



A Bright Light in NY and Cyberspace

In 1992 Tim Nilson '96 left Germany for the States hoping to polish his piano skills. Instead he buffed up the digital-music industry.

By Mark Small '73

Photography by Jimmy Katz

For Tim Nilson, the journey from his picturesque hometown of Heidelberg, Germany, to Sony Music Entertainment on Madison Avenue has been momentous. His music career arc has shifted from playing keyboards in popular bands around Heidelberg to Berklee to music-technology startup companies to his current position as senior vice president for direct-to-consumer technology and operations at Sony Music.

Ever a clear thinker and realist, Nilson has assessed and accepted the facts whenever a door he hoped would open remained closed. His ability to strategize and to execute a plan has continually enabled him to identify the door behind which real opportunities awaited. During his first semester at Berklee—when he was known as Tim Tuengerthal—he realized that he would not become Chick Corea’s successor and recalculated his route. By the next semester, he realized that he had an acumen for music business and technology. In the years since he earned his degree in music business/management, Nilson has passed through a series of doors that ultimately opened to an executive position at a major record label.

People will tell you that the best days for the major labels are in the past, but Nilson is not among them. Since the mid-1990s, Nilson is recognized industry-wide for his role in pioneering technological innovations that ushered in the era of online distribution, digital downloads, artist webcasts, and more. Run Tones, a technology company he cofounded and sold to Sony Music, enabled the label to greatly enhance its bottom line during the ringtone boom of the past decade.

Today, Nilson is a key player in Sony Music’s initiative to market and commercialize artists via online and mobile applications, services, and storefronts that connect directly with music consumers. Still only in his thirties, Nilson is among the bright lights guiding Sony Music through yet uncharted territories in cyberspace and e-commerce.

How did you start on your path to a career in music?

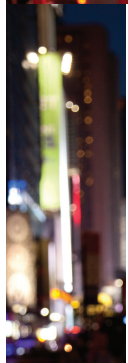
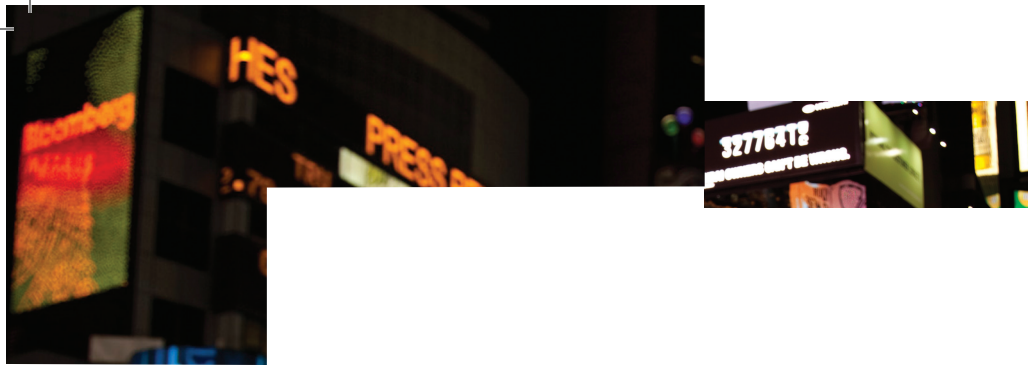
I was about 11 years old when I got the bug and started learning the piano. I was immediately drawn toward jazz. I enjoyed being in Heidelberg and playing in a number of bands that had local success. My dad used to come out to hear us and was enormously supportive of me becoming a musician.

He was always listening to music—good music. He played Al Jarreau’s records around the house. I got very into that type of music—a blend of jazz and pop—and still enjoy what he listened to back then. He read about Berklee in a very reputable German newspaper and told me it sounded like a great school. So after [high] school, he encouraged me to attend a summer program at Berklee in 1992.

How did the atmosphere at Berklee affect you?

At that point, I thought of myself as a pretty good musician. I’d been playing in bands and thought I wanted to become a musician. But it was like hitting a brick wall when I saw how many good students were at Berklee. I came from a small town where I’d been a big fish in a small tank, and all of a sudden I was thrown in with people who were so much more talented and driven than I was. These kids were practicing day and night, and frankly, that wasn’t me. This was one of those key moments of my life when I had to make a decision about what direction to take in my career. I didn’t know what I wanted to do, but it was clear that becoming a performing musician was not for me.

