



Candidates must complete this page and then give this cover and their final version of the extended essay to their supervisor.

Candidate session number

Candidate name

School number

School name

Examination session (May or November)

MAY

Year

2012

Diploma Programme subject in which this extended essay is registered: BUSINESS & MANAGEMENT

(For an extended essay in the area of languages, state the language and whether it is group 1 or group 2.)

Title of the extended essay:

To what extent and how will the European Music Retail Industry be able to combat the effects of online music piracy and increase its sales?

Candidate's declaration

This declaration must be signed by the candidate; otherwise a grade may not be issued.

The extended essay I am submitting is my own work (apart from guidance allowed by the International Baccalaureate).

I have acknowledged each use of the words, graphics or ideas of another person, whether written, oral or visual.

I am aware that the word limit for all extended essays is 4000 words and that examiners are not required to read beyond this limit.

This is the final version of my extended essay.

Candidate's signature:

Date:

24/01/12

Supervisor's report and declaration

The supervisor must complete this report, sign the declaration and then give the final version of the extended essay, with this cover attached, to the Diploma Programme coordinator.

Name of supervisor (CAPITAL letters) _____

Please comment, as appropriate, on the candidate's performance, the context in which the candidate undertook the research for the extended essay, any difficulties encountered and how these were overcome (see page 13 of the extended essay guide). The concluding interview (viva voce) may provide useful information. These comments can help the examiner award a level for criterion K (holistic judgment). Do not comment on any adverse personal circumstances that may have affected the candidate. If the amount of time spent with the candidate was zero, you must explain this, in particular how it was then possible to authenticate the essay as the candidate's own work. You may attach an additional sheet if there is insufficient space here.

showed a good level of interest and determination throughout the process.

was personally interested in this topic and originally chose an organisation to research. Given the lack of specific information he actually expanded on the scope of his research to industry level.

The secondary sources he used are relevant.

produced a worthwhile research that incorporated relevant secondary sources, appropriate subject models in an analytical as and in places evaluative manner.

This declaration must be signed by the supervisor; otherwise a grade may not be issued.

I have read the final version of the extended essay that will be submitted to the examiner.

To the best of my knowledge, the extended essay is the authentic work of the candidate.

I spent hours with the candidate discussing the progress of the extended essay.

Supervisor's signature: _____

Date: 24.01.12

candidate duly cited on secondary sources (and only secondary sources, see the emphasis p.6), all duly referenced on the (footnotes). The models are well applied, the integration of Lewis is excellent, with evaluation to justify the respective. Or not a "contemporary topic" that keeps changing (eg legislation) it would be difficult to find aside from academic journals. A model EE.

Assessment form (for examiner use only)

Candidate session number



Achievement level

Criteria

Examiner 1 maximum Examiner 2 maximum Examiner 3

A research question	2	2		2	
B introduction	2	2		2	
C investigation <i>impressive amount of research</i>	4	4		4	
D knowledge and understanding	4	4		4	
E reasoned argument <i>v. clear exp Lewis</i>	4	4		4	
F analysis and evaluation	4	4		4	
G use of subject language	4	4		4	
H conclusion <i>p.16</i>	2	2		2	
I formal presentation <i>very good</i>	4	4		4	
J abstract	2	2		2	
K holistic judgment <i>See examiner's comments = overall enthusiastic</i>	3	4		4	
Total out of 36	35				

Name of examiner 1:

Examiner number:

Name of examiner 2: _____
(CAPITAL letters)

Examiner number: _____

Name of examiner 3: _____
(CAPITAL letters)

Examiner number: _____

IB Cardiff use only: B: ✓

IB Cardiff use only: A: 104833

Date: 24/05

Extended Essay: Business and Management

Centre No:
Candidate No:
Exam Session: May 2012
Word Count: 4000

2 aspects?

‘To what extent and how will
the European Music Retail
Industry be able to combat the
effects of online music piracy
and increase its sales?’ ✓

*broad essay for EE,
with real potential for secondary
research.*

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near

Abstract

Research Question

"To what extent and how will the European Music Retail Industry combat the effects of online music piracy and increase its sales?"

RQ

Scope of research

I approached this question by using Porters 5 forces model, the PESTLE model as well as Lewin's Driving and Restraining forces in order to evaluate the extent in which the music retail industry can combat the significant substitute in question - illegal music piracy.

RM

I used secondary research from a range of sources such as newspapers, pressure groups and analyst reports. When identifying the PESTLE factors, I complimented this model with the use of Lewin's force field analysis to evaluate the significance of each force respectively.

Conclusion

C

In conclusion the extent in which the music industry can combat the effects of online music piracy in the short-term is very unrealistic due to the lack of punishment enforced by the courts, and the restraining forces. When illegal organisations have been in danger, many of them have moved further east, to countries such as Ukraine and China. This presents issues although their target market is still the European consumer; the illegal organisations are under a weaker and more lax legal system and thus can remain online. Lastly a significant force is that of the ISP's not wanting to implement a form of monitoring their customers in fear of invading privacy policies.

