



Photo by D. M. Scott

Sightsound.com is seeking equity financing to help fund its growth strategy. Art Hair, left, is chairman and Scott Sander CEO of the Mount Lebanon company that makes recordings available via downloading from the Internet.

## Internet firm pioneers downloadable music sales

Technology, resistance on part of record companies could slow efforts to grow business in a market now valued at \$116 million

BY KAREN KOVATCH

Sightsound.com is ready to hit the electronic commerce market with a service that makes it possible to distribute and purchase music over the Internet. But is the market ready for the company?

Founded as Digital Sight/Sound in 1995, Sightsound.com holds patents to technology that makes it possible to download music over the Internet for a fee. Earlier this year, the company took this technology and built a World Wide Web-based service around it, which it hopes to

sell to record labels, artists and others who own the rights to audio recordings.

This may not be easy to do.

Record companies have already taken a hard-line stance against the online sale of music, which they see as potentially siphoning off their profits.

And consumers may not be hip to the idea that, for now, songs downloaded from Sightsound.com's site can only be played on the computers they're downloaded to.

Still, company executives believe these issues can be overcome. So the company is mov-

ing ahead with its service.

"If you're going to sell music in download fashion, you need to format it, do credit card processing online and provide materials to market and promote it," said Sightsound.com president and CEO Scott Sander.

Sightsound.com handles all these tasks from its headquarters on Washington Road in Mount Lebanon, where it employs 6 people. Working with labels or individual bands, the company takes recordings and puts them in a computer-code format so they can be played on

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## DIGITAL: Local musicians Dharma Sons participated in a 'virtual tour' via

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the World Wide Web. It also scans in photos and other promotional materials to sell the music so that browsers can learn more about the bands they hear.

"In a store, you might have a cardboard cutout," Mr. Sander said. "We do packages where people can see a video and get some exposure to the band."

The demand for such a service is just beginning to develop — International Data Corp. estimates the market is currently worth about \$116 million.

But Goldman Sachs, a New York City investment banking firm, has expressed con-

fidence that it will grow larger.

The firm is helping Sightsound.com negotiate a round of equity financing to help fund its growth strategy. Mr. Sander declined to say how much money the company is planning to raise.

"They are trying to line up companies in the media and entertainment industries that might want to invest in us," Mr. Sander said.

Though the market for Sightsound's technology is still emerging, Tom Cossie, president and CEO of Dormont Technologies Ltd., a Ross Township-based firm that develops marketing software for the music industry, thinks Sightsound.com is hitting it

at the right time.

"Downloading music from the Internet is becoming a trend that can no longer be avoided," he said. "More and more artists and labels — indies and majors — are making their music available over the Net. There is also a rising tide of Net-only labels and artists, as well as technology to address piracy issues."

Some industry experts say the Internet is an ideal medium for distributing music.

"A lot of bands will utilize it because they have no other way to reach people throughout the world," said Andy Morris, manager of AMM Management, a New York City-based recording industry management firm

"It was really quite well done," Mr. Morris said.

To date, Sightsound.com has packaged 80 songs for distribution on its site. But selling these songs has not been easy.

Part of the problem is that the company does not ship CDs or tapes that can be played anywhere. The company delivers the selections consumers purchase to their computers — and these selections cannot be played elsewhere.

While this may please recording industry trade groups concerned that music is being distributed free to large numbers of people via the Internet, some consumers may find it unappealing.

Also, downloading music from the Sightsound.com site requires technology that most consumers do not have yet, such as high-speed ISDN lines and cable modems.

Once this technology is widely available, Mr. Morris thinks consumers will eventually use it to download music

Resistance from recording industry trade groups such as the Recording Industry Artists Association may be more difficult to overcome.

"I think they've set a tone for the debate on this issue that they are doing everything they can to protect the rights of their members," said Paul Verna, pro audio editor for Billboard Magazine, a weekly publication that covers the music industry. "And that means making sure people can't download music for free — that somehow there's a payment mechanism."

Because Sightsound.com encrypts music so that it can only be played on the computer it is downloaded to and collects a fee before delivering the goods, Mr. Sander believes the company will have the support of groups like the RIAA.

They may not get the support of record executives who see download service providers like Sightsound.com cutting into their profits.

"I deal with record companies every day in New York and it's definitely an issue with them," Mr. Morris said. "And it's going to be for awhile."

Without the support of record companies, which control the rights to a majority of the music distributed, Sightsound.com will not have a product to package.

The company has not negotiated relationships with any labels yet. But Mr. Morris thinks it eventually will.

"A lot of these companies are having to address these issues right now because their artists are going to want to sell records in this format and they want to get their royalties," Mr. Morris said.

This is exactly what Sightsound.com is counting on.

"This market will come," Mr. Sander said. "And when it does, someone has to be able to service it at scale. We are in a state of readiness to do that."