

Digital Music Report 2012

Expanding Choice. Going Global



representing the
recording industry
worldwide

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A digital world that rewards artists and creators

By Plácido Domingo, chairman, IFPI



Plácido Domingo. Photo by John Marshall

Plácido Domingo was appointed chairman of IFPI, the organisation that represents the recording industry worldwide, in July 2011.

Domingo is a world-renowned, multi-faceted artist. Recognised as one of the finest and most influential singing actors in the history of opera, he is also a conductor and a major force as an opera administrator in his role as general director of the LA Opera.

I accepted the invitation to become chairman of IFPI in 2011 because I wanted to help improve the very challenging economic environment which musicians – young and old – everywhere face in their careers today.

We all know the music industry is in a period of dramatic change. Much of this is cause for optimism and opportunity, as the Report that follows suggests. Thanks to the amazing technology of the internet, the audience for recorded music is fast-expanding across the world. Artists who might not otherwise find a way to make their music available can take advantage of the new ways to distribute music the internet offers.

At the same time policymakers better understand that the internet does not make music “free”. There is greater acceptance of the need for good and fair copyright laws to stop the infringement of artists’ and producers’ rights. A widening circle of vital partners in the internet world are cooperating in stopping piracy.

As a passionate supporter of the music industry, I welcome these changes. However, it is fundamental that artists and creators, and the producers that invest in them, should be rewarded for their work in the digital environment just as in the physical world. Governments and legislation have an essential role to play. I only have to look at my native Spain – where piracy has had a terrible effect on everyone’s royalties and the labels’ investment in artists – to see the extent of the challenges we face.

A world where copyright is properly respected brings income to artists and producers and investment in artists of all genres. It also delivers jobs, growth and tax revenues. And, of course, it also brings an enormous amount of pleasure to billions of people. As its chairman, I am trying to help IFPI in its efforts to create an environment in which the public can enjoy the benefits from a successful digital music sector.

A handwritten signature in black ink, consisting of a large, stylized 'D' followed by a series of loops and a long horizontal stroke.

Plácido Domingo

Digital Music in 2012: Optimism Justified. Complacency not Accepted

By Frances Moore, chief executive, IFPI



Frances Moore. Photo by Philippe Moitrot

Looking through the pages of this latest IFPI Digital Music Report, you see a striking paradox: on one hand, there is the innovation and drive of a business that has led the way for creative industries in adapting to the digital age; on the other hand, the extraordinarily difficult environment in which these changes are taking place.

This is the ninth report that we at IFPI have produced documenting the evolution of the digital music sector worldwide. It has been a challenging and often painful transition, but as we enter 2012, there are reasons for real optimism. The digital music business has now reached out to encompass the globe. The largest international legitimate digital music services are present today in no fewer than 58 countries – this number has more than doubled in the last twelve months.

Consumer choice has been revolutionised, as new models for consuming and accessing music are rolled out in new and existing markets. The number of paying subscribers to services such as Spotify and Deezer has leapt in the last twelve months, from an estimated eight to more than 13 million. At the same time, cloud-based services, such as iTunes Match, have become a reality in the marketplace, helping drive the popularity of music downloading.

With a healthy 8 per cent increase in our digital revenues in 2011 – the first time the annual growth rate has risen since records began in 2004 – some might feel tempted to say that a troubled era for the music industry is coming to an end. Such complacency now, however, would be a great mistake.

The truth is that record companies are building a successful digital music business *in spite* of the environment in which they operate, not because of it. Figures in this report show that more than one in four internet users globally regularly access unlicensed sites that contain copyrighted music. This is a startling statistic that captures the challenges we face in developing a sustainable legitimate digital music sector.

We are undoubtedly making important progress in changing this environment, dealing with both peer-to-peer (P2P) and other forms of digital piracy. In the US, music and film companies have agreed with ISPs a new copyright alert system. In France, the Hadopi law has been successfully implemented and research shows it is accepted and having an impact on consumer behaviour.

South Korea, a pioneer of anti-piracy legislation which has required an effective role from ISPs in stopping infringement, is seeing continued market health. New Zealand implemented a new graduated response law in 2011 and surveys show it is already affecting consumer behaviour positively. In Europe, a series of successful court actions required ISPs to block access to The Pirate Bay, prompting substantial reductions in users of that service.

On top of this, there is a “new frontier” in our work against piracy. Cooperation from a far wider circle of technology and business partners, from advertisers to search engines, is now needed to deal with the problem. In 2011, we made significant progress with these intermediaries. A ground-breaking three-way collaboration between payment providers, IFPI and the City of London Police has helped cut funding to 62 illegal websites. That is a positive model that can be extended to new forms of piracy in the future.

The role of search engines in relation to piracy will be a key priority in 2012. Google and other search engines are an important access route for those looking for unlicensed music on the internet. Our industry has stepped up cooperation with search engines in the last year, but a lot more cooperation is needed, such as prioritising legitimate sites in search results and helping prevent the funding of illegal sites via advertising.

The music industry has grasped the opportunities of the digital world in a way few, if any, other businesses can claim to have done.

Despite the challenges ahead, the optimism for digital music going into 2012 is well-justified. The music industry has grasped the opportunities of the digital world in a way few, if any, other businesses can claim to have done. Our digital revenues, at one-third of industry income (and now more than 50 per cent in the US), substantially surpass those of other creative industries, such as films, books and newspapers.

The music business is a dynamic contributor to the digital economy. Yet it can be much more than that, delivering sustainable growth and jobs. This cannot be done through innovation and licensing alone. We need a fair legal environment, effective cooperation from intermediaries and a resolute commitment from governments to use legislation to curb all forms of piracy. These are the priorities we will be pushing for in 2012.

Artist voices



"The creation and recording of a song is the result of the work and talent of many: composers, musicians, arrangers, engineers, assistants, producers. Each day there are more and better digital services to help us enjoy the wonderful music created throughout the world. To consume music legally protects and respects the work of each and every one of the people involved in its creation and recording."

Shakira



"The digital age has brought about a way of consuming music and connecting with your fan base that is unprecedented. Partnering and working closely with digital platforms allows us ways and means of connecting with our fan base which in turn creates greater exposure and generates sales."

Professor Green



"As a lover of music, an admirer of almost every genre of music, a fan of creativity, it's such a blessing to see the recent growth of people supporting this art we call music. It's touching to know more and more people value supporting the music industry with integrity."

Van Ness Wu

"I love the way music turns all these techie devices like PCs, mobile phones and iPads into personalised juke boxes and I love how the internet lets me connect with fans wherever they are in the world."

Natasha Bedingfield



"There has been tremendous growth with new digital channels and streaming services. These new business partnerships have the potential to help turn around our business. We must create an awareness with the public to realise the tremendous damage that has been done to our industry, artists & consumers. We must fight to ensure that the next generation of artists can survive & flourish into the 21st century."

Lee Ritenour, guitarist/artist

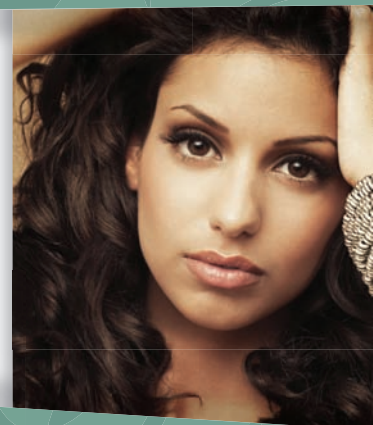


"Music is available to everyone at the touch of a button. Please try and only use those services that actually pay the artists, songwriters and producers, rather than those that don't."

Queen

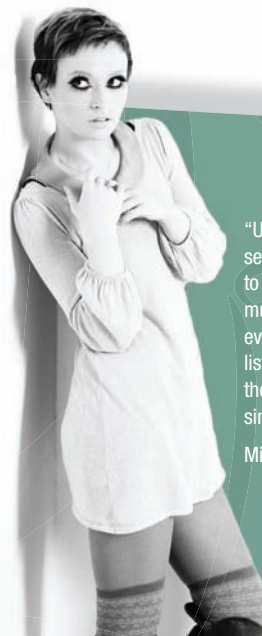
"It's fantastic that fans can listen to all the music they want for a good value-for-money price. This is the future and I am so happy that my music can be listened to in France but also across the world thanks to those new music services."

Tal



"As artists who spend much time on the road we applaud the possibilities available today of having legal and fast access to so many kinds of new, inspiring music."

Frida Gold



"Using many of the new music services allows us all to be able to access a treasure trove of music; new, old, forgotten or even undiscovered. It gives the listener the power to express themselves and explore or simply find old favourites."

MiMi

Digital Music: Expanding Choice. Going Global

Executive summary

The digital music sector is pushing the limits of consumer choice, extending its business models and reaching out to consumers across the globe. Digital channels have overtaken physical formats to become the dominant revenue stream in the world's largest market, the US. And the digital music market is poised to further expand its reach internationally in 2012.

Despite the huge challenges outlined elsewhere in this report, there is a mood of optimism in digital music at the start of 2012. Download services are seeing continued strong consumer demand and are expanding their customer base, particularly in previously untapped developing markets. Meanwhile, a fast-growing number of consumers are using subscription services and other models. "There's a race among the services to go global and plant the flag in new territories," says Stephen Bryan, executive vice president, digital strategy and business development, Warner Music Group. "We're seeing services that are generating revenues and growth. There is high engagement with these services. Consumers love them and spend hours using them."

Global digital growth rate accelerates

Digital music revenues to record companies grew by 8 per cent globally in 2011 to an estimated US\$5.2 billion. This compares to growth of 5 per cent in 2010 and represents the first time the year-on-year growth rate has increased since IFPI started measuring digital revenues in 2004. Digital channels now account for an estimated 32 per cent of record company revenues globally, up from 29 per cent in 2010. Some markets now see more than half of their revenues derive from digital channels, including the US (52%), South Korea (53%) and China (71%). IFPI estimates that 3.6 billion downloads were purchased globally in 2011, an increase of 17 per cent (combining singles and album downloads).

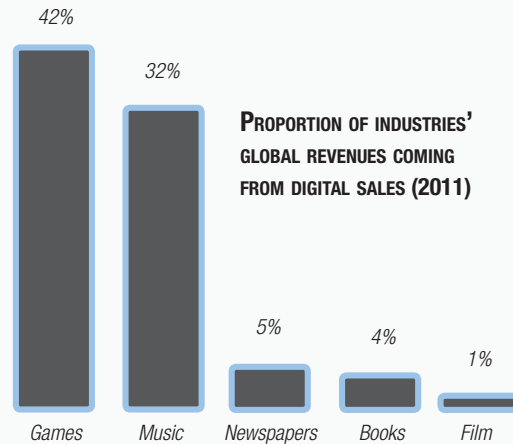
At a time when other creative industries, in particular film, newspapers and book publishing, are only now rapidly shifting to online and mobile channels, the music industry's level of digital penetration still dwarfs that of all other comparable sectors, except games.

COUNTRY	% OF RECORD COMPANY REVENUES FROM DIGITAL SOURCES
CHINA	71
SOUTH KOREA	53
USA	52

Source: IFPI estimates, 2011.

“We have really only scratched the surface of digital music in the last decade – now we are starting the real mining, and on a global scale.”

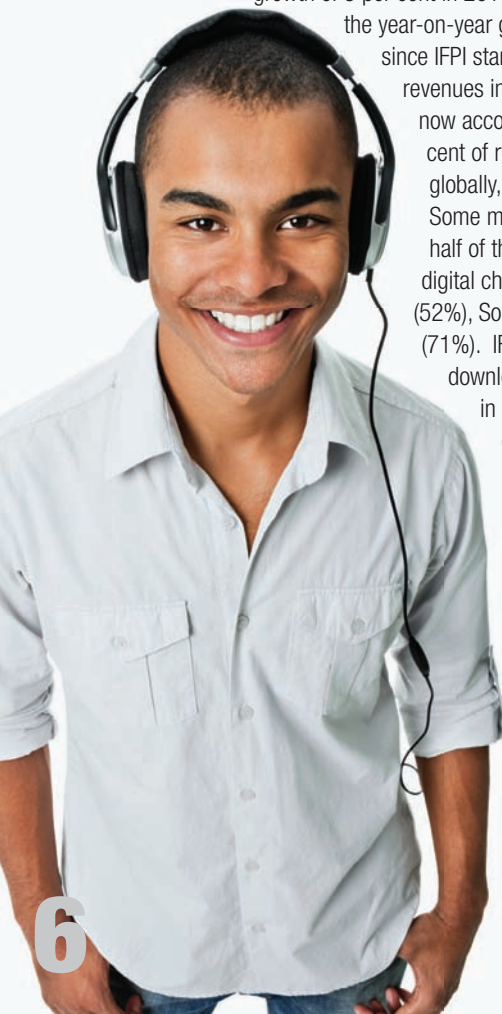
Rob Wells, president, global digital business, Universal Music Group.



