

IFPI Digital Music Report 2011

Music at the touch of a button



representing the
recording industry
worldwide

Contents

- 03** Introduction: Digital music – 2011 is the Year When Governments Can Turn the Tide
- 04** Artists' Voices
- 05** Digital Music - Summary of Statistics
- 06** Consumers Drive New Business Models
- 12** The Shape of Digital Music in 2010
- 14** Digital Piracy - Facts and Trends
- 18** ISP Responsibility and the Role for Government
- 20** Consumer Education has a Key Role
- 21** Content Protection
- 22** The Squeeze on the Smaller Players
- 23** Piracy and the Other Creative Industries
- 24** Digital Music Services in Profile
- 28** Digital Music Services Worldwide

Digital Music – 2011 is the Year When Governments Can Turn the Tide



Frances Moore
Chief executive, IFPI

“Music at the touch of a button” is a fitting strap line for this report. Music fans have never had such choice and ease of access to licensed music. Around the world, legitimate music services are catering to the lifestyle, taste and modes of access preferred by consumers. These four hundred services include download stores offering tracks and albums, streaming services, free-to-user sites, internet radio, subscription models and online video channels.

And the new offerings keep on coming. This was the year we “broke the seal” on subscription services. Highlights in 2010 included the advance of music subscription services such as Spotify and Deezer, as well as partnerships with ISPs, such as Telia in Sweden and Eircom in Ireland.

Music is leading the creative industries into the digital age. We are forging the new models that aim to make digital music both consumer-friendly and commercially viable for creators. New licensing models helped take the digital share of music industry revenues to an estimated 29 per cent in 2010. To put that in context, the film and book industries’ equivalent shares are only one and two per cent respectively.

Does this mean all is well with music in the digital age? Regrettably not. The key statistics of this report sum up the story of recent years – on one hand, spectacular growth in digital revenues, up more than 1000 per cent in seven years; but on the other hand, the loss of nearly one-third of the value of the entire recorded music industry. While record companies are innovating and licensing every viable form of music access for consumers, the music industry is still hemorrhaging revenue as a result of digital piracy.

This is a crisis affecting not just an industry – but artists, musicians, jobs, consumers, and the wider creative sector. New figures in this report indicate piracy is hitting investment in new music on a global scale, with the sales volume of best-selling debut titles falling precipitously in recent years. Meanwhile, large numbers of jobs are disappearing, and many more are under threat. The first comprehensive study of the impact of piracy on employment, published in March 2010, projects that more than one million jobs will disappear from the creative industries in Europe by 2015 if piracy is not addressed. It is no wonder that trade unions are now speaking out.

There were encouraging signs in 2010 that the tide of government opinion is turning.

We are not just waiting for government. The music industry is stepping up to the task of protecting its content. Industry pressure in the last year alone has led to the closure of Limewire, the blocking of The Pirate Bay in Italy and Denmark, the removal of more than seven million infringing links and growing successes against pre-release leaks.

We are also being responsible educators. IFPI this year backed two international education projects aimed at schools. Many are calling for better education of young people on the value of intellectual property in creativity and commerce. We agree and are acting.

Yet tackling digital piracy is ultimately a task for governments. Are they prepared to stand by and allow an internet where normal laws and values do not apply? There were encouraging signs in 2010 that the tide of government opinion is turning.

Many governments are now recognising the need for proportionate and effective steps to curb piracy. In the last year, France and South Korea implemented “graduated response” measures that will for the first time engage ISPs in reducing peer-to-peer infringement on their networks.

Similar moves are underway in the UK, New Zealand and Malaysia. The European Union is reviewing its enforcement legislation. The momentum for a solution is building, and that is grounds for optimism.

As we enter 2011, digital piracy, and the lack of adequate legal tools to fight it, remains the biggest threat to the future of creative industries. Great new legitimate music offerings exist all over the world, but they will not survive if the market continues to be massively rigged by piracy. “Music at the touch of a button” captures just how far we have come in a few years in response to consumers. Yet we also need an internet guided by the rule of law. This is the opportunity for governments to seize in 2011.

Artists' Voices

"Music has an intrinsic value and it's great to see a new wave of services that respect that. These new sites are easy to use and much more flexible than some in the past. Fans can get great value tracks and albums, while artists, songwriters and the army of people that work at record companies (who are at risk of losing their jobs) are paid so we can afford to carry on making new music."

Enrique Iglesias

"Music has a way of touching people's hearts like no other medium. Whether it's purchasing a download or streaming an entire album, the ease-of-use access to music is putting all artists even closer to the fans."

Ricky Martin

"I am a committed and obsessed music consumer. My favourite places to buy the physical thing are Soul Jazz, Honest Jon's and Rough Trade - great advice, great selections - it's like going into an awesome art gallery. The online solutions to this that have emerged over the last decade are a superb alternative if you need your music fast and digital. The ones I use, boomkat, eMusic, Spotify and iTunes are legal, easy, occasionally beautiful and right at your fingertips. What more could a music fan ask for?"

Jamie Cullum

"It can take months of writing and studio time to make a great album that people want to listen to. Writing music is a love but is also a job and I'd love to see those who are stealing music perform their trade, knowing the client doesn't even value it enough to pay for it."

Elly Jackson (La Roux)

"Legal downloads of digital music are a great way to reach consumers and allow them to acquire their favourite music. Nowadays technology gives artists the opportunity to instantly reach the fans that enjoy our work."

Vicente Fernández

"I love recording an album; it's a great team work, so many people involved to make sure my fans get the best of my music. I always encourage my fans to buy legal music, as doing so will ensure there will be great music tomorrow."

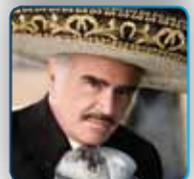
Chayanne

"On the internet, you still find millions of tracks offered illegally and downloaded without the people who made this music, the creative minds behind all these tracks, receiving fair payment for their work. Some of us are in the lucky position of continuing to benefit from our past successes, so internet piracy mainly hits young, up-and-coming talents for whom every single euro really counts."

Roger Cicero

"It's amazing how things have changed since I bought my first album and had to catch the bus to Livingston to go to the record shop. Now you just press a button. It's phenomenal the choice people have."

Susan Boyle



Digital Music – Summary of Statistics

13 million – tracks licensed by record companies to digital music services

400+ – licensed digital music services worldwide

US\$4.6 billion – trade value of the digital music market worldwide

6% – growth of global digital music revenues in 2010

29% – the proportion of record companies' global revenues from digital channels

1000%+ – the increase in the value of the digital music market 2004-10

-31% – the decline in the value of the global recorded music industry 2004-10

16.5% – proportion of internet users purchasing digital music in the US¹

US\$5 billion – the estimated amount record companies invested in artists in 2009

30% – the percentage of their revenues record companies invest in A&R and marketing

-77% – estimated fall in debut album unit sales in the global top 50 2003-2010

-12% – fall in the revenues of the global top 50 tours in 2010²

-17% – fall in the number of people employed as musicians in the US 1999-2009³

1.2 million – the number of jobs projected to be lost in the European creative industries due to piracy by 2015⁴

€240 billion – estimated cumulative lost retail revenues to the European creative industries from piracy 2008–2015⁴

0 – the number of local debut artists in the annual Spanish Top 50 in 2010

-45% – fall in the number of domestic releases in Mexico 2005–10

All facts are attributable to IFPI unless otherwise noted.

1. NPD Group, internet users aged 13+ Q3 2010

2. Pollstar

3. US Department of Labor and RIAA

4. Tera Consultants

Consumers Drive New Business Models



13
million
tracks

400+
licensed
services

The consumer is driving the digital music revolution. Consumers worldwide are embracing digital media, using new devices and changing the way they access entertainment. In response, record companies have reinvented the way they do business, innovating with business models and licensing a wide range of services.

Music ownership, music access

Music companies today license a range of services, offering not only ownership of tracks and albums, but also ubiquitous access to comprehensive music libraries. In developed markets, almost every conceivable commercially viable way of accessing music online has been licensed. The range of consumer choice for accessing music digitally grew significantly in 2010.

Music subscription numbers in many countries are now advancing steadily; new social network and recommendation functions have been added to existing offerings; a new generation of smartphones and applications has made more services available across different devices and has helped boost the popularity of music downloads in key markets; new commercial partnerships are emerging between record companies, ISPs and mobile operators; and the first services have emerged that enable consumers to access music from digital lockers or through devices in the living room, such as TVs.

These developments have helped maintain the industry's global digital revenue growth. Digital channels now account for an estimated 29 per cent of overall recorded music revenues, up from 25 per cent in 2009. In 2010, the global digital music sector was worth an estimated US\$ 4.6 billion, up six per cent on 2009.

The digital music market is evolving and there is still plenty of room for growth, which is reflected in surveys conducted in 2010 in two of the most advanced digital markets. In the US, only 16.5 per cent of internet users aged 13+ purchased digital music in the third quarter of 2010, according to NPD Group. In the UK, 14 per cent of internet users aged 16-54 frequently purchase music online (Harris Interactive, 2010).

Digital piracy is the single most important factor holding back further development of the legitimate music business. There are, however, additional factors that have been cited. These include undeveloped technology infrastructure in some markets; burdensome taxation levels; shortcomings in the marketing of music services; varying levels of trust in online transactions and credit card penetration.

"We have absolutely done our job as an industry to digitise and make available our repertoire."

Eric Daugan, Warner Music Europe

Digitising, licensing, experimenting

Despite these market challenges, consumers continue to enjoy great choice in digital music services internationally. At the end of 2010, there were more than 400 legitimate music services worldwide.

"We have absolutely done our job as an industry to digitise and make available our repertoire," says Eric Daugan, senior vice president, digital business, Warner Music Europe. **"We have made available over 13 million tracks and we are now reaching out to new partners such as ISPs who have relationships with the audience we need to reach. The key for these services to succeed is quality and ease of use for the consumer."**

"When you look at digital music overall, it's not a homogenous business. It's a portfolio of businesses which perform in different ways."

Thomas Hesse, Sony Music Entertainment

29%
industry
revenue now
digital



US\$4.6
billion digital
revenue
in 2010

Demand from consumers to access music across multiple channels and platforms has spawned increasingly diverse models. Thomas Hesse, president, global digital business, US sales and corporate strategy, Sony Music Entertainment, says: "We're aggressive about licensing new models. When you look at digital music overall, it's not one homogenous business, but rather a portfolio of different business models developing at different speeds, whether it's downloads, premium access, ringtones, streaming, advertising or other revenue streams."

Investment in new services is seen as crucial. Rob Wells, president, global digital business, Universal Music Group, says: "We are doing all we can to provide consumers with legitimate alternatives to piracy. It's very important for us to be doing these deals because that stimulates business partners around the world and that, in turn, triggers investment by private equity and venture capital in new start-up services."

Experimentation and digital innovation have been helped by recruiting new skills to the industry. Mark Piilbe, formerly of the original file-sharing service Napster and now global head of digital business development, EMI Music, says: "The record industry is more open to new models now than it has ever been. We are experimenting in ways that we wouldn't have considered three years ago, and we are also getting a lot more sophisticated about the differences between markets."

"We are doing all we can to provide consumers with legitimate viable alternatives to piracy."

Rob Wells, Universal Music Group

Downloads continue growth

Music downloads are still the dominant source of digital revenue and continued growth in 2010. iTunes has sold more than 10 billion downloads since it was established in 2003. It has been joined by a range of competitors including Amazon, 7digital, HMV and Tesco.

Some commentators believed download stores would spell the death of the album, but music fans are still keen to own a body of work by their favourite artists. Artists from Bob Dylan to Jay-Z are engaging fans through premium album sales that include additional content such as exclusive behind-the-scenes footage and games. Digital album sales increased more sharply than singles in 2010, and accounted for 17.5 per cent of all album sales in the UK and 26.5 per cent in the US.

