

## Digital Content Sales Hinge on Standardized Protection

Pj McNealy, Mike McGuire

Digital content providers, particularly the music industry, must cooperate to create standardized technologies for protecting copyrighted content or risk alienating a large segment of their customer base.

## NEWS ANALYSIS

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### Event

On 29 August 2001, GartnerG2 released a report forecasting that digital rights management (DRM) for music distribution will become standardized by 2004. The report, "Digital Copyright Law: Protect Content — and Consumers," is available at [www.gartnerg2.com](http://www.gartnerg2.com).

### Analysis

For digital content sales to take off, content vendors must agree to DRM standards. Under the terms of digital copyright law, companies will be responsible for protecting copyright owners. However, overly rigid copyright policies could backfire, alienating consumers and stifling the market. Until a de facto standard for DRM guarantees consumers will be able to play digital content on all devices, consumers will balk at buying that content.

Digital online music is the Guinea pig for the digital content market. In June 2001, a Gartner survey studied the music listening habits of 156 million U.S. adult Internet users. Nearly 50 percent of those polled said they listened to CDs on their PCs, whereas only 25 percent listen to music downloads from the Internet on their PCs. The survey also found that only 6 percent of the same demographic purchased digital music downloads in the last three months. These numbers indicate consumers still have not accepted purchasing and downloading music via the Internet.

Clearly, universal standards for digital content delivery are needed. Once vendors adopt such standards, the likely risks lie in three areas:

- DRM technologies and the Digital Millennium Copyright Act will force viral marketers to completely rearrange their business models.
- Poorly implemented or overly restrictive locks will either stall the market or force consumers to become copyright pirates.
- Marketing or product plans that are heavily based on copyrighted content or use identifiable pieces of copyrighted material will need radical alteration.

Gartner believes digital content vendors should cooperate by means of political action groups and industry associations to bring their industry to maturity. The music industry's willingness to adopt standardized DRM technologies will be a leading indicator for other types of content such as movies, video games and print. DRM implementations for each medium will have an enormous impact on whether consumers buy content as a product in the form of CDs, tapes and books, or as a service via subscriptions or pay-per-download.

**Analytical Sources:** PJ McNealy and Michael McGuire, GartnerG2

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