Sources: PWC Global Entertainment & Media Outlook and IFPI. Notes: games includes players' purchases of accessories and additional game content as well as subscriptions. Music share is based on trade revenues. Newspapers include digital advertising and subscriptions. Books excludes audio books. Film excludes online sales and rentals of physical discs.

“There's a race among the services to go global and plant the flag in new territories. We're seeing services that are generating revenues and growth.”

Stephen Bryan, executive vice president, digital strategy and business development, Warner Music Group.



The global top selling digital singles of 2011

The top selling single of 2011 was Bruno Mars' *Just The Way You Are*, which sold more than 12.5 million copies. The combined sales of the top ten digital singles grew by 11 per cent in 2011.



ARTIST	TITLE	SALES (M)
BRUNO MARS	JUST THE WAY YOU ARE	12.5
BRUNO MARS	GRENADE	10.2
LMFAO	PARTY ROCK ANTHEM	9.7
JENNIFER LOPEZ	ON THE FLOOR	8.4
ADELE	ROLLING IN THE DEEP	8.2
LADY GAGA	BORN THIS WAY	8.2
PITBULL FT. NE-YO, AFROJACK & NAYER	GIVE ME EVERYTHING	8.2
BLACK EYED PEAS	THE TIME (DIRTY BIT)	7.3
MAROON 5	MOVES LIKE JAGGER	7.0
BRUNO MARS	THE LAZY SONG	6.5

Source: IFPI, 12 months to November 2011. Sales are rounded. Combines all versions of the same song.

Access or ownership? You choose

Certain fundamental factors underpin this growth. First is the continued widening of consumer choice. Digital music is now broadly segmented into two main consumption models - "ownership" and "access". Both took big strides in 2011. Subscription services expanded and linked with new partners to reach new audiences - most notably integrating with Facebook and bundling their services with ISP offerings. Meanwhile, developments in cloud technology are transforming the way fans manage and store their music.

Music companies believe both models - access and ownership - have enormous growth potential. Rob Wells, president, global digital business, Universal Music Group, says: "The fact that these two models of consumption can co-exist speaks volumes about the future. In fact, we have really only scratched the surface of digital music in the last decade - now we are starting the real mining, and on a global scale."

Also driving growth is the global surge in consumer demand for smartphones and tablets. These, along with steadily growing broadband penetration, are a major factor in the increased uptake of both download and subscription services. "The technology infrastructure is being put in place in a way that we have never seen before and that is one major reason why we feel positive about digital music going into 2012," says Edgar Berger, President and CEO, International, Sony Music Entertainment.

Record companies are working with business partners to create products that can offer a better user experience than unauthorised services. Mark Piibe, executive vice president, global business development, EMI Music, says: "We know that some people will migrate from piracy and that others will not, but we want alternatives to be there. We think the presence of access services can expand the whole market."

“We think the presence of access services can expand the whole market.”

Mark Piibe, executive vice president, global business development, EMI Music.

DIGITAL MUSIC TRADE REVENUES BY YEAR			
	2009	2010	2011
TRADE REVENUES (US\$)	4.6 BILLION	4.8 BILLION	5.2 BILLION
GROWTH	10%	5%	8%

Source: IFPI. 2011 figures are estimates.

At the start of 2011, the largest international digital services were present in 23 countries. One year later they are present in 58 countries.

Global expansion

Digital music retailers are fast spreading their reach globally. At the start of 2011, the largest international digital services were present in 23 countries. One year later they are present in 58 countries.

In 2011, iTunes opened for business in 28 additional markets, now reaching more than 50 countries worldwide, including all members of the European Union. Download service 7digital announced in October 2011 that it was launching new stores in Australia, New Zealand, Malaysia and Singapore. This expansion means 7digital is now available in 37 countries worldwide. Subscription services Spotify, WIMP and Deezer are also expanding fast across national borders. Spotify launched in the US and four European markets and now reaches 12 countries. The US also saw the launch of Muve Music in 2011. Deezer opened its service in the UK in partnership with Orange, and plans to continue to expand globally in 2012.

Latin America

In Latin America, iTunes opened for business in 16 countries in December 2011, following its successful establishment in Mexico in 2009.

US-based subscription service Rdio launched in Brazil in partnership with local mobile operator Oi. The Blackberry BBM music service called Ideas Musik launched in Mexico and mobile operator America Movil/Carso launched a service in Mexico, Brazil and Argentina. Other services, including Google Music, are expected to reach Latin America in 2012.

Record companies have also formed innovative partnerships in the region. Universal Music struck a deal with Peugeot in Brazil, that enabled the car manufacturer to offer unlimited music downloads for a year to consumers who bought a Peugeot 207 Magnético car. It also joined with computer manufacturer HP to offer unlimited tethered downloads for a year and 120 DRM-free downloads to buyers of several laptop models.

Afo Verde, president, Latin Region, Sony Music, says: "Broadband penetration in Latin America continues to grow and the region has become the number two cell phone market in the world, presenting a great opportunity to expand the digital music business. Subscription services are beginning to take root and we anticipate these will perform well, while download services will benefit from the rollout of cloud technology."

Asia

In Asia, South Korea remains the most successful digital music market, with an estimated three million music subscribers. The most popular service is MelOn, followed by MNET. Taiwan has the recently-launched Omusic, an ISP bundled service. KKBOX, a major service in Asia, is present in Hong Kong and Taiwan, offering streaming and download services.

In China, a market currently throttled by piracy, a landmark partnership was announced in June 2011 between three major record companies – Sony, Universal and Warner - and internet search giant Baidu. Baidu, which previously had a licensing agreement with EMI, said it would close its infringing "deep links" service and establish a new authorised digital music offering, Ting, as part of the new agreement.



The digital music market internationally remains extraordinarily diverse. "There isn't one single road map of development for all our markets, and every territory is unique," says Wells of Universal. "The way consumers interact with music varies enormously by market. Every country has different economic conditions, and different levels of broadband and device penetration and digital development."

Record companies are now increasingly focused on new developing markets where digital infrastructure is fast-evolving and there is exciting growth potential, provided digital piracy can be effectively tackled. India, for example, has more than 40 million smartphone users and 14 million broadband connected households (FutureSource Consulting Ltd).

Progress against piracy

Despite the big steps forward of 2011, digital piracy remains a critical barrier to growth and investment by record companies. More than a quarter of internet users globally (28 per cent) access unauthorised services on a monthly basis, according to IFPI/Nielsen.

Digital piracy broadly divides between peer-to-peer and non peer-to-peer channels. Cooperation from a range of online intermediaries is needed in response. IFPI advocates an inclusive combination of graduated response, site blocking and other measures.

"You cannot play down the significance of piracy," says Wells for Universal. "Spain, which should be the powerhouse of repertoire for Latin America and the US Latin market, is effectively a dead market. Yet in South Korea, where we have new anti-piracy laws, the market is surging and now spreading its repertoire far beyond its own borders."

There is important progress on piracy. France has successfully implemented its "Hadopi" law, introducing education and warning measures and the threat of sanctions to help migrate users to legal sites. Research shows this is helping change consumer behaviour, while the number of peer-to-peer (P2P) file-sharers fell by 26 per cent within the space of a year (IFPI/Nielsen).

"Hadopi is our chance to revive French digital music in France," says Yves Riesel, founder of indie label Abeille and specialised digital platform Qobuz.

"It's not the only solution, of course, but along with the efforts of platforms and record producers it has given us a chance to reverse the crisis of the last few years."

Similar positive indications come from South Korea, while New Zealand introduced graduated response legislation in 2011 and in the US a landmark Memorandum of Understanding set out a new programme of graduated response cooperation that will be implemented by most major ISPs in 2012. Meanwhile, draft legislation targeting "rogue" sites is being debated in the US. Evidence of the impact of site-blocking comes from jurisdictions in Europe.

Intermediaries have a key role

The fight against piracy is pushing at new frontiers too.

Other intermediaries, ranging from search engines and advertisers, are increasingly getting involved. A partnership between record companies, credit card companies and law enforcement in the UK in 2011 typifies the widening circle of engagement of these third party "intermediaries."

Search engines are a major channel for consumers to access music. However, many of the top results provided by search engines are linked to unauthorised content. Advertisers can also help restrict the funding of illegal sites. Important steps forward were taken in these areas in 2011, but more cooperation will be needed.

The music industry commits considerable resources to anti-piracy actions and public education campaigns. These are part of an industry digital music strategy that is comprehensive and multi-faceted, combining legal offerings, education and enforcement of rights. In 2011, IFPI was able to secure the removal of more than 15 million infringing links, a 115 per cent increase on 2010.



“The technology infrastructure is being put in place in a way that we have never seen before and that is one largest reason why we feel positive about digital music going into 2012.”

Edgar Berger, president and CEO, International, Sony Music Entertainment.

The business models of digital music

Downloads break through borders

Ten years after the first online stores emerged in the US and Europe, the music download sector continues to expand internationally and improve its offer to consumers. Download stores account for a large proportion of digital revenues and account for most of the 500 legitimate services worldwide, offering libraries of up to 20 million tracks. Many major markets are seeing healthy increases in single track download sales, including the US, up 10 per cent (Nielsen SoundScan); the UK, up 8 per cent (Official Charts Company/BPI) in 2011; and France up 23 per cent (GfK). Consumer demand for iTunes, the market leader, is growing healthily.

Streaming from the “cloud” turned to market reality in 2011, with new systems that enhance the way consumers manage and store their music. Leading the way, Apple launched its **iTunes Match** service in November 2011, offering the opportunity to draw more users into iTunes and drive purchasing. iTunes Match enables users to access their music libraries across the full range of devices they own for a fee of US\$25 a year. The service, licensed by international record companies, effectively upgrades a user’s music collection and dispenses with the need for them to physically transfer the music files they have bought across the full range of their families’ devices. iTunes Match will be available in the new markets worldwide that iTunes is entering.

New major players are following. Google launched a new music service in the US, **Google Music**, in November 2011 for the Android platform. Consumers can purchase individual songs or albums which are then delivered to the cloud from where they can be streamed to multiple devices.

DIGITAL ALBUM VOLUME SALES GROWTH IN 2011	
US	+19%
UK	+27%
FRANCE	+71%
GLOBAL (EST)	+24%

Source: Nielsen SoundScan, Official Charts Company/BPI, GfK and IFPI estimate.

Digital album demand alive and kicking

Digital was once mistakenly feared to be the killer of the album. However, this has proved far from the case. Digital album volume sales have grown steadily in recent years, with US and UK digital album sales in 2011 up by 19 and 27 per cent respectively (Soundscan and Official Charts Company). In the US and the UK, digital albums already account for 31 per cent and 24 per cent respectively of all albums sales by volume. Consumer demand for an artist’s body of work remains strong in the digital world especially as price competition is often fierce and storage on computers and devices is less of an issue.

Several factors explain the strength of demand for digital albums: strong marketing campaigns, premium offerings that provide additional content and consumer habits. Premium albums often outsell their lower priced equivalents in the first few weeks of release, suggesting many music fans appreciate the extra value offered by these products.

The rise of subscription

Music subscription is transforming the way people experience and pay for tracks and albums. It is also a fast-expanding business model. The number of consumers subscribing to music services globally is estimated to have increased by nearly 65 per cent in 2011, reaching more than 13 million, compared to an estimated 8.2 million the previous year. This supplements the tens of millions of consumers who already use download services. “Subscribing to music used to be quite an abstract concept – but now it has become a practical concept. The mass market understands how it works and consumers see the huge benefits,” says Edgar Berger of Sony Music.

Subscription has caught on exceptionally well in some markets, particularly in Scandinavia. In Sweden, for example, subscription accounted for 84 per cent of digital revenues in the first 11 months of 2011, boosted by its national champion Spotify. Other markets saw sharp growth in subscription revenues, including France which saw an increase of more than 90 per cent in the first 11 months of 2011 (SNEP).

There are around 500 legitimate music services worldwide offering up to 20 million tracks.



ESTIMATED PAYING SUBSCRIBERS TO MUSIC SUBSCRIPTION SERVICES GLOBALLY	
2010	8.2 MILLION
2011	13.4 MILLION

Source: IFPI estimates.

