

Still A Live365

An original pure-play webcaster continues to thrive

By Brida Connolly
Associate Managing Editor

Like nearly everything in digital media, the webcasting industry got off to a rocky start. Countless hobbyists, broadcasters and startup companies jumped into the business in the late '90s — but then came lawsuits, a bitter battle over union fees and a long-running royalties fight whose resolution by a 2001 Copyright Arbitration Royalties Panel stopped a lot of those startups cold.

But Live365, which streams 20,000 or so free and subscription channels, most programmed by its member community, is a first-generation webcaster that's still standing — and thriving. I recently spoke with Live365 COO Raghav "Rags" Gupta about what's up at the leading pure-play webcaster.

R&R: What's the most important change for the better in webcasting in the last five years, aside from getting royalties more or less settled?

RG: Well, you kind of hit upon it, which is that the dust has settled with royalties and that whole brouhaha. People have actually been making businesses, whether it's on the subscription front or the advertising front, and more advertisers are starting to check out Internet radio as a medium. It's a viable medium in terms of size. You have 9 million to 10 million people logging on weekly, so it's a mass medium.

The qualitative aspects are what really make it attractive to advertisers, because you're talking about huge, huge percentages of broadband penetration. We've taken snapshots of our site, and 80% to 90% of the people are on broadband connections, with all the various demographics and psychographics that go with that — professional, affluent, pretty much in the metropolitan areas, slight male skew, 25 to 35, etc.

R&R: So they're not notably younger than radio listeners.

RG: No, because a lot of people log on from the workplace. You do have a sizable college contingent, but you've got more of a workplace thing going on. That's where the broadband connections are. And, frankly, a lot of these people are dissatisfied with what they get on terrestrial radio, or they can't get the signal at all because of where they're working.

R&R: What changes do you still want to see?

RG: We're at the beginning of a journey to make this into a viable medium with respect to advertising. We think that right now is the time to really go after it in earnest. You may have read some of the announcements we made, where we're essentially having our inventory sold as an aggregated network.

That is something we're very optimistic about, because we really do think the time is right because of the reach numbers, as well as the metrics.

We're actually being apples-to-apples compared to other media, like terrestrial network radio.

In terms of other changes, our fortunes are tied to broadband and broadband adoption. So continued broadband adoption, and then wireless broadband, when that comes, will just continue to grow our market.

Digital music is a very hot consumer thing right now, and that's something that is only benefiting us and our industry, because more and more people are getting into digital music, both in the on-demand, download arena and the radio arena.

R&R: Are you going to start a dollar song store like everybody else?

RG: [Laughs.] We are not. We are most certainly not. We've looked at the economics of it, and it just doesn't make sense. It's not like we're selling a hardware device.

R&R: I know you've had a long-standing relationship with Arbitron, and now Arbitron is revisiting how it handles Internet broadcast ratings. Is that relationship going to continue?

RG: It is. What we know, and what I can publicly tell you, is that Arbitron does plan on continuing to support the space. We are trying to work with them to figure out how they're going to do that and what makes the most sense for them as well as for us. So I anticipate that relationship will continue, and we know that they're definitely supporters of the medium and are going to continue to help us lay the groundwork for the industry.

R&R: What do you want Live365 to do that it's not doing now? Is this the business you're going to be in?

RG: We want to focus on doing radio and doing it well. From that perspective, we feel like we're in the business that we want to be in. That's such an open-ended question — I can show you a list of things that we have in the pipeline that are going to increase the quality of service and the user experience for our customers and our broadcasters and enable them and empower them to do what they do and make money and so forth.

There's so much stuff that we have planned — we're never happy with where things are. But we are pretty focused on radio, both in an advertising-supported way, as well as a subscription model.

R&R: Are you preparing for a wireless future?

RG: We're keeping tabs on it, and we certainly think that it is in the future, but we really don't see it having much mass consumer adoption for the next two or three years at least. I could be wrong, but typically what happens is that the business community adopts something first, and only then, when the price point comes down, does it get to the consumers.

We saw that in cell phones, and then the same thing with PDAs. The same thing happened with laptops and everything else in terms of tech, and I think you're going to see that with wireless.

R&R: Live365 is working under a Digital Millennium Copyright Act license for performance royalties. Do your music programmers have to work within those rules on programming and content rotations?

RG: Yes, and we have various mechanisms that we use to make sure that happens. The best one, which is really appreciated by some of our licensing agencies, is the self-policing nature of our community. If you're a Blues radio station, and you see a competitive station not following the rules, you're going to tell someone about it, right? So that's what we have. People can rat each other out.

R&R: So an obvious outlaw stream, like all-Beatles, all day long, wouldn't last?

