

MediaNet could power the online music revolution

I had a fascinating conversation with MediaNet CEO Alan McGlade on Friday morning. Unless you're deeply involved in online music, you probably don't know MediaNet, but it's the back end powering a lot of music services you might have used, including MOG's subscription service that launched earlier this week, as well as Microsoft's excellent Zune Pass subscription service and iLike's online music marketplace. (MySpace acquired iLike in August, and in November, links to iLike's service began appearing directly in music-related search results on Google.)

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Digital Noise
by Matt Rosoff

They've also got more history in online music than just about anyone. The company started off as MusicNet, with part-ownership by three of the then-Big Five major labels: BMG, EMI, and Warner. They powered RealNetworks' music initiatives before RealNetworks bought Rhapsody. They powered Yahoo Music. They powered MTV's online music store.

These early stores went nowhere. Content owners insisted on digital rights management (DRM) restrictions, which meant that content from these stores had restricted use rights and couldn't be played on every device--including, in most cases, Apple's iconic iPod. Setting up a store using MediaNet's platform often took 18 months and significant technical expertise. In the meantime, Apple focused on a dedicated online store for its own devices, and completely dominated the market for music downloads.

But the landscape has changed. Labels don't want to be beholden to Apple. They no longer insist on DRM for single-song downloads, and have realized that the more outlets there are for their digital music, the more customers they'll reach, and the more sales they'll have. (Amazing it took this long to figure out.) MediaNet is, in my opinion, incredibly well positioned to take advantage of this sea change.

In October, the company released a set of technologies called MN Open that make it almost trivially simple for companies to add a wide variety of music consumption options to their Web sites. Sure, companies can still use MediaNet to build an end-to-end service like MOG.

But say you're Fox Interactive and want to make a story about Aerosmith more engaging. Using a MediaNet component, Fox created a link for the first mention of the word Aerosmith that took users to a page with more information about the band, and links to play and buy some of their popular songs. Fox also posted Aerosmith songs in a box directly on the story page.

MediaNet handled all the heavy lifting: licensing the music, streaming the samples, and fulfilling the transaction. Fox kept its brand and design throughout the process, and users didn't have to leave the site to buy the song. Best of all for Fox, it didn't have to make any up-front payment to use MediaNet's technology. Instead, MediaNet takes the customary cut of any song purchased through the site (about 30 percent, if it's anything like Apple). The model's the same for sites that offer free ad-supported streams or subscriptions--MediaNet takes a portion of each transaction, then handles payment to the content owners.

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7 Love In An Elevator Aerosmith

8 Angel Aerosmith

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Fox Interactive used MediaNet's technology to embed this list of Aerosmith songs in a story about the band. Readers could then listen to a sample or buy the song.

(Credit: MediaNet)

Now imagine this kind of integration on sites for radio stations, record labels, or your favorite bands. Imagine your ISP or cell phone carrier offering you a music subscription service bundled with your Internet service or smartphone. In this world, users won't have to go to iTunes or Amazon MP3, or subscribe to Rhapsody (or MOG for that matter). Music will be available for consumption everywhere. And content owners will get paid regardless of where users buy it.

According to McGlade, it's already happening--he said MediaNet is adding about one new distributor per day, and has already got about 50 customers using the MN Open platform. One site, GetPlaylists.com, was able to add playable song samples and downloads-for-sale in only two days with MN Open, according to McGlade.

Thanks to this upsurge, the company--which is owned by a private equity firm and no longer has any direct ownership affiliation with the major labels--has recently crossed over into profitability. A rare situation indeed in today's online music landscape.

It's a great vision, and something that Microsoft, the original platform company, could have done. But Microsoft spent years pushing the Windows Media Platform, which made heavy use of Microsoft codecs and file wrappers (instead of MP3s, which were becoming the industry standard). Microsoft also spent a lot of effort trying to enable the labels' DRM demands--for example, by building a platform to enable subscription-based downloads to be transferred to portable devices. Then, just as the labels were getting ready to abandon DRM, Microsoft basically gave up pushing Windows Media as a general-purpose platform for distributors and device makers, and instead started trying to mimic Apple's end-to-end software+service+device with the Zune strategy.

Talk about an opportunity lost! Instead of struggling along with something like 2 percent of the digital media player market, Microsoft could have ended up powering the music technology on thousands of Web sites.

Another aside: while MusicNet offers a lot of flexibility for distributors--downloads, samples, free streams, or subscriptions are all supported--McGlade is most bullish on subscriptions as the digital business model of the future. He admits that old fogeys accustomed to CDs and vinyl will have a hard time giving up the concept of ownership, but suggests that today's teenagers don't care--they want music on demand from any device, any time, in any location, and don't need to have the files physically present. McGlade thinks that subscriptions will have the best chance of taking off if they're bundled with some other product, like ISP service.

Scoff all you want about subscriptions, but the concept keeps coming up: music industry expert Donald Passman also believes they're the best chance for the music industry to thrive in the future. Even Apple finally seems to be bending to the idea of streaming music with its acquisition of Lala, although Lala isn't a straight subscription service, but more of an online music locker with some free streams, plus fee-based individual streams.

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