

Digital Music Adoption

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my first digital taste

Liquid Audio: forever encoding content

- Avoiding the dreaded classical music CD's!

Classical Music is some of the hardest content to catalog

Trivia: How many tracks named “Adagio” are there in classical music?

Foreign Language:

Trivia: How many Languages does an entry level data encoder speak?

Digital Market Stiffling

One, 800 lb gorilla : the Music Industry

- Broken label promises
- Unrealistic prices

The other one named Microsoft


- Format suppression
- Close source code

The one with the free will

- Better than a flea market
- A community grows, a community dies

Naxos in the Ring

FINDING CATALOG COMPANIES

1. Groups of record labels
 2. Owned Master Recordings
 3. Standard vs. Flexible Pricing
 4. Repertoire depth is winning over artist based repertoire
 5. Flexibility (more later)
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Retails contenders

1. Digital Distribution: Naxos retail has been keen on embracing the new technologies of compression (DRM compliant of course), and other alternative forms of distribution.
2. Licensing: Naxos has been very open to the exploitation of Naxos content in any way possible (within reason). Licensing revenue has more than quadrupled in the last four years
3. Educational / informative content and flexible content delivery is 60% of that growth.

Licensing Education

Book publishers

1. We produced “*A History of Music in Western Culture, by Evan Bonds*” and the recording anthology to accompany the new edition of “*A History of Western Music by Peter Burkholder, Grout, and Palisca*” We license our content to numerous others
2. Online Interactive components: Software, including MS Encarta, W.W. Norton, ProQuest linking, Regional Symphony outreach websites.
3. Many creative educational and interactive products such as the Grammy winning “Beethoven’s Wig”

Licensing Basics

- Two rights to clear on most music: the Master recording and the publishing
- If the music is on a website, there is one more permission to clear (PROs)
- Due diligence counts in some cases


Licensing Challenges

- Major label Hang ups
 - Overworked people with no authority
- Union Restrictions (AFM) American Federation of Musicians
- Artist approval
- Estates
- Complex licensing laws
- Profitability, profitability, profitability

Public Domain

- **Works created after 1/1/1978 - life of the longest surviving author plus 70 years - earliest possible PD date is 1/1/2048**
- **Works registered before 1/1/1978 - 95 years from the date copyright was secured.**
- **Works registered before 1/1/1923 - Copyright protection for 75 years has expired and these works are in the public domain.**
- **Arrangements: same rules apply, sort of.**

Licensing Resources

- Private Licensing agencies
 - Attorneys
 - Aggregators
 - Do it yourself
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Digital Delivery Attitude

- Digitizing content for web streaming and downloading in many different formats – Finally music is DRM free (for the most part)
- Moving Forward: treating digital service providers and educators like retailers – full time.
- Being present and supporting web community advertising

Digital Pricing Models (cont.)

A La Carte – pay as you go

- Prices for a la carte downloading differs but iTunes has set the model at roughly 70% of the retail price with a “floor” on the royalty to allow for strategic pricing.
- Download subscriptions – paying a percentage of revenue to the label, with a floor in place
- In the U.S.A. the label is responsible for paying for the publisher for the DPD (Digital Version of Mechanical)
- Labels must get a DPD license from Publishing Rights organization

Digital Pricing Models (cont.)

Commercial Streaming: Compulsory Streaming (Internet Radio) :

- 2006 - \$.0008 per performance
- 2007 - \$.0011 per performance
- 2008 - \$.0014 per performance
- 2009 - \$.0018 per performance
- 2010 - \$.0019 per performance

Digital Pricing Models (cont)

Streaming Continued

- For **noncommercial webcasters**, the fee will be \$500 per channel/year, for up to 159,140 Aggregate Tuning Hours (one listener listening for an hour) per month.
- Noncommercial webcasters who exceed that level pay at the commercial rate for all listening in excess of that limit.

Digital Pricing Models (cont.)

Streaming Models to be negotiated directly with the label

- Paying on a percentage of subscription revenue
- Paying by linkage
- Paying by promotion
- Buying the track by term

Digital Pricing Models

Extra Facts

- In the U.S.A., the Digital Service Provider is responsible for paying the DPD license
- More and more companies are charging a content delivery fee ranging from \$.50 to \$6 per album
- The business of reporting on digital sales is rapidly growing and very complex
- Different countries have different rules, making legal distribution on the web very tricky

Deep Metadata

- Metadata- the right amount for the job
- XML Delivery – by far the most common
- FTP or Hard Drive?
- ASP models, good and bad
- How about the little screens on consumer electronics? Gracenote CMI

Changing Attitudes

- we have reached the day when digital files are preferred for functionality and efficiency
- With the advent of the portable music players, and the integration of format compatible devices into cars, digital files are in demand.
- Digital files make interacting with educational products easy and seamless
- It still matters what “authority” the data is coming from

Yes, digital classical!

- Most music educators have embraced new technology
- Naxos Digital department has seen revenue increases of nearly 10 fold in three years
- Naxos digital sales overall account for 45% of total sales of Naxos' label content
- In 2007, a web enhanced DVD Rom surpassed the sales of a standard CD set for the first time

Now Listening

- New ways of distributing music help you tailor how you use the music, while paying a fair price.
 - A. Listen locally (Streaming)
 - B. Lease for device listening (tethered downloads) – This approach is losing favor
 - C. Buy what you like, for life
 - D. Use a combination of the above for a complete experience
 - E. High Bitrate content gaining ground

More advantages

- The new delivery options create a fair price, and encourage ethics among those using creative intellectual IP
- Long lost content can be revived as a valuable commodity and add to the experience
- Content can be featured and manipulated in real time to reflect up to date pedagogical needs

Gray Matter

- There are many gray areas regarding “Fair Use.”
- The Music Library Association is very careful and thoughtful drawing the line in the sand and can be a good resource
- Opinions will vary for years on what is acceptable fair use
- Some companies are forwarding liability by linking to websites such as Youtube

“The key to successful integration of online resources, whether streamed music or website review materials, is simply to encourage faculty to connect electronic media to their assignments”

Steve Hoge, Associate Director, Electronic Media
W. W. Norton & Company, Inc.

"The record industry's priority now is to license music--to as many services, for as many consumers, on as many formats and devices for use in as many places and countries as it can. The straightforward conditions are that the business must be legitimate, the music must be correctly licensed, and record companies and other rights holders must get properly paid."

John Kennedy, IFPI Chairman and CEO

Great news on getting content

- Record labels are now desperate to open up
- Many artist contracts have been amended to allow more digital distribution
- More attention is being given to auxiliary smaller payments
- “Music Discovery” is a huge justification for making online content more available

Where are we going?

- Absolute convergence – I see bubbles everywhere
- More e-books for students, but not necessarily for everyone else
- More interesting Journal articles
- An increased importance of music in our world
- More online resources