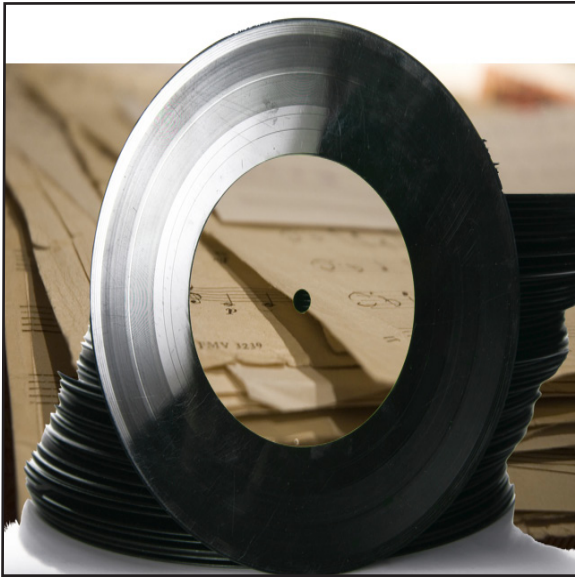


The Publisher as a Record Label

By Evan Kramer

At the start of the summer of 2010, the release of the self-titled debut album from Oklahoma rockers, Taddy Porter, signified a landmark shift in the music industry. While sales were low and chart time only lasted a week (peaking at 24), the band's debut still merits significance as one of the first major releases to be recorded, developed, and managed by a music publisher.

As cost-cutting major labels continue sending departments to the chopping block, publishing companies are beginning to pick up the slack by opening shop in areas outside their traditional business. Primary Wave, in particular, has become a pioneer among a new breed of publishers. It is one of the largest independent music publishers in the world, and has climbed to its rank in a relatively short time. Founded in April 2006 by a former



Virgin Records executive, Larry Mestel, the company has established its reputation controlling the rights to the catalogs of, among others, Kurt Cobain/Nirvana, Steven Tyler/Aerosmith, Daryl Hall & John Oates, Founding Members of Chicago, Steve Earle, and Bo Diddley. Primary Wave also retains co-publishing deals with artists like The Airborne Toxic Event, Saving Abel, and Blue October.

Over the past few years, with the publishing business clearly booming, Primary Wave began noticing that changes in the industry were opening doors in areas outside of their métier. With record labels pinching pennies like it were the Great Depression, the quality of their service had been significantly reduced,

leaving artists without proper tour support, promotion, and, in some cases, management. “[Artists and managers are] looking for a lot more from their publishers nowadays,” said Primary Wave Music Publishing partner/GM Justin Shukat in an interview with Billboard. “They want more than synchronization and writer collaboration opportunities. They are expecting a marketing plan and brand marketing.”

With this in mind, the company decided to try its

luck in Artist Management, forming its Urban Management Division in June 2009. Two of the industry's elite talent finders, Rick Smith of Wild Justice and Scott Frazier of Overtone Music Group, were brought on to head the new department. “Rick and Frazier are an exceptionally talented management team with a unique passion and commitment to their artists,” said CEO Larry Mestel. “By leveraging our relationships with key players in the music, television, motion picture and advertising industries, Primary Wave will be able to add significant value to the artists signed to the new joint venture.” So far, the Smith and Frazier duo has already signed five new artists to its roster including Saving Abel, Crowfield, Abby Owens, Rookie of the Year, and of course, Primary Wave's newly-released Taddy Porter.

For Taddy Porter, the timing could not have been better. The ink had hardly dried on their Urban Management contract before Primary Wave announced the grand opening

(CONTINUED ON PAGE 3)

MISSION STATEMENT

The Music Business Journal, published at the Berklee College of Music, is a student publication that serves as a forum for intellectual discussion and research into the various aspects of the music business. The goal is to inform and educate aspiring music professionals, connect them with the industry, and raise the academic level and interest inside and outside the Berklee Community.

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EDITOR'S NOTE

This first release of fall semester, 2010 marks the beginning of a very big year for the Music Business Journal. It's our fifth anniversary, and with thirty-eight issues and over four hundred articles of content, the MBJ is growing faster than ever. Our team is larger and more diverse than it's ever been, and our commitment to delivering quality material is at an all time high.

In the beginning of next month, on November 9th, the Music Business Journal will be hosting its first sponsored event *ever* to celebrate five vibrant years, and to honor those that have helped make the Journal a reality. If you are able, come join us at 7 Haviland St. in Boston, from 6-8pm, as we kick off the new school year--or visit our facebook page for updates and pictures of the event!

In the meantime, this latest issue is sure to capture your attention. Most excitingly, and courtesy of long-time contributor Michael King (BerkleeMusic), the MBJ has been granted the right to publish an exclusive interview with Gail Zappa (wife of Frank Zappa). Mrs. Zappa spares no detail in describing her role as the sole owner of the Frank Zappa catalogue and her plans for its future--a must read for anyone interested in the possibility of hearing some previously unreleased Zappa tracks.

It seems that online cloud-based music libraries are the wave of the future for consumers. Nick Susi provides us with a very informative report on both RDIO and Spotify, and Spotify's attempts to seize the American market. Alternatively, Jamie Anderson shares, an up-to-date (quite literally) piece on Spotify's largest competitor, iTunes Ping. Both articles point to possible directions of digital music's future.

Media futurist, Gerd Leonhard has graced us with an original piece entitled, "The Price of Free," which examines the inevitable gains that spawn from distributing music for free. Leonhard discusses the concept of "Freemium," and explains his view that revenues are beginning to lose their direct relationship with actual music, forcing profit sources to be generated elsewhere.

The summer touring season ended falling noticeably short; Kerry Fee has provided us with an informative follow-up report. Luiz Silva, a Brazilian lawyer/ Berklee student, has contributed a rare insider's view to new copyright laws in Brazil. Hunt Hearin was able to sit down with Jim Odom, co-founder/ CEO of home-recording equipment pioneer, PreSonus. Odom shares company history as well as his aspirations for the future. Lastly, I've contributed a piece on independent publisher, Primary Wave, and their innovative new model that is reshaping the publishing industry.

It gives me great pleasure to introduce this first issue of the MBJ's 5th year. My hope is that you will find it both interesting and informative. Be sure to visit us at www.thembj.org and check us out on facebook as well. **MBJ**

Thanks so much for reading,

Evan Krammer

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BUSINESS ARTICLES

The Publisher as a Record Label (cont.)

of its Label division in the earlier part of this year. Also called Primary Wave, the label performs all of the functions that one would expect. It signs new artists, develops talent, and produces records. For physical distribution, a deal was signed with EMI in March 2010. GM and Sr. VP for EMI Label Services, Dominic Pandiscia, speaks about the deal: "Primary Wave is a great partner for EMI Label Services, because we've both developed a different approach to the business in response to the changing needs of artists and third party labels today."

Primary Wave is not the only publisher to have ventured into record label territories. London-based publisher, Notting Hill, recently launched an independent label, Transmission Recordings, last October. The new operation has already signed R&B/ Hip-hop artists like The King Blues, Bodyrox, Ezcapade, Rhythms Del Mundo, and Lil J. Bug Music, another independent publishing heavyweight, has also jumped on the bandwagon, signing a deal with the Kings of Leon imprint label and 429 records in June 2010. The label plans to debut with the release of new music by The Features. Other publishers, such as Peermusic and Sony/ATV, have also entered similar co-production agreements.