However, in the long-term I feel that the music industry can collectively reduce the amount of illegal downloads, although whether it is abolished is down to technological factors and is regardless to the retail aspect of the music industry.

To combat music piracy and increase sales the music retail industry could:

- Subsidize purchasing price (Government)
- Continue attempts to implement ISP monitoring (Following the successful American case)
- Increase focus on high quality products

Words: 300

comprehensive

J2 ✓

Introduction

Music Piracy

Since the introduction of Napster in 1999 – illegal file sharing* has been growing at an alarming rate. This can affect the music industry and a number of stakeholders within that; artists, producers, retailers and the government will all be affected by a decrease in sales due to the increase in music piracy. In 2009 The Guardian stated that “**95% of music downloads are now illegal**”¹. A “report written by Terra Consultants said that more than 14 million people in the European Union work in creative industries such as television, publishing and radio. It claims that over **185,000 jobs were lost** because of digital piracy in 2008”². In reality the external factors to the music industry affect not only the artists, but every aspect of the industry.

What is online piracy?

“Music theft is a real, ongoing and evolving challenge. Both the volume of music acquired illegally without paying for it and the resulting drop in revenues are staggering. Digital sales, while on the rise, are not making up the difference. Make an MP3 copy of a song because the CD bought expressly permits owners to do so. But then putting an MP3 copy on the Internet, using a file-sharing network, so that millions of people can download it.”³

Although music piracy and illegal file sharing is illegal, (according to intellectual property laws), not enough is being done by the EU and individual governments to reduce the effects of online music piracy.

*“For us, file sharing is another word for theft,”*⁴ - Agnete Haaland, Head of International Actors Federation

* File sharing: Music technical word definitions can be found in appendix

¹ Online piracy: 95% of music downloads are illegal, Rosie Swash, The Guardian, 17/01/09 – accessed 09/04/11

<http://www.guardian.co.uk/music/2009/jan/17/music-piracy>

² Digital piracy in Europe soars, 17/03/10 – accessed 10/09/11

<http://www.cbsnews.com/stories/2010/03/17/tech/main6307192.shtml>

³ Recording Industry Association of America (RIAA) – Accessed 08/08/11

http://www.riaa.com/physicalpiracy.php?content_selector=What-is-Online-Piracy

⁴ European Web downloads cost €10 billion, Leslie Patton, Yahoo Finance, 17/03/10 – Accessed 14/10/11

<http://finance.yahoo.com/news/European-Web-downloads-cost-apf-4210877451.html?x=0&v=3>

Despite this, not everyone sees piracy as a bad thing; many believe that online file sharing is a good way of getting known in countries that artists may not have considered as a potential markets. A good marketing strategy is to give away free music. Alex Jonsson, the keyboard player in Maze of Time says, "I do get a smaller piece of the pie but the pie is getting bigger. People in Kuala Lumpur would never have known about a band in a suburb of Stockholm."⁵

Significance of the topic

I need to research what the **European music industry** and governments are doing in order to evaluate the extent and the likelihood that they can combat music piracy and increase sales. This is vital because technology is advancing; critics suggest that music piracy will grow if nothing is done. The 'Digital Music Report 2011' published by the attributable IFPI states an estimate by Terra Consultants that a cumulative **€230 Billion** will be lost in "retail revenues to the **European creative industries** from piracy 2008 - 2015"⁶. For this reason, the research question is as follows: ✓

Over both context and def/topic

B2 ✓

'To what extent and how will the European Music Retail Industry combat the effects of online music piracy and increase its sales?' ✓

⁵ Sweden sees music sales soar after crackdown on filesharing, Katie Allen, *The Guardian*, 23/11/09 - Accessed 09/06/11
<http://www.guardian.co.uk/business/2009/nov/23/sweden-music-sales-filesharing-crackdown>

⁶ IFPI digital music report 2011
International Federation of the Phonographic Industry, 20/01/11 - accessed 15/04/11
<http://www.ifpi.org/content/library/DMR2011.pdf>

Methodology

Good!

All of my research will be secondary as my paper is based on the current situation in the industry, and requires multiple sources and perspectives. It would be difficult to obtain primary research sufficient enough for this research paper.

<u>Type of research</u>	<u>Source</u>	<u>Information to obtain</u>
Secondary Research	Pressure groups ✓	Facts figures and evidence of the decline in sales due to the up rise of illegal file sharing.
	Business and Management (IB) textbooks ✓	For theories and concepts so that I can then apply to the music industry where necessary.
	Newspaper articles ✓	In newspaper articles I will be able to get information about individual cases and the effects of music piracy, as well as other interesting pieces of information.
	Governments ✓	Information about legislation and intellectual copyright laws regarding music piracy.

Limitations of research

- Newspapers can often be bias as their main interest is to maximise sales. Although I am not suggesting that figures and facts published are incorrect, often newspapers have been known to distort and skew stories in the past.
- Any reports validity must be considered because organisations can only test samples. It is near impossible to monitor the whole of Europe's download usage.

