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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

The Peddling of Recording Rights

By Kyle Billings

Recent negotiations between Clear Channel Communications and Warner Music Group have sent shockwaves throughout the recording industry. For the first time on a major scale, the broadcast giant will pay performance royalties to recording artists for plays on terrestrial radio. Considering the defeated state of record sales, many hail the deal as a harbinger of equality for rights holders. Though, a revenue sharing arrangement between two industry powerhouses may shackle a steadily growing market for independent music.

The Context

For every song written, recorded, and released, there are two copyrights. One rests in the song's melody, harmony, and lyrics while the other protects the audio recording. To this date, terrestrial radio stations—as separate from digital stations like Pandora—are only legally required to pay for use of the former. This is relatively specific to the United States; many foreign markets recognize both rights for public performances.

All broadcasters, as well as clubs, concert halls, airplanes, and restaurants, must purchase a license to play music publically from a performance rights organization like ASCAP, BMI, or SESAC. These companies collect fees and allocate payments to songwriters and publishers. Meanwhile, the owners of recording copyright, including performers, producers, and sidemen alike, are unpaid. Online webcasting, however, requires two licenses; artists and labels are paid alongside songwriters.

Those with stakes in broadcast have long argued that recording artists benefit through "promotion," that radio play leads to record sales, and that artists should not expect any additional royalties from stations. The value of recorded music has diminished markedly, and in an age where retweets are a more salient metric than albums sold, the argument for recording royalties is more pressing. Performers, record labels, rights organizations like SoundExchange, and the RIAA itself are clamoring for a legal change that would credit recording artists for their work, align the U.S. with foreign markets, and upgrade royalties to the digital age.

The terms of the deal are non-exclusive, meaning the agreement could foreshadow pervasive changes in the industry despite a lack of new laws. While Sony and Universal, the two largest of the remaining three major labels, have already declined Clear Channel's offer[1], the successful negotiation with Warner appears to have created urgency for new legislation while energizing the cause of recording artists. It is conceivable that Sony and Universal may accept similar terms to Warner in the future--and give rise to a new industry standard of revenue sharing, despite a lack of legislation.

The Warner Deal

While the details are not fully known, Clear Channel has made similar deals in the past with labels like Big Machine, Robbins Entertainment, and Fearless Records that can illustrate the terms of the Warner deal. Artists like Taylor Swift, Mumford & Sons, and Fleetwood Mac are accepting makeshift

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Editor's Note

Today, music companies are trying to steer their way through new media fumbling with old laws. Our cover story dissects the recent revenue-sharing arrangement between Clear Channel and Warner in the U.S, which breaks precedent by paying recording artists for terrestrial radio broadcast on a large scale. We address the deal itself, its industry context and implications, and hypothesize as to whether this is a step towards a better future for artists.

"If you can't beat 'em, join 'em!" Ticketmaster, driven to action by a $4 billion market opportunity, is stepping into the secondary ticketing market with its latest service—TM+. Pandora, in the meantime, continues to balance its commitment to artists and shareholders. In this issue, we cover the company's latest legal salvos with ASCAP. In other business news, we weigh the good and the bad in iTunes Radio's debut, and focus on the threats it poses for Pandora.

We address topics in music licensing. First, Rockstar's Grand Theft Auto V is a blockbuster game release that could be a boon for musicians and synch collections in general. Second, we pick up on the theme of foreign dealings: with technology facilitating communication and shrinking the market, artists can earn money from licensees all over the world while structuring their deals to hedge against foreign currency risk.

Music and societal concerns intersect with Electronic Dance Music and Miley Cyrus. The image of EDM was tarnished over the summer by drug use: business intermediaries could shy away from supporting the medium and are taking precautions. Moreover, as the hype surrounding Miley Cyrus's VMA performance settles, we shine a light on the marketing strategy behind it by chronicling her transformation from an innocent Disney star.

We also present an op-ed on the underlying costs of giving away content for free, a stylish practice that's changing consumer expectations and driving the value of recorded music down further. Finally, we pay attention to the MIT Media Lab, a center for innovation where technologies, art, and business converge and to give us a glimpse of the future.

I would like to welcome our new MBJ members and thank everyone in the team for making this issue possible. MBJ

Kyle Billings, Editor-in-Chief

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performance royalties on broadcasts and, in return, are licensing their music directly to iHeartRadio—Clear Channel's digital radio inroad—at a reduced rate. According to a variety of sources, these deals have been beta tests and the latest agreement is of nearly identical structure set on at much larger scale.

If so, Warner is likely accepting 1% of Clear Channel's advertising revenue as a royalty for terrestrial broadcast and around 2% for online webcasting. In exchange, Warner is lowering Clear Channel's PurePlay rate, a figure normally set at 22¢ per 100 streams by statute, which gives iHeartRadio discounted access to a strong catalogue of popular music. The exact amount is undefined, though 12¢ is the estimated rate. According to Clear Channel's Robert Pittman, a structure of predictable costs allows for better scaling, and the relationship will grant iHeartRadio a competitive edge in the growing online radio sector.

For Warner, the smallest of the remaining three major labels, the deal is a calculated strategic move. To remain in the running alongside Sony and Universal, the company is linking arms with a pivotal player in the "push" based music economy—broadcast radio. Warner is recruiting stakeholders where countless listeners go to learn what's hot. The new symbiosis means that hundreds of Warner's artists will not only benefit from new performance royalties; they will be featured on dedicated promotional segments; album previews, exclusive interviews, and special appearances across Clear Channel's network and at live events.

Implications

Notably, Clear Channel is accepting an early loss with its eyes set on a more strategic position in the future. At present, Warner benefits significantly from a brand new revenue stream. Though, as more and more people migrate to online streaming services, iHeartRadio will be more likely to capture mind share. Digital has experienced a 421% growth in the past decade compared to terrestrial's 8%, leading the company to expect a positive return on the deal. Pittman sees the value in growing alongside digital radio, and has positioned itself to fight for elusive profit in the online space. To paraphrase, he says the deal redefines the relationship between music companies and radio; it builds a better foundation for the digital future.

On the surface, Warner's direct license to Clear Channel seems to be a great stepping-stone for the music industry. Two of its largest players have been proactive in creating a royalty for performers where laws do not. Pittman further claims that the deals are a benefit to a listening public, which will benefit from a higher quality iHeartRadio service. Even SoundExchange, the entity responsible for collecting the same online royalties the deal slashes, has publically voiced its support of the agreement[2]. Nevertheless, among the cheering crowds, what remains unspoken is the effect an arrangement of such magnitude can have on the industry's lesser-known contributors.

As two massive industry cornerstones enter into a revenue-sharing arrangement, their shared interests will overshadow those of outsiders. In addition to its contractual obligations to promote CeeLo Green, Green Day, and the rest of Warner's roster, it will cost comparatively more for Clear Channel to stream the music of lesser-known, risky artists. Intuitively, stations will stick to tried and true music; mainstream radio will crowd out the independents unless they accept the same direct licensing arrangements as the majors. This not only elevates the barriers for music's fresh prospects, it encourages a further devaluation of digital content.

The deal is non-exclusive; permutations of the agreement may likely spread to other major labels. If they do, and if the independent imprints refuse to follow suit, broadcasted content will narrow into a risk-managed portfolio of popular music; promotional segments will become a permanent soapbox for the tradition funnel of label-driven artist promotion. Comparatively, the out-on-a-limb creativity of unsigned talent will become too costly and unproven to bypass the agreements. The excitement of music exploration and discovery, along with the feasibility of the long tail and diversity will be further negotiated out of the mainstream.