Mastering the Recording Rights

The interesting thing about this trend is that ownership of a label grants a publisher exclusive rights to master recordings. This opens the floodgates for all sorts of new revenue streams and promotional opportunities. Take for example, the ability to control both sides of a synchronization agreement—the publishing and the master rights. Peermusic, a well-known independent publisher, suggests that "total ownership" is the next step in the evolving music business. American Regional President, Kathy Spanberger, explains: "We used to be able to develop new talent without owning master rights, but these days, because Internet marketing and film, TV and advertising promotion is such an important part of development, we need to own or administer the masters as well in order to expand the development opportunities and ease the licensing issues."

As Primary Wave's Record Label and Urban Management divisions were being developed, efforts to internalize tour planning and concert promotion were simultaneously in the works. Standing in the face of a harsh indie touring industry, the company began a

campaign to secure corporate sponsorships to help ease the financial load for their artists on tour. "Being on the road is an integral part of a band's success," said Devin Lasker, Partner/Chief Imagination Officer for Primary Wave. "Unfortunately, touring is an expensive proposition, so we created this program to alleviate that burden." Recently, on August 26th, an agreement was signed with Motel 6 that offered six weeks of free lodging to bands touring under the "Rock Yourself to Sleep" banner. So far, the partnership has been an enormous success, having helped subsidize the tours of Stephen Kellogg & The Sixers, Hit The Lights and Sparks The Rescue. "We are really grateful to Primary Wave and Motel 6 for choosing us to be a part of [this tour]" said Alex Roy, lead singer for Sparks The Rescue. We are "going to rock hard and sleep well!"

With hands in almost every pot of the industry, Primary Wave appears to be flourishing, and has potentially found a qualitative business model for the future. "We are now a full-service entertainment shop looking for opportunities in all parts of the business," says Justin Shukat. But from an aerial view, one can't help but be reminded of Major Label's extortive use of 360 record deals—designed to extract revenues from all facets of an artist's career. And under this light, the Primary Wave model looks suspiciously similar, only they actually do own the rights to everything.

The problem is that it is actually more dangerous for the artist, because a publisher would legally control an artist's entire career, starting of course, with the assignment of the copyright. Such concentration of power may pose a serious threat to musical talent, and would arguably continue to deepen the industry divide that is so apparent in the existing business. While Primary Wave was founded on the ideals of supporting artists and promoting great music, and it has done nothing but that so far, the point must be made. Nevertheless, such innovations also have enormous potential to advance an artist's career. **MBJ**

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INTERVIEW

Creativity, Copyright, and the New Marketplace: An Interview With Gail Zappa

By Mike King

Gail Zappa was married to the legendary composer Frank Zappa for more than 25 years. She is the mother of Moon, Dweezil, Ahmet and Diva Zappa; her own father was a rocket scientist. Since Frank Zappa's death in 1993, Gail Zappa has overseen the release of his recordings, including many previously unavailable works, under the Zappa Family Trust. For more information see www.zappa.com.

Mike King, a frequent collaborator of The Music Business Journal, interviewed Gail Zappa, who asked that questions and answers be printed in The MBJ verbatim. We have agreed to make an exception to our usual editorial prerogative. Because of the interview's length, however, we could not print it in full, and were given permission to select our own questions and answers. The reader can find the full text at www.thembj.org.

Zappa's Releases

MK: You released *The Making of Freak Out: An Frank Zappa Audio Documentary (MOFO Project/Object)* in 2006, and put in the names of anyone who pre-ordered the record into the liner notes of the release. I talk a lot about the importance of artists' personalizing packages for their fans for direct sales off of their web site, as it helps to build the artist/fan connection. Was that part of the idea with MOFO? How did you come up with it in the first place?

GZ: We had actually done that as an experiment, when we put out our first concert release. I wasn't sure how the audience would respond and it was FZ:OZ and we put everybody's name on that, who ordered it in advance, because I wasn't sure if we were going to be able to make it happen. So the pre-orders gave us an opportunity to see that we could actually manufacture the way we wanted to. I have always felt very strongly about the packaging; I always have. That started with Frank, so even in the face of economic disaster in the industry and digital downloads, I still believe in the physical package. So we had already done that, but the main inspiration for adding people's names into MOFO, the special edition, was because Frank had listed the names of people who helped to influence that music,

in *Freak Out*. So I felt that for the people, for whom the music exists, and they are going to support it early in, you can have your name and your credit on this too because you deserve it! It wasn't anything to do, really, with being interactive on the site.



MK: I know that you are selling a few digital releases of Frank's music off of your own site, and that there is very little available on iTunes. Is that because you feel strongly about the packaging? Can you talk a little bit about why a lot of Frank's music isn't on third-party digital sites?

GZ: Ok, this is a very big answer to what seems to be a pretty straightforward question. First of all, what the studio audience doesn't know and what's behind the curtain, is that there is a lawsuit where certain parties are claiming many rights, digital rights being among them. I can tell you, absolutely, that it was never Frank Zappa's intention that anyone would control the digital rights of his music other than his heirs, so it's not anything he ever told me to sell. The fact of the mat-

ter is he published a paper on how music would be delivered in the future in 1983 and copyrighted it and just bemoaned the fact that he didn't have the budget to hire programmers to make that happen. So he was way out there and he certainly knew. Although the term "digital rights", at the time of his death and the time of the sale, didn't exist, that doesn't mean that he wasn't thinking about them and planning ahead for what would best serve the value of the copyrights that remained with me. So he was thinking about his family at the time and he wanted to protect those rights. That's part A. Part B is that I am not a fan of iTunes. I am not a fan of their growth through their overbearing means by which they have a reduced value of music. First, they taught everyone how to steal it and then they said, "Oops, sorry here's how you can pay for it really cheap!" So you know, I'm not a fan of that and I'm not a fan of price-fixing, which is something they do. You don't have a lot of choice in what you can offer and how you can offer it. I mean they just have rules and I understand that it is probably just a by-product of some of their programming issues but there should be other choices. I believe that the future is that there will be other choices and they will be on every artist's own fan site or a conglomerate consortium of artists' fan sites that's not controlled by an outside party that does not respect artist's rights. The part C of this answer, is that up until fairly recently and even still today, the sounds are massively compressed, they are not the way the artist intended them to be presented to an audience for an audiophile experience. So there was a reason for me to engage in that. Now I don't care so much about Beat the Boots on iTunes because that's not a recording made by Frank Zappa. Those are bootlegs as opposed to counterfeits.

MK: I know that the releases you are selling off of Zappa.com are at a higher bit rate. Can you envision down the line that you would be releasing some of Frank's catalog at lossless quality off of Zappa.com?

GZ: Yes

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INTERVIEW

MK: How are you working to expose new listeners to Frank's music? If a lot of Frank's catalog is unavailable digitally, and physical retail is cutting back with their inventory, what other ways are you working to expose potential fans to Frank's music?

GZ: In an ideal situation, I would be able to have more participation in the original catalog than I do right now, and that may yet happen in the next few months. If it does, then you will see a very big change. For me, any kind of release that we get out there helps to sell everything. I mean, people think I've planned, perhaps with Dweezil, how to do this and Dweezil has certainly contributed to introducing music to a younger audience, for the most part, so that already exists. I get letters from people that are fourteen or under all the time that are interested in the music. The problem is, is that you are fighting a huge battle. It's great that Dweezil is out there performing the music because the saddest part is that he comes closest to having produced the band that I think Frank would've actually hired himself, including Dweezil on "stunt guitar". That would have been ideal, but there's nothing else out there that touches that band, in terms of Dweezil's intention with respect to what he is trying to accomplish with musicians of that caliber.

