

WINTERGREEN RESEARCH, INC.

**Electronic Online Music Market Opportunities,
Strategies, and Forecasts, 2004 to 2009**

Electronic Online Music



Picture by Susie Eustis

MOUNTAINS OF OPPORTUNITY

**WinterGreen Research, Inc.
Lexington, Massachusetts**

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91 TABLES AND FIGURES

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CHECK OUT THESE KEY TOPICS

ONLINE MUSIC MARKETS
ONLINE MUSIC FORECASTS
REVENUE MODEL

Restructuring Networks for Advanced Multimedia Services

Information Sharing Between Different Environments

Music Is Universal

STREAMING MEDIA SEGMENTS

DIGITAL ONLINE MUSIC STANDARDS

OKTV® CHILD HEALTH CONTROLS

RECORDING INDUSTRY ASSOCIATION OF AMERICA

IP NETWORK DELAY AND CONGESTION

NETWORK STRATEGY

TELECOM MARKET STRUCTURE

CHALLENGE OF BROADBAND

MEDIA HOSTING

OPERATING SYSTEM FOCUS ON MEDIA DELIVERY

OPPORTUNITY ABOUNDS

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Electronic Online Music Market Opportunities, Strategies, and Forecasts, 2004 to 2009

Music is universal. Everyone loves music. Doctors, lawyers, kids, moms, daddies, old people, babies, everyone loves music. Most people prefer listening to music than to making music. Online music downloading has been enormously popular. The industry has struggled a little to reign in illegal music downloading. That battle appears to have been won.

Online music markets are set to grow. By making music accessible and with prices set at a reasonable cost, defacto industry standards are being put in place. The defacto industry standards are coming from Apple, Real, and Microsoft.

Service providers have 500,000 songs available for download. Celebrity play lists are one way of attracting listeners to a site. Online music providers feature exclusive tracks from major artists.

Online music single costs range from \$.79 per song to \$0.99 per song and \$10 for an album. People can compose their own albums. As prices for songs drop to \$0.29 per song by 2009, markets will achieve new growth. The music industry is set to take some lessons from the DVD industry.

The broad acceptance of the Internet is creating demand for a means of music media content delivery. Digital music media is set to leverage the Internet transmission system. Consumer markets have accelerated demand for sophisticated communications transmission.

Apple has achieved a dominant position in the music industry by making downloadable music easily available. The company now accounts for one percent of the music industry revenue. It is well positioned to address growth in online music.

Virtually all music will be downloaded by the end of the forecast period. Traditional retail outlets have failed to address the changes brought by the Internet.

A market of downloadable music services includes Apple iTunes service. Hewlett Packard is including Apple music software on its machines. HP is positioned to help Apple expand its online music service beyond Macintosh computers to the PC market that uses Windows.

Rhapsody offers unrestricted access for file-sharing. People can listen to hundreds of songs or hundreds of albums for the same low price. That flexibility is helping make Rhapsody the leading online music service for consumers.

Rhapsody has an unlimited listening approach designed to encourage subscribers to explore a wide variety of musical artists and styles. By paying \$9.95 for unlimited access to the service library of 28,000 albums, people get a bargain.

Napster offers a free trial to get people to try the fee-based music downloading service. Napster features top streams. Napster offers access to tracks. Napster premium permits listening to and downloading 500,000 tracks for \$10 per month.

500,000 songs from all genres of music are available. Napster seeks to make the digital music experience is easy and fun for all music consumers. Integrating popular devices with the service allows Napster to make it easy to move digital music onto a device directly.

Napster focus is on consumer choice. The nucleus of the digital music service is positioned to ensure that music fans have high-quality experiences. Individual needs are a priority. Over 60 devices from a variety of manufacturers are available that support WMA. Napster provides music in WMA format. This gives Napster customers the combination of device, a music service, and a flexible, high quality music format.

Markets at \$359.1 million in 2003, are expected to be \$14.7 billion by 2009.

Companies Profiled

Market Leaders

Online Music

Apple Computer
RealPlayer

Online Music Subscription Services

RealPlayer
Microsoft
Apple Computer

Online Music Advertising

Microsoft
Real Networks
Apple Computer

Other Market Participants

BuyMusic.com
CNET Networks
Liquid Audio
Loudeye
Matsushita Electric Industrial
Music Choice
Music Now/Full Audio
Music Net
Sonic Solutions
Wal-Mart Stores

Cisco
Hewlett Packard
Liquid Digital Media
Macromedia
MontVista Software
Musicmatch
MP3.com
Roxio/Napster
Viewpoint
Zoran

