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## VT VISITS WASHINGTON, DC

# Digital Downloading Jukeboxes Help Coastal Vending Expand Music Selections, Manage Content And Maximize Collections

By NICHOLAS MONTANO

WASHINGTON, DC — The ability to offer music patrons a virtually unlimited selection through digital downloading jukeboxes is an attractive prospect for any music and games operator. For many of those operators, however, the need to connect this kind of jukebox to a network that allows another party access to earnings and play data reduces its appeal.

Unconcerned about the shared environment in which digital systems run, a third-generation operator here is aggressively deploying, and enjoying success with, Internet-enabled jukeboxes that deliver Ecast's music content.

Coastal Vending Co. operates 68 jukeboxes in the Washington, DC, metropolitan market, and 22 of them are now connected to the Ecast Entertainment Network. A traditional "street" operation, Coastal Vending also runs pool tables, video games, pinballs and cigarette machines.

Vice-president Mark Balint reported that the digital downloading jukebox has revitalized his business and is becoming his route's predominant equipment type, a status that the jukebox lost almost three decades ago.

Balint recalls his grandfather, Charles W. Bowles, telling him about a time when Decca Record executives would visit his office with samples of the latest music on 78-RPM lacquer discs. "He said the record company people would ask him to put the records in the jukebox and listen," Balint said. "They would ask him, 'What do you think?' and whether he would put that record in his jukeboxes."

Bowles, who founded Coastal Vending in 1940, died in September 1988. That was the same month and year that Rowe International introduced its first dedicated CD jukebox, the "LaserStar 100."

According to Balint, the industry may once again win recognition from the record labels as an important marketing force. "With digital music providers like Ecast, I think we're getting there," he said, "especially in promoting artists." Balint cited the "Unsigned Artist" program in which recorded works from young performers without record contracts are featured and promoted on Ecast's network. He also sees great value in the digital downloading jukebox's remote selection and content management capabilities.

### WE CAN DO IT AGAIN

Coastal Vending installed its first Ecast-powered jukebox in January 2001. The occasion marked the beginning of a second major transition for Balint, who spearheaded the company's conversion from vinyl microgroove record storage jukeboxes to laser compact disc systems in the late 1980s.

"This is my second jump," he said. "I jumped then and I'm jumping now." In both cases — seeing the need to advance to CD and then to downloading — Balint made his move when Rowe introduced hardware supporting the new technology. Coastal Vending's long relationship with Rowe facilitated the conversion, on both occasions.

Rowe manufactures the Internet-enabled "NetStar" and "StarLink" jukeboxes that support Ecast's Interactive Entertainment Network. Similar in appearance to Rowe's popular "LaserStar" CD model, the "NetStar" features a 19-inch touch-enabled monitor that displays Ecast's user interface. Rowe's "StarLink" wall phonographs are available with either 15- or 17-in. diagonal measure TFT (thin film transistor) touch-enabled displays. Rowe Internet jukeboxes include broadband connections; core computers with large-capacity hard drives that hold up to 300 albums and cover artwork; uninterruptible power supplies; and credit



MARK BALINT

card and currency acceptance.

Coastal Vending operates both floor and wall models, depending on location preferences. When a wall model is wanted, the company will install only Rowe's "StarLink-17," because it uses the same 1,000 -W. amplifier as the "NetStar." This allows the company to stock fewer parts, and Coastal Vending keeps a standby "NetStar" at its warehouse along with an inventory of Rowe jukebox spares, including monitors, amplifiers, credit card readers, uninterruptible power supplies (UPS), and other components that can require immediate replacement to keep a box on location up and earning.

"I'm 47, but talking to me is like talking to a 90-year-old," the industry veteran said. "I'm very loyal. I'm a Rowe operator."

The first CD jukebox, Seeburg Corp.'s "Prelude," was launched in 1985, but Balint waited for Rowe to introduce a CD-playing product before investing in the technology.

"Coastal Vending's business was founded

on relationships," Balint emphasized. "All our successes are based on strong relationships with locations, distributors and manufacturers."

Balint's approach to the business has inspired him to explore new opportunities by building a new association with Ecast, which fundamentally becomes a partner with the jukebox operator who subscribes to its service. The San Francisco-based content provider takes 20% of each jukebox's gross, a difficult proposition for many operators who are accustomed to sharing cashbox revenues only with location clients.

According to Balint, Ecast's broadband operating model is well-matched with Coastal Vending's young, urban music consumers in a market that includes such well-known neighborhoods as Adams Morgan, Capitol Hill, DuPont Circle and Georgetown. The Washington metropolitan area is populated by about 30,000 government interns, in their early twenties, who possess eclectic music tastes. They are the sort of customers who frequently use the "Single Song Download" product, a jukebox feature that allows customers to search Ecast's remote music library of 115,000 songs, and pay a premium price to select any of them for immediate download and play.

