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Samsung Ships Out Jay-Z

By Annette Oduor

True to its tagline, it looks like Samsung is intent on being "The Next Big Thing." What better way for Samsung to establish itself as such than partnering with one of the world's most influential solo artists? Not only is Jay-Z considered as a marketing genius but he is also an innovator who has demonstrated a "good ability to identify what audiences want"[1]. Yet, all the benefit is not limited to Samsung. Jay-Z too stands to gain from this deal – specifically having a new album that is profitable before it is even released.

Background and Deal

In early June 2013, The New York Post announced that Jay-Z and Samsung were working on a $20 million deal to create a music streaming service. It was largely understood that any service that the two parties created would serve the purpose of promoting acts signed to Jay-Z's Roc Nation, not to mention his own music.[2]

On June 16th, Jay-Z and Samsung announced the release of *Magna Carta Holy Grail*, Jay-Z's first solo album in four years, on a commercial that was aired during half time at the NBA finals. According to Samsung, the album would be available to Samsung Galaxy users first, specifically owners of Galaxy S III, Galaxy Note II and Galaxy S4 smartphones. These users would gain access to the album through an app, *JAY Z Magna Carta*, that would be available for download on June 24th. Users would then be able to download the album for free on July 4th, three days before the rest of the world would have access to it. After the lift of Samsung's 72-hour exclusive on July 7th, Island Def Jam would then distribute *Magna Carta Holy Grail* at retail.[3]

Samsung allegedly purchased one million copies of the album from Jay-Z at $5 each and would give away these copies to Samsung Galaxy users with the app. Jay-Z therefore earned $5 million upfront, making *Magna Carta Holy Grail* profitable before it was even released. Furthermore, Jay-Z allegedly received as much as $7.5 million in music rights and endorsement fees. Sources also put the value of Jay-Z's entire deal with Samsung at close to $30 million, as opposed to the $20 million figure that the New York Post initially announced. This figure likely includes media spend.

Implications

The deal between Samsung and Jay-Z makes *Magna Carta Holy Grail* the first major release to be premiered exclusively by a brand. As with many firsts, this deal raises a number of questions about the music business moving forward. Of particular focus here is the deal's effect on music distribution. Jay-Z's deal with Samsung would put music from his latest release directly into the hands of one million listeners. In this scenario, the three models of Samsung Galaxy smartphones aforementioned would function as distribution mediums. This raises the question as to whether smartphones are the future of music distribution.

Samsung has been engaged in shifting from being a hardware manufacturer to also becoming a media platform. The company has recently been active in building its music and entertainment offerings. In May 2012, Samsung acquired mSpot, a mobile ra-

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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

Editor's Note

This edition's common threads are two: innovation in marketing and music's ever growing intimacy with technology.

Jay-Z's and Samsung's current arrangement is proof positive that brands have become more significant in the promotion of tested talent. Breaking a record of a top artist with a brand was, until Jay-Z, virgin ground. Our cover story shows too that word-of-mouth marketing is still critical.

Music and video are more interlocked than ever, and we interview Brandon Martinez, one of the brains behind Baauer's "Harlem Shake". Martinez reveals the money flow for music artists using YouTube and profiles its biggest indie music channel—his own.

The MBJ also addresses some of the financial metrics of Pandora. Our cost and expenditure analysis suggests that the keys to the company's profitability may not lie in the courts.

The summer has been rife with news about streaming. Apple's foray into Internet radio is a highlight, with our focus being the deal itself. Google All Access, part of Google's Play platform, has also entered the fray as an interactive service to take on Spotify and Rdio.

The modern interface of music and technology is now often a mobile device, so it is time to report on music apps both as instruments, controllers, digital audio workstations, and DJ drivers.

Crossing the Atlantic, we explore why the Eurovision song contest celebration, now in its 58th year, has a mixed record of promoting talent. Could it be that big dramatic political gestures may be as important to the outcome of the contest as the music? Finally, while outside the U.S pre-album release streaming is gathering momentum, it could become a trend in the making inside the U.S.

I would personally like to thank this issue's dedicated contributors for being flexible this summer and planning time for the Journal. From all of us around the MBJ table, thank you for reading! MBJ

Kyle Billings, Editor-in-Chief

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dio service offering music and video content. MSpot is now the developer of Samsung's all-in-one music service, Music Hub, which includes streaming, cloud music storage, radio and a music store. For the release of Jay-Z's album, Samsung itself developed the *JAY Z Magna Carta* app, through which the company would distribute the one million copies of the album. The firm was therefore actively involved in the distribution of Jay-Z's album.

According to TJ Kang, Samsung's senior VP of media solutions, "[Samsung] wants music to be one of the deciding factors in purchasing another device in the future." Jay-Z's deal with Samsung instantly turns the Samsung Galaxy into a music device. This phenomenon is not limited to Samsung, however. Music has long been a deciding factor when purchasing mobile devices such as Apple's iPhone and the Windows phone, which also enable users to purchase and download music, from iTunes and Zune Marketplace respectively. Furthermore, several superstar acts have worked with brands before to promote album releases. Apple's iTunes, for example, streamed Daft Punk's latest release, *Random Access Memories*, prior to its release. In 2011, Lady Gaga partnered with Zynga to let FarmVille users listen to songs from *Born This Way* prior to the album release.[4] Nevertheless, the involvement of brands thus far has largely been on a promotional basis.

The deal between Jay-Z and Samsung sets precedence because it marks the first time that a brand has bypassed the record label in the distribution chain. So far, brands have mainly been involved in promoting the album through pre-release streaming or providing exclusive content to a select group of fans as illustrated by the partnership between Lady Gaga and FarmVille. Where iTunes is concerned, albums are still procured through the record label. Additionally, in order for unsigned artists to get their music on iTunes and similar online stores they are required to go through third party services such as Tunecore or CD Baby. By making a deal directly with Jay-Z, Samsung allowed the company access to the album directly from the artist before the record label. Island Def Jam only took over distribution after Samsung's three-day exclusive.

However, Jay-Z is not the first to attempt releasing an album through a mobile device. Lady Gaga made a deal with Virgin Mobile to give away one hundred thousand copies of *Born This Way*.' However, the deal fell apart due to Virgin's merger with Sprint. Madonna also attempted something similar for *MDNA* but abandoned the deal when her team discovered that doing so would not count towards first week of sales. Now two years later, Samsung makes a similar deal with Jay-Z but on a grander scale.

Although there were many problems with the JAY Z Magna Carta app, including and not limited to technology glitches, privacy concerns, file sharing and missing content, the results have been fairly rewarding.[5] *Magna Carta Holy Grail* is Jay-Z's 13th No. 1 album on the Billboard 200 chart, selling 527,000 copies in its first week according to Nielsen SoundScan[6] – this despite Billboard opting not to count the one million Samsung giveaways. This is the second-biggest sales week from a single album in 2013, trailing behind Justin Timberlake's *The 20/20 Experience,* which sold 968,000 copies in its first week. The album also earned Jay-Z his first solo No. 1 album on the UK charts[7] and set a record for the most streaming activity on Spotify in the United States to date with over 14 million streams during its first week[8]. Furthermore, Jay-Z and Samsung got increased exposure from a combination of Samsung's aggressive marketing, the free publicity from news coverage, and the built in nature of the *JAY Z Magna Carta* to encourage users to share content. Even the technology glitches in the app ended up contributing to increased exposure as some users would post repeatedly after being unable to successfully access content. Samsung's competitor, Apple, also did not want to be left out, and iTunes advertised extensively the option to pre-order the album.