At Berklee I saw that the music industry is a very multifaceted industry. There are so many elements to this ecosystem of music. I bumped into Don Gorder [the founding chair of the Music Business/Management Department], and he started telling me about a new music business major he was putting



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together. As he told me about it, I thought, “That’s it. This is how I could stay involved with music.” It sounded great, and I instantly became excited about it. So, following the summer program, I went into in the Music Business and Management program in the first semester it was offered.

So you got in on the ground floor.

Yes, and now I hear that it’s become the largest major at Berklee. At the same time, I also got involved with the Berklee Learning Center as a work-study student. The lab was equipped with early Mac workstations and I got very into the technology side of music. Being German, I had run into some guys from Emagic, a German company that created Logic’s sequencing, recording, and production suite. I loved the software and got 12 copies of Logic installed at the Learning Center. That was how Berklee became introduced to Logic.

I started teaching some classes about music technology at the Learning Center and discovered that I had a passion for technology. I started thinking about how to develop a career that would enable me to combine my love for music, the business side, and technology. It all crystallized for me in my first two semesters at Berklee, and I started homing in on what I really like doing.

After graduation, what was your next move?

While I was at Berklee, I tried to make a clear, achievable plan for where I wanted to go in my career. I believe that if you know what you want to do, it’s easier to find a way to get there. If you don’t know where you’re going, you can’t possibly get there.

When I got out of school, I knew I wanted to work at GRP Records in New York. So I had to figure out how to get in there. I took an unpaid internship at a company called Uni Distribution in a suburb of Boston. That was when they were the physical distribution company for GRP. My job was to call record stores to find out about their sales for GRP-based product. Eventually I was introduced to a sales guy at GRP Records in New York, and I told him I’d do a free internship for them too. He said sure; it’s hard to reject free work.

I moved to New York and quickly got into the technology side at the label and started working on GRP’s CD-ROM products. The first project was to create a full, interactive catalog of GRP products so retailers could look at all the product and preview some of the tracks. When I was at GRP, I met Larry Rosen and Dave Grusin, who founded the label. I also met Larry Rosen’s son J.J. Rosen, and we became fast friends.

As the Internet continued to develop, we started to work on some rudimentary websites for artists. It became clear that the Internet was what we should focus on. Larry Rosen and J.J. established a technology startup called N2K and asked me if I wanted to join them. I was the fifth guy to join. It was a risky thing

for me to do at the time, because I’d just finally gotten where I wanted to be at GRP and this was something completely new, unproven.

Was that a paid position?

Yes, but since it was a startup, the pay was small. We were running the company out of an apartment in Brooklyn. There were eight of us just scratching things together, trying to do something in the interactive music space. Soon, N2K became a very popular and well-established digital music company. Our big product at the time was Music Boulevard, a [virtual] store where consumers could buy CDs. The only other virtual music store at the time was CDNow. I worked on the technology side and some on the business side to develop these properties. We had other properties, such as Jazz Central Station, which was really the first jazz content destination site. We also did one for classical music, classicalinsights.com; one for rock, rocktropolis.com; and All Star, an alternative music magazine.

We had the right ideas and did quite well. We actually launched the first digital download service for 99 cents a track that predated iTunes by many years. The audience was small and consumers really didn’t have the equipment or know much about downloading then. It was difficult to get the market juiced.

So this was before MP3s were a factor?

Pretty much, but MP3s were around. We worked on a David Bowie track and released it in about six different formats, from WAV to a Windows format to MP3. We didn’t know what consumers would ultimately use. It was great for me to be a part of the evolution of digital music. We were doing really groundbreaking stuff at N2K. Many of the people I met there are still very entrenched in the digital music industry. Chris Bell, one of the founders of N2K, is now head of marketing at iTunes.

It became clear after Amazon started to sell music that Music Boulevard should merge with CDNow. Competing with one other CD store was tough, but with a big bookstore starting to sell music, things were going to get even tougher. Shortly after the merger with CDNow, J.J. Rosen and I decided to exit and start a business together. So around 1999, we started a company called Run Media. We later called it Run Tones.

What kind of work did the company do?

