

IFPI Digital Music Report 2010

Music how, when, where you want it



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Music How, When, Where You Want It – But Not Without Addressing Piracy



By John Kennedy, Chairman & Chief Executive, IFPI

This is the seventh IFPI Digital Music Report. If you compare it to the first report published in 2004, you can see a transformation in a business which has worked with the advance of technology, listened to the consumer and responded by licensing its music in new formats and channels.

In 2009 globally, for the first time, more than one quarter of record companies' revenues came from digital channels. Fans can acquire tracks and albums in ways inconceivable a few years ago – from download stores, streaming sites, subscription services, free-to-user sites, bundled with their broadband or a mobile phone handset.

It would be great to report these innovations have been rewarded by market growth, more investment in artists, more jobs. Sadly that is not the case. Digital piracy remains a huge barrier to market growth. The slump in sales and investment in three major music markets outlined in the Report testify to this and are a warning to the rest of the world. On the positive side, we have built a US\$4.2 billion digital business full of consumer-friendly services. On the negative side, our global sales fell by around 30 per cent from 2004 to 2009, the growth of our digital sales is slowing and even the success stories reported in this publication will struggle to survive unless we address the fundamental problem of piracy.

Some ask, 'why not give up the fight?' The answer is straightforward – first, we cannot afford to. To continue to invest

in new artists, we have to tackle mass piracy. Second, we are progressing towards an effective response. The progress is agonisingly slow for an industry which does not have a lot of time to play with – but it is progress nonetheless.

On page 20 of the Report, Stephen Garrett, head of the production company Kudos, refers to a "climate change" in the creative industries. That expression

"To continue to invest in new artists, we have to tackle mass piracy."

captures the way the debate over digital piracy has evolved. You hear it around the world: this is no longer just a problem for music, it is a problem for the creative industries: affecting film, TV, books and games. In this arena, the music industry is the pathfinder of the creative industries, pioneering with new offerings for the consumer. In 2009, Rupert Murdoch said that the content kleptomaniacs should not triumph and Microsoft spoke out against piracy, ready to ban players from Xbox live if they had modified their consoles to play pirated discs – no three strikes procedure needed!

The thinking behind the debate has also crucially changed. It is about the future of a broad base of creative industries that have huge economic importance and employ vast numbers of people. This is one of the reasons why the French, UK and other governments are set on

legislation to curb illegal file-sharing. Another clear change is within the music sector itself. It was, until recently, rare for artists to engage in a public debate about piracy or admit it damages them. In September 2009, the mood changed. Lily Allen spoke out about the impact of illegal file-sharing on young artists' careers. When she was attacked by an abusive online mob, others came to her support.

The mood of change is clearly reaching governments. In 2009, legislation requiring ISPs to tackle P2P piracy was adopted in France, South Korea and Taiwan. These countries established in law that it is appropriate for those who persistently violate copyright, despite repeated warnings, to face a proportionate and effective sanction. This sets a tremendous precedent in the protection of intellectual property rights online. In the UK, as in France, it is understood that government has a key role in protecting content on the internet. Even in the most competitive, innovative and market-driven industries, the market itself can only operate under the effective rule of law.

This Report points the way to an optimistic future for the music industry – great offerings for consumers, more investment in artists, economic growth and more jobs. Yet we are nowhere near that future today, and we will not get there without a secure legal environment where creative work is rewarded and copyright theft is effectively deterred. To unlock the enormous potential of digital music, we have to address piracy both on P2P networks and in other forms. That is where, today, we look to governments for action. ■

Executive Summary: Music – Pathfinder In The Creative Industries' Digital Revolution

“Our aim is not simply to be digitally savvy – our aim is to be consumer savvy.”
Elio Leoni-Sceti, Chief Executive, EMI Music

A diversifying industry

The music business is continuing to lead the creative industries into the digital revolution. In 2009, for the first time ever, more than a quarter of the recorded music industry's global revenues (27%) came from digital channels – a market worth an estimated US\$4.2 billion in trade value, up 12 per cent on 2008 (IFPI). In the US, the world's largest music market, online and mobile revenues now account for around 40 per cent of music sales. Consumer choice has been transformed as companies have licensed more than 11 million tracks to around 400 legal music services worldwide.

Fans today can access and pay for music in diverse ways – from buying tracks or albums from download stores, and using subscription services, to using music services that are bundled with devices, buying mobile apps for music, and listening to music through streaming services for free.

Music companies have licensed advertising –supported services to attract non-payers and file-sharers, struck groundbreaking deals with major ISPs, developed partnerships with device manufacturers and established a new platform for high-quality music videos aimed at mass audiences. All of these initiatives are experimental and innovative, and all are predicated on the simple principle of meeting the needs of the music fan.

“Our vision is music availability everywhere, at any time and in any place. But the biggest question is how do we monetise it in an environment of widespread piracy?”

Eric Daugan, Senior Vice President, Commercial Strategy, Warner Music International EMEA

“Our aim is not simply to be digitally savvy – our aim is to be consumer savvy. We know that people want to consume music digitally, so we need to be digitally aware, have digital capabilities and marketing ability,” says Elio Leoni-Sceti, Chief Executive, EMI Music.

In the digital era, the music industry is diversifying its business models and revenue streams. The à-la-carte download model, pioneered by iTunes, remains the largest revenue source in the online sector and has more than 100 million accounts across 23 countries (Apple). Recent innovations in the à-la-carte sector include the introduction of variable pricing, which has increased the conversion of track purchases to album sales, as well as the launch of the iTunes LP and the rollout of DRM-free downloads internationally.

New business models

Record labels are making music available in an unprecedented number of ways. A few years ago, an album would have been delivered in just a few formats. Today, albums come in hundreds of formats and products. For example, Beyoncé's *I Am... Sasha Fierce* album is available in more than 260 different products in the US including music videos, mastertones, ringback tones and audio tracks.

Over the past couple of years, music companies have partnered with ad-supported services such as Spotify, Deezer, MySpace Music and We7, ISPs such as TDC in Denmark, Terra in Brazil and Sky in the UK, mobile operators such as Vodafone, handset makers such as Nokia and Sony Ericsson, and online video channels such as Hulu and VEVO.



Access and bundling

Despite this progress, the challenge is to take digital music to the commercial mass market and “monetise” existing behaviour. There is huge untapped consumer demand and potential for growth. Research conducted by Capgemini found that 70 per cent of all music consumed in the US, UK, France and Germany came through digital channels, while revenues from digital platforms in those countries accounted for only 35 per cent of industry revenues. One way of realising this growth potential is to generate value from the behaviour of the vast number of people who currently do not pay for music they consume.

In the US, only 18 per cent of internet users aged 13 and over regularly buy digital music today (NPD Group).

In Europe, digital adoption is even less widespread – only 8 per cent of internet users in the top five EU markets frequently buy music digitally (Forrester).

“We’re much closer to the utopia, where we’re extracting €1 out of a million consumers as opposed to €10 out of a thousand.”

Rob Wells, Senior Vice President, Digital, Universal Music Group International

“Music access” is seen as a compelling legitimate alternative to piracy. Music is bundled with services and devices, or offered at no cost to the consumer on an advertising-supported basis. This low “average revenue per user” and high volume approach is seen as one of many hybrid revenue models rather than a single model for the future.

Convergence of services across devices is also a major theme in digital music. This is helping break down the interoperability barriers that have limited the consumer appeal of some services and restricted the growth of the digital business. Each year the consumer is getting a better deal as it becomes easier to transfer and use music across multiple screens and platforms. In 2009 for example, mobile applications brought streaming services Spotify, Deezer and others to devices like the iPhone, allowing a premium service offering portability. This convergence of services and devices, opening up new revenue channels is expected to accelerate.

Barriers to growth

The digital music business still faces many barriers to its growth. These include lack of marketing by services in some countries, problems with publishing rights, consumer reluctance to make online payments and the complex challenge of creating services that are user-friendly to different consumer groups.

Transcending all these obstacles, however, is the problem of digital piracy. Numerous indicators, outlined on page 18 of the report, confirm digital piracy is choking revenues, new services and investment. Surveys also confirm the simple proposition supported by focus groups and anecdotes everywhere – that the majority of consumers who illegally download, rather than use the many legitimate alternatives available today, do so because of the lure of “free”.

A variety of third-party research conclusively indicates that the net effect of illegal file-sharing is reduced purchasing of music. This is despite the obvious fact, also borne out in research, that some file-sharers are often also buyers of music.

“In order to take the business to the next level and capture the enormous potential that’s still untapped, we need new services to truly break through to the mass market. To do that, an attractive user interface, a strong value proposition and a clear marketing message are essential, as is an effective way of curbing piracy.”

Thomas Hesse, President, Global Digital Business, U.S. Sales & Corporate Strategy, Sony

Piracy hits investment

The crippling effects of illegal file-sharing are clear. Overall music sales fell by around 30 per cent between 2004 and 2009. The worst-affected markets are countries where, despite the industry's efforts, legitimate digital services have had little chance to take root. In Spain where legal problems have frustrated the ability to take action against piracy, sales fell by around 17 per cent in 2009 and the market is now about one third of its level in 2001. In Spain and elsewhere the victim has been investment in local acts. The number of local artist album sales fell by 65 per cent between 2004 and 2009. In France, the number of local repertoire album releases plummeted from 271 in the first half of 2003 to 107 in the same period of 2009. In Brazil, local full priced artist album releases by the five biggest music companies slumped 80 per cent between 2004 and 2008.

Salvador Cufi, Chairman of indie label Musica Global, based in Girona, Spain, says "We have made a great effort to digitise our catalogues and to create new business models for the internet – but there is no way in today's market that we can make those investments profitable. It is a very sad situation that we can no longer invest in new artists in the way we would like."

Eric Daugan, Senior Vice President, Commercial Strategy, Warner Music International EMEA, says "Our vision is music available everywhere, at any time and in any place, but the biggest question is how do we monetise it in an environment of widespread piracy? One way is to come up with products that people want to consume, and that is our responsibility. But if these products and services are to flourish we also need help from governments and ISPs."

Digital Music: Charting Change

	2003	2009
Licensed music services	Less than 50	400+
Catalogue available	1 million	11m + tracks
Industry's digital revenues	US\$20m	US\$4.2 billion
% of industry's revenues from digital channels	Negligible	27%



260+: Number of different products Beyoncé's *I Am...* *Sasha Fierce* was made available in during 2009

Research by Harris Interactive in the UK shows that although P2P remains the major piracy problem, the illegal distribution of music through other channels grew considerably in 2009.

Unlicensed download sites, news groups, specialised search engines, forums, blogs and cyberlockers were all significant channels for infringement.

