



streaming media for content owners, creators, broadcasters and distributors

volume 1 number 1

june 12-18 2000

## Miramax Dips a Toe in the Stream

According to the **Motion Picture Association of America**, each of the major movie studios has a different plan for releasing films online at some point in the future—but **Miramax**, for one, is a step ahead of them all, entering the arena almost immediately. The company will release twelve films online, using technology from **SightSound**. Granted, all the kinks haven't been worked out yet.

For instance, Miramax executives aren't sure when the films will be released, or even what the films will be. They're not yet clear on how big the audience is, or where online films will

fall in release windows.

Indeed, *Bob Osher*, co-president of production for Miramax, seems to view the deal as one big learning experience—but certainly, he is quick to point out, one that will be a valid source of revenue down the line.

"It's a question of how big the audience is," he says. "Clearly, we all believe the audience will grow as the pipes grow. There are a lot of colleges around the country, a lot of kids who have high speed modems. There's the opportunity to grow and to learn what the market is. Who is our customer, how are they going to use this—in addition

[Continued on page 3 >](#)

## Tech Meets Content at Streaming Media Event

**Streaming Media East 2000** will take center stage at the **New York Hilton and Towers** this week, from June 12-14. Many in the industry believe the conference is quickly becoming the benchmark for streaming media get-togethers. And it's not just the techies who are impressed; the conference has a track of seminars aimed exclusively at companies putting content on the web.

According to *Stephen Condon*, vice president of business development at **INETCAM**—a company that develops streaming media software for webcams—and moderator of many of the

content seminars, when compared with the recent **RealNetworks [RNWK]** conference, Streaming Media will have twice the excitement. "This is where companies tend to come out with their new products."

This year's line-up of keynote speakers includes *David Neuman*, president of **Digital Entertainment Network**; *Rob Glaser*, president and CEO of **RealNetworks Inc.**; **Yahoo!** [YHOO] chairman and CEO, *Tim Koogle*; *Michael Robertson*, CEO and chairman of **MP3.com** [MPPP]; *John Scully*, a partner in **Scully Brothers LLC** and

[Continued on page 3 >](#)



GRID Media, L.L.C.

A GRID PUBLICATION

### Medium4.com Launches 5 New Channels

New York-based **Medium4.com** [MDM] has launched five new Internet-only TV channels, bringing the total number of channels under its corporate umbrella to 60. The new channels are **WorldSportsTV.com**, **GlobalFashionTV.com**, **BaliTV.com**, **VivaLasVegasTV.com**, and **CultClassicsTV.com**. "The launch of these five channels demonstrates Medium4.com's ability to create and broadcast multiple niche channels in an efficient and effective manner using our proprietary publishing and content management technologies. This is in keeping with our strategy of avoiding unnecessarily expensive original productions, in favor of more cost efficient cable-style programming," says *Jonathan Braun*, CEO of Medium4.com. (*Lewis Goldberg, Medium4, 212/993-9400.*)

### Cidera to Deliver Streaming Media Content

Laurel, Maryland-based **Cidera Inc.**, a provider of satellite delivered broadband content to the Internet, has signed an agreement that allows **Akamai Technologies Inc.** [AKAM] to use Cidera Streaming Media Service for dedicated streaming media content as well as live event-based content. According to Akamai, this will speed the delivery of broadband

[Continued on page 2 >](#)

## inside

e-books	p.2
Streaming Radio	p.4
MP3	p.6
Notices	p.6
Stocks	p.7
Opinion & Legal	p.8

news stream

www.firehosemedia.com

# e-books: Best Seller or Remainder Shelf?

With two announcements in the past two weeks, publishers and software companies have been stretching their e-book muscles, but one wonders if the recent moves are too timid.

**Time Warner** [TWX] has announced the formation of **iPublish.com**, which will handle the company's electronic publishing.

**Barnesandnoble.com** [BKS], **Random House**, and **Simon & Schuster** [VIA.B], announced initiatives to work with **Microsoft's** [MSFT] Pocket PC and its Microsoft Reader software program. Simon & Schuster, which had e-book success with Stephen King's "Riding the Bullet" earlier this spring, will give away 15 *Star Trek* titles and Random House will give away copies of Michael Crichton's *Timeline*. The downloads will be available for Pocket PC users through barnesandnoble.com.

"The publishing industry is taking baby steps," says *Dan O'Brien*, media analyst at **Forrester Research**. "It's just hype from the Microsoft pr machine. The industry is taking the

same tired bestsellers and digitizing them—old *Star Trek* books rather than interesting new work aimed at a younger crowd."

Although the technology involved with the electronic readers still has a way to go, other analysts agree with O'Brien that the lack of good content available is what's holding electronic publishing back. Of course, there are the Stephen Kings whose short original work may be offered online—but there are over 40,000 new books published a year, while most of the books offered on the Web are public domain from the last century. This, O'Brien says, does not create a marketplace. "The publishers have not jumped in with both feet."

O'Brien also wonders at giving books away for free. In one sense, it does set a precedent that the reading public might not want to alter. Once the books are given away, how do you get them back to pay for them?

