



**The
Orchard**

The Death of Digital



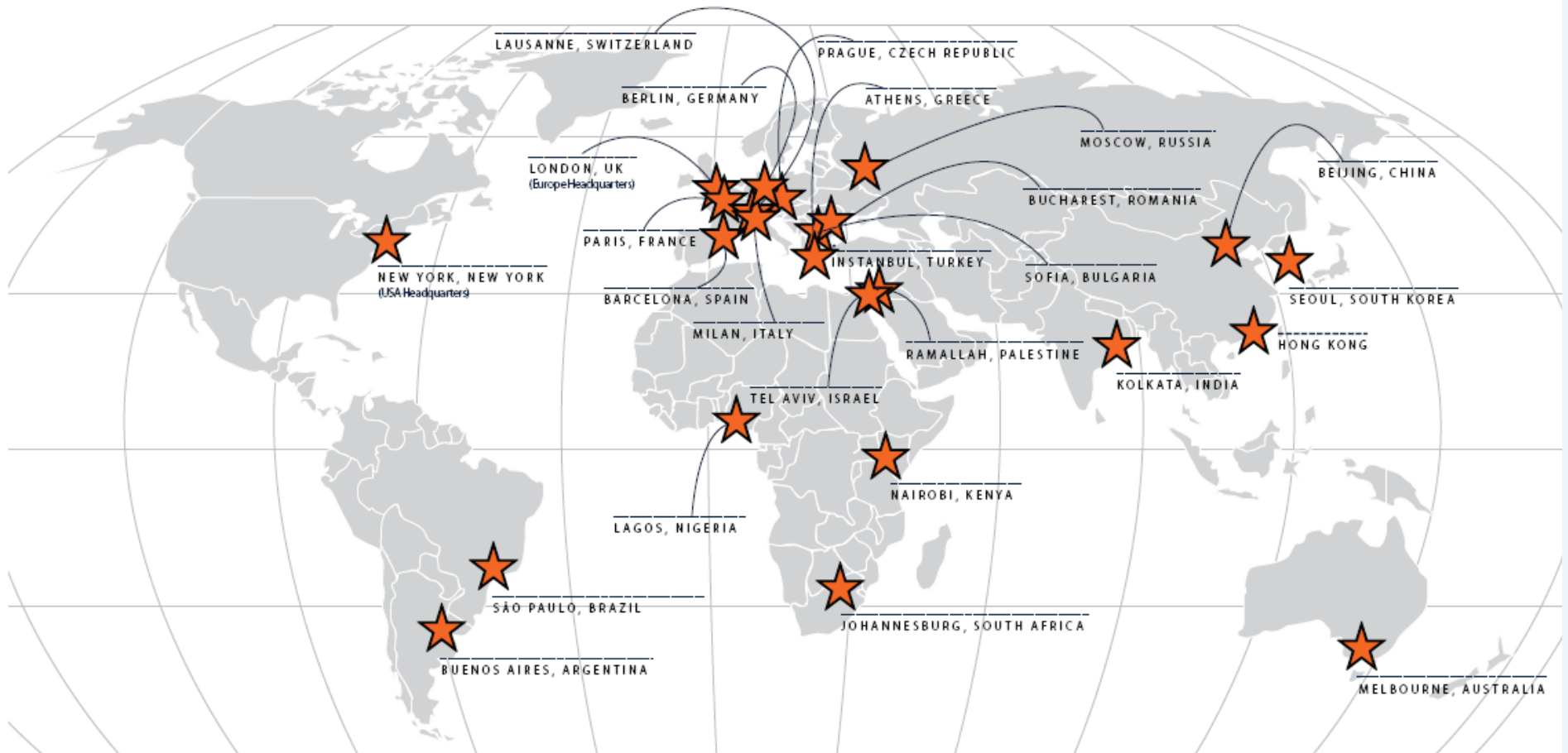


Market Leader

- Leading independent labels
- Over 1 million tracks in the catalogue
- Source content locally
- Supply all digital outlets
- Market, promote and sell locally and globally



27 Global Offices





Orchard Artists

Afrika Bambaataa
Alexander Shulgin
Anthony Braxton
Archie Shepp
Art Brut
Asha Bhosle
Astor Piazzolla
B.B. King
Bad Brains
Bay City Rollers
Beck
Ben Jelen
Benny Goodman
Big Country
Bill Laswell
Billie Holiday
Billy Bob Thornton
Bing Crosby
Black Flag
Black Uhuru
Blazin' Squad
Blink-182

