Online music business model questioned

By Jeffrey Goldfarb

58 minutes ago

LONDON (Reuters) - Only one in five European iPod owners regularly buys songs online, new research shows, a signal that the music industry will need to rely more heavily on other ways to recover revenue lost to piracy and illegal downloading.

Europe's digital music market is expected to double to 385 million euros ($487.1 million) in 2006 from a year ago, Jupiter Research said on Monday, but iPod owners on average buy only 20 tracks a year from Apple Computer Inc.'s (Nasdaq: AAPL - news) market-leading iTunes music store.

About 83 percent of iPod owners throughout Europe do not regularly buy digital music, the study found, although they are more apt to do so than owners of other portable media devices.

"The model isn't broken, there's just lots of room for improvement," Jupiter analyst Mark Mulligan said. "Digital music is really underperforming its potential."

The study found that 30 percent of iPod owners illegally swap songs using file-sharing networks and another 23 percent listen to Web-based audio files for free legally.

Ipod owners also were found in the survey of about 4,000 consumers across Europe to be much more likely to buy CDs online than they were to buy downloads.

Apple's iTunes is only compatible with its iPod player, about 60 million of which have been sold worldwide. About 200 million songs had been sold on iTunes stores in Europe through August since they launched about two years ago, Jupiter said.

Apple officials could not immediately be reached for comment.

A handful of services, including eMusic and Wippitt, sell songs in the MP3 format that work on all music devices, including iPods.

http://news.yahoo.com/s/nm/20060918/tc_nm/media_downloads_europe_dc_1
Emusic launched in all 25 European Union member nations last week.

The music industry is licensing songs to dozens of new models that are being tested online and over mobile phones, including the forthcoming advertising-supported download service SpiralFrog and advertising-supported peer-to-peer service Qtrax.

"Ad-supported is definitely appealing to the under-25s," Mulligan said. "It the key way of engaging the younger consumers."