"This will come back to haunt publishers," O'Brien says, "Like the record industry with **Napster**." 🔥  
(*Dan O'Brien, Forrester, 617/613-6025.*)

Continued from page 1 ▷

content to Akamai servers globally and enable the company to extend its network, providing more reliable, higher quality and efficient delivery of content, including streamed audio and video, to end users. The companies say Cidera's broadband content delivery services offer Akamai's end users improved viewing quality. (*Al Cunniff, Cidera, 301/598-0500 ext. 4424; Jeff Young, Akamai, 617/250-3913.*)

## **Victoria's Secret Fashion Show Meets Demand**

According to San Mateo, Calif.-based **Keynote** [KEYN], the second edition of the **Victoria's Secret** Internet fashion show delivered variable auto and video quality to online users accessing the webcast throughout the U.S., but met the huge traffic demand remarkably well overall. Keynote measured the performance, quality and availability of the streaming audio and video content of the webcast, as well as access to the homepage, representing the experience of users watching the event. Performance in accessing the homepage was good, averaging 5.0 seconds from 50 international cities during the one-hour webcast, with 97.9% availability. (*Dan Berkowitz, Keynote, 650/522-1168.*)

## **Lycos Launches Internet TV**

Waltham, Mass.-based **Lycos Inc.** [LCOS] has launched Lycos TV which, according to the company, is the first programmed video network from a major portal, providing free, streaming aggregated content from multiple premier sources. The multi-channel video offering lets users choose what they want to watch without commercial interruptions on a pop-up player. Video channels at launch include five music video channels, three animation channels, and four separate channels dedicated to extreme sports, movie trailers, soap operas and comedy video content. Additional channels will come online in future months. (*Kathy O'Reilly, Lycos, 781/370-3454.*)

## **Glassbook to Offer All Mary Higgins Clark Titles in E-Book Format**

The complete works of *Mary Higgins Clark*, best-selling suspense novelist, will soon be available in e-book format. All eight-

Continued on page 3 ▷

www.firehosedia.com



### **Editor & Publisher:**

David Shaw  
301.963.6162  
david@gridmediallc.com

### **Chairman, Editorial Board:**

Tom Adams, Adams Media Research  
831.659.3070  
tom@adamsmediaresearch.com

### **Executive Editors:**

Jennifer & Paul Nastu  
970.229.9587  
jennastu@cs.com • paulnastu@cs.com

### **Analyst:**

Michael Salerno, Adams Media Research  
831.659.3070  
michael@adamsmediaresearch.com

### **Advertising & Sponsorships:**

Denis Cambruzzi, Cambruzzi Marketing  
949.494.5075  
dbruz@ix.netcom.com

### **Editorial Office:**

418 Mapleton Court  
Fort Collins, CO 80526  
970.229.9487

### **Publisher & Business Office:**

13631 Maidstone Lane  
Potomac, MD 20854-1009  
301.963.6162

ISSN #1530-1826

To receive 25 issues of firehose for \$795 (100% satisfaction guaranteed!), and regular e-mail alerts, send a check or credit card information (Visa/Mastercard/American Express), along with your name, title, company, address and e-mail address to:

GRID Media L.L.C.  
P.O. Box 59848  
Potomac, MD 20859-9848

Or:  
Fax 301-987-0476  
e-mail firehose@gridmediallc.com  
Call toll-free 800-624-9557  
Or sign up at www.firehosedia.com

GRID Media L.L.C.  
David Shaw, President;  
Rene Shaw, Chief Financial Officer

Miramax, from page 1 ▷  
to videos or instead of videos? We'll learn how to market to them and see what added value things we can bring."

But is the technology ready?

"It's early from the point of view of the infrastructure and people having a quality experience over the Internet," says *Jeremy Schwartz*, senior analyst at **Forrester Research** [FORR]. "You have to watch them on a pretty small window, sitting at your PC. A one-and-a-half hour movie is going to be best experienced when the Internet comes to the TV, a few years down the road; 2004, let's say."

There's no question that at some point, certain movies on the Internet will be available and that certain people will watch them. But the competition—video and video on demand—is hard to top right now. "That's a high quality video stream that is much, much better than what you can get over the Internet," Schwartz says.

Films that are going to thrive on the Internet, says Schwartz, are short and

easy to watch while sitting at your PC, or content that can't be found anywhere else. It's a theory that Scott Roesch, director of web entertainment at **AtomFilms**—a company offering short films and programs over the Internet—agrees with. "If you're going to base a business on streaming video at this point," he says, "you'd better have world-class content to offer that fits people's hectic schedules and attention spans, and can't be found by consumers on other media outlets."

So, though Miramax may simply be dipping its toes into the stream, it's a smart move.

"There is room for a variety of content in streaming media," Roesch says. "Anything that gives consumers more options at this point should be helpful to the entire space." 🔥

(*Bob Osher, Miramax, 323/951-4252; Scott Roesch, AtomFilms, 206/625-0252; Jeremy Schwartz, Forrester, 617/806-6025.*)

Tech, from page 1 ▷  
chairman of the board of **Gizmos, Inc.**; and *Sam Donaldson* of **ABC News**.

