



# Getting the bundle back, Pt. 1:

## Alumbase.com

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Peer-to-peer is so passé. Yet, the music industry still uses the term as the catch-all on which it blames its ills. But what does the industry really mean when it uses the term in this way? Does it really know? What are the new and emerging technologies that the industry needs to be aware of that have long surpassed anything that P2P might throw at it?

In the first of a series of articles, Will Page pools his economic analysis with the technical awareness of Paul Sanders of Playlouder, to provide much needed insight into the increasingly and diverse secondary black market for music. Filed under 'Get the Bundle Back', the purpose of this series is to help writers and publishers - who are relatively better placed to benefit from the blanket licence bundle - understand how the legal and illegal markets are affecting each other. We begin with Alumbase.com, which could be as much to do with the economics of file hosting sites as it is to do with free music.

### Alumbase.com - a crash course

Alumbase.com was introduced to us by a friend who had little interest in the economics of the music industry, and even less time to understand its technical attributes. 'It's great,' she exclaimed, 'you can download a whole album in less than a minute in MP3 format, then save it on your shared drive and tell all your friends at work.' The economist in this duo frowned - as if P2P wasn't bad enough, now we have to deal with this further body blow to copyright.

At the most basic level, this is really bad, with over 330,000 albums (which must mean at least 3.3 million tracks) already accessible via this fledgling file-hosting gateway site. But as with the initial knee-jerk reaction to P2P way back in the day, there might be some good in there too. The purpose of this article is to offer insight so the various stakeholders, often with asymmetric interests, can try and find out.



Let's forget about music for a minute and focus on file hosting sites. What Alumbase.com provides is a gateway to where files are being hosted by individuals. That's not sharing, but hosting - and there are important social, technical, economic and legal differences. There are lots of file hosting sites out there, but Alumbase.com screens them to increase the quality in the service. Going to press, the following sites have been 'Alumbase approved': megaupload.com, mediafire.com, zshare.net, divshare.com, sharebee.com, sendspace.com, uploading.com, turboupload.com, bestsharing.com, and depositfiles.com.

So far Alumbase.com already resembles a 'two-sided platform', with consumers on one side benefiting from access to free content and insurance against bad sites, whilst the file hosting community are on the other side, benefiting from being able to grow their market and groom subscription for bigger and more frequent file hosting activity. Much like a Stock Exchange (and a collecting society!) members of each side value members interacting with members of the other side. And the platform provides a place for them to get together and interact. By doing so it enables members of the two groups to capture various benefits from having access to each other.

Competition in the market for file hosting sites is fierce. So fierce, even, that it's arguably beyond the scope of the price comparison sites to track the changes in prices and services - which might well be a competition case study in itself. Yet, one would presume that the market potential for enabling individuals to host files of 100MB and over is huge, especially in the corporate arena. Once again music looks to be the guinea pig and canary test for this market to tap into its potential, with copyright being the predictable casualty.

Another two-sided market that needs no introduction is social networking sites. Yet, one of the most aggressive - and Alumbase.com favoured file hosting sites - mediaFire.com, has partnered with the ultra popular Facebook. This is a genius business decision for both parties - if people value social networking because it allows a means of expression, then an integrated file hosting site allows you to express significantly more than would have been otherwise possible. If uploading your four favourite tracks to be streamed on demand had already become today's version of the mix-tape, that's now been surpassed a hundred times over. Mediafile.com enables you to dump your entire record collection online for others to share. No need to physically flick through your potential friends' CD collection before realising if you have something in common.

On the technical side, it's worth noting that Alumbase.com is working with .RAR file format, which allows you to put multiple files into one file and compress the size down considerably. It also allows for adding a password to the file to protect it from outsiders. In some cases we found this was used to recruit users to another site from where the password could be obtained. Using the .RAR file format also means that the content is obscured to automated tracking tools. In fact, the multi-stage processes regularly employed by the file hosting sites that Alumbase.com points to also further complicate the tracking process; increasing the cost of issuing DMCA takedown notices.

Finally, Alumbase.com stores the information that is useful to music seekers in its own database - the artist and album title - meaning the up-loader need identify the file on the file hosting server with nothing more than an agnostic URL. Why bother even discussing DRM?

For the model to work, it needs traction. Hence no surprise that there is an economic incentives scheme inbuilt in the form of a points-cash reward system, for those individuals who upload clean files onto their hosting sites, and register this activity with Alumbase.com. On our last check, an active up loader named Geeko81 led the way with 900 albums uploaded in a month. More impressively, this individual has an accumulative total nearing 5,000 - or 50,000 tracks, which is broadly similar to the inventory in a high street record store. Why stack shelves?

The way Alumbase.com operates provides bigger legal headaches than we've seen in the past. It's a gateway to someone else's activity, and not all of that activity is illegal. It's therefore harder to forge an argument that says it needs to be regulated or removed. As the market for file hosting grows, bigger and more valuable 'information goods' will choose this innovative distribution solution and music's voice will decline. File hosting is about so much more than offering free music in a track-by-track format. Has Alumbase.com basically washed its hands with DMCA soap?

### Getting the bundle back

When 'reformers' like us talk about what the recorded music business needs to do, it inevitably results in an open ended conclusion summarised by the need to 'get the bundle back'. The intuition is simple enough: if the physical bundle worth £10 is substitutional with an unbundled digital offering worth £2.40 (or 3 x 79p), then the music industry will succeed in eroding over 70% of its trade value - and that's before the repetitive finger pointing towards the effects of piracy kicks in. Here are four approaches how we might 'get the bundle back.'

**Approach One:** Do nothing, allow the large physical market to continue its accelerating decline in the hope that the emerging unbundled digital market makes up the difference.

**Approach Two:** View the markets agnostically, maintain faith in the value placed on the original artist-album bundle concept, and explore ways in which value can be reclaimed.

**Approach Three:** View the markets agnostically, and give up on the artist-album concept and place faith in the LastFM and Pandora's to deliver value in bespoke bundling.

**Approach Four:** View bundling agnostically, and empower the consumer to do their own bundling through subscription service packages delivered by ISPs.

What's insightful here is that a rather mundane 'black and white' debate about the music business suddenly becomes interesting again. Black markets might be illegal, but they do tell you what the consumer wants. Primary markets, like HMV and Virgin Megastore, might be legal but - given the latest dire financial results and dwindling share of music featured in their store - do not tell you what the consumer wants. The intuition is clear, follow the market that's growing, not shrinking - regardless of the legal status.

Now, if Alumbase.com were to dominate the market, it would suggest Approach Two might be the optimal strategy. Focus on ways in which consumers demand albums, not tracks, and then monetise this activity - and the future might be brighter than the increasingly cloudy present. Such thinking goes against the grain: Record labels have hedged their bets (or assets) on Approach One; the recently resolved Tribunal reference rankles with the players in Approach Three; and the co-author of this paper should be actively promoting Playlouder, which rests in Approach Four. But insight is about providing the capacity to discern the true nature of a situation, not rehashing old arguments or promoting personal projects.

The question on our minds is could the popularity of Approach Two (recall our innocent and unassuming friend '...save it on your shared drive and tell all your friends at work...') signal a perverse victory for the old physical artist-album model, or a painful defeat for the new digital model, which our industry has invested in significantly?

Like air bubbles behind wall paper, uncertainty has finally been removed in one area only to reappear in the other. Indeed, the only guaranteed certainty is that sites like Alumbase.com and the popularity of file hosting (not sharing) will continue enhancing the value proposition to the customer when they evaluate their broadband subscription fees. In fact, the question may well have become 'who is best placed to price the bundle' before we can consider how to get it back.