanvändare” suggests that more than 80 % of Swedish music consumers on the Internet would be positive to paying a monthly fee or subscription for music access.⁸⁷ This suggests that one of the most important parameters of digital music consumption is speed and easily accessed.

3.1.2 The Pirate community

In order to understand digital piracy and the impact it has had on the entertainment industry, the Swedish Pirates were probably the most well planned and articulated organization of them all. The Pirate community in Sweden is a very non-rigid composition. There are really no leaders, only the ones that have grown to be advocates of the movement. The fight between pirates and anti-pirates is both judiciary and ideological. One side of the movement is the political Piratpartiet, which tries to affect politics by joining in. The other side of the movement is the revolutionary The Pirate Bay. There is really not any formal connection between TPB and Piratpartiet but the engaged file sharers are only so many. The view that holds them together is: information over the Internet should be free, and; there is nothing wrong with file sharing, the copyright laws are wrong. What started the Piracy movement was an Internet forum called Piratbyrå. Piratbyrå wasn't more than a forum but was one of the first where the debate over copyright laws were presented for real.

The Pirate Bay

The Pirate Bay was developed in the vacuum of Napster by Swedish file sharers affiliated with Piratbyrå, and quickly became the world's biggest Peer 2 Peer tracker. When other file sharing networks chose to shut down when they ran into trouble with the law, TPB took another way and kept their servers up. With every run in with the law they became more popular. When Swedish police raided TPB in 2006 they managed to make backup copies of the servers, which were up and running in the Netherlands within three days⁸⁸

Through the Pirate Bay, millions of users spread movies, music and all other materials that can be digitalized, in an extremely quick way. These young men and women now distribute music and movies quicker and better than the companies that have done it for decades.⁸⁹ What makes TBP differ from other Internet companies or the distributors of physical products is that, almost all of the material on the site is copyright protected, and thus illegal to share. Even though it is illegal, about 20 million people use TPB to share copyright protected material every day.⁹⁰ But it isn't TPB that uploads a film or a song to be downloaded by the users, it's the users that upload the files, TPB only enables it to be downloaded. In that sense, TPB works just like Google's search engine. Schläffer & Arnold writes in their paper *Media and network innovation* that Digital content will be shared, selected, rated and

⁸⁷ STIM, ”Pirater, Fildelare och Musikanvändare”, www.stim.se, (2009-03-06) (2009-05-15).

⁸⁸ Rydell, A & Sundberg, S, *Piraterna – De svenska fildelarna som plundrade Hollywood*, Ordfront, Stockholm (2009), pp. 101-112, 127-140.

⁸⁹ Ibid, pp. 10.

⁹⁰ Ibid, pp. 11.

recommended between users. This means that users will make content available if none is found, but to find the content search assistance will be needed in form of search engines.⁹¹ But what is argued about the difference between Google and TPB is the intent. The name Pirate Bay points to that the founders have no problem with not paying for music and movies, it also admits that downloading is stealing. Today TPB is ranked as one of the 100 most visited sites on the Internet and as the biggest Swedish international site.⁹² And at the centre of digitally pirated material is the small country Sweden, the pirate capital of the world. But the discussion about the Pirate Bay should not be whether it is illegal or not, but about the dramatic shift in young peoples attitude towards ownership, rights and about the distribution of culture and information that the Internet has enabled.

Piratpartiet

Piratpartiets is Sweden's fourth biggest party with more than 40.000 members. Its youth section is Sweden's biggest political youth section with more than 18.000 members.⁹³ During the first 24 hours Piratpartiet was launched 1200 people visited the website.⁹⁴ The founder of Piratpartiet had before opening the website contacted the Swedish election authority and asked whether or not digital signatures were sufficient for registering as a party. The operator answered that this was the first time he ever got that question. After some time he finally got a response, digital signatures were not valid. Piratpartiets foundation was digital and to get 1500 signatures was not a problem once the webpage functioned. Membership could be signed by sending a SMS/text message for the price of 5 SEK. The contact with the members was done by the webpage forum.⁹⁵ Piratpartiet was, in its very core, everything other Swedish parties were not. Instead of a party headquarters they had a server and instead of general assemblies, only an Internet forum. Piratpartiet made an impact on the international political stage as well. Besides getting attention in international press they inspired a group of Austrian young men who started an Austrian Pirate party.⁹⁶ In 2007, All European Pirate parties held a convention in Vienna. The Piratpartiet had become international, in some ways the first International party, founded over the national borders. The Manifesto written in Swedish had been translated into almost all European languages. The Swedish pirate society had become international.⁹⁷ Even if Piratpartiet didn't get into the Swedish parliament in the election in 2006, it clearly has its prime in its future. Most of its followers are not old enough to vote.⁹⁸ The Pirate party realized that much of the legislation concerning copyright would take place in the European Union, like IPRED. Piratpartiet describe themselves as a counterweight to the entertainment industries lobbyists. In June 2009, Piratpartiet will run for the election to the European parliament and is estimated to get 5,1% (according to their webpage as of 2009-05-03).

⁹¹ Schläffer, C & Arnold, H, Media and network innovation – technological paths, customer needs and business logic, pp. 3.

⁹² Rydell, A & Sundberg, S, *Piraterna – De svenska fildelarna som plundrade Hollywood*, Ordfront, Stockholm (2009), pp. 12.

⁹³ The Piratpartiets Website, www.piratpartiet.se (Visited: 2009-04-20).

⁹⁴ Rydell, A & Sundberg, S, *Piraterna – De svenska fildelarna som plundrade Hollywood*, Ordfront, Stockholm (2009), pp. 121.

⁹⁵ Ibid, pp. 123.

⁹⁶ Ibid, pp. 156.

⁹⁷ Ibid, pp. 158.

⁹⁸ Ibid, pp. 151.

3.1.3 Conclusion of Social factors

When discussing illegal downloading one must consider that not all file sharers have contemplated the repercussions of their actions. The theory of planned behaviour suggests that if a person downloads illegally it doesn't necessarily mean that they recognize the action as fully illegal. Given that file sharing has changed the Music has long been a social marker for people. What type of music one likes has been the connection to a social group. Collecting records, and showing them in a CD case or in a bookshelf has been an important part of young peoples lives. People have been given a context through what music one likes. Today, a lot of people find a place in society by file sharing. Some of these are technically skilled and some are good at arguing the file sharers cause and both respected by the community, although in different sides. To have a large library of downloaded songs are also an aspect that has been of importance. The pirate community has become a global network of organized political force. Their core constituency is not yet old enough to vote but will be in a very short period of time. Consumers have become used to the continuous stream and rapid access of music. When record companies try to create scarcity they in fact achieve the opposite. The new consumer supplies him or her self with the wished content without really contemplating whether it is legal or not. Content is a fundamental parameter for legal music sales.⁹⁹ When content is available consumers may construct arguments for and against paying for both premium and non-premium content.

3.2 Technological factors

There have been quite a few technological progresses made, or made to public knowledge during the last years. Besides the obvious invention; the Internet, there has been smaller advances but central to the ability to send and receive music over the Internet. What this section, 3.2, comes down to is different types of distribution. How has technology changed the way we access content?

3.2.1 History of technology

The Technique behind Peer2Peer and Bittorrent downloading, which today is the standard file sharing programs, is through a media history perspective a small revolution. Peer2Peer networks enabled users to access information and entertainment that the media firms didn't provide them, users where no longer needed to major entertainment companies in order to be entertained, but not only that, users could themselves upload and distribute material. Bittorrent can be described as a file being divided into several small files and downloaded from several different users. Worth noting is that users accept paying for downloaded music. Itunes music store has sold more than 4 billion songs and in 2012 40 % of all music is projected to be sold digitally.¹⁰⁰ To collect music is an act that speaks to the human behaviour. Saving and collecting is a most human act. On the other hand; collecting to a hard drive is a somewhat old thought. Instead, we use the Internets full capacity or what has been known as *cloud computing*. *Cloud computing* is the technique of not using your hard drive to save or access material but to use the collective calculating power of the

⁹⁹ Ageberg, Erik G, *Att göra det digitala till det normala*, C-uppsats, Uppsala Universitet, (2008).

¹⁰⁰ Van Buskirk, Eliot, "iTunes Store May Capture One-Quarter of Worldwide Music by 2012" *Wired magazine*, www.wired.com, (2008-04-27) (Visited: 2009-04-27).

Internet.¹⁰¹ This is where streaming comes in. Streaming can be described as using the same technique as Bittorrent but not downloading, in other words Bittorrent over cloud computing. In later years the technique of Streaming has become popular. For instance the worlds third most popular media window youtube.com use streaming to provide consumers with videos.¹⁰² The streaming sites for music haven't been quite so successful. The Swedish application Spotify is becoming very popular, at least in Sweden. But the company is very quiet about their user-statistics.¹⁰³ Spotify differs from previous streaming sites in that that it works as a program, very similar to iTunes, which is downloaded to the hardware. There is another technique for consuming music, one that was introduced in 2001 by some of the copyright industries. Musicnet was a digital downloading site, which was collaboration between EMI, Bertelsmann, AOL, Time Warner and Real network. Consumers where given the possibility to download 100 songs per month for the price of 10 dollars. But if the customers terminated their account all songs where lost. In that sense, the service was more leasing songs than buying them, and therefore the service wasn't very popular. Eventually the service was closed down.¹⁰⁴ The Danish mobile phone/internet provider TDC implements this technique today. These kinds of services are precisely where Anders Edström-Frejman's model concerning Price, diversity and control. Because of the leasing-models natural lack of control, it would cost too much money to switch between a leasing service and a download service.

One aspect of the debate of streaming or downloading is that people are becoming more mobile.

