

IXI
SYSTEMS

CONFIDENTIAL

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THE IXI DIGITAL SYSTEM

The system replaces the heavy costs of distribution of records and tapes etc., in the following manner :

Record albums and/or singles issued by recording companies are fed in digital form into a computerised Central Data Bank. This data bank is connected by telephone lines to all retailers. The computer holds this digital information and upon receipt of coded instructions from the retailers terminal, will transmit the requested music instantaneously to the terminal, where it is then programmed onto a blank IXI CHIP. It calculates and bills the retailers account, splits the relative apportionments of PRS, Artists Royalties, writers and record companies share, all in a matter of seconds.

- * This method has the same inherent security as a bank cash card regarding piracy and duplication.
- * Record companies catalogues need never be obsolete.
- * Rare out of print titles instantly available from the IXI data bank.
- * With IXI it is only necessary to have one copy on the central data bank for it to be purchased an unlimited number of times from anywhere where a terminal is installed.
- * Up to the minute sales reports by area/shop/territory, updating chart news as it happens.
- * The catalogue on the central data bank would be so vast, it would normally be quite unthinkable for a retailer to carry such a product range.
- * Immediacy of delivery.
- * It eliminates the need for retailers to carry any inventory.
- * Total compatibility with all existing hi-fi equipment.
- * IXI CHIPS being solid state, do not suffer from mechanical wear and continuous use.
- * Its digital characteristics gives pristine audio reproduction.
- * The dimensions of the IXI CHIP cards are such that several could fit into a cigarette packet (i.e. similar size to credit cards).
- * Replay units in various forms are able to be programmed to select any track in any order.
- * Portable replay units similar to the Walkman are benefited by having a very low power consumption, due to their unique solid state construction.
- * The power needs are negligible as there are no motors or moving parts in the replay unit.
- * Cards can be readily re-programmed.
- * In a matter of seconds, a live performance at Carnigie Hall can be recorded and available in shops all over the world.

RECORD COMPANIES DECISIONS
OBSOLESCENCE OF SHOP STOCKS

Every week in the UK alone, approximately 100 new singles and 75 new albums are released. Naturally a company with many weekly releases have to think very carefully which product to produce in quantity.

Another consideration is the unpredictability in which a record reaches a top charting position. The main problem that has to be overcome; a Catch 22 situation.

1. UNKNOWN ARTIST

When a record company produces say 2000 units of an unknown artist (an average pressing quantity), the product is distributed to radio stations, music/national media and record retailers. If the product dies early, only the music production and short run pressing costs are lost. If the product receives immediate air-play and press coverage, the initial product run may be purchased by consumers in a matter of hours. If the demand for that product is say 50,000 units a week, it can take easily three weeks to have the product produced and distributed to the shops, by this time the bulk of the sales are lost. Even the largest companies are unable to produce quantities of units and distribute them as quickly as demand requires.

2. KNOWN ARTIST

The record company would press perhaps 100,000 copies of a new single or album.

These would be sold to the retailers by a team of salesmen (usually on a sale or return basis). If the record retailer does not achieve his forecasted sales on the product, the stock would be returned for credit or held in stock and reduced in price - a costly affair.

With IXI, delivery is immediate to satisfy demand as it occurs.

IXI removes the guess work out of predicting pressing quantities on a new release.

PIRACY

COPYING (HOME)

COUNTERFEITING

For every record or tape of conventional format sold, over one copy is made in an illegal form.

Therefore over 100% of the total sales potential is lost.

With IXI, all programme material (recordings) is stored and transmitted on a high security enclosed digital network, all terminals being supplied under a licence to retailers. Because of the attention to security, it is impossible to break into the system undetected, thus preventing bootlegging of the programme material by fraudulent means.

The first stage at which the digital encoded programme material is converted to analogue (audio) signals, is when the IXI CHIP is played back in the home playback unit.

It can be seen from the above, that the format prevents mass copying of programme material by fraudulent traders and home copying.

RELIABILITY

Due to the solid state construction of the device, there are no moving parts required in the playback or record operations of the IXI CHIP. Reliability is therefore determined by the actual memory chips which have a very high inherent reliability.

