

# MY NEW MEDIA

Matthew Sears

Young Canadian business executive Matthew Sears grew up on the Internet. Here he argues that he has never paid for digital news and doubts he ever will. He blames the digital stupidity of his father's beloved newspapers for their own failure.

Jeune chef d'entreprise, Matthew Sears a grandi avec Internet. Il n'a jamais déboursé un sou pour suivre l'actualité en ligne, note-t-il, et doute d'avoir jamais à le faire. Il juge que les chers journaux de son père sont responsables de leur propre malheur pour cause d'ineptie numérique.



**H**ow does an industry die? Slowly at first and then suddenly, as the saying goes. The death of the music, television and film industries began slowly in the 1980s, then newspapers joined the death march in the 1990s, and by last year their collective decline had become precipitous. Some people cite Napster's rise, in the late 1990s, as the turning point. Others go back to the launch of the compact disc and the dawn of digital music. Whatever date you choose, the story is the same: the threat that incumbents felt consumers armed with new technology posed to their business model.

Convenient analogue recording — using VHS for video and the audio cassette — broke the film studio and record companies' monopolies. Consumers could time-shift television and music on radio, and not pay the content producers a dime. The Sony Walkman empowered place-shifting as well. Fans could listen to their music anywhere they liked. These were revolutions and they were fought by the content industry. Despite its lobbying, consumers' rights were enshrined in the "fair use" doctrine in American and international copyright laws.

The compact disc was the record companies' trump in the eighties. It offered better sound quality than cassettes and, even better from the content owners' perspective, it was tough to copy. The CD marked a return to the status quo: content owners produced content and controlled distribution, as well as how and where it was consumed. Foolishly, record companies simply milked the profits from CD sales, failing to see the signs of consumer rebellion on the horizon.

The next upheaval came in the summer of 1999: Shawn Fanning unleashed Napster on the world. In my sophomore year of high school, along with most of my peers, I leapt into this new revolution. Instead of making you pay a lot of money for a CD with only one or two tracks you cared about, Napster gave you only what you wanted. With Napster, without leaving your couch you

could get virtually anything you wanted: nothing was ever out of stock, there was no limit to the music available, no cost to try out a new band or genre.

And it was free.

I went from buying every new album that Hong Kong record stores offered in their outdated and anemic "hip-hop" collection, to being able to experiment with more music than I would ever have been able to afford. I'd even surreptitiously download music that my dad listened to. I could never have asked to borrow it, let alone buy it. What teenager would be caught dead admitting to liking something from his parents' music?

It wasn't long before you could listen to Napster's file format, MP3 files, in more places than you could play a CD. Sony made ever-smaller MP3 players that could do things CD players never could. Napster ultimately folded under pressure from industry, but others soon rose to take its place. They too were shuttered one by one. But the genie was out of the bottle.

Consumers had gotten a taste for a better product, and the record companies were unable to respond with anything but lawsuits. First they went after the technology, suing the operators such as Napster. That proved little more than a game of whack-a-mole, as each closed network simply gave birth to a replacement. The companies changed tactics and went after their customers directly. The Recording Industry Association of America (RIAA) has sued or threatened with legal action more than 28,000 customers — including, improbably, deceased grandmothers, single moms and young children — not perhaps a public relations master stroke.

**T**his bizarre strategy and the music bosses' attempts to offer embarrassingly weak alternatives to the pirates sped their decline. Subscription models that promised "all you can eat!" for "a low flat fee!" failed to disclose you were simply renting the music. When you stopped paying

that monthly fee, your music library evaporated into the ether. Microsoft's attempt to create a universal digital rights management software prevented copying of the files, but it also prevented consumers from listening to their music on many portable devices.

The next revolution was iTunes,

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the first credible competitor to the pirate networks. Users got a legal alternative to their criminal file-sharing habits: music they could own, that was portable, and a vast catalogue to choose from. Steve Jobs also offered recommendations based on other customers' choices, new music and user-created playlists. Within months it took over the digital music world. Today Hulu, the streaming video destination hailed as the harbinger of visual media content owners' enlightenment, is seen as the next iTunes. Meanwhile, the idiots at the Motion Picture Association of America — the RIAA's counterpart in the movie industry — are offering this helpful advice to schoolteachers: since DVD copying is illegal, teachers keen to show their class movie excerpts should aim a camcorder at a video screen, then replay the blurry recorded video of a video.