3.2.2 Wireless society or Mobile society

The mobile society is one step further on the technological evolution. Laptops takes the place of stationary computers, your own Wi-Fi at home, where you can connect your iTunes to your stereo without a chord between them and the computer. The more flexible you are the better. The wireless and portable society is nothing new. Sony launched the Walkman in 1979 which developed into a CD walkman and a minidisk walkman which in turn resulted in the MP3-players.¹⁰⁵ The worlds first MP3-player was released in 1998 by Diamond Multimedia Systems. RIAA sued the company but where non-effective in their claim. This verdict is important because the case was more about the legality of portable hard drives.¹⁰⁶ MP3 players didn't really become popular until a few years later. Apple has become a prominent player with its iPod of which has been sold 45 million units by 2005.¹⁰⁷

Beside the MP3 players, mobile phones were developed into multimedia platforms. Phones became equipped with cameras and MP3 players; recently both SonyEricsson and Nokia released a music service connected to their products.¹⁰⁸ And as the evolution kept going Apple introduced its iPhone in 2007. The iPhone is, what has

¹⁰¹ Walker, Tim, " Cloudfurging: Welcome to the future of computing" *www.theindependent.uk.com*, (2008-11-17), (Visited: 2009-04-28).

¹⁰² *www.Alexa.com*, (Visited: 2009-04-28).

¹⁰³ Ageberg, Erik, *Att göra det Digitala till det Normala*, C-uppsats, Uppsala Universitet, (2008).

¹⁰⁴ Rydell, A & Sundberg, S, *Piraterna – De svenska fildelarna som plundrade Hollywood*, Ordfront, Stockholm (2009), pp. 61.

¹⁰⁵ Unsigned, "Freestyle", *www.ne.se*, (Visited: 2009-05-03).

¹⁰⁶ Rydell, A & Sundberg, S, *Piraterna – De svenska fildelarna som plundrade Hollywood*, Ordfront, Stockholm (2009), pp. 61.

¹⁰⁷ Wikström, Patrik, *Reluctantly Virtual*, Karlstad University Studies (2006), Karlstad, pp. 187.

¹⁰⁸ *www.comeswithmusic.com* (Visited: 2009-05-03).

become known as a *Smartphone*, or a mix between a phone and a computer, and it revolutionized the world of mobile phones. The iPhone has a built in camera, iPod, browser, e-mail manager and so forth, but it doesn't have any buttons instead it has a multi-touch screen. To connect to the Internet the user can either use the 3G net or, if one is available a Wi-Fi network.¹⁰⁹ But the possibility to continuously be connected to the Internet makes it doable to stream music instead of using space on the phones hard drive. As one of the technical worlds most favourite words in 2008 Cloud surfing is very much a part of the wireless society.¹¹⁰ This section describes the linear nature of, at least, the evolution of the Internet considered in Technological determinism. The phone, or mobile phone mashed with a Walkman, or a MP3-player as well as a computer with ability to access the Internet. Although there are several branches of the evolution, the Smartphone could easily be traced backwards to the origin of the phone or perhaps the telegram machine.

3.2.3 Distribution of content

As has been laid down in the theoretical section, 2.5.3, access to content is a prerequisite for distribution. According to the theory of the Long tail content it is profitable to provide users with as much content as possible. Young people have changed their behavioural patterns when it comes to consuming music and videos. Speed is an increasingly important factor to take under consideration. Consumers want the content delivered as quickly as possible. Patience is not a virtue. The creator of Joost, a legal program, which distributes TV-programming through Peer 2 Peer technique, concurs: young people are used to get content delivered instantly.¹¹¹ Joost is financed by advertisements but this in turn brings problems. No one wants to advertise if nobody watches, and nobody watches if there is no content. If nobody watches why deliver content? Speed of distribution is not the only aspect of digital distribution. The P2P networks have made it possible for users to contribute to the range of content available. Whether streaming or downloads should be the primary mean of distribution should be up to the consumers. Given that Edström-Frejman's model on Price, diversity and control is used the only problem is the potential costs for the consumer if changing distribution model. Stims rapport "Pirater, Fildelare och Musikanvändare", concurs with this thought and continues with saying that many users are reluctant to use streaming services because of the access problems and the collecting aspects.¹¹² By this it can be said that a user that chooses a distribution system will likely not change that system.

Furthermore, Schäffer & Arnolds conclude that, because: all material that can be made digital will be made digital, search engines like TPB will be necessary. Search engines will likely be most important but the means of distribution will be just as vital. In order to find the increased amount of content, a tracker will be needed. But where will all the content be stored, the content in this case being every movie, recorded song, and so forth? Most likely the collective of users will store the content on their computers and by P2P technology make it accessible to other users. This is

¹⁰⁹ www.apple.com (Visited: 2009-05-03)

¹¹⁰ Helmersson, Dicte, "Teknikåret 2008, minidatorer och datormoln", www.ne.se, (besökt: 2009-05-03).

¹¹¹ Rydell, A & Sundberg, S, *Piraterna – De svenska fildelarna som plundrade Hollywood*, Ordfront, Stockholm (2009), pp. 188.

¹¹² STIM, "Pirater, Fildelare och Musikanvändare" www.stim.se (2009-03-06), (Visted: 2009-05-15) pp 3.

what Schläffer & Arnold describe in their thoughts of IPTV, in section 2.5.3. In other words, content will be accessed by *cloud computing*. The increasing amount of content is not an entirely positive situation it brings a few problems. Even if a functioning tracker is in place there is still not a universal way of naming uploaded files, although Mattias Bjärnemalm suggests that Scenen has a collective way of naming movies. Bjärnemalm presents the possibility that librarians might be in the position of naming the increasing number of files on the Internet and thus, structuring the way the tracker works.¹¹³

Lastly, Swedish Royalty collector, STIM, has proposed a open climate for file sharing by urging ISP's to cut licensing deals with STIM.¹¹⁴ This would indirectly create a broadband tax but charged through private interests. Stim, which is an interest group for intellectual property holders in Sweden, can make deals with third party actors freely. What is problematic is that an artist can't be compensated when played on Swedish radio for instance without being associated to Stim. In the affiliation contract between Stim and intellectual property holders it states in the first paragraph that the affiliated gives Stim an exclusive right to decide almost all decisions concerning all previously written songs as well as the songs yet to be written. The contract also states in paragraph four that Stim, given certain circumstances, can terminate the contract, which will leave the property owner without an organization to collect the royalties he by law is entitled to.¹¹⁵

3.2.4 Antipiracy

After Napsters' popularity many people thought about how they could make money of the new Peer 2 peer technology. A couple of young people previously employed by the defence contractor Raytheon started the pirate prevention company Mediadefenders. Mediadefenders business model was to make it more difficult for file sharers to retrieve the content they were looking for. Mediadefenders did this by implementing different techniques such as; Decoying, spoofing and swarming. Some of these techniques were quite simple such as decoying, where a bogus file is uploaded with the name of a potentially popular song and seeded by a lot of users in order to raise its popularity. Some of the techniques were more complicated like swarming where Mediadefenders flooded the system with trash data in order to slow down the speed of the downloads.¹¹⁶ Eventually the techniques became even more sophisticated. Collaborations between record companies and other large corporations resulted in music videos by big celebrities. Previews of these videos were distributed over peer 2 peer networks by Mediadefenders which ended the preview with a link to a webpage where the users could see the whole video as well as being exposed to the marketing companies chose to place there.¹¹⁷ The Peer to peer networks had to take countermeasures, which involved manually removing IP addresses, and making the comment reads of a download more used. So because of the work put down by the administrators of file sharing sites, cleaning and booting users, the sites managed to live on, but also because the companies that wanted to sue weren't sure weather this

¹¹³ Interview with Bjärnemalm, Mattias, (2009-05-06).

¹¹⁴ Muldin, Keneth, "Så kan nerladdning bli laglig", *www.goteborgsposten.se* (2008-02-07), (Visited: 2009-05-15)

¹¹⁵ Stim, *Stimhandboken*, Stims (2002), pp. 42-43.

¹¹⁶ Rydell, A & Sundberg, S, *Piraterna – De svenska fildelarna som plundrade Hollywood*, Ordfront, Stockholm (2009), pp. 66.

¹¹⁷ Ibid, 71.

was a good idea or not, because the distinction between what is legal and what is not legal to download would be that much harder.¹¹⁸ This war between Mediadefenders and the Internet pirate community has escalated even further and is very much alive today. It is abundantly clear that the evolution of file sharing has evolved side by side with anti piracy's technological advance. The intellectual property owners have spurred the development and by this elicit a co evolution between the pray and the hunter. The advances can be trace linearly back and are therefore part of the idea of technological determinism.

In 1998 120 organizations, from security firms to record companies and IT companies, met to discuss the future standard digital format for music, under the name SDMI (Secure Digital Music Initiative). The problem with digital music was much bigger than the transition from Vinyl discs to cassette tapes. In 2000 the SDMI presented their format Napster already had tens of millions of users. Three weeks later a Professor at Princeton University cracked the digital format. This showed that it isn't possible to create a secure digital file without violating the customers right to use the product as wished.¹¹⁹ So, when installing DRM protection on their products, the record companies didn't stop file sharers or illegal downloading. Instead DRM protection only really made it difficult for people who had bought CD's or digital music to consume the products. This in turn, discouraged consumers from buying DRM protected music. Apple on the other hand actually gained from the DRM protection. Their Fairplay protection on music files only made it possible to play the songs on iTunes and in a iPod. The Swedish organization, *Sveriges konsumenter*, has taken a critical position towards the DRM protection. They mean that a consumer should have the right to use the goods free from influence from companies.¹²⁰ Even the Swedish government appointed *Konsumentombudsmannen* has strongly criticized the way Apple and Microsoft has restricted consumer rights.¹²¹ In January 2009 Apple announced that they would remove the DRM protection of their AAC files.¹²² The removal of the DRM protection is of course linked to Edström-Frejman's model of Price, diversity and control. Also here, control makes up the base for the consumers construction of arguments. It is too expensive to buy a certain song for a certain price if the content can't be used, as the consumer wants.

