

# Online Leisure: a War on Three Fronts

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20/07/04



War drums have been rolling for some time now in the online music sector. The outcome of this battle could, indirectly, condition the Internet film distribution market.

Conscious of this, the different players who seek to come out on top in this sector have thrown themselves into the fray that is being fought on three fronts: content, hardware and coding standards. Apple holds an enviable spot with 70% of the legal download online market according to data from the company.

What's more, iTunes, Steve Jobs's online music store, which has been working since April 2003, has recently crossed the 100 million download mark. This figure is truly significant, if we bear in mind that the sale of online music is one of the three battles the makers must overcome to win the war.

However, competing in this field is not an easy task, given that –unlike Sony that sells its music files through Connect- the songs do not belong to the online stores. The only way all the different services can compete, be they iTunes or Microsoft's MSN Club Music, is by offering a greater usability. More than likely, the user will opt for the service that is most user-friendly.

The second embattled front is that of the music file players. Apple's iPod has already sold over 860,000 units, providing Jobs with a 61 million dollar net profit in the last quarter. Sony offers its own player, while Microsoft has just renamed its software for its Portable Media Center, which is capable of playing video.

Although, in principle, the makers of consumer electronics have a better track record in competing in this field –which gives them a certain advantage- the truth is that more and more computer characteristics are being incorporated into this type of device. For this reason, makers like Dell or Apple are well placed in this terrain.

However, the key to success lies in the technology used to digitalise and play songs. Each maker sells its own digitalised songs with a different technology that can only be reproduced on its player. Apple uses AAC technology (Advanced Audio Coding), a protocol designed and proposed as a standard by a group made up from several companies. Its use is as free as the

## Highlights

**1** Although MP3 is the most extended audio format, it does not have any protection systems nor digital rights management (the so-called DRM), which prevents it from being used in the online stores as a downloading format. Therefore, every store has its own format: iTunes uses ACC, Sony uses ATRAC technology and Microsoft has bet on WMA, the second most popular format.

**2** As far as hardware goes, Apple's service leads the market with its iPod, which has a price tag of over 300 euros in Spain. Sony expects to snatch this spot with its renewed version of its popular Walkman at a price of 330 dollars. Meanwhile, Microsoft has allied itself with the manufactures Tatung and AboCom to launch its Portable Media Center at the end of August. Dell's Digital Jukebox sells for 199 dollars and can store 15 GB of music. Creative, iRiver, Samsung, Sanyo and ViewSonic are all developing similar devices.

**3** In the video player market, the research company Frost & Sullivan calculates that Apple, Microsoft and Real Networks will corner 99% of the market. The study breaks down this percentage giving 38.2% to Microsoft Windows Media, 36.8% to QuickTime and 24.9% to Real.

**4** There is also some movement in the market of portable book-reading devices. For a start, Sony has come out with its Librie hardware and Panasonic is soon to launch its SigmaBook.

well known MP3 but, unlike this one, it accepts the integration of DRM (Digital Rights Management) to protect the files from piracy, something that all the music labels impose.

Yet, both Sony and Microsoft have bet on their own technology. The Japanese maker uses ATRAC, while Bill Gates's company is committed to its WMA (Windows Media Audio). It is easy to see that, if one of those formats wins –or another one owned by Real Networks-, a single player would hold enormous power, apart from earning juicy profits from copyright. In this case, the battlefield would move to the owner of the software, thereby minimizing questions like who sells most or which player is most used.

Therefore, it is not surprising that alliances are being consolidated between players who are already partners in other businesses –Dell's player will use Microsoft technology as well as that of Creative, iRiver or Sony- against those that are rivals in other fields – Apple competes against Microsoft in the software market, while Sony does so in the video games sector.

How each maker defends himself on each of these fronts will determine his future in the world of online leisure, one of the main driving forces in digital convergence in all areas.