The Music

MK: I saw them two years back in Boston with Steve Vai and they were just great...

GZ: Yeah, but that was back when everyone believed that you had to have former members of the band. With all due respect, you know, we love Steve Vai - but here's a disappointment that I have to say fairly regularly, and that is that Frank's agenda was to educate because when you educate the audience, you give them the opportunity to experience a wide variety of musical entertainment. Now I can't do that as well as Frank because I'm not in a band. I mean, on stage, he would introduce Stravinsky, Varèse, and Bartok, you know, all sorts of composers and lots of R&B music that he loved when he was a kid and he went out of his way to make sure people heard those sounds and heard that music. It wasn't so important from them to know who the composer was until he did interviews; you don't have to announce it on stage because then people don't really pay attention. The fact is that their ears are being trained; I can't do the ear training that Frank did but I can constantly reinforce the idea that there is a basis; there is a history behind all of this stuff. It's based in intention; the composer's intent is everything. So you can't just have

somebody interpret Frank's music because in many cases it's no different than identity theft or character assassination. When people just take it into their own hands and arrange it without getting permission and do terrible things to it that were never intended - because for them it's easier to play that way. So I feel that I have a really strong contract with Frank Zappa to get that music out there the way that he intended it and that's the other part of how the releases work.

But, getting back to the disappointing aspect. For me it is that there are all these people that worked under Frank's baton and not one of them does covers. You know, you would think that somebody would think it'd be a great idea to do a cover version. I'd love to license Frank's music but it's just so inappropriate to license classics in so many ways because they were never written or intended for, especially not those performances, they were never intended for commercial exploitation. If people did covers though, I could certainly consider licensing those if they were something that I thought was sincere and represented the intent of the composer.

MK: Could you give me an example of something that you would be interested in licensing?

GZ: Well, for example, I get a billion requests for "Willy the Pimp," but there is no way that I am going to let that go out there unless I had some other version because I don't think that it is right to exploit Frank's particular statement and that actual recording. I mean a lot of these records were made back in the day, where these studios themselves were instruments in the hands of the composer and that's no longer true. Everybody works out of a box now that you plug in. Back in the day, the studio was one of the actual instruments and controlling what you could do in a studio gave you as many opportunities in terms of the sounds that you could get as any other instrument. So a studio in the hands of a skilled composer is a whole other animal.

Artists and Copyrights

MK: I read an interview you did where you had this great quote, "my job is to make sure that Frank Zappa has the last word in terms of anybody's idea of who he is and his actual last word is his music." What does that mean in terms of your opinion of copyright as it relates to Frank Zappa?

GZ: Well, I think that every person who creates anything in the realm of intellectual property is protected under the Constitution of the

United States of America, because that's what copyright law is. I didn't invent it. I'm not the bad (or good) guy that said this is how it's supposed to go. There's a reason for copyrights to exist because they actually are proof and a working version of the ideas of those people, at this time and this place and I like that idea. The more freedom there is to express these ideas, the better off we all are and that's the reason why I also love and enjoy the Bill of Rights. However, when you consider the means by which other people are trying to take copyright law and try to take it apart at the seams, they're doing it by misinformation. It's disinformation basically. If you want to start a war and pretend that somebody took the first shot, you use disinformation as we've seen in the past, to make that happen. This is war against artist rights and I think that it is not a very good idea, in this day and age, to introduce any kind of arts programming, in terms of educational programs, without introducing also the means by which you protect your rights. It's no different than a signature at the end of the day. It's like this, if somebody is a Muslim or a Christian, do they have the right to make you be one by voting by majority vote? No, that's clearly not the American way and it's the same with copyrights. If you want to give your music away for free, that doesn't mean you get to join a group that's going to take apart everyone else's rights just because that's what you believe. You have a choice. Go ahead. Give it away. If you think that that's the best way to market your music, by never being able to earn a living from doing that, great. Join that fabulous club and enjoy.

MZ: Any other thoughts on the state of the music industry, and ideas on how to move ahead as an artist?

GZ: Mostly, the business of music these days is a popularity contest and it's the ability of some performer, primarily, to capture the attention of an audience and expand on that. I think as a musician/composer, you can't look at that as competition. I mean this industry was bound to implode on itself because it's like any other. Once the distributors are more famous than any artists they distribute, you've got a problem because there's a lot of money going in to support that structure that shouldn't be in their pockets. You know, its like if an agency is more famous than the actors it represents, in the public's mind, you can see how that's a problem. Well that's what happened to

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BUSINESS ARTICLES

Down The Stream: Spotify and RDIO

By Nick Susi

Music streaming certainly seems to be a formidable combatant against illegal file sharing and P2P users. Recently, the cloud-based streaming service Spotify has been in the news frequently. Created by Daniel Ek, Spotify was only available in the United Kingdom, Sweden, Norway, Finland, France and Spain when it was first launched, but has successfully spread to the Netherlands and continues its attempt to break into the German, Chinese, and American markets.

Spotify's business model operates through subscription fees and advertisement investors. The company generates revenue through multiple price tiers, which include:

- Free streaming for twenty hours per month with advertisements
- Free unlimited streaming with advertisements, but only with a special invitation code
- 4.99 euro per month for unlimited streaming without advertisements
- 9.99 euro per month for a premium service, which includes no advertisements, mobile applications, and offline usage

In regards to the premium service, Spotify has mobile applications available for iPhone, iPod touch, and Android, which conveniently thrust users' music playlists straight to their fingertips. In offline mode, premium subscribers have the opportunity to sync up to 3,333 tracks to their computer's hard drive, which are then accessible even when disconnected from the Internet. With premium features such as these, Spotify clearly strives for a expedient and versatile listening experience.

Spotify's interface resembles that of iTunes, and it is incredibly user-friendly for making playlists and searching for artists/songs. Users can also upload the music from their iTunes library or hard drive to the streaming cloud. With social networking being arguably the most prevalent contemporary phenomenon, Spotify cleverly incorporates Facebook and Twitter features. Users can connect with their Facebook friends and Twitter followers on a live feed, sharing the latest music updates and suggested artists and tracks. Users of Spotify have quite an active-involved experience.

As far as quantifying Spotify's success is concerned, the information provided

by the company is limited. In April 2009, Spotify announced its one-millionth user, and claimed to accrue 40,000 new users per day. By the end of 2009, the company grew to over 6 million users, with 50,000 newcomers joining the service every day. Annual revenue exceeded a staggering 10 million euro (\$14.1 million). As 2010 commenced, Spotify revealed that it had roughly 250,000 actual paying subscribers. By the end of the spring of 2010, Spotify increased its paid subscribers to over 320,000, with over 7 million users.

So what competition would Spotify face in the United States? Internet streaming services such as Grooveshark, Napster, and MOG pose threats. Grooveshark offers advertisement-free streaming for \$3 per month. In addition, Napster provides unlimited music streaming for \$5 per month. Finally, MOG proffers music streaming along with mobile applications for \$15 per month. After conversion rates, most of these business models are cheaper for the consumer than Spotify's, but lack many of its features--most notably the offline service options.

Regardless of Spotify's competition in the United States, the company still aims to tap into the American market. For over a year, the company has fought to successfully extend its services but has continuously hit brick walls when negotiating licensing deals with labels. Spotify is without a doubt a very popular service in its operating countries, but the company continues to find difficulty monetizing their product. Because of this detrimental factor, the US speculates that the business model is not profitable enough. Moreover, to use Spotify, whether on a computer or a phone, one must download an application, rather than stream music on the website itself. This limits Spotify's expansion into other territories beyond computers and phones, such as in automobiles, televisions, gaming systems, and DVR units.