3.3 Political factors

3.3.1 Swedish politics in the 1990's

So how did Sweden become the pirate haven of the world? Most of us have heard about the Swedish Premiere Carl Bildts email to Bill Clinton in 1994, the first e-mail ever sent between two heads of state.¹²³ During the first half of the 1990's the Swedish government set up a goal that Sweden should be the most IT-evolved

¹¹⁸ Rydell, A & Sundberg, S, *Piraterna – De svenska fildelarna som plundrade Hollywood*, Ordfront, Stockholm (2009), pp. 71.

¹¹⁹ Ibid, pp. 54.

¹²⁰ www.sverigeskonsumenter.se, (Visited: 2009-05-02).

¹²¹ www.konsumentombudsmannen.se (Visited: 2009-05-02).

¹²² Samuelsson, Henrik, "Apple slopar skydd och 3G-spärr", *www.dn.se* (2009-01-06) (Visited: 2009-05-02).

¹²³ Rydell, A & Sundberg, S, *Piraterna – De svenska fildelarna som plundrade Hollywood*, Ordfront, Stockholm (2009), pp. 32.

country in the world by 2010.¹²⁴ When this goal was set up, Sweden was in the midst of a recession and IT was the way out of it.¹²⁵ Carl Bildt & Co. had big hopes for the new technology; the Internet would be the true arena for the free market. In 1998 a fundamental occurrence took place; the Home computer reform. This was a tax-technical solution that made it possible for people to let companies buy them a computer in exchange for a deduction on their paycheck, and thereby not pay any tax for the computer.¹²⁶ This opened the door for a large quantity of homes in Sweden to purchase a computer and soon also a high speed Internet connection.¹²⁷ By the end of the millennium Sweden was the IT-capital of the world. But why was the Swedish broadband-net expanded? Most Swedes only used the Internet to send e-mails and pay the bills. The Swedish government spoke of IP-telephones, Internet-TV and so forth, but not much of it has become a reality. So, what were people supposed to do with the worlds most developed Internet, cheap home computers and too much time on their hands?

3.3.2 International law and IPRED

In 2004 the European Union voted for a new law, called IPRED, which would make it easier to intervene in matters involving illegal file sharing. After being pressured by the Union Sweden eventually voted to incorporate IPRED in Swedish law in 2009.¹²⁸ The law was passed in a time when Swedish Internet politics was in a very un-clear state. The FRA-law was passed just before IPRED, which meant that the Government could supervise its citizens over the Internet. IPRED means that a court can decide whether the owner of copyrighted content should get information about who is behind an IP address, if the owner can show, within probable cause, that a crime has been committed.¹²⁹ The discussion about IPRED is not whether or not file sharing is wrong, but whether or not IPRED limits the integrity of a nations citizens.

This is one of Piratpartiets big questions. Because of IPRED, Piratpartiet wanted it to be possible to hide ones IP address so the Internet operators couldn't see what the customers actually did. This was the battle of the right to be anonymous on the Internet. As a response to the IPRED-law many ISP's has decided not to save any of the information they get about their users.¹³⁰ This is creative interpretation of the law. It means that the IPRED-law will be ineffective unless further regulation are made to hinder ISP's from doing so.

When discussing the impact of the Internet on politics and the personal integrity one can note that after the Israeli elections in 2008 there where complaints of some voters cast their ballots more than once. After some time the Israeli Attorney General was given the membership lists of the two conflicting parties to investigate. Some meant that this was nothing short of revoking vote confidentiality for Israeli citizens.¹³¹

¹²⁴ Rydell, A & Sundberg, S, *Piraterna – De svenska fildelarna som plundrade Hollywood*, Ordfront, Stockholm (2009), pp. 32.

¹²⁵ Perbo, Ulf, "Varför fick Sverige en depression i början på 90-talet?" Ekonomisk debatt, 1999: nr 6, pp. 325.

¹²⁶ Rydell, A & Sundberg, S, *Piraterna – De svenska fildelarna som plundrade Hollywood*, Ordfront, Stockholm (2009), pp. 36.

¹²⁷ Ibid, pp. 37.

¹²⁸ Gleisner, Ann-Sophie, "IPRED-lagen", www.ne.se, (Visited: 2009-05-03).

¹²⁹ Ibid.

¹³⁰ Löfberg, Kjell, "Fler Operatörer trotsar IPRED", www.dn.se (2009-04-19) (Visited: 2009-05-11)

¹³¹ Naone, Erica, "How to Share without Spilling the Beans

For Sweden other problems with the Pirating was that of WTO and the TRIPS treatie.¹³² The World Trade Organization put Pressure on Sweden for not making enough effort to restrict the Pirating.¹³³ As Verhulst shows us, in section 2.4.3, the correlation between two countries laws are usually close to none. Although the European Union has very similar legislation concerning copyright laws, as noted in section 2.4.2, it still differs within the union. The IPRED law has meant that the EU data Protection Directive has in fact become obsolete. Information about a person can be obtained and used in a way that was not intended originally. Also, information concerning European citizens is not allowed to be delivered to any country deemed not to have the same standards of laws. The American privacy laws have been greatly weakened since the patriot act, similar to the FRA-law.¹³⁴ It seems as it is unlikely to see a completely new legislation for intellectual property as Verhulst says, but it may also retard the market as it looks today.¹³⁵

3.3.3 The Pirate Bay lawsuit / Lawsuits

To prosecute companies for enabling illegal copying is nothing new. In 1979 the MPAA¹³⁶ sued Sony for producing the Betamax player, which made it possible to record a show, or a movie on TV.¹³⁷ During the same time as the MPAA sued Sony, there where a big opposition towards the cassette tapes that enabled copying music. The "Home taping is killing music"-campaign was opposed by various bands and artists all over USA and Europe and thereby had the contrary effect than planed.¹³⁸ So, the negative view of new mediums by record companies has been seen during all new mediums except the CD-disk.

In May 2006 Swedish police raided the Pirate Bay.¹³⁹ It took three years before the case was closed in the first authority. Peter Sunde the only one of the tried Pirates who lives in Sweden says that no matter what the verdict was it would be appealed to a higher authority.¹⁴⁰ The fight against file-sharers has been driven further than the Pirate Bay-trial. IFPI has sent letters to Internet service providers who rent out server space to a torrent site demanding that they close down the site.¹⁴¹ So, where does all the content on the web get digitalized and accessible? An unconfirmed number of people over the globe committed to making content available as quickly as possible have been identified. The group is called *Scenen* and is allegedly responsible for all, but one, of the copyright protected movies on the Pirate bay. But scenen is allegedly not interested in making the content available to the masses. On the contrary, content

A new protocol aims to protect privacy while allowing organizations to share valuable Information", *www.technologyreview.com*, (2009-03-02) (Visited: 2009-05-04)

¹³² TRIPS Treatie webiste, the , *www.wto.org*, (Visited: 2009-05-14).

¹³³ Rydell, A & Sundberg, S, *Piraterna – De svenska fildelarna som plundrade Hollywood*, Ordfront, Stockholm (2009), pp.147.

¹³⁴ Art. "Patriot Act" (Unsigned), *www.nationalencyklopedin.se*, (Visited: 2009-05-14).

¹³⁵ Verhulst, Stefan G., "The Regulation of Digital Content" *The Handbook of New Media*, (2nd ed), Sage publications, London (2008), pp. 330.

¹³⁶ Abbreviation of: The Motion Picture Association of America.

¹³⁷ Rydell, A & Sundberg, S, *Piraterna – De svenska fildelarna som plundrade Hollywood*, Ordfront, Stockholm (2009), pp. 25.

¹³⁸ Ibid.

¹³⁹ Ibid, pp. 10.

¹⁴⁰ Olsson, Tobias, "Fildelningen kommer att finnas kvar", *www.svd.se*, (2009-04-16) (Visited: 2009-05-10).

¹⁴¹ Carp, Ossi, "IFPI trappar upp piratjakten", *www.dn.se* (2009-05-05) (Visited: 2009-05-11)

that appears on file sharing networks are accidents and negligence.¹⁴² The laws of Moore and Gilder suggest that computing power and bandwidth will increase. Metcalf concludes that if more users will connect to the Internet it will grow. Schlaffer & Arnold suggests that the content of the Internet can be made available through the users themselves. They do on the other hand also point out that for content to be found with the increasing number of users and information a tracker, like the Pirate Bay, will without a doubt be extremely important.¹⁴³ Another way to use a tracker is in marketing purposes. Some record companies actually give away music over Pirate bay for free. In that case, the tracker becomes a link in a marketing scheme. The record company Labrador did this in 2008 with their collections album.¹⁴⁴

3.4 Economical factors

Since the gramophone became a central part of people's homes, the consumers has had to buy music on a wax role, vinyl or plastic. Music has been a product, a commodity.

As most have heard, record companies were, at the time of the radios arrival, very worried about how the radio would affect record sales. It turned out that the radio became the primary medium for discovering new music. Consumers heard a song on the radio and if it was to their liking, they bought the album. One aspect of the radio that is seldom discussed is the fact that it made music accessible at all times. Music was still a commodity in it most basic sense but music could be consumed almost anywhere, in a car for instance, which makes music more like a service. Just as music flowed through the airwaves as with the radio, music today flows over the Internet for those who wish to download it. This brings us to one of the most basic discussions of this paper: Is music a product or a service?

In section 5, Results, three scenarios will be presented together with an individual Value chain custom made to the given scenario.