**T**he iTunes site has grown into one of the largest retailers of movies and television shows as well. The same factors underlying its success with music have proven valuable with video: a deep understanding of consumer wants: that is, quality, portability and convenience. Packaging video that is flexible is the key to success. So far, Apple has charted the same course with video as it did in the early days of

iTunes. It leaves much to be desired. It lags the pirates in every important metric — quality, portability and, most surprisingly for a legal provider, timeliness. Less than an hour after it airs, fans can illegally download an episode of *24* or *The Daily Show* and watch it shortly thereafter. On iTunes, one

often has to wait sometimes days or weeks, making *The Daily Show* relatively worthless. Its videos also have abysmal quality. Fox's *24* in HD, a show that really shines in that format, can be acquired only illegally.

The successor to Napster is Bit Torrent, an innovative protocol developed to ease the bandwidth strain of file transfers. Nonetheless Bit Torrent transfers today account for as much as 75 percent of Internet bandwidth by some estimates. Downloaded video content has the highest quality and essentially limitless portability, and it is permanent. When quality is the main concern — such as with a special-effects-laden blockbuster or a Pixar film — an HD download that provides a quality unmatched by anything but a commercial Blu-ray disc. And, for now, it is free.

**S**urprisingly, perhaps, price and advertising are not the crux of the piracy issue. My music collection would certainly be smaller and less diverse if I had paid for it all, and the same is undoubtedly true of my movie and television collection. But a lot of it was paid for. I am not unwilling to pay for content — I am simply offended when companies demand a higher price for a lousy product. When better alternatives are so readily available, the choice is simple.

The iTunes site has made a name for itself partially on the exclusive access it gets to certain artists, and I'm more than happy to pay for that access. I pay to see movies in the theatre. But I've yet to find a legal content source that can compete — on quality, portability and user experience — with the illegal ones to which my generation has grown attached. The content industry has steadfastly refused to innovate until now it is collectively on the brink of destruction. Enterprising individuals developed better illegal alternatives. No user today can maintain

that he or she doesn't know piracy is illegal. But the content industries would do well to study the pirates' successes. My generation didn't wake up one day deciding to break the law. We were slowly weaned off CDs and DVDs by a better alternative, available only from the pirates.

So how can content owners survive? I don't see advertising as a deal breaker — watching a couple of 30-second spots preceding a half-hour or hour of television is perfectly reasonable. But those three powerful criteria — quality, portability and a convenient user experience — are key.

My generation is accused of spending more time reading Facebook profiles than newspapers. Most of us do not read newspapers, at least not in physical form. Our news comes from sources across the Internet — newspaper Web sites, blogs, on-line magazines and, yes, Facebook. All of this is free. It is an enormous challenge to the news media owners now facing the same fate as music and movies. What has proven utterly impossible for content owners is to transition from a free model to paid — users flee in droves, leaving owners with a revenue-generating but permanently unprofitable product. The grand irony of the *New York Times* giving its content away for free, in turn driving readership to unheard of levels, yet stumbling on

the edge of bankruptcy nonetheless, is painful. But the lessons learned by their counterparts in the movie and music businesses are not useful. News content and its distribution are not judged by the same metrics as entertainment media.

A prescient high school English teacher offered us this bold prediction about Internet research a decade ago: “The Internet has gone a long way to quench our thirst for information. But what will define success will not be access to endless information, but the ability to sort through it quickly and effectively, and to make it work for you.” I read the *New York Times* on-line most days, but I rarely, if ever, go directly to their home page. Instead, I follow links there from sources I trust and respect, parents, friends, blogs and news aggregators. Going beyond Google News to create a truly personalized news aggregator that people would pay to use may prove to be one answer to the industry’s woes.

I doubt that my generation will ever grow accustomed to the idea of paying for news — we get it free in too many places — but I do see real value in a service that sifts the ever-increasing quantity of information for me. Success will hinge on understanding the criteria by which consumers judge the product. Quality is important for news but hardly a differentiator when even the *New York Times* is subject to concerns over its impartiality, and portability has been taken for granted since the advent of the newspaper. So of the three criteria, only user experience can be grounds for differentiation. The news content owners that deliver the news that consumers want, and only what they want, in a timely and efficient manner will be the winners in this new world.

For most of my lifetime, content owners have gone out of their way to breed distrust and animosity among my generation: cheating us, suing us and failing to deliver quality products. Lawsuit after lawsuit and illegally leaked album after album, they see us as ungrateful pirates. We see them as incompetent



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aging bullies. We could find common ground and areas to compromise. Our insatiable appetite for content — legally acquired and not — demonstrates a passion and therefore a potential market — for information and art. We’re no more willing to see the artists and the industries that create them die than our parents. All we ask for is a little respect.

*Matthew Sears is an executive with a private education firm based in Hong Kong. He grew up in Asia during the explosion of the Internet era, before taking a honours degree at the University of Pennsylvania, and a master’s at University of Toronto in East Asian studies. He is the son of Contributing Writer Robin Sears.*



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