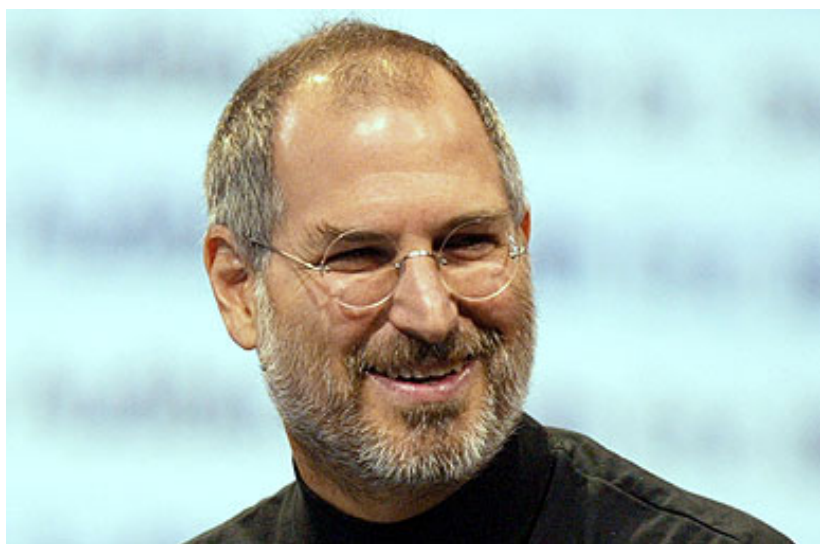


Steve Jobs: Rolling Stone's 2003 Interview

How the Apple co-founder changed the computer industry and then went after the music business

By Jeff Goodell^[1] October 6, 2011



Steve Jobs makes a keynote address announcing iTunes cross-compatibility with Mac and PC platforms. Justin Sullivan/Getty Images

When Steve Jobs cruises into the airy reception area on the Apple Computer campus in Cupertino, California, on a recent morning, nobody pays much attention to him, even though he's the company's CEO. He's wearing shorts, a black T-shirt and running shoes. Tall and a little gawky, Jobs has a fast, loping walk, like a wolf in a hurry. These days Jobs seems eager to distance himself from his barefoot youth – who was that crazy kid who once called the computer "a bicycle for the mind"? – and driven to prove himself as a clear-thinking Silicon Valley capitalist.

Jobs punches the elevator button to the fourth floor, where his small office is located. For a man who is as responsible as anyone for the wonder and chaos of Silicon Valley, Jobs'

view of it all is surprisingly modest: shrubby treetops extending out toward San Francisco Bay, the distant whoosh of the freeway below.

There is nothing modest, however, about Apple's recent accomplishments. In the past few months, Jobs' company has rolled out the PowerMac G5, arguably the fastest desktop computer on the planet; has redesigned the Powerbook and iBook laptops; and introduced Panther, a significant upgrade of the OS X operating system. But Jobs' biggest move, and certainly the one closest to his heart, has been Apple's plunge into the digital-music revolution. It began two years ago, with the introduction of the iPod portable music player, which may be the only piece of Silicon Valley hardware that has ever come close to matching the lust factor of the original Macintosh. Then, in April of this year, Apple introduced its digital jukebox, the iTunes Music Store, first for the Mac, and then, in October, for Windows. The result: 20 million tracks downloaded, close to a million and a half iPods sold, aggressive deals with AOL and Pepsi, and lots of good PR for Apple as the savior of the desperately fucked-up music industry.

Still, Jobs' bet on digital music is a hugely risky move in many ways, not only because powerhouses such as Dell and Wal-Mart are gunning for Apple (and Microsoft will be soon, as well), but because success may depend on how well Jobs, a forty-eight-year-old billionaire, is able to understand and respond to the fickle music-listening habits of eighteen-year-olds in their college dorms.

Do you see any parallel between the music revolution today and the PC revolution in 1984?

Obviously, the biggest difference is that this time we're on Windows. Other than that, I'm not so sure. It's still very early in the music revolution. Remember, there are 10 billion songs that are distributed in the U.S. every year – legally – on CDs. So far on iTunes, we've distributed about 16 million [as of October]. So we're at the very beginning of this.

Bringing iTunes to Windows was obviously a bold move. Did you do much hand-wringing over it?

I don't know what hand-wringing is. We did a lot of thinking about it. The biggest risk was that we saw people buying Macs just to get their hands on iPods. Taking iPods to Windows – that was the big decision. We knew once we did that that we were going to go all the way. I'm sure we're losing some Mac sales, but half our sales of iPods are to the Windows world already.

