



Gerd Leonhard's unsolicited thoughts: Creating Warner Music Group 2.0

Dear Edgar,

Based on my 16 years in digital music, and the 2 music-specific books I (co)-wrote ("The Future of Music", and "Music 2.0") here are a few ideas on how WMG could reposition itself and achieve future growth:

1) **Create and offer a complete, cutting-edge online platform** for your artists, writers, labels etc. Let's call this the ArtistOS, as it would 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, though, and would greatly simplify marketing and promotion tasks, as well.

2) **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 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. 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 shift to digital, interactive, mobile and social platforms. Have some imagination!

3) 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!

4) 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.

5) 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.

6) **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!

7) 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. (see my various presentations on this topic at www.slideshare.com/gleonhard and at www.gerdtube.net)

8) **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.

9) 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.

10) 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.

11) **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.

12) **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.

Note: once you're ready.... there are a few good companies already working in most of these areas, and you could team up with them: ask me!

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, 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 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.

More details are at www.mediafuturist.com
Twitter www.twitter.com/gleonhard
Videos: www.gerdtube.net and www.gerdtube.com
LinkedIn [Profile](#) and Endorsements
Contact: gerd@mediafuturist.com