Besides the keynotes, the seminars will have over 200 speakers, and more than 125 companies are taking part in the trade show.

According to Condon, one of the most interesting aspects of the conference will be the participation of **Microsoft** [MSFT] and **RealNetworks**. With the launch of new streaming media software from the two companies, RealNetwork's Real Entertainment Center and Microsoft's Windows Media Player 7, conference attendees will be able to see how they perform head-to-head.

Other seminar topics will include: creating content for syndication; streaming content for consumer electronic devices; user generated content vs. programming; profiting from innovative user generated community business models; and the pros and cons of streaming and digital download.

Executives from **Broadband Systems, Yahoo! Broadcast**, and **Warner**

**Brothers** will discuss what has been working online and look at successful broadband content business models.

One can bet that copyright topics will also be important, especially with MP3.com's Michael Robertson on hand as a keynote speaker. Many of the business track seminars will cover copyright protection—particularly how to distribute your streamed content online safely.

According to *Dave Goldberg*, CEO of **Launch Media** [LAUN], "Technology people will be on the exhibition floor trying to sell their wares to content providers. Content providers aren't necessarily attending to learn everything they need to know about using content to make money, but they'll learn about the technology to get their content out there."

Look for complete coverage of Streaming Media East in the next issue of **firehose**. 🔥

(*Jose Alvear, 415/934-6990; Stephen Condon, INETCAM, 858/558-7200; Dave Goldberg, LaunchMedia, 310/526-4340.*)

Continued from page 2 ▷

een of her backlist titles, plus three collections of short stories and her just-released but already best-selling book *Before I Say Good-Bye*, are ready to read from Waltham, Mass.-based **Glassbook.com** for a (rather hefty) fee. Though the newly-released book can be downloaded for 42% off the list price, backlist titles are only 20% off. (Sound like a big discount? Then consider that actual hard copies of the books—in hardcover—can often be found on **Barnes and Nobles'** [BKS] discount shelves for five or six dollars.) (*Jim Dawson, Glassbook, 781/933-8855.*)

### **PPI Offers Proposal to Napster Debate**

The **Progressive Policy Institute**, the think tank for the centrist Democratic Leadership Council, has issued a paper, "**Napster and Online Piracy: The Need to Revisit the Digital Millennium Copyright Act**" which recommends changes to the Digital Millennium Copyright Act to hold online pirates accountable for their crimes while protecting conventional service providers who are innocent bystanders. In other words, Napster would love it. "The debate over Napster shows that the danger to artists and record companies comes not from innovation, but from companies and individuals using the technology in illegal ways," says Robert D. Atkinson, director of the PPI Project on Technology and the New Economy. Napster takes copyright infringement to a new level—it's Internet piracy on steroids. The law should be changed to make it easier to hold online pirates accountable without restricting new technology." (*Matt Frankel, PPI, 202/547-0001.*)

### **Reciprocal Study Finds Online File Sharing Likely Cause of Declining Record Sales**

A study by New York-based Reciprocal and VNU Entertainment Marketing Solutions concluded that while overall retail sales steadily increased between January 1997 and March 2000, album sales in more than 9,000 Soundscan reporting retail stores within a 5-mile radius of more than 3,000 colleges declined by 4% over the last 2 years. Stores near the 67 schools that had banned Napster by late February showed a greater sales decline of 7% over the past 2

Continued on page 6 ▷

## BUSINESS MODEL

# Streaming Radio Struggles for Uniqueness

Practically everyone running a streaming radio network claims that what they are doing is brand-spanking new, something no other company has done before. And though the “terrestrial” radio stations with an Internet feed may be new simply because they are broadcasting on the Web, the Web-only broadcasters just may be correct in stating that each one of them is unique, at least in subtle ways. In fact, though the business models of a number of streaming radio networks look similar, on closer inspection no two are exactly alike.

Take **Click Radio**, for example. The company offers music directly from a PC user’s hard drive: though they do have a Website, [www.clickradio.com](http://www.clickradio.com), they are not, they maintain, a streaming radio network.

For one thing, their music doesn’t stream.

So how does Click Radio work? Using proprietary technology and an exclusive on Lucent Technology’s ePac (enhanced perceptual audio coding),

music is distributed via a CD with 200 songs to get customers started, which is downloaded to their hard drive. Click Radio will also be an icon on the desktop of over 5 million computers sold this year, as well as be featured on stereo components and, ultimately, wireless devices. Click Radio automatically replenishes a user’s stash of music when it detects an Internet connection.

Click Radio offers interactive listening, which enables the company to focus on very targeted audiences: advertisers, then, are not buying time, they’re buying groups of people, allowing Click Radio to have only five minutes of advertising per hour (fewer than half the ads of traditional radio networks, but higher than some streaming radio sites).

It’s the company’s voluntary license with record labels that allows them to be this targeted—a license that other companies don’t have. The implication is that other companies are ignoring the Digital Millennium Copyright Act and are, in fact, acting illegally.

