

Chris Stone AES Keynote October 2, 2008

Trends & Opportunities in Today's Music Recording Industry

"The Artist Owns The Industry"

The Music Industry is Alive and Well!

The Problem is: only a few smart people seem to be aware of how to take commercial advantage of that fact with Today's New Music Business Model.

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Yesterday, Today and Tomorrow

How The Music Recording Industry Used to Work:

- 6 Major Labels; 4 Today: Universal, Sony/BMG, Warner Music Group, EMI
- A&R Scouts find Music Artists, Sign and Develop Them
- Artist makes an album for which Label Promotes and Distributes, plus Tour Support.
- Consumer buys album at Retail Music Store, usually after hearing songs on the Radio

How The Music Recording Industry Works Today:

- The Internet Changed Everything!
 - DIY: Artist has own recording studio, makes a CD, Merchandise, Takes it on the Road - Sells to Fans - Establishes own Label or signs with Indie Boutique
 - Stays on the Road (\$\$!) as long as possible to establish Fan base, Distribute via CD Baby, iTunes, etc., Regional Indie...until selling 10-30K units
 - Signs contract with Major Production Co. with National distribution...until selling approx. 100K units...then signs with Major Record Label. Reversal of Fortune - CD vs. Touring revenue streams.
 - Major Labels & High End Recording Studios remain very viable. There are just fewer of them.

More of Today's Facts:

- Brick & Mortar Record Chains are Dying:
 - Top 3 remaining record retailers are: Wal-Mart, Target, Best Buy (just bought Napster). All use Music sales as "loss leader".
 - iTunes (internet) is #1 Overall U.S. Music Retailer!
 - Amazon is now chasing iTunes with no DRM on MP3 downloads..all 4 Major labels have agreed to sell their music downloads with no DRM on Amazon. My Space Music

- U.S. Digital downloads increased 45% in 2007 (844m song units - 11.2% of U.S. Market)
- U.S CD sales decreased 19%..(499m units) still 75-90% of total worldwide Market - 82.6% of U.S. Market) (U.S. Album Downloads now 11.2% of unit sales).
- Worldwide Ring Tone Sales: est. \$5-6B in 2007 (Peaked?)
- Total iPods=152m units (3/08)...iTunes=2B single song downloads....(3% of current Music Industry sales)
- How does an Artist get heard above the Noise??
- If you cling to the Past you can Never enter the Future!

How We Expect The Music Industry To Work Tomorrow:

- Future Music Business Model Will See:
 - Continuing reduction in gross Music Revenue with decrease in CD sales and increase in P2P “anywhere consumers”...”unrestricted downloading is a fact”.
 - PC not Mobile Phone has been key to Market in U.S.”Of 266m world mobile phones, only 9% download music”.
 - “World legal downloads: 5.34B by 2012. Today:1.98B”
 - “Basic relationship between Recording Artists, Record labels and consumers is in major flux. As Bands retain more ownership of their Music, the Record label’s role shrinks, while the role of technology vendors and online music stores grow” (Yankee Group @ CES- Jan 4, 2008)
 - “The rise of digital music sales forecasts the potential demise of the Major Record label as we know it today”.

Trends and Opportunities which Exist Today:

- FullTrack Digital Downloading continues to grow.
- Music Industry continues to Morph from 4 Major labels to thousands of indie labels all over the world.
- Regional Music distribution & promotion is returning as a method to publicize local artists.
- Artists continue to gain more control of their Music (Vertical Integration).
- Niche Marketing of Music & Recording Genres to more users continues to grow: Film, TV music, commercials, Video Games, Ring tones, Pandora, Subscription Svcs., etc. It’s a Visual World!

Result: Many New Opportunities Today for Music Entrepreneurs!

- Provide Label startup and marketing and Promotional services for Bands & Indie labels
- Music Publishing Sales & Admin to service growth to new Industry users.
- Artist Management now Band COO. IT’S A BUSINESS!!
- Booking Agents for more Genre related Venues.
- On Site Merchandising Services for Touring Artists.

- Music Short Video Production (My Space, You Tube, Face Book, WMV, etc.), Electronic Press Kit (EPK).
- Website Design/Graphic Design
- Independent Publicists for more local Band Promotion/ Radio Play.
- Internet Music Marketing Specialists
- Retail Pro Audio Equipment/Instrument Sales Growth
- Project Recording/Post Studios, Audio Engineers and Music Producers (New Niche to Fill!)
- Worldwide Musician Collaboration for Overdubs, Recording & Music Mixing via The Internet (Kompoz.com)
- Music Placement Services (krtipsheet.com)

To Find These Opportunities:

- Join Music Industry Associations (AES, NAMM, NARAS, NARIP, SPARS, etc.)
- Socially Network with like minded Industry people. (You gotta Hang Out!) (AES is Best!)
- Educate yourself to increase expertise in your chosen specialty (Local Film and Music Schools, Berkleemusic.com, SAE, Full Sail, etc.)
- Find and enlarge your Competitive Advantage - Apprentice for someone successful and get paid to learn your craft!
- Develop the skill set to take advantage of the available opportunities!

Before You Put Your Money Down On Your Dream:

- Feasibility Study – Convince Yourself! (Target Demo, Geo, Psycho. Competition. SWOT)
- Business Plan – Convince Others! (Marketing 4 P's, Product, Pricing, Promo, Place)
- Talk to the Experts/Winners in your Specialty to Know what you need to Accomplish to Succeed!
- SCORE Counseling (www.score.org) 10,500 counselors – 389 Chapters-Free Counseling, Face to Face and email since 1964. Affiliate of SBA
- (JFK Paraphrase) “Ask not what the Pro Audio Industry can do for you – Ask what you need to do to be a Successful part of it!

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