



Linkin Park: The industry wants to avoid letting Apple become the Wal-Mart of Web music

the venture. Warner and the others will also get a cut of the advertising fans see on MySpace as

they listen to tunes, "We realized we had an opportunity to either repeat the mistakes of the past," says Nash, "or we could fashion a new kind of collaboration based on a new business model."

#### EGGS IN SEVERAL BASKETS

The music industry is wary of letting Apple turn into the online version of Wal-Mart. Since the giant retailer became the largest music seller, it has gained leverage over the labels and pushed for lower CD prices. Apple, now the largest online music seller and second-largest overall, has made several moves that have upset the labels, including insisting on standardized pricing for new releases and old songs.

Nash and other music executives have long seen potential in MySpace. The site took off in large part because of its popularity with independent bands and their fans. Musicians could post as many as four songs on their MySpace home pages and promote upcoming shows. As far back as 2004, Warner Music began using MySpace to showcase artists such as My Chemical Romance and R.E.M. MySpace now has 110 million users worldwide, more than any competing site. "I think the labels are looking at this [deal] as an opportunity to transform their [businesses]," says MySpace founder Chris DeWolfe.

The MySpace venture isn't exclusive, and the record companies are pursuing deals with other social-networking sites. All four majors have had discussions about a music service with executives at Facebook, the second-largest site, according to people familiar with the matter. Those talks are in the early stages, however.

Nash says labels like Warner are finally ready to embrace new approaches. They learned over the past few years that trying to block people from getting music on the Net only breeds resentment and piracy. "Early in this decade we went to war with our consumers, and that was a mistake," says Nash. "Now we feel an incredible sense of urgency." **| BW |**

## RECORD LABELS AND MYSPACE CUT A DEAL

Warner, Sony BMG, and Universal have teamed with the site in a venture that gives them equity and ad income

By Catherine Holahan

With CD sales plummeting and music fans swiping songs off the Internet, the major record labels can use all the friends they can get. So Michael Nash, incoming head of digital strategy at Warner Music Group, is trying to make a few new ones. On Apr. 3, Warner is expected to team up with social-networking site MySpace, Sony BMG, and Universal Music Group to launch a joint music venture. MySpace Music will let people listen to tunes and watch videos for free on the Web, as well as buy merchandise, concert tickets, and music through downloads, much like on Apple's iTunes. "The entire music industry has learned that the consumer is aligned with digital culture," says Nash. "The perspective has shifted."

Other record labels are likely to follow suit. MySpace, part of News Corp., has held talks with all four major labels in recent months. EMI, the only major that hadn't finalized a deal as of late Apr. 2, could do so in the near future.

The MySpace joint venture is one of Warner Music's most aggressive moves yet on the Net. The idea is to expand beyond the industry's predominant business model of simply selling music through retailers such as Apple and Wal-Mart. MySpace Music will be set up as an independent company, and the record labels will have equity stakes in