How did the record companies react when you approached them about getting

onboard with Apple?

There are a lot of smart people at the music companies. The problem is they're not technology people. The good music companies do an amazing thing. They have people who can pick the person who's gonna be successful out of 5,000 candidates. It's an intuitive process. And the best music companies know how to do that with a reasonably high success rate.

I think that's a good thing. The world needs more smart editorial these days. The problem is that that has nothing to do with technology. When the Internet came along and Napster came along, people in the music business didn't know what to make of the changes. A lot of these folks didn't use computers, weren't on e-mail – didn't really know what Napster was for a few years. They were pretty doggone slow to react. Matter of fact, they still haven't really reacted. So they're vulnerable to people telling them technical solutions will work – when they won't.

Because of their technological ignorance.

Because of their technological innocence, I would say. When we first went to talk to these record companies – about eighteen months ago – we said, "None of this technology that you're talking about's gonna work. We have Ph.D.s here who know the stuff cold, and we don't believe it's possible to protect digital content."

Of course, music theft is nothing new. There have been bootlegs for years.

Of course. What's new is this amazingly efficient distribution system for stolen property, called the Internet – and no one's gonna shut down the Internet.

And it only takes one stolen copy to be on the Internet. The way we expressed it to them was: You only have to pick one lock to open every door.

At first, they kicked us out. But we kept going back again and again. The first record company to really understand this stuff was Warner. Next was Universal. Then we started making headway. And the reason we did, I think, is because we made predictions. And we were right. We told them the music subscription services they were pushing were going to fail. MusicNet was gonna fail. Pressplay was gonna fail. Here's why: People don't want to buy their music as a subscription. They bought 45s, then they bought LPs, they bought cassettes, they bought 8-tracks, then they bought CDs. They're going to want to buy downloads.

They didn't see it that way. There were people running around – business-development people – who kept pointing to AOL as the great model for this and saying, "No, we want that – we want a subscription business."

Slowly but surely, as these things didn't pan out, we started to gain some credibility with these folks.

Despite the success of iTunes, it seems that it's a little early to call all of your competitors failures. RealNetworks' Rhapsody, for example, has won over some critics.

One question to ask these subscription services is how many subscribers they have. Altogether, it's around 50,000. And that's not just for Rhapsody, it's for the old Pressplay and the old Musicmatch. The subscription model of buying music is bankrupt. I think you could make available the Second Coming in a subscription model, and it might not be successful.

When you went to see music executives, was there much comment about Apple's "Rip. Mix. Burn." campaign? A lot of them regarded it as an invitation to steal music.

The person who assailed us over it was Michael Eisner. But he didn't have any teenage kids living at home, and he didn't have any teenage kids working at Disney whom he talked to, so he thought "rip" meant "rip off." And when somebody actually clued him in to what it meant, he did apologize.

Lately, the recording industry has been threatening to throw anyone caught illegally downloading music in jail. Is that a smart approach?

Well, I empathize with them. I mean, Apple has a lot of intellectual property, and we really get upset when people steal our software, too. So I think that they're within their rights to try to keep people from stealing their product.

Our position from the beginning has been that eighty percent of the people stealing music online don't really want to be thieves. But that is such a compelling way to get music. It's instant gratification. You don't have to go to the record store; the music's already digitized, so you don't have to rip the CD. It's so compelling that people are willing to become thieves to do it. But to tell them that they should stop being thieves – without a legal alternative that offers those same benefits – rings hollow. We said, "We don't see how you convince people to stop being thieves unless you can offer them a carrot – not just a stick." And the carrot is: We're gonna offer you a better experience...

and it's only gonna cost you a dollar a song.

The other thing we told the record companies was that if you go to Kazaa to download a song, the experience is not very good. You type in a song name, you don't get back a song – you get a hundred, on a hundred different computers. You try to download one, and, you know, the person has a slow connection, and it craps out. And after two or three have crapped out, you finally download a song, and four seconds are cut off, because it was encoded by a ten-year-old. By the time you get your song, it's taken fifteen minutes. So that means you can download four an hour. Now some people are willing to do that. But a lot of people aren't.

You've sold about 20 million songs on iTunes so far – it sounds like a big number, until you realize that billions of music files are swapped every year.

We're never going to top the illegal downloading services, but our message is: Let's compete and win.

David Bowie predicted that, because of the Internet and piracy, copyright is going to be dead in ten years. Do you agree?