Now that Jay-Z has successfully released an album through a mobile device, many question whether this could be a growing trend. As previously stated, other superstar acts such as Lady Gaga and Madonna have considered distributing their albums via mobile devices. It is plausible that an artist of Jay-Z's caliber would attempt a deal like this. Nevertheless if similar moves follow, it is unlikely that consumer electronics companies like Samsung would displace major record labels in the future. Jay-Z's efforts, though successful, were not void of the involvement of Island Def Jam, which took over distribution on July 7th. Samsung's deal with Jay-Z was also limited to digital copies warranting the involvement of a label or major distributor to cater for the distribution of physical copies. Therefore, should Samsung continue its involvement with Jay-Z, or start one with another artist, or should another consumer electronics company explore a similar deal, it seems likely that these brands would work in conjunction with record labels to market and distribute future releases. This could be beneficial to the music industry through the creation of alternative revenue streams.[9]

It should be noted that the novelty of the deal between Jay-Z and Samsung arguably contributed to its huge success. As history would suggest, the chances of a deal like this being repeated with the same level of success are low. For example, in 2007 Radiohead made waves in the music industry with their three-month exclusive name-your-own-price policy on their self-released album *In Rainbows*. The band sold 936,000 units once the album was released through traditional retailers. However, when Madonna gave away copies of 2012's *MDNA* with ticket sales and Prince gave away 2007's *Planet Earth* in a British newspaper, both albums underperformed against expectation selling 530,000 and 276,000 units respectively as of June 2013. Radiohead arguably benefited from the publicity generated by the experimental nature of their sales policy just as Jay-Z and Samsung did from their deal. Nevertheless, musicians, particularly unsigned artists have attempted Radiohead's model to various degrees, largely without great success.

It seems unlikely, that Jay-Z's deal with Samsung can easily be repeated. The success of the deal was dependent on Jay-Z being a superstar act with a large audience and Samsung being a brand with a large consumer base and a sizeable global ad spend. While artists of Jay-Z's caliber may be able

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Apple Takes on Radio

By Dan Servantes

When Apple held its annual Worldwide Developer's Conference in San Francisco on June 10, it launched a new operating system and a new Mac Pro. However, it was the promise of iTunes Radio that caused the real stir. The company had been negotiating streaming licenses with the major labels since the fall, and an agreement was finally on the table.[1]

The value of streaming music is apparent to Apple. iPhone and iPad users already access apps like Pandora and Spotify in great numbers from its App store. Both companies opened a new market for recorded music and Apple can now move in, extoll its own power of being one of the most valuable companies in the world, and use its extraordinary large cash holdings as leverage with the record labels.

iTunes Radio is to feature 200 genre-based stations and allow users to make their own custom station based on a song or artist, similar to the Genius feature in iTunes. Siri would also be a part of the iTunes Radio experience. For example, users could ask Siri, "who plays that song?" and start a station based on the song by further telling Siri to play "more like it." [2]

iTunes Radio is to come in two forms: a free, ad-supported version and, if the user pays $24.99 a year, an ad-free version including the Apple's iTunes Match cloud storage service. Additionally, iTunes would allow the recording of songs that have recently been streamed on iTunes radio. This would enable users to see their recently played tunes and easily purchase them from the iTunes store.

Dealing and Weaving

For the service to see the light of day, Apple had to acquire the music rights from the three majors, Warner, Sony, and Universal, as well as their associated publishing companies. A recent trend has been for the larger labels and publishing companies to pull their music from performance rights organizations and look for a direct licensing agreement with the streaming services. As this results in long negotiations, for, among other things, companies try to second-guess the deals that their competitors are getting, negotiations for Apple iRadio had been in development for a while.

Apple initially offered the majors $0.0006 per stream, which was approximately half of what Pandora paid. In addition, it promised them an undisclosed percentage of advertising revenue and a guaranteed minimum sum if the service did not produce revenue as expected (in fact, Sony had an issue with Apple's request to eliminate payment for songs that users skipped or did not listen to in their entirety). [3]

It appears that when a settlement was reached, the majors felt it was not the best deal they could get. It also came with a special caveat: the majors would likely have to explain in Congress why the agreed to such special rates from Apple but not from the other Internet radio services. Still, Apple won the day: Universal Music Group's recording arm was the first to sign a contract and was followed quickly by Warner Music Group and Warner/Chappell publishing; [4] the final holdouts, Sony Music and Sony/ATV, signed with Apple shortly before the Developer's Conference.[5]

The details of the deal are still confusing though, and information here and there is contradictory. For instance, *Billboard* reported that Apple agreed to pay Warner Music Group and Universal Music Group a rate of $0.0016 per stream, as well as a percentage of ad-revenue.[6] The figure would make Pandora's own payments, at around $0.00012 per stream, look cheap. Moreover, it was also reported in *Billboard* that Sony/ATV's CEO, Marty Bandier, signed a two-year introductory deal that gives his company as much as 10% of the ad-revenue Apple generates from the company's catalog. If all the majors were receiving similar deals, perhaps they did not come out as badly as they imply. [7]

Regarding the independent labels and publishers, Hypebot and Digital Music News report that Apple sent a non-negotiable "take it or leave it" contract . It offered indies $0.0013 per "royalty bearing performance" plus 15% of net advertising revenue, a figure that would increase above $0.0013 and 19% of net ad-revenue in the second year.[8]

On the face of it, the terms were not bad. But Apple would not pay royalties under the following circumstances: (i) during the 120-day beta period; (ii) on "Heat Seeker" promotions that are approved at iTunes discretion; (iii) on "Complete My Album" plays, which are defined as "a performance of a sound recording identified for a given listener or a remaining track" and "rendered for such listener in order to promote the relevant CMA offer"; (iv) on listener matched content, or music that is already in the user's collection; and (v) if two songs are played in an hour and the songs are already in the user's cloud collection.[9]

The heaviest iTunes Radio users would likely chose stations that match their tastes and would probably have some songs already in their collections. Therefore, its is likely that the "no royalties on two songs per hour" rule could, in particular, work heavily to Apple's advantage. Hypebot estimates that it could cut royalty payments by 10-14%.

In the meantime, is still possible that Apple will try an "all or nothing" move that will punish iTunes Radio holdouts by removing their music from the iTunes store.[9] But this could have mixed results. The Merlin Network, a global rights agency for independent record labels that had no part in negotiations with iTunes Radio, believes that iTunes cannot be a dominant force in the streaming market without the support of most indie labels and their publishers. Charles Caldas, Merlin's CEO, has argued that indie products perform 12 to 20 percent better on streaming services than in download markets, a fact that may not be lost on Apple.[10]

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The Competition

Other streaming companies have already made a name for themselves, and Apple will be faced with the task of pulling customers away from established competitors. The task may not be easy.

For instance, Pandora, iRadio's direct competitor, maps a song's "genome" and its non-interactive radio on it; it has over one million songs in its catalogue and the service features two different user models: the free, ad-supported model, and the $3.99/month or $36/year ad-free model. Spotify, on the other hand, has over 20 million songs in its catalogue, supporting two different user models: a limited use, ad-supported model and a $9.99 per month, unlimited music subscription, free of advertisements; it offers both interactive streaming and a custom radio feature.[10] Newcomer Google All Access has 18 millions songs, and is a subscription-based service charging $9.99 per month: subscribers get unlimited access to Google's catalogue and may also create custom radio stations. [11] Other threats to iRadio would be Deezer, Rdio, Xbox Music, Daisy, and Grooveshark.

But Pandora is Apple's most immediate concern. Apple, it is true, has sold 600 million iOS devices globally with its iTunes service and boasts 575 million user accounts—a trump card. It has the lump share of the US paid downloads market, and it made $4.3 billion from its music downloads in 2012 (of which $3.4 billion went to labels)[12]. Pandora, for its part, has over 200 million users, with a number of them in Australia and New Zealand (for now, iRadio will launch only in the US). Pandora is beginning to develop a global presence, but if Apple goes global with iRadio it may be no match for Pandora.[13]

Pandora, though, does have some wind in its sail. It will make $600 million in ad sales in 2013, and has recently won spots on popular radio-ad platforms to tap the $15 billion market for terrestrial radio ads. Apple still has to conquer that space, although it may care less about selling ads than Pandora does if its goal is to tie users to its platform and sell more devices.