STOCK HOLDING AND CONTROL

- 1) With existing recording formats, stockholding is a difficult and expensive operation if a satisfactory service is to be provided to the customer. Unless a sufficient range of stock is held, additional costs are incurred in providing special deliveries of out of stock recordings. Another side effect of a small product range is the loss of spontaneous sales from customers who are not interested in waiting the required time for recordings to be delivered to the retailer.

With the IXI format, stockholding of prerecordings is eliminated.

The retailer simply holds stocks of unrecorded IXI CHIPS, on receipt of an order from a customer, he plugs an IXI CHIP into his terminal, types in the recording identity number, and within seconds the IXI CHIP is programmed with the required recording, the information being concurrently transmitted from the central data bank to the terminal.

2) BILLING, SALES ANALYSIS AND AUDITING

On completion of the information transfer, the terminal and central data bank communicate with each other to provide sales chart updating, retailer billing, commission and royalty accounting. The central data bank also monitors the IXI CHIP stock levels held by the retailer, and automatically despatches batches of IXI CHIPS to the retailer when his stocks become low.

REPROGRAMMING

Cards can be reprogrammed once purchased from a retailer in two ways:

- 1) By taking the IXI CHIP into an IXI store for reprogramming by the retailer.
- 2) By reprogramming the card at an unattended coin/credit card operated station. The station would have a keypad for entering the title number of the recording in the same way as the retailers terminal.

The central data bank would continuously monitor the status of the station, i.e. when the coin box is getting near to full and therefore requires emptying, or if the station has developed any faults.

All stations could have the top ten displayed and show their minute by minute changes.

The location of these machines could be in petrol stations, supermarkets, public houses etc., as well as actually located in IXI stores, to provide self-service facilities for customers in the shop. (Similar to cash card dispensers located in banks).

THE BENEFITS OF IXI DIGITAL SYSTEMS

RECORD COMPANY

After very small capital investment, the product is always available in unlimited quantities when and where it is required. Instantaneous feedback on sales by territories, cities and individual areas, giving improved profitability and simplified accounting. A tremendous advantage, enabling the management to spend time on marketing and advertising, resulting in improved sales and efficiency. Because of the programmable nature of the IXI CHIP, the record company can present artists work to the consumer in the most lucrative form by varying the content, number and prices charged for each "track". e.g. 5 or 3 or 1 preferred track from an album, or even 5 or 10 plays of your preference and the card would destruct the memory when the last play has completed.

THE ARTIST

The shops are never sold out and the product has the finest possible quality reproduction available. This coupled with the benefits of immediate accounting direct from the data bank, makes the IXI system a very attractive proposition.

PUBLISHER

The simplified accounting procedures will allow more energy to be put in the direction of increasing artistic resources, whilst improving profitability and efficiency.

PERFORMING RIGHTS
SOCIETY OR SIMILAR
i.e. A.S.C.A.P.

It is the job of the Performing Rights Society to collect royalties on behalf of publishers, artists and record companies.

It is a very complicated procedure and extremely costly. It is necessary to ask the record company for sales figures and to a great extent the figures are relied upon by P.R.S. and the publishers to account to the artist. Utilising IXI Digital Systems, this whole process of accounting is short circuited, thus saving huge cost on collection and accounting, and improving efficiency.

RETAILER

The cost of holding stocks of current formats of records and tapes is very expensive. An IXI terminal is cheap to install and means to the retailer that he always has as much of anything he may require in stock, without the expense of actually having it in stock. He only has to pay for the product as it is sold, and IXI will put a higher profit margin on the bottom line.

CONSUMER

The benefits to the consumer are as follows:

Sound quality is of exceptionally high (digital) quality.

Sound quality is not degraded by time, use or wear.

Having no moving or mechanical parts, the IXI CHIPS and replay units are extremely robust and resistant to abuse.

The chips are reprogrammable, therefore hardware costs will be saved on new recordings made on a used IXI CHIP.

The chips are small and are very portable. Because of IXI's digital sound and size, together with software availability, the IXI system has tremendous natural consumer appeal.