

DIGITAL MUSIC REPORT 2009 - QUOTES

SHAPING A NEW ERA IN MUSIC

“A big album worldwide will sell about seven million units but during the course of a year many more people will listen to and enjoy the album. This is about lighting up all these other consumers.”

Rob Wells, senior vice president, digital, Universal Music Group International

“Every year we are seeing increased use of music and what we are doing as music companies is finding new ways of playing into that interest.”

Thomas Hesse, president, global digital business, Sony Music Entertainment

“With the advent of the access model, the music industry’s economic model is at last aligned with the mobile industry’s. Both will view the world through the same lens – average revenue per user, commonly known as ARPU.”

Edgar Bronfman, chairman & chief executive officer, Warner Music Group

“There is a multi-trillion dollar economy of digital connectivity, made up of digital networks, wireless, broadband and hardware. Music is extremely important to this economy and the driver for a wide range of larger industries. These industries are thinking about how to partner with the music industry in new ways. The health of the music industry is going to contribute significantly to the health of this trillion-dollar economy.”

Michael Nash, executive vice president, digital strategy and business development, Warner Music Group

“We don’t sell records any more, we act wherever people experience music, from digital and physical formats to all the other ‘touchpoints’ of the music experience: from being part of the discovery process, to music in games like *Rock Band* and *Guitar Hero* or recording and selling music at live events and so on. Our role is not to put physical discs on a shelf but to reach consumers wherever they are.”

Elio Leoni Sceti, chief executive of EMI Music

“Social networks have been terrific for fans looking for bands they know, but far more challenging as a way of finding new bands. We have to help fans find music wherever they are at the moment they want it. If we can do that we will find ways to monetise it.”

Douglas Merrill, president, digital business at EMI Music

“The record company has two fundamental roles and both are from time to time undervalued and misunderstood - one as an investor, the other as a provider of skills and services. These roles are always going to be required.”

Martin Mills, chairman of Beggars Banquet

THE SHIFT TO ‘MUSIC ACCESS’

“We believe that *Comes With Music* will transform the way people enjoy music. With unlimited music access for a year, music fans can enjoy their favourite artists or delve into new genres without having to worry about individual track or album purchases.”

Tero Ojanpera, head of entertainment, Nokia

“We want to convert people at the lower end of the spending spectrum through deals like *Comes With Music*, without cannibalising the top end of the market.”

Francis Keeling, commercial director, digital, Universal Music Group International

“Our research shows that consumers will pay extra for a handset if they can see the benefit of gaining unlimited access to music. Some shy back if there is no ownership, which is why the *Comes With Music* concept is so popular. It’s about music discovery as well as keeping songs and that is popular across all demographics.”

Ulrich Jaerkel, senior vice president, digital and new business development EMEA, at Sony Music Entertainment.

Ultimately we will see all sorts of products come with music – home stereos, cars and potentially televisions. Music can become an important element that enhances the value of consumer electronics devices, providing consumers with a very complete and satisfying experience.”

Thomas Hesse, president, global digital business, Sony Music Entertainment

“All mobile consumers want to have content on their phone, but many find the experience difficult, slow and time consuming. With *PlayNow™ plus*, there will be no more barriers, we’re giving consumers the freedom to instantly discover, download, play and recommend all the music they want—anytime, anywhere.”

Lennard Hoornik, corporate vice president and head of marketing at Sony Ericsson

“We believe there is an increasing emphasis on services that are delivered in cooperation with device makers and we are in talks with a wide range of vendors such as in-car audio providers, to personal computer and set-box manufacturers that will be delivering unlimited music services globally.”

Rob Lewis, chief executive, Omnifone

“The mobile and broadband markets in Denmark are highly mature, hence focus is more on customer retention than customer acquisition. *TDC PLAY* is vital for us in our aim to keep our customers and stabilise our turnover.”

Eva Berneke, senior executive vice president & chief strategy officer, TDC.

“Sky’s new music offering reflects the evolution we will see in the UK in 2009 as we move from a digital landscape dominated by solely owning music to hybrid models where customers will access and own music as part of an existing and familiar service with millions of potential consumers.”

Beth Appleton, head of digital, Universal Music Group UK

“A movie is free if a consumer watches it when it is scheduled on TV, they pay a little more for a ‘video-on-demand’ service and a premium if they buy it on DVD to watch when they want for as many times as they want. It’s a classic trade-off between payment and control.”

Eric Daugan, senior vice president, digital business, Warner Music EMEA

“Beyond charging for individual downloads, Orange’s offer represents a turning point in the development of new modes of consumption in France. It is an innovative alternative, which meets music fans’ needs for more flexibility, mobility and a richer music offering, while respecting artists’ rights.”

