

Gerd Leonhard, Music Entrepreneur & 'Music Futurist'

www.gerdleonhard.com Personal site

www.musicfuturist.com Predictions on the future of music

www.thinkandlink.biz Connecting companies, ideas and resources

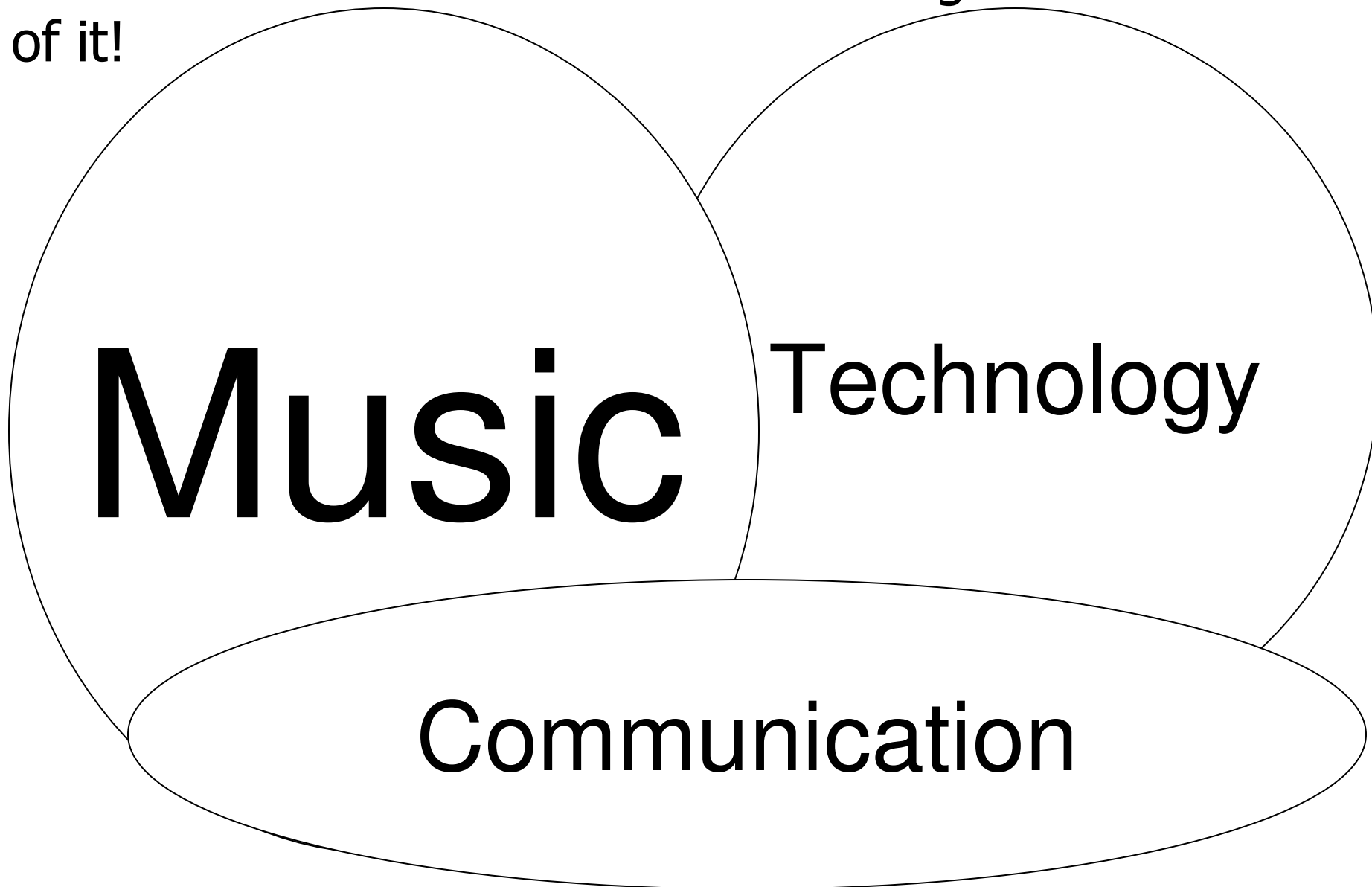
<http://gerdleonhard.typepad.com> BLOG



The future of music - and how to succeed in a new music ecosystem

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Music, Technology and Communication are converging more than ever before –and we are right in the middle of it!



