



The Billboard Q&A: MediaNet CEO Alan McGlade

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By Antony Bruno, Denver

In the early days of digital music, MediaNet (then MusicNet) seemed to be in a great place. Big brands of all types were rushing into the market with digital music stores of their own, and MusicNet was there to provide all the back-end technology and music licenses for them to do so.

Then the reality of competing with Apple in a market ruled by DRM came crashing down and most of the players exited as quickly as they entered. MusicNet watched such high-profile clients as Yahoo Music and MTV's URGE abandon their music dreams, and the company quickly began looking to expand to content beyond music (hence the eventual name-change). Many thought it was only a time before the company went dark.

Now, the company is singing a new tune. The elimination of DRM and the emergence of the streaming model has resulted in new products and new services. Its MN Open product is a set of APIs that can let virtually anyone add licensed music to their Web site in days, a process that once took months.

The company recently announced a dozen new customers, all smaller niche sites like Masterbeat, Musichustle, Pocket Tunes, WaTunes, and StarCity. It's a stark change from powering big-name brands, but CEO Alan McGlade tells Billboard he'll take what he can get in today's market.

McGlade spoke with Billboard about the impact of these newcomers, provide an update on where the company stands today, and whether it's positioning itself for a sale in the M&A blitz expected this year.

You're in the middle of a full-court press for media attention. Why the PR blitz now?

We introduced MN Open towards the end of last year, and it's started to get some real traction. By way of background, we've been in this business for years as a B2B service provider. We've done integrations with major brands, and they were more enterprise class -- we were building out fairly complex systems with lots of DRM management. Once the labels said they were willing to distribute DRM free and in Flash streaming, we started developing MN Open, which is a set of APIs and Web components that allow easy access for app developers and Web sites to incorporate content into their products. We're excited about the developments in the music/media market, and that's why we're out talking about it.

How as the MN Open product increased your business, in terms of number of clients, etc.?

When we did enterprise-class integrations, at most we'd manage 12 to 15 partners at a time. Since we introduced MN open, we've added 60 to 70 new partners that are coming in at the rate of four or five a week. It's an extremely diverse group, from app developers for mobile handsets to companies that do entertainment-related content on Web sites to online and specialty retailers. It's just all over the board. What we've tried to do is reduce friction so companies can include content on their site and allow them to innovate.

What was the genesis of this change? Was it the move away from DRM that sparked all this, or is it more a factor of moving towards an open API model?

The hurdles used to be pretty high to launch a service. You needed a desktop application to manage DRM and the library. There was significant upfront and ongoing costs to adding content to a site or application. We've been able to lower that bar significantly, in large part spurred by what record companies would allow-removing DRM, being open to new models streaming. All the stars seemed to have aligned last year.

You recently listed over a dozen new online services utilizing your technology, many of which have pretty niche audiences. What impact do you think these companies will have on the digital music market?

This is where you find the next big player. It's to enable lots of players to hit their niche, and inevitably, some will rise to a higher level than the rest. The notion in the early years was to take the centralized retail model that existed in the physical world and move it to the Web, so there would be three or four big players that you'd funnel everybody to for content. The Web works just the opposite. It's very decentralized. People are spread out all over the place with different interests. You take the content to them. When it's contextually relevant, you put it in front of them.

What's the bigger pitch, that you can aggregate all the music licenses needed to launch a service or that you can provide all the technology needed to deliver content?

All the things we provide help, whether it's clearing and aggregating content or serving it to the consumer or managing the reporting or ingesting new content every week. All of those things are contributions to people who just want to focus on creating the consumer experience and marketing their product. We have hybrid deals where companies use us for some things and they handle others themselves. Sometimes there's a good reason to work directly with the labels on some things.

What's the business model? Is it a flat fee or a percent of revenue?

We participate in transactions as they occur.

How does that affect the customers you ultimately get? Won't services looking to launch more expansive music service rather build their own product so they don't have to split their revenues even further?

No. Our whole history is working with major brands for a simple reason -- it's cheaper to pay us than to built it all yourself. We're a multi-tenant platform, so we can spread the costs around many customers. If you're just a single service, you can't spread that cost around.

You lost some important clients in the form of Yahoo Music, Urge, etc. How did you survive that period before the MN Open product came out?

It's the nature of the business. Clients leave and new ones come on. While some decided they no longer wanted to be in the music business, others did. We actually had steady growth even though our customer base was changing. It's been challenging for everybody in the music industry. We were very creative about how we build our business and managed our expenses.

The company changed its name to MediaNet in 2007 to reflect an expansion into music videos, film and TV. What percentage of your business today is delivering those assets versus digital music?

We first added music video and over the course of last year we've been working with film studios and book publishers. It's still mostly music though.

What are your current activities or plans in the mobile space, such as iPhone apps, etc.?

We're powering an iPhone app from Soundtrkr, which we just announced. I'd say there's probably a half a dozen in the works as we speak. We've actually created a set of content assets to support mobile. We have files that are downloadable in different bitrates, suitable for mobile handsets, so an app developer can create an experience that moves seamless from desktop to mobile.

I understand you're now profitable. What are your future plans and aspirations? Do they include participating in the current acquisition frenzy?

We had a good fourth quarter and expect a profitable 2010. We think we're on a good track and want to build a successful business. If opportunities