

# **Contemporary Consumer & Business Ethics**

**Milan 2 - 5 May, 2011**

**Dr Neil Connors**

**Current  
Consumption & the  
Consumer  
Perspective**

**Session 2**

**Tuesday 10.00 – 13.00**

A worked example:

Questions on the consumption of music



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# Music in the UK

- UK music Industry is valued at £2.1bn (Intel, 2002, 2005)
- It is the third largest new national export
- Unlike some other industries it has been slow to adopt new practices
- During the 1990's the music industry saw the internet as a threat and used its resources to combat illegal file sharing and downloading

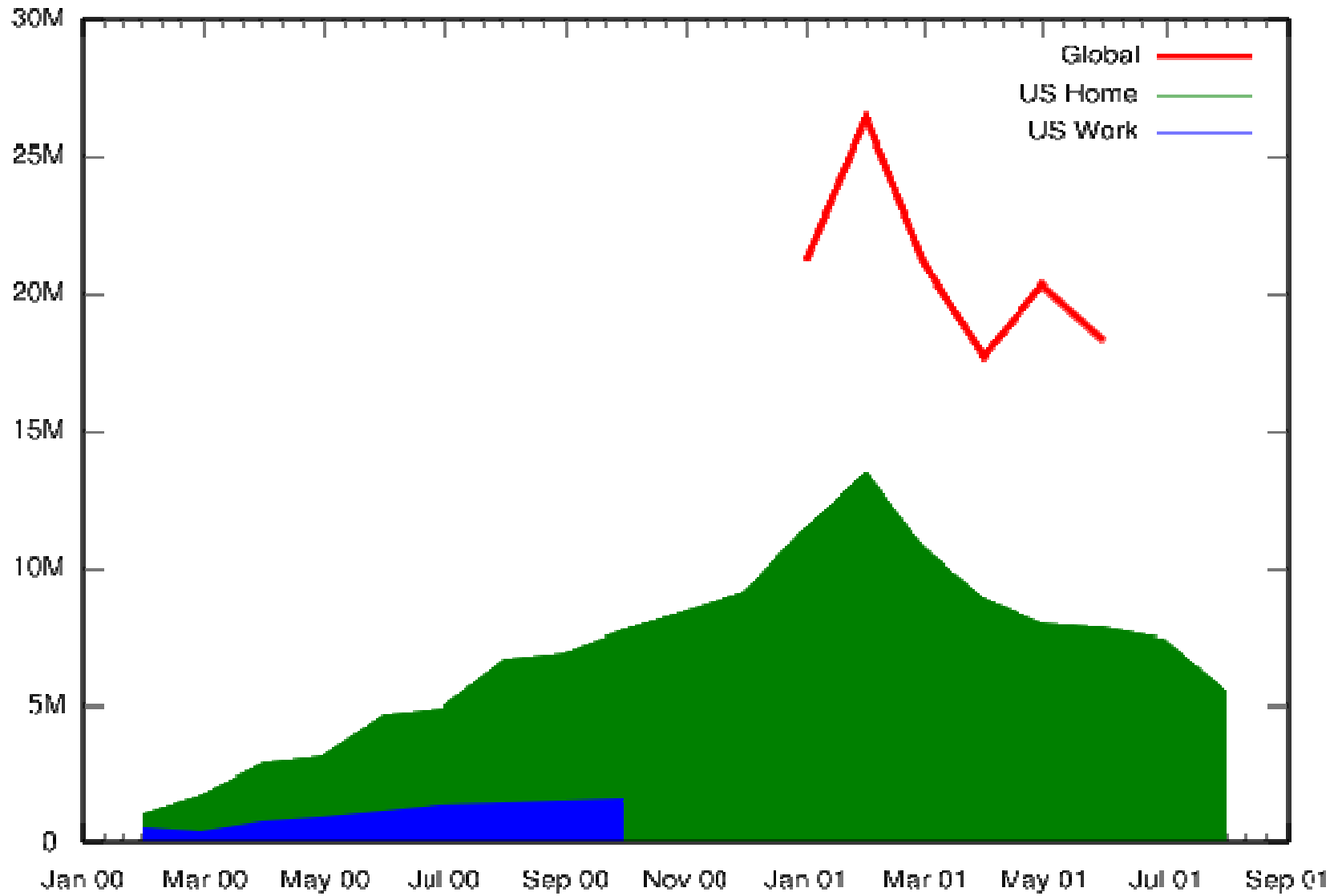
# Music industry

- The digital content market has changed dramatically over the last few years
- Particularly in music and news
- New players have entered these markets often from other industries
- Exhibits convergence seen else where

