

OVERVIEW OF GLOBAL TRENDS IN THE INTERNATIONAL MUSIC INDUSTRY

HOW TO MAKE A LIVING FROM MUSIC

KINGSTON, JAMAICA - MONDAY, MAY 4, 2009
MONTEGO BAY, JAMAICA – MAY 6, 2009



WORLD
INTELLECTUAL
PROPERTY
ORGANIZATION



ANDREA M. DAVIS



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 MYSPACE-YOU TUBE

Consumers Demand and Have, More Choice

Globalization Expands New Markets While Offering New Challenges

Competition Drives Technological and Business Innovation

POPULAR MUSIC

U\$18.42B IN GLOBAL SALES IN 2008

18% DECLINE IN TWO YEARS*

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

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

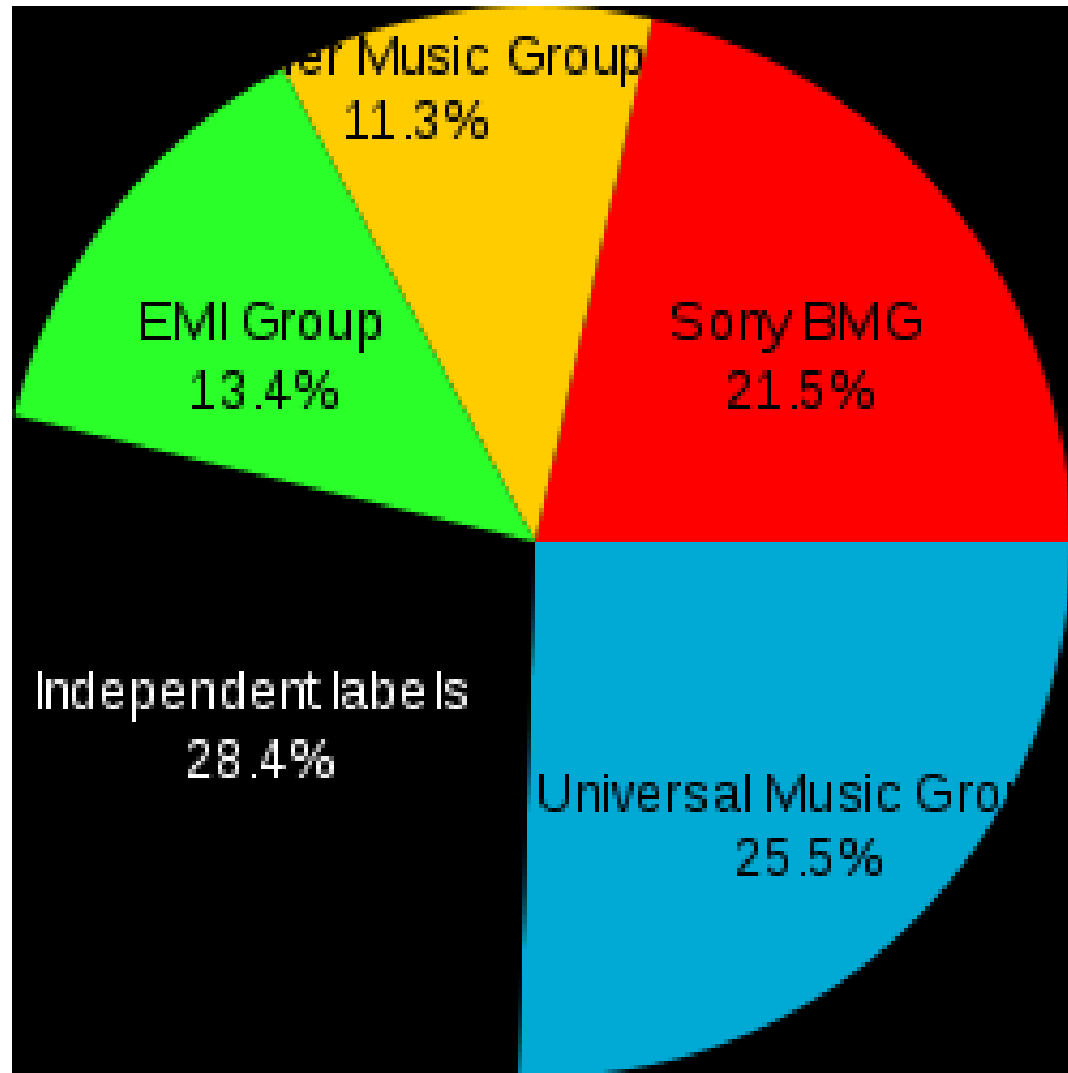
The End Products of these Activities is the Music you:

