



DIGITAL MUSIC STUDY

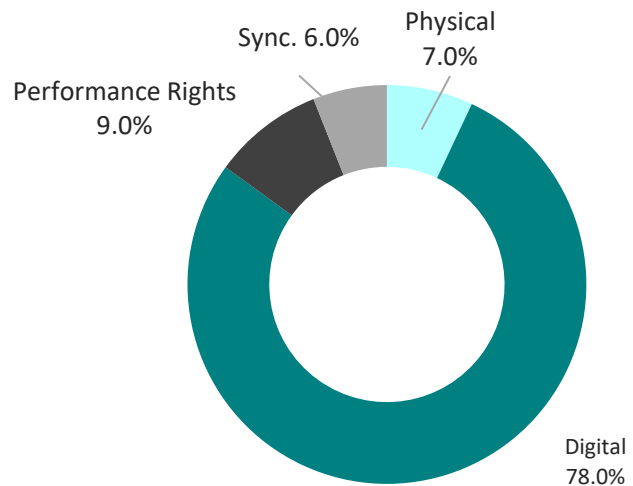
2018

Jifpi THE INDIAN
IMI
MUSIC INDUSTRY

India: Market Overview



Total market:	₹ 850 Cr.
Physical:	₹ 60 Cr.
Digital:	₹ 665 Cr.
Perf rights:	₹ 75 Cr.
Sync:	₹ 50 Cr.



- Streaming revenue was key and accounted for 66.8% of the overall market and digital sales contributed to 78.5% of all sales revenues.
- Income from subscription audio streams tripled to ₹220 Cr. while ad-supported streaming income fell by 29.5% in 2017.
- Video stream revenues were ₹170 Cr., 29.8% of total streaming.



Executive Summary

IFPI designed and ran the Music Consumer Study 2018 across 20 of the world’s major music markets, exploring the music habits of consumers worldwide. Fieldwork was carried out by independent research agency AudienceNet. India was a key part of the study and this document explores some of the insights taken from the responses of the 2,000 surveyed Internet users in India aged between 16-64. The policy implications of this study are also discussed.

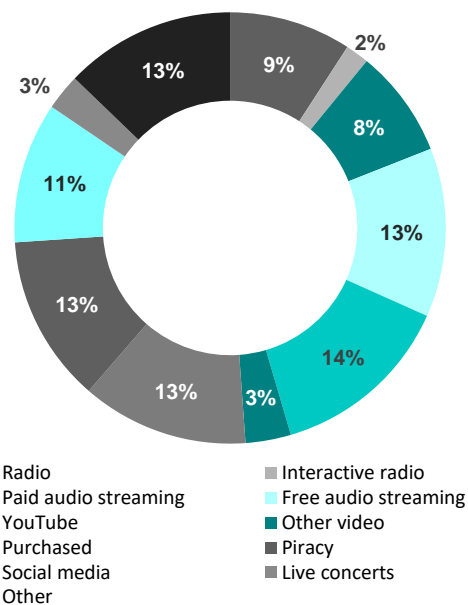
Key Insights:

- Music is central to the lives of Internet users in India. An average user spends 21.5 Hours listening to music per week – more than three hours each day - which is more than the global average of 17.8 hrs/week ^[1].

21.5h Time spent listening to music each

23.9h	16-24s
22.4h	25-34s
22.5h	35-44s

- 96% of respondents listened to music on smartphones – the highest rate in the world.
- Younger respondents listen to more music than older age groups. Internet users in the 16-24 years age group listened to 23.9 hrs/week as opposed to 21.5 hrs/week national average.



Share of listening

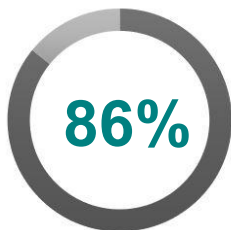
^[1] The global figure is a weighted average across 18 of the 20 countries included in the study: Argentina, Australia, Brazil, Canada, France, Germany, Italy, Japan, Mexico, Netherlands, Poland, Russia, South Africa, South Korea, Spain, Sweden, UK, and US. The global average **does not include China and India** as the large online populations of these two countries would skew the results.

- On-demand streaming (comprising paid and free audio streaming services and any kind of video streaming) and social media accounts for nearly half (49%) of all the time spent listening to music.
- Piracy continues to have a huge impact on the recorded music industry in India. While the ease of access to licensed content on a plethora of audio streaming platforms offers consumers a simple way to consume licensed music, 76% of internet users still admit to using pirated music in the last three months.
- Internet users in India spend nearly 3 hours each week (13% of total time) listening to pirated music. That means Indian internet users listen to pirated music for more time than in any other country in the study.

