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Mission Statement

The Music Business Journal, published at 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.

Inside This Issue

Toward Global Rights

By Peter Alhadeff, Zosia Boczanowski, Luiz Augusto Buff, and Aaron Gottlieb

Music is a complex commodity bundled with many rights. As intellectual property, it requires licenses to transact legally. But in today's marketplace, clearances from owners or intermediaries can be difficult to track both nationally and internationally. Often, many parties are involved before permission can be granted for a single trade. In effect, it may be more practical to license a collection of songs rather than a single song, biasing usage against the non-commercial and cultural repertoire of lesser known artists and works. As a result, the diffusion of musical production and the livelihood of music creators, two tenets of international copyright law, are coming under threat.

The problem for buyers and sellers of music has been compounded since the new millennium. Music is bought and sold in TVs, computers, smart phones, and satellite radio. There are more playback devices and distribution channels, so the number of transactions is growing exponentially. More trade, however, does not mean a higher returned value because the typical tradable item before the millennium was the album, and it returned ten times the worth that a single song does presently. Musical purchases today, in short, are dominated by myriad low- priced transactions.

The perception is that the rights' shell of music is now hindering business more than ever, not just by adding friction in the music exchange but also by preventing trade. As the fortunes of the global recorded music market have declined catastrophically since the new millennium, with the business only grossing half the value that it did back then, a new sense of urgency is being felt both by music stakeholders and governments.

Regarding stakeholders: When music users are not getting access to creative content because of the logistical difficulties that music intermediaries, including online music distributors, have clearing music rights, the market takes a hit. As for governments: The State tends to become involved where copyright industries are deemed significant and/or music is thought of as a cultural good worth protecting. Another issue here is the migration of music into the 'public domain'. The transition can never be seamless unless there is clarity and tractability about ownership rights. The end of the commercial exploitation of a musical piece, of course, is never really accepted gladly by the interested party.

A New Series

The Music Business Journal will start its first ever article series on a multinational effort to build a better infrastructure to trade music. The object is to draw attention regularly in future issues to a new momentum

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Editor's Note

The cover of this issue is on the subject of Global Music Rights, the first in a series of articles where The MBJ will document ongoing global efforts to create an international rights registry both for copyrighted and public domain works. This is because many music stakeholders and governments are beginning to become invested in a new infrastructure to trade music.

As if on cue, two independent pieces make the scholarly case that the present copyright regime is not promoting the interests of buyers and sellers. Guiseppe Mazziotti, writes about the European Union's copyright procedures online, while Luiz Augusto Buff's discusses the example of Tecnobrega, a vibrant music genre of Brazil.

Today, moreover, as technology has taken over, new technology companies move into the industry. Google Music is the most recent example. As you may recall, the last issue of the MBJ covered the Beta version of Google's latest offering with an article written by Megan Graney that questioned the viability of the service as a significant source of substantial online music sales. At the time that the article went to print, all of the details about the full service had yet to be released, and we found it fitting to include Jeremy Moccia's update on Google Music. Alexander Scott Alberti's piece on Kobalt Music Group is an example of how a publishing company has taken advantage of technological advances to grow. Similarly, Aaron Bolli-Thompson's interview with Aedhmar Hynes, CEO of Text 100, as well as George Howard's piece on the misuses of social media, discuss how technology has changed the way many businesses promote themselves.

Conversely, the digitization of music has been problematic. Decreases in revenues due to online piracy have been particularly tough on record labels, and recently EMI was forced to sell. Universal bought EMI's recording operation, while Sony bought EMI's publishing operation. In her article, Haven Belke, goes into the detail of this transactions and looks at the industry's reaction as EMI was split. For that matter, as the coffers of the majors are emptying, there seems to be an emergence of popular brands creating their own labels and developing their own artists. Fred Choquette takes stock of this phenomenon.

From all of us at the MBJ, we hope you enjoy this issue.

Aaron Gottlieb, Editor-in-Chief

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behind international song registries and one-stop initiatives for global rights' clearances. As we write, a new architecture for the music trade is being attempted under existing intellectual property laws. (Because of this, the Journal will concentrate its efforts on the creation of such registries and continue to cover general legal developments elsewhere in the publication.)

We will look at all the parties involved, the agreements and compromises that will be necessary to carry these novel ideas to fruition, and the implications of these registries for the future of music. It took many years to get nation states to agree to submit their economic data to the League of Nations, and for the latter to begin compiling national income statistics. Similarly, sellers and owners of music copyrights, as well as public libraries and other publicly owned music repositories, have to come to the negotiating table willingly. The drama is likely to last.

Yet the development of mechanisms for better rights' documentation, data-collection, and rights' clearances is arguably as urgent today as when the onslaught of online music challenged the recorded industry after 2001. Inaction, of course, has a steep price in an economy in crisis, and global efforts to build song registries have derived impetus from the Great Recession. Naturally, the music market has a better chance to discover new trades and reduce transaction costs if it centralizes and lays bare its arcane permit strictures.

IMR, GDR, and CISAC

The Journal has picked up increased coverage on the subject, and done its part.

The United Nations' World Intellectual Property Organization (WIPO) is presently focusing on developing an international intellectual property system and has made the case for an International Music Registry (IMR) in the past year. Specialists, academics, and stakeholders have been convened for special forums, for instance at the World Copyright Summit in Brussels in June, throughout October and November in Geneva, and at a Harvard-Berklee Rethink Music workshop in Boston in November.

Earlier, in 2008, the European Competition Commissioner of the EU established a working group which included representatives from Amazon, Universal Music, EMI, iTunes, Nokia, and three collection societies: PRS (United Kingdom), SACEM (France), and STIM (Sweden). The aim was to develop a Global Repertoire Database (GRD) that would stand as the reliable central database for multi-territorial licensing.

Both groups are of course weary of competing with each other. WIPO has made it clear that IMR and GRD should cooperate to make the most efficient international licensing database possible, while, early in 2011, at a joint IMR-GRD meeting, the GRD Chair noted that the GRD could connect to the system that IMR developed.

At the same time, the International Confederation of Societies of Authors and Composers (CISAC), an umbrella organization for mostly, but not exclusively, performing rights' societies, joined the GRD in March 2011. CISAC developed the International Standard Musical Work Code ('ISWC'), which identifies musical works from information procured by the rights-holders. Its expertise in copyright data management is thus political as well as technical.

Our Coverage

Clearly, the trade of music is recognizing that it can benefit from a new and more federated approach. For more in-depth coverage, the MBJ intends to publish, in the months ahead, individual pieces on (i) the potential for a synergy between IMR and GRD, (ii) the technological solutions being discussed, (iii) possible funding mechanisms for a global register or registries, (iv) the politics of stakeholders and the role of government, (v) the management and control of global song databases, and (vi) the unavoidable legal challenges of antitrust concerns, formalities, orphan works, and conflicting claims.

In our next issue, we will be reporting from MIDEM, at Cannes, France. There, late in January, IMR and GRD representatives will engage in a debate with participants from around the globe. The expectation is that they will release their own independent study shortly after.

Sources

i) See Luiz Augusto Buff, "WIPO Tallies Song Credits Worldwide", *The Music Business Journal*, Oct. 2011, 10; and, same author, "The G8 and Copyright", *MBJ*, Aug. 2011, 4 (also at www.thembj.org).

ii) Berkman Center for Internet & Society, *Rethinking Music: The Challenges of Creating and Maintaining a Music Rights Registry*, Working Draft, Nov. 2011, 3.

iii) *Ibid*., 4.

iv) *Ibid*., 5.

Law Section

The Politics of European Online Music Rights

By Giuseppe Mazziotti

Boosting the music business in the Internet age has proven to be a tough proposition. Online copyright infringement still has the edge over legitimate music. Moreover, the music industry has faced dramatic losses in the off-line markets that have not been offset by the increase of revenues from the on-line music sector. In Europe the situation is more complex than the U.S. since the European Union (E.U.) does not have a single copyright system and the enforcement and management of exclusive rights in musical compositions, music performances and sound recordings still takes place mostly on a country-by-country basis--despite the international reach of the Internet.