On that note, however, Spotify did recently sign a deal with TeliaSonera, a television service in Sweden and Finland. Within those two countries, premium subscribers are able to stream music from their television sets in their living room. Spotify also recently developed a "homepage takeover" ad that stretches across the entire computer screen, in an attempt to sway free users to upgrade

to an advertisement-free subscription. Thus far, on an international scale, Spotify has been successful in bestowing avid listeners with a large selection of readily available music.

In lieu of Spotify's inability to enter the US, a promising new music streaming service, RDIO, has entered the music industry. Founded by Janus Friis and Niklas Zannstrom, creators of Kazaa and Skype, RDIO is now available to the public in the United States and Canada as of August 2010.

Operating on a very similar model, RDIO's price tiers include:

- Free trial period for 3 days, then the user must upgrade
- \$5 per month for unlimited streaming on the Internet
- \$10 per month for both online streaming and mobile applications (on iPhone, BlackBerry, and Android)

The music-streaming site provides users with a user-friendly interface for making playlists and searching for artists/songs. RDIO scans the computer's iTunes library and makes suggestions to the user based on their musical preferences. Moreover, it has social networking features, in which users can review and share music with their friends. All things considered, a casual observer might begin to notice some distinct similarities between RDIO and Spotify's features. Although RDIO does not seem to bring anything entirely new to the table, perhaps the company will perfect the features already provided by other music streaming sites.

Since RDIO has only been in existence for about a month, the company has not yet provided the public with numbers regarding its user/subscriber count or monetary profit. RDIO has signed agreements with the Big Four major labels, as well as the Independent The Orchard, Ingrooves, Finetunes, and Iris. Online Distribution Alliance, The Orchard, Ingrooves, Finetunes, and Iris. However, the grand opening might have been a bit hasty in that, negotiations with independent music label, Merlin (Arcade Fire, Vampire Weekend, et cetera), had not been completely finalized. This action led to a somewhat turbulent web launch with Merlin accusing RDIO of not understanding or respecting what consumers really want. As it appears in all cloud-based

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BUSINESS ARTICLES

Putting Music in the Network: iTunes Ping

By Jamie Anderson

This year has undoubtedly been a banner year for Apple. With the release of the iPad in April, and the launch of the new line of iPods last September, Apple has maintained its reputation as an innovative manufacturer. Quite recently, an enormous upgrade to iTunes was made with the introduction of the new music and social networking service, Ping. Combining features from Facebook & Twitter and integrating them with the music found in the iTunes store, Ping provides a musical experience unlike any other. Users can search freely through Ping's database for their favorite artists and connect with friends whom they can musically interact with. Though still in its early stages, this service has the potential to open up an entirely new way for listeners to purchase and discover new music.

To get started on iTunes Ping, all one needs is an Apple ID. If you own an ipod or are involved in any of Apple's retail services, you can use the same ID to log on and retrieve all your personal information. The next step after logging in is to create a profile where you can upload your picture, share music you like, concerts you're going to, and eagerly wait for friends to post their new findings on your wall. Once your profile is created, the world of Ping is at your fingertips. One can easily navigate through the music database either by searching for a specific artist or friend, or by browsing recommendations from the homepage. In searching for friends or people with similar music tastes, Ping allows you to look at the music they've purchased, what upcoming concerts they're going to and what music they might recommend. If you're only interested in following certain bands, the information on each artist's profile is more than enough to fuel your craving. All music released by the band is available for purchasing directly through the iTunes store as well as videos and concert tickets. In addition, you can preview the band's discography (in most cases), read about their history & influences, and even be notified of upcoming tour dates & new releases.

On Friday September 24th, iTunes released Ping version 10.0.1, which corrected the major operating issues found in the first version, as well as introduced some new features. Now, listeners can "like" and share music directly from their iTunes library—as opposed to manually searching for songs or artists while inside Ping. Once selected,

every song in your library has a Ping button next to the track title, which allows you to either share the song on your wall with a personalized note, "like" the song, or recommend it to others. This feature is currently only available for music sold in the iTunes store. In addition, direct Facebook and Twitter integration was added, allowing users to share their findings on other social networking platforms with a simple click of the mouse.

Ping adds a whole new dimension to digital music sales. Websites like Spotify & Mflow offer a similar service in the UK, and the potential of the digital market in the US could be better exploited. As iTunes Ping debuted in the United States on a near-universal platform, it is bound to stimulate the domestic music Internet market; it could possibly take it by a storm.

Discovering upcoming live events and purchasing tickets, for example, is a huge benefit of Ping. Having signed a deal with Live Nation/Ticketmaster for all ticket sales, consumers can easily purchase tickets directly from the artist's Ping profile. Once an item is purchased, the transaction is automatically posted on the user's wall, thus informing other followers and Ping users of the upcoming event. All surcharges and fees associated with Live Nation/Ticketmaster are still implemented, but the process of obtaining tickets is far less painful.

As with any new technology, Ping could use improvement. Before the 10.0.1 update, users were only able to share and "like" music they had purchased directly through the iTunes store. With the new update, the door has been opened to allow people to share songs from their library that have not been purchased through iTunes. However, if the song is not recognized in the iTunes database, it still cannot be shared with your social network—in essence, defeating its purpose. Another constraint: Ping currently features artists signed only to the majors and prominent independent record labels. While the social media feature—coupled with the iTunes library—boast a vibrant new landscape of musical discovery, one finds a disappointingly limited selection of anything too far off the mainstream path. Fortunately, independent artists can open and create Ping profiles and they have been doing so in quantity. Still, the iTunes catalogue and network is yet no match for sites like Mflow, Spotify, thehypemachine,

last.fm, thesixtyone and mybandstock.

The appearance of iTunes Ping is another step in the simplification and better utilization of the digital music market. The merger of social networking technology with an Apple product will this time enable users to discover songs and artists with their peers and share in the excitement of music and concert ticket purchases from within the same device. As well, direct integration with Facebook and Twitter will enable access to as yet more universal social networks. Finally, the hope is that as artist profiles multiply and the iTunes library diversifies, Ping will begin to establish itself as a consumer standard. **[MB]**

Spotify & RDIO (cont. from p.6)

cases, RDIO and Spotify's main obstacles come in the convoluted task of licensing the music used in their libraries.

All discrepancies aside, both companies are leading the parade towards perfecting an "all inclusive" cloud-based web platform. In fact, RDIO was rated the Number 1 Best Start Up Company of 2010 by Billboard Magazine last May, and Spotify is concurrently hogging the news headlines in its European turf. Both services are reshaping the industry as we know it and are sure to contribute to the way music aficionados approach the mediums of listening to music. **[MB]**

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BUSINESS ARTICLES

The Price Of Freedom: Reinventing the Online Economy

By Gerd Leonhard

Editor's Note: We are pleased to publish this piece, which is used with permission. It was published by the Journal of the Royal Society for the Encouragement of Arts, Manufactures and Commerce, London, in August 2009. Gerd Leonhard, a distinguished media speaker and musician explains why 'free content' can still pay in the long term. For more information on Leonhard, see www.mediafuturist.com. The views of the author are not necessarily those of The MBJ editorial staff.