Final Thoughts

The agreement has already caught the ear of congress. On September 30th, Mel Watt, a congressional representative from North Carolina, proposed the Free Market Royalty Act. If passed, this act would establish a radio performance right, but would supplant the CRB and empower the industry to negotiate its own rates. By replacing committee decisions, Watt believes the experts of the music business will create an effective model on their own. Continuing, the act encourages artists and labels to leverage their new bargaining power as a career tool—accepting royalties or exchanging discounts for "promotional consideration." However, with no specific statutory rate, lower-level artists will lose their legal foothold; broadcasters like Clear Channel will be unlikely to negotiate terms with small artists. Should the FMRA pass; unions of independent labels may begin collectively bargaining for rates, defeating hopes of efficiency.

Only a legally mandated performance right can bring the entire industry forward. Privately negotiated workarounds, whether FRMA mandated or not, tend to favor the moneymakers. Standards crafted by the majors are bound to exclude the independents. Additionally, if the US legislates a similar right in all public venues including bars, universities, and television, international reciprocity will trigger and foreign markets will compensate American artists for public performances overseas.

Since its origin a century ago, legislators have shaped radio regulations to best serve the public interest. Initially, the laws defined acceptable communications standards and gave precedence to naval vessels and farms, though with the formation of the FCC in 1934, the government set out to influence content across the nation's limited airwaves through several controversial policies. In the 1980's, President Reagan and then FCC chairman Mark Fowler deregulated radio and left content to capitalism. It's possible that today, Warner and Clear Channel's deal will bring the FCC into a conversation with the Copyright Royalty Board regarding intra-industry revenue sharing and performance royalties in the interest of fair programming.

To quote representative Watt, a long-time supporter of the industry, "take away the music and you take away the audience." The new music industry is hinged on access and individualization; playlists speak more to one's personality than profiles. Music discovery continues to excite and data-driven recommender systems support the long tail and niche industries. While Clear Channel and Warner may seem progressive, the two may be making the wrong decision in barring themselves financially and ideologically from a catalogue of depth and from a proliferating independent scene. MBJ

Endnotes

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2. SoundExchange

Business Articles

When Good Girls Go Bad

By Corliss Lee

The MTV VMA 2013 held on August 25 at the Barclays Center saw many memorable performances, including the much anticipated 'NSync reunion. However, an over the top appearance by Miley Cyrus became the highlight of this year's show, generating heated discussions, record YouTube views, and media following. More than one hundred individuals filed complaints with the Federal Communications Commission (FCC), describing the act as disgusting, raunchy, and lewd. Viewers also discovered the meaning of 'twerking'. In fact, Cyrus's gyrations had at least as much shock value as Madonna's famous performance of "Like A Virgin" (she had locked lips with Christina Aguilera and Britney Spears at the same venue ten years ago).

Was Miley Cyrus trying to prove that she had put her Disney Hannah Montana days behind her and that this was her new grown-up self? Or might it have been a deliberate ploy for publicity for 'Bangerz', her upcoming album of October 4? The latter seems to be the case. In an interview two days after the VMA, Miley Cyrus acted matter-of-factly, was frank about the show, and seemed to downplay her onstage persona—so different in kind to her iconic good girl image. As she said, "[With onstage partner Robin Thicke] we knew we were about to make history". This suggests intent. Moreover, she downplayed the effects of the bad publicity: "I don't pay attention to the negatives because I've seen this play out so many times [before]". The Awards, in short, seem to have been a perfect launching pad for a media blitz.

The song she performed during the 2013 VMAs, "We Can't Stop" was from her new album "Bangerz" and had been released June 2. The music video, which, among other bizarre scenes, showed her twerking, was released on June 19. The song peaked at No. 2 on the Billboard Hot 100, whereas the music video became the fastest clip to reach 100 million views across Vevo platforms.

After the notoriety gained on August 25 at the VMAs, Miley Cyrus released the music video of her second single, "Wrecking Ball". The music video shows Miley Cyrus crying while singing against a white background. In contrast to her racy performance at the VMA, this close-up scene is refreshingly real. As the song enters its second verse, however, Miley Cyrus is shown sitting fully naked on top of a wrecking ball. If, earlier, the video had set the stage for the shock of the nude by playing on Miley's vulnerability, it now unleashed its *coupe de grace* to effect. The response was staggering. 12.3 million views followed in Vevo in the first 24 hours, a new record. Nothing had been left to chance, as Miley had shrewdly promised her 13 million Twitter followers that she would reveal the complete track list to "Bangerz" if they broke Vevo's record. She did follow up on her promise.

The music video for "Wrecking Ball" evidently continued to anger and upset many. In a recent interview on New York City's Z100 radio station, Miley Cyrus said her nudity actually had a deep and very personal message to communicate: it was a metaphor for how vulnerable she felt after a breakup (with ex-fiancé Liam Hemsworth) As she said, "the song is a pop ballad [and] it's one of the songs that everyone is going to relate to…everyone's felt that feeling at some point." Indeed: "Wrecking Ball" eventually hit the No. 1 spot on Billboard Hot 100 in its fourth week on the chart, becoming Miley Cyrus's first single ever to hit the No.1 spot.

The VMA performance had a negative impact on Miley Cyrus's clean image. It reportedly cost her the coveted cover of Vogue magazine and more promotion as a new fashion icon. But it re-launched her music career, and "Wrecking Ball" topped the Billboard Hot 100 for the second consecutive week. The success of "Bangerz" cannot be in question now.

It may come as no surprise that today's artists will not shy away from controversy to get noticed. With a new album on offer, Miley Cyrus scandalized a national TV audience to push sales. Arguably, she had to risk more than other artists, like Madonna or Lady Gaga, who keep their business intact as they move forward (Miley took her losses). Beyond that, the example points to the continuing power of TV and video clips in the fortunes of the music business. Since MTV, in the mid 1980s, the visual shell of a song is as important as its sonic print. MBJ

Business Articles

Ticketmaster and the Business of Scalping

By Dan Servantes

Secondary ticketing, a practice many prefer to call ticket scalping, is hardly new. According to Ticketmaster's co-founder Albert Leffler, ticket resale was already profitable in the Roman Empire and "tickets were regularly resold or bartered for a better view of the emperor"[1]. Today, more than 2000 years later, the secondary ticket market is valued at $4 billion annually. Ticketmaster has now devised a way to tap the market and take on its biggest champion, StubHub.

Starting this past summer, Ticketmaster began testing out it's new TM+ system, which allows for tickets to be re-sold right on the Ticketmaster website. Initially starting with only a handful of shows, and early adopters like Black Sabbath, TM+ has now been used for over three hundred events. Two-dozen professional sports teams have signed up, including NFL teams.[2]

TicketsNow and StubHub

TM+ is not Ticketmaster's first attempt at the secondary market. Previously, Ticketmaster tried out its TicketsNow reselling program. But in February 2009, the company got into trouble with Bruce Springsteen when Ticketmaster automatically directed ticket buyers to the TicketsNow site, fetching prices as much as four times over the face value of the ticket before the sellout. In 2010, Ticketmaster reached a settlement with U.S. regulators to stop the practice of linking its site to TicketsNow[3]. Since then, Ticketmaster has maintained a 10% market share of the secondary market.