"These are kids who grew up with the Internet, swapping music files on Napster," the third-generation operator noted. "They are familiar with digital music and downloading it. But the jukeboxes are so easy to use that even computer-illiterate patrons can enjoy the downloading option."

In addition to the remote server with its tremendous database of music files, songs are available locally on a jukebox's hard drive. The majority of Ecast music purchases are made from this resident library. The resident, or local, music is organized and displayed as complete albums with cover artwork, and Balint explained that this format is preferred by contemporary patrons and is conducive to efficient programming.

"My customers have been making their music selections by looking at full-length albums since 1988," he explained. "At least 75% of my music, whether it's on CD or digital boxes, consists of 'greatest hits' volumes, other compilations, and soundtracks; and my customers are going to play all of those tracks. So Ecast's digital album format allows me to program my jukeboxes in the same way I have been for the past 14 years."

Balint himself is Coastal Vending's chief music programmer. He uses the "Ecast Central" Web tool several times a week to remotely manage the music selections on the company's networked jukeboxes. He uses it daily to review jukebox earnings and play activity, and to identify the most popular songs, albums and genres.

Ecast's Web tool allows the operator to visit a secure, password-protected website that provides immediate access to revenue

and usage summaries in any or all locations belonging to that operator. It also provides comprehensive popularity reports that can be organized by songs, albums and artists, sorted by a variety of criteria including time and geographic region. Similar criteria can be applied to organizing revenue and usage reports.

"The Web tool has enabled me to offer a better music product," Balint said. "I'm looking at songs that are probably being downloaded by 23-year-olds, and that aren't in the top 10! I would have never known...David Allen Coe, Dean Martin, Sinatra. I don't know why they like, and download, particular music, but I do know they're buying it."

Balint also spends a good amount of time at locations, observing and speaking with his

That jukebox's highest weekly collection to date was \$1,681.

## TIME MARCHES ON

In the second quarter of 1998, TouchTunes Music Corp. launched the first commercial digital downloading jukebox system, which included the hardware, the content and the delivery and management services. To date, operating companies have placed some 6,000 TouchTunes systems, which are networked through standard dial-up modems to allow operators to add and delete music through a Web tool, without the need to install a broadband Internet connection. The jukeboxes offer music on a "single" basis, which emulates the classic 45-RPM model. Operators understand this approach to selling music very well, and many of them have

# Balint: Patrons will pay more for broader music choices.

customers. He runs service two or three nights a week. "My grandfather was very successful doing it this way," he said. "I guess when you're small, you can do it."

He said that he rarely witnesses a customer approach a "NetStar" or "StarLink" and then walk away without making a selection.

Access to song play data for Coastal Vending's jukeboxes connected to the Ecast network has significantly improved the operation's entire music business, not only sales from downloading terminals, but also the traditional CD boxes. Balint uses the company's electronic consumer information to help him choose recorded material for CD jukeboxes.

The Washington, DC, operator also has found jukebox performance benefiting from Ecast's music promotions, including attract loops that remind customers of new music and special marketing programs that place new music on the Ecast network before its official retail release. The jukebox prereleases of the Wallflowers' *Red Letter Days* late last year, and a new album by Fiction Plane this month, are examples. These programs, Balint said, remind him of his grandfather's experiences during the golden age of jukeboxes.

"I have always been very progressive with my CD purchases," he said. "I have to be, in this market, with its young, trendy customer base. Online management has huge advantages and saves time."

According to Balint, Coastal Vending's digital downloading jukeboxes earn double (sometimes triple) the income of its CD boxes. One location, an adult entertainment venue, averages \$1,250 per week, he reported.

mourned its loss as the CD-album model has become dominant.

Deployment of Ecast systems began in August 2000, and today about 1,100 jukeboxes are connected to its broadband network. These emulate the contemporary album format of CD boxes, which Balint believes to be the model that today's customers expect and prefer.

Since the advent of the digital downloading jukebox about five years ago, many operators who have tested and adopted the technology report improvements in operating efficiencies and pricing. Both TouchTunes and Ecast employ similar technologies for their different content distribution services, as indeed do all providers of downloadable software. Such a system includes a central "server," which is a powerful computer with vast online, offline and backup memory, programmed to "serve" a large number of remote "clients" (in this case, the jukeboxes) across a wide-area network. The jukeboxes are nodes of this network. At present, both companies use hard disks residing in the "client" jukeboxes to store program material downloaded from the "server." As it becomes feasible to transmit large volumes of data more rapidly at lower cost, the jukebox might evolve into a "thin client" with no onboard storage at all. It would buffer, decode and play material loaded down to it in real time. At present, the closest commercial approximation to this is Ecast's added-value option, which gives patrons access to the central library.

