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Thursday, Oct 16, 2003

## Business

Posted on Sat, Oct. 11, 2003

The Philadelphia Inquirer

### Sweet sounds of success

He's giving cable customers choices in music.

By Akweli Parker  
Inquirer Staff Writer

Back in 1987, when David Del Beccaro was helping to formulate the idea behind Music Choice, the cassette tape was king, and music fans were beholden to radio and MTV to hear new releases from their favorite artists.

The music industry is much different today, with listeners able to turn to a host of Internet streaming and download sites, as well as two satellite-radio subscription services, traditional radio, and television. Yet Del Beccaro, whose company delivers 45 channels of digital-quality music to cable and satellite *television* subscribers, says Horsham-based Music Choice is up to the task.

He ticks off the reasons Music Choice is better than traditional radio ("We offer people more choice, and it's commercial-free."), satellite radio ("You don't have to pay a monthly subscription fee."), and MTV and VH1 ("We're the place people go to actually listen to music.").

As for the Internet, he said Music Choice soon will be streaming its music there, too.

Launched in 1991 after four years of development, Music Choice was a spin-off of General Instrument, which is now Motorola Inc.'s broadband, set-top-box division. It was created by General Instrument in partnership with Comcast and two other cable companies that saw the high-quality, audio-only channels as an additional way to attract customers to cable TV.

At first, Music Choice offered more than a dozen audio channels via cable for \$10 a month, but the charge was discontinued after a few years. Today, Comcast and other cable companies provide Music Choice at no extra charge to customers who sign up for their pricier digital-cable service; satellite-TV provider DirecTV also offers Music



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Choice.

Music Choice's revenue comes directly from the cable and satellite providers, as well as from advertising that appears on the TV screen as Music Choice broadcasts play through the TV speakers or through an attached stereo system.

Josh Bernoff, an analyst with technology research company Forrester Research Inc., said the niche for cable music services such as Music Choice and its main competitor, Los Angeles-based DMX Music Inc., is secure, if not spectacular.

"These channels are very attractive to the cable and satellite operators because they take up a small amount of bandwidth and they're very easy to produce," Bernoff said. "I think they'll continue to be part of these [cable and satellite] packages because they're so easy to deliver."

But, he said, "in the digital music world, they're not a hugely important player."

Music Choice is trying to change that - by introducing, within the next few months, a personalized, audio-on-demand service that will be delivered via cable as well as through Internet streaming.

For service through a digital cable box, listeners will use the TV remote control to choose tightly focused musical styles, Del Beccaro said.

"Say, for instance, you like rap, but you want just East Coast rap, not West Coast. Or you want just Dirty South. You could do that," he said.

The personalized service, like Music Choice itself, will come at no additional charge other than the cost of digital cable. It will allow listeners to select music down to the sub-genre, in recognition that not all Ozzy Osborne fans can appreciate Bruce Springsteen, even though both artists fit under the "rock" umbrella.

The company will begin testing the service this month in Illinois, with most Comcast customers expected to have it by the middle of 2004.

Owen Sloane, an entertainment lawyer in California, said the service was a good idea for a company that wants to survive in the increasingly competitive music business. "It's a question of giving the consumer what they want, because they're in ultimate control," said Sloane, who has represented Elton John, Bonnie Raitt and Jeffrey Osborne, among others.

Del Beccaro contends that the variety on Music Choice gives it an advantage over traditional radio.

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"We have a bluegrass channel, we have a classical channel, we have a classic rock channel," he said, as the wispy strains of Pink Floyd's "Comfortably Numb" floated through his office. "The music is so narrow, you're going to find what you want."

It's also a boon to artists whose work may not be considered "radio-friendly."

"The music goes uncensored," which is often important to the street-oriented stylings of rap musicians, said Thomas Lytle, vice president of Def Jam Records.

And, in addition to radio regulars such as Jay-Z and Ashanti, Music Choice listeners can find music from its Def Jamaica CD, which combines dance-hall reggae with rap and R&B, Lytle said.

"You won't hear that on the radio," he said.

Radio broadcasters say there's plenty of diversity in radio today, and point out that cable- and satellite-music services cannot provide the localism that radio offers.

"If you're not providing a service that is diverse and local, people vote with their dial every day," said Dennis Wharton, a spokesman for the National Association of Broadcasters.

Music Choice has 30 full-time employees in Horsham, where administrative, marketing, and information technology work is done, plus 15 full-time and 25 part-time workers in New York. The sexy parts of the business - interviews with artists such as Snoop Dogg, and programming of the music channels - take place in New York.

The privately held company's ownership today is a who's who of media giants, including Comcast, Motorola, Microsoft Corp., Sony Corp. of America, Warner Music Group Inc., EMI Music, Adelphia Cable Communications, Cox Communications Inc. and Time Warner Cable.

Del Beccaro noted, with a hint of relief, that the partners mostly steer clear of trying to run things.

"The company is pretty much independently managed," he said.

Del Beccaro said the company was profitable, but did not release sales figures. He said the service reached 31 million homes via digital cable and DirectTV, and had plenty of room to expand by piggybacking on the anticipated growth of digital cable. Twenty million-plus of the nation's approximately 72 million cable subscribers get digital cable, according to the National Cable and Telecommunications Association.

Advertising also offers growth potential.

The only "commercials" on Music Choice are silent, static, movie-theater-style billboards that appear on the TV screen occasionally as the music plays. The ads are interspersed between album-cover art, artist factoids and trivia questions.

Next year, the company plans to begin streaming its music to computer users who subscribe to Comcast's high-speed Internet service.

Del Beccaro also envisions a day when Wi-Fi - the growing wireless Internet technology - is as ubiquitous as cell-phone service. When that happens, Comcast Internet subscribers would be able to capture their customized Music Choice stations on the go, he predicted.

"The ones that are going to be successful are the ones that can deliver prerecorded music easily and with as many options for portability at a price people want to pay," said Sloane, the music-business attorney.

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Contact staff writer Akweli Parker at 215-854-5986 or [aparker@phillynews.com](mailto:aparker@phillynews.com).

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