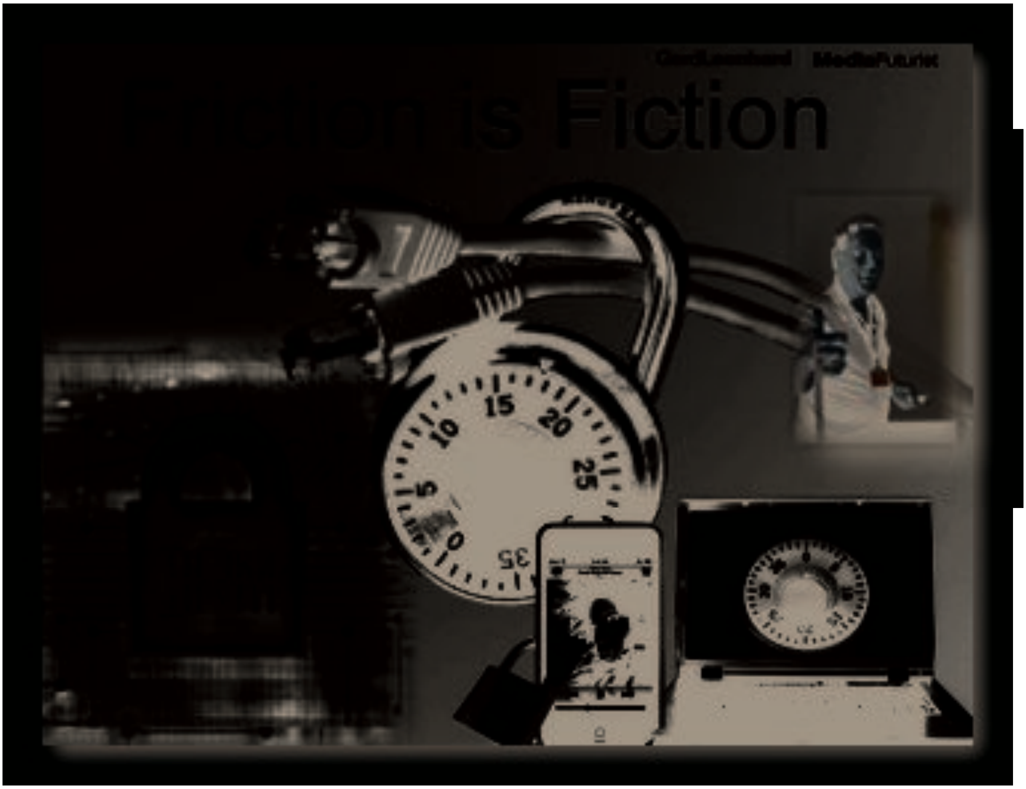

Friction is Fiction

Futurist Gerd Leonhard's best Essays, Writings & Blog Posts

May 2010 Black & White Edition 3.0

(constantly updated since January 2008)

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The Future of Content: Protection is in the Business Model not in Technology

If I received a dollar every time I get a question along the lines of "how can the content industries compete with FREE?" -- I would be traveling first class everywhere I go. Underneath this question I often find my favorite toxic assumption: "less control over distribution means less money."

This belief is as tired as it is poisonous: enforcing control (when trust is really what's needed) will yield instant disengagement, which swiftly and surely will translate into dwindling revenues -- as the music industry keeps proving again and again. If you believe in control rather than value and trust, the content business of the future is not a good hunting ground for you. Take eBooks: despite clear and present proof that DRM has proven disastrous in selling digital music (and now is pretty much history), technical protection measures are still being looked at to 'secure distribution'. When will they ever learn?

The thinking that the digital distribution of content must be controlled to achieve any kind of reasonable payment is fundamentally flawed because of this not-so-futuristic realization: in our open, mobile, social and digitally networked economy, content publishers need to offer their goods in a way that no longer centers on the distribution of units (digital or physical) as the key revenue factor. The idea of just selling copies is toast - selling (i.e. offering) access is where the money is. Kevin Kelly said it years ago: we must sell what can't be copied, what's scarce, not what is ubiquitous.

The irrefutable trend is that the window of opportunity of 'selling copies' (be it iTunes, eMusic, the Kindle or the iPad) is rapidly closing. The real opportunity, the TeleMedia Future, is in selling access and presenting a constant stream of up-sells (i.e. added values and offering content-related *experiences*). Remember, as Mark McLaughlin so righly pointed out in the HuffingtonPost recently, consumers have never *really* paid for content - they paid for distribution! And now, distribution means Attention and Access.

Imagine when buying access to eBooks, you wouldn't just pay for the authorized enjoyment of the authors' words, but you would also gain instant access to highly curated and socially-networked commentary, a fire-hose of meta-content provided by your most important peers and friends that may also be reading these books, and their ratings, explanations, slide-shows, images, links, videos, cross-references -- and maybe even some direct connections with the author or the publisher. In an access-based, bundled and cloud-centric content ecology, being a legitimate and authorized user enables engagement, conversation, relevance, personalization, meaning... i.e. it unlocks really valuable benefits for the user. Connect with Fans + Reasons to Buy (as has been mentioned on this blog a few times, before, I believe) - that's where the money is.

In music, streaming-on-demand will without a doubt be available 'for free' (i.e. bundled and packaged by 3rd parties) or advertising supported, while many added values *above and beyond the mere reproduction of music* will not - no matter whether WMG's CEO Edgar Bronfman thinks it's a good idea 'for the industry' or not.

Just imagine where an access-to-the-cloud model could go next: if I want a high-definition version of my favorite opera or that Blue Note Jazz Club concert from last night I could buy a premium package that provides it. If I want to share my personal play-lists, ratings and comments with my Facebook friends, and get access to their content, as well, I can add the 'social network option' to my package. If the price is right (micro-transactions, anyone...?), I'll buy - because I am already hooked on the music.

The music industry needs to ask itself this question: if a permanent, unprotected download of a song would cost only $0.10, or if an ad-supported version of a on-demand, all-you-can-eat music service would be seamlessly bundled into your mobile phone subscription - would anyone still bother to scour the web to find badly ripped, virus-laced tracks for free? Would we need 3-Strikes or HADOPI or Digital Economy Bills?

Yes, I know, that price point sounds ridiculous for those record label CEOs that used to sell CDs for 15-25 Euros a piece, but hang on a second: if they can get 95% of the users to *buy access* at a much lower price (and almost zero cost of duplication and distribution!), and in that process really engage with them, the fans would also do the marketing for them - i.e. share the links. Sounds like a great model to me. But of course: selling access at a much lower (or feels-like-free) price to quite literally everyone only makes sense if it actually connects directly and smoothly to a multitude of up-selling possibilities, such as interactive versions of eBooks, high-definition versions of online radio shows, albums or concerts, in-depth analysis and audio/video commentary for news, etc.

Now, content storage is starting to move from my own computer or my hard-drives into the cloud - and I think this is very good news for content creators, publishers and rights-holders because it makes it even easier to engage and up-sell to those new generatives. Crucially, the answer to the constant quest of monetization is also in the cloud: I believe most people will soon stop sharing the actual media files (since they are getting increasingly larger and larger, and therefore more unwieldy) and will share only the links, the bookmarks, the metadata or the tags, and that should be a boon for the content industries.

The perfect test bed for 'Media as a Service' (MaaS) may unfold soon, with Apple's new iPad or Google's Tablet (hopefully). Extending the concepts mentioned above, rather than blocking my wife or my kids from sharing an eBook with me it would be much more logical if I could easily read her book, as well; but beyond the 'copy of the words' all else would not be available without a micro-transaction on my part, i.e. I would not have instant access to the cool video clips, the updated links, the footnotes, the ratings, etc; i.e. all that valuable context that will make eBooks so much more powerful would be out of my reach until I validate my own access.

The bottom line: content sharing isn't the real problem: high price points, outmoded, pre-web toll-booth concepts, broken relationships and processes, low values for high prices, bad technology and service, and utter lack of conversation and engagement are.

Here is my message to publishers and content owners: lower the prices for access to your content to the point of unanimous excitement, use open standards and technology platforms that work for everyone, everywhere; bundle and package as attractively as you can (then: repeat). Team up with ISPs, mobile operators, advertisers and device makers.

Remove all the reasons that your users may have to avoid your new toll-booths and skip the desired conversion to 'paid' - the lower the hurdle for legitimate usage and paid engagement, the higher the added values, the less you will have to worry about 'competing with free'.

My iPhone & Android mobile apps: pay what you think it's worth!

2 weeks ago, I launched my free iPhone app, followed by the Android version just a few days ago, powered by MobileRoadie in LA. Now that I am very close to the first 1000 downloads I wanted to share how I intend to 'charge' for the apps and the exclusive content that I plan to make available there. So here it goes... as you may have noticed, almost all of my content is free, including this blog's full RSS feed, 65+ slideshows, 100+ videos, most of my books & PDFs, and, for now, the new iPhone and Android mobile apps. I make a living with speaking engagements, keynotes, think-tank events and seminars, advisory work, CEO coaching sessions, and various other, mostly fun things; and I am indeed very privileged to really enjoy my work and make a living at the same time (an usual combination, I hear).

I want to continue to provide you with lots of great *and* free content even though many (if not most) people have suggested that I should start charging upfront for my content. However, instead of going down the road of requiring you to 'pay before you get' my content, i.e. to pay for my apps via iTunes or the Android Market I have decided to deploy my own version of the often-cited 'Radiohead Model' (borrowed from the group's (in-)famous approach to selling their music for 'whatever you think it's worth'), i.e. you will continue to receive a lot of stuff for free but yes, you can indeed make a payment if you like what I do. And I would be delighted if you do. Below, are 4 ways to return the favor, help me pay for my iPhone apps and to otherwise monetize (terrible word but appropriate):

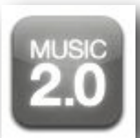
1) You can go to my Lulu bookstore and either buy a dead-tree i.e. printed, packaged and shupped version of my books, such as Music 2.0 for $17.75 or Friction is Fiction for a whopping $60.40 (sorry for the price but it's a lot of pages, 4c, the cheaper b/w version is here), or any of the PDFs ranging from $2.50 to $7.50 (even if you already have it... that's OK, too). 2) You can go to Amazon and order my 'old' and first book "The Future of Music"which is still a great book (co-written with Dave Kusek); just keep in mind that since this book is owned and marketed by a publisher (Berklee Press) it is not really the most direct way to ship a few $ directly to me;) - but still very much appreciated. The audio version is here, btw. The self-published, Lulu-powered "Friction is Fiction" book mentioned above is also available via Amazon so I'd prefer you to buy that first, or ... just get both. 3) If you want to 'pay with attention' and give me some *social capital* rather than real money, that's OK, too (I shall ask my landlord to accept face-

book points, soon, as well - seriously;). To this end, I would suggest these mechanisms:

- A nice, juicy blog post about my work, my presentations or my videos, or books
- A series of tweets, or retweets
- A nice review of my books (Amazon or Lulu) or iPhone / Android apps (Apple App store is good)
- Nice comments on my slideshows or videos (incl. my Youtube channel)

4) Finally, and most efficiently, you can just make a payment for what you think my stuff is worth to you; and guess what - there is no limit! Use Paypal for gerd@gerdleonhard.com And you can do it more than once, too ;)

Warner Music Group 2.0: my unsolicited advise on how WMG could embrace the Future



Yesterday, the Net was buzzing with news from Warner Music Group's earnings call, with Edgar Bronfman announcing his intention to not license 'free' streaming services any longer. Rather than rant about this (as tempting as that may be), I thought I would just share some ideas with you, and with Edgar, on what else WMG could do to become.....well, WMG 2.0. Some of these ideas were initially presented to another major music company about 9 months ago, btw. I don't know where this ended up, though - stay tuned.

Dear Edgar, based on what I have learned of my 16 years in digital music, and distilled from the 2 music-specific books I (co)-wrote ("The Future of Music", and "Music 2.0") here are a few ideas on how I think WMG could reposition itself and achieve future growth:

Create and offer a complete, cutting-edge online platform for your artists, writers, labels etc. Let's call this the ArtistOS. It should pretty much mirror what Google already does for Internet users, in general, i.e. provide free access to very powerful and inter-connected Web2.0 tools that used to cost 100s of 1000s of $ to build but are now provided free of charge. These tools could include things such as music widgets and embeddable flash players for audio and video, twitter-API based marketing and communication tools, connecting tools based on Facebook- & Google-Buzz/Connect, multi-site upload and updating tools (similar to TubeMogul for videos), text/video/audio RSS feeds and syndication tools, ad-insertion tools and production technologies (for widgets and web pages), mobile phone applications for quick-launching artist and label apps (see MobileRoadie!), general content syndication and CMS tools, Google Buzz, Tumblr- and Friendfeed-like services for artists, Google-analytics-like tools for tracking and analyzing web traffic, and much more. Building (or licensing!) these tools would require some dedicated resources but this would not be a huge undertaking in terms of budget since most of these solutions are based on existing APIs, feeds and various open source offerings. Having the ArtistOS available to anyone that works with WMG would be huge strategic advantage, and would greatly simplify marketing and promotion tasks, as well.

Define, publish and promote a Collective, Global and Open Licensing Platform. The biggest obstacle for strong growth in the Music 2.0 era is the utter lack of global licensing standards for the legal use of music on the Net, and apart from the admirable Jim Griffin - led Choruss initiative WMG seems to still be following the old-school path of ‘ignore & deny’, here. Not good. The current licensing procedures are causing severe friction in the digital content ecosystem, and represent a significant hurdle to innovation - and thus to creating and nurturing new revenue streams. WMG 2.0 could solve this problem by pioneering a standardized and collective licensing platform that is open to everyone, transparent, flexible, and revenue-share based rather than fixed-fee based, therefore allowing for liquidity in the new digital market place. Providing a public, standardized yet flexible and open license to all streaming-on-demand services would be a very good way to start this process - and the time to do this is now. Yes, I know, advertising revenue splits are not bringing in much money, now - but they are dead-certain to do so within 18-24 months, when up to 25% of all advertising budgets will be shifting to digital, interactive, mobile and social platforms. Have some imagination. Build the Future (don't keep asking for it to be delivered to you).

Vigorously pursue flat-rate and bundling scenarios for the licensing of your entire catalog in return for flat fee payments, RAND-based revenue shares and fair splits of advertising and other revenue streams (similar to what Google has done in China, TDC in Denmark etc). Licensing access to music, rather than (just) copies, is the only way forward in a connected, always-on world that already equals listening with owning. Switch from relying on scarcity to monetizing ubiquity and abundance, and invent new models that fit this. Generate new revenues by engaging with ISPs, telecoms, ICT companies. mobile operators and search engines. Drastically reduce friction. Embrace ‘free’ models as long as somebody will pay somewhere.

Develop (or license) and deploy your own mobile music applications, on all platforms (iPhone, Android, Symbian, Windows etc); make mobile applications the center piece of all marketing and selling efforts, worldwide - the future of music is mobile, period. Think of mobile applications as the new CD; and therefore of music as....software. Roll out applications for all new releases, and for all your labels and brand. Make the basic apps free, but offer very attractive ways to upgrade, in all territories. It’s all about the packaging!

In terms of future sales, think Freemium, and think access not (just) copy. Offer things that used to cost money (such as listening to a song, on demand), for what I like to call feels-like-free (i.e. in return for the users’ attention); just be sure to find ways to convert 20-50% of those users (aka the friends, fans and followers) to all kinds of new premium services, such as high-definition versions, concert recordings and web-casts, special products, digital compilations etc. In addition, dramatically lower the price for physical products while providing all kinds of premium products - again, focus on selling access to music not just products.

Investigate the concept of crowd-sourcing new talent. Use the web’s increasingly useful collaborative powers to discover new artists, and draw bloggers and pro-sumers into the A&R process, worldwide. Bloggers, in particular, are the new Radio DJs! Combine some of the ‘wisdom of the crowds’ with your own professional A&R people. Do what P&G has done with Innocentive and their own ‘Connect and Develop’, and what DELL has done with Ideastorm, and what Kodak is doing in Social Media. The benefits seriously outweigh the risks.

Drop most if not all of the on-going law-suits, and switch your legal strategy to a 100% solution-oriented process. Compensation not Control is where the money is; all else is just posturing. The IFPI and RIAA-led efforts of enforcing control in an exponentially consumer-empowering media ecosystem have all failed miserably, and will not produce any monetary results in the future (except for enriching the lawyers). Here is a tough one for you: do you still need these lobbyists? Rather than spending most of the time preventing what the 'people formerly known as consumers' really want to do, all available energy should be put into exploring, building and co-developing those 'new generatives' for digital content, i.e. next generation advertising and branded content, packaging, bundling, flat rates etc.

Pursue drastic and large-scale innovation within - and on the fringes of - WMG. Bring the smartest possible people into the company; apart from content and talent (of course), focus on technology, mobile and next generation advertising and marketing. Invest in start-ups that can invigorate WMG 2.0 and provide significant strategic advantages.

Start to really talk to the music users, and have actual conversations with your customers. Engage on public conversation platforms, switch your PR and corporate communications from push to pull. Launch a WMG executive blog, start using Twitter; turn push into pull across the board. Do a Kodak - and go beyond! Create more transparency which creates trust which creates new business opportunities. Win back the trust of the consumer (better: the users) and the artists.

Offer profit-sharing arrangements with your artists: from a fixed pool of profit shares, each artist that is affiliated with WMG could receive a bonus payment that is proportional to their significance, every year. Do something similar with your staff.

Decentralize your distribution efforts, syndicate the music as wide as possible. Youtube gets 60% of its traffic from people embedding video players into their own websites - do something similar for your catalog. Instead of (or at least, along with) building or supporting central destinations, allow the users & fans to do the marketing for you, and syndicate your assets around the web. Think RSS, feeds, XML, API, not MTV.

Data is the new Gold - mine it! Making money around the music (not just from or with the music) is where the future is going. Investigate new business models that are based on data-mining, next-generation advertising and branded content, and behavioral targeting

Attention is the new Currency (and Data is the new Oil)

I wrote the first part (about attention) in my blog-book "The End of Control" in 2007 - and it's becoming even more true, today, so I figured I would collate some of my 2007 writings on this, below. The 2nd part (Data is the new Oil) is more recent but the 2 statements seem to make a perfect blend. Enjoy.

"Attention is the New Currency: Forget the Idea of “Controlling Distribution”. Let’s face it: In our increasingly networked world, the vast majority of media content simply cannot be kept away from its audience....in our world of Googles, Facebooks, YouTubes, and iPhones, all content is just zeros and ones, and trying to prevent its “leakage” is simply futile. There are countless potential points of leakage in the pipeline of production, packaging, distribution, marketing, and promotion – now, Friction is Fiction, indeed! Today, distribution (legal or not) is simply a given, and it is attention that is getting scarce. Today, the good old, safe and simple old way of charging by the unit (be it CDs, DVDs, a la carte downloads, or premium TV channels) feels seriously “illiquid.” To prosper in this new digital media economy, we must support a new ecosystem built on giving the users easy, cheap, and unfettered access to content. We need to woo the users, not barge in pitching pieces of fancy plastic or copy-protected media files. These Digital Natives are much more likely to first opt-in to a comprehensive digital service (yes, including wireless), and only then buy a physical product. Furthermore, packaged media isn’t off the table; it’s just not the first course anymore. If you don’t offer some free — or rather, feels like free — starters, they’ll eat elsewhere.

Therefore, we must create media ecosystems that will simply give the “people formerly known as consumers” (i.e. those that no longer just consume but also interact and create, themselves) the official green light to do what they would do anyway — serve themselves from this wealth of content whenever they want, wherever they are, and in whatever manner suits them. Once they have paid attention in this way (note the word “paid”), a content creator or media provider can harvest a myriad of opportunities. The tollbooth has moved up the road a bit but this is now a trusted and reliable road that will inevitably lead to the monetization point. Put the tollbooth too early and 95% of digital travelers will turn around and look for other ways to get there!The rise of the Attention Economy in media does not just bring about The End of Control, it also brings light to what I like to call the twilight zone of content: those very large catalogs of music, films, TV shows, and books that have been out of distribution or out of print for a long time, and that languish in the archives as if they’d never been created in the first place. What better revival of their work can any content creator hope for? Soon, they will finally be able to harvest substantial and recurring revenues via these flat-fee subscriptions (be they voluntary or built-in via public levies), in addition to the revenues flowing from integrated, intelligent, and highly customized advertising formats..." Read more at www.endofcontrol.com

Shifting to an Open Operating System (and not just in media)

I just re-discovered a video of an interview with me (see below), during Picnic 2009; posted by the European Journalism Centre. There are a few important points from the video that I want to share with you:

- The new winners (with the possible exception of Apple;) are all pursuing open platforms; i.e. products and services that can easily yet deeply connect with others (I sometimes call this 'the cult[ure] of API'), companies that are ready to collaborate, *co-creat*e new business opportunities and share revenues (see Google, Skype, Twitter, SixApart, Wordpress, NPR, The Guardian, Salesforce.com, Amazon etc)
- The switch from 'The Network' to 'The Networked' and from Broadcasting to Conversation is a shift across entire societies and cultures, not just in business or technology; this is further amplified by the simultaneous move towards radical globalization *and* increased localization
- In an Open OS i.e. an interconnected Ecosystem (good examples include Google *for now, and the blogosphere) you don't compete with mere force or market-power, you compete on merit and trust. This is why I believe that once the system is more liquid and there are less hurdles to 'conversion from free', good artists / creators / producers / curators will indeed prosper more than ever before (call me an eternal optimist)

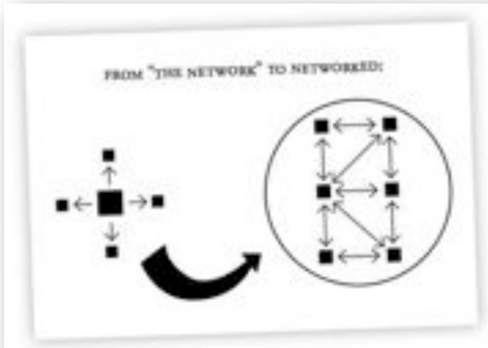
- Pretty much every creator already knows it's not (just) about selling copies of his/her work, rather, in a connected and interdependent ecosystem it is about selling the brand, the perception, the experience. This is why the content industry's tradition of over-emphasizing copyright as the *sole* guarantor of future revenues won't work (at least not if you want to actually increase revenues rather than just maintain an illusion of control)
- In an Open Content Ecosystem it won't really matter who copies what, but how much attention you get before and during the process, and how good you are in converting it into action and / or real monetary value (and this is as true for brands as it is for content creators)
- In a digitally networked society, the value isn't so much in the content, itself, as it is in the con*text* (see my previous post on the same topic)

Comment on: Umair Haque on Google, China, Control and 21st Century Business Paradigms

This is another brilliant commentary by Umair Haque via the Harvard Business Review - he spells out a lot of stuff that keeps coming up in my presentations, as well; so here's a bit of a *remix* of this juicy post, my comments are [...]

"On one side is the old high ground of the industrial era capitalism; on the other, the new high(er) ground of next-generation capitalism. The yawning chasm in between them is the gap between the 20th century and the 21st". I call this the EGOSystem vs the ECOsystem. "Currency intervention, breaking Copenhagen, crackdowns , collusion, corruption, coercion, and censorship: China's ongoing bad behavior as global citizen is, when we connect the dots, the gigantic elephant in the world's boardroom. What's driving it? The quest for monopoly, monopsony, and control".

"That's yesterday's high ground, and China's focused like a laser beam on it. China's moves are the textbook stuff of b-school's blackest arts. Through larger distribution, fiercer litigation, greater exclusivity, cheaper and faster production, a bigger cash pile, advantage is gained. But the high ground has shifted. The new high ground is an ethical edge. It's not about having more; it's about doing better. It's not about protecting exports, pressuring buyers and suppliers, price discriminating against the powerless, and programming consumers to buy, buy, buy — it's about making people, communities, and society authentically better off. It's not about caring less — but caring more. It's not about ruthlessness. It's about mindfulness" [Couldn't have said it better, myself; here are just a few things I would add: in this new ecosystem that Umair is describing, we will need to develop web-native economic models and entirely new metrics for evaluating them, friction will indeed be fiction (to a very large degree) and the importance of control will be utterly eroded by the steadily increasing power of trust, engagement and transparency]



"The old high ground was built for 20th century economics: sell more junk, earn more profit, "grow" — and then crash. An ethical edge operates at a higher economic level. It is concerned with *what* we sell, *how* profits are earned, and *which* authentic, human benefits "grow." It's a concept built for the economics of an interdependent world" [A key term, imo: an interdependent world, i.e. not a broadcast world but a connected and networked world]

"An ethical edge just might be the ultimate cause of advantage. It's how better distribution, production, marketing, and pricing — all just proximate causes of advantage — ultimately happen. Jim Chanos's investment thesis says: without an ethical edge, new value cannot be created — old value can only be shuffled around (hi, Wall Street)....So here's the single question everyone should be asking. The old high ground is the new low ground. Yesterday's mountain is today's valley. Are you ascending to the new high ground?"

via blogs.hbr.org

Mobile Trends 2020: slideshow & select wisdoms

Fellow mobilist and DotOpen Founder Rudy de Waele has drummed up some great predictions, bottom-lines and other assorted wisdoms from 20+ really great people (including myself...for some odd reason; in any case I am really delighted to be asked to contribute - thanks Rudy!), asking us to provide input on out top 5 mobile trends for the next decade....

Here is my stuff, excerpted (from slide #9)

1. Mobile advertising will surpass the decidedly outmoded Web1.0 & computer-centric advertising - and ads will become content, almost entirely. Advertisers will,

within 2-5 years, massively convert to mobile, location-aware, targeted, opt-ed-in, social and user-distributed 'ads'; from 1% of their their budgets to at least 1/3 of their total advertising budget. Advertising becomes 'ContVertising' - and Google's revenues will be 10x of what they are today, in 5 years, driven by mobile, and by video.

2. Tablet devices will become the way many of us will 'read' magazines, books, newspapers and even 'attend' live concerts, conferences and events. The much-speculated Apple iPad will kick this off but every major device maker will copy their new tablet within 18 months. In addition, tablets will kick off the era of mobile augmented reality. This will be a huge boon to the content industries, worldwide - but only if they can drop their mad content protection schemes, and slash the prices in return for a much larger user base.

3. Many makers of simple smart phones - probably starting with Nokia- will make their devices available for free - but will take a small cut (similar to the current credit-cards) from all transactions that are done through the devices, e.g. banking, small purchases, on-demand content etc. Mobile phones become wallets, banks and ATMs.

4. Quite a few mobile phones will not run on any particular networks, i.e. without [I mean unlocked] SIM cards. The likes of Google (Nexus), and maybe Skype, LG or Amazon will offer mobile phones that [may eventually] will work only on Wifi / WiMax, LTE or mashed-access networks, and will offer more or less free calls. This will finally wake up the mobile network operators, and force them to really move up the food-chain - into content and the provision of 'experiences'

5. Content will be bundled into mobile service contracts, starting with music, i.e. once your mobile phone / computer is online, much of the use of the content (downloaded or streamed) will be included. Bundles and flat-rates - many of them Advertising 2.0-supported - will become the primary way of consuming, and interacting with content. First music, then books, new and magazines, then film & TV.

My comments on: Tim O'Reilly on Safari Books Online: a Cloud Library as an alternate model for ebooks (and other key learnings for online content)

Back in October 09, Tim O'Reilly (someone that I really admire for his cutting-edge and very wise thinking on the future of content and technology) published a very important piece on ebook publishing, on the occasion of the Safari eBook portal relaunch.

I think that most of us working in the content industries can learn a lot from this post, no matter if it's about books, magazines, news, music, film or software. I will therefore summarize his most important bottom lines, below, and provide some comments and context where needed.

- "Recent releases of O'Reilly ebooks as iPhone applications have even outsold the same books in print" Comment: in my view, this trend will happen with most business books, and text books, in the next 2-3 years (beyond the iPhone, of course, i.e. for all kinds of mobile devices)

- "Most people thinking about ebooks are focused on creating an electronic recreation of print books, complete with downloadable files and devices that look and feel like books. This is a bit like pointing a camera at a stage play and concluding that was the essence of filmmaking" Comment: this is a crucial point - publishers and distributors urgently need to let go of the idea of merely recreating offline sales models online.
- "Everything is always in sync because your library is in the cloud; an ebook cloud works the same way the web itself works. It provides ubiquitous access and shared experience" Comment: amen. indeed.
- "One of our mottos at O'Reilly is to "create more value than you capture."

And from Tim's 1995 (!) piece Publishing Models for Internet Commerce, here are some more morsels: some of the characteristics of the print publishing market:

- Barriers to entry are low. Especially with the advent of desktop publishing, almost anyone can produce a book, a magazine, a newsletter.

- Niches abound. Over 50,000 books are published each year in the U.S. alone. A major bookselling chain such as Borders keeps literally hundreds of thousands of unique titles in inventory. And despite major industry consolidation,and focus on a small number of bestsellers, there are still thousands of publishers, ranging in size from those who publish only a single book to those who publish thousands. What's more, there are about 3500 general circulation magazines and tens of thousands of newsletters and other limited circulation publications.

- So do business models. Books are sold "by the piece." They are also available for free in the library, though in limited circulation. Magazines and newspapers may be had for free (perhaps subsidized by advertising or membership), for a single-copy newsstand price, or for a recurring subscription fee. Prices range from a few dollars to hundreds or even thousands of dollars for specialized newsletters.

- No one "owns" the market, or needs to. A bestselling book might sell a million copies or so. The largest circulation magazine in the country, the AARP's membership magazine, has a circulation of about 7 million, *Reader's Digest* about 5 million. No one else comes close. It's possible to have a successful book selling only a few thousand copies, a newsletter a few hundred, and a four color magazine a few tens of thousands.

- There is a rich ecology of mutually successful players. Authors sell to publishers. Publishers screen material, edit and produce it to add value, develop a marketing campaign, and build a network of distribution relationships to get the book to the ultimate consumer. Publishers may sell books directly to the consumer, through major retailers, and through wholesalers to smaller retailers whom they don't serve directly....

- Access is universal and non-exclusive..."

via radar.oreilly.com

2010 is all about Mobile!

Fellow Futurefeed Twitterer and London-based social media expert Neil Perkin is always good for an artful reminder. This egged me to predict (or rather... post-dict;) that 2010 will be all about Mobile:

- Mobile Broadband Take-Off
- Mobile Devices 2.0 (readers, tablets etc)
- Mobile Communications X.0 (Google Wave, Twitter, apps etc)
- Mobile Reading (what... news to you? Start with my free Music 2.0 book, here;)
- Mobile Content ?.0 (drastically new, cross-media models... such as the tablet will offer)
- Mobile Applications, round 2 (and ...html5!)
- Mobile Advertising (i.e. not at all like on PC but *mobile ads as targeted content*) *Data is the New Oil!
- Mobile Location-Based Services
- Mobile Augmented Reality (Layar et al)
- Mobile Money (Africa, Asia)
- Mobile Me (as in...'Me' in the Cloud)
- Mobile Social Networking
- Mobile Disruption (Google Nexus is just the start)
- Mobile Music (Spotify, Pandora, RDio)
- Mobile Convergence and the coming TeleMedia Economy

My New Year's Message to the Music Industry: 9 points

Merry Christmas and a happy 2010 to everyone in the Music Industry! Here are my top 9 ideas for what I think needs to happen in 2010, to move this industry forward. I am using mostly links here because, well, I have said it all already way too often in the past 5 years;)

1. Stop pushing for more and more and...more legal or technical protection measures and lighten up on the constant quest for control: think (and act) compensation not control!
2. Access to music is going to replace ownership, very soon, so start thinking 'Selling 2.0' - if copies are abundant and can no longer be monetized in the same way as before, what else can you sell? This is *crucial*. You need to groom and build the New Generatives not push harder to pass laws to try and get the old times to magically return.
3. Friction truly is Fiction i.e. utterly wishful thinking, now, so you have a choice: get out of the way... or lend a hand (you have heard that song before). Reinvent your relationship with the artists and the 'people formerly known as consumers'. Stop hiding behind technological tricks and artificial hurdles: *protection is in the business model not in the technology* (need more? Check out my new book "Friction is Fiction").
4. Stop hanging on to that good old, comfortable EGOsystem paradigm - start building the new ECOsystem. The future is not in Google paying for all music online, or the ISPs paying for all music on their networks - it's in

constantly moving, interconnected, fluid and tri-brid (that is hybrid+1) systems of 'I pay, you Pay, 3rd party pays'.

5. Collaborate - engage don't enrage, have real conversations not monologues, drop the big sticks and start growing more carrots. The time for Music 2.0 is now.
6. Offer a public digital music license that legalizes - and monetizes - all use of music online.
7. Music consumption via computers is getting less and less important - it's all moving to Mobile Devices (read my mobile Music 2.0 book and see the video below;)
8. The new money is in connecting the cloud (where the music *is*) with the crowd (where the money is) - access comes first now, ownership is second. And this is good news!
9. Question your assumptions: what do you still believe that is no longer really true...? (see the video below).

Some eBook industry 'leaders' are starting to sound exactly like the music industry - 5 years ago!

I just read this very interesting piece in PaidContent.org (one of my favorite sites): "Steve Haber, president of Sony's Digital Reading Business Division... at the MediaBistro eBook Summit... decried the emphasis on the $9.99 price point for e-books. "The $9.99 price point is not a money-maker," he said. "Certain bestsellers are sold at that price for retail, competitive reasons. But you need to have a range. You could go from $10 to $20 even to $100 for an e-book. There's no sweet spot and it's certainly not $9.99. When you walk into a bookstore and there are a range of prices. It should be the same for an e-book store." Haber went on to defend the use of DRM, which he doesn't see going away for awhile. "You need an orderly process to sell books and DRM makes that possible, mainly because it allows content creators and distributors to make money from that content"

Ouch. Have you not learned anything from happened in digital music during the past 10 years - where have you been hiding? Let me summarize it for you:

DRM is a total - and much discussed - nuisance and significant deterrent to legal consumer behavior, and it does ZERO to prevent sharing of copyrighted content online. DRM just turns users that have legal, fair and honest intentions into guinea pigs for digital rights protection schemes thought up by people who still have their emails printed for them. Wake up: protection is in the business model - not in technology. I may even concede that DRM *may* work in some (but increasingly rare) cases, but for books and for music...? No chance. Imho, you have to be kidding if you think these kinds of remote-controlled-rights schemes will make you any money in the future. In my opinion, anyone that still talks about DRM being a chief part of their eBook strategy should consider taking a longer vacation, and do some serious reading and thinking (sure... you *could* start with my own new book "Friction is Fiction" - ask me for the free PDF if needed;)

Face it: the price point for digital books has to be lower - *much lower* - than the price point for a real i.e. dead-tree, printed, shipped, physical book. Just because you can't seem to figure out how to reduce your costs across the board, start to add significant value in new areas and still turn a profit, that does not mean consumers will massively adopt eBook-reading at those price points (Kindle etc) or even above (as seems to be suggested above).

This looks like a very lame rerun of the classic and most disturbing mistakes of the music industry: the incumbent market leaders really thought they could actually increase their margin as well as their ability to control the usage (!) when selling music online, i.e. have much lower distribution and marketing costs, keep the artists down to the same old, tiny percentage, and - yes ! - increase the prices on a per-track basis.

Ask yourself this simple question: what would have happened if a download had been priced at $0.20 or even 10 cents per track (or even, yes, a flat-rate), instead of $1 - would anyone still have bothered to try and download it for free, somewhere else? Could the value of those active, engaged and happy buyers be captured, and then be extended to other things you can sell them? Clearly, the answer is YES.

This is my message to the eBook industry and the publishers: do not head into the ill-fated direction of wanting to sell digital content for the same price as the physical content (or even above...ouch) - it is a pipe-dream! Instead, make eBooks drastically cheaper, offer unique bundles and compilations, add new values all the time (cross-media anyone?), invent new packages (think mobile), and stop focusing on just selling UNITS. Flip the pricing logic before it flips you: lower prices, infinitely more engaged and legal users, and new Generatives on top!

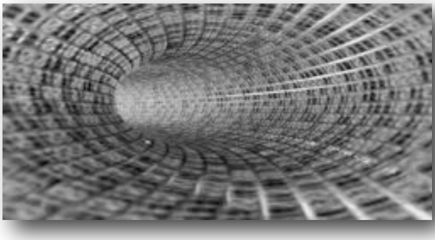
Finally, here is something that wasn't touched on at Paid Content but that is crucial: If you think that the traditional deals with the authors will carry over into the eBook environment you are deeply mistaken. Witness what happened with Random House's eBook initiative, here. The authors (and their agents!) will need to be brought in as PARTNERS not minor players, as they have been in the past. Accept, adapt and move forward.

Will algorithms run our digital lives?

Demand Media (see this brilliant Wired piece), one of the biggest producers and distributors of online video (see the Mary Meeker / Morgan Stanley presentation here; page 42) produces 100s of 1000s of videos on topics that are solely determined by a proprietary algorithm that crunches data on popular search terms, keywords and their current rates on search engines, and information about how many web pages already cover the topic. If a topic is 'hot' and not yet covered, Demand Media commissions an army of freelance video makers, at $20 per video (!), to quickly produce short clips on the topic, e.g. on 'how to heelflip on a skate board' etc.

Wired's Ryan Singel talks about AOL's similar new plan: "AOL’s new chief plans to combine algorithms, marketing partnerships and cheap freelance writers in order to turn the stale web property into a vibrant online content factory pumping out stories to fit the zeitgeist..." - all for the sole sake of taking advantage of the Google-page-ranking system i.e. to subsequently yield more advertising dollars.
With both examples, the idea is simple: to produce a huge a and hyper-distributed amount of fast, short - and above all - ultra-cheap content that is a

perfect fit with the hottest and most expensive keywords on the web, today, so that the maximum advertising rates can be achieved at all times. In other words, this 'content' only exists as a way of garnering advertising revenues based on keyword popularity - hardly what I would consider 'adding value to the content eco-system' ;)



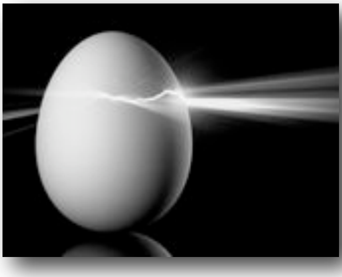
In music, recommendations are already generated largely by software algorithms and data-crunching recommendation engines; some people even go as far as predicting whether a song will be a hit or not, using smart software engines (disclosure: I am on the advisory board of this company, uPlaya). Google's page-ranking system relies entirely on machine-intelligence, of course, and Twitter-counter's top 1000 list is, of course, generated solely by data feeds - not by human editors (such as my own site, Futerati, which will, btw, be relaunched within the next 10 days). Techcrunch's Arrington talks about the end of crafted content. Wired calls Demand Media a factory that stamps out money-making content. The Inquisitor talks about how this kind of approach is turning the web into an obese mess. The Washington Post sums it up, rather gloomy: "these models create a race to the bottom situation, where anyone who spends time and effort on their content is pushed out of business."

Here is what I believe:

- Content that is produced only because of keyword popularity and because eager and / or desperate producers (no blame there, btw, just stating a fact) are willing to work for exceedingly cheap rates *may* bring in the immediate bacon but in my opinion will not last in terms of continuous popularity and therefore in long-term revenues. And if they do, great for them - but it does not mean that all content production will move in this direction. Every single person that likes to eat fast-food still knows the difference between Wendy's and a nice meal: yes, it's more expensive and it takes longer but it's a much better experience, and it makes you feel better. Fast food chains simply co-exist with 'real' restaurants of all kinds, everywhere - and that's what we will have in the content industries, too. If you want to make a quick buck by starting a fast-food franchise, go ahead. I, personally, don't like to eat fast food, nor would I enjoy running a McDonald's franchise so I will go a different route.

- There will always be people who are willing to pay for better, deeper and more 'serious' content, and, in my opinion, increasingly so (mostly because of the trend towards mobile content consumption) - we just need to find new, web-native models of getting paid for content and translate the value of attention into tangible $. Yes, this is a real challenge, today, but new ways are emerging that will indeed provide plenty of resources for the continued creation of high-quality content. Let's have some imagination. Just because 100s of 1000s of aspiring teenagers want to see those free, ad-supported videos on pole-dancing does not mean we won't be selling video-on-demand, DVDs and books on more serious (or indeed, the same) subjects. Cheap, free and low-quality options have always co-existed with more expensive ones, and while the web has made this trend a lot more pronounced it will not spell the end of well-produced and high-quality content - the cheap stuff is simply first because so far we are lacking business models for the better stuff (for the most part).

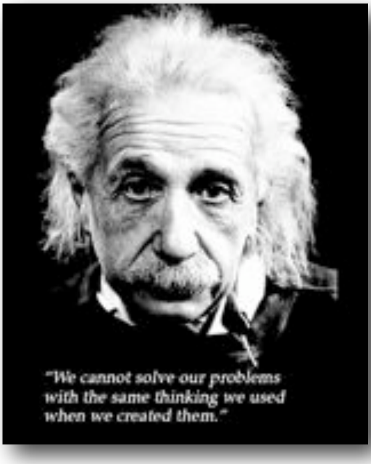
Content: the past, and the future - we must challenge our assumptions



In the past - i.e. pre-web, pre-mobile, pre-social-media, pre-twitter, pre-facebook, pre-realtime - most larger players in the content industries were focusing on controlling distribution, production and marketing; it was all about scale and domination, and about achieving hit-driven, repeatable mass-market success. The Internet has completely changed this (or rather, it *is* changing this). Yes, it took much longer than we thought, back in the late 90s, but it turns out to be a much deeper and much harder change (or...reset?) than we ever anticipated. Right now, we are in the middle of a major paradigm shift across the entire content industry framework - not just within some of the 'scenes'. Future success in content can no longer be based on control and domination (and I am saying this without any critique), rather, it has to be based on attention, trust and engagement. And much of it will start with 'free' or more precisely 'feels like free', making the challenge of getting and then *converting* i.e. translating that attention in actual income, even bigger. The bottom line: we must *really* question our assumptions if we want to stay ahead.

Book publishers: please learn from the mistakes of the music industry - my thoughts on what to do

I just received my new Kindle - the so-called International Edition - and as a result I have started to investigate the most recent electronic book developments. Apart from the Kindle (which I like but whose economic proposition is quite mad, frankly), I also own various Sony Readers and am a heavy Instapaper app user on the iPhone; I use it to read 100s of book-marked webpages offline, saving 1000s of pages that I used to print.

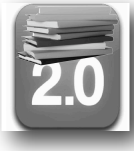


Looking at what some large book publishers are starting to say about their digital strategies I have been getting a bit worried about a potential repeat of what happened in the music industry, i.e. of trying to keep or even expand 'control over distribution' while attempting a fruitful switch to a digital distribution model. In other words, many publishers seem intent upon using the advent of digital distribution as a way of fixing the 'flaws' of physical media (such as the CD or the book which can easily be traded, shared or lend to someone else). Well, the reality is that in this new digital ecosystem, attaining total control is an impossible mission - and this flawed world view, I think, is main reason behind the global demise of the recorded music industry.

So here, below, is a summary of what I think *non-fiction* book publishers could learn from the digital music disaster that has been playing out in front of our eyes (and ears) for the past 10 years. Please note that in my opinion, the distinction between fiction and non-fiction publishing is crucial, because we must take socio-cultural contexts, existing user-habits and consumers UI (user-interface) preferences into account.

For one thing, I think that readers of business books are much more likely to adopt eBooks because they are often reading several books at the same time, annotate and bookmark heavily, skip chapters or like to search inside a book - all of which is becoming quite easy to do with the new generation of eBook readers. And many of them like gadgets, too, so that's a good fit. However, people who read novels or other fiction are, in my view, less likely to quickly adopt eBooks on a large scale since the good old interface of printed books still represents a much better emotional i.e. 'touch-feel-smell' value to them. Let me also point out that while I think book publishers can learn plenty from what happened in digital music, the two businesses are really quite different, and whatever we may discover from the music debacle cannot just be transferred to the eBooks space. Taking this into account, here are my top 5 tips for book publishers:

1. Don't (just) sell the copy of the content - sell everything around it. In fact, consider making the mere 'copies of words' (i.e. the raw data, the file) a lot cheaper to obtain *from authorized sources* but also start creating and offering those added values that are only possible in this coming digital ecosystem. Start building - as Kevin Kelly says - those 'new generatives' that will, over time, probably make up 75% of your total revenues. What do I mean with that? Unique, non-copyable values such as context (e.g. being able to look up a definition of a word or phrase via Wikipedia, or find a precise topic from the book you are reading in other, related books), curation and packaging (e.g. being able to read 'the best' chapters of the top 25 business books in a single, new 'compilation', or having a book edited down to 20 pages or 3 hours of audio so that I can save time and read / hear only the essential stuff), immediacy (e.g. getting the book delivered at the very moment that the last word has been written or edited), and social relevance (e.g. see what my peers are s aying about this book, and what comments they may have shared). The exciting thing is that eBooks don't have to be linear any longer - now, they can be linked, amended and interwoven; and guess what: no-one but the author and the publisher can provide these kinds of values. Read my lips i.e. tweets: Unique experiences by unique creators cannot be pirated. Imagine 10s of 1000s of people buying the basic eBook for a very low price but then 30% of them opting to pay an additional 'fan & follower' subscription fee to get all the updates, comments, links, videos and audio versions as well. My advise: look at the initial sale of 'the copy' only as the mere starting point rather than the only way to monetize, look beyond the mere copy. With eBooks, the copy is just the tip of the iceberg.



2. Don't focus on protection: focus on engagement, on attraction, on enabling followers not pushing enforcement. Realize that the more you em-

power the user the more money (s)he will give you. Yes, that's the Google way. As trite as it may sound to some of you: in digital content, *friction really is fiction*: if you keep the price too high, if you don't offer a standardized and open platform, or if you impose burdensome technical restrictions then you simply will be pointing to, or shall we say, sending your customers to those countless illegitimate places where they can just download the free files without any of these hassles. You don't compete with free - you compete with better service, trust and added values!

3. Don't try to sell what's abundant - sell what is scarce. The 0s and 1s that make up a book's content are and will always be abundantly available to those savvy digital natives, and will be captured by those 'people formerly known as consumers', no matter what you may do to prevent it. No matter how much you hate the idea: copies of digital files are abundant, meaning... close to 'free' - and that's that. What can be sold - based on a powerful, legitimate, low-priced or bundled, ubiquitous, unrestricted and super-attractive access model - is the stuff that's actually scarce which includes my own time (a great example is how the 'Wired' guru and Longtail prophet Chris Anderson sells the edited audio version of his new book "Free" for $7.49 while the basic, long-form MP3 is free), powerful creation, extra services such as special audio and video versions, and so on.

4. Technical copy protection or so-called digital rights management measures (DRM/TPM) are guaranteed not to work unless they are 100% invisible and actually add value to the user experience - in which case they become more like CRM. Most of the time, DRM is an insult to the legitimate buyers, and utterly useless in terms of actual protection simply because it is trying to solve a business problem with technological measures. It prevents (and insults) customer happiness and greatly deters future purchasing. It reduces sales and punishes those that actually do buy and pay real money for the content. Book publishers, repeat after me: DRM will cost you serious money to implement and it will do nothing to 'protect' your content. Remember: after a decade of stone-walling and criminalizing what consumers have always asked for, the big record labels have finally allowed most digital music retailers to remove the DRM and sell unprotected MP3s - and guess what: the retail of those MP3s has had zero impact on the issue of how many people 'file-share' music without permission. So, read my lips i.e. my RSS: the only protection you have is in the business model. Think bundles and flat-rates based on very personal, unlikely-to-share log-ins, the potential embedding of user-IDs and even some personal profile information into the purchase process as well as, possibly, into the file-metadata itself, and above all a powerful 'great price + service' policy that will make all those bad UI, lousy experience but free sharing sites obsolete. I also recommend to look at the concept of Social DRM.

5. There can only be *one* standard file format, and it needs to work on *all* devices. ePub looks good but DRM'ed ePub is a bad idea. As I said in my presentation at the eComm conference in Amsterdam, just yesterday: "the fastest way to economic suicide is to put walls around your content". Just like in digital music, where MP3 is what everyone has been using for the past 15 years, you need to go with an open, ubiquitous file format and not start a format war that will leave the consumers baffled and ill-served. The Kindle is nice, yes, but just like iTunes which is only now becoming DRM free it's a tightly walled garden that forces you to stay inside and enjoy yourself only within the existing confines. Now, for me, personally, if the pricing was drastically different maybe I wouldn't complain about the fact that I can't share these books, at all - maybe if I felt like I had some kind of real power as the consumer to influence how these economics works, maybe that would be OK. But the Kindle's paradigm is based on a 'take it or leave it' rule: expensive devices, delivery fees for each book that's purchased outside of the U.S., and eBook prices that are only slightly lower than the printed book...? This is certainly not going to get those digital natives excited about becoming a 'legal' user of eBooks.

The bottom line: don't worry so much about preventing sharing or copying. Offer more, cheaper, better and more connected services, get significantly more users at a much lower prices and re-invent your business model.

Content 2.0: 'protection' is in the business model not the technology (thoughts on the future of selling content) February 2010

Fueled by the music industry's ongoing turmoils and, finally, books going digital at a very rapid pace, there is a lot of debate on how to deal with the fact that many people habitually share i.e. redistribute digital content without any of the upstream users making their own payment. How can you monetize content when the copy is free?

This question is a key issue across the board, whether it's in music, eBooks, news, publishing, TV or movies. The fear is, of course, that once a digital item has been purchased by one person it can be easily forwarded to anyone else if it is in an open format, thus seriously reducing the possibility that someone else will actually pay real $ for it, as well (of course, the same is true for supposedly locked or protected digital content as well - it just takes a bit longer). No more control over distribution = no more money. Right

Despite the plain fact that DRM has proven disastrous in digital music (and now is pretty much history), technical protection measures are still being investigated as a plausible method of securing payment, especially in the exploding eBook sector. This worries me greatly because technical protection measure are expensive, hinder or prevent mass-scale adoption, curtail or kill social sharing which defeats user-to-user marketing, often drastically limit fair use, and are by and large useless when trying to thwart the real pirates i.e. those that have malicious, criminal intentions of stealing content in order to sell it to others.

Don’t just sell content - Sell Context

In my view, the thinking that the distribution of contentmust be controlled to achieve any kind of reasonable payment is fundamentally flawed because of this not-so-futuristic realization: in an open, digitally networked economy (note: I am talking about today, not tomorrow!) content publishers need to offer their goods in a way that no longer centers on distribution being the key factor. It should not (only) be the content that is sold (i.e. the mere 0s and 1s) but the context, the added values, the many others items around the content. Sell what can't be copied.

The irrefutable trend is that the window of opportunity of 'selling copies' (i.e. iTunes, eMusic, Kindle etc) is rapidly closing, at least in most developed countries. The next, and very much already-present opportunity is in selling access and added-value services, and in providing content-related experiences.

Once we embrace that the users -the people formerly known as consumers- can't be reduced to just being 'buyers of copies' we can investigate how they would want to pay for everything else, as well. For example, when buying an eBook users shouldn't merely pay for the authorized distribution i.e. the legitimate copy of the words but they could also gain access to highly curated commentary, known peers and friends that may also read this book, ratings, explanations, slide-shows, images, links, videos, cross-references, direct connections with the author or the publisher and so on. Yes:connect with fans + reasons to buy (as Mike Masnick of Techdirt has succinctly summarized many times before).

In this model, as a legitimate user, I would also get valuable context when I pay. I would get engagement, conversation, relevance, personalization, meaning... i.e. really valuable benefits to me as a person, not just a dumb, anonymous recipient of free zeros and ones. I don't get these benefits just because I get a free copy via email, Rapidshare, BitTorrent or some drop-box on the Net, because it is stripped bare of everything that really matters to me. This is the key to the future of monetizing content, and it will take many different shapes and forms depending on the content, and the culture that surrounds it.

For example, in music, it is very likely that streaming-on-demand (and the temporary buffering i.e. offline playing of those streams) will be 'free' i.e. bundled and packaged by 3rd parties, while the context and those many added values will not. If I want a high-definition version of my favorite opera or that Blue Note Jazz Club concert from last night I can buy a premium package that provides it. If I want to share my personal play-lists, ratings and comments with my Facebook friends, and get access to their content, I can add the 'social network option' to my package. If the price is right, I'll buy (btw: this relates directly to why people buy virtual items - perception of value, and purchase after deep engagement - see my Farmville/Facebook example: they sell 800.000 virtual tractors per day;).