Run Media was a consultancy to help companies that wanted to do music-related online or digital businesses. There were many companies big and small that were looking for help. We worked for Deutsche Telekom when they were trying to launch a digital download service. We helped them with their strategy and some of the technology elements and helped

them obtain some content licenses. We also worked with Bertelsmann when they were trying to launch an online music and book store to compete with Amazon. We also helped a lot of small digital music-service startups with whom we struck sweat equity relationships. We had offices in Germany and New York, and for about a year and a half; things worked really well. Then the Internet bubble burst in 2000.

How did that affect you?

In one week, many of these companies in New York started going out of business. The venture capitalists were no longer funding them. It was a really tough time, and we were hit just as hard as everyone else. All of a sudden, the clients that were paying us huge monthly consulting fees were going under, and we quickly found ourselves without a client base.

Looking at technology and music, we recognized that a phenomenon was happening in Europe and in Asia with ringtones and decided to create a technology start up ourselves. Consumers were downloading little monophonic ringtones to their phones. Soon after came polyphonic ringtones: little MIDI arrangements. After that, phones started to support digital audio ringtones, the ones handsets support today.

We decided to develop the technology to make a piece of music that would play on all the different handsets. Other companies back then were solving the technical issues but not looking at what the music consumer wanted. That was our mission. We developed the technology to make ringtones for all these different devices and distribute them just like a music merchant would promote and sell music. AOL was a client, and we built them a big prototype of a Time Warner mobile media platform. They wanted to create a single destination where all the media that AOL-Time Warner had available would be aggregated and made available for all devices, and we built it for them.

So your technology solutions for ringtones opened up new avenues.

Yes, we got our second wind. At the time, every ringtone had to be different and specific for each mobile device, so each ringtone had to be produced in as many as 70 formats. This was a not a trivial problem to solve and was difficult for many companies to do even if they had lots of people working on each song and converting it many times. We actually came up with a much more elegant technical solution that would take the full WAV file of the song and automatically pick the right sections of the file with some in-and-out points that were set by engineers. Our technology would convert the WAV file with instructions for each particular handset.

So we divorced the music from the handset transcoding process. Sony Music became interested in the platform we created, which we later called MMDS, or Mobile Media Data Store. It would create, store, and distribute all the company's ringtone products. Sony Music was just recognizing then that the ringtone

market was something that the music industry had to embrace more fully, and they quickly decided to acquire our company in November of 2002.

J.J. and I became part of the management team for Sony Music to grow their ringtone business and to execute the technology and business strategies for ringtones. We assembled a team to create polyphonic MIDI renditions of well-known songs in the Sony Music catalog and started to build up our digital ringtone catalog. At the same time we were making the deals with all the mobile carriers wanting to sell Sony Music's ringtones in their mobile storefronts. It was a very broad spectrum of things, and we put a whole ecosystem in place for Sony Music to capitalize on the ringtone business.

In these early days, I think Sony Music saw a significant uplift in revenue compared to that of other major labels because we had the technology and the know-how and were much further along than the companies relying on small vendors to create ringtones for them. The ringtone business was taking off like a rocket, and those years were really an incredible growth period for the music industry.

That sounds great. You'd only been out of school for six years and were leading the charge in a burgeoning area for a major label.

Yeah, it happened very quickly. It was a wild time—sort of the Internet gold rush. Being part of that was a very interesting experience. It was a crazy time, but very enjoyable because there was a lot of growth, and the ringtone business as a whole created enormous revenues for the music industry.

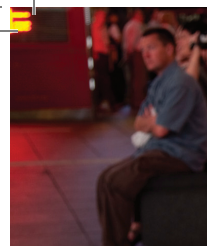
So the influx of cash from ringtones came at a time when major labels were coming to terms with the up- and downsides of technology use by the music consumer.

Ringtones gave the music companies a way of leveraging their recordings in a completely new way that was also very difficult to pirate. Piracy of ringtones was not really a factor back then because the carriers controlled the ecosystem. It was in their interest to sell the music and the ringtones legally because they were making good money at it.

The selling of full digital music tracks was still in its infancy. Most of the revenues on the mobile digital front were coming from ringtones; very little came from digital-track downloads. In the early days of online and mobile music, it was always surprising to me that consumers seemed to have no problem paying \$2.49 for a 20-second ringtone but didn't embrace paying 99 cents for a full track download. It became clear that there's a lot more to the music consumer than we realized. Music is consumed for many different reasons. I equate users buying a lot of ringtones to the people that put a very loud stereo into their car. It's not for them to hear the music; it's really to project outward what their music preferences are and what they're all about.