Thierry Chassagne, president, Warner Music France

SOCIAL NETWORKS AND AD-SUPPORTED SERVICES DELIVER

“Twenty to thirty per cent of MySpace US monthly traffic in 2007 was made up of music destination unique visitors.”

Michael Nash, executive vice president, digital strategy & business development, Warner Music Group

NEW FRONTIERS: GAMES, BRANDS AND MERCHANDISING

“Our job is to match the right artist with the right brand for the right campaign.”

Richard Story, chief operating officer of Sony Music Continental Europe

“Games are an increasingly popular way for new acts to reach new audiences. As the games get more sophisticated, the opportunities for in-game advertising, product placement and personalisation of the experience will increase. The possibilities are endless.”

Greg Turner, creative licensing manager, film and computer games, Universal Music UK

“Many younger bands who have grown up in the games culture ask their label if their music can be played on games. They play interactive games themselves and a game console is an essential part of the tour bus.”

Greg Turner, creative licensing manager, film and computer games, Universal Music UK

“People consume music in different ways. Music fans love interactive experiences like *Guitar Hero* and *Singstar* and as people are more likely to stay at home in an economic downturn, the popularity of such platforms could grow. But there need to be a fair partnership that recognises that is music which makes people want to play these games in the first place”

Francis Keeling, commercial director, digital, Universal Music Group International

“We did extensive research into AC/DC’s customer base – not just their relationship with the band, but their jobs, their lifestyles, where they shop, what they read. We discovered that for the typical fan AC/DC’s music provides escapism from their daily grind. As a result, we came up with the ‘release the rock ‘n’ roll within’ campaign and produced our own TV advert focused around a day in the life of an AC/DC fan.”

Mike Smith, managing director, Columbia Records

PUBLIC PERFORMANCE: GETTING FAIR VALUE FOR MUSIC

“Retailers have long known that the right song on the overhead speakers can keep shoppers in a store. Such is the power of music over consumer behaviour, claim the advertising executives, academics, music consultants and market researchers who are all part of a cottage industry springing up around retailers using music to attract and keep clientele.”

Financial Times, August 2008

“Radio is going through transitional times. The radio experience will change even further as radio becomes more interactive. Artists and record producers will have to constantly revisit the terms on which such radio stations are licensed. It could be that radio totally transitions to a personalised online environment.”

John Simson, managing director of SoundExchange

“There is just no logical explanation why musicians can earn radio royalties in virtually every market of the world and yet not in the country with the world’s largest commercial radio sector.”

John Smith, president, International Federation of Musicians (FIM)

“A whole range of businesses, from restaurants to broadcasters, are playing recorded music to attract customers, improve productivity and drive commercial growth.”

Jeremy Thorpe, PWC partner

DIGITAL MUSIC GOES GLOBAL

“We tend to release "chaku-uta" (mastertones) one or two months before the physical release for test-marketing, and use the market’s response to judge the song’s hit potential in physical form.”

Takashi Kimoto, managing director of sales, marketing and digital at Universal Music Japan

“It’s about working with our business partners and coming up with consumer friendly options. We are starting with the consumer and working backwards which is proving a successful approach.”

Lachie Rutherford, president of Warner Music Asia-Pacific

“Baidu has become the largest and most incorrigible distributor of pirated music in China.”

Qu Jing Ming, director general of the Music Copyright Society of China

“The campaign drove substantial re-orders following strong consumer demand.”

Alfonso Pérez-Soto, head of business development and strategic partnerships, Warner Music Latin America (on the Hard Candy initiative)

“It’s a good example of a developing act working with digital. The coordination of traditional radio and digital pre-release promotion led to the sale of a million handsets containing tracks from NX Zero.”

John Echevarria, chief operating officer, Universal Latin America.

THE CORE MISSION: INVESTING IN TALENT

“Fast food corporations, coffee shop chains and radio stations are among those who have tried to break acts by creating their own labels. They have all failed and shut their labels down. No successful artists have come through that route.”

Ged Doherty, chairman and chief executive of Sony Music UK

“Breaking an act and sustaining their career requires more varied expertise than ever before. We can provide artists with the investment, resources, tools and collaborators to achieve their creative potential, attract an audience and develop long-term appeal.”

John Reid, CEO, Warner Music UK & Europe

“For the artist to connect with the consumer through all of these new channels needs a big team of people – without that it’s just not realistic, even for the biggest management company.”

Simon Wheeler, director of strategy, Beggars Group

“Sometimes you have to be brave enough to say the baby is ugly.”

Ged Doherty, chairman and chief executive of Sony Music UK

“She had real, raw talent, but she was just 17 and it took time to develop her vocal skills and her song writing. We experimented with different styles and rehearsed and improved her live performances. Ultimately, the pay off came when she released *Back to Black* as we had been able to harness her natural talent to produce a coherent album.”