Is that the case? Probably not. In fact,

business models of other companies interviewed here show a decided trend in the direction of doing everything they can to avoid trouble with the RIAA.

They also show a trend toward being advertiser-based and/or e-commerce enabled.

The business models of **Spinner.com**, owned by **America Online** [AOL], and **MTV-owned** [VIAB] **SonicNet.com** are both based on advertising, and resemble more of a straight-forward music service, offering music-playing, information on artists, and customized features.

But some of the lesser-known broadcasters have more interesting business models. **Live365.com** allows listeners to create their own radio broadcasts, with revenue generated by selling CDs through e-commerce. In other words, a listener hears a song, likes it, and clicks directly on a sponsor to purchase the CD.

“On the radio, there are seventeen different ways that you can disconnect between hearing the song and going to the store to buy it,” says *John Jeffrey*, executive vice president for Live365.com. “We take that away and make it immediate.” While Live365.com tracks what streams are creating what amount of business and

## On the iRadio Dial

MAJOR PLAYERS	LOCATION	CEO	OWNERS	WEB ADDRESS
FirstLook.com	Los Angeles	Rand Bleimeister	An idealab! Company, backed by Cox Communications, Cox Enterprises, The Goldman Sachs Group, Inc., Intel Capital, and Kleiner Perkins Caufield & Byers	<a href="http://www.firstlook.com">www.firstlook.com</a>
Spinner.com	San Francisco	General Manager Josh Selfer	America Online	<a href="http://www.spinner.com">www.spinner.com</a>
SonicNet	San Francisco	Nicholas Butterworth	Viacom’s MTV	<a href="http://www.sonicnet.com">www.sonicnet.com</a>
Live365.com	Foster City, CA	Alex D. Sanford	Privately held	<a href="http://www.live365.com">www.live365.com</a>
GiveMeTalk.com	San Francisco	William Gross	Privately owned by Ted Ganchiff, founder and “employee number one”	<a href="http://www.givemetalk.com">www.givemetalk.com</a>
NetRadio Corporation [NETR]	Minneapolis	Ed Tomechko	Publicly owned	<a href="http://www.netradio.com">www.netradio.com</a>
Click Radio	New York, NY	Hank Williams	Privately held	<a href="http://www.clickradio.com">www.clickradio.com</a>
Launch Media	Santa Monica	Dave Goldberg	Publicly owned	<a href="http://www.launch.com">www.launch.com</a>

## Streaming Radio Business Models

<b>FirstLook.com</b>	Advertising based, cost per click based on how high the advertiser wants its album on the chart
<b>Spinner.com</b>	Advertising based, audio and banner ads
<b>SonicNet.com</b>	Advertising based, audio and banner ads
<b>Click Radio</b>	Advertising based, 5 minutes per hour audio
<b>Launch Media</b>	Advertising based, audio, banners, and video ads. One minute of audio ads every hour, two minutes per hour for video
<b>GiveMeTalk.com</b>	Advertising based with strong e-commerce mix
<b>Live365.com</b>	E-commerce based, adding audio advertising eventually.

## Tuned In

Site	Unique Audience	Time Spent per Person (hr:min:sec)
Broadcast.com	1,924,592	0:02:44
Sonicnet.com	1,558,553	0:07:17
Launch.com	875,835	0:10:43
Live365.com	328,810	0:10:10
Spinner.com	272,663	0:03:28
Netradio.com	269,445	0:08:31
Firstlook.com	248,046	0:03:53
Clickradio.com*		
Givemetalk.com*		

\* Indicates total audience fell below reporting cutoff.  
Source: Nielsen/NetRatings

This data is based on April 2000 audience measurement of more than 43,000 U.S. panelists who have home Internet access.

what genres are having sales that are extraordinary, the company is keeping that information internal for the time being.

“Broadcasters”—listeners who choose to create a broadcast by uploading their own music—are made to sign an agreement, broken down into very simple terms, that says they understand the Digital Millennium Copyright Act. (This type of agreement, some in the industry say, just may have kept **Napster** out of hot water.)

As with many streaming radio sites, there is the concern that the format might replace sales of CDs, Jeffrey says, and since a large part of their business model relates to selling CDs, that’s obviously counter-productive. So the company has built in a couple of safety

measures. For one thing, they broadcast at 56 K, just below FM radio quality, so the sound is good, but not *that* good. “It’s enough to entice you to buy your own CD, not to copy it,” Jeffrey says.

They also keep predictability low, so listeners aren’t able to choose exactly what they’re going to listen to.

In this relatively new industry, it’s difficult to predict whether current business models will be sustainable in the long run, but Live365.com is hedging its bets by planning to focus on more than one revenue stream. “We’re based on selling CDs, but eventually we’ll be adding advertising into the streams. Right now we have banner advertising and sponsorships, so there’s a little revenue from that,” Jeffrey says.

**Launch.com** [LAUN] has similar

abilities, allowing listeners to create their own broadcasts through LaunchCast. LaunchCast users do not have to upload their own music, and the site boasts 500,000 “broadcasters” as compared to Live365.com’s 100,000.

