The Rise of the E-Jukebox

New, iPad-like jukeboxes feature Facebook, karaoke, photo-taking

by Devins Leonard

Jason Eisenhauer thinks Adele has a lovely voice. But he can only take so much of the ubiquitous British singer. The owner of two Irish sports bars in Columbus, Ohio, had to listen to Adele endlessly on the jukeboxes in his drinking establishments. Then, in January, Eisenhauer installed a new model called the TouchTunes Virtuo in both bars. He says his vending machine distributor told him he'd love it: "It's like an iPad on steroids," Eisenhauer recalls him saying.

While customers were at first leery of the sleek, wall-mounted touchscreen device, they started warming to it as they discovered even a snippet of lyrics is enough to find a song. They could download an app on their phones and control the jukebox from their bar stools, or even queue up a song from afar. Eisenhauer was thrilled that his patrons could choose from 400,000 songs on broadband-connected Virtuo, compared with 20,000 on his old jukeboxes. "You can come in on a Friday night and not hear the same song twice," he says.

New York-based TouchTunes introduced the Virtuo last year. The machine, which sells for $3,495, was developed by the company's chief executive officer, Charles Goldstruck, former chief operating officer of music industry giant BMG. The South African-born executive is intent on reviving a barroom fixture that many people fondly recall primarily as a way to spin vinyl. Since his arrival at the privately held company in 2009, he has integrated social networking into its products, added new features such as cameras and wireless printing capabilities, and increased the number of songs available to customers. "We're revolutionizing the original social experience, which is going out and drinking in a tavern," Goldstruck says.

The jukebox industry is hardly flourishing. Fifteen years ago there were 150,000 machines in the U.S., according to Vendind Times, a trade magazine. Now there are 90,000. People aren't as compelled to pump quarters into a machine to hear their favorite songs when they can carry their entire music collection on their smartphones. So some bar owners even host iPod nights where customers plug their MP3 players into the tavern's sound system and listen for free. The remaining jukeboxes in use generate less money as each year passes, and revenue is divided between manufacturers, bar owners, and the distributors who purchase and control the devices. The average weekly income per box dwindled from $148 in 2005 to $113 in 2010, according to Vendind Times. "This is an industry that has been living from hand to mouth for the last decade," says Managing Editor Nick Montano.

TouchTunes has bucked the downward trend—it expects to grow from 52,000 machines in use to 60,000 this year—by embracing high tech. Founded in 1998, the company introduced the first Internet-connected jukeboxes that year, primarily using a政策 dial-up connection, which meant few people used them to download new songs. When Goldstruck was hired, he began shifting the devices to broadband.

Last year, Goldstruck unveiled the Virtuo to an audience of vending machine distributors with a flashy presentation at the Hard Rock Hotel & Casino in Las Vegas that included a performance by rock band Jimmy Eat World and American Idol runner-up Crystal Bowersox. "These were vending company guys," says Joel Katz, a prominent entertainment industry attorney who sits on TouchTunes' board. "They'd never seen anything like that."

The Virtuo looks—and in some ways acts—like a large iPad. It has an operating system called OpenStage that enables TouchTunes to add services through the Internet. In March the company unveiled Photobooth, which lets people take pictures, print them, and share them on Facebook. It also premiered a karaoke service enabling bars to run singalong nights, and announced an exclusive, multiyear deal to include the Beatles' catalog on TouchTunes' jukeboxes, the first time it has been available on such devices. The new features and content seem to work: Goldstruck says Virtuo's average weekly income is $320, nearly three times the industry norm. Songs typically cost $5 on Virtuo; they go for twice that amount for karaoke.

Goldstruck hopes to introduce the Virtuo overseas, and says it could be a way for the music industry to make money in countries where piracy is rampant, including China. While the Virtuo has solved bar owner Eisenhauer's Adele woes, it's introduced new ones. Using the jukebox's remote-queuing feature, some of his customers activate the Virtuo from the parking lot so they can arrive with the proper music blaring. "There's a bunch of young guys who work at Chater," says Eisenhauer. "They come in at lunch for a burger and a few beers. Every day, they pick a song. All of a sudden, the jukebox turns on. It scares the crap out of me."