Nick Gatfield, president of A&R Labels, North America and UK, for EMI, recalls signing Amy Winehouse when he worked at Island Records.

“They shared the same vision as the band, respecting their values, creativity and identity, whilst working with them to develop their music and their growing following. The band had a team working with them with the manpower, contacts, expertise and finance to reach further and possibly be more creative than they could have been alone struggling with funding and trying to do everything themselves.”

Diane Wagg, Manager, on why Scouting for Girls signed to the record label Epic

MONETISING MUSIC IN AN ERA OF FREE – THE ROLE OF ISPS AND GOVERNMENTS

“There is a growing understanding that everything on the internet isn’t free. As people are getting older and more used to the internet they are starting to understand that it’s not quite the free model that they thought it was at the start”

Stephen Conroy, Minister for Broadband, Communications and the Digital Economy, Australia

“We were one of the first content businesses to have to grapple with a business model that suddenly wasn’t a business model that suddenly wasn’t a business model at all. Suddenly it became common for consumers – and businesses – to use our music without paying for it.”

Elio Leoni Sceti, chief executive, EMI Music

“The victim of online music piracy is the freedom of artistic expression.”

Yves Riesel, president, Abeille Musique France, independent label

FROM CONCEPT TO REALITY: GOVERNMENTS START TO MOVE ON ISP COOPERATION

“Music has been hit hard over the last ten years and if we don’t do something there is a real danger that parts of the music industry will be washed away.”

Andy Burnham, UK Secretary of State for Culture

“The so-called three strikes legislation has been talked about in Australia and we’re watching closely what’s happening in France and the UK and we’re considering what we can do to support intellectual property rights. People will change their behaviour if there’s an economic cost.”

Stephen Conroy, Minister for Broadband, Communications and the Digital Economy, Australia

“When I exceed the speed limit on the road too many times, I know I will lose my licence for six months and I accept that as normal. There’s no reason for a change of attitude when it comes to the internet. As human beings we don’t like rules and regulations but we don’t live in an ideal world and a free-for-all benefits nobody.”

Chris Ancliff, general counsel, EMI

“The system depends on the reliability and deterrence of the sanction.”

French economist Olivier Bomsel, advisor on the French “Creation and Internet Law” establishing a graduated response system

EDUCATION: THE CAMPAIGN FOR HEARTS AND MINDS

“I am a father of three young kids who are all very interested in music and computers. They are forever asking to use the computer to download their favourite songs. There is a constant worry about the security of the internet with children. This new guide helps adults and children to use the internet safely and securely.”

Ronan Keating, singer-songwriter

“This new guide...should help to spark off those vital conversations between parents, teachers and young people that are so essential for promoting responsible behaviour on the internet.”

Viviane Reding, EU Commissioner for Information Society and Media

COMMERCE IN THE ERA OF FREE – A COMMON CHALLENGE FOR CREATIVE INDUSTRIES

“There is a tsunami of digital theft on the internet that extends across multiple content sectors, most notoriously affecting music but also spreading across TV, movies, games, software and books. The challenge is to stop this undermining the evolution of very exciting and enormously positive legitimate digital distribution capabilities.”

Rick Cotton, general counsel, NBC-Universal.

“This was the most viewed TV production in the American history, and the overwhelming access for online viewers was at nbcolympics.com - and the thing that essentially eliminated pirated Olympic content from video sharing sites was content recognition and filtering.”

Rick Cotton, general counsel, NBC-Universal.

“The infrastructure industries need to come to the table to help reduce the flow of stolen content. We are now seeing many forms of dialogue, and those are absolutely critical to reducing both physical and digital piracy.”

Rick Cotton, general counsel, NBC-Universal.

“The question for the book industry, watching the music industry, is that if that whole idea of people buying individual works is going to disappear, then how are writers going to make a living in the future?”

Tracy Chevalier, author of Girl With A Pearl Earring

“The alarm bells start ringing when you hear from the music business that for 95 per cent of all the tracks downloaded, there is no payment going to the artist.”

Tracy Chevalier, author of Girl With A Pearl Earring

“It’s a complicated task you have because as well as changing legislation and shutting down illegal sites, there needs to be a broader education effort to get people to appreciate that getting stuff for free means the creator doesn’t get paid.”

Tracy Chevalier, author of Girl With A Pearl Earring

PRE-RELEASE PIRACY

“About three weeks prior to its release, our album got leaked. A gloom came over me when I saw it available on blogs all across the globe. It has nothing to do with money, that doesn't come into it, but it felt like someone had come into my house and nicked stuff, then put it on the internet for everyone to have a look at.”

Kaiser Chiefs' Nick Hodgson speaking to Drownedinsound.com