As to pricing and making 'buying' irresistible: imagine if a download of a song would cost only $ 0.10 - would anyone still bother to scour the web to find badly ripped, virus-laced tracks for free? Yes, I know, that price point sounds ridiculous if you used to sell CDs for 20 Euros a pop but the argument for much cheaper access to digital content that is offered in open (i.e. copy-able) formats is really quite simple: if you can get 95% of the users to buy at a much lower price, and make them so happy they will do the marketing for you (i.e. share links;), instead of getting 5% of the market to buy an expensive product that they can't really share with anyone (i.e. iTunes music or Kindle eBooks), then you should be doing just fine. This has been my chief argument for proposing the music flat rate during the past 10+

years, and I think it still holds water (in fact, it seems to be proving itself with the recent developments at Spotify, MOG etc).

And yes: selling at a much lower price but much higher volume only makes sense if the low-priced (or flat-rated), access-based offerings actually connect directly to a multitude of up-selling possibilities, such as multimedia versions of eBooks, high-definition versions of radio shows, albums or concerts, in-depth analysis and audio/video commentary for news etc.In most content industries, I think the key is to offer a wipe-out, ueber-attractive way to get started at an irresistible price-point, and then convert most of those happy users to other offerings at a much higher price.

Pricing and value: getting the new formulas right.

It all comes down to pricing and values - and many decision makers in the incumbent content industry will need to accept who will set those prices i.e. who will be in charge of value perceptions: not them, but the users. Hard stop. Reality check. If you agree that the sharing of content cannot really be stopped, and that therefore the value of a mere digital copy of content will invariably decline, we must urgently re-think how we address the issue monetizing sharing, and what we can do to create and nurture those new values - the New Generatives - that will replenish those that used to be derived from being able to control distribution.

Added values, all the time.

The metrics of the content industries need to shift from getting a copy to rewarding engagement. As an example, let's assume I have just purchased and downloaded a movie in an open file format, and I have a hunch that 50 of my close friends would also enjoy it. I post the movie on my iDisk shared files folder (anyone on .mac can do this) and send the link to everyone. Now, if the only value of the movie is in having received a 'copy without paying', then my friends have received the movie's entire value 'for free'. But if the value of this movie is also in the user / viewer being part of something much larger than mere 0s and 1s, i.e. a conversation or another environment of added values that are available to each individual viewer because they actually purchased access to the movie, then the mere sharing of the file is not going to be very attractive, for the upstream users will not have access to all these other values.

Imagine, then, if a legitimate movie buyer (or more likely, bundled-access-user) would also receive access to a select group of fellow users - and, crucially, representatives of the creators, producers or distributors - that would provide a myriad of additional values such as viewing exclusive, movie-related pictures, slideshows and short clips with the actors, locations or props used in the film, or getting special offers for related products such as books, games, merchandise or even HD versions of the same film, or unlocking new features within the very same file that are otherwise hidden (something that could easily be done within a mobile application, for example)... that is where it starts getting interesting.

Combined with a no-brainer price point, having a constant flow of added values available to legitimate customers would turn file-sharing into a marketing vehicle, i.e. surely I could somehow watch the movie 'for free' but would be barred from all that other cool stuff that I would have access to if I only paid my $2, myself.

The crowd and the cloud: new monetization possibilities not based on Control.

Content hosting is moving from my own computer and my hard-drives to the cloud - and indeed, this is very good news for content creators, publishers and rights-holders because if makes it easy to engage and up-sell to the new generatives. In addition, it is reasonable to expect that content files will get larger and larger over the next few years, since many devices are now capable to handle much better resolutions and many users are tiring of bad audio, video and image quality. The age of squashed-sounding MP3s is ending as high-end audio is becoming a reality even in the smallest devices. Assuming those 2 trends (people receiving bigger and better files as well as accessing those files in the cloud rather than storing it on any specific piece of hardware), the key question is what 'sharing' will look like in the near future and what can be done to monetize it rather than try to curtail it.

The answer is in the cloud: I think many people will soon stop sharing the actual media files (since they are getting larger and larger, and therefore more unwieldy) and will share only the links, the bookmarks, the metadata or the tags, if the result is the same, i.e. if the shared content is made fully available to the recipient, without further ado or unwieldy registration procedures, buy-now pitches etc. How could this work?

Imagine you have purchased an ebook for 10 Euros and you want to share it with your wife so that she can read it to you while you drive, or with your son because he really should know about this great book. With a good, old-fashioned printed, dead-tree book, this is certainly not an issue, so why should it be such a problem for the electronic version? Why not create and deploy many extra values around this book (such as video, audio, images, slideshows, dictionaries etc), make the file a lot larger, and then still allow a buyer to share the book via a simple link or bookmark that provides all recipients with the basic, 'words-only' version of the book but withholds the added values until they purchase it for a very low and attractive price, themselves? Once those added values become a significant part of the user experience most users will not want to miss them - protection will be in the business model, not the software!

The perfect testing scenario may unfold soon, exemplified by Apple's new iPad. Extending the concept mentioned above, rather than blocking my wife from sharing an eBook it would be much more reasonable if I could still read the book, 'for free', but all else would not be available without a micro-transaction on my end, i.e. I would not have instant access to videos, links, ratings... i.e. that valuable context. This would clearly drive me to purchase a 'copy' myself - if indeed I like the book enough - sounds like a fair deal to me. Engagement, interactivity, conversation and a constant stream of added values that can be produced at very low cost is what will give content owners 'protection' from rampant free-loading - not DRM, region-coding or HADOPI laws.

Sharism and Money.

Generation Google

When thinking about digital music (my original, futurist starting point), imagine an unlimited music service at a feels-like-free price, supported by advertising, brand sponsorships, ISPs / Telecoms and mobile operators. A service that allows me to stream or download the music, and enjoy it online or offline (pretty soon, a rather pointless distinction, anyway). A service that is basically cloud-based but that allows me to make temporary sub-clouds on my personal device so that I can always get to what I like the most, much like the gMail offline reader, mobile RSS readers, the Instapaper iPhone app etc. While I may be inclined to share some of the music files with my friends, I would be highly unlikely to publish the complete access details to my personal cloud via, say, Twitter - I would risk watering down my profile and messing up my entire personalization efforts. Avoiding profile and account 'pollution' can be a major driver of payment adoption, I think.

Similarly, in books: let's assume, as a publisher, you'd allow people to log-in and get digital access to 10s of 1000s of books, at a low price (such as O'Reilly's Safari Books already does, for all those hardcore programmers and geeks around the world) - what would keep people from just sharing the log-in details and only pay for one account but have 2000 people getting everything for free? The answer: once I am really involved with a platform I like, and use every day, I am not very likely to share the account details with everyone, because I don't want my profile to be polluted, and my own experience to be negatively effected.

This is similar to having your family members use your eBay account for bidding on stuff they want to buy: not a good idea, since it will be your rating (which is the real currency of eBay) that will be negatively effected if your 15 year old son does not live up to the buyer's expectation on his last transaction. The same is true for Amazon: share your log-in details with your 12 year old daughter and you will make a mess out of your recommendations - she may love SuBo (Susan Boyle) but you don't want to keep seeing pitches for stuff she may want, for the next 9 months.

The bottom line: content sharing isn't the real problem: high price points, outmoded toll-booth strategies, broken relationships and processes, low values, bad technology and service, and lack of conversation and engagement are.

Here is my message to publishers and content owners: lower the prices to the point of unanimous excitement, use open standards that work for everyone, everywhere; bundle and package as attractively as you can (then: repeat). Remove all reasons that your users may have to avoid the toll-booth, and thereby sidestep the conversion to 'paid'. The lower the hurdle for legitimate usage and paid engagement, the less you will have to worry about 'competing with free free'.

And do it now so you don't have to win people back from routing around you.

Open letter to Lord Mandelson: here is how to solve the Internet Music Problem - Legalize It! Basel, Switzerland, October 12 2009

Open Letter to Lord Mandelson, First Secretary of State, Secretary of State for Business, Innovation & Skills (UK). The Digital Music License (DML) – why and how a new public license for the legal consumption of music on the Internet would provide a solid alternative to the proposed '3 strikes' legislation

Dear Lord Mandelson, the proposed "3 Strikes" legislation is flawed in many more ways than I could hope to outline in this letter, and many of these issues have already been addressed in many other places. Therefore I shall provide only a quick summary of some of the key issues, and then move on to describe what a fruitful, realistic and decidedly more pragmatic alternative could look like.

Unauthorized use of music on the Internet is not a technical problem but a business issue. The reasons why the global ‘free’ sharing of music via the Internet (whether streamed or downloaded) is growing exponentially cannot be nullified by technological means. Rather, the digital music (r)evolution clearly poses a myriad of business and socio-cultural problems that require us to devise a new social contract that legalizes what people actually do, and then build new business models around it.

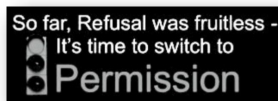
Anyone that has attempted to innovate within the music industry (including me) will attest to the fact that the largest hurdle for the monetization of music on the Internet during the past 15 years has been the astounding absence of new licensing schemes that actually fit the 'Internet Generation' i.e. the digital natives, and the new ways of consumption that connected consumers are rapidly adopting. Bottom line: *the problem is not what consumers are doing - the problem is that the music industry has not blessed it with a license yet!*

Therefore, any attempt to solve these business issues with technological measures – such as the proposed 3-strikes legislation – would, with utter certainty, be very expensive, have serious social and political consequences and yet fail miserably to deliver tangible monetary results for the content industries or indeed the creators; just like Digital Rights Management (DRM) which was pushed very hard by the music industry for over a decade and has now finally been acknowledged as the snake-oil it really always was. The only outcome of the proposed 3 Strikes legislation would be to further criminalize every single consumer that is interested in music, every fan and every potential customer.

So, again, let me be pragmatic: this idea means no money for the creators, no new revenues for the industry (but even more rejection by the consumer), and still no satisfaction for the music consumers. In my view, the most pressing objective must be to solve the very real problem of how music (and then, other digital content) can indeed generate *new* revenues via the Internet - for the old revenue streams are the past, beyond a shadow of a doubt - just look at what is happening to newspapers and print publishing! Technology will not and cannot solve problems posed by seriously outmoded business practices.

The bottom line: controlling the flow of digital files is ‘Mission Impossible’. The challenging but nevertheless indisputable reality is that the very idea of reliably and consistently controlling the distribution of music files on the Internet is basically a technical impossibility as well as a social, political and cultural minefield. Today, the simple act of listening or streaming, watching or reading anything on a connected computer or a mobile Internet device is indeed the same as copying the content; one cannot be done without the other. The Internet is a giant copy machine, by definition, by design, and now… by culture. We may not like it, and we not appreciate it, but just like the railway was hated by the people that made horseshoes and horse carriages we have no choice but to shift what we do, adapt, and reinvent ourselves. As your own kids or any so-called digital native will tell you, access is now the same as a copy i.e. ownership - in technical terms and in terms of user behavior and mindset. Crucially, of course, not yet in terms of the existing laws and prevailing licensing practices. And therein lies the rub.

I would argue that we are in fact trying to build a new business on top of the decidedly pre-Internet principle of total and exclusive copyright – a stark dilemma that has proven to create endless friction but produce very few new revenues. The very idea of being able to control the flow of files in order to extract earlier or possibly higher payments from the users is fundamentally flawed, and we must therefore look for ways to monetize it rather than to prevent it. The value of music is no longer (just) in the copied file. We urgently need to understand and accept that the value of music is no longer (just) in the mere copies of the digital files. Our attention needs to shift from the old - and dying - business of ‘selling the copy’ to selling everything else i.e. the many other values *around that copy* (some people call that 'service' ;) but starting with providing very low-cost or flat-rated and bundled access, and then creating many new revenue generators on-top of the bundled, legalized access to music. Once legal and unlimited music distribution is build-into Internet access - when Access *is* Content - a revitalized music industry can focus on talent, curation and marketing, i.e. the attention-getting and the conversion of that attention into actual income. And yes, there is serious commercial value in the music industry once we regulate distribution.



80 years ago, the answer to the challenge of a then-new and vastly popular technology called 'Radio' was to legalize it and provide new licensing schemes to remunerate the content creators. The same thing happened with CableTV and with the copy-machine, and the very same logic needs to be applied to music on the Internet. A public, collective, standardized and open license for music on the Internet needs to be either voluntarily created by the music industry, or mandated i.e. enforced by the government - and the sooner the better for everyone. The DML would - similar to the existing radio & broadcasting licenses that are already in effect around the world - make music available on public, standardized terms and conditions, and therefore allow any and all businesses that want to use music to do so without the utterly crippling uncertainties that exist in the current marketplace.

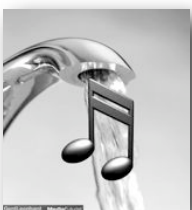
Revenue shares and flat rates - not fixed license fees per song. The objective of the DML is to create a new, vast, and constantly replenishing ‘pool of money’ for music, i.e. to grow the revenue potential along with the growing number of users, as well as via the many new kinds of usages that will be spawned by the DML.

In my opinion, the most crucial component of the DML is this: the license fee needs to be calculated on a revenue-sharing basis rather than on a per-unit i.e. per song fee, whether streamed or downloaded. The current practice of a fixed per-track fee (usually amounting to about 1 cent U.S. per song, for the use of the master recording) for a stream and around 70 cents (U.S.) for a download has proven to be economically detrimental and utterly unrealistic for the market participants (such as Omnifone, Spotify, Rhapsody, Napster, We7 and Yahoo). Why is this? Because of the still-very-nascent stage of the digital music ecosystem, the fact that large-scale advertising revenues for new forms of media are always 2-3-5 years behind, and given that a very large number of users - potentially all UK consumers - are likely to listen to quite a bit of music in this way.

In its formative stage, this new market does not and will not bear license fees that are fixed in this manner and that are totally unrelated to actual incoming revenue streams. Instead, the DML would need to be calculated on a flat-rate or percentage-of-revenue basis, possibly combined with a minimum 'floor' that could prevent unfair and unintended use of 'free' music as a loss-leader (if needed).

Initial DML's reserved for ISPs, telecoms and operators. Since there are many different kinds of businesses that would benefit from having legalized music available (e.g. telecoms, operators, search engines, social networks and communities, blogs, web portals, online magazines etc) but their business objectives and parameters are so vastly different, I would propose to initially make the DML only available to ISPs, mobile network operators and telecommunications providers. This would have several important advantages: 1) once ISPs and operators are able i.e. licensed to offer music bundles and flat rates, they will have every incentive and reason to monitor (i.e. count not control!) which songs are used on their network, 2) they have very large user bases which will provide for a critical scale of payments to be obtained immediately (thus significantly lessening the *perceived* threat of revenue loss in the physical music market), 3) they have strong potential for the integration of next-generation, user-friendly advertising integration 4) and they already have build-in billing and payment mechanisms.

A flat fee license per user, generated in a multitude of ways. When licensing ISPs, mobile operators and other telecommunications companies it will be crucial to offer flat-rate licenses rather than to pursue revenue shares which are not going to be an acceptable way of generating music revenues from this process, at least initially. Rather, I believe that a fixed, flat-rate license fee per user, per week or month, would be the most suitable way *provided that suitable 3rd parties (see below) will also engage to contribute to the funding of each user's license fee*. We must not simply declare the license fee payments to be the ISP's problem - because it isn't, and because the solution is in the creation of a new Ecosystem, a new business logic, and not in creating tax-like burdens for individual industries.



Economic experts have already done a lot of work on the flat rate model. Far from being an economist myself, I would add that a payment of 1 GBP (in the UK) or 1 Euro (in Germany, France etc) per week per user seems to be economically feasible; however the exact price point will of course need to be negotiated with all involved parties, and possibly be adapted on a yearly basis until the market is more fully developed and each party's ultimate value position can be determined. In any case -and this is crucial - the DML must clearly be so utterly affordable that every single ISP, operator and telecommunications company would immediately apply for a license.

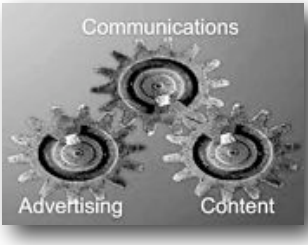
In terms of the actual use of the music and the subsequent accounting for remuneration purposes, I propose that it should not make a difference if a song is downloaded or streamed (i.e. played on-demand while online), and - similar to CableTV - it should not make a difference if a user would use music 24 hours a day, every single day, or just download 3 songs every now and then. All music usage would need be counted, anonymized and reported, and artists would get paid fully proportional to the actual use of music i.e. according to their popularity (see below for details).

A calculation example: a pool of 2.6 Billion GBP per year for music, in the UK. As an example, a DSL provider and mobile network operator with 20 Million UK users would need to generate funds to pay for a DML of GBP 80 Million per month, i.e. 960 Million GBP per year.

Assuming, for mere calculation purposes, an average of 50 Million eligible UK residents i.e. a large percentage of the entire UK population (~ 61 Million) generating 1 GBP per week, the revenues for the music industry would amount to a very substantial 50 Million GBP per week i.e. 2.6 Billion GBP per year, which represents almost twice the UK's recorded music revenues in 2008 (1.36 Billion GBP). Any argument of ‘cannibalization’ of existing revenue streams such as CDs or iTunes would pale against this figure. And yes, iTunes would do just fine with and on-top of the flat-rate: remember they don't sell music, they sell iPods and iPhones!

How to fund a DML of 1 GBP per week per user. The key question is, of course, how exactly the ISPs and telecoms would raise the money to pay for the quite significant cost of the DML, every week, per user. This is a crucial issue since,a gain, under no circumstances should the ISPs, operators or telecoms be made solely responsible for the financial solution of this problem; it is absolutely crucial to position the DML as a business solution that will unlock strong new revenue opportunities and will be more than cost-neutral in a fairly short time. In my view, the job of building the financial support mechanisms i.e. the ecosystem that the DML will require should be handled by a mutually respected, knowledgeable and neutral advisory board whose mission would be to 'collate' this new ecosystem and to get device makers, advertisers, premium-service providers and other interested parties aboard as quickly as possible.

Advertising is only one of the many ways to fund the DML. Of course, as in television and radio, advertising is one of the key factors that will subsidize the DML fees. The concept of advertising-supported content is not new but what will be drastically different, going forward, is the type of advertising that we will see on digital networks in the very near future. Concepts such as advertising becoming content, itself (such as in mobile phone applications) and social advertising will blossom once permission for the legal use of music is given, creating much higher advertising revenues than we are currently seeing online.



The global advertising spend currently amounts to roughly $ 670 Billion USD, per year. The UK advertising & marketing spend is forecast at approx 25 Billion GBP in 2010 (eMarketer), with - by 2012 - an estimated 25% i.e. 6.25 Billion GBP going to digital and mobile advertising. Yet, digital and mobile advertising would only be one piece of this new puzzle: handset makers could pay subsidies to get preferred i.e. 'presented by' access to users (basically a network-centric variation of the existing ‘Nokia comes with Music’ concept), social networks could contribute subsidies to legally integrate ISP-hosted music into

their own networks via the DMLs that operators and ISPs would already have; search engines and portals could do the same. Imagine if Google could sit on-top of this new system of fully legalized, feels-like-free music - this is similar to how Google has already made legal music (streaming and downloading) 'feels like free' in China.
After an initial set-up period, it would be crucial that an ISP or operator that makes use of the DML would be able to fully recover the DML costs through a multitude of new revenue streams, such as next-generation advertising, the sale of mobile applications based on the unlimited availability of music (such as social music and play list applications), subsidies by CE companies i.e. handset and device makers, data-mining and cross-selling (with careful consideration to consumers' data protection and privacy, of course) and various forms of up-selling of other product and services (including music-related premiums) such as the games industry has been offering for the past decade, already, or even by re-packaging some of the license costs to their users.

The DML is NOT a tax. Any indication that the DML essentially amounts to a tax or is yet another compulsory payment scheme levied onto the consumer (such as the existing TV & Radio licenses) or a particular industry needs to be avoided, at least in the UK market where such a proposal would probably be politically unwise. The DML is simply a new license that is made available to businesses that want to use digital music, with the funding being generated from the market participants, themselves.

Monitoring of usage and fair payment to content owners. Every song that is performed i.e. streamed or downloaded on the Internet would need to be tracked and accounted for, using already available software solutions such as Gracenote or Shazam. This data would need to be made anonymous using a mathematical formula that would protect each user's private data while still providing actuarial tracking of which song has been used how many times, on any given day, week or month.

Each artist and rights-holder would then receive a monthly payment that is proportional to the actuarial use of their music during each tracking period, e.g. if a given artist's music was used 1.3% of the time (e.g. in any given month), he or she or their representatives (record labels and publishers) would receive 1.3% of the total pool of money collected. All participating creators (e.g. writers, lyricists, composers, producers etc) would get their proportional payment from the same pool. I am advocating a 50-50 split between the composer and the performer (i.e. recording and publishing), at this time. Overlaps with existing rights schemes (such as public performance on the Internet, and so-called web-casting and Internet-radio) would need to be investigated and addressed, as well.

Existing examples: similar models to the proposed DML are already in place, or are being investigated in:

1) China, where Google is providing free and fully legal streams and downloads of music via their Top100.cn property, in return for a share of advertising revenues (and in full collaboration with all major labels) 2) Denmark, where the ISP and mobile network operator TDC has already made music 'free' to all of their subscribers, in return for paying a flat fee per year to the music rights organizations 3) The U.S., where Warner Music Group, via Jim Griffin and the his Choruss project, is rolling out a

flat rate music license for universities and colleges 4) Korea, where SK Telecom's MelOn service has been providing flat rate music access to most the population (11 Million subscribers at ~$ 5 USD per month) for a few years, already 5) Canada, where the Canadian songwriters are lobbying the government for a new flat for digital music 6) The Isle of Man Music Flat Rate project, headed by Ron Berry.

Please note: this short letter cannot possibly answer every question that may arise if this proposal is further investigated or realized. Rather, I intend to make the case for why the DML would solve the pressing problem of legalizing and at the same time monetizing the many new ways that consumers use music on the Internet. Please keep in mind that most of the suggestions outlined above are still quite basic; prior to making any precise recommendations in regards to possible implementations a lot more research and input from all involved parties is required. Also, while my suggestions should be applied to digital music only, at this time, I do foresee similar developments within other digital content sectors such as motion pictures, TV and books - albeit within a wider timeframe (i.e. 3-5 years).

October 05, 2009 Pre eComm conference interview on TeleMedia Futures: lubricating the ecosystem is the biggest opportunity!

I will be speaking at Lee Dryburgh's Emerging Communications (eComm) Europe conference in Amsterdam on October 28-30. Prior to this date, and to preview what I will be talking about in my presentation (last year's video is here, btw), Lee conducted an interview with me which turned out to be quite informative (if I may so so, myself). I have pasted some of the 'best' snippets below, and added the MP3 version if you want to just listen to it. A big part of this interview is about what I call 'The Politics of Content' i.e. the 3 Strikes debate. The full version can be found on the eComm Europe blog.

Lee: ...there is this political push in the U.K. for three strikes, and you're cut off by your ISP or slowed down if you've been caught by your ISP for downloading "illegal" files. Have you got any comments to make there in this sudden ISP liability for content, which seems very crazy?

Gerd: I think there are a lot of more or less unfortunate things coming together on this. Basically, the content industry starting with music is rightfully worried about distribution becoming free. This is a global phenomenon. The more broadband we have the better devices, the more the push towards sharing and trading stuff without payment is clearly there. On the other hand, the content industry has, to a very large degree, refused to license the content in so many new ways that are being asked for, starting with imeem and YouTube, and MySpace originally. The refusal to license has essentially created a vacuum to where everyone rightly then also says if we can't actually do it legally, we have two choices which is to quit or to do it without permission. Then you have companies like imeem and MySpace and YouTube initially doing it without permission.

That in return has created a need for the content industry to lobby the governments and industry organizations around the world to get the ISP to pick up the responsibility, which of course, is a rather ludicrous thought, given you could easily expand that to PDFs and JPEGs and what have you. That thought of deep package inspection for the sake of shoring up a specific business model is obviously not going to happen in Europe... I think that anybody who believes that technology exists, that you can solve this problem, is mistaken on this. It's basically not a technology problem. It's a structural and licensing problem. It's basically a business problem. Whenever you try to solve a business problem with technology, like we have with DVD region coding, and those kinds of things, you end up really going against the consumer and sacrificing things that otherwise the consumer will hate you for.

Lee: So you feel that this motion, this three strikes push to have your ISP do policing is actually pulling value out of the system instead of adding value to the system as a whole?

Gerd: It's a fig leaf discussion. It's as simple as that. The discussion about solving this problem with technology is nothing but a fig leaf because it will never work. In a democracy, it's not actually technically feasible. If you imagine this, then I get disconnected from the web for downloading and I go to my neighbor and use his Wi-Fi. He also gets disconnected. Where do we go? We go to the Internet café and we'll do the same thing. It goes on from there and sooner or later, somebody will ask for his JPEGs to be prevented, and Murdock is going to ask for people who copy and paste from the Financial Times or The Wall Street Journal to also be disconnected. It's a whole chain reaction of issues. That is just not going to happen in Europe. That could happen in China and it is happening in China, but not in Europe.

Lee: So you don't see policing of every file format?

Gerd: The key question really is this; does any of this make any money for anyone? Does kicking people off the web because they have downloaded without permission make any money for anyone? The whole idea behind this is to say, "Well, we've got legal offerings that you should be using rather than downloading for free." If the legal offerings are so technology stupid, like using DRM, or they are so far priced out that kids can't afford it, like iTunes, then where are you going to point them to? In other words, if there is no commercial possibility to be legal, why am I being forced into those channels that I don't want to use? That is against every possible logic, if there ever was one...

You have numerous efforts around the world of creating what I call a private license, like Virgin Media and Universal, like Orange in France and the record labels, and so on. Most of that doesn't work because it's too expensive and it has technology problems. Therefore, if you think about this, think ultimately; we have roughly two billion users on mobile and regular Internets. All of these users have providers. What if two billion people were able to have legal access to music and pay $1 a week, and if that payment was bundled, i.e. hidden with advertising, with subsidies like the cell phone hardware and so on; that would be a fantastic solution to everyone. I think telecoms are thinking, "Well, if we can make this happen, we don't just solve a huge problem which is content liability; we also create a next generation platform for the generation of new businesses, including virtual venues, virtual goods, and premium products." It's not really rocket science to think that far; that's why I was alluding earlier to imagination.

Lee: Great, and I am really happy that we got in contact last year and you've been pushing, not just pushing, but highlighting what is taking place. You did so at the last conference and you'll be speaking again next month. I think you're doing a 20 minute keynote. Do you want to finish this off, since we've been on this call for some time, by giving some idea of how you see the future of advertising? We've covered content, policies, where money is, but do you really think that advertising is going to "pay" for everything? What is the future role of advertising?

Gerd: I think Fred Wilson from Union Square Ventures said that the age of one-way communication from an unwanted or uncertified brand is over. That is what advertising used to be. You get one-way stuff dumped on you from somebody where you don't like them or don't know who they are and you don't care. The business of advertising as disruption, interruption, or a nuisance that is unavoidable is over. On the web, we're not going to take anything like this. We're completely going to punish people that do this to us. For example email, any PR company that emails me with their pitch goes into the black list. I dump them. I punish them. Any PR company that follows me on Twitter and gets involved in a conversation and looks at what I read and what I like, and then sends me a meaningful link; they go on the white list.

Google Fast Flip - why did this innovation not come from the magazine publishers, themselves?

Another quite ingenious, somewhat obvious-yet-still-missing-until-now innovation by Google was just announced: Google Fast Flip. I totally agree with Scott Karp over at the Publishing2.0 blog who blogs: "Google knows a lot about the future of news — more than many publishers. It's evident in Google's new product, Fast Flip, which allows news consumers to "flip" through news stories. What's striking about Fast Flip is that Google is innovating precisely where publishers used to lead innovation..." Totally spot-on: why did this rather obvious idea *not* come the publishers, themselves? Where is their in-house innovation? I guess one reason is that many publishers don't seem to want to actually collaborate with each other... or am I wrong?

I test-drove Fast Flip, myself, and it really adds good value if you are not searching for complex stuff (since many magazines aren't indexed yet, I guess?) So what about the money? eCommerceTimes reports: "For the first time, Google is sharing ad revenues from advertisements served up alongside the stories, and the company says it hopes the service will help increase traffic at those sites. Previously, Google paid only wire services for content. "We think publishers who participate in Google Fast Flip will benefit in the form of additional exposure, Web traffic and revenue," said Google spokesperson Chris Gaither. "That additional traffic offers another opportunity for a publisher to win loyal readers and show ads if they'd like. While it's too soon to tell if Fast Flip will graduate from Labs status, the company is may allow publishers to embed the Fast Flip technology on their own Web sites in the future, Gaither told the E-Commerce Times..."

2 key points: a) sharing ad revenues from ads served ALONGSIDE the stories (this is new, and crucial), and b) participating publishers benefit of additional exposure, web traffic and revenue (i.e. *all three* benefits are to be consid-

ered -- this is not just all about immediate cash revenue sharing. This is crucial, imho).

Scott Karp has another nugget in that really drills down to the bottom line: "In digital media, on the web, the news package is now a function of software — which is why Google is innovating precisely where publishers are not. Fast Flip is, more accurately, an attempt to create a new UI for news — a better way to consume publishers' content than publishers provide on their own sites"

A bit more from eCommerceTimes: "It's not perfect, and it won't solve the advertising crisis in traditional publishing, but Google's Fast Flip news-viewing product may represent a small step toward helping pen-and-paper publishers make a profitable leap to the digital age.Google rolled out Fast Flip on Monday as an experimental Labs product. It allows users to slide through tiled screenshots of news stories from the service's three dozen partner publishers. Clicking on a screenshot -- the service uses screenshots to speed loading times -- brings up a larger view that allows readers to flip screens from story to story, almost as if reading a newspaper or magazine. A second click on the screenshot takes the reader to the publisher's site..."

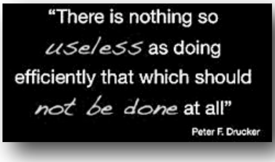
Ouch: French government pushes on with 3-strikes

Does the French President Sarkozy have a secret wish to self-destruct, or to lead France out of the European Community? Maybe this is the reason that the ludicrous 3 strikes idea keeps surfacing in France, see the coverage by TelecomTV below (and the other links).

But here is the real morsel (from The Register UK): "France's Ministry of Culture estimates that 1,000 people a day could be cut off from the internet under the bill. After first being sent a warning email and then a formal letter by Hadopi, those accused of illegal file- sharing for a third time could be disconnected for up to a year and face a €300,000 fine and jail time. Even those found guilty of "negligence" for allowing others (such as their children) to pirate online material risk a month-long internet suspension and a €1,500 fine..."

Maybe I am wrong but I can't imagine that these kinds of ideas are very popular with the *voters*, no matter what the business problems and the lack of innovation within the content industry are. Sure, politicians can have nice dinners with the music industry VIPs and smart lobbyists, and get VIP concert tickets, but this will not help them to get re-elected when the time comes.

But before that, action is required, because unfortunately the same debate is also raging in the UK. So if you live in London, or are visiting, I will be contributing a speech at an anti-3-strikes event called "Stop Lord Mandelson" on October 2, in London, at 7 pm, together with David Rowntree (Blur) and Ben Goldacre (Guardian / Bad Science), organized and moderated by Jim Killock (Open Rights Group UK). Please join me, and / or spread the word.The petition is here. My slide-show response to Hadopi / French-trois-strikes is here. My summary of Cory Doctorow's 2008 (!) comments on 3 strikes are here. On a more humorous note, check out these funny 'PiratesPrisons' videos.



"As expected, the French National Assembly has approved an amended version of the three-strikes legislation, designed to curb illegal file sharing, slung out earlier this year. When will they realise that none of this is going to work anyway" writes By Ian Scales. "The three-strikes issue now appears to have settled into a familiar left v. right split in France with the right-leaning majority UMP voting 'for' and the Socialist party against. Internet rights campaigners across Europe have been trying to keep the issue de -polarised since there is a substantial body of right-leaning libertarian politicians who are against the three-strikes approach but who may be lost if it all becomes too clearly identified with the left. In France at least, that doesn't appear to have worked..."

Ericsson report: Telecom crucial for new media business... says Media Futurist

A while ago, I was interviewed by the people from Ericsson Editorial Services, on the topic of "The Future of Content and Telecom". The interview was just published, today, and I am quoting it, below, while adding some relevant links and images. Ericsson has also added a pretty cool video called "Generation Gap" which I am embedding for your additional enlightenment;). Beyond this, you may also want to watch the video from my speech at eComm 2009: The Future of Content & Telecoms: Flat Rate Content Bundles and Social Media, embedded below, as well (you can download this and other videos via my Blip.tv channel)

"Say goodbye to CDs and DVDs. In the future, most media content will be sold digitally. And, according to Gerd Leonhard, one of the world's leading media futurists, telecom will play an important part in making the new media business both legal and profitable.

Leonhard says there are two main obstacles facing the new media business. One is that operators don't understand how the media world works and what it takes to make media content popular on handsets. The other is that media companies are unwilling to change their old ways of working. "Operators need to start to think of themselves as providers of content, entertainment and general communication that goes beyond messaging," he says. "Content providers are also hopelessly stuck with a model of selling that no one wants. For example, very few people buy music online. People download music for free, and the same is true for films and TV shows."

Leonhard believes operators have to make the first move. He says they have to be willing to subsidize the use of content until mobile advertising becomes mainstream, or until there are other profitable ways of supporting media content."For instance, in terms of music, operators should integrate legal music services into their networks for free. If they do that, they can become powerful providers of music 'experiences' and this makes it easier for them to sell other things to get a return on their investments.

"The music business is essentially a 'freemium business,' which means that the first step should be free, but then the other 10 to 50 steps should be what operators charge for. Ultimately, Leonhard envisions a licensing system for digital media, just like the TV and radio license system that exists in most European countries. "In Germany, you pay EUR 150 per year for using the TV, and I believe digital music could be wrapped into this fee," he says. "A license system can also be created solely for the purpose of digital media."Let's say the fee would be about

EUR 1 per week; I think most people would be happy to pay that amount. It would generate revenues and, even if tax-payers refuse to pay it themselves, the money could come from sponsors, marketing and advertising."

Leonhard says that a "digital media" licensing system will not be achievable without the support of telecom operators. "Telecom has the economic power to create a licensing system because they have the users," he says. "If the pressure is strong enough, the content owners will agree to public licenses and the telecom industry will agree to pay them." Leonhard says splitting the earnings from such a licensing system would mirror that of a radio license. "The streaming or downloading of music could be monitored, providing a digital footprint. And, at the end of every month, you can see how many times a song has been downloaded and that will decide what percentage of the pool of money the song gets in that particular country. The more your song gets played, the more money you get."

No 'going back'. In countries where licensing systems do not exist, such as the US, Leonhard proposes a system supported by advertising. "You could listen to music or read a book on your mobile for free because you are receiving messages from advertisers and sponsors that you have selected," he says. "This is how Google, is able to support Gmail and other services free of charge. I don't think North Americans will oppose receiving ads on their phones as long as they are synchronized with the content."

Leonhard warns that if content companies do not develop or adapt to new payment models, they are in danger of bankruptcy. "Until this year, most content companies have been trying very hard to control the flow of money due to their history of monopolies and cartels," he says. "Today, they can no longer control the whole system because it's an open system. And if we are going for an open platform, all players – from media companies to telecom – have to collaborate. "The problem is not so much that people don't want to pay, but finding the right point of payment. I always say that media content providers have a 'toll-booth problem,' meaning they have put up the booth too early, and people turn away. If they put the booth in the right place, I'm convinced people will be willing to pay to get access to their favorite content.

Pre-Web Content Economics vs Web-Native Content Economics

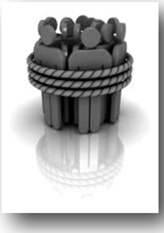
Here are some of the key trends for the immediate Future of the Content Industries that I wanted to share with you: Pre-Web Content Economics: Consumers. Scarcity. Centralized. Computer = Internet Access. Professionals only. Everyone watching the same thing. Friction generates a nice flow of $. Total Control is crucial. EGOsystems. Content is King. Exclusive Copyright. Content Monopolies, Rights Cartels and Oligopolies. Enforcement. Push. The large Networks rule. Walled Gardens bear fruit. Near-time Web & Database Search. Marketing = Monologs: Listen to Me. Consumers trusting Companies. Advertising = Interruption. Privacy = 'On' by Default. Mass-Media Rules. Broadcasting. All stuff is on my Machine. Pay Cash or Leave. Free = Bad. Distribution = Power. Power = Money.

Web-Native Content Economics: Users & Followers. Abundance creates new Scarcities... of Attention. Everything is decentralized. Mobile = default Internet Access. Professionals, prosumers, usators, users... all at the same time. Utter Fragmentation. Friction is Fiction. Trust is crucial (i.e. Money). ECOsystems & Interdependence. ConTEXT is King. New Usage Rights & Ubiquitous Licensing. Open Content Platforms. Engagement. Pull & Attraction Economy. Networked not Networks. Walled gardens wither. Real-time Web & Social Search. Marketing = Conversations: Listen to each other, then talk. Trusting People Like Me. Advertising= Engagement. Privacy = 'On' is an action I must take. Mass-Niches Rule. Narrowcasting. All my stuff is in the Cloud. Pay with Attention (and Cash). Freemium=Good. Influence = Power. Power = Money - and many other kinds of rewards.

UK government: disconnect those that share, return to Total Control asap?

Bizarrely, the UK government, led by Lord Mandelson, the UK Business Secretary, seems to have done a 180-shift in the past 2 weeks by *once again* proposing to disconnect alleged file-sharers from the Internet. In other words: if the content industry can't get people to buy music or films, or other so-called *content*, by offering relevant, fair and affordable new ways to do so, maybe the government can help to force people *back into buying the old-fashioned way*, i.e. by the unit / copy? Rather than actually change the industry's business model, let's just change the consumers' habits - problem solved!

If you want to be puzzled, just read the UK government's announcement (PDF via Arstechnica). The Net is buzzing with news on this topic; see below. The FT has a good recent update called 'Claws & Effect' here; wherein I read (with little surprise): "Senior music industry figures, such as Lucian Grainge, head of Universal Music International, have been influential in mobilising Westminster to act". Lobbyists succeed again? The bottom line can be summarized like this: "Let's just see if we can still force people to consume music in the way that suits *us* better". Never mind that the very similar French Sarkozy-'Bruni' proposal was just recently deemed illegal by the French Constitutional Law as well as by the European commission - maybe some good lobbyists can revert that, as well? Here are a few quotes I have collected on this topic:



Those who like this idea:

"John Kennedy, chief executive of IFPI, the organisation representing the recording industry worldwide, says: “It is not enshrined in any law anywhere that one has the right to steal music, films and books. There is a crisis in the economy, and as well as respecting rights we have to think about the economy and jobs” (FT) Related read: John Kennedy at RSA

“We welcome the government’s recognition that this problem needs to be addressed urgently, so today is a step forward that should help the legal digital market to grow for consumers,” the BPI, the music industry trade body, said. “The solution to the piracy problem must be effective, proportionate and dissuasive” (FT)

Those who don't like this idea

"Charles Dunstone, chief executive of Carphone Warehouse, one of the UK's biggest providers, says: "We are going to fight [being forced to disconnect customers] as hard as we can. Our fundamental duty is to protect the rights of our subscribers" (FT)

"A Virgin Media spokesperson said: "We share the government's commitment to addressing the piracy problem and recognise that new laws have an important role to play in this. But persuasion not coercion is the key to changing consumer behaviour as a heavy-handed, punitive regime will simply alienate mainstream consumers. The government should be ensuring a balance of action against repeat infringers and the rapid development of new legitimate services that provide a compelling alternative to illegal file-sharing" (FT)

"Internet provider TalkTalk said it would "strongly resist" government attempts to oblige Internet service providers to act as Internet police. TalkTalk said disconnecting alleged offenders "will be futile given that it is relatively easy for determined filesharers to mask their identity or their activity to avoid detection" (HuffPo)

One of my favorite quotes, via Labour MP Tom Watson: "Challenged by the revolutionary distribution mechanism that is the internet, big publishers with their expensive marketing and PR operations and big physical distribution networks, are seeing their power and profits diminish. Faced with the choice of accepting this and innovating, or attempting, King Canute-style, to stay the tide of change, they're choosing the latter option, and looking to Parliament for help with some legislative sand bags" (FT)

I have been saying this since 1999: the solution to illegal filesharing is to legalize the way that people share content online, to create new, public, compulsory licenses for content, starting with music (yes, just like the Radio / Broadcasting license), to create fair and flexible licensing standards, and to reduce control in favor of compensation.

The UK's trend towards increased criminalization is just plain old wrong, technologically absurd and utter fantasy, culturally 500% retro, and socially unjustifiable. Techdirt's Mike Masnick sums it up nicely: "You may kick people off the internet, but does anyone honestly think that will actually get people to buy again?"

AMBC Music Conference: Kevin Burmeister and the new Altnet / Kazaa - back to the stone ages of digital content? Deep packet inspection? DRM? R u Serious?

Welcome to Content 0.0! I am in beautiful Sydney Australia for a keynote speech at AMBC, the Austral-Asian Music Business Conference; for a keynote on Music 2.0 and the Digital Music License tomorrow (August 21, 2009). AMBC is a great event and I am very happy to be here, *but* for the past 30 minutes we were subjected to one of the most bizarre, desperate and - sorry to be so frank - ...*mad* schemes of how to turn digital content into money on the Internet - and of all people, by one of the original Kazaa guys, Skype investor, and CEO of Altnet and Brilliant Entertainment, Kevin Bermeister. I have recorded some of his speech on my iPhone voice-memo recorder, and may make it available later, but here is, in a nutshell, what Kevin and his company, Altnet, seem to propose (and be sure to read their recent press release on the relaunch of Kazaa):

1. Put a Cisco 'Copyrouter' into the network of each ISP, everywhere
2. Have the Copyrouter (ouch... that word alone gives me the chills) look at all traffic that is based on or runs on certain P2P protocols, and define what's being shared via the unique hashtags that each file represents. Deep packet inspection... go!!!
3. Block all traffic with hashtags that have been flagged as 'unauthorized' (i.e.... all?), and replace them with files that are DRM'ed (yes... really) and that can be downloaded only if you allow a charge to be levied by your ISP.

I won't even attempt to delineate what I think is wrong with concept because there are so many issues that they would fill this blog for the next 30 days. But the mere fact that this kind of scheme is being presented in a keynote at a leading music industry conference is, frankly, making me feel quite hopeless on the future of digital music. But maybe I am wrong... you tell me (comment box below). Anyway, first, Kevin seems to want all our traffic to be deep-packet inspected (i.e. monitored) so that a automatic determination of it being lawful or not-lawful can be made. That, in itself, is a bizarre and utterly unfeasible concept has already been rejected by the European Commission and almost all governments around the world (except for France), because it only points in one direction, and that is towards CHINA's version of the Internet. Police-states, Censorship and severe lack of freedom of expression and speech. Are you serious, Kevin? Is this what you want so that the major labels and studios can keep or shall I see regain total control over distribution of content rather than to license it to everyone, and share in revenues (as is, strangely enough, happening with Google and the record labels in China!)? I hope not. Second, Kevin seems to want to have the illegal files (again.... that means all files, really) be automatically replaced with copy-protected files (did you think those were retired, too...?) that must be purchased by the user, via the ISP. In other words, let's just re-insert Total Control back into the system, and force every Internet single user to a) pay whatever the price is (without having any say on that) b) use ONLY approved devices that can play back the DRM'ed content. If that's future of digital content... count me out (along with 98% of the online population I would say). Put that Content under the rock again! This scheme is too painful even to just contemplate; I mean it's so far out that it *hurts*....

Mobile broadband is set to explode - so what happens to Content Creators?

Mobile broadband penetration is making vast strides, around the world. Smart phones and connected devices are getting cheaper by the minute. LTE (long-term-evolution, a next generation mobile telecomunication technology) will offer mobile data connectivity at vastly increased speeds, and at very competitive prices. Jointly with a company called O2B Networks, Google is launching 16 satellites to bring low-cost or free mobile broadband to Asia, Africa and the Middle East.

So if and when we actually have 2 Billion+ people connected to mobile broadband, in 2012 (see the forecast in the video, below), what will happen to all the Content these users will consume or shall we say... share... remix...forward...adapt? How will content creators generate revenues from this enormous, interconnected and hungry, always-on audience? In my view, the only plausible answer is to equate network access with content access, i.e. to bundle them together - once you connect, much of the content usage is included. Revenues are derived in many different ways, including next-generation (!) advertising, bundles, sponsored access, flat-rates, freemium etc.

Berklee Today: Gerd Leonhard '87 shares ideas on how musicians can thrive in the link economy

Some of you may know that I went to Berklee College of Music ('86/'87) and studied Jazz guitar. I have kept in-touch with Berklee throughout the years and they just published an interview with me, in the Alumni Magazine"Berklee Today".

Here are some of the high-lights:
"Leonhard has long advocated a shift from tight control of products and copyrights. In what he refers to as the "link economy," the new commodity is the public's attention. In this climate, he predicts superstar status will be much harder to attain-and sustain-as the marketplace experiences further fragmentation and mainstream artists compete for attention with lesser-known artists in specific musical niches..." "In the link economy, the product is the marketing," says Leonhard. "If you want to promote yourself as a musician, you publish and make everything available on the Web so that people can pick it up and go elsewhere with it. If they like you, they do the marketing for you by telling others and sending links around. In the old days, if you were a star, MTV or the *Letterman Show* would recognize that by putting you on. Today, your fans recognize your value and send your links to friends, who send them to more people. This is what makes someone a celebrity on the Web. And you can't buy that; you have to earn it."

Too many musicians believe that playing gigs and selling CDs or digital copies of their music are the primary ways to make money. "We have to do away with that mentality, because there are 50 other ways a musician can get paid," says Leonhard. "In the new music economy, you need to build an audience and energize them to act on your behalf and forward your music virally. Later, they can become paying customers. Don't ask them for their money first. Once fans are sold on you, you'll be able to 'upsell' them special shows, backstage passes, webcasts, a live concert download, a multimedia product, your iPhone application, a premium package for $75.

"When musicians start thinking of themselves as brands, like Nike, they will see that they have more assets than just the zeroes and ones that people can download. Other assets are their creativity, the way they express what they experience, their performance, and their presentation. As a musician and composer, you stand for something. The Web allows you to publish things that showcase who you are and what you do. In 10 minutes of clicking around on your site, people will be able to understand who you are if you've put enough out there. Even in a time when many have predicted doom and gloom in the music business, Leonhard is optimistic. "Current developments are good news for the artist-provided he or she is good. You have to be different, unique, and honest; have a powerful persona; and know your brand. If what you are doing is real and you are forthright, people will pay you. It's all about the creator and the person who wants the music. Musicians of the future will do well if they can view themselves as more than someone who wants to be a star and sell a lot of records."

Spotify rocks - but without a compulsory, public digital music license they are doomed

Before I get into the meat of this post, let me say this, for the record: I really like Spotify, the official new darling among the many on-demand streaming and interactive music services that try to go to the legitimate route and make deals with the rights-holders, ie. the record labels and the music publishers. I like the Founders, I like some of their investors, I like what they are saying and how they do things. I even like their logo. We have met several times in the past - and something tells me Daniel et al may been reading my books and this blog, as well... all good this far.

So please note: this is not at all an attempt to rain on Spotify's well-deserved parade or discourage their investors. I am writing this post *because* I want Spotify to live, grow and prosper, not because I want it to crash. My comments, below, are simply meant to serve as a not-so-gentle reminder for a simple fact that we should keep in mind: while Spotify may look (or rather, sound) pretty, *right now*, no matter how hard they try and how much money they will raise, they *cannot possibly* succeed within the current music industry ecosystem, and they - by themselves - cannot possibly change that ecosystem single-handedly.

The primary reason for this is that there is no public (i.e. compulsory) license that is available for these kinds of services; therefore Spotify (and anyone else that streams music on-demand) has *zero* leverage whatsoever in the rights negotiations - and therefore, the entire pricing and overall economic model - with the record companies and publishers. In other words, they simply have to pay whatever it takes. And they are, indeed. Without a public license in place, this kind of situation is pretty much a suicide mission.

In my humble opinion, the chances of Spotify surviving beyond next 24 months, in the current music industry framework (call it '1.4' maybe - since we are still a long way from the Music 2.0 models that I and many of my readers and 'followers' have been discussing for the last, ouch... decade) are similar to... well, the likelihood of having a cold day in hell. If Spotify - as a possible embodiment of those Music 2.0 concepts - is to live than the entire SYSTEM must be changed - no less, no more. If you like Spotify than this, below, is what you must ask for.

Spotify (and most other legal music ventures like it) won't survive unless**:**

A public, open, fully standardized, compulsory,multi-territorial and collective digital music license is agreed upon and instituted by law or by collective, voluntary action, SOON. Voluntary action seems highly unlikely at this point given the seriously monopolistic structure of the music industry, and the stellar 'my way or the highway'- track record of most industry bodies.

Just like the existing Radio and TV / Broadcasting licenses, such a Digital Music License will need to be a license that conclusively and pan-territorially (i.e. pan-EU, pan-Asia, US, and then, worldwide) regulates the basic commercial terms for the use of the master recordings *and* the underlying compositions for *anyone* that may want to offer or provide music online, regardless of whether it's streaming or downloading - because this decidedly 'Web 1.0' distinction is simply wishful thinking, going forward - access means copy, today. ISPs, search engines, social networks, telecoms, operators and Internet portals need to be able to avail themselves of a standard, ready-to-go license, just like anyone that starts a terrestrial radio station can use an existing license to calculate their music costs, today.

Anyone that has had the misfortune of wanting to 'do the right thing' and license music for any 'new media' i.e. online venture will agree with me on this: the current music rights licensing situation is nothing short of ridiculous, and to many outsiders the process feels like a cut & paste rendition of various "Twilight Zone" episodes. The ineffective and convoluted way that digital music rights are *still* being dealt with today is a disgrace that keeps causing continuous train-wrecks for anyone that wants to enter the business (and cares to do it legally), and the continuing inability of the industry's 'leaders' to solve these issues flies in the face of the massively increased consumer demand for digital music in all shapes and forms, across the globe.

I know... you may be ask: ok, yes that's not good, but if we were to license more efficiently...where's the new money? Here is my response, and I've said it many times: the problem is not that the 'people formerly known as consumers' don't want to pay for music - they just don't want to pay *in those ways that the industry is currently asking them to*. This is not a problem of total copyright disregard by the consumers - it's just a tollbooth-strategy question: provide real value and get real value - that is the only future there is! Maybe.. do what Google does?

But so far, all the music industry lobbying groups (e.g. the RIAA, the BPI, and the IFPI) and their brilliant lawyers have done is to *ask Billions of people to change rather than consider changing, themselves, so that maybe they can actually start serving those people*. Why is anyone still paying attention to these people? As a consequence of these stone-age business practices that prevail in the music industry, Spotify has to essentially jump off the cliff every time they license a new song, and beg to do things legally 24/7/365, i.e. beg for licenses, from each label and each publisher or rights society, in each country, every couple of months, and for every tiny change they make in their business model. For unlike Youtube/Google, Spotify has ZERO real leverage - while the international music conglomerates and legal rights-holders (reminder: not the artists!) have TOTAL CONTROL - if the deal is not to their liking they can just refuse a license thereby rendering Spotify either instantly illegal (i.e. unlicensed) or have their users evaporate quicker than you can spell 'dead'. There is simply no way that anyone can negotiate a win-win deal in a situation like this - especially when your potential deal partners have such a long history of using pre-Internet laws a weapon to kill competition and innovation.

This legal vacuum has led to a bizarre situation where the major record labels (as well as many large independents and / or their industry associations) can basically ask for *anything* - they simply have the exclusive rights for these recordings, so it's their way or the highway. The same goes for the publishers, and as long as refusal to license is a sustainable option this won't change (remember when the phone companies did not have to share access to their networks with other providers...?)

And you can bet we are not just talking money here - we are talking about having to give equity to the (large?) labels, for the mere pleasure of being legal, and for being mercifully allowed to reinvent how music is being monetized. This has not changed since the days of my own streaming music widget company, Sonific - you can read all about what happened to us, here. I have been there, done that, and this industry is STILL at the same place: the music licensing system is simply dysfunctional and the markets will NOT self-regulate. Vivan Reding and the EU Commission: are you listening?