This means one thing, for sure:

Opportunity

The computer is converging with other entertainment and communication devices

Music
Players

PDAAs

TV
VCR
Tivo

Computer

Phone

Radio

Game
Consoles

Convergence

Music

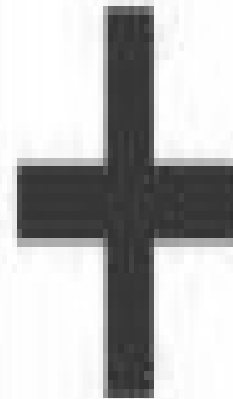
Games

Film / TV

Communicating
(and Networking
and Dating)

Interactive

Photos

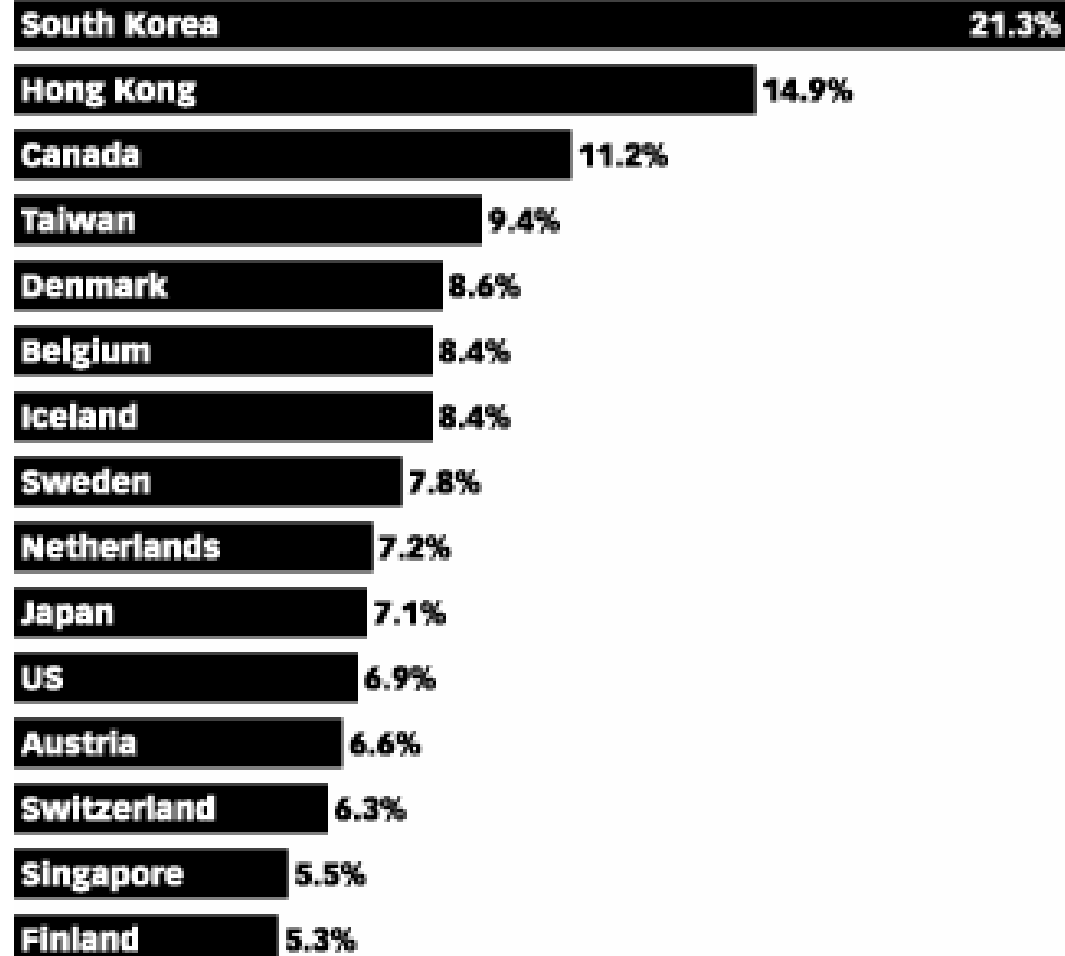


::: Some basic truths

1. In less than 7 years, the entire population in most 'rich' countries will always be connected ('online'), anywhere (and with decent bandwidth)
2. All content will be available on this 'always on' network, one way or the other
3. Technology will become invisible and unobtrusive
4. Once this **AAA Distribution** (anywhere-always-anything) is a given, **MARKETING** rules – *it's all about getting exposure*

More, and better connectivity = a totally different business

Broadband Penetration in Select Countries Worldwide, 2002



Source: International Telecommunication Union (ITU), September 2003

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CONSEQUENCES

- Entertainment Online
- WORK Online
- Ubiquitous file-trading
- Comparison Shopping
- Online Networking
- Virtual Workplace
- Online Education
- ...

