Open Source, Open Content, Open Business Models:
A Hypothetical Case Study Beyond Software

Greg DeKoenigsberg
Red Hat Summit
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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 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)
Valid member registrations per day

- 1-Month average
- Number of members

Number of days since Jamendo opening
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

Creative Commons licensing by default as part of toolset

(Look at 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 H at Society," then VH1 might ask to pay you for it.

( AKA "The Magnatune Business Model"

)
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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