Free information, free music, free content and free media have been the promises of the internet (r)evolution since the humble beginnings of the World Wide Web and the Netscape IPO on 9 August 1995. What started out as the cumbersome sharing of simple text, grainy images and seriously compressed MP3s via online bulletin boards has now spread out to every single segment of the content industry – and even into 'meatspace' (real-life) services such as car rentals. Without a doubt, 'free' has become the default expectation of the young web-empowered digital natives and now the older generations are jumping in too.

On top of the already disruptive force of the good old computer-based Web1.0 we are witnessing a global shift to mobile internet – a WWW that is, finally, so easy to use that even my grandmother can do it. While five years ago, we needed a 'real' computer tethered to a bunch of wires to port ourselves to this other place called 'online' and partake in global content swapping, now we just need a simple smart phone and a basic data connection. With a single click of a button, we're in business – or rather, in freeloading mode.

As users, we love 'free'; as creators, many of us have come to hate the very thought. When access is de facto ownership, how can we still sell copies of our creations? Will we be stuck playing gigs while our music circles the globe on social networks, or blogging (now: tweeting) our heart out without even a hint of real money coming our way?

Daunting as it may seem, we can

no longer stick with the pillars of Content1.0, such as the so-called fixed mechanical rate that US music publishers are currently getting 'per copy' of a song (\$0.091). Nobody knows what really defines a copy any longer when the web's equivalent of a copy (the on-demand play of that song on digital networks) may be occurring hundreds of millions of times per day. No advertiser, no ISP and not even Google has this kind of



money to pay the composer (or rather, the publisher), at least not until the advertisers start bringing at least 30–50 per cent of their global US\$1 trillion marketing and advertising budgets to the table.

Traditional expectations and pre-internet licensing agreements are exactly what are holding up YouTube's deals with the music rights organisations such as PRS and GEMA: this is what the rights organisations used to get paid for the music that is being copied, and this is what they want to get paid now. This impasse is causing significant friction in our media industries worldwide. Yet, below the topline issue of money, there lurks an even more significant paradigm shift: the excruciating switch from a centralised system of domination and control to a new ecosystem

based on open and collaborative models. This is the shift from monopolies and cartels to interconnected platforms where partnership and revenue sharing are standard procedures. In most countries, copyright law gives creators complete and unfettered control to say yes or no to the use of their work. Rights-holders have been able to rule the ecosystem and, accordingly, 'my way or the highway' has been the quintessential operating paradigm of most large content companies for the past 50 years.

Enter the Internet: now the highway has become the road of choice for 95 percent of the population, the attitude of increasing the price by playing hard to get is rendered utterly fruitless. Like it or not, a refusal to give permission for our content to be legally used because we just don't like the terms (or the entity asking for a licence) will just be treated as 'damage' on the digital networks, and the traffic will simply route around it. The internet and its millions of clever 'prosumers', inventors and armies of collaborators will find a way to use our creations, anyway. Yes, we can sue Napster, Kazaa or The PirateBay and we can whack ever more moles as we go along. We can pay hundreds of millions of dollars to our lawyers and industry lobbyists – but none of this will help us to monetise what we create.

The solution is not a clever legal move, and it's not a technical trick (witness the disastrous use and now total demise of Digital Rights Management in digital music). The solution is in the creation of new business models and the adoption of a new economic logic that works for everyone; a logic that is based on collaboration, on co-engagement and on, dare we mention it, mutual trust – an ecosystem not an egosystem. Once we accept this, we can start to discover the tremendous possibilities that a networked content economy can bring to us.

Much has been written on the persistent trend towards free content on the net. It is crucial that we distinguish between the different terms so that we can develop new revenue models around all of them. 'Free' means nobody gets paid in hard currency – content is given away in return for other considerations, such as a larger audience, viral marketing

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velocity or increased word of mouth (or mouse). I may be receiving payment in the form of attention, but that isn't going to be very useful when it's time to pay my rent or buy dinner for my kids. Free is... well, unpaid, in real-life terms.

'Feels-like-free', on the other hand, means that real money is being generated for the creators while their content is being consumed – but the user considers it free. The payment may be made (ie sponsored or facilitated) by a third party (such as Google's recently launched free music offering in China, Top100.cn); it may be bundled (such as in Nokia's innovative 'Comes With Music' offering, which bundles the music fee into the actual handsets) or the payment may be part of an existing social, technological or cultural infrastructure (such as cable TV or European broadcast licence fees) and therefore absorbed without much further thought. Feels-like-free could therefore be understood as a smart way to re-package what people will pay for, so that the pain of parting with their money is removed or somewhat lessened – everyone pays, somehow, but the consumption itself feels like a good deal.

'Freemium' is a word concocted by VC Fred Wilson and Jarid Lukin, and popularised by Wired magazine's Chris Anderson. Freemium combines 'free' and 'premium' business models into new forms that basically follow the old marketing principle of giving away something for free only to up-sell many of those happy users to the next, paid levels. The Freemium approach has been very successfully used by many Web2.0 companies such as the broadband video, call and messaging service, Skype (get hooked on free calls and then buy Skype-out credits or local calling plans) and the internet's leading photo sharing site, Flickr (spend \$29.99 for a bit more storage space and the cool FlickrPro badge). The bottom line is that all digital content (including books) is moving from paid hardcopies to free, feels-like-free or freemium services and bundled access – and there is serious money in all of these options.

And while we creators struggle to come to terms with the challenges of 'free', let's not forget that, in those good old days of paid copies, people mostly paid for the printing or pressing costs, the shipping or delivery, and the retail storage space. Consumers did not actually pay very much for the song, for the words, or for the genius of



the scriptwriter; they mostly paid for the middlemen, the studios, the publishers, distributors and retailers. Therefore, when these costs are taken out – as they are in many internet-based delivery mechanisms – it may not necessarily hurt the actual creator, but those middlemen and the industries built around them. However, because 'free' is such a strong meme in this economy, I believe that we will see a lot of redirected creative juices flow into that crucial conversion process from the initial attraction to the faithful 'consumption' of – and engagement with – our content. Now, the mission of record labels, managers and publishers is to invent and realise new streams of income that simply did not exist until we ceased our obsession with controlling distribution and selling copies. I therefore believe that the value of a given piece of content will depend greatly on what Wired's inspirational co-founder Kevin Kelly calls 'the New Generatives' – those new embodiments of value.

The new means of content monetisation include elements such as:

- packaging and 'alternate outputting' – for example, selling a smart-phone application that provides access to all an artist's music, videos and pictures, instead of just selling a simple download of a song
- immediacy – the option of getting the new song, the new book or film right away, without having to wait
- curation and filtering. The added value of having someone programme my playlists or recommend TV shows or films
- or added values such as higher definition (in-

cluding 3D) or better sound or image quality.

Personalisation, customisation and various premium-like options will make very fruitful turf for up-selling, and are already widely used across the web, such as by the blogging service Typepad. We may well see a future where the basic services are entirely free, or bundled, or advertising supported. In the music industry, we have recently seen services such as Spotify emerge with a similar offering: the user can listen to any song on-demand for free, but can also pay to get rid of the audio advertisements or make use of better playlisting tools. My hunch is that, because of the increasing wealth of the available data and the much improved use of behavioural targeting functionalities, advertising will soon become valuable 'content' itself – thus eliminating consumers' desire to get rid of it altogether.

Again, if a global advertising and marketing budget of US\$1 trillion can be partly diverted to pay for content, that should make a lot of content creators very happy. Virtual goods – products that are only sold and used in virtual environments (such as customisable avatars for my profile page) – are already big business and will grow to generate new revenue streams for all kinds of content creators.