# Development of the online market for music

- In the late 1990s Napster developed a model of music file sharing based on a c2c (p2p) model
- Shawn Fanning and his Uncle started the company
- The service peaked at between 26 and 40 million users in 2001
- Many others followed suit e.g.
  - Kazaa
  - Limewire

Napster Unique Users Over Time



Wiki: March '07



# Development of the online market for music

- Despite being permanently shut down in July 2001, the name Napster became iconic in the development of the internet
- This was seen by many as a coming of age of the internet, a point where business overtook, and the initial ethos of the internet was lost
- Napster has since been bought over by Roxio and is now a b2c, paying site

# Development of the online market for music

- A massive change scenario in the retailing of music has occurred
- This area has been studied by academics
- e.g. Lewis et al. 2005 *Evaluating the impact of the internet on barriers to entry in the music industry* Emerald online

# Copyright

- Copyright secures ownership for the composer and lyricist
- These people require rewards for their efforts
- This has traditionally been done by intermediaries e.g. publishers and record labels
- Contractual terms reflect the bargaining power of players in an oligopolistically structured industry (Lewis et al. 2005)
- IPR to c.80% (Pareto) of global music sales is accounted for by: EMI (UK); Bertelsmann (Germany); Warner(US); Sony (Japan) and Universal (France)

# Current issues relating to copyright

- Development in sites that pick up music being played around the world
- Can allow for a particular genre of music to be played, usually not specific tracks
- Once mobile online becomes cheaper, people may wish to access music this way
- This could have further major ramifications for the industry



# Custom radio that plays the music you want - free!

[Signup](#) [Login](#) [About](#)  
[Trouble Logging In?](#)

Enter any artist and click play



Example: Madonna

## Or pick a station below:

[Hip-Hop](#) [R&B](#) [Pop](#) [Rock](#) [Electronica](#) [Country](#) [Jazz](#) [World](#)

### ▶ Alternative Hip-Hop

Wyclef Jean, De La Soul, Akon, Timbaland, T-Pain, Missy Elliott...

### ▶ Old School Hip-Hop

The Sugarhill Gang, Beastie Boys, Kurtis Blow, Run- D.M.C., Grandmaster Flash...

### ▶ Rap Hits

Lil' Wayne, 50 Cent, DMX, Eminem, Jay-Z, Snoop Dogg...



"We're in love with Jango"



"refreshingly simple online radio"



"extremely social streaming radio"



"we love you so much Jango"

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PANDORA

radio from the Music Genome Project

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search for music

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About the Music

Share

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Help

You can get to this page directly at http://www.pandora.com/people/n.connon

Stations

+BLOG

- Will Ye Go Lassie Go Radio
- Dixie Chicks Radio
- Jimmy Rosenberg Radio
- Le Freak Radio
- The Manhattan Transfer Radio
- Diego El Cigala Radio
- Mahalia Jackson Radio
- Stephane Grappelli Radio
- Martin Taylor Radio
- O Brother, Where Art Thou? Radio

1 of 2 SHOW ALL

About n.connon

EDIT

This is your space to write something about yourself. Edit now.

Bookmarked Songs

ADD

Song Name

Artist

Date

They Can't Take That Away From Me	Ella Fitzgerald & Louis Armstrong	09-11-07
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REMOVE CHECKED