And Launch.com doesn’t stop at broadcasting: it also offers over 4,500 streaming music videos, music information on concerts and artists, and other neat stuff.

“We are really a media company focused on music and providing a complete destination for music fans to learn about new music and to connect with other music fans,” says *Dave Goldberg*, CEO. “So we deliver the music itself in a personalized and customized way, creating a community for them.”

Everything on Launch.com is free to the consumer. Audio ads, banners ads, video ads and sponsors keep the company in business. Ads average one minute of audio ads every hour, two minutes per hour for video (a very low percentage compared even to Click Radio).

All of this, of course, doesn’t even begin to touch on talk radio networks. One quirky site, **GiveMeTalk.com**, goes straight for folks who want a soapbox.

“One reason for doing talk is it’s a format people understand, and it’s something they want to do. People get the concept very quickly,” says *Ted Ganchiff*, founder and employee number one. “The file size is very small compared with music so it’s easy to upload, and the fidelity is very low because people are used to hearing it on small clock radios.”

And the business model for talk? “Overall, because we allow broadcasters and listeners free access, our business pays for itself through traditional means in many ways as though it were a regular radio company,” Ganchiff says, “but the e-commerce mix, the ability for someone to hear something and buy it immediately, is pretty strong. Frequency becomes less important.”

(*Cristina DelSesto*, ClickRadio, 212/381-9009; *Ted Ganchiff*, GiveMeTalk.com, 415/252-0960; *Dave Goldberg*, Launch.com, 310/526-4304; *John Jeffrey*, Live365.com, 650/345-7400.)

# Record Companies "Hate Them," but MP3 Plugs Along

With **Napster** taking center stage, San Diego-based **MP3.com's** [MPPP] case has fallen into the orchestra pit, not to be seen by anyone.

Although, according to **IDC** analyst **Malcolm Maclachlan**, the company has over \$350 million in cash on hand, enough to get it through some tough times, MP3.com is going to have a hard time appeasing and working out agreements with the major record labels.

"Traditional record companies hate them," says Maclachlan.

In early May, the company lost a

copyright infringement lawsuit, and was forced to disable access to all major record label content from its site. Undaunted, however, the company switched tactics and went on to sign a licensing agreement with **Broadcast Music Inc. (BMI)**.

MP3.com continues to work toward a settlement with the five companies named in the lawsuit: **Sony Music, Warner Music, EMI Recorded Music, Universal Music, and BMG Entertainment.** 🔥

(Haig Havaness, KPMG, 201/505-3889; Malcolm Maclachlan, IDC.)

Continued from page 3 ▷

years. The report seems to back up much of what the recording industry has been saying, although analysts believe much more information must be released by the record companies before anything can be concluded. Also, one must keep in mind that the companies releasing the report have strong ties to the industry. (VNU owns **Billboard** magazine and **Soundscan**, for example). (Tony Telloni, *Reciprocal*, 917/368-3824)

## Bronfman Declares War

**Edgar Bronfman, Jr.**, president and CEO of Montreal-based **The Seagram Company Ltd.** [VO] and owner of **MCA/Universal**, declared war on web pirates during a keynote address at **The Real Conference 2000** in San Jose two weeks ago. Bronfman pledged his resolve, saying, "If intellectual property is not protected—across the board, in every case, with no exceptions and no sophistry about a changing world—what will happen? Intellectual property will suffer the fate of the buffalo. . . I will, as leader of one of the world's foremost content companies, fight to preserve the creativity and the genius of creators everywhere." Needless to say, analysts contacted felt the remarks were over the top, sending the wrong message to customers who are already turned off by the record industry's response to **Napster**. (Mia Carbonell, *Seagram*, 212/572-7556.)

## New Streaming Media Conference for Content Owners

Several top motion picture, television and new media associations and organizations have signed on to participate in **eMarketWorld.com's** first eMediatainmentWorld which will debut in Los Angeles June 28-30, at the Westin Bonaventure Hotel. According to the company, eMediatainmentWorld is the first and only conference and marketplace focused exclusively on the development and distribution of Internet-based media and entertainment content, services and applications. eMediatainmentWorld will address six program channels representing the top "e-mediatainment" content and e-commerce categories: electronic media, print media, motion pictures, music, sports and games/gaming. (Neil Hoyt, 800/535-1812.)

## notices

**SITE:** [www.WWW.com](http://www.WWW.com)

**DETAILS:** Broadcasting commerce-enabled music through 200+ stations in multiple formats. All stations are originally programmed by their team of "battle hardened music junkies," unlike stations like **Yahoo's Broadcast.com**, which [www.WWW.com](http://www.WWW.com) dubs "re-broadcasters."

**OF NOTE:** Claim to be the first in the industry to plant a flag on their site saying, "Artists Deserve To Be Paid for the Music They Create!" Because of this, the artists, they claim, can go about their business creating music while [www.WWW.com](http://www.WWW.com) looks after their interests.