The subscription model saw some high-profile advances in 2011, led by Spotify's move into the US and expansion in Europe to 11 countries. **Spotify** reports it has 2.5 million paying subscribers worldwide, including over 400,000 in the US market since its launch there in July. Spotify sees its expansion in the US as a springboard to international markets. Ken Parks, chief content officer, says: "We were very focused on how Spotify, which had been a European service, would translate to the US. Now, having seen the acceptance in the biggest music market, it gives us a huge degree of confidence and optimism to expand elsewhere."

Deezer is a digital streaming service that was established in France in 2007 and is now expanding globally. Since launching its partnership with Orange in August 2010, it has achieved more than 20 million registered users and over 1.5 million paying subscribers.

Deezer opened for business in the UK in September 2011, in partnership with Orange (Everything Everywhere). In late September, the company announced its strategic integration with Facebook, enabling artists and fans to legally share their music and make new discoveries even more easily.

In December 2011, Deezer announced it was opening for business in scores of countries worldwide over the next six months, whether in telecoms partnerships or as a standalone service. It has already launched in more than 25 countries across Europe. By the end of February 2012, it is expected to be up and running in 80 countries across Africa, Australasia and Latin America, with more countries to follow in June 2012. Mark Foster, managing director of Deezer, UK and Ireland, says: "We think in many countries we will be kick-starting the whole digital music sector and early investment will give us a great market position and ensure we achieve strong early growth."

Music subscription is transforming the way people experience and pay for tracks and albums. It is also a fast-expanding business model.

Subscription is arriving or expanding in other markets too. **Rhapsody** announced in December 2011 that it was the first US streaming subscription service to amass more than one million paying customers. Canada-based **Galaxie** launched a subscription based mobile streaming service, while three new subscription services, **JUKE**, **Rdio** and **Simfy**, advanced the model in Germany and Austria.

Norwegian-based streaming service **WiMP** announced in November 2011 that it had more than 350,000 paying subscribers across Norway, Sweden, Denmark and Portugal. Daily streams rose five-fold in Norway in 2011 and two-fold in Sweden and the second half of the year. WiMP has partnered with Norwegian ISP Canal Digital to offer the service bundled with a TV subscription. In three Scandinavian markets it partnership ISP Telenor and in Portugal in partnership with Portugal Telecom. WiMP plans to launch in Germany, Ireland and Benelux in 2012. Per Einar Dybvik, chief executive of parent company Aspiro Music, says: "WiMP is now targeting roll-out in several new markets, using our experience to turn streaming into a success."

In December 2011, **rara.com** announced the launch of a streaming service in more than 20 countries worldwide, including Canada, France, Germany, Mexico, Spain, the UK and US. The service, powered by Omnifone, is aimed at consumers who still use CDs and want a simple way to access digital music through their internet browser. The ad-free service offers more than 10 million tracks from US\$/€/£4.99 for online access and US\$/€/£9.99 for smartphone access, with lower introductory prices for the first three months. rara.com is pre-loaded on the majority of European HP PCs and is also available on Android, iOS and other platforms.



Subscription reaches new consumers

All players in the subscription business agree the “holy grail” is scale. In 2011, subscription services made groundbreaking moves to achieve mass-market reach, most notably through their integration with Facebook, which has propelled music subscription into the environment of social networks. Under Spotify’s partnership with Facebook, new sign-ups to Spotify come through Facebook and users then share their playlists with friends.

Subscription services have brought huge benefits for consumer choice. These often operate a “freemium” business model, aimed at attracting consumers with a “free” advertising-supported offering before migrating them to the “premium” paid-for service. For such businesses, converting free users to paying subscribers is vital to ensuring their sustainability. The free tier of service is effectively their customer acquisition tool. Spotify is seeing a conversion rate of around 15 per cent internationally, but in some markets this increases significantly. There are added benefits from converting to the premium service: no advertising, the ability to use on a portable device or offline and better sound quality. The service claims particular success converting young fans over to its paid-for option: one-third of its US paying subscribers are under 24.



Subscription services have brought huge benefits for consumer choice...converting free users to paying subscribers is vital to ensuring their sustainability.

Music subscription offers a different model of return on investment for artists and record labels. In the à-la-carte environment, an album or track is downloaded once and paid for. In the streaming environment, a track or album may be listened to hundreds of times, each triggering a payment to rights holders. While the individual payment for a stream is lower than a download, the cumulative payment triggered by a consumer repeatedly listening to an album or track may be higher over a longer period.

Bundling music – a route to the mass market

One key route to the mass market for digital services is “bundling” partnerships with ISPs and telecoms companies. These companies have the commercial footprint and billing structure to enable music services to reach a broad audience. ISPs benefit too, attracting customers, reducing churn (customers joining and leaving) and improving network efficiencies.

Stephen Bryan of Warner Music Group says: “ISPs and mobile carriers are aware they need to offer entertainment content to stay relevant. As they see the economic benefits of offering such content they become more willing to tackle piracy and help develop a consumer experience that is a lot better than piracy.”

ISPs and mobile carriers are aware they need to offer entertainment content to stay relevant.

Two of the most high-profile partnerships launching in late 2011 were Virgin Media’s tie-up with Spotify, and Orange’s coupling with Deezer in the UK, seeking to replicate their joint success in France.

More longstanding partnerships include Spotify and Telia in Finland and Sweden, Telenor and WIMP in Norway, and **Cubo Musica** by Telecom Italia and Play Me in Italy. In Ireland, leading ISP Eircom operates its own dedicated **MusicHub** service, offering subscription and downloads and using its reach as the country’s largest ISP with some 40 per cent of the broadband market.

In the US, **Muve Music** is an example of a new subscription service that is being hard bundled into a wireless rate plan.



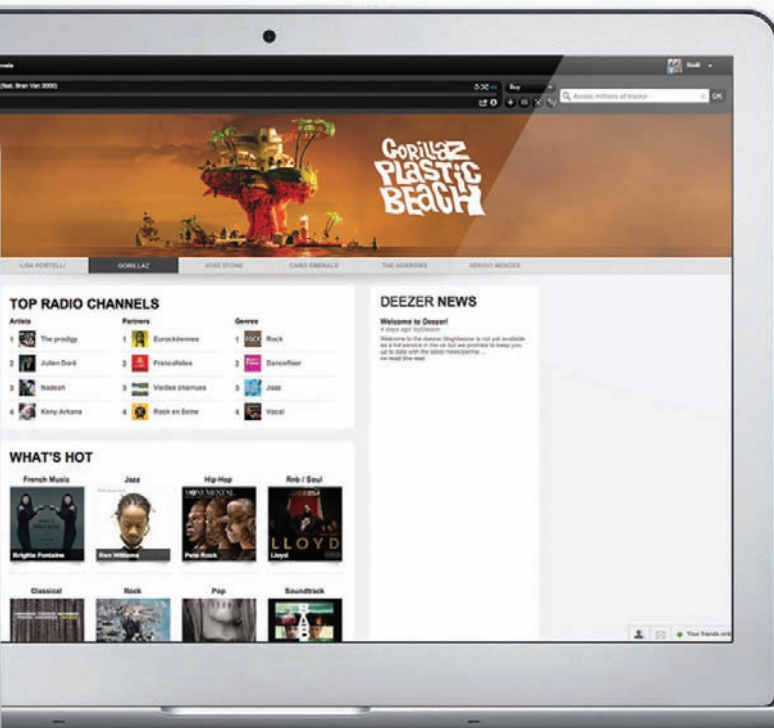
The service is operated by Cricket, a leading wireless carrier in the US. For US\$65 a month users can enjoy unlimited song downloads, ringtones and ringback tones and unlimited national talk, text and web access. This plan is offered on an Android Smartphone with no contract.



Since its launch in the first quarter of 2011, Cricket's Muve Music offering has attracted more than 500,000 customers, half of them new to Cricket. Muve Music was built specifically for mobile phone use with customers less likely to have broadband access in the home. It is only distributed through carrier partnerships. By the end of 2012, Muve Music expects to be the number two subscription music service in the US.

Jeff Toig, senior vice president of Muve Music, says: "For the customer segment we target, the mobile phone is central and cash is the primary payment mechanism, while, in contrast, other digital music services have primarily been built for the computer with the credit card as a source of payment."

A different type of bundled service, also aimed at reaching new types of music consumers, integrates the music offering into consumer hardware in the home. Spotify's partnership with Sonos is one of the first deals to give music fans a subscription offering that is geared to provide top-quality audio for people who want to listen to music in the home. Sony's **Music Unlimited** service is based on the population of connected PlayStations and connects to other Sony devices, such as televisions. The service has launched in 17 countries and on Apple devices.



Partnerships between physical stores and digital services have also helped extend the reach of music subscription. Cricket's Muve Music offering is backed by agreements with Walmart and Best Buy that saw these retail giants sell Cricket's phones and sign up customers to its digital service. In Norway, WiMP partnered with physical music store Platekompaniet to sign up customers for its music service offered in partnership with ISP Canal Digital. There is a similar physical and digital tie-up between new music service JUKE and German retail giants Media-Saturn and Media Markt.

Internet radio continued to expand

Internet radio services have long been popular in the US, attracting significant audiences for a more "lean back" non-interactive consumer experience. Pandora continued to grow in 2011, reaching 40 million active listeners in the third quarter of 2011, up 65 per cent on the prior year.

In November 2011, Nokia launched the Nokia Music App with personalised radio features. The app comes pre-installed in the Nokia Lumia 800 phone and enables users to run a personalised streaming service as well as offering the opportunity to purchase downloads or buy live concert tickets. It also offers dozens of stations programmed by music experts. Users can stream any station on demand, or download 15 hours of programming to listen to any time offline.

Music video meets strong consumer demand

Consumers continue to watch music videos in sharply increasing numbers worldwide. The most watched artist on YouTube is Justin Bieber, whose videos have been viewed more than two billion times. His video *Baby* remains the most individually watched music video on YouTube, with more than 690 million views. In December 2011, YouTube announced it would be pursuing a strategy focusing on more prominence for its specialised "channels", including dedicated programming from artists such as Madonna. The service also embraces social networking by integrating with Facebook and Google + so users can see what their friends are watching.



The most prominent dedicated online music video platform is **VEVO**, which provides a revenue stream from premium high-quality videos, original music programming, live events and a forum to break new acts. Across its distribution footprint, VEVO reports it is streaming 3.6 billion videos a month to more than 415 million users worldwide. The fastest-growing parts of VEVO's platform are its mobile and tablet applications which are used by 13 million people. A model that was principally used for marketing purposes has become a commercial proposition.

VEVO generates revenues today through advertising and brand sponsorships. The service has attracted more than 550 advertisers from sectors ranging from automotive to finance. By its second anniversary at the end of 2011, VEVO delivered more than US\$100 million in royalties to rights holders. Its chief executive, Rio Caraeff, says: "VEVO offers the largest premium music video inventory in the world. We want to ensure the music audience is valued by advertisers. Value is created by embracing ubiquity for the audience and scarcity for advertisers."

Integration with social networks is vital for the service. More than 7,500 artists have its VEVO for Artists app on their Facebook pages, helping them power and monetise their videos. VEVO itself has 1.5 million Facebook fans and is working to further improve the embedded experience for users over the next year.

The art of digital marketing

In the digital world, record companies are innovating to reach audiences in new ways.

Engaging a new audience in digital: Take That

Many of Take That's fans are women in their 30s and 40s, not typically early adopters of digital music technology. When the album *The Circus* was released in 2008, just 4 per cent of its sales in the first week were through digital channels. Paul Smernicki, director of digital, Universal Music UK, says: "We realised we needed to bring the Take That audience with us on a digital journey."

The band joined online social networks, with their Facebook followers growing in number from around 200,000 to more than one million between the release of *The Circus* and *Progress* two years later. Polydor created an app that was downloaded more than 500,000 times. Digital assets, such as photos, were used carefully. The label built excitement about the first picture of Robbie Williams with the rest of the band before releasing it and encouraging fans to share it online with their friends.

The result was clear, with 20 per cent of sales of *Progress* in its first week of release coming through digital channels. It was notable that *Progress* appeared twice in the iTunes top five, both the original and deluxe versions, with the premium product selling more copies.

Innovative partnerships in Latin America



Chayanne

How do you sell recorded music in markets where there are comparatively few digital and physical stores?

Sony Music Latin America has worked on two initiatives to address that question, creating premium product bundles with Music Ticket + and partnering with Corona Beer in

Mexico to create a dedicated online music channel.

Music Ticket + bundles the sale of tracks and concert tickets. Fans pay a premium for the ticket, and receive a card at the concert which contains a code they can use to download studio tracks from the performing artist.