It's the same with ringtones. If people just wanted to be alerted when their phone rang, any ringtone





would do. This was really about a person being somewhere, their phone going off, and everybody around them hearing their choice of ringtone.

How did you transition into your current position at Sony Music?

I rode the mobile wave for as long as possible, and soon they gave me more and more responsibility for other technology and digital elements. I became responsible for the company's digital operations, not just mobile. That included providing all of our digital media assets to all of our partners that were selling them.

For example, we were creating the whole digital catalog for partners such as iTunes, Rhapsody, and hundreds of other services that sell our music digitally. I had around 70 people distributed around the world doing that. I had a team for the European region, a team in Hong Kong for the Asian region, and a team in New York for North and South America. Sony Music has a beautiful, large, and diverse catalog, and we'd convert it to the different formats that the partner needed it. I did that for a couple years before getting involved with what I'm doing today, which is what we call "direct to consumer."

What does that involve?

Everybody's aware that the music industry is in a difficult environment in that physical retail sales are continuing to decline. With fewer CDs being offered at retail, it's difficult for a consumer to find a deep selection of any artist's titles. That's one of the reasons to get involved with the consumer directly. In the past, the music industry was never really talking to the consumer. We were in the wholesale business offering our product to retailers who would close the sale.

But once you have a connection with a customer, there's much more that you can do. So direct to consumer is about creating destinations where consumers can find out everything there is to know about the particular artist they're interested in. Let's say it's Daughtry. Fans can go to the Daughtry website and find video blogs of him on the road, or fans can chat, leave comments, hear his music, or see his discography, and all kinds of other things. So it's a great point for us to aggregate all the fans and then learn about them and communicate with them. So in direct to consumer, I run the technology for all the Sony Music artist websites and online stores.

So the label manages sites for their artists?

Yeah. We have developed a whole infrastructure that can build and support these sites. Obviously it costs a lot of money for artists to do it themselves; we do it efficiently and in a very elegant way.

When Michael Jackson passed away, the traffic to michaeljackson.com was unbelievable. All of a sudden, the global fan base came to this destination, and from an infrastructure and technology point of view, it was a real challenge. We had to do a lot of creative things to keep the service available. We very quickly built an application

to allow people to post their memories about Michael Jackson. I have a great team of engineers, and in 48 hours we built an application with powerful technology that could sustain enormous traffic. As soon as it was up, we started collecting what is now over half a million memories posted by fans.

That was a really good thing for us to see. We were really getting in touch with consumers and enabling them to share their thoughts and memories. It was good to be a part of that and recognize that it was a very powerful way to bring the community together.

What are some other aspects of the direct-to-consumer end of the business?

It's really about offering fans exclusive physical products for specific artists. If you go to the Michael Jackson website now, there is a variety of products for sale that you will not find in retail. My team also built the store technology at www.acdbacktracks.com where AC/DC fans can buy a special collectors' box set that contains a coffee-table book, CDs, DVDs, an LP, memorabilia, and the top of the box is a working amplifier. These collectors' items are sort of the opposite of an MP3.

Sony Music's Bob Dylan store is running on the technology platform that my team created. It has everything Bob Dylan: physical and digital albums, framed photographs, and more. Fans can go through all of his albums and buy just the tracks that they want. The Internet provides a great opportunity to promote the back catalog and bring it to the forefront. Sony Music also has an enormous collection of photographs of artists—literally a couple million. So we're not offering just music; we go as deep as we can for particular artists.

Will major labels ultimately make everything in their vaults part of their available digital catalog?

I don't think there's a reason not to. If a label still has the rights and the content, adding it into the catalog is a small, incremental step. The catalog for Sony Music has always grown. The vaults are long and deep, there's a lot in there, and I think it just takes time to continue going through them to identify the right products and make them available. Over the last few years, our catalog grew tremendously with releases by new artists and, on the back end, deep-catalog stuff.

What's out there on the horizon for you?

I've been at Sony Music for almost eight years now, and I think there's still plenty to do. It's never been static here; there's always something new. There will always be new music and new technology to keep me on my toes. The career I picked has been great because I'm a geek at heart, and a big fan of music. Berklee got me off in a good direction. What has always helped me was to figure out where I wanted to go. After that, coming up with the logical steps to get there is really not that hard. 