“There have to be sanctions, ISPs have to be involved and there needs to be back-up legislation. I would have preferred a purely commercial solution to achieve this, but sadly it doesn’t look as if that is going to happen. That is why there needs to be the encouragement coming from legislation.”

Martin Mills, Chairman, Beggars Group

Case studies, creative industries

There are indications, in Sweden and South Korea, of the positive impact of a strengthened copyright environment on curbing piracy and enhancing legitimate sales.

Case studies in this report show improved music sales in those countries in 2009, though sustained action will be needed to maintain this progress.

Digital piracy rose sharply on the agenda of all creative industries in 2009. With the rapid advance of technology, games manufacturers, film and television producers and book publishers are now facing the same challenges felt by the music industry at the start of the decade. Simon Renshaw, artist manager, says “What I worry about is that we are heading into a world where copyright has no value and where there’s no incentive for anyone to provide patronage and support for the creators of intellectual property.”

Consumer education

Consumer education has a vital role to play, and the music industry is currently involved in more than 70 awareness programmes across the world. It is clear however, that consumer

education alone, while it has effectively raised awareness of the legal and ethical issues around unauthorised downloading, does not change consumer behaviour. Good legitimate music offerings and meaningful deterrence are vital in this process.

Legislation, ISP cooperation

The music industry and other creative sectors around the world are seeking to engage ISPs in curbing digital piracy on their networks. In most countries, this requires help from governments in establishing a consistent and effective response from the entire ISP community. The most widely considered approach so far is a graduated response model, involving escalating warnings to infringers culminating, as a last resort for those who refuse to stop, in the sanction of temporary account suspension. The graduated response is a proportionate, effective way to curb piracy.

IFPI first called for ISPs to cooperate in a graduated response system in 2005. Five years later, voluntary means have largely failed to progress. A number of governments however, including France, UK, New Zealand, South Korea and Taiwan, have enacted legislation to require such cooperation or are in the process of doing so. ■



“A decade’s worth of music file-sharing and swiping has made clear that the people it hurts are the creators... and the people this reverse Robin Hooding benefits are rich service providers, whose swollen profits perfectly mirror the lost receipts of the music business.”

Bono, singer-songwriter, in the *New York Times*, January 2010

The Diversification Of Business Models

“We are shaping our own future by finding new ways of getting music into people’s lives.”

Lucian Grainge, Chairman and CEO, Universal Music Group International

Downloads continue to grow

A-la-carte download services account for the majority of online revenues and saw steady growth. Three key developments in 2009 were: the roll-out of more DRM-free services, continued growth in digital album offerings and the introduction of variable pricing.

Music companies have expanded their licensing of DRM-free à-la-carte services internationally. Fans can now transfer their purchased music files to different portable players when they buy from virtually any online service. Digital album sales grew faster than single track purchases in many markets. Variable pricing, by which catalogue music is discounted relative to new top charting tracks, helps increase the conversion of track purchases into album sales.

The launch of **iTunes LP** – a deluxe digital format – boosted demand for premium albums which account, on average, for 65-70 per cent of the sales of a major digital album release. Artists from Bob Dylan to Jay-Z are engaging fans in this new way. Premium album downloads often outsell regular versions. During the first week of sales through iTunes in Europe, the deluxe version of Michael Bubl  s *Crazy Love* out-sold the standard version by a ratio of 3:1.

ISP and mobile partnerships

Internet service providers (ISPs) are increasingly looking to become commercial partners of music companies. They can add value to the ISPs’ offers at a time when their traditional broadband market is close to saturation in many markets and

consumer demand for content such as video is increasing network costs. Music and other entertainment content help ISPs reduce ‘churn’ and retain customers as well as generating new revenues.

TDC’s PLAY service was the first ISP music service to launch. Today it offers TDC’s broadband, mobile and cable customers in Denmark unlimited music streaming from a catalogue of 6.1 million tracks at no additional cost. TDC’s online customer churn was reduced by 50 per cent, for those who used TDC Play.

In the UK, home entertainment company Sky launched **Sky Songs** in October 2009 offering consumers unlimited streaming of more than four million tracks with packages of 10-15 downloads per month. This new offering is powered by music service Omnifone.

In Brazil, **Terra Networks**, part of the Telefonica Group, launched **Sonora** in 2006. The service offers unlimited music streaming through a “tethered” subscription service with a fee bundled into the ISP bill. In February 2009 Sonora launched a new service tier – 20 hours of music streams per month, free-to-consumer on an ad-supported basis. The new offer attracted more than three million users in less than one year. Mobile operators also increasingly offer added-value content.



Vodafone for example is active in more than 20 countries, offering both à-la-carte and unlimited subscription services. In April 2009 Vodafone Spain launched an unlimited music subscription service bundled with an overall mobile service which attracted more than 100,000 users shortly after launch.

Music subscriptions bundled with devices

Mobile handset manufacturers Nokia and SonyEricsson started offering unlimited music services bundled with mobile phones in 2008. The global reach of these players brings enormous opportunities. Nokia is the biggest mobile device manufacturer in the world selling more than 450 million phones every year.

Nokia’s Comes With Music (CWM) expanded widely into international markets in 2009, launching in 11 countries. The service has enjoyed particular

“The key for all of us in the industry is to continue to experiment, to be somewhat agnostic in our approach.”
Ron Werre, President, EMI Music Services

PREMIUM PRODUCTS

SUBSCRIPTIONS

success in Latin America. In Mexico, there were 10 million downloads in the first six months of the service's operation and Brazil is now CWM's top-selling territory. “Comes with Music is a strategic move to transform the company from a handset manufacturer into an internet services company. Music is obviously an important pillar out of all the services that we're launching”, says Adrian Harley, Nokia Music Manager, Brazil and Southern Cone.

Other types of device partnerships include Dell's bundling of the subscription service **Rhapsody** with its computers in the US and with **Napster** in the UK for a limited period.

The rise of streaming services

A key development in 2009 was the growth of advertising-supported services that offer music streaming at no cost to fans. The “upselling” of users to premium services is critical to the long-term success of these companies. **Spotify** is one of the highest-profile of such services. More than seven million users across six countries have

signed-up to date. Unlimited streaming is free on a computer and is advertising-supported. Portable access through a mobile application with no advertising is available for €9.99 a month. Spotify has reached an agreement with Swedish ISP TeliaSonera, allowing its customers to pay for the premium service on their broadband bill.

Another service operating a similar model is **Deezer**, a web-based service which users can access on any computer without the need to download software. It offers music streaming and personalised web radios and has attracted more than 16 million users to date, including 10 million in France. Advertising-supported models have shown some success in migrating users unwilling to pay for music and who have mainly used illegal file-sharing services. According to GfK, six out of 12 Swedish users of Spotify reported in July they had stopped or cut down on their file-sharing activity since using the service.

iTunes announced in late 2009 that it was purchasing Lala, in a move that industry commentators said could lead to the company becoming involved in the streaming market.

Monetising music videos online

Music video is a leading growth area in digital music, driven by the success of streaming services. According to a study by Jupiter Research in 2009, sites such as YouTube dominate digital music activity in Europe with nearly one-third of all internet users (31%) watching music videos online.

In December 2009, Universal Music Group and Sony Music Entertainment partnered with YouTube and the Abu Dhabi Media Company to launch **VEVO** in the US and Canada. The service has also signed an agreement with EMI Music. The service is focused on the ad-supported distribution of professional music videos online through the VEVO channel within YouTube, through VEVO.com and other online destinations. In a separate move, Warner Music signed a

deal with YouTube in September 2009 that created a feature-rich experience for fans accessing music related-content from Warner Music artists, including a high-quality premium player, enhanced channels and links to artist websites. The agreement also allowed the record company to sell advertising alongside videos that use its music across multiple channels.

Thomas Hesse, president, Global Digital Business, US Sales and Corporate Strategy, Sony Music Entertainment, says “VEVO was created to improve the experience for both customers and advertisers with a new premium environment dedicated to viewing professionally produced content.”

Hulu is another service offering music videos and live concerts online. MySpace Music has also extended its service to launch **MySpace Music Videos**.

Direct to consumer

Labels also work to support artists in direct-to-consumer sales of music, merchandising and concert tickets. Warner Music started to take artist websites in-house in 2008 and now operates them for around a quarter of its European roster. In Spain, the company runs artist Alejandro Sanz's official site, signing up around 80 per cent of his fan club to premium membership for €38.99 a year. The site's monthly unique user numbers soared by 300 per cent since Warner began to work with Sanz on it, with the artist blogging four or five times a day to help generate an active online community. ■

1/3: Nearly a third of European internet users watch music videos online



Digital Music Sales Around The World

Music companies' global digital revenues grew by an estimated 12 per cent in 2009 totalling US\$ 4.2 billion in trade revenues. Digital channels now account for 27 per cent of music sales, up from 21 per cent in 2008 (IFPI). The music sector is generating far greater value from the online and mobile market than any other sector in the creative industries, with the exception of electronic games. Music companies' revenues from digital channels are now proportionately more than double that of the film, newspaper and magazine industries combined.

Despite this success, the increase in the music industry's digital sales is not offsetting the sharp decline in sales of physical formats. Overall, global music sales fell for the tenth year running in 2009. Full year figures were not available at the time of going to press, but digital and physical global sales in the first half of 2009 were down 12 per cent, excluding performance rights income (IFPI).

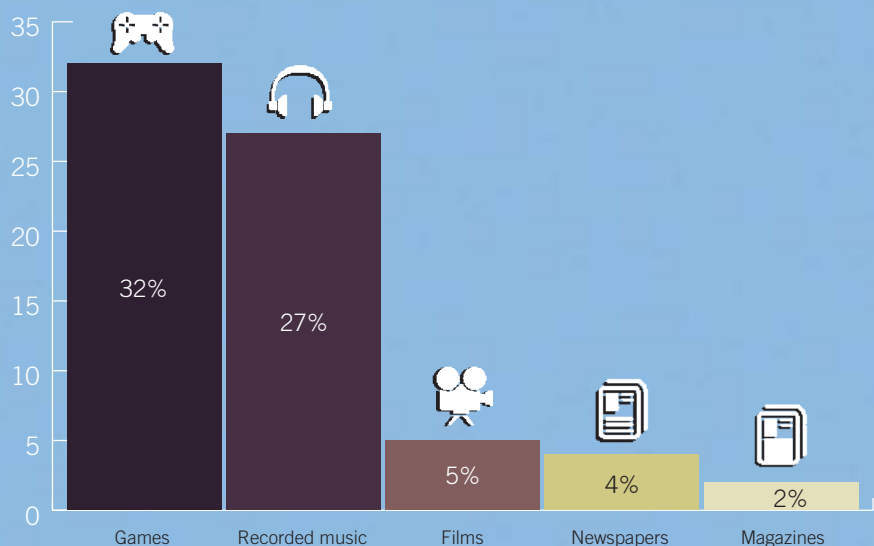
In the largest digital music market, the US, within the space of eight years digital revenues have gone from practically zero to accounting for around 40 per cent of the US music market (RIAA). iTunes is now the biggest music retailer in the US, accounting for 25 per cent of the overall music market, followed by Walmart, Best Buy and Amazon (NPD Music Watch).