3.4.1 Value of music

To determine weather a product is worth buying or not, consumers look to what is called Hypothetical negotiation, a theoretical tool to determine the factors that buyers and sellers has to take into account when raising or lowering the price of a product.¹⁴⁵

In a PriceWaterHouse Cooper report from 2008, the company conclude that the royalty rate for sound recordings should be higher than that of authors. This because the cost and risks implied in producing and marketing a sound recording are higher than the production of the underlying music.¹⁴⁶ Price Waterhouse Coopers writes in their rapport about market. If a well functioning market exists, the price that emerges in that market would be considered reasonable. This is exemplified with: if a collecting society has negotiated a rate with users without a third party involvement that would be considered an appropriate rate. The problem is, says Price Waterhouse

¹⁴² Stiernstedt, Jenny, "Antipiratbyrån jagar globalt piratnätverk" *www.dn.se* (2009-04-27) (Visited: 2009-05-11).

¹⁴³ Schlaffer, C & Arnold, H, Media and network innovation – technological paths, customer needs and business logic, pp. 3.

¹⁴⁴ Kangas, Timo, "svenskt skivbolag utnyttjar Pirate Bay", *www.realtid.se*, (2008-07-02) (2009-05-15).

¹⁴⁵ Price Waterhouse Coopers, *valuing the use of recorded Music*, IFPI (2009), pp. 1.

¹⁴⁶ Ibid, pp. 2.

Coopers that these types of markets usually don't exist. Therefore, when setting a reasonable price, Hypothetical negotiation will have to be used, as if the different sides were negotiating in a functioning market.¹⁴⁷

When turning focus to how record companies work together with other business, like radio, Price Waterhouse Coopers concludes that the royalty rate is too low if music is a contributing factor to advertising revenue, when it doesn't account for a similar part of programming costs.¹⁴⁸ When music is used in other forms in business, like background music in stores or in clubs, Price Waterhouse Coopers rapport showed that customer's shopped more and the end-consumers were willing to pay more than they we're for music.¹⁴⁹ If these facts are connected to the Theory of Planned behaviour it is easy to se the correlation between constructing arguments for the acceptability to pay more when shopping and not paying when downloading. Perhaps this must be the new model for the industry. One can also se the connection to the thoughts of the ubiquity of water, 3.1.2. The endless stream of music in shops and of course in clubs suggests that the consumers in fact pay for the service of having music played but not for the music itself.

3.4.2 Advertisements

But not all companies are trying to stop piracy. There are some who have begun finding ways to use piracy. This most involves advertising. In a article in Technology Review, Eric Boyd a vice president of engineering at an ad network for game developers says: "Piracy used to be sad, but now it's a bonus--it means more distribution."¹⁵⁰ The new techniques usually involves including a code in an article or video. This code or fingerprints can than be followed and be notified to the owner. In most cases, the code includes an ad. In some companies who work with ad agencies, it is allowed to use an article as long as the code that handles the ad is left intact. But the question of what is a reasonable price for the content is still not solved.¹⁵¹ The only way to check piracy is to make legal alternative more accessible. In the advertisement community piracy is actually well received because one can reach a vast amount of people very fast with low costs.¹⁵²

The difficulty is to provide a effective distribution channel and at the same time being able to charge money from advertisement. In the article Embracing Piracy, Erica Naone exemplifies this by the services Joost and Blip.tv. She also speculates that Bittorrent also can offer legal downloads, financed by ads.¹⁵³ Because, when one considers Bittorrent, they are in fact only a distribution system. Eric Boyd, of Mochi Media, says in the article Embracing Piracy, that it is possible to strip code of a game, [movie or song] and repackage it free of ads. However, this requires a fair amount of knowledge and skill. Boyd means that people who download illegally generally just want good products and don't mind as long as they get to use it.¹⁵⁴ The ads, or cookies, are in fact a way to infiltrate the content of a person's computer, which is a form a surveillance. As can be read in section 2.4.1, surveillance can be a powerful weapon.

¹⁴⁷ Price Waterhouse Coopers, *valuing the use of recorded Music*, IFPI (2009), pp. 11.

¹⁴⁸ Ibid, 3.

¹⁴⁹ Ibid, pp. 4.

¹⁵⁰ Naone, Erica, "Embracing Piracy - How to make money from online content, even after it gets loose on third-party websites". *www.technologyreview.com*", (2009-03-27), (Visited: 2009-05-04.)

¹⁵¹ Ibid.

¹⁵² Ibid,

¹⁵³ Ibid,

¹⁵⁴ Ibid,

The information that can be collected by cookies can create a full picture of a person's habits and make for an excellent marketing model. When examined through the eyes of European legislation it clearly contradicts the laws stated in the EU Data Protection Directive. It is even more extreme than the controversial IPRED-law. Depending on which direction Swedish, and international law takes, the model may be a common experience in tomorrow's Internet landscape.

3.5 Environmental factors

3.5.1 The Global world

In the report, *Valuing the use of recorded music*, Price Waterhouse Coopers concludes that: Sound recording performance rights should have the same relative legal and monetary value, related to economic strength, in every country. As the economic strength of a nation improves, so does the citizen's ability to pay as well as the country's legal system.¹⁵⁵ In this paper it is assumed that the current recession widespread all over the world will be fairly stabilized and that there will be a positive trend in the Swedish as well as the global economy. Other pretexts for Internet business in Sweden are population. Sweden's population will by the year 2015 have increased with 300 000.¹⁵⁶ The increase will most likely not affect the situation for content owners and distributors. It should also be mentioned that it is this paper's opinion that the debate over climate change will be current even in five years and that the general opinion is that the Internet is an excellent tool for distribution of many products, including musical content.

3.5.2 Internet and Globalizing

The Internet has shown to be quite an influential weapon in affecting politics in a large number of countries. The most famous of these is the community organizers in the 2008 Barack Obama campaign. In Kenya, Bloggs have proven to be very important in affecting politicians,¹⁵⁷ and during the 2007 protests in Burma, Facebook was a driving force for public opinion.¹⁵⁸ These are some examples of where Internet has affected politics in a positive way, but there are plenty of examples of the opposite. In Turkey it is now illegal to criticize Turkey's founding father: Atatürk.¹⁵⁹ The Internet is mostly a positive force on our countries and democracies. The biggest problem to tackle is the amount of surveillance we accept.

In countries, which are not democracies, or less financially evolved, the sophisticated access to the Internet is mainly restricted to the more fortunate of society. This makes the Internet a much less democratic tool than it is in democratic countries. In these cases, the Internet is used as a pure propaganda tool, which is the

¹⁵⁵ Price Waterhouse Coopers, *valuing the use of recorded Music*, IFPI (2009), pp. 5.

¹⁵⁶ Statistiska centralbyrån, "Översikt över antal födda, döda, födelseöverskott, invandrade, utvandrade, invandringsöverskott, folkmängd samt folkmängd. Prognosår 2009 – 2110", *Statistiska centralbyrån* (Visited: 2009-05-15).

¹⁵⁷ Palfrey, John, "Internet Arms Race – whether the Internet will help or hinder the spread of democracy is still uncertain", *www.technologyreview.com* (may/June 2009), (Visited: 2009-05-04)

¹⁵⁸ Stirland, Sarah Lai, "Open-Source Politics Taps Facebook for Myanmar", *www.wired.com*, (2007-10-04), (Visited: 2009-05-04)

¹⁵⁹ Singel, Ryan, "Turkey Formalizes Ban on Sites that Criticize Founding Father," *www.wired.com*, (2007-05-24), (Visited: 2009-05-04)

case in dozens of countries around the globe.¹⁶⁰ When the Internet is used in this way only a few technically gifted can escape the control, which is also the case in western countries in the case of file sharing, most people don't have the technical knowledge to escape the law. In January of 2009, WTO concluded a number of "deviances" of China's intellectual property enforcement. Several countries faulted China for not intervening in auctions of bootleg and counterfeit products. The IIPA¹⁶¹ concluded that the copyright companies have lost \$3,7 billion in sales in China because of Piracy. China responded by saying that it would reinforce its work on Intellectual property.¹⁶² Today, China has the world's most effective Internet censorship, built up by filters, which stop access to controversial pages. China is the first modern economical and technological world power with free markets but without free speech.¹⁶³ The other Asian giant, India, has chosen a different path than China, with a democratic government and a free population. According to McKinsey Global Institute India's middleclass will increase with ten times to approximately 580 million people by 2025.¹⁶⁴ A growing middle class will positively act on the digital arena of the Internet and will most likely also influence the way other nationalities use the same medium. Chinese citizens will most likely also follow the same pattern. How these markets are approached is crucial for the coming years and can make or break the record industry on their own.

¹⁶⁰ Palfrey, John, "Internet Arms Race – whether the Internet will help or hinder the spread of democracy is still uncertain", www.technologyreview.com (may/june 2009), (Visited: 2009-05-04)

¹⁶¹ Abbreviation of: The International Intellectual Property Alliance

¹⁶² Kravets, David, "China Pledges WTO Copyright, Trademark Cooperation", www.technologyreview.com (2009-01-27), (Visited: 2009-05-04)

¹⁶³ Cherry, Steven, "The Net Effect", www.spectrum.ieee.org, (June 2005) (Visited: 2009-05-04).

¹⁶⁴ McKinsey Global Institute, "The Rise of India's Consumer Market" McKinsey Global Institute, (May 2007), (2009-05-15).