Bo Diddley
Bob Marley
The Brand New Heavies
Bright Eyes
C&C Music Factory
Cab Calloway
Carl Perkins
Cecil Taylor
Charles Mingus
Charlie Parker
Chris de Burgh
Chuck Berry
Chuck Loeb
Coldplay
Count Basie
Curtis Mayfield
Daniel Johnston
Daniela Mercury
Dave Brubeck
Dead Kennedys
Death Cab for Cutie



Orchard Artists

Deep Purple
Dinah Washington
Dion
Don McLean
The Donnas
Donna Summer
Dr. John
Duke Ellington
Ella Fitzgerald
Ennio Morricone
Eric Dolphy
Evan & Jaron
The Fall
Fats Domino
Fito Paez
Frank Sinatra
George Carlin
Glenn Miller
Green Day
Gregory Isaacs
Hank Williams
Harry Belafonte

Helmet
Herbie Hancock
The Hives
The Hold Steady
Howlin' Wolf
Ike & Tina Turner
Immortal Technique
The Jerky Boys
Jerry Lee Lewis
Jerry Seinfeld
Jimmy Page
Jody Watley
John Cage
John Coltrane
John Denver
John Fahey
John Lee Hooker
John Legend
Johnny Cash
Katatonia
KC & the Sunshine Band



Orchard Artists

Keane
Kim Waters
King Sunny Ade
The Kingsmen
KRS-One
The Last Poets
Lata Mangeshkar
Laura Cantrell
Leadbelly
Lee "Scratch" Perry
Lightnin' Hopkins
Little Richard
Los Lobos
Louis Armstrong
Mad Professor
Mahalia Jackson
Masta Killa
Medeski Martin & Wood
Melvins
Me'shell N'degeocello
Mikis Theodorakis

Ministry
The Minutemen
Mojo Nixon
Motley Crue
Motorhead
Muddy Waters
Nancy Sinatra
Nat King Cole
Nina Simone
Norman Cook
Nusrat Fateh Ali Khan
Ofra Haza
Ohio Players
Ojos de Brujo
Ol Dirty Bastard
Paul Oakenfold
Perry Como
The Pharcyde
Pigface



Orchard Artists

Public Enemy
Ralph Stanley
Ravi Shankar
Ray Charles
Roger McGuinn
RZA
Sam & Dave
Screamin' Jay Hawkins
Seu Jorge
The Silos
Simply Red
Sir Mix-A-Lot
The Skatalites
Sly & Robbie
Solomon Burke
Son House
Soulive
Soundgarden
Sublime
Sufjan Stevens

Sun Ra
Swing Out Sister
Taj Mahal
Ted Leo / Pharmacists
The Three Stooges
Tim Buckley
Tom Waits
Tone-Loc
Triumph
The Turtles
The Vandermark 5
Walter Beasley
The Wedding Present
Ween
Wilson Pickett
Yellowman
Young MC
Zakir Hussain
...and thousands more



Where Are We Going?

- DON'T examine the music business
- Understand the DIGITAL industry
- Tech has always driven the music business
 - 45
 - radio
 - CD
 - Ringtones
 - And now WEB 2.0



The Paradigm Shift

1. Space (location)
2. Time
3. Shape
4. Speed
5. Price
6. Power



Show Me the Money

- Replace physical revenue with digital
- Increase the overall size of the business



Death of the CD or Death of Digital?

- Sales dropped 26% in the last 6 years
 - \$40 billion to \$30 billion
- US Physical sales down 20% in the Q1 07
- 2/3 of CD's not sold in record shops
- Retailers decreasing shelf space
- Significant % of consumers shifting to digital
- Number of record shops in US declined +50%



99 Cents a Download

- Over 1 billion tracks “shared” monthly
- .99 USD per track = \$1 billion per month
- \$1 billion x 12 = \$12 billion per year



Advertising

- CPM's – (cost per thousand page views) too low
- Streaming radio – fraction of a penny per stream
- Social Networking sites generated \$280m per year in advertising in 2006



Subscription

- 3 million subs worldwide
 - 3m X \$10 = \$30m per month
 - \$360m annually
- Increase by 10 times
 - 30m X \$10 = \$300m per month
 - \$3.6b annually



IP Tax/Levy on Networks

- Internet Users - 1.1 billion
- Mobile Users - 2.6 billion

- Levy = \$5 per month per account
- 20% for music = \$1.00

- **\$3.7 billion per month**
- **\$44.4 billion per year**



Arguments Against the Tax

- Price sensitivity
- Legitimize piracy
- No business remains



Build Revenue Businesses On Top

- Sort and categorize
- Recommend
- Search
- Consistency, accuracy, security
- Interactivity with media/content
- Community



Summary

- Understand the digital landscape
- Create new biz models
- Resist dogmatic thought
- Web 3.0
- Simple tax or licensing scheme



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