No. If copyright dies, if patents die, if the protection of intellectual property is eroded, then people will stop investing. That hurts everyone. People need to have the incentive so that if they invest and succeed, they can make a fair profit. But on another level entirely, it's just wrong to steal. Or let's put it this way: It is corrosive to one's character to steal. We want to provide a legal alternative.

Of course, a lot of college students who are grabbing music off Kazaa today don't see themselves as doing anything any different from what you did when you were a teenager, copying bootleg Bob Dylan tapes.

The truth is, it's really hard to talk to people about not stealing music when there's no legal alternative. The advent of a legal alternative is only six months old. Maybe there's been a generation of kids lost – and maybe not, who knows? Maybe they think stealing music is like driving seventy mph on the freeway – it's over the speed limit, but what's the big deal? But I don't think that's the way it's going to stay, not with future generations, at least. But who knows? This is all new territory.

Apple has had a head start in the digital-music business, but obviously lots of other companies are getting into it now, too. Last week, for example, Dell came out with its rival to the iPod, the Dell DJ.

We will ship way more digital-music players than Dell this quarter. Way more. In the

long run, we're going to be very competitive. Our online store is better than Dell's. And we have retail channels. Most people don't want to buy one of these things through the mail. Dell's distribution model works against them when they get into consumer electronics. Like, they're going to be selling plasma TVs online. Would you ever buy a plasma TV without seeing it? No way.

And then there's Microsoft. What happens to Apple when Bill Gates starts building an iTunes clone into the Windows desktop?

I'd answer that by saying I think Amazon does pretty well against Microsoft. So does eBay. So does Google. And AOL has actually done pretty well, too – contrary to a lot of the things people say. There are a lot of examples of companies offering services, Internet-based services, that have done quite well.

And Apple is in a pretty interesting position. Because, as you may know, almost every song and CD is made on a Mac – it's recorded on a Mac, it's mixed on a Mac, the artwork's done on a Mac. Almost every artist I've met has an iPod, and most of the music execs now have iPods. And one of the reasons Apple was able to do what we have done was because we are perceived by the music industry as the most creative technology company. And now we've created this music store, which I think is non-trivial to copy. I mean, to say that Microsoft can just decide to copy it, and copy it in six months – that's a big statement. It may not be so easy.

How about movies? Do you see an iTunes movie store?

We don't think that's what people want. A movie takes forever to download – there's no instant gratification.

Has it been difficult wooing artists to the iTunes store?

Most successful artists control the online distribution of their music. So even though they could do a deal with, say, Universal Music, the largest in the business, these companies weren't able to offer us their top twenty artists. So we had to go to each artist, one by one, and convince them, too. A few said, "We don't want to do that." Others said, "We'll let you distribute whole albums but not individual tracks." And we declined. The store is about giving the users choice.

Do you expect that one day Apple will start signing musicians – and, in effect, become a record label?

Well, it would be very easy for us to sign up a musician. It would be very hard for us to sign up a young musician who was *successful*. Because that's what the record companies

do.

We think there are a lot of structural changes that are probably gonna happen in the record industry, though. We've talked to a large number of artists who don't like their record company, and I was curious about that. The general reason they don't like the record company is because they think they've been really successful, but they've only earned a little bit of money.

They feel they've been ripped off.

They feel that. But then again, the music companies aren't making a lot of money right now... so where's the money going? Is it inefficiency? Is somebody going to Argentina with suitcases full of hundred-dollar bills? What's going on?

After talking to a lot of people, this is my conclusion: A young artist gets signed, and he or she gets a big advance – a million dollars, or more. And the theory is that the record company will earn back that advance when the artist is successful.

Except that even though they're really good at picking, only one or two out of the ten that they pick is successful. And so most of the artists never earn back that advance – so the record companies are out that money. Well, who pays for the ones that are the losers?

The winners pay. The winners pay for the losers, and the winners are not seeing rewards commensurate with their success. And they get upset. So what's the remedy? The remedy is to stop paying advances. The remedy is to go to a gross-revenues deal and tell an artist, "We'll give you twenty cents on every dollar we get, but we're not gonna give you an advance. The accounting will be simple: We're gonna pay you not on profits – we're gonna pay you off revenues. It's very simple: The more successful you are, the more you'll earn. But if you're not successful, you will not earn a dime. We'll go ahead and risk some marketing money on you. But if you're not successful, you'll make no money. If you are, you'll make a lot more money." That's the way out. That's the way the rest of the world works.

So you see the recording industry moving in that direction?

No. I said I think that's the remedy. Whether the patient will swallow the medicine is another question.

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