4 Method

4.1 Selection

The main method in this paper is scenario planning. Scenarios are a set of organized ways to speculate about the future, or a context in which one can talk, think and act within a series of complex factors.¹⁶⁵ In order to do this the data collecting is unorthodox. To construct scenarios one must acquire data from all sources imaginable. When the data is collected, it must be aggregated and structured by scenarios. After the scenarios were compiled, key players on the field of music consumption in Sweden were interviewed. The key players were: *Mattias Bjärnemalm*, Piratpartiet, Sweden, third choice on Piratpartiets ballot for the European Union elections of 2009, *Eva Hemmungs-Wirtén*, Professor in archival science, Uppsala University, *Martin Thörnqvist* from *The Swedish Model*, *Victor Larsson* from STIM, and finally, *Anders Livåg*, New Media Manager, EMI. The interviews have been selected through a strategic selection. These specific individuals were considered to be highly involved with either the Swedish record industry, or in the continuously transforming world of the Internet. The Informants are not referenced to in this paper but has functioned as a tool when shaping the scenarios.

As noted above, the focus for this paper is the Swedish record industry. Although one might say that the industry is global: a delimitation had to be made because of the given timeframe. Sweden is on the other hand one of the most prominent file sharing countries and a key player on the market of legal music sales as well as the new political ideas formed by Piratpartiet. The Personal interviews, with one at a time, with the representatives were deemed as the best method. The interviews were done in according to an unstructured and free model. Although the questions mainly concerned each respondent's area of expertise, they were allowed to give input on other topics. Where, in the process of creating the scenarios the informants have differed among the informants. *Mattias Bjärnemalm* and *Eva Hemmungs-Wirtén* were included in the process after the first draft of the scenarios was completed. The remaining informants were included before the final draft.

4.2 Collection of data

As noted above, an extensive literature study is the foundation of scenario constructing, in this case mostly consisting of articles. These articles are often printed in non-academic papers and books with questionable scientific proof. But, when studying a given field one manages to shape a picture from a vast array of sources and influences. This first draft of a scenario is then shaped by the contributions of key players on the music consumption arena.

4.2.1 Validity

The way in which a scholar translates the theoretical language into an operational language is always put to test. This is what Peter Essaiasson describes as validity.¹⁶⁶ Are we in fact investigating what we are claiming we are investigating? The validity of

¹⁶⁵ Schwartz, Peter, *The Art of the Long View*, John Wiley & Sons, Ltd, Chichester (1998), pp. xiv

¹⁶⁶ Essaiasson, Peter et al., *Metodpraktikan* (3:de edition), Nordstedts juridik, Stockholm, (2007), pp 63.

any survey is dependant on the way the translation between theory and operationalized concepts and the lack of errors systematically or otherwise. The translation of concepts is of course a key question in empirical research.

For this paper this problem is seen in both the literature study, where the lack of a stringent apparatus for idea, notions and conceptions, must be considered as a potential risk. This is of course present in the interviews made, where not all respondents shared the same conceptual apparatus.

4.2.2 Reliability

Reliability, or lack of systematical errors, is of course a basic prerequisite for conducting an empirical study. While one cannot guarantee the absence of errors, one can reduce the risk for them occurring. Because of the extensive literature study that was made the possible translation problems could be fairly easily solved. The respondents were people with a habit of being interviewed, debated and questioned, and therefore deemed not to be at risk of being stressed while interviewed. But to reduce the risk even more the personal interviews were made in neutral ground, a café. Some interviews were made over telephone or e-mail. This was not considered to be a method problem.

4.2.3 Critique

Some of the data collected cannot be considered to be unbiased. The representative from Piratpartiet is of course coloured by his political views. Also the vicinity to the election to the European parliament may be of influence. Other respondents, as scholars and representatives from the music business, are considered less biased. The controversy of the subject will on the other hand affect all people.

As for the literature study the means to grade data by bias has been a great deal more difficult. Given the lack of scientific data it has been complicated to determine how close to the primary source the article was written. Most of commercial articles are written when a press release has been sent out. For that reason one has to proceed with the material with caution.

Finally, because of the global nature of the subject, many of the answers are troublesome to process. While the whole aspect of the problem is of interest the delimitation of the paper has to be followed.

4.3 Scenarios

The process of constructing scenarios requires, as mentioned above, an extensive study, not only by reading, but also by talking to people in ones surroundings about their habits of, in this case, music consumption. It is important to remember that scenarios are not a prediction of the future but a plausible description of what might occur in the future, given the parameters of today. It is unlikely that any of these scenarios will actually take place, instead, it will be more likely that parts from all three scenarios will be the reality of tomorrow. As have been presented down in the introduction, the scenarios follow Peter Schwartz recommendations of scenario planning which include the five factors that tend to affect the future of any organization, namely Social, technological, political, economical and environmental

factors.¹⁶⁷ These factors will be the starting point in the scenarios as well. By looking at these five factors and the likely outcome of various problems included in the factors, I hope to be able to point to a few specific problems and solutions for the record industry.

These scenarios are what are known as First-generation scenarios. First-generation scenarios mean that they haven't been processed by the organization concerned by the scenario.¹⁶⁸ The scenarios created here are in fact not just scenarios for how the Music industry may look; it is also a picture describing the way a new generation will look at technology, rights, laws and themselves. What national and International laws are approved is a crucial matter for the outcome of these scenarios.

¹⁶⁷ Schwartz, Peter, *The Art of the Long View*, John Wiley & Sons, Ltd, Chichester (1998), pp. xiv

¹⁶⁸ Galer, G & Van Der Heijden, K, "Scenarios and Their Contribution to Organizational Learning: From Practice to Theory", *Handbook of Organizational Learning & Knowledge*, (Oxford university press, (2001), pp. 852.

5 Results

All three scenarios are based on the assumption that the digital consumption of products will be even more popular. Digital content will be shared, selected, rated and recommended between users. The scenarios constructed in this paper are paralleled by choices. When constructing the scenarios and the factors they derive from I have also spoken to various people I have come in contact with during the period of this paper. One shouldn't underestimate the importance of asking the "common man", in order to get a overview of peoples consumption habits. The three scenarios in this paper have an individual Value chain to describe the way to distribute the digital music. This is, in other words, not necessarily a way to describe the increase in value for the product, but the Value chain is here used as means to describe the distribution channels, although the aspect of value increase is incorporated in the value chains. By viewing value chains in the way that is done in the scenarios enables us the see, not only how the value of the product increases, but how the chain can be affected by surrounding factors. The overall facts that include all scenarios are presented below and followed by three scenarios.

General results

While working with these scenarios a few factors seem to be predetermined or almost sure things. In order to proceed and present the scenarios some factors must first be discussed. First of all, consumers will consider comfort as one of the most important aspects of consuming. Once consumers have experienced accessing content from the comfort of their own home they will never go back. Therefore, digital distribution is a must for record companies and it will increase in all scenarios. What goes for the physical products, the premium products, they will be sold to a very small percentage of the population. A more suitable question in this essay would be if premium products would be available in a digital format. The answer to that is: maybe. A second fact that is important to take under consideration is: the idea of the Pirate Parties will persist as a principal question for a long time forward. However, this does not necessarily mean that the parties will be voted into their countries parliaments or into the European Union, respectively. The European union has opened up the market for the previously nationally limited royalty collectors like STIM. It is today possible to use another royalty collector than the national.

Once technology has gone forward, there is really no way to go back again. This is why both downloading and streaming will both be important systems for distribution in the future. Streaming will most likely increase in popularity in the future, while cloud computing will also become more wildly used, especially in combination with a Peer 2 Peer network. Linked together with the expansion of cloud computing is the increasing wireless community. Much of the Internet activities later to be discussed will be preformed through mobile phones. Mobile phones will soon be equipped with extremely sophisticated Internet connections and will work as a laptop computer. Technology will always be ahead of the law. If technology can't evolve into something new to make the law old-fashioned, technology will evolve into something where the law can't get to the users.

What is also a interesting revelation is the fact that the Internet will need a content tracker, like the Pirate Bay's in the future as well. Everything that can be converted into a digital format will be converted into a digital format. With all that content

accessible on the web but without a common classifying system or labelling system a tracker of media content will be needed.

As China gets richer and more digitalized the traditional Asian physically concentrated pirate market, with DVDs' for instance, will dissolve. The potential for Chinese citizens to further increase the pirating over the Internet is a crucial aspect when making future business plans. As it's giant neighbour, India too has a booming middleclass. It has been shown that India's middleclass has a real lust for consuming culture, not only western culture but native and Asian.

It should be noted again that the paper assumes that the population increase of Sweden will not affect the market in any major way. Also, the recession of the late 2000's will have been turned towards a more positive trend within the next five years.

5.1 Scenario 1 (the free society)

The first scenario is one where society is greatly valued. The free society is in focus and globalization is viewed with doubt. Integrity is a cornerstone in the life of the free society. Even though it will still be illegal to download intellectually protected files it will be difficult for police to access the crimes. IPRED's impact will be reduced by ISP's loyalty to its customers. Citizens will be reluctant to use the Internet for personal information. The Internet will be used as a mere tool to communicate.

5.1.1 Social

Citizens in the free scenario will still consider downloading music illegally as a crime. They will still construct arguments in order to justify their actions. They are not prepared to change their behaviour patterns is another option isn't available. Speed and comfort is a central aspect when it comes to misappropriate musical content. Downloading will be the dominating form of distribution, and because of that, having a large library of music will be important as a social marker, not only for the technically gifted. Nevertheless, music will be valuable. By keeping the price up, providers will keep the value of music up. However, this doesn't mean that consumers will in fact buy all music or even some; they might also assimilate it through other channels.

5.1.2 Technical

The technical part of this scenario is mainly a question of concluding that, like in all scenarios, the wireless society will prevail. Everything will be wireless. For that reason cloud computing will, as noted above, be quite popular, and thus, so will streaming. But because of the importance of owning and saving, downloading will fill another void in people. Downloading will be the premium way of distributing music and streaming will be the non-premium way. Non-premium or streamed music will be somewhat cheaper than downloads, but the difference will not be big. The third option of music distribution: Leasing will also be available but because of the fairly high changing costs if one chooses to change means of content receiving for consumers, it will most likely not be very successful. But distribution will on the other hand with almost certainty evolve into a mix of downloading techniques and streaming techniques, like Peer 2 peer streaming. As for all three scenarios the impact of the Smartphone will be enormous and what is the reason for giving us the truly mobile society. The forthcoming high speed internet for cell phones, 4G, will make it possible for us to constantly be online, hence the popularity of streaming.