Top 10 Digital Songs 2009

ARTIST	TITLE	SALES
Lady Gaga	Poker Face	9.8m
Black Eyed Peas	Boom Boom Pow	8.5m
Jason Mraz	I'm Yours	8.1m
Lady Gaga	Just Dance	7.7m
Black Eyed Peas	I Gotta Feeling	7.1m
Taylor Swift	Love Story	6.5m
Beyoncé	Single Ladies (Put A Ring On It)	6.1m
Soulja Boy Tell'Em	Kiss Me Thru The Phone	5.7m
Kanye West	Heartless	5.5m
Britney Spears	Circus	5.5m

Source: IFPI. Chart includes online single tracks, audio and video master tones, ringback tones and full track downloads to mobile. Period of 12 months to November 2009. Sales are rounded. Combines all versions of the same song.

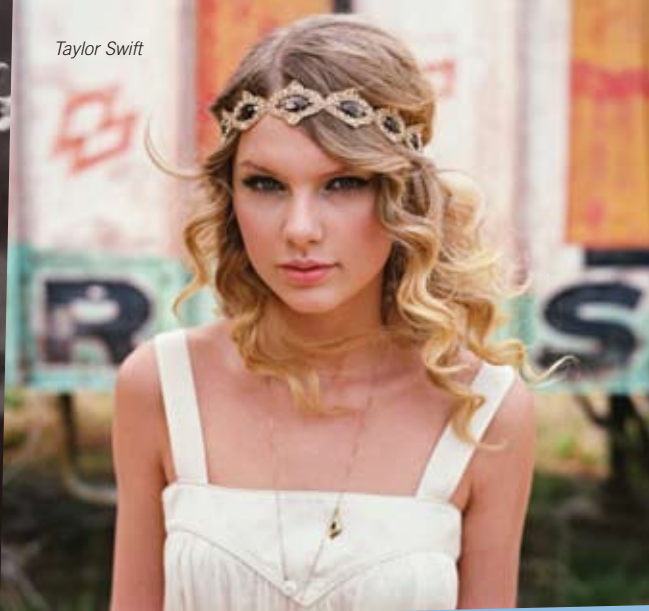
Global Digital Revenues Share



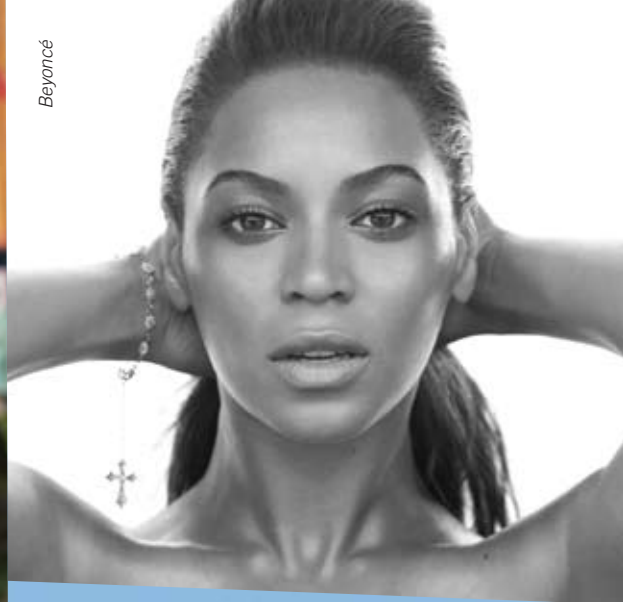
Sources: IFPI, PWC Global Entertainment and Media Outlook



Taylor Swift



Beyoncé



In **Asia**, around a quarter of the music business is now composed of digital revenues, set against a backdrop of sharply falling physical sales (IFPI). Digital sales in China, Indonesia, South Korea and Thailand now account for more than half of all music sales. South Korea has seen the benefits of a stronger copyright environment and there has been strong growth in MP3 subscription services (see page 26). Japan, the biggest market in the region, was hit by mobile piracy and economic downturn, seeing CD sales fall by more than 20 per cent in the first half of 2009, while digital sales were flat.

Strong downloading demand helped **Australia** become one of the few developed music markets to achieve the “holy grail” of overall growth in the first half of 2009, as the rise in digital music sales offset a small decline in revenues from physical formats. Digital album sales nearly doubled in the first half of 2009, representing almost 8 per cent of overall album sales, and digital albums are proving especially popular in the early days after a title’s release (ARIA). Some local artist releases, for example those by Australian artists Eskimo Joe, Hilltop Hoods and Paul Dempsey, saw digital album sales of between 15 and 20 per cent of total first week sales.

Europe continues to lag behind in digital adoption, with only around 15 per cent of sales coming from digital channels. In 2009 however, Europe was the fastest growing region in terms of digital sales.

A study by Jupiter Research in March 2009 highlighted some reasons for Europe’s digital lag:

- The impact of music piracy – there are 29.8 million frequent users of file-sharing services in the top five EU markets alone and other forms of piracy are growing. Trends indicate a north-south divide, with Italy and Spain showing considerably higher piracy levels. Paid digital music services have a fundamental problem in competing with widespread illegal downloading.
- Europe’s higher taxation levels compared to the US, different royalty structures and a fragmented rights landscape makes pan-European licensing a resource-intensive and complicated process.
- High-street retail consolidation started earlier in the US. This drove active music fans online earlier, both to online CD retailers such as Amazon as well as digital stores.
- The \$0.99 à-la-carte model has been better suited to the US compared to the fragmented European market given the comparatively low margins, which favour large players and economies of scale.

Latin America closely follows Europe in terms of digital share, with nearly 15 per cent of revenues coming from digital channels. Brazil is the biggest digital market in the region and saw the successful development of services including Nokia Comes With Music and Terra Sonora in 2009. Mexico saw the introduction of the iTunes store in August 2009 – the first in the region.

Globally, single tracks crossed the 1.5 billion mark for the first time, up an estimated 10 per cent on 2008. Digital albums grew an estimated 20 per cent, double the rate of single tracks. Today, around 20 per cent of albums sold in the US are digital and around 15 per cent in the UK (RIAA, BPI).

The best selling single track of 2009 was Lady Gaga’s *Poker Face*, selling a total of 9.8 million units. By comparison, the best-selling digital single track in 2008, Lil Wayne’s *Lollipop*, sold 9.1 million units and in 2007 Avril Lavigne’s *Girlfriend* sold 7.3 million units (IFPI).

Global mobile music revenues fell in 2009, hit by piracy, lack of operator support for music services in some markets and saturation of the mastertones sector. On the other hand, single track mobile downloads were stable and ringback tones continued to grow thanks to strong sales in the US, Japan and India.

Music subscriptions continued, and are expected to grow, account for more than 5 per cent of digital sales in 2009 (IFPI). Services such as TDC PLAY, Nokia Comes With Music, Spotify Premium and Vodafone drove this growth. Despite still accounting for a modest share of overall digital revenues, advertising-supported revenues are also expected to show strong growth in 2009. ■

In Profile: Pioneers Of Digital Music

Music To The Household

Neil Martin, Business Development Director, Sky Songs

The UK home entertainment company Sky's music service, launched in partnership with all major and many independent record companies in October 2009, is the most high-profile tie-up to date between the music industry and an ISP.

"Sky is synonymous with premium content and great hi-tech driven solutions. We're also known for our pioneering work in launching and growing subscription services where people are happy to pay for content. We therefore had skills in the company that were relevant to launching a digital music service" says Neil Martin, business development director.

Sky Songs is part of the company's broader move to multi-platform delivery, which includes the launch of Sky Player on Xbox and mobile TV on the iPhone. "The way people use media is changing. A mainstream audience is now comfortable with enjoying content on different media – their phone, their PC and their TV."

The service offers music fans unlimited streaming of more than four million tracks and the opportunity to download an album or 10 individual tracks for £6.49 per month or 15 tracks for £7.99 per month. Users have the option of signing up for one month only.

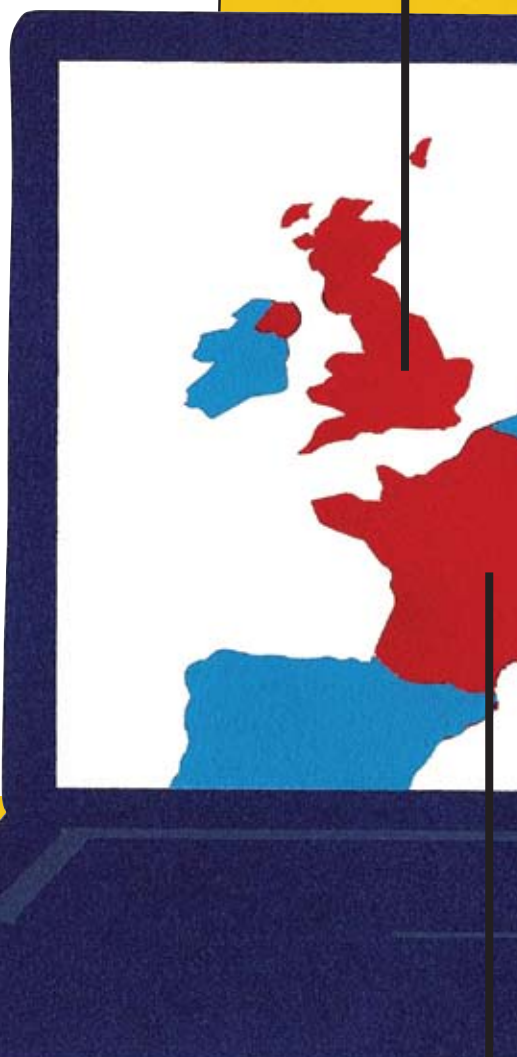
"Subscription services that locked people into long contracts without the option of downloading were not popular.

People thought after six months that they had nothing to show for the money they had spent. And who are we to determine how people should enjoy music? If people want to buy music in bursts, we want their business."