**OUR COMMENTS:** Quite friendly—a chummy feel to the copy and an ultra-hip attitude to the overall site. We particularly liked the list of features prefaced by the phrase, "Blah, blah, blah, our marketing department made us list this." Okay, so we're not too fond of the colors (brown and yellow, reminiscent of the old McDonald's uniforms of the seventies)—but once we personalized our own radio stations, which also allowed us to change the "skin" of the screen to "cat skin," things looked better.

**SITE:** [www.launch.com](http://www.launch.com)

**DETAILS:** Owned by **Launch Media** [LAUN], provides visitors with a wide selection of streaming audio, a large collection of music videos, concert listings, exclusive artist features and chats covering all genres of music—in other words, lots of stuff. Users can also create customized Web pages through which they receive music and music-related content personalized to their individual tastes.

**Of Note:** Launch is engaged in strategic relationships with **Sony Music** [SNE], **EMI Music, Warner Music Group** [TWX], **AOL** [AOL], **Microsoft** [MSFT], **NBC, Snap, Intel** [INTC], **RealNetworks** [RNWK], **NetZero** [NZRO], **Yahoo!** [YHOO], and others.

**OUR COMMENTS:** The home page is chock-full of information—in fact, users may find themselves overwhelmed by the amount of choices set out in a bewildering array of type. And viewed after the footloose and fancy-free [www.com](http://www.com) site, **Launch.com** came across as almost stodgy. 🔥



# other people's money

COMPANY	SYMBOL	12/31/99	6/6/00	CHANGE	PERCENT	COMPANY	SYMBOL	12/31/99	6/6/00	CHANGE	PERCENT
<b>CONTENT OWNERS</b>						<b>RETAIL/DISTRIBUTION</b>					
Fox Entertainment	FOX	24 15/16	26 1/16	1 1/8	4.51%	Amazon	AMZN	76 1/8	50 9/16	-25 9/16	-33.58%
Metro Goldwyn Mayer	MGM	23 9/16	28 11/16	5 1/8	21.75%	Barnes and Noble	BKS	20 5/8	19 7/16	-1 3/16	-5.76%
News Corp	NWS	38.25	49 3/16	10 15/16	28.59%	Blockbuster	BBI	13 3/8	9 11/16	-3 11/16	-27.57%
Seagram (MCA)	VO	44 3/4	48 1/8	3 3/8	7.54%	CDNow	CDNW	9 7/8	4 1/32	-5 27/32	-59.18%
Sony*	SNE	142.375	102 7/16	-39 15/16	-28.05%	Hastings Entertainment	HASTE	4 15/16	2 5/32	-2 25/32	-56.33%
Time Warner	TWX	72 5/16	81 1/8	8 13/16	12.19%	Hollywood Ent./Reel.com	HLYW	14 1/2	6 7/8	-7 5/8	-52.59%
Viacom	VIAB	60 7/16	63 3/4	3 5/16	5.48%	Musicland Group	MLG	19 5/6	7 7/8	-11 23/24	-60.29%
Walt Disney Co.	DIS	29 1/4	40 7/8	11 5/8	39.74%	Rentrak	RENT	7 1/16	4	-3 1/16	-43.36%
<b>Average</b>		<b>435 7/8</b>	<b>440 1/4</b>	<b>4 3/8</b>	<b>1.00%</b>	<b>Average</b>		<b>166 1/3</b>	<b>104 5/8</b>	<b>-61 17/24</b>	<b>-37.10%</b>
<b>NETWORKS/BROADCASTERS</b>						<b>TECHNOLOGY</b>					
Adelphia	ADLAC	65 5/8	46 7/16	-19 3/16	-29.24%	Akamai	AKAM	327 5/8	87 9/16	-240 1/16	-73.27%
America Online	AOL	75 7/8	55 3/4	-20 1/8	-26.52%	Apple	AAPL	102 13/16	92 7/8	-9 15/16	-9.67%
ATT	T	50 13/16	36 1/8	-14 11/16	-28.91%	Avid	AVID	13 1/16	10 3/16	-2 7/8	-22.01%
Audible	ADBL	15	5 1/4	-9 3/4	-65.00%	Digital Island	ISLD	95 1/8	25 5/16	-69 13/16	-73.39%
Audio Highway	AHWY	8 9/16	3	-5 9/16	-64.96%	EXCALIBUR Technologies	EXCA	20 5/8	31 1/2	10 7/8	52.73%
Brilliant Digital Entertainment	BDE	3 15/16	4 7/8	15/16	23.81%	Intel	INTC	82 5/16	129 9/16	47 1/4	57.40%
Cablevision Systems	CVC	75 1/2	66 3/4	-8 3/4	-11.59%	Liquid Audio	LQID	26 1/4	8 7/8	-17 3/8	-66.19%
Charter Communications	CHTR	21 7/8	12 15/16	-8 15/16	-40.86%	Macromedia	MACR	73 1/8	93 11/16	20 9/16	28.12%
Comcast	CCZ	99.8125	106	6 3/16	6.20%	MAX Internet	MXIP	7 7/16	3 1/16	-4 3/8	-58.82%
Cox	COX	51 1/2	46 3/8	-5 1/8	-9.95%	Media 100	MDEA	26 7/16	20 3/8	-6 1/16	-22.93%
Earthlink Mindspring	ELNK	26.4062	18 3/16	-8 7/32	-31.12%	Microsoft	MSFT	116 3/4	69 5/8	-47 1/8	-40.36%
Echostar*	DISH	97 1/2	38 3/16	-59 5/16	-60.83%	Novell	NOVL	39 15/16	9 13/32	-30 17/32	-76.45%
eMusic.com	EMUS	10 1/4	3	-7 1/4	-70.73%	Optibase Ltd.	OBAS	35 1/4	17 3/8	-17 7/8	-50.71%
Excite@Home	ATHM	42 7/8	19 9/16	-23 5/16	-54.37%	Princeton Video Image	PVII	8	5 5/8	-2 3/8	-29.69%
Launch Media	LAUN	18 15/16	9 3/16	-9 3/4	-51.49%	S3	SIII	11 9/16	16 3/4	5 3/16	44.86%
Loral	LOR	24 5/16	7 13/16	-16 1/2	-67.87%	SGI	SGI	9 11/16	8 1/2	-1 3/16	-12.26%
Lycos	LCOS	79 9/16	65 3/4	-13 13/16	-17.36%	<b>Average</b>		<b>996</b>	<b>630 9/32</b>	<b>-365 23/32</b>	<b>-36.72%</b>
Media Bay	MBAY	11 3/16	3 9/16	-7 5/8	-68.16%	<b>OTHERS</b>					
MediaOne	UMG	76 13/16	69 1/3	-7 37/77	-9.74%	A.C.Nielsen	ART	24 5/8	23 9/16	-1 1/16	-4.31%
Medium4.com	MDM	6 1/4	5 1/4	-1	-16.00%	CMGI*	CMGI	138 7/16	55 1/8	-83 5/16	-60.18%
mp3.com	MPPP	31 11/16	11 5/8	-20 1/16	-63.31%	Keynote Systems	KEYN	73 3/4	50 1/8	-23 5/8	-32.03%
Musickmaker.com	HITS	5 7/8	1 15/16	-3 15/16	-67.02%	Preview Systems	PRVW	64 7/8	12 1/2	-52 3/8	-80.73%
Netradio	NETR	8 1/4	2 11/16	-5 9/16	-67.42%	<b>Average</b>		<b>301 2/3</b>	<b>141 1/3</b>	<b>-160 3/8</b>	<b>-53.16%</b>
NetZero	NZRO	26 15/16	7 11/16	-19 1/4	-71.46%	<b>INDICES</b>					
On2.com	ONT	29	8 11/16	-20 5/16	-70.04%	DJIA		11,497.12	10,735.57	-761 11/20	-6.62%
Real Networks*	RNWK	60 5/32	45 1/16	-15 3/32	-25.09%	NASDAQ		4,069.31	3,756.37	-312 47/50	-7.69%
Streamedia Communications**	SMIL	5 7/8	2	-3 7/8	-65.96%	*Adjusted for split **IPO 1/31/00					
Visual Data Corp.	VDAT	11 1/2	4 11/32	-7 5/32	-62.23%						
Yahoo*	YHOO	216 11/32	135 1/16	-81 9/32	-37.57%						
<b>Average</b>		<b>1258 2/9</b>	<b>842 23/54</b>	<b>-415 23/29</b>	<b>-33.05%</b>						

