



Digital Music Study 2017

IMI

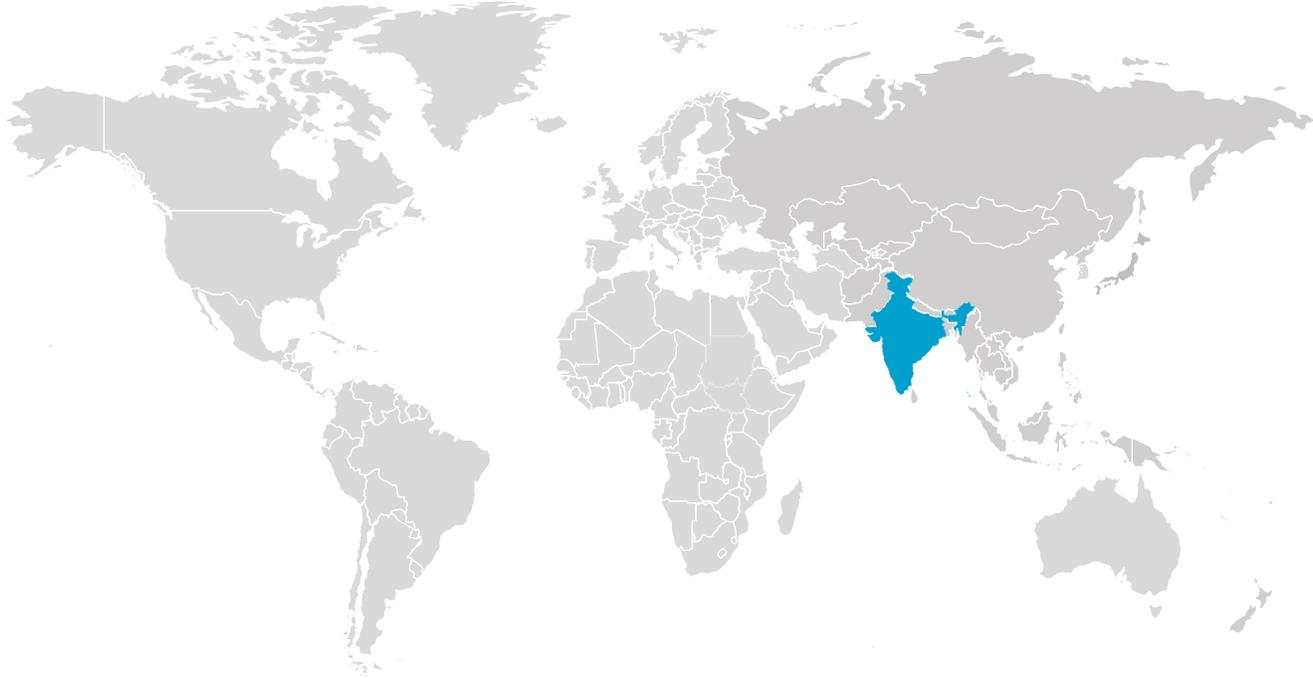
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Foreword

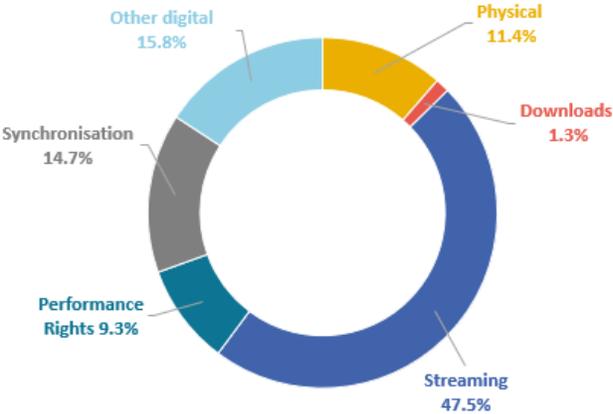
Globally, the recorded music industry continues to transform from physical to digital; downloads to streaming; and from ownership to access. The global recorded music industry grew modestly by 5.9% in 2016 whereas India witnessed a 26% growth in 2016. The IMI certainly views the glass as half full. The rapid penetration of smart phones across the length and breadth of the country combined with the revolution of 'cheap data' is the transforming factor in encouraging Indian consumers to consume streaming services which will certainly benefit the Indian music industry. Streaming services also offers opportunities for Indian music to be discovered globally.