Models and business tools

I will be focusing on external forces, looking in depth into the opportunities and threats models such as PESTL, Porters 5 forces and Lewin's Force Field analysis to evaluate whether the European music industry can combat music piracy.

clear

Main findings, analysis and discussion

Porter's 5 forces

Porter's 5-force model "provides a useful framework for analysis. In essence Porter argue that an organisation's environment is predominantly conditioned by the intensity of competition in the industry or industries within which it is operating and that this is a critical influence not only on the competitive rules of the game, but also on the strategies potentially available"⁷ to the industry. The forces include the following, *Customers, Substitutes, Suppliers, Competitors, and New entrants*. The biggest application is to the illegal substitute – pirating illegal music. The model will help me to identify the threat from substitutes and to evaluate further the bargaining power from them. ✓

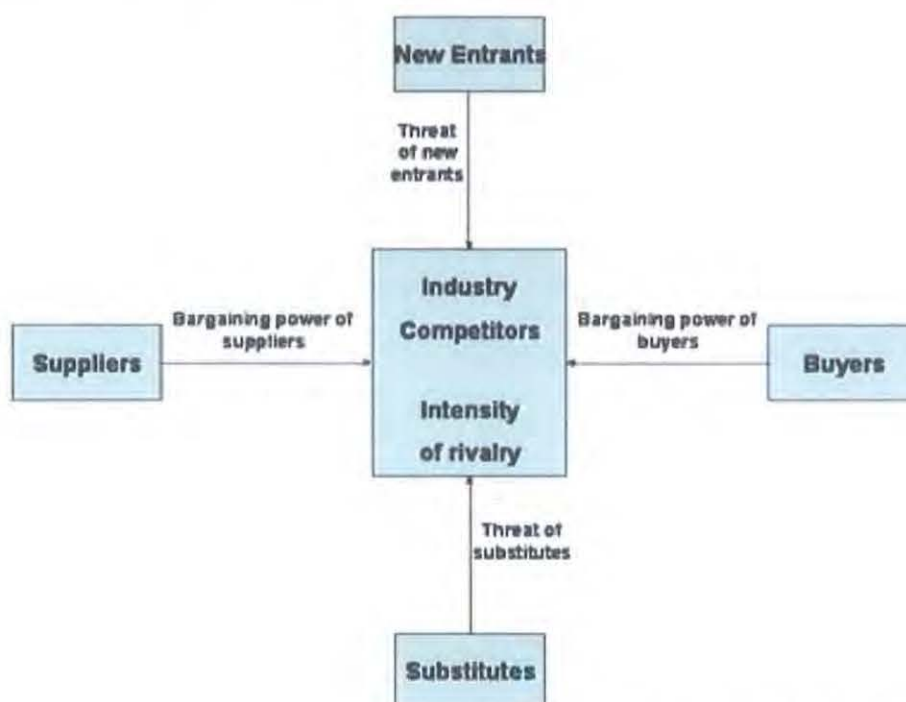


Fig 1: Porter's 5-force model⁸

Industry competitors

- Good line of bold
- There is a **high** intensity of rivalry among existing competitors trying to maximise their market share. The monopolistic firm iTunes currently holds around **80%** of the legal music market⁹ due to its simplicity of service, intensive catalogue of music and brand image. The competitive aspect is also developed from the low degree of differentiation, which

⁷ Worthington, Ian, and Chris Britton. *The Business Environment*. London: Pitman, 1994. p 369-370 ✓

⁸ Strategy: Porter's Five Force Model: analysing industry structure, Tutor2u – accessed 16/10/11
http://tutor2u.net/business/strategy/porter_five_forces.htm

⁹ Top Ten Reviews - Accessed 10/08/11
<http://music-download-review.toptenreviews.com/itunes-review.html>

makes rivalry more intense, but despite this it is vital for smaller businesses to differentiate their service they provide alongside their core responsibility in order to survive. For example, the online music retailer Beatport LLC has developed its Beatportal¹⁰, offering customers a social network with other music fanatics. iTunes (owned by Apple), have built a massive market share through its immense brand image and customer care - USPs which are greatly regarded in the online retail industry.

Threat from substitutes ✓

- The threat of substitutes is **very high**, like the intensity of rivalry, due to a small degree of differentiation in product, but the service and retail being very different. In this case, the industry is faced with illegal file-sharing networks. Although many file sharing sites have bad reputations due to the branded concept of being 'illegal', the relative price (79p/song average price¹¹, whereas pirating is free) to businesses in the music retail industry is incomparable. If a customer can get their music for free with lack of consequence or moral dilemma, it is more likely that they will turn to the substitute due to the free music. This is a frustration for many businesses, as a number of critics will regularly refer to piracy as a form of stealing from artists.

Bargaining power of buyers ✓

- Consumers hold an **incredibly high** bargaining power in the music industry, as they choose to download music from the substitute sources. As the consumers have this power, it is vital for businesses to offer what they want and need for a good price at the current position due to the amount of free substitutes on offer. Here lies the problem, until either the consumers believe it is morally incorrect, or start to get penalised for using illegal substitutes, then they will remain with the strongest bargaining power.