TouchTunes has responded with "Tune Central," a high-capacity hard disk array inside the jukebox, which can hold about 120,000 song files. The device, about the

size of shoebox, installs in conjunction with a TouchTunes "Genesis" or "Maestro" jukebox to offer immediate access to a very extensive resident music database without the need for broadband.

#### APPLYING THE TECHNOLOGY

The application of remote intelligence and data mining, which replaces traditional music programming techniques – the selection, purchase, storage and transport of CDs – is one factor improving Coastal Vending's jukebox performance. More importantly, Balint explained, freedom from the constraints of prerecorded media has given the customers control of the programming. In effect, everything is available. An increase in jukebox play pricing, he stressed, has not played a role.

"People can have what they want," the operator said. "And that's what's driving my sales. I sell music."

Coastal Vending's usual digital jukebox play price is two songs for \$1, the same as its CD boxes. "When I began placing CD jukeboxes in 1988 I increased my prices from four for \$1 [on vinyl] to two for \$1. So, while other operators have used digital downloading services to justify a price increase, I didn't." Therefore, the revenue gains all have come from stronger sales.

One of Coastal Vending's pricing exceptions is the jukebox earning \$1,250 weekly in a gentleman's club; it's set at \$1 per play, with no discount for multiple selections. "The beer costs more, the cigarettes cost more, so why shouldn't the music?" Balint said. "We're earning an unbelievable amount. I have collection data going back seven years. The most I squeezed out of a CD box was \$621, which is pretty good money. In my opinion, if any jukebox earns \$200 a week, it's doing well."

"It's not uncommon for me to see \$400 or \$500 weekly averages in my other accounts," he continued. "This can be done. At the gentlemen's club, the performers who use the jukebox for their acts tell me they're earning more money because of the jukebox. There are no delays between songs, and their clients stay longer and buy them more music."

An Ecast-powered jukebox offers three points-of-sale music choices: local music (on the internal hard drive); "Single Song Download," at a premium price (\$1 or more); and "Make Mine First," which allows customers to pay extra (perhaps \$2 or more) to move their songs to the top of the playlist. A recent analysis of Coastal Vending's digital music sales shows local sales representing 55%, "Single Song Download," 32%, and "Make Mine First," 13%. Two years ago, Balint observed, local plays represented 75% of sales and "Single Song Download," 25%.

Balint suggested that the increase in remote purchases suggests that patrons are finding more of the music they want on the

server as Ecast expands its library; and users are making more use of the network's capabilities as they gain familiarity with it.

While music variety is the focal point of Coastal Vending's jukebox service, sound quality remains its foundation. Locations are fitted with professional 4-way speaker systems that include 12- or 15-in. woofers for solid bass response. To prevent signal attenuation and minimize noise, 16-gauge copper wire connects the speakers to the jukebox. The company began upgrading location audio systems in 1988, when it began deploying CD jukeboxes.

Balint closely supervises all Internet jukebox installations. He prefers to run the cate-

gory-5 Ethernet cabling himself, to ensure that cable is not breached by a staple and is isolated from fluorescent lights, which can interfere with data transfers. "I could subcontract the work," he said, "but I'd rather do it. I'm responsible for the venue, and that cable is my music source."

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#### DOING BUSINESS RIGHT

Coastal Vending diligently seeks written location contracts, and has revised its standard operating agreement to address digital downloading jukeboxes. The agreement's addenda stipulate that the location will share equally in the broadband charges and new music purchases. Ecast, incidentally, usually assumes half of the of the operator's Internet costs per location. The fee for a digital album update is \$4. And a new clause in the company's contract states that if the location is not satisfied with the digital downloading service and its improved revenue performance, Coastal Vending will remove it and return a CD jukebox within 14 days of receiving written notification.

None of Coastal Vending's downloading locations has requested this change, Balint reported; and broadband entertainment service has provided a strong incentive for locations to participate in meeting operating costs.

"Sharing some of the operating expenses is a very different experience for me," he said. "I'm sure other operators who offer downloading services are doing the same." The location contribution to these costs, which include the DSL service, enables Coastal Vending to provide the entire package at a weekly expense of \$6.

"I'm a small operator; I can't buy a CD for

attracted him. The first, of course, is the broadband connection; Balint needs the high-speed service in order to sell access to the remote library at a premium price. While the boxes can function offline, it is the Internet connection that attracts additional revenue. Broadband, he noted, has become part of the American lifestyle, with about 17 million subscribers to cable, DSL and other high-speed services.

