



Open Source, Open Content, Open Business Models:

A Hypothetical Case Study Beyond Software

**Greg DeKoenigsberg
Red Hat Summit
May 11th, 2007**

NOTICE:

This presentation is in perpetual draft.

For the latest version, please visit:

<http://people.redhat.com/gdk/>

(patches welcome)

Hertz stole my car last night.

(I therefore apologize in advance if I say anything stupid or incoherent.)

We could talk for days about open content.

Today we'll talk about music.

The Enormous Music Industry is Not Happy.

EMI was built on selling Hit Records.

Therefore, EMI needs Hit Records.

Therefore, EMI still invests tons of money

**to produce Hit Records
and to advertise Hit Records
and to sue you for stealing their Hit Records.**

(a good book: [The Winner-Take-All Society](#))

EMI STILL MAKES A TON OF MONEY.

**But if businesses don't grow continually,
shareholders get angry...**

...and the world is changing under EMI's feet.

**And the more lawsuits they file,
the faster things change.**

The Red Hat Rule

**Struggling proprietary industries
provide opportunities
for disruption by their open counterparts.**

(as I ramble, think about the history of software)

What's Happening While EMI Sleeps?

1. Commoditization of the tools of music production.

Tape Loops ->

MIDI ->

Steinberg ->

Garage Band ->

???

**If OLPC is a success,
millions of kids will have digital music studios
designed to be collaborative by default.**

(say hello to tamtam.)

2. Content licensing in the digital commons.

(Do you know where Creative Commons came from?)

Lessig and Stallman agree:

**Well-written rules for “how to share digital content”
are a prerequisite for building the digital commons.**

Common elements of Creative Commons license family (as of CC 2.5)

BY	Attribution
SA	Share-Alike
NC	Non-Commercial
ND	No Derivatives

The Creative Commons is already a success.

3. The development of a free music's ecosystem.

There are two leading companies in
open music distribution:

Magnatune and Jamendo.

Who's better, and why?

What music formats are available?

Magnatune: MP3.

Jamendo: MP3 and Ogg.

What music is available for free?

Magnatune: free streaming only, pay for download.

Jamendo: free streaming and free downloads.

How are the music bits delivered?

Magnatune: expensive centralized servers.

Jamendo: inexpensive P2P network.

What interoperability is available?

Magnatune: still working on it.

Jamendo: full xmlrpc API in late beta.

How is the best music determined?

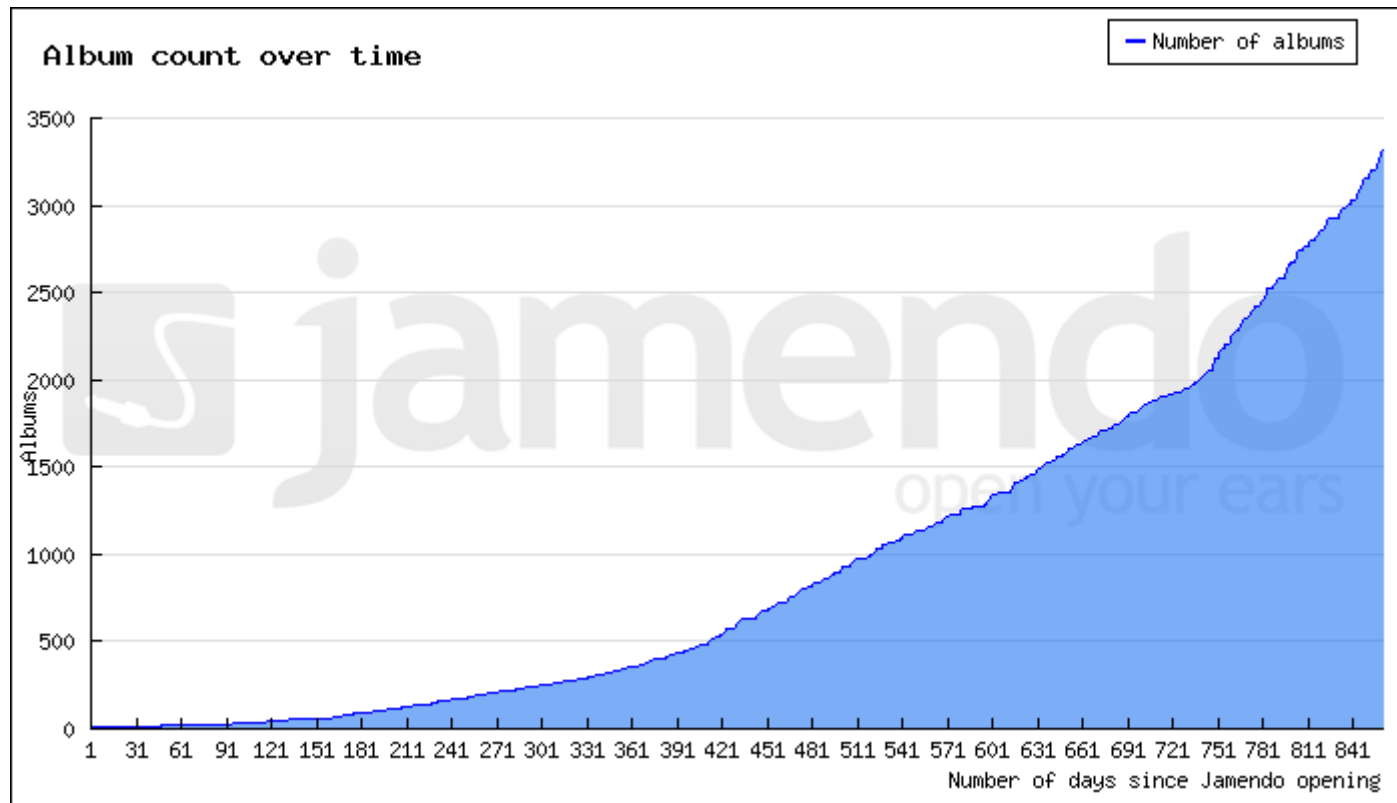
Magnatune: mostly editors.