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BETA



# A world of music

Instant, simple and free

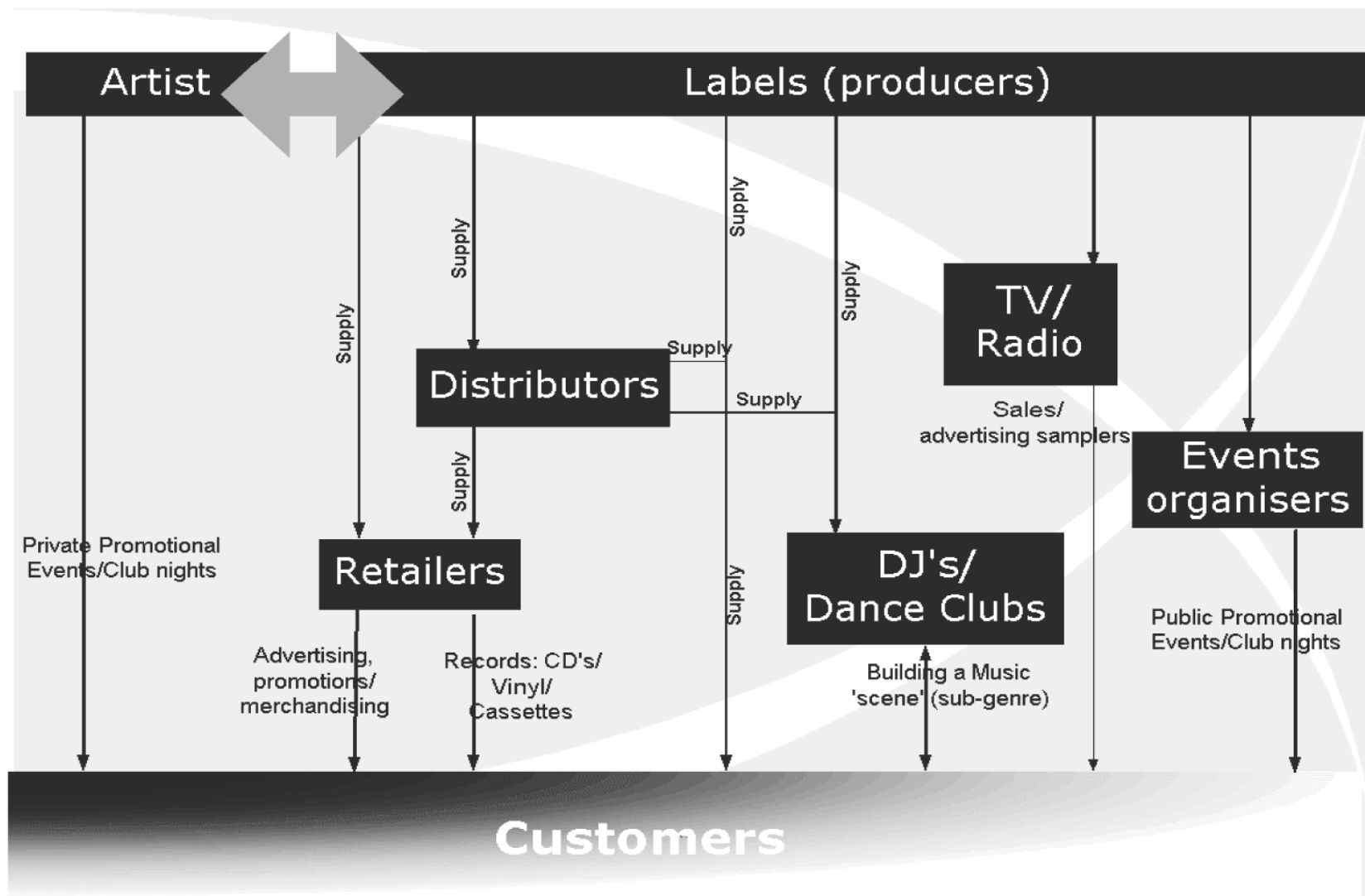
Get started ▶

Plan	Price
Free	£0.00
Day pass	£0.99 24 hours
Premium	£9.99 per month