Consumption Continues to Rise

Internet users listened to music on free or paid audio streaming services. Engagement was even higher for younger age groups with 90% of 16-24s and 91% of 25-34s using audio streaming to consume music. Most users engaged with free audio streaming services (81%) but nearly two-thirds used paid streaming (67%).

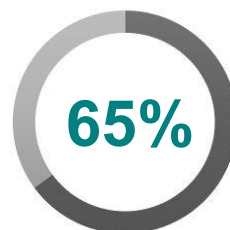
Video streaming platforms and radio were other popular means for consuming music. 89% of respondents use licensed video streaming services such as YouTube and 91% listen to music on the radio, making it the single most used music method in India.



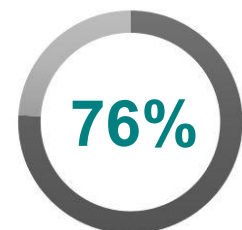
**Licensed Audio
Streaming**



**Licensed Video
Streaming**



**Licensed
Purchasing**



Digital Piracy

Music consumption methods: Music Consumer Study
2018



Accessing music through YouTube and on social media platforms such as Facebook and Instagram were most popular amongst the 16-24s and 25-34s age groups who also used both to discover new music.

Smartphones and computers remain almost ubiquitous for listening to music across all age groups. 96% of users said they used their smartphone to listen to music, the highest rate worldwide. 92% said they listened to music through computers. This tremendous reach of digital music consumption is in line with the continuing development in internet access through mobile devices in India and reflects the breadth of cheaper data rates offered by network providers.

Licensed streaming services have also allowed domestic music to flourish: the three most popular genres amongst internet users in India are new Bollywood music, older Bollywood music, and Indian classical music.

While the digital infrastructure has facilitated music consumption in India, the Indian recorded music

industry still falls short on the potential of being a top 10 market in terms of revenue per year. Increasing the reach of audio subscription services, gaining fair rewards from user upload video services, and increasing enforcement efforts against piracy would help the recorded music industry to derive greater monetization from its content.

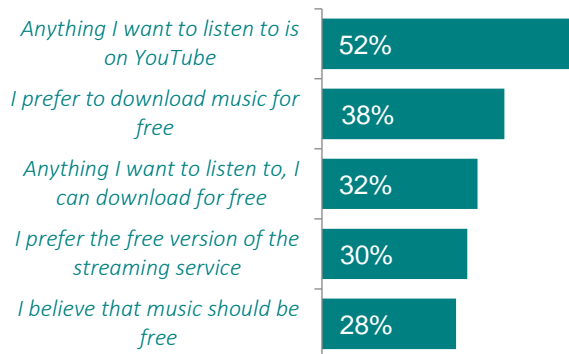
Lack of a Subscription-Based Economy

Currently, there are over 100 million active music-streaming users in India ^[2]; however, the overall conversion rate from free users to paying users is around 1% ^[2]. The wide availability of music on services such as YouTube and the large consumption of pirated content present considerable challenges in persuading users to pay for the benefits of streaming.

The study asked those who do not pay for streaming what prevents them

^[2] *Vision 2022: India's Roadmap to the Top 10 Music Markets in the world by 2022; China Model - P.47*

from doing so. More than half of respondents (52%) cited the availability of music on YouTube.

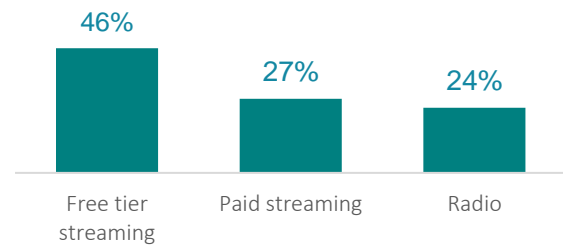


What are your main reasons for not paying for a music subscription service?

Many users also stated that downloading for free through piracy stops them paying for streaming: 38% said they prefer downloading music for free and 32% say they can download whatever they want for free.

With audio and video streaming services contributing 66.8% of the total Indian recorded music industry revenue, there is potential for substantial growth in the uptake of subscription streaming services, and the survey results support this. Respondents were asked what they would do if YouTube only allowed access to music through paid subscription, and 27% of respondents

answered that they would pay to stream music.