Ticketmaster and the live concert industry have long been at odds with secondary ticketing. At the first sale of tickets, the money paid goes towards the artist, the promoter; ticket fees go towards the ticketing company. When tickets are resold on websites such as StubHub, the prices are marked up with the bulk of the profit going to whoever is selling the ticket. In many cases the person reselling the ticket has bought batches of prime tickets with the intent to make a profit. This makes it harder for real fans to get the tickets that they want at the price intended for them. In short, when scalpers make money it is not good for the industry.

Ticketmaster and StubHub have a checkered past. StubHub is currently the biggest secondary ticket market player with over 30% market share. Much of those resold tickets come from scalpers who get past Ticketmaster's security systems and buy tickets for events in bulk using automated 'bots.' In 2007, Ticketmaster sued StubHub over sales tactics. Contractually, Ticketmaster has the exclusive right to sell tickets to the general public for most of its events. Yet, for Lynyrd Skynyrd's 2007 "Rowdy Frynds" tour, StubHub acquired tickets and marketed itself as the official provider of premium seats. Ticketmaster claimed that StubHub's tactics were "part of a larger scheme to diminish Ticketmaster's role in the sale of tickets generally."[4]. For Michael Rapino, CEO of Ticketmaster, Stubhub took control out of an artist's or business team's hands and appropriated it in rent: In Stubhub's site, Madison Square Garden events could be found for as much as $9,500 for tickets with a face value of $120.

The Ticketmaster Touch

To fight the threat of StubHub and the secondary ticket market, Ticketmaster started pushing paperless ticketing in 2012. Paperless tickets are not meant to be exchanged outside of Ticketmaster's site and require the customer's credit card or cell phone for admission. This hurt brokers trying to resell large amounts of tickets. For instance, between a New York Bruce Springsteen show that used traditional ticketing and a New Jersey paperless ticketing show on the same tour, StubHub listed 63% less tickets at the New Jersey show.

The conflict between the companies will likely escalate as a result of TM+'s open competition. Already in May 2013, Ticketmaster accused twenty-one hi-tech scalpers of fraud and breach of copyright, and suggested a connection with StubHub: the scalpers used bots to circumvent Ticketmaster's security systems and caused shows to sell out quickly and at astronomic prices[5].

TM+ and StubHub services are similar in several ways. Both (i) resell tickets and allow the seller to sell above face value, (ii) take 10% of the buyer and seller fees from each transaction (depending on the artist contract some of the collected fees may be split with the artist), and (iii) profit from brokers that take advantage of the primary ticket market.

TM+ does have certain factors that are unique to Ticketmaster. First, tickets will not be able to be sold for less than face value on TM+[6]. Ticket brokers worry that Ticketmaster will have an unprecedented control over pricing in the live events industry. Also, Ticketmaster will allow customers to see the price of tickets being resold next to the face value price. This way, customers will be aware of the price difference, the exact seat position, and whether there are also unsold tickets in the same areas--all features that are not available on StubHub.[7]

Ticketmaster will also make it possible to resell paperless tickets. This would make a big difference for ticket brokers that had trouble selling Ticketmaster's paperless tickets. Additionally, Ticketmaster can verify the tickets being resold on its website, effectively taking the risk out of customers looking to buy resold tickets.

Ticketmaster's Limitations

Ticketmaster must be careful with the handling of secondary ticketing. Selling marked up tickets can generate ill will among consumers and the business, and the company will be held accountable. It can only make the practice more acceptable if it reigns in high prices and tags reasonable service fees. But before this happens, Ticketmaster must drive away customers from existing websites into TM+.

Besides, it cannot do it all. To really boost the legitimate live music industry a means would have to be found to neutralize scalpers from using bots in the first place and acquiring prime tickets on the cheap. Technological piracy, it seems, now rears its head in the live performance arena—again to the dismay of the corporate wizards. MBJ

Berklee Professor Jeff Dorenfeld contributed to this article.

Business Article

The Pros and Cons of iTunes Radio

By Nina Thistlethwaite

Apple may be tardy diving into the streaming market, but it might not surprise to hear that its latest service attracted 11 million listeners in just five days. It is Apple after all, known for its blockbuster releases. Though yet to be launched outside the United States, the service strongly resembles its biggest competitor Pandora, with the ability to make playlists based on songs, artists or genres. While Pandora currently holds 72.7% market share of Internet radio, iTunes Radio has several significant advantages.

iTunes Radio's towering 27 million songs, versus Pandora's 1 million, certainly gives the latter's investors something to worry about. "Of Apple's 67 million active iTunes customers, 42% (28 million) are current Pandora users; this group represents just under 40% of Pandora's 72 million active users as of the end of August" (NPD recently published statistics). iTunes Radio is available for free with the latest software update iOS7 and all new iPhone devices. By September 23, three days after its new iPhone release, Apple had sold 9 million units with iTunes Radio.

iTunes currently services 199 countries and has 545 million users around the world. Should iTunes go global, it would make it challenging for any other service to compete. According to Bloomberg, iTunes Radio should be available for customers in "the U.K, Canada as well as unspecified Nordic countries" as early as next year. Spotify offers its service in just over 30 countries, while Pandora has only launched in the United States, Canada, Australia, and New Zealand. As iTunes Radio is linked to a user's library, those with a long history with iTunes will transfer their personalized playlists (on the other hand, those who don't have an iTunes library could find this feature makes iTunes Radio too passive a service).

Pandora could still have the edge for now. With its unique Music Genome Project, songs are given very specific attributes by music specialists--which empowers the service with a genuine human touch when creating a playlist. Additionally, iTunes Radio is only available on a device supported by iOS7. That excludes Android users, who represent 79.3% of smartphones shipped out in the second quarter of 2013 – a statistic Apple cannot ignore. An iTunes Radio app, available on multiple mobile platforms, will be necessary for Apple to get ahead in a crowded streaming market. Then again, its revenue does not rely on the success of this service to stay afloat – Pandora's does (it may be argued that iTunes Radio is just another way to keep the iTunes store popular, ten years after its launch).

An important factor to today's music streaming platforms seems missing in the release: connectivity to social media. Almost every other streaming service available today integrates this feature. Spotify, for instance, allows the listener to easily follow friend's playlists or famous artists' accounts. The most a user can do with iTunes Radio is manually send or post a link of the playlist listened to; not nearly as friendly as Spotify, where one can easily share excitement with a friend about a new song.

Since Apple took the time to negotiate direct label deals, it comes as no surprise that iTunes Radio has some exclusive content that Pandora cannot access through compulsory licenses. From a labels' point of view, it is advantageous to encourage listeners to become users of iTunes Radio, because purchasing a track is a well-integrated feature in this streaming platform. Other services direct listeners to third-party retailers, adding more complexity to the customer conversion process.

Pandora is well aware of the competitive threat posed by its new rival. It has been listening more intently to what its users want, and released an updated app to coincide with the launch of iTunes Radio. But Apple's customer base is very deep, and user accounts make any purchase seem seamless. Moreover, even though Pandora has been around longer in the streaming market and already has a significant number of listener and advertisers, the success of Apple may hinge on the use of exclusive deals.