The second appealing feature is the digital music revolution's high profile, and its impact on the way young consumers now obtain and play music. The record labels were, and remain, confused in their attempts to deal with digital, Balint noted. While the recording industry managed to suppress file-sharing pioneer Napster in mid-2001, other illegal free-music sites – KaZaA, Grokster and WinMX, for example – have replaced it. The labels now are endeavoring to work with such legal fee-based music sites as MusicNet on AOL, Listen.com and PressPlay; they hope that download revenue will help offset declining CD sales. Balint pointed out that both TouchTunes and Ecast have developed legitimate distribution models that enable operators to participate in digital music delivery and sales.

Third, Balint deems it vital for small, independent operators to partner with a technology company in providing this kind of high-tech service locally. The leading digital music providers, he said, offer a secure networked environment in which operators can run their jukeboxes. They also monitor, maintain and upgrade the network and jukebox client software, and they deal with content licensing. Both TouchTunes and Ecast

have made major investments in creating the technology and obtaining rights to distribute copyrighted music for public performance. Managing the deployment of routers and broadband connections on the Ecast network also is a giant responsibility.

"Even if it were possible for an operator to do this on his own, the cost would be prohibitive," Balint emphasized. "I'm too busy to monitor my own network, and don't want to hire a six-figure IT specialist. That's why I let a strange hand into my cashbox."

Finally, Balint was looking for a new product to stimulate earnings and customer interest. He visited Ecast in early 2000 to learn about the service and technology. "I saw what they were doing," he said, "and I thought there was money to be made. If I could grow the cashbox and give locations more money, there would be plenty of takers. I guess I'm lucky because that's what happened."

Balint reports that purchases made with \$10 and \$20 notes on his "NetStars" and "StarLinks" are not uncommon. "This is significant," he said. "CD jukebox operators usually only see \$1 and \$5 bills."

Perhaps Coastal Vending is, indeed, fortunate. Its CD jukeboxes were already generating more income than the national CD and vinyl annual average (\$1,791 net in 1999, according to the *Survey of Jukebox Owners and Operators* published in 2000 by the Amusement and Music Operators Association). The average price per play, the AMOA study reported, was 32.2¢. Operators serve diverse clientele that vary widely from cities to suburbs to rural areas, and the lack of congruity in these markets presents challenges to other operators contemplating digital downloading music. Balint's company, for example, charges \$2 for a game of pool, while operators in blue-collar and rural markets still meet resistance to raising the price from 25¢ to 50¢.

The uncertainty of a downloading jukebox's aftermarket value also presents objections to the new technology. Historically, jukeboxes have had substantial trade-in value. Once paid for and operating, the classic jukebox continues to generate profit without Internet changes and online music subscription fees.

However, the almost unlimited content offered by the digital downloading jukebox will enhance jukebox performance in any market, Balint predicted. "Music is the most important product we sell," he said. "When you can offer a vast selection, people will use the jukebox more."

Balint never has given jukebox after-

market value any weight in its equipment investment and operating model. "The resale value of hardware is not important to me," he said. "I still have the first 'LaserStar 100s' I bought - one's in the shop and one's still operating in the field. Selling music is what I do."

The high-speed Internet jukebox has become Coastal Vending's core business, to which other coin-op amusements are now adjuncts. Balint told VT that he looks forward to other types of equipment that take advantage of broadband's strengths.

"I'm investing in my future," he said, "and I'd do nothing to hurt it, or the industry in general. I'm looking at the next 20

years. There are corporate media giants that would like to pump content into my locations on a 'pay-per-play' basis. I'm beating them to it."

Meanwhile, Coastal Vending plans to install two more digital downloading jukeboxes per month for the rest of the year, perhaps expanding into markets outside Washington. Balint also looks forward to new Ecast broadband-enabled product, and to playing the crucial operator's role in delivering new content.

"I'll be here for a while," he said. "They can't download me yet." ■



**JUKEBOX CULTURE:** Above, Ecast brings popular Washington, DC, band combination-LOCK to Staccato, one of Coastal Vending Co.'s downloading jukebox locations. Below, Coastal Vending's Mark Balint (center) is joined by Betson's Larry Wilner and Ecast's Jason Gottlieb during the listening party. combination-LOCK was one of the first bands to participate in Ecast's "Unsigned Artist" program, which promotes the work of music artists without record contracts on the Ecast Entertainment Network. Weeks before combination-LOCK's Staccato appearance, the band's album was featured on Ecast-powered jukeboxes across the country. In Washington, Balint added the album to his CD jukeboxes.



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