Opening page <http://www.spotify.com/en/>

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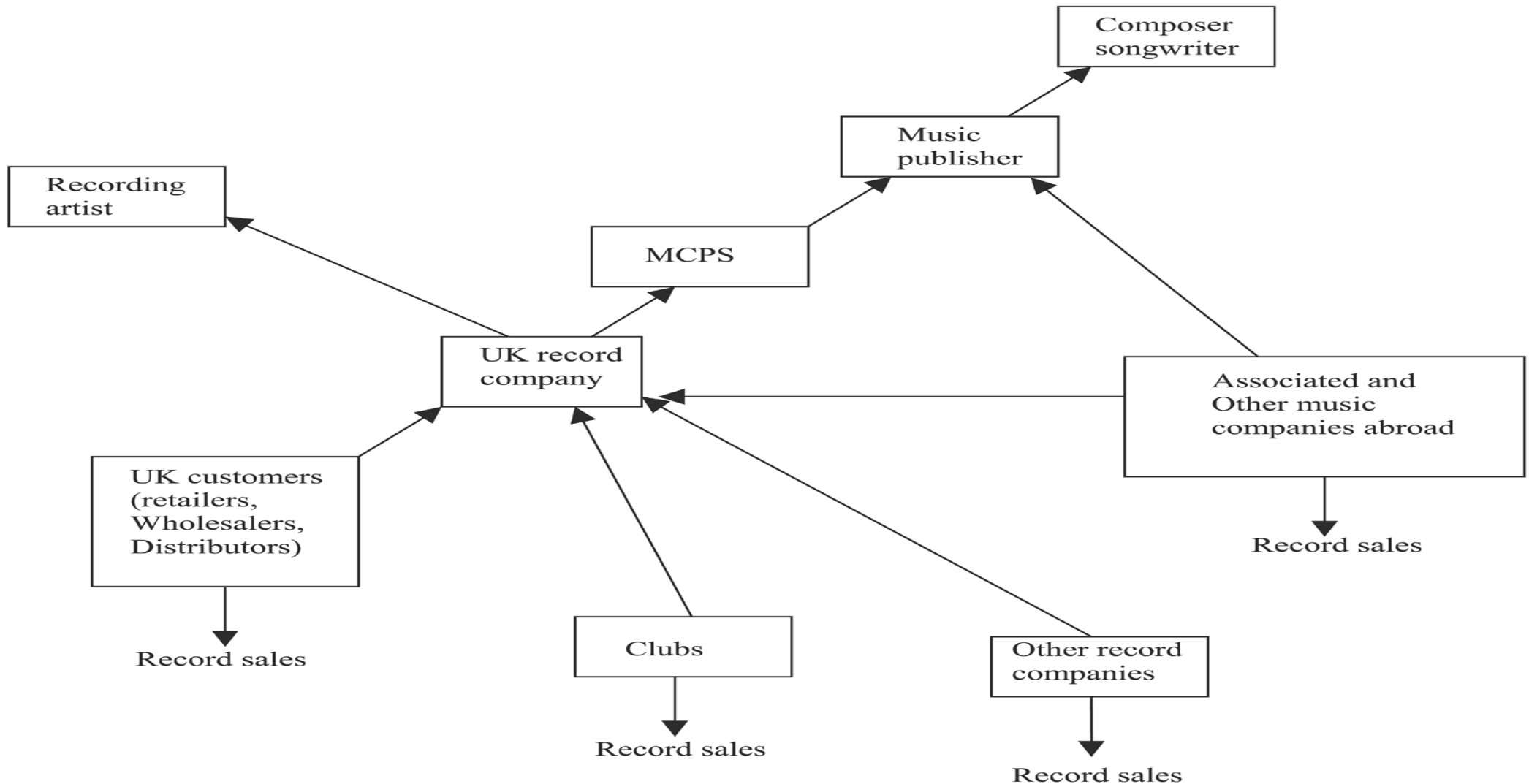
# Development of the online market for music



Source: Parikh (1999, p. 7)