Chayanne, the Puerto Rican singer, has benefited from Music Ticket +, selling more than 350,000 premium tickets during his recent tour of Latin America. This is a significant number of tracks in markets that have been devastated by piracy, with his last album selling around 25,000 copies in Brazil. When fans logged on to obtain downloads after the show, they saw a short film of Chayanne thanking them for obtaining his music legally.

The creation of the Corona Music Channel in Mexico has benefited bands including Pearl Jam, whose album was made available on it for a week before it went on general release. Under the terms of the deal, Corona guaranteed 20,000 copies of the album – a substantial volume for a market where 30,000 album sales achieve a gold record.

Both initiatives are educating music fans about how to obtain digital music from legal sources. Fans also supply their contact details, making it easier for them to be contacted about future albums and concerts.

Working with social networks: Pablo Alborán



Pablo Alborán

Pablo Alborán is a singer-songwriter from Spain. EMI began discussions with him two years ago about how to promote his work in the digital age. Simone Bose, managing director EMI Iberia, says: "Pablo is a very talented artist, with a strong work ethic. We were always clear that we did not want him to do anything that did not reflect his true personality."

The label posted online films of Alborán performing the tracks he was writing in preparation for his debut album, providing fans with a glimpse into the creative process. They also supported his tour across Spain, capturing his performances and posting them online. Kelly Rowland saw the films and said he was an amazing talent, spurring further global interest in Alborán.

Social networks provided vital feedback on the music and this helped to decide which of the 40 tracks Alborán had recorded should appear on his debut album, which topped the Spanish charts for 15 weeks. His follow-up Christmas 2011 acoustic album was made available as a bundle, combining a premium version of the album with additional video footage and a discount on the best tickets for a special Christmas concert.

Bose concludes: "Working with Pablo has helped us learn about how social networks can deliver for our artists, turning theory into practice."

Touching music fans' hearts: Christina Perri



Christina Perri

Warner Australia wanted to build a digital campaign to promote the launch of singer-songwriter Christina Perri's debut single *Jar of Hearts*.

The label decided to build on the incredibly strong message of the song by constructing a microsite that would enable users to anonymously place their stories of heartbreak in a virtual jar, while other visitors to the site could offer personal advice, setting these hearts free.

Integrating the microsite into social networks was crucial for the success of the campaign. As people could see other stories being placed in the virtual jar, they were encouraged to open up about their own experiences. Users directed their friends to the site through links on Facebook and Twitter in particular.

Christina Perri was so struck by the idea that she promoted the microsite through her own online social networks, helping the site gain legitimacy and momentum. Warner Australia also persuaded journalists and media personalities to try the site, offering advice to those who had placed their hearts in the virtual jar. This helped ensure coverage for the story across broadcast, online and print media outlets.

Users could click through to iTunes to buy a copy of *Jar of Hearts*, which plays as a background track while they explored the microsite. Thanks to the digital campaign and offline promotional activity, the single went to number two in the ARIA charts and Christina Perri's album, *lovestrong*, went top five.



Main photo: Take That. Getty Images

Top left: Chayanne. Photo by Ruben Martin

Middle: Pablo Alborán. Photo by Jose Luis Tabueña

Top right: Christina Perri. Photo by Lani Lee

Piracy: improved cooperation from online intermediaries

“Why is the needle in this debate on the move? First, no doubt, because ‘free’ is no longer just a problem for the music industry. Film studios, book publishers and newspapers are all now in the same storm.”

Paul McGuinness, manager, U2

Widespread piracy is the biggest factor undermining the growth of the digital music business. The music industry sees cooperation from online intermediaries, such as internet service providers (ISPs), payment providers, advertisers, mobile service providers and search engines, as indispensable in addressing the problem and significant progress was made with all these parties in 2011.

The vast scale of the problem is widely recognised, as is the recent evolution of new forms and channels. Globally, it is estimated that 28 per cent - one in four - of internet users access unauthorised services on a monthly basis (IFPI/Nielsen). Around half of these are using peer-to-peer (P2P) networks. The other half are using other non-P2P unauthorised channels which are a fast-growing problem. These include blogs, cyberlockers, forums, websites, streaming sites, smartphone-based applications and stream ripping applications. In some countries, the rate of usage of illegal sites is far higher than the global average - for example 42 per cent and 44 per cent respectively in the major markets of Spain and Brazil (Nielsen/IFPI).

PERCENTAGE OF INTERNET USERS ACCESSING AT LEAST ONE UNLICENSED SITE MONTHLY	
EUROPE	27%
GLOBAL	28%

Source: Nielsen/IFPI, November 2011.

A rigged market

The result of this activity is effectively a rigged music market. Legal services, whatever their model, incur the business costs of being authorised and paying rights owners, as well as investments to develop secure payment methods and good quality services. This model is unsustainable when facing competition from infringing services that have greatly reduced costs and circumvent the normal rules of commercial business. A commercially sustainable digital music sector needs an environment in which the industry can effectively enforce its rights.

Even in a digital marketplace replete with attractive legal services, illegal “free” continues to be an irresistible magnet for consumers.

Surveys consistently find that piracy undermines the incentive to obtain music using legitimate paid models and depresses spending, even among those consumers willing to purchase music.

Research by The NPD Group during 2010 in the US found that just 35 per cent of P2P users also pay for music downloads. P2P users spent US\$42 per year on music on average, compared with US\$76 among those that pay to download and US\$126 among those that pay to subscribe to a music service. While some P2P users also pay for music, and a few are serious fans who spend a lot, this positive effect is counterbalanced by the far greater numbers of P2P users that spend little or nothing. The overall impact is therefore negative, and this finding is corroborated by a study in Europe by Jupiter Research in 2009.

Books feel the impact

The problem increasingly affects other creative industries, such as book publishers, who are trying to monetise their products in the digital environment. In October 2011, Börsenverein des Deutschen Buchhandels, the organisation representing German publishers and booksellers, reported that 60 per cent of e-book downloads in Germany are illegal. Publishers are warning about the impact this is having on investment decisions. René Strien, CEO for publishing of the major German book firm Aufbau Verlag, says: “In this situation, investing in digital business models is a double risk for my company, which is why having the right legal framework is so essential.”

The music industry advocates a three-pronged approach to tackle online piracy. Providing attractive legitimate services and conducting public education campaigns are two key elements of this approach. The other is the ability of the industry to effectively enforce its rights, ensuring that consumers have an incentive to move from illegal free to legitimate services.

“Many factors have hurt music sales, including the closing of so many record stores. But almost every... study has concluded that file-sharing played a role, and anyone who believes otherwise is running out of alternative explanations.”

Robert Levine, Author of *Free Ride – How the Internet is Destroying the Culture Business and How the Culture Business can Fight Back* (The Bodley Head, 2011).

ISPs: The needle is moving

ISPs are uniquely situated to help tackle online piracy. A multi-faceted strategy is needed to address the problem in its different forms and channels. Broadly, the two main approaches to be taken are graduated response and website blocking measures. Site blocking is effective in dealing with the various new forms of infringement such as cyberlockers and websites. However, an approach based exclusively on website blocking is insufficient by itself, given the importance of major P2P services that are decentralised and therefore not covered by blocking.

IFPI advocates graduated response measures as the most proportionate and effective solution to address the major problem of P2P piracy. Policymakers worldwide, as well as some ISPs, are increasingly embracing this approach as fair and right.

Graduated response

Under the graduated response approach, rights holders alert ISPs and mobile data network service providers to IP addresses that are being used to infringe copyright by uploading protected content on to the internet without permission. This is not done by monitoring individual user behaviour, but rather by keeping watch on P2P networks and infringing file distribution channels. ISPs can match the IP address to the subscriber details they hold and contact their customers to inform them their account is being used to break the law and urge them to use legal services. This is done without sharing personal information. The account holder is told that continued infringement after a series of notices will lead to a penalty or sanction. These vary from country to country, but may include temporary account suspension, bandwidth throttling or protocol blocking, as well as potential fines.

Essential to the impact of graduated response is the existence of a credible sanction. Notifications without consequences lack deterrent effect. Third-party research consistently indicates that graduated response, including legal consequences, is effective in changing consumer behaviour. Among numerous surveys conducted in 2011:

- In Germany, 81 per cent of consumers that download media content illegally believe that warnings with the prospect of consequences would make people stop their illegal activity (GfK, February 2011).
- In South Korea, government officials report that 70 per cent of infringing users stop their activity on receipt of a first notice. A similar pattern is found on receipt of the second notice, with 70 per cent of users ceasing to use their account to infringe."



France's Hadopi law: Protection for artists.

Progress in Europe

France became the first country in Europe to introduce graduated response legislation. The "Creation and Internet" law established a new agency, Hadopi, which sends notices to internet subscribers whose accounts have been used to infringe copyright. If a subscriber ignores two notices within six months and infringes copyright law for the third time in a year, Hadopi can notify a criminal court, which can suspend the internet account for up to a month and levy a fine of up to €1,500. To date there have been more than 700,000 notices sent, which IFPI estimates to have reached around 10 per cent of P2P users in France.

There are good indications of the impact Hadopi has had on piracy in its first year of operation. The use of unauthorised P2P networks has sharply declined, with overall P2P use down by 26 per cent since notices started being sent in October 2010 (IFPI/Nielsen). According to Peer Media Technologies, data on the number of infringing movie downloads initiated on P2P networks in France also shows a dramatic decline since notices started, supporting the view that P2P piracy has seen a significant drop.

A study commissioned by Hadopi in May 2011 found that among those who had either received a notice or knew someone who had received one, 50 per cent said knowledge or receipt of a notice made them stop their illegal activity and a further 22 per cent said it reduced their illegal consumption.

26%

Reduction in P2P use in France since October 2010

81%

German consumers who think warnings with consequences would deter illegal file-sharing

New study assesses the effect of graduated response

A new academic study – *The Effect of Graduated Response Anti-Piracy Laws on Music Sales: Evidence from an Event Study in France*, by Danaher et al¹ - has also found evidence that Hadopi has had a positive impact on iTunes sales in France. The authors studied sales of digital singles and album downloads on iTunes from July 2008, before the law was adopted, until six months after the start of notices. They developed an estimate of what French iTunes sales would have looked like in the absence of Hadopi by studying a control group of similar markets.

The analysis found that French iTunes sales saw a significant uplift at exactly the period when awareness of Hadopi was at its highest, in Spring 2009, when the law was being debated in the National Assembly. This effect was maintained throughout the period studied. French iTunes sales were 22.5 per cent higher for singles and 25 per cent higher for digital albums than they would have been, on average, in the absence of Hadopi. The study also found that the increase in sales was larger for more heavily-pirated genres, such as rap, and smaller for less-pirated genres, such as jazz.

“We see sales in France for heavily pirated genres rise much faster than less pirated genres, which suggests that this sales increase is due to a reduction in French piracy levels,” say the authors. “Our results have important implications for other countries in Europe and abroad who are considering passing of similar graduated response laws...we also note that our study likely understates the true impact of Hadopi.”

THE ESTIMATED 'HADOPI EFFECT' ON iTUNES		
	SINGLE TRACKS	DIGITAL ALBUMS
INCREASE IN SALES IN CONTROL GROUP	26%	42%
INCREASE IN SALES IN FRANCE	48%	67%
EFFECT OF HADOPI (FRANCE MINUS CONTROL)	23%	25%

Source: *The Effect of Graduated Response Anti-Piracy Laws on Music Sales: Evidence from an Event Study in France*. (Figures are rounded).

A separate study by Ipsos MediaCT, conducted in November 2011, found 90 per cent of P2P users in France were aware of the law and 71 per cent would stop infringing if they received a notification with potential sanctions as part of the graduated response programme. Half of P2P users aged 15 to 50 (48%) claim the law has or will have a deterrent impact on their illegal behaviour. 23 per cent said they have either received a notification with potential sanctions directly or know someone that has. Approximately one in six P2P users (16%), around one million people, claim the new law has or will encourage them to use legal services more.

In **Ireland**, a graduated response programme has been in operation since October 2010 by eircom, the country's largest ISP, as part of an agreement with the music industry. Account holders receive three warning messages before facing a seven-day account suspension. If they continue to infringe after this they can face a twelve-month disconnection of their broadband service.

In parallel to its graduated response programme, eircom established MusicHub, a fully authorised service. Streaming is free and unlimited for eircom customers and subscriptions to enable bundled downloads vary from €5.99 to €22.99 per month.

