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Click to Buy: iTunes and the Digital Music Commodity

[SLIDE] Just last month, Apple announced that its iTunes Music Store was the number one music retailer in the United States, surpassing physical outlets like Wal-Mart, Best Buy, Target and online retailers like Amazon (CP, APPLE VAULTS). Barely 5 years old, iTunes holds approximately 19% of the U.S. music market, compared to Wal-Mart's 15% (CNET, http://www.news.com/8301-13579_3-9910714-37.html), and it now serves over 4 billion songs to some 50 million customers in almost two dozen countries.

iTunes aside, it's interesting, and perhaps a little sad, that the list of top music retailers doesn't technically include any dedicated music retailers. For Wal-mart, Best Buy and Amazon, music is merely a passing interest. But I don't intend to use my time here to mourn the passing of the record store. Rather, I hope to focus on the other glaring fact beneath those numbers: the iTunes music store is the number one retailer despite (or is it in spite) of the fact that it only sells a digital music commodity. Staring at this news, it's hard to believe that just ten years ago, music online was barely conceivable. But thanks to the increasing entanglement of the computing and music industries, the music commodity has migrated beyond the confines of the compact disc. The transition from digital music wrapped in a CD commodity to digital music as a commodity in and of itself has implications for how we make, distribute, archive, and experience music. Although it may seem quaint to talk about a music "commodity" in an era where billions of files are swapped instead of sold, this paper looks towards the digital music commodity, as it can be found on the iTunes Music Store, to consider some of the technologies and practices wrapped within the digital music commodity. Of course, the

transition that is taking place with music is on-going and Apple is only one player attempting to shape its form. But as the market leader, Apple has been instrumental in promoting the very idea that digital music is a commodity. It has managed to commodify digital music or, more precisely, the experience of digital music such that people are willing to pay for files they can find readily through file-sharing services any time, any day. While digital music potentially promises to re-organize the economics of the music industry, the iTunes store limits these possibilities through its practices of commodification.

[SLIDE] Music as a Digital Commodity

[SLIDE] The music on CDs is, of course, digital. But the CD commodity – the packaging, the disc and the jewel case – are not. Digital music, on the other hand, is essentially data without its physical package. Ones and zeroes, bits and bytes that together with the right software, play music. [SLIDE] As music moves onto the computer it undergoes an interface-lift. It gets stripped of some of its previous attributes and then re-dressed with new ones. Most disconcertingly for those involved in selling music, it is many of the materials that give the music commodity its value that fall by the wayside; in other words, the things that make music a thing. While new formats have long presented challenges for the music commodity, the case of digital music seems unique because it is what Maria Styvén and others call an intangible or immaterial commodity. Music may now be cheaper to produce and distribute, but these advantages, oddly, make it harder to sell. Intangibility, the inability to touch, test and try the product, makes music more abstract: consumers aren't sure what they are getting when they buy digital music, which makes getting them to pay for it a challenge.

To complicate matters further, it was not originally clear that digital music was or should be a commodity. Rather than a pre-planned format change, like the move to compact discs, music on computers was more of a by-product of the multimedia computing "revolution" in the 80s and 90s. This is not to suggest that music on the computer happened haphazardly, but that it was only thanks to a series of hardware and software developments, from a network of companies, institutions and technologies with competing interests, that consumers were able to play, and eventually, extract audio from CDs to their computers. For much of its early existence on the computer, digital music lived outside the realm of the commodity form. Gradually, though, music files have evolved to include traces of music's previous formats. Programmers and designers have built technologies to embed digital files with album art, liner notes, and similar acessories we once found in CDs or LPs. As software, digital files have different properties than CDs or LPs, but each format nevertheless contributes to how we use and interact with music (think about the CD that contains 74 minutes of music, the tape that needs to be rewound before being replayed, or the LP that needs to be flipped).

The idea that digital music is intangible, then, is a bit of a myth. Jonathan Sterne, speaking specifically about MP3 files, argues that while it is tempting to see MP3s as "mollusks without their shells", people still treat them like objects. We still act on them and they still act on us. There are the micro-material aspects of digital files to consider: they take up space, they need to be sorted, handled and played, and they require peripheral devices in order to function. They have permissions and restraints dictating their use. And even though the transition to digital music commodities strips music from its package, other crucial components of the music commodity remain. The music itself,

the marketing and advertising efforts behind it, and the complex star system that gets built up in the music press, videos etc. all contribute to the make up of the music commodity. In this light, the music commodity is both a physical artifact and, to recall Marx, the perceptions, fetishes and desires that accompany that artifact and make it worthy of exchange. The challenge for those looking to commodify digital music has been to overcome the lack of a physical artifact while creating other features to fetishize.

Interface-lift

One of the primary means through which this occurs, with the iTunes Music Store, is the interface. Interfaces, like media, are hardly neutral conveyors of messages. They are designed with specific goals in mind; they are socio-cultural modes of representing and experiencing information. As Lev Manovich notes:

> "The interface shapes how the computer user conceives of the computer itself. It also determines how users think of any media object accessed via a computer. Stripping different media of their original distinctions, the interface imposes its own logic on them". {Manovich, 2001 #763: 65}

Manovich uses the term "cultural interface" to imply that the relationships we have with the machines around us, the computer in particular, is much more social than we think {Manovich, 2001 #763: 70}.