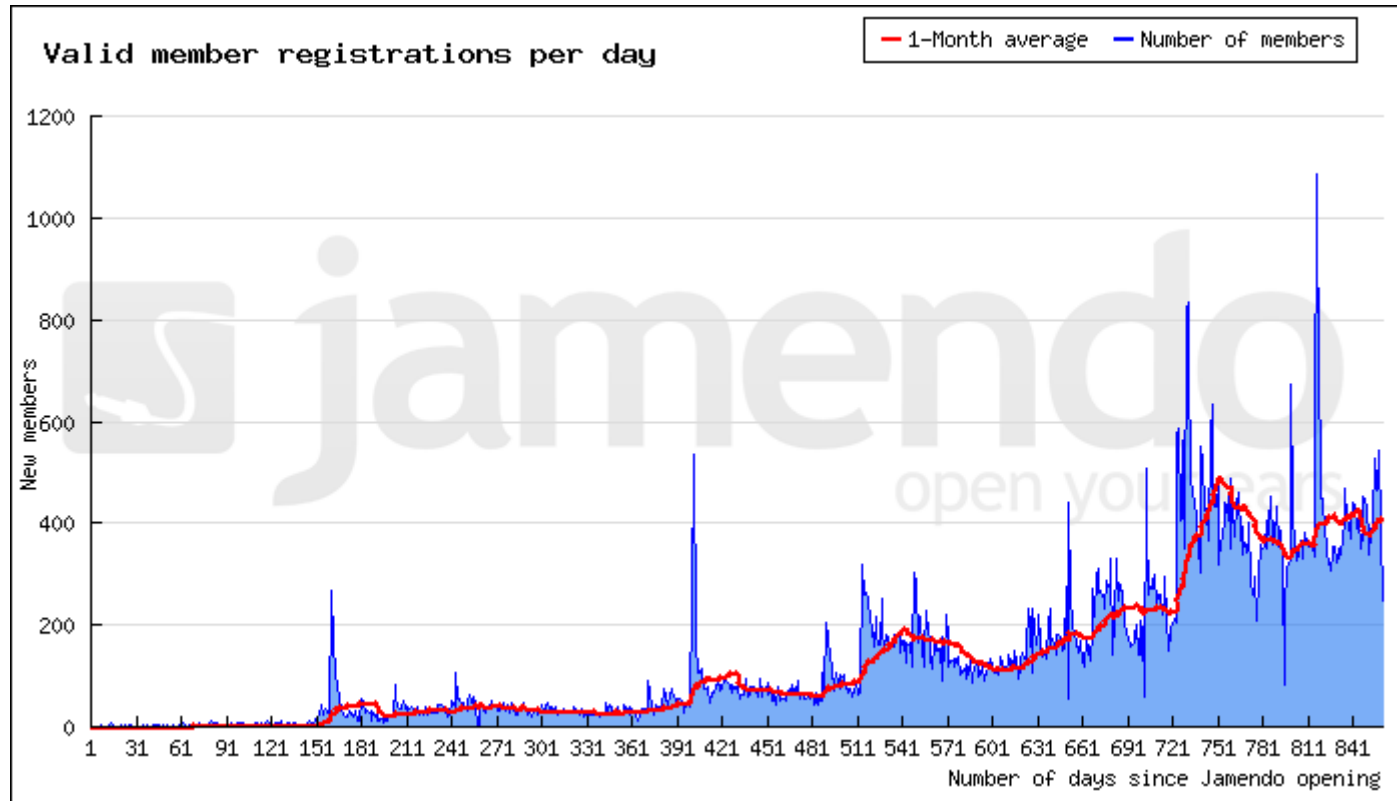
Jamendo: mostly users.