"The record industry is more open to new models now than it has ever been."

Mark Piilbe, EMI Music

Breaking the seal on subscriptions

The music subscription model made major advances in 2010, firmly establishing itself in the market and among consumers. Subscription services such as Rhapsody and Napster have existed for several years, but portable subscriptions only worked on certain devices, limiting flexibility for consumers. Only recently has the sector been able to take advantage of improved compatibility, underlying technology and broadband penetration levels. Today, consumers can use subscription services widely across mobile devices, vastly improving quality and the consumer experience.

Services such as Spotify, Deezer, We7 and Slacker broadly present two kinds of offering to consumers: a free advertising-supported streaming service, and a premium paid-for service. The use of these two tiers by a single service has become commonly known as the 'freemium model'.

These services expanded their audience significantly in the past year, with growth coming from both tiers. **Spotify** has attracted more than 750,000 paying subscribers across all its markets.



Subscription gains momentum

Spotify is the biggest digital retailer in Norway and Sweden, and the overall number two digital service in Europe, after iTunes. **Deezer** has achieved significant reach in France, where it is used by more than 13 per cent of active internet users (The Nielsen Company, October 2010).

In North America, **Slacker** is one of the top two radio subscription services, alongside **Pandora**. Slacker has seen its customer base grow seven fold since April 2010 and says it has one of the highest conversion rates to a paid service in North America. Both companies offer a low-price entry-level music service targeting young consumers. Pandora now has more 75 million registered users, up from 20 million in 2008, and 500,000 paying subscribers. Subscription services **MOG**, **Rdio** and **Thumbplay** have all recently launched in North America.

One of the key challenges for record companies remains migrating users of unlicensed services to legitimate digital services. A new generation of subscription services aims to do this by attracting the large 'lean-back' audience.

"The lean-back customer is someone who loves music and is willing to pay for it, but simply has no idea how to go about finding it", says Jim Rondinelli, vice president of digital development, Slacker. "Their access to music in retail outlets has diminished considerably, yet these consumers have showed us there is no lessening of their demand for music."

ISPs and mobile operators: logical partners

Record companies see enormous potential in continued strategic partnerships with internet service providers (ISPs) and mobile operators that have billing relationships with a wide customer base. This makes them ideal partners for subscription services, either bundled within the cost of a broadband fee or paid for separately.

"ISPs need to start looking at these strategic partnerships as a marketing tool and integrate them into their core operations."

Daniel Ek, CEO of Spotify

For ISPs and mobile operators, music services may also bring key benefits. First, they are a valuable way of acquiring new customers in a highly competitive market; second, they have a significant effect in reducing "churn" and retaining customers. In addition, music services can increase ISPs' average revenue per user (ARPU) and can be a valuable brand repositioning tool.

ISPs are moving into music services in various forms. Daniel Ek, CEO of Spotify, says: "ISPs need to start looking at these strategic partnerships as a marketing tool, and integrate it into their core operations. There are benefits for them. So why not develop a legal service which is going to give a lot of additional value for the user and might create an additional revenue stream?"

Deals with mobile operators are also seen as pivotal. "You cannot achieve scale in this marketplace without the involvement of operators", says Slacker's Jim Rondinelli. "That means highly visible distribution on the handset and direct billing that puts the consumer no more than two clicks away from the transaction. There is simply no substitute for that."

Third-party research conducted in 2010 points to the potential commercial value of music to ISPs and mobile operators. Ovum's report *Is There a Commercial Argument for ISP Music Services?* estimated that ISPs in the UK alone could achieve additional revenues from new music services of more than £100 million per year by 2013. Meanwhile, analysis by Informa Telecoms & Media, *Unlocking the Real Value of Mobile Music*, found large mobile operators in Western Europe could realise as much as €78 million each in the first year from partnerships with established music streaming services, such as Spotify.

Churn reduction

€78m
per year to mobile
operators in Western
Europe

Brand
repositioning

Deals take off with ISPs

Music industry-ISP partnerships were struck around the world in 2010. These generally follow one of two models: where the ISP develops its own-branded music service, such as TDC Play; or where the ISP partners with an existing music service, such as Telia-Spotify in Sweden.

In Sweden and Finland, ISP **Telia** offers a four month free Spotify subscription to its customers when they sign up to a mobile package. The partnership was cited by Telia in its earnings announcement for 2009 as one of three reasons for its strong performance that year.

In Denmark, **TDC** was the first ISP to offer unlimited music downloads to its mobile and broadband customers at no additional charge. In November 2010, TDC announced its customers had downloaded 250 million songs since launch – the equivalent of 45 downloads per person in the country. Moreover, since launch, streams have increased by an average of 52 per cent each month. Music has helped TDC reduce broadband churn by approximately 50 per cent.

In Norway, Telenor launched a subscription service, **WIMP**, in cooperation with mobile content provider, Aspiro and Platekompaniet, Norway's largest chain of music stores. The service is also available in Denmark. WIMP does not offer an ad-supported tier, but with its free trial period it has managed to convert 70 per cent of those that try it into paying subscribers. Kim Sørensen, senior marketing manager at Telenor, says: "Streaming music is

something that you cannot explain to anyone, but you only need to try it before you realise its power. The customer already has a billing relationship with us and we can answer their questions directly. That makes it possible to drive a market for paid music subscriptions."

Gunnar Larsen, global sales director of Aspiro, highlights the "win-win" result of this agreement: "Operators can provide a music service that their customers want in an environment that they trust. By connecting themselves to music, operators can also move into new segments, attracting new users."

Music industry-ISP partnerships were struck around the world in 2010

In Italy, **FASTWEB** launched a music service in partnership with Dada in November 2010. It enables fans to access millions of songs from major and independent labels for €6 per month. They can download 15 high-quality tracks and stream the entire catalogue.

In Ireland, **Eircom** announced the launch of its MusicHub service in December 2010. MusicHub offers free and unlimited streaming of four million tracks without advertising to existing Eircom broadband customers. Users can also download DRM-free tracks for 32 cents and keep them even if they leave the service. Customers can also build playlists and recommend songs through social networking features.

In South Korea, SK Telecom launched **MelOn**, a monthly subscription service, as early as November 2004. The service made SK Telecom a leader in data revenues in the country. In Australia, teleco **AAPT** partnered with EMI Music to offer a subscription service bundled with its broadband and fixed line packages. Songs from multiple labels are available through the service. In Taiwan, leading ISP Far EastOne Telecommunications is to launch streaming service **Omusic** in partnership with seven record companies.

In the mobile sector, **Vodafone** has the largest number of paid digital music subscriptions in Europe, with more than 600,000 customers across eight markets. In Spain, a market devastated by piracy, Vodafone was the biggest digital music retailer in 2010, offering a data tariff bundled with an all-you-can-eat music service which attracted in excess of 300,000 subscribers. Vodafone is now developing its MP3 bundle concept – song vouchers that can be redeemed during the month of purchase (such as 10 songs for €5.80). In the UK, Vodafone has sold more than 100,000 ten track bundles.

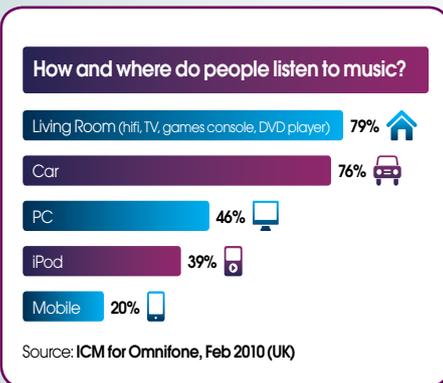
In North America, **Slacker** has partnered with four of the seven largest mobile operators. Its application is pre-loaded on millions of devices, while the operator integrates the billing for the subscription and markets the service.

Music in the living room

In the digital age, record companies seek to engage consumers wherever they want to access music. Music in the living room is the obvious next step.

Several innovations came to market in this area in 2010. They included the partnership between **Spotify** and **Sonos**, allowing Spotify premium subscribers to stream songs in any room in their home through the Sonos Multi-Room Music System. The service has been made available in seven European countries.

In Sweden and Finland, through Spotify's partnership with **Telia**, subscribers can now access music through their TV set. **Apple** also launched the new version of Apple TV, allowing iTunes customers to access their digital libraries from their TV.



Music in the living room is now a central element of commercial deals with ISPs. Francis Keeling, vice president, digital, Universal Music Group International, says: "The most successful network operators will be those who can offer connected services to the living room and portable device. We have seen rapid developments on mobile platforms, and key to the development of music services for the future will be the TV set top box."



Justin Bieber's *Baby* video was watched worldwide by more than 430 million viewers by January 2011, making it the most watched music video in YouTube's history.

Source: YouTube

"The most successful network operators will be those who can offer connected services to the living room and portable devices."

Francis Keeling, Universal Music Group International

Music in the cloud

The "cloud" is now a watchword in digital music, even though the business models are still in their infancy. Cloud services respond to consumers' growing interest in "connectedness" between music and devices. They can either act as a "locker" to enable a consumer to access their own music collection through a range of different devices or offer that user access to a catalogue of tracks owned by the service provider.

Sony Corporation's **Music Unlimited** is a cloud-based music streaming service, launched in the UK and Ireland in December 2010 and in the US in January 2011. The service allows subscribers to house their music on remote servers (clouds) for use in a range of internet-connected devices such as smartphones, game consoles, TV and Blu-ray players.

In 2010, **Carphone Warehouse** and **Best Buy** launched a licensed cloud music service. Several others are reported to be in the pipeline, with parties involved including Google and Tesco.

New frontiers of music access: smartphones

The rising penetration of smartphones, such as the iPhone and Android devices, saw a growing proportion of downloads in 2010 coming directly from such handsets.

The growth in smartphone usage has also brought other benefits. Digital services offer mobile applications (apps) that significantly increase the value of premium subscription offers, expanding the paying audience for services such as Spotify. Apps can also be used to market music alongside other digital tools such as Facebook and Twitter. Apps are expected to be a key sector of innovation in 2011.

Music services bundled with smartphones have been focused on developing markets, where mobile usage far outpaces fixed line internet access. Nokia's **Ovi Music** service, for example, has seen healthy take-up in markets such as Brazil, India and China.

The continued rise of music video

The massive reach of music video creates a potentially sizeable ad-supported business. YouTube remains the biggest platform for viewing videos online. It accounts for 43 per cent of online videos watched in the top three European markets (UK, Germany and France), or some 8.7 billion videos watched per month according to ComScore (October 2010). In the US YouTube accounts for 39 per cent of all videos viewed online.

Other services, such as **VEVO** and **MTV**, are also commanding significant audiences. Record labels have taken different approaches to licensing online music video services, some partnering with YouTube through VEVO and others with MTV and by launching artist-branded websites. Michael Nash, executive vice president, digital strategy and business development, Warner Music Group, says: "We offer consumers artist-branded channels on YouTube. In a world where over half of the active rosters are signed to extended rights agreements, it is extremely important for us to have a strong marketing partnership with our artists."

Sweden: A case study in digital music

The introduction of new legislation and a landmark court decision on The Pirate Bay in 2009 helped make Sweden a positive case study for digital music. Yet 18 months later, lack of active copyright enforcement threatens to reverse the gains the market has made.

“The introduction of IPRED sent a message that was loud and clear to all Swedes.”