What record companies must realize is the force of the Internet as a distribution system. Not only is the low cost and high speed of importance, the high ranges of penetration among their target groups are also a phenomenon never before seen.

One of the bigger questions that will follow us during these scenarios are that of the ISPs' role. ISPs' will, in this scenario, not be responsible for the actions of their users, what their users do, and therefore they will not block certain sites. They might however strike deals with both content owners, like record companies, and content providers, like iTunes or Spotify.

5.1.3 Politics

In this scenario the political stage of Sweden is intact, although the ideas of Piratpartiet has taken up wind in other places of the world, not least in Europe. Piratpartiet will discover, and has already discovered, that they fill an important roll in the European union, more important than in the Swedish parliament. The question of copyright laws is really an international matter. But international copyright laws will not change in this scenario. The influence of such organizations as WTO is much too strong to be affected. The laws will on the other hand, most likely, not get any stricter than they are now, with the help on Piratpartiet in the European union. Since the laws will not change, neither will the IPRED law. Legislators will on the other hand not impose further legislation to hinder ISP's to support their customers' civil rights. So although file sharing will still be illegal, IPRED will not have a big effect on Swedish policy. What might change is the competition between royalty collectors since the European Union has opened up for the possibility of non-national collecting agencies.

In the case of The Pirate Bay and the lawsuit against them, it doesn't really matter who will win in court after all the appeals. Instead, pirates are the winner either way because the case has put the spotlight on their question. Almost all actions taken against piracy have been a backlash against the fight against it. So the entertainment industries shouldn't sue tracker, file sharers etc. Instead, taxation on broadband use might be the answer. Broadband tax is a compromise between the free information Piratpartiet and the copyright industries, which is exactly what this whole scenario is about.

5.1.4 Economy

Music will act as a product. People will still buy music, digitally and physically, although illegal downloading will still be a problem for record companies. In this scenario musical content on the web will not be controlled by the record companies, instead the content will be available in what is known as the long tail.¹⁶⁹ Since music is a considered as a product, music, in its physical form, is still valuable. One of the biggest problems for record companies with this scenario is the fact that music will not be cheaper than it is today. Although there will be different prices for different song, music will still be quite expensive. Since music is considered to be a product, there will be different pricing models for differently appreciated products. Premium products such as downloads, will be more expensive than non-premium products such as streamed music. Record companies will have to make their production chains more efficient. For instance, they will have to more profitable in their outputs; one profitable album of eight is not a acceptable risk calculation. Instead the record companies may be interested in developing their business by incorporating other parts of the music industry such as concert promoters. But the most important questions in this scenario is the one of *Royalty collectors* like STIM and their position in the market. How much power will STIM have to negotiate for the royalties paid at any given Internet service? STIM will have a great influence of the royalty level in Sweden. STIM's power attributes to the high price of music, on the expense of legal music distributors.

¹⁶⁹ Anderson, Chris, (Översättning: Poletto Andersson, Mia), *The Long Tail*, Bonnier Fakta, Stockholm (2007).

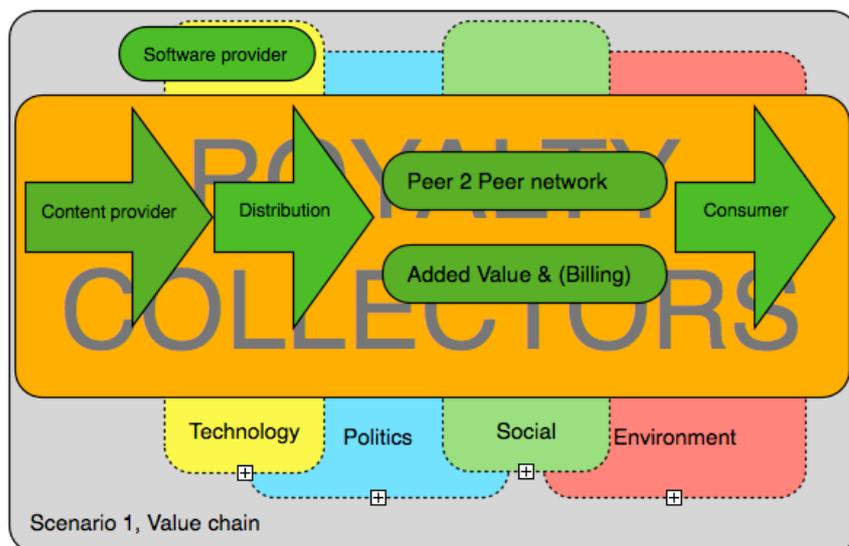


Fig 7. Value chain for scenario 1.

In this first scenario the value chain is, although simplified, similar to today's distribution chain.¹⁷⁰ The question is whether the consumer chooses to buy the product or download it from a P2P network. Since the P2P technique has not yet been introduced in legal alternatives and intellectual property laws haven't changed, this is of course an illegal action. The Royalty collectors are of course involved in the entire chain, except middle step, which is the P2P networks and the Added value. Included in Added values is the billing process that enables distributors to charge for the music. In that sense credit card companies are of course also incorporated in the value chain, but since this is a simplified chain they are not included. The factors, represented here in yellow, blue, green and red, can of course affect parts of the chain. For instance, the distribution may change if the P2P technology is implemented in legal alternatives. Of course, China's entering in the digital community will affect the social values and thus change the way in which consumers view paying for music. Software providers represent the work done by White labels and certain aggregators as noted in section 2.5.2.

5.1.5 Environment

China, who today has a very large pirate market of physical goods, will, as it becomes more developed in all segments of society, become a very large actor on the file-sharing arena. As shown when it comes to China's physical pirate market, the government doesn't take it too seriously. The WTO might impose its regulations but it is unlikely because of China's sheer size. As its neighbour, India will become a greater power when it comes to culture consumption. India will probably be more positive towards legal music consumption alternatives.

¹⁷⁰ Ageberg, Erik, *Att göra det Digitala till det Normala*, C-uppsats, Uppsala Universitet, (2008).

Summary

To conclude the scenario, there is an expatiated reluctance to use the Internet in a immoderate way. Music will still serve as a product but content providers will not control the content. On the other hand, music will be expensive as well as hold a value as a social marker. Stim contributes to press up the price of music, but not it's value. The distribution system of choice will vary widely. Both premium and non-premium products will have value. ISP's will not be held responsible for the actions of its users. They might however, make deals with content providers in order to restrain piracy.

5.2 Scenario 2 (The Corporate Society)

The second scenario has its foundation in the corporate world. International law will homogenize and become stricter and life on the Internet will be more inspected by government branches. Legislators will try to uphold the intellectual property laws. Technology will on the other hand develop quicker than laws and, thus, be non-effective towards the bigger pirates. Big business will instead find new ways to make money. These new ways will violate public privacy by ads and so forth. This because the laws can't keep up with the innovative ways in which corporations will evolve.

The corporate world will, in this scenario, succeed in controlling the content of the Internet. They will do this by putting the reasonability of Internet users on the Internet Service Providers.

5.2.1 Social

In this, the second scenario, paying for music is absolutely ok. Because of the increased inspection by government branches file sharing has somewhat reduced, but the citizens still, although to a lesser extent, think that downloading is acceptable. Speed and comfort is also still two very basic demands for the consumers.

The increased surveillance of the citizens has made the Internet a less hospitable place to spend time and live ones life. Citizens in this scenario tend to be more careful with what they put on the web.

5.2.2 Technical

Just as was noted in the section 5, the impact of the Smartphone will be immense. The computer like phone also means that cloud computing will be a big part of peoples lives, and mainly P2P streaming. Broadband in the mobile is of course a central part of this. The destructiveness of companies like Mediadefenders will be a central part of controlling the content on the web. Record companies will recognize the web as the tremendous means of distribution that it is. As the ISPs' become responsible for Internet activity, ISPs' will, as noted above, block certain websites. They will also strike deals with content providers.

5.2.3 Politics

As noted in section 5, the Pirate Party's main question will make an impact on the rest of the world, but in this scenario the corporate world will be stronger and force the

question to the sidelines. Nevertheless, the issue will always be current. But, this will mean that Piratpartiet won't be a larger player on the Swedish or European union stage. International law will become more homogenous but without the help of Piratpartiet. Instead, International law will go in the other direction and become stricter. Laws like IPRED will be enforced in a entirely new way and more of them may be introduced. The WTO and other organizations like it will have a greater influence on countries that don't enforce international copyright laws. The Pirate Bay will, because of this, loose in a big way, and the lawsuit against TPB wasn't the only one. Lawsuits will be frequent against private file sharers as well as trackers like TPB. The entertainment industries are trying to shift the responsibility of what goes on over the Internet to ISPs'. If ISPs' will be held responsible for the users actions they will block certain sites and practises. This will, as history has shown, bring on a new technique to share files. Given the increased surveillance in this scenario, it would not come as a surprise that governments might try to surveillance all Internet activity and traffic. By, extent this means that citizens will have to give up their civil rights to the benefit of major cooperation's'.