Sky has invested heavily in editorial support for the site. "You can't just dump people in front of 150 years' worth of repertoire and leave them to get on with it. You need to help people explore and discover new music otherwise they will be hit by choice paralysis."

"We understand this through our work in television, where schedulers provide choice that ensures people watch more than two or three of the 600 channels available on the Sky platform. With Sky Songs, editorial can lead people to explore certain genres or tracks. The other day, the most visited page on the service was a playlist of the greatest-ever funeral songs, something that was driven by a piece of editorial."

Sky believes the increased adoption of digital services will be driven by the quality of the user experience offered. "When we sold Sky Plus (a personal video recorder service), we didn't sell the technology, we sold what it enabled you to do. Now it is in 25 per cent of UK homes. You don't sell bits and bytes, you sell the user experience. People enthused about Sky Plus to their friends at parties or down the pub. We want to generate such advocacy for Sky Songs because of the quality of the service." ■



Replacing Piracy With Partnership

Jonathan Benassaya, CEO of Deezer

Deezer is a France-based ad-supported music streaming service. It has made the migration from being unlicensed and illegal to being a valued partner to the music industry. "In the US, start-ups usually begin in a garage; in Paris my partner started out in the music business in my kitchen – launching a website called blogmusik.net" says Jonathan Benassaya. "He soon received letters from bodies representing rights holders saying the service was

illegal and must be shut

down. He did that and then I sat down with him and the rights holders to see if we could work out a way forward."

The result was Deezer, a licensed and legal website that users can access anywhere using a browser. The service offers on demand music streaming, web radio and a smart radio tool similar to Last.fm or Pandora. Once users have listened to their own playlist a number of times they tend to switch to web radio to find out about new hits or the smart radio tool to discover new tracks. Deezer also offers a free mobile application for its web radio service. For the on-demand portable feature users pay €9.99 per month.

The company has gone from three people in August 2007 to 45 people to date. "Our focus is on profitability instead of international expansion. That's why we've done a huge job in France trying to optimise everything - from the music rights to the cost structure. We've grown from 100,000 unique visitors to 16 million across Europe, including almost 12 million in France." ■





Spot & Identify

Daniel Ek, CEO of Spotify

Spotify today offers registered users free access to more than 6.5 million tracks to stream, while premium services enable fans that pay a monthly fee to listen to music on their mobile handsets and to strip away the advertising that supports the free model.

“In 2006 when we started working on the project, the company was just me and a colleague. We quickly hired another four guys. When we launched in October 2008 we had around 40 people on the staff. Right now, there are about 110 people working for the company.”

“When I launched Spotify, I felt there was an inconsistency between how people consumed music and the way the business model worked. We are now using technology to bridge a business problem and make it more accessible for consumers to get music. At the same time, the protection of the content is important so that the revenues derived flow back to the artists.”

Ek believes that the digital music business in Europe can grow at least fourfold in the next few years. “We’ve been focusing on the user experience. Our aim has been to do something that consumers love and then figure out how to monetise it.”

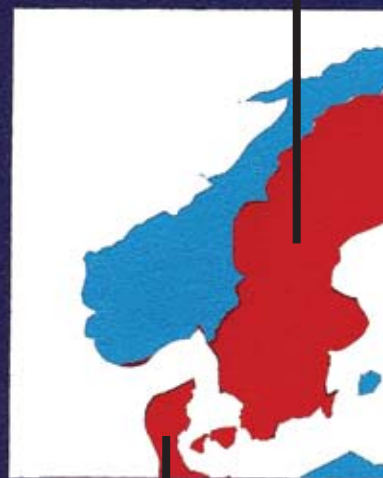
Around 65-70 per cent of the music accessed on Spotify is back catalogue rather than new releases, with the service functioning highly effectively as a music discovery tool. “Ultimately, it’s because the platform is so quick and it’s so easy to listen to whatever music you want within three seconds.”

Spotify’s primary objective is to migrate illegal file-sharers to its service, shifting 15-25 year old music fans to a legal model that puts money back into the creation of new music. The service is also attracting music fans over the age of 30 and this demographic has a much higher conversion rate from Spotify’s free service to its premium offering.

“If you take one per cent of all the radio advertising and display advertising revenue and put it into the digital music market then you have the equivalent of 16-20 per cent of the UK digital music market. So it’s not impossible to build an advertising-supported service that delivers revenues for the music industry, but ultimately it’s the mix between this model and paid models that will help grow overall revenue.”

Spotify is planning international expansion. The company is partnering with tom.com, the biggest internet portal in China, which also has established partnerships with handset manufacturers and telecoms. “Chinese people are very used to paying for mobile content. That’s something that’s been proved over and over.”

In the US, Spotify’s goal is to increase the number of subscribers to a music service by a factor of five. “This is obviously a huge task and might take a couple years to reach.” ■





The Pioneer ISP

**Tejs Baurup, Music Manager,
TDC Play**

TDC was the first ISP worldwide to offer a free-to-user music access service. Customers can access the service through their computer at home or their mobile phone if they are on the TDC network.

By November 2009, the company reported that more than 140 million downloads had been made using the service, the equivalent of 2.5 downloads a second since launch. The hundred most popular artists accounted for 35 per cent of all downloaded tracks and 50 per cent of the tracks available had been downloaded in the first year of launch.

“The Danish market has a high rate of customer churn in the broadband market. TDC PLAY has allowed us to reduce our churn among our broadband customers.”

The company has seen competitors enter the market in Denmark, but these all offer standalone subscriptions for around US\$14 per month, while the TDC service is free to customers and also offers unlimited streaming. “We think that the launch of TDC PLAY has had some impact on piracy in Denmark. A third-party survey last year suggested that 40 per cent of PLAY customers said they have stopped engaging in music piracy.”

“We were the pioneers in offering this type of service for consumers and we are proud of that. We have had people from around the world asking about how it can be imitated. This is a genuinely new way of looking at the online music market.” ■



A New Take On Music Videos

Rio Caraeff, CEO Of Vevo

VEVO is a new concept created in partnership between Google's YouTube, Universal Music and Sony Music. The organisation has also signed a multi-year licence with EMI Music. With three of the four major record labels on board and partnerships with independent music companies including The Orchard and INgrooves, VEVO offers 85 per cent of the music videos available on the market and is looking to sign future deals with additional music companies. It aims to create a better music video experience for fans and a more attractive online environment for advertisers.

"The idea behind VEVO is for music companies to be more responsible for their destiny. We're not trying to protect old business models, we're only focused on what's best for the music lover. If we can do that then we will be interesting to artists, labels and advertisers. Doing things the old way is clearly not working. We think

there's a significant opportunity to build a large and global audience, perhaps the largest audience around music there's ever been."

Music videos and related content are embedded in YouTube, but will also be available on VEVO's own website and through many other platforms. There is a huge potential audience. Some 450 million people a month worldwide visit YouTube and more than 60 per cent of them consume some form of music programming. The site became the largest music video network on the web when it launched in December and will roll-out to key territories worldwide this year.

"Music videos are largely the same as they have been for the last 30 years. They don't reflect the transition from being primarily consumed on television, a linear medium, to the internet, which is a two-way communication platform."

The company is focused on advertising and integrated brand sponsorship. Caraeff brushes off fears that such revenue may not be available in tight economic times. "Online video advertising grew by 300 per cent last year, with brands looking for more premium content than is currently available."

"We will be producing new original programming and we will be licensing in content that's never been made available before. Music video will form the foundation of what is VEVO but it won't end at music videos, it will just grow from there." ■





From Handset Makers To Music Providers

Tero Ojanpero, Executive VP Of Services, Nokia

Nokia Comes With Music (CWM) was one of the most high-profile launches of 2008 and 2009 saw it roll out to 13 countries around the world.

“We are optimistic about the digital music business and how it can expand. We want to make music discovery as simple as possible and remove obstacles” says Tero Ojanpero. “CWM is a service that’s part of your handset – you get unlimited downloads and you keep them forever. That’s the special selling point, and there is no other service with these terms available in the marketplace.”

Brazil is the number one market for Nokia Comes With Music. By the end of the third quarter of 2009, Comes With Music had claimed around 10 per cent of the digital music market in Brazil. This success is partly put down to the fact that the phones are not sold there without premium CWM music service. Availability of licensed local repertoire is also important - Nokia secured a catalogue of six million tracks including 200 Brazilian independents and more than 2,000 international independent labels.

Ojanpero says: “Each market is unique and you need to align different things: the service needs to be great, you need a great mobile device, a good approach to the market and channel support from the retailers and operators. Only by aligning all of those things can you get a scalable model.” ■

A Legitimate Foothold In China

Gary Chen, CEO Of Top100.cn

China’s digital music landscape remains dominated by mass-scale copyright infringer Baidu and other “deep link” infringing distributors. However, a very small legitimate sector is battling to gain a foothold. Top100.cn is the streaming and downloading service behind the Google music search in China, launched in March 2009. The company aims its service at the 217 million online users in China that stream or download music illegally. “We are the first licensed service to really exploit this user base and take on the pirate services.”

Gary Chen thinks he can take on pirate services by offering a better user experience. “We provide access to music for free in just two clicks, compared with the three clicks it takes on unlicensed sites. We offer 100,000 Chinese tracks alone, representing virtually all the local repertoire ever digitised and licensed.”

Top100.cn is licensed by the majors and 10,000 independent labels to make four million tracks available. The company currently facilitates five million music streams and downloads daily.

“It is a labour intensive task to add extra tracks to the service. We have 60 full-time and 30 part-time staff working on this. We have to wait for clearance to use tracks and only distribute them when they are officially released. Pirate services do not operate under those restrictions.”

The service places cost-per-click advertising and targets international brands that want to reach younger consumers in China, now the world’s second largest advertising market. ■



Competing In A Rigged Market – The Problem Of Illegal File Sharing

“We can no longer invest in new artists in the way we would like.”

Salvador Cufi, Chairman of indie label Musica Global

Piracy – The impact on sales

Music companies and legitimate music services are trying to build their online business in a rigged market deluged by unauthorised free content. The growth of illegal file-sharing has been a major factor in the decline in legitimate music sales over the last decade, with global industry revenues down around 30 per cent from 2004 to 2009. In virtually every country of the world, spending on recorded music has fallen since illegal file-sharing became widespread.

All but a few of the independent surveys confirm that the net impact of illegal file-sharing is to reduce spending on legitimate music. Most academic studies exploring the dramatic fall in sales of recorded music conclude that the damage caused by illegal file-sharing is a major factor in the decline.

These include Norbert Michael (*The Impact of Digital File-Sharing on the Music Industry: An Empirical Analysis*, 2006), Rob & Waldfogel (*Piracy on the High C's*, 2006) and Alejandro Zenter (*Measuring the Effect of File Sharing on Music Purchases*, 2003).