The Net is taking over

Top Two Media Outlets that US Adult Internet Users Would Choose If They Could Only Use Two, July 2004 (as a % of respondents)



Subscription- and Stream-Based (Audio and Video) Advertising Revenues in the US, 2004 & 2005 (in millions)

2004

\$625

2005

\$864

Source: AccuStream iMedia Research, June 2004

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Magazines

0.9%

3.5%

■ First choice

■ Second choice

Source: Online Publishers Association (OPA), September 2004

So – what happens to Advertising?

Advertising Spending Worldwide, by Media, 2002-2006 (as a % of total spending)

	2002	2003	2004	2005	2006
Newspaper	30.6%	30.2%	29.9%	29.7%	29.6%
Magazines	13.9%	13.8%	13.5%	13.5%	13.4%
TV	37.1%	37.1%	37.6%	37.7%	37.7%
Radio	9.0%	9.0%	8.8%	8.7%	8.7%
Cinema	0.4%	0.4%	0.4%	0.4%	0.4%
Outdoor	5.4%	5.4%	5.3%	5.2%	5.2%
Internet	2.9%	3.2%	3.5%	3.7%	4.0%

Source: ZenithOptimedia, October 2004

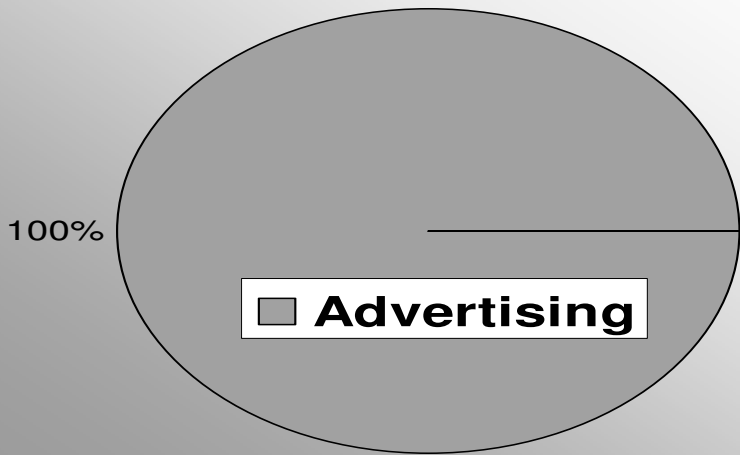
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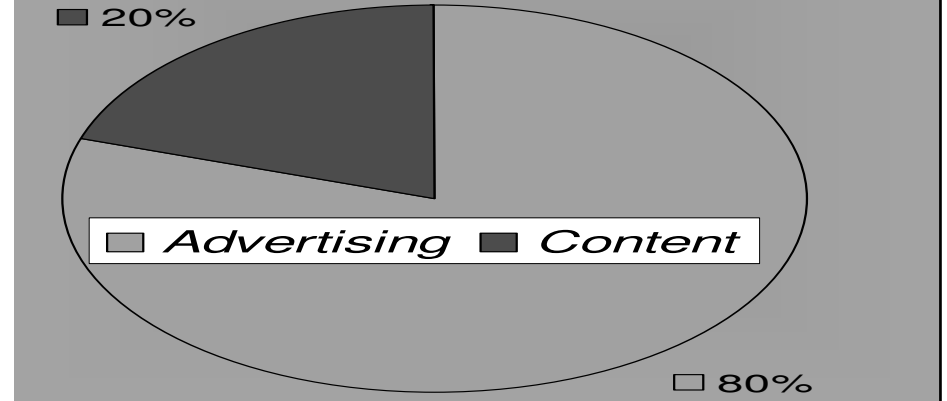
1. Advertising supported music will grow
2. Ads will be made relevant to each user
(contextual and less obtrusive)
3. Interactive ads will take off