As an example, my avatar in my digital world may want to surround himself with the latest John Mayer track when he's hanging out at the virtual beach – there's another euro for the creators. Similar to the popular ringback tones in Asia, this is a typical case of how I am using music to present myself in a different way; rather than for my

(CONTINUED ON PAGE 14)

LAW SECTION

A Far Reaching Copyright Change in Brazil

By Luis Augusto Buff de Souza e Silva



Last year, Brazil was rated the eleventh top country in recorded music sales. It was responsible for a significant rise in overall music sales, a claim that few countries, if any, can make. In addition, it is one of the fastest and largest growing emerging markets, classed under the BRICI umbrella of outstanding performers (Brazil, Russia, India, China, and Indonesia). It is the most populated country in Latin America, and in this regard dwarfs Mexico, its nearest rival. The future looks bright for Brazil, who will also host the FIFA World Cup in 2014 and the Olympics in 2016.

Recently, Brazil conducted a public consultation about a bill to reform the actual copyright law proposed by the Ministry of Culture (MOC). The Ministry is working on a final report that should be sent to the new president elect on October 31 for analysis. The major role of the bill is to strengthen and balance author's rights, along with a constitutional guarantee of free access to culture. In addition, the bill promises to make concession to modern forms of distribution.

The current copyright collection and distribution system in Brazil is quite different from that of the US and other countries. It is administered by a central organization, the Escritório Central de Arrecadação e Distribuição (ECAD), which is responsible for collecting all royalties from performing, mechanical and neighboring rights and then distributing the proceeds to the relevant author societies. Those societies then distribute the royalties to their members. In the last couple of years the ECAD has shown a lack of transparency in the distribution of collections, leading the Legislative Assembly of

Sao Paulo to open an inquiry. The investigation has revealed wrongdoings far beyond ECAD's legal and statutory rights.

To correct this, the reform of the copyright law aims to create the Instituto Brasileiro de Direito Autoral (IBDA)--an organization controlled by the MOC that oversees the administration of copyright in Brazil and provides arbitration. Many entities have criticized that idea, claiming that it would be public interference in what is a strictly private commercial matter. In a recent press conference, the Brazilian Minister of Culture, Juca Ferreira, explained that this organization would be created to serve as an intermediary between artists, the collecti societies, and all other parties by helping them litigate conflict and provide administrative support. The statement was meant to demystify the idea that the new IBDA would nationalize the collection of copyrights, which will continue in private hands. It is important to mention that all the top 20 music agency market and develop new artists. "I fmarkets already have an equivalent administrative structure to manage their copyright collections.

In order to give authors greater control of their work, the new text of the copyright law clarifies the licensing concept, allowing the exploitation and usage of the intellectual work without a total transmission of the rights. The publishing contracts will no longer be able to contain clauses alluding to a (voluntary) cession of rights. The proposal also foresees the revision and cancellation of unfair or abusive contracts.

The concept of fair use will be incorporated in the law, guaranteeing the right of free access to culture and allowing the use

of intellectual work for educational and didactical purposes. In the Academy, the need for authorization and prior payment would not be necessary since it does not involve economic exploitation of the activity. After the public consultation, however, it was necessary to revisit this statute, so that authors were better protected from the misuse of fair use.

The new law will also allow someone that owns an album to make copies of it for private use without the need of authorization. That guaranties the interoperability of digital files. Therefore, to own a CD and transfer its music to an iPod will now be legal. In addition to that, depleted works could be reproduced without the need of authorization for non-commercial purposes. However, the rising of broadband services and mobile subscriptions increases the worry about illegal file sharing. This is a problem that affects almost all countries and it has been difficult to find a satisfactory solution in the new bill. A lobbyist group, the International Intellectual Property Alliance (IIPA), has criticized its file sharing and piracy provisions. The final text will likely address such misgivings. Moreover, at its final hearing the MOC attested that it would work to improve the concept of interactive access in conjunction with better distribution provisions, thereby allowing the development of new business models for the Internet.

Another important change proposed regarding the music market is the criminalization of payola. To avoid unfair competition, the act of artificially forcing the playing of songs through payment or favors will be considered a "violation of the economic order and the right of free access to culture."

An intractable amount of legal issues clutter the music business today all over the world. The bottom line is that all the interests of the music stakeholders must be taken into account and, to some extent, balanced. The questions raised in Brazil over the modernization of its existing copyright law could well be the new template used by younger nations as they adjust to shifts in the dissemination of content. **MBJ**

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BUSINESS ARTICLES

Live Music in the US: A Cold Summer Squall

By Kerry Fee

In an industry believed to be recession proof, live music has indeed seen an overall dip in sales throughout the prime summer touring season. There are of course, quite a few explanations for the downturn, i.e. the economy, ticket prices, reductions in dates, and the overall cancellation of tours. Regardless, the main goal for promoters, ticket sellers, artists, and managers is to find what model works best for them in the current environment.

Some believe that the touring industry is now beginning to feel the crunch that the rest of the music business has been in for the last few years. The slow pace of the economy, coupled with summer festivals and an oversaturated live music market, has turned its prime season upside down. In a tight economy, concertgoers are cautious about how they spend their disposable income. "We're asking an awful lot of the public," said Pollstar editor in chief Gary Bongiovanni. "[For] the acts that are really in demand today, fans are opening their wallets and buying tickets, and they're buying the premium seats, too. But in a down economic market, it just means you aren't going to do the kind of volume that you might expect and people are more selective."

After the summer came to an end, it was reported that the gross revenue for the Top 100 tours in North America was down 17 percent from last year. Some of the most anticipated tours were no-shows. Christina Aguilera and Limp Bizkit announced tour dates and promptly cancelled them, as they likely could not deliver on the guarantees required by the large arenas and amphitheaters. The shock of the summer came with U2, which, following last summer's 360 Tour, was poised to be a record-grosser. Emergency back surgery for a front man is, nevertheless, a rare event, and U2's cancellation seemed reasonable. However, no such factor played into the sporadic deletions of tour dates by The Jonas Brothers, Lillith Fair, Rihanna, "American Idols Live," The Eagles, Kings of Leon, and Rascal Flatts.

It must be duly noted that even during the downturn, there were a few tours that managed good numbers. Although no official records of attendance have been released at the time of writing, it is apparent that Jimmy Buffett, Brooks & Dunn, Tom Petty and Toby Keith were at a sellout or near-sellout level. A handful of acts have been able to sell

consistently across the board year after year, regardless of circumstance. Paul McCartney and Lady Gaga have proved to be recession-proof, but typically acts are competing with each other; established acts, like Justin Bieber, James Taylor, and Carole King, have the advantage.

Music festivals compete too for the same business. Fans can examine festival line-ups, and can spend all their music money on one ticket to see a number of their favorite acts over a weekend. This year alone, C3's Lollapalooza smashed its attendance record with a whopping 240,000 people. Festivals work a great deal with bands, fans and sponsors, generating enormous publicity as well as revenue.

All things considered, some sources are pointing out to a shortage of "new blood" within the live music world. This year, Sugarland emerged as the only new first-time headliner (not surprisingly, the tour was not well attended). Promoters now seem to be adding more international artists to their rosters, hoping to create a new wave. In the grand scheme of things, it is evident that there is a huge disconnect between what music is popular right now, and what can be seen live.