Threats from potential new entrants ✓

- The **threat** of new entrants depends whether they will be online, or offline. "Setup costs are expensive for a record retailer and can be the biggest barrier to entry, which is why so many begin small"¹². The biggest issue is that the mark up on CD's for the retailer is very small¹². On the other hand, starting an online retailer would be more cost efficient, as there are very small premises costs, and no wastage stock due to the digital format traded. Although this said, the music industry is very

¹⁰ Beatportal - Accessed 11/08/11
<http://www.beatportal.com/>

¹¹ The best music download sites, Tara Evens, 18/11/09 This is Money.co.uk - accessed 14/10/11
<http://www.thisismoney.co.uk/money/bills/article-1682309/The-best-music-download-sites.html>

¹² Start ups, Record Shop - Accessed 12/10/2011
<http://www.startups.co.uk/record-shop.html?page=3>

used reference

well applied

established already with main retailers, and because there is no obvious way of verifying online shops validity, it can be difficult for a new business to build a trustworthy reputation.

- In Europe there are **high entrance barriers** for illegal file-sharing sites due to the law and piracy awareness from the governments. Despite this, businesses can move further abroad to Asia¹³, where laws are more lax and still target the European market for file sharing.

Bargaining power of suppliers

- Suppliers bargaining power is quite **low** in comparison to other forces, as the record labels need the retailers to sell their music. It is minimising the customer's search costs that makes the retailer important, as they will stock thousands of albums in one place. If suppliers wished to sell music individually they would inconvenience the customer. With thousands of artists and musicians around, the search time for customers would be incredible, and thus they would not bother.

The threat of substitutes is by far the strongest, as the music retail industry is faced with a significant price differences in comparison with the illegal substitutes available. Because of this, it then takes an effect on the bargaining power of buyers, who have two options of supplier types: legal, or illegal. Because the bargaining power of customers is so high due to the threat of substitutes obtaining the sales, the *legal* music industry needs to reduce their substitutes bargaining power. The extent in which the music retail industry can combat online music piracy at this stage of the analysis is unclear due to the lack of knowledge on the external factors.

good analysis

good transition
→ next page

¹³ Internet pirates find 'Bulletproof' havens for illegal file sharing, Bobbie Johnson, The Guardian 05/01/10 - Accessed 14/08/11
<http://www.guardian.co.uk/technology/2010/jan/05/internet-piracy-bulletproof>

PESTL analysis and Lewin's Force Field analysis

“Originally designed as a business environmental scan, the **PEST** or **PESTLE** analysis is an analysis of the external macro environment (big picture) in which a business operates. These are often factors which are beyond the control or influence of a business, however are important to be aware of when doing product development, business or strategy planning.”¹³ It should be remembered that these factors are external factors and will affect the whole of the music retail industry. **PESTLE** stands for: *Political, Economic, Social, Technological, Legal and Environmental*, although little attention will be paid to the latter due to its insignificance to the research question. ✓

Lewin's Force Field analysis shows the static position, forces that are driving it forwards for positive changes, and forces that are resisting change. This is done by listing the **driving forces** for change, and listing **forces resisting** the desired change. Then, managers should “allocate a weight to each of these forces, from 1 (weak) to 5 (strong)”¹⁴. Using this model, Managers can work out “how to improve the chances of success. Managers can investigate how the driving forces can be strengthened and how the restraining forces can be reduced or eliminated. Lewin argued that these forces should be investigated if there is to be improvement in an organisation”¹⁵. This model does not solve any problems or conflicting forces, but it does offer a clear way of appraising them. ✓

Forces such as governmental incentives, pressure groups and service differentiation will be regarded as driving forces. Whereas, technology and the ease of file sharing are examples of the restraining forces. The model allows me to see how strong the restraining forces are stopping the music retail industry from combating music piracy, and how the industry can increase sales. ✓

When making a final judgment, I should also consider limitations of the models. **Lewin's Force Field analysis** is arbitrary; although all weightings are justified, it is likely that another market analyst may weight things differently depending on his/her own judgment. ✓

clear

¹⁴ Writing a PESTLE analysis, Mike (admin), Rapidbi, 02/02/07 – accessed 16/10/11
<http://rapidbi.com/management/pestle/>

¹⁵ Hoang, Paul. *Business and Management*. Victoria: Ibid, 2009. Print. P142

¹⁶ Hoang, Paul. *Business and Management*. Victoria: Ibid, 2009. Print. P143

good linkage!