- **Buy in Retail Stores, Online and Digital Downloads**
 - **Enjoy at Concerts and Events**
- **Hear and Watch on Radio and Television**

•*IFPI (2007-2008)

TRADITIONAL MUSIC INDUSTRY MODEL

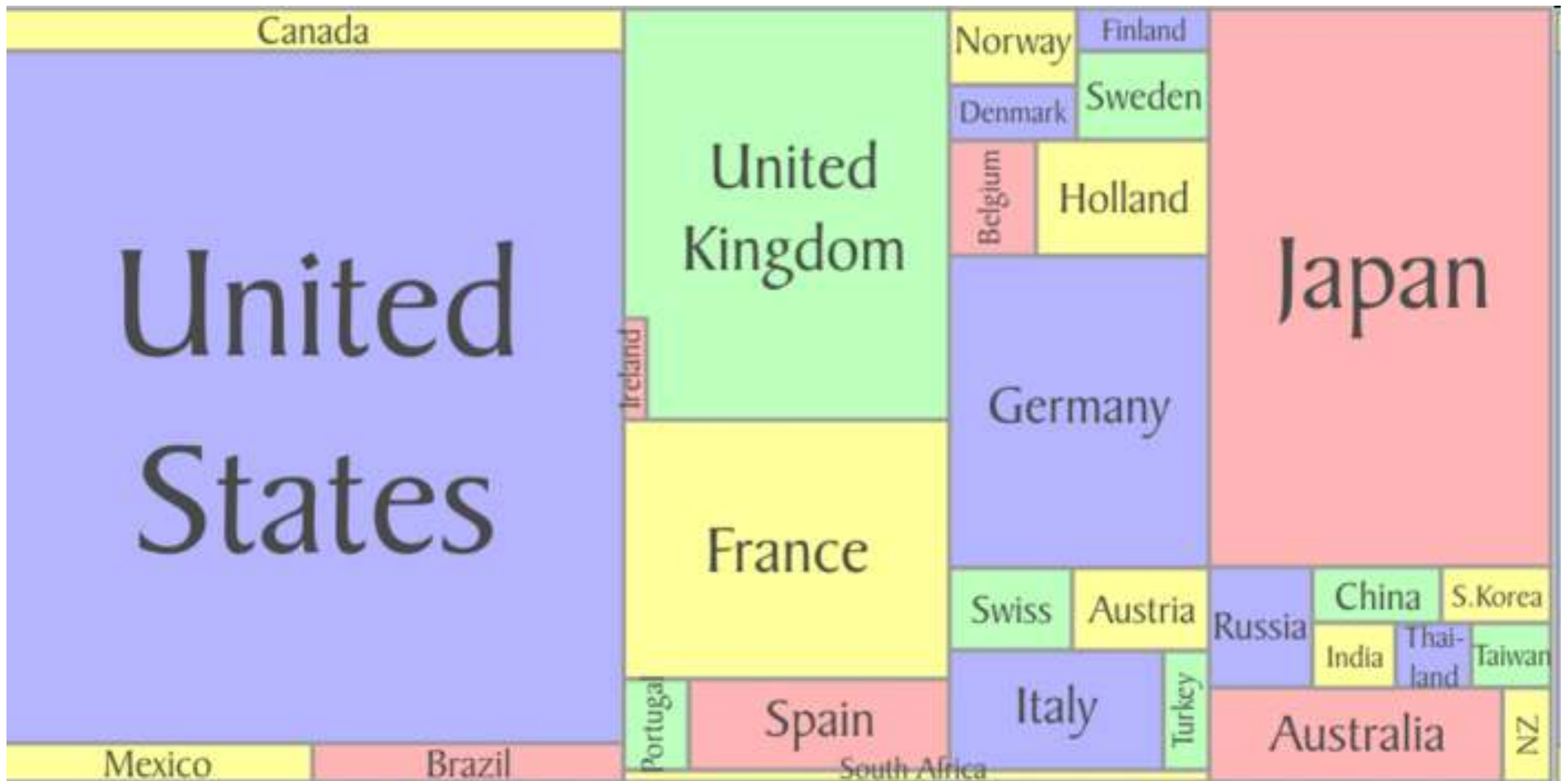
TOUR TO PROMOTE ALBUM SALES



Nielsen SoundScan (2005)

