

WIPO-JIPO

***Management of Intellectual Property in
the Music Industry Workshop***

**PCJ AUDITORIUM, KINGSTON JAMAICA
FRIDAY, MARCH 14, 2008**

**OVERVIEW AND GLOBAL TRENDS
IN THE DEVELOPMENT OF THE MUSIC INDUSTRY**

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ASSUMPTIONS

**Music has Changed Exponentially Faster than Any Other Business
Whose Product is an Everyday Presence in Peoples' Lives**

**Sheer Magnitude of Change in the Last Few Years Driven by
Maturing Technologies have Revolutionized the Way
Music is Created Marketed Distributed Sold and Enjoyed**

**Dramatic Change has been Initiated More by the
Artiste and the Consumer than by the Industry Itself**
PRINCE-MADONNA-RADIOHEAD-EAGLES MYSPACE-YOU TUBE

Consumers Demand and Have, More Choice

Competition Drives Technological and Business Innovation

Globalization Expands New Markets While Offering New Challenges

POPULAR MUSIC

Popular Music concentrates on the
Activities by Creative People within the:

- Recording Industry
- Broadcast Industry
- Music Publishing Business
- Concert Business

The End Products of these Activities is the Music you:

- Buy in Retail Stores and Online
- Hear on commercial Radio and Television
- Enjoy at Concerts and Events

•U\$61.5B IN GLOBAL SALES IN 2007*

STAKEHOLDERS

Music Industry Driven by Those who have a Direct and Active Hand in Creating Music:

- Songwriters**
 - Artistes**
 - Musicians**
 - Producers**
 - Engineers**

•Peripheral Players include:

- Managers-Agents-Publishers**
- Lawyers-Accountants-Rights Organizations**
- Record Labels-Retailers-ICTs**
- Promoters-Publicists-Graphic Artists-Web Developers**
 - Music Media-Online Sites-Street Promotion Teams**
- Video Directors-Choreographers-Fashion Designers**
 - *Disc Jockeys-Animators-Editors**
- Sound-Lighting-Camera-Editing Service Providers**
- Photographers-Makeup-Trainers-Assistants**

TECHNOLOGY TRENDS

AM RADIO

B&W TELEVISION & TALKIES

TELEPHONES & FIBRE OPTICS

COMPUTER LABS

VINYL & CASSETTES

FM RADIO

COLOUR TELEVISION - MUSIC TELEVISION -DIGITAL

CELLULAR PHONES

PERSONAL COMPUTERS & LAPTOPS

CDS & DVDS

INTERNET

WALKMAN & VIDEO GAMES

SATELLITE RADIO

CABLE TELEVISION-I-MAX-HDTV

BLUETOOTH & BLACKBERRY

MP3S- DOWNLOADS-RINGTONES

ICTS & WIRELESS MOBILE MULTIMEDIA

I-POD-ZUNE-SMART PHONE & IPHONE-GAMEBOY

MUSIC RETAIL TRENDS

DECLINE OF BRICK AND MORTAR RETAIL

- **CHAIN DOWNSIZING AND CLOSURES**
- **DISCOUNT STORES HAVE REPLACED TRADITIONAL RETAIL**
- **ARTISTE AND LABEL DIRECT DISTRIBUTION REDUCES TRADITIONAL RETAIL MARKET SHARE**

NEW RETAIL MODEL RELIES ON:

- **EXPERTISE**
- **NON-MAINSTREAM HARDWARE**
- **INSTANTANEOUS DOWNLOADS OF WIDE VARIETY**
- **HARDWARE AND SOFTWARE PRODUCTS**
 - ie Mp3 players, cell phones, audio and photo supplies, high tech consumer goods**

SALES TRENDS

MUSIC SALES DECLINE:

- **POOR ECONOMY = LESS JOBS/LESS INCOME**

GREAT DEPRESSION (1930-35)

- **RADIO = TECHNOLOGY ENABLED FREE MUSIC**
- **70% DECLINE IN RECORD SALES**
- **TALKIES**

RECORD INDUSTRY ADJUSTED AND SURVIVED

DIGITAL AGE

- **DIGITAL DOWNLOADS=TECHNOLOGY ENABLED FREE MUSIC**
- **U\$61.5B GLOBAL MUSIC SALES IN 2007 (CD SALES 7)**
- **WEB SURFING AND VIDEO GAMES**

DIGITAL SALES TRENDS

**2007 GLOBAL DIGITAL MUSIC SALES TOTAL U\$3 BILLION IN 2007
UP FROM \$2.1 BILLION IN 2006 AND
40% INCREASE FROM \$20 MILLION IN 2003***

**DIGITAL SALES 15% OF GLOBAL MUSIC MARKET
UP FROM 11% IN 2006 AND 0% IN 2003***

**SOUTH KOREA 1ST COUNTRY DIGITAL SALES OVERTAKE PHYSICAL
WHILE CHINA HAS 99% DIGITAL PIRACY***

**JAPAN'S DIGITAL SALES GROWTH OFFSET DECLINE IN CD SALES FOR
OVERALL GROWTH**

**1.7 BILLION SINGLE TRACK DOWNLOADS (53%)
US AND UK 45%-48% RESPECTIVELY***

**OVER 100 FORMATS UP FROM LESS THAN 10 IN 2003
JUSTIN TIMBERLAKE RELEASE = 115 PRODUCTS SELLING 19 MILLION UNITS
ONLY 20% CD FORMAT***