	PESTL Analysis	Lewin's Force field analysis
	<i>Political</i>	
Opportunity	Organisations such as the American RIAA (Recording Industry Association of America) and the worldwide IFPI (International Federation of the Phonographic Industry) work as pressure groups to "safeguard the rights of record producers" ¹⁶ . These pressure groups work in favour of the music industry, helping to create awareness to consumers and the government about the struggle the music industry is currently undergoing. Every year IFPI issue annual reports into the effects of piracy on businesses, the overall losses allocated to piracy and the growth and decline of the legal digital music industry. Further more they publish new reports to campaign and raise awareness.	+ ② Although by looking at the case in Ireland (below), pressure groups are not extremely effective and it will take a matter of time before the target market is responsive. Pressure groups "aims lie within the sphere of politics" ¹⁷ , but they do not hold the same authority and power that Politian's do. For these reasons, it is likely that pressure groups will not pose an extremely effective driving force for the European market on a short-term basis, although long-term prospects are hopeful.
	<i>Political</i>	
Opportunity	A deal with five of Americas largest Internet access companies will see them give six warnings to customers suspected to be uploading content onto file-sharing websites. Although providers refuse to terminate Internet connections, penalties such as slowing the pirates Internet connection will be incurred. ¹⁸ This is a big movement for the music industry, and will hopefully see music sales start to rise in the USA, as piracy will no longer be tolerated. This can help the European bodies (such as the EU) to implement such changes as it will have already been tried, and will not have to take the risk of being the first.	+ ② Now Europe have an influential example to follow they can analyse the pros and cons of implementing this system in Europe. It more importantly means that ISP's in Europe will be less nervous about monitoring internet usage, because it is already been done elsewhere, making it more acceptable, and thus this is a driving force .

¹⁷ Music Piracy – Ten inconvenient truths, IFPI – accessed 13/08/11
http://www.ifpi.org/content/section_news/20070531.html

¹⁸ Hall, Dave, Rob Jones, Carlo Raffo, and Alain Anderton. *Business Studies*. 4th ed. Harlow: Pearson Education, 2009. Print p727

¹⁹ ISPs agree on web piracy crackdown, *Financial Times*, Joseph Menn, 09/07/11 – Accessed 14/07/11
<http://www.ft.com/cms/s/0/b1becb14-a99c-11e0-a04a-00144feabdc0.html#axzz1STskB9sG>

<i>Political</i>	
Opportunity	<p>A State-subsidised scheme has been set up by the French government that is aimed to encourage 12-25 year olds to buy music instead of downloading illegally. "The government will sell pre-paid cards that have a value of 50 Euros, but only cost 25 Euros when bought. The French government will pay the other half of the cost when a card is used to buy music on a download site."¹⁹ This scheme is one of the most extreme enforced by any government to date - "The French government will invest up to €25m (\$34.8 million) a year into subsidizing the scheme"²⁰ and could have a very positive effect on the retailers as sales will increase, and the pirate downloads should in theory, decrease.</p>
	<p>+ ④ If the scheme works out to be successful, fairly soon other EU countries could adopt a similar subsidy scheme in order to increase online music sales, creating a strong driving force, with potential to be extremely significant. Although the scheme took off modestly, with only 10,000 (out of 1 million available) subscribers, it is a moderately strong opportunity for the music retail industry to increase sales. In the long run, governments may then be able to fade the scheme out as people will have socially adapted to the concept of buying music.</p>
<i>Legal</i>	
Threat	<p>"The Irish High Court has ruled that laws cutting off internet users who have illegally downloaded content cannot be enforced in the country"²¹ The Irish internet service provider UPC won the court case in Ireland against the big copyright owners, including EMI and Sony, refusing to monitor its customers internet usage. Unethical invasion of Privacy Policies are why ISP's (Internet Service Providers) are refusing to monitor their customers Internet usage. This situation means that someone has to suffer from file-sharing: currently record labels and artists are suffering, but if ISPs are forced to monitor customers downloads then ISPs will be under scrutiny from pressure groups and customers demanding privacy laws.</p>
	<p>- ⑤ Presently, the restraining force of a <i>lack</i> of consequence for illegally downloading is massive. Although pressure groups, record labels and politicians are pushing for the courts and ISPs to implement change, currently people are still getting away with illegal file-sharing. This means that the consumers do not have a motivation to purchase music legally. Furthermore, the music retailing industries has little authority to take the file-sharing organisations to court, as the copyrights do not belong to the retailers, but obviously the record labels and artists.</p>

²⁰ French to bankroll music-buying, BBC, 15/10/10 - Accessed 15/03/11
<http://www.bbc.co.uk/news/technology-11549874>

²¹ Billboard - Accessed 10/10/11
http://www.billboard.biz/bbbiz/content_display/industry/news/e3i4ef51a35fea2a26d39b07b48b4dc80ce

²² Irish court rules in favour of ISPs in piracy case, BBC, 12/10/10 - Accessed 15/03/11
<http://www.bbc.co.uk/news/technology-11521949>