CONTROL 71.7% GLOBAL DISTRIBUTION

TOTAL MUSIC SALES VALUE ACROSS TOP 30 COUNTRIES



TOP 20 MUSIC SALES BY COUNTRY 2005

COUNTRY		UNITS				VALUE		CHANGE	
		Singles	CD	DVD	Total Units	\$US	Local Currency	Units	Value
1	USA	14.7	300.5	11.6	326.8	4783.2	4783.2	-5.70%	-5.30%
2	Japan	28.5	93.7	8.5	113.5	2258.2	239759	-6.90%	-9.20%
3	UK	24.3	66.8	2.9	74.8	1248.5	666.7	-1.70%	-4.00%
4	Germany	8.5	58.7	4.4	71	887.7	689.7	-7.70%	-5.80%
5	France	11.5	47.3	4.5	56.9	861.1	669.1	7.50%	-2.70%
6	Italy	0.5	14.7	0.7	17	278	216	-8.40%	-12.30%
7	Canada	0.1	20.8	1.5	22.3	262.9	325	0.70%	-4.60%
8	Australia	3.6	14.5	1.5	17.2	259.6	335.9	-22.90%	-11.80%
9	Spain	1	17.5	1.1	19.1	231.6	180	-13.40%	-15.70%
10	Netherlands	1.2	8.7	1.9	11.1	190.3	147.9	-31.30%	-19.80%
11	Russia	-	25.5	0.1	42.7	187.9	5234.7	-9.40%	21.20%
12	Mexico	0.1	33.4	0.8	34.6	187.9	2082.3	44.00%	21.50%
13	Brazil	0.01	17.6	2.4	24	151.7	390.3	-20.40%	-16.50%
14	Austria	0.6	4.5	0.2	5	120.5	93.6	-1.50%	-9.60%
15	Switzerland **	0.8	7.1	0.2	7.8	115.8	139.2	n/a	n/a
16	Belgium	1.4	6.7	0.5	7.7	115.4	89.7	-13.80%	-8.90%
17	Norway	0.3	4.5	0.1	4.8	103.4	655.6	-19.70%	-10.40%
18	Sweden	0.6	6.6	0.2	7.2	98.5	701.1	-29.00%	-20.30%
19	India	-	10.9	-	55.3	79.2	3456.6	-19.20%	-2.40%
20	Denmark	0.1	4	0.1	4.2	73.1	423.5	3.70%	-4.20%
	Top 20	74.5	757.1	42.8	915.2	12378.7		-6.60%	-6.30%

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
- ACCESS TO WIDE VARIETY OF CATALOGUE
- NEW HARDWARE AND SOFTWARE PRODUCTS
ie Mp3 players, cell phones, audio and photo supplies, high tech consumer goods

DIGITAL REVOLUTION:

- MOBILE AND ONLINE SALES
- BUNDLED PRODUCTS
- LIVE MUSIC

DIGITAL SALES TRENDS

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

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

1.7 BILLION SINGLE TRACK DOWNLOADS (53%)

DIGITAL SALES TRENDS

**OVER 500 LEGITIMATE DIGITAL MUSIC SERVICES
WORLDWIDE IN 2007 UP FROM 30 IN 2003**

**6 MILLION LICENSED TRACKS IN 2007
UP FROM 1 MILLION IN 2003
(4X STOCK OF A MUSIC MEGASTORE)**

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

DIGITAL 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	

DIGITAL SALES PERCENTAGE OF THE TOTAL MUSIC INDUSTRY		
2003:	0%	U\$20M
2004:	2%	U\$0.4B
2005:	5%	U\$1.1B
2006:	11%	U\$2.1B
2007:	15%	U\$2.9B

