

## **Music Industry Changes Its Tune on Podcasting**

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By Ethan Smith, THE WALL STREET JOURNAL

After two years of hesitancy, the music industry is finally taking its first steps toward embracing podcasting.

When podcasts attained prominence in 2004, amateurs and advertisers alike heralded the downloadable audio programs as the next step in the evolution of broadcasting. But they have failed to make headway in one key area: music programming.

For a variety of reasons -- including fear of piracy and the need to be paid -- the major record labels and music publishers that control the rights to about 75% of the commercially released music in the U.S. have refused to make deals that would allow songs to be used in podcasts. Consequently, podcasts have been blocked from using this music, at least legitimately. That has stopped music-oriented radio programming from being available as podcasts.

That is starting to change. San Francisco-based Rock River Communications Inc. has struck some of the first deals to license major-label content for podcasts. Rock River, which specializes in making the mix CDs sold at the check-out counters of retailers like Gap Inc. and Williams-Sonoma Inc.'s Pottery Barn, is creating a series of promotional podcasts on behalf of corporate clients including [DaimlerChrysler](#) AG and [Ford Motor](#) Co.

Chrysler and Ford pay Sony BMG Music Entertainment -- the joint venture of [Sony](#) Corp. and Germany's Bertelsmann AG -- a flat fee, which the companies decline to disclose, for the right to distribute the podcasts for a year, regardless of how many or how few copies are downloaded. Users can keep the programs on their personal computers or MP3 players indefinitely.

"What we're doing with podcasts is taking the King Biscuit Flower Hour notion of sponsored content," says Rock River President and Chief Executive Jeff Daniel. He is referring to a popular radio program in the 1970s and '80s that was sponsored by a regional baking-products company called King Biscuit Flour. "It's a patronage model."

Thanks to a tangle of legal and financial problems, record labels have been slow to license their music for podcasts. For starters, podcasts are almost all delivered in the MP3 format, which includes none of the special software that other digital-music formats use to prevent wholesale copying. That has contributed to podcasts' popularity by making it simple to disseminate them and load them onto any digital music player, not just iPods.

But it has also made music companies uneasy, since they have in nearly all cases insisted that online music sellers wrap their files in copy-protection software.

The other major hurdle facing podcasts has been the difficulty of figuring out how labels and artists should be paid. Many podcasts are free, like broadcast or Internet radio; but because of key differences between those media and podcasting, the performance rights royalties that are collected from broadcasters don't apply to podcasts. Plus, given that many podcasters are do-it-yourselfers who give their content away, it isn't even clear where those royalties might come from.

For now, Rock River has struck licensing deals only with Sony BMG, to include four to eight songs in podcasts created on behalf of its clients. The "Chrysler Music Legends" series focuses on a specific artist in each program, and includes 30-second ads from the car maker at a few points in the program. Subjects of the biographical programs have included Miles Davis, Johnny Cash and Journey.

The programs are available from Chrysler's home page and from the podcasting section of [Apple Computer](#) Inc.'s iTunes Music Store. The Ford series isn't due to launch until later this month, but Rock River executives say they are in discussions to license content from multiple major labels.

Licensing music for podcasting has long been a source of internal debate at music labels. Many executives argue that it is worth handing over some content to spur consumer interest, while others maintain that the companies erode the value of their product by knowingly allowing it to be freely downloaded and copied.

Ted Cohen, a digital-media strategist who for many years was an executive at EMI Group PLC, says that keeping up-and-coming artists "protected" from use in podcasts has often backfired. "We've protected them so well nobody knows they exist," he quips.

Adam Block, senior vice president and general manager of Sony BMG's Legacy Recordings, says the podcasts are "essentially a movie trailer for our projects." He says the possibility of the shows' being copied wasn't much of a concern because the songs are embedded within a long program that would be difficult to redistribute.

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