The launch and full development of innovative services and an E.U.-wide online music business that could create a credible alternative to digital piracy is being hindered, at a time when there is a shift of content from end-user devices to the "cloud". Newly emerged and successful music platforms like iTunes, Pandora's randomized music streams, and Spotify's on-demand music deliveries are very good examples of commercial services that can compete effectively and prevail over unauthorized file-sharing.

In the last years the E.U. Commission – the government and policy maker of the E.U. - took the music business into great consideration while continuing to develop the copyright harmonization process undertaken as of 1991 through the adoption of several directives. Recently, the E.U. Commission focused on ensuring a higher legal protection and on granting stronger economic incentives to copyright holders wishing to make their content available online on an E.U.-wide basis. In the absence of a unified copyright system, such as the one created in the U.S. by its federal laws, the ultimate goal of European lawmakers has been that of creating a licensing system for a "Digital Single Market" which would clear all music rights online in all the countries of the E.U.

Online Rights

When speaking about online music, one should always bear in mind that the legitimate supply of online services presupposes the clearance of both the rights in musical compositions, i.e. as they appear on a pentagram and in music sheets made available by a music publisher, and the rights in the sound recordings. The latter have to do with the performances of musical compositions, i.e. the so-called "neighbouring" rights. In the E.U. legal framework, performing artists and recording producers enjoy the same set of rights for their performances and sound recordings that authors, and, indirectly, music publishers, enjoy for their compositions. This means that three layers of full property rights' protection coexist on the same digital goods exploited by online music services.

Until recently, the most significant distinction between rights in musical compositions and in sound recordings in the E.U. copyright laws was given by their respective terms of duration. For musical compositions this was 70 years after the author's death, and for sound recordings it was 50 years from the date of publication or communication of the sound recording to the public. An E.U. directive of September 2011 extended the term of protection of sound recordings and performances incorporated into sound recordings from 50 to 70 years. As clearly stated in the Commission's impact assessment that accompanied the directive proposal of 2008, the extension of the term of protection was aimed at helping financially record producers and music performers at a time when piracy increasingly reduced the economic incentives to invest in artist and repertoire research and, inevitably, lowered the earnings of music performers. The original intent of the E.U. Commission was that of extending rights in sound recordings until 95 years from the date of publication, which would have ensured in Europe the same duration of protection granted to sound recordings - as "works made for hire" - under U.S. copyright law.

Licensing

The E.U. Commission has been very active in the last years in order to make the licensing of online music rights smoother and effectively pan-European. As things stand, an online service provider or a digital music retailer wishing to use musical compositions for its online or mobile exploitations needs to clear two categories of rights conferred to authors under copyright laws: mechanical or reproduction rights and public performance rights. The advent of digital technologies has increasingly blurred the distinction between these two categories, which are otherwise clearly separated in the offline world.

Even if online rights already exist on the market and in the day-to-day practice of European collecting societies, the 2001 "Information Society" directive, the most comprehensive attempt at harmonizing national copyright laws, failed to clarify whether the exclusive right to make content available online in an interactive way encompassed acts of reproduction necessary for digital delivery. If online rights constitute a specific combination of mechanical and performance rights for online applications, such as downloading or streaming services, then legitimate music services should simultaneous clear both classes of rights.

New Rules

From 2005 onwards, the E.U. Commission took action to facilitate the acquisition of all online music rights by online music distributors on an E.U.-wide basis. This has proven to be a very hard undertaking since national collecting societies of authors and music publishers in

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E.U. countries have traditionally operated on a strictly national basis and are de facto legal monopolies. They have concluded agreements of mutual representation for the management of their respective music repertoires in their sole country of business. At the same time, collecting societies developed different rules and contractual practices for the transfer and management of the mechanical and public performance rights, and this led to the creation of parallel ownership regimes for each of these rights.

The most important distinction in this regard is probably that which concerns the assignment of mechanical rights in the U.K. and continental European repertoires. There is a philosophical and cultural difference underlying the notion of copyright and author's rights in both territories. In the U.K., music publishers have historically been the sole proprietors of mechanical rights through their own collective rights management organization, after having acquired them from the authors. Instead, in continental Europe, authors and music publishers usually co-own the same rights under the shield of their respective collecting societies (these societies have sought to protect authors from the bargaining power of the publishers and ultimately become authors' unions).

The E.U. Commission sought to break up this well-established system in order to enable a smooth management of online music rights on a pan-European basis. The main idea was that of dismantling national barriers that restricted right-holders from issuing E.U.-wide licences for digital uses of their musical compositions and that forced commercial users of such compositions to seek authorizations in every E.U. country through the local collecting societies. At the same time, according to this reform plan, individual right-holders should have been allowed to opt for a collective rights manager of their choice, irrespectively of the country of domicile of the right-holders or of the copyright manager.

To pursue these ends, the Commission opted firstly for a nonbinding recommendation of 2005, which was addressed to E.U. Member States and collecting societies. It urged them to re-consider the existing structure of online rights management. At a later stage, the Commission decided to directly tackle the mutual representation agreements that European collecting societies concluded with each other under the aegis of the International Confederation of Societies of Authors and Composers ("CISAC").

This happened through an antitrust decision (known as "CISAC decision") of 2008 that found the clauses of territorial exclusivity and the membership requirement of economic residence embodied into these agreements illegal since they were deemed to constitute cartels restricting competition on the E.U. market for services of copyright management. As a result, this antitrust decision ordered the twenty-four collecting societies of the European Economic Area to withdraw the above-mentioned clauses from their mutual representation agreements and to bring cartels on territorial segmentation of collective licensing for online, satellite and cable transmissions to an end.

One-Stop Licensing Problems

This change of licensing rules for online music rights paved the way not only for effective competition between different collecting societies at the European level, but also, and most importantly, for a completely new form of competition among distinct music repertoires, which are now offered to commercial users by new and separate licensing bodies under their own contractual conditions and at their own prices. These new licensing bodies are either joint ventures that international major music groups established with the biggest collecting societies in Europe (in order to centralize the licensing of their Anglo-American and Latin-American music repertoires) or strategic alliances of national societies in southern and northern Europe seeking to consolidate and license jointly their local music repertoires for digital uses.

Unfortunately, the new licensing scenario for online music is far from settled, at least for the new licensing bodies of the international major music groups which together account for more than two-thirds of the global music market. These economic entities, which own vertically integrated publishing and recording businesses, would certainly take advantage of the opportunity to license all rights in their digital music, including rights in their musical compositions, performances and sound recordings--either by themselves or through a specialized agent but always as a complete package of rights.

However, the sole rights that music publishers have been able to successfully withdraw from the repertoire of works administered by national collecting societies and confer to their own specialized licensing agents are the mechanical rights in the Anglo-American music repertoires. As recalled above, that is due to the fact that U.K. music publishers, as their counterparts in the U.S., have traditionally acquired and owned such rights on an exclusive basis and they have managed them through their own collecting societies. For foreign uses, U.K. music publishers have traditionally appointed sub-publishers which are members of national collecting societies and conferred them a mandate for the management of mechanical rights on a local basis in every country of exploitation. This means that U.K. music publishers own and administer mechanical rights and can dispose of them without the author's approval and can easily withdraw the foreign collecting societies' rights to represent their music repertoire by merely letting the agreements with sub-publishers expire.

On the other hand, music publishers cannot withdraw or easily transfer public performance rights since these rights - even in the U.K. contractual practice - are normally owned or co-owned by authors and they have traditionally been managed by collecting societies, whose approval or consent is therefore indispensable for any kind of withdrawal or transfer. So far national collecting societies (and the music authors they represent) have proven to be reluctant to change the way they manage their public performance rights for online uses. As acknowledged by the same E.U. Commission in a position paper of October 2009, in spite of the bilateral re-negotiation of mutual representation agreements imposed by the 2008 CISAC decision, E.U. collecting societies still license their public performance rights for online music services on a national basis.

A Suggestion

Politically speaking, E.U. law has a long way to go before it can establish a single copyright system for online copyrighted content. In the absence of a unified legal framework, reform plans like the one undertaken by the E.U. Commission in the online music sector are likely to fail if E.U. lawmakers do not create a common playing field for collecting societies and do not harmonize the rules governing the assignment and transfer of copyright through a proper legislative intervention involving the E.U. Parliament.