Slow progress in UK

In the **UK**, the Digital Economy Act, which established provisions for a graduated response programme, was passed in April 2010.

Implementation has been delayed by a judicial review of the Act and development of an implementing code by regulatory body OFCOM.

The UK government has also disappointingly decided not to implement the sections of the Act that deal with website blocking. In the meantime, levels of unauthorised downloading remain high in the UK, despite the presence of more than 70 legal services. The UK government is attempting to reach a voluntary agreement on an expedited procedure for blocking user access to illegal websites and is committed to implementing the graduated response measures in the Digital Economy Act. Ed Vaizey, minister for culture, said in August 2011: “It is essential that businesses have the right tools to protect their hard work and investment in the digital age. Our creative industries must be able to protect their products and the Digital Economy Act will help them do that.”

In May 2011, the **European Union** announced it intends to review its Enforcement Directive, including the way it addresses online piracy.

The Commission has noted that the exemptions from liability that ISPs enjoy under the eCommerce Directive do not free them from the obligation to tackle digital piracy. Internal Market Commissioner Barier has indicated that the review will target the “source” of illegal content and will look to strengthen copyright protection online. The initiative needs to tackle all forms of infringement, website and P2P, if the initiative is to be effective.

“Our results have important implications for other countries in Europe and abroad who are considering passing of similar graduated response laws...we also note our study likely underestimates the true impact of Hadopi.”

Danaher et al



¹Danaher et al, MD; Telang, R; and Chan, S.

US and New Zealand: ISPs engage

A ground-breaking ISP cooperation deal was struck in the **US** in 2011 and will be implemented in 2012. Most major ISPs have signed up to a “copyright alert system” that will issue escalating notices and warnings to subscribers, with deterrent measures applied to repeat infringements, accompanied by a new Copyright Information Centre and well-resourced education programmes.

Legislation addressing “rogue” websites is also being introduced (see US focus, page 21).

New Zealand implemented the Copyright (Infringing File Sharing) Amendment Act in September 2011, putting in place a graduated response programme involving notices sent by ISPs and sanctions for repeat infringers. John Key, the prime minister, said the internet could not be a “Wild West” where creators’ rights were trampled underfoot.

Early indications since the announcement of the new law suggest it has had an initial impact on consumer behaviour. Ipsos MediaCT research from

August 2011, on the eve of the implementation, found that seven in ten P2P users said they would stop infringing on receipt of a notice as part of the country’s graduated response programme.

According to IFPI, usage of P2P networks fell 16 per cent between September and November 2011, accompanied by increasing online sales. By November 2011, digital sales in New Zealand were up 35 per cent (RIANZ). However, the high cost of notifications to ISPs by rights holders could prevent the graduated response system being used over the long term to optimum effect.

Illegal downloading remains rife in the UK despite 70 legal music sites

Consumers heed graduated response IPSOS findings in New Zealand (August 2011)

- Half of all online adults aged 15-50 agree that internet suspension or fines for repeatedly downloading content without the copyright owners’ permission are acceptable.
- Although the law was not yet in place, 14 per cent of P2P users aware of it claimed their behaviour had already changed.
- Most P2P users that had already changed their behaviour as a result of the law (62%) avoid particular unauthorised services altogether.
- New legal measures have the ability to significantly impact P2P as seven in ten users claim they would stop on receipt of a notification with a sanction attached.

Moves to block ‘rogue websites’

ISP and Mobile Service Providers’ position as gatekeepers to the internet also enables them to block users’ access to websites dedicated to the distribution of infringing material. There has been growing support for site blocking from courts and governments.

In June 2011, **Malaysia** announced it would take action to expedite the process of blocking access to infringing websites. The Malaysian Communications and Multimedia Commission (SKMM) required the country’s ISPs to block ten file-sharing websites for violating the Malaysian Copyright Act (1987). In **India**, the judiciary ordered website blocking measures against sites illegally distributing movies and music in April 2011. The Department of Information Technology announced that 11 websites would be blocked by Indian ISPs.

In New Zealand, usage of P2P networks fell 16 per cent in the first three months of notices, accompanied by increasing online sales.

Evidence of site-blocking impact

Blocking of illegal sites can have a significant impact. In **Belgium**, in September 2011, the Antwerp Court of Appeal ordered ISPs Belgacom and Telenet to block access to The Pirate Bay by way of domain name service blocking. Data from comScore shows that this reduced the service’s audience by 84 per cent between August and November 2011. In **Italy**, ISPs were ordered to block access to The Pirate Bay in February 2010 - at the time, the biggest torrent site in Italy. Once the blocking order was passed, usage of the service fell dramatically and it is still down by 74 per cent (IFPI/Nielsen). In April 2011, ISPs were also ordered to block BTjunkie, another major torrent site in Italy. Use of the service fell dramatically by 80 per cent following the block (IFPI/Nielsen).

In **Denmark**, the Supreme Court required ISPs to block access to The Pirate Bay in a May 2010 ruling. Website blocking elsewhere in Europe is increasingly similar. Blocking measures were also introduced in 2011 in **Austria** and **Finland**, requiring ISPs to block access to The Pirate Bay or other infringing sites. In the UK, in October 2011, the High Court ordered leading ISP BT to block unauthorised service Newzbin2.

Spain has written website blocking into its Sustainable Economy Act, widely known as the “Law Sinde”, whose implementing decree will enter into force in March 2012. The legislation contains provisions that, in the absence of voluntary compliance by the website owner, require ISPs to block access to websites, blogs and forums that provide links to copyright infringing content. This takes place through an expedited administrative procedure combined with prior authorisation by the Courts.

Focus on France



Marie-Françoise Marais.

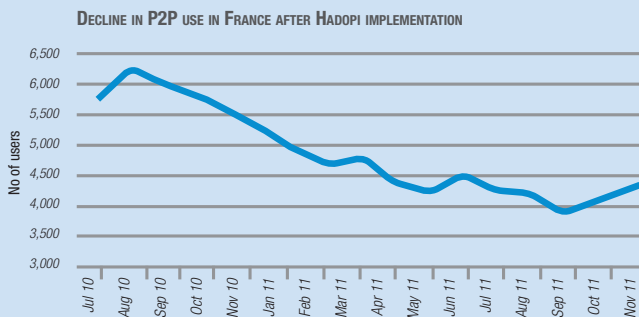
Hadopi: “positive impact for years to come”

Marie-Françoise Marais, who runs Hadopi, the agency responsible for tackling internet copyright infringement and promoting legal offers in France, has no doubt it is successful. “Hadopi is working well. It is gaining widespread acceptance. People are changing their behaviour in favour of legal offerings.”

Hadopi is the leading example in Europe of the graduated response model. It takes a progressive approach, warning users about their infringing behaviour, creating awareness of the importance of intellectual property, promoting legal services and applying sanctions only after repeated warnings.

Hadopi’s goal is to ensure that intellectual property rights are protected effectively. It is a big task. Ipsos MediaCT research indicates that around 10 per cent of P2P users in France have by now received a notice.

Hadopi runs education campaigns through the www.Pur.fr site, which certifies more than 30 legal digital content services in France. Marais praises the music sector for offering consumers what they want. She says: “The music sector cannot be criticised for a lack of diversity or types of services. Music has fully evolved online and is adapted to the needs of internet consumers.”



Source: IFPI/Nielsen.

Hadopi is being watched by other countries looking to follow its example. Marais says requests for meetings have come from a wide variety of countries including Canada, Denmark, Italy, Norway, Singapore, Spain and the US. Marais says Hadopi’s mission is a long-term one. “We are looking to achieve a real long-term solution to piracy, creating close cooperation between ISPs and rights holders.” She says there has been negligible adverse reaction to letters. “Most of the calls we get are from people who received a warning and they are asking what was downloaded. They want to understand. There is a change in perception from the public, and they are accepting what we are doing, and that our efforts will have a positive impact on France.”

Marais says the programme is flexible enough to keep pace with changes in piracy trends as Hadopi’s remit covers streaming and cyberlockers sites. “Hadopi will have an important role to play in promoting culture in France; we can have a positive impact for years to come.”



Yves Riesel. Photo by JB Millot

The independent’s view: innovation and “meaningful sanctions”

Yves Riesel is chief executive of Abeille Music, an independent label that holds France’s largest catalogue of classical music.

Riesel has responded to the changing marketplace, embracing digital channels and pioneering high-quality products, moving into the digital market in 2007 with streaming service Qobuz. The premium service is aimed at audiophiles and is available for €29 per month. Riesel’s latest innovation is a fully licensed, super-high quality, high value subscription service available in multiple territories.

“If piracy goes unchallenged, every part of the music sector suffers.”

Yves Riesel, chief executive, Abeille Music

“Classical music needs to take an approach just as innovative in the digital world as other genres. That goes for all aspects of the business, from the production to digital products to marketing but also in the types and quality of products we offer.”

Riesel believes France’s graduated response system is vital for the future. Independent businesses depend on recouping significant investments, and the legal environment plays an important factor in allowing them to do so. Riesel praises Hadopi: “It is necessary for the market to have a body curbing piracy and placing real and meaningful sanctions on those who steal music. If piracy goes unchallenged, every part of the music sector suffers. Classical is affected by piracy. No-one can deny that piracy destroys sales.”

Some 12 per cent of Abeille’s revenues are currently from digital channels. However, Riesel expects his efforts in the digital realm to change that, predicting growth to 85 per cent over the next five years. “The challenge will be once all the businesses are mostly digital, to still maintain the value of music enough for producers and artists to make a living off it. If piracy continues to destroy the market that will no longer be possible.”

“Hadopi will have an important role to play in promoting culture in France; we can have a positive impact for years to come.”

Marie-Françoise-Marais, president, Hadopi

Focus on US



ISP agreement and strong digital growth

2011 was a watershed year for the US music industry. The launch of innovative services, new market entrants, growth in smartphone and tablets and the shutdown of the illegal file-sharing service Limewire, have helped return the market towards growth.

Digital growth has helped revive the US music market. Download sales have grown and there has been growth in legal streaming services, such as Rhapsody, and particularly strong performances from the newly-launched Spotify and Muve Music. Rhapsody announced in December 2011 that it had passed the one million mark for paying customers. Growth in 2011 was partly thanks to a new partnership with mobile phone service provider Metro PCS, which bundled Rhapsody's offering in with a US\$60 per month unlimited data plan.

Growth has also come from internet radio services such as Pandora, Rdio and MOG. Internet radio services helped boost performance rights revenue in recent years, making the US the largest market in the world in this sector. US album sales increased by 3.2 per cent 2011, while singles sales climbed by 8 per cent, according to Nielsen SoundScan.

There have also been groundbreaking steps forward in the fight against piracy. In July, an agreement was struck between rights holders and ISPs, establishing a system of "copyright alerts" that will notify internet subscribers when their accounts are being misused to infringe copyright law. A system of "mitigation measures" aims to deter repeat infringements by those who ignore repeated alerts. The agreement also establishes a Center for Copyright Information to administer the programme and coordinate education activities. A separate new body will handle disputes.

“We wanted to cooperate in a way that would be effective in curtailing piracy, and also raise awareness among our customers of copyright law.”

Randal S. Milch, General Counsel, Verizon

US KEY DATA IN 2011 (UNITS)	
INCREASE IN SINGLES SALES	8%
INCREASE IN ALBUM SALES (PHYSICAL AND DIGITAL UNITS)	3.2%

Source: Nielsen SoundScan.

THE IMPACT OF THE LIMEWIRE JUDGMENT		
	Q4 2007	Q4 2010
% OF US INTERNET POPULATION USING INFRINGING P2P SERVICES	16	9
AVERAGE NUMBER OF TRACKS DOWNLOADED FROM P2P SERVICES	35	18

Source: The NPD Group.

The agreement, the result of two years of negotiations, has strong support on both sides. Randal S. Milch, General Counsel of major ISP Verizon, says: "We understood the problem and its importance to the creative industries. We wanted to cooperate in a way that would be effective in curtailing piracy, and also raise awareness among our customers of copyright law and the security issues around P2P networks. We also wanted to ensure the privacy rights of our customers. We're very confident this balance will be achieved and that this new partnership will work for all sides and serve as a model to others."

“This initiative is one of the things that will fuel the shift in the mindset of American consumers.”

Glen Barros, chief executive, Concord Music Group

Music companies say the hard-fought ISP agreement has changed the mood in the US industry. "This initiative is one of the things that will fuel the shift in the mindset of American consumers. Some element of deterrence is needed, and this is a proportionate programme," says Glen Barros, chief executive of independent label Concord Music Group.