Still, Pandora can also be used across mobile platforms, including Android. It is also the second most downloaded iPhone free app of all time, which means that Apple users already adopted Pandora for personal taste-based streaming. Finally, unless Apple releases a browser-based streaming platform for iTunes Radio, it is unlikely to capture those users that do not use iTunes. MBJ

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to consider using mobile devices as a medium for grand scale digital music distribution, it would be difficult for unsigned artists, with smaller audiences to pursue this as an option. However, it may be possible for an indie artist with a significant fan base to explore a similar deal but on a smaller scale. Nevertheless, Samsung and Jay-Z seem to have confirmed the feasibility of large-scale music distribution via mobile devices. MBJ

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Business Articles

Pandora's Provocation

By Miguel de Bragança

Pandora Media is locked in a no-holds-barred fight for profitability. The commotion is affecting a large contingent of stakeholders—songwriters, music publishers, performance rights organizations, terrestrial and satellite broadcasters, pundits that square off in music and tech business websites like Digital Music News and TechDirt, and the United States Congress.

Planted on one side are Pandora, the largest Internet radio company, and, advocates of webcasting. This party claims that the royalty rates paid to artists and intermediaries, such as music publishers, are too high, and, if not lowered, could drive the company into the ground—casting a dark shadow over the future of internet radio.[1] They are also upset about the disparity between their rates and those paid by terrestrial and satellite radio companies for the right to broadcast music.

On the other side stand the copyright holders who rely on the exploitation of their intellectual property to generate revenue. This includes artists, songwriters, publishers, and record labels. In addition to copyright holders, there are performance rights organizations, such as ASCAP, BMI, and SoundExchange, whose job it is negotiate and collect royalties on behalf of the rights holders from companies like Pandora. These stakeholders don't want to see a reduction in royalty rates, as the result would be less revenue for them. They claim Pandora's losses are due to a flawed business model and that they should not suffer for it.

Pandora makes its money by selling advertisements that are heard by its listeners. Additionally, 4% of its users pay $0.99 per month for access to unlimited monthly listening.[2] Despite the fact that revenues have doubled each year since 2011, peaking at $427.1 million in FY 2013, the company continues to lose money. Their income statement for 2013 shows net losses of $38.2m, up from $16.22m in 2012 and 1.7m in 2011.[3] Pandora's cost of doing business is spread across four key areas: content acquisition, product development, sales and marketing, and general/administrative expenses. According to Pandora's audited 2013 financial statements, 60.6% of their revenue ($258.7m) was paid out to copyright holders—the owners of the recordings and compositions that the company webcasts.[4]

Tim Westergren, Pandora's founder and chief strategy officer, is concerned about the direction his company's royalty rates are headed. He wrote the following in February: "Pandora's per-track royalty rates have increased more than 25% over the last 3 years, including 9% in 2013 alone and are scheduled to increase an additional 16% over the next two years." Regardless of the rate increase, Pandora's content acquisition costs grow lock-in-step with its listenership. The more people listen, the more it has to pay.

The company is employing two strategies to address this problem. First, Pandora is trying to raise the value of each stream by selling more advertising spots per unit of music streamed. It recently teamed up with two media-buying platforms, Strata and MediaOcean, to allow advertisers to compare its audience data next to that of terrestrial radio stations.[5] Pandora already has 29 sales offices in major radio markets and is planning to expand.[6]

The second is an attempt to reduce statutory royalty rates for internet radio webcasters by way of a lobbying campaign aimed at congress and public opinion, which has resulted in the introduction of the Internet Radio Fairness Act (IRFA). One of IRFA's sponsors, Sen. Ron Wyden, claims the bill "requires that the Copyright Board… use the same standards to set royalties for internet radio that they use for satellite and cable radio."[7] However, the standards that the board uses are murky, which substantially complicates the task.[8] Mr. Westergren is asking listeners and musicians to support the IRFA, citing the disparity between the rates Pandora pays and those paid by terrestrial and satellite broadcasters. He and Sen. Wyden may have a point.

According to a statement released by another IRFA sponsor, Sen. Jason Chaffetz, satellite and cable radio stations pay between 7 and 16% of their gross revenue in royalties.[9] Terrestrial broadcasters pay far less—Clear Channel's content acquisition costs equal 1.7% of their gross revenue, because, unlike internet and satellite transmitters, terrestrial broadcasters have historically been exempt from paying the owner of the sound recording. Unfortunately for Pandora, their direct competitor, iHeartRadio, a Clear Channel-owned internet webcaster, also pays the 1.7% rate. This prompted Pandora to recently purchase a broadcast radio station in South Dakota—an attempt to secure lower rates by reclassifying itself as a terrestrial company. BMI quickly responded with a lawsuit.[10]

ACPU, ARPU, and Sirius XM

Many commentators and stakeholders have shared pointed exchanges about the difficulty of comparing internet radio to satellite and terrestrial formats, as well as the vagaries in using streams and impressions for determining fair royalty payments.[11] Perhaps better metrics for weighing the validity of Pandora's complaints about high content acquisition costs are Average Cost Per User (ACPU) and Average Revenue Per User (ARPU).

ACPU is calculated by dividing a company's annual Cost of Goods Sold by the number of users it has. Pandora reached 200 million users in Q1 of 2013, however the company's annual report states that only 65 million of those users are active. Given that its content acquisition cost for FY 2013 was $258.1m, dividing by 65m active users gives Pandora an ACPU of $3.97. Meanwhile, Sirius XM spent $830m on content, has 22.8m users, and an ACPU of $36.40![12] Pandora has 42.2 million more users than Sirius, yet pays artists $32.43 less per user. This demonstrates that Pandora's rates are not as unfair as the company claims. It also suggests that Pandora may be doing a poor job of monetizing its users. Let's take a look at revenue generated on a per-user basis to determine if this is true.

ARPU is calculated using a slight variation of the above formula—replacing COGS with revenue. Pandora's ARPU is $6.57. Sirius XM's is $149.21, given their annual revenue of $3.4 billion. This confirms that there is an issue with Pandora's business model, and, that the company's losses have very little to do with the amount

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it pays for content. Sirius grosses $142.64 more per user than Pandora. What are they doing differently?

Sirius charges customers a flexible monthly fee depending on whether a user desires access in their car, wants to listen online only, is a business, or prefers a greater variety of channels and content types (i.e. comedy and sports). Pandora believes that only 20% of listeners pay for music, and that the greater opportunity lies in the 80% who do not.[13] Pandora's mission is to capture the non-paying listeners and then monetize them by increasing the amount of advertising they must hear in between songs. However, the soon to be launched iTunes Radio will be competing with them for this market, and are offering artists better deals. Thus, artists must ask themselves if they are willing to subsidize Pandora's chosen strategy. Apparently, many are not.

Opposites Unite

Artists, publishers, record labels, and the PROs are furious with Pandora and the Internet Radio Fairness Act (IRFA). After experiencing devastating losses from the devaluation of recorded music over the last decade, these stakeholders are not happy about taking any more pay cuts. In December 2012, Rihanna, Billy Joel, Katy Perry, and over 100 other artists signed an open letter in opposition to the IRFA.[14] This helped prevent Congress from coming to a vote on the bill. However, the IRFA is far from dead.