<b>BIGGEST GAINS</b>					
Intel	INTC	82 5/16	129 9/16	47 1/4	57.40%
EXCALIBUR Technologies	EXCA	20 5/8	31 1/2	10 7/8	52.73%
S3	SIII	11 9/16	16 3/4	5 3/16	44.86%
Walt Disney Co.	DIS	29 1/4	40 7/8	11 5/8	39.74%
News Corp	NWS	38.25	49 3/16	10 15/16	28.59%
Macromedia	MACR	73 1/8	93 11/16	20 9/16	28.12%
Brilliant Digital Entertainment	BDE	3 15/16	4 7/8	15/16	23.81%
Metro Goldwyn Mayer	MGM	23 9/16	28 11/16	5 1/8	21.75%
Time Warner	TWX	72 5/16	81 1/8	8 13/16	12.19%
Seagram (MCA)	VO	44 3/4	48 1/8	3 3/8	7.54%

<b>BIGGEST DECLINES</b>					
Netradio	NETR	8 1/4	2 11/16	-5 9/16	-67.42%
Loral	LOR	24 5/16	7 13/16	-16 1/2	-67.87%
Media Bay	MBAY	11 3/16	3 9/16	-7 5/8	-68.16%
On2.com	ONT	29	8 11/16	-20 5/16	-70.04%
eMusic.com	EMUS	10 1/4	3	-7 1/4	-70.73%
NetZero	NZRO	26 15/16	7 11/16	-19 1/4	-71.46%
Akamai	AKAM	327 5/8	87 9/16	-240 1/16	-73.27%
Digital Island	ISLD	95 1/8	25 5/16	-69 13/16	-73.39%
Novell	NOVL	39 15/16	9 13/32	-30 17/32	-76.45%
Preview Systems	PRVW	64 7/8	12 1/2	-52 3/8	-80.73%

### First Half Review

Our first firehose stock chart looks at the performance of a variety of streaming media-related companies in the first half (approximately) of 2000. The chart makes distinctions among content owners, networks/broadcasters, retail/distribution companies, technology firms and others allied to the field. It is not intended to be inclusive.