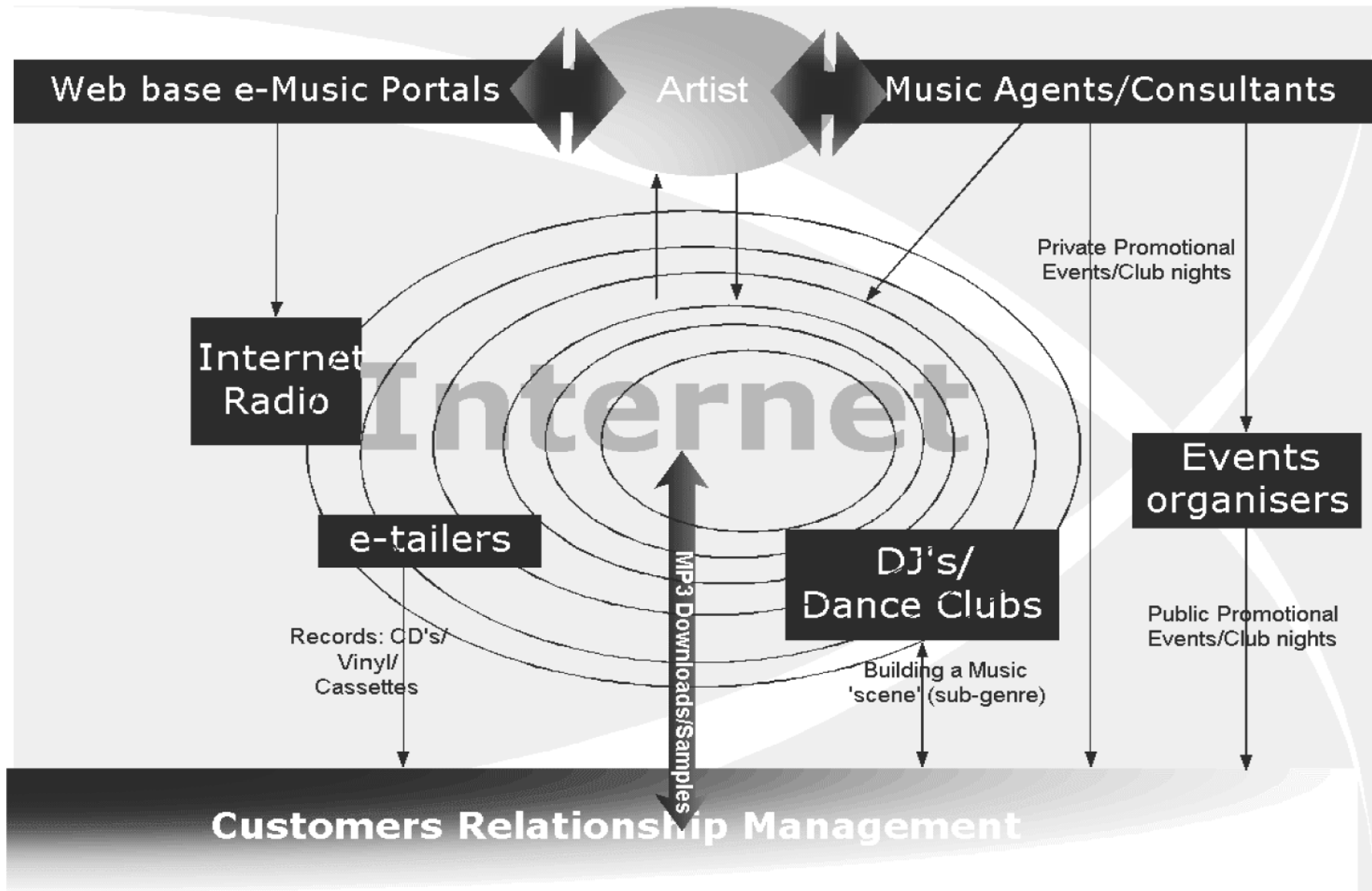


# Development of the online market for music



**Source:** MMC (1994, p. 59) based on figure supplied by Sony

# Development of the online market for music



# Development of the online market for music

- Current legal battles will not resolve the entry related issues in the supply of music
- They have however attracted attention relating to:
  - The issue of digital music
  - Its availability to the public
  - And its price
- The question remains as to how the industry will react to these issues

# Development of the online market for music

- Downloading by students continues undiminished
- Past downloading behaviour is predictive of future downloading behaviour
- There has been a lot of press on the consequences of downloading music
- Student do not however appear to be overly concerned
- Ethical orientation not associated with illegal downloading behaviour

# Music Bibliography

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**Current  
Consumption & the  
Consumer  
Perspective**

**Session 2**

# *Lecture outline*

- definitions
- characteristics
- economic characteristics
- characteristics of growth
- costs of High Consumption Societies (HCS)
- benefits of HCS
- conclusions

# *Definitions*

- *the high consumption societies of the world may be identified as those whose consumption levels, by individual consumers, of raw materials and processed materials and energy, are considerably higher than the rest of the world*



# *Definitions*

## **A.K.A.**

- the Western World
- the Industrialised World
- the Developed Nations

These form about 25% of the worlds population

# *Characteristics*

- Mixed economies:  
combination of free market and command economies. Former dominates (privatisation process - still some core state services, belief in market forces)
- Wealth:  
based on manufacturing, service industry increasing in importance