* IFPI 2008 – FIRST DIGITAL CHART

NEW MUSIC INDUSTRY MODEL

DIGITAL SALES



**SONY BMG LAUNCHES DIGITAL MUSIC PASS
DIGITAL ALBUM CARDS FOR
DOWNLOADS & BONUSSES**

**ALICIA KEYS - NO ONE
#1 FEMALE US DIGITAL ALBUM SALES**

RADIOHEAD DIGITAL EXPERIMENT



LEADING MOBILE AND ONLINE RETAIL PLATFORMS



MOBILE

IPHONE-IPOD

NOKIA MUSIC SERVICE

SONY ERIKSON

ZUNES

LABEL MOBILE

OMNIFONE'S MUSICSTATION

SPRINT

VERIZON

AT&T

ONLINE

ITUNES

AMAZON

RHAPSODY

NAPSTAR

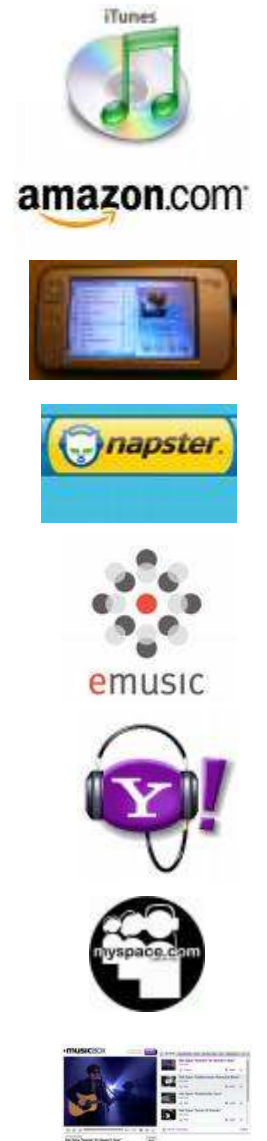
EMUSIC

YAHOO/AOL

MYSPACE

LABELS

ARTISTE SITES

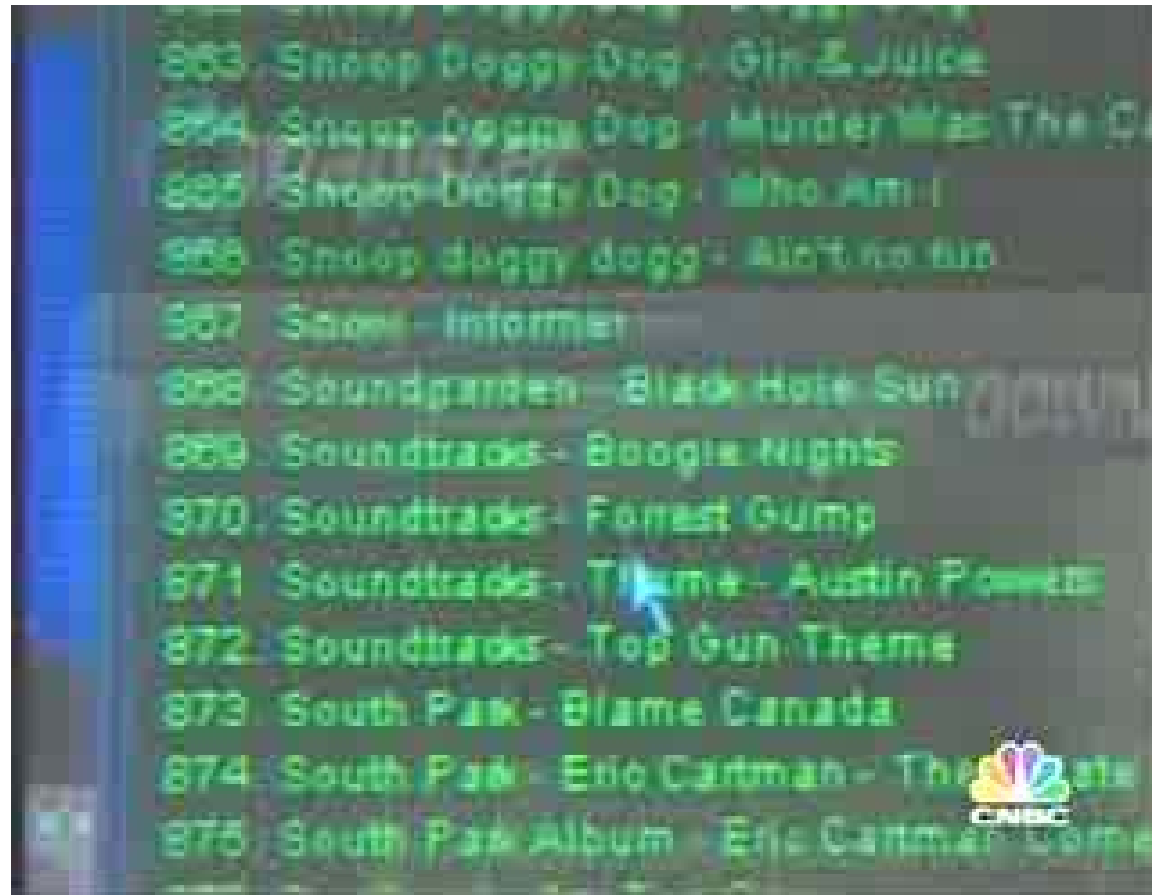


GLOBAL DIGITAL SALES

90% DIGITAL MARKET SHARE FOR TOP 10

RANK	COUNTRY	ONLINE	MOBILE
1	USA	67%	33%
2	Japan	9%	91%
3	UK	71%	29%
4	South Korea	63%	37%
5	Germany	69%	31%
6	France	39%	61%
7	Canada	58%	42%
8	Australia	59%	41%
9	China	27%	73%
10	Italy	44%	56%

CNBC MUSIC SALES REPORT



A screenshot of a CNBC music sales report. The report is displayed on a dark background with green text. The list includes track numbers, artist names, and track titles. A mouse cursor is visible over track 871. The CNBC logo is in the bottom right corner.