There will be no real solution for this problem until the monopolies that currently serve as the foundation of the music rights society system in most countries (not in the U.S. btw!) are done away with; until pan-European or global licensing can be achieved via a one-stop, digital, fluid and transparent service platform. And just to preempt the obvious responses on this: when I say that the *monopolies need to go* I am not at all saying that these *societies* need to go. Absolutely not. However, if you base your very existence on the practice of merely extracting value rather than adding value

I don't see how you could possible expect to have a role to play in a digitally networked future, either. So, while the concept of licensing collectives are and will remain crucial, they cannot be very useful in the digital economy unless they are constantly adding value and become 100% open and transparent. Monopolies just don't fit in this concept - or do they? Back to Spotify: because they are enormously successful and popular right now, and because of all the other players in this turf that have paved the way and are still in the running (Last.fm, iMeem etc), and because of all the other players that tried and gave up (Yahoo Music, Musicload, MSN Music) or are about to give up (Napster, Rhapsody, MSFT), we need to make this issue a public, political, cultural and wider business issue.

We need music to be licensed for the Internet just like we license it for radio, today: with a public, open, collective and standardized license that does away with the monopolies of permission that have held us back for a decade, already.

I guess this is POLITICS now - even the European Commission has already stated that "The failed music industry business model is causing online piracy" - so if you like Spotify it's time for action (hey - there's another post - but here is a preview of my 2 cents)

Finally, let me borrow some authority here: *"Change will not come if we wait for some other person or some other time. We are the ones we've been waiting for. We are the change that we seek"* (President Barack Obama)

Broadband Culture: my favorite Web 2.0 memes and phrases

In the past 5 years I came up with - or more to the point - collected, co-created, PFE'd and remixed quite a few memes and phrases that end up surfacing in my work all the time, and therefore must have some sort of value, I reckon. So, below, I am sharing some of my favorite memes - obviously they are all related and interconnected. Feel free to comment and fill-in the blanks.

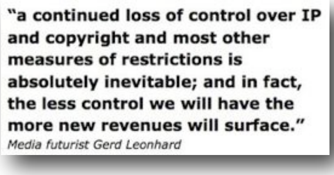
For my 2009/2010 think-tanks I will soon offer keynotes speeches, sessions and presentations based on these topics, as well - please check out my speaking topics list for more details. Most of these memes will be discussed in depth in my next book, "Broadband Culture" (ETA...? who knows - it's still very much work-in-progress, so stay tuned)

Gerd's Favorite Memes (July 2009)

1. The End of Control. This was the main riff in my 2007/2008 blog-book and basically describes the fact that no matter which business you are in, having *total control* is no longer the single most important factor that impacts financial or material success. Yes, more control equalled more money for a long time - but now, in the inter-connected digital economy, the concept sounds like wishful thinking. In fact, it seems much more likely that in the future, the more control we desire and push for the *less successful* we will be! If this inspires you, by all means, feel free to download all End of Control chapters here, or google for more stories on this juicy meme.

2. Paying with Attention. This is my much-simplified way of expressing a key trend that I have been observing in many industries, worldwide. Yes, of course we have always kind-of paid with attention in order to receive free stuff i.e. mostly content (e.g. free-to-air TV, broadcast-radio). 'Buying Attention' has always been the basic premise of advertising, marketing

and PR - already a Trillion $ USD business - BUT the future will bring drastic changes in regards to how all of this will actually work. For starters: advertising as interruption is finished, and advertising as engagement, conversation and yes, advertising as content (and vice-versa), is where things are going - and quickly. This is a seriously tough challenge to everyone working in the advertising and marketing industries; but since a lot more content & media companies are now looking to get paid via, from or through that huge fire-house of ad-money that will stem from next-generation and mobile marketing, maybe this will work out much quicker than we are currently anticipating?

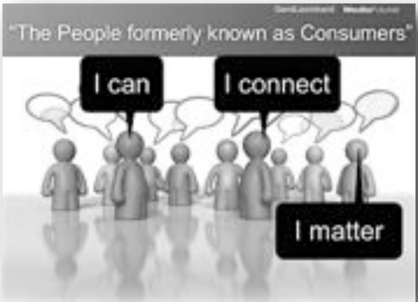


3. Feels Like Free and Freemium. This is a crucial meme; and the discussion fueled by the release of Chris Anderson's new book "Free" (which is a must-read, btw) is certainly adding to the buzz. If more and more things-that-used-to-be-paid-for become free because of disruptive technologies that Millions if not Billions of people are starting to adopt, what will happen to those tried-and-true business models that still underpin all of those companies that are serving these sectors today? Is Freemium (note that this term is definitely not my creation) and Feels-Like-Free / FLF (kinda sorta fueled by my writing... and I own the URL;)

4. Friction is Fiction. This tagline pretty much says it all: if the success of your business is based on making a steady amount of $$ out of friction that the 'people formerly known as consumers' must endure only because there *is* no other way to get what you offer, then, yes, you are in deep trouble (with very few exceptions). This goes for the music industry, the news / print / publishing business, telecoms, marketing and advertising agencies and for the Radio / TV / Broadcasting giants: as soon as someone, sometime, somewhere finds a way to reduce or completely remove that friction, your old model is history. Better see to it yourself...?! Yes, btw, I do own that URL, as well;). A related podcast is here if you need it.

5. The People formerly known as Consumers. This one comes easy to most of us - and yet it describes an often harsh reality at the same time. Clearly, consumers have *already* become users, pro-sumers, content co-creators, followers, influencers... but now their power is growing every single day. It's the USERS, and to be more precise, the KIDS, that are in charge now. This 'economy of participation and engagement' is quite a different cup of tea - media, marketing and 'selling' anything is changing drastically because of this.

6. Data is the new Oil - and linked data is even better oil ;) I originally ran across this nugget here and was further inspired via a subsequent conversation with a Twitter follower, via Friendfeed. What do I mean with this? Well, basically, I see a solid trend towards a continuous increase of the monetary value of the data that all of us are generating every time we connect, i.e. click on a link, share a video, post a message, embed a photo, send an SMS, rate a product or simply go from one page to another. Everyone wants this data, in it's purest, most unfiltered and 100% privacy-ignorant form, if possible, because it tells a story about who we are, what we like... and what we may purchase or otherwise pay attention to. Call it the click-stream, the digital bread-crumbs or the cyber-exhaust - the more we interact online, the more we share, the more we communicate via the Net, the higher the value of this data - it is indeed the glue for transactions, which in turn is the glue of, well, pretty much all business... you get the drift.



7. Finding and being found. An old hat, really, but given the recent explosion in accessing the Net via smart mobile devices, this is taking on a whole new meaning. Soon, if your business can't be found very easily on Google (or Nokia?) Maps and on 1000s of location-aware mobile phone applications, it will pretty much mean that you don't really exist - you are virtually a secret.

8. The real-time web. A very recent and radical (if not unanticipated) development powered by the likes of Twitter, Facebook, Friendfeed, and maybe MSFT's new Bing.com? In any case, this seems to one of Google's main new challenges...

9. ECOystem not Egoystem. Umair Haque from Havas Media Lab is my biggest influence for this meme, and he deserves the real credit for egging me on with this meme. A quick summary: we are in the midst of a tremendous shift in the very fabric of our society, away from the 'good' old paradigm of extreme capitalism and economic egoism, and towards the idea of a new, interconnected, collaborative, interdependent Ecosystem that allows or rather *forces* us to generate new revenues and new benefits, together, rather than pursue only our own agenda.

10. The 21st Century Content Ecology. This is a term I like to use when thinking about a new logic that underpins all content and media business models going forward: web-native, inter-connected, ubiquitous and friction less, i.e. liquid. To define these new economics is a major job, indeed - thankfully there are many very smart people working on this;)

11. Open is King: Open software, open mobile platforms, music without DRM, open codecs, open collaboration platforms, open APIs - open is faster *and* better, more competitive, more suitable for a digital society. But it's certainly not an easy switch to make - we are soooooo used to wanting control

12. Lubricating the digital economy is the biggest opportunity for a lot of players in the Telecom / ICT / TIME / Media / Technology space, in my view. With an ever increasing amount of our data, our content, our contacts, our resources and our work online, we will need faster connections at lower costs, easier and cheaper payment methods, more personalizable and customizable offerings, better bundle and flat-rate deals... and on and on and on. If you can lubricate what we want you've got a winning model!

Music Industry: The Browser is the new iPod, and the Mobile Application is the new CD

Access to music - i.e. a simple click-to-play, anywhere, anytime, anything - is replacing ownership. This trend will quickly accelerate due to the massive global build-up in cheap wireless broadband connectivity, leading us swiftly to the point where listening to a song will be *exactly the same* as downloading it (at least in practical terms, from the users' perspective). Some of us would argue that this is already the case, of course, but in terms of mass-scale user adoption I would say we are about 18 months away from the pivot point in the so-called developing countries.

The music industry needs to urgently get ready for this: sell access not (just) copies. Bundle. Package. Develop those new generatives. "When copies are free you need to sell things that can't be copied" (Kevin Kelly, The Technium). Another important trend to embrace is the move to mobile devices that will pretty much replace the computer as primary access point to the Internet i.e. to all digital content. Mobile applications for smart-phones will take the place of sound-carriers; music will be sold as/in/via/with software.

EU Telecom Commissioner Reding: "Failed business model is causing online piracy"

EUobserver / Brussels claims failed business model is causing online piracy. "It is in this new generation that there is real growth potential for Europe," says Ms Reding, describing the age group as "digital natives." The commission believes that as these individuals grow older and their purchasing power increases, greater internet use has the potential to create around one million jobs in Europe and generate €850 billion in economic activity. The claim is supported by a recent World Bank study that estimates every 10 percent of additional broadband penetration yields 1.3 percent in economic growth" Nice to hear that!

boingboing

A Directory Of Wonderful Things

Disney exec: Piracy is just a business model

POSTED BY CORY DOCTOROW, OCTOBER 10, 2006 11:43 AM | PERMALINK

The co-chair of Disney's board has recognized piracy as a "business model" to be competed with, instead of a war to be fought on Disney's customers:

> "We understand now that piracy is a business model," said Sweeney, twice voted Hollywood's most powerful woman by the Hollywood Reporter. "It exists to serve a need in the market for consumers who want TV content on demand. Pirates compete the same way we do - through quality, price and availability. We we don't like the model but we realise it's competitive enough to make it a major competitor going forward."

The price of freedom: Reinventing the online economy (RSA Journal July 2009)

I was delighted to be invited to make a contribution to the RSA Journal's July 2009 edition, the printed version of which was just send out I believe, and the online edition that just went up on their website.

The complete title of my piece is: "The price of freedom - reinventing the online economy: Gerd Leonhard explains why ‘free’ content can still pay in the long term" and I really enjoyed writing this for them. Following my last presentation at the RSA, in April 2009, on 'The Future of Content and Creativity' I have had many good conversations about this topic. The audio track from this event is here, btw; and the video is embedded again, below. Enjoy. And RT;) I definitely recommend that you check out the other great features in the Juy 09 RSA journal, as well, there's some great gems in there.

“Free information, free music, free content and free media have been the promises of the internet (r)evolution since the humble beginnings of the World Wide Web and the Netscape IPO on 9 August 1995. What started out as the cumbersome sharing of simple text, grainy images and seriously compressed MP3s via online bulletin boards has now spread out to every single segment of the content industry – and even into ‘meatspace’ (real-life) services such as car rentals. Without a doubt, ‘free’ has become the default expectation of the young web-empowered digital natives and now the older generations are jumping in, too.

On top of the already disruptive force of the good old computer-based Web1.0, we are witnessing a global shift to mobile internet – a WWW that is, finally, so easy to use that even my grandmother can do it. While five years ago, we needed a ‘real’ computer tethered to a bunch of wires to port ourselves to this other place called ‘online’ and partake in global content swapping, now we just need a simple smart phone and a basic data connection. With a single click of a button, we’re in business – or rather, in freeloading mode.

As users, we love ‘free’; as creators, many of us have come to hate the very thought. When access is de facto ownership, how can we still sell copies of our creations? Will we be stuck playing gigs while our music circles the globe on social networks, or blogging (now: tweeting) our heart out without even a hint of real money coming our way? Daunting as it may seem, we can no longer stick with the pillars of Content1.0, such as the so-called fixed mechanical rate that US music publishers are currently getting 'per copy' of a song ($0.091). Nobody knows what really defines a copy any longer when the web's equivalent of a copy (the on-demand play of that song on digital networks) may be occurring hundreds of millions of times per day. No advertiser, no ISP and not even Google has this kind of money to pay the composer (or rather, the publisher), at least not until the advertisers start bringing at least 30–50 per cent of their global US$1 trillion marketing and advertising budgets to the table.

Traditional expectations and pre-internet licensing agreements are exactly what are holding up YouTube's deals with the music rights organisations such as PRS and GEMA: this is what the rights organisations used to get paid for the music that is being copied, and this is what they want to get paid now. This impasse is causing significant friction in our media industries worldwide. Yet, below the top-line issue of money, there lurks an even more significant paradigm shift: the excruciating switch from a centralised system of domination and control to a new ecosystem based on open and collaborative models. This is the shift from monopolies and cartels to interconnected platforms where partnership and revenue sharing are standard procedures. In most countries, copyright law gives creators complete and unfettered control to say yes or no to the use of their work. Rights-holders have been able to rule the ecosystem and, accordingly, 'my way or the highway' has been the quintessential operating paradigm of most large content companies for the past 50 years.

> **"Don't start by asking who will pay for your content, but ask who will pay attention"**

Enter the internet: now the highway has become the road of choice for 95 per cent of the population, the attitude of increasing the price by playing hard to get is rendered utterly fruitless. Like it or not, a refusal to give permission for our content to be legally used because we just don't like the terms (or the entity asking for a licence) will just be treated as 'damage' on the digital networks, and the traffic will simply route around it. The internet and its millions of clever 'prosumers', inventors and armies of collaborators will find a way to use our creations, anyway. Yes, we can sue Napster, Kazaa or The PirateBay and we can whack ever more moles as we go along. We can pay hundreds of millions of dollars to our lawyers and industry lobbyists – but none of this will help us to monetise what we create. The solution is not a clever legal move, and it's not a technical trick (witness the disastrous use and now total demise of Digital Rights Management in digital music). The solution is in the creation of new business models and the adoption of a new economic logic that works for everyone; a logic that is based on collaboration, on co-engagement and on, dare we mention it, mutual trust – an ecosystem not an egosystem. Once we accept this, we can start to discover the tremendous possibilities that a networked content economy can bring to us.

Much has been written on the persistent trend towards free content on the net. It is crucial that we distinguish between the different terms so that we can develop new revenue models around all of them. 'Free' means nobody gets paid in hard currency – content is given away in return for other considerations, such as a larger audience, viral marketing velocity or increased word of mouth (or mouse). I may be receiving payment in the form of attention, but that isn't going to be very useful when it's time to pay my rent or buy dinner for my kids. Free is... well, unpaid, in real-life terms.

‘Feels-like-free’, on the other hand, means that real money is being generated for the creators while their content is being consumed – but the user considers it free. The payment may be made (ie sponsored or facilitated) by a third party (such as Google’s recently launched free music offering in China, Top100.cn); it may be bundled (such as in Nokia’s innovative ‘Comes With Music’ offering, which bundles the music fee into the actual handsets) or the payment may be part of an existing social, technological or cultural infrastructure (such as cable TV or European broadcast licence fees) and therefore absorbed without much further thought. Feels-like-free could therefore be understood as a smart way to re-package what people will pay for, so that the pain of parting with their money is removed or somewhat lessened – everyone pays, somehow, but the consumption itself feels like a good deal.

'Freemium' is a word concocted by VC Fred Wilson and Jarid Lukin, and popularised by Wired magazine’s Chris Anderson. Freemium combines ‘free’ and ‘premium’ business models into new forms that basically follow the old marketing principle of giving away something for free only to up-sell many of those happy users to the next, paid levels. The Freemium approach has been very successfully used by many Web2.0 companies such as the broadband video, call and messaging service, Skype (get hooked on free calls and then buy Skype-out credits or local calling plans) and the internet’s leading photo sharing site, Flickr (spend $29.99 for a bit more storage space and the cool FlickrPro badge).

“Free has become the default expectation of the young digital natives”

The bottom line is that all digital content (including books) is moving from paid hard-copies to free, feels-like-free or freemium services and bundled access – and there is serious money in all of these options. And while we creators struggle to come to terms with the challenges of ‘free’, let’s not forget that, in those good old days of paid copies, people mostly paid for the printing or pressing costs, the shipping or delivery, and the retail storage space. Consumers did not actually pay very much for the song, for the words, or for the genius of the scriptwriter; they mostly paid for the middlemen, the studios, the publishers, distributors and retailers. Therefore, when these costs are taken out – as they are in many internet-based delivery mechanisms – it may not necessarily hurt the actual creator, but those middlemen and the industries built around them.

However, because ‘free’ is such a strong meme in this economy, I believe that we will see a lot of redirected creative juices flow into that crucial conversion process from the initial attraction to the faithful ‘consumption’ of – and engagement with – our content. Now, the mission of record labels, managers and publishers is to invent and realise new streams of income that simply did not exist until we ceased our obsession with controlling distribution and selling copies. I therefore believe that the value of a given piece of content will depend greatly on what Wired’s inspirational co-founder Kevin Kelly calls ‘the New Generatives’ – those new embodiments of value.

The new means of content monetisation include elements such as:

- packaging and ‘alternate outputting’ – for example, selling a smart-phone application that provides access to all an artist’s music, videos and pictures, instead of just selling a simple download of a song
- immediacy – the option of getting the new song, the new book or film right away, without having to wait
- curation and filtering. The added value of having someone programme my playlists or recommend TV shows or films
- or added values such as higher definition (including 3D) or better sound or image quality.

Personalisation, customisation and various premium-like options will make very fruitful turf for up-selling, and are already widely used across the web, such as by the blogging service Typepad. We may well see a future where the basic services are entirely free, or bundled, or advertising supported. In the music industry, we have recently seen services such as Spotify emerge with a similar offering: the user can listen to any song on-demand for free, but can also pay to get rid of the audio advertisements or make use of better playlisting tools. My hunch is that, because of the increasing wealth of the available data and the much improved use of behavioural targeting functionalities, advertising will soon become valuable ‘content’ itself – thus eliminating consumers’ desire to get rid of it altogether.

Again, if a global advertising and marketing budget of US$1 trillion can be partly diverted to pay for content, that should make a lot of content creators very happy. Virtual goods – products that are only sold and used in virtual environments (such as customisable avatars for my profile page) – are already big business and will grow to generate new revenue streams for all kinds of content creators. As an example, my avatar in my digital world may want to surround himself with the latest John Mayer track when he’s hanging out at the virtual beach – there’s another euro for the creators. Similar to the popular ring-back tones in Asia, this is a typical case of how I am using music to present myself in a different way; rather than for my own consumption, I buy music to have others hear it – another potential growth area for content sales.

Authenticity and the official stamp of approval will become a crucial and paid-for value: how would I know that Paulo Coelho is happy with a German translation of his latest book if I don’t buy it from him or some other authorised source? Yes, I could download it for free, but I have no way of knowing if it’s the real thing until I’ve already read the first chapter. Once e-books become more widespread (and duly Napster-ised) this will be crucial. I anticipate authors using digital authenticity watermarks and other embedded technologies to give each authorised digital copy that special stamp of approval that will make it worth the effort. Once the costs of digital books are brought down to a level where the payment is a no-brainer rather than a punishment (10 to 20 per cent of the dead-tree versions), and the buyer feels like he/she is part of the author’s authentic fan network, these models will generate enormous new revenues at much lower cost.

The other increasingly relevant issue is what actual form remuneration may take. For creators, this may be derived in many ways other than with cash payments. Flickr now boasts more than 3.5 billion images uploaded by an estimated 12 million members, many of whom happily pay their $29 for the upgrade to ‘Pro’ level. Photographers gain viral exposure for photos that become popular on Flickr, often getting millions of viewers and hundreds of comments from the Flickr crowd around the world.

While no content creator will sneer at real cash coming his/her way, one can still observe a strong trend that places increasing value on social capital, personal influence and what is sometime referred to as the ‘reputation economy’. While these forms of remuneration may take longer to be converted into real cash (if at all), they are indeed becoming important currency in a world of hyper-connected individuals. We are about 18–24 months away from that crucial take-off point in the new content economy. The point at which it all falls into place and it finally becomes clear how creative output will be very nicely remunerated without having to go back to what I like to call Content1.0 – to control, force and friction, such as the paid-access+micro-payments model that NewsCorp’s Rupert Murdoch has recently been hinting at, again. We are beyond the point of return, the only way is forward.

We as content creators and/or content industry professionals must now put our energies into investigating and constructing web-native and deeply collaborative revenue models based on open platforms and the total embrace of the sharing economy that has already taken hold in our society. Once we move from egosystem to ecosystem, from monopolies, cartels and walled gardens to partnerships and open systems, I am confident that we will discover dozens of new generatives that will allow us, the creators, to prosper in the future.

Nothing can replace that unique human power of storytelling and creation – the more technology we employ to distribute and access content, the more we need those good stories. Ditch control for compensation, leave the monopolies behind, start trusting your users, viewers, listeners and fans, and see the value of your creative work rise above and beyond. Don’t start by asking who will pay for your content, but ask who will pay attention, who will trust you, who will follow you – and then work with all involved parties to convert that attention into income.

Chris Anderson on "Free": Crap is in the eye of the beholder, scarcity and abundance side by side

Chris Anderson published an interesting excerpt from his upcoming new book "Free" in the recent edition of Wired Magazine. If you are in the Content / Media Business, this is indeed a must-read (the book, as well as this excerpt). Here are the nuggets I found (quoted from Chris / Wired) - I couldn't have said it better myself! The [links] are added by me, though.

- "The most important thing is relevance. We'll always choose a "low-quality" video of something we actually want over a "high-quality" video of something we don't" [comment: watch this video where I speak about Context *and* Content = Kings]
- "What this boils down to is the difference between abundance- and scarcity-based business models. If you're controlling a scarce resource, like the prime-time broadcast schedule, you have to be discriminating. There are real costs associated with those half-hour chunks of network time, and the penalty for failing to reach tens of millions of viewers with them is calculated in red ink and lost careers... But if you're tapping into an abundant resource, you can afford to take chances, since the cost of

failure is so low. Nobody gets fired when your YouTube video is viewed only by your mom" Sound schizophrenic? That's the nature of the hybrid world we're entering, where scarcity and abundance exist side by side. We're good at scarcity thinking—it's the 20th-century organizational model. Now we have to get good at abundance thinking, too" [comment: yes, indeed, there's no cookbook, yet!]

	Scarcity	Abundance
Rules	Everything is forbidden unless it is permitted.	Everything is permitted unless it is forbidden.
Social model	Paternalism ("We know what's best")	Egalitarianism ("You know what's best")
Profit plan	Business model	We'll figure it out
Decision process	Top-down	Bottom-up
Organizational structure	Command and control	Out of control

http://www.wired.com/techbiz/it/magazine/17-07/mf_freer?currentPage=all

Rolodex 2.0 - the social web is becoming our address book

Remember when we (meaning those of us 40+ years old) had those red moleskin diaries and notebooks with the names, addresses and phone numbers of all our friends and other contacts? Remember when we had those impressive Rolodexes on our desks, with thousands of business cards in them? When 'having a huge Rolodex' meant having a lot of power? When we painstakingly scanned those 1000s of business cards we garnered at conferences and tradeshows so that we could load them into our databases, or maybe add them to our eMail news list? Remember when we had those crucially important mobile phone numbers in our phone's memory (or on the SIM card) only? When Outlook had all our email contacts? When having a computer hard-disc crash or a stolen machine meant that many of our contact details were lost forever because we were always sloppy with our back-ups?

Well, no more: all of this is quickly becoming the past, for these reasons:

- Everyone that I meet face-to-face is sooner or later added to at least one of my social networks (that is, if I actually enjoyed meeting them, of course), freeing me from the onerous task of having to manually keep track how exactly I met them. For me, LinkedIn has in effect become my electronic rolodex, and finding, retrieving and filtering people has become very simple. I constantly use LinkedIn to keep track of people that I have met, and to re-connect with them as needed - and I keep LinkedIn pretty much reserved for people I have met in the 'meat-space' rather than just online. The bottom line is that just like GMail has greatly simplified searching through your emails, LinkedIn, Twitter and Facebook are simplifying my people search; by far beating the traditional methods of keeping my contacts up-to-date.

- Everyone that emails me (or vice versa) is saved in my gMail contacts list - all I need to do is search (and yes, I do export my contact list regularly). Why would I export lists of addresses if I can always search for them? Why do I need Plaxo or iContact if I have GMail plus my social networks (and now, realtime search and Friendfeed streams?
- Twitter, Friendfeed and Facebook keep very good track of my current *conversations* and make it easy to see my most active network members, so if I need to find someone I can certainly do it here very quickly
- Google private bookmarking tools and Yahoo's Delicious (which I keep public) make it very easy to bookmark and annotate people that are relevant to me, for later retrieval. I do this with 1000s of people I have met - I quickly bookmark your profile and add a few keywords, and even if I totally forget about anyone I will still be able to find them 5 years from now.
- Apple's slick MobileMe keeps track of my datebook, my contacts and my files; and on all my Macs and iPhones and iPods

The Future of Advertising: become like... Content

When ads become so targeted, personalized, contextual, location-based, meaningful and relevant that I will *want to* see them (or at least not try to avoid them), then we are getting somewhere. I think that "Advertising IS Content" will be the key to web-native (and therefore mobile-native) advertising and marketing - all else will fall short of getting great results. I wrote about this in June 2008, here, and in yesterday's presentation at CMMA 2009 (the future of mobile marketing).

Some nice examples that are heading in this direction are the BMWZ4 Paint by Powerslide iphone application (a great example for branded apps), Jeep's 'have fun out there' campaign, and Apple's 'second opinion' commercial on the NYT website (thanks to Frank at MediaArts in LA, btw). What we really need is cutting-edge creative work that is based on a complete and realtime understanding of how people are starting to mix real-life experiences, the web, mobile and social media.

Told you so: eMail is now second to communicating via Social Networks

I just ran across some nice research from Nielsen called the Global Online Media Landscape - download their free PDF - (yes, I know, it's from April 2009... so I am a bit late to the party...sorry) shows that as of February 2009 the use of eMail is paralled by the use of social networks as far as the frequency of communication is concerned; so-called member communities and social networks are now an equally preferred method of conversation. This trend will continue and I predict that eMail will remain popular mostly for business communications but will otherwise decline drastically, within the next 3 years. I kind of pointed in this direction in a blog post in October 2008 "eMail is for old people'. Now just wait until the Google Wave hits!

Advertising will get a lot smarter - and support a lot of free content

While we pay attention to great, personalized, contextual and relevant content, brands want to reach us via that content, and via the CONVERSATION, the social context, around that content. This opportunity will drastically expand due to the explosive rise of the mobile Internet and the advent of ubiquitous smart phones, globally, but the quickest opportunities will be in Asia, no doubt (where many local cultures are already build around a much more mobile and always-on lifestyle than in Europe or the US). Content will be offered 'for free' in return for paying attention to brands, advertisers and sponsors, primarily via mobile applications (branded or in-app advertised) as well as via the browser.

The new business model: having the guts not to have one?

It used to be that you needed business plans. Revenue models. Spread sheets. Projections. Forecasts. Analysis of every possible scenario. In short, MODELS of a new reality that you wanted to build. You then raised (or just spent) the money, you built your product, you executed. According to plan, hopefully. Idea > Model > Reality. Fast forward to today: we suddenly discover countless false assumptions that our nicely designed models were built on. We discover that by the time we roll-out our product or service the entire target market has shifted, moved on or altogether evaporated. We discover that someone in Shanghai had exactly the same idea than us - and already has 1000s of customers. We discover that we spend so much time modeling that we lost sight of what cannot be modeled: Life. Intuition. Inspiration. Context. Vision. Ideas. Improvisation. Luck. Speed. Trust.

Here is a great saying by the grandfather of all management training, the formidable Peter Drucker: "Wherever you see a successful business, someone once made a courageous decision" and - in this age of the hyper-connected digital economy - this seems to be more true than ever before. We can model and analyze until the cows come home - in the end we must decide by our intuition, by our gut feeling, by understanding. Or not? What do you think - tell me (tweet, facebook, or comment below).Luckily, the fact that we are now all connected has seriously increased the potential of a much more open and flexible venturing approach: many of us literally have 1000s of people at our disposal that will help us with their feedback, their comments, tweets, blog posts. The wisdom of the crowds is starting to be useful.

A new economy of Links & APIs, and the Interdependent Content Ecoysystem

It feels like things are moving increasingly fast now - the global economic crisis has either *really* catalyzed people and companies into action, or it has completely paralyzed them; but there is no way to stay neutral. On my end, I am certainly seeing a lot more demand for the development of immediate (2-3 years) future scenarios than ever before - guess that's a good thing!

A new kind of currency is developing, and it's based on how connected, appreciated, vetted & verified and available you are. This can be expressed in a myriad of ways, including via the number of links that you are getting, the amount of followers and retweets you are getting (however superficial that may seem, at this early stage), the number of people that subscribe to your blog feed, and if you run a network, how many companies are building your business on-top of yours (i.e. via the use of APIs). Of course, beyond that rather primitive approach of pure volume and easily trackable stats lurks the much tougher question of real meaning, context, merit and quality, i.e. it is really the quality of every single node in your network is what matters, not just their sheer number.

While this Link Economy is, of course, not new, it is certainly getting a real boost from the likes of Twitter and Friendfeed where it appears that good links do matter a lot, and some Twitter search results now often trump good old Google search results. This "you are what you share" mantra is, of course, just one expression of the Web'whatever.0' principle of "success is the result of adding value not extracting value"; and clearly those that add the most value now get the most mentions i.e. links or retweets etc.

If this feels a bit like some kind of race to you I can definitely sympathize but would venture to say that we will see the normalization of this process within the next 9-12 months, just like we did with SEO which is now a pretty well-established routine and feels less like a constant race. Another important point has been raised by Umair Hague several times in the last few months (and yes, I have been busy applying the 'Proudly Found Elsewhere' principles to his blog posts;), and that is the fact that we seem to be moving into an Interdependent Ecosystem, and away from what I like call the traditional EGOsystem.

In the Content & Media and TIME sectors it will simply no longer work to focus on driving revenues and profits just for oneself, and based only on one's own assets and capabilities. Instead, in the future, revenue streams will need to be discovered, invented, generated, nurtured and maintained *in collaboration* with other key players in the Ecosystem. This is a key point for me: we won't have recurring and scalable new generatives in the content business unless we all help to build them, in the first place. There IS no model we can apply, yet, there is no set way to cook this dish, there are no charts to play off - there's only improvisation until we have a new song. Stay tuned!

The product IS the marketing!

In a recent Jason Kilar (Hulu's CEO) says: "We don't have a marketing department because if our product isn't going to sell itself on its own merits we've got bigger problems". This is very much how I look at the role of Marketing, going forward, as well. My 4 cents on this topic:

- Design the marketing right into your product or service, from the get-go - if people will not *want to* share what you are offering, that's where you need to start!
- Instead of paying to grab people's attention (which usually means disrupting them, several times), invest in your product to be so attractive, or better yet, *addictive*, that your users will promote it for you. Word of MOUTH and word of MOUSE is what will drive your success more than anything else, so that's where every cent is well spend
- Once a good many people are using your product or service, enable and encourage them to share all that goodness with their friends and peers

(great examples for that include Nike+ and the recent T-Mobile Life's for Sharing campaign); put 'share this' and 'tell your friends' links and widgets everywhere, and integrate things like Facebook Connect, Google Connect and Twitter.

- The best way to activate your users as voluntary brand-messengers is to allow them to co-create, to engage, to get involved - and of course, to talk to them, to build relationships. This is the key to Twitter's rapid growth.

Some recent Twitter-related wisdoms

Twitter is indeed a game-changer and is quickly becoming a major force in social media, news, search and mobile communications. I have written about Twitter quite a few times, already, so today I will just share some really important Twitter-related stuff that I just discovered, myself (via the people I follow on Twitter, naturally ;)

First, the always-seriously-cutting-edge Umair Haque just published a blog post on 'Twitter's 10 Rules for Radical Innovators' which is simply a must-read. Here are my favorites morsels:

"Open beats closed. Anyone can use Twitter, make friends with anyone else on Twitter, and read anyone else's Tweets, unless they're locked. Here's Oprah, for example. Openness is important because it unlocks 21st Century economics — the new economics of interdependence" The new economics of interdependence - that's a crucial term, in my view. I like to think about this as Egosystem becoming Ecosystem...;)

"Connection beats transaction. In the 20th Century, what was viral was mostly the flu. Today, Twitter is the master of *viral economies*. I got this awesome link from you got it from he got it from them. In the 21st Century, virality can make many different kinds of value activities significantly more efficient and productive..." Circuits beat channels. Twitter isn't building a new media channel. It's turning yesterday's channel into a circuit. ...Twitter has dropped a neutron bomb of real-time feedback into the heart of media: yesterday's inert, rigid channel becomes a flexible, ever-shifting, reconfigurable set of circuits instead. Efficiency is gained — and monopoly is vaporized — as demand coalesces around supply, and vice versa"

Second, be sure to read TIME's recent ode to Twitter: how Twitter will change the way we live. The goodies, quoted, my comments are [...]

- In short, the most fascinating thing about Twitter is not what it's doing to us. It's what we're doing to it.
- For as long as we've had the Internet in our homes, critics have bemoaned the demise of shared national experiences, like moon landings ...But watch a live mass-media event with Twitter open on your laptop and you'll see that the futurists had it wrong. We still have national events, but now when we have them, we're actually having a genuine, public conversation with a group that extends far beyond our nuclear family and our next-door neighbors

- Put those three elements together — social networks, live searching and link-sharing — and you have a cocktail that poses what may amount to the most interesting alternative to Google's near monopoly in searching
- One of the most telling facts about the Twitter platform is that the vast majority of its users interact with the service via software created by third parties [I call this the Rise of the API Culture - and it's a crucial driver of 21st century content economics]
- As the archive of links shared by Twitter users grows, the value of searching for information via your extended social network will start to rival Google's approach to the search [This is often called Social Search - and imho, it will beat the pants of Search 1.0 within 9 months. Another reason why Google will buy Twitter, for sure]

- Today the language of advertising is dominated by the notion of impressions: how many times an advertiser can get its brand in front of a potential customer's eyeballs...but impressions are fleeting things, especially compared with the enduring relationships of followers. Successful businesses will have millions of Twitter followers (and will pay good money to attract them), and a whole new language of tweet-based customer interaction will evolve to keep those followers engaged: early access to new products or deals, live customer service, customer involvement in brainstorming for new products.
- In its short life, Twitter has been a hothouse of end-user innovation: the hashtag; searching; its 11,000 third-party applications; all those creative new uses of Twitter — some of them banal, some of them spam and some of them sublime. Think about the community invention of the @ reply. It took a service that was essentially a series of isolated micro-broadcasts, each individual tweet an island, and turned Twitter into a truly conversational medium.

Some key emerging cultural practices that impact Media / Content and the ICT / TIME industries

First, this is what MIT Professor and 'Convergence Culture' author Henry Jenkins has to say - and it's 100% spot-on. And here are some recent content 'consumption' (or shall I say, engagement) shifts that make for some good examples:

1. I want my content when I want it [time-shifting]
2. I want my content how and where I want it [place-& platform shifting]
3. I want to be able to influence, talk-back, contribute, determine [Control-shifting]
4. I'll always want real and tangible, personalized value for my attention - or I'll go elsewhere [attention-shifting]
5. I will continue to fragment and diversify(but some re-aggregation is good, too!)

Picnic Interview: Gerd on Social Media Marketing

This is from the Picnic Conference blog, taken from a telephone interview with me, last week. Please note that I am firm believer that there is NO COOKBOOK for success in social media (whatever *that* means!), at least as far as I can tell. And there is no certainly not a definitive correlation between your mere numbers of followers or friends, and the quality or merit of your work. We are still very much in the very first, embryonic phase of social media marketing (and the related personal branding options), and it would be very premature to equal success in numbers with success in business or even any real degree of influence. I am experimenting with this just as much as everyone else... so, read this below, in that spirit!

Btw - the Picnic conference in Amsterdam (Sept 23-25, 2009) will be well worth attending (and not just because I'll be speaking ;). Last year's event was thoroughly entertaining as well as inspirational, if sometimes a bit overwhelming due to the sheer number of topics and attendees.

From the Picnic site (comments by me are in[...]) "Last Friday, the team at PICNIC had the opportunity to pick Gerd Leonhard's brain about social media marketing and what has made him successful. Gerd is a well-known media futurist and a regular PICNIC participant. He travels the world speaking about the future of media, content, technology, communication, business and entertainment.

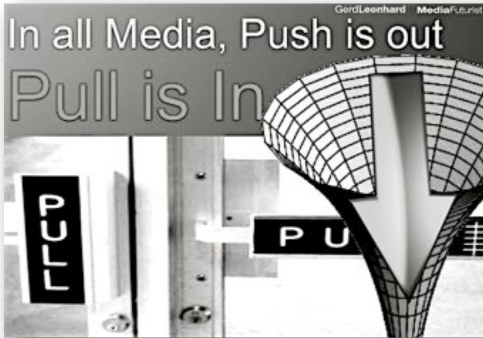
In less than six months Gerd accumulated over 5000 followers on Twitter and his website traffic [and RSS feed users] increased by 300% (60% of which comes from Twitter). As a result he decided to completely stop communicating with his 17,000-strong database by email and his business has continued to thrive. It was a pleasure to chat with Gerd on the subject of social media marketing and we are excited to share some of his top tips with you. Pull, don't push: Get people's attention by providing value and earn their love by engaging with them. This will naturally lead to increased website traffic and increased sales. Getting started:

- Choose a plausible position and objectives you want to achieve
- Find out where your target audience is, i.e. Twitter, LinkedIn, Facebook, YouTube…
- Listen to others and decide carefully who you want to follow and get feedback from
- Track replies and keywords to help you actively participate in the conversation
- Set up multiple accounts if necessary (by topic, employee, etc)

Building momentum:

- Jump in: don't be afraid to start, there is no right or wrong way to use social media for marketing
- Provide value: link to content on your website or blog like videos, slideshows, tips, interviews; provide useful resources from other sites; don't be afraid to re-package existing content by putting a new spin on the story.

- Avoid sales pitches: but do offer special offers or rewards to members of your network
- Participate: develop conversations with members of your network; ask for feedback or advice
- Be transparent: people will feel more connected with your brand when they know what is going on behind the scenes
- Establish yourself as a thought leader or authority: dialogue with the right people



Measuring success

- Social media marketing is not a replacement for other marketing tactics. Success with social media tools requires time and effort, not money. Success has to be defined by the individual or company.
- The number of followers or members is important, but not the only measurement of success. You can also track traffic to your website generated by social media sites, number of RSS subscribers, and increase in comments or leads.

iPhone apps more popular than music downloads: 1 Billion downloaded in 9 months. What gives?

Based on what Wikipedia says I am estimating that iTunes has maybe sold a total of 6.8 Billion songs since April 28, 2003 - i.e. exactly 6 years ago. Now Apple just announced that over 1 Billion iPhone & iPod apps were downloaded around the world (a good list of the top 20 free & paid apps is at Ben Tao's blog), *during the past 9 months*, already. Why is that? Why is music apparently less popular than software gadgets? Here is my 2 cents:

- The music on iTunes is always paid-for while apps are sometimes free and sometimes paid (and at different price points), and are therefore an easier sell. *Try and buy* is still the best way to get hooked - and iTunes does not even allow me to listen to the full track before I need to shell out my dollar! In any case, the fact that some apps are entirely free can serve as a good reminder that for the creators there are many other, equally attractive forms of remuneration than just getting immediate cash. App developers certainly seem to have many other reasons than just getting paid 'by the unit', such as creating a stronger 'Pull' for their other offerings or providing the app to get a wider audiece for their skills - and the same argument could certainly be employed for music I would reckon. Why not start with the stream-on-demand, then offer the download for free or for a very low price - but then upsell the fans to a much larger fan package, similar to what Depeche Mode is now doing with their Season Pass. The ever-resourceful Techcrunch, btw, estimates app store revenues to be $777 Million for 2009 - I would be even more optimistic than that, though, because I expect much higher sales of iPhones and iPod after the next version comes out in June, featuring the build-in

FM transmitter that can send the music wirelessly to your car stereo (radio execs... are you ready for *that*?)

- The music on iTunes is both too cheap and too expensive (depending on how you look it it), but there's nothing that fits the "free stuff + premium" package that people like so much these days (such as for my favorite, Instapaper) which is how most people get hooked on the good stuff. In this world, Freemium Rules, indeed.

- Most apps are really cheap and it's easy to part with a few dollars for something that may have real value for me - especially if one of my peers has just recommended it. I have purchased at least 40 apps, and I can tell you that the barrier to purchase an app is much lower than the barrier to buying songs at $1 / Euro 1. And yes, sure, unlike music the apps can't be gotten for free anywhere else (apart from what can be done with jailbroken iphones I guess) and that certainly is a factor - but even if they could be 'pirated', I would venture to say that I would still pay for them on iTunes, because it's LIQUID, quick, convenient, low-cost and no big deal. If the music industry can achieve the same (and not just on iTunes!), than you'll see those numbers go up, for sure. Liquid and friction-less are the keywords here - and that, to me, as you may have guessed, means the digital music flat rate.

- Mobile phone apps are about ME, about my personalized style and experience. The apps give me the power to select what I like, try it and love it or hate it. See a guy's apps and you can get a feel for who he is (yes... that goes for women, too, but unlike guys you probably don't see them comparing iPhone apps over a drink;). If we can make music -and other content- more personal, more customized, too, my hunch is that would help boost the sales, as well.

A key topic for 2009: EGOsystem becomes ECOsystem, yelling becomes talking, traditional Marketing...dies!

I touched upon this in my presentation at the Mobile Monday event in Amsterdam: I think we are going through a totally amazing and very challenging paradigm shift, right now (and this may still be a somewhat delayed consequence of the Internet (r)evolution and the first .com bubble): From EGO to ECO, from Control to Openness, from Domination to Collaboration. A few examples:

- The amazing shifts in U.S. policy and America's new global role: when President Obama implements his far-reaching plans to rewire how America works we will see this new trend towards win-win solutions rub-off everywhere else, too, and kick off chain-reactions in many other, traditionally more dominance-focused countries such as Russia, as well (and the reverse is also true). The old Bushinator mantra 'You lose - we win' has simply become unsustainable in today's networked economy, and America will doubtlessly struggle with this shift from domination to partnering for quite some time. However, I definitely anticipate a strong trend towards open systems and open platforms in the global economic and political spheres - as well as in technology and content / media - with utter transparency and TRUST becoming the key requirements for success, everywhere. There will no doubt be considerable debate on what this trend means for copyright and patent laws, globally, too, since these laws have traditionally been used for shoring up market-shares and protecting the interests of the large, dominant players in many industries.

- The music industry: the decline - or shall we say gradual vaporization - of most major record industry players due to their amazingly persistent obsession with control, makes a great case study. Rather than to *finally* permit new revenues to be co-developed via collaborating on win-win scenarios, the IFPI and RIAA are still looking for new enforcement and protection mechanisms such as the now flamed-out '3 strikes & out' legislation - it does make you wonder if their 'leaders' have lived under a rock for the past 5 years! In any case, the music industry is *the* prime example why monopolistic and totally centralized structures will simply not work in the future, and why we need government intervention when a market place is clearly dysfunctional. Many of my readers know that I have been talking about this for a looooong time, but now we are finally seeing it take shape: the music rights organizations and their related content licensing processes will undergo significant and sweeping changes in the next 2-3 years; everything is moving from a 'not allowed / not possible' default mindset to a more collaborative, open, flexible, transparent and public rights licensing logic - and they must adapt or get out of the way.

- The bottom line: If it's not based on a web-centric and connected logic it will cease to exist. As an example, the current conflict between the Music Performing Rights Organizations (PROs and MROs) such as PRS, GEMA and Youtube is based on this basic paradigm disparity: PRS and GEMA are thinking of the music rights still being firmly and exclusively *their* business (i.e. an EgoSystem), and Youtube/Google think of music rights as being a crucial component of a new, 21st century content ecosystem that concerns everyone and should not be governed by monopolies and cartels. Therefore, for Google I reckon that the music rights issue is something that must go far beyond the traditional structure that's based on 'I own the rights, exclusively, and you'll need to pay whatever I ask for'. My prediction is that if the traditional rights-holders and the many societies that represent them don't materially change their thinking on this very soon, they may wall see a wide-spread revolt of their younger, more progressive members, because they know that not permitting the use of music on Youtube (and Google!) is simply a suicidal move, in terms of getting attention and building your brand. Get off the Ego and think Eco!

- Microsoft's Windows OS is becoming less and less dominant (and relevant, too) as 'free' and cloud-based operating systems are gaining ground everywhere (Linux, Google)

- Most telcos, mobile operators and ICT companies are trying to switch from the traditional 'total control of the network, the infrastructure and the users' to open platforms as fast as they can (e.g. AT&T's open source plans, Skype's open Silk codec, Nokia's Open Symbian Foundation, Google's Android Mobile OS)

- In software, the continuing trend towards open-source and crowd-sourcing is clearly visible everywhere (e.g. the huge success of Firefox vs IE, and the rise of open-source DMBS)

- Many large corporations are starting to move into crowd-sourcing, wanting to pursue increased openness in return for a chance to realize network-economy benefits. E.g. Glaxo Smith Kline's recent move to release a huge amount of cancer research data into public domain (Note: in this context, I highly recommend Yochai Benkler's fantastic book "The Weath of Networks")

- The mind-boggling popularity and global success of API-driven web portals and platforms (Twitter's amazing growth, Friendfeed, the new Facebook 'River', widgets, the UK Guardian's open API etc)
- For many large companies as well as for SMEs (small medium size enterprises), Social Media is quickly becoming CRM (customer relationship management) - rather than running expensive ads that talk about 'Me' and how great the new product is (i.e. Ego), the switch to 'having conversations with the customers aka users' is visible everywhere: Ford's new Fiesta campaign, Kraft's cool iPhone app. Brands can no longer be just BIG EGOs - they are part of Ecosystems, too.

- In Advertising, the entire paradigm of 'we'll yell until you listen' is finished - this concept was all about the Ego of the brands, and about us, the people formerly known as consumers, listening. Now it's all about the Ecosystem: Do you come recommended? Who trusts you? What makes you worthy of my consideration? Why should I pay attention to you? Who vouches for you? Who has told me about you? Are you open and transparent? Here, too, Egosystem has become Ecosystem, and a Trillion $ industry is changing as a consequence - from Push to Pull, from Yelling to Talking / Listening. Tough gig but... a gold mine if you can make it ;)

8 key trends and some foresights for the next 5 years

Every now and then I get tempted into actually formulating some foresights. This time, the preparations for my upcoming speech on "New Media Futures" at the RSA in London have egged me on to share a few key points with you:

1) We will soon see the emergence of many different kinds of iPhone-influenced Netbook-like devices; some will be Apple-made but most will not. These devices may be 2-3 times the size of an iPhone and will connect to the Internet in every conceivable way, i.e. 3G/4G, LTE, Wimax, Wifi etc. They will be touchscreen, zoom-interface enabled, cloud-computing, speech-controlled, location-aware, mobile-money equipped, socially hyper-networked, always-everywhere-on, HD-camera equipped and possibly project images and audio or even support basic holography.

In addition to the high-end, fully-loaded and perhaps still rather expensive versions that many of us in the so-called developed countries will gobble up, low cost and more basic editions for the developing markets will be sold in the *100s* of millions (think India, China, Indonesia...). These smart gadgets will have very low energy consumption and therefore extremely long battery life, may even sport basic solar-power options, and may ultimately cost less than 30 USD, or even be 'free' (why bother to sell the box if you can make a lot more $ with selling services.... Nokia?). It is these mass-market yet very smart and networked devices, together with cheap or free wireless broadband that will *really* revolutionize reading, newspapers, books and education; not to mention our music, TV and film consumption habits. Content commerce will be completely redefined as a consequence. As BTO told us a loooong time ago: "You ain't seen nothin' yet"

2) Very cheap or free wireless broadband - at fairly high speeds, i.e. at least 2MB / sec - will be available in most places, particularly in the booming new economies of Asia, India, Russia and South-America, and a bit later, in Africa. Funded by the likes of Google and by the future 'telemedia' conglomerates, governments, cities and states, wireless broadband will probably reach 3-4 out of 5 people on the globe within 5-8 years. User-generated & derived content (UGDC for those of you that must have an acronym ;), virtual co-production, mobile editing and instant network sharing will explode by a factor of 1000, making control of distribution a very distant concept of the past. UGC or UGDC may make up to 50% of the global content consumption by 2015. Consumers will be (co)-creators, marketers, sellers and buyers, and come in a hundred variations, from totally passive to totally active. Then, indeed, filtering, culling and curation will be the key to success.

3) Collective blanket licenses that legalize and unlock legitimate access to basic content services via any digital network will emerge, and are likely to take over as the primary way of content consumption, around the world (but in Asia, first). Just like water or electricity which is readily available when moving into a new home, the basic access to content will be bundled into access to digital networks, i.e. via ISPs, operators, telecoms, portals etc. This shift is starting with music (as already done by TDC in Denmark, and Google in China), and will be quickly followed by films, TV, books and newspapers. Access may often - but in local variations - 'feel like free' to the user but will in fact generate 10s of Billions of $$ via blanket licensing fees (yes... those pools of money), next-generation advertising and branding, data-mining & sharing, up-selling, re-packaging and many other new generatives. This topic will, btw, be the gist of my RSA presentation tomorrow - if you can't be there in person, you may want to listen to the live audio, via this link. (Image left via kk.org)

I think that governments around the world will call for and / or support the implementation of collective content licenses that wil finally legalize content usage on the Internet, similar to how governments pushed for the radio and broadcasting licenses approx. 100 years ago. Whether these blanket licenses will be voluntary or compulsory remains to be seen - in any case the only alternative is to perpetuate a severely dysfunctional telemedia ecosystem that criminalizes almost all users and stifles innovation while generating virtually zero new revenues for the creators.

4) Fuel-cells and other next-generation mobile energy sources are a certainty. A serious increase in mobile device power (and therefore, its use) will be achieved by employing next-generation technologies such as fuel cells that could provide for up to 500x the usage time that we have today. This is likely to become a reality in 3-5 years and will revolutionize how we use - and how much we rely on - our mobile devices, especially in countries where there the fixed-line power infrastructure is much less developed or non-existent.

5) Completely targeted and personalized advertising, delivered largely on totally customized mobile computing & communication devices, will turn the the $ 1 Trillion USD advertising and marketing services economy upside down. Behavioral targeting and user-controlled advertising will, of course, become an even hotter potato and a much discussed challenge, but the good old deal of 'I give you attention & personal data and you give me value e.g. content' will be even more pronounced on the Net. In fact, advertising as we knew it is already more or less outmoded and will, during the next 2-3 years, be completely reinvented. Privacy and Trust are the #1 issues here.

The implication is that if your data (within your specific sets of permissions and opt-ins) is used to bring you perfectly synchronized advertising, than advertising really becomes more like content, too. Watch this play out in the mobile advertising space, starting this year, and quite possible boost the global value of advertising-content by more than 100% by 2015. Google will be the main driver here, plus Facebook, Nokia and yes... Twitter (soon to be = Google).

6) We will witness the more or less complete decline of most forms of physical media within 7-10 years. The very definition - and thus the core economic business models - of newspapers, magazines, CDs, DVDs and books will be completely re-written, and new forms of content packaging will rapidly emerge. We can already see a preview of how this may work in the current mobile applications boom: content as part of software packages; paying for the packaging, the curation, the bundling, the personalization - not just for the zeros and ones that are 'the copy'. This trend is important not just because it will reflect the users' (or better... followers') new consumption habits but also because because of the increasing need to save energy and material costs - and moving from content products to content services will certainly go a long way in this regard. The total decline of printing in people's homes, and for personal use, will commence, as well.

7) Paying for privacy will become a distinct option. Today we pay to go online and connect; in the future we may end up paying for the *luxury to go offline*, disconnect, enjoy the quiet, and give our brain some rest. Maybe if we don't want to share our click-trails and usage data, we will be able to make cash payments instead - and the more you pay, the more private you can be..?

8) Travel 2.0: alternatives to 'actually going there' will explode: immersive, 3D video, virtual rooms, holography. This is a key development that will nurture new forms of entrepreneurship, education and group working.

Youtube vs. GEMA & PRS, Kindle vs Book Authors, Google's free Music in China: so what is the value of Content?

I think 2009 will be a key year for the content industries, the creators, media companies, platforms, labels, publishers and other middle(wo)men.

In 2009, the value of content - starting with music and news - is being redefined for the Internet age. The gloves are off: the music rights societies want more money for each play, many journalists and writers are fearing a gloomy future as newspapers stop printing and shift to digital publishing around the world, and the book-authors guild is quarreling with Amazon about the Kindle2's robotic voice renditions of their works.