In May, many Pandora artists received a letter from Mr. Westergren, encouraging them to sign a letter of support for rate parity across all platforms.[15] Mr. Westergren, who positions himself and his company as a champion of artists, claims that Pandora helps many thousands of independent musicians reach listeners who would never otherwise hear their music, i.e. the platform is a promotional tool. The IRFA, he believes, will help ensure a prosperous future for internet radio and preserve the newly-leveled playing field Pandora has helped create.

This has resulted in another industry-wide backlash. Roger Waters and other members of *Pink Floyd* blasted Pandora in an op-ed, published by *USA Today*, for attempting to trick artists into supporting the act. "Widespread artist opposition stopped them last year, so this year Pandora is trying to enlist artists support for their next attempt at passing this unfair legislation," *Pink Floyd* wrote. The article continues, "a musician could read this 'letter of support' a dozen times and hold it up to a funhouse mirror for good measure without realizing she was signing a call to cut her own royalties to pad Pandora's bottom line." Meanwhile, Some songwriters feel that the existing rates are already too low.

Musician and artist rights advocate, David Lowery, kicked up a storm by posting an article on his blog, *The Trichordist*, stating that his band *Cracker* received a $42 check covering publishing royalties for 1.16 million Pandora plays of their "Low".[16] This amount did not include his sound recording royalty, which was significantly more, however, it does illustrate the paltry payouts songwriters receive. In response, a company spokesperson told the Huffington Post, "Mr. Lowery misrepresents and grossly understates Pandora's payments to songwriters." Pandora in fact paid about $93 for their performances of Low. The difference between the amount Pandora paid and *Cracker* received likely went to BMI and the song's publisher.

The Recording Industry Association of America, MusicFIRST, and the PROs assume the position that Pandora is a maturing publicly traded company and is not entitled to special treatment that would help their apparently flawed business model. They fear artists stand to lose 85% of their current revenue from internet webcasters should the IRFA become law. Presumably, the 85% statistic comes from the disparity between the 55% of gross revenue Pandora paid copyright holders in FY 2012 and the 8% paid by satellite broadcaster Sirius XM. Pandora claims the statistic is not indicative of their goal.

Nevertheless the RIAA and MusicFIRST are backing another piece of legislation—The Interim Fairness in Radio Starting Today Act.[17] The bill, introduced by Congressman Jerrold Nadler, would require terrestrial broadcasters to pay performance royalties to sound recording (SR) copyright holders, effectively closing the rate disparity across formats in the opposite direction. The Future of Music Coalition reported that Maria Pallente, Register of Copyrights, "called the lack of a public performance right for over-the air (AM/FM) broadcasts "indefensible,"' at a testimony before a House subcommittee on Copyright Act updates.

A High Stakes Test

Of course, Pandora would prefer to see internet webcasting rates go down, rather than watch other formats pay more (though Mr. Westergren has stated that he believes terrestrial broadcasts should have to pay a performance royalty to SR copyright holders). The National Association of Broadcasters and Clear Channel also support the IRFA—they would have to pay more under the competing bill.[18]

Presumably, Pandora's management is aware of the disparity between their company and Sirius XM's ACPU and ARPU, and the unflattering light it casts on their current position. It suggests Mr. Westergren and Pandora are indeed manipulating public opinion, not to benefit artists at all, but rather to establish a lower royalty rate before it attempts to substantially increase its revenue. The company has been investing heavily in growth and user acquisition, which should soon become visible in the company's financial statements. The strategy of reducing variable costs is completely understandable, as management has a fiduciary duty to the owners to maximize profits. However, Mr. Westergren's attempt to mislead artists for the benefit of shareholders is unethical.

Speaking about the current royalty rates, Pandora's chief financial officer, Mike Herring, revealed, "the rates that (Pandora) pay(s) are statutory rates that are fixed, they are set in stone through 2015. Based on those rates, we are confident we can build a really good company...It's all about monetization."[19] Furthermore, the company has announced a change in leadership. Mr. Herring stated that departing CEO Joe Kennedy "recognizes that Pandora is at an inflection point from a business model perspective."[20]

Essentially, this means that change is in the air and anything is possible. Pandora could become a paid service, or, end up generating ten times its current advertising revenue over the next five years. Should Pandora-supported IRFA ideology end up reshaping the fundamentals of royalty computation in the new media environment by lowering statutory rates, this could easily become yet another misery scenario for artists and rights holders.

MBJ

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Interview

Brandon Martinez on YouTube

By Emilie Bogrand

INDMUSIC helps independent music content creators monetize their YouTube views without sacrificing creative control or rights to their content. Current channel partners include Decon, Mad Decent, IAMSOUND, okayplayer, Baeble Music, Brendan Benson, and ClaraCMusic. INDMUSIC most recently pioneered monetizing viral media in real time for Baauer's "Harlem Shake" with Mad Decent, resulting in five weeks at the number one spot on the Billboard Hot 100 and over 1.2 billion views on YouTube.

Brandon Martinez founded INDMUSIC in 2011 with Jon Baltz (VP, Administration), Allen Debevoise (CEO, Machinima), and Guy Oseary (Partner, Untitled Entertainment). Previously, Martinez was the Head of Digital Media at Abrams Artists Agency, a top 10 bicoastal talent & literary agency. He was an inaugural member of the International Academy of Web Television as well as the Blue Ribbon Panel for the Streamy Awards. In 2012, Martinez was asked to join the board of Digital Music Forum East. He has been profiled in Billboard Magazine.

MBJ: What does it mean to be a music "network" on YouTube?

Brandon Martinez: The term "multi channel network" is esoteric to YouTube. MCNs are companies that are built on top of the YouTube platform and we have a special network agreement with YouTube that allows us to aggregate channels. Zynga, for example, initially built their games on top of the Facebook platform. This is similar. Basically, YouTube has built tools that allow us to build our company.

MBJ: Some have compared you to Vevo. How are you different?

BM: We're the same in that we are aggregating channels.

However, we don't own any of our partners' IP, content, or even the channel itself. To the everyday viewer, our involvement with our channel partners is pretty much invisible. There's no rebranding of a channel. We feel that our partners have built really solid brands and/or the artist has cultivated their image. So, who are we to come in and build ourselves on top of their brand?

Another way that we are different from a company like Vevo is that we have huge transparency with our artists. When you're doing a channel through Vevo, Vevo actually owns that channel and they're uploading all the content for you. We look at ourselves as more consultants or strategists on the YouTube platform. We're empowering our partners to build their businesses. So they have transparency into all of their views, revenue, geographic data, and all of the information that YouTube makes available.

Then there's also the personal touch. We have channel strategists who work one on one with our partners to build strategies based on whatever they have going on – whether that is a new album, tour, or even just a new video.

They want to make sure they're tagging that video appropriately and that they have all the right metadata in there. Whatever it is, we're here to help them build their brand and their audience on YouTube.

MBJ: YouTube used to represent free marketing for musicians and a path towards making money later. Now, it's becoming a direct revenue stream. What is YouTube doing to make that into a reality?

BM: A lot of things. The YouTube Partner Program allows many musicians to monetize on the platform by running ads. So even if you're still building your brand and each video that you put up only gets a couple thousand views or a couple ten-thousand views, it's about aggregation and the long-term. The more content you post, the more people will start tuning in and find you. This will allow you to build an audience, which ultimately allows you to learn more about your audience and who is watching your video and then serve them better ads so that they're more engaged with the advertising.

We try to help our partners realize that if they're on Spotify, Rdio, MOG, Deezer, or whatever it is, you should be on YouTube as well. You should put every piece of content up on the platform because there's an opportunity to monetize it.

More importantly, this is the only music streaming service where the more active you are on it and the more you engage with your content and viewers, the more money you're actually going to make. That's because you're actually cultivating an audience there.