Traditional content revenue models

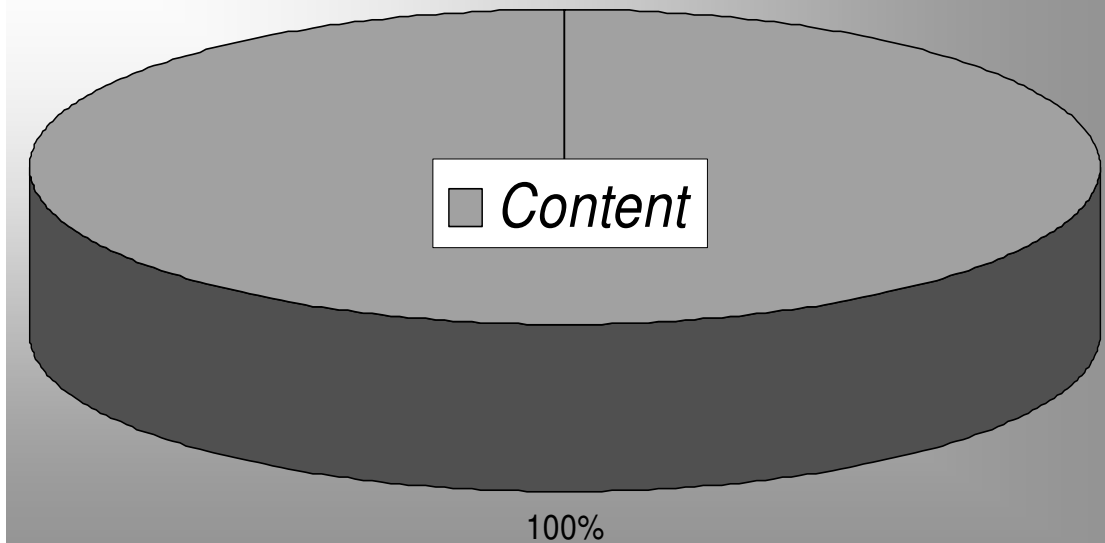
Revenue Model in traditional TV and Radio



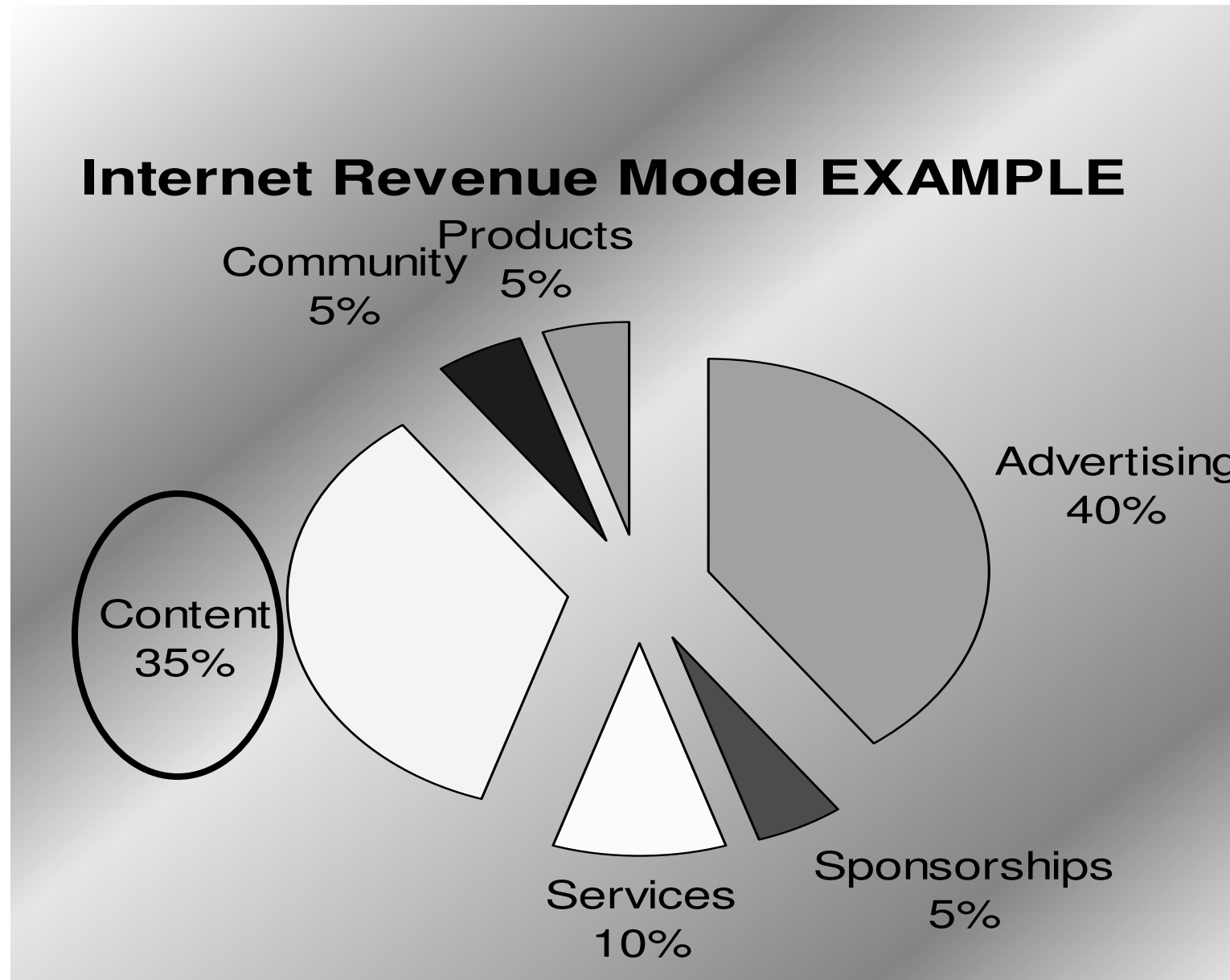
Revenue Model in Newspapers and Magazines