The bottom line is that the core logic and operating mantra that the 'Western' content industries have employed until now is becoming unstable and, economically speaking, increasingly unworkable. The Internet has severely disrupted the traditional value chains, and the promised land of advertising-supported free content has not yet materialized.

Let me outline these shifts and challenges a bit more:

A) Controlling the distribution of content - whether by technical or via legal means - is increasingly becoming an utter 'mission impossible' unless you want to adopt a seriously totalitarian Internet regime (as seems to be proposed in France last week I fear...)

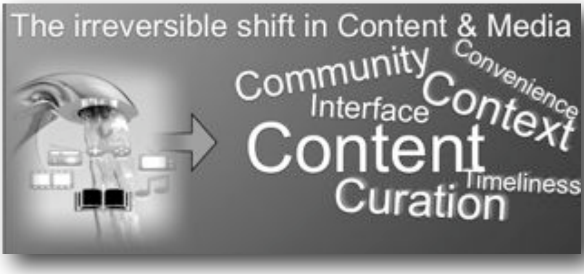
B) Closed systems and walled gardens (yes, those of the telecoms and mobile operators, too) are leaking everywhere. Closed and centralized ecosystems are becoming very expensive and thus hard to maintain, e.g. Microsoft Windows versus the ever-mushrooming Google Web OS (soon to include voice communications), Android and Symbian mobile OS vs Windows Mobile, free streaming vs paid subscriptions such as Rhapsody, open API-based platforms such as Twitter and (now) the Guardian's Open Platform versus proprietary offerings such as iTunes or the WSJ, and so on and on.

C) On the Net, just about every mode of content consumption -aka listening, watching, reading- does in fact create copies, too, so the traditional legal distinction of 'free use/listen/watch but paid copy' is... well, toast, I would say. This creates significant legal uncertainty and pulls out the rug under the value logic of the traditional publishing industries.

I like to refer to this tectonic shift as 'The challenge of 21st Century Content Economics' (see a related swf movie here); riffing off a similar phrase I picked-up at Umair Haque's very inspiring blog. First, here are some of the most common questions I keep getting about the Future of Content:

- If everyone gets to make use of content (music, video, news, images) 'for free' or for much cheaper than before the advent of the Net, if just about everything but my dinner can be shared and remixed and forwarded, won't we just see a 'rush towards the bottom', i.e. all content gets cheaper, all the time, until it stops making real $ altogether? And how will 'open' content make any money, anyway? Who will pay for something that can be gotten for free? How can you compete with free? And beyond that, if everyone thinks they can be a creator, producer or broadcaster, too, who will still pay for the 'professionals'?

- When access finally replaces ownership on a large scale, e.g. printed newspaper-reading goes away and reading on mobile devices takes over, or streaming music on my iPod Touch overtakes buying single tracks on Amazon or iTunes (ps: I think it already does), who should pay for what, when, where and how? Is this kind of universal access monetizable like the 'copy' was? How is the current law going to help us with this... or not? When the very definition of COPY becomes unworkable, what happens to Copyright?
- If we agree that *not* making your content available online seems like an unrealistic option (as it indeed robs the creators of the most popular platforms and ways to present, market and promote themselves to their audiences) is the traditional right to refuse permission, based on the exclusive right of the author (or their representatives i.e. the publishers and labels, studios, rights organizations etc) still feasible and realistic? Can the law as it is now still be used to monetize our creations, or will the insistence on these pre-Internet laws just render us irrelevant, attention-wise and dollar-wise? And if we need to make our content more available, where will the new money come from? In other words, if not Control, then... what...how...when?



Here are some answers that I have been investigating (please bear with me for a few hours while I find the definitive solutions ;):

1) I think content can be *both* free or cheap, *and* very expensive. This sounds paradoxical, perhaps, but the reality is that in a system that is no longer based on selling units or copies (i.e. CDs, DVDs, books, single-track downloads, cable slots etc), the value of content is very likely to be constantly re-determined by a multitude of *surrounding and incremental* factors. So the correct answer to that key question of 'what's the value of content' should probably be a solid: 'it depends'. As much as that may make the job of getting remuneration so much harder, I think it is also potentially quite liberating that we will no longer need to worry about controlling distribution so that we can sell more copies. Instead, as would be the case with the flat rate for digital music that I have been pushing for for the past 7 years, we could then shift our entire focus to getting and keeping Attention and Trust - 2 factors which now are the very foundation of any commercial success. In fact, I would argue that because of the de-emphasis on copies most content marketing and promotion tasks will get a lot easier (and much less costly) since we can now use the content as a marketing tool, itself.

2) So what are those future value-determining factors? Here are a few from a long list that I have been compiling:

- The best quality experience, at the perfect time. Compare listening to a low quality audio-stream on your mobile, in the train, to enjoying an HD recording on your living room (or car?) sound system. The first one could be feels-like-free or bundled, the other one could be a premium, paid-for service. The difference is just my particular use case, not the 0s and 1s.
- A new, attractive and convenient package (or shall we say, alternate user interface?) A powerful and very recent example is 'The Presidents of The United States of America' iPhone app: the user pays a one-time fee of $3 for free, on-demand streams and videos from the last 4 albums, and lots of up-selling is built right into the app. iPhone users that are fans are very likely to shell out $3 to get this cool widget, and in a way I guess they are now actually paying for what they would otherwise have gotten for free, anyway (i.e. to listen to their favorite music, on-demand). Plus, the band now has a direct and totally unique path to their biggest fans - and that is the new gold, in my opinion. Sounds like a great deal to me: package it nicely and it will sell regardless of free alternatives.

- Also note that this same phenomena is what still sells printed books. The words i.e. the content anyone can probably get for free, somewhere, but the feel and smell of the paper, the physical format, the touch, the familiar and comfortable user-interface (UI) is what I am actually paying for when I buy the good old, dead-tree version. In other words, I pay for the design, the printing and shipping, and only implicitly for the 'words'. It is important to note, though, that nice user interfaces will soon be available on electronic reading devices, as well, therefore leading us to that very same, original question: what will we pay for when we buy content, ultimately? We may soon enter the age of content-as-software-packages: many of us may soon no longer order the printed versions of books (last not least because of environmental concerns) but we may happily pay a few Euros a month for a digital book subscription, or add it in a bundle via our mobile phone bill, only to then buy the 20 Euro multimedia / virtual world edition of a book we really like - except that it won't be printed and shipped but also downloaded to my mobile device.

- Authenticity and timeliness. I foresee a future where I will gladly pay a bit more to make sure that what I get is the bona-fide real thing, from the actual creator, in its correct version and without any shortcuts or changes. An authorized, paid-for English translation of the new Paulo Coelho book (digital or otherwise) would certainly be more enticing to me than 'free' copy that is not stamped with his approval. And if I can get it the moment that it's finished, even better (and I pay another premium).

- Selection, expert curation, filtering, culling, context, annotation. In my experience, few people have time to find the best music for a specific occasion. Why would I bother looking for a great selection of ambient 'space music' for my yoga sessions when a true, bona-fide authority such as Stephen Hill (Producer of the superb Hearts of Space / HOS online radio show) has already done this for me? My payment to HOS would therefore be not so much for the actual songs, it's more for the service of having them filtered and annotated by a real expert.

3) For the very same reason that content can be simultaneously worth a lot or very little (i.e. because of its disembodiment and the shift from selling copies to providing access), it follows that many rightsholders and their agencies may no longer be able to get fixed fees per copy, or even per use of a piece of content. Simply because if they continue to do that they will make it impossible-by-design to comply with their rules and legally use their content in all but the most highly subsidized cases, because most of the time a fixed fee will not be obtained on the other end (i.e. the users), either.

Youtube simply cannot pay a fixed 1 cent per stream - even with Google's deep pocket behind it - because the Youtube users will not pay 1 cent (or even a fraction thereof, for that matter) per stream, and advertising revenues that would support these kinds of license fees are not within reach yet (because, just like content, the web's advertising and marketing logic needs to be reinvented first, as well !). This new business needs to be build together, from the ground up. We are seeing this hairy issue creep up everywhere: GEMA (the German copyright organization) reportedly wants up to 12.9 cents per music video that is played on Youtube in Germany; the reason being - and this is my personal guess - that they probably treat each video-play as an on-demand performance which would be charged almost as much as an actual copy (i.e. a download). And of course, the reality is that those digital natives *are* in fact using Youtube as virtual jukebox - watching my 15-year old son hang out in his room I can certainly attest to that.

So GEMA's (and PRS') point is as correct as it is pointless: these on-demand plays are very much like a download, in terms of how the users are using the content. Access is replacing ownership.

But here is the tough part that cannot be avoided no matter what: it's not the users, or Youtube (or Last.fm or Pandora or Hulu or Miro or Boxee etc) that are at fault here, it's how traditional content industry entities such as GEMA and PRS *define the value of music (and other content).* For them, a piece of content still has its fixed and minimum value, and if you want it, you'll need to pay up according to those rules.

Why Google's free music deal in China is so important, and what it may really mean

I have mentioned Google's music-related activities in China a few times during the past 2 years; and just yesterday this topic seems to have heated up considerably. I think these developments are crucial and need further exploration.

As you may know, Google owns a good chunk (or all?) of the Chinese search engine Top100.cn, one of the biggest rivals of the Chinese super-portal and ruling search giant, Baidu. However, Google is still a more or less distant second in the Chinese search market (in 2008, Google had approx. 16.6% vs Baidu's 76.9%) and really needs its Top100 property to better compete with Baidu. The major issue here is - you guessed it - the availability of CONTENT- or rather, the simple displaying of links to millions of music & film files that those hungry free-loaders i.e. digital natives want to stream or download. Baidu allows this - in fact, thrives on it - while Google / Top100 does not (i.e. it filters and removes the links to the files). This is a huge handicap for Google, because the filtering of those content-links is basically driving away all of those 100s of millions of Chinese Internet users that are looking for just that.

Realizing that the real value of the users is in their participation and engagement, and *then* in paying-with-attention, Google has clearly pursued a strategy akin to the 'Music Like Water' model that I (and Dave Kusek, my partner-in-crime for "The Future of Music") have also described countless times: Google will simply *provide the platform where music can be turned into money*, by connecting the user with the content they want right *where they already are* (i.e. the search page), while gradually but aggresively monetizing their presence and their clicks via 3rd party payments - and this does *not mean* just ads. Sounds simple but maybe this has not yet been financially feasible in the past - today, any new money for the music companies is welcome, I guess, so here we are, finally: Search with us and we'll give you Free Music. Kai Fu Lee Image via NYT.

Clearly, it is much better for Google to offer and develop a new payment logic and mechanism for the music that is being used, i.e. to somehow license and pre-pay for it (I call this 'being the lubricant of the ecosystem') until such time where the revenues from advertising, up- and cross-selling are big enough to pay for everything, and quite possibly beyond that, as well. And as far as the music licenses are concerned - otherwise a no-go minefield that few Internet companies have crossed in the past - China is clearly a very good place to start as most of these new revenues will be 'found money' for the record labels.

Total Telecom reports: "Record companies will take roughly half of any revenue from banner ads placed on the page users see when they are downloading or streaming songs, with Top100.cn taking the remainder. Google could benefit from increased traffic on its Chinese site, and can sell its trademark search ads on the search page" The bottom-line? For *all* parties, it is better to deploy new kinds of ads (think mobile - that will certainly be key), sponsorships and affiliate links while the music is being used (fka consumed;) and to thereby fund the pool of music licensing costs, then not to get involved and leave the turf to all the other guys that don't play by the rules, anyway.

Now, Google has apparently licensed 350.000 tracks from all major labels (how long did that take... I am afraid to ask... *rant alert) and many leading Chinese record companies and artists, and if you are logged into Top100.cn, and based in China (sorry - no access from EU / US), apparently all the music is yours to stream and download. So: Google pays for the music to get our attention for their ads - sure sounds like a familiar strategy. Radio and TV broadcasting, anyone?

Another interesting morsel is that apparently streaming and downloading is treated as pretty much the same thing (again, from the WSJ coverage, see link below): "Google's Lee said songs on the service are downloaded or streamed around 1.5 million times a day, and he hopes the number will eventually be many, many times that". I believe I have mentioned this basic fact of Internet music a few times before, too: streaming & listening IS downloading, access IS ownershop, and that's that. The legal artifacts remain, I guess...?

Now, just because I won't want to agree with the major labels and their lobbyists too much;) - here are my big questions:

If this works in China, why not do this everywhere else? If this works for Google, why not for telecoms, ISPs and mobile operators? If this works for music, why not - sooner or later - for music, TV, video, books and newspapers?

First: China does not have much of a business of 'selling units', i.e. there are no Billions of $ in selling CDs or single-track downloads. Therefore, any money that the rights-holders (i.e. the record labels and music publishers, and hopefully the artists) can actually get from anyone in China is probably very welcome; and that is exactly what the Google / Top100 deal will provide. And even though it would be a fair bet to guess that this deal is probably not coming cheap for Google China, it is probably still quite doable since the 'competition' of physical music sales is negligible and so-called 'cannibalization' of traditional music sales is not a major concern for the record industry in China. This would of course be substantially different in the UK or Germany where CD sales and the omni-present iTunes still generate Billions of Euros per year. But this is the lesson: someone had to put some money down. Congrats to Google / Top100. Next: the telecoms - within 6-9 months, imho.

While the cannibalization prevention is, of course, entirely reasonable (if you still sell units), it does beg the question: why do those lucky Chinese Internet users - many of whom may never had to worry much about potential copyright issues, 3 Strikes+Out ideas or MP3-server raids - now get a de-facto feels like free music service, while we - the more or less faithful and compliant residents of 'The West' - still need to pay 1 Euro / 1 $ for each single download on iTunes, $3 / month for Last.fm (ouch) or run off to the record store, or order on Amazon.

This clearly does not make sense: it feels a bit like we are being penalized for having actually paid for our music until now. So, some will surely argue, does this mean we should stop paying for music until such deal is being offered in Europe as well? You tell me - but it's sure worth a discussion, I think. It seems to me that this model is workable around the world *now* - and not just for / with / via Google - and that it should be pursued in Europe and the US, as well. Give us a licensed platform provides 'feels like free' music to the users, based on collective and public blanket licenses that can enable anyone that wants to offer music with what they do, while paying for the licenses with the traffic that those offerings, the added values, the platforms, will generate.

Here is another interesting quote from the WSJ: "I can't overstate how important the new Google service is, said Lachie Rutherford, president of Warner Music Asia Pacific, which is making its entire global catalogue available in China as part of the deal: *until now, the online market in China has been completely un-monetized by the music business"*

This strikes me as a very interesting way of putting this: Lachie / WMG: isn't the entire Internet music-sharing economy (i.e. P2P, stream-sharing, drive-sharing etc) un-monetized, as well? And why is that? If WMG can do this in China because their is no previous unit-sales income worth mentioning, why not do it for the Internet, period? Why not license Google - and Facebook et al - and the ISPs in much the same way? Or will you just do this in places where nobody paid anything to begin with?

Techdirt has a very fitting comment, on this (see the link below): "The fact that the labels are moving forward with this plan in China, given its reputation as the wild west of copyright infringement, undermine their contention that they can solve the supposed piracy problem with legal or technological means elsewhere. Furthermore, it exposes the reality that what's staring them in the face is a tremendous opportunity, not a problem" Not much to add here, except for my usual Lessig-esque mantra "Compensation not Control". Google + Telecoms - will you do that for / with us, please? This year?

Marc Andreessen: "Not allowing your content to be used is entirely the wrong strategy" Me: IP Gridlock must end

I just finished watching a great Charlie Rose interview with the amazing Marc Andreessen (Founder of Netscape, now Founder of white-label social network platform Ning, among many other things). Marc is one the brightest people in this turf, and I definitely recommend that you check out what he has to say about the Future of Newspapers, and the Content / Technology space in general (Charlie Rose show link). In the interview (see my short, slightly time-warped but still crucial excerpt below), Marc talks about the urgent need for all content to be blessed with an ok-to-use-license on social networks and social media. I totally agree with Marc on his key message: nothing can be achieved by removing your content, or by making the legitimate use of content so incredibly expensive and complicated that few companies can actually afford it. Recent examples abound: WMG and Youtube, Youtube & the PRS, Amazon's Kindle2 versus the Authors Guild, Pandora's difficulties outside of the U.S., CBS and Boxee, my very own Sonific.com ... and the list goes on. When content is removed from sites that deliver audiences of 200 Million+, then it's the creators and the users that lose, flat-out - no buts and ifs. Why do you think Facebook (which is starting to drive traffic in exceedingly huge numbers) does not have a music or video service? You guessed it: *there is* no reasonable deal to be had with the representatives of the music, film, and TV companies.

In my opinion, we currently have a severe IP-Gridlock situation: content creators, owners and *their representatives* (and these are very often more of a problem than the actual creators, in my experience) are still basing their monetizing strategies on scarcity, on the right to refuse the deal, and on 50-year old copyright laws, regulations and traditions. These laws - as crucial as they were back then - afford the rights-owner the *exclusive* right to say yes or no to pretty much any kind of new Internet-based use of their music, films or TV shows, and therefore a common misconception is that - as it has been for the past 50+ years - more control actually equals more income. And it kind-of did - back in those days when refusal could sometimes be a very effective way of enforcing a higher payment. Well, this was then, and the future is... already here. Adhering to this strategy of refusal and monetary revenge ('now that you're a big company we'll take all we can get', see Youtube vs PRS) is a *huge* mistake and will beyond a shadow of doubt devalue your content very quickly, in the next 2-5 years (depending on your specific domain).

In music, this pivot point has already been reached: if your content is not available (i.e. findable *and* listenable) on Last.fm, Youtube, Myspace, Spotify, Facebook, QQ and so on, it quite simply won't exist for the 1.5 Billion Internet users and the soon-to-be-online 3.5 Billion mobile phone users. That means you are losing out on reaching a huge audience, and on doing so in the most cost-effective ways. It means that new routes to monetizing - those so-called new generatives- cannot be tried and co-invented. It means that innovative and honest entrepreneurs are stifled and silenced while your content is still being dished up in other places, for free, anyway, and without your permission. It means that all the mad mole-whacking won't get *you* paid - it's just the lawyers that make a good living this way. It means that a new ecosystem cannot emerge because you are still insisting on doing business like it was done 20 years ago: with large advances, completely under your exclusive control, your way... or the highway. So here is a wake-up call if you're still thinking that blocking the use of your content will get you more money: it simply won't work. Period. You can't fax a cat. Really.

As to the music business (recorded and publishing), this much is obvious: either the industry will start to dial back on Economic Egoism and their obsession with Total Control, or 4 Billion Internet users will simply route around them like a river routes around a rock. To make matters worse, governments will certainly step in to force an end to a clearly dysfunctional system that criminalizes 100s of millions of people while returning zero new revenues to the creators. What *will* work is COLLABORATION, Trust and Mutual Respect in defining the new ways of how $$$$ can be generated for content creators - and there are plenty, once we question our outdated assumptions.

Lastly, kudos to some companies and organizations that seem to be heading in a more positive direction:

- the new Featured Artists Coalition refused to be part of any scheme that penalizes Internet users
- the UK Guardian has launched an open API that makes all of its content available for 3rd parties

Some Internet companies are becoming more like Public Utilities and integral parts of our Social Infrastructure

I have observed a recent trend that I want to share and get your feedback on: some Internet companies and platforms such as Google / Youtube, Facebook, Nokia, Slideshare and Twitter are becoming so important to many of us that we would be severely challenged if they went away or materially changed their services. This makes them both very powerful but also very vulnerable - for if we chose to no longer trust them, they would quickly face their demise. Some examples:

- Google already provides the digital toolbox and 'cloud computing' infrastructure for a 100s of Millions of people: free email, domain services, calendars, docs, widgets, blogging, videos, voice (soon!) - and of course: search and advertising services. Youtube has become the de-facto next-generation TV for a lot of people, already. My slightly futuristic view is that pretty soon Youtube and the many other video sites (and of course the 100s yet unlicensed video download services) may start replacing Cable TV as the prime source of entertainment for a lot of digital natives. A fast net connection + AppleTv + Boxee + Miro ...pretty soon, that should do it!
- Facebook provides a key social platform that, for many users, has already substituted email or phone calls, and is well on the way of becoming a cyber-space 'home' for many of us, a digital meeting place and key part of our social lives. My prediction is that Facebook will become as important as Google - and they will reinvent advertising in the process, just like Google did.
- Nokia is heading in the same direction:
- Comes with Music is looking to provide a seamless, all-inclusive music experience that is build-in or shall we say hard-wired into our mobile lifes, Nokia's OVI is gearing up to compete as the preferred destination for sharing things, and their handsets i.e. mobile computers are well on the way of becoming remote controls for our lives.
- Flickr, Slideshare and Twitter - to a lesser degree, *for now,* compared to Google and Facebook - have become crucially important to Millions of people already (I can attest to that) because they are great platforms to share stuff; and sharing seems to be what gets a lot of people excited - not a surprise but certainly an important realization.

A bit like the good old BBC, these companies may soon face a double duty and somewhat of a conundrum: 100s of Million of people have grown accustomed to using them, and their services have become so crucial that they have become not only valuable businesses but also public utilities that we are increasingly depending on. My feeling is that once a company has reached this position, its value is much higher than the actual revenues could ever warrant, since it's no longer just about monetary value but also the social capital they have accrued, and the corresponding TRUST that we put into them. So this is, as a result, the most important mission for those companies that make it to this point: Earn and keep my trust, every single day, with everything you do. And then, I will keep paying attention to you, give you my data to use, send my friends to you. Don't mess with the terms of use without asking me (>Facebook), ask for permission to use my clickstreams and cookies (see Google's approach to behavioral targeting), and don't ask me for $ too early (see Twitter's yet to be defined revenue strategy).

Imagine an iPhone Netbook 2x the size - adios Kindle and Sony Reader. Publishers: get ready!

Thinking about the current Netbook craze I have a strong hunch that Apple may well jump in and roll out a new iPhone-inspired Netbook - let's call it the Apple iNet - that could be roughly 2-2.5 as large as an iPhone. A TOUCH-SCREEN device like this could easily become a major challenge to digital reading devices such as the Kindle (which I can't try here in Europe) and the Sony Reader (which I have but don't like a lot). I have found myself wanting an iPhone / iPod like device like this 100s of times already, especially while traveling.

If Apple does this - and I would certainly like that , let's just imagine:

- We could finally, really read offline web-pages, PDFs, slideshows, white-papers, non-fiction books etc on a nice, full-color *touch screen*, using next-gen versions of existing apps such as Instapaper ****, Soonr, Stanza, Bookshelf, EReader (in fact, this may be why the new Kindle app for the iPhone is crucial for Amazon!)
- We could review our RSS feeds much easier, including images and videos, using apps like Byline (my favorite) and Newsstand, or the Google Reader offline app (once they offer it)
- We could cache i.e. record video and audio streams and play them on our 'Apple iNet' device - and actually have a really nice viewing experience
- We could use the iNet device to do some simple image and video editing - but most likely this would be done 'in the cloud' not using local software

A smart, Apple-style device like this (which may have similar elements to OLPC's XO2 but would not compete in the low price markets, naturally) would give a huge boost to the mobile content ecosystem - and it would also usher in an *era of rampant and wide-spread electronic book sharing* that would make music file sharing look like child's play.

Publishers: you may want to get ready for this sometime soon. My 2 cents: radically lower the prices for ebooks, start looking at bundles, subscriptions and flat rates, figure out how to monetize sharing with new advertising-supported models, gear up to provide added values all the time (value is around the content!!), start planning for those New Generatives - you've got another 12 months if you're lucky. Go!!

The gloves are off: now Google needs to really get involved in the new Content Economy, asap

I already blogged about the Youtube / PRS show-down (hey - that's a great word for this) in the UK, earlier today. After reading, twittering and talking to lots of 'real' people about this today, this is my conclusion: This conundrum is not Google's 'fault' but still: Google needs to really, materially and boldly get involved with facilitating the construction of a new content logic and economy, and *lead* content creators, owners and representatives into a new ecosystem that will actually work for all involved parties. Because it can.

Conflicts like Youtube vs. PRS are unavoidable because the canyon between Google - imho still pretty much the primary driver of Net-fueled innovation and disruption- and the content creators (never mind the *industry*) gets bigger by the minute. And, in my humble opinion, Google isn't doing nearly enough to explain this to them, and to guide them more conclusively into this new domain where content isn't always king, and where it won't matter if it is or not (if it ever did). I talked about this in my speech at Authors@Google in SF last week; hopefully we will have that video available soon. The bottom line is that this will take deep, serious, multi-lateral, honest and open collaboration between these (and other) key constituents:

1. Content creators and the content industries (in that order;)
2. Telcos, ISPs, mobile operators and other telecommunications companies
3. Advertisers, brands, and their agencies
4. Social media and social networking platforms (of course all Internet companies, other search engines and portals)
5. Governments and governmental bodies

Welcome to a new Data Economy, a new Advertising Economy, and a New Content Economy. Your turn, Google.

I will write more about this, but here's a quick illustration (thanks to Kevin Kelly for the power-lines & copy pic)

Youtube will remove UK music videos, no agreement with PRS - when will they ever learn??

The UK / EU web is buzzing with the news that Youtube (Google) has started to block or remove UK music videos because they have not been able to strike a new music licensing deal with the PRS-For-Music, the UK rights society which represents the songwriters and the publishers. I particularly like the coverage of this issue by TelecomTV.com, here, but a lot more links to other coverage can be found below.

As is my habit, at times, I want to quote and comment. Before I get started, though, I want to point that obviously I don't know the terms of the license that were suggested by either Youtube or the PRS, so therefore I cannot comment on whether either one of them is realistic or not. I just know from my own experiences (among many others, with the now defunct - RIP - Sonific) and from many other deals that I have observed, that very often the respective proposals are 20-50x apart, i.e. one party may suggest 1 cent per stream while the other party wants 20-50 cents - mostly, simply because they can; after all, the rights holders enjoy the protection of having the *exclusive* rights to license their songs. I would not be surprised if that was the case, here (my exact guess is something like 10:1)

Anyway, here we go, from TelecomTV.com "Yesterday YouTube announced that it was going to take down all the premium music content currently available to UK YouTube users because it had failed to hammer out a new licensing deal with the

UK's Performing Rights Society (PRS) for Music, a notoriously hard-line royalty collector. YouTube said the PRS wanted more royalty payment for each video view than YouTube could ever make from the ads situated next to each"

My comment: this points to the root of the problem, right away. Any deal between the mighty Google and the still-trying-to-find-the-right-$-model Youtube and the rights-holders' representatives has to be about sharing the revenues that are actually achievable, in the market, here and today, and *jointly* building a system that can generate more and more revenues, tomorrow and beyond. Again, as Larry Lessig says, and as I have proudly annexed from him, it's about Compensation Not Control! To the PRS: NO, you *cannot* have both - and it looks like you just decided against Compensation???

Unfortunately, this detrimental mindset has become a default seeting: many if not most of the rights societies in the so-called developing world, and now apparently the PRS, too, have adopted one of these 2 strategies: a) if a potential licensee is still too small and economically insignificant to warrant their consideration, they will not offer any license at all, unless it neatly fits one of the existing templates b) if a potential licensee is large, juicy, popular and financially connected to an entity that seems to have verrrrry big pockets (see Last.fm, Myspace, Youtube, Facebook... maybe), they will ask for the moon and try take them to the cleaners. Even better if that entity has been previously in-breach of the existing licensing traditions and regulations - more leverage is always a good thing, right? Just study the mind-boggling story of my favorite web-radio service, Pandora. Never mind that this kind of 'it's my right and I will fully exploit it as I see fit' - thinking is also pretty much what has gotten us into this horrible economic crisis, as well - but that's another story. None of this has anything to do with real, honest and open intention of building a mutually beneficial and future-oriented model, and everything to do with what I like to call Economic Egoism that is effectively set in stone i.e. law by some outmoded laws from over 20 years ago. As long as rights organizations -whose tasks it is to license music not to forbid its use - are pursuing this strategy we will not get to a point of 'peace' with all those new entities that clearly want to use, and pay for their music.

The PRS published a very revealing statement when Youtube announced their decision to play hard-ball and remove the music videos - here is the nugget: "Google had revenues of $5.7bn in the last quarter of 2008". What does that have to do with negotiating the fair and equitable licensing rates for music? PaidContent.org has some great comments on this issue, interviewing YouTuber Patrick Walker, including this one: "to suggest that, because Google's a big company, we should just suck it and pay a ridiculous rate is not something that we're going to stand by...it's hard for new models to emerge when the starting point is a massive loss on a per-stream basis". In fact, I believe that this kind of attitude from rights organizations, publishers and record labels will most certainly lead to government intervention, sooner rather than later, since a dysfunctional market is not good for anyone - and clearly, this is what we have now, and it appears to be here to stay. I think... I have said it before:)

So here is my message to the PRSForMusic (as they are now called) and their members (hopefully they have a say in this, too): pleasssse get off this bizarre and decidedly Web 0.0 idea that Google should now be paying for everything that you think has been 'stolen' from you on the Internet. Instead, give YouTube a flexible, open, transparent and realistic license that gives everyone room and time to MUTUALLY develop this model, going forward. There is nothing to be gained by refusal! Start to cooperate rather than to try to dominate these conversations. COMPENSATION NOT CONTROL. And do it now, or have somebody else force you to.

Band offers mobile app for streaming music (Ars Technica): Music as Software is the next format after the CD!

Read about the Presidents of the United States of America: Bands bypass iTunes by streaming music through iPhone apps - Ars Technica: "If you're a Presidents of the United States of America fan, you can now listen to the band's entire discography for a mere $3, but not through the iTunes Store. Fire up your iPhone and grab it from the App Store instead; the band has bypassed the record label bureaucracy and released everything on its own..."

This is clearly a very cool idea, and something I have been looking at for quite some time: in the dawning age of rapidly exploding mobile app stores, on 5+ platforms, and with something like 2 Billion always-on smart phone users, we can now start *selling music as software packages*, i.e. in any UI/UX, multimedia, online/offline format that fits the artists' specific users and locations. Bands and artists, their managers, agents or labels and even publishers can select any combination of audio, video, pictures, texts, news feeds, games, twitter updates and social media 'rivers' to update the bands fans at any time, anywhere in the world.

My hunch is that most artists will probably have basic free versions available, at first, followed by premium apps that offer considerably more value and will cost from a few extra dollars all the way up to even $50 per user - and most importantly, *lots of* up-selling will be fueled through these apps. Think live concerts webcasts and downloads, premium video footage, remote backstage access, preferred access at concerts, merchandising etc - once I am hooked on the band, using this app, I make the perfect case for pitching something else to me.

I have said this a few 1000 times in the past, but here it is again: Music as a service (i.e. get / buy / bundle access first, and only *then* buy products), and now, Music as mobile software packages may well be the next format after the CD.

Take it a step further and think of how advertisers, brands and other partners could (and will) sponsor or co-present these apps, and therefore align with artists that make a good match with their branding strategy (see Groove Armada & Bacardi, Sting & Jaguar), and pretty soon most mobile music apps will be free or as I like to say, Feels like Free, for the users. Of course, downloading i.e. the ability to keep music must be part of it, as well - especially in the developing countries where easily available wifi/wlan is not that far along quite yet. I would expect that this will be part of many premium mobile music apps very soon. Stay tuned - this is a major trend, for sure.

Amazon Kindle: rights-holders oppose robotic reading feature, Amazon makes it an option

This is an interesting debate that once again shows that many rights holders will need some serious hand-holding when it's about understanding new technological implementations. I think this will be a major task, and very powerful if somewhat tedious opportunity, for the likes of Amazon, Google (Youtube), Yahoo and Facebook (yes... why? Stay tuned!) and very soon, the big agencies such as DDB, Ogilvy and Saatchi, as well as for all those Telecoms that want to play in the content & experience business (and which one does not?).

The creators and rights holders urgently need to understand and embrace the web-fueled paradigm of 'giving something' in return for 'getting something' - and the increasing empowerment of the people formerly known as consumers (aka the users) means that the creators will have to give *more* before they can get something back. Some people would call that the pressure of the Attention Economy - but this is the undeniable reality of the hyper-connected and mobile world we now live in, and it is not something we can switch on or off as we see fit. Ignore this trend at you own peril - witness the music industry's refusal to give more value before the purchase, and where it has taken them.

Now, Spotify, Last.fm, Myspace and iMeem provide free music on-demand, Hulu and Youtube provide free TV shows on-demand, Amazon and Google let people search-and-read-inside-the-book. And now the new Kindle will allow you to listen to a robotic voice rendition of a book - hardly a competition with the audio book, I would argue. In fact, this feature would probably drive people towards buying *more* audio books - free added values convert to sales based an getting better interfaces and higher quality. Sounds familiar? This whole debate is very much like, years ago, the issue of Amazon's Search-Inside-The-Book feature. After a lot of deliberation, the publishers found out that the new feature really did increase sales (I think by something like 10%) and what's more, it got a lot of people 'addicted' to the book right there and then - which is usually the best way of snagging a new customer.

I think that Amazon should consider offering an additional, small monetary incentive to the publishers as well as some clever reporting on who is listening where (based on opt-in), and maybe even some promotional, highly targeted audio 'advertising' options to the participating book publishers, and thereby sweeten the deal. But most importantly, the publishers need to start looking beyond their constant fears of cannibalization of existing revenues, and look at all these new options with less toxic assumptions (as social media expert and fellow bloggerati Neil Perkin likes to calls them). In addition, drastically lowering the price on digital books (the audio versions, too) would go a long way in boosting the take-up of electronic reading. And beyond that: what if you could use Kindle to have actual *conversations* with the readers - wouldn't that be a boon to writers and publishers?

The bottom line: switch to Openness and find new revenues. Now. Look at Nokia / Symbian, Firefox, Apache, Adobe, Android... Openness is tough but it always wins the users.

Facebook's CEO on the ToU debacle: "Governing the Facebook Service in an Open and Transparent Way" - Adios Control!

Read Zuck's post: Facebook | Governing the Facebook Service in an Open and Transparent Way. When Facebook changed their Terms of Use last week, making it look a lot more 'controlling', all hell broke loose. Even in Switzerland (where I live), the national TV news reported on the uproar that followed. Everyone hated Facebook's new ToUs and lots ofpeople were considering ditching their accounts. Even though their new ToUs did not surprise me, and I already consider everything I do on Facebook to be kind of 'in public domain' (under the Creative Commons license I use for pretty much anything), I do think that they way they have gone about this left a lot to be desired. Their brilliant and decidedly Web2.0 move was to immediately back-paddle and return to the old ToU - very smart, and something that probably got them extensive media coverage all over the world (hey - there's a lot more room to grow, from their measly 160 Million or so users;).

So Zuck wrote in this blog-post: *"Our main goal at Facebook is to help make the world more open and transparent. We believe that if we want to lead the world in this direction, then we must set an example by running our service in this way. And... we came to an interesting realization—that the conventional business practices around a Terms of Use document are just too restrictive to achieve these goals. We decided we needed to do things differently and so we're going to develop new policies that will govern our system from the ground up in an open and transparent way. Beginning today, we are giving you a greater opportunity to voice your opinion over how Facebook is governed*"

Well-done. Sure sounds a lot like Facebook will be more like a 'Public Utility' ... kind of like the BBC, maybe? Now, there's another blog-post, right here!

But here is the key point, for me: It is now abundantly clear that the WE-THE USERS can control and influence what happens - not (just) the 'Network Owner' or 'Provider' or 'Media Company' or 'Studio' or 'Label' or "TV / Radio Network". If we-the-users, the people formerly known as consumers, don't like it, we'll leave, taking all our friends with us, deflating the platform's value very quickly - just imagine what would happen to Google if we pulled our trust from them. Control has now shifted to the Users - and that's a good thing. This is, of course, the topic of my next book.

Get your Twitter name NOW - this may well be the next wave of domain ownership

I sure hope I am not telling you anything really new here, but in any case: to everyone out there - if you have not yet claimed the perfect twitter user name for your venture, company, location, service or blog yet - such as, in my case, twitter.com/gleonhard - you should do so now. Yes, like, right now. It's already happening but I predict that very soon this trend will really explode, and Twitter names will be registered, squatted, bought and sold like domains used to be, not so long ago. I myself own about 10 or so names that I am using or plan to use, such as Dailywisdoms and FutureFeed. Unfortunately I *was asleep* at the wheel for a while, myself, as far as Twitter is concerned, and missed the unique chance to get about another dozen or so names that I really *should* own such as 'thefuture' ;) - so much for successfully predicting the future (or, rather, acting on it;) So, get to it! Note: you need a new email address for each twitter account that you want to register.

Control matters less, trust matters more: a new ecosystem in the making

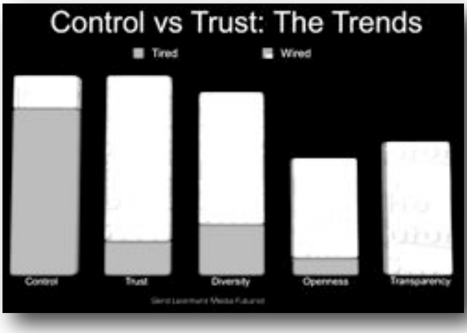
I am continuously working on my new book "The End of Control", even though I have lately been wondering quite a bit about whether it still makes sense to publish a dead-tree version of a non-fiction epic these days - I may yet decide to remain entirely in the realm of bits and bytes. Stay tuned. Or better yet, tell me what you want!

In any case, a big part of "The End of Control" is about how, all around us, Control is declining in importance (as well as in feasibility!), and our emphasis is gradually shifting to **Trust**. Not to become too Obama-ish here but I have observed this trend pretty much in all sectors that I work in, from media & content to travel to telecom, and it is an amazing change. And a real challenge.

So, rather than trying to control what people do with a service or product they get from a company, many businesses are now starting to focus on earning, keeping and expanding the users' trust in what they do and how they do it, so that at the right time their users will indeed *make the choice to* pay them. Because that is pretty much what it comes down to, now: people make implicit (bundled) and explicit (i.e. voluntary) **choices** to pay for what we offer them. This is especially true for content, software, media and entertainment, of course - given that many of those goods are already digital and thereby payment can often be avoided if you so wish. Examples for how trust is starting to replace control abound - here are a few:

- Twitter users make the choice to follow me (hey... don't ask me why), and now I have to constantly earn their attention with what I share on Twitter. If they like what I do, they will retweet my stuff (apparently the highest honor these days) or forward the links to other people via email or the various social media sharing tools. Yes, in case you were wondering, I have indeed been booked for speaking gigs via connections I made on Twitter (just like those that I make on this blog) - something that was a total miracle to me when it happened but now I am starting to get it. In any case, I'll be the first to advertise on Twitter when they offer it.

- Flickr: they offer a fantastic platform for sharing images (and now, video), and once people trust them, quite a few of them end up buying the Flickr Pro account for $30 or - in fact, being a Flickr Pro user has become a bit of a status symbol among 'sharers'. The bottom line: earn my trust and attention with the free stuff, and then ... allow me to pay for something else.
- Amazon's best-selling MP3 album in 2008 was 'Ghosts' by Nine Inch Nails, even though that very same album was made available under a creative commons license and free downloading by the band, itself - *people made the choice to pay* for something they could have had for free. Think again - compelling people to pay is starting to look like a real alternative to forcing them to pay (music industry readers, take note;)
- Google. Of course, Google is the Master of this new art of business; constantly adding value, wielding ever higher attraction and receiving copious amounts of attention - all of which converts nicely into people trusting Google, and subsequently giving Google their money; whether it's Ad-Words, Apps, storage space, search tools. Google is indeed the master of giving control to us, and then have us return the ultimate favor of trust. Loads of Attention which, you guessed it, turn into serious cash for them.



My comments on "The Economics of Giving It Away" (Chris Anderson in the WSJ)

Chris 'LongTail & Free' Anderson has dished up another great op-ed in the WSJ. Note: this link keeps having problems... maybe try this one, instead, or this. Below are some of the best snippets - and my comments.

Chris writes: "Gratis can be a good business. How? Pretty simple: The minority of customers who pay subsidize the majority who do not. Sometimes that's two different sets of customers, as in the traditional media model: A few advertisers pay for content so lots of consumers can get it cheap or free..."

Back in late 2008, I wrote something very closely related to what Chris is saying, here: "To me, the bottom line is that most of what used to work just fine in a disconnected world of 'totally segregated consumers and producers' will simply not work in the future". In other words, the traditional media model will *not* work in Online Media, going forward - the mechanics are entirely different. And this is where Free or Freemium plays a crucial role - and it's a huge mission to figure out how this ecosystem will generate rivers of cash, not just data. And it will involve Collaboration between content companies and creators, telecoms, social networks, search engines and device makers.

Chris goes on: "With physical stuff, samples must be doled out sparingly -- there are real costs to be paid. With bits, the free versions are too cheap to meter and

can be spread far and wide. T*hat's why so many people businesses (expensive!) are turning into software businesses (c*heap!), which is why your cranky tax accountant has morphed into free TurboTax online, your stockbroker is now a trading Web site and your travel agent is more likely a glorified search engine..."

Yes, indeed: this is why I think that the content business - starting with music - is turning into a software business, too - witness the explosion of app stores for mobile devices, and how much $$ people are paying for iPhone apps. Now imagine that content (starting with music) will be bundled into such apps, and people will perceive it as BUYING SOFTWARE or buying a cool app for their phone but in fact the content is included (yet paid for i.e. packaged). I think that if permitted by the rights-holders Pandora *could* easily sell a mobile device application that could include video, audio, feeds and images - I am dead certain people will pay for that. I will have a separate post on this sometime later this week. Chris then hits the nail on the head: "Expect the shift toward open source software (which is free) and Web-based productivity tools such as Google Docs (also free) to accelerate".

Totally. Then, Chris warns (and I agree - that's why I am also hard at work on next-generation advertising models): "The standard business model for Web companies that don't actually have a business model is advertising...Two problems have emerged with that model: the price of online ads and click-through rates. Facebook is an amazingly popular service, but it also an amazingly ineffective advertising platform..."

And I also like his conclusion (and this is the first time that I see it spelled out like this, from Chris): "Does this mean that Free will retreat in a down economy? Probably not... "Free" has as much power over the consumer psyche as ever. But it does mean that Free is not enough. It also has to be matched with Paid. Just as King Gillette's free razors only made business sense paired with expensive blades, so will today's Web entrepreneurs have to not just invent products that people love, but also those that they will pay for. Not all of the people or even most of them -- free is still great marketing and bits are still too cheap to meter -- but enough to pay the bills. Free may be the best price, but it can't be the only one" I call this challenge the '21st century content economics' challenge (yes... borrowed from Umair Hague's brilliant post on this topic), and it's the main topic for my work this year. If we can figure out how to generate many new revenue streams based on Feels Like Free access to content, then we can start modeling the business plans for the next 5 years. More soon! But what do you think? Comment below.

Gerd Leonhard Interview @ Los Angeles Music Blog (some good snippets)

The Rollo & Grady Interview // Gerd Leonhard - Los Angeles Music Blog: Here are some of the best snippets:

R&G: Can the labels regain the trust of "people formerly known as consumers?" Gerd: They may not be able to, and this is the Number One problem. I think it's a very tough road. The only chance they have – and that goes for everyone, not just the majors, but also the indies – is to drastically open up, put their cards on the table and start doing business like everybody else. This means being transparent, sharing, putting deals on the table and making them public. They need to create real value rather than pretend to do so.

R&G: You've talked about how the record industry should adopt Twitter. Can you elaborate? Gerd: Twitter is a mechanism of micro communication, like RSS feeds. Therefore, it becomes something that is completely owned by the people who are doing it, rather than by the people who are making or receiving it. It's a completely viable mechanism that is cost-neutral, at least to us. It becomes a very powerful mechanism for peer response and viral connections. That is the principle of what music is all about. It's word of mouth, connecting, forwarding and sharing. A musical version of Twitter would be a goldmine. It already exists to some degree in blip.fm, but the music industry should use that mechanism to broadcast directly to fans. They're starting to do that, but the problem is that many music companies perceive their primary mission as gatekeeper for the artists rather than getting the music out. That is a big problem today, when you're in an economy where everybody wants a snack before buying a sandwich.

R&G: What other technologies do you think are necessary for the do-it-yourself artists and managers of the new music world? Gerd: Widgets and syndication have made YouTube the world's leader in video. 60% of videos are not played on YouTube.com but on blogs and other people's sites. Music has completely overlooked that very powerful tool. That is this whole idea of syndication – getting people to transmit music to each other and then reaping the attention on the other end.

R&G: Are you saying they need to recognize any revenue stream they can generate from their content? Sell CDs, subscriptions, etc.? Gerd: The flat rate is the next CD. Its simple mathematics. If you charge or indirectly earn one dollar from each user of a network, that dollar can be ad-supported. It can be supported by bundling, so the user won't feel it, so to speak. If you look at the total number of people who are active on digital networks, which is somewhere in the neighborhood of 3 ½ billion people, they're not all going to pay a dollar because they're in different countries. But the money that comes in from such a flat rate is humongous.

Dining 2.0: it's the EXPERIENCE (and the good content)

I just had a very unique and nicely futuristic experience eating at the Inamo Restaurant in London, with Omid Ashtari (who works at Google in London), who turned me on to this amazing place. If you want to get a glimpse of the future - and I mean beyond *eating* - you should check it out: the interactive ordering system really rocks and is based on a surface computing system (MSFT I would guess - but yes, it did work well;) that is projected onto your table. You can change the color of your table's surface, select, view and order food (of course), and even play battleship (see first picture, below), in case your lunch date is utterly boring (nope, not in this case;). I have added a few photos below.

But here is the key point: I will most definitely come back here, because:

- It's really easy and great fun to use this system to order & browse the menu (and I probably ended up ordering more than I should have, because of it!) - even for non-geeks, I think
- It's a great idea to be able to change your environment at the click of the mouse (i.e. apply your own table surface designs)
- It works very well and there is no waiting time to make a new order
- You can watch the chef via your table surface, if desired
- The food is fantastic (and that, of course, is crucial, too)

All in all: the content was great (i.e. the food) but the CONTEXT - the Experience is what makes it rock. Lesson learned: Dining 2.0 > Media 2.0 > Content 2.0 - right?

Marketing Music, 2.0: the declining importance of traditional Air-Play (Radio) versus Net-Play

Over the course of the next 5-6 years, the importance of getting Air-Play on terrestrial i.e. traditional, programmed radio will drastically decline, as people are switching to the Internet (and by extension, *to each other*) as the #1 way of sourcing music programs. We will see a drastic increase in fragmentation as people will do anything from carefully customizing each track in their lists to just listen to 'what's on' - and there will be 100s of permutations in between. From total engagement to total passive consumption, there will be offers covering each - and they will all be connected.

Because of the strong uptake in next generation mobile devices (fka cell phones), the explosive proliferation of social networks and the drastic increase in wireless broadband capabilities at ever decreasing costs (yes, not yet - but give it another 18 months) we will see people use their mobile devices as prime instruments of listening to radio-like music programs - there will be hundreds of radio/music apps available via the various app stores that each device maker AND operator will offer; some paid, most feels-like-free, some sponsored.

The other point is that as the car becomes fully connected and always-online people will shift their music consumption to Net-based offerings while on the road, as well (in addition to the already stiff in-car competition from iPods etc) - this will be a very very very serious challenge to traditional Radio (and TV) broadcasters. Local news, traffic, sports etc will be programmable to interlace with your Internet-based stations - the best of both worlds? Talk about Change!

4 bottom lines of the Internet economy: participation, engagement, attention, content = ads

This, below just became clear to me this morning, on the 6.50 am flight from Basel to London (airplane trips always make good occasions for lofty thoughts I guess):

- People nowadays seem more keen to participate than to just consume - quite a stunning reversal if compared to mass media traditions. The culture of participation is spreading very quickly. See: flickr, youtube, blogs, twitter, wikipedia, amazon ratings, digg...
- People are much more likely to check out, and maybe even *like*, a brand (or their advertising) when they are being engaged rather than marketed-to (i.e. yelled-at). See: Nike+, Bacardi & Groove Armada, Dell Idea Storm, Comcast on Twitter etc
- Attention is becoming more scarce by the minute (maybe even more so than *time*), and as a result **attention-data** -what do I where, how, with whom, when - is becoming more valuable as well. 'Paying with attention' will become a real option once a) content becomes available on the basis of attention-revenue sharing, b) new forms of advertising (yes, call it 2.0;) that can exploit this data are becoming more mainstream. Watch this video from my talk at Google UK, to find out more.

- Content will become completely mashed up with Advertising. Since, as Cory Doctorow said back in 2006 (!), Conversation is King - not just Content, we will see more and more innovative advertising based on sponsorship and product placement concepts injected into conversations around content - after all, this is what social networks are all about!

The Future: Cars become Social Objects

In my work on the future of media, technology and content I often run across related areas such as tourism, banking, energy and transportation; and I have recently ventured into some of those sectors, as well (in particular, tourism - more on that, soon).

So here is a short burst I want to share from the world of transportation: I think the Cars of the Future will become more like Social Objects. Of course, this will vary drastically from country to country (and cultures) but I think that an increasingly large percentage of cars will cease to be owned, maintained, paid and used by one party only. Instead, groups of people will have *fractional ownership (*as the brilliant Kevin Kelly calls it), i.e. use, share or *access* the car when and where they need it, and thereby using motor vehicles much more efficiently. This will be true for plain-old functional cars ('just get me from A to B') as well as for fun, sports and other special-purpose cars. The obvious advantage of enormous cost and energy savings will make this concept pretty much irresistible - the only thing that keeps most of us from doing this now, already, is our reliance on the car as a status symbol and (indeed) as some weird guarantor of 'personal freedom' (yes...I am guilty, too). I believe that this will turn around within the next 3-5 years: if you DO own a car, just for yourself and your own enjoyment, people may well consider you hopelessly old-fashioned; and not much admiration will come your way any longer.

I also reckon that within the next 2-3 years many Europeans will not really enjoy individual driving that much any more, with lower and lower speed limits becoming a constant headache, mega-traffic jams and congestion charges and significantly increased chances of delays. This will lead to a much increased demand for high-quality public and semi-public (i.e. first and luxury class) transportation, which will be even further boosted by the fact that people will of course be fully connected anywhere and anytime they travel - and since they won't be busy driving they can take full advantage of this.

We will see steep increases in car-sharing services of all kinds (e.g. Zipcar in the U.S.), and the concept of self-driving electric cars will probably become a reality much sooner than we think - just click the icon on your mobile and the next available car will show up on your doorstep; hop-in and be driven to your destination without lifting a finger.

Driving yourself will increasingly become an exception rather than the default. Talk about change: 100s of Billions of $$, and Trillions of brain-cycles freed up. Think about what we can do with all that time we used to spend on driving. Tele-learning, networking, co-creation, crowdsourcing... here we come!

Is music's future on the Isle of Man? The IHT on the Music & ISP discussion, quotes me ;)

This is a good read: Is music's future on the Isle of Man? - International Herald Tribune.... not just because they quote me (that's a good start, though;) but also because it's a pretty summary of the issues. I paraphrase:

"The island, a rainy outpost in the Irish Sea, is promoting an offbeat remedy for digital piracy, which the record companies blame for billions of dollars in lost sales. Instead of fighting file-sharing, the government wants to embrace it - and it is trying to enlist a skeptical music industry in support....Under a proposal announced this month, the 80,000 people who live on the Isle of Man would be able to download unlimited amounts of music - perhaps even from notorious peer-to-peer pirate sites. To make this possible, broadband subscribers would have to pay a nominal fee of as little as £1, or $1.37, a month to their Internet service providers"

"A lot of people in the business are concerned with how much money they are losing, but not with how much money they could make," Berry said. Under his proposal, the money collected by the Internet providers would be sent to a special agency that would distribute the proceeds to the copyright owners, including the record labels and music publishers. They would receive payments based on how often their music was downloaded or streamed over the Internet, as they now do in many countries when it is performed live or on the radio. The Isle of Man didn't invent the idea. The concept of a so-called blanket license to distribute music in digital form has been discussed since the days when Napster, before its rebirth as a legal service, thumbed its nose at the music industry"

"While the Recording Industry Association of America, which represents the major labels in the United States, has backed away from a nearly six-year campaign of litigation against individual file-sharers, the music companies' continuing effort to battle piracy in other ways dismays some analysts. "They spend 90 percent of their time trying to keep me from doing what I want to do and 10 percent of their time trying to make it possible," said **Gerd Leonhard**, author of "The Future of Music."