Litigation has also played its part in the US recovery. The most heavily-used illegal music service in America, Limewire, was closed in October 2010 when a federal court in New York issued a permanent injunction against the company. The percentage of the US internet population using a P2P file-sharing service fell from 16 per cent in the fourth quarter of 2007 to 9 per cent in the fourth quarter of 2010, when Limewire ceased its file-sharing operations. The average number of tracks downloaded fell from 35 tracks per person to 18 tracks per person over the same period (The NPD Group).

Meanwhile, both the US House of Representatives and the Senate are advancing "rogue site" legislation that would target foreign websites that exist fundamentally to trade in infringing works and counterfeit products. Both pieces of legislation, known respectively as the "Stop Online Piracy Act" (SOPA) and the "Protect IP Act" (PIPA), seek, through court orders, to disrupt funding of the sites by payment processors and advertising networks. Both pieces of legislation are set to be debated further in early 2012.

Focus on South Korea

A continuing success

South Korea illustrates how good legal services, combined with strong repertoire and a healthy legal environment can lead to significant market growth. The recorded music market in South Korea grew by 6 per cent in value in the first half of 2011, following a 12 per cent increase in 2010. In 2005 it was ranked as the 33rd music market in the world. Today, it ranks as the 11th largest market.

One of the key rewards of South Korea's improved legal environment is more investment in local artists. Domestic repertoire used to account for around 60 per cent of recorded music sales, but this figure has climbed to around 80 per cent in 2011. Around 70 per cent of the revenue from "K-pop" repertoire comes through digital channels, compared with 55 per cent across the market as a whole.

Q Chung, managing director, Sony Music Entertainment Korea, says: "South Korea is committed to being the most advanced digital economy in the world. Our government understands that a fair legal environment is an essential foundation for such an ambition. This means we have been able to concentrate on what record companies do best: discovering, signing and promoting great local talent both at home and overseas."

South Korea's improved copyright landscape did not happen overnight. The government began to update its copyright law in 2007, requiring online service providers to filter illegal content on request from rights holders. In July 2009, graduated response measures were introduced and in April 2011 a new law required cyberlockers and P2P services to register with the government and implement filtering measures. South Korea operates a range of measures to tackle digital piracy, overseen by the Ministry of Culture, Sports and Tourism (MCST) and largely implemented by the Korea Copyright Commission (KCC).

Graduated response is integral to South Korea's copyright enforcement system. The KCC has sent around 100,000 "recommendation notices" to service providers, requiring them to tell infringing users to stop breaking the law.

SOUTH KOREA PLACEMENT IN GLOBAL MARKET RANKINGS

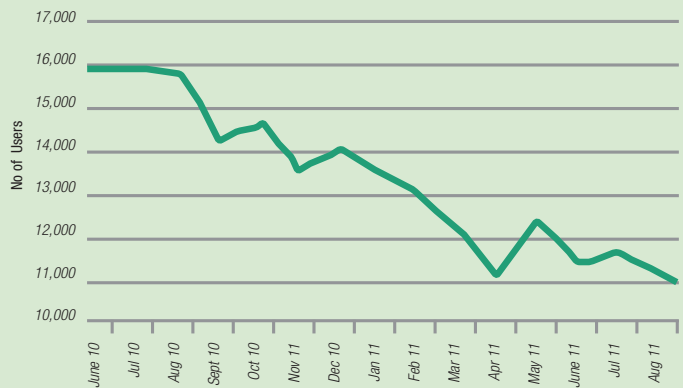
2005	33
2007	23
2009	14
2011	11

Source: IFPI, based on total music revenues.

The government says 70 per cent of infringing users stop on receipt of a first notice and 70 per cent of the remaining infringers stop on receipt of a second notice. If users refuse to stop following three notices, this triggers a further series of "correction orders" issued by the MCST. Only a small percentage of users continued to infringe once they received repeat notices backed by a sanction.

South Korean copyright law also requires online service providers, including P2P services, to block the illegal distribution of infringing material. Unauthorised P2P services and overseas blogs and cyberlockers are targeted through a programme of website blocking. The Korea Communications Commission reports that 24 mostly international sites were blocked in the first five months of 2011.

USAGE OF CYBERLOCKERS (WEBHARDS), THE PRIMARY TARGET OF GRADUATED RESPONSE, HAS FALLEN SHARPLY



Source: IFPI, based on data from Nielsen.



K-Pop stars Yiruma, M.C the Max and BEAST.

Developing a legitimate business in China

Major record companies license Baidu

China is a market with huge potential for the music industry. Yet it has suffered from an estimated 99 per cent digital piracy rate in recent years, meaning the legitimate market has operated at only a fraction of its true potential.

China has nearly twice as many internet users as the US, but digital music revenues per user are currently about 1 per cent of that of the US. More than 70 per cent of music sales in China are digital, but the market has achieved a tiny fraction of its potential. In 2010, China's overall music sales were worth only US\$67 million, making it a smaller market than Ireland.

In July 2011 three major record companies – Universal, Sony and Warner - struck a partnership with China's largest internet company, Baidu, a milestone in the music industry's development in China. While the other major company, EMI, already had a licensing agreement with Baidu, under the new venture Baidu pledged to close its infringing deep-linking music search service. The agreement between Baidu and One Stop China, in which the three music companies are investors, also marked the close of years of litigation.

Under the terms of the new partnership, consumers can download tracks for free from Ting, a new legitimate service supported by advertising revenues.

The deal by no means ends China's piracy problem. Other unauthorised "deep-linking" services are still operating, while cyberlockers and illegal download sites remain a huge barrier to growth. China has increased its commitment to fighting piracy with numerous special anti-piracy campaigns. These have achieved some results, but a sustained enforcement campaign is needed over the long-term.

“The next generation of young people need to be encouraged to consume music in the right way.”

Catherine Leung, general manager, music and entertainment division, Baidu

CHINA FACTS AND FIGURES	
MUSIC SALES 2010	US\$67 MILLION
DIGITAL SALES PENETRATION	70%
PIRACY RATE	ESTIMATED 99%

Source: IFPI.

Lachie Rutherford, president, Warner Music Asia Pacific, says: “Baidu's decision to switch to an authorised music service in a market that has until now been dominated by infringement is a milestone for the development of our business in China.

“This is a market with enormous potential where attitudes to copyright are slowly but noticeably improving. The Baidu deal is a groundbreaking partnership that combines the enormous reach of China's biggest internet company with the expertise and creativity of the largest music companies.”

“The Baidu deal is a groundbreaking partnership that combines the enormous reach of China's biggest internet company with the expertise and creativity of the largest music companies.”

Lachie Rutherford, president, Warner Music Asia Pacific

Catherine Leung of Baidu says: “We believe in the long-term commercial viability and success of music for Baidu. The next generation of young people needs to be encouraged to consume music in the right way. Hopefully, in a couple of years, perhaps 20 per cent of our users will be in one way or another paying customers for music. Even 10 per cent of 100 million is a big number.”



Protecting content online: intermediaries step up

Search engines should link to legal music

Search engines such as Bing, Google and Yahoo! are a major channel for consumers to access music. However, many of the top results provided by search engines are linked to unauthorised content or sites which regularly infringe copyright. The music industry believes search engines should bear important responsibilities in this area.

The scale of the problem is illustrated by research commissioned in the UK, where Harris Interactive found that 23 per cent of consumers regularly download music illegally using Google as their means to find the content (September 2010). Further research in New Zealand by Ipsos MediaCT (August 2011) also highlighted that search engines direct a significant number of users to unauthorised sources. 54 per cent of users of unauthorised downloads said they found the music through a search engine. In Ireland, this figure was 49 per cent (Ipsos MediaCT, October 2011).

For some search terms, links shown on the first page of results are often overwhelmingly to infringing sources. IFPI's anti-piracy team conducted research which found that entering the name of the top five artists in the Billboard Top 100 chart on 1st November 2011 plus the term "mp3", the dominant legal and illegal file format for digital music, found the majority of search results were infringing.

ARTIST	INFRINGING RESULTS FROM SEARCH FOR ARTIST NAME AND 'MP3'		
	GOOGLE	YAHOO!	BING
ADELE	77%	62%	70%
RIHANNA	86%	71%	65%
MAROON 5	82%	67%	75%
LMFAO	82%	81%	80%
FOSTER THE PEOPLE	55%	57%	60%

Source: IFPI.

Search engines need to adopt responsible practices and procedures if they are to ensure that consumers are not drawn into behaviour that is illegal and often compromises their online security. In January 2011, it was announced that rights holders in the UK were in discussions with the government and search engines on a draft code of conduct covering matters such as the prioritisation of legal sites in search results and online advertising.

There is already cooperation between the music industry and search engines in this area - but it needs to be much better. Mass numbers of takedown notices are sent to search engines each month asking them to delist links to non-legal content. However, response times vary and delays still occur. There are also sometimes restrictions on the number of non-legal links that rights holders can notify. These need to be removed, and search engines should take measures to prevent notified infringing links re-appearing in results. Search engines also need to go beyond delisting and address the prioritisation of links. They need to rank search results factoring in clear indication of legality or illegality. A basic measure such as this would help consumers not only avoid viruses and malware, but also being directed unwittingly towards content piracy.

Search engines also have a key role preventing advertising revenues from funding piracy. Some have advertising businesses that sell search terms to advertisers or that serve advertisements to websites wishing to generate revenue from advertising, which can be used to fund providers of websites that are dedicated to illegal use of content. Search engines should implement effective screening procedures for advertising partners, and eliminate all advertisements on substantially infringing sites and on search results pages that contain links to such sites.

Advertising: cutting the funds to piracy

Advertising is a major source of funding for digital piracy worldwide. Illegal music sites may offer their content for free, but they are often commercially driven, and advertising revenues are a principal source of funding for many of them.

The amount of revenue generated by such sites can be substantial, as demonstrated in the legal case against Limewire in the US. Prosecutors showed Limewire made an estimated US\$20 million in revenues from advertising in 2006 alone. The judgment that shut the site down noted "LW's sources of revenue depend on Limewire attracting the massive user population generated by its infringing-enabling features...As Limewire's user base expanded LW's revenues from advertising and software distribution increased."

Reputable companies are increasingly removing their advertisements from unlicensed sites. The recording industry approaches advertisers, alerting them to the fact their advertisements are appearing on such services. Companies including E-ON, HSBC, ING Direct, Mazda and Monarch Airlines were clear they did not wish to associate their brands with piracy. Such companies were commonly unaware their media buyers were placing advertisements on networks that included illegal websites.

In June 2011, GroupM, WPP's media investment arm, developed and adopted a pioneering new digital media buying policy designed to prevent its clients' ads from appearing on websites that distribute illegally obtained content. The policy is designed to actively oppose online piracy in all its forms and to protect the copyright-protected, intellectual property of all content-producing companies. In conjunction with the new policy, GroupM created a list of more than 2000 sites that were identified as containing or supporting pirated content. GroupM buys an estimated US\$82 billion a year globally in media for its clients (Source: RECMA).

"We're serious about combating piracy and protecting our clients' intellectual property as forcefully as we possibly can," said GroupM Interaction Global CEO, Rob Norman. "This policy extends to digital media buyers at all GroupM agencies, as well as other WPP companies like Team Detroit, which manages Ford's media business."

In October 2011, the US Congressional International Anti-Piracy Caucus wrote to the American Association of Advertising Agencies, the Association of National Advertisers and the Interactive Advertising Bureau, asking them to take action to curb advertising on illegal websites. The bipartisan committee said that advertisements from blue chip brands helped to fund piracy and their appearance on illegal sites could give visitors the impression the sites were legitimate.

Payment providers act on illegal sites

The music industry is stepping up pressure on the illegal websites that distribute its products without permission or payment by removing their ability to abuse payment services. Thanks to close cooperation between IFPI, law enforcement and the payment industry, rogue sites are finding it more difficult to secure the merchandising services of companies such as MasterCard, PayPal, the paysafecard group and Visa, as well as phone payment services.

A partnership between IFPI, the City of London Police and payment providers has prevented 62 illegal websites based in Russia and Ukraine from abusing payment services since it began in March 2011.

Under the terms of the cooperation, IFPI supplies the City of London Police with evidence that illegal downloads are being made available from an infringing site. The police review the evidence, verify its integrity and notify payment providers that their services should not be provided to such sites. It is estimated that, to date, the programme has stopped some £180 million of illegal trade, based on the revenues generated by the sites over the previous year.

Payment providers have always prohibited the sale of illegal goods and services using their payment systems, but this collaboration expedites the process and ensures website operators cannot continue to build businesses based on theft.

