

Title: You Can't Always Get What You Want: An Empirical Analysis of the Effects of Internet Music Downloading on the Music Consumption Habits of Young Listeners

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ABSTRACT

Technological developments are challenging the recording industry's traditional business model. Data compression formats such as MP3 and software such as Napster allow internet users to download each others' digital music files without paying copyright fees. These developments are converting music into a public good, since it is becoming non-depletable and non-exclusive. The individual's belief that his/her own actions have little effect on music industry revenues leads people to engage in behavior that is illegal and, in the aggregate, potentially devastating to the industry. The clash of new technologies and behaviors with the music industry's business model exemplifies a classic Institutionalist theme; it will also lead to changes in both milieus.

This paper will analyze the effects of music downloading on the music purchases of young consumers. The analysis is based on a survey of college students who both buy compact discs and download music from the internet. We will determine the impact of downloading on the consumption of prerecorded music, as well as discern determinants of downloading activity, the likely impact of copyright law changes on downloading activity, respondents' willingness to pay for downloads, and other issues. This paper views downloading as an efficient distribution mechanism that threatens the music industry itself. Our goal is to discover solutions to this paradox, so that this instrumental distribution system may coexist with a thriving music industry.

This paper's analytical model may be fruitfully applied to other cases, since digitized novels, video clips, and movies are beginning to be traded over the internet.