Per Sundin, Universal Music Sweden

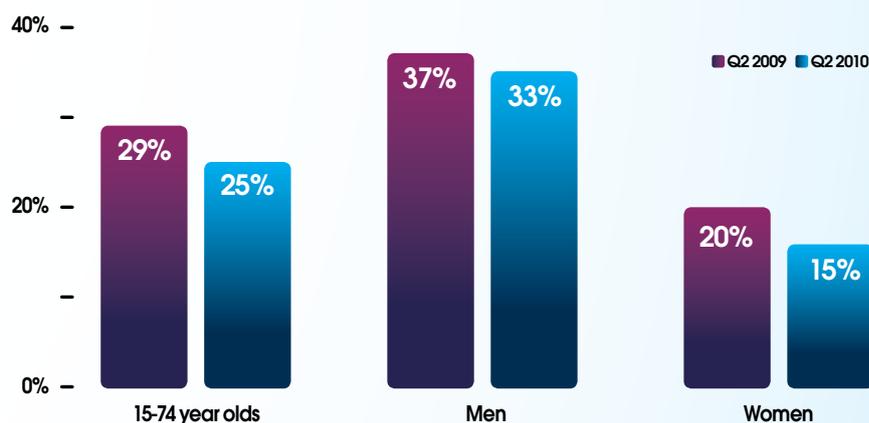
Sweden is a technologically advanced market, with the third highest broadband household penetration in the world (OECD). Internet usage started early and due to a weak copyright environment widespread online piracy developed, resulting in a sharp decline in music sales between 2003 and 2008.

In 2009, there was a significant change in the environment. New copyright enforcement legislation, IPRED, gave copyright holders the right to obtain disclosure from ISPs of the identity of subscribers whose accounts have been used to infringe copyright. The trial of The Pirate Bay operators resulted in a guilty verdict. At the same time, Spotify became a well-known legitimate music service.

The IPRED law had an instant impact. In a single day in April 2009, internet traffic in Sweden was reported to have dropped 40 per cent (Netnod) and there were several reported voluntary closures of BitTorrent trackers. According to a study from Uppsala University by Adermon & Liang, *Piracy, Music and Movies, A Natural Experiment*, it was the introduction of the IPRED law that triggered the reduction in piracy levels. The study found

Legislation has an impact

Music downloading among broadband subscribers in Sweden



Source: MediaVision

that legitimate music consumption increased to fill the gap. For each percentage point fall in piracy caused by the new law, there was a statistically significant sales increase.

Further research by GfK in May 2010 found that 52 per cent of illegal file-sharers said their activity had declined following the introduction of the law, compared to only eight per cent who were file-sharing more. One third of users (34%) attributed the change to the new law; more than half (56%) cited Spotify. Meanwhile, digital music revenues to the industry more than doubled in 2009 and increased by more than an estimated 80 per cent in 2010.

“The introduction of IPRED sent a message that was loud and clear to all Swedes, who then looked for something else that was consumer-friendly. They found Spotify, and as a result the service moved people from illegal downloading. The Pirate Bay trial helped too. It helped people understand that file-sharing isn’t cool,” says Per Sundin, managing director, Universal Music Sweden.

52 per cent of illegal file-sharers said their activity had declined following the introduction of the law

At the start of 2011 however, there are signs that the Swedish success story may be at risk. New figures from research company MediaVision indicate a recent increase in piracy levels. This coincides with a sharp decline in physical sales in Sweden in 2010. IFPI Sweden chief executive Ludvig Werner says the trend highlights the critical need for increased enforcement measures. “There was a clear and immediate positive impact when our legal environment changed in April 2009, but I’m worried that the benefits are now being eroded due to the lack of effective enforcement on the ground. This only strengthens the case for a new approach in tackling piracy - only with action by ISPs can we control the problem in a sustained way.”

The Shape of Digital Music in 2010

29%
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US\$4.6
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Record companies' trade revenues from digital channels grew by an estimated six per cent in 2010, to total US\$4.6 billion. Digital channels now account for an estimated 29 per cent of record companies' revenues, compared with 25 per cent in 2009.

Music and games are leading the creative industries in the digital environment. The value of the digital music market today amounts to more than four times the combined online revenues generated by the book, film and newspaper industries.

The **US** is the largest digital music market in the world. In 2010, revenues from digital channels accounted for almost half of record companies' US trade revenues, driven by a combination of increasing digital revenues and the sharp decline in CD sales caused in part by the closure of physical retail stores across the country. Single track unit sales increased by one per cent in 2010, with digital albums up 13 per cent, accounting for 26.5 per cent of total US album sales (Nielsen Soundscan).

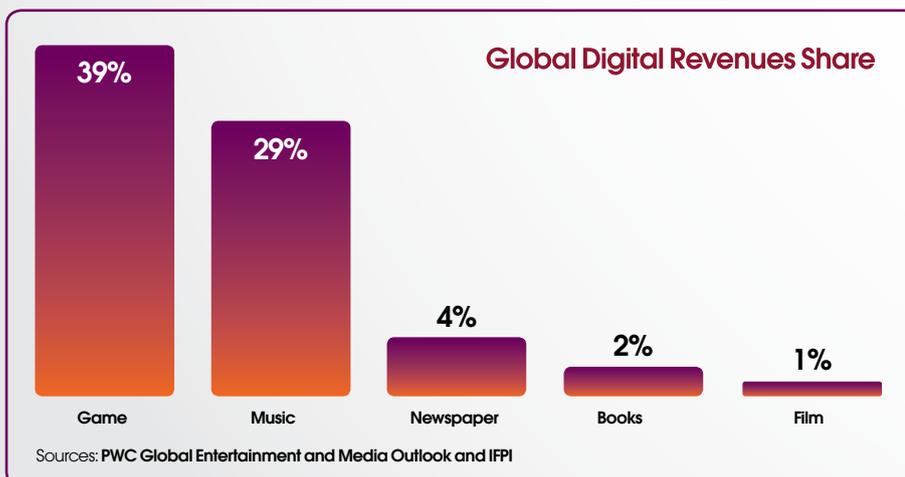
The overall US digital market is estimated to have seen single-digit percentage growth in 2010, mainly due to a steep decline in the mastertone and ringtone business. There has been continued strong growth in the performance rights sector, with an increasing number of consumers accessing digital broadcasts through services such as Sirius XM satellite radio and Pandora.

In **Europe**, digital revenues surpassed the expectations of many in 2010, growing by almost 20 per cent, with double-digit percentage increases in most major markets. Record labels saw increasing revenues from download stores, but also from subscription services, with Spotify becoming the second largest source of digital revenue for labels in Europe. Record companies in Europe are more reliant on physical format sales than in the US. Digital channels still accounted for less than 20 per cent of labels' trade revenues in 2010.

In **Asia**, the Japanese music market continued to suffer in 2010, with a substantial impact on the entire region. By contrast, there was strong growth in digital revenues in South Korea, coinciding with improvements in the legal environment. The overall recorded music market in South Korea grew by 10 per cent in the first half of 2010, with strong growth in music services from major internet portals such as Naver and Daum, which now reach as many as 22 per cent and 17 per cent of active internet users in South Korea respectively (The Nielsen Company, October 2010). Digital revenues in India increased significantly as well.

In **Australia**, digital revenues grew by 32 per cent in the first ten months of 2010, driven by the download model. However, overall industry revenues are well down from previous levels due to a steep fall in physical sales and growing digital piracy. 2010 also saw a range of innovative offerings come to the market, including AAPT's bundled subscription service, Guvera and Bandit.fm.

Revenue from digital channels in **Latin America** is expected to have grown by more than 50 per cent in 2010. Argentina, Brazil and Mexico combined represented more than 80 per cent of digital music sales across the region. Record companies' trade revenues from digital channels are expected to have more than doubled in Mexico, and increased by more than 30 per cent in Brazil in 2010.



Best selling global digital singles of 2010

The best selling digital single of 2010 was Ke\$ha's *TiK ToK*, selling a total of 12.8 million units. This compares to 9.8 million digital copies of Lady Gaga's *Poker Face* which topped the chart in 2009. This is the first time a digital single has crossed the 10 million mark.

	Artist	Title	Sales (m)
1	Ke\$ha	TiK ToK	12.8
2	Lady Gaga	Bad Romance	9.7
3	Eminem featuring Rihanna	Love The Way You Lie	9.3
4	Lady Gaga featuring Beyoncé	Telephone	7.4
5	Usher featuring Will.i.am	OMG	6.9
6	Katy Perry	California Gurls	6.7
7	Train	Hey, Soul Sister	6.6
8	Justin Bieber	Baby	6.4
9	Black Eyed Peas	I Gotta Feeling	6.1
10	Paramore	crushcrushcrush	6.1

Source: IFPI. Period 12 months to November 2010. Sales are rounded. Combines all versions of the same song.



Music's changing digital landscape	2004	2010
Licensed music services	Fewer than 60	400+
Catalogue available	1 million tracks	13 million tracks
Industry's digital revenue	US\$420 million	US\$4.6 billion
% of industry revenues from digital channels	2%	29%

Digital Piracy – Facts and Trends

“I know loads of really talented artists, but they are finding it more difficult to get signed. That’s because less money is flowing into the industry with the inevitable consequence that fewer acts are being signed.”

Jay Chou

Digital music piracy exists on a vast scale and is growing globally. Illegal file-sharing on peer-to-peer (P2P) networks remains rife, and alternative forms of illegal distribution such as cyberlockers, illegal streaming services and forums are also a serious and growing problem.

Digital up 1000%+, Revenues down 31%

The overall impact of digital piracy has been to contribute substantially to the dramatic erosion in industry revenues in recent years. Despite the surge by more than 1000 per cent in the digital music market from 2004 to 2010 to an estimated value of US\$4.6 billion, global recorded music revenues declined by 31 per cent over the same period. The two figures powerfully illustrate how, in the face of piracy, even the most progressive strategy of licensing hundreds of digital music services has been unable to prevent the steady decline in the overall legitimate music market and that decline will continue unless action is taken.

Piracy trends vary markedly by country. Independent research shows Brazil and Spain to be among the markets with the highest numbers of users accessing unlicensed services with 45 per cent and 44 per cent of active internet users respectively visiting selected unlicensed services in a single month (The Nielsen Company, October 2010). This compares to 23 per cent across the top five EU markets.

Even in countries with comparatively low levels of usage of unlicensed services, the volume of unauthorised music consumption vastly eclipses the volume of legal music consumption.

Further research confirms the sheer scale of illegal music file-swapping in all markets. In the UK, for example, Harris Interactive found that 76 per cent of all music obtained online in the UK in 2010 was unlicensed. The survey found that the majority of unauthorised downloading was coming from P2P networks but that music piracy through cyberlockers is on the rise.

Limewire down, BitTorrent up

Despite variations by country, there are some common trends across markets. The popularity of Limewire, appears to be in decline after the US court injunction in October 2010. On the other hand, usage of BitTorrent is growing across most markets, indicating that P2P networks are still a significant source of pirate content.

Among other forms of digital piracy, use of cyberlocker services such as Megaupload and Hotfile is growing rapidly. Websites and forums linking to content hosted on cyberlocker services are also on the rise. While the use of illegal streaming services is still limited, this is another growing area, together with mobile piracy.

Nearly one in four active internet users in Europe visit unlicensed sites monthly

The Nielsen Company

% of active internet users visiting unlicensed services

Spain	45%
Brazil	44%
EU Top 5 Markets	23%

Source: The Nielsen Company

Active internet users refers to monthly users of the internet. Unlicensed services refers to selected P2P and non-P2P services that are used to access music and other content.

Virtually all P2P content is illegal

Third-party research consistently shows that the vast majority of content distributed on file-sharing networks is copyright-infringing. In Australia, the Internet Commerce Security Laboratory study, *Investigation Into the Extent of Infringing Content on BitTorrent Networks*, found in April 2010 that 89 per cent of all torrent files from a sample linked to infringing content.

A US study of the P2P service Limewire came to similar conclusions. Richard Waterman, Professor of Statistics at the University of Pennsylvania, logged the number of times Limewire users sought to download each of the files in a sample of 1,800. His study of October 2010 estimated 98.8 per cent of the files requested were copyright protected or highly likely to be copyright protected and thus not authorised for free distribution. The study was used as evidence in the Limewire court case.