- Blaise Fernandes
President & CEO, IMI

Market Overview: India 2016



According to IFPI's Global Music Report, the Indian music market grew rapidly at 26% in 2016 with streaming revenues propelling the market forward and contributed 47.5% of the total revenue. Physical sales dropped to just 11.4% and Synchronization grew over 5 times to 14.7%. Indian music market was ranked 19th worldwide in sales. Digital piracy remained the most popular way of consuming music.



Revenue Breakdown

Digital Music Study 2017

Executive Summary

IFPI conducted the Digital Music Study 2017 in April 2017 across 17 of the world's major music markets. India was a key part of the study which explored consumer usage of music services. This document explores the major results from the responses of the 900 surveyed users from India.

- + Music is central to lives of most surveyed Indian users: 98% of internet users consume licensed music through methods like audio and video streaming or by purchasing CDs or downloads.
- + Surveyed music consumers in India listen to more music per week than in any other country worldwide but one.
- + Video streaming services like YouTube are very popular in India but are the biggest reason for creating the "value gap": these services do not return fair value to artists and record companies.
- + Piracy continues to threaten the future viability of the recorded music industry in India with 94% of consumers admitting to pirating music in the last six months.
- + The music industry in India is at an exciting stage and there is optimism in many areas about future growth. However, without action on the value gap and tools to help fight piracy, the potential for growth is at risk.

Recorded Music is Incredibly Popular Among Those Surveyed

Music is central to the lives of most respondents. The Digital Music Study found that 98% of internet users in subject group (and 99% of 16-24-year-olds) consumed music through active, licensed methods like audio streaming services, video streaming and by

purchasing music. 97% listened to music on the radio.

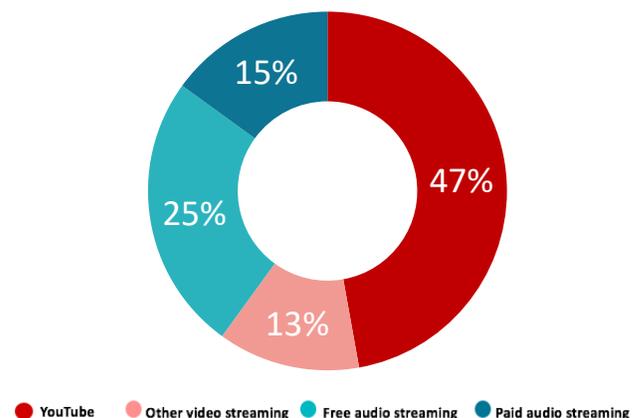
The strong love of music in the country is also reflected in the fact that music consumers in the study spent 23.6 hours each week listening to recorded music: this was the highest amount of time in any country in the Digital Music Study except one.

These consumers have also responded positively to audio streaming services licensed by music companies. Across India, 92% of the surveyed internet users listened to music on free or paid audio streaming services, an increase from 84% in 2016. Engagement was even higher for younger age groups with 94% of 16-24s and 95% of 25-34s using audio streaming to consume music. Most users engaged with free audio streaming services (90%) but more than two-thirds used paid streaming (69%).

Audio streaming consumption was strongly correlated with an increased use of smartphones or other mobile devices to listen to music: 93% of people reported using mobile devices for music listening, a rise from 85% in 2016. This reflects the dominance of internet access through mobile devices in India and the introduction of cheaper data rates by network providers like Jio.

