

Steve Jobs asks for DRM free music, something the entire world has been asking for. If anything, Steve is a catalyst, but towards what ? What should the music industry do ?

It should learn from the rise of Google, Youtube and even the disastrous SDMI to create a new world of music. Here is what I suggest:

1. Create an iTunes competitor that is a joint initiative open to all music companies and independent artists , supported by the Big 4 and funded by a private equity group.. Hire an entrepreneurial CEO that you can agree on, let that person hire the people to run the show and get out the way. If its a compromise effort it Will fail.

Then let the company find the best multi-platform user interface that they can find. Build, lease or buy it. Whatever it takes to get you a front end that rivals iTunes and ITMS.

2. Populate the above site with 100pct of each participants' available catalog. Cd's and Downloads in DRM free format. 100 pct of catalog is critical. If its available anywhere, it has to be available here. Exceptions weaken the new company and create opportunities for politics and gamesmanship. Make sure that the labels participating are either all in, or dint let them in.

3. Price the music based on a holistic variable pricing algorithm that incorporates all sources of revenues. More about this in a minute.

4. Make a requirement of all labels/participants that any websites they have , 100pct of them prevent search engine crawlers . To make this work, references to your content can't appear in any search engines other than the one you are about to create.

5. Create a search engine that is all things music and has the exclusive index to all things on all your websites, and reaches out onto non participants sites that allow indexing.

6. **Go to Google and Yahoo and make them bid against each other to provide a Panama/AdSense like system that sells advertising on the Search engine and all the music sites owned by the participating labels, but ALSO calculates the optimal price for the DRM free music sold or offered for free on the site.**

**Why limit variable pricing to advertisers for PPC ads ? Why not incorporate the total value proposition of music across the entire spectrum of platforms offering the music ?** . Does anyone question the interdependency of value among all outlets of music ? Does the popularity of downloads of a song, its ring tone, its video, its CD sales, even ticket sales, licensing, sponsorships and merch sales affect the other elements ? The total revenue available from the artist ? Of course it does. **Leverage Google, Yahoo, maybe even MicroSoft or Amazon or others to create a system that takes input from all revenue sources and prices (with constraints as defined by the owner of the content, ie min/max price for a product, and/ or break even point in net margin dollars for an artist or the entire label) to optimize whatever the goals of the company are, whether its overall sales/profitability , or possibly, maximizing the number of downloads and visibility for an artist. (which could of course mean that the entire structure extends to formulas for optimizing the career earnings of an artist feeding into this system)**

The challenge isn't understanding the interdependencies. The challenge is optimizing revenue across the entire scope of options.

Put in simpler terms, there is a place for a vertical search engine for music to come in and dominate just as Youtube did for video. (only with legal access to the content this time). Call it AllofMP3.com for fun :). It could generate enough traffic to actually have more value than the aggregate value of the record labels themselves if done right.

The more traffic the site gets, the more advertising it sells and more clickthroughs it generates Whether the ads are audio, video or text, PPC, preroll, variable pre roll (every X full length song streamed as a demo , get a 10 sec ad) display or whatever is next, the more you generate there, the less you can charge for music. The pricing can even vary for music on a minute by minute or day by day basis. That alone will drive tons of traffic as people follow the "stock price" of their favorite artists.

The numbers and the holistic approach will hopefully teach the industry what drives total revenues in a given period for a given artist, or the label as a whole. Is the right price for music in this environment 10c, 25c, 50c or a dollar a song ? Is it an annual subscription for an artist ? No one knows now, but this type of environment will teach the industry the right way to sell music, just as Google's pricing algorithms have dominated the search advertising world.

7. Extend the system to provide real time sales information from sales outlets whether they are brick and mortar or on line. This makes the system smarter and provides better opportunities for all outlets to make money

This is a business that would change and dominate the music industry. Unfortunately, its more dream than anything else. It would take cooperation in an ego driven industry. It would mean taking a quantitative approach in an industry that is driven by art.

None of which changes the facts. The marginal cost of delivering a song digitally is minuscule, its minimally perishable and fully replenishable (it may decline in value only as interest declines, but it never disappears and never has to be re manufactured). That creates an opportunity to develop a yield management system that changes how music is offered to the public.

Or the industry just gives Steve Jobs DRM free music and we all buy from Apple.