A 2006 study by Professor Stan Liebowitz, *File-Sharing: Creative Destruction or Just Plain Destruction?* concludes: “The papers that have examined the impact of file-sharing can be categorised by result and by methodology. By results the classification is quite simple. There is one study (Oberholzer and Strumpf, 2004) that claims to find a zero impact but it has been frequently discredited. All the other studies find some degree of negative

relationship between file-sharing and sales of sound recordings.” Research from Harris Interactive in 2009 among 3,400 online consumers aged 16-54 in the UK highlighted that nearly one in four P2P file-sharers (24%) typically spend nothing on music, while also finding an overlap of legal and illegal downloading among some file-sharers.

A Jupiter Research study in five European countries among 5,000 internet users aged 15 and over in 2009 found that, although there is an overlap between the habits of online music buyers and file-sharers, most illegal file-sharers “do not buy music and are nearly half as likely as music buyers to buy CDs in a high street shop or from an online store.” The study also finds that the net effect of illegal file-sharing is negative. “Although it is possible that file-sharing functions as some sort of discovery tool for those digital music buyers that also file-share, it is reasonable to assume that their spend would be higher if they were not file-sharing. The overall impact of file sharing on music spending is negative.”

The lure of free

A separate body of research helps explain why illegal file-sharing is having this impact on consumer behaviour, confirming the main driver of piracy to be not better choice or quality, but the “lure of free”. Researchers GFK found that “because it’s free” was the main answer given among over 400 illegal file-sharers in research unveiled in Sweden in July 2009. A study by Entertainment Media Research in the UK found that 71 per cent of those who admitted they

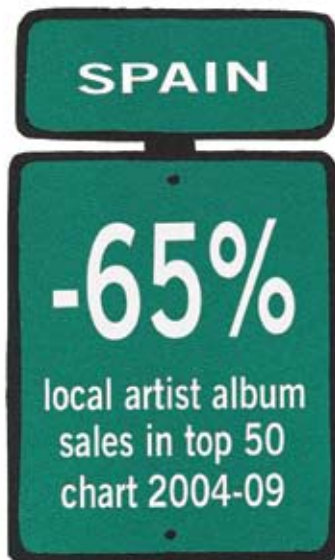
increased their file-sharing activity in 2008 did so “because it’s free”. In Norway, research by Norstat in 2009 also found the most cited reason for illegal downloading from P2P services was “because it’s free”. Further studies came to broadly the same conclusion in Japan and Belgium in 2009 (IFPI).



It is the “free-to-user” appeal of illegal file-sharing that creates its unfair advantage over legitimate music services, whose cost base, including payments to artists and copyright holders, cannot compete with the free illegal alternative. This, more than any other factor, explains why the growth of an innovative and entrepreneurial legitimate music sector is being stunted in the absence of an effective response to digital piracy.

The impact on local talent

Illegal file-sharing has also had a very significant, and sometimes disastrous, impact on investment in artists and local repertoire. With their revenues eroded by piracy, music companies have far less to plough back into local artist development. Much has been made of the idea that growing live music revenues can compensate for the fall-off in recorded music sales, but this is, in reality, a myth.



* By the five biggest music companies

1 IN 4:
P2P file-sharers
typically spend
nothing on music

Live performance earnings are generally more to the benefit of veteran, established acts, while it is the younger developing acts, without lucrative live careers, who do not have the chance to develop their reputation through recorded music sales.

Clear evidence of this impact can be seen in markets including France, Spain and Brazil.

- In **France**, there has been a striking fall in the number of local repertoire albums released in recent years. In the first half of 2009, 107 French-repertoire albums were released, 60 per cent down on the 271 in the same period of 2003. French artist signings have also slumped by 60 per cent, from 91 in the first half of 2002 to 35 in the same period of 2009. Overall investment in marketing and promotion by the French music industry fell nine per cent in the first six months of 2009. It is estimated that 25 per cent of the French internet population currently download music illegally from P2P networks or other sources on a monthly basis (Jupiter Research, 2009).

- In **Spain**, a culture of state-tolerated apathy towards illegal file-sharing has contributed to a dramatic slump in the music market. Spain has the worst online piracy problem of any major market in Europe. Today, P2P usage in Spain, at 32 per cent of internet users, is more than double the European rate of 15 per cent (Jupiter Research, 2009).

The Spanish legitimate music market is now only one third of its size in 2001 and fell by around 17 per cent in 2009 alone. Local artist album sales in the Top 50 declined by 65 per cent between 2004 and 2009.

- In **Brazil**, music sales fell by more than 40 per cent between 2005 and 2009, with a disastrous impact on investment in local repertoire. In 2008 there were only 67 full priced local artist album releases by the five biggest music companies in Brazil – just one tenth of the number (625) a decade earlier. This has been particularly damaging in a market where 70 per cent of music consumed is domestic repertoire.

New forms of piracy emerge

Although P2P file-sharing remains the most damaging form of piracy due to the volume of files shared by users, the last two years have seen a sharp rise in non-P2P piracy, such as downloading from hosting sites, mobile piracy, stream ripping, instant message sharing and downloading from forums and blogs.

According to a study by Jupiter Research in 2009, about one in five people across Europe's top markets (21%) are engaged in frequent unauthorised music-sharing. P2P piracy is still the biggest single source of this, with around two-thirds of music sharers file-swapping on P2P networks despite the increase in non-network file-sharing.

Research by Harris Interactive in the UK shows that, although P2P piracy is the single biggest problem and did not diminish in 2009, the illegal distribution of infringing music through non-P2P channels is growing considerably. The research showed the biggest increases in usage for overseas unlicensed MP3 pay sites (47%) and newsgroups (42%). Other significant rises included MP3 search engines (28%) and forum, blog and board links to cyberlockers (18%). ■

‘Climate Change’ For All Creative Industries

“We are in danger of creating a world where nothing appears to have any value at all, and the things that we make...will become scarce or disappearing commodities.”

Stephen Garrett, Chief Executive, Kudos

Piracy’s impact on the creative sector

For years digital piracy has been a problem most associated with music. Today, however, creative industries including movie, publishing and television, regard “monetising” the online world and addressing digital piracy as their greatest challenges.

“The music industry was hit first, but now with increased broadband you have a situation where all the creative industries are at a tipping point” says Simon Renshaw, Los Angeles-based manager of a long list of major artists including the Dixie Chicks. “You can see it in the collapsing DVD market; you can see what’s going on in TV, newspapers and magazines. And now we’re seeing the same thing in the book publishing

business and you’re going to start seeing piracy of novels and reference books.” Renshaw passionately believes that the stakes involved go far wider than the music industry. “What I worry about is that we are heading into a world where copyright has no value and where there’s no incentive for anyone to provide patronage and support for the creators of intellectual property.”

He says the world has transformed, for both young and established artists and the economy of jobs and activity that surround them. “We’re dealing with this every week – everything that you can afford to do around a record is greatly reduced and that also means that everything that you’re spending with video companies, with hotels, with airlines, with graphic artists, make up - everything’s reduced,

The cost of digital piracy for creative industries

- Major film release *Wolverine* was illegally downloaded 100,000 times in 24 hours
- Six out of 10 music file-sharers in the UK also illegally download films
- Illegal distribution of TV content is growing faster than music and movie piracy

maybe by 70 per cent. The money is not there anymore. And if there are no rock stars the whole industry and the people working in it suffer."

Movie and TV piracy grows

The movie industry is also seeing the impact of digital piracy. The MPA, representing movie studios, estimates that illegal streaming and film downloads now account for 40 per cent of its piracy problem by volume. Case studies around blockbuster movies show how top films now suffer from the same digital piracy problems as popular albums. Pre-release copies of *Wolverine* were downloaded 100,000 times in 24 hours after a leak in April 2009. In 2008, seven million copies of *Batman: Dark Knight* were downloaded on BitTorrent. This has a ripple effect across the industry, on investment and jobs. In the US alone, the film and television industries are estimated to employ 2.5 million people, according to MPA.

The problem is highlighted by Judy Craymer, producer of both stage and film versions of *Mamma Mia*, the UK film industry's biggest ever box office success. "It is clear that the technology that has so badly damaged the music business is now fast catching up with movies and TV – and it's a frightening prospect. Creative film making needs the revenues that come from sales of works – but these are now being eroded as they are downloaded rampantly across the world. There is virtually no perception of risk in this activity, even if most people know, as they do, that stealing other people's work is illegal and wrong."

The television industry also raised the alarm over digital piracy in 2009. Stephen Garrett, executive chairman of television company Kudos, says mass

"We have to find a way of funding our future and not pretend that new revenue models are magically going to rescue us as the world of recorded music is destroyed by piracy."

Björn Ulvaeus, singer-songwriter, formerly of ABBA

downloading of his company's shows, such as the acclaimed series *Spooks*, is threatening the future of TV and film companies. He calls this a moment of "climate change of the entertainment industries" across the creative sector. "We are nurturing a generation who are growing up to believe not only that

everything is free but that everything should be free. And the problem with that is what we do - making music, television programmes and films - is incredibly expensive. We are in danger of creating a world where nothing appears to have any value at all, and the things that

we make, which do have real value, will become scarce or disappearing commodities. And that's also threatening hundreds of thousands of jobs – not the fabulously wealthy or the fat cats – these are drivers, electricians, carpenters, ordinary working people. The combination of piracy and recession is a pretty potent job killer."

Garrett sees the solution as a combination of "monetisation" and legislation engaging ISPs in curbing piracy. "The music industry blazed an impressive trail and is probably ahead of all the creative industries in terms of finding ways of monetising the products of their labours. That said, it clearly has an enormous piracy problem. So we have to do our best to plug the gaps and curtail illegal activity." The impact of film piracy is being felt worldwide. In the UK alone, a 2009 report by

US\$1.4 TRILLION:
The value of the entertainment and media industry in 2009 (PWC)





Simon Renshaw

“Unless we engage the ISPs in assisting in the protection of rights, then the value of copyright is going to completely disappear.”

Simon Renshaw, LA-based artist manager



Judy Craymer



Stephen Garrett

Oxford Economics estimates losses to film piracy at £600 million and predicted that tackling the problem would create nearly 8,000 jobs and more than £150 million in tax revenues. Television programme piracy is also proliferating. Commercial television producers and networks need to recoup their substantial investment through advertising revenue, international syndication and DVD sales. Falling advertising revenues combined with digital piracy are threatening their ability to do so. When Fox aired the premiere of the last season of *Prison Break* in the US in April 2009, the illegal downloads of the show at 1.14 million were virtually on a par with the number of legitimate viewers in the 18-49 age bracket.