Justin Timberlake is a recent example of this. Part One of his album, *20/20 Experience*, was a success earlier this year, streaming on the iTunes store a week before its release; Timberlake now decided to use iTunes Radio to stream Part Two, also a week prior to its release. He also accompanies the preview with short clips of his commentary in between songs regarding various anecdotes behind the record, mentioning iTunes Radio as the only place to hear the "*20/20 Radio Experience*". Having both parts of Timberlake's album debut at number one on the Billboard charts, six months from each other, confirms the strong impact of Apple's marketing. MBJ

Endnotes

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Law Section

Artists and Publishers in a Bind

By Christian Florez

In a recent court case between ASCAP, the oldest PRO in the United States, and Pandora, the first and most storied music Internet radio station, a judge in the United States District Court in Manhattan ruled in favor of Pandora. ASCAP was legally obliged to provide Pandora its entire catalog. Up to then, some artists and publishers had chosen to keep their work from appearing on Pandora hoping to get better terms from the streaming service. ASCAP had already agreed to provide its entire library, and the judge ruled that a breach of contract was inadmissible. Pandora, which earlier had enjoyed favor in the industry, has lately become a bête-noir of sorts for contentholders. The ruling, in fact, confirmed that there was no love lost between the streaming service and artists and their publishers.

Since 1941, ASCAP has been subject to the rulings of a rate court when the performing rights organization and a music service could not reach agreement. In July of 2005, Pandora and ASCAP began their first licensing agreement, which lasted until October 2010. Pandora then filed for a new license to run from 2011 to 2015. As Pandora and ASCAP could not agree on a rate, a decision on that license will have to be made in the near future. The recent ruling dealt with a change in ASCAP's rules. In April 2011, ASCAP allowed publisher members to withdraw their material from licensing consideration to digital services. However, their content was still made available to ASCAP in every other regard. Pandora was then forced to deal directly with these publishers. The court decided that when ASCAP made its original agreement, it had been for all its music—no exception.

The decision is important. For one thing, it gives creators and distributors of content less control and, ultimately, less revenue. Pandora acquires content and pays SoundExchange, which collects fees for artists and labels. But Pandora also pays licensing fees to the main performing rights organizations (ASCAP, BMI, and SESAC) in order to compensate creators for the composition copyright. Pandora was seeking to lower these intellectual property costs and the ruling gives the Internet broadcaster increased momentum.

The losers are musicians and their publishers--although Pandora's demise on account of high content costs would not help them either in the long-term. It should be noted that, via SoundExchange, record labels have been receiving favorable rates drawing "50-70 percent of the revenue collected by internet streaming services". This goes back to the Digital Millennium Copyright Act of 1996, when payments for the recording copyright of a song to labels and artists were first accepted in the U.S. for Internet webcasts and streaming (and in that medium and nowhere else). Publishers, however, only get 5% of Pandora's revenue. In the Internet, the difference between the gains to talent and their intermediaries from the composition copyright and the recording copyright could not be starker. That is why publishers have tried to pull their music out of ASCAP--and BMI and, likely, SESAC: since a direct deal between Pandora and a publisher would not fall under certain legal provisions that exist for PROs, the publisher would be able to charge more.

Moreover, if streaming is seen as competing with recorded music, publishers will be especially hit and likely harder than the labels and the recording talent. SoundExchange collects, as said, on the recording copyright, and distributes the proceeds to the record labels and the artists (and sidemen) listed in the record production. A stronger Pandora could help labels and their talent. But if streaming erodes recorded music sales, whatever flow of copyright recognition the labels and talent receive is undermined by the overall competitiveness of streaming. Publishers, especially, are cut-off from the earnings from the sound recording, and this court decision does not help their collections on the composition itself.

The implications for the streaming industry could be significant, but should not be exaggerated. In the past, digital streaming services have not been able to pull a profit, and they are still, it seems, a long way away from doing so. Pandora stock does not even merit a price- earnings ratio in the markets, which means that its income sheet is still showing losses. This is because revenue from subscriptions has been meager at best, and, especially, because monies from advertisements are not sustaining the business (this could change, though).

Another consequence of this ruling is the legal precedent that it sets between publishers and performing rights organizations. Whenever a publisher has made a deal with a PRO, the publisher cannot place a limit on these PROs in regards to which media platforms can receive a license and which cannot. Now ASCAP (and, by implication, the other PROS) may have to stem a defection of disgruntled members. If, moving forward, it is deemed necessary by the content owners to avoid the strictures of the new ruling then talent and publishers will reexamine the long-term relevance of the PROs as viable collection societies for this digital age.

Ultimately, the court case puts the burden on songwriters to sacrifice pay on the composition copyright in the interest of helping a music delivery service. Unless publishers withdraw their works from the PROs (which is complicated for the PROs deal with public broadcasts in TV and terrestrial radio, where the bulk of all performance income come from) all deals between publishers and Pandora, or Spotify and Rdio, will be rendered nil in court.

The end question is whether artists can continue to absorb these costs in order to provide music for the public at continually reduced costs. It is true that without giant streaming services like Spotify or Pandora, certain artists would suffer in obscurity and miss out on winning potential throngs of fans. But such services are only useful long-term if they can provide a livelihood to the musicians that give them their power. Right now, the balance is tilted in favor of the music providers and it is difficult to see how music makers will turn the table moving forward. MBJ

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Music And Society

Money, Music, & Molly

By India Thomson

The business of electronic dance music is undoubtedly booming. Worth globally $4.5 billion[1], large-scale electronic dance music festivals often exemplify the industry's increasing success. Dayglow, Tomorrowland, Ultra Music Festival, and the Electric Daisy Carnival are just a few of the numerous festivals that occur worldwide bringing over a million attendees annually. Typically spanning multiple days, these festivals feature famous DJ's, florescent costumes, beaded hula-hoops, psychedelic laser shows, and relentless dance parties that continue into early morning. They are not only an attraction for thousands of patrons, but for corporate sponsors and Wall Street investors as well. This billion-dollar industry offers potential profits that are unquestionably massive.

Electronic music festivals offer corporations an opportunity to reach the genre's youthful and tech-savvy fans by providing an environment ideal for branding. Although branding is nothing new to the world of music, most branding deals are currently contracted with artists. Examples of this include Pepsi® with Beyoncé and Calvin Harris or Absolut Vodka® with Swedish House Mafia. However, name brands are beginning to take notice of the huge market accessible through electronic music festivals. This year the Electronic Zoo festival was sponsored by several big names including Vita Coco®, Coors Light®, and Hi-Chew®.

Festival Deaths

However, recent deaths that illustrate the dangers of festivals may be warding off present and potential investors. Undoubtedly scary, the list of deaths at music festivals due to overdose is rapidly growing. A 20-year-old male overdosed July 14th at a rave on Governor's Island, New York. Late this August, a female University of Virginia student overdosed at a rave in Washington D.C. One person died and two more were hospitalized at a recent Zedd show at the House of Blues in Boston[2], and only days later, two more deaths attributed to overdose occurred at the annual Electric Zoo Festival in New York City. On September 15th, there was yet another death at the Defqon music festival in Sydney, Australia[3] where fourteen more were hospitalized that night as well.

The club drug MDMA, more commonly known by its street name "molly", has been named as the cause of death in all cases. MDMA causes hallucinations, enhancement of senses, and euphoria; it also causes cardiac arrest, dehydration, seizures, and death. Created in Germany during the early 1900s, the substance traveled overseas to America decades later but did not become popular until the early nineties. Overtime MDMA fell out of fashion, but has recently made a comeback. More than 50 percent of patients admitted to emergency rooms for reasons having to do with MDMA are apparently between the ages of 18 and 20. These statistics illustrate molly's increasing popularity with today's younger generation, ages sixteen to twenty-five, in particular. Molly is undoubtedly coming back into style with today's youth.