Time for action: the music industry needs the same CHANGE that Obama brings to America (MIDEM 09 thoughts from 'the Utopian')

Everyone that follows my work knows what my message to the music industry has been, for the past 10 years: Change. Embrace technology and empower the User. Make the Artists Partners. Give Permission. Collaborate. Innovate constantly. Get out of your own way. Compensation not Control. Until a few years ago, to talk about transparency, equality and collaboration was considered treason and people looked at me with deep pity when I suggested a radio-like license for music on the Net. Today, the concept of blanket licensing music on the Net (no, not a tax, but a strong, open ecosystem that generates many new revenue streams) has become a solid contender for a new - and much larger - music ecosystem that is being put together as we speak.

For the last 8 years, *trying to control digital music* (DRM, CD protection, broadcast flags etc) has brought the music industry a fundamental and detrimental crisis, war (on file-sharers), value destruction, squashed innovations, and lost trust on all sides - artists, consumers, telecoms and brands! Well done, musical Bushs.

WHEN will the industry switch horses like America switched from Bush to Obama, from destruction to innovation, from money-just-for-us to money-for-all, from control to collaboration, from prejudice to openness, from broadcast to conversation...? Isn't it time that we leave those professional lobbyists and purveyors of costly snake-oils behind, that we hand the wheel to the new guys, the ones that understand what music & a life around music is really like, outside of their bubble and above and beyond their severely limited assumptions? Isn't time for the lesser-privileged minorities (such as the actual creators, and such as those that are not from the so-called Western world) to step in and catalyze those changes? Where is the Obama for the music industry?

Here in Cannes, France, at the annual MIDEM music industry conference, we have once again debated and contemplated (and wined and dined and smoked) for the last 5 days. We have noticed some 15-20% less attendance, empty restaurants and much-less-than-usual action in the exhibition halls - the music industry as we knew it is OVER. And good riddance. The organizers tried hard (and did well!) but you have to wonder: what are you (the industry) waiting for? Is it not time to VOTE FOR SERIOUS CHANGE in the music industry, and make that switch to an open, collaborative and mutually fruitful ecosystem? Like... now?

Open Really is King - especially now!

Open source was on a roll in 2008, already, but in the 'Crisis & Change Year' 2009 I think we will finally witness the obvious superiority of open systems (and not just in software). Here are some of the trends I see:

- The use of open source technologies for databases will continue to increase dramatically (see this cNet column); in a down economy this is of course not surprising
- Open source mobile OSs (such as Symbian and Android) will continue to gain market-share over Windows Mobile and others, simply because they offer a much superior speed of development
- Apple's iTunes DRM has just been dropped - and now watch what will happen elsewhere! Having said that, Apple is of course not known for their openness (to put it mildly) - but my hunch is that they will start getting off the control button this year, as well.
- Mozilla's Firefox already has over 20% market-share, and Google Chrome is gearing up, as well
- I predict that Facebook will be making radical strides to be more open, this year (see below); partly to compete with Google Connect
- A key embodiment of OPEN - the 'API Culture' - is seriously booming (I think Twitter alone has over 300 services based on their API), and this will only increase in 2009
- Cloud computing is on the rise, everywhere - and open systems are a must for many of these applications
- Mobile networks are slowly being forced to get off on their walled-garden approaches (even though the U.S. is lacking behind in this process, see below)
- "Permission and revenue sharing rather than legal action" seems to be a trend that we can clearly see in online video, for 2009. Witness Youtube, where rather than constantly asking for take-downs, the major TV networks are starting to go for revenue shares, instead (while Warner Music Group is now removing their music videos, bizarrely - another proof that some of the major music companies are heading for the cliff at the highest possible speed?)
- Print media is getting a lot more open about syndication, full-length feeds and integrating pro-am creators such as bloggers (see my action items, here). The NYT is certainly moving in the right direction here

Should software face the flat-rate music future? (Gerd quoted in CNET News)

Some good snippets culled from my various blog posts on this topic:

"CD sales dropped 20 percent in 2008, as reported by *The Wall Street Journal*. But this isn't the whole story.. the real story behind this creative destruction is called out by rising revenues for organizations like ASCAP, and underlined in the Media Futurist blog, where Gerd Leonhard points out that the real shift in the music industry is away from copy-based license business and toward flat-rate, attention-based business models. What is an attention-based model?

Changes in the content industries

Content 1.0	Content 2.0
Distribution	Attention
Shelf Space	Mind-share
Mass Marketing Monolog	Niche Marketing Dialog
Control	Influence & Reputation
Control	Attention & Trust

It's a model in which the creator's brand offers more protection than digital rights management because you can't counterfeit a live performance, for example. But it's more than that. It's also about customers liking and trusting one's brand enough to subscribe to a steady stream from the creator, not just partaking in dribs and drabs (i.e., licensing copies to the music)"   [Referenced Quotes from my own blog, below:] Attention-based revenues (i.e. not just advertising-as-we-knew-it but also revenue sharing of flat-rate offerings, next-generation advertising, up-stream selling and marketing, sponsorships and branding, linking and referring, etc.) will very likely surpass copy and unit sales revenues.

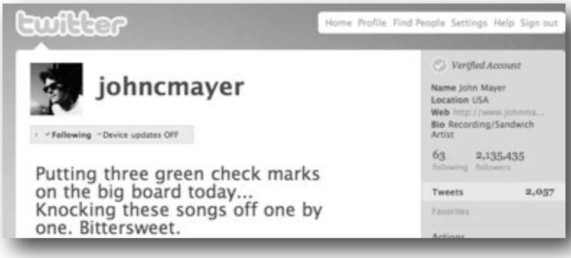
A future where many content creators of all kinds, in all locations, and within all levels of accomplishment will make more money based on what their brand stands for, based on their fans, aka users, having real, meaningful experiences with or through them, and based on who pays attention to them, when and where....

In our immediate future as content creators and companies that serve them, it's all about gathering and converting attention--at least until the world is so well-served with feels-like-free content in return for attention that physical copies become desirable again (and they will).

Music Industry: so now you are on Twitter - so what should you do next?

I recently wrote on the MidemNet Blog why everyone in the music industry should try Twitter, and apparently some people have taken it seriously ;) since I did get a lot of new followers from within the music business; many of them first-timers. Great! But now that you are tweeting (geek talk for sending messages) - what do you actually do there?   In my newly championed short-is-better style, here is what to do with Twitter and what to tweet about if you are in the music business:

1. Make sure you use a nice profile icon (i.e. your image) on your Twitter page, and that your info-box provides some short reasons (and *one* good link) why people should follow you. If you can, design your page background to be distinctly 'you'
2. To be able to tweet very quickly use the Tweetdeck software or just install the really cool *ShareThis* extension in your Firefox or IE browser. I post 10-30 times per day but spend very little time on the process, using these tools (I focus more on the actual conversations)
3. Follow other twitter users that are in the music industry, or in related fields. To find good people (pick your follows carefully!), try Twitterholic, twellow, twitter search, or AllTop or Tweet Directories
4. Answer the direct messages and pings that you will get from people that follow you. This is crucial to get a real networking situation going. Again, Tweetdeck is best for this.
5. Remember: it's all about LINKS. You must have blogs, myspace sites, photos or videos to link to -otherwise there is no point in tweeting. *Always* have a link in each post, and make it specific, too (i.e. not just the homepage). Note: if you don't yet have a lot of content to link to, you need to make sure it'll be forthcoming shortly - otherwise there is no point in tweeting. *Tweets are teasers for something larger!*
6. Make your tweets timely, succinct, unique and relevant. Tweet about stuff that happened today, or yesterday (or tomorrow, as in my case) but not about that great track from 1963 (exceptions may apply). Better to tweet 'new track from xyz made me crash my Vespa' than to use some pre-made PR message!
7. Most importantly, **your tweets must contain strong content** (yes... content *and* context = kings!) otherwise you will not get people to pay any attention to you. Refrain from too much marketing hype, canned stuff, self-promotion and boasting ('hottest band ever... signed to our label' etc). Instead:

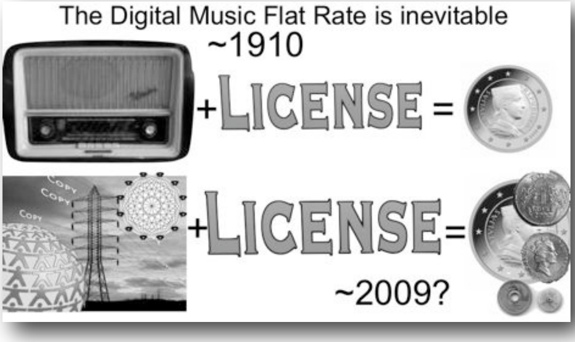


8. Tweet about personal and direct stuff: how you found this new writer, why his latest video is unique, why you like the soundtrack of XYZ movie etc. Short message + concise content + link; 3-5 times per day.
9. Tweet about the hairy and current music business issues, and dish up the bottom lines; be frank, such as "really hate / love it when my music shows up on youtube and nobody really knows how I get paid"
10. Tweet with links to *unique* content such as 'music by xyz artist on our label was used in xyz youtube movie, see [link]'
11. Always give people links to relevant, deeper content such as 'great motown techno crossover at [link] last.fm, blip.fm etc - don't send people off into another general direction
12. Offer special deals and real value to your followers - but don't pitch. Just talk about it. Things like free tracks (with promo-codes), backstage passes, video downloads, PDFs (EPKs!!), photos etc. If you have a new writer you just signed to a publishing deal, put up his demos somewhere and offer access to anyone that pings you via Twitter.

13. Create CONTEXT. If you want to place your track in a movie, tweet something like 'seriously romantic italian folk song available for your new film [link]' - but always keep in mind that a tweet that goes nowhere (i.e. no or bad content) is a bad thing!

Hold on, I'm coming: the digital music flat rate is imminent

I will be presenting my thoughts on the digital music flat-rate in a session at Midemnet 2009, and so I thought it may be a good idea to give you a heads-up on what's coming. Many of you may of course know my work from the past 10 years and that the flat rate for digital music aka *Music Like Water* has always been a crucial cornerstone of my concepts for the Future of the Music Industry. First, it is really great to see that indeed, music flat rates are being considered, planned and tried literally everywhere - here are some examples, and the models that go with it.



- Google is offering free music in China, via their partnership with Top100.cn. This offering covers mostly Chinese music at this time, I think, but if you're logged-in you will get free on-demand streams (and MP3 downloads, I think - can't access it from here). Google pays license fees for the music and in return gets to sell more and better ads - plus, if this can be expanded to all music and other media, as well, Google may eventually be able to actually compete with Baidu (which is crucial for them). **The model: your attention pays for the Content**; i.e. Google pays the license fees (it's a split of revenues I would guess). The traffic & attention pays for the music -sounds familiar?
- Orange's Musique Max, in France (*a client of mine) now offers a flat rate for digital music to their French mobile customers, as well. Unlimited downloads to mobile and PC, for 12 Euro per month (see this press release by France Telecom). The catch is, of course, both the DRM (yes... *still*...ouch), and the price, and the data costs - but all 3 of those will certainly be addressed in the near future I would hope.
- TDC in Denmark: buy Internet access from them, and get the music 'for free'. Same issue with the DRM but the bundle certainly is a good concept. The model: Music is a substantial added value - t**he cross subsidy model** that LongTail-Chris Anderson talks about a lot**.** Playlouder in the UK has a similar model of bundled, all-you-can-eat access.
- Nokia comes with Music (*disclosure: Nokia is a think-tank client of mine) : the latest offering by mobile device & soon-to-be Internet giant Nokia, bundling music from all 4 majors and an increasing number of independents into the purchase of the handset. Buy the Nokia music phone, and all the music is yours (yes, their are some catches but ...it's a great start). The model: a 3 party pays to promote another offering (i.e. the music is free for the user!) Sony-Ericsson pulled a similar rabbit out of

their Swedish hats, just a few weeks ago, with their Play-Now-Plus service that was launched in Sweden. What about Samsung? Stay tuned...

- The German magazine *Focus* reports that mobile operator T-Mobile wants to offer a Music Flat Rate, as well. Clearly, operators and telecoms are going to be entering the content distribution and service business much more seriously than ever before - they have no choice. A rather funny google-auto-translated English version of the Focus article here, original German version here.
- Billboard.biz recently reported on Norway's Netcom launching an unlimited music offering, as well (albeit only with 50k tracks provided by UMG - hardly a convincing argument for the digital natives I would guess but ... baby steps are better than none)
- Swedish performing rights society STIM (also presenting at MidemNet) has been busy pushing things forward in the same direction - read their statement "how downloading could be made legal" here
- Over in the newly re-inspired lands of Obama and Change.gov, my dear friend Jim Griffin has been trying to steer the Warner Music Group ship into the music-flat rate direction - and I would guess we will hear more from him at MIDEM, hopefully!

The bottom line is this:

- The flat rate for music is a certainty and we will see it become a reality in the next 2 years, so... get ready
- New business models that are based on attention-revenues not copy-revenues must be developed asap - and this is not an easy mission during these times of transition
- The artists and their managers, the traditional master recording rights holders *and* composers *and* publishers, as well as the many organizations that represent them must collaborate much more in-depth than ever before - and most likely the master and composition rights societies will need to actually merge to make this work

7 reasons why everyone in the music industry should try Twitter

A lot of people ask me why I am so seriously into Twitter, why Twitter matters, and why I recommend that every music industry professional should give it a try.

First, for the still-uninitiated: what *is* Twitter? It's a so-called micro-blogging service that allows you to send up to 140 character messages (called Tweets) to people that 'follow you', both on the web as well as on the mobile phone. It all started out with the trivial question "what are you doing right now" - and believe it or not, millions of people started sharing those kinds of messages (e.g. 'drinking coffee at Starbucks on 46th Street') with each other. Today, Twitter has some estimated 5-7 Million users (and traffic of 30 Million+ uniques per month), and people are sharing ideas, links, news, videos, books, tour-dates, program updates, record re-

leases etc with each other. All this updating is generating a huge flood of calls & responses (I sometimes call this 'the river') which is - ADD effects aside - starting to become a very important new way of marketing and promoting something (sharing is caring, remember?).

Ok, ok, I know: *who has the time for this*? But trust me: once you know how to juggle things like Twitter, you'll see first-hand what it does, and your time-wasting concerns will evaporate. You really do have to get wet to swim! All you need to do is go to Twitter.com, sign up for a free account and start following people (here is my list of people that I follow, for starters) and post a few things every day. For handling Twitter traffic and pings I use Tweetdeck which is a great free software app that makes the Twitter user's life a lot easier. If you want to know more, here are some resources: Video on Twitter for Business (OReilly Webcast), video: Twitter in plain English. So here are my thoughts on why everyone in the music industry (really!) should get busy with Twitter:

1) It teaches us the meaning of *Conversation* - and we need to learn that, urgently. If you don't tweet anything good (i.e. post relevant messages) nobody will follow you, and if you don't respond to messages people will stop looking at your tweets, as well. In 2009, the tweets of the top-twitteratis may well become more influential in this industry than anything that Billboard or MusicWeek will write so ...get ready. But as far as marketing our artists and /or services is concerned, Twitter indeed offers a crucial lesson for all of us in the music business: stop pushing, start talking. Broadcast less, micro-cast more. Stop the monolog and start the collaboration. Win by attraction not Control.

2) Instead of email, use Twitter to transmit news and updates to people: it's a lot less work, you can do it as often as you want, and nobody will complain about spam. Think of Twitter as your own, free SMS broadcast service. Example: Artistshouse Music

3) People react very quickly to what you post on Twitter - the more followers you have the quicker you can get your message out there; and with real, tangible results. As an example, when I posted the fact that those cool new Macbooks have DRM'ed *displays* (!) I received several responses within 2 minutes from people that thanked me for warning them - they were just about to buy one! This is a great example for the power of the Twitter network - imagine this (hopefully the other way 'round) for a new video release by an artist you are trying to promote [I still did buy that new Macbook btw!]

4) Twitter really does create that direct connection, for free, between you (the artist, the label, the writer, the publisher, the agent...) and the people formerly known as consumers, the fans, the users - all you have to do is start the conversation!

5) Twitter is a great new way to monitor the buzz online, whether it's new record releases, music recommendations via blogs, the discussion around MIDEM :), music industry news, what Nettwerk Music Group is up to, the death spiral of CD sales, or the best sushi in London ;) I use this way of 'social searching' all the time, and it has opened up a world of new resources for me.

6) If you are using Twitter on your mobile phone (I use Twitterfon on the iPhone, and the OperaMini browser on my Nokia e71), you can use your Twitter network of followers to source stuff on-the-fly while traveling, incl. last minute tech-help and ad-hoc meetings or local hotel or food recommendations. I have tried it, and if enough people are following you, it works out great.

7) If you think that Twitter is just for timewasters and geeks, you are dead wrong - everyone is getting on twitter as I write this - traffic is exploding, and major brands are coming aboard. Even plants are now on Twitter, too! But seriously: Twitter is gearing up to be a fantastic marketing tool for social media 'products' such as music - and we will see a veritable explosion of twitter-charged successes in 2009.

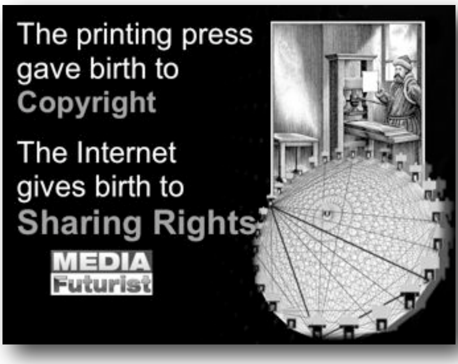
Great read on "Intellectual Property and new Copyright Law" with some nice Media Futurist -ic Quotes (via Japaninc.com)

This is a must read: Intellectual Property and new Copyright Law | Japan -- Business People Technology | www.japaninc.com. The best snippets:

"But are things really that dire? Some would argue that these industries are healthier now than they ever have been. With the spread of information at a never before seen level, pieces of journalism are being read more now than ever, music artists are able to reach a broader audience than ever (some by bypassing the record labels all-together), and movies are being watched by more people in more countries..."

"The issue is control, and the embodiment of that control is copyright. The music industry is perhaps most illustrative of the issue..."

"Currently in Japan, new copyright laws are being debated which could make average users subject to civil law suits from record labels or movie distribution companies. Within the walls of mega-forum 2-Channel and the Japanese blogosphere, debate has been raging over the laws and what they will mean exactly for the average user. Specifically the outright banning of illegal downloads—music, movies and games being the main points of interest—is currently being investigated by a sub-committee appointed by the central government. Presently, Japan’s copyright law makes an exception in the case of downloads for personal use..."



"The industry veteran [IFPI's John Kennedy] says he believes a large increase in resources will not be needed to govern the Internet—warnings and enforcements will just need to be carried out in a similar way to any other law. “People call the Internet an ‘Information Super Highway.’ Well like any normal highway, it can be governed. If someone is speeding you give them a ticket and in extreme cases you take away their license.” But how about finding them?

“People sit in their rooms and think they are anonymous but they are not—their IP address says exactly who they are,” says Kennedy..."

"Media futurist Gerd Leonhard says that in a globally networked world, with an expected 3.5 billion mobile users and Internet speeds increasing exponentially within the next two to four years, the traditional Western concept of exclusive copyright must be reviewed. “It is the purpose of copyright to generate sustainable and growing revenues for the creators, not to prevent new uses of their works that may eventually result in those new incomes. He believes that in the future, “many of these models will be more like flat-rated or bundled access models, rather than unit-sales based models.”

***"A recent case involving Google may help provide a blueprint for content creators. In October, Google settled a dispute with authors and publishers over its scanning of 7 million books for digital versions of printed material. The company paid $125 million to publishers and authors and will, from now on, provide a percentage share of the profits from ads and downloading fees. Under the agreement, Google would receive 37 percent of revenue while publishers and authors would get the rest. The settlement could pave the way for similar agreements within other industries..."

"Ito continues, “While it is important to protect copyright and the incentives that copyright (and intellectual property) provide, it is important that we do not prevent many of the basic things that people want to do with content or prevent some of the potential new ways that people will be expressing themselves and sharing this expression.”

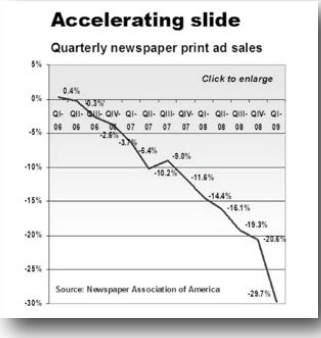
"Futurist Leonhard says the key to making money in a post super-connected world is to embrace the concept of losing control. He believes that “a continued loss of control over IP and copyright and most other measures of restrictions is absolutely inevitable; and in fact, the less control we will have the more new revenues will surface.” Leonhard believes that “The future of creativity, content and media is bright, as it is the human creativity and its embodiments that will be even more valuable in a world of ubiquitous access and huge growth of output. It is the value and dollar system and logic that we need to rebuild and adapt—and the law is, of course, there to support this, and will therefore be adapted. This process is not new, just more drastic since the Web is often removing many old ways to get money out of scarcity while not yet offering the same profit in a plausible new way yet. This new logic needs more than 3 percent of the global population on broadband, and always-on, to generate increasing revenues from those new ideas. Another 24 months and we should have a much better take on this.”

2009: The year of Re-Designing the Content Business

I am planning to dedicate a good chunk of my 2009 time and energy to this crucial topic: what *are* those new, web-native, social & inter-connected business models that will power the future of content creators and their industries? In 2008, the disruptive force of the Internet has finally hit home, and - as is usually the case - it all came much later than we had estimated but the disruption is also *much* bigger than expected.

A quick look at some trends in this context:

- Newspaper revenues are seriously down (25% in some cases); and magazines and other print media are severely challenged, as well
- Digital music revenues are still going up, overall, but very very very far from enough to stop the free-fall of the recorded music industry, in general (approx 20%, globally, would be my estimate for 2008) *pennies for $$, see below
- DVD sales are declining, worldwide, prices are falling, too - and this will only accelerate next year
- Online video views and audiences are up a lot - but so far pretty much everybody has trouble making any real money with online video



My hunch is that the Internet may well - and soon - bring us an utterly scary reduction of traditional content models that is somewhere in the neighborhood of 1:5, i.e. if you keep relying on the old 'disconnected' content revenues models you may eventually see only 1/5th of the financial returns that you had before. This could vary by industry, location and context, of course, but I would dare say that if you stick to your old models the future will be bleak, either way - and this goes for the actual creators but even much more so for the businesses that are build *around* them.

> Puchella's report says just 14 percent of newspapers' cash operating costs, on average, is devoted to content creation, while about 70 percent of costs are devoted to printing, distribution and corporate functions. The remaining 16 percent of costs are related to advertising sales.

To me, the bottom line is that *most* of what used to work just fine in a disconnected world of 'totally segregated consumers and producers' will simply not work in the future

This is why I think 2009 will be year of:

- *Totally* exploding consumer / user / fan / listener / viewer empowerment (yes, you ain't seen nothing yet - wait until 2 Billion + people are wirelessly connected via increasingly smart and easy-to-use mobile devices)
- Re-inventing content commerce (such as: charge for access... not just units, bundle content into access, freemium etc)
- Re-evaluating copyright as that sacrosanct, sole, principal, or even main driver of revenue - the solution for what I like to call 'digital payment-refusal' aka piracy is not a technological issue but a business problem
- Re-inventing advertising (since new kinds of advertising will no doubt be one of the future drivers of content commerce, as well)
- Getting the telecoms and network operators aboard - for they can't make it work without content, either!

I do have a hunch that this old Chinese proverb holds a part of the solution: “Tell me and I'll forget; show me and I may remember; involve me and I'll understand.”

10 quick ways to reinvent Print Media (newspapers, magazines)

I have been reading Chris Brogan's great post on how to improve blog-writing, and today I am implementing just one of his wisdoms: keep things short. Reduce. Cut the fluff. Yes, well, alright: I *have been* guilty of not doing that (you may have noticed). Enough.

Here are 10 ideas for future success in what used to be called Print Media (i.e. newspapers & magazines etc):

1. Decentralize your digital assets. Syndicate your strong content everywhere (and in niches, in particular!), offer full feeds, on all platforms (mobile being the top priority), make everything searchable. Finding and being found is what will make or break you. *Distribution trumps destination* - it's no longer just your homepage that counts; it's all those other doors, links, tags and tweets to your content - even if they are not yours!
2. Participate rather than be participated. Give permission for your content to be used, accessed, blogged, remixed, forwarded. Every ounce of protection aka friction will pull you further down to the bottom of this new ecosystem. There is *real money in permission* - and there is zero money in enforcing the laws that may have protected your dominant position in the past.
3. Micro-chunk. Fragment *and* re-aggregate. Send your content headlines out via Twitter and other micro-blogging platforms. Allow people to snack, have a light meal, or pig-out and gorge on your content. Offer all options. Slice and dice your goodness.
4. Mobilize....totally! Offer your content via mobile apps (and please, not just on the iPhone) that are easy to use, with simple UIs and strong functionalities. You may find you can *sell* the apps even if you can't sell the content, initially. Most of the future value may just be *around* the content, not just *in* the content.
5. Integrate the bloggers, the people formerly known as consumers, the professional-amateurs and UGC. The NYT has some very good initiatives in this turf, and so does Wired (check out their blogs and How2Wiki)
6. Engage. Engage again. And then engage some more. *Talk* to your readers i.e. users, get them talk to each other, and offer a unique and powerful platform for these conversations... *around your content.* Aggregate the conversation. Bundle it. Wrap it.
7. Filter. Curate. Contextualize. Inter-connect. Make sense of things. We, the users, need this more than ever and we will pay you to filter for, with and even through us!
8. Personalize and customize. Allow me to be *me* when I spend time with *you*. Allow me to widgetize, change my profile, look and feel, make your assets mine. Inject a bit of Netvibes and iGoogle into your pages.
9. Connect me to 'strangers like me'. Don't stop at making connections only between yourself and me - also connect me to your other users that might be of interest to me, that might generate added values for me; again, using your platform. Amazon has this down to a science!
10. Dive into Freemium models. Give me something for free that represents real value to me, but costs you very little. And please, upsell me from there - to all the other good stuff you have to offer. See: Flickr, Google, Skype.

4 reasons why we will start printing a lot less in 2009, plus: mobile reading is here!

Remember when we thought that the Internet was going to bring us the paperless office, and a 'greener' new world that would not rely on printed information at all times? This has not really happened yet *but* in 2009 this concept may finally become a reality for many of us. Looking around at what me and many of those clued-in people in my network do, I see the following trends:

1) Offline web-page and article reading. A *lot* of people will start reading their web-pages, RSS feeds and blog posts via new offline reading apps such as Instapaper (which I really love - check out their blog, here, *iPhone only), Read-it-later (very cool FF plug-in, just started using it, seems promising), the ubiquitous Google Reader (works on most mobile devices, and syncs great offline, too; with the amazing Google Gears engine), Opera Mini on my new E71 (supposedly offers offline reading), and many other cool apps that are becoming available for mobile devices (those small shiny boxes we used to call notebooks & computers;) right now.

Remember when we all had to print those top stories from all those feeds and sites we like so that we could read them on the plane, or in the train or taxi? Well... no more. On my end, I used to print 100+ pages per day (yes, sorry), and that's gone down to less than 10 now; thanks to Instapaper etc. Great!

2) Mobile apps courtesy of your favorite newspapers and magazines. If you are into reading those good old mass media newspapers and mags (no worries, I am, too!) now you can make use of some nice new apps that allow you to read them on your mobile phones. Sure, it feels different, it's rather smallish and obviously lacks the physical *paper* user experience, but it works well; it's free and first of all it's always there. Right now, mobile newspapers apps are available mostly for the iPhone - but this is changing very quickly.

I reckon that within 6-9 months we will see these apps become available for almost every mobile platform and OS, since this added value is indeed a major reason to buy a new smart-phone. Right now, my favorite is the New York Times app for the iPhone - it's well done, easy to use, does not crash, and gives me almost everything I need from the NYT (apart from that good old paper feel and smell;). I also like the AP news app (iPhone and blackberry)

So say goodbye to buying a 3-day old NYT at some airport shop in Europe and stuffing it into my briefcase along with my blog post print-outs (see above) - another nice time-saver, waste reducer, and minor money-saving accomplishment. And what's best for the NYT: I keep paying attention to them, and I won't be surprised if they ran customized ads on their apps, soon, too. Plus: I still buy the 'real' dead-tree NYT if I want to enjoy a more leisurely read. They've kept me as user, and that's what counts.

3) Reading entire books on your mobile device. Again, the iPhone dominates in this turf right now, as well, but this will change quickly. Wired has a good wiki on iPhone reading apps, btw. I don't use a lot of these apps yet, mostly because many of these services use bizarre copy protection schemes for their fairly lim-

ited range of eBooks, they don't have the books I want to read, and the publishers charge prices that will make you wonder if they want to punish you for trying out eBooks (hey - sorry, I thought that it's actually a lot cheaper *not* having to print and *not* having to ship anything - guess I was wrong). The leading apps include bookshelf, stanza (which I have), ereader, feedbooks etc - here is a good list. Again, for me, reading entire books - rather than just essays, PDFs, blog posts or articles - on my mobile devices i.e. cell phones is still a very tough interface challenge; therefore I prefer to buy the print edition and haul it around (especially if the eBook price is still very much the same) - but my hunch is that this will change in 2009, too. Maybe not for fiction, though - but for business books I can imagine it.

4) The coming boom in electronic readers such as the Kindle and, maybe, the new Sony Reader (the PS700 BC) which I just bought but have not received yet. It does sound very promising since you can read PDFs with it, bookmark paragraphs or pages and keep it running for weeks at a time.The Kindle is, sadly, not available here in Europe (due to mobile network issues I would think), so I haven't tried it, but I keep hearing good things about it; apart from people complaining about its design. The best comment on the Kindle is probably from Seth Godin, here

(Seth delivers some great comments on ebook pricing, and 'books as social objects'), and which was summarized in my blog, here. My summary and 2009 predictions:

- Many of us will print *a lot* less, next year - and that's already a great step
- Most manufacturers of smart phones and mobile computing devices will get seriously into supporting or integrating all kinds of reading apps (web-page / offline, pdfs, feeds, newspaper apps, book apps), and will therefore also beef up their UIs, as well. And we will use them! Next step: Google.edu?
- The next generations of eReaders will actually be usable for more than just a few of us - another 2 years and they will become mainstream.
- A $ 92 Billion industry (ink, printers, paper etc) will probably shrink as a consequence.Talk about disruption!

Printer manufacturers and ink suppliers will start to feel the squeeze in 2009; people will still buy printers, of course, but probably a lot less ink, and much less paper. And, shrinking profits aside, I think that's a good thing.

Via Jack Myers: Print Media Face Staggering Challenges for the Foreseeable Future

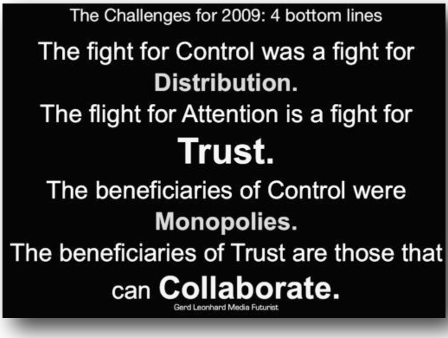
This Huffington Post column by Jack Myers is a must-read for anyone in the 'content' business, media an publishing: Print Media Face Staggering Challenges for the Foreseeable Future. Jack is presenting some very hard-hitting stats that are worth sharing here (and that speak for themselves):

"Yellow Pages will dip in 2009 below their 1998 revenues of $12.1 billion. Myers Report (www.myersreport.com) projects Yellow Pages advertising will decline 12 percent in 2009 and 6 to 10 percent in 2010"

"All print media are struggling with the same reality. While some magazine publishers are moving quickly to identify and invest in alternative revenue models...the magazine industry for the most part remains dangerously dependent on traditional print advertising revenues that are eroding at a rate even more dramatic than Yellow Pages' ad revenues"

"Consumer magazine ad revenues will decline 12 to 15 percent in 2008 and even more in 2009. ....the realities are that print-based media are on the decline"

"Newspapers, which do not reap the benefits of high engagement scores (except among Hispanic and African-American readers), are at an even greater disadvantage. In 2001, according to Myers Report, newspaper advertising revenues were $49.2 billion. In 2010, they are projected to be only $28.5 billion, a 42% decline. Consumer magazines are projected to decline in ad revenues from more than $14 billion in 2005 to $10.3 billion in 2010..."



If this is not a call for action, *now,* I don't know what is. I am working on a longer blog post on what I think could be done to re-invent the print media business - look for this to pop-up on your RSS feeds and Twitter feeds sometime next week.

In the meantime Jack sums it up quite succinctly: *"But for the print media industry as a whole, there is a pressing need to adjust to a new reality. There are solutions. There are opportunities. But if management fails to quickly and dramatically heed the clear warning signs of both economic and systemic, secular dangers to their core business, the reality of extinction will face them sooner than they imagine"*

Pandora's iPhone success - showing a path to an ad-supported, mobile music future

Some readers may recall that the very existence of Pandora, one of the biggest next-generation, personalized digital radio platforms was recently seriously endangered by the threat of having to pay outlandish *and retroactive* music licensing fees right after having been kicked out of Europe (also for similarly bizarre licensing reasons). Now, thankfully, a report reveals that Pandora has gained an even bigger (albeit only U.S.-based) audience by launching a free iPhone application that is, you guessed it, entirely supported by some apparently quite smart advertising. I wish I could see for myself but since I am in beautiful Switzerland I have been barred from the pleasures of Pandora - after all, why would the music licensing organizations even bother with Pandora's international users... right?

But anyway, what is so great to hear (see the press release) is that ad-supported music seems to work so very much better on the iPhone (and soon, many other mobile devices, I would hope) than it does on the good old computer - this, I think, holds great potential for the future of ad-supported, free or feels like free + freemium content on mobile devices. First music, then films / TV, then books (and games.... yes, of course: already there!)

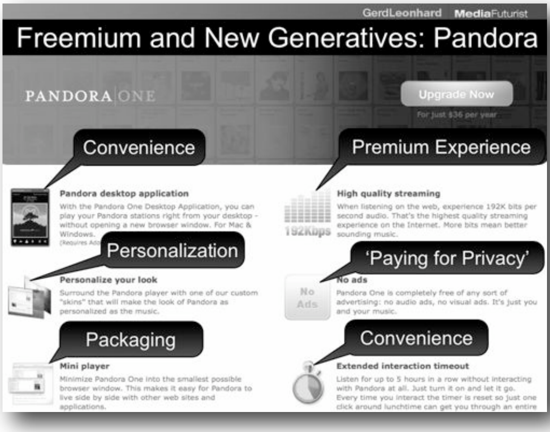
A quote from the press release (December 4, 2008) sums it up very nicely (even if we remove the few instances of PR hype): "Since September 22, when Pandora began marketing its iPhone platform to marketers, it's had a steady queue of the biggest national brands anxious to deliver their ad messages to iPhone mobile users with Pandora as the conduit. *The first advertisers to launch on Pandora's iPhone application were Best Buy and Beck's, followed by a list of other top tier brands such as Target, HP, Nike and Kraft Foods.* To date, Pandora's iPhone ad platform has delivered over the twice the response rate as its other ad products due to the highly interactive nature of the device. Additionally, iPhone users can continue to stream music while they engage with the ad so the user experience is not diminished in any way"

Here is the key, in my view: it's all about the INTERFACE. The USER EXPERIENCE. That is what is so great about the iPhone (after all, it's really a lousy phone, in my view, but a *great* mobile computer and communication device), and that's what's so great about Pandora, too. The sum of the two really makes it tick, I guess. Next destination: Nokia?

I think users will *pay* to use the Pandora interface, the functionality, the build-in community features; and advertisers and brands will pay to align themselves with those tens of millions of keen and open, interested and fast-clicking users. And yet other users would probably pay to have Pandora *without ads*, too!

Now (add: sound of broken record) if only the labels, publishers and rights societies could actually *allow them* to make this work, economically - then we would have something that would show a real path to a mutually beneficial future; a future that will create many of those 'New Generatives' that Kevin Kelly writes about, and a future that is based on true collaboration in an open ecosystem.

Here is an another interesting fact from the release: "Currently, Pandora's iPhone users spend an average of 90 minutes a day interacting with the application, accounting for nearly 1.2 million ad impressions per day..." This is pointing us straight to a future recipe of success: great interface + supreme ease of use + great content + great community features + freemium + ads2.0 = Success.



Pandora reaches roughly one in every five iPhone users in the U.S., already (and is set to have 20 Million users by the end of the year) - so what would happen if the music industry took the lid off, and allowed them to broad/narrow/micro/social-cast worldwide, on the iPhone, the new N97 and Nokia's Ovi enabled phones that are coming down the pike, 3's Facebook phone, Google Android Phones...? You tell me.

6 survival tips to prepare for a tough 2009: time-wasters will become life-savers

I have recently been getting a flood of requests from clients, my social network 'friends' and my blog readers to talk about what I could recommend as far as surviving (or even prospering) in the current economic downturn goes. As most of you know, I am not an economist or a financial expert, so instead of talking about markets, money, restructuring and ROI I figured I would talk about how to build an audience around your brand, and how to use that audience and the Internet's juice to capture new opportunities for yourself and your company. Here it goes:)

1) Network Network Network. This is the time to tap into the power of the crowd & the cloud. 2009 will be the year that everyone - no matter what business they are in and what current position they have - will seek to connect with like-minded and highly selected people using social and business networks, from LinkedIn to Xing to Facebook and many other ones. We will also see an increasing blurring of the lines between social and business contacts, as well, as business matters become even more completely and publicly intertwined with who you are, as a person. However, the actual networking platforms are likely to remain purpose-specific (which is what I really like about LinkedIn, btw) but we will use several different services at the same time, segmenting our network and contacts accordingly. On my end, I am keeping LinkedIn connections limited to people I have actually met, face to face (mostly), Facebook is where I tend to be more open and accept most connections (but not all, either), and Twitter is wide open, for me.

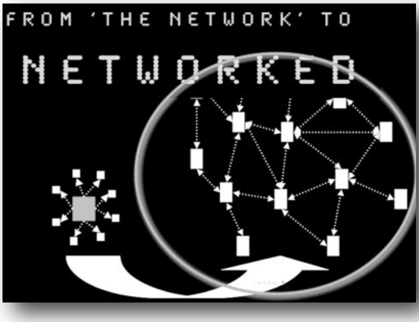
Maintaining business *and* personal relationships in an open, transparent yet careful and individual way will soon become a crucial reason for if and why we get asked to join a project or to work with others, or not. It is already common practice that we check each other out on LinkedIn before we even commit to a meeting or a phone/skype call, and this will of course increase in 2009. Never mind plain old Googling; if you are not listed on something like LinkedIn, if you're not visible and commented-on in some peer-generated way, if you don't have a site / blog / feed / profile, and (to a lesser extend) if you don't use Twitter or in some other way share your 'river', in many cases you just won't be considered. It's being part of the Tribe (as Seth Godin likes to say) that is starting to matter more than ever before. So get connected, get the network humming, and join the tribes that are in your areas of interest.

This trend will become even more pronounced with the new Open Social, Google and Facebook Friend Connect offerings: You will do a lot more business if you are connected to the right people (this sounds like verbiage from the 50s... but it's true!), and if they are connected to you, and these platforms will make it even easier. Soon, however, it's not enough that you are just part of a network, but what you will actually do there.

So, here is my advise for getting ready for the battle of 2009: spend some time on building high quality profiles, inviting the right people, networking with your peer groups, and building your social capital. What looked like a major timewaster when I first got involved (i.e. LinkedIn back in 2003 I believe) has now become a true life-saver - we all need qualified and pre-approved connections that we can easily use when push comes to shove, and this is one of the best ways to do it. Lastly, give yourself a nice Christmas present, buy Yochai Benkler's book "The Wealth of Networks" - it rocks.

2) Show people who - what - where you really are. This trend is becoming more pronounced every single day: if you don't publish anything about yourself, who you are, what is special about you, what you stand for, and yes, what you may offer, sell or provide, nobody will care about pinging you in the first place. Today, if you are '404'-person-not-found on the Net, it usually means one of 3 things: a) you live in one of the few remaining, so-called developing countries that has not yet been uprooted by the Internet b) you are a bona-fide but under-the-radar VIP and are thus exempt from any such trivial need for self-presentation c) You apparently haven't done anything worth mentioning in the past 5 years - at least this will be people's perception when they Google you!

In either case, a total lack of any content about you (or your company, your project or your creations) is already enough to make most more connected people suspicious, and this trend will drastically increase in 2009. No network, no 'friends', no comments, no links - and many people will feel reluctant to do business with you. This is the new power, and maybe also the curse, of the paradigm of hyper-transparency.



So how to show people who you really are? My recipe: publish stuff that you care about, content that's personal, unique and different, such as updates on your social networks, book reviews on Amazon, Flickr pictures from your mobile phone, playlists from last.fm, Ovi (Nokia) sharing updates, blog posts, comments, videos... whatever you feel most inclined to get involved with. Does it take time? Yes, but guess what: this new process of sharing will actually grow on you, and these previously considered time-wasting activities will become an important part of what you do. Suddenly, what once looked like seriously wasting time starts looking like a good investment: a powerful network may yet spring from the wasteland of bizarre tweets, bad blog posts and random Internet friending - we just need to learn how to juggle it all a lot better. Just like 10-12 years ago, when email was often considered a waste of time and it was mostly geeks that had an email address - now it has become *the* essential tool for business communication. No email, no pings, no business. In 2009, it will start to become just the same for social and business networks. And yes, soon, email will really be for old people ;)

3) Have *real* conversations. In 2009, you can stop pushing yourself, your products and your marketing messages via email, newsletters, snail mail, phone calls or print ads; and you can stop yelling at people to get them to pay attention to you. Start *pulling them in* by being part of conversations, by adding value to something that exists already. Show people that you care about an issue or a topic, signal that you have something of value to give, and they will *ask* who you are and what you do, and invite you to show them your goodies.

Broadcast less to the masses, and start narrow-casting to the ones that *actally want you* (this, btw, is the Future of Advertising, in my view). If they don't yet know that they should want you, show yourself and your value in an irresistible way: give something of value, for free. Add value and get value.

Cool down on the monologue (ouch, yes, I should be talking!) and get into 'duo-logs' i.e. conversations. Yes, this is really though; but the times of winning-by-sheer-dominance, of closing a deal because of sheer force, of 'I talk you listen', of *monopoly of attention* are coming to an end. In the future, you simply won't be hired if you can't talk *with* people, if you can't listen, if you can't attract rather than force, whether you're a lawyer, a CEO, a marketing exec or an artist. This is what I like so much about Twitter, btw: I can have real conversations with people, as microscopic as they may be. I can check them out very quickly, by looking at their links, and their followers etc, and I can get as engaged as I want - but it's all out in the open.

4) Don't think Money - think Attention, Trust, Merit (Money2.0). This is crucial: the new currency in this hyper-connected economy, is Attention and Trust, based on Merit. In other words, if what you do is good, if it has value, if it maintains that value, over and over again, and if you can get attention repeatedly (by publishing that value in the right context), and if you can get people to trust you and spend time with you, then the money, the remuneration, a very tangible economic benefit will be forthcoming, without a doubt. Money is a consequence of attention, not the other way round.

On my end, during the past 3 years, I have switched my approach completely: I publish, I pull, I try to maintain a reasonable level of quality, and I trust this will return economic benefits. And it has, indeed: 2009 looks more busy than ever before. I believe that when you ask "how does this come back with real $$ attached to it" too early, it deflates your momentum just when you need it the most. Don't ask 'how can I make money with this' but ask 'how do I add value with this, and will I get people to pay attention and trust me with this (and of course - do I enjoy doing this!)'. Again, money is a consequence not the root (and there are other ways of remuneration, as well, not to forget) - just don't miss the point when you can harvest it!

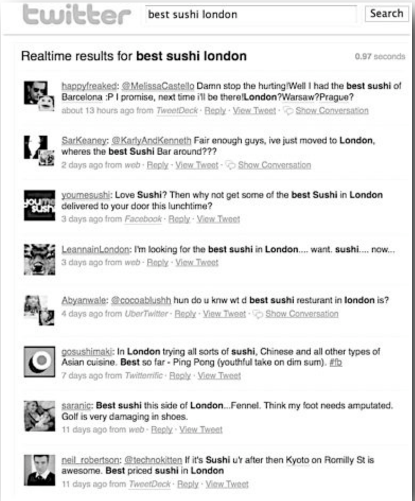
5) Look for new collaborations, unusual partnerships and disruptive alliances. In this highly volatile and fast-moving environment, many of our roles are constantly shifting. Telecoms become content services, mobile phone makers go into the music business, airlines start social networks, newspapers get into TV production, search engines start communities, advertising agencies become R&D departments for major brands. In the near future, a lot more things will be a lot more connected than we have ever thought possible. Your skills and what you have to offer may all of a sudden become a lot less sough-after in your traditional line of work but suddenly become a must-have in a totally unrelated field. Musicians become creators of brand-icons and corporate logos, video-making amateurs become content curators for digital TV services, bloggers become brand evangelists, marketers become social network influencers. Review your assumptions as to what you can do, look for disruptive ideas in whatever sector you are currently working in - and when the rising tide hits you jump into the raft and float with it.

6) Go for creativity. Now. In this world of ever smarter machines, devices and software, the value of so-called facts, computations and logic is greatly commoditized. If Google tells me the answer to just about every fact that I may want to investigate, the ability to connect those facts, at random, and to create context, to blend them, to envision, to compose... is where the new values lie. New jobs are emerging as we speak, and they will not be taught at schools and universities any time soon. Pursue creativity, and the future is yours.

The Future of Mobile: Search more, talk less?

Ever since I got more friendly with my numerous mobile gadgets (the iPhone and iPod touch, the Nokia E71, the Asus ee and various other gizmos) I have noticed a steady decline in how many actual *calls* I make; apart from friends & family my professional communications have switched almost entirely to SMS, social networks, eMail, IM, Twitter, Skype etc - at least for the initial level of communication. Now, is this just me, or is this happening everywhere? Once smart phones are actually smart (and that means smart UI *and* UX), will we search and click a lot more than click + talk? Some recent stats I have seen show that iPhone users already use Google 50 times as much as mobile internet users with different devices. Once again: if something really works well... we actually use it routinely (just like GPS / car navigation I guess), if not we just ignore it.

So will someone that can use Google Maps on their mobile phone still call your office for directions? If you can use a Starbucks 'coffee ordering' app will you still use the phone to pre-order a round of coffee for your office mates? If you can tweet your friends that tonight's concert is canceled will you still need to call everyone to make sure they know? Will someone that looks for the next Chinese take-out place still ask a stranger on the street rather than search on his mobile? Will you buy 'Time-Out' magazine to find the best Sushi restaurant in London when you can search Twitter, or pull up Tridadvisor or the NYT reviews on your mobile? Probably not. It looks like there are many calls we can do without, and if our mobile device (via a browser or more likely via a specific application) can do the job quicker and more thoroughly I think we'll be switching sooner rather than later. The opposite is true for personal calls, of course - they will become more meaningful (and appreciated) than ever before; but only if there is a real need for it. If I can see my friends' immediate location on my mobile (using something like Loopt) would I still call them or would I just go there and meet them?



This trend is also why I think Social Search *on the Mobile* has a great future - rather than searching the entire world, I search in the subsections and realms of my friends (real and otherwise), friendfeeders or tweet streams. I already use the Search functionality in Twitter (see the pic - via the cool Tweetdeck application - check it out; they rock) and in Friendfeed to do that. This is also why I am excited about next-generation gizmos like 3's INQ1 Facebook 'phone' - clearly, this is showing us where things are headed. Soon, we may be doing more searching - *and finding* - than calling.

Hollywood "Big Content" Under Siege (my comments on Jonathan Handel's AlwaysOn column)

AlwaysOn's Jonathan Handel has published a nice column on what is happening with the content industries, and what the future holds for Hollywood and the 'big content' companies. Here are some of the best snippets and, as usual, some comments.

First, Jonathan defines the issue: "This battle turns on whether it’s true that “content is king,” as many people believe, or whether content is becoming a mere commoner while the technologies that distribute it become ever more valuable"

I have written about this juicy topic several times, and even made a few videos on it: the question is somewhat academic - I think that in the future, everyone gets to be king at different times. Sometimes it's Context (and filtering) that matters the most, sometimes it's metacontent (i.e. tags, ratings, bookmarks etc), sometimes remixes, sometimes the packaging, sometimes the platform. What's more, content does not need to be King any longer in order to make money - lots of new revenue streams around content (rather than solely off or within content) are in the oven - we just need to tune them up a bit more. And that's the tough part: we will need to let go off the old vine before the new vine has proven trustworthy; this trend is faster than our revenue modeling.

Jonathan writes: "There’s no doubt that traditional content is in trouble. Theatrical box office and admissions ...have generally been flat for a number of years. The DVD business is declining... The network television business is harder than ever, and also in trouble are other traditional content industries, such as those centered on music, newspapers ...books, and magazines. People still consume media the old-fashioned way, but fewer and fewer do so every day, especially younger people" A key phrase: fewer and fewer do so every day. Chew on that. The question is not IF but WHEN this sea change will flood your beach.

This defines it very well: the hunger for content is bigger than ever but the way that the digital natives consume it is totally different. And with a change of 'how' comes the shift of payment; i.e. with time-shifting, place-shifting and device shifting comes a much more troubling control & money shifting. While working on my next book I have looked at this trend in great detail, and it seems that if we compare traditional revenue models (such as 'selling copies') with the emerging new models (such as 'selling access' or advertising-as-we-know-it) we may be looking at a revenue reduction of 5:1, i.e. what made a dollar then makes 20 cents now.

The NYT is not going to make as much money with their online ads as they made with their print ads, and they certainly won't sell RSS feeds for $1.50 per day. This is the challenge: new revenue models (as Kevin Kelly calls it, the New Generatives) must be developed than can lead to entirely different sources of remuneration and monetization, many of which we don't even know of, yet, and worse, which will become only apparent after the dismantling of the current revenue model. I sometimes call this the YouTube curse: we know we need it, we know we want it, we know it will work, we know it can make $$ but we (they) don't have the recipe yet!

Jonathan then talks about why traditional content is in trouble: "One [reason] is supply and demand. Demand for entertainment is relatively static, because leisure time is constant, whereas supply (online content) has grown enormously.

Some of this is professional content, but even more is user-generated content (UGC). Other factors are the loss of physical form... the low-friction nature of the Internet ...and ad-supported new media business models....Market forces are also key: Computers, Web services, and consumer electronic devices are more valuable when more content is available and, in turn, these products make content more usable by providing new distribution channels. That encourages the growth of UGC and pirated content, reducing the market share of paid professional content, and, not incidentally, increasing the sales of new technological devices and services"

Brilliant explanation, and ending with a fitting if somewhat worrying quote: "As NBC Universal's Jeff Zucker lamented, the content industries are being forced to "trad[e] today's analog dollars for digital pennies."

I had to chuckle while reading the next few sentences: "In contrast to the stagnation and decline of the Los Angeles content industries, the technology business is marked by innovation....The pace of change in Silicon Valley is breakneck; in Los Angeles not so much. Hollywood now finds itself yoked to an industry that evolves at a much faster rate, and the result has been a struggle over revenue, distribution channels, and control" - simply because it sounds so much like a quote / snippet from my many keynote speeches and presentations on the topic of control. This struggle over revenues and control is what we are seeing everywhere around us, right now, and it's going to get even more brutal.

Jonathan's final paragraphs conclude: "Whether Hollywood will thrise, rather than just survive, is a harder question... While experiments with new media may yet bring profit to old media companies, the question remains: Will Internet-based distribution (much of it ad- supported) and mobile ever generate as much gross and net revenue as traditional distribution? If so, how much of that revenue will be captured by Hollywood, and how much by the technology companies that own the new distribution platforms? No one knows, but there's been little good news in these areas for Hollywood. If the studios continue to lose their grip on distribution...they'll be left with content as their core business.

That's a problem because, fundamentally, the economics of content creation are inferior to those of distribution. The former is an industrial process, painstaking and manual. The latter, in the digital age, is post-industrial and automated. ...Like the British, whose monarchy is now a mere appendage to a parliamentary government, content may find its kingdom ever more circumscribed by technology" Gotta love that one!

Here is my take on this: the telecoms' future plans need to converge or at least intersect with those of the studios so that content and distribution can work hand-in-hand; albeit at the utter mercy of the people formerly known as consumers - since it will be them (us) that will dictate what they like to both the telecoms and the content producers; and they will be talking about it very loudly, on 3 Billion connected and socially-networked devices. I agree with Jonathan that this is the challenge of course: now that CONTROL is on it's way out, and mere copies lose their meaning as chief instruments of money-making, what will take its place, where will that other 80% of the 'disrupted value' come from... and who will get to feast on these new pies?