The Value Gap

Despite the success of audio streaming services, Indian music consumers spend more time listening to music on video streaming services such as YouTube. In total, video streaming took up 60% of all hours spent listening to on-demand streaming services in the subject group, with YouTube alone



responsible for nearly half (47%). However, despite dominating streaming music consumption, video streaming services only returned 8.3% of all streaming revenue in India in 2016 and 4.0% of total recorded music industry revenue: US\$ 4.4m out of a total of US\$111.6m. Audio streaming services, meanwhile, were responsible for 43.5% of total music industry revenue.

This is the core of what has been described as the 'value gap'. The value gap refers to the growing mismatch between the value that user upload services like YouTube extract from music and the revenue returned to the music community – those who are creating and investing in music. The value gap is the biggest threat to the future sustainability of the music industry.

The value gap has become an issue due to the inconsistent applications of online liability laws that have emboldened certain services to claim that they are not liable for the music they make available to the public.

Today, services such as YouTube, which have developed sophisticated on-demand music platforms, use this as a shield to avoid licensing music on fair terms like other digital services, claiming they are not legally responsible for the music they distribute on their site.

The impact that YouTube has on the ability of the music industry to negotiate on a level playing field is also shown in the fact that 27% of the surveyed Indian users say that they do not currently pay for an audio streaming service because "Anything I want to listen to is on YouTube".

Digital Piracy

Internet piracy of music remains a key concern of the music industry. Nearly all users in the study stated that they had pirated music in the last six months: 94% said that they had downloaded music using streaming ripping sites like Convert2mp3, a file sharing network like bittorrent, or from cyberlockers like Zippyshare and Openload. Piracy was highest amongst the youngest age group.

Beyond the fact that it provided free content, users talked about two key areas that led them to piracy. First, it provided users with access to music that leaked online before rightsholders could legitimately release the material. Second, users often admitted that they pirated music to gain the benefits of a paid audio subscription (for instance, listening to music offline on a phone or listening without adverts) but without paying. This means that piracy was a major reason preventing users from moving to licensed consumption methods like paid streaming which properly rewards artists and rightsholders. If piracy remains so widespread in India, it poses a significant threat to the continued ability of the recorded music industry to grow in India.

70% Users Used Google to find Pirated Music

7 in 10 of all those surveyed – also said that they searched for pirated music using Google. The ability to use search engines to find infringing music is common, with tools like autocomplete helping users locate free downloads.



However, there are signs that strong anti-piracy actions can help limit the ability of users to locate pirated material online. For instance, the study showed that when users found that a link to a piece of pirated music had been removed by rightsholders, many turned to services such as licensed audio streaming instead. Nearly half of those who downloaded via piracy had encountered broken links or blocked sites, demonstrating that concerted

attempts at anti-piracy can reach those who seek to pirate music.

Recent anti-piracy campaigns by IMI and others are beginning to have an effect – for instance, 38% of the users of pirated services stated that they encountered difficulties such as blocked sites or removed links more frequently than they had before. Yet the fact that nearly all respondents admitted pirating demonstrates that the practice remains common and that more tools need to be available to rightsholders to help protect the growing industry.

Conclusion

The recorded music industry in India shows signs of optimism, rooted in the deep love of music that is a core part of life in India, the rapid adoption of technologies like smartphones with cheap data plans, and the audio streaming services encouraged and facilitated by the record companies. Yet the first shoots of growth, shown as consumers begin to respond to the attractive licensed services now on offer to them, are threatened by the easy availability of pirated music online and by the ability of user upload services like YouTube to take unfair advantage of laws designed to protect passive intermediaries – not active promoters of music like YouTube.

The IMI believes that a multi-pronged strategy, designed to work through various stakeholders including the film, radio and broadcast agencies, central and state government, and international agencies, will help ensure that India returns fair value to artists and record companies and promote the future success of the Indian music industry.

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