

Cisco wants to better connect entertainers and fans

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In addition to routers and switches, Cisco Systems' business plan now includes Paramore, Trey Songz and Halestorm.

No, the San Jose networking giant hasn't acquired the music artists. But it is dipping into the \$1.3 trillion entertainment industry.

Cisco is extending its empire into pop culture with its new Eos social-entertainment platform of software tools for media companies to host their own networking sites for artists, actors and movies. Cisco and entertainment executives say it has the potential to change the relationship between entertainers and fans. They also say it will help media companies capitalize on the digital era and restore revenue declines from piracy and changing [consumer behavior](#), such as ditching higher-margin music CDs for single songs bought online.

"We clearly see the entertainment industry in a phase of tremendous transition," [Warner Music](#) CEO Edgar Bronfman said. "Business models are being challenged."

Cisco and Warner, which have been quietly working together for two years, announced an expanded relationship recently -- a development Cisco CEO John Chambers said symbolizes a new relationship between Silicon Valley and the entertainment industry after years of friction. Content providers have long complained technology companies don't respect copyright protections, while the valley has accused the entertainment world of head-in-the-sand behavior by ignoring the digital

revolution.

"Instead of Silicon Valley and the [entertainment industry](#) almost working against each other, it's saying, 'How do we work together?'" Chambers said of Cisco's move to partner with entertainment companies.

"This is a tipping point," he added. "If the (entertainment) industry doesn't move on this, it will be lost forever -- it will lose the new revenue, it will lose the fan interaction."

The social-network platform market is populated by smaller companies, such as Ning, but none have the technology heft of Cisco, which has annual sales of about \$40 billion, IDC analyst Danielle Levitas said. "I don't think Warner would go into this just for a handful of artist Web sites. When you are talking about scale, you want a company you know will be around for the long haul."

It's much more cost-effective now for entertainment companies to outsource the tech development of their sites, she said. And the Internet is quickly becoming the main venue in which to promote artists, who tweet and blog their way to stardom. "Labels can't afford to be the promoters they used to be," Levitas said. "They don't have the marketing dollars they used to have."

So Cisco wants to sell its back-end technology to media conglomerates. The Eos software will enable entertainment companies to create and manage Web sites designed to strengthen ties with fans -- as well as develop new ways to make money -- for its hundreds of artists and various entertainment properties. Cisco's new media business model is to license its technology to the entertainment companies and take a share of the advertising and e-commerce sales generated through the sites. In addition to technology, Cisco will also provide companies with data about fan behavior.

"For the first time, there is no intermediary between them and the fans," said Daniel Scheinman, Cisco senior vice president who oversees the company's Media Solutions Group, a 60-person office based in San Francisco that operates much like a startup. It created the Eos software. "They can see who blogs, what is popular content, what is not. We are creating algorithms that try to predict behavior."

Depending on the tastes of artists, each site can let fans create their own pages, post comments and upload video. It's also a way for musicians to chatter with their masses. Members of Paramore, for instance, blog about life on the road and upload band-bonding videos such as members getting nose piercings.

"Hi everybody!" singer Hayley Williams wrote recently. "Sorry it's been a minute. This trip to Japan was sooo busy. Press days like we've never experienced before. People think we're special or something. ... they don't realize we're total losers, so they wanna talk to us and dress us up to take photos of us. Weird."

On its Web site, the group is selling a \$39.99 CD package of its upcoming album, "Brand New Eyes," with extra songs, a DVD, photos and other content.

"It is outselling the standard CD 13 to 1," Bronfman said. "That is just one of the (new revenue) opportunities."

Other moneymaking features will include promoting upcoming concerts and selling additional merchandise, such as T-shirts, gloves and iPhone skins.

"Why is Cisco in this? This does not look like a billion-dollar business for Cisco," said Forrester Research analyst David Card. But, he added, "If more content is moving across networks, that's good for Cisco's

business."

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