[SLIDE] The interface for the iTunes store is highly cultural. Embedded within it are assumptions about what digital music should look and sound like, how it should be organized and how it should be purchased. In many ways, its layout relies on engrained social practices of purchasing music at traditional retailers, underlining the fact that the key to marketing any new technology involves drawing on enough older behaviours and

ideas to make the new seem familiar. What is unique, however, is the network of technologies the iTunes stores is a part of. The store's interface cannot be understood outside of its relation to the iTunes music player software, and, of course, the ubiquitous iPod. When it came time to develop their music store, Apple built on the user-friendly, ease-of-use principles it established with the iPod and iTunes. The three technologies work seamlessly together. The store is built into the same window as the user's music library and there are links between the songs on a user's computer and the songs in the store. Users can sample a song within iTunes and, if they decide to buy it, the song downloads directly into their music library where it can be transferred to their iPods.

At the time of its launch, this tight integration between the store, the software and the hardware was in contrast to most other online stores, which were typically separate websites that you had to connect to in order to download music. Shopping at these "stores" was not much different than shopping at your local record store. The act of browsing and purchasing music were distinctly separate from the act of listening. Apple, on the other hand, merged the store and the player, combining the act of shopping for music with the acts of sorting and listening to it. Using Amazon's patented one-click purchase technology, Apple allows customers to charge songs directly to their credit card and encourages impulse buys. By blurring the line between the moment of purchase and the moment of playback, Apple attempts to erase or make invisible the act of paying for music.

Price and Value

Which brings us to price. In contrast to the "subscription models" other online music providers were pushing when Apple launched their store, Apple's 99 cent pay-per-

song model is founded on the assumption that "owning" music is still a relatively engrained social practice. Apple's pricing strategy also assumes that since digital music files makes it easy to package and move individual songs, there is no need to group songs into "albums" in order to sell them (though, albums are still available at the store, presumably for old-timers like me). For 99 cents a song, or $9.99 an album, customers get a file that comes with digital album art and accurate metadata – the digital equivalent of liner notes and production credits. It also comes with Apple's Fairplay technology, a digital rights management system that prevents users from playing it on digital devices other than the ipod, prevents them from converting it to other file formats, and prevents them from burning the song to more than 5 discs (as part of a playlist). In other words, 99 may be cheaper than the price in traditional retail outlets, but customers only "own" it if they stick with iTunes and the iPod (and if the iTunes store continues to use that same technology in perpetuity). This might seem unlikely, but the MSN music store, an Apple competitor that operated with similar restrictions, recently closed shop, leaving all its customers with music files that will soon be obsolete.

Now, I should know better than to open up the bee's nest that is digital rights management 10 minutes into my presentation, especially when I don't intend to address the arguments for or against technological protection measures here. But I do want to suggest, in line with Tom McCourt and Patrick Burkhart, that the history of the digital music commodity is intimately entwined with proprietary technologies that limit rather than promote broad personal use rights of music that we experienced with previous formats. Music as software requires a network of technologies to make it playable, and each of these technologies is a commodity in its own right. At the core of the digital

music commodity is code that determines whether or not music should be tethered to certain devices or certain software. These instructions inform how we access our music and what we can do with it. For this reason, several countries have launched lawsuits against Apple, charging that the tight integration between the iTunes store and the technologies for music playback is essentially anti-competitive. It remains to be seen whether these lawsuits have teeth, but they underscore the fact that the commodification of digital music has involved an unprecedented push towards tethering the music to the network of technologies used to purchase, manage and play it. Music at 99 cents comes with its fair share of tradeoffs.

Although the iTunes store is showing a bit more price elasticity as it, and the rest of the online music market, matures, Apple has unwaveringly defended its one-price-fits-all model, much to the chagrin of labels and others parties pushing for higher prices. Interestingly, this has an odd effect on the exchange value of the digital commodity. Regardless of stature, celebrity, or style, every artist appears on the iTunes store for the same price. Bob Dylan, Luciano Pavoratti, Celine Dion, The Born Ruffians, and my friend David Myles: all 99 cents. These artists may hold different status for various customers, but at the level of price, they are all equal. Since all the files are ultimately, just megabytes of information, Apple positions itself as a neutral purveyor of data, charging everyone the same price of transfer.

Of course, as many journalists and business strategists have pointed out, the price at which Apple sells its songs is relatively unimportant. Music on the store is seen as a “loss leader”…it’s low price is meant to steer users towards other more profitable goods, like iPods, or other Apple Hardware. Since songs purchased from the iTunes music store

can only be played on iPods, the store is one big advertisement for Apple's portable players. Apple certainly wasn't the first company to use music as a loss leader. Retailers like Best Buy, Wal-Mart and the likes engage in similar low pricing strategies and they have done just as much to obscure music's exchange value. But the iTunes store is also an advertisement for the act of paying for music. Through its low price and user-friendly shopping interface and experience, Apple is trying to transition consumers from a "gift economy" to something that looks more like Chris Anderson's "long tail" economy. They simply want to get consumers to pay something, anything for music and each "buy song" button acts a subtle reminder that digital music is a commodity like any other.