The current situation in the online music business clearly shows that some sort of simplification is needed in order to make the E.U.-wide licensing of online rights smooth and economically convenient for right-holders, commercial users and, ultimately, consumers. If the creation of a unified copyright system at the E.U. level is not a concrete option yet, lawmakers might consider amending the existing legal

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Breaking the Shackles of Copyright Law: Brazil's Tecnobrega

By Luiz Augusto Buff

The crisis in the recording music industry has diminished the breadth and diversity of record label catalogs at a time when there are more artists and musical works than ever. Around the world, moreover, local and regional music may be in danger of becoming marginalized as the traditional distribution structures focus just on pasteurized product. And yet there is hope.

New 'open business models' are being considered overseas and involve the creation and dissemination of artistic and intellectual works under a more flexible and autonomous copyright regime. If successful, it is argued that such a regime would generate more revenue for the music stakeholders and cut prices for consumers.

A book by two Brazilian writers illuminates the approach and may well shape thought in years to come.

Its title, Tecnobrega- O Pará Reinventando o Negócio da Música ('Tecnobrega-The State of Pará Reinvents the Music Business') at first may seem pretentious. But the authors are Ronaldo Lemos, Director of the Center for Technology and Internet Society at the famous Getulio Vargas Foundation (FGV) in Rio de Janeiro, and Oona Castro, FGV 's Project Leader. Lemos, in particular, is active in academic discussions of intellectual property law around the globe, has been an articulate spokesman on copyright legislation for emerging economies, and serves as the director of Creative Commons in Brazil.

The work of Castro and Lemos is scholarly and relies on in-depth mining of qualitative and quantitative data in situ. It has become a part of the Open Business Project, a global initiative between Brazil, the UK, Nigeria, Chile, Mexico, and South Africa that is partly funded by Canada's International Development Research Center (IDRC). Brazilian think tanks FIPE, an economics research foundation, and the Instituto Overmundo were also involved. Lemos and Castro also advise Brazil's Ministry of Culture, lately an international advocate of a new legal architecture for music. Tecnobrega, the music from which the name of the book is derived, is a genre from the state of Pará. Pará is far removed economically, geographically, and culturally from the main centers of the country, Rio and Sao Paulo. Brega, a kitsch regional style, became mixed with European Tecno, but the major labels or mass communication media never picked it up. (even though the old Brega was widely popular across Brazil during the 1980s, the genre faded as the industry declined). Yet it has now returned morphed into a new and complex ecosystem that provides revenues in the millions and employment for thousands. The key appears to have been both a loose copyright enforcement policy and an informal commercial structure that enabled the growth and promotion of the genre.

The traditional paradigm illustrates, among other things, the exchange between composers, producers, record labels, and publishers. This is not how the tecnobrega model works, for the interaction there is between the aparelhagens, i.e the sound system companies, the artists, the live and studio DJs , the promoters, the venue managers, the mass reproducers, and the street vendors.

According to Castro and Lemos, the sequence of tecnobrega is as follows: (i) artists, either solo acts or bands, record songs in self owned or other studios; (ii) the best productions are sent out by the studio DJs to mass copiers; (iii) street vendors sell CDs locally at an affordable price, typically $2.50; (iv) DJs play their choice of songs at aparelhagem parties; (v) artists that have popular songs assemble bands to make performances; (vi) new CDs and DVDs are recorded and sold at concerts; (viii) the cycle is repeated while success lasts.

Artists are compensated primarily through live performances at an average of $1,200 per show. Since royalties are not a feature of that business model, musicians are driven to perform their own songs, and 84% of the artists are also composers. In fact, what usually happens is that composers only form bands after their songs have become popular by either being part of compilation CDs or because they were performed at aparelhagem parties. Artists that are solely composers are rare, but such artists tend to write for jingles used in broadcasts and political campaigns as well as for songs that are exclusively commissioned to pay homage to the aparelhagens.

The aparelhagens, in fact, are a crucial element of the tecnobrega business. These sound system companies are hired to provide large setups that combine computers, sound, video, and lighting technologies for large parties in which tecnobrega music is played by DJ's. There are four major companies running aparelhagens throughout the state, and several hundred of smaller ones. Aparelhagens are mostly family businesses. Local promoters are then responsible for organizing the parties and subsidizing the acquisition of new equipment for the aparelhagens—a major selling point in the eyes of the attendees. Ticket prices typically range from $5 to $10, with an attendance range between 3,000-5,000 people on average. When aparelhagens debut their new equipment at special parties as many as 8,000 people have been known to attend.

The gatekeepers of the tecnobrega are the studio and aparelhagem DJs. They determine which songs will be a hit by either distributing them on compilation albums for mass reproducers, or by playing them at live events and through the electronic media channels. Not all the deals are based on the exchange of monetary values, and sometimes the network of contacts and the capacity of access to certain people is sufficient consideration.

It is important to note the informality of this business model. The absence of written contracts and the sale of mass reproduced copies by street vendors (approved by artists but in fact illegal) prove that the tecnobrega is a model based upon norms rather than law. The lack of a strong copyright culture, combined with the fact that the parties themselves foment this structure of distribution, breeds an environment conducive to growth.

Tecnobrega artists don't expect any revenues from copyright exploitation, believing that giving up control allows for the free circulation of their songs thereby reaching a broader audience. Piracy is not seen as a threat. In fact, artists support the practice be-

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cause it can significantly increase the size of the audience for their concerts. Considering unauthorized distribution as a marketing tool, artists sell their albums and DVDs at concerts with a price sufficient to cover their costs of production, and the show's revenue comes mainly from ticket sales. In a country where legal albums are sold at a price well above what most of the population can afford, the tecnobrega model guarantees broader access for the lower-income layers of society.

The book suggests that in some cases the application of copyright protection mechanisms might not be necessary to stimulate creation and sustainability within the creative industries. As well, copyright mechanisms may have a negative impact on the access to music, which for the authors is a 'cultural' good. The tecnobrega model navigates a grey area within the margin of the established legal canon, but the case of Pará shows that when creators do not make an issue of their private intellectual property, a music economy may evolve just as well.

Lemos and Castro urge the public to consider that there are new effective ways of generating income for the stakeholders of 'cultural' industries. They make the case for easier copyright policies in Pará. In addition, the tecnobrega economy emphasizes the sale of ancillary services and strategies that leverage publicity to sell other goods. Similar examples of these so-called 'open business models' are found in the technology sector with open-source software, in the Nigerian Nollywood film industry, in Wikipedia--and, as well, in the much scrutinized initiative of Radiohead offering their album at whatever price a consumer might be willing to pay.

For the stakeholders in tecnobrega, the formality of the copyright system stands in the way of their trade in music. Although Lemos and Castro warn that the replication of the model is unlikely on a bigger scale and in a different context, it remains an exemplar of a vibrant musical exchange in an emerging economy. It makes everyone interested in the future of music pause for thought, for where intellectual property law cannot be seen as the chaperone of trade, but its shackle, musicians and the public at large are victimized.

The English translation of the book is pending; the Portuguese version can be downloaded free at: http://portalliteral.terra.com.br/lancamentos/download/715_tecnobregamiolo.pdf. MBJ

Google's Music Offensive

By Jeremy Moccia

Google announced a new addition to its roster of digital offerings, Google Music. This long awaited service followed trials of its beta version (see MBJ, Nov. 2011). The reader may recall that there were many doubts as to both the viability of the service and its launch date, which has finally come.

Google Music surprises with a distinct set of features.

First, it is a music store, similar in function to iTunes. Whereas other services are offering pay-for-access models, Google is sticking with the tried and true method of content ownership by having consumers purchase music on a per-song or per-album system. It also offers cloud services to its users and does so free of charge.

iTunes and Amazon, the two services most similar to Google Music, both offer cloud services to their users as well, but at a price. iTunes "Match" service has an annual $25.00 charge, and Amazon Cloud Drive offers only 5GB of free storage, roughly 1,250 songs, before charging for increased capacity. Google Music is offering instead up to 20,000 songs worth of cloud storage for free, and it is clear the service will try to offer more. Yet with only three of the four major labels offering music through the service (Warner has not opted-in yet) it might still fall short.