Changes were implemented to try and compensate for low attendances. Live Nation, the biggest concert promoter in the country, discussed new ways of handling their artists. CEO Michael Rapino stated that the company would be negotiating lower guarantees for existing talent on their roster. This, fused with other measures, would help Live Nation get better results and sign up more artists. Overall, and according to Rapino, there is a supply problem with talent, and tour dates, given their limited market appeal, are now far too expensive.

Lowering ticket prices is also part of the discussion. Live Nation offered discounts on tickets as low as ten dollars—and with no service fees; the company had been toying with such deals for years, anticipating that the ancillary revenues from parking, merchandise, food and other areas would offset the potential losses of weaker shows. Ticketing reductions, however, can be a double-edged sword. Kevin

Lyman, who spearheaded The Warped Tour, says that they bring (sic) fool's gold. "In times of recession, who is to say that ancillary revenues will be up to snuff, with the off-the chart prices of food, drink and merchandise?" He continues: "We are going to train the public to wait for the discount; people will wait to buy their tickets until the last minute". Lyman suggests going for a fair price at the beginning that people can be comfortable with. Although some fans will always pay premium price to go and see their favorite acts, a different overall approach seems to be needed to drive the business forward. Tiered or dynamic pricing will still be around for long, but prices may have to come down overall. In the short run, discounts are unlikely to lead to packed houses.

Still, for Pollstar's Gary Bongiovanni, "this summer was nothing more than business as usual in an industry that's usually volatile." Indeed, it might be difficult to make any predictions about the live music industry at a time of crisis, and more normal times may have to set in for change to be considered in earnest. **MBJ**

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INTERVIEW

Synching Tools For Musicians

An Interview with Jim Odom of PreSonus Audio

By Hunt Hearin

Jim Odom is a co-founder and CEO of PreSonus Audio Electronics, a Louisiana-based designer and manufacturer of digital audio equipment. Since the company's inception in 1995, PreSonus has been a leading pioneer in the home studio movement and is responsible for many of the standard products used in the industry today. Adhering to the PreSonus ideal, "for musicians, by musicians," the company has experienced exponential growth, designing affordable equipment for recording and live sound without sacrificing quality. Over the summer, The MBJ had the chance to talk with Jim about his company and its role in the changing recording industry.

MBJ: Tell us a little bit about your background

JO: I started playing music around Baton Rouge in the mid seventies. I started playing guitar at about 10 years old – I got good pretty quickly, it was kind of natural for me. By the time I was about 12 or 13 my mom was dropping me off at gigs around town. By the time I was about 15 or 16 I started doing session work around Baton Rouge. There used to be something called professional studios everywhere – there was a place called Miscellaneous Records, and a lot of jingle studios making radio commercials...so there was work doing that.

MBJ: You toured with the band, LeRoux, playing guitar for a while. How did this experience affect you as a musician?

JO: In 1981, after a few semesters at Berkeley [College of Music], I left and joined a band from Baton Rouge called Louisiana LeRoux, who was signed to RCA records. I recorded and toured with them for a few years until 1984 when I went back to Berkeley for one last semester.

The experience was a whole lot different than what I had at Berkeley. I went from playing in a local scene around Boston to a whole different world. You end up losing a little bit of your creativity when you go into something like that. We did a record, went on tour, it was fun; I met a lot of people, played on a lot of big stages. It was my first taste of \$300,000 dollar recording budgets. We'd spend a month living in the recording

studio recording – and that's where you really get your chops up.

We were recording down in Bogalusa, LA at Studio in the Country – Warren Dewey did the engineering. We mixed at Studio B in Capitol Records out in Los Angeles. That experience really kicked my career, in terms of business, into gear.

We were working with Budd Carr – he managed Kansas and us (LeRoux) at the time, so he kind of helped me get a career path together.

MBJ: Were you developing any engineering chops?

JO: Absolutely – I guess my last year in high school my dad had an old barn – I took it and renovated the upstairs. I was about 17 or 18. It was just a practice room at first – but then I bought a Tascam 80-8 analog recorder. We put that and a small console up there and isolated everything and just started recording. The rates to record in town were ridiculous, so we just built our own. We let that studio run 24/7 - it was free if you brought your own tape. People were in and out all the time – we met a lot of people doing that. It helped me get my chops up.

MBJ: When did you first become interested in designing/building gear?

JO: Speaking of studio in the country - after LeRoux fell apart in about 1985, the members moved all over the place. I was helping Gene rebuild the room – we installed the Neve console. Him and I spent months doing that.

I was playing guitar, mixing, and engineering and doing a lot of stuff. I would run into issues and there wouldn't be a piece of gear to fix. Back then, one of the things we would run into was synchronizing multiple machines – we had Linn drum machines, Ensoniq sequencing machines – none of it would sync up. One of the things I did was design a box to sync all these different signals together. Out of frustration, more than anything, I went back to LSU and got a degree in Electrical Engineering and Computer Engineering because I wanted to design my own product for the studio environment. That was

born out of "I can't get anybody to do this for me so I'll do it myself" and my eagerness for chops. That's kind of how I got involved in Electronics and Electronic Design

MBJ: Where did you start PreSonus? Did you have much help?

JO: I was always doing a lot of recording and working in studios, but between college and starting PreSonus I was designing Sonar Equipment – working with underwater imaging and acoustics. After doing that for four or five years it was really all that I could take.

I had started on a project - I was mixing on a lot of old consoles that didn't have a lot of automation and it was a little frustrating, so I designed a product to insert into every channel of these analog boards called the DCP8 that gave you automation, compression and gating on every channel. Same thing we used to have on the Neve and SSL boards but we could use them on the older, cheaper consoles. You could take the sequencer and automate your whole session to bring up later.

MBJ: The DCP8 was truly a groundbreaking product in that it brought previously unavailable functionality to the consumer level. Tell us a bit about how this product set the tone for PreSonus and its future developments.

JO: We created the DCP8 in 1995, but honestly we haven't gone too far away from that. Now we're making products for live sound, which incorporate some of the same functions – automation, recall, and now the incorporation of digital recording. Our new console, called the StudioLive, allows you to do all of those things plus recording live, plus performing with tracks. All of our developments have spawned from that.

Then we got into interfaces. In about 1999 we started working with FireWire products – We released a product called the Fire Station in 2001 and followed that up with the FirePod shortly after.

MBJ: PreSonus is known for creating powerful tools for the musician at an affordable price. Was this always your vision for PreSonus?

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great record, but we can't afford a lot of stuff. This was really true in the mid 90's. There was a huge gap between the two – that gap has closed a lot, you can make good recordings now with pretty inexpensive stuff. But we wanted to empower the musicians – that was our goal.

MBJ: My first recording interface was a PreSonus FireBox – a lot of other musicians can say the same. What impact do you feel that you and your products have had on the home recordist and the bedroom studio trend?

JO: We were certainly part of it – PreSonus and M-Audio were the first two companies on the market offering firewire products. The reason that we liked firewire was because of the ability to get high channel counts at the time, as well as the ability to power the device through the firewire cable. This made our interfaces extremely portable and very simple to use.

Our vision has always been to give you an affordable product that sounds as good as some of the really expensive consoles I used to use – if our product can get you a solid recording and prevent you from having to rent an 1000 dollar/day room, we're done.

MBJ: A lot of musicians are seeing the ease and value of recording themselves. How has this trend affected your business?

JO: It has been tremendous – we have this saying that “the record business is over, but the music business is just beginning” and that has to do with a shift in control. Instead of being controlled by the industry, the industry is now controlled by the people. There is an amazing amount of talent that can be found on the Internet now.