Spain: A case study and a warning

A grim list of statistics makes Spain a case study of a legitimate music industry struggling for survival because of digital piracy.

Music sales in Spain fell by around 55 per cent between 2005 and 2010 – a rate of decline well above the global average. In 2010 alone, the market declined by an estimated 22 per cent.

Close to half (45%) of all active internet users in Spain use services that distribute music illegally – a ratio well above the top 5 EU markets average of 23 per cent (The Nielsen Company, October 2010).

Local artists, in particular new acts, have been the principal victims of the crisis. The strength of A&R in Spain, particularly until 2000, made Julio Iglesias, Alejandro Sanz, Enrique Iglesias, Miguel Bosé, Mónica Naranjo, La Oreja De Van Gogh, Estopa, Jarabe de Palo and David Bisbal international stars. Until 2004, at least one Spanish act would sell more than one million album copies across Europe every year. In 2007 one act, Alex Ubago, reached that mark, but no other Spanish act has

reached it since then. In each of the past two years, not a single new Spanish artist has featured in the country's top 50 selling albums compared with ten in 2003.

Sales of local artists have suffered more than those of international acts: the proportion of the market accounted for by local artist sales has shrunk to around 40 per cent, nearly half the estimated share in 2004.

Album sales in Spain have also sunk dramatically in the last five years: the average weekly physical and digital sales of a chart-topping album fell by more than two thirds, from 26,000 in 2004 to just 7,000 in 2009. In 2010, Spain's number one albums sold an average of just 6,000 copies per week.

The Spanish government is currently pushing long-delayed legislation aimed at reducing website-based piracy. While an important first step, it is unlikely to address the country's P2P piracy problem, which reaches as much as 21 per cent of active internet users every month (The Nielsen Company).

10 =
Spanish
debut artists in
the Top 50
in 2003

0 =
Spanish
debut artists in
the Top 50
in 2010

A rigged market: why pay when it's free?

For music companies and legitimate digital music services, the most obvious impact of piracy on licensed services is the removal of the incentive for consumers to buy music. The market-distorting impact of this unfair competition is confirmed by numerous studies.

Independent research consistently finds "because it is free" – as opposed to other factors such as better choice, convenience or quality of service to be the main reason cited by people for illegally downloading. Adding to the existing volume of studies, in 2010 new surveys confirmed this trend in Sweden (GfK), Australia (CCI Digital Futures), the UK (Harris Interactive) and China (The Nielsen Company).

In the UK, 52 per cent of respondents in research by Harris Interactive cited "it's free" as the motive for illegal downloading – substantially more than those citing other reasons. Such surveys consistently reinforce the case that legitimate services, whose economic model incurs the costs of remunerating creators, cannot compete with free.

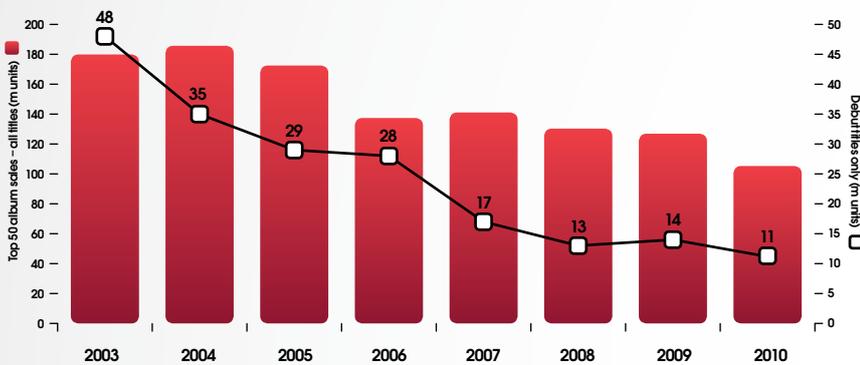
Further studies reinforce this point. A 2010 study by Adermon & Liang of Uppsala University, *Piracy, Music and Movies: A Natural Experiment*, found pirated music is a "strong substitute for legal music". In Sweden, they found physical sales would be 72 per cent higher in the absence of piracy, which accounted for 43 per cent of the drop in sales between 2000 and 2008. Digital music sales would be 131 per cent higher in the absence of piracy.

Research consistently finds 'because it's free' to be the main reason cited for illegally downloading

The study concluded that this "supports the claim that piracy is the main cause of the decline in sales". The authors reviewed existing literature on the topic and concluded "most empirical studies find that file-sharing has an overall negative effect on sales."

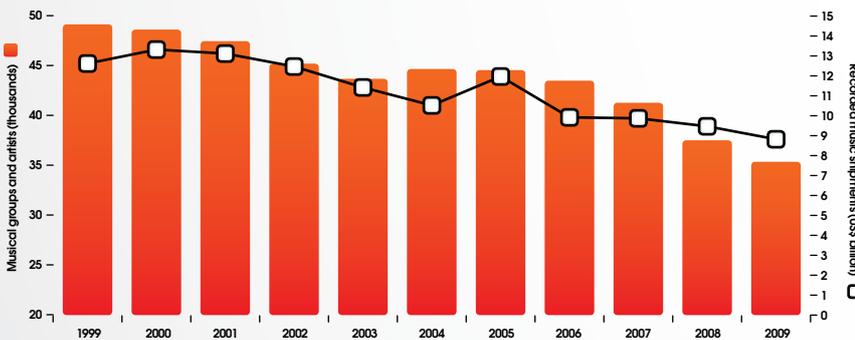
Digital piracy – counting the cost

The pressure on new artists globally Debut album sales fell 77%, 2003–10



Source: IFPI. 2010 figures are estimates based on Jan-Nov actual sales.

Lower music sales means fewer jobs



Recorded music shipments and employment of musicians and artists 1999–2009

Source: US Department of Labor, RIAA

Developing artists are the victims

Digital piracy's impact on music sales feeds through directly to reduced investments in artists. Data published in 2010 by IFPI (*Investing in Music*) indicates that around 16 per cent of the recording industry's revenue is invested in developing artists annually. This proportion was more than any other industry, including pharmaceuticals, invests in research and development. With a further 13 per cent spent on marketing, the recording industry was estimated to have invested US\$5 billion in 2009 in nurturing talent. Revenue from music sales funds the lion's share of this investment.

These figures illustrate a fact that remains crucial to the music industry's economic model – namely the importance of recorded music sales as the platform for artists' careers. While much attention is paid to the live music market and to revenues from branding and other non-recording revenue sources, these tend to be the privilege of established artists rather than new and developing acts. For example, Pollstar reported the top five tours of 2010 were by Bon Jovi, AC/DC, U2, Lady Gaga and Metallica – mostly artists with extensive catalogues established through record sales. Once an artist has established their name through their recordings, they can then generate substantial income through live performances and merchandise. By contrast, no major artist to date has been able to build a career on live performance alone.

The live performance market has also been hit along with the broader music industry and offers no guarantee of growing revenues. Total box office sales of the world's top 50 tours fell by 12 per cent in 2010 to US\$2.93 billion, according to Pollstar.

“Protecting the right of artists is not just about the big famous acts, it's about the thousands of bands you have never heard of who are trying to make a living out of their recordings.”

Paul Weller



Trade Unions respond to jobs threat

Digital piracy is affecting investment and employment across whole industries, and independent research confirms this. Union leaders are now raising the alarm.

In March 2010, a report by Tera Consultants, *Building a Digital Economy: The Importance of Saving Jobs in the EU's Creative Industries*, estimated cumulative job losses in Europe due to piracy across the film, music, software and TV industries at around 345,000 between 2008-2010.

The report, backed by European trade unions, noted that if the digital piracy problem was not tackled, the EU could witness a cumulative loss of 1.2 million jobs across the creative industries by 2015 as a consequence of more than €240 billion in lost retail revenues over the same period.

Brendan Barber, general secretary of the Trade Union Congress in the UK, says the spread of piracy among the creative

industries has been a wake-up call to unions: "What has changed is the scale of the problem and threat. Developments in technology now make it easy for pirates to steal and then reproduce music and films that can literally take years to produce.

"Pirates do steal from the rich artists and entertainment executives, but they also steal from the technicians, musicians and others trying to make their way in a fiercely competitive industry. We know of young musicians who have made their first professional recording only to find that pirated copies are circulating without them even being able to cover their costs.

"Governments are responding and there is still time to act before the creative industries suffer catastrophic loss, but our fear is that not enough has been done and governments are too willing to respond to those who portray theft as freedom. We feel the onus is on ISPs to play their part in countering piracy."

John Smith is president of FIM, representing musicians' unions internationally. He says: "Musicians have always been concerned about piracy, but it's a much more emotive issue now that people can see just how their jobs and future career prospects are being threatened. It worries me that there are powerful lobbies scaremongering with false claims about consumer rights. We can respect consumer rights whilst also upholding the basic rights of workers to get paid for what they do."



"Pirates steal from technicians, musicians and others."

Brendan Barber, General Secretary of the Trade Union Congress in the UK

Mexican recorded music market 2005-10	
Domestic releases	-45%
Investment in new artists	-69%
Units sold of local repertoire	-56%

Source: Amprofon, Mexico

The pressure on investment in new local artists as a result of piracy is highlighted in individual markets such as Spain and Mexico. In Mexico, the number of local releases fell from 367 in 2005 to 190 in 2010. The number of local repertoire units sold fell from 18.1 million in 2005 to 7.9 million in 2010.

Debut artists hit globally

A similar trend is now appearing internationally. The trend in global top 50 album sales in recent years shows a striking decline in both the number and proportion of successful releases globally by new artists. Between 2003 and 2010, the combined sales of debut albums featuring in the global top 50 fell by 77 per cent, from 47.7 million to 10.8 million*. By contrast, non-debut album sales fell 28 per cent over the same period. Debut titles accounted for 27 per cent of all global top 50 sales in 2003, a healthy share for new repertoire which has since fallen to only 10 per cent in 2010. At the same time the number of debut albums in the Top 50 has fallen, from 10 in 2003 to 7 in 2010.

These figures indicate that the music industry's greater loss of revenues due to piracy is having an impact on the success of new artists as investment comes under pressure. Consequently, fewer new acts are also breaking into the top selling charts.

Fewer artists are also able to make professional careers out of music. US Department of Labor statistics underline the link between recorded music sales and musicians' jobs. According to US employment figures over the last decade, the number of people employed as musicians in the US fell by 17 per cent between 1999 and 2009, on the back of a 53 per cent decline in recorded music shipments.

*2010 sales are an estimate based on actual January-November sales figures

ISP Responsibility and the Role for Government



“We could have waited and things could have become much worse. But now we have a chance to do something.”

Eric Walter, general secretary of HADOPI

The fight by creative industries against digital piracy is an economic necessity, not a moral crusade. Illegal file-sharing and other forms of online infringement constitute unfair competition to legitimate commerce and a threat to investment in artists. Innovation, licensing and business skill alone are not adequate solutions to this problem. Cooperation from ISPs is a key component. Where voluntary cooperation is not possible, government regulation has to ensure a level playing field.

The music industry has urged greater cooperation from ISPs for several years, both by blocking services that offer access to unlicensed content and addressing file-sharing by individuals on P2P networks. In dealing with infringement over P2P networks, the industry favours a preventative and educational approach involving communication with subscribers over the more punitive and less effective alternative of mass-scale individual lawsuits.

The solution to P2P piracy, now being adopted and debated in countries around the world, is the so-called “graduated response” model requiring responsible steps by ISPs to help address piracy on their networks. Graduated response is a proportionate approach that involves a system of educational notifications and warnings, culminating in deterrent sanctions for those who refuse to stop infringing. ISPs are provided with evidence from rights holders identifying the ISPs’ customer accounts used to publicly disseminate copyrighted music or other media.