very well integrated

<i>Legal</i>	
Threat	<p>Now that Sweden has finally toughened its copyright infringement laws, illegal file-sharing companies like 'Pirate Bay' are moving further East, where they can find loopholes in the legal systems. Countries like Ukraine host 'Pirate Bay', while many companies are looking to China for a safe haven²². China still has a long way to go before cooperating at the same level of law with the Western world: the US Customs and other law enforcement agents made 15,000 seizures, around 80% being Chinese²³. With the boom of Internet piracy, this mentality is sure to be replicated online.</p>
	<p>- ④ This is a significant restraining force for the European music industry; because of the global access of the internet as a market, the move from Sweden to China will not affect the convenience of illegal music consumers at all. It will in fact make it significantly more difficult for the European courts to implement law on the illegal organisations if they are operating in a different legal system (Chinese). On the other hand, although the Chinese government isn't very compliant at present, China's slow but sure legislative development²⁴ could mean that they will be more cooperation in the long-term.</p>
<i>Economic</i>	
Threat	<p>Recession – Although “Rock concert sales plunged as recession forced promoters into discounts”²⁵, during the last year of the recent recession, music sales only dropped by ‘0.8%’²⁵. It seems that the recession has had very little effect on the sales of music. Although it should be noted that ‘Susan Boyle, I Dreamed a Dream (Album)’ sold around 1.7m copies this year, along with Lady Gaga’s ‘The Fame’ selling 1.5 million²⁵ copies. These two massive hits are likely to have influenced the statistics ever so</p>
	<p>- ① The restraining force of the recession is not very significant, and 0.8% drop in sales shows that in fact the recession hasn't had much of an impact on the music <i>retail</i> industry.</p>

²³ Internet pirates find 'Bulletproof' havens for illegal file sharing, Bobbie Johnson, *The Guardian* 05/01/10 – Accessed 14/08/11

<http://www.guardian.co.uk/technology/2010/jan/05/internet-piracy-bulletproof>

²⁴ Piracy: China still in the game, Enjoli Francis, 15/11/10 – Accessed 14/08/11

<http://abcnews.go.com/WN/China/china-major-player-piracy/story?id=12153389>

²⁵ Public participation improves China's legislation quality, Xin Hua, *China Daily*, 10/03/11 – accessed 10/10/11

http://www.chinadaily.com.cn/china/2011npc/2011-03/10/content_12152004.htm

²⁶ Rock concert sales plunge as recession forces promoters into discount, *The Guardian*, Dominic Rushe, 30/12/10 – accessed 13/08/11

<http://www.guardian.co.uk/business/2010/dec/30/rock-concert-sales-plunge>

Good!

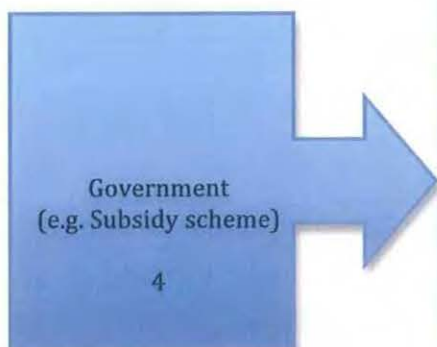
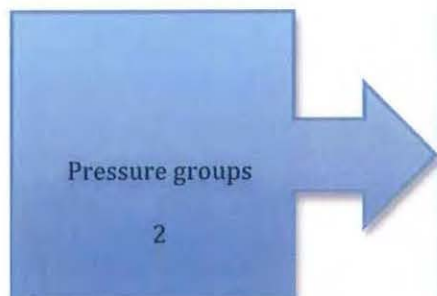
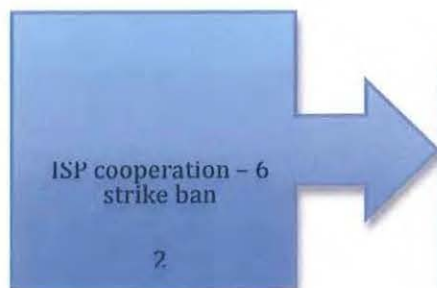
<i>Social</i>		
Threat	Assuming that the demographics of downloader's are similar in Europe, "Professor Zhang of Nanjing University found that Chinese citizens who bought pirate products were mainly middle or higher income earners" ²⁶ , meaning that the greater proportion of music pirates are not necessarily people who live in poverty or financial depression. Although this study is not directly applicable to the European market due to possible fluctuations in social tendencies and differences, it gives a good idea of the demographics of online music pirates in general. ✓	- ③ this is fairly strong restraining force on the retail industry, as the customer is not illegally downloading because of poor economic circumstances. This is a fairly strong force because we can assume that the only other reasons for illegally downloading are: a) Don't care about the effects b) uneducated on the effects of illegal downloading. If the former, then solving any issues will be significantly harder.
<i>Technology</i>		
Opportunity	There is a high demand for good quality mp3 or WAV files ²⁷ due to the increase in advanced digital DJing technology; it is becoming more practical and more accepted by the DJ culture to use laptops and digital mixing desks to perform. This is a massive opportunity for businesses specializing in electro dance, which supply high quality disco and techno songs that are demanded for digital DJing, although this is only a niche, and accounts for a minor part of the whole industry.	+ ① This is a driving force ✓ that legitimate music retailers have over illegal music piracy organisations, as the illegal organisations cannot provide the quality necessary for a club's sound system. Although it is a significant point, only a hand full of people obtaining music legally or illegally online are DJ's, and for this reason it is only a weak driving force.
<i>Technology</i>		
Threat	Technology is constantly advancing, making it more difficult for officials to monitor Internet usage due to proxies, as well as making it even easier for people to download illegally. Illegal file-sharing is very easy to do and thus creates a substantial restraining force for the combating of music piracy. All you have to do is type in what you would like to download, and add the word 'torrent' on the end. Example 'Lady gaga just dance torrent'. It can even be simpler than typing in your credit card details to purchase a song. ✓	- ③ Fairly strong restraining force . The ease of file-sharing increases the threat of substitutes as it is nearly as easy to illegally download music, as it is to purchase it legally. This is quite an issue as it is yet another strength that illegal file-sharing has. It is easy to do, completely free, and has no repercussions.