From the Future of Music RSA event (London): Machover shows new possibilities, Kennedy shows how to become the next China, I am the problem!

I attended the RSA / Royal Society of the Arts Future of Music event in London on November 11, and was treated to a great presentation by composer, inventor, educator and MIT professor Tod Machover who showed us a whole new world of how making music has changed, and how the joy of music can be shared by everyone, going forward. TedTalks has a great video with Tod, here, btw.

Then, making the audience feel like they were dropped into a bucket full of ice cubes, the IFPI's (the International Federation of the Phonographic Industries, the sister organization of the RIAA) CEO John Kennedy followed right after Tod, and was given a painful 40 minutes to present his views on where the music industry is going (i.e.... back to the past) and predictably asking for more sanctions and tougher laws to make sure the money keeps on rolling in for his member companies, no matter what those pesky users want.

Photo by Ralph Simon. From the left: Paul Hitchman, Gerd leonhard, Tod Macover, Sonia Diwan

While Tod's speech was inspirational and eye-opening (as usual), Kennedy's speech was disturbing and deeply troubling (also as usual) because of his steadfast refusal to listen to face and consider the realities in today's music economy and his scary way of pounding away on old power-rhetoric that I thought had been buried for at least 10 years ("stealing a song on the Internet is exactly the same as stealing a Mercedes").

Despite the fact that the European Commision has rejected (more details here) the proposal spearheaded by the united (or shall I say universal) brotherhood of Kennedy, France's Sarkozy and U2 manager Paul Mc Guinness which is proposing to disconnect internet users that are suspected of sharing music online (the so-called 3 strikes and you're out proposal), Kennedy talked about this idea as if it was the holy grail of the troubled music industry. Let's take a good look at what all of these people are doing online, inspect their every move and communications, and if we think there's illicit music-trading involved, let's just pull their plug. If that doesn't sound like Chinese-style censorship and a bizarre Orwellian understanding of basic democratic principles, I don't know what does!

In good old Universal Studios, Universal Music and Lew Wasserman fashion, Kennedy was also not shy in making clear that no resistance would be tolerated. When I (speaking from the audience) asked Kennedy if what he is proposing does not amount to censorship and would basically take us onto the road of becoming the next China as far as intervention and control and lack of free speech is concerned, he responded by saying "the problem is not China, Gerd, it's people like You". Ah - I see, now we know. If 'people like me' would only shut up and let them get on with their plans, than it would all be just fine. Where have we heard this before - you tell me.

Frankly, when listening to John I can't help thinking of George Bush and his huge success in destroying everything good that America has ever stood for, or that the American spirit has accomplished. 8 years of Bush and the country is a huge mess; everything that could possibly go wrong, did...! Similarly, after ~ 10 years of IFPI vs the Internet, everything that could go wrong, has, as well: consumers and music fans sued, jailed and fined; the record industry universally hated by the digital natives; revenues falling off the cliff; innovation stifled by lack of cooperation and useful licensing schemes; startups shutting down because of lack of industry support; a computer company (Apple) the #1 player in digital music, the major labels bought up by private equity (see EMI) and / or deserted by their share-holders (see Bertelsmann and SonyBMG)... and on and on and on. Congrats, guys, well done!

I think we need the Obama of the music industry, NOW. And yes, we also need some people to be impeached because they are doing a disservice to everyone. The industry's Iraq & Vietnam -like war against the Internet is pathetic, wasteful and deeply wrong, and we don't need their Generals any longer.

Future trends in business communications: Phone stops ringing, eMail slows down, Social Nets & Media explode

I don't know about you but I have been observing a significant shift in how people communicate, professionally as well as socially and privately. While only 7-10 years ago, most of the work was done on the phone (I recall living in .com boomtown numero uno, San Francisco, and using up all my 2000 AT&T minutes every single month!), eMail soon became big with everyone, and now eMail is still pretty much the prime vehicle of business communications - thus the rise of blackberry mania. Use of the phone declined heavily as a result.

Now, it seems that... well, eMail is for old people. About 18 months ago, the use of 'social' business platforms such as LinkedIn became more prevalent, and all of a sudden people started to have 'professional' conversations on LinkedIn, Ryze (remember??), Xing, and then, soon, Facebook, Myspace, and now... Twitter, Skype and GTalk. Now, for me, it has already become the No. 1 method of how people reach out to me: rather than calling (ouch) or even emailing (ehem), people ping me via my various networks - and I think this will increase drastically because it provides a build-in filter as you have to be in my network to ping me via the Network. This is how I see this developing - and this will have vast consequences for business communications, going forward. Needless to say... I do have some ideas, here. Talk back!

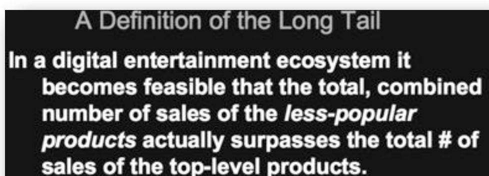
The LongTail questioned - The Register says it's all bunk. I say they are wrong.

Update: Chris Anderson commented here (thanks to ricetopher) Andrew Orlowski at the Register (UK) just published an interesting opinion piece that basically says that Chris Anderson's LongTail concept is a bunch of Silicon-Valley utopia, and self-perpetuating hype. His main argument is that 'evidence' collected by MCPS's Will Page et al suggests that digital music sales don't display a longtail characteristic, at all - rather, they exhibit the very same top-heavy, hit-centric income patterns that we've had in content sales since... well, the advent of electricity and the phonograph, I guess: the few hits make most of the money. Here are some quotes from Andrew and El Reg, followed by my comments:

"They discovered that instead of following a Pareto or "power law" curve, as Anderson suggested, digital song sales follow a classic Log Normal distribution. 80 per cent of the digital inventory sold no copies at all - and the 'head' was far more concentrated than the economists expected. "Is the 'future of business' really selling more of less?" asks Page. "Absolutely not. If you had Top of the Pops now, you'd feature the Top 14, not Top 40. Anderson bet that the orange portion - the "Tail" - has more value than the red portion - the "Head". But it doesn't.

"The Long Tail's argument is that the pattern of consumption for media is bent out of shape by the limits of the shops selling them. Digital media lets the nature of people's demand flow free. Well, we now know what the shape of that demand curve looks like. Bud told the conference that the basic shape of consumer demand for digital music clearly fits the Log Normal distribution, "with eye-watering accuracy". That's no surprise, he says, because so many sales curves he's seen over the past ten years follow this distribution. "Now we've seen what happens when tens of millions of choices are thrown in the air and people can go pick them up. What was astounding was the degree of inequality between the head and the tail - by a factor of three. It's specifically the Log Normal shape that leads to a rather poverty stricken Tail. "There are Tails where the Tail lives as a kind of welfare state. Not this one. You starve in this Tail.... In another surprise, 80 per cent of the revenue came from 52,000 songs. What's eye-catching about the number? Well, the typical inventory of a conventional high street record store was around 4,000 CDs. Or ... around 52,000 songs"
To me, Orlowski's LongTail-shredding efforts are fairly typical of a recently rather prevalent, short-sighted pessimist's view of the world based on the process of crunching statistics and numbers - which admittedly feels much safer - but are totally skewed to begin with (quote "But he [Chris Anderson] didn't examine the numbers closely or critically enough, say the economists"). Isn't a journalist supposed to give us a viewpoint of what is coming, rather than what has been, and isn't he supposed to look beyond the numbers?

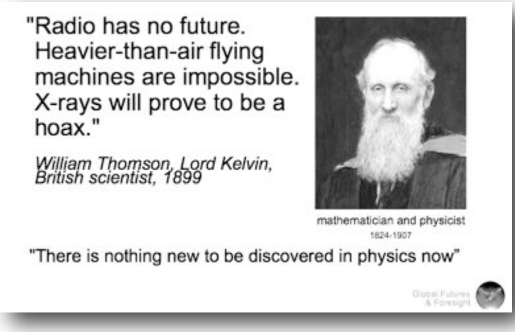
Why in the world would I use numbers taken from how digital music has actually been sold during the past few years, when every single aspect of digital music commerce has been flawed and - at best - represents 2-3% of the digital music potential, in total? Why would I want to make assumptions about a new, future model of music commerce based on the obviously abject failure of an old model? 6 Billion (or so) sold songs on iTunes and the various WMA-based services in the past 4 years will show me the patterns of FUTURE CONSUMPTION? Don't believe it.



Here is why the numbers and the research that (the otherwise smart and clued-in) Will Page et al, and now Andrew Orlowski, have based their 'longtail is bunk' assertions on, are ill-suited for any such conclusion:

1. Until just recently, there was no real easy way to obtain i.e. buy digital music online - unless you bought into the Apple or MSFT digital content schemes, or went all-indie with EMusic; and that is why very few consumers actually did it. All digital music was copy-protected with that wonderful snake-oil called DRM (which industry bodies such as Page's MCPS supported very strongly), and you had to buy per-track which made any real engagement a very expensive proposition. So - no surprise - what do you think those very very very few people that would actually go though the trouble of legally obtaining music in this way (i.e. mostly via iTunes) would buy: yes, you guessed it, the Hit Songs, the stuff they know from the artists they know, because it is expensive and one cannot afford to experiment - and try longtail stuff you may not be sure about, yet. To assert that this is a realistic reflection of what people would select if in fact there was an open-format, very likely flat-rated and economically easy way of point-click-buying music is like saying that people really love Shell gas if there are only Shell gas stations within a 1000 mile radius! In other words, the economic model for digital music that the music industry has for the past decade tried to force on the consumers has obviously resulted in a total (and I would say, very welcome) reflection of their offline revenue model: only the hits make any real money.
2. Therefore, the question is not at all what the 'learnings' from those DigitalMusic1.0 statistics would be -because we already knew that the basis for these numbers was an artificial, limited and controlled environment before we read Orlowski's piece or Page's presentation- but what they WILL BE once we actually have a real Music 2.0 economy, where the users can click on, play and select any song they like, try out anything, anywhere, anytime, share, forward and link, without having to pay extra, without having to ask for permission, without having to buy into the MSFT or Apple club - and those possibilities have only recently emerged (at least in a legal way).

Orlowski then tops it all off by saying: "The propensity of journalists - even highly experienced journalists - to fantasize about the world rather than examine it critically is one of the defining features of modern technology coverage..." Andrew, never mind that you don't like Futurists, but please: where would we be if we could not fantasize about the world and its future, and look forward, beyond the oh-so-sacred numbers we have now, the so-called facts called from our painstaking research...? If you were to make decisions solely based on the obvious facts drawn from past actions you would be in deep trouble, indeed.



I am with Paolo Coelho when he stipulates the exact opposite: "Whenever we need to make an important decision, it is best to trust impulse and passion, because reason usually tries to remove us from our dream, saying that the time is not yet right. Reason is afraid of defeat, but intuition enjoys life and its challenges" (Acceptance speech delivered to the Brazilian Academy of Letters)

5 steps to finding another way forward - getting on the right track to the Future of the Music Business

I really enjoyed Ted Cohen's MidemNetblog post from last week as it quite succinctly pointed out the urgency to act now, and to implement real changes in the way the music industry works. I feel strongly that there may very well not be too many gatherings like MIDEM in the very near future if we don't embrace CHANGE much quicker than we have been. I wrote on the SAG's strike and a project called Strike.TV on my Mediafuturist blog yesterday, highlighting the fact that the rule seems to be that we don't change unless the PAIN gets big enough. Well, it seems to me that we are there, right now, so here are 5 things that I believe would help us get there:

1. Truly collaborate to arrive at sweeping and effective solutions: the music industry has been notorious for in-fighting, wide-spread distrust, clubbiness and ludicrously fragmented business procedures and licensing rules. We need an industry-wide innovation initiative that looks at new business models from a global joint perspective of labels and publishers, artists and managers, agents and promoters, startups and societies. We need to rethink our traditional business rules and put the cards on the table - or that very table will start to burn down while we're sitting at it.
2. Watch and listen to the kids i.e. the digital natives, and then offer business models that will serve them in the way they want to be served, not as we would prefer them to be served. This is seriously ingrained problem in the music industry: all too often, we are assuming the 'consumer' aka user to be different than they really are, and / or we are thinking of them to act like we do. This is a deadly mistake, as it will be those very same 15 year old kids that do Facebook, Twitter, Loopt, Spotify, Songza or Youtube that are our future customers. This ignorance has cost us billions already so let's stop acting like we can control them or tell them what to do.
3. Question our fears and assumptions - because they guide us inadvertently to faulty conclusions. I can't tell you how often I run across this problem when I do my speaking gigs: those deep-seated and mostly unspoken fears of 'not getting paid', of being ripped off, of losing an advantage, of losing control, are often at the heart of many decisions that are made in the music industry. If we don't start facing and containing those fears, and the assumptions that stem from them (e.g. 'nobody wants to pay for anything on the Internet', or 'those kids can't be trusted), we will always decide on the wrong course of action. It is time to take an honest look at where we really are, and how things work in today's world.
4. Question our desire to keep control at all times. This goes with point the 3rd one, of course: when watching the music industry actions, it all too often seems like it's more important to our 'leaders' (?) to remain and assert control than it is to make money. This is a deadly attitude that needs to change asap so - on the risk of sounding like a broken record here - let me spell it out for you: we will not, and we cannot control what people do with our music, going forward. How much they share, when and how, how they re-use it, how and when and where they listen to it, and which music they like. We can only participate, get their attention, get them to become fans, and then turn their attention into dozens of possible

revenue streams. It's now solely about TRUST and Merit, not about selling copies. Give up control and get ready for much larger things to come back to you!

5. Open up and have real conversations with everyone, whether it's users and fans, or the government, the media, other industries, ISPs, startups etc. How many music industry 'leaders' are blogging? How many have a twitter feed? How many would reply to your email? How many are on Friendfeed? How many are on Facebook, joining the conversation? How many really want to HEAR from the public and show that they are open to conversation? Again, let me spell this out for you: Markets are Conversations. If the music industry does not want to have real conversations with it will shrink inevitably.

Strike.TV: a good example for changing only if and when the pain gets big enough?

Peter Hyoguchi, the CEO of Strike.TV has posted an interesting write-up on AlwaysOn, here. The idea behind Strike.TV is to give the troubled screenwriters and their colleagues a place i.e. website where they can produce and show i.e. stream their own original shows. To quote Peter: "In total, Strike.TV has forty new web series created by the writers of The Office, The Daily Show, Die Hard, Child's Play, Robot Chicken, Malcolm in the Middle, The Black Stallion, Star Trek, Top Gun, ...many, many more. To date, this is the largest collection of original Hollywood produced content ever created for an Internet audience". I checked this out a bit, and some compete.com stats on Strike.tv are here - obviously this is still very early - but I shall be watching!

In any case, Peter's story made me think on another level: do we only really get going when the big is big enough? When the screenwriters went on strike did the pain-level finally increase sufficiently to actually allow or shall we say force people to make some of those changes we have been talking about since the rise of the Net and the Netscape IPO, to do things differently, and on their own. Would Strike.TV have happened if it hadn't been for the strike that fueled it, and all the pain that went with it?

What does this tell us about Change - looks like disruption, and to some degree destruction, needs to happen before we are ready to make real changes. The pain pushes until the vision pulls - as Michael Beckwith says? If so I guess some of us could argue that right now a lot of change is gearing up, since there is a lot of pain around, given the current economic circumstances. Will this force us to reinvent, to actually let go of the old vine and seize new ones? Let's hope so.

Here are some more quotes from AO and Peter Hyoguchi: "... 2007 was a perfect storm. New electronic inventions were unleashed setting off the largest tectonic shift Hollywood has ever known. Looking back at the history of motion pictures, there's nothing really to compare it to..Making movies has always been reserved for the very rich... At a hundred dollars a minute for 35 millimeter film, only the super elite can afford to make movies. Until now. Last year HD video cameras came out that equal the image quality of 35mm film cameras, instantly changing the cost of shooting movies from hundreds of thousand of dollars to just a few thousand. In 2007, inexpensive software was released which allows you to edit professional, high definition video on a laptop. Also last year, streaming HD video over the internet became virtually free. Without the need for millions of dollars to make and distribute professional quality movies, creators have instantly been given incredible freedom over their medium. We are witnessing the dawn of a Hollywood Renaissance..."

A brief comment on this last piece: probably more like the dawn of a movie-making renaissance since all these changes will probably mean that's is no longer about the location 'Hollywood' but the occupation 'Hollywood'?

"Change inevitably takes longer than you think to happen – but when it happens, it's more profound than you could have imagined."
UK Television executive

No matter what business we are in, I think we can learn something from what Peter says, further: "Strike.TV represents the opportunity for creators in Hollywood...to tell their stories totally unchanged and unaltered. Their vision exactly realized for the audience. A first in Hollywood history. And because they don't have to make back X amount to pay the huge costs the networks and studios need to cover their vast overhead, these shows can be as odd-ball, strange and as niche as they want to be. They don't have to make millions of dollars. They don't have to appeal to Everyone. A smaller audience who really digs it is enough to support the show." Another argument for the rise of niche-markets in the future, indeed - the Longtail, take 2 (pain-enforced)? But how long will this take?

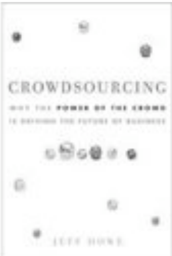
"And the coolest thing of all, Strike.TV's shows are totally free. No cable bill. No movie ticket. No video rental charge. Strike.TV works in a new economic model that is still being tested. Ad-supported entertainment". This is a very, very important point: free or feels like free to the user / viewer / listener, but still creating revenues for the creator. The scary part is that we are soooooo early in the process of generating those new revenues - this cook-book isn't written yet, and there are even very few recipes.

But Peter goes on to explain: "The reality is there's nothing new about it. Shows in the Golden Age of TV like Kraft Television Theater, Ford Theater, Goodyear Television Playhouse and others were funded directly from Madison Avenue. History repeats itself. Right now, the Internet is where television was before it's first hit. Cynics were saying TV is a fad. A gimmick. There's no money to be made in TV. Then Howdy Doody became the first smash hit and a whole economy was created around TV. We now are standing on ground zero of the Golden Age of the Internet. We are pre-Howdy Doody. And of course there will be a hit Internet show. And that show will be a Global phenomenon. A new economy will be created around original web shows. There will be modest niche hits and out-of-the-ballpark mega-hit shows..."

Not much too add here - this is right on-the-money. Now let's get to work - and not just for TV content.

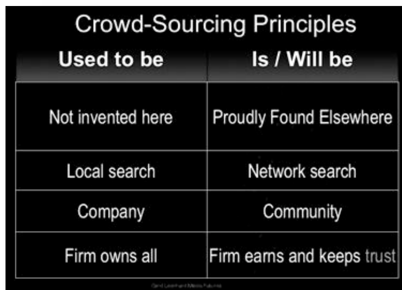
A book you must read: "Crowdsourcing" by Jeff Howe

If you are in the 'content' and / or media business, Jeff Howe's new book 'Crowdsourcing' is a *must read*, because it describes a powerful trend that will change the way we do business: because of the fact that we are all connected now, at all times (well... just about), it is no longer just authorized insiders, professionals, employees or otherwise paid workers in large firms that can solve large problems or contribute to complex projects. Now, the world can be your talent (as Don Tapscott is putting it, in Wikinomics, years ago), and companies like Procter & Gamble are busy sourcing ideas and solutions from anyone that wants to take a crack at it, via platforms such as InnoCentive or YourEncore.



Here is Jeff Howe's definition of Crowdsourcing: "The White Paper Version: Crowdsourcing is the act of taking a job traditionally performed by a designated agent (usually an employee) and outsourcing it to an undefined, generally large group of people in the form of an open call. The Soundbyte Version: The application of Open Source principles to fields outside of software." Jeff's blog is here, btw (a Wired blog). Some nuggets from the book (quoted):

- Labor can often be organized more efficiently in the context of community than it can be in the context of a corporation
- Crowdsourcing has the capacity to form a sort of perfect meritocracy... Gone are pedigree, race, gender, age and qualification
- When this demographic (the digital natives) reaches adulthood, they will bring behaviors and attitudes honed through 1000s of hours in front of a computer, constructing their own experience and working collaboratively in various online communities



Some related books: The Cathedral and the Bazaar (Raymond), The Wealth of Networks (Benkler), Wikinomics (Tapscott)

The New York Times earnings report parallels recorded music trends: digital revenues not nearly enough to offset steep decline in traditional business

Via Inquisitr: The New York Times (see my story on their Times Select efforts, here) just just published their 3rd quarterly report, and things are not looking good: "The company reported 3rd quarter net income of $6.5 million, compared to $13.4 million for the same period last year. Advertising declined 16% in the quarter after reporting an 11% fall for the first half of the year. Print advertising took the biggest hit with an 18.3% fall for the quarter, with classified advertising down 28%. Online advertising was up 10.2% off an increase of 16% at about.com, but the online gains were not enough to offset the decline in print, with online advertising making up 12.4% of advertising revenue for the company, but up from 10.6% for the same time last year"

Traditional revenues are seriously down; digital revenues are up but clearly not enough to get even close to anything resembling growth. No surprise here: the very same thing has happened in the recorded music sector: CD sales are nose-diving (or shall we say grave-diving?) but download sales are not anywhere close to making up for that loss.

So here, unsolicited, is my take on why this is happening, and what I think could be done to change this. Why is this happening? The bottom line: much too little & way too late. Even though the NYT has recently really stepped up their efforts (see below), it took both the newspaper / print publishing and the recorded music industries years (or shall I say, a decade, in the case of the major record labels) to even start thinking about how they could embrace & then monetize the irreversible changes brought on by the digitally networked kids and young adults that will be the readers / listeners / viewers - the people formerly known as consumers - of tomorrow. Years ago, the NYT put their admittedly great content (and their archives) behind the Times Select subscription wall, and very few people (257.000 I think - a really disappointing number considering the global leadership status of the NYT).

Meanwhile, the major record labels - severely disconnected from reality in their corporate suites and limousines, and not to be outdone by a bunch of kids armed with p2p software - secured their precious digital music with a bunch of messy and utterly disruptive software locks (the very epitome of snake-oil fka DRM), and then cleverly hid it behind the pay-per-track wall of iTunes, Napster and Rhapsody, as well. The result: very few people buying. iTunes? Nope, while it's a nice-to-have for the labels, and an even greater trojan horse for iPods, the approx. 6 Billion songs purchased via iTunes (which owns ~75% of the market) in the past 3 years is *not* a major achievement for the record labels - it's a nicely dressed-up failure since it ignores about 95% of the market, i.e. the average user who will simply not buy music on a per-unit basis, at this price-point. This indeed seems to be the music industry's specialty: pyrrhic victories.

In other words, the failure of the NYT (until about 18 months ago) and the Record Industry (well... mostly the major labels) to *really* jump in all-the-way and give the users what they actually want (what a concept!), has led them to this point where - as large incumbents - they are *much* worse off even most cash-crunched startups, for they have infinitely higher costs (staff, overhead, salaries, executive compensation plans etc etc) and a closet full of smelly skeletons that severely restrict them from pursuing the much needed innovation they need at this time. This list includes items such as content provider & artist contracts that are 10+ years old and don't provide for any wiggling room on digital distribution, legacy businesses such as

special products and record clubs that they want to maintain but that are not sustainable in a digital environment, CEOs and executives that are still utterly clueless about where things are really going. While the NYT may actually be an exception as far as utter cluelessness is concerned, the music industry still wins the grand-prize with UMG's Doug Morris who does not miss any opportunity to show the world how little he gets and how much he intends to remain in control no matter what the price - he'll take Control over Money, any day!

One thing is for sure: if I were to put money into the future of newspapers and publishing, I would rather put it into SixApart or Twitter than the NYT (or ask them to buy both, first!) and if I were to - foolishly - put money into music I would rather put it into Terry McBride's Nettwerk Music Group, Denmark's Spotify, or Holland's Sellaband. *Anything* that disrupts and creates a new logic will probably be better than most traditional players who will almost always try to reinsert friction into an already liquid digital ecosystem, forever chasing bygone illusions.

Now, having said all that I must admit that I love most of the good stuff that the NYT has done during the last 18 months - and they are certainly miles ahead of the record industry (not that this is a tough mission, really;). Blogrunner (they now call it 'the annotated Times' - nice!) is a great idea, taking down Times Select is a great idea, bringing in top level bloggers is a good move, adding more videos is a good move, and adding value with things like the Times Machine is cool, too. The bottom line is that unlike the major record labels - which have utterly destroyed any trust across the board, both from the music fans as well as from the artists, and therefore are pretty much doomed - I think the NYT has a good chance of coming out the other end, but it needs to act now. So, here are a few "turbo-charge the NYT" ideas that come to mind:

- Buy Twitter or at least get very cozy with them. Micro-blogging is here to stay - it's the next ubiquitous global communication tool after SMS.
- Offer the entire NYT's daily edition via all kinds of mobile apps (iPhone, widsets, Android etc) and widgets. Take a page from the new mobile gmail app - and start selling targeted and personalized advertising right within these apps.
- Get a lot deeper into video - this is a multimedia, watch-this world now. This should include downloadable feeds and video-casts, rich-mediaRSS and streaming apps for mobile devices - you've got the brains so why not offer something for the eyes, too?
- Build or white-label a social network for NYT readers, writers, contributors, and base it around the great content you have.
- Get a lot more into conversations and ditch the monologs. The READERS are the new content, too. And... the new testing ground for next-generation advertising.
- Get into next-generation advertising, and become a leader in this turf: how about widgets, mobile ads, branded content, video advertising...?
- Widgetize and decentralize everything. People should be able to read (and watch) NYT content everywhere, no matter where they are.
- Bring a lot more good bloggers aboard: they have the goods, they are very cost efficient, and they need your audience, now more than ever!
- Get seriously into eBooks and eReading. Watch what people are already doing with all the cool reading apps for the iPhone (such as Instapaper),

and where Amazon's Kindle is going: the electronic book business is about to take off - in another 12-18 months this will be a huge opportunity (imagine: rather than spending all that cash on printing and shipping of newspapers and books you could spend it on the actual content production)

Take note: Free for the users is NOT the same as 'Unpaid' for the creators!

One of the most common reactions during or after my many Music 2.0 / Future of Media & Content presentations or keynotes is renewed fear of not getting paid for what you have painstakingly created, be it music, books, films or TV shows. These 'fear & worry' moments usually come from the often deeply-seated misunderstanding (or should I say assumption) that 'Free' for the end-user means 'No Payment' for the creator. This is, of course, not correct - and increasingly so: the Internet has not just disrupted the cherished traditional value model of selling copies, but at the same time the Web has also brought us powerful new ways of selling content as access and service, at a much lower cost and with global reach.

Just like Radio is free for the listener (in most cases - at least we don't have to insert our credit cards in order to be able to listen to radio), it also does generate substantial amounts of income for creators (in most countries;) - and if we could finally agree on a suitable deal for online and interactive radio, it would drastically increase in the next few years, as well. Most performance rights societies (PROs) around the world are confirming this trend: public performance income is UP, and copy-related income (i.e. mechanical reproduction) is down. In the near future, it is not too far-fetched to imagine a revenue share for interactive radio streams that are tied directly into search results on the most popular search engines!

Now, let's take it a step further: since the Internet is essentially the next Radio and TV - and places like Facebook are likely the next broadcasters - why not license the Internet (yes, streams AND downloads) just like we licensed radio? This will take us to the discussion on the flat rate, of course, see more here - I have a hunch that we will embrace this topic at MidemNet, as well ;)

But, back to FREE: Radio & TV licensing in Europe makes for a great example - most of us pay Radio & TV license fees if we own a device that can receive terrestrial (and now, digital) broadcasts. Many of us don't exactly like paying this fee (I think it's something like 150 GBP in the UK, per year and per user, for example), but we have simply gotten used to this unavoidable and accustomed payment and it's just something we tacitly adhere to; at least until just recently when the debates over the archive access for public broadcasters got started. Therefore, the BBC, ARTE (one of my favorites), ZDF etc already feel like free to us, and so does the new BBC iPlayer that allows UK citizens access to broadcast archives for 7 days after the initial showing. Maybe one of these days access to legal content via the Internet - at least on some basic level - could also be wrapped into the existing TV & Radio fees, or better yet: targeted, opt-in, permission-based advertising and brand marketing could provide the cash injections on our behalf!

Another great example for 'FREE to the user' that will generate real cash is Google's new offer in China: anyone that uses Top100.cn (Google's Chinese search engine) can stream and download feels-like-free music that is provided by 1000s of Chinese artists in return for a revenue share of the advertising on the search pages. The result: Free Music, Money for the Creators, Happy Users.

And consider Last.fm where their new owner - CBS - is paying for their users to enjoy 'free' music-on-demand, Myspace Music (same deal, except that the large ownership stake of the major record labels will make this a much tougher proposition for everyone that is not yet in their privileged club of shareholders), or Nokia's Comes-with-Music, where Nokia is paying for the music as a new (and I think very interesting) way of marketing their mobile devices fka mobile phones - i.e. instead of running expensive ads they simply pay for the music to give to their users 'for free' (some people would call that branding I guess).

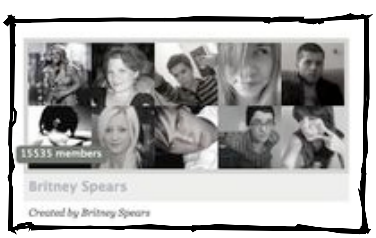
We will see this model explode in the next 12 months, and that's great news for rights-holders and creators that are willing to give permission rather than intend to build ever-larger dams around the raging sea of user-empowerment that is the Internet: Music will Feel Like Free (FLF), 3rd parties will pay plenty, and the pie will grow for everyone - if we are reasonable about licensing fees and terms. Because, as Kevin Kelly has been pointing out for the last 10 years or so: if you can't sell copies anymore, sell something that can't be copied.

My expansion on his theme: If and when copies feel like free (but usage still generates cash, too) let's up-sell to the EXPERIENCES of music based on having the users' attention already.

In this context, Kevin Kelly's wisdoms on the 8 New Generatives is a must read for anyone looking to understand how this works. Let's embrace Feels Like Free as only the first step to many new income streams - there is more money in creating good content than ever before!

Twitter has officially arrived at the Center of Pop Culture, Britney Spears now twittering and sharing content on new 'bloggy' site, and Ning Community, too!

Techcrunch reports on Britney's new site (which feels very 'bloggyy' and seems to focus on *getting the users involved* rather than just displaying static information) and her new Twitter account, aptly titled TheRealBritney. Surely this is a sign that Twitter has now officially 'arrived' - and any artist and / or content creator will ignore micro-blogging at their own perril. Guess what: now you have to *provide more and more free content to pull people in before you can ask for their money*. But there is plenty of so-called 'monetization' at the other end!



To me, Twitter is another important manifestation of the rapid rise of the broadband + mobile - driven Sharing & Participation Culture (* see more of my writings on that subject, here) that is quickly taking over from the broadcast-to-you-the-passive-consumer culture that was largely dominated by traditional television.

I am not a Britney fan (as you may have guessed) but I do like the way her team is clearly emphasizing interactivity, user engagement and free content throughout most of what I see here (e.g. the Friend Britney Button) - good stuff!

> We now live in a Sharing and Forwarding Culture

Her Circusvip page (linked via the same button) is even more interactive - nice one. This page is apparantly build on the Ning platform which I have been busy telling many artists, managers and bands about - the perfect white label offering for building your own social network, quickly. In fact, I kind of like the Ning / CircusVIP site better than Britney's main site - and the 15335 people that have already signed up there seem to agree I guess. Engage, participate, share, have conversations - that clearly is the Future of Marketing. Yes, soon... blogs will become record labels. And major labels will become....? (you tell me)

The Cloud and the Crowd: Our Future

I have been busy reading 2 great books (yes... those long flights without Internet connections are perfect for that) that have become a strong influence on my recent work: Crowd-Sourcing by Jeff Howe, and The Wealth of Networks by Yochai Benkler. I realized mid-way through my reading that both cloud computing (i.e. the fact that everything we need that can be digitized - such as software, media, searches, bookmarks, databases etc - will be stored in the network rather than on devices and machines that we carry around) and crowd-sourcing (i.e. the drastically decentralized way of sourcing content, ideas, co-workers, collaborators and actual production via that very same network) will pretty much be impacting everything else we do, in the very near future. See below. And smile.

> The Crowd + the Cloud is the Future of Media

eMail is for old people (and that includes me I guess) - the end of eMail as a social tool?

I am 47 and I just realized something (probably belatedly so) that I think is important to share with you: the Digital Natives [Wikipedia explains] the Net Generation, the 10-27 year-olds, don't use email like we do. For them, emailing means business, parents, government and other unfortunately unavoidable stuff. If they want to communicate (and that means 2-way now), they will twitter each other, leave messages on Facebook or Myspace, Orkut, Cyworld, StudiVZ, Mixi, or subscribe to each other's blog feeds or follow each other on Friendfeed (well.. yes, mostly the geeky ones), or chat on IM, via QQ or talk / video-talk on Skype, or SMS each other (worth $100 Billion in 2007). Even more importantly, they share stuff in order to im- and explicitly communicate to each other by aligning with personalized content that shows who they are, such as posting and commenting on youtube, sharing pictures on Flickr, bookmarking stuff they find on delicious, sharing slideshows and presentations on Slideshare, music recommendations on Last.fm and iLike... and so on.

eMail is way too formal, too direct, too organized, too PUSH for them, and is usually used more in the same way that we 'older' people used the fax or even good old snail mail. And the age range that deserts email as a social tool is increasing every week - this is one of the reasons why I recently junked my monthly email newsletter: it had become pretty much like flogging a dead horse, there was no conversation, no 2-way process.

This trend makes a huge difference for marketing and selling stuff online (or... rather, period): you don't get to push to these people anymore, you must PULL. You must get them to befriend you on the social networks, sign up for your RSS feed, follow you on Twitter - in other words, you must offer value and merit, and build trust. You don't own *them*, somewhere deep inside your databases - they own YOU in their minds, or Not. Ouch. Good. Yes? Talk back --- comment below!

Nice review of my Futurist Presentation & Speech in Trinidad

Judette Coward Pugliesi has a nice review of my recent gig in Port of Spain Trinidad, here. There is some good stuff in here that is worth quoting:

"Leo(n)hard stopped short of saying that traditional media was dead preferring to hint traditional thinking was state of mind whose biggest limitation was a lack of creativity..."   *Very astute conclusion indeed.* "What we are witnessing today is a drastic departure from the old days of top-down TV culture to one that allows for consumer participation and self expression. “We are no longer content with being consumers of media, we actually want to be part of it, influence it, change it and yes even create it... explained the futurist"

This summary is the best part of the review - nice to my fanciful slides condensed into a few lines: "Here is the conundrum for marketers; how to get the attention of the now all powerful consumers in a noisy and fragmented market place? Leo(n)hard gave the following tips that were brilliant because of their simplicity. I took note of them because they can be easily implemented as part of any strategy. He advised marketers to:

- Make open communications a must
- Shift marketing online to video, social networks and mobile media
- Maximise Google juice; it is crucial to digital branding
- Ensure the customer experience online is seamless and engaging
- Capture metrics and data
- Make content free or customers will click your company into oblivion.

From my 'End of Control' Blog: Apple Reluctantly Tries Out Transparency - Welcome to the End of Control, Steve!?

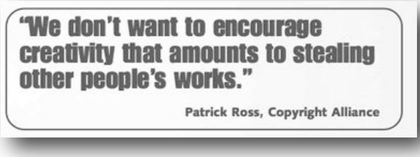
A crucial post on Wired.com popped up in my reader this morning: After a Decade of Secrecy, Apple Reluctantly Tries Out Transparency | Gadget Lab from Wired.com. These paradigm changes at Apple are indeed a big deal since in my view Apple is pretty much the only market leader and 'cult brand' that still banks solidly on a Total Control paradigm - and the bizarre thing is that I like their stuff, a lot, regardless. So...Wired's Brian Chen writes:

"The tight-lipped corporate giant recently made a move toward transparency when it lifted its iPhone non-disclosure agreement. The unpopular policy prohibited iPhone application developers from discussing their coding techniques. Lifting the NDA may hurt Apple by exposing the inner workings of the iPhone to competitors like Google and Nokia. But increasingly open competitors and disgruntled developers may have forced Apple's hand..."

This last sentence is important - this is happening everywhere: openness trumps closedness, trust trumps control, and increasingly so. Give it another 18 months, riding on the crest of the wireless mobile broadband explosion fueled by powerful mobile devices, and everyone will be busy showing us - the people formerly known as consumers - how open they are, and how much they will empower us and deserve our trust.

Look at this key sentence in Apple's explanation why -until now- they required NDAs for the iphone app store developers: "We put the NDA in place because the iPhone OS includes many Apple inventions and innovations that we would like to protect, so that others don’t steal our work"

The fear of being ripped off caused them to want to control the people that worked with and for them - their biggest fans and most important users! Sound familiar? In the future, this is a risk that you'll just have to take - you cannot publish something and then build a remote control safe 'catch' into it. My prediction: watch for Apple dropping the DRM from iTunes in the near future, as well -because now, really, Friction is Fiction.



More from Wired: "So what gives with the openness? One of the things that's happening to Apple is that it's less able to keep secrets than it used to be, because it has a broader supply chain and broader distribution," said Roger Kay, an Endpoint Technologies analyst. "And because it's dealing with parties that need plans -- partners as well as some customers -- they need to disclose their plans. Kay explained that Apple isn't alone anymore; the company is now working more closely with partners, such as iPhone developers, mobile carriers and so on. That inevitably forces the company to open up..."

In other words, you can't go it alone anymore, you can't keep the lid on people that are adding value to your enterprise, and you can't dominate a de-central ecosystem - anymore.

Welcome to the End of Control, Apple?!;)

Paolo Coelho crowdsources directors for "The Witch of Portobello" - Hollywood 2.0?

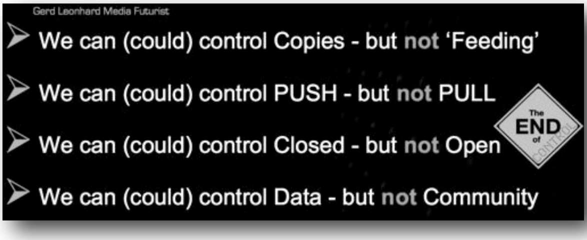
I ran across yet another Paolo Coelho marvel today; a very interesting approach to movie-making that I found via fellow Swiss blogger Bruno Giussani's LunchOverIP blog. Bruno says: "Another is called "The Experimental Witch" and is a film competition/movie crowdsourcing project based on Paulo's novel "The witch of Portobello" [PC:]" I've been visiting the pages of readers this last year and I've seen excellent works by actresses & actors, musicians, directors, etc. That's why I thought: why not make a movie together?", he asks. How would that work? The book is divided into 15 narrators' perspectives. Paulo is inviting filmmakers to sign up, pick a narrator, and shoot a video including all the scenes in the book in which that narrator interacts with the main character, Athena..... After the scenes are shot, and the videos uploaded to a private YouTube account, the best ones will be chosen to be edited into the final movie -- all the rights will go to Coelho, while the filmmakers will get 3000 euros each, plus a share of fame if the experiment works out..." This was in May 2008, so I looked around a bit and Paolo has posted an update, here. The whole thing is sponsored by HP. Related: my previous post on Coelho, a few days ago

Esther Dyson on new ways of looking at compensation for content owners and creators (wow!)

I just ran across this truly brilliant essay on Wired.com - it's from 1995 but it reads like a perfect answer to *today's* issues facing content creators and providers. Esther Dyson is truly amazing - and this was 13 years ago! So, here are some of the best nuggets - if you are in the content business, the is a must-read.

Quoting Esther (links and underlines etc are mine, and go to some blog posts that I think are related):

- The problem for providers of intellectual property in the future is this: although under law they will be able to control the pricing of their own products, they will operate in an increasingly competitive marketplace where much of the intellectual property is distributed free and suppliers explode in number
- On the Net, there is an equivalent change in "gravity" brought about by the ease of information transfer. We are entering a new economic environment - as different as the moon is from the earth - where a new set of physical rules will govern what intellectual property means, how opportunities are created from it, who prospers, and who loses.



- Chief among the new rules is that "content is free." While not all content will be free, the new economic dynamic will operate as if it were. In the world of the Net, content (including software) will serve as advertising for services such as support, aggregation, filtering, assembly and integration of content modules, or training of customers in their use. Intellectual property that can be copied easily likely will be copied. It will be copied so easily and efficiently that much of it will be distributed free in order to attract attention or create desire for follow-up services that can be charged for.

- But in the one-to-one world the Net promises, advertising will often be tailored and of higher quality. Those with more money to spend will get higher-quality advertising.
- The likely best course for content providers is to exploit that situation, to distribute intellectual property free in order to sell services and relationships.
- The way to become a leading content provider may be to start by giving your content away. This "generosity" isn't a moral decision: it's a business strategy.

If you haven't tried Twitter you really should - if you need an excuse, here's your chance

Twitter is an absolutely amazing tool for micro-communicating with people in your network. I use it both for streaming stuff that I am doing, as I do it (well, mostly stuff such as what I am researching, reading, blogging watching, liking, working on etc - not details about which coffee I drink ;), as well as for sharing some quick yet powerful realizations with my 'followers'. You can get all tweets and all on my new life-stream page, too (I know... it sounds kind of mad but it's easy to do so I figured I should try it). Now, here is the key question: why should you try Twitter? What's the big deal? Here are some reasons:

1. It forces you to be succinct and get to the point quickly - this is indeed a very good exercise, imho.
2. It allows you to get into conversations with some very interesting people that you may have never met, otherwise - I have met some great people via Twitter, and Facebook and Friendfeed, and my network has mushroomed as a consequence (and yes, that does convert to 'business' eventually, as well - all good networks do!)
3. It allows you to broadcast yourself and 'your brand' to people, but it does not interrupt them or forces them to listen, unlike, email (which is why I, personally, discontinued my email newsletters)
4. As Steve Rubel says, the new web is not about sites - it's about services (and Twitter fits that category very well;)
5. 100s of brands and companies are starting to use Twitter to send quick updates to people who 'like' them - seems like a great way to add value to a relationship that's based on merit and trust
6. So...kill the press releases and the email blasts - switch to Facebook, Twitter, Friendfeed, Seesmic, Kyte - and start blogging if you want to talk to bloggers.

Enough reasons?

The paperless world is coming! Reading via mobile devices is finally becoming a real option - Book 2.0 anyone?

For the past decade I have been looking hard for a new solution that spares me from having to print 100+ pages from various websites and blogs every single day, only to subsequently stuff 1500+ pages in my computer bag and end up making a huge mess in airport lounges around the world as well as on the plane, reading and desperately bookmarking (high-lighting) the best stuff. A huge waste all-around and impossible to really retrieve anything.

Apart from reading even more PDFs like this one on my computer (which is far from convenient or easy-to-do), I have now discovered that some of my many mobile devices are actually starting to be very suitable alternatives for reading printed paper. Leading the pack here is of course the iPhone and the iPod Touch' and some select Nokia devices which I will cover in a separate post - I currently use both but the iPhone's app-store does make it a lot easier to give this a try.

Not only can I now read webpages that I have converted and stored for offline use via the cool instapaper app but now I can also read real books (well... not fiction, really - that would be a stretch) using the eReader app for the iPhone. The selection at eReader is not very large, yet, and the prices are quite high (surely that isn't their fault I would reckon), and of course there's DRM galore but it's still something worth looking at - convenience trumps those hurdles only for early adopters like me, though, that's for sure.

I do wish that the publishers would wake up and see this as a much, much bigger opportunity than they seem to do, at this time: there is simply no reason whatsoever for a book to cost $15 via the eReader - give me a break please - there are no shipping and no printing costs. Darn - you could make this a real, liquid, low-cost, ubiquitous global business.

In any case, what I do now is to save the longer web-pages on my instapaper page (on the computer), sync with iPhone or one of my iPod Touch devices (it would be great to have that on the Nokia phones, too!), and then read it when in the taxi, on the train, or in the plane. For annotating stuff, I simply carry a small paper (!) notepad and pen so that I can quickly jot down the most important realizations from what I read - I have found that actually writing stuff down really makes a difference when trying to retain information, anyway, so that works fine for me. Using Instapaper, the webpages are converted and very easy to read, btw, and scrolling is easy with the pro version. Next, if I want to read a book, I think I'll start using eReader for that (I am trying it with the free books right now) - but here again, if I could have a flat rate now *that* would be good; *don't punish me for my interest, punish me for buying the dead tree version.*

And if you live in the U.S. - which I don't - there is Amazon's Kindle which seems to be making some serious headway and the OLPC XO2 (see pics on Flickr) which allows book-like reading and looks great - hope they don't really get stuck with the MSFT OS, though.

The bottom line is this, and I think it's really exciting: easy and comfortable electronic reading is just now becoming a real possibility using mobile devices, and this will have serious impact on the entire publishing industry, from newspapers to magazines to books. As usual, if content owners and their representatives can ease up on the Control a bit I think we're looking at another huge opportunity for those that actually create the content to begin with. The business models? Stay tuned - I am working on it;)

The Future of Music: more income from Attention & Performance, less income from Copies - but overall growth once we accept this trend

I have recently been busy reading Kevin Kelly's 'Out of Control' book (the re-issued PDF) and his very insightful 'Technium'-blog as well as Yochai Benkler's great book "The Wealth of Networks" and wanted to share a few key findings with you - the Future of the Music Industry is very much related to what Kevin and Yochai are writing about, whether you want to call it Music 2.0 or not.

First and foremost, I believe that it is fairly certain that in the near future we will see Attention Revenues eclipsing Copy Revenues. Attention revenues can be described as either revenues that come from licensed and monitored public performances (radio, concerts, broadcasts of any kind) or from more indirect sources where music is receiving a revenue share in returning for adding value to something else (such as a revenue share from sites that run advertising).

New attention-based revenue streams will come from many flat-rate offerings that will be rolled out in the next few years, next-generation advertising, commercial sponsorships and product placements, up-stream selling and cross-marketing, contextual sponsorships and branding, linking and referring; and they will indeed surpass the traditional copy & unit-sales revenues once permission is given and revenues can be shared. This quote, by Google China's President Kai-Fu Lee summarizes it very nicely "... mutual interest, rather than monopoly, is the key to sustainable growth".

The recent launch of Myspace Music already drew comments that sound a lot like the model I am describing here - read this column ad Adage.com. I forecast that during the next 3-5 years we will continue to sell less music products (whether digital / downloads or physical / CDs) but will witness a constantly increasing number of access-based services (i.e. streams, public performances, concerts, synchronization etc) that will be paid for 'with attention' i.e. 3rd parties will pay for the music in order to have direct access to those users.

This future will bring many new and expanded kinds of attention-based revenues; albeit not really - and this is crucial - from the advertising-as-we-knew-it, i.e. interruption-based advertising, pop-ups and 30 second commercials. Nobody would tolerate this kind of advertising on their iPhone or IPTV channel or YouTube or the PSP - the new kinds of ads will feel and look very much like content, themselves, and as a consumer I will want to see / hear / read them. But more on that soon...

The timeframe: I would say it will be 3-4 years for attention-based revenues to amount to more than 50% of the total amount of revenues for the music industry (defined as recorded music companies and publishers - but that distinction, of course, is quickly out-moding as well.) Note that this will probably happen much sooner in Asia (look at the Google Music deal in China for example) where 'selling copies and no much else' has never been the chief money maker for the music industry.

In this future many music creators of around the globe are very likely to generate more income based on what they and their brand stands for, based on their fans / listeners / users having real, meaningful experiences with or through them, and based on who pays attention to them, when and how. Many of us in the music industry have always been aware that the concept of selling enough 'units' to make selling copies the sole source of our livelihood has in reality always been reserved to those very, very few that are at the top of the heap and manage to stay here, i.e. not in the so-called longtail... or even the upper body! But those hits are much harder to come by now since people have a lot more choice and are therefore making more diverse choices - this goes for music just like it does for restaurants, holidays and movies.

In our immediate future - both as actual content creators or as the companies and industries that serve them - it will be all about gathering, keeping and then converting Attention. In a web-native music business - and since there is no other option, this is where we are headed, kicking and screaming - most musicians and songwriters will, again, make more money with attention and performance-related activities (i.e. not just concerts but also web-casts, live-streams, on-demand and regular Radio, TV, synchronization, sound branding, music in public spaces, etc) then they used to with selling actual copies of their songs or albums.

Soon, of course, it won't even matter anymore whether a use of music is deemed to be a copy or a stream (performance) since all content will need to be legally available in the network 'cloud', anyway, and it will be access that counts, not if it's a copy or a 'listen'. We can already observe this trend by looking at the steadily increasing revenues of public performance organizations (such as ASCAP, BMI - see this chart from eMarketer) while the rest of the recorded industry's unit-selling revenues (and the so-called mechanical revenues) are headed for the vaporizer. eMarketer has some good comments on that trend, here.

Let's take a look at how artists (and their representatives, in turn) can convert attention into real cash (Kevin Kelly lists some similar points in his brilliant essay, here, calling them the New Generatives):

* Public Performance (whether in person or through an increasing choice of media types - remember: the Internet is indeed the next Radio and TV!)

* Contributions to other people's work and productions (contract work, licenses, remixes etc)

* Endorsements by brands, companies, sponsors, and fans (that's pretty much how the music industry in China already works I think)

* Referring, linking and connecting to others that gain from the connection (generating affiliate and referral fees)

* Lending Credibility and adding value by their participation (events, campaigns etc)

* Generating an increasing number of new up-stream revenues - once you have attention there are many ways to upsell your users to the next level of engagement!

So what is the future role of music companies i.e. publishers, labels, agents... the 'industry', if it's all about the creators' brand and his/her increased attention? The answer may sound simple but the current paradigm switch-over phase is tough, no doubt: future music companies will facilitate, syndicate, amplify, contextualize, catalyze, administer and most importantly provide scale - anything that can repeatedly generate more attention and harnesses those new revenue flows will be highly valued.

I personally think much of this will be done by SMEs (small and medium size companies) that will provide agency-like services to the creators - but of course, once the web is actually ubiquitous and always-on, everywhere, scale and speed will matter, no doubt, so yes - size can be an advantage then, too.

The Future Revenues for Content: Attention Revenues UP, Copy Revenues DOWN -- get used to it.

While watching some videos and reading the latest writings of Kevin Kelly and Yochai Benkler, it struck me that we are indeed heading into a future of Attention Revenues exceeding Copy Revenues - and I am talking within 3-4 years here, and probably much sooner in Asia where 'selling copies' has never been the #1 money maker for content creators. A Future where all kinds of attention-based revenues (i.e. not just advertising-as-we-knew-it but revenue sharing of flat-rate offerings, *next-generation '2.0'* advertising, up-stream selling and marketing, sponsorships and branding, linking and referring, etc) will very likely surpass copy & unit-sales revenues. A Future where many content creators of all kinds, in all locations, and within all levels of accomplishment will make more money based on what *their brand stands for*, based on their fans aka users having real, meaningful experiences with or through them, and based on who pays attention to them, when and where.

Attention is the new Currency

Selling enough copies of one's work (whether physical or digital, whether books, songs, movies, software or games) to make this the sole pillar of one's livelihood has in reality always been reserved to those very few creators that are at the top of the heap (i.e. not in the so-called longtail or even the body).

And of course, being hit-driven, the companies that have marketed those that can sell millions of copies globally are the ones who will have the most to lose *in the short term and during this paradigm switch-over* - Hollywood's latest disaster movies are not going to be the most-watched movies in India, China and Brazil in the future, anymore. In our immediate future as content creators and companies that serve them, it's all about gathering and converting Attention - at least until the world is so well-served with feels-like-free content in return for attention that physical copies become desirable again (and they will).

Most musicians and songwriters will make more money with performance-related activities (i.e. concerts, web-casts, life-streams, on-demand and regular Radio, TV, synchronization, sound branding, music in public spaces, etc) then with selling copies of songs or albums. In fact, in less than 3-4 years it probably won't matter anymore whether it's deemed a copy or a stream since all content will be available *in the network cloud*, anyway, and it will be Access that counts, not if it's a copy or copy - at least if you're not a recording industry lawyer. We are already seeing this trend if we look at the steadily increasing revenues of public performance organizations (such as ASCAP, BMI, BUMA etc) while observing the rest of the recorded industry's unit-selling revenues (and so-called mechanical revenues) heading for the vaporizer.

Of course, most book authors (and there are increasingly many - with an estimated 3000 new books published per day) already know that the real money in writing books is not in selling them. Instead - just like with free / open-source software creators - it's in the increased reputation, in the bolstered credibility, in the enhanced public perception where the income is: book authors get hired to speak, ask to sit on boards of companies, join academic organizations, advise governments, provide input on film and TV productions, and so on. While nothing new, this is a nice example for the rising importance of the Attention Economy: a lot more people can now become their own publishers and can have a go at becoming Author-Brands; the gates are now wide open to either prove yourself or be demolished by your peers (yes... it does work both ways).