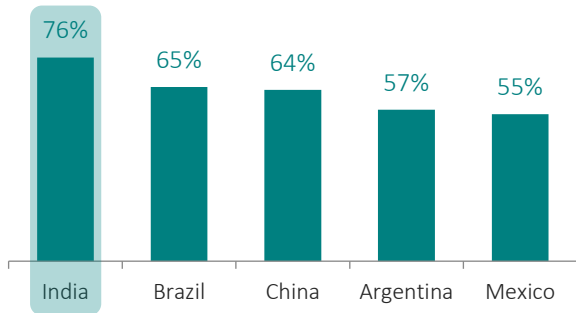
If YouTube only allowed access to music through a paid subscription, 96% users would switch to...

Respondents were also asked how they would access music if access through pirate services ceased to be available. 97% of respondents would opt for licensed alternatives, with 53% of respondents choosing paid services (paid streaming and purchase of digital downloads).

Industry experts are optimistic that music consumers in India *will* pay for content if sufficiently incentivized [2], but clearly more needs to be done to facilitate this change.

Addressing piracy

The threat of digital piracy to a thriving music economy is obvious. There's a pressing need for effective anti-piracy policies and measures with a focus on converting piracy users into legitimate music consumers.



Piracy Rates: Top 5 Countries

More users in India use piracy to download music than in any other country in the study. Stream-ripping is the most popular form of music piracy in the country.

The Threat of Stream-Ripping

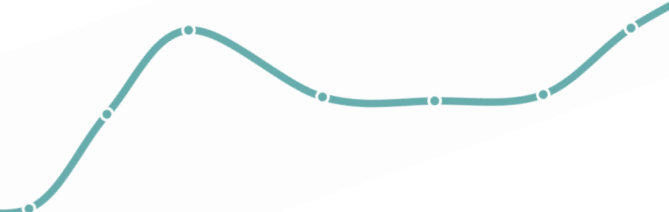
Stream ripping is the most common method for pirating music in India: 72% of respondents use stream ripping to obtain free downloads of music. Stream-ripping is the number one method for piracy across all age-groups. YouTube is the main source of content for stream ripping, typically through websites like Convert2mp3 and Flvto.biz.

YouTube is used widely in India. Paired with the ease of stream-ripping, the threat of sites like Convert2mp3 is

dire. Further, certain legislative mechanisms put in place to prevent unlawful website blocking, while providing vital tools to act against piracy, are inadequate to address the threats posed by stream-ripping.

The epidemic of piracy is not limited to websites. There are also pieces of software like YTD Video Downloader and browsers plug-ins that immediately allow the users to download audio from any YouTube page. The availability of swift remedies, including blocking orders, to tackle these pirate services is crucial to protecting the Indian music and other creative industries. Furthermore, the app stores and the ISPs that host such services need to be proactive in recognizing this form of infringement and work with industry bodies like IMI and IFPI in curbing stream ripping.

One of the most successful anti-piracy methods is website blocking. In some areas of India, orders have occasionally been made against ISPs to prevent their users from accessing certain sites such as the 2012 Calcutta High Court ruling ordering hundreds



of ISPs to block access to 104 copyright infringing websites.

IMI, in association with IFPI, has made several attempts to take down major infringing sites, such as those shown below.

Domain name	Take-down rate for pirated content	Alexa rank (India)	Hosting country
djbaap.com	0.00%	37,074	USA
mp3jatt.me	0.17%	39,027	USA
songspkhero.com	4.94%	46,523	USA
pagalworlds.me	1.20%	59,672	USA
yaarsong.com	5.72%	2,638	USA

Joint IMI-IFPI Anti-Piracy Statistics

However, ISPs based outside of Indian territory refuse to act despite clear and large-scale infringements, citing their domestic protection towards user generated or user uploaded content, often claiming the protection of the Safe Harbour privileges in US law. This makes the case for website blocking more important: if infringing sites based outside India refuse to cooperate with rights holders, then the most effective method of relief is to block access to those sites from within India.