That can then also translate off-platform as well by having the appropriate metadata in the back-end. For example, as an MCN, we are able to add ISRC codes. The code auto-generates a "buy" link at the bottom right-hand side of the video, which encourages the audience to go buy the single or album on iTunes, Amazon, Google Play, or wherever it's sold.

That was one of the definitive things that we did with "Harlem Shake". Because we had that ISRC code in there, every user-generated video that was matched to that original piece of metadata also has a "buy" link in there. So even if only a fraction of the 1.2 billion views bought the single, that is still significant.

You can also do things with "annotations". You can annotate out to core sales or a specific thing you want people to buy: merchandise, something on your own website, whatever it is.

The important question is: once you have that YouTube view, what are you going to do with it after that? Do you encourage your viewer to go watch more content, subscribe to your channel and tune in every week, or buy tickets to your tour when you're in town? You have to think about it as a long-term process.

There are a lot of tools available and I think a problem is that the music industry, especially the independents – whether that's labels or artists – just haven't thought about YouTube in this sort of way. So we try to teach our partners how to better use those tools.

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Interview

Brandon Martinez (cont.)

(*From Page 8*)

MBJ: Before "Harlem Shake" went viral, you already had a partnership in place with Baauer's label, Mad Decent. Did you suspect that the song would go viral?

BM: No, we definitely never expected that specific song to go viral. But it's about preparation. You never know what's going to take off when.

Another Mad Decent partner, Rusko, is really popular internationally, especially with gamers. So we get a lot of user-generated videos where gamers are literally showing the number of kill shots they've gotten on *Call Of Duty* with a Rusko song playing in the background.

Diplo has a song called "Express Yourself". In the video he has a girl standing upside down doing the booty clap. And it became a thing across the Internet where girls started posting videos doing that dance move to his song. All these things just sort of take off on their own.

MBJ: INDMUSIC launched in August 2011 - tell me a little bit about how you got started and about the members of your team.

BM: We have a team of four full-time and we're slowly building an army of interns. And because we're growing, we're hoping to bring them on board soon. In terms of how we started, I was actually a talent agent in L.A. – one of the first digital agents that was out there. I ran the digital department for Abrams Artists Agency, primarily working with writers, directors and producers and big YouTube channels. I was one of the first agents to do deals with Machinima, which was one of the very first multi-channel networks on YouTube.

Allen Debevoise is their CEO and I got to know him well. He also invested in some other companies including StyleHaul, which is a fashion/beauty network and DanceOn, which is a dance network. I did deals with those companies as well and so I kept running into Allen. We built a friendship from there. We had dinner one night and talked about these niche markets within YouTube and it dawned on me that I have always been a music guy at heart. I realized that there were opportunities in the music space related to what Allen was doing in other niche markets.

I brought on board one of my best friends from college, Jon Baltz. Jon and I had booked bands and shows when we were in college. We actually became friends arguing over bit rates of MP3s when that was still a thing. Jon has also been in bands, managed bands, managed venues and is very involved in the music space. There is nobody better that I can think of to work with – I have all these big ideas and he brings me back down to earth.

So we put together an idea and pitched Allen on it. Allen was in and brought on Guy Oseary, who is Madonna's long time manager and former CEO of Maverick Records, and just a really big guy in both the digital and music spaces. And so, the four of us became the co-founders.

MBJ: Are you trying to raise funding?

BM: Yes, we're in the middle of fundraising right now. It's been pretty common to see MCNs build and then raise money when they're at about the stage that we are at. "Harlem Shake" certainly helped us get to this point. So, we are talking to VCs and also to potential strategic partners. It's an exciting time.

MBJ: Last week, you announced that you have partnered with 9 more record labels and management companies. What does this mean going forward?

BM: We're continuing to build scale. More and more we're being approached by everybody from publishers to labels to indie artists--and we talk to everybody. A big part of our job is education – letting people know about the system. I think people realize quickly that we're knowledgeable on both the YouTube and music sides. We do a lot with rights management and so a music company sees a kind of kinship there.

I think that the number one question besides "how can I make money on YouTube?" is "how can we get more views and more visibility for our content?" So, promotion is a big focus for us - finding ways to help musicians build their audiences on and off the platform. Our goal for 2013 was to help an artist strike out into the mainstream and we did that in February. So now the next step is to do that again, analyze how we did it, what we did well and what we can do better.

MBJ: Can I sign up with you as an indie artist if I'm not affiliated with a label or publisher, etc?

BM: Of course. Of the 220 partners that we currently have, about 10% are labels, another 10% are blogs or content-creators (people who do interview shows and things like that) and the rest are all independent artists. Some of those artists are still growing and some are bigger names that have recently gotten their rights back.

Even for the artists that already have some sort of deal - whether it's distribution or publishing or whatever it is, we want to work alongside the music industry and not step on anyone's toes. For example, if those deals only exist in one territory, we can pick up the other worldwide territories and make sure those are being claimed. And/or we can possibly do things better, so we can pay you and then you can pay your distributor. This puts the power back into the hands of the artist or the label.

We're also receiving a lot of questions and phone calls from distributors and publishers who are curious to know if we can help them do a better job of understanding the YouTube landscape and scale it better. So we're combining forces. They have the scale, artist, and rights and we have the know-how, the ability and execution.

MBJ: So if I own rights to music, what does it mean to "partner" with you? Do you take any ownership/control of my copyrights or do you simply collect a commission based on whatever money you can bring in via YouTube's ad revenue? How are the deals generally structured?

BM: Our deals are very straightforward. It's all revenue-share. There's never any upfront cost, you don't pay us any money. We collect a percentage of the revenue that comes in from YouTube. We focus so much on the optimization of a channel because that's how the revenue is going to increase.

Without a network, the CPM (cost per thousand viewer rate) of your video is typically around 25 cents. When you join a YouTube network, that CPM can rise up to about 5 dollars or more. If we can get you above that $5 mark, we feel that it's the active work on our part that's helping the revenue increase and so we move to a rolling scale from there. Those higher revenues really only come when you've been working on your channel and are actively trying to build it. You can't simply join a network and watch your CPM majorly increase. Those higher CPMs are out there, but only when you're

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Music and Society

Europe's Storied Song Contest

By Eduardo Loret de Mola

Winner 2013, Denmark's Emmelie de Forest

The Eurovision Song Contest is considered the most watched non-sporting event in the world, reportedly gathering an estimated audience of 125 million worldwide. Member nations of the European Broadcasting Union (EBU) nominate a single song to represent their country once a year and, in its latest iteration, on May 18, 2013, the Eurovision contest celebrated its 58th winner since 1965 in front of multi-generational audience that cheered on beyond Europe.

Background

Originally, the contest was an attempt to unify a fragmented post-war Europe, while testing the scope of new broadcasting technology in the 1950s. The EBU cleverly created a song contest as a means to generate content and test the hardware. The show proved itself a hit for broadcasters.

Contestants are chosen from any active member nation of the EBU. The membership curiously includes numerous non-European countries like Israel, Armenia, Morocco and Azerbaijan. This is due to the fact that the EBU's boundaries extend beyond the continent's geography.

Members of the EBU belong to national broadcasters' associations, such as the BBC in the United Kingdom. Once approved, the participating broadcasters of each country have the task of nominating a single entry, selected domestically. This means that each participating country organizes an internal contest wherein aspiring performers compete to become that nation's Eurovision representative. Generally, this internal selection process is done through a nationwide public vote, because it is important for the broadcasters to enter the Eurovision contest with a sizable domestic audience. That's why, in some cases, a country's national finals become even more popular than the Eurovision contest itself. Sweden's "Melodifestivalen" has become that nation's largest entertainment event.