### It's Good to be King

The first half of 2000 bears out the adage that content is king. Fully half of the top gainers in the period were content companies, and with the notable exception of Sony, all content owners on the chart gained for the year-to-date. (Without Sony, content owners would have gained an average of 15%). The highest gainer among content owners was Disney.

### The Downside

All other categories in the index showed substantial declines for the first half, with average declines ranging from 33% to 53%. The biggest losers thus far in 2000—Preview Systems, Novell, Digital Island and Akamai. Better to own the water or the pipeline? The market's answer has been clear this year. 🔥

# Sipping from the Firehose

By David Shaw

Welcome to the premiere issue of **firehose: streaming media for content owners, creators, broadcasters and distributors**. We created this newsletter (and analytical service) to help the owners and stewards of intellectual property navigate the broadband-to-the-home future.

The next few years will be interesting, to say the least. The Internet offers content owners a surprising array of challenges to current business models. More important, perhaps, than the copyright and piracy issues which are currently consuming time and media attention, is the potential “disintermediation” of middlemen.

Retailers—long the bane and boon of movie studios, record companies and book publishers—may become extinct, or at least less able to make an impact on sales.

At this Spring’s Variety/Schroeder

Company’s The Big Picture Conference, *Michael Eisner* noted that the Internet would have a “positive impact on studios since, unlike home video rentals, the studios would be capturing all of the revenues.”

What Eisner and others miss, though, is that the studios would also be capturing all of the costs—fulfillment, payment, reverse-logistics (“returns” or refunds) and all the other consumer headaches the retailer handles now—in addition to an added marketing burden. It’s easy to discount the impact retail stores have on consumer buying habits, but difficult to recreate the impulse purchase on-line.

As content owners look to a bright and shining broadband future, with direct sales to consumers, low distribution costs, higher margins and greater control over the “retail” environment, they must also recognize that this future will fea-

ture accelerated splintering of choices to the consumer: thousands—maybe millions—of “channels” on the Internet.

How will content owners get the message to consumers, incite them to buy and download their content? Print advertising? Broadcast television? Push e-mails? Will Blockbuster and Amazon emerge as i-broadcasters?

Will Michael Eisner truly be able to capture “all of the revenues?”

It’s questions such as these which drive **firehose**. Our team of analysts and journalists is committed to ferreting out answers which you can use today—and tomorrow—in your business and creative planning.

Call us and let us know the questions you’d like answered. *Jennifer and Paul Nastu*, our able executive editorial team, can be reached at 970-229-9487. If you’re looking for expert consulting, call our editorial board chair *Tom Adams*, president of Adams Media Research, at 831-659-3070. If you’d like to talk to me, I can be reached at 800-624-9557. 🔥

## Customer Service: You’re Being Sued

Much to the chagrin of the record industry, the mainstream media has wholeheartedly embraced the Napster story—if you have any question, check out the June 5 cover of Newsweek. And although the talk shows and journalists try to stay impartial, you can’t help but feel that the darling of this media circus is *Shawn Fanning*, the nineteen year old creator of San Mateo-based Napster, rather than the record industry, with its legions of lawyers. Rather than a lesson in the protection of copyrights and intellectual property, the Napster case has become a useful tutorial for content providers on how unhealthy it is for an industry to wage war on its customers.

“The record industry is fighting a rearguard action,” says *Haig Havaness*, director of KPMG Consulting’s Digital

Media Institute, based in New York. “They’re buying time and seeking a way to minimize the damage.”

The rapid propagation of Napster has been truly amazing. Officials at Napster couldn’t discuss the lawsuit or the workings of their company, but in barely a year, the company has over 10 million users. According to KPMG, half of the college students in the country are enrolled. And all of this without a commercial launch.

“The Recording Industry Association of America views Napster as a virulent virus,” *Havaness* says.

The virus is spreading. Even if Napster loses the case, which *Havaness* says is the probable outcome, they will most likely come to terms with the industry. It’s hard to believe San Francisco-based *Hummer Winbald*

Venture Partners would invest \$15 million in the company, as they announced two weeks ago, if the outlook was otherwise.

In addition, according to New York City-based *Jupiter Communications [JPTR]*, the industry is looking at other Napster-like communities, like *Gnutella* and *Freenet*, systems which allow consumers to share songs free of charge without servers that can be shut down. Services like these point out how archaic—already—the record industry’s online distribution system really is. “A subscription service to an online music community with high quality digital music, virus protection and a wide variety of content could eventually be a far more successful driver of revenues for recorded music than individual downloads sold through an online store,” says *Stacey Herron*, a *Jupiter* analyst. 🔥  
(*Haig Havaness*, KPMG, 201/505-3889; *Stacey Herron*, *Jupiter* 917/534-6208.)