Digital Music Business

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Course Overview

One morning, the CEO of Universal Music Group sat down in my office and asked me this question…"If I pull down our music from Steve's store will it break / kill the store?"

This course is an all access pass into the "CEO Suit" of the worlds largest record company at the most challenging and pivotal time the music industry's history. Interwoven thru all the lectures are stories and conversations between some of the most powerful men in the entertainment and technology industries; including Steve Jobs, Rupert Murdoch, the founders of Google and more.

This course covers:

- The inner workings of the music industry - signing artists, making records, getting records played on radio etc.
- The history - the good and bad decisions made by music industry senior execs over the past 30 years and the impact these decisions had on the top line of the industry
- The issues - with revenue 1/2 that of 1999 we'll dive into the causes for the decline.
- Apple - Apple is a huge issue and a huge opportunity for the industry. We'll look at why Apple is so problematic, how they rose to dominance and what the industry is trying to do to counteract their power.
- The new revenue models - from their economics, distribution strategies, and the technologies that power them. We'll analyze VEVO, a venture I helped form, the reasons why it was created based on the issues we were having with Google, the decision to license Spotify and how we set the pricing for the entire subscription industry.
- Piracy - it's history, impact and ways governments are trying to counteract it
- The future - if there is one?

In the end, you'll have a very clear understanding of the industry, how it makes money, it's challenges and opportunities.

About the Professor - Ellner worked in the music industry for 20 years and held positions including, CFO & COO Universal Motown Records Group, EVP Global Digital initiatives UMG, President Digital 19 Entertainment, CEO & Founder Panna.

Guest Speakers will include the GM of VEVO, VP of Business Development Spotify. Each speaker will give the history and evolutions of their companies, as well as their strategy economics, challenges and opportunities. Both companies are on the cutting edge of digital distribution and growing rapidly.
Course Requirements

Final grades will be based on four aspects of student participation:

- **Class Participation**: Since I would like to make the class as interactive as possible, a high level of class participation will be expected.
- **Final Paper**
- **Materials**: Handouts or news articles throughout the class.

The final grade will be allocated according to the following formula:

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<th>Component</th>
<th>Percentage</th>
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<td>Class participation</td>
<td>25%</td>
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<td>Final Exam</td>
<td>75%</td>
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The expected grade distribution will correspond with finance department guidelines for advanced electives, viz.:

- As: 55%
- Bs: 45%
- B- and below: 5%

Course Outline

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<tr>
<th>Session</th>
<th>Instructor</th>
<th>Topic</th>
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<tr>
<td>1.</td>
<td>Ellner</td>
<td>- The industry revenue drivers - hits and catalog</td>
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<td>- How are hit records made</td>
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<td>- Marketing songs and the channels with the most impact</td>
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<td>- The importance of radio and how it works</td>
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<td>- The A&amp;R process and it's importance</td>
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<td>- The history of the revenue and unit sales of recorded music by configuration</td>
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<td>2.</td>
<td>Ellner</td>
<td>- The core of a record company - master rights and publishing rights.</td>
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<td>- We’ll dive into the importance of the “Song” and how the government has created laws to ensure their availability for use.</td>
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<td>- The inner workings of the music publishing industry, it’s revenue sources and how they provide value to the songwriter.</td>
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| 3. | Ellner | • Current Events  
  • Guest Speaker – GM VEVO  
  • **Apple** – represents almost 50% of all digital music sold.  
  • We’ll explore the history between the industry and Apple  
  • The mistakes made by the industry that led to Apple’s dominance.  
  • The tools used by the industry to try create more competition amongst retailers.  
  • The negotiations that led to the recent price increases and the leverage both sides employed to get what they respectively wanted. |
| 4. | Ellner | • Review all sources digital distribution models including subscription (**Spotify**), download, internet radio.  
  • We’ll dive into the economics, the technology and the companies that are having success in each industry  
  • Review video platforms including **Vevo** / **Hulu** and examine the syndication model of distribution and monetization of video content. This new model is a major change from times past and these two companies have transformed the way content is now distributed and monetized on the internet. |
| 5. | Ellner | • We’ll answer the question: Is there a need for a modern record company?  
  • We’ll evaluate the record company Value Chain, see the changes that have occurred over the last 10 years and assess the winners and the looser from the digital transition.  
  • Review of types of music industry deals  
  • Social Networks and their impact on Media |
| 6. | Ellner | • The future of the Industry  
  • Final Paper |