The likes of Twitter, Friendfeed, Google, Amazon and Youtube have now given all of us a fairly reliable way of checking what a writer's reputation and buzz is - and faking it will become nearly impossible to do. The reality is, of course, that 99% of book authors have nowhere to go but up: their revenues from unit sales never did amount to a meaningful income, anyway, so if Attention Revenues are the way forward... it's all up from here.

Film-makers and TV/Video producers have a lot to gain from this switch to attention-based revenues, as well, even though high production costs will be initially hard to justify for small, niche audience productions - as many web-based TV startups have found out, there is no real money in the long-tail TV/video market *yet*; mostly because only 3% of the world is on broadband at this time, and those that are are paying too much for it (imho). But let's keep in mind that public performance (i.e. showings) of motion pictures, TV shows and videos have always generated a very large part of the cash that came in: box office revenues are, after all, nothing but performance i.e. converted attention-based revenues -- selling the experience not the copy. And as this won't change in the future, the movie industry still has a real leg up on the music business.

So let's take a look how creators (and even their representatives) can turn attention into real cash:

- Public Performance (whether in person or through an increasing choice of media)
- Contributions to other productions (contract work, licenses, remixes etc)
- Endorsements by sponsors and brands (that's pretty much how the music industry in China does it)
- Referring, linking and connecting to others (generating affiliate and referral fees)
- Lending Credibility and adding value by their participation (events, campaigns etc)
- Generating an increasing number of new up-stream revenues - once you have attention there are many ways to upsell your users to the next level of engagement!

So what is the future role of media companies, publishers, labels... the middlemen, the 'industry', if it's all about the *creators*' brand and increased attention? And if the users fka consumers also become involved in content (co)or(re)-creation... what will happen to the definition of content ownership?

The answer sounds simple but the paradigm switch-over period will be tough: media companies (and those aggregating or represent creators) must facilitate, syndicate, amplify, contextualize, catalyze, administer and most importantly *provide scale* - anything that repeatedly generates more attention and harnesses those new revenue flows. I think much of this will be done by SMEs (small and medium size companies) that will provide agency-like services to the creators - but of course, once the web actually is ubiquitous and always-on, everywhere, scale and speed WILL matter, no doubt, so yes - size can be an advantage then, too

The golden age of streaming, moving from the hard-drive to the cloud (Steve Gillmor): ACCESS first, not Copy

TechcrunchIT has a great post on 'the golden age of streaming', written by Steve Gillmor (yes, of the Gillmor Gang) - he always has some very sharp things to share. Here are some highlights and comments, as usual: First, some nice stats: "As the Olympics drew to a close with big numbers - 75.5 million streams (NBCOlympics.com), 40 million (BBC), another 130 million from the European Broadcasting Union, and 100 million Chinese viewers - the networks were already moving on by serving the Democratic National Convention in HD.."

Now these kinds of stats will put some serious fear into broadcasters and cable companies - if this trend continues (and once streaming gets over its inherent bandwidth and bottleneck problems), who would want to spend all that cash on cable TV (even if the do have DVRs build-in)? P2P streaming, anyone? Steve goes on: "It used to be that having physical control of entertainment and other software was critical to the user experience. Record and film companies kept accelerating the quality levels of their products to stay ahead of the pirates and the growing ability of consumers to capture and archive content off the radio and television networks..."

How true: physical possession is no longer really needed, in the very near future (right now this is still mostly geek-land stuff) - and copyright will morph into usage right based on revenue shares. Steve goes on: "This, of course, is the same shift software has undergone from shrinkwrap to service, from Outlook to Gmail, Office to Google Apps, and from the hard drive to the cloud. In effect, productivity apps are now streamed to and the data from the user. With the data stored redundantly in the cloud, we are more comfortable with a streaming situation than with the former illusion that we “owned” our data locally"

Yes! And now some final marvels: "Once the user has undergone this reworking of trust, devices such as the iPhone and the Slingbox have extended the notion of streaming to the car, the hotel room, to a friend’s house, anywhere...The shift seems to be from ultimate quality to ultimate utility, to fit the data into the time available to consume it...Once the underground streaming economy reaches a critical mass, media companies will reach some form of accommodation. Whether it takes the form of advertising supported models or the emergence of viral talent going “direct” to consumers, the end result will be the Net-based delivery of high value content under user control"

Great stuff, Steve, all around. Despite some of the more negative comments on this post I think you are onto something really crucial here. Maybe someone will eventually come up with a good P2P streaming solution to solve the bandwidth paradox (i.e. the fact that the more people use the content the higher the cost becomes - unlike regular broadcasting where it costs the same no matter how many people watch). I also agree with some of the other comments that this is not at all about P2P vs Streaming - it's a question of radically changing user behaviors which will impact everything else including advertising, marketing and the entire entertainment ecosystem: now it's *access first, then copy* (if at all). And this does indeed signal The End of Control for a lot of the major players in current media ecosystem (i.e. studios, cable companies, broadcasters, mobile operators..).

Getting paid with attribution, attention, traffic, reputation: Open Software Copyright Ruling tells us that attention equals money

Linuxinsider has a report on a recent case ruling at U.S. Court of Appeals for the Federal Circuit. The judge concluded that open source coders are indeed entitled to copyright protection even if they provide their software 'for free' - because they must get paid with getting credit & attention, instead.

"The original judge reasoned that because JMRI's code was given out for free, the company shouldn't be able to sue and get money when someone breaks its license. The judge this week, however, reasoned differently. "Attribution and modification transparency requirements directly serve to drive traffic to the open source incubation page and to inform downstream users of the project, which is a significant economic goal of the copyright holder that the law will enforce," the ruling reads"

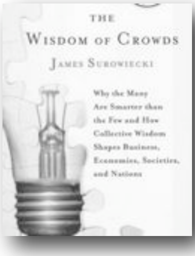
In other words, if I tell you, as part of my license requirement, that I want to 'get paid with attention' then this requirement is just as valid as the requirement of getting paid with cash. In my view, this points toward *the* essential future business model for intellectual 'property': I do have a right to get paid for what I create (if I want to), even though it may be free or 'feels like free', but cash is simply not the only kind of currency available - new kinds of payments are available to us now.

The Permission Problem & the Anti-Commons (via James Surowiecki in The New Yorker)

Cross-posted from my The End of Control blog. Surowiecki, famed author of 'The Wisdom of Crowds' (which is a great read btw), has published a column in The New Yorker which is well worth reading, as it covers the issues that arise from too much, too deep and too long patent and copyright legislation. Here are some high-lights, below.

A great example of why it does not always work to rely solely on market forces to work it out (yes... such as in music licenses for Radio, and now, the Media / Content Industries and the Internet - the still-prevailing mindset of economic egoism just does not make it possible to reach a win-win-win situation):

"In the second decade of the twentieth century, it was almost impossible to build an airplane in the United States. That was the result of a chaotic legal battle among the dozens of companies—including one owned by Orville Wright—that held patents on the various components that made a plane go. No one could manufacture aircraft without fear of being hauled into court. The First World War got the industry started again, because Congress realized that something needed to be done to get planes in the air. It created a “patent pool,” putting all the aircraft patents under the control of a new association and letting manufacturers license them for a fee. Had Congress not stepped in, we might still be flying around in blimps...."



"The commons leads to overuse and destruction; the anti-commons leads to underuse and waste. In the cultural sphere, ever tighter restrictions on copyright and fair use limit artists’ abilities to sample and build on older works of art..." Comment: more on copyright & control here

"In theory, one should be able to break a gridlock by striking a deal that would leave all sides better off. Sometimes that happens. Just the other week, for instance, Nokia and Qualcomm settled a three-year-long patent battle, which could accelerate the spread of third-generation cell-phone technology here and in Europe. In a less contentious fashion, products like the DVD player quickly became mainstream and affordable because many companies worked together to form patent pools..."

My comment: this is where the real problem lies that bedevils the creation of the new, connected, web-native economy (in my view): "Recent experimental work by the psychologist Sven Vanneste and the legal scholar Ben Depoorter helps explain why. When something you own is necessary to the success of a venture, even if its contribution is small, you’ll tend to ask for an amount close to the full value of the venture. And since everyone in your position also thinks he deserves a huge sum, the venture quickly becomes unviable. So the next time we start handing out new ownership rights—whether via patents or copyright or privatization schemes—we’d better try to weigh all the good things that won’t happen as a result. Otherwise, we won’t know what we’ve been missing..."

Comment: The key question is whether we can still afford to act like this. Do we still extract the maximum cash out of a deal just because we can, do we still exploit natural resources just because we (in theory) can, and do we still pound on copyright rules just because we (by virtue of some rather antiquated laws) can?

If you are into the Future of Marketing do yourself a favor and buy Seth Godin's "Meatball Sundae"

OK, so I read a lot of books (*and...* RSS feeds and other shared stuff). But Seth Godin's new book, Meatball Sundae, is one of the best marketing books I have ever gobbled up while on some airplane going from one speaking gig to another. To illustrate: I am pretty ruthless with my high-lighter in one hand, and pen in the other, and by the time I am through I can always tell which book really got me going, simply by the amount of high-lighting I have done (or not, in most cases).

And my copy of Meatball Sundae was YELLOW, all the way thru. Every single page a real keeper, with morsels such as "Coca Cola is no longer the most popular soft drink in the country. The most popular drink is "Other", none of the above. The mass of choices defeats the biggest hits."

And: "The 'operating system' for marketers is now fundamentally changing. It doesn't matter how big your market share is today. If your product and your marketing are optimized for the older model, you will be defeated by the relentless tide of the New Marketing and the products and services that are designed for it."

Plus I love his writing: easy to read, to the point, structured paragraphs, clear. So, for once, forget the feeds, the tweets, the podcasts... read a book. This book.

Music 2.0: The new indie model (Via TechNews World)

Andrew Burger from e-commerce news interviewed me for this Technews-World feature on Music 2.0 and it came together quite nicely I think. So feel free to Digg it... or do all that other social media sharing forwarding communing stuff to it ;).

Some snippets: "The use of Web 2.0 technologies in the music industry has changed the market forever, with musicians promoting themselves online and interacting directly with their fan bases...." "Getting the users involved is the No. 1 trend pretty much everywhere right now' (yes, from me... and more:) "What I call 'Music 2.0' is now very quickly becoming the mantra for the major labels: a Web-native music ecosystem," Leonhard told the E-Commerce Times. "More and more artists will be able to 'go direct' from the start and engage their fans from the get-go; both for creation as well as for marketing. "Once more than 2 percent of the world is on broadband, this kind of 'networked creation' will explode. Much of it won't be that good, of course, but talent will rise to the top regardless. Bloggers are now like DJs: They pick bands to play and talk about, and become powerful super-nodes," Leonhard noted.

The abbreviation of everything - my comment on The Immediate Media Age (GigaOM)

Om Malik writes: The Immediate Media Age: Of Broadband & Blogs - GigaOM.

"Our whole lives are about doing more in less time, trying to cram everything into 24 hours, in a day that is filled with constant interruptions. Instant messages, emails, and the constant chirping of cell phones have surely and slowly squeezed our attention spans. We have responded this to customizing the digital world according to how lifestyles. We have TiVo to personalize our television, watching only what we want. We plug in our iPods, using playlists, instead of listening to the radio waiting for our favorite tune. Like TiVo and iPod, the web allows us to customize what we want to read. Blogs offer short bursts of information in an easy to digest format that fits nicely with this socio-culture change happening around us. Blogs, also have the ability to focus on niche topics, allow almost anyone to publish, and then have it distributed over high-speed Internet connections instantly is what can be summed up in two words: “Immediate Media.”

My comment: This is from Om's blog about a year ago but I just ran across it. I sometimes call this development 'the abbreviation of everything' and this trend is quite scary as well as somewhat invigorating. Either way, I think we will not stop here (i.e. shorten everything), and if we think about the future of a connected ecosystem - a mass of 4+ Billion people with mobile devices - it will certainly look quite different from what the early adopters such as Om and myself are willing to endure (as 'usators' i.e. users+creators)

I think the increasing shortening of people's digital attention span, and the trends towards reading and writing quick blurbs and instant nuggets of wisdom (of which I am plenty guilty myself) will sooner or later spawn a trend back towards deeper reading and writing, just like the success of the console game GuitarHero has resulted in a rise in guitar sales and interest in 'real musicianship' - it will just take a bit longer because:

Gin, Television, and Social Surplus - Here Comes Everybody (Clay Shirky)

Clay Shirky's got some good wisdoms here:: Gin, Television, and Social Surplus - Here Comes Everybody. "And it's only now, as we're waking up from that collective bender, that we're starting to see the cognitive surplus as an asset rather than as a crisis. We're seeing things being designed to take advantage of that surplus, to deploy it in ways more engaging than just having a TV in everybody's basement..."

"How big is that surplus? So if you take Wikipedia as a kind of unit, all of Wikipedia, the whole project--every page, every edit, every talk page, every line of code, in every language that Wikipedia exists in--that represents something like the cumulation of 100 million hours of human thought. I worked this out with Martin Wattenberg at IBM; it's a back-of-the-envelope calculation, but it's the right order of magnitude, about 100 million hours of thought.

"And television watching? Two hundred billion hours, in the U.S. alone, every year. Put another way, now that we have a unit, that's 2,000 Wikipedia projects a year spent watching television. Or put still another way, in the U.S., we spend 100 million hours every weekend, just watching the ads. This is a pretty big surplus. People asking, "Where do they find the time?" when they're looking at things like Wikipedia don't understand how tiny that entire project is, as a carve-out of this asset that's finally being dragged into what Tim calls an architecture of participation

"No one who works in TV gets to ask that question. You know where the time comes from. It comes from the cognitive surplus you've been masking for 50 years."

The Fear of Change - and why we must get wet if we want to learn how to swim!

I am very fortunate to meet a lot of interesting and open people at my various keynote speeches and think-tank engagements - from 20-year old, hungry newbies to 60+ year old CEOs; in Asia, Europe and the U.S. Sometimes I think I inadvertently learn more from them then they do from me (but... don't tell anyone please).

In many conversations, fear is one of the biggest stumbling blocks I encounter again and again. Fear of change, fear of the unknown, fear of being excommunicated because of 'holy cow violations', fear of questioning authority, and of course: fear of losing control, in all its variations. Deep seated fears (and the associated, often unaware believes and assumptions that cause them) are what puts the boot on a lot of urgently needed changes, often leaving us disadvantaged and unprepared. Fear tells us to shut up and just continue down the path that we know and trust - don't be a fool and stray away.

The most gripping fear, of course, is to suddenly and irreversibly lose control because some carefully worked-out logic, social chemistry or business tradition is crumbling due to some tiny thing that has been messed with, one harmless molecular change that endangers the entire formula. Instinctively, we therefore avoid those moments of uncertainty, those treacherous waters that may sink our ship because we run into an unexpected cliff or get stuck in the sand. The problem is that if we always stay in safe and well-charted waters we will most of the time not reach new shores, ever; instead we only glance at them while we sail by and peer through our telescopes. Therefore, we don't get a real feel for what it would be like, while our fears keep suggesting that it's not worth it to deviate at this time. Many of us therefore keep coming back to the same 'beaches' that we know and trust; others just follow those courageous (or foolish?) pioneers that have the new turfs scouted out, already.

In the media and communication industries, fear is one of the key hurdles for change, and for facing the huge paradigm shifts that require us to happily sail into new lagoons and probe new waters - we fear these changes because these waters are utterly unknown, and our map just shows blank spots. Sometimes we can send others, and if they perish we feel bad but vindicated in our fears. If they land in a nice tropical paradise we swiftly follow and reward them richly for taking us along (se NewsCorp & Myspace, Google & Youtube, CBS & Last.fm...). Let someone else be fearless first looks to be a better strategy.

But just for a moment, let's take a look at the most popular fear inducers:

- Markets are conversations (fear-fueled reaction: "omg: do I have anything good to say.... will I ever get a word in.... will anyone ever listen to me again... how can I do talk to all these people and still get any work done... is everyone going to call me now?)
- The LongTail (fear-fueled reaction: omg: will all this niche content prevent me from getting attention for my expensive hit content... if more people consume niche content where will my mass media viewers come from... if amateurs can be journalists what do *I* get paid for... will the world just turn into a huge user-made content landfill...?)
- The End of Control (fear-fueled reaction: omg: how do I make money when I can't force people to pay me),
- Peer Production - Now, Users are Content Creators, Too (fear-fueled reaction: omg: now we are losing our monopoly on ideas and creativity, and the world will be knee-deep in meaningless content)

A couple of important keywords that keep popping up in my speeches (and everywhere else)

I have done 10 or so presentations and speeches in the past 4 weeks, all over the place and on many different topics, but these key subjects, below, keep popping up; so I figured I could share them with you.

- The good old Longtail (i.e. the concept of the digital economy enabling substantial revenue streams with or from content or products that are much lesser known, i.e. not 'hits') - the antidote to the Hit Economy that we've had in media for a long time (in music, I call this the Rolls Royce or Bicycle Syndrome). Read Chris Anderson's Longtail book or his blog to find out more, or dive into all the stuff that I have written about the Longtail. Yes....I know this is an old hat for many of you but it still needs to go into this list.
- Wikinomics: the concept of mass collaboration changing 'everything', as set forth by Don Tapscott in his mind-boggling and inspiring book Wikinomics. Wikipedia notes: "according to Tapscott, Wikinomics is based on four ideas: Openness, Peering, Sharing, and Acting Globally" Well... read for yourself but these concepts are everywhere now, and reinforcing each other, too.
- Paying with Attention: this is a central point for the formulation of new Advertising 2.0 scenarios: users will indeed pay with their attention to ads (or rather, content that advertises products;) in return for receiving free content. I have, of course, made a video on this, here, and have pontificated on this all over the place, but this is still very much work in

progress. PWA goes with those juicy keywords of Freemium (as coined by VC Fred Wilson), and FeelsLikeFree.

- The End of Control: the concept that in this networked economy control-obsession causes loss of relevance and consumer trust, user-rejection and overall decline (yes... the music industry is a great example!), while reliance on openness, and furthering trust and engagement can breed success. Of course, I have been working on this topics a LOT lately, given that I am slaving away on a new book on this topic (subtitle: Open is King), you can dive into some previews here. Erick at Techcrunch wrote a nice piece on this topic, too.

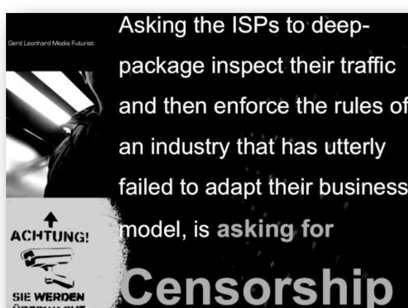
- Last but not least: Markets are Conversations. Media is 2-way. Don't just talk TO people, talk with people. Yes... the good 'old' Clue Train Manifesto.

Telcos vs Content Industries: good read via TelecomTV

I just read this column on Telecomtv.com. It nicely outlines the recent proposals of various industry organizations to put more pressure on telcos and ISPs to police their networks and curtail so-called digital piracy. My Highlights and comments: "Whatever the recipe, the thrust is the same: that one industry (ISPs and telcos) be made to expensively enforce the unsupportable business model of another by chasing down its own customers! It's absurd, but if the recent past is anything to go by the real pirates in this long-running piece of Kafkaesque content (available free) will get away with it and will see their oppressive and, ultimately self-defeating, proposals become law.."

Comment: there is no chance this will become law. The EU Commission has already expressed disdain for such a development. Here is my comment on what I think of a policed internet (as was proposed by Paul McGuiness, Manager of U2, at Midem 2008).

And here is something really scary: Under the 'three strikes' rule (a strangely Anglo-Saxon nomenclature given the sensitivities) offenders get email warnings and then get their accounts closed. Meanwhile (in return) entertainment companies will end annoying copyright protection on French material so that music and video bought online can be played on any device (if the new regs work there would be less need for the DRM protection). Now the French think they're going to export this outrageous imposition. According to Sarkozy: "Everywhere in the United States, in the United Kingdom and elsewhere, professionals and governments have tried for years to find the 'grail' to fight the problem of Internet piracy. We are the first, in France, to form a big national alliance around concrete and effective proposals." M. Olivennes has already been off promoting his legislation in Canada and claims to have had a good response...."



In Canada? I don't think so. Ian Scales, the author, then nails it down pretty good: "Essentially, the moves are a concerted attempt to give the kiss of life to outdated, dying business models based on extortion...." Read my comment on just who is liable here: the liability for monetizing this development rests with the Content Owners not with the Networks. Put up (i.e. license) or shut up - to speak frankly.

The Flat Rate for Digital Music is coming: Google Elbows Into China With Free Music (ECommerce Times)

Some quotes and comments: "The deal would see Google and Top100.cn offer Chinese users free digital music downloads and other services, including free access to a database containing information on their favorite performers such as concert details, links and special ring tones. It is not known whether the music downloads and service will encompass the recording labels' full catalogs or simply tracks from Chinese artists. For their trouble, the music companies will reportedly receive royalties based on individual revenue-sharing models being negotiated with Top100.cn and Google" Isn't that how it should work everywhere??? But here is why it'll be done in China first: "While China has one of the largest potential markets for purchasing music online -- it has as many broadband connections as the U.S. -- more than 99 percent of music downloads distributed in China are pirated.."

So does that mean we need to have 99% of all music "pirated" in Europe, as well, before we can get this going here, as well? When the pain gets big enough.... I wrote in Oct 2005 (!!) "Looking at the larger picture, Google has chosen to launch its music service in China to "test the waters," said Susan Kevorkian, an analyst at IDC "We believe that Google is testing the waters of the online music service market and that this may be the first of other paid online music initiatives to come from the company over the course of the year," she told the E-Commerce Times. "The company's timing is good -- the major music labels are collectively supporting legitimate sales of DRM-free, MP3-encoded music, which means that Google and other online music service providers can offer music that's compatible with the installed base of iPods, as well as other MP3-enabled devices," Kevorkian continued..."

FINALLY. Google could have been licensed to offer music for the past 5 years - both streaming and downloading. Can you spell CONTROL-OBSESSION?

Ed Peto on New Music Models in China (leapfrogging into Music2.0) - Music2.0 is Asian.

Ed Peto: Here are some high lights and comments: "China never fully adopted the “traditional” tools of music discovery and consumption: TV, radio and the print press are all heavily monitored by the government and relatively anodyne as a result; CDs never really gained any meaningful traction; live music events are circuses of permits and arbitrary cancellations.The bleak circumstances of China’s music business have resulted in the Chinese consumer inadvertently leapfrogging into the next generation of music consumption, even before their western counterparts."

Comment: Music2.0 is Asian. And maybe European. Definitely not American.

"The internet has not only afforded a freedom of expression and identity previously unavailable to the Chinese, it has also almost totally usurped the roll of all offline music media: portals, webzines, bulletin boards (BBS), video sites, music blogs, music streaming. In fact, so important has it become as a medium that a full 86.6% of all netizens use the web to listen to music – the highest of any usage including search and email...."

"Full track downloadable MP3s have been (illegally) free to user from the outset, partly because 86% of internet usersarn less than $430 per month and partly because China's poorly enforced copyright law is only just becoming a topic of public debate ie. too late...." Comment: and it looks very much the same in India, Brazil, Indonesia, Russia - how else can music make money here if it's not BUNDLED into other services i.e. flat-rated, feels like free. Copyright won't help - all-you-can-eat usage rights (licenses) will.

China will soon become the number one English-speaking country in the world

"Leaked reports earlier this year suggest that Google China (g.cn) are planning on partnering with legal music site Top100.cn to offer free-to-user major label catalogue found through Google MP3 search. This arrangement, due to launch towards the end of 2008, would allow Google to compete with incumbent behemoth Baidu in the music search sector but would also signal a seismic change in music consumption: major labels conceding that music must be free-to-user. China is increasingly being seen as a brutal testing ground for radical new models that can survive in a "more than 99%" (IFPI) digital piracy market..."

Comment: this will be a huge shift if it happens - Asia may show the way. Music Like Water. Feels Like Free.

Future Stories #2: The Future of Telcos - Content & Service Pipes

Traditionally, telecom companies simply offered various types of phone services and connectivity, and moved lots of data around - maintaining and constantly improving pipes & networks was the primary mission. Today, the basic connectivity offerings have become seriously commoditized: prices are dropping towards zero in a 'feels like free' way, and due to the ever-increasing P2P action the comfortable old position of being a 'dump pipe' is no longer a viable option, no matter which way you look at it. The bottom line is that there is no way that Content and Services will *not* end up packaged into those expensive pipes, cables and wireless networks. But take note of those keywords: PACKAGED and BUNDLED and Feels Like Free.
Increasingly, the Future of Telecoms is more in the *com* than in the *tele*; in facilitating communications based on, around and 'lubricated' with Content and Services. Voice traffic will only be a small and probably diminishing slice of the pie here - similar to how CDs and digital music 'unit sales' will make up only a fraction of the future revenues of record labels.

In a networked ecosystem that wants to serve and empower those pesky 'always-on' digital natives, telcos and operators have no choice but to branch out into adjacent or even completely alien sectors - if they don't, other players such as device & handset manufacturers, web portals, social networks and search engines will feel compelled to fill the gaps and push the pipe & network guys further and further down to the bottom of a digital ecosystem that has only just now begun to flourish (remember: only about 2% of the world is on broadband, today - there is a long way to go, yet). Imagine a Facebook Mobile Network, a Samsung Mobile Video Platform, and (of course) a Google eBook Reader?

Image via Kevin Kelly

Clearly, those Web0.0 'dumb pipes & walled garden' concepts are dead and gone - now it is all about what comes through those pipes, not where they come from. And crucially, content must now be defined much broader: not just as a piece of 'professionally made' and bona-fide copyrightable work that is being transmitted but also inclusive of all the surrounding user interactions, attention kernels and clickstreams (oooopps... sorry for the geek speak). Context becomes very valuable Content, too.

TwitterMusic, Google VidRead, Gone.MTV, Skype.TV, MotoTube…

For telcos, it's about time to get into a new game, and it's called Media2.0 - a vast and mind-boggling opportunity for (pro)aggressive networks to literally leapfrog over some of those incumbent and still future-shocked media companies, giving birth to or simply fueling new disruptors that could very well be the next Viacom, CBS, BBC or Warner Music. Deutsche Telekom, Orange or Telefonica should have bought Last.fm, not CBS!

Now, witness Nokia packaging UMG's and SonyBMG's music into their handsets, and sell it together. Witness Google trying to package 'free music' into their Top100.cn search engine in China; witness CBS's Last.fm API'ing 'free interactive, on-demand music' into social networks. Services such as Last.FM, Pandora, Flickr and Twitter (and there are many others) already make heavy use the telco's networks to ship and distribute data at an ever increasing pace and volume. Now, many telecoms and network operators around the world are starting to realize where their future is taking them: Content + ConText+Communications+Services+ Ads2.0.

So let's plot a few futuristic scenarios:

Twitter may just start to provide pre-loaded content-'links'; users would be able to receive messages with a hot medialink to a file that is pre-loaded somewhere, and instantly stream it via any flash-enabled mobile device. MicroMedia anyone?
A telco (Verizon? SingTel? TMobile?) will buy whatever is left of SonyBMG when Bertelsmann finally drops out of the joint venture; and SK Telecom may well end up buying a majority stake in Warner Music, globally (they do already own 50% of their Korean JV with WMG). My take is that Music2.0 is likely to coincide with Telco2.0 if the large (but quickly shrinking) music conglomerates and the forever-

at-snail-pace music rights organizations keep on playing hard-to get with anyone that has the audacity to want to actually use their music legally.

China Mobile will start ChinaSpace, a social network build around content that is generated entirely by the users (or shall we say Usators).

Within 18-24 months, a major telecom (Vodafone? Telefonica? NTT?) will announce that they are entering the music business. They will start from scratch, unencumbered with back-catalog, contracts and Music1.0 (;) people and concerns, working with new artists and with those well-known brand name acts that have finally left their labels for good, riffing off the various Music2.0 blue-prints that have been making their way around the Net (including my own humble Music2.0 book I hope;). This will be fueled by the fact many incumbent record labels (no, not just the major labels and the RIAA) have famously succeeded in being ubiquitously hated by the music fans i.e. the users, their artists, the general public, and - you guessed it - the telecom execs, themselves. 10 years of back-patting and spending 100s of Millions of $ to convince these guys to somehow give the consumers what they really want - no wonder there is serious thirst for revenge here. Telcos are fed up and will cut their slavish ties to the old major label system in the next 9-18 months.

Flat-rate music offerings will become a standard - and fuel the telcos of tomorrow. Smarter toll-booths for more traffic.

Skype will be sold by eBay to either a major social network (F….k?) or a major telecom, and will come back full circle to how it got started: a powerful network for sharing data the cheapest possible way, be it phone calls or other bits and bytes i.e. content (read: music, film, TV, books...). Skype is where legal P2P will happen, first.

Within 12-18 months, together with Google, one of the leading advertising and communication agencies will strike a deal with a major telco and jointly launch ad-supported and user-generated content services based on an Advertising2.0 approach, completely side-stepping traditional content production and licensing procedures and offering new artists (and out-of-contract acts) yet another way to go direct.

So, dear Telcos, Operators and ISPs, here are my 2 cents:

- Stop worrying about pleasing the incumbent music & media industry players and 'the studios'- either they will follow your lead and give 5 Billion users what they want, how they want it, or you need to leave them behind as quickly as possible
- Play your hand now for it is strong: you have the network, you have the users, you have the billing relationships - you can get the content the way you need it, too!
- Like the Radio and Broadcasting Industries before you, start by demanding a new, standardized blanket license for full-length, interactive music streaming followed by unlimited downloading of music on digital net-

works; and while this is being negotiated start making deals with Ad Agencies and Advertisers to prep the Advertising2.0 pipeline.

- It's music first and then Film, Video, TV…. $700 Billion of Advertising per year are ready to be traded in this battle for content in return for attention. Seize the day.

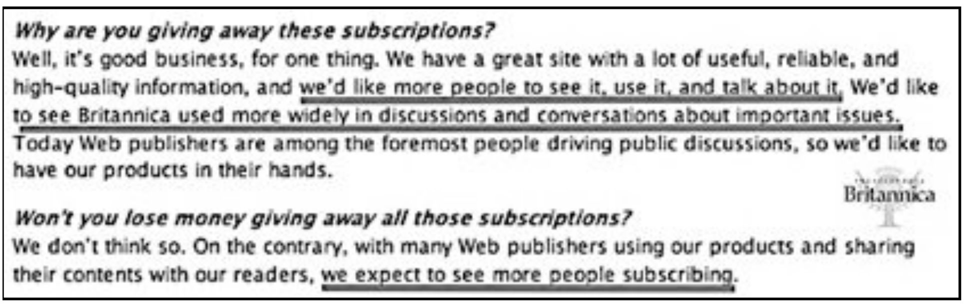
Britannica Online: Free Access for bloggers and web publishers - finally ('feels like free' and still making money?)

I have written about Feels Like Free / FLF a lot. Today, I ran across this column at the newly revived Industry Standard (which I quite like, btw), called "Free can disrupt your business". I particularly like the short list of new models that are based on 'Free' - well worth a read, and echoing some of Chris Anderson's recent explorations which I find quite inspiring, as well.

Here are some key snippets from the Standard:
"Free" is disruptive. It can create value. User generated content, in the form of videos provided for free by users to YouTube, created a valuation of $1.65 billion when they were purchased by Google. Or it can destroy value. The easy availability of free music, though not always legal, has decimated the music business. We have become a knowledge-based society. The flow of information -- the bits as opposed to the atoms -- is virtually frictionless. It costs money to copy a CD, but the digital information can be replicated infinitely at no cost other than bandwidth. That economy has led to the creation of many types of free services..." [see the list at the site]

Very much spot-on but what I found most enlightening was the link to the new Britannica Online (see below) which offers bloggers and other non-commercial web publishers free access to Britannica online (needless to say that I registered but have not heard back from them yet - hope this is actually real!): "The other day the Encyclopedia Britannica announced that it would now be free for Web publishers -- bloggers, webmasters, or writers. You could pay $1400 for the 32-volume printed set of books, or you could pay for the online service..."

Here is a shot of their FAQ page with some key statements underlined: now, if this is not evidence for the drastic changes we are seeing in content commerce and publishing, I don't know what is!


Why are you giving away these subscriptions?
Well, it's good business, for one thing. We have a great site with a lot of useful, reliable, and high-quality information, and <u>we'd like more people to see it, use it, and talk about it</u>. We'd like <u>to see Britannica used more widely in discussions and conversations about important issues.</u> Today Web publishers are among the foremost people driving public discussions, so we'd like to have our products in their hands.

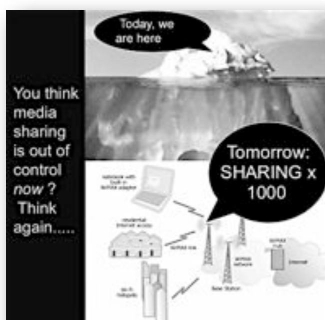
Won't you lose money giving away all those subscriptions?
We don't think so. On the contrary, with many Web publishers using our products and sharing their contents with our readers, <u>we expect to see more people subscribing</u>.

Broadband2.0 (via Wired) - and then: Content2.0 and Copyright2.0...?

Wired has a good feature on what they call, of course - but *hopefully* with some mocking intentions - Broadband2.0. As I have said many times before, we are just at the tip of the iceberg as far as SHARING of Content is concerned, and we will need an altogether different logic of copyright and understanding of 'content' monetization to deal with this. I shall pontificate further on this, in the future, but for now check out this short video.

Here are some high-lights from the WIRED feature, and my comments:
"Now two of the largest ISPs in the United States are hoping to kick off yet another broadband renaissance, this time with home connections that promise to reach 50-100 Mbps, enabling a slew of high-definition content, better-quality video-sharing sites and even 3-D video. Call it Broadband 2.0. Experts say this increased bandwidth -- when it becomes widely available -- will have a profound effect on everything from our social interactions on the web to the way we consume media."

My comment: High definition is certainly the key to a meaningful content consumption (or shall I say 'content engagement') on the Net, in the long run. Forgot those lousy MP3 sounds and give me full CD quality - another 3-4 years and we'll have that, as well, imho - and I just can't wait. "Mr. Waters says that first and foremost, we can expect everything to go high-definition: We'll download HD movies from Netflix, upload HD content to YouTube, and watch more sophisticated HD content on our televisions. The added bandwidth may even spur development of extra goodies, like stereoscopic 3-D video and high-fidelity audio. Believe me, the minute someone puts the pipes out there, people will find a way to use them," Waters says."
My comment: this is why Telecoms, ISPs and Wireless Operators must engage with Content NOW. It's time to leave the good old idea of the 'stupid pipe' behind and move onto the Service + Content Pipe concept. This, to me, means a concerted push for new content licenses and flat rates. The Internet is the new Broad[Narrow]Casting Platform, and it needs to be licensed accordingly. This is not at all an argument for ISP liability - rather, in my view, the liability for monetizing this development rests with the Content Owners not with the Networks. Put up (i.e. license) or shut up - to speak frankly.



"If you put a 60 Mbps service out there, people are also going to want to have services associated with it. Yet no one is going to create those services unless the 60 Mbps is there," Water says. That hesitation may not last long, because consumers always find ways to use up whatever bandwidth is available -- and then some -- says Rudolf van der Berg, the author of a recent study on the future of fiber networks (.pdf)."

Content is now Context and Conversation, too - and therefore, and in this new definition *only*, is King, once again.

Music in 2015 - Totally Secure, Really (like... completely) Scarce and So Very Very Valuable (again)

Warning: this is fiction. For now.

The herculean efforts of the world's most eminent legitimate music rights- and intellectual property owners, represented by the RIAFPIAAMP (the all-encompassing global content producers' organization led by former U.S. President George 'Hard Work' Bush whose favorite battle cries "We have a right to get paid a lot more, dammit" and "Copyright-is-worth-dying-for" are now found even on free coffee-mugs and roadside bulletin boards) and the organization's numerous allies from law enforcement, the military and leading anti-terrorist experts around the world have finally been victorious: Music is now 100% scarce again, and the threat of hardened juvenile criminals and the so-called Digital Natives freeloading via the Internet without restraint has been eradicated.

The War on Sharing was costly, indeed: tens of billions of $s, Euros, Yens and Rupees were spend and some unfortunate collateral damage had to be absorbed as well, but finally the battle has been won by the rightful leaders of the global music industry corporations - music is, once again, totally and permanently secured and under the rights holders' exclusive and unflinching control. Copyright is sacred again - hallelujah.

No device can play any music whatsoever unless it has been authorized by the Central Music Device Approval Authority in London. All music recording devices are forbidden, period, and special permits are required to even mention their existence. Robotic device-control-squats patrol the subways, clubs, bars and schools around the globe, looking for RFID pings from any device that could be used to engage in stealing. Unless a device is properly authorized to deploy music, a user attempting to do so will get a recorded and looped message alerting him to the fact that the device is illegal and that he needs to cease his activities immediately.

Repeat offenders that do not follow the warnings may suffer severe burns on their fingertips, courtesy of the new BurnThoseThieves hard- and software that is now embedded in all audio devices, thereby making these criminals easily identifiable to the global MP7 (Music Protection Prevention Prohibition Purposeful Peer Panic Production) task force that has been set up since the Criminal Music Consumption Act (CMCA) was passed in 2011. Hospitals everywhere are fully collaborating.

No ISP, telecom or wireless operator can move even a single 0 or 1 of any registered piece of music (and soon, film or TV show, photo, logo, txt file, pdf or any other of the 387 indexed file formats) through the network unless it is listed on the 'approved for network distribution' list. All telecoms around the world must get written approval for any data transfer that could be perceived to contain intellectual property; apart from voice (and even that is monitored as well - see below).

This slows things down things just a tiny bit but one can still get a 12k stream on the paid-for and authorized on-demand music providers pretty much any day; this is hugely popular in penal colonies, on arctic cruise-ships and at genetic food research labs all over Siberia and New Mexico. Finally, ISPs can keep their noses & pipes clean and concentrate on running their networks without worrying that copyright crimes will be committed through them - a great relief to everyone!

Consumer-to-consumer bluetooth file transfers using cell phones and other mobile devices were disabled years ago, when the RIAFPIAAMP sued Samsung, Nokia, Motorola and Apple for 250 Billion dollars - and won. This was directly after the UMMFFRECUR (the United Music Managers for Forced and Really Equitable Content Use Remuneration) and the CPFELC (Content Publishers for Eternal Life of Copyright) teamed up with the RIAFPIAAMP to force BT, France Telekom, Verizon, China Mobile, T-Mobile and Vodafone into shutting down their networks until they could finally clean out the music pirates, for sure. 18 months without wireless services sure taught everyone a lesson!

Apart from Bluetooth transfers which are just not legal, period, wireless file transfers of any kind must now be approved by the CWCTA, the Central Wireless Content Transfer Authority in Guetersloh, Germany, but most consumers don't even dare to apply for a permit since they would be certain to have their names entered into their MicroGooHoo NetworkID file system which prevents undesirable individuals from entering places where any attainable content could be found, such as clubs, bars, music stores, airports, libraries and schools.

Automatic 1strike+out(TM) network disconnection is build into all computers,digital Radios, TVs and mobile devices, worldwide. Playing any piece of music that is longer than 1.2 seconds and that is not properly approved results in immediate disconnection from the Internet. The software was developed by the German Army and it's doing a fabulous job here. Anyone that has been disconnected must apply for 'reinstatement of connectivity' to the Internet Re-Connection Investigation and Approval Authority in Dublin, Ireland, led by a subsidiary of a well-known music management and artist branding company that has been able to patent the serious-infringer-detection technology back in 2008.

Anyone that is caught capturing and uploading an image or a video of an artist that is represented by the RIAFPIAAMP or their sister organization, the World Content Ownership and Administration Committee (WCOAC) will face immediate remote destruction of all memory contained on his or her equipment. In order for this to work flawlessly, all memory chips and hard-drives are now wirelessly connected to the Central Content Security Database in Langley, Virginia and Nice, France. Repeat offenders will be barred from buying any digital equipment, whatsoever (including coffee makers, watches, washing machines or toasters) and anyone lending such equipment will be considered guilty of contributory infringement.

Since 2011, all private phone calls are monitored by United Phone Call Screening Systems (UPCSS) in Mumbai, India, on behalf of the WCSC, the World Content Security Council (based in Geneva, Switzerland) since the rapid increases of unauthorized public performances of music on mobile phones has led to losses of billions of dollars to the rightful owners and wardens of the master recordings and compositions. People calling each other to listen to music has been officially declared THEFT in the 2012 Singapore Total Rights Forever Treaty (STRFT). The system is working so very very smoothly that only those pre-approved and fully licensed users that have adequate legal representation in at least the 100 WCSC signatory countries can actually listen to music via digital devices at this time -everyone else's attempts at enjoying music without proper permission has been thwarted so that the monetary value of music can be maintained, and even elevated, again.

Thankfully, a new format, the UeberCD, has been launched by AppSonips a year ago and that's pretty much the safest and cleanest way you can get music now - pay before you listen, while you listen, and after you listen - the way it should be! Everybody has to buy UeberCD players and sound carriers in the UeberCD format, and there is only one authorized place in each country that can produce them. Each player unit and each UeberCD is equipped with a wifi / wimax / GSM chip as well as with RFIDs, making it easy to find out how many times people are playing the music, where, and when, and helping honest people stay honest, and not exceed the permissible maximum of daily plays.

All UeberCDs that leave the country where they were produced automatically lock-up and stop working, and the self-destruct. In most cases, the authorities are alerted, leading to many arrests of hardened criminals all over the world.

Music making is restricted as well, and subject to a 'official creator license', since many people disguising as musicians had taken to secretly listening to the artists and songs that they liked a lot, using old analog equipment of the late 90s, and were thereby influenced by ideas and inspirations that they had absolutely no rights to, whatsoever. Now, with the new government 'License to Rock' Version 2.98 it is finally possible to produce new music without constantly flirting with accidental or inadvertent copyright infringement: musicians and composers must subject to a strict clearing procedure by the Creators Approval Committee before they are allowed to use one of the many RIAFPIAAMP's Creative Bunkers where they can go about their work in total isolation for a minimum of 15 months before they can surface again. Now that's what we call clean!

All in all, this is a great world to live in: clean, orderly and all-paid-for, all the time - welcome to Music 2015.

Some of this story is influenced by a recent read of Cory Doctorow's book 'Overclocked'

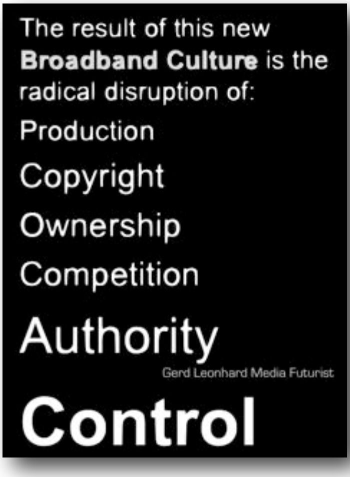
Broadband2.0 (via Wired) - and then: Content 2.0 and Copyright 2.0...? Wired has a good feature on what they call, of course - but *hopefully* with some mocking intentions - Broadband 2.0. As I have said many times before, we are just at the tip of the iceberg as far as SHARING of Content is concerned, and we will need an altogether different logic of copyright and understanding of 'content' monetization to deal with this. I shall pontificate further on this, in the future, but for now check out this short video.

Here are some high-lights from the WIRED feature, and my comments:

"Now two of the largest ISPs in the United States are hoping to kick off yet another broadband renaissance, this time with home connections that promise to reach 50-100 Mbps, enabling a slew of high-definition content, better-quality video-sharing sites and even 3-D video. Call it Broadband 2.0. Experts say this increased bandwidth -- when it becomes widely available -- will have a profound effect on everything from our social interactions on the web to the way we consume media."

My comment: High definition is certainly the key to a meaningful content consumption (or shall I say 'content engagement') on the Net, in the long run. Forgot those lousy MP3 sounds and give me full CD quality - another 3-4 years and we'll have that, as well, imho - and I just can't wait.

"Mr. Waters says that first and foremost, we can expect everything to go high-definition: We'll download HD movies from Netflix, upload HD content to YouTube, and watch more sophisticated HD content on our televisions. The added bandwidth may even spur development of extra goodies, like stereoscopic 3-D video and high-fidelity audio. Believe me, the minute someone puts the pipes out there, people will find a way to use them," Waters says."

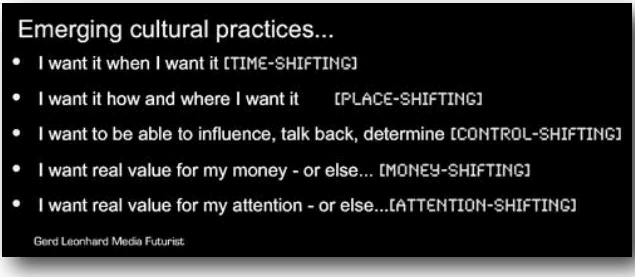


My comment: this is why Telecoms, ISPs and Wireless Operators *must* engage with Content NOW. It's time to leave the good old idea of the 'stupid pipe' behind and move onto the Service + Content Pipe concept. This, to me, means a concerted push for new content licenses and flat rates. The Internet is the new Broad[Narrow]Casting Platform, and it needs to be licensed accordingly. This is not at all an argument for ISP liability - rather, in my view, the liability for monetizing this development rests with the Content Owners not with the Networks. Put up (i.e. license) or shut up - to speak frankly.

"If you put a 60 Mbps service out there, people are also going to want to have services associated with it. Yet no one is going to create those services unless the 60 Mbps is there," Water says. That hesitation may not last long, because consumers always find ways to use up whatever bandwidth is available -- and then some -- says Rudolf van der Berg, the author of a recent study on the future of fiber networks (.pdf)." Content is now Context and Conversation, too - and therefore, and in this new definition *only*, is King, once again.

Copyright law should distinguish between commercial and cultural uses (Cory Doctorow in the Guardian)

Cory Doctorow (one of my favorite writers - his recent book "Overclocked" is a must-read if you like science fiction that is not-very-much-fiction-at-all) has a very good column in the UK Guardian, here. Cory is really good at nailing stuff down that is otherwise left in more murky waters - here is a high-light:



"We need to stop shoe-horning cultural use into the little carve-outs in copyright, such as fair dealing and fair use. Instead we need to establish a new copyright regime that reflects the age-old normative consensus about what's fair and what isn't at the small-scale, hand-to-hand end of copying, display, performance and adaptation..."

TV can avoid the music industry's fate and survive the digital age (via The Atlantic, Michael Hirschhorn)

The Atlantic has a good feature on the future of TV here. Some of it really rocks, some of it I would question. As usual, here are some highlights and comments:

"My friend Mike and his wife had done away with their TV entirely and instead had set up their 20-inch iMac wide-screen as the focal point of a kind of jerry-rigged home theater; with no grievous loss in quality, they were feeding it with content from iTunes, various other Web-based media services, and DVDs. In doing so, they had dispensed with those hefty cable bills and had asserted an icono-clastic form of control over their media lives...."

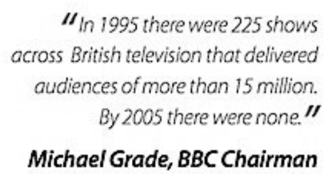
My comment: This is exactly what I am planning to do at my home - if this trend holds up it certainly changes the TV landscape ;)

"In the future, TV will mean a cacophony of professional and amateur short- and long-form content shipped via a variety of platforms to a variety of devices, only one of which is the Sony BRAVIA taking up too much space in your living room. Then, that content will be edited, poked at, commented on, parodied, and rebroadcast by you the former viewer—now "user"—to whomever you choose. Who gets paid by whom to deliver what to whom in this new dispensation is, as in every moment of grand tectonic digital shift, the $60 billion question...."

Well put!

"According to a recent study, the majority of Internet users watch roughly 3 hours of video on the Web each month, compared to the average person's 4.5 hours of TV each *day*. For all the hype surrounding Web video, it was not surprising that NBC, responsible for 40 percent of iTunes's video sales, had earned only $15 million last year on those sales..."

My comment: good stats (but it's not the same outside of the U.S.!), so yes indeed, we are early - much like digital music 3 years ago. But now it's the only game in town. It takes longer but when it hits it's huge.



The next quote is very important since it addresses the differences between Music and TV:
"The traditional-TV model is altogether more user-friendly. It's free, or at least the costs are buried in cable bills (where, my Houston friends notwithstanding, years of learned behavior dictate that this is simply a cost to be borne), or they are buried in the more recent "triple play" offerings from Comcast and other companies that bundle cable with phone and high-speed Internet, obscuring the costs even more..."

My comment: this maybe a key point to the future of music - the costs must be bundled more, obscured if you wish, made less painful... i.e. feels like free!

The next paragraphs is where I don't quite agree: "In the past couple of years, the TV networks have thrown their shows onto the Web willy-nilly, some on their own sites, some via AOL, Yahoo, and so forth, and some on new ventures like the aforementioned Hulu. The logic is that if they don’t, someone else will; indeed, a dedicated surfer can find most any show through sub-rosa peer-to-peer file- sharing systems that are used by an astonishing proportion of Web surfers, perhaps as much as 70 percent of the total. In the age of distributed media, you give the people what they want when they want it, where they want it. “If they want their show to succeed, they’ve got to get it out in front of as many people as possible,” an analyst for the technology research firm Forrester said of the Big Four broadcast networks, articulating the moment’s conventional wisdom and following it with a typical note of alarm: “The window is very short.”

But as the music industry learned very quickly (and the newspaper industry before it), this model swiftly turns you from a business to a charity, undermining the value of your product even as it brings your content to a larger audience. This is because advertisers and broadcasters have yet to settle on a protocol to sell advertising to accompany the near-infinitude of available content, and consumers are not yet ready to spend a lot of money paying for downloads. As NBCU’s Zucker put it in announcing the end of the network’s iTunes deal, “We don’t want to replace the dollars we were making in the analog world with pennies on the digital side.”

My comment: This is a real valid concern, of course, but here is the bottom line: you may not like it but you don't have the choice of withholding your content from the digital networks, and from those users that will convert, slice & dice, and upload them, as they see fit. Yes, in principle, you have copyright laws, you have enforcement tactics, you have leverage - but will the insistence on Copyright Law and the long- standing tradition of Exclusive Control actually make you money in the future? Will the old system i.e. the good many $$$ you made while ruling the analog world still be available? Will you have the luxury of choice and prior approval? Will you be able to refuse the license? Refuse participation?

Well, I think the answer is clearly NO. While this may be upsetting it's not the end of the world -it's just the end of the media-tollbooth system of the past; i.e. who pays who for what, and when. Spend your energies on setting up a new tollbooth logic, and not on enforcing what worked in the past. Read my TV2.0 post.

Michael (the author), finishes it off with a nice twist, then:

"As TV and the Internet converge into something generically known as broadband, the distinctions between the two will soon become nugatory from a consumer point of view. But will this resulting hybrid be more like TV, plus interactivity; or more like the Internet, plus TV? The distinction will be worth billions to whoever gets there first and organizes this mess in a fashion that’s satisfying for consumers. The networks and cable companies, therefore, will need to move quickly to find a way to package the different streams—professional and user-made, broadcast and Internet—into a huge, interactive library, all easily and pleasingly accessible on demand and portable to whatever device people are overpaying for at that moment. When they do, they can call it Web 3.0, and everyone will want to get it...."

The Future of Music - as shown in Korea?

Mar 27 2008: CDs are dead, and Korean impresario Jin-Young Park knows it. American music labels could learn a thing or two from the model he's built in South Korea.

Highlights "In meetings with music labels here, they talk to me about releasing albums," says Park. "They can't accept that there's no such thing anymore. Where I come from, CDs are nothing—they're just souvenirs. I tell them, 'Wake up!'"

"In South Korea, where Park is building a new kind of music-business model, 80 percent of households have a broadband connection; downloads via both PCs and cell phones make up an overwhelming share of the nation's music market. Download revenue there has soared 422 percent since 2000, to $366 million, while CD sales have declined 83 percent over the same period to just $70 million in 2007...."

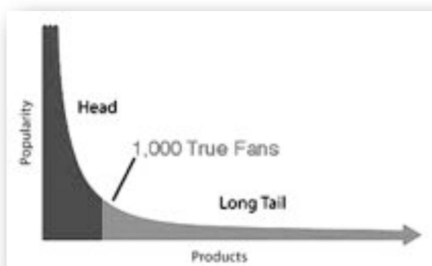

"It's the **artist as brand**: In Korea, consumers don't buy music; they buy a product **relationship** that reaches across every media platform and entertainment genre..." Portfolio.com

Read this and say YES: "It's the artist as brand: In Korea, consumers don't buy music; they buy a product relationship that reaches across every media platform and entertainment genre..."

