

# behind the news

The record industry is losing its online battle, with subscription sites needing a miracle to survive. Music lovers are staying loyal to free file-swapping sites like Kazaa and the erstwhile king Napster while turning their backs on paid-for sites, finds Paul Rincon

People will never pay for music on the internet unless the record industry comes up with an idea to rival peer-to-peer file swapping. A report by research firm Jupiter reveals that court action, like that by the Riaa (Recording Industry Association of America), is not enough to win the battle against free services such as Kazaa and Morpheus and that record companies will have to offer 'compelling alternatives' if people are ever to pay for music on the web.

## Music for nothing...

Subscription services such as MusicNet and Pressplay, where customers are required to pay a fee to download their favourite songs, have proved to be expensive flops as people flock to file-swapping services where they can download tracks for free.

"I don't think services such as MusicNet and Pressplay will ever be viable," said Mark Mulligan, author of the Riaa report. "They're just beta versions, a statement of intent by the music industry. It would be better for the record companies to wipe the slate clean and start again," he added.

Mulligan rejects the notion that coming up with a popular alternative to free



## ...and your tracks for free

Music executives have blamed file-swapping services for the fall in record sales in 2001 when, according to the Riaa, sales of music in all formats dropped by 10.3 percent. Shipments dropped from 1.08 billion in 2000 to 968.58 million in 2001.

But Mulligan disputes this claim. According to him, the fall in sales is due to people no longer replacing their vinyl collection with CDs. Plus, while sales in the US have dropped off, spending on all formats in the UK was up by 5.3 percent in 2001 to £1.2bn, according to the British Phonographic Industry.

Free peer-to-peer services notched up an average of 11 million unique visitors in Western Europe alone from January to

Pressplay is a joint venture between Sony and Vivendi Universal. MusicNet is co-owned by EMI, AOL Time Warner and Bertelsmann. Both official services charge customers around £7 per month to stream and download songs from their catalogues. Another legitimate service, Rhapsody, offers a spread of content from four of the five big record labels.

None of the legitimate music sites will disclose how many users they have. "I can tell you it's not gangbusters," admits a spokesman for Rhapsody, "but that's what we expected at first."

## That ain't working

The Riaa report also says that the music industry's attempts to wrest control of the free services through the US courts had failed and they were unpopular with consumers. It adds that record companies risk alienating future customers by seeking to close down peer-to-peer networks. The research found that 52 percent of peer-to-peer users are under the age of 25.

"They are the new generation of music buyers and are currently more likely to use download services online than buy entire albums in music stores," says the report. The report also reveals that artist sites, which focus on one band or performer, averaged 1.6 million unique visitors in total from January to March, while music channels of major web portals such as Yahoo and AOL scored 2.2 million unique visitors overall. The results are based on data from the UK, France, Germany, Italy, Spain, Sweden and Switzerland. ■

## Subscription services, where customers are required to pay a fee to download their favourite songs, have proved to be expensive flops

file-sharing will always prove impossible. He said record labels could make the subscription model work if they learned to better exploit its potential advantages over the free services, such as improved security, virus-free downloads, better file quality and more advanced search and retrieve functionality.

"[All] paid services will remain niche until they have comprehensive content," he added.

March 2002, according to the report. Legitimate music sites averaged just 2.5 million visitors in the same period. The data shows unique visitors to file-swapping services rose by 672,000 from January to March, while visitors to legitimate music sites actually fell by 500,000 over the same period.

Pressplay and MusicNet were launched last year in response to the popularity of free file-swapping services such as Napster.