Molly's Impact

Hosts of these electronic dance music festivals have had to respond sternly in reaction to these deaths. The House of Blues in Boston closed its doors for several days while a police investigation occurred, the last two days of New York City's Electric Zoo Festival were canceled at the demand of the NYC Police Department, and a drug sting was carried out at the Defqon festival in Sydney, Australia. Not to be taken lightly, these deaths represent not only lost lives, but to the venues that host these events, lost profits as well. At as much as $300 per ticket, cancelations due to overdoses and other drug related controversies can cause losses in the millions. The website for the Electric Zoo Festival stated that they would be making full refunds to those who had purchased tickets prior to the event's cancelation. At $179 a pop, that cannot be good for business[4].

This is also bad news for SFX Entertainment, a new company that profits from media deals and corporate sponsorship of electric dance music. SFX Entertainment intends on making its initial public offer just weeks after these festival related deaths. Could these recent drug deaths threaten the livelihood of electronic festivals and the companies that profit from them?

On September 26, SFX Entertainment announced the terms of their I.P.O. According to their filing with the Securities and Exchange Commission, SFX plans to make their initial public offering of 16.7 million shares just weeks from now. Each share will be priced between $11 and $13. This puts the value of the company at a colossal 1.1 billion dollars[5]. The I.P.O is part of the company's plan to raise $300 million, which will go towards establishing and acquiring concert promoters. SFX is making moves in order to contend with Live Nation and AEG, its top competitors. The company has already spent half a billion dollars acquiring numerous electronic music companies including Australian event promoter Totem/OneLove, German

(Continued on Page 9)

Music and Society

Money, Music, & Molly (cont.)

(From Page 8)

festival promoter iMotion, Miami nightclub managers MMG, and even the producer of Electric Zoo Festival, Made Events. However, these recent deaths are causing investors to question the reliability and overall profitability of the electronic dance music industry. In his interview with Forbes, SFX CEO Robert Sillerman slyly avoided questions about the profitability of his company. "The last thing we'll be thinking about is margins," Sillerman told the magazine. "That's not the way I view the entertainment business- I view it as an art, not a science."[6]

The Context

Many blame this spike in Molly related deaths on the recent resurgence of electronic dance music. After hearing so many references to molly in recent chart topping hits from celebrity artists such as Madonna, Kanye West, Miley Cyrus and many more, one can only wonder if it is a coincidence. These artists have certainly helped molly find its place back in today's popular culture. However, many experienced festival goers have stated that drug use and the dangers associated with music festivals is nothing new. Their defense lays in the fact that MDMA is one of the least fatal drugs available – the danger of its use mainly lies in immaturity and inexperience. A 2011 BBC report stated that out of 500,000 yearly users, there are only an average of 27 deaths in the U.K attributed to molly overdose. Fans of the genre say that the media is singling them out; that the genre of electronica has no specific correlation with the recent occurrence of overdoses. So the question becomes, are artists influencing the phenomenon or just documenting it?

Undoubtedly, the I.P.O of SFX Entertainment has caused the media to bring extra scrutiny on electronic dance music festivals and the role they may have played in the deaths. "The scrutiny that this is going to come under because of the stock market deal with SFX, it's like a magnifying glass that's unfair," stated manager behind Swedish House Mafia, Amy Thomas. This has put added pressure on SFX to address both the physical and economic safety issues of electronic music. Sillerman stated that he is committed to providing a safe environment at music festivals. He also noted that the electronic music scene has evolved from the rowdy scene of raves to the professional world of corporate sponsored festivals. SFX declared the recent deaths at Electric Zoo as possible "risk factors" in their recent filing with the SEC. SFX plans to acquire ownership interests in Made, which produces Electric Zoo. These consequences relating to drug overdoses may also make it more difficult for SFX to obtain or retain sponsorships, lower consumer demand for their events, and subject the company to liability claims. Profitability and stock prices would take a hit.[7]

Countermeasures

Some have actually used the festival scene as a platform to promote safety and provide health guidance. DanceSafe, a non-profit, which provides educational information about drug-use and its dangers, is working with several festivals such as TomorrowWorld, an Atlanta based festival which partners with SFX. SFX has even appointed a surgeon with experience in "comprehensive medical coverage for large-capacity venues" to its board of directors in an attempt to appease potential investors.

Undoubtedly, festivals will be taking heightened security precautions. Almost all major festivals have to comply with required state law regulations by having first aid tents on site, security searches, and no-tolerance drug policies, but one can only wonder how effective these measures are with the news of so many recent overdoses. However some festivals are already making it very clear that they will be taking their new heightened security measures very seriously. This was apparent at the Boston Calling Festival early September where twenty-one drug related arrests were made. Many festivals and promoters alike are taking the initiative of joining forces with safety organizations, like TomorrowWorld with DanceSafe.

A debate in the dance music world has recently emerged between those who believe that the best way to advocate safety at festivals is recognizing drug-use and those who encourage abstinence[8]. Believers in acknowledging drug-use feel it allows for open communication, education, and other harm-reduction methods. However many venues will not even entertain this idea, sticking by their strict policies of having zero-tolerance for drugs. These venues simply reject the idea of involving non-profit organizations like DanceSafe, which focuses on education rather than abstinence. This is reasonable when considering the Illicit Drug Anti-Proliferation Act. Passed in 2003, the legislation states that promoters can be fined (up to $250,000) or even arrested if they know about drug-use at their event and do nothing about it.

End Note

Molly and its perils will not stop fans from flocking to enjoy the music culture they love, and EDM festivals will likely continue to be worthwhile for corporate organizers, participating sponsors, and talent alike. Talking to Rolling Stone at the 2013 Boston Calling Festival, Diplo could say that drugs had always been a part of club culture and that raves in the woods would always be popular with kids: pointing fingers at a festival did not help . He is not right, really. Large public events like these have more potential for serious damage to life—and tragedies, when they happen, will hurt long-term profits and reputations. MBJ

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Tech News

Inside the MIT Media Lab

By William Klendl

The renowned MIT Media Lab breaks boundaries and disciplines across a variety of unconventional research projects, actively promoting a unique and multidisciplinary culture at the center of technology, media and design. The lab is home to music research achievements such as *Opera of the Future*, *Toronto Symphony* project and music intelligence company *The Echo Nest*. Committed to looking beyond the obvious and to seeking answers to questions not yet asked, the institution seeks to radically improve the way people live, learn, and express themselves at work and play.

History

Professor Nicholas Negroponte and former MIT president Jerome Wiesener founded the Media Lab in 1980 with the vision to combine a digital future with a new style of creative invention. Visitors and sponsors came to see not only what the lab did but also how they did it. It emphasizes current market needs less than imagination about creative expression in the future.

In 1985 this exciting new paradigm for research developed one of the most widely used software synthesis systems today—CSound. The Lab frequently developed concepts that were far ahead of the curve, such as online sociable media long before Facebook or Twitter, predicting society's technological landscape years in advance.

Over the next decade, the Media Lab developed systems that allowed 3D interaction with virtual creatures along with such breakthroughs as NetSound, a program capable of delivering an entire Beethoven symphony over the Internet in approximately 10 seconds. In the meantime, the digital revolution enhanced human expression and innovative research, from holography to electronic music.