Second, its library may not have the depth of iTunes or Amazon, but what it lacks in size it tries to make up for in service. Google Music offers a free single download every day, as well as a number of free live recordings, and has nabbed some exclusive content. Busta Rhymes' new album is being offered exclusively on the service, as are myriad concerts from artists such as Coldplay, The Rolling Stones, Pearl Jam, and Dave Matthews Band. It also seems to give hefty discounts. Coldplay's latest album, Mylo Xyloto, sells for half the price than it does on iTunes. But lack of product availability may still hinder Google.

Third, Google Music offers a web based music client for easy access to a personalized library of songs from any computer. Instead of having to have a program installed on every device, as iTunes requires, Google's web application is accessible from any browser. Another unique feature is its seamless integration with Google Plus, the company's social network. After purchasing music from Google, a user can share it on Google Plus ; friens in a "circle" can play it for free. The hope is that this will encourage sales. Of course, Google is trying to link music plays to a social network, such as Facebook is doing on a larger scale.

Fourth, and perhaps most significantly, Google Music has a secret weapon that deserves more attention than it gets. It is called the Google Music Artist Hub-- a way for artists, signed or not, to put their music out there in a 70/30 split, i.e. 70% of gross earnings going to the artist and 30% going to Google. Google also charges a one-time fee of $25.00 for the artist's page, where a personalized hub is generated to attain projection in media links, music genre pages, and YouTube.

Independent artists will find this feature useful and upload smaller albums of singles or traditional full-length albums. The page has to undergo a waiting period of one or two days for approval. This is because copyright policy is stringent. Google makes it extremely clear that anything posted that does not belong to the artist is an infringement and can lead to immediate termination of the account and legal action. Once cleared, the artist is added to Google Music's roster and can start selling music immediately. Artists are then able to take advantage of the features of Google Music, including ninety second song previews, and Google Plus integration. The Artist Hub concept is not new. TuneCore runs its business on a similar idea. Yet, Google's seamless integration and easy of use are especially attractive.

Overall, Google Music is a contender in the online space, offering free cloud storage, free downloads, a web based client, and a unique product for independent artists. But it is still in its infancy and its library is incomplete. Moreover, for now its software lacks the ability to download songs from the cloud directly to other devices so in a crowded musical landscape, with rivals like iTunes, Spotify, Rhapsody, MOG, and Amazon, the projection of the service could be slow. Time, nevertheless, could be on Google's side. It has plenty of funding compared to most of its rivals and, fortunately for musicians, Google needs music to develop an alternative social platform to compete with Facebook. MBJ

Interview

The Anatomy of Modern Branding An Interview with Aedhmar Hynes

By Aaron Bolli-Thompson

Aedhmar Hynes is a world leader in new media communications. As CEO of Text 100, she has won numerous prizes, and most recently the World Technology Summit Award for Contributions To Marketing & Communications. Text 100 has grown to twenty-eight offices worldwide employing over five hundred staff members, and its client roster includes IBM, MTV and Facebook.

MBJ: Public Relations is often mislabeled as advertising or marketing. How would you define PR in today's corporate world?

AH: In the corporate world, PR can be defined as a strategic discipline developed to communicate who a company is or the essence of "the brand", if you will, to its various stakeholders both internal and external. When a company considers its brand strategically, it understands that it needs to ensure that its core values, its behavior and how it conducts its business internally, need to align with what it tells its audiences externally. A successful PR strategy should be rooted in the business goals of the corporation, be they entering new markets, beating the competition, introducing new products, aligning with government regulations or delivering shareholder value. Effectively focused on the right business goals, campaigns can be developed based on an audience and measured to ensure that strategy is effective.

MBJ: This seems to be a crucial part of a company, but traditionally budgets have been disproportionate between PR and other departments. Why is this?

AH: Traditionally, PR has been the poor cousin to advertising in terms of budget spending simply because PR is 'earned media' and advertising is 'paid media'. The consulting fees are not that disproportionate when you strip away the costs of paying for media placement. If a corporation believes that its audience or customers are central to its success, then it will spend to engage them. As a consultant, I see that the best campaigns to do this, regardless of their nature, will garner the greatest share of overall spending for customer engagement.

MBJ: How has PR changed since the emergence of Internet 2.0?

AH: The fundamentals of good PR have not really changed since the emergence of 2.0. However, the emergence of the web as an enabler for more direct communication between corporations and stakeholders has lead many PR teams to revisit the very essence of what makes great communications. Lincoln once said "character is like a tree and reputation is like its shadow". For some time now, much of what I would consider 'PR spin' has focused on the shadow and less on the tree. It has relied on PR hacks to spin a story via the media that presents the corporation in whatever way it deems fit. But we all know that the shadow does not make the tree. With the emergence of 2.0, a corporation's character is far more transparent, as social media tools and all forms of online communications mean that people no longer have to rely on media to get their information. 'Prime time' has changed to 'my time' and people can find information where they want, when they want, and in any form they want--driving far greater need for a corporation to be authentic in everything they say and do.

MBJ: Is this why there is such a fear of social media among many businesses?

AH: The greatest fear of social media is perceived as a lack of control. Prior to the emergence of social media, many corporations believed that they could control the message and by working closely with the media they had a high degree of influence on the story that was read by their audiences. In truth, this control was limited at best, as any good journalist will investigate a story and check for accuracy. For many executives who are digital immigrants (those who have not grown up with technology at their finger-tips), there is little understanding of the true power to leverage the social media for even more effective communication and they simply perceive it as a digital version of the "Wild West". I believe that the evolution of web 2.0 as a strategic enabler for communications is a generational one. As more digital natives enter the boardroom and gain positions of power, you will see this fear replaced by an embracement of the opportunity that web 2.0 presents.

MBJ: It seems as if fear is the only thing getting in the way?

AH: Well, there are actually many barriers to the adoption of social media in strategic communications. One of these barriers is that corporations have built business models that meet the needs of a world where they broadcast a message from within the company to as many people as possible. The advent of social media has usurped the broadcast model and given way to dialogue and conversations, which revolve around the needs of the audiences. With the audience at the center of the conversation, corporations need to rethink how they engage with the customer on their terms. To do this effectively, they need to rethink what skills are needed and where they reside, which I believe will give way to rethinking the structure of their business. These new business models will build teams of people who will see the audience as central and will re-imagine how

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Interview

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best to engage them, going far beyond the methodologies that drove marketing and advertising goals of the past.

MBJ: You are a huge advocate of social media. Would you go as far as to say it is "the way of the future"?

AH: While I'm a huge proponent of the power of social media, I am not one to promote that digital communication will be the only form of communications in the future. Social media has done a phenomenal amount to democratize information, create communities of interest around a common belief and make our world flatter in many ways. However, there is still huge power in "face-to-face" interaction and communication in the physical world. I believe there will be a rich interplay between both the physical and the virtual world and the best communicators will comfortably navigate the two. For this reason, Text 100, which employs 500 PR consultants, has adopted an aggressive training program that focuses on ensuring all staff is trained in the digital and physical world. In time, there will be little difference between the two, and story telling will move effortlessly across worlds. We've built a fun program that leverages the game principles of Foursquare and promotes competition among individuals and offices across the world to win more badges based on building skills, executing digital programs on behalf of clients, and engaging with audiences externally to build Text 100s brand.

MBJ: Many say that social media has been hyped up and that people are returning to more traditional mass media sources. What would be your response to that?

AH: If you define mass media as a broadcast media, where the broadcaster communicates information in one direction and there is very little opportunity for dialogue (or conversation), then there is little evidence to suggest that this media will ever be favored over social media in the future. Is there a danger that some people will only follow a few social channels and default to one over many others? Yes, I believe that this is possible. For many, there is a favored channel. But what is key to the evolution of social media is that technology never stays static for long. The study of human behavior and the research into how people communicate is far ahead of the tools or channels that exist today. While twitter and Facebook may seem to represent the latest and greatest, I believe they will soon feel as old-fashioned as a newspaper once people are exposed to newer and more powerful communication mediums that meet their individual needs in the future.

