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Little harmony exists in music download industry

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Legal music downloads seem like a no-brainer. The music industry wants to crush Internet piracy. Software and hardware vendors want to sell music-related products. Consumers are looking for some substitute for the record "singles" of olden days.

So naturally the situation is a mess instead.

You wouldn't immediately know this from looking at the news, which has been full of one megabucks deal after another. Just last month Microsoft launched a new Windows Music Player and a "preview" of its online music store. Real Networks, one of the leaders on online music software, held a half-price sale on its new music store. Search giant Yahoo spent \$160 million to buy MusicMatch, which makes yet another software player and runs yet another download service.

This is starting to resemble the "dot-com/dot-bomb" era in the amount of money being pumped into businesses that aren't making any. The online music business at the moment represents little more than a rounding error in total music sales, and the most optimistic projections put sales at just over 10 percent by the end of the decade. There are technical, legal, and most of all, money issues.

It's not just companies and their stockholders that have concerns, consumers aren't doing so well here either. For one thing, competition theoretically may drive down prices; but other than Real's 49-cent sale, there has been precious little of this happening. This already makes the marketplace highly suspect.

Second, too many labels and artists seem to be more interested in

imposing restrictions on the use of online products than in offering consumers a worthwhile deal. For example, downloads make the most sense as a way to buy a hot single without having to pay for an entire CD. However, you too often find that you can't buy that song online unless you buy the whole album. Furthermore, the standard \$10 price to download an album is a bad deal when an actual CD costs \$13-\$14, because the quality of the music being sold is questionable.

This is not a value judgment on the talents of modern performers; I am talking about the audio fidelity of online music. Simply stated, virtually none of what's being sold as "CD-quality" music really is. The technologies used for online music use what is called "lossy" data compression - meaning that the file size has been reduced by throwing away some information. It might sound like a CD on "boombox" quality players, but most assuredly not on mid- to high-end audio systems.

Then there is the question of protecting your investment. The one safe bet is that it is unlikely that all the entrants in this market will survive. So consumers are left to wonder whether today's purchases will turn into next year's Betamax.

To begin with, there is no agreement on a basic question: buy or rent?

Leading the "buy" camp is Apple Computer whose iTunes Music Store is largely responsible for popularizing the concept of purchasing and downloading music tracks. Apple makes the popular iPod portable music player, and the service is intended to help sell iPods. Renting, which in this market means a service for which you pay a monthly subscription fee to listen to the music you choose, has been around longer but so far has not been especially popular with consumers.

If you pay for a subscription service on a monthly basis, there is little risk of being stuck if the service goes bust. But the better deals often come from signing up to a long-term contract, and that could cost you if you guess wrong. Moreover, with a subscription service you don't get possession of the music, so when you stop paying, you stop listening.

Purchased downloads can be played as many times as you want, burned to CDs, and put on your music players. The problem here is that there is no industry standard file format for them. Apple uses one;

Real uses another; while Microsoft, MusicMatch and others use still another one. Devices that work with Apple's format generally do not handle Microsoft's and vice versa.

This has nothing to do with technical barriers; it is about the companies jealously guarding their proprietary encoding schemes. At the moment Apple has the leading market shares, but many industry analysts figure that Microsoft will win in the long-run -- mostly because it usually does. However, music and other show biz realms are more Apple's turf, so the verdict still is out.

What to do then, as the holiday gift season nears? Apple's iPod and iTunes are the most attractive package currently available. And your iPod will have broken long before it is obsolete. But as for next year? I'll have to get back to you on that.

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