Electronic Online Music Strategies and Forecasts, 2004-2009

REPORT METHODOLOGY

THIS IS THE *TWO-HUNDRED AND ELEVENTH* REPORT IN A SERIES OF MARKET RESEARCH REPORTS THAT PROVIDE FORECASTS IN COMMUNICATIONS, TELECOMMUNICATIONS, THE INTERNET, COMPUTER, SOFTWARE, AND TELEPHONE EQUIPMENT. THE PROJECT LEADERS TAKE DIRECT RESPONSIBILITY FOR WRITING AND PREPARING EACH REPORT. THEY HAVE SIGNIFICANT EXPERIENCE PREPARING INDUSTRY STUDIES. FORECASTS ARE BASED ON PRIMARY RESEARCH AND PROPRIETARY DATA BASES. FORECASTS REFLECT ANALYSIS OF THE MARKET TRENDS IN THE SEGMENT AND RELATED SEGMENTS. UNIT AND DOLLAR SHIPMENTS ARE ANALYZED THROUGH CONSIDERATION OF DOLLAR VOLUME OF EACH MARKET PARTICIPATION IN THE SEGMENT. INSTALLED BASE ANALYSIS AND UNIT ANALYSIS IS BASED ON INTERVIEWS AND AN INFORMATION SEARCH. MARKET SHARE ANALYSIS INCLUDES CONVERSATIONS WITH KEY CUSTOMERS OF PRODUCTS, INDUSTRY SEGMENT LEADERS, MARKETING DIRECTORS, DISTRIBUTORS, LEADING MARKET PARTICIPANTS, OPINION LEADERS, AND COMPANIES SEEKING TO DEVELOP MEASURABLE MARKET SHARE. OVER 200 IN DEPTH INTERVIEWS ARE CONDUCTED FOR EACH REPORT WITH A BROAD RANGE OF KEY PARTICIPANTS AND INDUSTRY LEADERS IN THE MARKET SEGMENT.

YOU MUST HAVE THIS STUDY

Electronic Online Music Market Opportunities, Strategies, and Forecasts, 2004 to 2009

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ABOUT THE COMPANY

WINTERGREEN RESEARCH, HAS A UNIQUE RESEARCH STRATEGY THAT RELATES TO IDENTIFYING MARKET TRENDS THROUGH READING AND INTERVIEWING OPINION LEADERS. BY READING THE ELECTRONIC EQUIVALENT OF 40 FEET OF PAPER, WINTERGREEN RESEARCH SENIOR ANALYSTS CAN LEARN A LOT MORE ABOUT MARKETS, A LOT FASTER THAN CAN BE LEARNED THROUGH EXPENSIVE SURVEYS AND FOCUS GROUPS. THINKING ABOUT MARKET TRENDS IS A HIGH PRIORITY AT WINTERGREEN RESEARCH. AS WITH ALL RESEARCH, THE VALUE PROPOSITION FOR COMPETITIVE ANALYSIS COMES FROM INTELLECTUAL INPUT.

IT IS A LUXURY REALLY, AVAILABLE TO ONLY A VERY FEW PEOPLE, TO BE ABLE TO GATHER INFORMATION, LOTS OF INFORMATION FROM READING MASSIVE AMOUNTS OF CONTENT, AND THEN TRYING TO MAKE SENSE OF THAT CONTENT. THE ABILITY TO THINK ABOUT MARKET TRENDS IS ENHANCED BY DOING IT OVER AND OVER FOR MANY DIFFERENT MARKETS. THAT IS WHAT WINTERGREEN RESEARCH IS ALL ABOUT: READING AND THINKING IS AN ESSENTIAL ASPECT OF COMPETITIVE ANALYSIS. TALKING TO OPINION LEADERS IS THE THIRD ESSENTIAL ASPECT OF PRODUCING GOOD, RELIABLE DATA.

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ABOUT THE PRINCIPAL AUTHORS

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SUSAN EUSTIS, PRESIDENT, CO-FOUNDER OF WINTERGREEN RESEARCH, HAS DONE RESEARCH IN COMMUNICATIONS AND COMPUTER MARKETS AND APPLICATIONS. SHE HOLDS SEVERAL PATENTS IN MICROCOMPUTING AND PARALLEL PROCESSING. SHE HAS THE ORIGINAL PATENTS IN ELECTRONIC VOTING MACHINES. SHE HAS NEW PATENT APPLICATIONS IN FORMAT VARYING, MULTIPROCESSING, AND ELECTRONIC VOTING. SHE IS THE AUTHOR OF RECENT STUDIES OF THE REGIONAL BELL OPERATING COMPANIES' MARKETING STRATEGIES, INTERNET EQUIPMENT, BIOMETRICS, A STUDY OF INTERNET EQUIPMENT, WORLDWIDE TELECOMMUNICATIONS EQUIPMENT, TOP TEN TELECOMMUNICATIONS, DIGITAL LOOP CARRIER, WEB HOSTING, WEB SERVICES, AND APPLICATION INTEGRATION MARKETS. MS. EUSTIS IS A GRADUATE OF BARNARD COLLEGE.

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