

# The Impact of the Web on the Music Business



### The Leading Digital Distributor

- Founded in 1997
- Thousands of labels
- Every music genre
- Catalogue of more than 1 million tracks
- Supply the leading legal digital music retailers and mobile operators throughout the world
- Headquartered in New York and London with operations in 22 countries



Afrika Bambaataa Alexander Shulgin Anthony Braxton Archie Shepp Art Brut Asha Bhosle Astor Piazzolla B.B. King **Bad Brains Bay City Rollers** Beck Benny Goodman Bill Laswell **Billie Holiday** Billy Bob Thornton Bing Crosby Blačk Flag Black Uhuru **Blazin' Squad** Blink-182

Bo Diddley Bob Marley The Brand New Heavies Bright Eyes C&C Music Factory Cab Calloway Carl Perkins Cecil Taylor Charles Mingus Charlie Parker Chris de Burgh Chuck Berry Chuck Loeb Coldplay Count Basie Curtis Mayfield Daniel Johnston Dave Brubeck **Dead Kennedys** 



Death Cab for Cutie **Deep Purple** Dinah Washington Dion Don McLean The Donnas Dr. John **Duke Ellington** Ella Fitzgerald Eric Dolphy Evan & Jaron The Fall Fats Domino Fito Paez Frank Sinatra George Carlin Glenn Miller Green Day **Gregory** Isaacs

Hank Williams Harry Belafonte Helmet Herbie Hancock The Hives The Hold Steady Howlin' Wolf Ike & Tina Turner Immortal Technique The Jerky Boys Jerry Lee Lewis Jerry Seinfeld Jody Watley John Cage John Coltrane John Denver John Fahey John Lee Hooker John Legend Johnny Čash Keane



Kim Waters King Sunny Ade The Kingsmen The Last Poets Lata Mangeshkar Laura Cantrell Leadbelly Lee "Scratch" Perry Lewis Black Lightnin' Hopkins Little Richard Los Lobos Louis Armstrong Mad Professor Mahalia Jackson Masta Killa Matisyahu Medeski Martin & Wood Melvins Me'shell N'degeocello

MF Doom Mikis Theodorakis Ministry The Minutemen Mojo Nixon Motley Crue Motorhead **Muddy Waters** Nat King Cole Nina Simone Norman Cook Nusrat Fateh Ali Khan Ofra Haza Ohio Players Ojos de Brujo **OI Dirty Bastard Operation Ivy** Paul Oakenfold Perry Como The Pharcyde



Pigface Pilar Montenegro Public Enemy Ralph Stanley Ravi Shankar **Ray Charles** Roger McGuinn R7A Sam & Dave Screamin' Jay Hawkins Seu Jorge The Silos Simply Red Sir Mix-A-Lot The Skatalites Sly & Robbie Solomon Burke Son House Soulive Soundgarden Sublime

Sufjan Stevens Sun Ra Swing Out Sister Taj Mahal Ted Leo / Pharmacists Tim Buckley Tom Waits Tone-Loc **Townes Van Zandt** Triumph The Turtles The Vandermark 5 Walter Beasley The Wedding Present Ween Wilson Pickett Yellowman Young MC 7akir Hussain



CD's Are Dead! Finally We All Agree

# Europe – 30% decline in sales by 2011 US

#### -Retail Sales = \$12.5 billion 2005

-Retail Sales = \$10.5 billion 2010



# Digital is the Future And We All Agree On This

- 2004 2005 the market nearly tripled from \$400 million to \$1.4 billion
- Mobile operator 3 sells more than 200k full track downloads a month
- Gnarls Barkley reached the top of the singles charts with a digital only release



#### What Is Impeding the Business?

# Implementing old business models in a new world

#### Email vs. Mail



- 99 cents 79 pence (same cost as physical world)
- Even higher cost for mobile
- ➤ "Respect the value of music"

People pay for services Services pay for music



# **Usage Restrictions**

- Control
   Copying
   Interoperability
- > Portability

Old world business model gives the consumer more freedom!!!

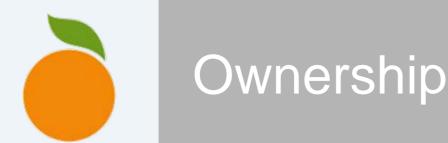


# **Customer Service**

# Paradox of Choice – Consumers demand an abundance of choice Recommendation

Marketing and Promotion in the old world – Demographics

Marketing and Promotion in the new world – Psychographics



- Stop asking the consumer!!!
- Learned helplessness When presented with a better option it is not taken.
- DVD vs. Video Tape



# The Business Models

- ≻P2P low price and low service
- Subscription higher price better service
- Streaming free but no interactivity
- Interactive streaming low price with some functionality
- Games, tones, websites, user generated, etc. – charge, charge, charge!!!
- Charge based on size of wallet



# When will this happen?

- After Majors are sold and new companies exploit their copyrights
- >When indies find their lost spirit
- When companies start serving their customers
- When retail stores disappear and there are no other options



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