Pointing out the Winner: A History

For much of Eurovision's history, all the duly qualified participants performed their respective song in a single live show. However, the number of participant nations began increasing dramatically during the early 1990s, after the fall of the Berlin wall and the collapse of the Soviet Union. It got to a point where a single live show was not enough to showcase every song; neither was it feasible to extend the show. As a result, there were several attempts to create different pre-selection systems. In 2004 a semifinal round was introduced to pre-select songs for the final. The semifinal period was extended in 2008 to two semifinals, where the rules remained the same with the exception that only the countries participating in their respective semifinals round were allowed to vote.

The way a winner is determined results from a point-awarding system. Each country is allotted a set number of points to be distributed amongst the participant songs. Countries are precluded from awarding points to their own entries. Who awards the points and the number of points available for distribution has varied over the years. For most of the contest's history, the voting method has consisted of a small group of country representatives serving as jury members. The group is tasked with allocating points and ranking the entries accordingly. In 1997, the voting system changed, allowing countries to cast votes by telephone. As a result some countries continued to submit votes by jury while others transitioned to public "televoting" channels. From 2004 to 2008, televoting became the primary voting method and juries were only needed in case of malfunctions or weak telecommunications systems. The current voting system is a 50/50 combination of televoting and juries consisting of music professionals. Once the tallies of a nation's televote and jury are combined, 12 points are allocated to the song with the best score, 10 to the song in second place, 8 points to the third, and so on until 1 point is awarded to the tenth song in the ranking. This system was initially implemented for the finals of the 2009 edition but it was extended to the semifinals starting on 2010.

Eurovision Economics

The Eurovision contest has extremely high production costs and in order for the EBU to successfully organize the contest every year, financial support is imperative. EBU receives its sustain through financial contributions made by its members. The contribution fee varies between member nations but often reflects the size of the broadcaster itself. It is known that the members from Germany, Spain, UK, France and Italy are the largest contributors to the EBU. Those countries are referred to as "The Big Five" and since 2000 that group has had clear advantages—they are the only countries that qualify automatically to the finals, bypassing the pre-selection rounds. Along with these five, the winner of the preceding contest becomes the hosting country and automatically qualifies to perform in the finals.

However, the financial unrest in Europe has resulted in several countries pulling from this year's contest citing the crisis as the main reason for their withdrawal—although this was not always the case: Turkey, for example, decided not to participate this year because it believes the top countries have an unfair advantage.

It's Not Just About The Music

Besides being a song competition, Eurovision for geopolitical integration. There is statistical proof that regional block voting does indeed happen very often. This process started to be noticeable in the mid-90s and accelerated after the turn of the millennium. It's debatable if collusive voting happens due to a de facto political alliance or if there's a tendency of neighboring countries v "Must the Eurovision Song Contest go on?" http://www.usatoday.com/story/life/music/2013/05/17/eurovision-song-contest-2013/2210573/ oting for each other because they are culturally close. The fact of the matter is that block voting can end up in-

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Music and Society

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fluencing the outcome of the contest. For example, "in 2003 and 2005, the Balkan Bloc vote was sufficient to swing the result of the contest to a Balkan Bloc member, which would not otherwise have been the winner." The **Balkan Bloc** is an example of a confirmed regional bloc, which had 10 members in the 2005 edition: Turkey, Bosnia-Herzegovina, Croatia, Slovenia, Macedonia, Albania, Serbia and Montenegro, Greece, Cyprus and Romania. Other established blocs are **The Warsaw Pact** (Poland, Ukraine and Russia), and the **The Viking Empire** (Lithuania, Latvia, Estonia, Finland, Sweden, Denmark, Norway and Iceland). This can be a concern for other countries, such as the UK or France, which could have trouble winning the contest despite their sizeable financial contributions.

Politics and music clashed in 2005 when Lebanon pulled out of the contest because it refused to broadcast the Israeli performance. Passions were again inflamed this year, when Azerbaijan didn't award any points to Russia's contestant while the former gave the maximum possible 12 points to Azerbaijan's. This caused a diplomatic row between the two countries: Russia was deeply offended and started to allege that vote rigging had occurred. The Foreign Ministers from both countries held a joint press conference where the Azerbaijani representative, Elmar Mamedyarov, stated that the televoting results from his nation's three mobile operators had put Russia in second place after Ukraine and that he had no idea what had happened with the votes. In turn, Sergei Lavrov, Russia's Foreign Minister, angrily responded that ten points were stolen from the Russian contestant and that they would coordinate their actions with the Azerbaijani side so that this outrageous action was not left without a response. Jon Ola Sand, Eurovision's executive supervisor, explained that "the combination of televotes and jury votes, each bearing a 50 percent influence on the outcome, did not result in a top 10 position for Russia in the overall result from Azerbaijan, therefore, Azerbaijan awarded Russia no points." It would be hard to imagine the British Foreign Minister or the president of France getting so upset over a song contest.

The Show and the Music Industry

Winning Eurovision might mean having a great platform to launch an artist's career, but this is not necessarily so. On the contrary, most of the contest's winners have gone unnoticed. There are a few notable exceptions, though. Sweden's ABBA in 1974 and Canada's Celine Dion, representing Switzerland, in 1988 (when Dion won with the song *Ne partez pas sans moi*). There have also been cases where the winner was a previously successful artist. For example, Katrina and the Waves, representing the United Kingdom, won the contest with the song *Love Shine a Light* in 1997.

Some wonder if it's still fitting to produce the show, considering Europe's current financial tribulations and its relatively neutral impact on recorded music sales. However, the contest seems to be a perennial manifestation of Europe's unity. National prestige is another driver, especially for nations that are not considered economic or political powerhouses. Others criticize the voting system and its underlying bias towards bloc balloting, while others consider the event to be superfluous entertainment, often likening it to shows like "American Idol" or "The Voice". In a culturally aware Europe, Eurovision pop may not be universally enjoyed.

Yet the fact is that TV audiences keep coming back and justify the endeavor. There is still something arty, amateurish, and regional about the show, and the plurality of Europe's many languages and cultures may need a mass media event like it--much more, for instance, than America may need "Idol". MBJ

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Martinez (cont.)

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active on your channel and trying to build a presence.

MBJ: How do CPMs work?

BM: CPMs are based on a lot of different things and Google/YouTube never reveal what that secret sauce is. But the more active and engaged you are on your channel - whether that's posting content or even just commenting back to your partners or on other peoples videos, "favorite-ing" or "liking" things – you'll see an increase. It's about building an audience on your own channel so that YouTube has more information about who that audience is so that they can better serve ads.

MBJ: In closing, the Internet has historically been a scary place for musicians. It has turned the traditional music business upside down and there is a lot of debate surrounding the royalties paid out by Internet streaming services. On the other hand, many of those online services are struggling to break even. Sometimes it seems like there isn't enough money for anybody. Do you think that the work you're doing with YouTube can help pave the way for healthier relationships between content holders and online services?