# *Characteristics*

## Markets:

- highly competitive
- oligopolistic in many sectors
- growth of international marketing

# *Characteristics*

Consumers:

- relatively well educated
- relatively affluent
- increasingly sophisticated
- with increasing expectations
- experience a variety of hierarchical needs (Maslow)
- notion of consumer sovereignty (Galbraith)

# *Characteristics -*

**Source: The World in 2009 - The Economist**  
**GDP Growth**

The world's fastest growing

Qatar – 13.4%

Angola – 9.8%

Congo – 8.5%

Malawi – 8.3%

China – 8%

# *Characteristics -*

**Source: The World in 2004 - The Economist**

<b>Country</b>	<b>GDP Growth%</b>	<b>Inflation%</b>	<b>Population m</b>	<b>GDP per head</b>
UK	2	1.6	60.5	31 860
US	3.4	1.3	292	38 620
Norway	2.1	1.4	4.5	48 380
Germany	1.8	0.5	82.5	30 810
India	6.6	5.4	1100	593
China	8.2	0.9	1300	1 120
Nigeria	3.7	10.4	136.5	382
Columbia	3.3	5.8	45.3	1 780

# *Characteristics -*

**Source: The World in 2009 - The Economist**

<b>Country</b>	<b>GDP</b>		<b>Population</b>	<b>GDP per head</b>
	<b>Growth%</b>	<b>Inflation%</b>	<b>m</b>	
UK	-1.0	1.9	61.9	39 470
US	-0.2	2.0	306.6	48 400
Norway	1.5	2.9	4.9	97 730
Germany	0.2	2.1	82.8	41 550
India	6.5	7.2	1140.3	1 190
China	8.0	3.6	1336.7	3600
Nigeria	5.6	10	152.2	1 260
Columbia	2.5	5.7	48.3	3 640

# *Characteristics -*

**Source: The World in 2009 - The Economist**

<b>Country</b>	<b>GDP per head</b>	<b>PPP = purchasing power parity</b> m
UK	39 470	36 820
US	48 400	48 400
Norway	97 730	57 940
Germany	41 550	36 100
India	1 190	3 270
China	3 600	6 830
Nigeria	1 260	2 060
Columbia	3 640	7 510



