

# MySpace hopes to turn free songs into needed cash

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(AP) -- In 2004, when MySpace was still getting going, recording label executive Courtney Holt noticed that musicians were using the Web site to connect more intimately with their fans, through detailed blogs and behind-the-scenes photos. So Holt arranged to meet MySpace's founders.

"I remember going into his office when we were very small," said MySpace co-founder Chris DeWolfe, "when most other companies wouldn't pay attention to us."

Holt, then a marketing vice president with Interscope Geffen A&M, urged bands such as Nine Inch Nails, Weezer and The Black Eyed Peas to nurture MySpace profile pages too. The bands streamed new songs for free on their MySpace profiles, and some had the best album launches of their careers.

"The artists loved it and it created a Pied Piper effect for the fans," Holt said. When it came to music promotion, Holt realized, MySpace was like a "fire hose."

Now, Holt is being asked to turn MySpace's attention to a music industry in flames - and in the process, to improve the mediocre finances of MySpace as it tries to fend off rival Facebook.

Three months ago, Holt, 40, took charge of the recently revamped MySpace Music, a joint venture with the major recording labels. The service now lets MySpace users queue up multiple songs to play for free

on their profile pages, rather than one song as in the past. Users also can create playlists that let them swap songs with their friends.

MySpace Music overhauled its dedicated home page, which promotes album releases and tours and corrals 5 million blinking artist profiles into genres. And the songs now carry links that let people buy downloads of the tracks from Amazon.com Inc.

The setup gives MySpace and the music industry a share of song-download sales from Amazon, and it could bring new revenue from ads. Next, Holt plans to make MySpace into a seller of concert tickets and band merchandise, while better targeting songs, ring tones, artists and ads at the people who will probably be interested in them.

Through these efforts, MySpace's vaunted music-promoting power could help patch the leaks that have sprung up in the recording business. Even with sales of song downloads on the rise, the music industry is not recouping the revenue lost from falling sales of compact discs.

MySpace's objective will be to find "half a dozen new revenue streams" that will help recording labels move away from just selling song downloads and CDs, said Rio Caraeff, executive vice president of Universal Music Group's digital strategy unit. "We'd rather have 10 healthy revenue streams than one big revenue stream prone to disruption."

First, though, Holt has had to do damage control.

The new music player was clunky and slow when it launched. Fans complained that too few songs were available and that playlists they created couldn't handle enough songs.

Holt directed the creation of a sleeker, faster-to-load version that

debuted last month, and he removed the cap on the number of playlists that could be created.

Eventually, Holt wants to build up discussions of artists' discographies on MySpace and foster "social DJs" - playlist creators who are as influential as radio disc jockeys once were.

Black Eyed Peas rapper will.i.am credits Holt with being "one of the few guys that knows the way through the jungle" of digital music.

But Holt has the weight of multiple masters on his back. Aside from the music industry, Holt has to satisfy billionaire Rupert Murdoch, whose News Corp. bought MySpace for \$580 million in 2005 but has yet to eke out more than a meager profit from it.

MySpace also has to intrigue its users enough to hold off social networking rival Facebook, which lapped MySpace a year ago in overall users worldwide, and now has 200 million to MySpace's 130 million.

MySpace is still the largest social network in the United States, with 70 million users a month, but Facebook is catching up quickly with 61 million, according to tracking firm comScore Inc. MySpace Music could be the differentiator it needs: Facebook lacks a music player and relies on third parties to create them for members to download.

MySpace's revenue is estimated to be nearly three times Facebook's, or about \$585 million in 2008, according to research firm eMarketer. But MySpace has yet to lift News Corp.'s Fox Interactive Media unit past the \$1 billion in annual revenue that Murdoch predicted it would reach by last summer.

In this recession, Holt is in for an uphill slog.

U.S. advertisers have cut back overall, and aren't convinced that social networking sites are good places for ads, given the highly personal or frivolous content that users post. "Click-through" rates on ads are poor on social media sites.

"Either you can see a message from a friend who's just broken up with you, or you can see a random ad. Which would you choose?" said Shiv Singh, a vice president at digital advertising firm Razorfish.

Because of this dynamic, growth is slowing for social network ad spending, which is expected to rise 10 percent this year to \$1.3 billion, eMarketer estimates. Social media sites are expected to have 3.9 percent of the overall online ad market in 2013, down from 5 percent today.

Another challenge for MySpace is that several other sites offer similar free music streaming online, including AOL, Yahoo, MTV, Pandora, last.fm and imeem.

Add to that, Google Inc.'s YouTube and Universal Music Group recently announced a venture that will show music videos supported by ads on a tailor-made player called "Vevo."

That could play to one of MySpace's strengths. After all, MySpace users helped popularize online music videos by embedding them in their profile pages. And MySpace Music has the right to stream music videos from all the major recording labels, not just Universal's. But that function isn't developed yet.

Holt is the first to acknowledge that MySpace Music is a work in progress, and he promises four or five "cool and evolutionary" improvements each quarter.

There are indications that the service is gaining traction.

According to comScore, MySpace Music had 20 million U.S. users in March, up 30 percent from a year earlier, when MySpace was running the previous incarnation of the service - although MySpace questions comScore's methodology and argues the number should be higher.

That vaulted MySpace from fifth to second place among the music entertainment sites, behind only AOL with 21 million.

Partly in reaction, third-ranked Yahoo, with 18 million users, revamped its music pages this month. However, Yahoo doesn't have a direct deal with the record labels, limiting the number of free songs that people can stream on the site.

MySpace Music has managed to gain an edge in some important ways. The site secured exclusive early free streaming rights for high-profile new album releases, from U2's "No Line on the Horizon" to Lily Allen's "It's Not Me It's You."

Allen, a longtime MySpace blogger, premiered a music video on the site and performed a "Secret Show" in New York in February as part of a series of promotional concerts that are free to MySpace users.

Buzz about the show was "all over the blogosphere," said Bob Heinemann, head of interactive marketing at EMI Group PLC, which owns Allen's Capitol Records label. He said the MySpace promotion gave the album a big push.

Even so, analyst Debra Aho Williamson of eMarketer questioned whether [MySpace](#) Music will truly be able to set itself apart from other Web music sites.

"Have they reinvented the wheel or just made the wheel a little bigger?" she asked. "Because it's now just one more place to get [music](#)."

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