Revenue Model in the Music & Books (Trad.)



Digital Content Revenue Model Example



File-sharing / P2P Truths

1. Not much has changed: People have simply moved from Kazaa to EDonkey, and Bit Torrent (now 51% of all filesharing), and the *darknets* - overall levels have *increased*.
2. June 04: 2.7 million concurrent users at any given time (Kazaa), 2.2 on BitTorrent
3. More sharing of movies and software, music falling behind (24% of users have downloaded an average of 11 movies each)
4. 65 Billion music downloads per month (compare to Apple's 10-20 Million)
5. 99.5% of tracks on iPods are from p2p networks
6. # of legal downloads from music services has actually ***fallen*** in Oct 04 (1.3 M to 1.1 M)
7. It would cost you **GBP 10,000** to fill up your iPod using Itunes

The bottom line

The music industry has created the file-sharing phenomena by leaving so many fans and 'users' dissatisfied.

- People are no longer willing to sacrifice
- Restrictive practice always stirs innovation

Some myths we need to discard

- 💣 Music is a Product, and ‘property’
- 💣 You just have to be a really great musician, and everything will be OK
- 💣 The Music Business is in really bad shape, and there are few opportunities

Digital music revenue projections – *but who gets what?*

US Digital Music* Revenues, 2001-2007 (in millions)



*Note: *includes online music subscriptions, album downloads and single song downloads*

Source: Forrester Research, August 2002

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Mobile music is the perfect counterpart to Digital Music

Alex Slawsby (an analyst in IDC's Mobile Devices program):

The number of mobile phone users will approach 1.4 billion worldwide in 2004

- ▶ Already more cell phones than landlines!
- ▶ The cell phone is morphing into the central *mobile* entertainment device
- ▶ Wireless carriers *need* 'content' to prosper
- ▶ People actually pay – today!

Fixed-Line vs. Mobile Phone Subscribers Worldwide, 1995, 2001 & 2002 (in millions)

Fixed-line phones



Mobile phones



■ 1995

■ 2001

■ 2002

Source: International Telecommunication Union (ITU), 2002 & 2003

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The power of wireless

- ▶ "Wireless devices are mobile cash registers. They're **mobile extensions of your lifestyle**, and they're mobile extensions of your bank account." Michael Anderson, vice president of Market Development for ADC
- ▶ "**The phone will replace the wallet.**" Hee Min Kwon, executive vice president of Samsung's Digital Convergence Team



How can YOU use wireless networks for promotion?

Games & Music

PWC Predicts Double-Digit Growth For Games 2003-2007. Spending on entertainment and media industry around the globe will surpass \$1.1 trillion in 2003, rising by 3.7 percent from its 2002 level....

PWC singled out game industry as the fastest growing entertainment/media segment -- outpacing Internet advertising and access spending. The firm thinks that games will be boosted on two fronts:

- 1. Online video gaming growth will be stimulated by increased broadband access**
- 2. The wireless market will surge due to availability of new game-capable cell phones.**

How about selling *your* music to game producers?