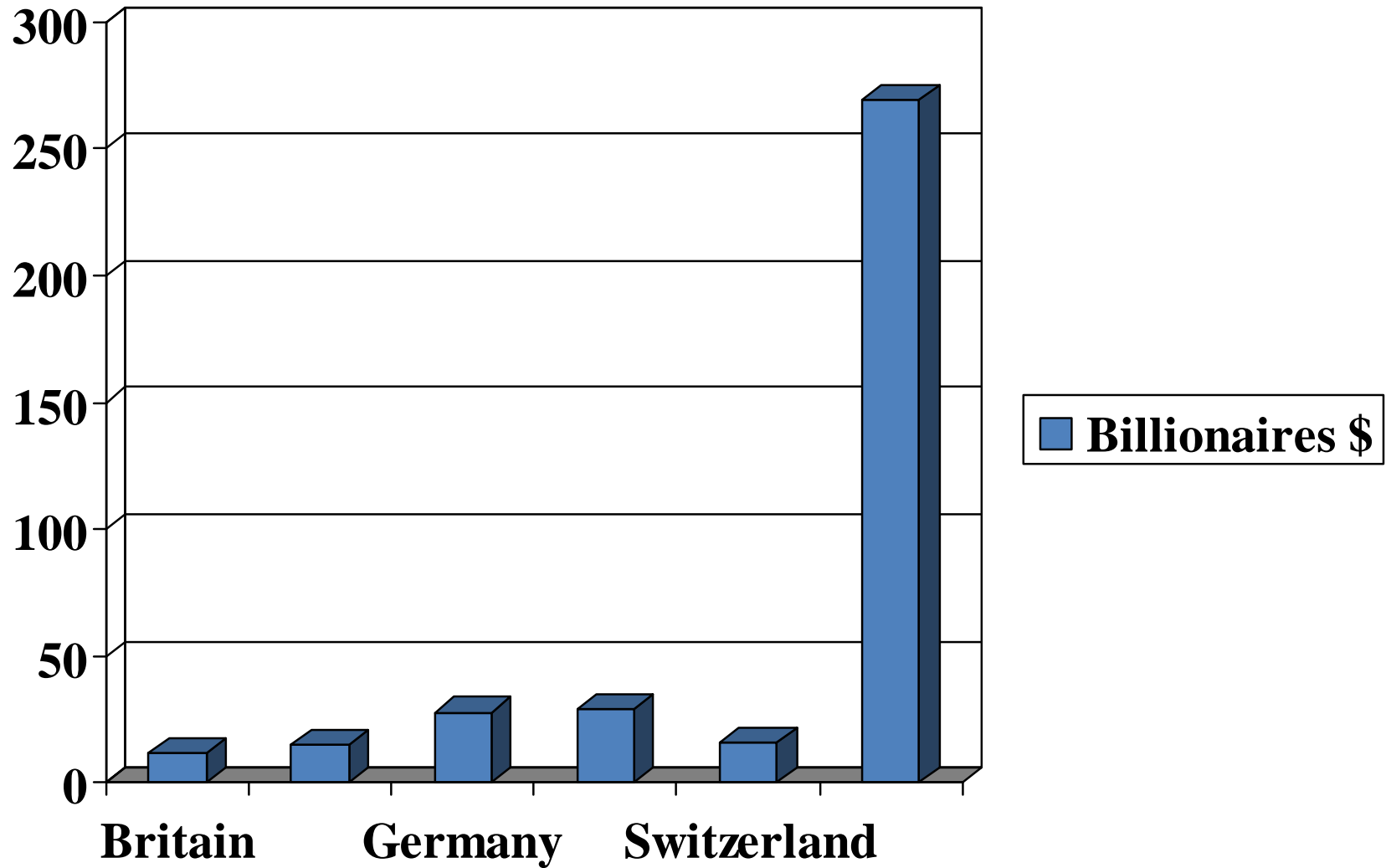
# *Global*

**Source: The World in 2010 - The Economist**

<b>Country</b>	<b>GDP Growth %</b>	<b>Inflation %</b>	<b>Population m</b>	<b>GDP per head \$</b>
<b>UK</b>	0.6	2.3	<b>62.2</b>	<b>34 730</b>
<b>US</b>	2.4	1	<b>309.6</b>	<b>47 920</b>
<b>Norway</b>	1.4	1.7	<b>4.9</b>	<b>56 680</b>
<b>Germany</b>	0.5	0.7	<b>83</b>	<b>33 840</b>
<b>India</b>	6.3	8.6	<b>1184.1</b>	<b>3 270</b>
<b>China</b>	8.6	2.4	<b>1339.2</b>	<b>7 350</b>
<b>Nigeria</b>	5.2	8.5	<b>152.2</b>	<b>2 290</b>
<b>Columbia</b>	2.4	4.1	<b>48.9</b>	<b>8 540</b>



# *Economic Characteristics*



Source: The Economist. The World in 2002

# *Economic Characteristics*

- 1) USA (432)
- 2) Germany (55)
- 3) Russia (53)
- 4) India (36)
- 5) UK (29)
- 6) Turkey (25)
- 7) Japan (24)
- 8) Canada (23)
- 9) Hong Kong (21)
- 10) Brazil, Spain, China (20)
- 11) France (15)
- 12) Saudi Arabia (13)
- 13) Australia (12)
- 14) South Korea (10)
- 15) Mexico (10)

Forbes 2007 –  
the world's billionaires

# *Economic Characteristics*

**See handout 4 -  
Economic Growth**

# *Economic Characteristics*

## Traditional view

- the continual increase in volume and value of production (and consumption) is desirable. (Lipsey quote)
- reckoned to be responsible for improvements in standards of living and quality of life (see circular flow of income)
- expectations for future growth are high and continue to be so (Stanlake)

# *Economic Characteristics*

However: Cost - (Gill ref.)

Schumacher: economists/politicians never take into account all costs e.g.