Closing the Value Gap

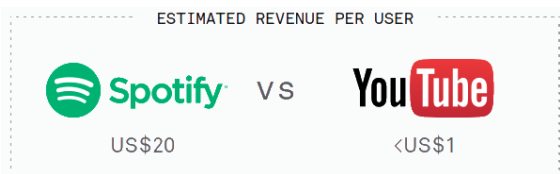
Despite the success of audio streaming services, the IFPI study has revealed that internet users in India spend almost as much time listening to music on video streaming services such as YouTube as on audio streaming services. As discussed, video streaming took up 45% of all hours spent listening to on-demand streaming services, with YouTube alone responsible for 36%. However, video streaming services only generated 29.8% (₹169 Cr.) of the industry's streaming revenue (₹850 Cr.) in 2017, or 19.9% of total Indian recorded music revenues.

Given the fact that 97% of the users use YouTube for music, the fact that video streaming generates less than 20% of the industry's revenue is still a drop in the bucket. 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 globally to the future sustainability of the music industry.



Source: IFPI

Safe harbours were part of a legal framework intended to foster growth in the digital economy by protecting certain services from liability in relation to content they host. More specifically, the safe harbour privileges were designed to protect only passive and neutral internet intermediaries which do not have knowledge of infringing activity taking place on their services. At the same time, notice and takedown provisions were intended to provide right holders with the ability to have infringing content removed from such services without having to take costly and lengthy legal proceedings. However, neither element was intended to exempt from liability, services that actively participate in,

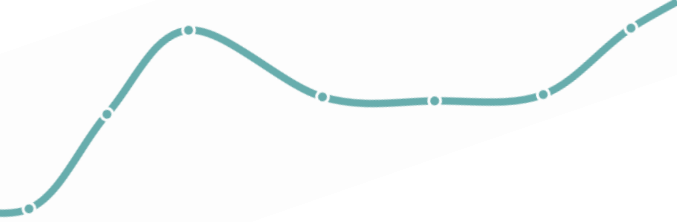
and directly benefit from, making content available to the public on large-scale user-upload platforms such as YouTube.

The legal framework should ensure that services that actively participate in the distribution of music are liable for making content available to the public and therefore not eligible for safe harbour privileges designed to protect truly passive online intermediaries.

Doing so will benefit creators, producers, consumers and innovative digital services alike, and it will stimulate growth and competitiveness in the digital economy.

Fair digital markets need a fair legal framework

A WPPT-compatible legal framework will support the growth of the Indian digital music industry



In September 2016, the Indian government stated in a Memorandum that all online transmissions – such as on-demand music streaming – would fall under the provisions of section 31D of the Copyright Act 1957 (as amended in 2012). Section 31D provides that a statutory licence applies to the broadcasting of sound recordings. The effect of the Memorandum would be that digital music services that are currently licensed individually on free market terms would operate on the basis of a statutory licence in India. The Memorandum is flawed because it fails to take account of the profound legal and commercial differences between broadcast services and online digital music retailers.

Already, 78 percent of Indian recording industry revenues come from digital services, a substantially higher share than the global average of 54 percent. The recording industry in India is helping to lead the transition to the digital age, having already licensed 43 million tracks to some 400 digital music services worldwide, including Indian home-grown digital services such as

Hungama and Gaana. As the Music Consumer Study shows, 86% of Indian internet users already recognise the value of on-demand music streaming services. Never before have music consumers in India had access to so much licensed music. There is simply **no market failure** requiring the draconian and internationally unprecedented market intervention set out in the Memorandum.

What is more, if Indian law is interpreted in the way proposed, it would not be compliant with the WIPO Performances and Phonograms Treaty (WPPT) to which the Indian Government has announced the country's accession. The WPPT provides for an exclusive right of making available content. The Memorandum also appears to imply that the exclusive reproduction right for sound recordings set out in the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement and in the Indian Copyright Act 1957 (as amended in 2002) would be downgraded to a mere remuneration right, in contravention of the TRIPS obligations. IMI and IFPI are concerned that the Indian law would



become the international exception and, as a result, its promising commercial environment would be severely damaged.

Conclusion

As the Indian music industry continues to ride the wave of growth generated by digital consumption, increased smartphone penetration, and access to cheaper data, obstacles such as the lack of fair valuation of content on some platforms, improper implementation of price regulation, and digital piracy threaten the potential for growth.

The insights from IFPI's Music Consumer Study 2018 indicate some positive trends. Licensed streaming services are remarkably popular, particularly amongst younger users. Other insights highlight the negatives, such as the factors which prevent users from paying for music: abundant free content on services that do not return fair value to artists and a worryingly high usage of pirated music among consumers.

Survey for Music Consumer Study 2018 conducted by



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