5.2.4 Economy

Music is most defiantly considered a product, and still holds its state as a social marker. In its physical or downloaded sense music functions as a premium product. Music as. As noted in section 5 digital sales will go up, in this scenario sales will go up the most because of the lack of alternatives. There will, on the other hand, not be any shortage of legal alternatives for music consumption. There will be a bigger variation in the services in order to speak to all kinds of customers. Owners of intellectual property, like the record companies, will try to control the content on the web. *This will force pirates to provide content themselves and thus, the record companies will loose the control as well as money.*

Different songs will have different prices, as in the first scenario. In this scenario record companies will not expand their production chains substantially. Instead, they count on that they, as content providers, only need to control content in order to keep up the value of music. This might not prove to be a good idea. Stim will probably increase its importance on the market, but because of the potential increase of competition between royalty collectors. This may in turn bring forth a quarrel between royalty collectors and content suppliers. If different actors use different royalty collectors it might reduce the power of the collectors, given the difficulty to, in fact, collect the royalties. But if Sweden manages to stick to Stim, they will be able to, as a third part, write deals with parties like Spotify or iTunes.

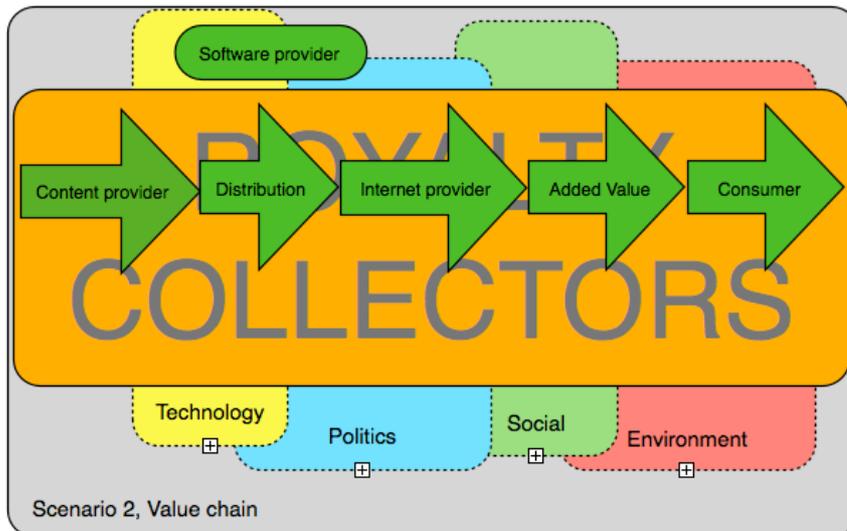


Fig 8. Value chain for scenario 2.

In the second scenario there is no alternative for free music compared to the first value chain. Internet Service Providers, or ISPs', play an important role in this value chain because of the deals that will be made between them and content providers. The Royalty collectors are involved with almost every link in this chain, except added value. Because of the high involvement it is possible that there will be controversy between Royalty collectors and the content providers. As in the previous scenario the various factors may influence the direction of each link. Depending on the legislation the ISP may, or may not be held responsible for the actions of its customers.

Summary

The Corporate scenario has brought a stricter legislation to, not only Sweden, but the global community and especially the European Union. As in the previous scenario citizens will be reluctant to use the Internet in an immoderate manner. The government as well as private corporations will breach the personal integrity. A major shift from the previous scenario is that of the ISP's. They will be held responsible for the actions made by their customers, which will force them to block certain sites, and thus practising a form of censorship. By extension they will be forced, by their consumers to make deals with content providers in order to provide the consumers with musical content. Royalty collectors will gain influence over the content, which might lead to a power struggle between them and content providers. Music is considered a product and there will be a lot of alternatives for consumers to buy their music in which any distributions system they prefer. Companies who work with anti piracy-methods like those of Mediadefenders will find a place and a function in this scenario.

5.3 Scenario 3 (*The Individual Society*)

The third scenario is characterized by greater individualism in society. Sweden will get new Copyright laws and perhaps so will the International community. The new copyright laws will partly be a countermeasure to today's integrity violating laws. Integrity is one of the cornerstones in this scenario. This scenario will be the best for the service sector. Companies will find new and creative ways to make money. There will not be any shortage of music but it will, at least initially, be difficult to access music.

5.3.1 Social

Paying for music will be considered ok in some cases. Some music will still be considered a premium product. What is of the utmost importance is still speed and comfort. Because of the dramatic shift in the value of music and the easy access to it, the quantity of music will lose its role as a social marker but the genres will increase in importance. Since the gatekeeper-model will be lost if record companies and traditional media outputs go under, the new gatekeepers will be bloggers and other private or less corporately affiliated users.

5.3.2 Technical

As in its predecessors the wireless society is of course central in this scenario as well. Cloud computing according to P2P-techniques will also be the predominant way to consume music. Consumers will get to choose which kinds of distribution systems will suit them and their needs. The impact of the Smartphone will of course be great. The lack of traditional gatekeepers will bring forth new ways to market music. This will be done through spam-like ads connected to the ISP the customer is using. The changed laws means that the ISP will not be held responsible for what the consumers do on the Internet. They might, and most possibly will, on the other hand make deals with content owners. These deals may look different mostly because of the increased alternatives for consumers. They can be ad-driven, paid for by subscription or paid for per song.

5.3.3 Politics

Since copyright laws have changed in the way the Pirate community has lobbied for, so has the other laws concerning integrity over the web. The IPRED law will not be current and there will be no reason to further regulate the ISP-market. Whether the new direction of the law will be on a global scale is unlikely but it might include, but be limited to the European Union. Either way, the USA will most likely not be included which will lead to quite a dispute within the WTO and similar organizations. Sweden will lose credibility on the international arena as well as losing authority. This also means that Piratpartiet will become a much more global organization. Consumer rights will be of the utmost importance. A changing of the copyright laws doesn't necessarily mean that music will be purley free. Instead consumers might have to get used to the notion of paying for the amount of megabyte they use while surfing, otherwise known as broadband tax. As in the previous scenarios there will be

an increase of royalty collectors but the effect of this will not be as noticeable as in scenario A and B.

5.3.4 Economy

In this scenario music will be both a service and a product. It will be a service in that it will be flowing free over the Internet and offered as a service by ISPs', but a product in the sense that consumers still pay for it. As noted above, copyright laws will change dramatically. Piratpartiets basic vision will be the chosen one and therefore music will flow on the web. This will mean that music will lose its value and copyright industries, in their most basic sense, will collapse. Music will not be profitable as a product, it will however, be profitable as a service. Because of this, gatekeepers will also disappear which will, in turn, lead to new ways to get information about new music. This is where service comes in. Consumers will buy the service of getting tips about new music, and the music itself will be an amendment to the service.

Record companies will probably change their production chains a great deal. As Mattias Bjärnemalm predicts, record companies will probably buy ISPs' in order to control content. Although Stim's influence will be greater, Stim will not gain as much influence in this scenario as in the previous two. This is because: it is probable that artists will choose ways outside of that of Stim and Record companies. If copyright laws change in the way Piratpartiet wish the service sector on the Internet will increase dramatically. The new business models will concern musical content as a service. The service sector will not only provide consumers with music. Once the gatekeepers are gone, a new type of spamming in order to get the message about a new album out, will take over the net. Therefore the service sector will also work with blockers and reducing such commercials.

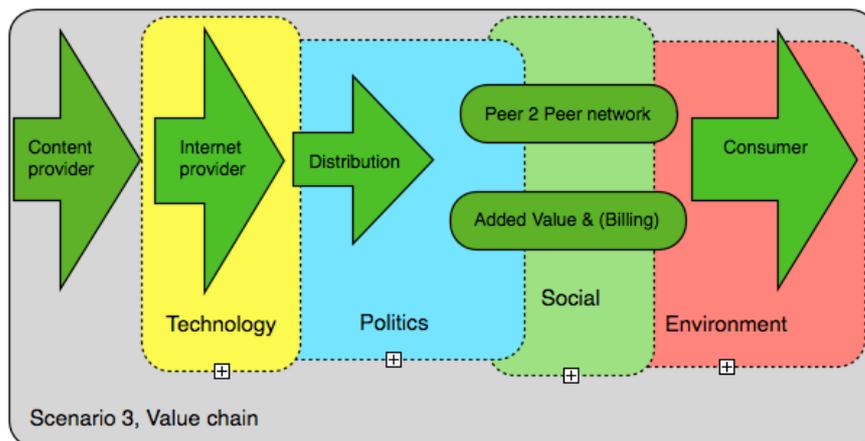


Fig 9. Value chain for scenario 3.

This value chain does not include a Royalty collector because their role is not decided. In some cases the royalty collectors may have a strong position but in others, where artists have chosen not to get involved with royalty collectors, they might not be included in the chain. The ISPs' have in this scenario been moved up one step on the chain. The reason for this is the potential buy-in to the ISP's by the record companies as a part of the distribution. As in the first scenario this value chain has the choice of purchasing or using a P2P network open, depending on the type of product that is

bought. A Premium product will go through the Added values and billing part of the chain where as a non-premium product will be described in the chain as a P2P network but can also be a streaming service of a ad-driven service. As noted above, this scenario is the one where service sector has the best possibilities to profit from music. This doesn't necessarily mean taking charged for music per se, but the transportation or the added values that can be included. As described by Price Waterhouse Coopers, consumers a prepared to pay for music as service but possibly not as a product.¹⁷¹

5.3.5 Environment

As in previous scenarios, the Chinese and Indian markets will open. Since music will be much more fluent in this scenario, record companies will have more difficulty to make these markets profitable, because of their non-habit of paying.

As for trackers to find content, the libraries will play a great role in this scenario as well. The dramatic increase of digital content that will take place in this scenario will bring the need for a functioning tracker. In Sweden, libraries will be the institution ordered to deal with this arising problem.