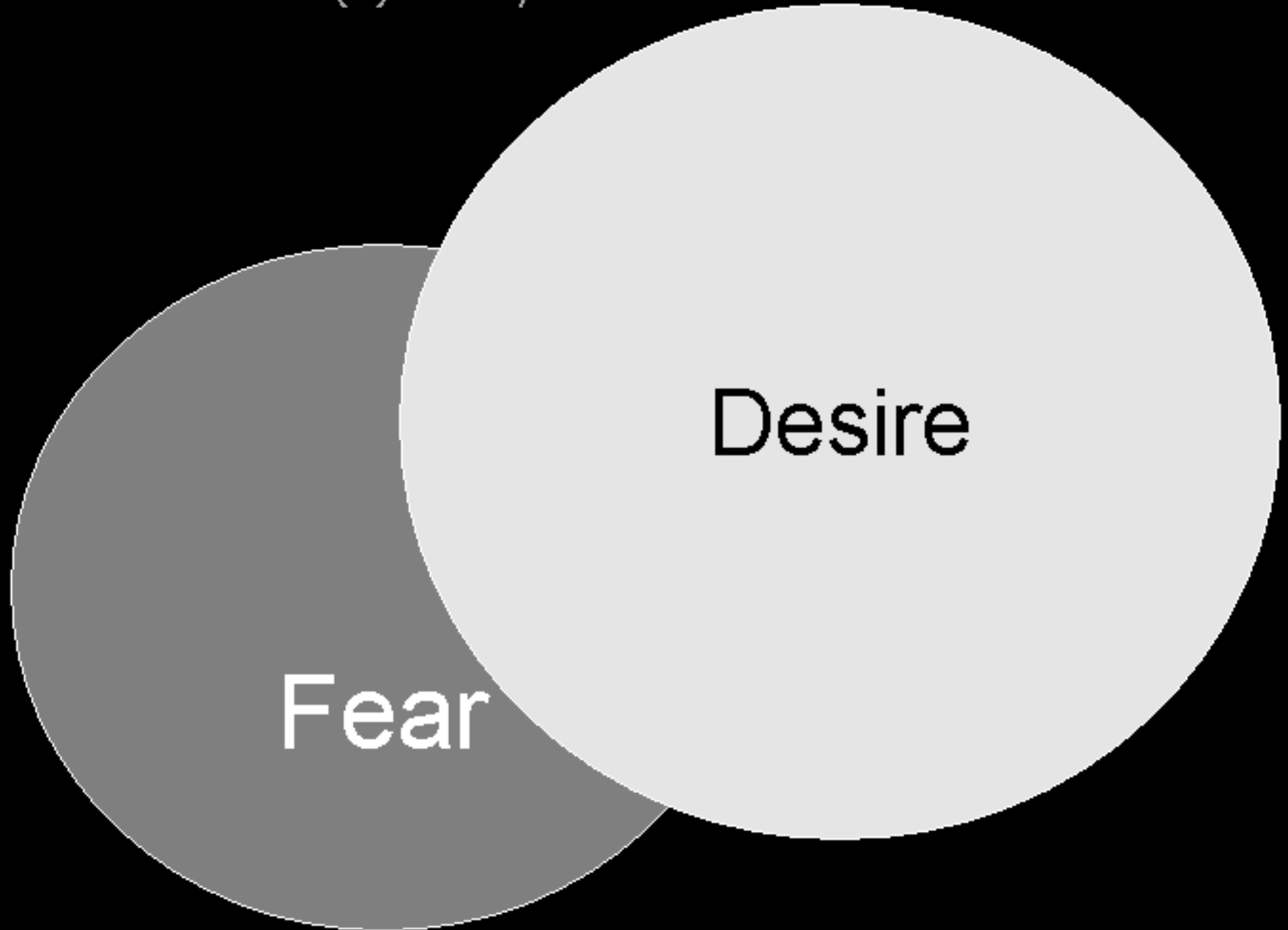
Fear versus Desire (1): dead in the water



