The Consumers Are Coming - Part 3: Olympus Is Downloading

By Peter Lawrence Alexander / March 20, 2013

That said, there's no question that downloading is here to stay, especially as shipping prices, both domestically and international increase. But every good thing brings its own issues with it that need to be worked through and resolved.

On August 4, 2012 I announced that the Vienna Symphonic Library had gone all digital for downloading, and were selling their libraries on hard drives. Yesterday, on March 19, 2013, EastWest announced their first major push into direct to customer downloads with the release of Hollywood Strings Silver (12.5GB) and Hollywood Brass Silver (10GB).

With this announcement, now all the major sample library developers are downloading direct-to-customer, while still maintaining, for now, a retail (aka brick and mortar) presence with selected dealers.

With all the majors now downloading, who should they look to as a business model?

It strikes me that IBM is the primary business model to look at followed by Apple and Microsoft.

That's because IBM makes product, trains on their product, and consults for their product. By comparison, most sample developers just make product, while training is restricted to a few video walk throughs. Outside of NAMM, you also don't see many developers going into the production community talking up their programs, meeting existing and potential customers, and getting feedback.

This is how you really get wired in. No matter what the product is, you still have to get out, shake hands, and kiss babies.

For selected software, Apple goes the next step by imitating Microsoft with their certified trainer programs. Certification is meaningful. And getting help from a knowledgeable human being for a reasonable hourly fee is worth it when compared to sending emails and placing posts on forums hoping to get a speedy response.

As a former IBM corporate customer, I can tell you that IBM often has basic level instruction that comes for free when you buy. And after that, you can pay for advanced training.

Microsoft has their own publications division, something sample library developers haven't done, preferring instead to let users help train other users on their forums, while still maintaining support staffing when the company is contacted directly.

But what is true about IBM, which is not true at all in music technology, is that they are actively and openly engaged in both the business and academic communities. Their PR program provides fascinating studies which continue to demonstrate why the system is still the solution, IBM's mantra for many years.

In short, IBM is wired in. And their share price which has nearly doubled in the past few years, reflects that. To model IBM does require different thinking in the music technology sector, but the long term payout could be extremely profitable for those who do.

Aside from discounts, an area often neglected by developers is higher education particularly at the collegiate level where just in the U.S., an average of 10,000 new sales prospects annually sign up to learn advanced skills. As of today, two, possibly three music technology developers can walk onto a college campus (globally I might add) and declare, "Let me show you how our products can help you teach better and your students succeed more post-graduation." Those two to three are EastWest, Spitfire Audio, and the Vienna Symphonic Library.

And one potential backdoor to achieving collegiate success will be the company who develops a lite orchestra version for the $49.95 Cubasis iPad, along with a lite version for Finale and Sibelius (which would be a secondary purchase since an orchestral library comes with each program).

By taking on such a long term strategy, and it *is* long term, developers pave their own roads for creating the next generation of customers. And with downloads, it *is* a global market that's reachable.

Though a rosy picture, there are downsides on the near horizon.

All publishers who download (and developers are a type a publisher) face sales tax collection and reporting issues within the United States, and VAT collection and reporting internationally.

Consequently in the very near future, developers will no longer be able to be the artisan in the corner. They will have to choose to think differently, and read differently to effectively globally market their goods and services. And by the way, this is not limited to sample library developers. It's true for everyone who sells music and graphics as downloads, too.

Two tangible questions to be answered, which are very much in discussion, will be:

1. Is a downloaded licensed piece of software or soundware real property and therefore subject to local, state, or national taxation?

2. Who collects and pays the tax?

Here's an example from our own business. Sixteen months ago we shipped a sample library FedEx to a customer in the Philippines. We did not find out until yesterday that the customer refused to pay duty and taxes when they went to pick up the package at FedEx. Because of that, FedEx paid the duty and taxes and without prior notification, billed our account for it - 16 months later! According to the FedEx duty and tax office, it can take the government up to seven years to report a non-paid duty.

We then asked FedEx for a list of countries which were the biggest offenders. As a consequence, Alexander Publishing will no longer physically ship to those countries.

In one state, if you're an out of state company, and you sell more than $10,000 worth of goods through direct marketing methods in that state, you the small business must collect/pay sales taxes to that state – even if you don't have a physical presence there.

This means that a small business must either go back and collect that sales tax income from its customers, or pay it out of pocket, and suffer the loss, or be blocked from selling into that state.

That said, there's no question that downloading is here to stay, especially as shipping prices, both domestically and international increase. But every good thing brings its own issues with it that need to be worked through and resolved.

Such is the nature of business. Even the music *business*.

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