IFPI DIGITAL MUSIC REPORT 2010 – KEY HIGHLIGHTS

- **The advance of the digital music business, 2003-2009**

	2003	**2009**
Licensed music services	Less than 50	Around 400
Catalogue available	1m tracks	11m tracks
Industry's digital revenues	US$20 million	US$4.2 billion
% of industry's revenues from digital channels	Negligible	27%

- **Download sales** of single tracks increased by an estimated 10% in 2009 to more than 1.5 billion units. Digital albums grew more strongly, up by an estimated 20%.
- **Music companies' revenues from digital channels** (27%) are proportionately more than double that of films (5%), newspapers (4%) and magazines (2%) combined.
- **Diverse new ways to access music are developing rapidly:** They include subscription services; devices and broadband bundled with music; streaming services with applications for mobile devices; advertising-supported services that upgrade users to paid-for premium offerings; and online music video. In the last year, music companies have partnered with advertising-supported services such as Spotify, Deezer, MySpace Music and We7; ISPs such as TDC in Denmark, Terra in Brazil and Sky in the UK; mobile operators such as Vodafone; handset makers such as Nokia and Sony Ericsson; and online video channels such as Hulu and VEVO.
- **The digital music business has huge growth potential.** In the US, only 18% of internet users aged 13 and over regularly buy digital music (NPD Group, 2009). In Europe, digital adoption is even less widespread – only 8% of internet users in the top five EU markets frequently buy music digitally (Jupiter Research, 2009).
- **The best selling track of 2009** was *Poker Face* by Lady Gaga, selling a total of 9.8 million units. By comparison, the best-selling single track in 2008, Lil Wayne's *Lollipop*, sold 9.1 million units and in 2007 Avril Lavigne's *Girlfriend* sold 7.3 million units (IFPI).

- **Despite the successes, digital is not offsetting the overall decline.** Digital sales grew 940% since 2004, but the overall music market fell by around 30% in that period. Sales were down 12% in the first half of 2009 and the full year figure is likely to show a similar trend.
- **Piracy is reducing investment in major markets**. In **France,** 107 local artist albums were released in the first half of 2009, 60% down on the same period of 2003. New signings of French artists also fell by 60%, from 91 in the first half of 2002 to 35 in the same period of 2009. Overall investment in marketing and promotion by the French music industry fell 9% in the first 6 months of 2009. 25% of the French internet population currently download music illegally from P2P networks or other sources on a monthly basis (Jupiter Research, 2009).
- **In Spain**, a culture of state-tolerated apathy towards illegal file-sharing has contributed to a dramatic slump in the music market. Spain has the worst piracy problem of any major market in Europe. In 2009 no new Spanish artist featured in the top 50 album charts, compared to 10 in 2003. Overall, unit sales of Spanish artist albums fell by an estimated 65% between 2004 and 2009. Today, illegal file-sharing in Spain, at 32% of internet users, is more than double the European rate of 15% (Jupiter Research, 2009). The Spanish market fell by an estimated 17% in 2009.
- **In Brazil**, music sales fell by 43% between 2005 and 2009, with a disastrous impact on investment in local repertoire. In 2008 there were only 67 full priced local artist album releases by the five major companies in Brazil – just one tenth of the number (625) a decade earlier in 1998. This has been particularly damaging in a market where 70% of music consumed is domestic repertoire.
- **Illegal file-sharing has a negative net impact on music purchasing.** In the UK**,** research from Harris Interactive in 2009 highlighted that nearly one in four P2P file-sharers (24%) typically spend nothing on music, while finding an overlap of legal and illegal downloading among some file-sharers. A Jupiter Research study in five European countries in 2009 found that, although there is an overlap between online music buyers and file-sharers, the net effect of illegal file-sharing is negative.
- **P2P network file-sharing remains the most damaging form of piracy**, but the last two years have also seen a sharp rise in non-P2P piracy, such as downloading from hosting sites, mobile piracy, stream ripping, instant message sharing and downloading from forums and blogs. According to Jupiter Research in 2009, about one in five

internet users across Europe's top markets (21%) are engaged in frequent unauthorised music-sharing. P2P piracy is still the biggest source of this.

- **Piracy threatens creative industries.** For years, digital piracy has been a problem most associated with music. Today, however, creative industries including movie, publishing and television, regard "monetising" the online world and addressing digital piracy as their greatest challenges. Illegal streaming and film downloads now account for 40% of the movie piracy problem by volume (MPAA). Illegal distribution of TV content is growing faster than music and movie piracy (Big Champagne).
- **Governments adopt or propose graduated response laws.** Graduated response legislation arrived on the statute books in 2009 with France, South Korea and Taiwan passing laws that turned the concept into reality. Other governments, from the UK to New Zealand, are proceeding with the introduction of legislation.
- **South Korea** saw an improved legal environment coinciding with strong growth in legitimate music sales. The government began to publicise its new graduated response law ahead of implementation in July 2009. Music sales increased by 18%, with digital sales up by 32% on the same period in 2008. Preliminary research by the South Korean government suggests consumers are aware of and being influenced by the new law. In an indicative survey based on 1,000 interviews, 45% said they were illegally downloading less content.
- **Sweden** saw a strengthening of the legal environment in 2009. The music market in Sweden was up by more than 10% in 2009, driven by a 98.6% increase in the digital market and a 1.9% rise in physical format sales. Research by GfK in June 2009 found that 60% of infringing file-sharers had stopped or reduced their activity as a result of the introduction of new laws. However, it remains to be seen if this will be a long term trend.
- **Education is key, but not alone the solution.** The music industry has been involved in more than 70 education campaigns across the world over the last six years. Independent research confirms education alone is not sufficient to change consumer behaviour. Harris Interactive in the UK in 2009 found that music file-sharing among those "very familiar with the law" (33%) was far more common than among the general population (23%).