"Fans of the group can buy tickets for their live concerts at $110 a pop; purchase a growing array of their merchandise (the names and faces of top K-pop stars adorn everything from $5 phone cards to $500 cell phones and music players); download ringtones featuring their songs ($2); and even make bids on a charity auction for a dinner date with the girls on the popular social-networking site Cy-World (five fans paid between $3,800 and $6,000 for the privilege last year). And if all that's not enough, fans can always tune in to the Wonder Girls' reality TV series, now in its third season as one of MTV Korea's top-rated programs..."

Kevin Kelly: The Technium - 1000 true fans is all you need

This is a must-read for all artists looking to build their audience: Kevin Kelly -- The Technium. "Other than aim for a blockbuster hit, what can an artist do to escape the long tail? One solution is to find 1,000 True Fans. While some artists have discovered this path without calling it that, I think it is worth trying to formalize. The gist of 1,000 True Fans can be stated simply: A creator, such as an artist, musician, photographer, crafts-person, performer, animator, designer, videomaker, or author - in other words, anyone producing works of art - needs to acquire only 1,000 True Fans to make a living.



A True Fan is defined as someone who will purchase anything and everything you produce. They will drive 200 miles to see you sing. They will buy the super deluxe re-issued hi-res box set of your stuff even though they have the low-res version. They have a Google Alert set for your name. They bookmark the eBay page where your out-of-print editions show up. They come to your openings. They have you sign their copies. They buy the t-shirt, and the mug, and the hat. They can't wait till you issue your next work. They are true fans...." Great stuff.

Future Stories #1: Blogs will be Record Labels, and Bloggers will be the new Music Moguls. BlogJs anyone?

Within 2 years, the leading music blogs will become what used to be called 'Record Labels'. The people running them will be those sharp, tuned-in, hyper-networked and resourceful BlogJs formerly known as bloggers. They will use their blogs as the primary attention channel (yes - attention really is the new distribution) and will dish up a complete, interactive and highly relevant multi-media experience that will include TV shows, chats, webcasts and games. Forget about 'websites' and browsers - the BlogJs will do it on all platforms and devices.

The future brings 1000s of micro-music-channels that will literally broadcast - or rather, 'narrow-cast' their longtailing creations - be it text, audio, images or videos - to their hungry subscribers using MediaRSS feeds and customized my-stuff-pages such as [fiction alert] imoogli, beatwibes amd muflakes that will 'live' on any connected device, e.g. your mobile, your TV, your computer, your interactive bathroom screen, your wrist watch, your wimax-ing car radio, or your new P2P global gaming network. Widgets will continue to become instant, ubiquitous mini-site modules that will allow anyone to re-distribute any kind of content, to any device and any platform, anywhere. Most marketing will be done through and with the users - and some of them will get paid for it, too.

BlogJs will attract an influential, engaged and proactive audience by flouting their charismatic personalities - indeed, these disruptors, thought leaders and influencers will be our future broadcasters. Like digital-age editions of 'analog' radio personalities such as the BBC’s John Peel (rip), these BlogJs will lead the way in matters of coolness, style, technology, gadgets, trends, politics, fashion and games, using new platforms like [fiction alert] Muserati, Digggster, Musicious, Lovenotion, MyDace and many others. And yes, many of them will be from China, India, Russia, Brazil, Indonesia or Mozambique. Goodbye anglo-centric blogoshere...

Social Networks are the new Broadcasters

...and they will broadcast to (and from!) those always-on, always-within-reach and utterly personalized mobile devices fka mobile phones, not just to or from computers. Blogs will amalgamate with, and integrate into social networks. Personal publishing will evolve to include entire ‘me-casting’ toolboxes. My taste, my list, my ears, my audience, my artists, my network i.e.... you guessed, it, my record label. Another 9-12 months and we will have the the first BlogJ signing the first hot new artist to a agency-type agreement.

Music blogs will explode with the advent of the new music fat rate. Sites like [fiction alert] Quadrogum will rule, and blog aggregators like UeberFeed will become the next Infiniti Radio. Widgets will become as common as email (which will fade away). Hundreds of niche-obsessed BlogJs will emerge, becoming trusted opinion leaders that will draw 10s if not 100s of 1000s of networked music fans that will discover new music this way - strictly by lifestyle i.e. genre and sub-sub-sub-sub genre. Much like it used to be in music-television; coolness and credibility will rule here. (photo above from flickr.com/lynetter)

Those former MP3 pirates and stream-rippers are the new Clive Davis's and Ahmet Erteguns - they have the ears for the new artists and a direct pipeline (read: feed) to perfectly matched audiences, around the globe.

BlogJs will open clubs and spaces where their 'readers' can meet, both in RL (Real Life) as well as virtually. Think [fiction alert] HypdaBar. The [fiction alert] nipho9-5 (see box on left) will be their weapon of choice, fully loaded with a 20 mega-pixel camera and HD Video recorder, quadrophonic real-time sound remixer, 10+ ways of always-on connectivity, 2.5 terrabyte of flash storage, and a build-in image projector.

Once flat-rate music offerings become the standard - and they will, without a doubt (see more details here) i.e. by early 2009 - music-based blogging will be unleashed in a major way and stands to become very powerful very quickly - everyone is going to want a piece of that hot new BlogJ. This is when we will see blogs become record labels *and* music publishers (albeit with an altogether different operating paradigm), filling the gaping void that has been left by the dinosauric and hopelessly control-obsessed major labels, those large indie label chiefs that still hope to become major label bosses themselves before the money dries up, short-sighted and technologically hyper-challenged managers, and eerily self-outmoding public broadcasters.

In less than 2 years from now, ubiquitous and fully legal yet 'feels like free' music offerings will bring us music bloggers that will become bigger than the biggest radio DJs we've ever had. And just like a lot of successful radio personalities before them they will move on to become A&R people and label owners, too. The difference is, of course, that they will have powerful, direct, zero - friction distribution channels at their disposal, and a loyal global audience, built-in and ready to go. All they have to do is keep on earning and retaining the attention of their users.

Look for those new BlogJ's to attract highly-targeted and 'loaded' advertisers, steered by forward-looking major-brand CMOs and next-generation creative agencies such as TribalDDB or Droga5. These ads will pay as much as $5 per click-thru (CPT), with major brands 'sponsoring' music blogs that fit their exact brand vision.

Once the bizarrely overdue and tired issue of 'how to legally provide streams and downloads of any song I choose' is solved, so that a BlogJ can *finally* use music just like a radio station uses music (i.e. powered by a collective voluntary blanket license), music blogs will explode and quickly increase their reach beyond the current blogosphere inhabitants and netizens, beyond the computer, and most importantly beyond the web browser.

Imagine a blog that streams a personalized radio channel via a mobile application that sits *within* your favorite social network - this is the next radio! Whether or rather how you will get to keep the music will not be relevant any longer - what matters is the selection, the endorsement, the context, the relevance. No longer are we going to be hungry for just any music provided that it's free, now we are hungry for relevance. So, here is some advise for the last few incumbent record labels of today:

- Dive into music blogging, NOW - either start your own or engage with existing ones...
- Build a global network of bloggers that you can 'feed' with your music. Engage, talk, learn...
- Get ready to invest time & money in the top blogs
- Look at bloggers as your next A&R people

Soon, a music-RSS feed from the leading goa-pop guru can be just as valuable as those hip shows programmed by Nick Harcourt at KCRW or by Stephen Hill at Hearts of Space (and theirs will be even more renowned).

Once broadcasting is legally and officially delivering music and the myriad of bizarre licensing problems fall by the wayside, bloggers will quickly morph into record labels. Artists will 'sign' with them to get their official approval which will mean instant notoriety in your target audience.

Breaking the Law To Get a Break (via Washingtonpost.com) - Sonific's challenge of making it work with 'legal' HIT content "

For many other start-ups, it's a tough trade-off to become legitimate. Like Imeem, Sonific, an online service that allows users to stream music to blogs or personal Web pages, is trying to strike licensing deals with large record labels to expand its music library, which now has abo

ut 250,000 tracks from smaller, independent labels. But Gerd Leonhard, the site's founder, said it cannot get the interest of labels because of its relatively small pool of 100,000 users. "Our major hurdle is that we're trying to do it legally," he said. "You're either forced to use the music without the proper permission or you just don't get your audience."

Nice to see that that Kim Hart (the Post writer) got this right. I have written about this a few times before: right now law-abiding startups like Sonific are essentially penalized and severely handicapped by the lack of clear licensing procedures and the major labels' outmoded business strategies.

Here are some more thoughts on this: While there are countless startups providing any and all music catalogs under some 'fig-leaf' licenses or without any permission whatsoever (whether using streaming widgets or other means... nope, sorry, no names here;) the major record labels still manage to choke any intention to license their catalogs by demanding exceedingly large cash advances, insisting on fixed per-stream payments, asking for 'free' company equity to get deals done, and on top of it all want to impose bizarre usage restrictions. Mission impossible.

Clearly, they *seem to prefer this turf to remain unlicensed* rather than to allow workable market-based solutions to emerge. This behavior is killing a very powerful newly emerging ecosystem because one cannot operate a music-based service with just the 'longtail' content - a dog without a head simply does not walk, yet.

A startup such as Sonific that wants to provide interactive streaming 'music widget' services - and that will clearly need a large audience to be relevant - must either a) live with being constantly criticized by the users for the lack of hit content, and therefore not attain a sufficient audience b) proceed to use music without the required licenses, and therefore be at the total mercy of the record labels at some point in time, i.e. when they feel like dropping the 'copyright infringement' hammer c) build a huge audience very quickly, based on having all content available - permission or not -, and then quickly sell themselves to a large company that will take care of placating the labels while the money is plenty and the pockets are deep.

I don't know about you, out there, but none of these choices sound good to me. Almost a billion people now use music to stream on their blogs, social network pages, home-pages and user profiles – this is indeed a veritable gold mine for music marketing. Yet, the established players in the music industry are still looking to simply squeeze 'permission fees' from companies that want to serve this market, instead of building a new market together.

The End of Control: Mobile Media Un-Control in Your Pocket!

Remember when, a decade ago, being online meant sitting at a large, loud, and ugly machine that was tethered to a wire that got you the digital juice? Now return to today, where the Net lives in our pockets, inside silent, slick, always-on devices that are getting cheaper by the minute, propelled by bandwidth and storage costs that are plunging as well. What a difference this is making to how we consume media! Zoom forward another ten years and you'll see Control of Media faded in the rearview mirror, a tiny blip thousands of miles behind you.

You will also see Anglo-American media dominance fade: Recent Infonetics statistics show that worldwide, 47% of mobile subscribers come from the Asia-Pacific region; 36% come from Europe, Africa, and the Middle East; and a mere 9% come from North America. Geographical differences, electrical power issues, and a lack of wired infrastructure mean that many people will see their first webpage on a mobile device, not on a computer.

So, first, two clarifications:

1. A mobile phone is a computer is a media device is a copy machine is a radio is a broadcast tower — here, today, now. This mind-jarring convergence of devices and previously separate realms of technology is already upon us, and will be even more pronounced in the future. And yes, there will be no single user interface, no single type (or brand) of device that will dominate, like the good old transistor radio did. Instead, people of different ages, in different cultures, and in different locations will buy many different types of devices, some bundled with content, some not. Fifteen-year old kids in America may buy slick devices that are interconnected but mostly not used as telephones, 22-year-olds in Asia will want online chat rooms, virtual worlds, and VoIP-calling fully integrated. But either way, this is certain: the days of the single-purpose, stand-alone (i.e., disconnected) media player are over, and so is any chance to control what content can be stored in it. Technology has already led the quest for total control into absurdity; now we have to be smarter to generate some trust-based "control" (what I have come to think of as Trustol in this new system.

"The handset will be the world's Internet platform, and it will be open." —GigaOm

2. There is no such thing as the "mobile Web" — no special place to go if you're on your mobile, no special technology to use, no plug-in to install, no special way of accessing the Net. There are, of course, vast differences in design and user interfaces (driven by size, power restraints, and display types), as well as wide-reaching differences in user behavior. And therefore, different kinds of content will be successful in different contexts. But when we talk about mobile media, we can no longer assume some sort of separate realm that is cordoned off the overall Net. Therefore, any hopes that mobile media will not go where the Web has already gone — albeit in a mostly tethered, desktopped, crude kind of way — are not realistic. Moreover, any hope of "protecting content" (a pitiful euphemism for setting up hurdles to somehow wrest unavoidable payments from the users) now seem quite far-fetched. Far better just to make the content available and meter its use.

A Third Dimension in Change: Time, Place & Location Shift

Mobility is now *the* major driver in media, and this trend will become even stronger. First the People Formerly Known as Consumers got used to time-shifting (via cassette recorders, TiVo, VCRs, and DVRs), then they came to like place-shifting (witness Slingbox, Avvenue, SongBirdNest, *et. al.*), and now they can get it all, anywhere, anytime, *even while moving around* — and for what feels like free!

Media companies used to be able to control not just what and when we consumed, but also *where:* whether in front of the TV (i.e., the living room), in the car (as with terrestrial radio), or, more recently and in a already much lesser way, in front of that clunky, tethered desktop computer. In the future, most of these tried-and-tested means of control are toast: People will consume their media when they want, how they want, and where they want — and chances are it will be while they are on the move, with the only real distinguishing factor remaining their customized user interface, their personal media canvas.

Now put yourselves in the shoes of a major media company, and you'll get a glimpse of the annoying headaches this immanent change is sure to produce. Just tell yourself, "Most of my users — the people formerly known as consumers — will start using mobile devices for their basic content needs within the next five years, and the harder I make it for them to get *my* content, the less I will matter to them." Loss of mattering equals loss of audience equals loss of revenues. Are you with me so far?

Got Trustol? Just like every phone now also has a camera (and if not, it is by design, not by omission), every mobile device and every phone will soon be constantly connected to the Internet as well, and we will come to think of them as those little boxes that can do pretty much the same things as our good old desktop computers. The only difference will be the interface, of course — and that is where some elements of what I have come to call Trustol (i.e., some element of user control based on trust) comes back in.

Creators and their representatives (managers, media companies, and rights organizations) must therefore act urgently on the basic fact that all media is rapidly moving to mobile devices rather than being confined to computers or traditional *media boxes* such as TV and radio. If you thought it was hard to control what people do with your content on the computer, you should think again: Mobile devices will make this look like a walk in the park, with media-sharing via those "boxes formerly known as computers" representing only the tip of that 1,000-foot iceberg.

The Default Media 2.0 Box is the Mobile

While only ten years ago *mobile devices* meant cell phones, PDAs, or MP3 players, today mobile devices are full-fledged computers. In many newly developing countries, in fact, many users will never even buy one of those Media 1.0 boxes. They will use mobile devices to listen to music, access the Web, connect to favorite social networks, watch TV shows and movies, and connect with each other at the same time. The previously disconnected media-playing device has now become part of the connected ecosystem — see the iPod Touch or Nokia N95. Soon, it will be hard to tell whether a device makes phone calls via the cellular network or via the Internet, connected through Wi-Fi or WiMAX. In fact, the very definition of "phone call" will likely be rewritten, since it's not longer a phone making a call but just a mobile computer calling another mobile computer, "phone" UI or not.

Mobile Control-Stoppers

Let's consider the crucial characteristics of mobile devices and why they are control-stoppers in the purest form:

1. They connect to high-speed data networks and the Internet.

2. They connect to the devices of other users, whether nearby or virtually local.
3. They offer instant communication and sharing with other users (as well as other computers).
4. They can do something on the go that used to require a fixed location, i.e., bookmark a song, image, or text; exchange tags or feeds; scan a bar-code; record and distribute a video; listen to digital radio; record and distribute audio, etc.

It is these endless combinations and possibilities that make mobile devices so powerful and habit-forming (and thereby impossible to control): All of a sudden we can read our customized, always-updated newsfeeds anywhere, anytime (including offline); we can identify songs we like, bookmark them and download them when near a broadband; we can pull up maps of favorite locations and send them to anyone on our buddy list; we can shoot a video and send it to our friends or upload it to a media portal; we can remix a ringtone and Bluetooth it to anyone in range.

Mobility is blowing the top off the house of cards that was “controlled media”; it’s the final nail in the coffin of DRM, TPM and whatever other M’s were cooked up in those disconnected ivory towers. With a click on the button, we are now connecting via the cellular networks, via Bluetooth, via cable, via WiMAX, via HD and DAB chips...and that’s only the beginning. With the price of some high-end mobile devices already surpassing cheap laptops and desktop computers, it is not surprising that mobile device capabilities are exceeding computers now as well, with the next big frontiers being fuel cells and new display technologies.

Now, it’s no longer the mere access we long for, it’s to have someone solve the Paradox of Choice for us: too much, too quick, too-many-options media content will pose much more significant challenges than getting access ever did. (I’ll address this opportunity in my upcoming chapter on the Paradox of Choice.)

Digital Natives: Hyper-Powered by Mobile Media Devices

Just imagine these powerful mobile devices in the hands of those pesky digital natives, the download generation, the echo-boomers: Five hundred gigabytes of media at their instant disposal as they roam public places, eat in a restaurant, or sit in a subway car. Instant connections made with buddies and new friends, on the spur of the moment. Music passed around like personal greeting cards, music being remixed by several users simultaneously, and then uploaded to their favorite social networks. On-demand streams of music and video, provided by more than a billion people who mingle on thousands of social networks.

New mobile media applications will be developed that will make Shawn Fanning’s original Napster look like a Model-T Ford, with installs of hundreds of millions for the hottest apps not unthinkable.

This is, naturally, manna from heaven for the hardware manufacturers, the companies that make these devices formerly called phones: people who want to connect, communicate, share, listen, and watch — while on the move — everywhere on the planet. And once the already omnipresent digital content actually is blessed with legality, in the form of blanket licenses and flat rates, it will be a boon for the telcos, too. (I discuss this in my upcoming chapter “Telco 2.0: More Dollars with Less Control.”)

If we can say one thing for certain it is that any restriction that could possibly reduce the users’ power will be avoided like the plague. Competition will be fierce, and with sales in the hundreds of millions of units, the profit potential is significant and any impediment to fast user adoption would be suicide. In other words, no mobile device or handset manufacturer, or operator, will risk alienating their users with content-protection related malware or other software hurdles; rather, the enormous potential of mobile media will further accelerate the adoption of flat-rated content and connectivity models — starting with music.

Media Is the Mobile Lubricant

Now and in the future, media content is that crucial lubricant that drives the ever-increasing use and ever-faster adoption of new devices (and their related services); it’s the oil in the engine of communications, and the higher the performance of the device, the better the oil must be.

Looking at the first few groundbreaking devices that fit the “mobile computer” category, such as the Apple iPhone, Nokia N95, and Samsung F330, it is already quite apparent where this is going: more powerful means of media consumption and communication (which means more sharing, all the time), lesser restrictions designed to spur large-scale user adoption, and a seriously increasing pace of device convergence. Get ready to make Skype calls on your PSP, watch live television on your iPhone, listen to KCRW or Danish Radio or the BBC on your Oakley MP3 sunglasses, and receive RSS feeds on your wristwatch.

While Apple may, for now, try to cling to a tight control over what new iPhone and iPod applications can be developed and offered, I would already consider it a key “EoC Moment” when Apple concedes that it must actually open the iPhone platform to outside developments and make an SDK available. I predict that in the long run even their control concerns will fade. If indeed they want to become a truly dominant player in this turf and not just a cool, exclusive brand for individualists, they will have no choice but to open up their nicely walled gardens.

Watch for Apple to compete directly with Nokia, Samsung, LG, and Motorola for dominance in mobile entertainment and communication devices — and my bet would be on Nokia since it has the most longterm view of what it wants to do, the most balanced culture-vs.-business mindset, and the sheer tenacity that will be required to address a myriad of issues. But then again, there is Google....

Caveat Emptor: Will Mobile Media Promote a Blip Culture?

Clearly, mobile media will be subject to even more competition for attention than media consumed on those big boxes in our living rooms. While you scan the news feeds on your mobile device, a new text message may arrive, a Bluetooth-powered friend may want to connect, or some location-based service may make itself known — and all this while your customized Internet radio station is playing and your emails are coming in. The user's attention will be seriously contested, and that may change the way that people package the content they send.

Whether this is for the better or the worse remains to be seen. But a real concern is that due to the level of "attention competition," any content that is too deep, too ambitious, or simply too long would fall by the wayside — and that would severely dilute the quality of media offerings. In the meantime: Be mobile, be liquid — or be gone.

Cordweekly.com - The future of music (CMW 2008 coverage)

A comment on my keynote at Canadian Music Week 2008: Cordweekly.com - The future of music. "At the "Digital Music & Media Futures: New Business Models" demonstration, music futurist, author and CEO of Sonific LLC, Gerd Leonhard discussed the problems facing the music industry and the ways in which they can be turned into opportunities instead. Stating that the major record labels have forever lost the "control" that they once held over the means of distribution, Leonhard argued that it is time for the industry to embrace the changes that are occurring. "What we see right now is basically wasted enormous potential," Leonhard said during his keynote address. Rather than turning to distribution models like iTunes, which essentially attempt to transfer the old model of selling tracks or albums to a digital world, Leonhard advocates an entirely different business model. Under Leonhard's model, publishing and distribution agreements will be re-written in order to allow music fans and consumers to access music without having to pay for each song or album.

Under this approach, music will be used as a form of content, which is licensed to various websites, who will in turn use advertising money to pay for the licensing fees.

"Consumers will pay with attention," said Leonhard, as he argued that advertising will offset the costs associated with producing and distributing music. However, in order for a networked approach to selling music to work this will take "collaboration and agreements to get the music out there," said Leonhard. While these approaches have yet to reach the mainstream, they are already being developed and are set to launch...."

Dropping Off The Beat (Forbes.com reports from the Digital Music Forum)

Louis Hau at Forbes has a good review of what transpired at the Digital Music Forum in NYC on Feb 26 / 27: Dropping Off The Beat - Forbes.com. "While piracy is a serious challenge for the industry, the major labels have been so focused on combating it that they are stifling the emergence of new business models, argued Gerd Leonhard, a media consultant and chief executive of music Web site Sonific. "If you want to innovate in the music business today ... either you are illegal, in a gray zone or you don't do it because you don't get to do what you have to do to

please the user," Leonhard said Thursday. "Everything that’s cool is forbidden," he added, arguing, for instance, that the major labels oppose services that allow users to share music without permission, even though doing so could potentially expand the audience for the music. "It’s not that we're against sharing, we just want to get paid," countered Syd Schwartz, senior vice president for digital strategy at EMI’s Capitol Music Group."

Comment on Forrester Report: Digital Music Download Sales to Pass CD Sales by 2012 but CD Sales drop dead (Digital Media Wire)

Nice to hear this from Forrester: "Despite the rise, digital will still not compensate for falling CD sales, which will drop off to just $3.8 billion in 2012. "This is the end of the music industry as we know it," said Forrester principal analyst James L. McQuivey...."

"The firm also noted that "experiments in ad-supported downloads will be silenced by the powerful combination of DRM-free music and on-demand music streaming on sites like imeem.com." “The industry has to redefine what its product is,” said McQuivey. “Music executives have spent years tracking CD sales. But the artist is the product - not just the source of it. New forms of revenue will come from unexpected sources. For example, the industry has failed to capitalize on the growing popularity of video games such as Guitar Hero and Rock Band. In a market where musicians are happy to sell a million copies of a CD, a video game market where titles can sell five million copies is enough to motivate even the most depressed music executive.”

Indeed but I don't agree on the impact of these trends on ad-supported music models: after all, the likes of last.fm and imeem (and soon, myspace, and many others) will depend very heavily on ad supported revenue streams. The Future of Music is in ACCESS, first, and only then in PRODUCTS. Metered, flat-rated acess, with 100s of upstream-selling options on top. And with ads2.0 creating new pools of money. See this marvelous illustration, below...

Among the drivers of Forrester’s five-year forecast for music sales: *MP3 player adoption. The average MP3 player is only 57 percent full, suggesting that the devices are underutilized, while more of the devices are being bought by households with more than one MP3 player. Moving forward, a majority of MP3 players will be sold to households that already have one * DRM-free music. With the four big music labels now committed to eliminating digital rights management (DRM), DRM-free music will extend beyond pioneer Amazon.com to Apple iTunes and the other major online music sites. * Social networks. DRM-free music enables every profile page on MySpace.com or Facebook to immediately become a music store where friends sell friends their favorite tracks.

Welcome to Paul McGuinness’ next version of the Internet: policed, censored, throttled and fully under his control (a comment on Paul's speech at MIDEM 2008)

Here, finally, is my rather long-winded response to Paul McGuinness’ MIDEM 2008 speech. On January 29, 2008, I sat in an auditorium at the MIDEM conference in Cannes / France, listening to U2’s manager, Paul McGuinness. Paul delivered a chilling speech that, hands-down, accounts for one of the worst moments in my 10+ years at MIDEM (and yes, there were a few others).

I was very seriously challenged to listen to Paul’s entire spiel without jumping up and telling him how much he is barking up the wrong tree, and how much damage he is doing with this performance. But the worst part was yet to come: after Paul's speech a panel of managers ensued that that – apart from a good friend, the ever-sparkling Peter Jenner - was so obviously fanning Paul that I simply had to leave the auditorium in a hurry.

Paul’s speech single-handedly ruined my day, overshadowed an otherwise quite interesting MIDEM and left me with a sinking feeling about the Future of the Music Industry, a topic that I have occasionally addressed in the past;).

Imagine one of the most progressive musicians (Bono), one of the most amazing bands ever (U2), represented by a man that sounded like he has been out snow-camping in Greenland with his buddies from the IFPI, BPI, RIAA and UMG for the past 5 years. Ouch.

So, here are few comments on some of the hand grenades that Paul threw into the audience during this occasion.

To quote Paul: “And as it turned out, the "Safe Harbour" concept [that governs the ISPs’ liability] was really a Thieves' Charter. The legal precedent that device-makers and pipe and network owners should not be held accountable for any criminal activity enabled by their devices and services has been enormously damaging to content owners and developing artists…”

Let me ask you this, Paul: do you really advocate web sites, communities and networks scanned and censored, emails read and screened, Instant Messenger conversations monitored, Skype calls supervised, USB sticks DRM’ed, hard-drives sealed, flash memory cards locked, rootkits and software locks on our computers, a read-only web, the end of remixes, and the implementation of an online police state that without a doubt will only bring us new censorship and the demise of fair use and free speech while the un-paid and unlicensed trading of music will soar to new heights in 100s of new ways that we don’t even know about today? If, according to the gospel of McGuinness, this should be done with music, how about films? TV? Cartoons? Logos? Images? Texts? Books? Magazines? Who decides what’s okay to use and what not? You? U2? AllofU? Your new company maybe? Your buddies at UMG? Or someone you assign and control?

Any hope that I *may have* had about the managers - along with the artists they (I thought) represent, and maybe along with the writers and composers - forcing some *real* change on the music industry right now were obliterated by Paul’s rant which most of time sounded like it was remotely scripted by RIAA, IFPI, BPI or UMG. Lobbying talk in its most classic form. Any hope that I had for the ISPs and telecoms even wanting to discuss the possibility of a blanket license for the 'feels like free' use of music on their networks was slashed by Paul's incredibly misguided and counterproductive speech.

Says ueber-enforcer Paul: “A simple "three strikes and you are out - enforcement process will see all serial illegal uploaders who resist the law face a stark choice: change or lose your ISP subscription…”

Paul, with all due respect, this is bizarre. How about a simple ‘one license and you’re IN’ proposal by the industry, led by people who know what's real and what's not, something that would actually turn all those alleged micro-criminals into engaged and bankable consumers, market participants, revenue generators? I can’t fathom why you still don’t you get it – these people LOVE MUSIC. Your artists. Your bands. All you need to do is MAKE IT AVAILABLE without asking for the moon, and without treating them like thieves. This kind of attitude will sink the ship, Paul – and not just yours.

> I say to you that the VCR is to the American film producer and the American public as the Boston strangler is to the woman home alone.

McGuinness’ incessant calls for tougher laws, more enforcement, more internet police, more CONTROL, more special forces that hunt down every possible unsanctioned use of content on the Internet are surfacing though-out this speech, making the MPAA's Jack Valenti's (rip) famous quote on VCR users = criminals sound like a socialist mantra. The death penalty for refusing to buy CDs, anyone? Jail for refusal to love DRM? Digital isolation for employing the web for unregulated uses?

Another juicy quote from his speech: “President Sarkozy's plan, the Olivennes initiative, by which ISPs will start disconnecting repeat infringers later this year, set a brilliant precedent which other governments should follow…”

Paul, with all due respect (again), this is an utterly ridiculous concept, and this kind of web-police idea will never fly (and what’s worse, I think you know it!). Even if it were technically feasible to ‘filter’ (as you call it) all so-called unlicensed music from all the networks, everywhere, where would we end up? Digital networks utterly devoid of music because it hasn’t yet been made available by the same people who don’t yet know what IM, RSS, social networks widgets are, or full of ‘secure’ music that is licensed on terms that are an insult both to the users and the companies that serve them - just like we’ve had, until now: loaded up with copy protection and bizarre usage restrictions, and nothing but hurdles for the consumers.

Or maybe you'd like a world where only a privileged few can legally provide music, where distribution is safely back ‘under control’ and 4 or 5 companies run the show? Well, I guess, as long as you are working nicely with one of them it won’t matter, will it? Just in case you haven’t noticed it, Paul, you seem to be advocating some kind of Police State here, a regime, a cartel – somehow it’s hard to believe that you can represent Bono with a view of the world like this. And why do you want tougher laws and a ubiquitous web police? Apparently because you are still, after all these years, unwilling to change the way you have been doing business for 31 years, i.e. under your control, your way or the highway, pay to play. Power. Control. Enforcement. Is that it?

Among the many things that you just don’t seem to get (or that remain cleverly hidden?), Paul, is that the very system you are so used to, that holy operating paradigm of Total Control, is broken at the core, and that more policing, more stringent laws, more criminalization and more attempts at putting CONTROL back into the system, will not make it well again - these attempts at reviving the comatose paradigm are doomed for failure. And the worst part, Paul, is that your artists already know this, I bet.

Again: a true, new, voluntary collective license (i.e. legal framework for national Music Flat Rates) would mean that everybody can legally use music and that everybody pays, somewhere (either with real cash or with attention) - but without the pain of constant needling for a $ per song, without the granularity, and yes, without all that control you seem to be so fond of. Music that is as 'freely' (but NOT for free!) available and as omni-present as water or electricity, with everyone paying and everyone using, and with ubiquitous coverage, accessed via a large number of entry-points (Net, Cable, Wireless, Satellite...), using many different devices, and in many different shapes and incarnations.

It is a fair and equitable system where all users, and / or their service providers (who you seem to hate so much for n*ot wanting to pay you*), happily and automatically make small, 'feels-like free' payments to be able to access a large pool of music, without restraints, all-you-can-eat, anytime, anywhere. A system where the works of any creator and rights holder can easily be found and discovered, used and compensated for, simply by virtue of BEING IN THE POOL, and in the essence, proportionally to the actual use of their works. Sounds an awful lot like Cable TV or like Radio, does it not?

Paul, allow me to call upon your common sense. PLEASE start supporting the fact that we need a new LICENSE that can create this flat rate because everyone will, by default, have access to music, in the connected, digital-natives-ruled world that is quickly coming upon us. Not new sticks - new carrots is what we need.

Let's face it, Paul and whoever whispered in your ears before your MIDEM speech: the user has won, hands down, in the 10-year old battle of "Us (the record industry) versus Them"; the system as we know it is bursting, the dam is broken, and everyone is gearing up for the new models. Google will offer 'free music' in China, Asia and African nations are pondering alternative compensation systems for music, and not a court in the (free) world will make Internet service providers directly responsible for the exact nature of the 1s and 0s they are carrying (unless, maybe, you also want to do away with free speech, fair use and all that other 'hippy' stuff you seem to be alluding to).

No matter how much you liked the way it was 15 years ago, Paul, what you said (paradoxically) in your own speech is coming true right now: *"Access" is what people will be paying for in the future, not the "ownership" of digital copies of pieces of music" .* You are right on this, but where it all goes horribly wrong is when you start talking about whose fault it is: the ISPs and all those California anarcho hippie geek tech companies that have been allowing people to use all that music for free, and making billions on back of other people's work. Give us a break, *please*. What really happened is that they could not and would not be licensed under terms that would allow them to stay alive, and so… they didn't, and they weren't. They had (and still have) the simple choice of shutting down or be illegal - because after a mere 10 years the music industry has not gotten around to offering licenses that actually work, yet. And where have you, and the BPI and the IFPI been during all that time, how did you / they try to change that and create value, rather than destroy trust?

All those great inventions of technology (e.g. the original Napster1.0) *could have been* used to the great benefit of the artists and the other creators – but the threats to the middleman did not allow that. Staying in control was (and apparently, still is) more important than making money for the artists – after all it was only the middlemen who ever really cared about CONTROL, to begin with.

This desperate need for Control, Paul, emanates from your words, loud and clear, and it is this outmoded paradigm that will run the ship into the cliffs; for you can, in the future, no longer retain all control and still make it work for the user. It is THEM who are in charge now – can't you hear??

And about those ISPs you want to force into submission and turn into assistant deputies of the MP3 police: they had to be / play 'dumb pipe' because there was (is – thanks to all those great people you support with your speech) no way for them to avail themselves of a valid, legal, fair license – just like the Radio operators (remember RCA and CBS… anyone?) almost a hundred years ago.

On to another great McGuinness nugget: "*for ISPs in general, the days of prevaricating over their responsibilities for helping protect music must end. The ISP lobbyists who say they should not have to police the internet are living in the past -- relying on outdated excuses fro*m an earlier technological age"

Paul, take a good look in the mirror: isn't it the music industry that is relying on 'everything outdated': outdated licensing schemes, outdated copyright versus broadcast definitions, outdated business models, and outdated hard-ball antics such as yours at this year's MIDEM - a speech that created fear and friction where openness and collaboration would be urgently needed. How disappointing.

But you take it further, bizarrely: "I think the failure of ISPs to engage in the fight against piracy, to date, has been the single biggest failure in the digital music market" to which I can only respond with "the decade-old failure of the music industry to license the inevitable sharing and use of music on digital networks has successfully deprived artists and writers of billions of dollars of income". And why? Because the middlemen (a club of people to which you are confessing strong allegiance) don't want to be lose control over their part of the value chain.

This - KEEPING THE POWER- is the real issue and this is what I took home from your speech. I, for one, can't possibly imagine that your client (U2 / Bono) would agree with your bottom lines here: let's police all of the Internet, all the time, everywhere, so that we can get some control back and run this show like we used to. Oh yes, with a small caveat: we'll talk about that trendy flat rate after you cough up those billions of dollars you owe us from messing up our game. That's just not enough, Paul. Sorry. This is not about rigging things up so that they still are all nicely confined and 'under control'.

The bottom line is that the proposed voluntary collective license i.e. the Flat Rate for Digital Music is probably the only approach that will really work, going forward. It will provide digital music amnesty, offer the ISPs and their users insurance against inadvertent copyright infringement, afford compliance, generate very large pools of money, and build a safe, stable and growing system of music consumption and creation.

Leaving no minefield untouched, McGuiness moves on to talk about the Mobile Music sector: "a lesson for the mobile industry internationally. Don't go the way that many of the ISPs have gone. Mobile is still a relatively secure environment for legitimate content -- let's keep it that way…"

Paul: I hate to tell you this but there is no such thing as the mobile Internet, the mobile web, or your envisioned 'secure' mobile music world. For many people in the developing countries, "Google" will be their first English word, and they will experience the web only on mobile devices (fka 'cell phones').

If you think that content security will be a top concern for the makers of those estimated 4 Billion devices that will be sold in the next 18 months, think again. And if you think all mobile device manufacturers will be paying a nice hefty fee for the use of all music (which is a must) locked up in only those authorized 'handsets' – akin to what your buddies at UMG have received from Nokia – then you are indeed chasing an illusion (come on, now, really, a content-levy for cell phones – just like CDs and DAT tapes???)

Here is the thing: the Music Flat Rate is only the Tip of the Iceberg. The Flat Fee Music concept I keep describing in my books and presentations will only be the very tip of the iceberg of what will happen in digital music commerce if we truly embraced this new ecosystem; in fact, I would say that while flat rate-derived fees would be quite substantial (and of course, recurring!!) they would still only represent less than 30% of the total revenue potential that this new approach would unlock. Some of the other revenue streams could be things such as on-demand live show recordings, interactive webcasts, exclusive pre-releases, advertising revenue shares, special products and many different kinds of new audio-visual products - the list of options is getting longer every day. A budding new $100 Billion industry.

But Paul asks: "So, to conclude -- who's got our money and what can we do"; to which I want to shout back: stop vilifying the users or the companies that empower them (ISPs, search engines, or social networks) – that is a dead end street. You won't control them, ever; you've lost that battle already, GIVE IT UP. The new money is in the Network; all you need to do is license it. Assemble all your friends from the BPI, the IFPI and the major labels as well as the rights societies, and offer an irresistible blanket license for any and all music streamed, downloaded aka used on digital networks, and see the new money roll in for everyone.

But this is the keyword where I think it ends for you, Paul: EVERYONE. It seems to me like you don't want an equal and fair remuneration for *every artist and every company* that represents artists – you seem hell-bend to stay solidly in control of the financial fate of your artists, to create primary benefits for the company that owns their rights (Universal Music Group). If all could be arranged between the top-selling artists and the biggest labels (and maybe that technology company you invested in…?), you'd be a happy man, right?

But sorry, Paul, to break this news to you: it's too late for that. The USERS now run the show, no matter how much you dread the idea.

And one more thing we need to clarify: beyond the proposed Flat Rate comes a huge tide of new revenues from what I like to call ADVERTISING 2.0 –targeted, customized advertising-as-content represents an explosive growth opportunity that many analysts have described as 100x as powerful as the current advertising market. A revenue share from next-generation, personalized and targeted advertising would dwarf any money that we could make just selling 'copies' of songs, and could indeed more than pay for the music in the network.

But Paul said: “it follows from the U2/Apple deal, the principle that the hardware makers should share with the content owners whose assets are exploited by the buyers of their machines…”

To which I would like to respond that the key to monetizing music is ON THE NETWORK not in the devices (or at least, to a much lesser degree). The music is on / in the network, and the money is in / on the network. The solution is a Network License not some private flat rate that one major schemes with one hardware manufacturer. It is not too hard to fathom that if you scaled the Nokia / UMG concept to all devices and all music it would be financially utterly infeasible for the device makers as well as their customers – and you would still be complaining that it’s not enough! The money is in the network, Paul – it’s as simple as that. 1 Euro per week per user would do it, and 1 Euro is also feasible in terms of raising the cash from advertising, sponsorship and upselling - resulting in a very powerful ‘feels like free’ model for the consumers.

Finally, Paul ventures out even further: “the ISPs, the telcos, the device makers. Let's appeal to those fine minds at … Silicon Valley, Apple, Google, Nokia, HP, China Mobile, Vodafone….etc, and the bankers, engineers, private equity funds, and venture capitalists who service them and feed off them to apply their genius to cooperating with us to save the recorded music industry, not only on the basis of reluctantly sharing advertising revenue but collecting revenue for the use and sale of our content. They have built multi billion dollar industries on the back of our content without paying for it…”

This kind of ridiculous whining about other people making billions of dollars of the back of artists is usually reserved to industry lobbyists, Paul – what in the world happened to you?? It is nobody’s job to ‘save the recorded music industry’ but OURS i.e. those that are in this industry (counting myself in here, for now) – why would any of these people be responsible for the recorded music industry’s future? While I understand the emotional part I fail to see your business logic here, Paul. *We could have* provided licenses to all those companies and people a long time ago. *We could have* collected a revenue share. *We could have* used their networks to upsell to other music services. We COULD HAVE. But then there is people like you and all those incumbents you so happily count as friends that would rather stay in total control than collect those new monies, and that would rather call the police than to change their outdated assumptions and business practices.

Here is my bottom line to you, with all due respect for your great work with your artists, Paul: get with the new program or at least move out of the way, and plant your poison pills somewhere else.

Nobody wants the Internet you are calling for, and nobody will want that secure safe controlled and policed music machine you long for.

The quest for dominating in Search and Advertising ends up providing Free Music: Google teams up with Top100.cn in CHINA. Finally: Google as Music Provider!

Compared to Baidu, Google is still lacking market share in China, THE key market for the Future. So now, as the Wall Street Journal reports, Google will team up with Top100.cn to provide free yet fully legal MP3 downloads of music, with backing by the major labels to be very likely (hey... what do they have to lose in China..?). Using free music to attract users to use their search engine and see their advertising - sounds familiar?

Says the WSJ: "The service, which is likely to offer access to tunes from three global music companies as well as dozens of smaller players, could start in the next several weeks barring any last-minute hiccups. The music pact marks a turning point in Google's battle with Baidu to gain dominance in an Internet market that is soon expected to surpass the U.S. this year in number of users..."

The WSJ goes on: "In principle, search engines provide search for people to access music more efficiently. In a broader way, that's a good thing," says Catherine Leung, general manager of Universal Music China. "It's the links and encouraging people to download illegal content that's a bad thing..." That's where the Google effort comes in. Vivendi SA's Universal Music and about 100 other foreign and domestic record labels have been working with Top100.cn, a Beijing-based Web site that currently sells licensed music downloads for 1 yuan (about 14 cents) each, and Google. Together, Top100.cn and Google would provide free MP3 downloads with value added services, people familiar with the plans say. The new search options, for example, promise to give users free access to a database of information about their favorite artists -- from concert listings to links to special ring tones..."

My comment: paying for the music with advertising and by UP-SELLING and offering value-added services - finally, it's here. And if in China, why not in other developing countries and so-called second-world territories?

As I have said on many times before, content license fees can be covered by revenues from Search and Advertising - there is enough money in this to make it work.

This is why the Google China thing a big deal: what we have here is the first embodiment of FREE MUSIC IN RETURN FOR ATTENTION - something the readers of my blog should be quiet familiar with. Techcrunch has a good comment on this, too: "The move into music provision would be a first for Google, and although this deal is directly in response to Baidu, there is always the possibility that with one territory in place, complete with joint venture partner and music deals, that Google could roll this out into other countries in the future.."

On another note, the WSJ says: "Google has not provided any unlicensed links to music products in China even though avoiding music has put the company at a disadvantage..." This, unfortunately, is further evidence for my previous argument (last.fm etc) that as far as music is concerned being legal seems to be a serious disadvantage. What a paradox - hope Google can now break thru that.

All Major Labels to Stream Free Music on Last.fm (Wired.com)

This is HUGE news, for many reasons. For one thing, I would like to know how much they (CBS) paid the major record labels for this but my guess is that it's very very serious cash and other fav-nations marketing guarantees. You'd have to be CBS to get a deal like this done - scale is what matters, here - and that scale they got by using without asking (but yes, cleverly so!). As much as I love Last.fm, once again, it's clear: if you want to succeed in next-gen music ventures, do this:

a) just use the labels' music in any way that you see fit (provided that is in some sort of way legally defensible, at least in some instances, sometimes, somewhere) b) build your audience based on that attractive 'free music' availability (remember... that's the idea behind radio!) and make the best of any and all those gray-zone licenses. c) get a huge company to either buy or back you, and d) THEN do a deal to get the rights to use the music in the way that you wanted to, to begin with.

Did I get this right?

"Last.fm, the social media site acquired by CBS last May, now lets users play any song from the Big Four record labels and thousands of indie labels and artists up to three times, for free. At a press conference at CBS' headquarters Wednesday, executives revealed plans for Last.fm to become "the first website to offer free, global, on-demand access to the largest licensed catalog of music." CBS president and CEO Leslie Moonves kicked off what he called a "groundbreaking" announcement by saying that the company had wondered, "Could this culture meld with our culture? And I'm pleased to say it did.... Community is clearly the future."

Then Quincy Smith, president of CBS Interactive, took the podium to announce an overview of the plan to distribute music from the Big Four major labels -- Sony BMG, Warner Music Group, Universal Music Group and EMI Music -- plus Ioda, Naxos, The Orchard and about 150,000 indie labels and bands, all for free. Each label deal is different, according to Smith. The total number of songs available now is 3.5 million, but the company is aggressively adding content, and Stiksel said it will never stop adding music. "The mission is to have every track available," said Last.fm co-founder Martin Stiksel...."

Seth Godin on the Music Industry (great read)

Marketing Guru Seth Godin has some great morsels to share here. I hope this will be widely read in the music industry as Seth is a very smart guy, all around.

Here are some high-lights that I just want to cut & paste here, since they are pretty much 100% congruent with my views:

"The music business had a spectacular run alongside the baby boomers. Starting with the Beatles and Dylan, they just kept minting money. The co-incidence of expanding purchasing power of teens along with the birth of rock, the invention of the transistor and changing social mores meant a long, long growth curve. As a result, the music business built huge systems. They created top-heavy organizations, dedicated superstores, a loss-leader touring industry, extraordinarily high profit margins, MTV and more. It was a well-greased system, but the key question: why did it deserve to last forever? It didn't. Yours doesn't either."

"Copy protection in a digital age is a pipe dream. If the product you make becomes digital, expect that the product you make will be copied...Most items of value derive that value from scarcity. Digital changes that, and you can derive value from ubiquity now. The solution isn't to somehow try to become obscure, to get your song off the (digital) radio. The solution is to change your business. You used to sell plastic and vinyl. Now, you can sell interactivity and souvenirs." Interactivity can't be copied.

"Permission is the asset of the future...The ability (not the right, but the privilege) of delivering anticipated, personal and relevant messages to people who want to get them. For ten years, the music business has been steadfastly avoiding this opportunity. The opportunity of digital distribution is this: When you can distribute something digitally, for free, it will spread (if it's good). If it spreads, you can use it as a vehicle to allow people to come back to you and register, to sign up, to give you permission to interact and to keep them in the loop. Many authors (I'm on that list) have managed to build an entire career around this idea. So have management consultants and yes, insurance salespeople. Not by viewing the spread of digital artifacts as an inconvenient tactic, but as the core of their new businesses."

"Whenever possible, sell subscriptions. Few businesses can successfully sell subscriptions (magazines being the very best example), but when you can, the whole world changes. HBO, for example, is able to spend its money making shows for its viewers rather than working to find viewers for every show. The biggest opportunity for the music business is to combine permission with subscription. The possibilities are endless. And I know it's hard to believe, but the good old days are yet to happen..."

> "Over and over again, connecting people with one another is what lasts online. Some folks thought it was about technology, but it's not."
>
> **Seth Godin**

Great stuff, Seth. Readers: buy his books, They rock.

A good chance for a Songwriters Strike in 2008?

I think that Songwriters and Composers may very well go on Strike in 2008. Why? I have been watching the writers strike in Hollywood with great interest. To me, this is another great example of how the new transparency of information and the explosion in user-propelled media has empowered the 'Creatives' to realize that *they* are where it all starts. They chose to finally make their demands, regardless of the 'you'll never work in this town again's, and to go up against a closed and outmoded system that has left them little control over their fate, so far.

But here is the thing that's rattling my cage: I think it's basically the same situation for songwriters and composers.

Traditionally, they have put their fate into the hands of publishers who in return have put their lots into rights organizations and societies, so called PROs (Performing Rights Organizations) and MROs (Music Rights Organizations). That all worked okay - some would say - until the Internet came around (darn you Vince Cerf) but the result is a seriously monopolistic system in which a writer does not have a lot of choices over if, how, when and for what his / her music is licensed; unless they are at the top of the heap it's take it or leave it.

In Europe, all writers must be a member of a society such as GEMA, SACEM, BUMA, SUISA etc, in order to collect any public performance royalties, and this is an exclusive relationship (yes, really). You're either in or you're out (and I am out now, btw, meaning no longer a member of GEMA), and if you don't like their licensing policies or their retroactive approach to the Internet that's just too bad.

But after 10 years of watching these copyright functionaries fighting the Internet and all technology-driven changes every single step of the way, it is painfully obvious that the rights societies and most industry bodies (such as the NMPA, CISAC, MPA etc) have *still* not seen it fit to get on with it and actually come up with a realistic business model for licensing all those new ways of using music on the Internet (see the latest disaster with Pandora, in the UK). In other words, they are still humming and puffing, and falling all over themselves with legacy issues and internal paradigm-clashing - and thereby effectively disconnecting the writers and composers from the flow of new money that comes from the web.

Instead of offering workable solutions in some sort of timely fashion, most of these organizations (well, okay, there are *some* exceptions, such as SOCAN in Canada, and to some degree the American societies, namely BMI) have become (in)famous for NOT LICENSING anything that does not fit their existing schemes, which, needless to say, are as aged as a nice bottle of red wine. Just ask anyone that is in the Internet business and they will tell you stories that will make your hair stand up ('how dare you want to use our music!"). Talk about not serving the market! Only monopolies can get away with that (remember when the telephone company was in that position... ouch, never again).

And of course, I grant them, they have tried (some of them), there are reasons, there are real hurdles, there are semi-valid excuses, there are 100s of ways of explaining WHY this is still a problem - but the bottom line is that songwriters and composers are STILL not getting paid for the use of their music on the Internet, to a very large extent.

No, not because those new web companies don't want to pay (they do). Not because there is no money in revenue sharing or advertising or UGC (there is). Not because on the Net everyone wants it all for free (they don't).

No, just because most of the publishers and the rights organizations (i.e. the intermediaries in-control) still aren't ready! They have taken forever to address these issues, they don't want to rock the boat and challenge their golfing buddies at the record labels - and because ultimately their top interest is in keeping the status-quo, not in creating a new system that would be beneficial primarily for the CREATORS and the USERS. These guys are neither evil nor stupid - but it seems they just won't move until the heat comes on.

And so, heat we may get this year, I think.

Songwriters around the world (take a look at Canada, for instant) are starting to get seriously ticked-off at the lack of revenues from the internet-based usage of their work (do you see the parallel to the writers strike now?). And they are tired of the excuses they get from their publishers and rights organizations. And they hear about the 100s of Millions of $$$ made from advertising revenue shares that they'll never get. And they watch 100s of video sharing sites sync their music to video. And Billions of people listening to their songs on social networks, for free - because there is no standard license.

I think there is a good chance they'll get smart and look towards the real holdup here: their own representatives, the ancient system of how things used to work.

It's up to the Publishers and their Rights Organizations to preempt this development, i.e. to license the use of music on the Internet now, here, today.

Or you may just have a mutiny: no new songs written until the question of remuneration is solved. Until a new blanket license is in effect that allows every internet portal, every telco, every ISP, every web broadcaster, every social network to use my music and share the revenues with me (hey - does that sound like Radio?). Until my representatives deliver value, and until they give both me and the users (aka fans) and the 'people formerly known as consumers' want we need. The problem is not the users and the companies that serve them - the problem is within.

Gerd's Biography http://www.mediafuturist.com

The Wall Street Journal calls Gerd 'one of the leading Media Futurists in the World'. He is the co-author of the influential book 'The Future of Music' (2005, Berklee Press), as well as the author of 'Music2.0' (2008) and 'The End of Control' (www.endofcontrol.com, 2007)., and "Friction is Fiction" (2009). Gerd's background is in the music business; in 1985 he won the Quincy Jones Award and subsequently graduated from Boston's Berklee College of Music (1987). Since 2002, following a decade as digital media entrepreneur and start-up CEO, Gerd travels around the globe and speaks at conferences, events and think-tanks on the Future of Media, Content, Technology, Business, Marketing & Advertising, Branding, Telecom, Communications and Culture.

Gerd is considered a leading expert on topics such as journalism and news, social media, mobile content and m-commerce, television and broadcasting, innovation and entrepreneurship, UGC and peer production, copyright, next-generation advertising, marketing and branding, digital content strategies and the development of next-generation business models in the content, communications & technology industries. Gerd's keynotes, speeches, presentations and think-tank appearances are renowned for his hard-hitting and provocative yet inspiring and motivational style. With over 300 engagements in 29 countries during the past 7 years, Gerd has addressed over 25.000 executives and professionals, and is considered a key influencer.

His diverse client list includes Nokia, Google, TBWA, MTN Telecom, Sony-BMG, Telkom Indonesia, Siemens, Kuoni, RTL, ITV, the BBC, France Telecom / Orange, Deutsche Telekom, The Financial Times, TribalDDB, DDB, Omnicom, the European Commission, Nokia Siemens Networks, Betty Bossi, Ericsson and many others. Gerd is a fellow of the Royal Society for the Arts (London), a member of the World Future Society, and resides in Basel, Switzerland.