Today, in it's third decade the expanded and renovated $120 million, six-story Media Lab continues to offer an encouraging environment for innovation through research, creativity, and discovery. Operating on a $35-million annual budget and backed by some of the world's leading corporations including Google, Bank of America, and Panasonic, the Media Lab is able to bring together researchers and sponsorship across a vast range of disciplines in an a joint effort to transform society.

Opera of the Future

The Opera of the Future group at the Media Lab examines how musical composition, performance, and instrumentation can lead to new forms of expression, learning, and health. Through the invention of musical instruments that understand, interpret and map the artistic intentions of the performer, this project seeks to enhance music as performance art and develop its transformative power as counterpoint into our everyday lives.

The group is led by professor Tod Machover, a well-known composer. Tod is the inventor as well of Hyperinstruments, a technology that uses smart computers to augment virtuosity and used by Yo-Yo Ma, Prince, and Peter Gabriel. Tod has integrated this technology into one of the group's most recent projects, *Death and the Powers*. This one-act opera features an ensemble of Hyperinstruments, an animatronic stage that "comes alive" as the opera's main character, together with an army of performing robots.

As more and more examples of crowd-sourced and interactive music emerge, *Opera of the Future* has created a new work for symphony orchestra in collaboration with the entire city of Toronto. *Toronto Symphony*, based on real world community building activities, was created with the goal of bringing together people across a diverse platform of age, experience, and musical background. The collaboration process involved thousands of Torontonians who used Media Scores, Constellation web music apps (developed at the MIT Media Lab specifically for this project), and the Lab's Hyperscore graphic composing software that allows anyone to create original material or contribute to the already existing score.

It is technology like this that is breaking ground across music performance and composition. Tod Machover and his team have also created *The Music Toys* at the MIT Media Club, aimed at giving young children the creative tools necessary to innovate through music in new ways.

The Echo Nest

Tristan Jehan and Brian Whitman, founders of music intelligence company *The Echo Nest* first met as Ph.D candidates at MIT's Media lab. Jehan's research was primarily focused on teaching computers how to capture sonic elements of music while Whitman's studied its cultural and social components. In combining both approaches, they formed one of the world's most important digital music companies that, nevertheless, goes under the radar.

Research began in 2005 when they created a vast database—a musical brain—based on individuals' music interests. Similar to Pandora but on a much larger scale, The Echo Nest markets its data to popular music services, custom playlists curators, and radio stations. In fact, the company powers music applications for MTV, The BBC, Warner Music Group, and about 7,000 independent app developers.

The Echo Nest uses two types of technology: A computer program that analyzes songs fundamental elements, i.e. tempo and key, and a search system that scans the web collecting information on what people are posting, tweeting, or commenting about with regards to songs. This data is then combined, giving every track a digital fingerprint containing its musical and cultural attribution and storing it in a database referred to as "the knowledge." This library of information contains 34 million tracks by more than 2 million artists.

In October 2010, the Somerville, MA startup received $7 million in venture financing from Matrix Partners and Commonwealth Capital Ventures. In July of 2012, The Echo Nest received an additional $17.3 million in Series D venture financing from Matrix Partners, CCV, Norwest Venture Partners and three co-founders of the MIT Media Lab. To date, the company has received over $25.6 million in funding as it continues its expansion in sales and marketing.

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Business Articles

Licensing Beyond Borders

By Eduardo Loret de Mola

Technology has a tremendous effect on the music industry. The proliferation of digital content, social media platforms, and brand-new metrics of artist success have revolutionized the business. As the industry evolves, traditional deals transition into all-encompassing hybrid deals, and record labels, publishers, and artists themselves must quickly adapt to the changes or risk falling behind.

The music licensing market is actively expanding its scope within the entertainment industry. Musicians' net earnings from traditional licensing deals are decreasing with each passing year. Nevertheless, there are still opportunities to be found if one is creative enough to spot them. The prospects for musicians to license their works for use in video games, mobile apps, and other innovative outlets are increasing exponentially, and can more than compensate for diminished returns in traditional media.

Other forward-looking artists are looking into foreign markets. Technology brings those markets closer and opens up opportunities of greater revenue. Today, for instance, musicians can set up their own distribution networks in foreign territories and handle their own licensing in those markets instead of relying on record labels or publishers to act on their behalf. However, international transactions can be complicated, particularly when it comes to exchange rates of foreign currencies—a topic that deserves more attention.

Talking Money

Currencies can be divided in two categories: hard currencies and soft currencies. Hard currencies can be "easily traded for other forms of currency without cost-prohibitive fees and at the prevailing exchange rate." In short, they are ready to be made liquid immediately on the foreign exchange market. Examples here are: U.S. Dollars, Euros, Pounds Sterling, Japanese Yen, and Swiss Francs. On the contrary, soft currencies, like the Chinese Yuan, are difficult to convert into the hard currencies and are therefore considered less desirable.

Dealing with soft currencies on international licensing transactions could be potentially disadvantageous for the musician. For example, receiving cash payments in a soft currency would be beneficial only in the case where the musician would want to spend the earnings in the country where that currency is used. However, if said musician would like to exchange the money for US dollars, there could be significant financial implications. Although there are banks that will convert soft currencies into dollars, the likelihood of receiving an unfavorable exchange rate is very high. Also, there are fees that would have to be paid in order to complete the transaction, ultimately making a promising deal much costlier than originally expected.

There are a couple of measures that could be proposed in order to avoid such problems. One solution could be to agree that all payments be in hard currency, though this may not always be an option. Another increasingly popular solution is to agree on a "countertrade" in place of cash settlement. For example, a musician could enter into a foreign licensing or distribution agreement with a company that deals in a soft currency—a synch license for a Brazilian film studio, for example. But instead of asking for money in return, the artist could ask for an interest in economic activities that the other party has in other parts of the world, such as distribution rights for the studio's films in the US. This allows the musician to earn income in a choice currency.

Although it can be stated that hard currencies contribute to the profitability of the deal, there will always be an element of exchange rate risk. International currencies reflect the state of the market, and this can change over time. Long-term licensing or distribution agreements will not be immune. It is perfectly possible that during the term of an agreement, sliding exchange rates devalue a once beneficial deal. However, this applies both ways; a deal can be made with a weak currency and, after a period of growth, it could turn out to be extremely lucrative.

A New Player

Continuing globalization and growing trade with emerging markets will make the above considerations more pressing for musicians. So will the international use of social media. Sites like MySpace, YouTube, Facebook, and Twitter are already providing an outlet for musicians to promote their music to world wide audiences without the support of a major record label (not all of these sites have the global reach that Facebook has). The effect of social networking is also spreading to the licensing industry as evidenced with the creation of SourceAudio, a startup aiming to connect buyers and sellers of licensed music worldwide. Founded in 2007, and based in Los Angeles, it has recently raised $1.2 million in seed funding, confirming that the licensing industry is evolving towards a more integrated platform.

SourceAudio is a cloud-based sync-licensing platform for music publishers and administrators to manage, search, distribute, and monetize their audio assets. It also works as a networking site for people interested in purchasing or selling licenses. The site takes licensing & distributing music to a groundbreaking level, allowing music publishers, musicians, and labels to host and deliver their music to a network of advertising agencies, broadcast networks, production companies, movie studios, and radio broadcasters all over the world. This is innovative in the sense that traditionally, a publisher would have to spend resources building an own site capable of hosting music. Co-founder and CEO Geoffrey Grotz explained that the goal of SourceAudio is not to build a "consumer music store, but rather a platform that will allow musicians and music companies to build their own sites where the people who are looking to license music for their ads, TV shows, or other can search for tracks." Users can customize the way their sites look but the technology and software remains the same.

