

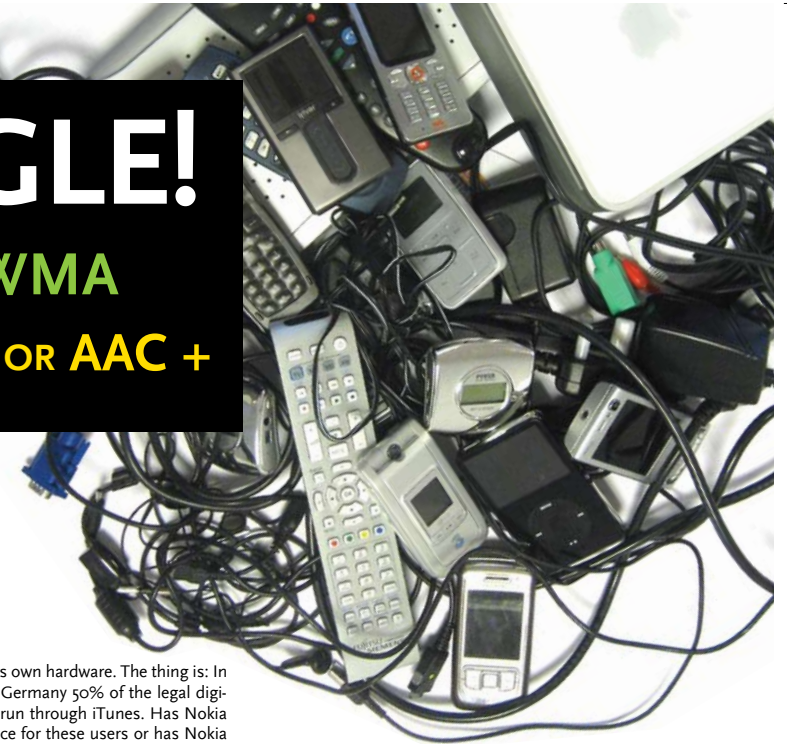
WELCOME TO THE JUNGLE! DON'T GET LOST

DRM OR NOT

OMA.1. OR FORWARD LOCK

MP3 OR WMA

AAC OR AAC +



FEATURE ARTICLE BY
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Why not all formats in all devices? The reason is the same as with any other competitive wars in different industries. Control the value chain and you will end up controlling the end users' consumption. Smart! And actually the strategy creates products as concepts that provide a good and nice user experience. In a perfect world where all people use the same technology that would be it! BUT the consumers are met with many choices when they want to buy a new MP3 player. Should it be a high quality branded one as for example Creatives Zen? Should it be the world famous and ever beautiful iPod? Or should it be the low end cheap supermarket version imported directly from the best warehouse in Hong Kong?

The consumers choose what they find best in their situation but the problem is that they do not have full information on what to choose.

LET'S TAKE A COUPLE OF EXAMPLES:

1. THE GOOD LEGAL FAMILY FATHER BUYS MP3 PLAYERS TO HIS 4 KIDS.

He buys 4 Hong Kong players. They are cheap and volume is his game – as he has 4 kids. What he does not realise is that the players do not support DRM (digital rights management), which is a problem as he urges his kids to go to iTunes or other legal stores to download. He even bought them a gift certificate as they do not have credit cards. He wants his kids to be legal but at first glance his mission fails - totally. His purchase is not supported by the legal download industry and he did not have a clue about this when he bought the products. Subsequently a friend of his has told him that he can burn the music on CDs and then copy the CDs to a PC and then transfer the songs from the PC to the new Hong Kong device. His son at 15 – looks at him and tells him to get lost.

The new player is used – but not on the legal sites. It's too complex and it takes forever for the children to work with the legal technology.

2. A NEW IPOD ARRIVES IN A HOUSE THAT FANCY SUBSCRIPTION DEALS ONLINE.

It's great. The new iPod, lots of music for small money. The young man is ready to take his new iPod and go to his favourite subscription service "Napster to go". The best service for the best equipment – OOPS. The service does actually not support iPods! He is surprised. He finds out that Apple doesn't even support the Windows Media format, even though it is one of the world's biggest formats – that's strange? He tries to transfer his time-limited music files to the iPod but nothing works. He is not happy! He analyses the situation and figures out that he should have bought a Creative player, as these products support subscription services and thereby Windows Media DRM. How should he have known that? Now he needs to hand in his favourite iPod for a Creative, an ok device but NOT an iPod. He does not like it, but he needs to do so to benefit from the subscription service that he likes. Damn, the day is spoiled, wasted due to new technology and industry turf wars.

3. A NEW PHONE – AND ITS EVEN A MUSIC PHONE – OR IS IT?

The last example is from the fantastic world of Music phones. Lets take the new Nokia N95. The absolute killer application from Nokia. It supports a wide range of formats. Windows Media with DRM, AAC+, MP3s and the like. Connected to the net you can take down tracks from specific services. You get special software applications where you can transfer music to your phone all the time. It's great. Absolute Downside: The phone doesn't work with iTunes as iTunes operates with a locked format that

is only supported by Apples own hardware. The thing is: In countries like the UK and Germany 50% of the legal digital music consumption is run through iTunes. Has Nokia chosen not to build a device for these users or has Nokia dropped out on the competition with the iPhone? This is barely the reason but the fact is that the consumer is once again left confused. The phone he bought supported AAC+ the format that iTunes uses? How on earth should he know that his new Music phone did not work with iTunes due to the fact that iTunes complement the AAC+ file with a so called Fair Play DRM? This proprietary DRM - the Apple fair play only works on iTunes devices. A smart way to control the value chain, but unfortunately also a smart way to confuse the end users.

He tries to take down music from other web services with legal music that actually supports Windows media with DRM. He realises that it takes him up till 4 minutes to download a song. The reason is that the websites provide 192 kbs quality, a 6 megabyte file on a mobile 114 kbs connection. This is not a good user experience. A month after he realises that he has been billed 6 Euros for the traffic he used with the tele-company when taking down that single track. This price he will need to put on top of the additional price of 1 Euro for the music track itself. Well – the world are full of surprises he thinks. Maybe he would use another method next time to get music on his Phone. He does not have a free data charge subscription with the Telco and therefore he needs to find other ways to use his new fantastic music phone. Even though he tried – he will use the

same old methods. Transfer his usual library to the phone in mp3. It works, it's easy, and it's flexible. He will not comment on whether it is legal or not!

COLLABORATE AND WIN!

The question is whether the industry will figure out working together to solve people's technical problems. It is clear by now that the consumers are too smart. If the industries, the music industry and the hardware industry, cannot fix the problems the end users will fix it themselves. To all hardware manufactures! Why not install the Windows Media DRM chip in all your devices. It will cost you a few dollars and it will leave the end user surprised – because problems with interoperability will disappear. The music business is not ready to remove DRM yet. If manufactures don't enable complete DRM-interoperable solution the consumers will turn their back on legal content and claim to get unlimited music and films for free – a dirty way to enable a work around on technical problems and a big threat to companies that works for the spread of digital paid content.

Let's hope that things will be cleared out to the benefit of the business for hardware manufactures as well as content owners.