Book piracy threat

Book publishers are also grappling with the challenge of developing new business models for the digital era. Academic book piracy has been a problem for publishers for some years. Now it is also seen as major threat to the much larger consumer book sector. In 2009 the ebook, led by Amazon's Kindle, was rolled out for the first time around the world. Digital revenues from ebook sales still account for less than 1 per cent of the publishing sector, largely driven by the US, but are rising sharply. Publishers say the market for digital books may develop far more slowly than for digital music, but they agree that the breakdown of technological barriers to distribution and the relatively small size of the files make book piracy a far greater threat than before.

Simon Juden, chief executive of the Publishers Association, notes that piracy is already a real and present danger to the sales of high profile titles. “The biggest release of last year was Dan Brown's *The Lost Symbol* and the pirated version was out there on the internet very, very quickly. We were able to get illegal copies taken down, but it is tremendously damaging because it was the most valuable property for the publishing business in 2009.”

Juden notes that such piracy undermines the investment needed to

create a legitimate digital publishing sector. “Developing online services requires investment in new business models and one of the major threats of piracy is that it takes away the chance of being fairly rewarded for the financial risk of backing new ventures.”

George Walkley, head of digital for the Hachette UK Group, a division of Hachette Livre, the French-based global publishing group, says: “Digital piracy is a growing problem for publishing, and one which Hachette takes very seriously. It affects our authors, across the range of our businesses and subject areas. We realise that there are different ways to address the problem, but what is key is that the creative industries cooperate to lobby government and other stakeholders for effective measures to reduce illegal file-sharing.”

Calls for ISP action

Creative industries are looking to ISPs to address this problem. Renshaw says: “They are like the utility companies of the 21st century – colossal industries which have the right and the ability to provide all this content. But unless we engage the ISPs in assisting in the protection of rights, then the value of copyright is going to disappear.”

Judy Craymer applauds the UK government proposals for anti-piracy sanctions. “If our producers, directors, actors and crews are to maintain the success we have achieved through movies like *Mamma Mia*, we are going to need to see concrete action to deal with the problem. And we do not have the luxury of time.”

For Kudos, Stephen Garrett says the French HADOPI law introducing a graduated response has set an example internationally. “The French law is absolutely right. It's all very well to talk about consumer rights and people's rights to the internet, but equally we, the content owners and creators, have the right to be rewarded for our work. I think that squeezing someone's bandwidth and ultimately cutting off that tiny percentage who persist seems to be quite a fair balance between competing rights.” ■

Case Studies From The Coal Face

The Indie Label

Keith Armstrong is the co-founder of Kitchenware Records, based in the northern UK city of Newcastle. Kitchenware is a development label, often signing artists at the very beginning of their career.

"When we were starting out back in the early 80s," recalls Armstrong "there was a campaign running called 'Home taping is killing music'. Our slogan was 'Home taping broadens minds'. But illegal file-sharing is in a completely different league and is devaluing and cheapening the way people perceive music."

Armstrong says that for many of his acts, the revenue coming in from their first sales is essential to help them sustain their career. "That revenue is recycled straight away into building their profile and taking them to the next level, but it is disappearing."

He cites Editors as an example of an act that has proved highly successful in the UK and Europe and seems popular in the US but is unable to establish sales there. "The guys regularly sell out plenty of four thousand seat venues on both coasts, but their albums only sell 50,000 copies. They seem at the mercy of the piracy culture."

Sirens, an all-girl dance act, have a very different profile, but suffer from the same problem. "We've promoted them in the dance clubs and their first singles



Teemu Brunila

"We live in a world where
€1 is considered extravagant
for a music download."

Teemu Brunila, singer-songwriter

have done really well in the dance charts, but I've seen online that there have been 15,000 illegal downloads of their next single that hasn't even begun to play on the radio yet and won't be released until next year. Not every one of those downloads was probably a lost sale, but even one in three of them would have bought the girls some vitally needed tour support."

Armstrong says: "I used to work in HMV, and if someone came in and started to steal records we'd chase them down the street. Uploaders are doing essentially the same thing as those shoplifters. My artists are being hit. Editors and Sirens both backed Lily Allen when she took a stand for new artists last year and said this had to stop."

The Artist-Songwriter

Teemu Brunila is a Grammy Award-winning singer-songwriter from Finland and former lead vocalist of The Crash,

one of the country's leading pop-rock bands. The Crash released four albums in 10 years and sold records in 30 countries between 1999 and 2009. "The Crash was an appropriate name," says Brunila ruefully "as we lived through the great crash of the music business." Some critics may suggest that the band should not have suffered as increasing live revenues would have offset falling record sales, but Brunila dismisses that view. "90 per cent of our yearly income as a band came from copyright channels, not live, despite the band touring 20 countries. Make no mistake, in a world with no copyright protection, freedom of information will become freedom from information because no one will do a damn thing creatively. Song writing would cease to be a profession."

He cites an example. "One year the band played Valmiera, the biggest music festival in Latvia. We drove in from the airport and heard our songs on the radio. We headlined the festival and the 10,000-strong crowd roared out our songs. When we came off stage I asked our label representative how many records we had sold in Latvia. The answer was like a slap in the face. 200."

As he now concentrates on song writing, Brunila is aware that many in his profession have been badly squeezed by falling music sales. "The average songwriter in Finland earns €1,600 a year before tax, discounting performance fees. Just 200 songwriters earn more than €20,000 a year. That has come about because we live in a world where €1 is considered extravagant for a music download, but a couple of euro is considered reasonable for a Starbucks coffee." ■

Piracy is hitting Kitchenware's acts Sirens and Editors



Graduated Response – A Proportionate, Preventative Solution

“In the digital market place we need both the carrot and the stick – and that includes legislation to help people move from pirate services to the legitimate ones.”

Daniel Ek, CEO and founder, Spotify

The graduated response approach has become the focus of the music industry's campaign for action by ISPs to address digital piracy. One of the key benefits of a graduated response system is its effectiveness and proportionality compared to the alternative approach of mass legal actions and prosecutions under existing laws.

Under this system, the holders of accounts identified by rights holders as being used for infringement are sent notices by their ISP. The notice would advise them to stop infringing and suggest the use of a legitimate service that respects copyright and rewards rights holders. An escalating series of warnings would result, as a last resort, in temporary internet account suspension for those few who refuse to stop. The system would protect the anonymity of individuals and would essentially implement the standard terms of ISP subscriber agreements, while conditioning continued service upon compliance with the law, particularly copyright.

Consumer surveys in different countries show that the graduated response would effectively influence consumer behaviour while affecting only a small minority of people.

■ IPSOS research, conducted in France in May 2008, found that 90 per cent of consumers would stop illegally file-sharing on receipt of a second warning from their ISP as part of a graduated response programme.

- According to a 2009 study by Entertainment Media Research, 45 per cent of consumers who downloaded music illegally would definitely stop if a graduated response model was implemented. A further 35 per cent claimed they would probably stop.
- Research conducted for the New Zealand Federation Against Copyright Theft (NZFACT) in 2008 found that 70 per cent of internet users in the country aged between 15 and 30 would stop file-sharing copyright infringing movies if their ISP could suspend or terminate their internet account for breaking the law.
- A study by Harris Research in the UK in 2009 found that merely being familiar with copyright law alone is not a deterrent to illegal file-sharing. The study suggested 23 per cent of the general population in the UK illegally file-shares infringing music, while 33 per cent of those “very familiar” with the law illegally file-share music.

Progress With Graduated Response Around The World

Graduated response legislation arrived on the statute books in 2009 with France, South Korea and Taiwan passing laws that turned the concept into reality. Other governments, such as the UK and New Zealand, are proceeding with the introduction of legislation.



The government of **France** was an early champion of graduated response legislation, understanding it as an effective way to protect the creativity of French artists and local culture.

France's legislation was enacted in October, establishing a new administrative authority (HADOPI) that will require ISPs to send warning notices to online copyright infringers. After a second warning, HADOPI will transfer the files of repeat infringers to the criminal courts, where a judge will be empowered to order the suspension of infringers' internet access for up to one year, as well as to impose a full range of criminal penalties.

The graduated response system is expected to start functioning in early 2010, as soon as some implementing decrees have been adopted.

Given the development in a number of EU Member States of legislation to tackle file-sharing and other forms of piracy, the European Commission is considering whether to table framework laws in order to provide guidance to the member states. One option would be for the Commission to come forward in 2010 with proposals to strengthen the EU Enforcement Directive.

In Asia, **South Korea** and **Taiwan** have passed legislation establishing graduated response processes for repeat infringement that can culminate in account termination.

Legislation to tackle online copyright infringement was also announced in November in the **UK**, following the government's Digital Britain consultation. The proposal establishes a graduated response leading to possible sanctions that could include suspension of repeat infringers' accounts. ISPs would notify subscribers whose accounts have been reported to be infringing, and keep records on an anonymous basis.

The government could then oblige ISPs to implement technical measures or temporary account suspension for

repeat infringers. In **New Zealand**, the government has concluded its consultation on legislation to introduce graduated response and is expected to present a bill to Parliament early in 2010.

A different path to graduated response has been taken in **Ireland**. The country's largest ISP, Eircom, agreed to introduce such a system in a settlement with the local recording industry.

There are government sponsored discussions taking place between ISPs and content industries in many countries. In **Germany**, the Ministry of Economy is sponsoring meetings to include discussions on graduated response, new business models and education. Other countries involved in similar discussions include **Australia, Brazil, Hong Kong** and **Japan** – all of which are closely monitoring developments elsewhere.

In some countries, notably the **US**, private deals have been struck between some individual rights holders and ISPs that incorporate a commitment by the ISP to put in place a system of graduated response. ■

Industry Action On Pre-Release Piracy

While ISP cooperation offers a potential solution to mass-scale peer to peer (P2P) digital piracy the music industry is extremely active in tackling the separate and highly damaging problem of pre-release piracy. Pre-release tracks and albums leak days or weeks before official release. IFPI's London-based anti-piracy team works closely with member music companies both to help prevent leaks and to limit the proliferation of illegally distributed content around the world. In 2009 IFPI's internet anti-piracy unit was merged with the organisation's physical/forensic anti-piracy operations.

Jeremy Banks, IFPI's director of anti-piracy, heads the new combined team. He says: "Record labels are more aware than ever that the protective measures they take in the days around an album's release are absolutely crucial to whether the album will realise its full market potential. You can count the cost in terms of lost returns to artist and record company from the moment the first copy leaks out on to the internet."