The company generates its revenue through a combination of charging for hosting music tracks and taking a small cut out of each licensing deal, between a 7 to 10 percent cut. The more tracks the user has, the

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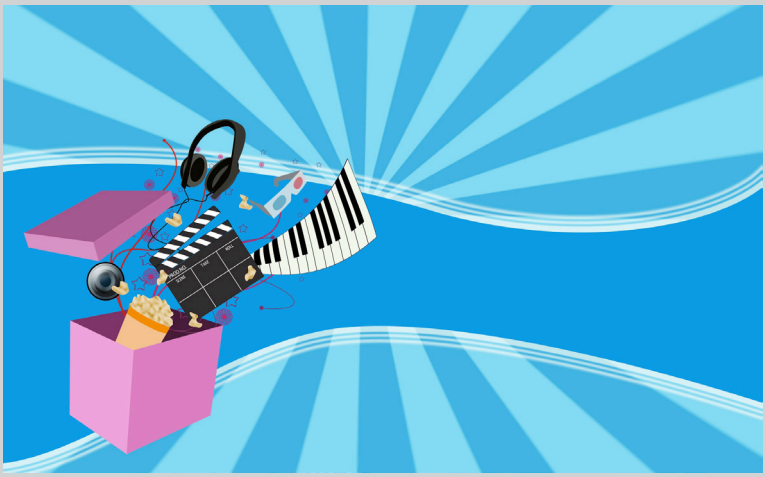
Business Articles

MUSIC SYNCHS GALORE

By Christopher Shank



Over the past fifty years, the music industry has benefitted from a steady and increasingly lucrative stream of revenue from synchronization licensing deals. Traditionally, the film, television, and advertising industries have dominated the licensee market. In the past decade, more and more licensors of recorded music have found synchronization licensing opportunities in the growing video game industry.[1]

Video games have long been viewed as the poorer cousin of other socially acceptable mediums. However, the release of the mega-blockbuster Grand Theft Auto V by Rockstar Entertainment has proved that video game titles are not only capable of generating equally high revenues and wide-spread exposure as the traditional pillars of entertainment, but also have demonstrated a power to introduce entirely new and creative uses for licensed music content.

Synch Licenses and Music

A synchronization license generally refers to a licensed right granted by the owner of a recorded song to use a musical work in synchronization with recorded images embodied in a separate audiovisual work. Typically, the music publisher or record label acts as the licensor of the song, and decides whether or not to allow the use of the song by the licensee in their film, television program or commercial in exchange for compensation paid out by the licensee.[2] Whenever the licensor of a song is considering granting a synchronization license, there are likely three important factors to consider: the compensation, the use, and the potential for positive and efficient means of reaching target demographics.

Compensation is often the first and most significant factor considered in any business deal. Generally a synch license produces a one-time up-front negotiated fee paid by the licensee. Additionally, licenses granted for use in a film or television program can trigger back-end royalties or bonuses when additional revenue is earned by the licensee's product as it morphs into different platforms. For example, OnDemand and DVD revenue for a film, syndication deals for popular television series.[3]

Every negotiation is different, and often hinges a great deal on which party has the most leverage, but generally the fees offered for licensing songs are often directly related to the production budget the licensee has at its disposal. For example, large corporate brands like Best Buy, Wal-Mart or Budweiser have virtually unlimited marketing budgets and major summer franchise films routinely have production budgets exceeding $100 million. As a result, both are often willing to pay higher up-front licensing fees. Under certain circumstances, widespread exposure can often serve as a worthwhile alternative form of compensation depending on the licensee. Television programs tend to offer less up-front money because they have smaller production budgets but are able to remain attractive by guaranteeing large audiences.[4]

The second consideration concerns the manner by which the music piece is going to be used in the accompanying audio-visual work. For example, will the whole song be used, or just a snippet? Commercials by their very nature are limited in that they usually are either thirty or sixty seconds long. Is the song going to be featured prominently in the foreground of the audio-visual work or the background? A film might choose to use a more significant portion of a song at the beginning or end, but the song is often a secondary to what is happening on screen. The more relevant the song appears to be within the greater context of the audio-visual work the better. Journey's classic "Don't Stop Believing," enjoyed a spike in sales after it was used in the final scene in the series finale of "The Sopranos."[5]

Finally, film, television shows, and marketed brands already have an idea of the demographic groups they aim to target. As such, the better the brand cohesion is between the licensor's song and the licensee's product, the better the results. During the Super Bowl broadcast in 2011, the Ford Motor company began its "Made in Detroit" re-branding effort by running an advertisement featuring a hit song by the Detroit-native superstar Eminem.

Grand Theft Auto V

The biggest knock on the video gaming industry in the past with regard to the attractiveness of synchronization licensing is the perception that a popular video game simply does not generate as much gross revenue or command the kind of wide-spread exposure that is commonly associated with a big-budget film, a highly rated television program, or a national advertising campaign for an easily recognizable brand. However, the release of Grand Theft Auto V has proven that a popular video game is capable of earning high gross revenue and exposure that rivals any form of major entertainment.

Grand Theft Auto V, released on September 16, 2013, reported $800 million in world-wide sales in its first day.[6] It blew past the $1 billion threshold in only three days. To put those figures in perspective, the highest three day total for any film in world-wide box office receipts was set by the eighth and final installment of Harry Potter, which took in roughly half, $493 million dollars, in its first three days.[7] It took Avatar, the highest grossing film of all-time, seventeen days to gross $1 billion. In addition to a $165 million production cost, the Grand Theft Auto V makers spent an estimated $100 million to market and promote the release. Commentators have noted that "the global music industry sees less than $1.4 billion in record and song sales each month", and that Grand Theft Auto V, a single video game, "in its first month of release . . . [outsold] *the entire global music industry*."[8]

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This, of course, ignores that only some of the game's revenue is allotted to musicians and that the recorded music industry earns its keep by selling just music (the figures of music sales come from the International Federation of the Phonographic Industry, the trade body that monitors the global value of recorded music product).

An Abundance of Music

Perhaps the most salient feature of Grand Theft Auto V with regard to synchronized music licensing is the volume and diversity of the songs available in the game and the manner in which they are used.

First, it is important to understand the basic premise of Grand Theft Auto V. In video game parlance, Grand Theft Auto V would be considered a third-person role-play game. The player controls one of three main characters in a way that at a quick glance resembles the popular "*The Sims*" computer games. The formal object of the game is to guide a chosen character through a series of missions that involve completing a wide-variety of (pretend) criminal tasks related to a rather compelling and coherent storyline spread out over an enormous fictional world created largely to mimic and satirize the greater Los Angeles area. Because of the enormous layout of the fictional city, like most real-life Angelinos, the vast majority of playing time in the game is spent driving in a car.