MBJ: It seems like the theme that you have really been getting at is authenticity. How have you implemented this concept into your company and dealt with unforeseen problems?

AH: For Text 100, we believe that authenticity is at the core of all good communications strategy. While being authentic will not prevent products from failing, disasters from happening, or a business becoming a victim of sabotage, it will allow you to get ahead of the story. As long as people believe that your communications is consistent with your values and character, trust will be built. This trust can be an extraordinary asset when things go wrong. We will always provide counsel to our clients that building trust should be at the core of their communication strategy and in all actions they take. If the tree is strong, it will cast a long shadow in challenging times.

MBJ: How do these concepts apply in the entertainment industry?

AH: It's probably most helpful if I answer this question in the context of discussing one of our clients, MTV, who has had to rethink its entire communication strategy in the past five years. Today MTV's target audience, Millennials (aged 14-24), are the ultimate digital natives, and thus are consuming media predominantly online.

Stats from an April 2011 Piper Jaffray survey of 4500 teens showed that (i) 65% use peer-to-peer music hearing networks to find music; (ii) 77% consume music through digital downloads; and (iii) 22% own a tablet (another 20% are expected to buy one within 6 months). MTV realized 5 years ago that the music habits of their audience had changed and that moved most of their music initiatives, including music videos, were taking place online.
For MTV, the audience was central, and therefore the brand had to engage them effectively. Two examples are worth quoting.

First, Hive is MTV's digital emerging music platform that features multimedia content ranging from in-depth interviews to live-streamed performances from some of the most promising talent like Sleigh Bells, The Drums, Millionyoung and Neon Indian. MTV launched Hive to satisfy Millennials digital demand for emerging music and music discovery. Press results have been amazing. News sources like Rolling Stone, Billboard, Mashable and AOL Music have recently attended Hive's Live in NYC tapings, which take place every month or so in Webster Hall.

Second, MTV Iggy is a new digital brand that was launched two weeks ago. Its mission is to introduce US music fans to global pop music and culture. Iggy has received tremendous coverage in the media. They are currently running a World's Best Band search that is completely digital and has had an amazing reception. So far (i) three million votes were cast from 162 countries; (ii) fan groups have organized themselves and are pitting themselves each other like "Lady Gaga" fans Do; and (iii) there are thousands of FB comments daily, with as many as three thousand likes on their page a day (and over a million to date).

MBJ: What would you recommend to elevate branding?

AH: If it hasn't become obvious up to now, the key word in future communications is authenticity. Understanding your audience is crucial in finding an effective way to engage. When you're thinking about building a brand in the digital realm it's really not that different from the real world.

Let me give you an analogy - just think about being a stranger and walking into a party that's full of people. They know each other, and are chatting and discussing about things you have little knowledge of. It would probably be social suicide if you simply burst though the door and said "Hello, my name is Aedhmar Hynes and I am an incredibly interesting person, please stop talking and listen to me talk about myself"! Social wisdom would prevail and you'd probably politely introduce yourself to a friendly group and spend a little time listening to their conversation first. If you felt you had something to offer or contribute to the conversation you may venture to offer a few words to build on that conversation. Over time you'll get invited back to that party again and again. On these occasions, having listened to a few conversations you will probably think, I have a distinctive point of view that nobody else is talking about, maybe I can contribute and engage these people because they already trust that my motives are to offer and build on the dialogue of the community. Then, maybe, if what you have to say is truly is unique and interesting, people will spread the word, and before you know it you might build a following. Those followers become fans and tell others, who tell others and you start to gain traction. Now, think about how this might work in the digital world and you've got the basis to an effective brand building strategy.

Once you get to the stage where you've listened, prepared and engaged and you're starting to build fans, please come back to me. That is when I charge you a large consulting fee and tell you what to do next!! MBJ

Business Articles

Kobalt Music Group: Redefining the Role of a Music Publisher

By Alexander Scott Alberti

Music publishers have long played an integral role in the careers of songwriters. Regardless of whether or not a songwriter is a developing talent or an established name, or if full or administrative services are provided, music publishers can be invaluable to songwriters through the protection and exploitation of their songs as commercial assets. In some cases, a music publisher may even be able to perpetuate commercial success and facilitate large-scale earning opportunities for singer-songwriters whose recording careers are no longer lucrative. Whereas most recording artists have little to no ownership stake in the master recordings of their songs, a key component in the songwriter/music publisher relationship is the division of copyright ownership of the songs written. Typically, the more services the music publisher provides (i.e., developmental, creative or synch licensing), the more ownership the songwriter must give up.

Certain publishing deal models have come to be recognized as industry standards over time. In scenario A, a 50/50 publishing deal, a music publisher signs a new, prospectively successful songwriter to an exclusive publishing deal. This includes provision of career development services (i.e., arranging of co-writing opportunities); song demo recording; creative and synch licensing services and a cash advance recoupable against future earnings. The songwriter assigns one-hundred percent copyright ownership of all songs written during the term of the agreement to the music publisher, who pays the songwriter royalties based on earnings from various commercial uses of these songs (for example, fifty percent of the gross income received from mechanical and synchronization licenses). In scenario B, a co publishing deal, a successful songwriter who has established his own publishing entity signs a full service publishing deal similar to the one mentioned in scenario A, but retains fifty percent copyright ownership of any songs written given the increased leveraging power his track record affords him. Since the publisher's share of income generated from licensed usages of these songs is split between the music publisher and the songwriter's publishing entity, this songwriter stands to earn substantially more than does the songwriter in scenario A. Finally, in scenario C, an administrative publishing deal, an extremely successful singer songwriter does not require exploitative services because his song catalog has consistently proven to be highly profitable throughout his career. At this stage, the singer-songwriter enlists a music publisher simply to register his song copyrights with collection societies worldwide, as well as manage the collection of performance royalties and licensing income for a percentage of the catalog's gross earnings during the term of the agreement (with full copyright ownership of the catalog remaining with the singer-songwriter).

In each of these scenarios, the provisions of the aforementioned publishing deals may be mutually beneficial to both the songwriters and music publishers represented. For the songwriter, however, there are certain instances where additional considerations must be made in the interest of financial stability. Despite the fact that record companies account quarterly to music publishers for any mechanical royalties due, music publishers account to their songwriters semi-annually. As a result, pipeline publishing income may not be immediately accessible to a songwriter in times of financial hardship, and he may require a supplemental advance. Also, as music commerce has evolved in the digital age, it has become increasingly difficult to accurately (and definitively) track every usage of every song represented by a music publisher throughout the world. As a result, a songwriter with an extensive catalog may, in the best case, not be paid in a timely manner relative to the usage of his song in a foreign territory. In the worst case, that same songwriter may not be paid at all due to the reporting and collection limitations of his publisher. For these reasons, Kobalt Music Group's rise to prominence as one of the most successful independent music publishers in the world is especially notable. With a technologically advanced collections system and conformable service offerings, Kobalt's innovation has led to the implementation of a new business model and redefined the role of a music publisher in the 21st century.

Kobalt Music Group is unique in that it operates primarily as an administrative publishing company (it does not own any copyrights), but has incorporated a fusion of creative elements into the services it offers its clients. The increased efficiency and accuracy of its electronic royalty collections and reporting system, however, is at the core of its administrative services. This system – designed, owned and operated solely by Kobalt – automatically communicates with and collects directly from the majority of its international content users; the data from these transactions being managed by a singular database. Given the lag time inherent in foreign sub publisher reporting and remittance of licensing and royalty monies owed, Kobalt's ability to bypass these entities allows it to pay its clients more quickly (an estimated 50% faster) and more accurately than publishers doing so by more traditional means. Perhaps even more impressive is that Kobalt's clients can track the registration, licensing and digital usage processes in real-time via an online portal linked to the system at large (dubbed "Digital 3.0"). As payment transparency is essential to Kobalt's mission, this capability allows its clients to take a line item approach and break down the exact amount of monies owed for licensed usage by song, territory, or type of license.