ONLINE SALES TRENDS

**OVER 100 FORMATS UP FROM LESS THAN 10 IN 2003
JUSTIN TIMBERLAKE RELEASE = 115 PRODUCTS
SELLING 19 MILLION UNITS ONLY 20% CD FORMAT**

**OVER 500 LEGITIMATE DIGITAL MUSIC SERVICES WORLDWIDE IN 2007
UP FROM 30 IN 2003 OFFERING OVER 6 MILLION TRACKS
(4X STOCK OF A MUSIC MEGASTORE)**

6 MILLION LICENSED TRACKS IN 2007 UP FROM 1 MILLION IN 2003

**ILLEGAL FILE DOWNLOADS TO LEGAL TRACKS SOLD 20:1 IN 2007
COPYRIGHT THEFT ON PEER-TO-PEER NETWORKS (P2P)
REPRESENTING 50-80% OF ALL INTERNET TRAFFIC**

LABELS DROP DRM - WATERMARKED AUDIO INCREASING

ACTION AGAINST PIRACY BY ISPS

SARKOZY PLAN (FRANCE)/GOWERS REPORT (UK)/RENFORS REPORT (SWEDEN)

ONLINE SALES TRENDS

TOP 10 GLOBAL DIGITAL SINGLES 2007*

- 1. AVRIL LAVIGNE** **7.3 MILLION DOWNLOADS**
- 2. UTADA HIKARU**
- 3. RIHANNA**
- 4. T-PAIN**
- 5. AKON**
- 6. SOULJA BOYZ**
- 7. SHOP BOYZ**
- 8. SEAN KINGSTON**
- 9. MIMS**
- 10. BEYONCE**

* IFPI 2008

ONLINE SALES TRENDS

DOMINANT DIGITAL RETAILERS

ITUNES-AMAZON-YAHOO-AOL

TARGET-WALMART

SONY-UNIVERSAL-WARNER

ARTIST SITES

SUBSCRIPTIONS: NAPSTAR-RHAPSODY

FREE AD SUPPORTED SITES – We7/SpiralFrog

NOKIA “COMES WITH MUSIC”

SONY ERICKSON WALKMAN

ORANGE

DOMINANT SOCIAL NETWORKS

MYSPACE

1.2 MILLION ROCK ACTS AND 1.7 MILLION R&B ACTS ALONE

YOU TUBE

FOR THE LATEST AND BIGGEST VARIETY OF VIDEO CONTENT

FACEBOOK-BEBO-HI-FIVE...

CONSUMER TRENDS

FREE CONTENT

LIMEWIRE-BITTORRENT

ON DEMAND CONTENT

REALITY BASED CONTENT

SOCIAL NETWORKS-BLOGS

INTERACTIVE RETAIL

CONSUMER DRIVEN PRODUCT DEVELOPMENT

LIFESTYLE PRODUCTS

TRADITIONAL MUSIC INDUSTRY MODEL

TOUR TO PROMOTE ALBUM SALES

4 MAJOR RECORD COMPANIES

SONY BMG

UNIVERSAL MUSIC GROUP

WARNER BROTHERS

EMI

CONTROL 80% GLOBAL DISTRIBUTION

ARTISTE ROYALTY DEALS

A&R

COPYRIGHT TERM 50 YEARS

EMERGING MUSIC INDUSTRY MODELS

ALBUM TO PROMOTE TOUR SALES

LIVE NATION 360 JOINT VENTURE

LIVE MUSIC – TICKET PRICES INCREASING/ATTENDANCE UP

ADVERTISING SUPPORTED SOCIAL NETWORKS

FREE CONTENT VS SUBSCRIPTIONS

ISP RESPONSIBILITY

LABELS HAVE RESOURCES TO DIRECT ONLINE TRAFFIC

US COPYRIGHT TERM 95 YEARS

PREDICTIONS

**LIVE MUSIC WILL MOVE FROM LOSS LEADERS FOR RECORD SALES
TO KEY REVENUE STRATEGY IN THE NEW LIVE NATION MODEL**

PEOPLE WILL PAY FOR ACCESS TO DIGITAL MUSIC NOT OWNERSHIP

**INTERNATIONAL RECORD INDUSTRY WILL SURVIVE BY
PARTNERING WITH ICTS TO CREATE BUNDLED PRODUCTS
MAKING MUSIC TANGIBLE**

**CONVERGENCE OF MEDIA AND TECHNOLOGY
WILL DRIVE NEW PRODUCT DEVELOPMENT**

**PROACTIVE GOVERNMENT POLICY WILL ENSURE
ISP- MUSIC PARTNERSHIP AGAINST DIGITAL PIRACY**

PRIVACY ISSUES WILL INCREASE WITH TECHNOLOGY

INCREASE IN INTERNATIONAL COPYRIGHT TERM TO MATCH US