Every car in the game comes equipped with the same fully interactive radio that allows a gamer to channel surf at any time. There are eighteen genre specific radio stations to choose from at all times. Each station plays songs at random in their entirety drawing from a playlist unique to each station. For example, "Channel X" is a punk rock station hosted by real-life punk singer-songwriter Keith Morris who spins roughly a dozen different tracks by Black Flag, Youth Brigade, and Agent Orange among others. The "Non Stop Pop FM" station plays selections spanning over 30 years of pop hits - from 1980s hits by Hall and Oats and Wham!, to more recent offerings by Enrique Iglesias featuring Pitbull, Britney Spears, and Rihanna. "West Coast Classics" offers non-stop geographically relevant hip-hop staples of the 1980s and 1990s from the scene's biggest icons including N.W.A., 2Pac, Dr. Dre and Snoop Dogg.[9]

Observations

With Grand Theft Auto V, consumers of the licensee's work are capable of interacting and customizing which licensed songs will ultimately be synched. Because the game has licensed so many songs spanning across all genres of music, the experience of playing it is inclusive of most types of music. Still, the game attracts those that enjoy hypothetical felonious acts of violence. As the gamer's character is pursued by a swarm of cops on a high speed chase down an interstate, the user discovers indie acts like Black Strobe and DJ Mehdi on "Radio Mirror Park". For mellower criminal profiles, the smooth and subtle classic soul renderings of Smokey Robinson found on "The Low Down 91.1" might do just as well.

Overall, it is unlikely that every video game will be as well suited to the industry as Grand Theft Auto V. Tying interactive gaming and much music choice effectively into a blockbuster release will always, of course, be welcome news for musicians and the business. On the other hand, it is hard to guess if music discovery and artist payback may have turned a corner. This is because it is difficult to gage the significance of the revenue generated by the game in the overall collections of synch licenses. Such transactions are not the subject of public record and the parties involved, songwriters and their publishers and, in this case, video game developers do not report them. Collections for synch licenses are much less transparent, for example, than sales of recorded music, where indie and major labels routinely report their numbers, confidentially, to their respective national trade associations; the latter then aggregate the data, protecting the original source. MBJ

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Licensing (cont.)

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higher the price to be part of the SourceAudio network. For example, "hosting between 1 and 499 tracks costs $99 a month, while hosting between 250,000 and 499,999 tracks costs $999 a month." Consequently, if a record company with an extensive catalog steadily adds tracks, it will move up the scale of pricing. Currently, the company hosts around 600 catalogs with 5 million tracks of 3,400 music labels.

Grotz has stated that the long-term vision for SourceAudio, is to become "the iTunes or Amazon of the multi-billion dollar global music licensing business." Others have tried the concept before, notably entrepreneur Gerd Leonhard in San Francisco with LicenseMusic.com. But, in the late 1990s, before the explosion of social media Leonhard may have been ahead of his time. Funding for SourceAudio is likelier now than it was for LicenseMusic after September 11. MBJ

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BUSINESS ARTICLES

The Cost of Free

By Athena Butler

When it comes to recorded music, today's consumers enjoy a free ride and seem to have all the answers. Song sharing is there for the taking and, in any case, the old music sales model is archaic. But if out with the old and in with the new is stylish in music, the same is not true of music recordings.

For the business, it seems, free is good. However, the decline of recorded music sales has been catastrophic since 2001, when piracy became rampant and the single song Apple economy banished the album. Now, hope for the sector requires a giant leap of faith. In the meantime, the tough job of finding new ways to compensate for this loss of profits falls to the record companies. It may appear that artists are gaining more exposure as music changes hands often and easily. But is the moneymaking of old within the reach of the business?

In recent years, the recording industry has endeavored to replace its album-based revenue stream with more panoptical and commercial based income. For instance, it has used 360 degree type deals, whose object is to secure additional revenue for the label by tapping on artists' live performances, branding, and merchandising. This has been seen by some, including well known trade writer Donald Passman, as the cornerstone of an industry response to the crisis of recordings.

Certainly, today's artists seem to make much more income from touring than records. The more songs are shared for free, the more artists get heard and talked about. Many independent bands follow this approach and encourage peer-to-peer file exchanges in order to get their names out there. But a whole generation of talent seems to be going further and posting music for free online in the hope of gaining notoriety. For example, Drake has added plenty of appeal by regularly adding free songs to his website while chart topping rapper Mac Miller maintains that his career began with the distribution of free mixtapes. Similarly, music sampling is used to create larger fan bases and drive concert attendances through illegal downloading and free dispersal, something that Lil Wayne and Kanye West know well.

What this means for record companies is total alienation from the traditional business model, and near zero emphasis on recorded music and no money for artist development. The supply chain, and especially talent, has been taking a hit, with the U.S., for example, suffering, by any standards, a catastrophic drop in the value of recordings (from $12 billion in 2001 to about $6 billion today). Moreover, successful Instances of ' free' seem exaggerated and are often only suited for top ranking stars who have plenty of access to multimedia and residual bankroll. Radiohead's attempt at financing a new release with fan donations in 2007 met with poor results; the band, at the time the poster child for the new music economy, has since regretted the move. In the meantime, subscription and/or ad-based streaming services deliver poorly for artists--which does not help engrain the concept of music recordings as a valuable commodity for investors or the public. In the clamor for 'free', honest, good work, is getting lost in the shuffle, with the business community oddly silent about the time spent by artists honing their craft, writing music, practicing, studying the music of others, performing, and mimicking until they come up with the best possible material they can muster. Music production, one of the leading edges of our culture, seems to be held hostage to a vague and ill-suited business proposition: that marketing reigns supreme.

For sure, artists end up in atypical situations in order to stay alive and relevant. The public is most plugged into entertainment that promotes an escalating shock and awe standard, and this means that writers, producers, and performers must continue to push boundaries in order to keep their jobs and/or remain in the public eye. Stars like Miley Cyrus and Britney Spears stun the public by baring skin on camera, while lyrics , such as Robin Thicke's "Blurred Lines", are used ever more provocatively. Similarly, the media will only sign artists with all eyes and ears on them. Therefore, it is not enough for a musician to be noticed; they must pop-up and make an indelible impression by any means. This was not so when recordings were valuable.

The whiplash of free, in conclusion, may well be the complete erosion of recorded music as a commodity. This is a very steep price to pay for the industry. MBJ

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Keyword Search

MIT (cont.)

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The Echo Nest's massive database of music intelligence is not the only key component to its success. The venture has opened up a simple API documentation site for developers to use, which has lead to over 150 music applications integrating the companies music search, discovery and analytics information into their programs. Through allowing open access of information, the company has transformed would be competitors into long term, reliable customers.

Hacking Arts

The MIT Media Lab and *The Echo Nest* both heavily involved in "Hack Days" which are aimed at giving developers and entrepreneurs free access to technology for non-commercial experimentation. Just recently, the Media Lab hosted its first annual festival and hackathon exploring the intersection of art, technology, and entrepreneurship.

The event brought together students from MIT, Harvard, and Berklee College of Music to hear from entrepreneurial thinkers in all the creative industries, explore demos from early-stage music startups, experience tech-enabled live performances, and produce technology based projects related to art and entertainment.

The event featured keynote speakers *Panos Panay*, founder and CEO of Sonicbids, *Jim Lucchese*, CEO of The Echo Nest, *Kristen Bender*, Senior Product Manager of Music at Sonos, and *Ron Ubaldo*, Berklee Alumnus and Director of Partnerships at YouTube Music.

The MIT Media Lab, after more than 25 years of research, is committed to the principle that most imaginative work comes from antidisciplinary culture. With a dedicated group of passionate researchers, the Lab is generating the formula and paving the future of arts, technology and entrepreneurship. MBJ

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