²⁷ Music Piracy - Ten inconvenient truths, IFPI - accessed 13/08/11
http://www.ifpi.org/content/section_news/20070531.html

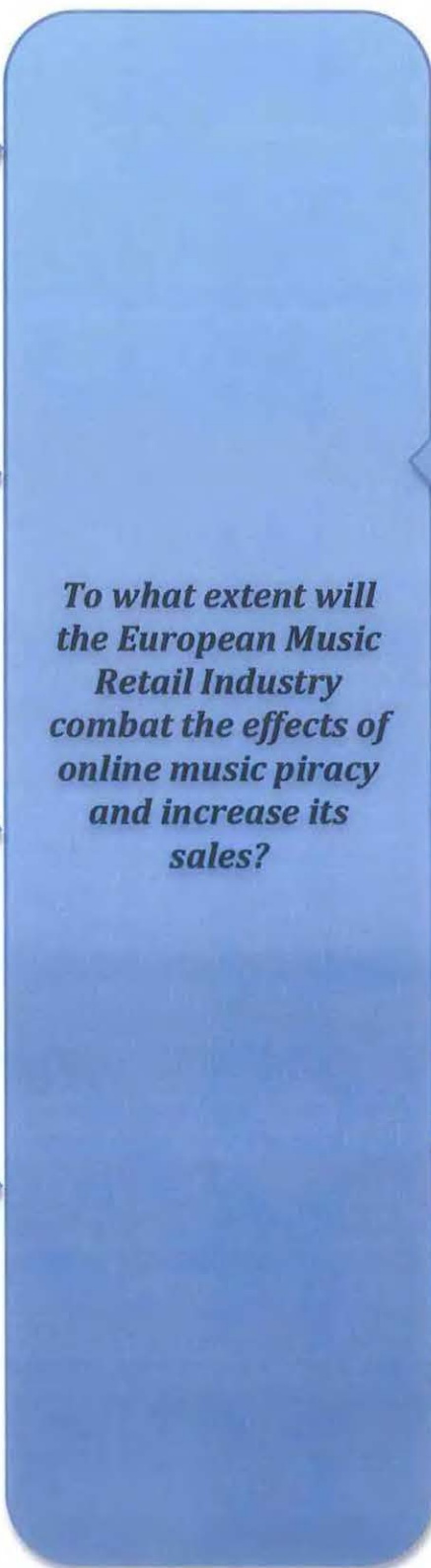
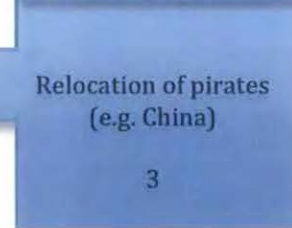
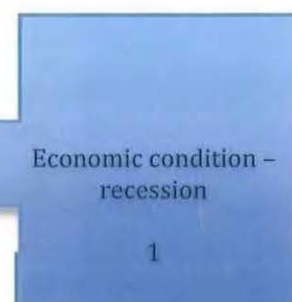
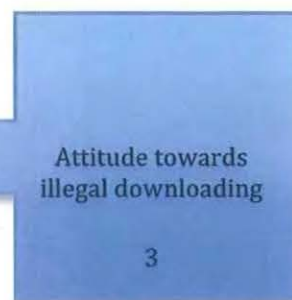
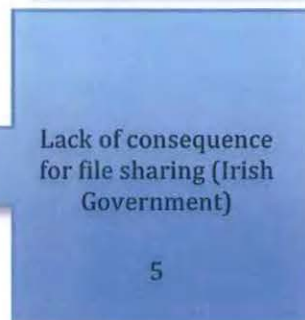
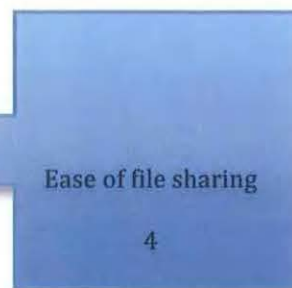
²⁸ 6 reasons why the digital DJ is taking over, Motion Select, 17/11/10 - accessed 13/08/11
<http://www.motionselect.com/2010/11/6-reasons-why-digital-dj-is-taking-over.html>

Lewin's Force field analysis

Driving Forces



Restraining Forces



Good Summary
Total = 9

Rated 1 (not strong) to 5 (very strong)

Total = 16

Conclusion

'To what extent and how will the European Music Retail Industry combat the effects of online music piracy and increase its sales?'