A series of educational notices to the customer would culminate in a sanction, which could include restrictions on the use of their internet service, for those who refuse to stop infringing. Research indicates that the vast majority of customers receiving such notices would stop infringing in order to avoid such a sanction.

Unfortunately, efforts to establish a voluntary system of cooperation have failed in most countries, in large part due to individual ISPs’ concerns over potential competitive disadvantages. Yet barely five years after the music industry first promoted graduated response as a solution to P2P piracy, many governments are either legislating or giving the approach active consideration.

Graduated response gains momentum

France led the way in 2007 by enacting a graduated response law, which is now in operation. The Creation and Internet Law created a new independent administrative authority responsible for alerting copyright infringers about their illegal activity (HADOPI). After two warnings, HADOPI can refer repeat infringers to the courts where available sanctions include fines or temporary suspension of internet access for up to 12 months. The law began to be applied, with notices sent, in September 2010.

While it is too early to assess the full impact of the HADOPI law, some independent studies point to an effect on French consumer behaviour based on awareness of the law and its implications. A study by IFOP conducted in June 2010, before the implementation of the law, found 77 per

53 per cent stopped or cut back since the passing of the HADOPI law

cent of French consumers would be willing to check the internet use of others in their household if there was a risk of losing their internet connection. Research company BVA, carried out a survey in October 2010 and found that since the passing of the law, 53 per cent of those who had illegally downloaded stopped or cut back on their activity (29 per cent stopped and 24 per cent cut back).

South Korea is another early adopter of graduated response. A law passed in April 2009 provides for suspension of user accounts, excluding email, for less than one month for first time offenders; one to three months for second time offenders and up to six months thereafter.

Graduated response notices started to be sent in March 2010 and the first account suspensions were announced in November.

Parallel to the graduated response programme, portal sites, such as Naver, Daum and Nate, have introduced filtering on their networks. This development is significant as portals dominate online activity in South Korea. The government has also been active in the area of consumer education, introducing copyright classes in schools. These elements coincide with improving market conditions. In 2009, music sales grew by 10 per cent and in the first half of 2010 the market grew by a further 10 per cent.

France takes the lead with new law



For the man tasked with managing France's new graduated response system, Eric Walter, it is a long-overdue response to years of failed attempts to

tackle illegal downloading. "Discussions have been going for ten years now", says the general secretary of HADOPI. "We could have waited and while we waited, things would have become much worse. But now we have the chance to do something, and we are the first public institution that is fully dedicated to addressing this problem."

For Walter, the new law is primarily about creating awareness of personal responsibility. "HADOPI is an educational system, not a repressive one. The point is not to stop people's internet access or punish them with fines. It is just to send a message about the need for responsible behaviour on the internet."

The new law has seen an active education campaign by HADOPI, starting with mass leafleting at motorway toll booths in August 2010.

The French market fell by only 2.7 per cent in 2009, compared with a global decline of 7.2 per cent. In the first ten months of 2010, French music sales were down by two per cent, reflecting digital growth of 14 per cent and a physical decline of five per cent (well below the global average).

Another project led by the French government is the "Carte Musique" which offers people aged 12-25 the opportunity to purchase for €25 a card that enables them to buy €50 worth of music from a variety of digital services. The government and industry have promoted the scheme through a high-profile national advertising campaign.

HADOPI publicity material

The image shows a collage of HADOPI publicity materials. On the left is the HADOPI logo. In the center is a document titled "Un internet respectueux de la création" with a diagram showing the flow from "Constatation des faits" to "Mise en place d'un moyen de protection". On the right is another document titled "Mettre en place un moyen de protection" with sections for "Pourquoi?", "Comment?", and "Un moyen de protection".

The **UK** became the third major recorded music market to enact a law incorporating graduated response measures in April 2010. The Digital Economy Act will see graduated notifications sent to infringers. If it fails to sharply reduce piracy, ISPs could be required to implement deterrents, including technical measures, against persistent offenders.

New Zealand is in the final stages of enactment of a graduated response law, which is expected to pass in early 2011. The law proposes a series of notices followed by sanctions for repeat infringers in the form of fines of up to NZ\$ 15,000 (US\$ 10,800), with account suspension available if the fines are "not having the desired deterrent effect".

Graduated response was introduced in **Ireland** by a legal settlement between the country's largest ISP, Eircom, and IRMA, which represents the recorded music industry in Ireland. The settlement was bolstered by a significant court ruling in April 2010, confirming that this method of enforcing intellectual property rights does not violate

data protection rights. The pilot phase of the agreed graduated response programme is underway, with Eircom sending notifications to infringing users.

The **European Union (EU)** is also moving to act on online piracy. In 2010, the European Parliament adopted the Gallo Report, signalling that intellectual property needs further protection online. In January 2011, the European Commission published a report and opened a consultation as part of its review of the Enforcement Directive. The report points out the need to adapt the legislation to deal with online piracy and calls to expand the involvement of ISPs as they could play an important role in curbing online infringements.

Legislation adopting principles of graduated response was enacted in **Taiwan** in July 2009 and in **Chile** in May 2010, and is under consideration in a number of other countries. Elsewhere, rights holders and ISPs are discussing the possibility of a graduated response through voluntary agreement.

Action in the US, China

In the **US**, new legislation, the Combating Online Infringement and Counterfeits Act, was introduced last year to provide enhanced enforcement tools against websites "dedicated to infringing activity". The Bill would authorise the suspension of domain names, as well as orders preventing US firms from providing these sites with payment or advertising services. The Bill was approved by the Senate Judiciary Committee and is expected to be re-introduced in the new Congress in the first half of 2011.

In China, which has long seen piracy levels of virtually 100 per cent, the government announced in November 2010 it intends to crack down on the problem. Rights holders hope this will translate into sustained action.

"Every time you buy a subscription for the internet, the Internet Service Provider (ISP) is also cashing in on the option for people to download music for free. For young artists and songwriters just getting started, the prospect of paying your rent with this going on is extremely grim."

Bryan Adams

Consumer Education has a Key Role

Consumer education plays an important role in the music industry's digital strategy. IFPI and national affiliates are actively involved in dozens of public education programmes worldwide. Some of these are highlighted below:

Music, Film, TV and the Internet - a guide for parents and teachers is an international campaign aimed at parents and teachers which started being rolled out in schools in November 2010. The guide is published by international children's charity Childnet and is backed by music industry organisations, including Pro-music, and the film and television sector. It provides simple and practical advice for parents and teachers advising young people on how to enjoy music and films safely and legally on the internet.

www.childnet.com/downloading

Music Matters was created in the UK by the music industry, including artists, retailers, songwriters, labels and managers. The campaign consists of two parts: first, a series of short dynamic videos on the work of different artists, some made by performers themselves, aimed at reminding listeners of the significance and value of music; and second, a "Music Matters" trust mark which acts as a guide for music fans to help them differentiate legal music services in the UK from illegal ones. When users choose sites carrying the trust mark they can be sure the site is legal and copyright holders are paid for their creative work.

www.whymusicmatters.org

Pro-music is an international information campaign about online music supported by major and independent record companies, music publishers, musicians, performers and retailers. The resource provides guidance and information about online music and links to a list of more than 400 legitimate services worldwide.

www.pro-music.org

Pop4Schools is a programme for helping primary school children to gain a better understanding of how music is produced. The programme was designed in collaboration with teachers and piloted in five very different schools across the UK in 2009/10. It launched in the UK in December 2010 and is set to rollout internationally in 2011. Children write, produce and promote a piece of music, role-playing the basic process that takes place in a record company environment. Teachers match pupils' skills to certain tasks, such as performing the song, designing artwork or writing sleeve notes. They can use Pop4Schools to teach key curriculum subjects such as literacy, maths, science, history, art and music.

www.pop4schools.com

The **Value of Ideas** is an education programme that originated in Austria. The multi-media resource showcases a variety of jobs in the music industry and takes pupils step-by-step through the process of making a record. It can be used cross-curricular or in subject-based lessons. More than 10,000 copies of the resource have gone into schools across Austria. The materials are now used by German-speaking schools in Germany, Italy, Netherlands, Poland, Switzerland and Turkey.

www.ideensindetwaswert.at

Tous Pour La Musique is an education campaign supported across the music sector in France, aimed at protecting the livelihoods of all those involved in the creative chain and raising awareness of legal online music services. The project is aimed particularly at young people. The website informs on the jobs and roles performed in the music sector, and lists legitimate downloading and streaming sites available in France.

www.touspourlamusique.org

"By paying for music today from a legal music service, you are ensuring there will be great new music tomorrow from all the artists you love."

The Saturdays



Content Protection



Strategic litigation

The music industry actively protects its content where it can, through negotiation and, as a last resort, litigation. The aim is to deter and stop large-scale infringing services. There were some key successes in 2010.

In October 2010, a US District Court issued an injunction requiring the file-sharing service **Limewire** to cease supplying its software and to block the sharing of unauthorised files. Limewire was the biggest source of illegal music downloads in the US.

One of the most popular BitTorrent sites, **Mininova**, was ordered to disable its infringing service by a Dutch court in November 2009. Mininova claimed to have had more than 10 billion downloads from the service, mostly consisting of copyright protected films, games, music and television programmes. Since then, the popularity of the service has fallen dramatically, with usage down by more than 80 per cent in major markets.

In Italy, in February 2010, ISPs were ordered to block the most popular BitTorrent site, **The Pirate Bay**. Between February and October 2010, usage of The Pirate Bay in Italy tumbled by 54 per cent. This compares to sharp increases in usage of the service in other countries, including Germany, Australia, US and Brazil, where The Pirate Bay has not been blocked. Overall usage of pirate services fell in Italy in the month of the block and remains at a lower level nine months on.

In November 2010, the Court of Appeal in Sweden upheld the convictions of three men who operated, financed and promoted The Pirate Bay. The court handed down custodial sentences and ordered the men to pay damages for the harm they had caused rights holders.

The role of intermediaries

Intermediaries such as **Google** have a pivotal role to play. In December 2010, following discussions with rights holders, Google announced it would take steps to make

it more difficult for its search engine to be used as a vehicle for piracy. The company announced it would make it easier for rights holders to submit takedown requests, improve its process for preventing the use of its AdSense programme on infringing websites, and look at ways to make legitimate content more readily accessible in search results. The music industry is watching to see how these proposals will be implemented.

Tackling pre-release piracy

The IFPI global anti-piracy team secured the removal of more than seven million infringing links in 2010. Curbing pre-release piracy is a particular priority for the recording industry, as it hits albums at the most vulnerable point in their sales cycle. An album typically sells over half of its copies in the first four weeks of release. Pre-release monitoring in collaboration with record companies in release planning has been effective: In the last few years, the typical leak time has reduced from a few weeks to a few days before an album goes on sale.

Taylor Swift's *Speak Now* – a case study



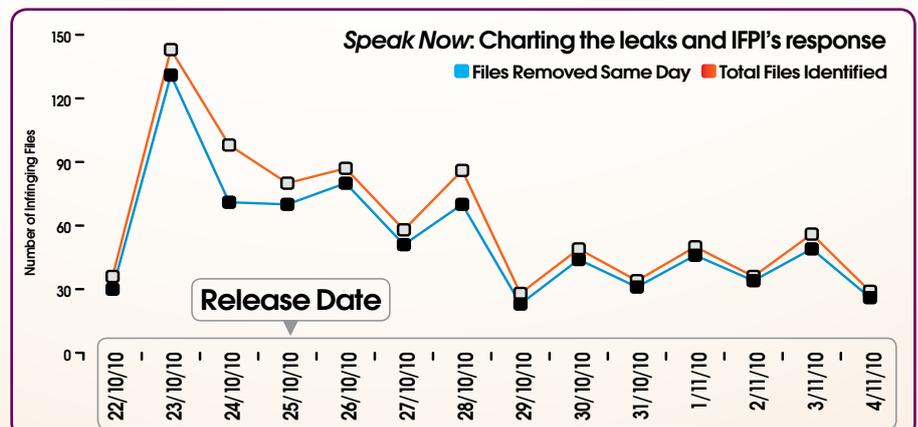
Taylor Swift's album *Speak Now* was released on 25th October 2010. It was one of the first albums from a major label that had a single global release

date. Taylor's label, Big Machine, promoted the album through a series of YouTube videos and by releasing a large number of tracks as singles.

