



March 2nd 2008 – The day the music [industry] died.

Radiohead disrupted the music industry with *In Rainbows*, but it was Nine Inch Nails that sealed the coffin with *Ghosts I-IV*. Record executives shook in their boots on October 10th 2007 when Radiohead offered their new album *In Rainbows* from their website for free. This was the first time a major label bypassed the multi-billion dollar music distribution infrastructure. The music distribution infrastructure became vulnerable. If the internet unleashed the artists from the record labels, then there would be no products for the record labels to promote. There would be no need to purchase airplay from the radio stations to make you want to buy the next new album. All hell would break loose and the radio stations would play what they want to play. There would be no order in the world, music would stop making cents for the record labels, and the music machine would become frozen in its tracks.

The record executives rested easy and considered Radiohead's online success a musical anomaly, impossible to replicate. Nine Inch Nails' front man, Trent Reznor found out the hard way when he produced and released Niggy Tardust's album that when offering a record for free with the option to make a donation, most people choose to make a donation of zero dollars. So when Trent Reznor decided to release his own album on March 2nd 2008, he cracked open the future of music distribution by churning over \$2 million dollars in less than 24 hours. And Mr. Reznor did it without sharing a penny with a record label.

So how did this album make over \$2 million in less than 24 hours? *Ghosts I-IV* sold 2,500 collector kits for \$300 in less than a day. This comes out to \$750,000. One can safely assume that only one out of a hundred would spend \$300 on a collection when one can purchase the same music for \$5, which means at least 250,000 people spent \$5 on the album totaling \$1.25 million. So between the box set and the \$5 digital download, Nine Inch Nails raked in well over \$2 million in less than 24 hours.

According to the RIAA only 43% of teenagers bought at least one CD in 2007. Frankly, I am surprised that it is that high. The first thing that I do when I purchase a CD is to convert it to a digital format so I can play it on my home computer, work computer, IPOD, TIVO, and carry it on my thumb drive. A CD is bulky, requires manual organization, is prone to scratching, and is often encrypted preventing you from playing your legally purchased music in the manner that you want to play it. In fact the RIAA says it is illegal to copy songs from your CD's to your hard drive, which in essence makes your IPOD a contraband carrying device.

Purchasing a CD from the store is impractical and is often the gateway activity that leads to breaking the law by making illegal copies. On the other hand, purchasing a \$5.36 song album was a wonderful experience. I did not have to get up off my couch to purchase *Ghosts I-IV*. I work hard to be lazy and this definitely helped me achieve my goal. In addition, for about the cost of one gallon of gas I received 4 CD's worth of music, a 40 page PDF of the album artwork (when was the last time you received a 40 page booklet with your CD?), and digital artwork designed for websites and online avatars.

Instead of hoarding intellectual property and reducing the exposure of one's music, Nine Inch Nails enabled the online community to promote the album. Fans can legally post Nine Inch Nails graphical banners on their websites, legally play the music on their Facebook pages, and can use Nine Inch Nails graphics on chat boards. While the record companies file suits against file sharing sites, Trent Reznor embraced the file sharing community by offering the first nine songs of his album on the Pirate Bay.

How are the record executives going to make money in all of this? They will have to become musicians.

Submitted by: Hollywood Hawk