Rank	Artist	Track Title
863	Snoop Doggy Dog	Gin & Juice
864	Snoop Doggy Dog	Murder Was The Case
865	Snoop Doggy Dog	Who Am I
868	Snoop doggy dogg	Ain't no sin
867	Sade	Intimate
868	Soundgarden	Black Hole Sun
869	Soundtrads	Boogie Nights
870	Soundtrads	Forest Gump
871	Soundtrads	Theme - Austin Powers
872	Soundtrads	Top Gun Theme
873	South Park	Blame Canada
874	South Park	Eric Cartman - The
875	South Park Album	Eric Cartman's

DIGITAL MARKET SALES

US

#1 DIGITAL MARKET – 30% OF MARKET SALES

JAPAN

**#2 DIGITAL MARKET – DIGITAL SALES BALANCE PHYSICAL LOSS
MOBILE 90% OF THE MARKET
434 MILLION DOWNLOADS – 51% RINGTONES**

UK

#3 DIGITAL MARKET - 47% ONLINE AND 43% MOBILE MARKETSHARES

SOUTH KOREA

#4 DIGITAL MARKET - 60% MARKETSHARE DIGITAL – 1ST DIGITAL OVERTAKE

GERMANY

#5 DIGITAL MARKET - 38% MARKETSHARE DIGITAL LEAD BY ITUNES

BRAZIL

#13 DIGITAL MARKET - UP 168% BASED ON BUNDLED MOBILE SALES

NEW MUSIC INDUSTRY MODEL

ALBUM TO PROMOTE TOUR SALES

LIVE NATION

LIVE MUSIC HAS OVERTAKEN RECORDED MUSIC IN SALES

TICKET PRICES INCREASING/ATTENDANCE UP

360 DEALS

LIVE NATION / TICKETMASTER

CLEAR CHANNEL COMMUNICATIONS



LIVE
NATION



SOCIAL MEDIA

BROADCAST



SOCIAL NETWORKS



FOR THE LATEST AND BIGGEST VARIETY OF VIDEO CONTENT



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



SOCIAL MEDIA

OVERVIEW



DIGITAL PIRACY TRENDS

**DIGITAL PIRACY REPRESENTS
50-80% OF ALL INTERNET TRAFFIC**

CHINA LEADS DIGITAL PIRACY WORLDWIDE WITH 99%

**ILLEGAL FILE DOWNLOADS TO LEGAL TRACKS SOLD 20:1 IN 2007
COPYRIGHT THEFT ON PEER-TO-PEER NETWORKS (P2P)**

LABELS DROP DRM - WATERMARKED AUDIO INCREASING

**IFPI LOBBIES FOR ACTION AGAINST PIRACY BY ISPS
SARKOZY PLAN (FRANCE)/GOWERS REPORT (UK)/RENFORS REPORT (SWEDEN)**

DIGITAL PIRACY

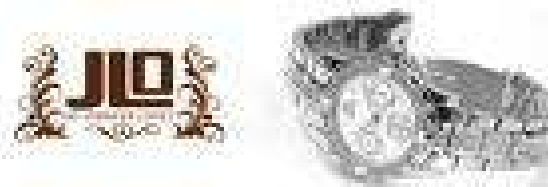
OVERVIEW



Cheryl Jennings

ABC7NEWS.COM

BRAND DEVELOPMENT



CONCLUSIONS

KEY REVENUE STRATEGIES IN THE NEW MUSIC BUSINESS MODEL
LIVE MUSIC - DIGITAL DISTRIBUTION
BRAND DEVELOPMENT – NEW MEDIA PRODUCTS

INTERNATIONAL RECORD INDUSTRY WILL SURVIVE WITH
360/180 ARTISTE DEALS AND PARTNERING WITH ICTS TO
CREATE BUNDLED PRODUCTS MAKING MUSIC
MORE TANGIBLE IN A DIGITAL SPACE

CONVERGENCE OF MEDIA AND TECHNOLOGY
WILL DRIVE NEW PRODUCT DEVELOPMENT

PEOPLE PAY FOR ACCESS TO CONTENT VS OWNERSHIP

PIRACY WILL INCREASE WITH IMPROVED TECHNOLOGY

PROACTIVE GOVERNMENT POLICY WILL ENSURE
ISP– MUSIC PARTNERSHIP AGAINST DIGITAL PIRACY