Following my investigation and analysis, it seems that illegal file-sharing organisations are not going to close down instantaneously, due to the fact that every time the copyright laws get tightened, they move further abroad. Therefore it is up to the consumers who have the greatest bargaining power to decide on the fate of the music industry, presuming that governments and ISPs still fuss over privacy policies for many more years.

Lewin's force field analysis shows that the restraining forces are in fact much greater than the driving forces, and all of the forces are external to the industry, giving little control to the market. Furthermore, the music retailing industries has little authority to take the file-sharing organisations to court, as the copyrights do not belong to the retailers, but obviously the record labels and artists. The problem is that business and markets work on a mutual gain basis. Internet service providers have no incentive to monitor their customers' download usage. In fact doing so would have a negative impact on customer relations and brand reputation, as it would breach privacy policies.

How?

part 2 of logic

- Implementing Nicolas Sarkozy's French pay-roll scheme on a European level seems to be a beneficial way forward towards encouraging the younger market to purchase legitimate online music. This is done by making the music cheaper to buy, and better still it reduces the relative price of substitutes.
- Retailers should make an effort to stay on top of the market for high quality tracks, focusing on the live music scene (DJs). High quality and the latest tracks are a must for DJs in clubs and at gigs, as well as a simplistic and fast way to obtain the music.
- Pressure groups and record labels alike need to keep filing court cases against illegal file-sharing organisations. If the substitutes can be eliminated, the bargaining power of the buyer will be much lower.
- But most significantly, I feel it is the law's responsibility to combat music piracy for the music industry. Laws and regulations need to be forced upon ISPs to monitor Internet downloads. The lack of consequence has displayed an extremely high restraining force, and thus it needs to be decreased, or even better eliminated in order to see an increase in sales.

Overall, I think it is very unlikely that the Music Retail Industry will be able to combat music piracy and increase sales in the foreseeable future. It is way out of the individual businesses' hands as the problem lies within legal contradictions - while file-sharing is illegal, it is also unethical to invade someone's privacy. In the long term, social changes may be the answer, evolved by political factors. It will take a considerable amount of retailers to shut down before the consumer realises the effects of illegally downloading.

clear concl -

H2

H2 indeed

The unresolved issue is the flaw in assuming that a decrease in illegally downloading music will result in an increase of legal music sales. While the music industry may be able to combat the effects of music piracy, there is very limited, if any data to prove that people will start to buy music. The consumer could decide that music's not worth the price, and therefore will obtaining music altogether as it is not a FMCG. ✓

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Appendix

What is online piracy?

Music theft is a real, ongoing and evolving challenge. Both the volume of music acquired illegally without paying for it and the resulting drop in revenues are staggering. Digital sales, while on the rise, are not making up the difference.

Common Examples of Online Copyright Infringement:

- 1) You make an MP3 copy of a song because the CD you bought expressly permits you to do so. But then you put your MP3 copy on the Internet, using a file-sharing network, so that millions of other people can download it.
- 2) Even if you don't illegally offer recordings to others, you join a file-sharing network and download unauthorized copies of all the copyrighted music you want for free from the computers of other network members.
- 3) In order to gain access to copyrighted music on the computers of other network members, you pay a fee to join a file-sharing network that isn't authorized to distribute or make copies of copyrighted music. Then you download unauthorized copies of all the music you want.
- 4) You transfer copyrighted music using an instant messaging service.
- 5) You have a computer with a CD burner, which you use to burn copies of music you have downloaded onto writable CDs for all of your friends.

Somebody you don't even know e-mails you a copy of a copyrighted song and then you turn around and e-mail copies to all of your friends.

Item 1

Recording Industry Association of America (RIAA) – Accessed 08/08/11

http://www.riaa.com/physicalpiracy.php?content_selector=What-is-Online-Piracy

File sharing is the practice of distributing or providing access to digitally stored information, such as computer programs, multimedia (audio, images, and video), documents, or electronic books. It may be implemented through a variety of ways. Common methods of storage, transmission, and distribution used in file sharing include manual sharing using removable media, centralized servers on computer networks, World Wide Web-based hyperlinked documents, and the use of distributed peer-to-peer networking (see peer-to-peer file sharing).

Item 2

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http://en.wikipedia.org/wiki/Illegal_file_sharing

WAV file - A popular Windows format for sound files (.wav files) found on the Net.

Item 3

Create a website 123, Web glossary - 16/10/11

<http://www.createawebsite123.com/glossary.htm>

MPEG-1 or MPEG-2 Audio Layer III, more commonly referred to as **MP3**, is a patented digital audio encoding format using a form of lossy data compression. It is a common audio format for consumer audio storage, as well as a de facto standard of digital audio compression for the transfer and playback of music on digital audio players.

Item 4

MP3, Wikipedia, the Free Encyclopedia. Web. 16/10/11

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In computer networks, a **proxy server** is a server (a computer system or an application) that acts as an intermediary for requests from clients seeking resources from other servers. A client connects to the proxy server, requesting some service, such as a file, connection, web page, or other resource, available from a different server. The proxy server evaluates the request according to its filtering rules. For example, it may filter traffic by IP address or protocol.

Item 5

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