Summary

In the Individuals scenario integrity is of the utmost importance. The current invasive laws like IPRED and FRA will be exchanged in favour of entirely new copyright laws. This scenario is the most beneficial for the service sector and if all goes well, also for the consumers. The new and open climate will open the doors for pressing the prices. Since content providers can bypass royalty collectors and still be able to capitalize on their product, and since royalty collectors help trigger the price even higher, this scenario opens up for a better competition between service companies. The service sector will also benefit because of the lack of traditional gatekeepers, and will be able to sell services as new gatekeepers. A lot of music will be difficult to find and access. Music will be both a product and a service depending on the form it is distributed in. A premium product as, as the name suggests, a product, a non-premium 'product' is on the other hand not. It will not be worth much simply as a product on the other hand. Instead, consumers will buy the right to listen to music, be it in certain places or certain times. This is where the service sector can evolve the products consumer need, and didn't know they need. Major corporations will find a new place in ways to make money in new ways.

¹⁷¹ Price Waterhouse Coopers, *Valuing the use of recorded Music*, pp. 4.

6 Conclusion

When working with scenarios it is vital to remember that these are not a prediction of the future. They are merely an attempt to describe what might occur in the future. Most likely a certain scenario will never take place, instead, it is more probable that the future will include parts from all three scenarios.

Some parameters are predetermined for all scenarios. Digital content will be shared over the Internet. The Internet will be the primary distribution chain for music. The actual distribution system is not of great importance, be it streaming or downloading; the core issue is that of availability. The P2P technique will increase in importance and perhaps serve as a merger between streaming and downloading. Nevertheless, in order to access the increasing amount of digital content on the web a tracker will be necessary. What is really crucial is for the Internet community to find a common classifying and labelling system of the content. Of course, the mobile and wireless society will be increasingly important. Political branches of the Pirate community, like Piratpartiet, will continue to exist, and most likely grow because of it's constituency aren't old enough to vote yet, at least as long as the political climate continues to limit the personal integrity. Once technology has gone forward, there is really no way to go back again. Record companies must find a solution for providing users with content before the expanding middleclass in China and India help restructure the codes of Internet use.

Some questions are central for which way the industry will move. The first and probably most decisive question is that of the legislation. It seems as if today's legislation is moving towards a much stricter climate. Also globally law seems to become more homogenous. But Piratpartiets thoughts may have a greater impact than first thought. The intellectual property laws formed in the nineteenth century may have become obsolete and outdated. Another problem with suing and legislating against a movement like the pirate community is that of alienating an entire generation of music consumers, not only by lawsuits but also when the personal integrity of citizens are greatly overstepped.

A second question is whether music will be a product or a service in the future. Much points to that it will in fact be both. Depending on the distribution system music is allotted value, which also depends on the amount of control one has over the product. The question of service or product is also connected to that of Premium and non-premium products and whether to pay for these. It has been shown that people are prepared to pay for music as an added value to other experiences. It seems as if consumers are prepared to purchase the right to listen to music. In that case music will defiantly act more as a service than a product. The thought of music as an added value to other services or experiences are something record companies might have to get used to in the future. This puts musical content in a completely different context and demands a new strategy in order for record companies to be competitive in the future.

To recap, legislation is a central problem for the record industry. Stricter laws will not necessarily be a positive thing for the record companies; on the contrary, it might be of the opposite effect. Therefore, in order to avoid this problem, it might not be a good idea for the entertainment industry to push for a stricter legislation because of the risk of alienating its customers.

Another problem is that of keeping up the value of music. Trying to keep music's strong stature as a product may be a lost cause. Instead, record companies might focus

on keeping the premium product considered a product and the non-premium product a service. In other words, it might not be possible to avoid music from becoming a service, but it is not necessarily a negative thing.

The availability of content is of absolute importance and is a prerequisite for profiting on music legally. Content must be easily accessible. A common labelling system will be structured on the web. Who will construct it depends on the entertainment industries reluctance to join the new means of content consumption. A common labelling system developed by the entertainment industry can prove to be an effective tool to make consumers shift from an illegal to a legal alternative.

7 Discussion

As written above, scenario planning is a set of organized rules in order to speculate about the future. The scenarios presented in this paper are constructed by putting different weight on certain topics, mainly legislation and the question of music as a product or service. As the paper evolved it became more and more clear that the direction of legislation is defiantly a determining factor. The legislation part can be divided into two different parts, that of integrity and that of lawsuits. The latter is important because of the risk of alienating an entire generation of music consumption. To understand this group of music consumer one must understand the nature of these consumers. Primarily it is a question of accessibility. Consumers that has gotten used to accessing content with the click of a mouse on the computer reason that if the technology exists they should use it. If entertainment can deliver a service with the same standard at a reasonable price, it is, by their constructed arguments, their right to use another distribution system. When these persons or distribution systems get into a legal conflict because of this the consumers react negatively to the organizations suing them, thus creating a public picture not entirely unlike that of a company blamed with environmental disasters. It differs though because of record companies much closer contact with its end consumers than a chemical company for instance. If and when the market changes in the future these companies have a large group of potential consumers with a very negative picture of company which are also organized in a political party, spread all over Europe. It is controversial to start a war with a national movement which includes at least 45 000 Swedes.¹⁷² This brings us to the other aspect of legislation, that of integrity. Integrity is a concept closely connected to the western ideas of democracy. After the terrorist attacks on the World Trade Centre and the Pentagon in 2001, nations have written laws that result in a lesser personal integrity of the citizens. This started with the Patriot act in the U.S and has in 2009 resulted in two quite dramatic changes in Swedish law, the FRA law and the IPRED law. The IPRED law is tightly connected to the lobbying on the entertainment industry's part. When citizens feel that the government get too much access to a home or a person's entire life they will most likely react negative from a corporate point of view. It might result in Piratpartiet in both the Swedish and the European union as a reaction to the increased surveillance society.

The discussion whether music will be a product or a service in the future can of course be affected by the way in which the legislation moves. As shown earlier in this paper the way record companies has kept the value of music up is by controlling the output of content. In today's long tail-society this is no longer possible. Content is the merchandise of which both legal and illegal distribution channels compete. The ability to control the content is therefore crucial in keeping music considered as a product. It should be noted, however, that music looks to be moving in the direction of being a service. The possibility to profit from selling the service of music is bright nevertheless. It calls for a clear shift in business models and will require more selling by content providers. This is also where businesses must decide whether or not to evolve the value chain, or distribution chain of music. Should ISP's buy record companies, should record companies buy ISP's or should they just cooperate in distributing the content?

¹⁷² Piratpartiets website: www.piratpartiet.se (visited: 2009-05-17).

One of the most interesting products of the Internet's new role as part of distribution of content is that of the global labelling system required with the increasing amount of content on the web. How will the global community manage to agree on a system that will have to be compatible with all languages and cultures in the world? And perhaps, even more interesting, who will construct such a system? It is concluded in this paper that the world will be in need of some sort of tracker, be it constructed by private business, the government or private persons. It has been suggested that librarians in Sweden will be bestowed with this task. This is indeed an interesting thought and will likely prove to be a viable alternative, at least in Sweden.

All the discussions in this paper have been based on the theory that technical advances are linear and that they most likely also will evolve quicker than legislation is written. Therefore it also seems that the only way to compete with Internet pirates in the file sharing-game, is to use methods similar to those of Mediadefenders. If there is a continuous supply of content but no real labelling system it will be difficult to access digital content on the Internet. Based on the idea that technological advances are linear, this will most likely mean that pirates will, instead of blocking actors such as Mediadefenders, create their own labelling system with a matching tracker.

It should also be noted that it is likely that, if the entertainment industry can't produce a viable alternative to file sharing soon, the nature of the entire market can shift dramatically if China and India's middleclass enter the close the gap of the digital divide of today. A billion new Internet users with a need to consume culture will alter the state of the entertainment industry. It will also be interesting to see whether China's government will follow the needs of the WTO and get tougher on pirates. In that case, how will the citizens of a totalitarian state respond to a violation of their private integrity? This question is of course interesting for all countries, also Sweden. We may not yet have seen the repercussions of the FRA- and IPRED laws.

As seen in this paper much can be discussed about this most current topic. In conclusion, the author wishes to point out that legislators should proceed with the utmost caution in order not to violate citizens' personal integrity further. The question of illegal file sharing seems to have a much deeper root than first thought and poses as a more fundamental problem. The impact of the technique has shocked a society's very foundation and altered the way we perceive integrity.

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Enclosures

Enclosure 1 – Word list

Cloud Computing	Technique where content users don't download to computer but uses content or software over the Internet.
Decoying	Technique to make file sharing more difficult by labelling fake content as a correct file
DRM	Abbreviation of Digital Rights Managements, a technical limitation of a file, which content providers use to limit the control of a product.
IFPI	Abbreviation of International Federation of the Phonographic Industry, the interest group of the record industry.
IIPA	Abbreviation of International Intellectual Property Alliance
IPRED	Abbreviation of Intellectual Property Rights Enforcement Directive, a European Union directive which means that a court can rule that companies who suspect illegal file sharing can access names and addresses behind an IP-address.
IPTV	Abbreviation of Internet Protocol Television, broadcasting television over the Internet, which enables a more interactive television.
ISP	Abbreviation of Internet Service Provider
MPAA	Abbreviation of The Motion Picture Association of America, interest group of the movie industry.
P2P	Abbreviation of Peer to Peer, A file sharing technique where a file is divided into several small parts which are downloaded from several seeders at the same time
RIAA	Abbreviation of The Record industry Association of America, interest group of the American record industry.
Royalty Collectors	Organizations who collect royalty fees for the usage of intellectual property and distributes them to content owners.
Spoofing	Technique to make file sharing more difficult by a person or program masquerading as another file by falsifying data.
Stream	Technique to make digital content such as movies and music available through the Internet without downloading it to the computer
Stim	Swedish composers international music bureau, Swedish Royalty collectors
Swarming	Technique to make file sharing more difficult by flooding the system with trash data, which slows down the system
Torrent	or Bittorrent, A Peer-to-Peer file-sharing protocol
TPB	Abbreviation of The Pirate Bay