Fear

Desire

Fear versus Desire (2): ready to roll

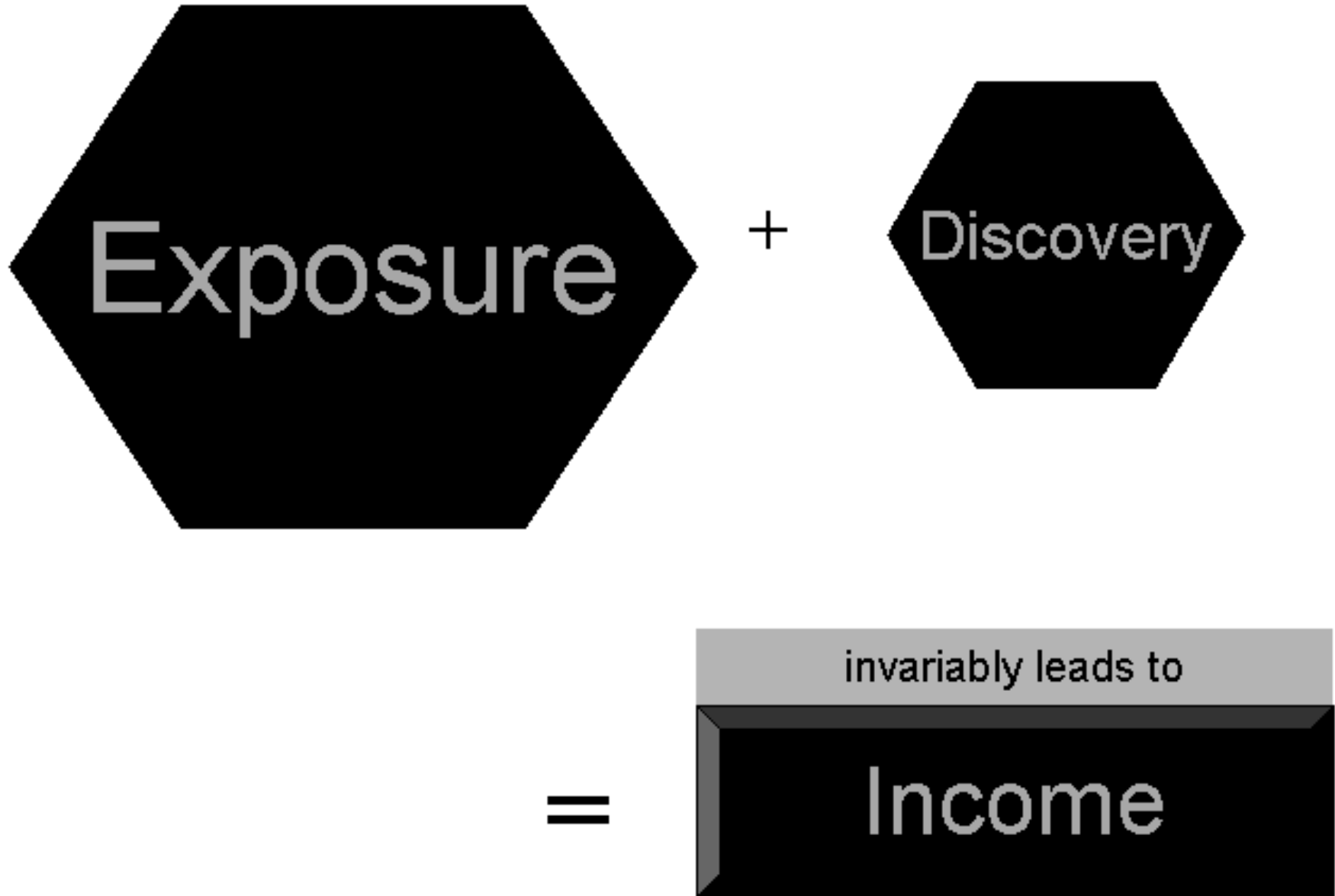


Non-starters...

- 🔒 Star-centric career models (for most)
- 🔒 Single company - lifetime careers
- 🔒 'I just want to play music'
- 🔒 'Somebody else will take care of this business stuff for me'



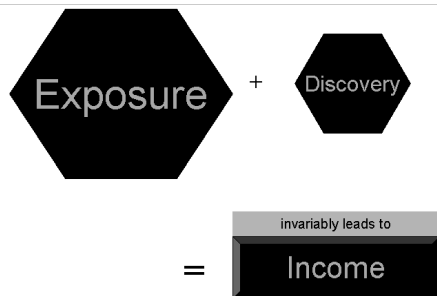
A basic marketing truth that is vastly accelerated in a Digital world
** if you're going to remember one thing from today – pick this!*



What does that mean for *your* career?