Cool things we could do with Jamendo

(that we couldn't easily do with Magnatune)

- * Play Jamendo music **out of the box** in Fedora
(since Jamendo supports Ogg) (In for Fedora 7!)
- * Build a Jamendo plug-in into rhythmbox
(In for Fedora 7!)
- * Add options into Mugshot to "hear friends' songs now"
(since Jamendo allows free download of music)
- * Make every Fedora system into a Jamendo P2P node
(by bundling bittorrent with Fedora and enabling by default)





4. Collaborative music infrastructure

The current leader:

jamglue.com

Why Jamglue is teh awesum:

Browser-based remixing with Flash

Cost-effective use of Amazon S3 for backend storage
(http://radar.oreilly.com/archives/2007/04/jamglues_growth.html)

Creative Commons licensing by default as part of toolset

(Listen to a song and remix it in real time!)

OK, cool and all...

...but why would **talented** musicians
give their work away for nothing?

Marketing for Modern Rock Stars 101

**“You make your name on the way up
and your money on the way down.”**

Orson Welles

(**we will sell no wine before its time**)

Marketing for Modern Rock Stars 102

**The scarce resource in the modern world
is time, and therefore attention.**

(another good book: [The Economics of Attention](#))

Marketing for Modern Rock Stars 201

**The future: if you aren't on a social networking site,
you won't exist.**

**How can your music be on a social networking site
if your music isn't freely redistributable?**

Yes, yes, yes...

...but why would **talented** musicians
give their work away for **nothing**?

Business for Modern Rock Stars 101

Don't spend so much money.

**As the cost of tools goes down,
the skill of amateur producers goes up.**

(avoid the label and its recoupable cost structure)

Business for Modern Rock Stars 102

Free to fee, baby. Free to fee.

**Use free content to build your brand
and drive people to fee content. Or merch.
Or talismans of some kind.**

UPSELL!

**People who love you will always find a way to pay you.
But first, you must make them love you.**

(love me, love me, say that you love me)

Business for Modern Rock Stars 201

Use the right license for your work.

The CC Non-Commercial license
will keep EMI from ripping you off.

If the kids like your “Ode to the Red Hat Society,”
then VH1 might ask to pay you for it.

(**AKA “The Magnatune Business Model”**)

Business for Modern Rock Stars 202

HIT THE ROAD.

**Talented musicians make money
by playing live gigs.**

Always have, always will.

**More people will come to your gigs
and bring more money to your gigs
if you're totally famous.**

(And also, there will be groupies.)

Hmm... that all sounds like a big pain in the ass.

I just wanna rock, dude.

MBA for Future Music Executives 401

**Where there is pain,
There is opportunity.**

(First comes the commons... then come the businessmen.)

(And yes, we have our own ideas about this.)

But for most people...
it's still about making music.

Because making music is fun.

And if they can't sell it,
they'll give it away.

kthxbye

gdk@redhat.com

ask me any question you like
now or later
i'm not picky



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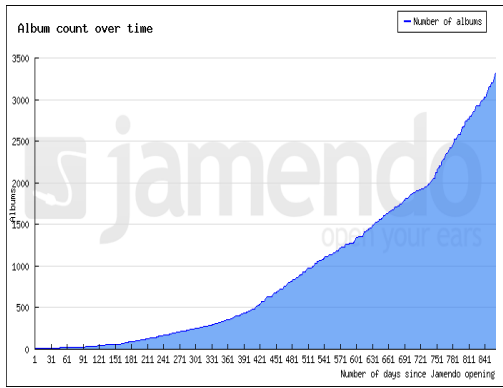
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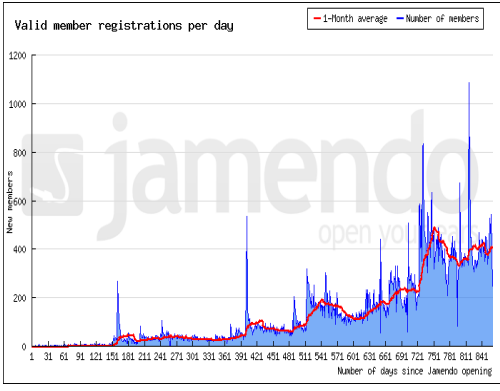
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