Her label and manager worked closely with IFPI's anti-piracy team to ensure that all the physical manufacturing plants worldwide involved in the release were secure. IFPI's content protection experts also gave advice about securing the distribution process. The album leaked three days before release date and after the CDs had left the warehouses for distribution to retailers. IFPI's team identified and removed the majority of the 6,500 illegal copies within hours of the links being found,

ensuring the internet was not swamped with illegal copies of the hotly anticipated title. The album went on to become the first million selling title in the US in the first week of release since Lil Wayne's *Tha Carter III* in 2008. Brad Turcotte, international director of marketing for Taylor's label Big Machine, says: "Stopping pre-release leaks is as crucial as anything

else we do to help make a new album a success, which is why we were so pleased with the way the leaks of *Speak Now* were contained. This is about protecting the work and integrity of an artist at the most sensitive time of an album's sales cycle."



The Squeeze on the Smaller Players

“We can’t downsize, we can only close”

Major record companies are often at the centre of debate on the impact of piracy. Yet independent labels and management companies are often even more hard hit.

Filippo Sugar is the president of Sugar Music, Italy’s largest independent record company. He notes the most successful Italian artists are those that were given their initial break by independent labels that in many cases have now gone out of business. “Piracy is an enormous problem for independent companies. Italy has always had a track record in breaking artists internationally, but now the Italian industry is in an emergency situation. Majors can downsize. We can’t downsize, we can only close.”

Mike Batt is the founder of UK indie label Dramatico, whose roster of artists includes Katie Melua. He says the industry suffers an image problem when trying to convince policymakers about the importance of combating piracy. “People judge the music industry by looking at those who earn the most. They don’t realise that most people in our industry do not earn large amounts of money.”

Batt says live performance revenues cannot make up for the fall in recording income: “A lot of artists require ‘tour support’ to play live. In other words, it can be a massive loss making situation. We often spend hundreds of thousands of pounds touring supporting artists who are subsequently not successful and with whom we sadly have to part.” He cautions: “A smaller marketplace is a difficult environment for the survival of independent labels. Larger companies can survive by making a smaller profit per unit, because they have vast catalogues. Smaller companies just don’t have that option.”

Luis San Martin runs Mexican indie label Multimusic. He says: “Digital channels are the future for independent labels. I have been talking to ISPs about potential legal music services, but it is an uphill struggle while online piracy is so widespread.”

Mexico’s high rate of online piracy, with an estimated 5.1 billion tracks illegally downloaded in 2009 (IPSOS), has made it more difficult for San Martin to sign and support artists. He says: “The amount I have been able to invest in artists has fallen by around 80 per cent in just two years. As a result, we are releasing more compilations rather than developing new artists.”

Laura Tesoriero is the chief executive of EPSA Music, an indie label in Argentina. She says times are tough for smaller producers as well. Her company has shrunk in size from 25 to 15 employees despite her attempts to innovate in the digital music sector. “In 2006, I thought people were not buying music because they didn’t have the chance. I started my own website with more than 300,000 tracks from majors and indies around the world. After three years, I had to close because people went to the site, looked for what was new and then downloaded it from peer-to-peer sites.”

Smaller niche acts are not immune, even if they can fill out arenas with live performances.

Marc Marot is the chief executive of the management company SEG Entertainment in London. He describes the problems faced by Shpongle, a group that has built up a fan database of 77,000 members. The band has sold out gigs at major London venues through their website. Yet when they released their album on their own label, Twisted Records, it sold just 4,000 copies in its first week. During the same period, 15,000 unlicensed bitTorrent links to the album appeared online.

Marot says: “We can’t grow the band through live alone. If we saw some of the pirate copies of the album translated into sales then we could invest in the publicity needed to bring Shpongle to a wider audience and develop their career. At the moment, it’s like they’re on a hamster wheel, covering their costs but not able to reach the next level of development despite the fact there is clearly demand for their music. Piracy impacts niche genre performers just as it does mainstream pop artists.”



Filippo Sugar, Italy



Mike Batt, UK



Luis San Martin, Mexico



Laura Tesoriero, Argentina



Marc Marot, UK

Piracy and the Other Creative Industries



“Ultimately, if nothing is done, we just won’t be here”

Warnings on film piracy

Movie studios have suffered from physical piracy for decades, but the problem is now being eclipsed by digital piracy. The film industry is licensing online services but in a marketplace that, similar to the music market, is being swamped by digital piracy.

Available statistics show that film and TV piracy have sharply increased in the last two years. Research in the UK in October 2010 from Harris Interactive found 14 per cent of internet users download both films and television programmes from illegal P2P services. In November 2010, MGM filed for “Chapter 11” protection from bankruptcy. Film studios have increasingly found it difficult to generate revenue through DVD sales, which fell by 9.8 per cent and 4.7 per cent in 2009 and 2010 respectively.

Jeremy Thomas has been an independent film producer for more than 30 years. His long list of films ranges from *The Last Emperor* to *Crash*. He says digital piracy is killing investment and independent producers are the most vulnerable.

“I’ve seen tens of thousands of links to my films all across the internet before they’ve even been released in cinemas. Larger studios can protect themselves somewhat through bulk global distribution and mobilising big marketing budgets. Independent film makers are dying on the vine. They won’t be able to recover until governments wake up to the fact that what is going on is a crime.

“Thomas believes that the time has come for governments to take action. He argues: “I love freedom, but I don’t like burglary. I’ve seen what’s happened to the music business. It’s happening in film. ISPs are turning a blind eye to the problem and some governments don’t seem to want to touch this because they are worried about alienating voters. Yet we’ve seen France take action because it has an honourable tradition of protecting artists. It is time for others to follow. Ultimately, if nothing is done, we just won’t be here.”

A growing problem for book publishers

There is evidence that the advent of digital books threatens the industry with a problem that could evolve to match that faced by film studios and record companies.

In October 2010, online content protection firm Attributor released a study indicating there had been a 50 per cent increase in Google searches for unlicensed copies of books during the past year, and a 20 per cent increase in pirated downloads since the iPad became widely available in some markets in May 2010. Vampire novel *Breaking Dawn* by Stephanie Meyer registered as the most pirated book in the Attributor study.

Book piracy is moving fast up the agenda of the publishing business. “Book publishers and record companies face similar opportunities and challenges from the digitisation process”, says **Victoria Barnsley**, chief executive of Harper Collins, UK and International.

“As digital content becomes legally available across more platforms and hardware devices, such as the Kindle, which are designed specifically to enable e-reading, so the threat of piracy also necessarily increases. Yet we need the support of a robust legislative framework to underpin our actions. If illegal use of creative work is allowed or tolerated, how will authors earn a living in future? Where will the next generation of Hilary Mantel and Jonathan Franzens come from?”

Barnsley supports the UK’s Digital Economy Act, believing ISPs should take some responsibility for protecting creative works online. “It is nonsense to suggest upholding the interests of rights holders presents an obstacle to creating internet-based business models. We should be shouting that message very loudly to the government.”

In terms of digital penetration, book publishing is still far behind the music industry’s global figure of 29 per cent. Hachette UK, one of the major book publishers, generated 0.25 per cent of its revenues through digital channels in 2009. **George Walkley**, the company’s head of digital, expects this to climb to 10-12 per cent within three years.

Walkley, whose role is to get as many of the company’s titles as possible into a digital format on the broadest range of platforms available, says: “We represent thousands of authors, some of whom have an income of just £6,000 a year. They are dependent on the revenue from their sales. If we can’t secure some kind of system that enables them to be paid for their work then many may simply give up writing altogether.”

Walkley believes that ISPs are a vital component of any solution to digital piracy. “We see this problem as very difficult to tackle, other than at an ISP level. I think from an ISP level it is a winnable fight and the technology exists to tackle the problem.”



Jeremy Thomas



Victoria Barnsley

Digital Music Services in Profile



Omnifone

Rob Lewis

Omnifone is a business-to-business firm that powers digital music services around the world, on its multi-award winning MusicStation Platform. Current deals include a partnership with Hewlett Packard, which ships 48 million computers worldwide per year, to provide the MusicStation unlimited music service on a range of HP PCs as well as providing PlayNow plus, Sony Ericsson's prelicensed unlimited music service, for mobile and PC internationally.

Rob Lewis, executive chairman of Omnifone, says: "Our goal is to run the ultimate music delivery platform for any party that does not want to spend five years developing their own in-house offering."

Lewis believes digital music consumption will leap over the next five years. Research carried out by ICM for Omnifone in February 2010 found 79 per cent of people listen to music in the living room compared to 39 per cent on a portable players. "The mass market enjoys music in the living room, but digital services have traditionally focused on PCs and portable players. We see a huge opportunity in delivering music services through connected consumer electronics optimised for the living room in addition to existing channels."

"Most consumers love listening to music, but they don't know what to search for in a typical download store. They want the same simple user experience they get with Sky TV and are not interested in the technology behind it."

Tesco Entertainment

Rob Salter

Tesco Entertainment is an example of a huge UK brand name using its expertise in the retail sector to focus strategically on online entertainment. The company brought its physical and digital products together in one online space in 2009. The bulk of its sales are still physical format, but digital sales account for around a fifth of its revenues. The company believes families want to buy one copy of an album or movie and enjoy it legitimately on a range of devices around the home.

Rob Salter, Tesco's director of entertainment, says: "Our view is that people buy the title from us, not the format. Customers want to be able to enjoy an album or a movie across numerous devices in their home. We would like to repurpose the CD, so that when customers buy a digital bundle they can receive the physical product as well."

The company is launching Tesco's digital application and locker service in the spring of 2011. The offering will enable consumers to move content from their own personal libraries around a wide variety of devices. Tesco hopes to reach the mass market through this cloud-based proposition.



Pandora

Joe Kennedy

Pandora is a US internet radio service that creates streams based on users' music preferences. Its ad-supported tier has 75 million registered users and more than half a million users have signed up to its US\$ 36 annual subscription tier which drops all advertising and time limitations on use of the service. The company says its user base has a median age of around 30 and this has been creeping upwards as mainstream consumers adopt digital technology. The Pandora mobile application has been downloaded more than 45 million times.

Joe Kennedy, chief executive of Pandora, says: "2010 was the year that listening on portable or 'living room' devices overtook listening on desktop and laptop computers. We're focused on growing the internet radio market. We account for 53 per cent of internet radio listening, but just two per cent of overall radio listening in the US, so there is scope to grow the market."

One new frontier for engagement is the car. According to Arbitron, 47 per cent of all US radio listening takes place in the car. US auto giant Ford announced it will integrate Pandora into its new vehicles, following Mercedes-Benz, and Kennedy believes enabling motorists to easily use digital services on the move will dramatically expand the market.

Vodafone Music

Morgan Donoghue

Global telecom giant Vodafone aims to combine the convenience of subscription services with the sense of ownership delivered by downloading tracks to keep, and has a large and growing subscriber base who enjoy that offer. In January 2010, they announced almost half a million customers, which at the time made them the service with the largest paying music customer base in Europe.

Key to this appeal is Vodafone's packaging of downloadable track bundles. In the latest service evolution, subscribers will be able to choose from four, 10 or 25-track bundles from a library of millions of tracks, meaning

each song is priced at around half the price of competitors' offers. Vodafone plans to roll out the track bundle offer to pay-as-you-go customers in the near future.