Also unique to Kobalt's business model is its offering of royalty advances. Generally speaking, administrative publishers do not offer songwriters advances against future royalties and Kobalt's doing so is only one example of how it has successfully infused provisions of the full-service publishing deal into its capacity as a primarily administrative music publisher. Given the accuracy of its collections and reporting system, Kobalt is able to deliver royalty balances to its clients weekly, as opposed to quarterly or semi-annually as per the traditional music publishing model. Coupled with the fact that the advance application process is available via the Digital 3.0 portal, Kobalt's clients may be paid advances immediately rather than be required to wait for pipeline income to hit their publisher's accounts and be paid through in the next statement period. While there are fees associated with this benefit (2% for next statement advances; 5% for pipeline income advances and 7% for projected revenue advances), clients do not have to sacrifice any song ownership rights because Kobalt does not own any copyrights to begin with.

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Since its inception in 2001, Kobalt has consistently broadened the scope of the services it offers its clients. As recently as this year, Kobalt has ventured into the realm of master recording administration and neighboring rights royalty collection (outside of the U.S.) for non-featured performers and producers whose contributions on publicly performed, broadcast and digitally transmitted works are payable in some territories. In keeping with the concept of an administrative/creative publisher hybrid, Kobalt has also assembled a creative and synch licensing team whose primary goal is to cultivate international songwriter relationships amongst its clients and create worldwide synch license opportunities to increase the appeal of its administrative services.

With a forward thinking approach to music publishing and a top-line technological mechanism in place to consistently deliver faster and more accurate results to its clients, it is no surprise that Kobalt Music Group placed fifth (behind only Sony/ATV Music Publishing, EMI Music Publishing, Universal Music Publishing and Warner Chappell Music) for the seventh straight quarter in Billboard Magazine's Top 10 Publisher Airplay Chart, making it the top independent music publisher in the U.S. With an expanding roster of high-profile songwriters and writer-producers including Gwen Stefani (No Doubt), Ryan Tedder (OneRepublic), Joss Stone, Kelly Clarkson, Dr. Luke and Max Martin, all of whose songs represent a considerable portion of any given week's Billboard Hot 100 charts, Kobalt Music Group is poised to remain at the active forefront of music publishing and a trendsetter in modern song commerce. MBJ

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Sponsors Take Over

By Frederic Choquette

In the 1960s and 1970s, the consensus among major artists was to avoid corporate sponsors. The only true sponsor was an artist's record label. Musicians with recording contracts were proud to keep their music separate from the world of commerce and corporations. This changed in the 1980s, and especially in the 1990s. The appearance of multimedia led to larger recording contracts and exposure on TV, computers, CD-ROMs and later DVDs. Society itself aspired to greater individual wealth. Consumption became conspicuous and music and money were touted together more than ever. Commercial sponsorships became acceptable for many artists, unlike earlier times when artists would not "sell out". Later, as the industry suffered the onslaught of free online music, musicians sought commercial sponsors avidly as a matter of survival.

The past decade has seen a dramatic upsurge in earlier trends. Former self-proclaimed rebel Bob Dylan can now be seen promoting Cadillac Escalades, not to mention Victoria Secrets lingerie. Furthermore, we now live in an era where beverage companies such as Mountain Dew and Red Bull have established their own record labels and artist promotion platforms, providing their rosters with valuable resources and possessing as much clout as large record companies. Needless to say, the 21st century has brought about an important shift in the artistic community's attitude towards its association with business

Corporations, naturally, have ulterior motives when they use music, for it is not their immediate concern. Potentially even more unsettling is the fact that a majority of music enthusiasts now demonstrate few if any objections to seeing their favorite bands partnering commercially. If sponsorship relationships have evolved to become accepted in today's society it is also because brands have adopted increasingly subtle approaches to imprinting their messages on customers. For instance, an artist no longer has to take a drink from a soda and emote satisfaction. Corporations have adopted subtler marketing tactics such as distributing free samples, coupons, and merchandise. Most brands are now going to extreme lengths to look authentic.

Nevertheless, there are many exceptions. A group like Weezer, for instance, used insurance giant State Farm to sponsor its 2010 Memories tour; money was the incentive. But it is most likely that in securing a sponsorship from State Farm, Weezer was able to avoid soliciting funding from labels who would have asked them to sign a 360 deal against multiple sources of revenue (Weezer's Raditude, released in 2009, was the last album they owed to their long time label Geffen and at the time they were shopping for a new recording contract). As State Farm had very little interest in the music business, it allowed Weezer a maximum amount of financial freedom so long as they fulfilled their contract--including plastering the insurance company's logo all around Weezer's name! In short, Weezer may have sold out, but it did so willingly to save its livelihood.

Another interesting trend in the music industry has been the upsurge of corporate sponsored record labels such as Converse, Mountain Dew, and Red Bull. Interestingly, most of their roster of artists have not been famous superstars, but rather promising young artists who might not have been given a chance elsewhere. Examples here are Holy Ghost! on Green Label Sound and Awolnation with Red Bull Records.

As the recording industry's revenues have slumped, it must be remembered that there are more casualties for musicians than the recording contract. Artist development funds are lost too. In an attempt to create a grassroots movement and further entrench themselves in popular culture, many of these multinational corporations have been supporting artists who they believe may someday captivate crowds across the globe. This has opened up an entirely new avenue for upcoming bands.

Corporations may always be driven by the profit motive. But today more than ever, in a slow and unstable economy, musicians are looking for alternate routes to get their music out there. It is a fact too that that public opinion is to an extent neutral about artists' corporate affiliations. Sports teams across the board dress their players up with more than their name and field positions, and musicians have come to reluctantly accept this fate. Finance is important in business, whatever the source. Musicians cannot be accused of looking elsewhere and beyond the existing industry to fund their projects. But the quality of their music, and their talent, may be less important in the long-term for a big corporation than it was for a record label. MBJ

Business Articles

Social Media: Disenchantment and Beyond

By George Howard

The purpose of this article is to suggest some reasons for the failings of social media, as well as to offer suggestions for its better usage.

The promise of social media, it must be remembered, was to reduce intermediation. Prior to the Industrial Revolution, markets revolved around the direct interaction between buyers and sellers; both conversed, and the result was often a transaction. But with the development of mass manufacturing techniques, the relationship between buyer and seller was riven. Now it was impossible to scale the exchange to an individual conversation. For efficiency, providers had to organize buyers into geographic, demographic, and psychographic clumps. The pre-industrial buyer/seller relationship became, in short, a monologue. The famous Henry Ford quote “you can have any color Model T you want, so long as it’s black” could be apocryphal, but it is emblematic of the end of an era.

As with any power dynamic in which one person controls the message and deprives the other party of a voice, tensions emerged. The customers distrusted the producers and their intermediaries, i.e. the marketers and advertisers. The producers were in turn condescending towards their customers, targeting them almost as if they were vapid, mindless, and somewhat irrational entities.

This was, in fact, the golden age of marketing--an era well articulated, for example, in the TV show Mad Men. There, both business and private relations are based upon the manipulation of information rather than honesty; the act of selling itself eschews transparency. Indeed, customers could be said to have lost their voice during this era.

Technology would change that, and it must be remembered that the Internet was never intended or designed to be an engine for commerce; rather, it was born of a desire to communicate more openly and efficiently. Story telling was its part and parcel. Usegroups, bulletin boards, nascent blogs, and other early Internet tools paved the way for individuals to broadcast their innermost thoughts. After decades of not being able to do so, this so-called ‘reclamation of the voice’, as described by Doc Sears et al in the classic The Cluetrain: The End of Business As Usual, brought real joy.

The Internet quickly went from a small group of early adopters and conversationalists to a “market” ripe for the picking by others, notably a business class of neo-industrialists. Some of them understood well the importance of stories in the Internet. Consider, for example, Jeff Bezos, the CEO of Amazon who made the bold move of allowing customer comments on his site. It makes all the sense in the world now, but at the time it was novel (“Yeah, we’re trying to sell stuff on this site, but we’re going to allow people to write negative reviews of the stuff we’re trying to sell.”)