- natural resources, 'free goods' - irreplaceable
- ecological systems, capital assets treated as income
- pollution - extra costs (externalities)
- queries stigma of value

Solutions:

- biologically sound production in agriculture
- industry - evolution of small scale technologies, decentralised management

# *Economic Characteristics*

**See handout 5 -  
Economic Growth  
questions**



# Costs of high Consumption Societies

(see also the tutorial exercise)

## *1. Consumption of non renewable resources*

- Gas, oil, copper and other minerals
- Water, through pollution
- Tropical rainforests
- 20 million tonnes p.a. (households)
- 5% of total waste - the rest from agriculture, mining, manufacturing and food processing



### *3. Increasing evidence of some criminal activity*

Notifiable offences recorded by police (UK)  
(no. per 100 population)

	Sc.	E&W
1951	2	1
1991	12	10

50% - of theft and handling stolen goods

90% - crimes against property (burglary, fraud,  
forgery, criminal damage)

### *3. Increasing evidence of some criminal activity*

Update Sep. 2005

- The risk of being a victim of crime is the lowest since recorded levels began 1981
- The number of crimes recorded by police fell by 1% in July sep. 2005
- Violent crime stable 2004-5
- fall of 7% in vehicle thefts
- 11, 110 firearm offences (increase of 1% from 2004)

### ***3. Increasing evidence of some criminal activity***

#### Changing nature of crime

- mobile phone theft
- car theft - stolen to order
- identity theft
- online fraud

## *4. Depersonalisation of services*

- Banks and financial services - ATM's
- Shop checkouts
- Use of Internet
- Call centres

## *5. Changing values*

“When people are persuaded, advertised, propagandised and victimised into throwing their cars away every three years, their clothes twice yearly, their high fidelity sets every few years, their houses every five years then we may consider other things obsolete. Throwing away furniture, transportation, clothing and appliances may soon lead us to feel that marriages (and other personal relationships) are throw away items as well and that on a global scale, countries, and indeed, entire sub continents, are disposable like kleenex.”

Victor Papenek: *Design for the Real World*

## ***6. Health risks - wrong choices***

### **Food related diet (all increasing)**

- coronary heart disease
- stroke
- diverticular disease

### **Social habits**

- smoking - cancer, heart disease etc.
- alcohol
- Drugs

Food poisoning 1971 - 91, 352% increase in food poisoning notifications



## *7. Debt problem*

- Consumer credit:
  - 1975 - 1991 - real terms increase of 315%
  - 1991 - £54bn. (c. 10% problematic debt)
- Non-mortgage consumer credit is growing at 12.4 per cent a year while mortgage lending is growing at 9 per cent a year. Underlying incomes are growing at 5 per cent, so household finances are becoming stretched.

Source: Telegraph.co.uk 30.09.01

# 7. *Debt problem*

## Total UK personal debt

- At the end of December 2005 the total UK personal debt was £1,158bn. The growth rate remains strong at 10.2% for the previous 12 months which equates to an increase of £100bn.
- Total secured lending on homes in December 2005 was £965.2bn. This has increased 10.4% in the last 12 months.
- Total consumer credit lending to individuals in December 2005 was £192.3bn. This has increased 9.3% in the last 12 months.
- Total lending in December 2005 grew by £9.6bn. Secured lending grew by £8.8bn in the month and consumer credit lending grew by £0.8bn in the month.
- Average household debt in the UK is approximately £7,786 (excluding mortgages) and £46,863 including mortgages.
- Average owed by every UK adult is approximately £24,833 (including mortgages). This grew by ~ £200 last month.
- Average consumer borrowing via credit cards, motor and retail finance deals, overdrafts and unsecured personal loans has risen to £4,125 per average UK adult at the end of December 2005. This has grown 52% in 5 years.
- Britain's personal debt is increasing by ~ £1 million every four minutes.

# Benefits of high Consumption Societies

## *Benefits for consumers*

- have, and expect to have, an increasingly wide choice of goods and services
- high ownership of goods and services
- more leisure time/less drudgery
- improved health and longevity
- high level of public service
- more mobility for work, leisure and residence
- convenient and efficient communications
- more needs and wants and the expectations that these will be satisfied

# Discussion on high Consumption Societies

Debate:

- For: *I see the pursuance of higher consumption levels for any country as a positive*
- Against: *I see the pursuance of higher consumption levels for any country as a negative*

# *Conclusions*

- Consumers are the generators of consumer wealth
- Consumers have:
  - high real income
  - low working hours
  - more paid holidays (relatively compared with the past)
- Industry stimulated by products seeking consumers and competition - is innovative and motivated to produce an ever developing range of goods and services

# *Bibliography*

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**...any questions?**