Vodafone is working to harmonise its various offerings into one globally standardised service and is working with partners across its global footprint to roll out the music service further. Morgan Donoghue, Vodafone's head of global music, says: "Music will be a key focus for us in 2011. We think we can achieve our ambitious targets by capturing a sense of ownership that other subscription services struggle to offer."



We7

Steve Purdham

We7 is a UK-based music streaming service offering six million tracks to users either on-demand or as a personalised radio station. It operates both an ad-supported free tier and a subscription offering priced at £4.99 or £9.99. Users can also buy individual tracks to download. We7 is available through web browsers and mobile applications.

The service claims three million users, with almost half sourced from syndicated partners such as The Guardian and the NME. We7 reports that fewer than 50 per cent of its users listen on demand, with the majority preferring the Internet Radio Plus service.

Steve Purdham, chief executive of We7, says the service is doing well but could expand faster if it were not for the presence of unlicensed competitors. "While people often think they want an on demand service, experience suggests they actually prefer a personalised radio offering that feeds them music that's in their comfort zone."

"While music fans are shifting their listening time online, conventional radio has not really capitalised on this potential. We7 is working with its partners to deliver an innovative service to the next generation of internet radio listeners."

Slacker

Jim Rondinelli

Slacker is an online radio service available in the US and Canada. It identifies users' music preferences and creates tailored music channels for them. The company provides both subscription and ad-supported tiers, with the free service intended as a gateway to the paid-for offering. Slacker claims the highest conversion rates to paying subscription of any US music offering and reports its customer base grew sevenfold between April and October 2010.

Jim Rondinelli, Slacker's vice president of strategic development, says: "The average consumer can name their favourite artists or well-known tracks, but they don't have an encyclopaedic knowledge of music. These 'lean back' consumers find they run out of things to ask for on services that expect them to do all the legwork and their subscriptions become of limited use."

Slacker puts a high premium on its close relationship with mobile carriers as it ensures the service subscription can be charged through customers' mobile bills. A close integration of the service on the handset is also vital as consumers can access the service easily with a few clicks. Slacker is installed on millions of handsets, meaning users can experience the free-tier offering as soon as they take delivery of their new phone.

"Slacker is designed to bring music to consumers as quickly as possible and provide them with opportunities to enhance their listening experience."

The company is also advancing into the car, leveraging its mobile use and using infrared technology for in-car delivery. The company has indicated future partnerships with auto manufacturers in America, Europe and Japan.



Digital Music Services in Profile



Deezer Axel Dauchez

French-based Deezer is a streaming service that offers both free and premium tiers. Users can access the service online or through a mobile application. The company estimates its advertising-supported free tier currently generates around €10 million in advertising revenue annually and says that 12 per cent of those using the free tier service also pay to download individual tracks. Deezer is signing up more than 1,000 subscription users per month.

In 2010, the company signed a deal with Orange taking the service to a broader audience through a high-profile marketing

campaign. Deezer reports the joint subscription service is successful, enjoying a user satisfaction rate of 86 per cent. More than 200,000 subscribers signed-up to Deezer through Orange in the first four months of the offer.

Axel Dauchez, director-general of Deezer, is keen to recruit more users aged 30 to 35. "They have switched off engaging with music rather than migrating online. Our free service is designed to persuade these users to enjoy consuming music once more. Only then will they consider paying for a service."

Dauchez credits France's innovative HADOPI legislation with creating an environment in which people are taking a new interest in legal services.

WiMP Gunnar Larsen

WiMP (Wireless Music Player) is a streaming service created by Nordic digital firm Aspiro. It is offered as a stand-alone service in Norway and Denmark and is also available in bundled deals through Aspiro's business partners, notably ISP Telenor.

WiMP offers users access to nine million tracks, guiding them with facilities to create and share playlists with friends as well as offering highly localised editorial content. Users can also buy tracks to download and WiMP's figures suggest around eight per cent of them do so.

Unlike many streaming services, WiMP does not offer a free tier service. Gunnar Larsen, global sales director of Aspiro, says: "We allow users to try the service typically for a month without paying and then they must decide whether they are in or out. Our conversion rate is 70 per cent."

"It is our ambition to reach 'lean back' consumers that have not yet converted to digital music consumption. Our aim is to be inviting, not intimidating."

Telenor customers can enjoy WiMP for free for six months and then get a discount from the standard 99 kroner per month fee paid in both Denmark and Norway when they sign up to the company's mobile telephony and broadband services.



MOG David Hyman

MOG offers its US users an award-winning, on-demand subscription service that also acts as a personalised radio.

David Hyman, chief executive officer and founder of MOG, says: "On-demand radio has to be incredible, so we've put a lot of emphasis on our high-quality listening features. For the 'lean back and listen consumer', MOG offers the best on-demand service where users have access to unlimited, ad-free listening of over 10 million songs from over a million albums.

And, for listeners who want to more tightly control their playlists, MOG offers truly personalised radio which enables users to switch between true 'artist only' radio or a full mix of 'similar artists'. "I believe intelligent subscription services, such as MOG, will become the predominant way that people pay for music. MOG's strategy is to deliver the best digital music experience to all of the places where people want to consume music."

MOG believes the future of the sector is all about increased portability on smartphones and being built into car dashboards. The car will enable subscription services to tap into the high demand for music on the move.

Mflow

Oleg Fomenko

Mflow is a UK-based streaming and download service that enables users to discover new music through recommendation. Users promote tracks from Mflow's library of five million songs through playlists dubbed "flows" and if other people buy the tracks they recommend, the first user is rewarded with 20 per cent of the sale price.

Oleg Fomenko, chief executive of Mflow, says: "We are putting our money where our mouth is and incentivising people to discover and evangelise great music."

Mflow is integrated with Facebook and Twitter enabling its users to invite their friends to join and publish their own "flows". A typical user is aged 18-25, frequently engaging with the service and highly informed about new albums and singles. The service is also developing as a source of music reviews.

Mflow has ambitious expansion plans, but Fomenko believes unlicensed competitors represent a major barrier to growth.



Spotify

Daniel Ek

Spotify offers ad-supported and subscription tiers of a music streaming service. The Swedish company is present in seven European countries and hopes to expand into the US.

Daniel Ek, Spotify's chief executive, says: "We're educating people into moving from ownership to access. Spotify has a core focus on developing individuals' music libraries. Consumers feel that what you are selling them is not just an obscure library of millions of songs, but access to their music collection. That's a very powerful proposition for about a tenner a month."

The company believes high levels of penetration in a market help it move users to its premium service. Ek is very confident about Spotify's ability to convert users to its premium service: "We signed up more than 750,000 subscribers in the first year of our subscription offering. I believe we're on track to be the biggest music subscription service in the world very shortly."

In a bid to grow further, Spotify launched its Facebook integration in May 2010, enabling users to search through friends' playlists, an activity that has proved highly popular. Ek believes the company will also grow through partnership with ISPs. "ISPs are realising how music services can provide users with additional value." Spotify struck a successful deal with ISP Telia that could act as a template for others looking at similar partnerships.

VEVO

Rio Caraeff

VEVO is a US-based service that offers users the opportunity to watch music videos and advertisers the ability to reach targeted audiences.

Rio Caraeff, president and chief executive of VEVO, says: "We're generating more revenue through our audience's appetite for music videos than any online service has previously managed. We have more than 250 brand advertisers from categories as diverse as telecoms, automotive, retail and banking.

Since launching in December 2009, VEVO has become the leading premium music video and entertainment service in North America. In addition to its stand-alone website, the service powers music videos across YouTube, AOL, BET, CBS Interactive Music Group (including Last.fm) and Univision. VEVO has also launched a

series of Apps and has iPad, Android and more mobile platforms coming to market imminently. VEVO is the only music video channel on the new Google TV platform.

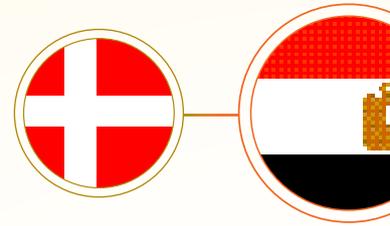
The company reports it has around 57.8 million unique visitors in the US who typically view videos for more than 76 minutes each month.

"We're able to deliver the kind of scale and targeting needed by large advertisers. We can, for example, reach Hispanic viewers aged 18-34 who are online this weekend in significant numbers because we reach more than eight million Hispanic video consumers in the US each month."

VEVO is distributed through YouTube in more than 20 countries and delivers more than 1.7 billion video streams worldwide per month. It has expanded its repertoire into live performances and original programming.



Digital Music Services Worldwide



ASIA PACIFIC

Australia

Bandit.fm
BigPondMusic
Cartell Download
DanceMusicHub
Get Music
Guvera
Hutchison
Inertia
iTunes
Jamster
Liveband
MIA
Missing Link
Mobile Active
Optus
Ovi
Song Shop
The In Song/ The In
Sound
Third Mile
Vodafone

China

163
9Sky
9You
China Mobile
Douban
Kugou
Kuwo
Ovi Music Unlimited
Perfect World
QQ
Sina
Top100
Youku

Chinese Taipei

Emome
Ezpeer+
Far Eastone
iNmusic
KKBox
muziU
Taiwan Mobile
VIBO
YouTube

Hong Kong

3Music
atnext.com
China Mobile HK
CSL Music
Eolasia.com
HMV
KK Box
Moov
Musicholic

"I love the fact that all the new digital services make it easy for people to discover my music, and for me to keep my fans updated on what I'm doing."

Jason Derulo

MusicOne
MusicStation
Musicxs
PCCW Mobile
Qlala
SmartOne iN
YouTube

India

Ovi Music Unlimited
Saregama

Japan

Aniloco
Beatport
Best Hit J-Pop
clubDAM
Dwango
Hudson
ICJ
iTunes Japan
Lismo
Listen Japan
mora
mora win
mu-mo
Music Airport
Music.jp
Musico
Musing
Naxos Music Library
Oricon ME
OnGen
Reco-Choku
Yamaha Music Media Corporation
YouTube

Korea

24hz
3355 Music
Bugs
Cyworld BGM
Dosirak
Daum Music
Joos
Melon
MNet
Monkey3
Musicsoda
Naver Music

Ohdio
Soribada
Soriya

Malaysia

Bimbit
Gua Muzik
Hypptunes

New Zealand

Amplifier
Bandit.fm
Digirama
FlyBys Music
iTunes
Jamster
Last.fm
Marbecks Digital
MySpace Music
Telecom Music Store
Vodafone Music Store
Vodafone Music Station
YouTube

Philippines

OPM Online
Smart Sandbox
Star Records

Singapore

M 1 Music Store
Ovi Music
PlayNow
Samsung Mobile
Singtel AMPed
Singtel Ideas
Starhub Music Store

Thailand

AIS
DTAC
i-humm
Music Combo
N-content
Red Gen
Sanook
Shinee
SoundZero
ThinkSmart

Total Reservation
True Digital
VoiceTV
You2Play

EUROPE, MIDDLE EAST AND AFRICA

Austria

3MusicStore
7digital
A1 Music
AmazonMP3
DG Webshop
eMusic
Finetunes
iTunes Austria
Jamba
Ladezone
Last.fm
Musicbox
Musicload
Mycokemusic
MySpace
Ovi Music
Preiser
Simfy
SMS.at
Soulsexdution
Telering
T-Zones
Weltbild
YouTube
Zed

Belgium

7digital
Beatport
Belgian Music Online
Cellorado
Dance-Tunes.com
DJTUNES
Downloadmusic.nl
eMusic
Fnac
iTunes Belgium
Jamster
Junodownload
La Mediatheque
Legal Download

Mobistar
PIAS shop
PlayNow Arena
Proximus (Vodafone Live)
Sony Music Myplay
Music Store
Studio 100 MP3 shop