IFPI's anti-piracy team tracks leaks of tracks and albums released throughout the world. It searches blogs, forums and websites as well as P2P networks and also works with legitimate online services, such as YouTube, to ensure copyright infringing content is removed. The number of infringing links removed by IFPI rose from three million in 2008 to more than five million in 2009. This online focus is complemented by continuing work to tackle commercial physical music piracy, which is sometimes linked to online infringement.

One of the most high-profile pre-release leaks of 2009 was the posting of Leona Lewis tracks online following a 'hack' of an internet account at her record company. Simon Cowell, the managing director of Syco Records, called in the police and industry investigators who traced the origins of the 'hack' and the leak to sources in North America and Europe. ■



South Korea – Legislative Change Combined With New Services Helps Boost Sales

South Korea is an example of a country where improvements to the legal environment, combined with a range of legitimate offerings, appear to have contributed to a marked increase in legitimate music sales and revived investment in local music.

Digital music came to South Korea very early in the decade, with digital sales overtaking sales of physical formats as early as 2006. In the early stages, however, legitimate digital services were hit by high rates of piracy which also accounted for falling CD sales.

However, since 2007, South Korea has seen a steady recovery against the backdrop of a series of legislative changes and legal actions that have significantly strengthened the protection of music rights holders in the country. In the first half of 2009, the government began to publicise its new graduated response law, which became effective in July, and music sales increased by 18 per cent, with digital sales up by 32 per cent in the same period in 2008. Digital sales grew by 53 per cent in the first nine months of 2009. CD sales also rose in 2009 for the first time in five years, mostly driven by local K-pop.

South Korea's copyright landscape started improving in 2007 after two major infringing services, Soribada and Bugs, which had been subject to legal actions, turned legitimate. Also in 2007, South Korea became one of the

**LOCAL
REPERTOIRE:**
Record companies
report increasing
investment

first countries in the world to require P2P file-sharing operators to take measures to block illegal distribution of copyrighted works on request from right holders. In 2008, a new government tabled legislation allowing authorities to order ISPs to warn infringing users and suspend accounts after three warnings. Authorities were also given the power to suspend infringing message boards, blogs and forums following warnings.

The new graduated response law was passed in April 2009 and became effective in July. Public awareness around

the introduction of the law appears to have had a significant deterrent effect. Preliminary research by the South Korean government suggests consumers are aware of and are being influenced by the new law. In an indicative survey based on 1,000 interviews, 45 per cent said they were illegally downloading less content.

Helped by this improved environment, South Korea's legitimate music services and physical retailers are seeing encouraging revenue growth. At the same time, record companies report increasing investment in local repertoire which has further boosted the market.

Alongside the action taken by the government, 2008 was also the year that legal unlimited MP3 subscription services offering a wide range of domestic and international repertoire took off. Today, major players like Soribada and M.Net Media, all offer unlimited MP3 subscription services.

Consumer take-up of these services has been robust. Soribada now has 300,000 paying subscribers, compared to 700,000 subscribers in its previous illegal format. M.Net Media and Neowiz Bugs have attracted 350,000 and 320,000 subscribers respectively. ■



Sweden Sees Overall Music Revenues Soar – What Went Right?

The Swedish market showed hopeful signs of growth in 2009, although it remains to be seen if the results will become a long-term trend. Against a backdrop of largely declining sales across Europe, the music market in Sweden was up by 10.2 per cent in 2009. Growth was driven by an 98.6 per cent increase in the digital market and a 1.9 per cent rise in physical format sales.

Sweden's resurgence appears to show a combination of the "carrot" of music offerings and the "stick" of new enforcement legislation. Digital sales growth in 2009 was driven predominantly by iTunes and Spotify, with some music companies seeing their digital revenues double in 2009. Spotify launched in Sweden in October 2008 and within a year reached 17 per cent of the Swedish population.

These events have not been driven by the market alone, however. Sweden has also seen a strengthening of the legal environment in 2009, with enormous publicity around both the implementation of the IPRED anti-piracy law and the ruling against the world's largest illegal BitTorrent tracker, The Pirate Bay.

"Many people are asking - what went right in Sweden this year?" says Jonas Sjöström, head of independent label Playground Music and chairman of Swedish independent labels body SOM. "This kind of growth is achievable

"There is now some positive news but our whole sector is still at risk."

Jonas Sjöström, Playground Music

when you have a combination of good user-friendly digital services and a deterrent response to piracy. Of course, this has to be just the start. The law in itself is not going to be a deterrent in the long run unless it is enforced. We also need more support for user-friendly services, more investment from Swedish companies in local repertoire and more government pressure on ISPs to take their responsibility for curbing piracy. Sweden's independent labels have been extremely damaged by illegal file-sharing in the last few years. There is now some positive news but our whole sector is still at risk, and we have a big fight in front of us."

Sweden's IPRED law came into effect on the 1st April 2009. Based on the EU Enforcement Directive, it gave copyright holders the right to obtain the name and address of copyright infringers from ISPs. Evidence indicates the law had a strong impact on music users in the short-term. Research by GfK in June 2009 found that 60 per cent of infringing file-sharers had stopped or reduced their activity as a result of the introduction of the IPRED law. However, piracy levels in Sweden are believed to have risen again since then, underlining the need for sustained enforcement and ISP cooperation.

Spotify's founder and chief executive Daniel Ek believes "carrot and stick" are crucial to Sweden's success. "In Sweden, the most important lesson is the public recognition of the problem. Most people now acknowledge that file-sharing unlicensed music is illegal – it's not OK and it's not something that you should do, especially not when there are legal services that you can use instead." ■



The World Of Legal Music Services

The featured list of legitimate digital music services appears on the Pro-music information resource (www.pro-music.org). This is the most comprehensive up-to-date directory of the world's legitimate music websites. Pro-music is endorsed by an alliance of organisations representing international record companies (majors and independents), publishers, performing artists, music managers and musicians unions. The list numbers around 400 legitimate services in 60 countries.

ARGENTINA

BajáMúsica
Cyloop
Faro Latino
Personal Música
Sonora
Ubby Música

AUSTRALIA

199 Songs
3 Mobile
Bandit.fm
BigPondMusic
DanceMusicHub
Getmusic
iTunes
Jamster
MP3.com.au
Music Station
Myspace Music
Nokia Comes With Music
Nokia Music Australia
Optus
Vodafone
YouTube
Zooloader

AUSTRIA

3MusicStore
7digital
A1 Music
AmazonMP3
DG Web Shop
eMusic
Finetunes
iTunes Austria
Jamba
Ladezone
Last.fm
Musicbox
Musicload
Mycokemusic
MySpace
Nokia Music Store
Nokia Comes With Music
Preiser
SMS.at

AUSTRIA CONT.

Soulseduction
Teling
T-Zones
Weltbild
YouTube
Zed

BELGIUM

7digital
Belgian Music Online
Celldorado
eMusic
Fnac
Hysterias
iTunes Belgium
Jamba
La Mediatheque
Legal Download
Mobistar
MP3tunes
PIAS shop
PlayNow Arena
Proximus (Vodafone Live)
Studio 100 MP3 shop

BRAZIL

Baixa Hits
Claro
Coolnex
CTI Movel
Deckpod
Esom
Huck_00
iMúsica
iToc
IWFC Net Music
MegaOmni Music
Mercado da Musica - Transamerica
MSN Music Store
MusIG
Nokia Comes With Music
Nokia Music Store
Oi
Som Livre

BRAZIL CONT.

Sonora
TIM Music Store
Universal Music Loja
Universal Music Mobile
UOL Megastore
Vineyard Music
Warner Music Store
Yahoo! Music
YouTube

BULGARIA

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

CANADA

7digital
Bell Music Store
eMusic
iTunes Canada
Jamster
Napster Canada
Puretracks
Telus
Ur Music
Vevo

CHILE

Bazuca
Claroideas
Cyloop
Entel-Napster Mobile
Mall Music
Mimix
Portal Disc
Wapmanía
Wov

CHINA

163
9Sky
9You
China Mobile
Douban
Kuwo
Perfect World
QQ
Sina
Top100

COLOMBIA

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

COSTA RICA

Cyloop

CROATIA

Cedeterija
Fonoteka

CYPRUS

eMusic

CZECH REPUBLIC

Allmusic
eMusic
i-legalne
Nokia
O2 Active
Stream
t-music
Vodafone
YouTube

DENMARK

3music
Bilka Musik
Box
CD Skiven
CDON Danmark
eMusic
Digidi
EL Giganten
Getmore
GUCCA
Hollywood Express
Inpoc (Aspiro)
iTunes Denmark
MTV Music Shop
Netmusik.dk
Optakt
PlayNow Arena (Sony Ericsson)
Prefueled
TDC Play
TDC Musik
Telia
The Voice
TouchDiva

ECUADOR

Cyloop

EGYPT

Mazika
Mazzika Box

ESTONIA

eMusic

FINLAND

7digital
City Market CM Store
DNA Musiikkikauppa download.MTV3.fi
Download.NetAnttila
Downloads.cdon.com
eMusic
iTunes
Meteli.net
musiikki.gigantti.fi
MTV Music Shop
Nokia Comes With Music
Nokia Musiikkikauppa
NRJ Kauppa
NRJ Kauppa Mobile
Playnow Arena
Poimuri
Pop City
Sonera Music Player
Spotify
Store.radirock.fi
Tune Download Shop
WAP Funman

FRANCE

7digital
airtist
Amazon
Beatport
Beezik
Cultura.com

FRANCE CONT.

Deezer
E-Compil
eMusic
FnacMusic
iTunes
Jamba
Jamendo
JIWA
Last.fm
musicMe
Musicclassics
Neuf Music
Nokia
Orange Music
Qobuz
SFR Music
Spotify
Starzik
Virgin Mega
YouTube
Zed

GERMANY

7digital
Amazon MP3
AOL Musik
Beatport
Concert Online
Deezer
DG Web Shop
elixic.de
eMusic
e-Plus unlimited
eventim music
Finetunes
Freenet
iMesh
iTunes Germany
Jamba
Justaloud
Labelstudio
Last.fm
Magix Music Shop
Mediamarkt Musik-downloadshop
Medionmusic
Motorload
mp3.de
MP3.Saturn
Musicload
Musicbox
Musicstar
Musik-Gratis.net
Napster
Nokia Music Store
o2 Music
PlayNow
Shop2download
Steereo
T-Mobile Music
UMusic
VodafoneLive
Weltbild
Zed
zwo3.net

GREECE

123play
Akazoo
Audiotex
Bob Mobile
Cosmote
eMusic
Emi Downloads
GoMP3
iTunes Greece
MAD
mpGreek

GREECE CONT.