Presentation

While it erases exchange value at the level of price, it seeks to build it back up in the organization of the store. The landing page is divided into familiar categories such as "top albums", "genres" and special sections like "Exclusive Tracks", "Featured Artists", and tie-ins with major media events, like the American Idol on iTunes. Despite its ability to offer greater retail "space" – iTunes claims to have a database of over 6 million songs – the store has a relatively small space within which to display its contents. These seemingly innocuous organizational tactics guide traffic through the store. The "store front" changes weekly, but the content and the way iTunes sorts and presents that content to incite consumption differs little from traditional retailers.

One of the unique ways iTunes presents music is through playlists. Taking advantage of the fact that music in its digital form exists as un-tethered to any particular form of organization, iTunes has made playlists a key part of grouping and selling music.

From celebrity playlists (lists of songs put together by the stars) to iMixes (playlists put together by everyday users), Apple is essentially commodifying music in multiple ways. Songs can be bought individually, as part of an album, or as part of a playlist. It presents consumers with multiple ways to consume the same product. You may not be interested in buying the Final Countdown, by the band Europe, but you may consider buying the "Definitive 80s" playlist, which, incidentally, has that track. Playlists are generally celebrated as a new way for consumers to take control of their music, to express their identity, but at the iTunes store, they are simply a way to splinter the music commodity into multiple products. As an article in Wired suggests, "one album becomes a long shelf of songs and products, each carrying its own release date, distribution path, and price tag" (STEUER 2006).

This strategy was recently taken to the extreme when Apple and partnered with Radiohead to exploit the digital music commodity even further. As a special promotion for the Radiohead single Nude, from their latest album *In Rainbows*, iTunes offered users 5 different "stems" of the song: one with just the vocal track, another with the guitar, one with bass, another with drums etc. Each stem was 99 cents, and users were free to remix the songs and post them to a webpage so that anyone interested could hear them. Radiohead had already made headlines with *In Rainbows* by offering the entire album for download on a "pay what you wish" scale. Many people paid for the digital copy. Judging by album sales when the CD came out, many also bought the CD. Now, people were spending another 5 dollars to participate in the remix project. Not to dwell on these already overhyped marketing initiatives, the point here is that the variety of ways in

which the digital music commodity can be grouped and splintered represents a means of charging consumers multiple times for the same product.

The Promise of Digital Music

iTunes, then, is not just a specific application for the playback of music; it is a cultural interface that mediates our relationship with music. It presents the digital music commodity to us and sets the contexts through which we can interact with it. Through its interface, pricing strategies, and means of organizing music for consumption, Apple tries to inject value back into the digital music commodity. However, with value seeping out of the commodity itself – and let's face it, digital music is worth less than CDs or albums because of the vastly different economics of production at play – Apple's plan is more about commodifying the entire recorded music experience. This strategy is hardly surprising (or particular to Apple). Other technology companies use different tactics to achieve the same outcome. Even the major labels – who are now looking to sign what are called "360 deals" where they own a percent of everything an artists does, from recordings to tours to merchandise – are exploring how they can commodify the experience of an artist rather than just their products. Again, recorded music simply a side interest or loss leader. The iTunes store, in this regard, is merely one part of an entire chain of technologies that the digital music commodity enables. In Apple's world, listeners now purchase, store, listen to, and carry music around town through one brand. Since digital makes it difficult to create a fetish in the music commodity, they shift the fetish onto the devices and technologies through which we access music.

It remains to be seen whether or not the iTunes store represents the future of recorded music sales. Despite its success, many say that the store hardly makes up for the loss of revenue from declining CD sales. A common figure thrown around is 40:1. For every one legal download, 40 are swapped and unpaid for on file sharing networks. The success of the store is selling music or in stemming file-sharing, however, is just a side interest for me. What matters is that the promise of any new format change, and particularly the digital format, is that it will re-organize the economics of recorded music production and distribution. The costs to reproduce and ship the commodity are significantly lower; there are little of the concerns that come with shipping a physical product. For artists, this offers a wealth of possibilities. Songs can come out in batches of twos or threes, they can be priced at 10 cents or 10 dollars. They can have a dynamic price, or no price at all. There are no rules about length. There are few standards of organization and presentation to which to adhere. iTunes, rather than promoting these possibilities, tames them in the name of user-friendliness. Artists are compelled to have their music on the iTunes store because the cost of not belonging to such a network is too large. In doing so, artists conform to the conventions and rules of display and use that govern the iTunes store. So despite the promises of digital music, the model that has met with the most success is one that takes a commodity that's technically fluid and flexible, and standardizes for the sake of making it feel similar to previous formats. Which leaves us with the question: is that really worth 99cents?