

So I'm on the Mavs latest roadtrip. I'm walking through a mall with my Ipod cranking away. I had already decided that I wanted to pick up the soundtrack to KillBill to get the Woohoo song from the 5678s. Then I realized, I didn't have a way to deal with a CD.

My laptop I carry doesn't need a dvd or cd player because I carry everything important on an external hard drive that I just connect to my desktop or laptop. It has movies, tv shows and music, along with my business files and applications I need. Means I can travel very, very light, and if my laptop ever busts, I just connect my 160gb drive to a computer at the hotel and I'm set.

So here I was, wanting to buy music to listen to and workout to that day, but I couldn't.

I realize that I could have gone to iTunes and just gotten that 1 song, but it doesn't sit right with me to be limited on how and where I can use music I download. I realize I could go online and download the song for free, but I won't do that. That's stealing. It's wrong.

That's not to say I won't ever download for free. If I had already owned the CD and just wanted it to play and it was a matter of availability, I definitely would have downloaded it for free. I will also download music to sample it, but I won't keep it. I will buy the CD or erase the song.

I still like to buy CDs. Or at least I did up until today. I liked the idea of taking a chance and seeing if there is more music I like. I liked having the disc, so I always have a copy, in case I have to clean up a hard drive to make room for more stuff, or to convert to a new file format.

Then it occurred to me, that I haven't used my CD Player, portable or at home, in a long, long time. That I rarely, if ever see anyone walking around with a portable CD player anymore. They have all been replaced by MP3 players. If everyone is switching to MP3 players, whether they are Ipods, in phones, in PDAs, in cars, whatever, then that means that everyone is going to have to go through a multistep process in order to get the music from where or how they buy it, to the place they want it.

That's not good for the people selling music. Particularly retail stores. Think about it. Apple has done such a great job of selling us on why we should store our music digitally, that every one is either doing it, or on their way to doing it. Which means that 90 pct or more of music being sold is currently being sold on a physical format that the segment of the music buying public that spends the most amount of money on music doesn't want. They are being sold CDs. They want to listen to their music from hard drives or flash drives. That's a problem.

That got me thinking about how music is being sold, and how it might be sold in the future.

MP3 players are changing people's listening habits. We don't carry folders filled with CDs anymore. We carry our library in our MP3 players. We don't listen to CDs. We listen to playlists that we adjust all the time. We don't burn CDs anymore, it's too time consuming. We copy all our music to our MP3 players so it's all available at our fingertips.

All of our music in a single device. Available to us wherever we are, for whenever we want it. Music how we want it, when we want it. Easy and breezy. That's how we want to consume music.

That's not how we are being sold music.

To buy music these days, I have to make all kinds of choices. If I want to buy downloads from the net, it's like trying to figure out which mortgage to take out on a house. Now because of the cost, but because of all the rules and regulations. Do I want to limit myself to 5 computers. Do I want to always keep my subscription live. Do I want to store the music in a proprietary format that only a couple devices can use. **Those are all tough decisions to make when the only thing I know with certainty is that the device I'm using as an MP3 player today, is NOT going to be the device I'm going to be using 18 months from now.** There will be players that have more features, or I will consolidate multiple products into a single device. I maybe using my phone, my PSP or PDA or something other device for my music.

Which brings me back to CDs. At least until the music industry goes to DVD Audio or copy protected CDs, I know that with the CD, I have control over my music. I can make my own personal copies (which I realize was illegal to do, until the RIAA lawyer told the Supreme Court last week it was all Ok with the RIAA now). I can put them in apple format for my iPod, Sony format for my new digital walkman or PSP, MicroSoft format for my PC, or whatever else comes along.

That's the only good reason to own a CD. To deal with the hassles that you know will come from having to deal with all the different formats that MP3 players will support in coming years.

That's not a good sign for the music business or the current retail CD business.

It is a great opportunity for someone to start selling music to consumers, where they want it, how they want it.

There is absolutely no reason I shouldn't have been able to buy the song or CD I wanted from the FYE record store I was standing in side of, iPod in hand, ready to buy. If only I could just connect the thing and download the

songs.

For less than 10k dollars, it would be EASY to put together a multi-terabyte hard drive based multi-user kiosk that pretty much holds every song ever published. A screen to enter credit card information, swipe a debit card, enter a member number or call for assistance to handle a cash transaction, a couple USB ports, and wireless connection support to transfer the music, and you are in business. Check the music I want. From kiosk hard drive to my MP3 player at speeds that could easily do 400mbs. That beats the hell out of 250k if I'm lucky real throughput at home. It will be like going to the store to get digital prints from the camera is. Self Service, fast and easy

Loss leaders like Walmart and Best Buy can cut their music square footage by 90 pct and sell more music at lower prices. Their inventory carrying costs will go to zero. If someone wants the CD, they can go home and burn it after docking their MP3 player to their PC. Believe or not, the labels will make more money this way because they will make these big boys committ to minimum guarantees at levels they are at now, and all that money after the artist cut, will go to the bottomline.

Everything about the economics makes absolutely perfect sense for the music labels, the retailer and the customer.

The only question is who will be the first label to crack and offer this and how soon will it be. Of course the cynics will say that this won't ever happen, but I'm not buying it. It's too much cash up front for the labels to say no to. It also makes too much business sense.

When it happens, the music industry will EXPLODE and sales and profits will go through the roof.

Why? Because stores can be smaller, physical inventories minimal to non-existent, and an entire segment of middle infrastructure on both the label and retailer side for ordering, delivering, warehousing, duplicating, returning, and forecasting of product can be eliminated.

Most importantly, that money can be spent to develop, market and promote music so that more and more people can experience it, and also, just in case hell freezes over, be used to lower the price of music to consumers

Once that first label, or the first organized group of indies goes purely digital at retail, then the countdown for the extinction of the CD begins. T-minus 5 years from that first day, and your CDs will be sitting right next to the LPs your dad and mom collected when they were kids.

Until then, if I'm a band selling on my own, I'm carrying a laptop to every show, and charging 5 bucks to drop a show on an iPod. Call it concertpodding.

If I'm an indie record store, I'm making sure that all music from the labels you support is available for direct to player. I'm offering every song as Ipod or MP3 player ready to anyone who walks in the door with their Ipod and wants to leave listening to the music.

It's money in the bank.

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