Bezos also understood the importance of what has come to be known as ‘civic sharing’. If we are hard-wired to share and enter into conversations with each other, Amazon’s star ranking, which invited our participation without manipulation, was made to measure (“You want to say this product sucks, go ahead”).

Of course, others companies caught on too, including eBay and Craiglist. Soon, civic sharing gave way to social media, and the ubiquitous customers became the trusted source for product reviews rather than the manufacturer. Startups like del.icio.us, Flickr, and Friendster invested in the artful organization of conversations, through words or photographs. Friendster begot MySpace, which begotFacebook. Text messaging and SMS begot Twitter. YouTube did for videos, what Flickr did for photos.

Today, the way in which most companies have employed social media has stripped it of its organic nature, and thus its joy. Perhaps that is why so many people are feeling fatigued by social media. What once was reclamation of many distinct voices is now simply another tool in the arsenal of marketers—who are not trusted.

Reclaiming The Promise

Here are some best practices.

-Remember, whether markets are conversations or not, they work best when they’re treated as such. And, like an actual conversation, the best online conversations require listening in an empathic manner. It’s hard to listen when you’re consistently tweeting out updates about yourself. Therefore, use your social media megaphone to talk about thing other than yourself, at a ratio of about 80/20. This means for, say, every ten tweets/FB status updates, only two of them should be about you or your product or service. The other eight should be shining a light on something or someone else, and/or RT, @ replying. This ratio will also help to keep you from over sharing.

-Know/align your values: You may be wondering how to tweet eight out of ten times about something other than yourself. The issue underscores the importance of having a point of view and defining yourself as a trusted source

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Music and Society

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on the topic for which you have a point of view. You do this by contextualizing issues through the curation of articles and other Internet ephemera that relate to your point of view.

-It has been said that "technology is an accelerator". Whatever you put into it will either be amplified, for better or worse. First, make sure what you're sticking in your accelerator is something you want to spread; second, make sure that what you're putting into it aligns with your values/ point of view.

-You simply can't build durable, authentic relationships online. This happens offline. However, you can grow and expand your offline relationships online. Find ways to marry your offline and online work.

-You can't build communities. Zuckerberg apparently blasted a media mogul who kept asking him how to build communities. "You can't", he said, "all you can do is provide an elegant organization." Communities are formed by people who have shared values. If you provide them a forum in which to more efficiently share their values and connect with others who share them, you may succeed; not otherwise. You cannot just endeavor to "create" a community and assume that it will work.

-The social element needs to be well integrated. If you just try to layer a social shell atop of an existing web site architecture you will fail. Instead, think how the social part fits each step of the way in all your projects.

-Shift the burden of proof. Companies and individuals will hit a plateau very fast if they attempt to convert customers on their own. Instead, they must give existing customers the tools and authority to promote the companies' products and services. Part of this promotion occurs through involving your customers in the conversation.

-Remember you don't own the social media tools. If you are not using them to direct people back to your own site all you are doing is building brand equity for the tool . Bandcamp, for instance, is not your site. Social tools go "poof" too, as was the case with MySpace, so watch out. MBJ

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The Occupy Movement and Music

By Zosia Boczanowski

Music is inseparable from its time in history and watershed events often leave their own legacy. Revolutionary fervor produced "The Liberty Song", "The Battle Hymn of the Republic" was used to drum support for Union soldiers during the Civil War; and "The Suffrage Song" encouraged women 's rights in the early 1900s.

In addition, the labor and peace movements of the past have created some of the most enduring music, with such artists as Woody Guthrie, Pete Seeger, and Bob Dylan. "We Shall Overcome" was born during a strike in 1945; based on an early 20th century gospel song, it became the theme of the civil rights movement in the 1960s. Meanwhile, anti-war sentiments flared in such songs as "All Along the Watchtower," "Blowin' in the Wind," "Give Peace a Chance" and "What's Going On?"

Today, music is finding its way into protest lore history with the Occupy Movement. The reasons may not be hard to find.

By all accounts, there is a huge wealth gap currently taking place in America, where some studies show that 1% of the American population controls as much as 95% of the wealth, leaving the remaining 5% to be fought over by the remaining 99%. In addition, and according to the Congressional Budget Office, between 1979 and 2007 the incomes of the top 1% of Americans grew by 275%. Since 1979 the average pre-tax income for the bottom 90% of households has decreased by $900, while that of the top 1% increased by over $700,000. Statistics like this fuel resentment, and the current state of the economy makes matter worse. Besides, many banks and Wall Street firms have been perceived as the culprits of the recent financial meltdown and they were later saved by taxpayer contributions.

Musicians have been fired up in the current juncture. There may not yet be a single anthem that defines the cause, but notable for its support is the collection Occupy This Album. Many of its songs are inspirational, and contributing artists include Jackson Browne, Crosby & Nash, Stephen Jenkins of Third Eye Blind, Lucinda Williams, and Toots and the Maytals.

Artists are involved in the movement in other ways too. Ginny Suss and Vanessa Wruble requested signatures online at Okayplayer.com to support the petition that 'the undersigned musicians and all who will join us, support Occupy Wall Street and the Occupy Movement around the world '. At least one thousand musicians have signed so far; among them, are many performers, sound engineers, producers, DJ's, instrumentalists, composers, and lyricists.

There are many other artists working around the country as well. At Manhattan's Zuccotti Park, Sean Lennon and Rufus Wainwright performed in solidarity, while Rage Against The Machine guitar player Tom Morello was given an MTV online music award for his performance of "The Fabled City". The prominent folk legend Joan Baez, both an activist and a pacifist, also sang at the park, as did David Crosby and Graham Nash. Atlanta student and activist Ariel Root Wolpe was covered by CNN for her song "Occupy". Finally, an Occupy app of related songs and music videos, links for media, addresses of performance dates and spokespersons, seems likely.

Of course, piggy backing on a newsworthy cause may suit artists. While Miley Cyrus has remixed her "Liberty Walk" song to show her support for Occupy, and has used footage from the protests to create a video montage, her efforts have not been entirely appreciated by the co-editor of The Occupied Wall Street Journal. He suspected a pecuniary

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Business Articles

R.I.P. EMI

By Haven Belke

EMI, the British company, has been a driving force in the music industry since 1887, when Emile Berliner invented the Gramophone. Since then, EMI has broken into many fields, including publishing and recording, and has always been considered a top competing company.

Last month, on Friday November 11, 2011, it was announced that EMI had been sold in two parts - the recording division to Universal Music Group (UMG), and the publishing to Sony/ATV Music Publishing. With this sale made by Citigroup Inc.—EMI's parent company and primary banker—the big four power companies of the industry, Warner, BMG, Universal, and EMI, have now been whittled down to three.

EMI's Tumultuous Past

The problems for EMI started in August 2007 when a private British equity firm, Terra Firma Capital Partners, took control of EMI's shares and the company. It was under Guy Hands, the founder of Terra Firma, that the deal went through. Analysts say that it was bad business. EMI had a lot of debt, which was why the buyout took place. Moreover, digital music and piracy were on the rise, which took their toll on the label's profit. Terra Firma ended up losing around $2.5 billion.

This led to Citigroup Inc. seizing control of EMI from Terra Firma in February 2011. Terra Firma had gone into debt and was unable to pay their primary bank, Citigroup. Citigroup announced that they would be putting up EMI for auction, and since February there had been a lot of interest. Before Universal and Sony bought EMI from Citigroup, the Warner Music Group was perceived as the likely buyer.

One of the Big Four

Before the merger, EMI had been one of the last major labels and publishers in the industry. EMI had control of about 9.15% of the United States recorded music market. EMI Music's roster of artists is large and varied and includes The Beatles, Katy Perry, Coldplay, Norah Jones, and Lady Antebellum. However, EMI Publishing is the more profitable asset of the company. The publishing side of EMI made up about 45% of their profit. Also, the catalog includes over 1.4 million songs. It is one of the most valued and large in the industry. EMI held the publishing rights to songs like "New York, New York", "Over the Rainbow", "Have Yourself a Merry Little Christmas", and all of The Beatles albums, which were just released on iTunes this past year.