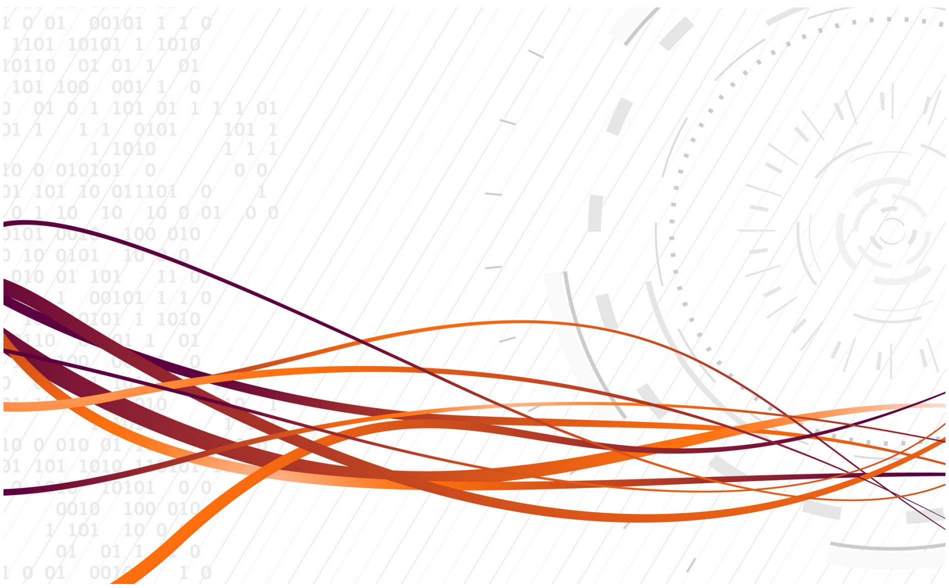
BM: Absolutely. There are two critical points here. One is about the aggregate. The music business is no longer just about selling a ton of records. Rather, it is a combination of efforts including touring, sales, streaming, merchandising, licensing, etc. All of those different things play key roles in the success of an artist today. And, I think that as one of those takes off, you'll see the others take off as well. So it's about a combination of services and also about artists wearing their entrepreneurial hats and being actively involved in the business side of their career.

Two, we're helping with that by being transparent. We're providing our partners with information and data that will allow them to build their own audience, grow their revenue streams, and really see where that growth is and *how* they're growing. I think that if artists do their part and we do our part, they'll see that value, increase that revenue stream, and also increase other revenue streams across the board. MBJ

Business Articles

Pre-Streams and Album Releases

By Nina Thistlethwaite



Signed and established artists are now offering free access to their music ahead of an official release. In particular, streaming an album before it hits the market is becoming a trend, whether it is through NPR, Amazon, iTunes, or Pandora Premieres.

iTunes and Pandora are the biggest launch pads. iTunes locks the listener into a continuous album stream, while Pandora allows users to skip songs and return to previous tracks. Still, streaming through iTunes is more attractive for an artist and their label, as the company has the credit card information of millions of account holders. The "buy now" button enables the transaction to take place in ten seconds, and no additional user information is required. It is ideal for pre-orders.

Today's up and coming artists are well acquainted with the promotional tool of free music. A current example is Toronto based singer-songwriter The Weeknd, who released three albums for free before signing a recording contract with Republic Records at the Universal Music Group. He earned rave reviews and a strong following, which increased his leverage with the label. In place of new material, The Weeknd's first release for Republic, *Trilogy*, was re-mastered collection of his three independent releases and an additional three new tracks. Sales have approached 300,000 since the album's launch in November 2012, a sizeable figure notwithstanding its status as a free good for over a year.

Not long ago, finding free music to listen to was only possible through the radio or by going to a venue and seeing live music. With the speed and ubiquity of the Internet, buying music is, perhaps, no longer the necessity that it was. Free, ad-supported streaming services like Spotify are growing in popularity and feature comprehensive catalogues, which may end up dethroning physical and download sales in the long run—it already has in Sweden. When record labels and artists stream an album before it hits the shelves, they are not just encouraging pre orders, though. Unlike leaked versions, artists can broadcast their music at high quality, which gives integrity to the final product.

After a seven-year absence from the music scene, Justin Timberlake's *20/20 Experience* became one of the most anticipated albums of 2013. It was made available for streaming in its entirety through iTunes a week before it's official release on March 19th. The record became "the most pre-ordered and the fastest-selling album in iTunes' history", producing an impressive 968,000 copies by the end of the first week of sales – an accomplishment worth noting in today's climate, where most artist are struggling to move half a million copies in their debut week. Industry experts had predicted a successful release for Timberlake; in the event, it became the best selling album of 2013.

Timberlake had only released two singles prior to the album: *Suit & Tie*, featuring Jay-Z on January 15, and *Mirrors*, on February 11th. He also promoted the record at a number of different appearances, including performances on Saturday Night Live and at The Grammy Awards. Both must have enticed fans to stay tuned for the official March release. Part two, *The 20/20 Experience*: *The Complete Experience* is due out September 30th , six months after part one. Fourteen US dates alongside hip-hop superstar Jay-Z, as part of the Legends of the Summer Tour, should take care of the album's promotion, and, after the current summer tour is over, Timberlake will return to the road to perform solo his new release. The 11-track album is already available for pre-order on iTunes, but whether it will be streamed ahead of time is yet unknown.

Another pre-release streaming success is *Random Access Memories* by Daft Punk. The record sold 339,000 copies during the first week of sales. The release was similar to Timberlake's in that it was available for streaming on iTunes a week prior to the drop. It was equally anticipated, as it had been eight years since their previous album *Human After All*. The only track released before the album is the catchy single *Get Lucky*, which had the "biggest streaming day for a single track in Spotify history in the U.S as well as the U.K."

It seems that if people like what they hear, they will buy the music. The industry shows that the "streaming before release" strategy is especially successful for established acts that have been dormant. However, newer artists should not shy away either, as *The Weeknd* shows. The strategy pushed *The Weeknd* to the fourth spot on the Billboard 200.

More data points may be needed for a firm conclusion. However, the evidence so far suggests that streaming an album before its release is a reasonable strategy. Lately, it appears to have been paying handsome dividends to the artists that embraced it. MBJ

Endnotes

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Tech News

Music's Future with Mobile Apps

By Adolfo Peduto

Iphone and Ipad apps, of course, are steadily growing. Since its launch in July 2008, the App Store has experienced a steady increase in the number of new releases, averaging just a thousand per month at inception to its current projected peak of about 40 thousand. With more than a million total applications and nearly a quarter of a million active publishers, the proliferation of apps is, by any standard, remarkable. Apps have now become part of a well-established consumer culture, shaping users' every-day lives and driving new market entrants.

Music applications for mobile devices have encompassed all aspects of the trade, particularly affecting its methods of delivery and consumption. *Itunes*, *Pandora*, and *Spotify*, for instance, have made the idea of purchasing music at retail or streaming as comfortable as buying albums in a store. Moreover, "Album Apps", i.e. applications whose only content is a self-contained music product delivered directly from the artist/label to the consumer, are gaining ground. Rap superstar Jay-Z launched his last studio wok, *Magna Carta Holy Grail*, on July 4th in the form of a downloadable app by Samsung. Bjork was there before in 2011, with her *Biophilia* for iPad.

Presently, the use of mobile devices as tools of music creation and performance is not well established. Nonetheless, overall there is progress, and both amateurs and professionals are being lured into this new experimental field. Examples here are the works of the Stanford MoPhO or Mobile Phone Orchestra, iBand and the British pop singer Gary Go, and the iPad lighthearted performance by pianist Lang Lang of The Flight of the Bumbleblee.

It is nevertheless notable that all of the steps involved from creation to performance could migrate to mobile devices. Even though a lack of general standards might make an endeavor of this kind impractical in the short-run, the promise is there for those that will wish to circumvent a high-end professional production. Indeed, the musical solutions offered by mobile devices appear unprecedented. The impact could be felt on the sequencing and recording of music, the making of synthesized sounds, the state of music notation and composition, and the widespread use of electronic controllers on stage.

Mobile devices can now be used as Digital Audio Workstations (DAWs) to record, edit, mix and export creations of any genre and kind. With MIDI controllers becoming smaller and smaller, it is possible to simply turn an iPad into a mini-studio. *Cubasis*, by German-based music tech company Steinberg, Apple's *Garage Band*, and *Auria* by Wavemachine Labs offer the possibility of creating impressively complex 'mixes', from scratch to delivery. A drawback, compared to a desktop, is that the computing power is more limited, but this too could change.