- It is already *assumed* that you have something good to offer – that is the basis for everything
- Strive for exposure, and have people *discover* you
- Some of the discovery efforts will have to be *free*
- Think about how you will **position**, and market *yourself*
- Get used to the *constant quest for exposure*

The consequences in the (digital) music business



- Getting people's attention is the top priority (*not* delivering the music, and *not* the issue of payments)
- For the user, the 'exposure and discovery' process must be very affordable, if not free
- **Viral marketing** is crucial (recommendation schemes, agent technologies, collaborative filtering, referral nets, community marketing...)

The future of MUSICIANS



- ▶ More music than ever before is needed
- ▶ Musicians will succeed in many other, *parallel* professions
- ▶ Digital recording, distribution, marketing and communication can empower everyone (but creates global competition ;)
- ▶ Professional options multiply
- ▶ The entire world competes with you
- ▶ New survival skills are needed

How about...



- ▶ Having and maintaining your own website
- ▶ Selling your CDs online (CD Baby)
- ▶ Offering free downloads and ring-tones (in exchange for e-mail addresses)
- ▶ Webcasting your music (Mercurator, Live365)
- ▶ Promoting your shows via e-mail and SMS
- ▶ Using newsletters to keep your network informed
- ▶ Trying online business networking (LinkedIn)
- ▶ Sign up for professional newsletters (Musicdish, EMarketer, DigitalMediaWire...)

So... where are your opportunities, today?

- A good **song** or a good band – again
- Niche Niche Niche Niche Stuff
- Mobile Content & Wireless
- Interactive Entertainment (games!)
- Artist Management / Artist Services
- Publishing
- Technology / Music Overlap Zones
- 2nd Generation Music Companies (Sanctuary)
- New forms of retail (see PlaylounderMSP)

More opportunities !



- Anything that provides *music as a service*: audio branding, multimedia productions, rich media (flash), production music, sound-design, sound icons
- Anything that focuses on generating cash via a **multitude of small transactions** – rather than one or two big, life-time deals: Songwriting, Publishing, Royalties, Licensing – IP ownership
- Multi-skilled multimedia producing: film, video, computer, music...
- Boutique music marketing service providers that employ technology

Jobs that *may* fare well in the future

(Song)-Writer, Digital Media Production Wizard, Multi-Instrumentalist and Computer Music Specialist, Manager, Publisher, Artists' Marketing Director, Legal Expert, Adviser, Tech Wizard and Computer Expert, Licensing and Exploitation Manager, Syndication and Affiliate Manager, Thinker, Visionary, Trainer...

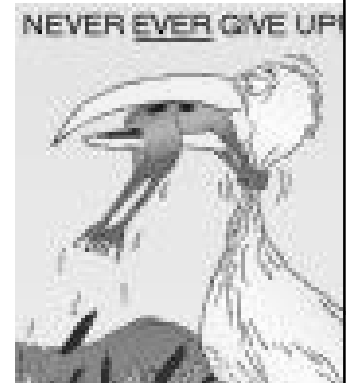
About 'Getting Screwed'



- Know and *really* understand how the business works
- Know your 'opponents' (Google!)
- Never sign **ANYTHING** without due diligence
- Always reserve the right to say 'no'
- Try to negotiate a win-win
- Still: do not let **FEAR** run your business

Some Survival Rules

1. **Know your stuff:** Be informed & stay current, every day
2. Practice 'lateral thinking', and **never limit yourself**
3. Always have a 'dozen things in the oven'
4. Build a vast **career network** – it's all about *people*
5. **Go there** – personal contact is always better
6. Be confident and never **EVER** give up (except when you really should!)



10 Survival Rules

About Marketing... Advertising... Promotion

If the circus is coming to town and you paint a sign saying, "Circus is coming to Fairgrounds Sunday," that's Advertising. If you put the sign on the back of an elephant and walk him through town, that's a Promotion. If the elephant walks through the Mayor's flower bed, that's Publicity. If you can get the Mayor to laugh about it, that's Public Relations. And, if you planned the whole thing, that's Marketing! –

Author Unknown

What does it take?

The genius is the one who **plays most like himself.**

-- Thelonius Sphere Monk

Plans are only good intentions unless they immediately degenerate into **hard work**

--Peter Drucker

Courage is the power to let go of the familiar.
Raymond Lindquist

Why artists will prevail

Albert Einstein

I am enough of an artist to draw freely upon my imagination.

Imagination is more important than knowledge.

Knowledge is limited. Imagination encircles the world.

So, to summarize

- Make great music
- Use technology to get exposure, promote, market, sell...
- Exposure > Discovery > \$\$

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Thanks for listening,
and let's talk

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