Detective Chief Superintendent Steve Head of the City of London Police says: "We are fully committed to proactive initiatives such as these, where we work with the private sector to prevent offending and minimise harm to entire business sectors such as the music industry."

Jim Issokson, senior business leader, public affairs communications, MasterCard Worldwide, adds: "The partnership between MasterCard, IFPI and the City of London Police is progressing very well. The coalition approach we have created is both effective and mutually beneficial. Our collaboration has successfully disrupted illegal activity and curtailed the ability for criminals to profit from such activity at the expense of hard-working, legitimate participants in the recording industry. MasterCard plans to continue to partner with both entities to eradicate intellectual property piracy in the recording industry."

“Our collaboration has successfully disrupted illegal activity and curtailed the ability of criminals to profit from such activity at the expense of hard-working, legitimate participants in the recording industry.”

Jim Issokson, senior business leader, public affairs communications, MasterCard Worldwide

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MasterCard
Worldwide



representing the
recording industry
worldwide

Hosting providers: A key partner

Web hosting services are also a priority. These provide server space and internet connectivity to websites, sometimes enabling rogue websites to illegally distribute copyrighted material. IFPI sends warnings to make the host provider aware, taking legal action if necessary. In May 2011, a court in Luxembourg ruled against a leading hosting provider which was providing services to a number of illegal websites.

Some companies appear to market themselves as offering an opportunity to circumvent copyright laws. In Canada, web hosting company Amanah offers its clients "no more fighting with DMCA restrictions" as a feature of its server hosting services, playing on its location outside of the US. Under the US Digital Millennium Copyright Act, rights holders can issue takedown notices to web hosting companies. Cases such as this highlight the need for legal reform to strengthen copyright protection in Canada and other jurisdictions worldwide.

Self-help: anti-piracy enforcement and education

Tackling the pre-release hackers

Pre-release piracy is a major problem for the music industry as online leaks have the potential to significantly damage sales of albums and singles. So-called “release groups”, “splinter groups” and individuals seek to obtain music before it officially goes on sale, distributing it on blogs and forums, from where it can proliferate across the internet. This costs valuable sales in the critical period around release, often also costing artists an optimum chart position.

IFPI works with its member labels to prevent leaks occurring, improving security around promotional copies of new music, and if a leak does take place, it works to remove the infringing links that appear online. Anti-piracy investigators use the latest automated technology to identify and remove infringing links worldwide. In 2011, it removed more than 15 million tracks, up from seven million in 2010, a 115 per cent increase.

As a result of this increased security, hackers are now targeting the email accounts of artists and those who work with them to illegally obtain content before its commercial release. They send “phishing” emails, purporting to be from legitimate contacts, asking recipients to reset passwords and linking through to bogus websites that pose as legitimate social networking sites or personal email services. Once a hacker has obtained log-in details for an email account he can check it for audio files, copy the victim’s address book and even unleash a virus that lets him take over a computer.

Hackers seek the kudos from their peers by releasing music online before it goes on sale. Some also try to secure “shouts” from artists, audio or video recordings praising the hacker, in exchange for them not leaking their music. Hackers have also been able to hijack individuals’ social networking profiles, leaking personal content such as photographs.

“We all must improve the way we secure our most valuable assets.”

Paul Rosenberg,
manager of Eminem

Eminem: tracks were obtained by hackers

IFPI assists artists and labels in tracing such hackers. One such investigation was launched after those working at Shady Records were targeted to secure tracks from Eminem’s seventh studio album *Recovery*.

Paul Rosenberg, Eminem’s manager, says: “Eminem is obviously an artist that takes his craft very seriously and puts a huge amount of time and effort into making his music. If outsiders are able to pry his work to share with the world when the songs may not be finished or possibly never intended to ultimately be released it’s a difficult thing to come to terms with.”

Once it was clear hackers had been able to obtain tracks from the album, Rosenberg alerted his contacts to the fact they were being targeted. He says: “We need to raise awareness within the label and those involved with the recording process that they will be targeted and should be aware of emails asking for log-in details. We all must improve the way we secure our most valuable assets.”

Jeremy Banks, director, anti-piracy, IFPI, says: “Pre-release leaks have always been a damaging problem for record labels and artists, threatening to sabotage months of work. In the last couple of years we have seen such piracy take a new and sinister form as hackers compromise people’s privacy to get hold of commercially valuable pre-release music. This is being addressed through cooperation between artists, labels, anti-piracy experts and law enforcement.”

Public education: a long term commitment

Public education plays a crucial role in developing a thriving digital music sector. The industry supports campaigns across the world to promote legitimate services and improve understanding of copyright. A few of these are highlighted below. Governments are playing their part too, with France and South Korea leading the way.



Music Matters

The Music Matters campaign was developed by a collective of artists and others that work in and around music to remind listeners of its enduring value. It encourages music fans to consume in an ethical way by highlighting the digital

services that support artists and those that invest in them through the Music Matters trust mark. The campaign was launched in the UK in 2010 and extended to Australia and New Zealand in 2011. It highlights the value of music through a series of films focusing on inspirational music with featured artists including Dave Dobbyn, Eskimo Joe, Kate Bush, The Jam, Sigur Rós and Thin Lizzy. In August 2011, the biggest band in history joined the campaign when The Beatles authorised a film using their music. Music Matters will get a further boost in 2012 with the launch of *Música Trasciende*, the Spanish-language version of the campaign, in Latin America.

www.whymusicmatters.org

A Guide to Music, Film, TV and the Internet



IFPI and its right holder partners in the international alliance Pro-Music first launched a guide for parents and teachers in partnership with international children's charity Childnet in 2005. The guide provides simple and practical advice for parents and teachers advising young people how to enjoy music safely and legally online. The most recent edition of the guide was rolled out internationally in 2011. In total, the

three editions of the guide have been translated into 17 languages and made available in 21 countries. Copies of the third edition were sent to the head teachers of every secondary school in the UK and endorsed by the Ministry of Culture in Spain. In Italy, the government of Milan Province backed the campaign by issuing copies of the guide and producing posters to be placed in staff rooms of senior schools across the region.

www.childnet.com/downloading; www.pro-music.org



Pop4Schools

Pop4Schools is a programme designed to help teachers use the medium of pop music to teach pupils about curriculum subjects from mathematics to art by bringing the concept of a

record company into the classroom. Children write, produce, market, promote, distribute and sell a piece of music, role-playing the process that takes place in the real world. Teachers can match pupils' skills to certain tasks, such as performing the song, designing the artwork or writing sleeve notes. Pop4Schools launched in December 2010 and rolled out over the course of 2011.

www.pop4schools.com

France: €3 million campaign to support Hadopi



A major campaign supported the launch of Hadopi, the French agency tasked with protecting copyright online. The campaign also introduced PUR, the website dedicated to promoting certified legal digital services. The €3 million campaign is Hadopi's first marketing campaign and ran across television,

radio, cinemas, online, on public transportation and through leaflets and direct mail. Aymeric Pichevin of H.O.M.E Media helped to craft the strategy for the campaign. A series of short clips depicts imagined hit films and music of the early 2020s, ending with the common message that without the work of Hadopi these might never be realised.

"We needed to communicate directly to the public and explain what Hadopi really aims to achieve," says Pichevin. "If music and films are just taken without reward that will have a very important impact on the kind of offerings we will get tomorrow. The campaign was about highlighting the youth and the promise of creators."

As Pichevin explains, "We wanted to show that Hadopi is defending artists and the emotions their works engender, rather than being an internet censor. Promoting the PUR trust mark for legitimate services will help French consumers know which sites are legitimate, and the campaign has widened the discussion." Education, coupled with Hadopi's graduated response system, provides consumers with everything they need to make informed decisions.

Pichevin says the campaign provoked an awareness-raising debate. "People know that taking content illegally is wrong, but our campaign aimed at going beyond the morality to explain the consequences for our culture. We believe many people might change their behaviour once they understand this better."

www.pur.fr



South Korea

South Korea has conducted a comprehensive education programme to complement its actions to protect intellectual property online. When the copyright law was updated, the government launched an advertising blitz across billboards, broadcast outlets and the print media. It explained that if users wanted to benefit from cultural

goods and services, it was only fair they pay for them, and that if the government did not protect copyright today, then consumers would have fewer cultural products to enjoy tomorrow.

Copyright has been placed on the national curriculum and The Korea Copyright Commission (KCC) trains teachers so that they can tackle the subject in the classroom. The KCC also uses music to communicate, engaging well-known singer-songwriter Kim Tae-Won to write *The Copyright Song*, which a range of artists sing when they appear on TV or radio. Artists and comedians have been engaged by the government to act as "ambassadors for copyright", explaining the new law and its benefits to consumers in broadcasts and other public appearances.

There is a Copyright Academy for those working in the creative, technology and other relevant industries, running eight courses tailored to their specific needs. The courses explain how these professionals can keep on the right side of copyright legislation as they are engaged in their business. More than 350,000 people a year receive some form of education or training from the KCC.

www.copyright.or.kr

Digital Music Services Worldwide

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 website. The list numbers around 500 legitimate services in 78 countries.

ANDORRA

Deezer

ARGENTINA

BajáMúsica
Faro Latino
iTunes
Personal Música
Sonora
Ubby Música
YouTube

AUSTRALIA

Anubis.fm
Bandit.fm
BigPondMusic
Cartell Download
DanceMusicHub
Getmusic.com.au
Guvera
Hutchison "Three"
Inertia
iTunes
Jamster
JB Hi Fi
Liveband.com.au
Mobile Active
Music Unlimited
Nokia Music
Optus Music Store
Qtrax
Rdio
Samsung Music Hub
Songl
The In Song
Third Mile
Ticketek Music
Virgin Mobile
Vodafone
YouTube

AUSTRIA

3MusicStore
7digital
A1 Music
AmazonMP3
Artistxite.com
Deezer
DG Webshop
eMusic
Finetunes
iTunes
Jamba
JUKE
Ladezone
Last.fm
Musicbox
Musicload
Mycokemusic
MySpace
Nokia Music

AUSTRIA CONT.

Orange
Preiser
rara.com
Simfy
SMS.at
Soulseduction
Spotify
Telering
T-Mobile
Weltbild
YouTube
Zed
Zero-Inch
Zune

BELARUS

Yandex Music

BELGIUM

7digital
Beatport
Dance-Tunes.com
Deezer
DJTUNES
Downloadmusic.nl
eMusic
Fnac
iTunes
Jamba
Jamster
Junodownload
La Mediatheque
Legal Download
Nokia Music
Proximus
rara.com
Simfy
Spotify
We7
YouTube

BOLIVIA

iTunes

BRAZIL

Claro Music Store
Ideas Music Store
Ideas Musik
iTunes
iMusica
Mercado da Musica – Transamerica
MSN Music Store
Mundo Oi
Nokia Music
Oi Rdio
Power Music Club (GVT)
Sonora
TIM Music Store
Universal Music Loja

BRAZIL CONT.