RG: Exactly. That doesn't make it on for very long. We have a process in place to detect that and take care of it. I think the copyright industry is pretty comfortable with how that's been working.

R&R: How are the DMCA royalties handled?

RG: We deal with that for most of our broadcasters. There is a subset of our customer base that are private-label customers, where they take care of it themselves, but for most of our programmers, we write a check to SoundExchange.

R&R: Because indecency is such a huge issue on the broadcast side, I want to ask: Does Live365 have any content standards or guidelines?

RG: We do, although it's not nearly the same scope as you have with broadcast radio. And, frankly, it really hasn't come up much in the five years we've been doing this. There may have been one occasion when there was some kind of a hate-oriented thing that was happening, which was against our terms and guidelines. We have broadcasters try to let their listeners know whether there are going to be lyrics that are unfriendly to kids, with curse words or something like that.

But on the Internet there are so many options that it's much less of an issue. You have so many niche-oriented things to go to, whereas on the terrestrial side, you have just one

The iTunes Music Store Top 10

Apple's iTunes Music Store is the leading digital-music service in the U.S., offering a catalog of more than 500,000 songs from all five major label groups and dozens of independents. Here's a snapshot of the top-selling downloads on Tuesday, May 11, 2004.

Top 10 Albums

1. **HOOBASTANK** The Reason
2. **BEASTIE BOYS** Ch-Check It Out
3. **MAROON 5** This Love
4. **BEYONCÉ** Naughty Girl
5. **OUTKAST** Roses
6. **BLACK EYED PEAS** Hey Mama
7. **YELLOWCARD** Ocean Avenue
8. **AVRIL LAVIGNE** Don't Tell Me
9. **USHER** Burn (Radio Mix)
10. **FOO FIGHTERS** Times Like These

Top 10 Albums

1. **MORRISSEY** Irish Blood, English Heart
2. **LORETTA LYNN** Van Lear Rose
3. **DIANA KRALL** The Girl In The Other Room
4. **MODEST MOUSE** Good News For People Who Love Bad News
5. **HOOBASTANK** The Reason
6. **MAROON 5** Songs About Jane
7. **NORAH JONES** Feels Like Home
8. **D12** D12 World
9. **RYAN ADAMS** 241 (single)
10. **BLACK EYED PEAS** Elephunk

Live365 is the largest Internet radio network, with thousands of stations in a wide variety of formats. Programmed by true music tastemakers from around the globe, Live365 offers an enthusiastic audience for established and up-and-coming artists alike. In a world of consolidated playlists, Live365 charts the tastes and preferences of today's most vibrant music community. Tracks with the most plays during the seven days ended April 26, 2004 are listed below.

Top Alternative

EVANESCENCE Going Under
KINGS OF LEON California Waiting
MAROON 5 This Love
WHITE STRIPES Seven Nation Army
JET Are You Gonna Be My Girl

Top Jazz

BRIAN CULBERTSON... Come On Up
DAVID BENOIT Watermelon Man
ACOUSTIC ALCHEMY Shelter Island Drive
RICHARD ELLIOT Sly
KIM WATERS The Ride



Travis Storch • 866-365-HITS

Top Electronic-Dance

LMC VS. U2 Take Me To The Clouds Above
MOTORCYCLE As The Rush Comes
TUBE & BURGER... Straight Ahead
ARMIN VAN BUUREN Burned With Desire
CHICANE... Don't Give Up 2004

dial, where you only have so many options. They're also using the public airwaves, and that involves some sort of public service, so that makes it much more of an issue there.

R&R: Are you pretty happy about where your relationship is with the labels right now?

RG: Generally, yeah. Here's what typically happens: The marketing departments and the record labels love webcasters and want to work with us and all that, but, historically, you have the legal and the business-affairs people saying, "What's going on?" and kind of holding things back, because things have moved too quickly to be able to keep up with.

But I think a lot of that has settled to where they see the Internet as very much a promotional medium. They're still very, very protective of this newly won right [to performance royalties] that they got, and they

spent a lot of money to get it. But, in general, we're pretty happy with our relationships within the record industry.

R&R: So the labels' fear of digital media is being resolved?

RG: It is. Especially with the downloads and the other services that are also out there, there's no longer fear so much as the desire to work with these players to promote their records. Whenever I meet with record labels, I'll kind of jokingly say, "So are you still selling shiny plastic discs, or are you selling bits today?" One of these days I'm gonna go in there and the person's gonna say, "I'm selling bits."

R&R: And legal downloads are beginning to look like a business.

RG: Yeah, and you're having records being released exclusively online for a window and things like that. That's just going to continue to drive adoption.