Study: Online music sharing can spur sales

By Joan Anderman, Globe Staff | December 13, 2005

The record industry has long considered online file sharing a serious threat to its livelihood. But a new study scheduled to be released today suggests that consumer-to-consumer music recommendations -- a growing feature of online music stores and websites -- will benefit the industry, artists, and fans alike.

The report, released by the Berkman Center for Internet & Society at Harvard Law School and research firm Gartner Inc., surveyed 475 so-called early adopters, or computer users who are among the first wave of frequent music downloaders. The findings suggest that the opportunity to give and receive recommendations could become an important force in the online music business.

Nearly one quarter of frequent online music users say that the ability to share music with others is a key factor when selecting an online music service. And a third were interested in technology that helps them discover and recommend music, such as tools that allow Internet users to publish and rank lists of their favorite songs. Perhaps most important for the recording industry, a tenth of those surveyed said they frequently make music purchases based on others' recommendations.

"The industry has fought all forms of sharing for eight years," says Berkman Center fellow and study coauthor Derek Slater, "and the fight has largely been a miserable failure. We argue that [they need to] embrace . . . what's already happening. Word of mouth has always been the most powerful marketing tool."

For example, Slater notes that more than 500,000 playlists have been published at MusicStrands (www.musicstrands.com) since the site opened early this year. Visitors can hear 30-second clips of each track on a playlist and then click "Get It" to find locations where the song can be purchased. The iTunes music store's iMix feature allows people to publish playlists of songs available in the store's catalog (www.apple.com/itunes/playlists/). Since September, more than 1.3 million users have ranked the site's 320,000 posted playlists.

It's no surprise peer-to-peer programming is taking off. While traditional music spaces, such as neighborhood record stores, offer a logically laid out shopping experience, Internet music sites can be more difficult to navigate. With thousands of artists, millions of songs, and more than 300 legal online music sites, the need for tools to refine searches is growing.

Slater and his collaborator, Gartner research director Michael McGuire, predict that by 2010, 25 percent of online music store purchases will be driven by such consumer-to-consumer recommendations. But to encourage and sustain legal downloading, the authors say, the industry must relax its licensing and use rules to allow consumers to easily publish playlists and include music in podcasts or on blogs.

Considering the bad rap online sharing has among record companies and artists, this will require industry insiders to tweak their perspective.

"Rights holders and policy makers have been distracted by illegal downloading, but sharing isn't equivalent to stealing," says McGuire. "As labels look at this, some of the people who should be at the forefront of discussions are the A & R [artists and repertoire] and marketing and promotions people. This is an easy way to get attention for a new act or a back catalog, too."

That's not news to Courtney Holt, head of new media and strategic marketing at major label Interscope Records, part of the Universal Music Group.

"I have a Rolodex of hundreds and hundreds of narrow-casting, blogging, and niche-community websites that target the audience I'm trying to reach," says Holt. "I make sure the core people get information early. It's in its infancy, but peer-to-peer music discovery is going to be invaluable. People used to find out about music from friends at school or in their neighborhood. In an online space, that friend potential
increases exponentially. Some of those people are going to turn into the influential music programmers of tomorrow."

The Gartner/Berman study also emphasizes the importance of online music services enhancing their playlist-publishing capabilities and strengthening links to fan sites.

"There will always be people trying to get [music] for free," says McGuire. "But if you continue to enhance the legitimate services so that they're more compelling and less complicated, if it's frictionless, you make it much more attractive."

Joan Anderman can be reached at anderman@globe.com

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