UOL Megastore
Vivo Play
Warner Music Store
Yahoo! Music
YouTube

BULGARIA

4fun
7digital
eMusic
Hitbox.bg
iTunes
M.Dir.bg
mp3.bg
MTel Music Unlimited
Musicspace

CANADA

7digital
BBM Music
Bell Mobility
Classical Archives
eMusic
Galaxie Mobile
HMV Digital Canada
iTunes
Motime
Puretracks
Rdio
Slacker
TELUS
urMusic
VEVO
YouTube
Zik
Zune

CHILE

Bazuca
Claroideas
Entel-Napster Mobile
iTunes
Mimix
Nokia Music
Portaldisc

CHINA

Baidu
China Mobile
China Telecom
China Unicom
Douban
Google Music
Netease
Nokia CWM
Renren
Sina
Tencent
Todou
Top100
Youku

CHINESE TAIPEI

Emome
Ezpeer+
Far Eastone
Hami Music
iNDIEVOX
iNmusic
KKBOX
muziU
Omusic
Taiwan Mobile
VIBO
YouTube

COLOMBIA

Codiscos
ETB Musica
Ideas Comcel Music Store
iTunes
Música
Prodiscos – Entertainment Store
Supertienda Movistar
Sonora
Tigo

COSTA RICA

iTunes

CROATIA

Cedeterija
Fonoteka

CYPRUS

7digital
eMusic
iTunes

CZECH REPUBLIC

7digital
eMusic
iTunes
MusicJet
Nokia Music
O2 Active
Stream
t-music
Vodafone
YouTube

DENMARK

3music
BibZoom.dk
Bilka Musik
Billigcd.dk
CDON Danmark
Deezer
DSB
DVD00.dk
Ekstrabladet.dk
eMusic
GUCCA
Inpoc
iTunes
M1
Music Unlimited
PlayNow Arena (Sony Ericsson)
rara.com
Spotify
TDC Play
Telia
TouchDiva
TP Musik
VoxHall
WavesOut
WiMP

DOMINICAN REPUBLIC

iTunes

ECUADOR

iTunes

EGYPT

Alamelphan
Mazzika Box

EL SALVADOR

iTunes

ESTONIA

7digital
Deezer

ESTONIA CONT.

eMusic
iTunes
Muusika24

FAROE ISLANDS

Deezer

FINLAND

7digital
City Market CM Store
Deezer
DNA Musiikkikauppa
download.MTV3.fi
Download.NetAnttila
Downloads.cdon.com
eMusic
Equal Dreams
iTunes
Meteli.net
MTV Music Shop
Music Unlimited
Nokia Musiikki
NRJ Kauppa
Paimuri
rara.com
Spotify
Store.radiorock.fi

FRANCE

121 MusicStore
7digital
Allomusic
Amazon
Beatport
Beezik
Carrefour
cd1d
Cultura.com
Deezer
Disquaire on line
Dogmazic
E-Compil
eMusic
Ezic
Fnac.com
Gkoot electronic
iTunes
Jamba
Jamendo
Jazz en ligne
Last.fm
Lazy Live
MiooZic
Mondomix
musicMe
Musicclassics
Musiccovery
Music Unlimited
MyClubbingStore
MySurround
Neuf Music
Nokia Music
Nuloop
Off TV
Orange Music
Qobuz
rara.com
SFR Music
Spotify
Starzik
Virgin Mega
YouTube
Zaoba



GERMANY

7digital
Akazoo
Amazon MP3
AOL Musik
Artistxite.com
Beatport
boomkat
Clipfish
Dance All Day
dancetracksdigital.com
Deezer
Deluxe Music
digital-tunes
djdownload
djtunes
elixic.de
eMusic
e-Plus unlimited
Eventim music
Finetunes
Highresaudio
iMusic1
iTunes
Jamba
JPC
Juke
juno
Justaloud
Last.fm
Linn Records
Mediamarkt
Medionmusic
MP3.Saturn
MTV/VIVA
Musik-Gratis.net
Musicload
Musicbox
Music Unlimited
MyVideo
Napster
Nokia Musik
o2 Music
othermusic.com
PlayNow
primalrecords.com
Putpat
QTom
rara.com
Rdio
shop2download
Simfy
soulseduction
tape.tv
T-Mobile Music
trackitdown
traxsource
UMusic
Videoload
VidZone
Vodafone
Weltbild
whatpeopleplay.com
WOM
Yavido
Zaoza
zero-inch.com
Zune
zwo3.net

GREECE

123play
7digital
Akazoo
Cosmote
eMusic

GREECE CONT.

EMI Downloads
iTunes
mpGreek
Viva
Vodafone
Wind

GIBRALTAR

Deezer

GUATEMALA

iTunes

HONDURAS

iTunes

HONG KONG

3Music
China Mobile HK
CSL Music
Eolasia.com
hifitrack
KKBOX
Moov
Musicholic
MusicOne
MusicStation
Musicxs
PCCW Mobile
Qlala
SmarTone iN
YouTube

HUNGARY

7digital
Dalok
iTunes
UPC Music
Vodafone Live!

ICELAND

7digital
Gogoyoko
Tonlist.is

INDIA

7digital
Artist Aloud
Gaana
In
IndiaONE
Meridhun
My Band
Nokia Music
Raaga
Radio One
Saregama
Saavn
Smash Hits

IRELAND

7digital
ArtistXite
Bleep.com
CD World
Deezer
Eircom MusicHub
eMusic
Golden Discs
iLike
iTunes
Last.fm
Meteor Music Store
Music Unlimited
MUZU.TV
MySpace
Nokia Music
rara.com

IRELAND CONT.

Universal Music
Vodafone Music
We7
YouTube

ISRAEL

YouTube

ITALY

7digital
Azzurra Music
Beatport
Cubo Musica
Deejay Store
Deezer
eMusic
Esselunga MusicStore
Fastweb
GazzaMusic
IBS
InnDigital
iTunes
Jamba
Last.fm
m2o.it
Mondadori
MSN Music
Music Planet 3
Music Unlimited
Net Music Media World
Nokia Music
Playme
rara.com
Sorrisi Music Shop
TIM
Vodafone Live
YouTube
ZED

JAMAICA

REGGAEinc

JAPAN

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

KAZAKHSTAN

Yandex Music

KOREA

24hz
Bugs
Cyworld BGM
Dal
Daum Music

KOREA CONT.

Joos
Melon
Monkey3
Musicsoda
Naver Music
Ollehmusic

LATVIA

7digital
Deezer
eMusic
iTunes

LIECHTENSTEIN

7digital
Deezer

LITHUANIA

7digital
Deezer
eMusic
iTunes

LUXEMBOURG

7digital
eMusic
iTunes
rara.com

MALAYSIA

7digital
Celcom Channel X
DigiMusic
Gua Muzik
Hypptunes
Maxis Music Unlimited
U Mobile Planet Music
Wowload

MALTA

7digital
eMusic
iTunes

MEXICO

BBM Music
Coca-Cola FM
Entretonos Movistar
EsMas Movil
Flycell
Ideas Music Store Mexico
Ideas Radio Mexico
Ideas Musik
Ideas Telcel
iTunes
Mientras Contesto de
Iusacell
Mixup Digital
Nextel Shotsonline
Nokia Music
Seven 7 Music Shop
Sigue Tu Música Corona
Music
Terra Sonora
Terra TV
Universal Music Magazine
YouTube

MONACO

Deezer

NETHERLANDS

7digital
Countdownload
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Deezer
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eMusic
GlandigoMusic

NETHERLANDS CONT.

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Jaha
Jamba
Last.fm
legal download
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Media Gigant
Mikkimusic
MP3 Downloaden
MSN Muziek Downloads
MTV
Muziek.nl
Muziekweb
Nokia Music
Radio 538
rara.com
Saturn
Sony Ericsson PlayNow Plus
Spotify
Talpadownloads
TMF
TuneTribe
Vodafone
You Make Music
YouTube
zazell.nl
Zoekmuziek

NEW ZEALAND

7Digital
Amplifier
Bandit.fm
Digirama
Flybuys Music
iTunes
Marbecks Digital
Music Unlimited
MySpace Music
rara.com
Telecom Music Store
The In Song
Vodafone
YouTube

NICARAGUA

iTunes

NORWAY

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

PANAMA

iTunes

PARAGUAY

Claro
FeelMP3
iTunes
Personal
Tigo



PERU

iTunes

PHILIPPINES

Globe
myMusic.ph
Smart
Star Music
Star Records

POLAND

7digital
eMusic
iplay.pl
iTunes
Last.fm
mp3.pl
Muzodajnia
MySpace
Niagara
Nokia Music
Orange World
Soho.pl
YouTube

PORTUGAL

7digital
Beatport
Deezer
eMusic
iTunes
Jamba
Music Box (TMN)
Myway
Nokia Music
Optimus
Qmúsika
SAPO/ Musicaonline
Vodafone

ROMANIA

7digital
Best Music
Cosmote
Dump.ro
eOk
Get Music
iTunes
Music Mall
Music Nonstop
Orange
Trilulilu.ro
Vodafone

RUSSIA

Beeline
Deezer
Fidel
iviMusic
Megafon
Mp3.ru
MTS
Muz.ru
Nokia Music
Omlete
Soundkey
Tele2
Yandex Music
YouTube

SAN MARINO

Deezer

SINGAPORE

7digital
M 1 Music Store
Nokia Music
OBuddy
Samsung Mobile

SINGAPORE CONT.

Singtel AMPed
Singtel Ideas
Starhub Music Store
YouTube

SLOVAKIA

7digital
eMusic
iTunes
Music Jet
Nokia Music
Orange
YouTube

SLOVENIA

7digital
eMusic
iTunes
mZone

SOUTH AFRICA

DJs Only
Jamster
Just Music
Lookandlisten.co.za
MTN Loaded
Music Station
Nokia Music
Omusic.com
Pick n Play
Rhythm Online
ThatGig
Vodafone Live
Spain 7digital
Beatport
Blinko (Buongiorno)
Dada
Deezer
eMusic
Fnac
IbizaDanceClub.com
iTunes
Jamba
Last.fm
Los40.com
Magnatune
Media Markt
Movistar
MTV
MUZU.TV
Music Unlimited
MySpace
Nokia Music
Olemovil (Jet Multimedia)
Orange
rara.com
Rockola.fm
Spotify
Tuenti
Vodafone
Yes.fm
Yoigo
YouTube
Zune

SWEDEN

7digital
Beatport
Bengans
CDON
Check-in music
Deezer
eClassical
eMusic
Enjoy

SWEDEN CONT.

Gazell Digital Store

iTunes
Klicktrack
Last.fm
Mr Music
Music Unlimited
Musikbitten
Musikshopen
MySpace
Nokia Music
Omnifone
rara.com
Sound Pollution
Spotify
WiMP

SWITZERLAND

7digital
AmazonMP3
ArtistXite
Cede.ch
Deezer
Ex Libris
Finetunes
Hitparade.ch
iTunes
Jamba
Musicload
Nokia Music
Orange
PlayNow Arena
rara.com
Simfy
Soundmedia
Spotify
Sunrise Joylife
Weltbild

THAILAND

AIS
DTAC
i-humm
Music Combo
Music One
N-content
Shinee
ThinkSmart
Total Reservation
True Digital
W Club

TURKEY

Avea
Fizy.com
Gncplay.com
İzlesene
Müzik İçin Efes
Muzikin.com
Mynet
Nokia Music
Orjinalindir.com
TTnetmuzik
Turkcell
Vodafone
YouTube
Videonmusic
Vidivodo

UKRAINE

Djuice
MUZon
Yandex Music
YouTube

UNITED KINGDOM

3V Music Store
7digital

UNITED KINGDOM CONT.

Amazing Tunes
AmazonMP3
ArtistXite
Babelgum
BBM Music
Beatport
Bleep
Boomkat
BT Vision
Classical.com
Classical Archives
Classics Online
Coolroom
Deezer
DJ Download
Drum & Bass Arena
eMusic
Fairsharemusic
Historic Recordings
HMV Digital
iLike
Imodownload
iTunes
Jamster
Jango
Joost
Juno
Karoo
last.fm
Linn
Mewbox (Android)
mFlow
Mobile Chilli
MSN
MTV
Music Anywhere
Music For Life (Talk Talk)
MusicStation
Music Unlimited
MUZU.TV
Musicoverly
MySpace
Napster
Naxos Music Library
Nectar Music Store
Nokia Music
O2
Oozit
Orange Music Store
Orange Monkey
Partymob
Passionato
Play.com
PlayNow
Pure Music

UNITED KINGDOM CONT.

rara.com
Spotify
Tesco Downloads
Textatrack UK
The Classical Shop
T-Mobile UK
Track It Down
Traxsource
TuneTribe
Vevo
Vidzone (PS3 only)
Virgin
Virgin Mobile
Vodafone
We7
Yahoo! Music
YouTube
Zune

URUGUAY

Ancel Musica
Butia
Claro Music Store
La Rocola
Tmuy

USA

7digital
AmazonMP3
AOL Music
Artist Direct
BearShare
eMusic
iLike
iMesh
iTunes
MySpace Music
MOG
MTV
Music Unlimited
Muve Music
Pandora
rara.com
Rdio
Rhapsody
Slacker
Spotify
Vevo
Yahoo! Music
YouTube
Zune

VENEZUELA

iTunes
Música Movistar

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

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

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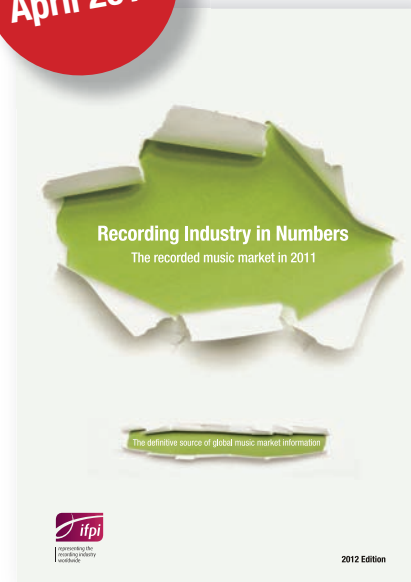
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recording industry
worldwide

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