Mobile devices can also be used as 'virtual instruments' for either sampled and acoustically-generated sounds, as in *WI Orchestra* by Wallander Instruments and *Thumbjamb* by Sonosaurus, or of synthesized ones, employing a variety of different synthesis techniques, as in *ReBirth* by Propellerhead, *Animoog* by Moog Music and *Addictive Synth* by VirSyn.

When considering music notation and controllers, fields in which the possibility of having a direct an immediate response to a manual gesture can become an integral part of an artistic work, apps can gain a further competitive edge. Avid's *Scorch* and Finale's *Songbook*, are applications that function more as 'interactive music stands' for previously notated material. But with *Notion*, by the Notion Music group, the user can input notes hands-on graphically on the screen and position pre-selected durations in the appropriate pitch location. Think Music Technology, a startup company, has announced the release, in the fall, of an application with full handwriting recognition capabilities. As with the other apps, it is expected that it will be compatible with the software of giants like *Finale* and *Sibelius*.

The apps that are arguably the most practical and innovative for music makers are controllers of specific audio set-ups. Here are three that might make quite a splash in years to come.

Touchable by AppBC offers a way to control Ableton's *Live* wirelessly via an iPad. *Live* is a desktop application functioning both as DAW and as a live performance tool (hence its name), and it gained, since its launch in 2001, a great deal of popularity in electronic music genres. *Touchable*, then, would uncover paths for various possible 'hardware-free' performances.

Traktor DJ, released in February by German music tech giant Native Instruments, is the implementation for mobile devices of their widely used laptop application of the same name. It has a self-contained iPad application and provides the end user all the tools necessary to run a DJ set.

Mira for iPad, an app that enables wireless control of MaxMSP patches and standalone applications, was just released in San Francisco. MaxMSP is a visual 'programming language' that empowers the user to design and implement his own software devices for music synthesis and processing. It is done graphically, without writing a single line of code. Many artists already make use of it, both from popular genres, such as Johnny Greenwood from Radiohead, and in less mainstream music, such as in contemporary classical. *Mira* offers artists the ability to design both their own instruments and processors, stimulate their creativity, and give them an edge, through their special touch-device technology, in performance.

In the years to come, with the incessant increase of computing and storage capabilities, it will be possible for music professionals to use mobile devices as musical instruments, recording platforms, and new performance tools. When the Mark II synthesizer was released in 1957, it was reported that orchestra musicians were worried their job could be overtaken by the new machines, now able to replicate the sound of their instruments and, ideally, to provide mistake-free performances. Yet classical musicians have not stopped performing and new talent came forth as never before, producing a golden age of music making. Creativity, of course, is timeless, but the instruments of musicians change the paradigm of how music is made. Apps are quickly becoming a tool, and the future of music will likely be played, and conceived, with mobile devices. MBJ

Business Articles

A Lackadaisical Google All Access

By Kyle Billings

Since the onset of mix-tape driven selectivity up through the era of Internet-enabled file sharing, traditional music retail has lagged behind the volatile demands of music's consumers. Streaming services like Spotify, Rdio, Deezer, and Saavn offer markets across the globe a fast, free, and flexible alternative.

Streaming's latest competitor faces stiff barriers of entry. Google's "All Access," an upgrade to the company's existing Play Music service, adds interactive streaming to the existing cloud functionality of its predecessor. With the recent passing of its discounted debut period, All Access is a freshman facing veteran alternatives in Spotify and Rdio. It must prove itself superior or run the risk of fading away.

Success for any music streaming depends on three factors: the quality of its interface, the strength of its partnerships, and the seamlessness of its integration into everyday life. In order for All Access to succeed, it must outperform its competitors and fulfill the demands of users in each of these three areas.

A. Any feature that influences the way consumers interact with a service is considered a component of User Experience. "UX" not only encompasses aesthetics, it calls for logically placed content and comfortable navigation throughout a service. Spotify, Rdio, and All Access each feature crisp, flat UI elements and responsive layouts, garnished with colorful images and branded with the conventions of modern design. The pages load without complication and maintain their integrity across browsers.

Navigation throughout Spotify's interface feels intuitive; one can figure out all the options without looking at a help screen. The same holds true for All Access. However, only after combing through the entire Google Play page and taking a wrong turn at the company's traditional music store did this correspondent get to actually stream something.

All Access does well to pull through with a library function that builds upon its predecessor, allowing users to access the cloud and explore their full collection of owned music in addition to selections from the All Access library. These songs influence radio stations and recommendations that expand collections and keep music fresh.

Google's interface, therefore, is well illustrated, organized, and intuitive and for users familiar with Google Play, All Access is attractive. The drawback is that too many choices may diminish the user's experience, which could benefit from the clarity of a dedicated platform.

B. As the intermediary between content and consumers, the sustenance of a music streaming service depends on positive positioning with both artists and listeners. Users are attracted to the utility of the service, which, in turn, hinges considerably on its relationship with content-providers. Such relations translate into catalogue depth. At the moment, Spotify offers 20 million songs to All Access's 18 million.

Most of the music that people listen to comes from the major labels. As the Internet continues to encourage a greater depth of musical taste, music selection will widen, making dependence on a wider set of artists likely. For a company with Google's resources, there is a remarkable opportunity to reach out to new talent. As a competitive content behemoth, the company has in the past experienced a tumultuous relationship with the major labels, but with its tools and capital, Google has an open lane to resonate with artists in ways that Spotify can't afford to. The company is beginning to create appeal for independent artists through the Artist Hub service, wherein artists can host their music on the Play network in exchange for allowing Google a 30% cut of resulting earnings.

C. At its core, a service's success is based on its ability to integrate seamlessly into the lifestyles of a variety of people. Whether a user is a casual listener, an obscurity driven fanatic, a runner, an international business auditor, or any resulting combination of the above, the service should morph to accommodate individual needs. Spotify recognizes that music augments the quotidian and positions itself accordingly as a soundtrack to life. With mobile functionality, a dedicated software application, a web-browser client, and offline capabilities, content is rarely out of reach for Spotify's customers.

Meanwhile, All Access lacks the malleability of its competitors. With no free service beyond an initial trial month and no option to set streaming quality, there is little room for casual listeners and more active listeners lack options. The service's social integration, driven by the Google+ network, can't compete with the Spotify–Facebook tag team.

Nevertheless, All Access fits nicely into the Google utility belt. Listeners can access radio, stream, and purchase music all within the Play environment; for those immersed in Google's network, All Access is a great fit.

Despite extensive creative input and much capital backing, All Access's pitch to the streaming market lacks thrust. After the expiration of the $7.99 promotional period and the conversion of some price-sensitive music streamers, Google seems to offer few incentives if any to draw new users.

Moreover, the company appears complacent with its half-hearted approach to music. It has the potential to be a great service but perhaps refuses to see music as more than another source of user data or an asset to its ad network. Considering the low profitability of streaming, it is likely that allocating additional resources to All Access may not be feasible yet. Still, with streaming becoming a more integral part of entertainment, the future of All Access would seem to be more urgent than Google makes it. MBJ

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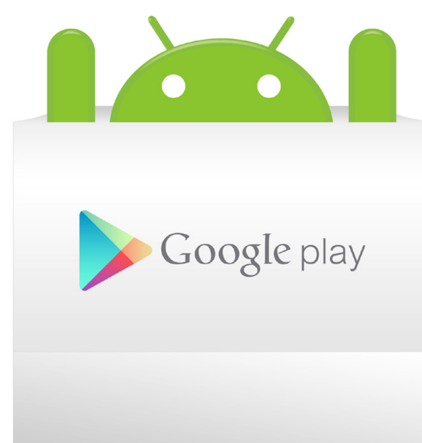

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Pandora (cont.)

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