Newsphone Hellas
Ringtones.GR
Sony Music Musicstore
Tellas
Viva
Vodafone
Voiceweb
Wind

HONG KONG SAR, CHINA

3Music
Eolasia.com
iMusic
Moov
MusicStation
Musicxs
O8Media
YouTube

HUNGARY

Dada
Dalok
eMusic
Jamba
MP3 Station
Nokia Comes With Music
PlayNow
Songo
UPC Music
Vodafone Live!

ICELAND

Gogoyoko
Grapewire
Tonlist.is

IRELAND

3 Music
7digital
Bleep.com
CD World
Downloadmusic
Eircom
eMusic
iLike
iTunes Ireland
Jamster
Last.fm
Meteor Music Store
MySpace
Nokia Music Store
Universal Music
Vodafone Music
YouTube

ITALY

3italia
7digital
Azzurra Music
Beatport
Dada
Deejay Store
Downlovers
eMusic
GazzaMusic
IBS
iMusic Libero
iTunes
Jamba
Last.fm
M20.it
Messaggerie Digitali
Mondadori
MSN Music
Net Music Media World
Nokia Comes With Music
Nokia Store



ITALY CONT.

Sorrisi Music Shop
TIM
Vodafone Live
Yalp
YouTube
Zed

JAPAN

Beatport
clubDAM
Dwango
HMV Digital Japan
iTunes Japan
Lismo
Listen Japan
mora
mora win
mu-mo
Music-jp
Musico
Musing
Napster
Naxos Music Library
OnGen
Reco-Choku
YouTube

LATVIA

eMusic

LITHUANIA

eMusic

LUXEMBOURG

eMusic
iTunes Luxembourg

MALAYSIA

Bimbit
Gua Muzik
Ruumz

MALTA

eMusic

MEXICO

American Express
Music Shop
In2Go
Ideas Music Store
Mexico
Ideas Radio Mexico
Ideas Telcel
iTunes Music Store
Mexico
Iusacell
Iusacell Music Box
Mixup Digital
Movistar
Nokia Comes With Music
Nokia Music Store
Prodigy MSN Mexico
Tarabu
Terra Mexico
Tvolucion

NETHERLANDS

7digital
Dance Tunes
Downloadmusic.nl
eMusic
iTunes Netherlands
JAHA
Jamba
Kindermuziek.tv
Legaldownload
Mega-Media
MP3downloaden

NETHERLANDS CONT.

MSN Music Shop
Nokia Comes With Music
Planet Music
PlaymeLoud
Radio 538
Sony Ericsson PlayNow
Plus
Surf2Music
Toost
YouMakeMusic
Zazell
ZoekMuziek
YouTube

NEW ZEALAND

Amplifier
Bandit.fm
Digirama
iTunes
Jamster
Last.fm
Music Station
Myspace Music
Telecom Music Store
Vodafone
YouTube

NORWAY

7digital
Bulls Press
CDON.com Norway
DVDHuset
Elkjop
Expert
iTunes
Jamba
MTV
Musikkonline
Musikkverket & Playcom
NetCom
Nokia
Platekompaniet
Spotify
Telenor Musikk
TV2

PANAMA

Cyloop

PARAGUAY

Cyloop
FeelMP3

PERU

Cyloop

PHILIPPINES

Fliptunes
OPM Online
Pinoy Tunes
Smart Sandbox
Star Records
Tugtog Pinoy

POLAND

eMusic
iplay.pl
Jamba
Last.fm
Melo.pl
mp3.pl
Muzodajnia
MySpace
Nokia
Soho.pl
YouTube

PORTUGAL

7digital
Beatport
eMusic
iTunes Portugal
Jamba
Nokia
Optimus
Qmusic
SAPO/ Musicaonline
TMN
Vodafone
Zed

ROMANIA

eMusic
Orange
Vodafone

RUSSIA

Fidel
Jamster
mp3.ru
Nextload
Nokia Comes With Music
Soundkey

SINGAPORE

Geetune
Mobile 1
Music Station
Nokia Comes With Music
Nokia Music Store
Samsung Funclub
Singtel AMPed
Singtel Ideas
Sony Ericsson PlayNow
Plus
Starhub Play
Starhub Gee!
Xpoint Media

SLOVAKIA

eMusic

SLOVENIA

eMusic
mZone

SPAIN

7digital
Beatport
Blinko
Deezer
eMusic
IbizaDanceClub.com
iTunes Spain
Jamba
Jukebox Orange
Last.fm
Los40.com
Magnatune
Movistar Emocion
MTV
MySpace
Nokia Music Store
Nokia Comes With Music
Olemovil
PixBox
PlayNow
Rockola.fm
Spotify
Vodafone
Yes.fm
YouTube

SOUTH AFRICA

DJs Only
GETMO

SOUTH AFRICA CONT.

Jamster
Just Music
MTN Loaded
Music Station
Nokia Comes With Music
Nokia Music Store
Pick n Play
Rhythm Online
Vodafone Live

SOUTH KOREA

3355 Music
Bugs
Dosirak
Lolsong
Melon
MNet
Monkey3
MusicOn
Musicsoda
Muz
Ohdio
Soribada

SWEDEN

7digital
Åhléns
Bengans
Blipbeat
CDON
eClassical
eMusic
Enjoy
Gazell Digital Store
Ginza
iTunes
Jamba
Klicktrack
Last FM
Media Milkshake
MSN Music
MTV Music Shop
Music Station
Musikshopen
MySpace
Nokia Comes With Music
Nokia Music Store
Poplife
Sony Ericsson – Playnow
Arena
Sound Pollution
Spotify
Tele2 – Musikbutiken
Telenor Musik
Telia Musik
Tre Music Store
YouTube

SWITZERLAND

7digital
AmazonMP3
Ex Libris
iTunes
Jamba
Musicload
MusicStation
Napster
Nokia Comes With Music
Nokia Music Store
Orange
PlayNow Arena
Soundmedia
Sunrise Joylife
Vidzone
Vodafone
Weltbild
ZED

TAIWAN

Ezpeer+
iNDIEVOX
iNmusic
KKBox
muziU
YouTube

THAILAND

Cool Voice
iMobile
Mobifan
Music Combo
N-content
Pikpod
Ringthai
Sab Mobile
Sanook
Shinee
Tom Yum
True Digital

TURKEY

Avea
Fizy
MPlay
MTV
Mynet
Muzik.net
Sendinle
TTnetmusik
Turkcell
YouTube

UNITED KINGDOM

3
7digital
AmazonMP3
Bleep.com
eMusic
HMV Digital
iTunes UK
Jamster
Last.fm
MSN Music
MusicStation
MySpace Music
Napster
Nokia Music UK
Nokia Comes With Music
O2
Orange
Play.com
Sky Songs
Spotify
Tesco
T-Mobile

UNITED KINGDOM CONT.

TuneTribe
Vodafone
We7
YouTube

URUGUAY

Cyloop

USA

AmazonMP3
AOL Music
Artist Direct
Bearshare
eMusic
iLike
imeem
iMesh
iTunes
lala
MP3.com
MySpace Music
Napster
Qtrax
Rhapsody
Vevo
Yahoo! Music
YouTube
Zune

VENEZUELA

Cyloop

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, music managers and musicians unions.

The list is compiled by IFPI based on information from its national groups at the 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.

Consumer Education – Lessons Learned

Education is an essential element in addressing piracy, but can only form part of the solution, alongside good commercial music services and well-enforced legislation.

The music industry has been actively involved in more than 70 education campaigns across the world over the last six years, ranging from consumer initiatives to projects for schools, parents and employers. An evaluation of these activities leads to an inescapable conclusion, however: education is an essential element in addressing piracy, but can only form part of the solution, alongside good commercial music services and well-enforced legislation.

Music sector campaigns have targeted different audiences. The Young People, Music and the Internet campaign aimed at the “influencers” – parents and teachers – has been rolled out in more than 20 countries and 13 languages, in collaboration with the children’s welfare charity Childnet International and the rights holders alliance Pro-music. The campaign has been driven by demand from education authorities. In 2008 and 2009 in the UK more than 135,000 information leaflets were requested by teachers, education authorities and libraries.

IFPI has made available Digital File Check (DFC), an educational software tool aimed at offering clear and simple advice on how computer users can download music safely and legally on their computer. DFC is available in ten languages and distributed with media and retail partners.

Campaigns have also aimed to help educational institutions and employers address copyright infringement on their networks. The music sector has published guides for colleges and

employers which have been distributed in multi-language versions around the world. The www.pro-music.org website is a one-stop information source, established as early as 2003, providing essential information about legitimate digital music services. In France and Italy, consumer-targeted viral films have brought home the unsung community of workers involved in bringing an album to the market. High-profile litigation has also had a key role in the music industry’s awareness-raising activities in recent years.

“Whilst more education is needed, increasingly familiarity with the law does not appear likely, on it’s own, to reduce file-sharing.”

Harris Research

Since 2003, the industry has taken more than 100,000 civil and criminal legal actions against individual illegal high volume file-sharers in 22 countries. Surveys have showed both in the US and Europe that these waves of well-publicised legal actions had a very significant impact in raising awareness of the law on unauthorised file-sharing. Research by GfK in Europe showed that after legal actions awareness of illegality levels reached 70 per cent. In the US, research by Public Opinion Strategies in 2003 and 2004 showed awareness levels jumped from 35 to 74 per cent after the commencement of lawsuits. Harris Interactive research

found in 2009 that 78 per cent of the UK population aged 16-54 understands file-sharing copyrighted music is illegal.

Despite all the educational work undertaken in recent years, the evidence is strong that awareness-raising alone is inadequate in shaping consumer behaviour in the digital music market. The “carrot” of good legal services has a vital role to play. So too does an element of sanction.

Research has shown that awareness of the law alone has not succeeded in changing behaviour in a sustainable way. Without a perception of risk, comparable to speeding fines or other forms of social deterrent, consumer behaviour remains largely unchanged. This was revealed in the European Union’s 2007 Safer Internet for Children report, covering 29 countries. The study highlights that “in the vast majority of cases, across all countries, children know that most of the downloads are illegal, but they minimise, deny or justify the practice. Everyone does it.”

The finding was reinforced in research conducted by Harris Research in the UK in 2009. The survey found that music file-sharing among those “very familiar with the law” (33%) was far more common than among the general population (23%). Harris concluded: “Whilst it is undoubtedly the case that more education is needed to persuade file-sharers to cease sharing copyrighted music, increasingly, familiarity with the law does not appear likely, on its own, to reduce file-sharing.” ■

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