Bulgaria

4fun
eMusic
Hitbox.bg
M.Dir.bg
mp3.bg
MTel Music Unlimited
Musicspace

Croatia

Cedeterija
Fonoteka

Cyprus

eMusic

Czech Republic

eMusic
iHegalne
O2 Active
Ovi Music
Stream
t-music
Vodafone
YouTube

Denmark

3music
BibZoom.dk
Bilka Musik
Billigcd.dk
CD Skiven
CDON Danmark
DSB
DVDOO.dk
Ekstrabladet.dk
eMusic
Getmore
GUCCA
Hollywood Express
Inpoc
iTunes Denmark
M1
PlayNow Arena (Sony Ericsson)
TDC Play
Telia
TouchDiva
TP Musik
VoxHall
WIMP

Egypt

Alamelphan
Mazzika Box

Estonia

eMusic
Muusika24

Finland

7digital
City Market CM Store
DNA Musiikkikauppa
download.MTV3.fi
Download.NetAnttila
Downloads.cdon.com
eMusic
Equal Dreams
Funman.fi
iTunes
Meteli.net
MTV Music Shop
NRJ Kauppa
NRJ Kauppa Mobile
Ovi Musiikki
Playnow Arena
Paimuri
Sonera Music Player
Spotify
Store.radiorock.fi
Tune Download Shop

France

121 MusicStore
7digital
airtist
Amazon
Beatport
Beezik
Carrefour
cd1d
Cultura.com
Deezer
Disquaire on line
E-Compil
eMusic
Ezic
Fnac.com
Gkoot electronic
iTunes
Jamba
Jamendo
Jazz en ligne
Last.fm
Lazy Live
Mondomix
musicMe
Musicclassics
MyClubbingStore
MySurround
Neuf Music
Nuloop
Orange Music



Ovi Music
Qobuz
SFR Musik
Spotify
Starzik
Virgin Mega
YouTube
Zaoza
Zed

Germany

7digital
Amazon MP3
AOL Musik
Artistxite.com
Beatport
Dance All Day
Deezer
Deluxe Music
elixic.de
eMusic
e-Plus unlimited
Eventim music
Finetunes
iTunes Germany
Jamba
JPC
Justaloud
Last.fm
Magix Music Shop
Mediamarkt
Medionmusic
Motorload
mp3.de
MP3.Saturn
MSN
Musik-Grafis.net
Musicload
Musicbox
Musicstar
Napster
Nexway/Dell
o2 Music
Ovi Musik
PlayNow
shop2download
Simfy
Simfy Live
T-Mobile Music
UMusic
Vodafone
Weltbild
WOM
Zaoza
Zed
zwo3.net

Greece

123play
Akazoo
Cosmote
eMusic
EMI Downloads

iTunes Greece
mpGreek
Sony Music Musicstore
Viva
Vodafone
Wind

Hungary

Dalok
Songo
UPC Music
Vodafone Live!

Iceland

Gogoyoko
Tonlist.is

Ireland

3 Music
7digital
Bleep.com
CD World
Eircom MusicHub
eMusic
Golden Discs
iLike
iTunes Ireland
Last.fm
Meteor Music Store
MySpace
Ovi Music
Sony Music MyPlay
Music Store
Universal Music
Vodafone Music
We7
YouTube

Israel

YouTube

Italy

7digital
Azzurra Music
Beatport
Dada
Deejay Store
Downlovers
eMusic
Fastweb
GazzaMusic
IBS
IMusic Libero
iTunes
Jamba
Last.fm
m2o.it
Messaggerie Digitali
Mondadori
MSN Music
Music Planet 3

“Our music is made available to our listeners and fans in every conceivable way. In Germany, the range of services on offer is so wide that fans can literally find any song or video they want.”

SEED

Net Music Media World
Ovi Music
Sorrisi Music Shop
TIM
Vodafone Live
Yalp
YouTube
ZED

Latvia

eMusic

Lithuania

eMusic

Luxembourg

eMusic
iTunes Luxembourg

Malta

eMusic

Netherlands

7digital
Dance-Tunes
Downloadmusic.nl
eMusic
Freerecordshop
GlandigoMusic
iTunes Netherlands
Jaha
Jamba
Last.fm
legal download
Media Gigant
Mega Media
MP3 Downloaden
MSN Muziek Downloads
MTV
Music Store
Muziek.nl
Muziekweb
Ovi Music
Planet Music
Radio 538
Sony Ericsson PlayNow
Plus
Spotify
Surf2Music
TMF

TOOST Music
TuneTribe
Vodafone
YOU MAKEMUSIC.COM
zazell.nl
YouTube

Norway

7digital
Beat.no
Bulls Press
CDON.com Norway
iTunes
Jamba
MTV
Musikkonline
Musikkverket & Playcom
NetCom
Ovi Music
Platekompaniet
Spotify
Telenor Musikk
WIMP

Poland

eMusic
iplay.pl
Last.fm
mp3.pl
Muzodajnia
MySpace
Orange World
Ovi Music
Soho.pl
YouTube

Portugal

7digital
Beatport
eMusic
iTunes Portugal
Jamba
Optimus
Ovi Music
Qmúsika
SAPO/ Musicaonline
TMN
Vodafone

Romania

Best Music
Cosmote
Dump.ro
eOk
Get Music
Music Mall
Music Nonstop
Orange
Triluliu.ro
Vodafone

Russia

Beeline
Fidel
iviMusic
Megafon
mp3.ru
Muz.ru
MTS
Omlete
Ovi Music
Soundkey
Tele 2

Slovakia

eMusic
Orange
Ovi Music

Slovenia

eMusic
mZone

South Africa

DJs Only
GETMO
Jamster
Just Music
MTN Loaded
Music Station
Ovi Music
Ovi Music Unlimited
Pick n Play
Rhythm Online
Vodafone Live

Spain

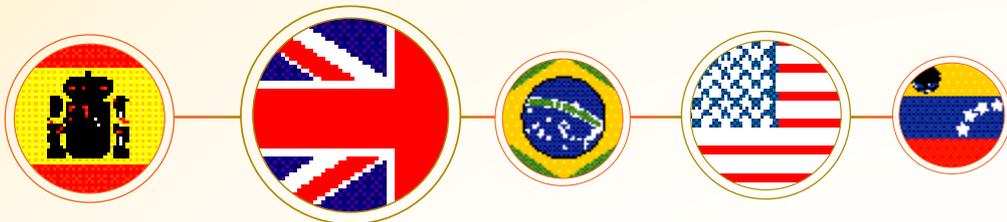
7digital
Beatport

Blinko (Buongiorno)
Dada
Deezer
eMusic
IbizaDanceClub.com
iTunes Spain
Jamba
Last.fm
Los40.com
Magnatune
Media Markt
Movistar
MTV
MUZU
MySpace
Olemovil (Jet
Multimedia)
Orange
Ovi Música
PixBox
Rockola.fm
Sony Ericsson PlayNow
Spotify
Tuenti
Vodafone
Yes.fm
Yoigo
YouTube

Sweden

7digital
Beatport
Bengans
CDON
Check-in music
eClassical
eMusic
Enjoy
Gazell Digital Store
iTunes
Jamba
Klicktrack
Last FM
Mr Music
Musikbiten
Musikshopen
MySpace
Ovi Music
Omnifone
Playnow Arena
Sound Pollution
Spotify
Tele2 - Musikbutiken
Telenor Musik
Telia Musikbutiken
Tre Music
YouTube

Digital music services in profile



“It is great what all the new technologies allow us to do. Having the access to buy any music from all over the world at any given moment, taking away the geographical boundaries allowing fans worldwide to enjoy music instantly.”

Thalia

Switzerland

7digital
20Minuten /
Soundshack
AmazonMP3
Cede.ch
Ex Libris
Finetunes
Hitparade.ch
iTunes
Jamba
Musicload
Orange
Ovi Music
PlayNow Arena
Simfy
Soundmedia
Sunrise Joylife
Weltbild

Turkey

Avea
Coken Music
Muzik.net
Müzik için Efes
Mynet
Ovi Music
Ovi Music Unlimited
TNetmusik
Turkcell
Vodafone
YouTube

Ukraine

Djuice
Muzon

United Kingdom

3 Downloads
7digital
AmazonMP3
Babelgum
Beatport
Bleep
Boomkat
Breakbeat.co.uk
BT Vision
Classical.com
Classical Archives
Classics Online
Coolroom
Deezer
DJ Download
eMusic

Fairsharemusic
Historic Recordings
HMV Digital
iLike
Indie Mobile
Indmill
iTunes
Jamster
Joost
Juno
last.fm
Mewbox (Android)
mFlow
MTV
Music Anywhere
Music For Life (Talk Talk)
MusicStation
Music Unlimited
powered by Qriocity
Musicoverly
Muzu.tv
MySpace
Napster
Naxos Music Library
Nectar Music Store
Oozit
Orange Music Store
Orange Monkey
Ovi Comes With Music
Ovi Music Store
Partymob
Passionato
Play Digital
Recordstore
Spotify
Tesco Downloads
Textatrack UK
The Classical Shop
T-Mobile UK
Track It Down
Traxsource
TuneTribe
Tunited
Vidzone (PS3 only)
Virgin Media Music
Vodafone
We7
Yahoo Music
YouTube
Zune

THE AMERICAS

Argentina

BajaMúsica
Faro Latino

Personal Música
Sonora
Ubby Música

Brazil

Baixa Hits
Claro
Coolnex
CTI Movel
Esom
iMúsica
iToc
IWFC Net Music
Mercado da Musica -
Transamerica
MSN Music Store
Mundo Oi
Ovi Music
Ovi Music Unlimited
Som Livre
Sonora
TIM Music Store
Universal Music Loja
Universal Music Mobile
UOL Megastore
Vineyard Music
Vivo Tons e Imagens
Warner Music Store
Yahoo! Music
YouTube

Canada

7digital
Bell Mobility
iTunes Canada
Motime
Napster Canada
Puretracks
Rdio
Slacker
Telus
Ur Music
VEVO
YouTube
Zik

Chile

Bazuca
Claroideas
Entel-Napster Mobile
Mimix
Wapmania

Colombia

Codiscos
ETB Musica
Ideas Comcel Music
Store
Supertienda Movistar
Música
Sonora
Tigo

Jamaica

REGGAEinc

Mexico

American Express Music
Shop Operado por
Universal Music
Flycell
In2Go
Ideas Music Store
Mexico
Ideas Radio Mexico
Ideas Telcel
iTunes Music Store
Mexico
Iusocell
Mixup Digital
Movistar
Música en Ovi
Prodigy MSN Mexico
Cyloop Radio Station
Prodigy MSN Music
Video
Terra Mexico
Tvolucion
YouTube

Paraguay

Claro
FeelMP3
Personal
Tigo

United States

7digital
AmazonMP3
AOL Music
Artist Direct
eMusic
iLike
iTunes
MOG
MTV

Muve Music
MySpace Music
Napster
Pandora
Qtrax
Rdio
Rhapsody
Slacker
Thumbplay
Vevo
Yahoo! Music
YouTube
Zune

Uruguay

Ancel Musica
Claro Music Store
Tmuy

Venezuela

Música Movistar

Note: This is a list of digital music services from around the world that appears on the Pro-music website (www.pro-music.org). Pro-music is endorsed by an alliance of organisations representing international record companies (majors and independents), publishers, performing artists, and musicians' unions.

The list is compiled by IFPI based on information from its national groups at time of publication. It does not purport to be exhaustive and IFPI cannot guarantee its 100 per cent accuracy. Readers should consult the www.pro-music.org website for the most up to date information.

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Page 3

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Page 10

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Page 13

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Page 17

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Page 19

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Page 21

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Page 23

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Page 25

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