We're very excited about some cloud-based technology we've been working on. Our software, StudioOne, now works with SoundCloud and we're working on some collaboration software so that musicians from all over the planet can easily work together on the same project without a whole bunch of work.

MBJ: It seems like more and more famous studios are closing their doors these days. Some attribute this to the explosion of af-

fordable technology available to musicians on a budget. Do you feel as though companies like yours have been vilified and/or blamed for this?

JO: Not at all. It still takes, in my opinion, a room and an engineer and a producer to pro-



duce certain records at a certain level. Sure there are some talented musicians who have the chops to do it at home, but there still are a lot of artists that need help. A lot of the artists you hear on the radio still need a producer and an engineer – they need someone to keep them on track and on budget in order to get their record released.

The record industry really just lost its footing – maybe it was overspending. They just weren't properly managing their businesses. There was a lot of excess going on – too much profit was being taken off of artists, there was a lot of excess spending going on.

walked in with the DCP8 to the NAMM show in Los Angeles. For our first show we had a little 10 x 10 booth where we put the product out, had some cool graphics done up. As it turns out we got a spot in the top 10 products of the show by Craig Anderton. They were open to innovation of a really big kind. I think its still that way – where you run into problems today is with distribution. Distributors aren't really keen on taking big chances like they used to be, especially with new products. What I've found over the years is that brand is really your most valuable asset. You can create hype like crazy over the Internet with all of the newly available avenues, but to go all the way through that to the basic consumer (the musician in his bedroom) is very difficult. It takes time and a lot of hard work.

MBJ: As a businessperson, how does your training and experience as a professional musician come into play during your day to day?

JO: I think it had a lot to do with it – I often tell people that being a musician is the ultimate entrepreneurial event. Even as early as high school, if you're going to be a musician, you have to be a good entrepreneur. You have to create a product and advertise it. You have to sell and promote your product. You have to take care of issues and handle problems, deal with people and listen to feedback. You have to handle employees and pay people – it is basically no different. By the time you want to start a business, having done all of that for five or ten years, you have a good idea of how to handle yourself. Being a professional musician was wonderful training for the business world.

MBJ: What advice would you give to someone interested in creating/marketing his or her own music equipment?

JO: Fortune favors the bold – even if you don't have the most breakthrough or innovative concept, you've just got to show up. You have to put it out there. You learn more from the response you get then by all the schooling and studying in the world. You learn more from the feedback than you ever will in a classroom. **MBJ**

BUSINESS ARTICLES

Gail Zappa (cont.)

the record companies too, in many ways. The real issue for artists to consider is there are so many times where decisions are being made about your rights and people who are not even including you in the conversation are taking them away from you. A perfect example of that are record ratings. The RIAA bent over and gave away rights that belong to the artists because they wanted their special pay tax bill. We're about to put out a release so you'll see that, Frank's testimony on the issue, but it's a perfect example of the fact that artist's aren't at the table; they aren't represented. So I would say to any artist that wants to make a living on what he does, the first thing is: don't stop doing what you are doing. The second rule is keep on doing it. The third rule is get a very long-range plan and stick to it. You've got to use the force of your imagination harnessing the force of your will and once you put the two of those things together and you have a clear picture of what it is that your trying to do as an artist, it doesn't matter how you change your path in terms of how you accomplish your goals but you just have to keep on doing it and don't let anybody get in your way by telling you that your work is not valuable. Invest in yourself even if no one else does, because that is the only way that you are going to survive. You'll find ways; first of all, there is no competition for what you do. Absolutely none, anywhere. It is hard to get peoples' attention but it happens if you work at it! If you do nothing, it won't happen. That's for damn sure! **MBJ**

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Gerd Leonhard (cont.)

own consumption, I buy music to have others hear it – another potential growth area for content sales.

Authenticity and the official stamp of approval will become a crucial and paid-for value: how would I know that Paulo Coelho is happy with a German translation of his latest book if I don't buy it from him or some other authorised source? Yes, I could download it for free, but I have no way of knowing if it's the real thing until I've already read the first chapter. Once e-books become more widespread (and duly Napsterised) this will be crucial. I anticipate authors using digital authenticity watermarks and other embedded technologies to give each authorised digital copy that special stamp of approval that will make it worth the effort. Once the costs of digital books are brought down to a level where the payment is a no-brainer rather than a punishment (10 to 20 per cent of the deadtree versions), and the buyer feels like he/she is part of the author's authentic fan network, these models will generate enormous new revenues at much lower cost.

The other increasingly relevant issue is what actual form remuneration may take. For creators, this may be derived in many ways other than with cash payments. Flickr now boasts more than 3.5 billion images uploaded by an estimated 12 million members, many of whom happily pay their \$29 for the upgrade to 'Pro' level. Photographers gain viral exposure for photos that become popular on Flickr, often getting millions of viewers and hundreds of comments from the Flickr crowd around the world. While no content creator will sneer at real cash coming his/her way, one can still observe a strong trend that places increasing value on social capital, personal influence and what is sometimes referred to as the 'reputation economy'.

While these forms of remuneration may take longer to be converted into real cash (if at all), they are indeed becoming important currency in a world of hyper-connected individuals. We are about 18–24 months away from that crucial take-off point in the new content economy. We are about 18–24 months away from that crucial take-off point in the new content economy. The point at which it all falls into place and it finally becomes clear how creative output will be very nicely remunerated without having to go back to what I like to call Content 1.0 – to control, force and friction, such as the paid-

tent creators and/or content industry professionals must now put our energies into investigating and constructing web-native and deeply collaborative revenue models based on open platforms and the total embrace of the sharing economy that has already taken hold in our society. Once we move from egosystem to ecosystem, from monopolies, cartels and walled gardens to partnerships and open systems, I am confident that we will discover dozens of new generatives that will allow us, the creators, to prosper in the future. Nothing can replace that unique human power of storytelling and creation – the more technology we employ to distribute and access content, the more we need those good stories. Ditch control for compensation, leave the monopolies behind, start trusting your users, viewers, listeners and fans, and see the value of your creative work rise above and beyond. Don't start by asking who will pay for your content, but ask who will pay attention, who will trust you, who will follow you –and then work with all involved parties to convert that attention into income.

'Free' is the keyword to success for 2009 and probably 2010, not just because of the current economic crisis but because the last decade of technological advances has already made many previously paid things free, and the lure of free is a powerful tool. Google's Gmail has made cutting-edge and powerful email services available to everyone, entirely for free and, as a consequence, Microsoft's Outlook market share has shrunk considerably. Now, with its new offline Gmail client, Google is bound to wipe out those other email clients we used to pay for, such as Apple Mail and Outlook. Revenues that used to go elsewhere now have moved mostly inside the Google kingdom. I get Gmail for free, but I am paying a lot of cyber dollars with my attention. I am allowing Google to 'read' my emails and sell my data to advertisers. My use of Gmail and all Google services generates a huge amount of value for the company. All of us have become content providers for Google. It is the master of this kind of disruption: it makes great products, gives them away, we all come to love them and get hooked on the Google goodies – but the former middlemen crumble and fade away. Reinvent or die, brought to you by Google et al. **MBJ**



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UPCOMING TOPICS

Some of the topics we will tackle in next month's issue of the Music Business Journal:

VEVO & Google TV

RightsFlow & Music Licensing

Mergers in the Products Industry

The Music Business Journal will be released three times in the Fall, three times in the Spring, and once in the Summer.

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