The Merger

EMI was sold for a total of $4.1 billion; Universal bought EMI Music for $1.9 billion, while Sony bought EMI publishing for $2.2 billion. However, in the deal Citigroup is still in charge of EMI's 21,000 employees' pension plans, which will cost anywhere from $200 million to $600 million.

Now that the merger of EMI has taken place, there is going to be a dramatic change in the industry. The big four have now become three and there is a shift in power. In 2010, Universal and EMI had about 40% of the music market. Universal Music Group will now account for about one-third of all music sales worldwide, making Universal the world's largest music company.

Sony is going to be acquiring one of the largest music libraries in the industry, giving them more control in the business. Overall, with the industry changing and the major labels being affected negatively, publishing is one side of the industry that has come out on top and survived the increasing issue of piracy. Movies, television shows, commercials, and sport programs will always need music to enhance their programs. Publishing companies that have a broad library, like EMI had, will always be in demand throughout the industry. Sony has now further solidified a major place in the music industry for itself with the buyout of EMI Publishing.

The Response

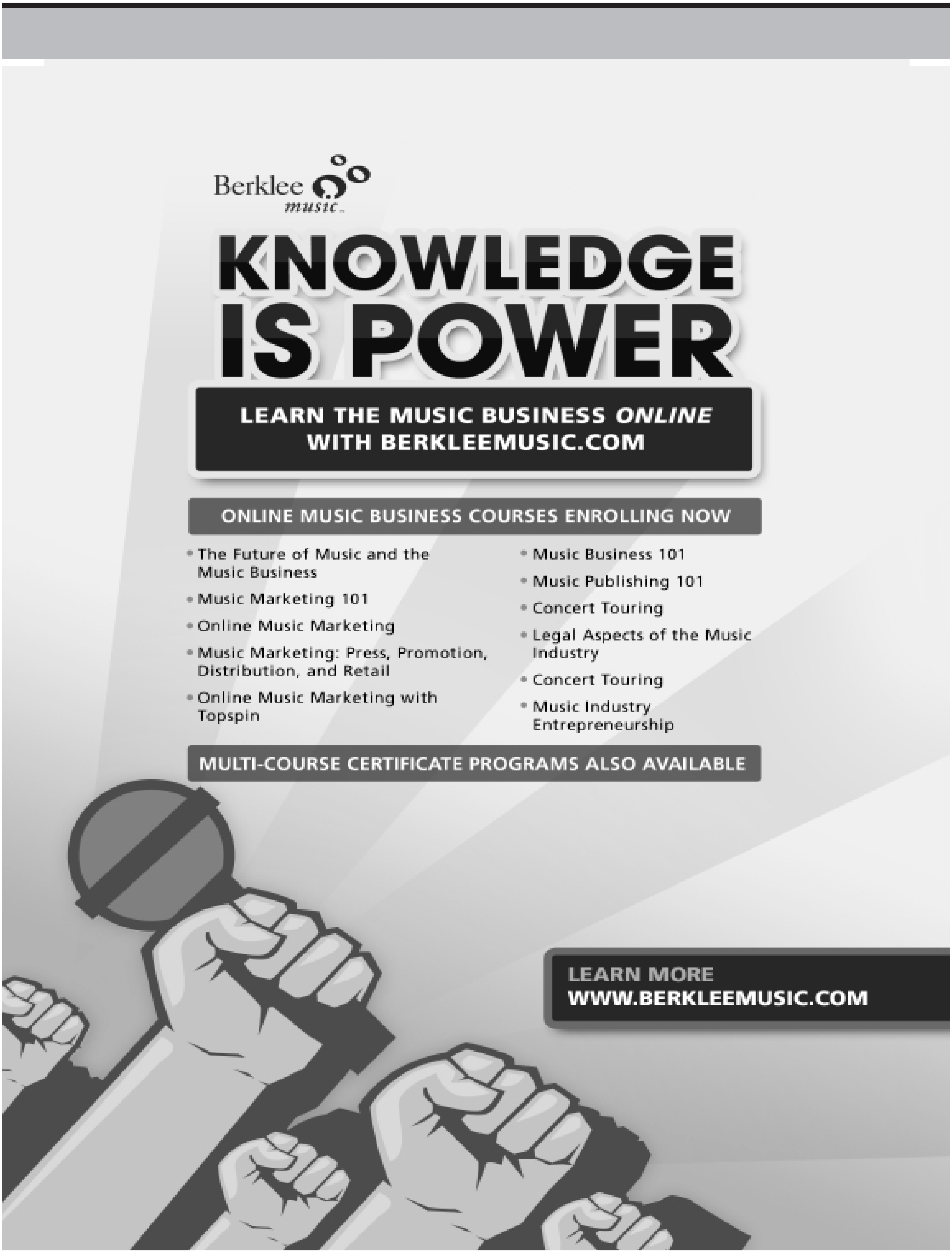
The merger of EMI's artists and catalog, with Universal and Sony respectively, has created a swarm of different reactions within the industry. Independent labels fear that a concentration of ownership, which Universal now has, is going to decrease their presence in the market. Also, independent labels argue that if Warner, instead of Universal, had merged with EMI then the market would have been more even, because Warner would have controlled less then 40%.

Some might ask why did the Warner/EMI merger not go through? When major music companies merge, the United States and the European Commission have to approve the merger because they want to prevent monopolies from forming within the industry. Usually, they will approve it, but with some conditions, such as selling smaller parts of the company or other provisions in order to insure fair competition within the market. In the proposed merger between Warner/EMI, the European Commission demurred, influencing Warner to withdraw its interest. Independent labels are now concerned whether the United States and the European Commission will actually let the merger between EMI and Universal go through, and what precautions they will take in order to ensure that a monopoly will not occur. Impala, the Independent Music Companies Association, filed a complaint about the merger with the European Commission. As of now, there has been no official decision made.

Another concern that has been noted is whether the smaller artists that belong to EMI Music will be lost in the shuffle, not represented properly, or dropped all together. Some think that Universal is too large a company to pay close attention to the smaller artists that are not making as much money for the label. Others argue that the merger is a good thing for artists and that they will do better when represented by Universal, because of their overwhelming reach within the industry. Only time will tell what is to become of these smaller artists.

Perspective

Conversely, there needs to be perspective placed on what this merger means for the industry. At a time of transition, it is difficult to tell how the merger is going to affect the industry overall. There is an overwhelming amount of piracy that has been increasing over the past ten years, which has led to a decrease in the power of the major labels. Record labels' sales have been cut in half also because of the shift from album to single song purchases. Digital sales have accounted for about 29% of recording companies' revenue this past year, a number that could be larger. Regulators may still look askance at the merger because the record labels are hurting anyway. Overall, the consolidation of major companies within the industry has gone from five to three within the last twenty years. More of the majors are giving up and packing their bags—a worrisome development. MBJ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Occupy Music (cont.)

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motive (instead, the opinion leader of the Occupy movement has used Anne Hathaway as a better example of celebrity involvement).

Music mogul Russell Simmons, who has thrown his weight behind the Occupy Wall Street movement, has also received criticism. He was questioned publicly about his understanding of Occupy and the sincerity of his views (in part, this has been because while claiming an allegiance with the people, his business relationship with the pre-paid Visa credit RushCard, marketed to low-income clients, exposed him to allegations on high usage fees).

Even with the powerful influence of Billboards Top 40 chart songs, which cover money, cars, and heartbreak, it seems that socially conscious music has not gone away altogether. Artists can lend their voices to social issues and it is both a reassuring and welcome change that they make a muse out of injustice. MBJ

EU Online Rights (cont.)

(From Page 5)

framework through measures aimed at drastically reducing legal uncertainty and transaction costs. For instance, E.U.-wide online exploitations of copyrighted content could be made subject to one single applicable law, according to a principle of private international law known as "country of origin" that E.U. law has already adopted for satellite broadcast transmission signals and online transmissions of audio-visual content (mainly online TV services).

In the case of online music rights, this might be the law of the country of upload of the content or the law of the country of establishment of the content service provider. In addition, the creation or codification of a single right of online transmission applying to digital exploitations would greatly simplify the licensing picture by replacing the simultaneous enforcement of such old-fashioned rights as the mechanical and public performance rights.

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