

Music blogs' network effect

Advertisers and record labels are turning to MP3 websites to reach a much-desired demographic.

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(Fortune) -- Pity the music industry. Between 99-cent downloads, free - if not always legal - file-sharing services and MP3 blogs, and an increasingly fragmented audience, it's desperately in need of a new revenue stream.

Jon Cohen and Rob Stone, two veteran music marketers, think they've got one: advertisers that will underwrite free downloading. They've put together a network of MP3 blogs including three of their own such sites - [thefader.com](#), [thetripwire.com](#) and [1200squad.com](#) - and RCRD LBL, an innovative web music destination run by Peter Rojas, founder of Engadget and Gizmodo. And Cohen and Stone have already done advertising deals across this network with companies like Microsoft's (**MSFT**, **Fortune 500**) Zune portable music player and Toyota's (**TM**) Lexus. "There are a lot of great sites that have it together from the editorial standpoint but not the marketing standpoint," says Cohen. "We figured why not pool things so we can compete in a tough market?"

It's not surprising that Cohen and Stone marry blue-chip sponsors and bloggers. As the principals of New York-based Cornerstone Promotion, a music-marketing firm, they have worked with Ford (**F**, **Fortune 500**), Nike (**NKE**, **Fortune 500**), Levi Strauss and Converse. Plus, they have street credibility to spare. They're the founders of The Fader, a glossy magazine that puts breakthrough acts like Kanye West and the White Stripes on the cover just before the rest of the world takes notice of them.

Cohen and Stone say Fortune 500 companies are waking up to the fact that young hipsters are congregating on MP3 blogs. This is an extremely desirable demographic for many of these companies. The people who troll for music on MP3 blogs tend to be tastemakers who wield considerable influence over their peers. But they're also difficult to reach through traditional media. Microsoft can't count on getting their attention with a pricey "American Idol" ad.

MP3 blogs, meanwhile, have a tough time selling ads on their own. Many, of course, post songs without the permission of copyright holders. And even the biggest

legit ones are too small to have much clout with big media buyers. [Thefader.com](#), for instance, has 93,000 unique monthly users. RCRD LBL has 125,000. [Thetripwire.com](#), an "indie" rock destination, has 15,000. The hip-hop oriented [1200squad.com](#) has only registered users. That's because it doesn't allow just anybody to join. So far only 2,500 people have qualified.

By rolling the sites into a network, Cohen and Stone can now approach advertisers with an audience of nearly 240,000. "It's easier for our corporate clients to get their heads around this because they aren't buying 12 different sites," says Stone.

They restrict their network to blogs that aren't serial copyright violators. Major labels allow [thefader.com](#) to give away their songs because they want to reach its base of hardcore music fans. RCRD LBL actually pays artists and labels whose songs can be downloaded on the site. (The Fader keeps 100% of revenues that the network sells on their sites; RCRD LBL pays The Fader a commission for the ads it gets as part of the group.)

The network idea resonates with Chris Stephenson, general manager of global marketing for Zune who has advertised on [thefader.com](#), RCRD LBL and [thetripwire.com](#). "This just simplifies the buying process for us across multiple brands that we were already interested in," he says. Meanwhile, Lexus has bought ads on [thefader.com](#) and RCRD LBL.

These sites are only going to become more appealing to advertisers. The Fader guys say RCRD LBL chief executive Peter Rojas is talking to a big act about releasing its next album for free on his site. The band would put out two tracks a month. A single advertiser would sponsor the album and probably pay a hefty sum for the honor. (Rojas declined to comment.)

Zune's Stephenson says advertisers would love such an opportunity because they can be pretty sure of whom they would reach through a sponsorship. "With the right five bands, I can cover 100 percent of my target audience," he says.

Bands could also benefit by giving their music away. Radiohead earned a lot of good will and publicity when it allowed fans to pay what they liked to download "In Rainbows." Thom Yorke and his anti-corporate mates might not agree to a sponsorship deal with, say, Lexus. Okay, but what if it was a hybrid Lexus? ■