



representing the
recording industry
worldwide

Jobs Lost and Found:
*Finding Where Wealth
Has Moved to and where
it can be Extracted From*

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Regional Director, Asia Pacific
Bangkok, Thailand
21 August 2018

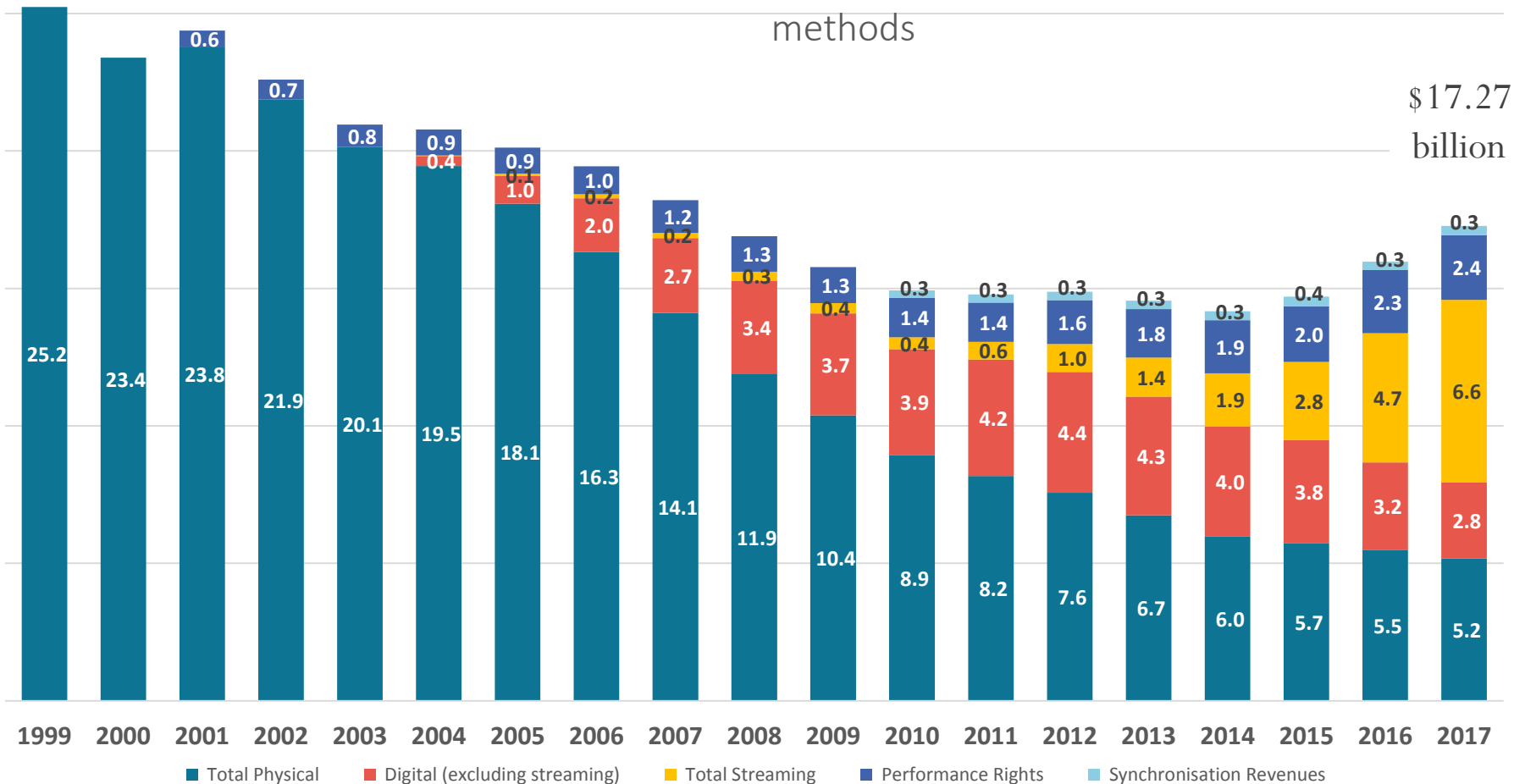


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Evolving Music Consumption Methods & Distribution

Evolving Distribution Methods & Consumption

Global recorded music industry revenues 1999-2017 (US\$ billions) captures the evolving methods of music consumption & accompanying distribution methods



SYNCHRONISATION

royalties from recorded music use in television, films, or games

PERFORMANCE RIGHTS

Music used in broadcast and public performance

STREAMING

Audio and video streaming revenues, paid and ad-supported



DIGITAL

Permanent downloads, mobile revenues - EXCLUDES streaming

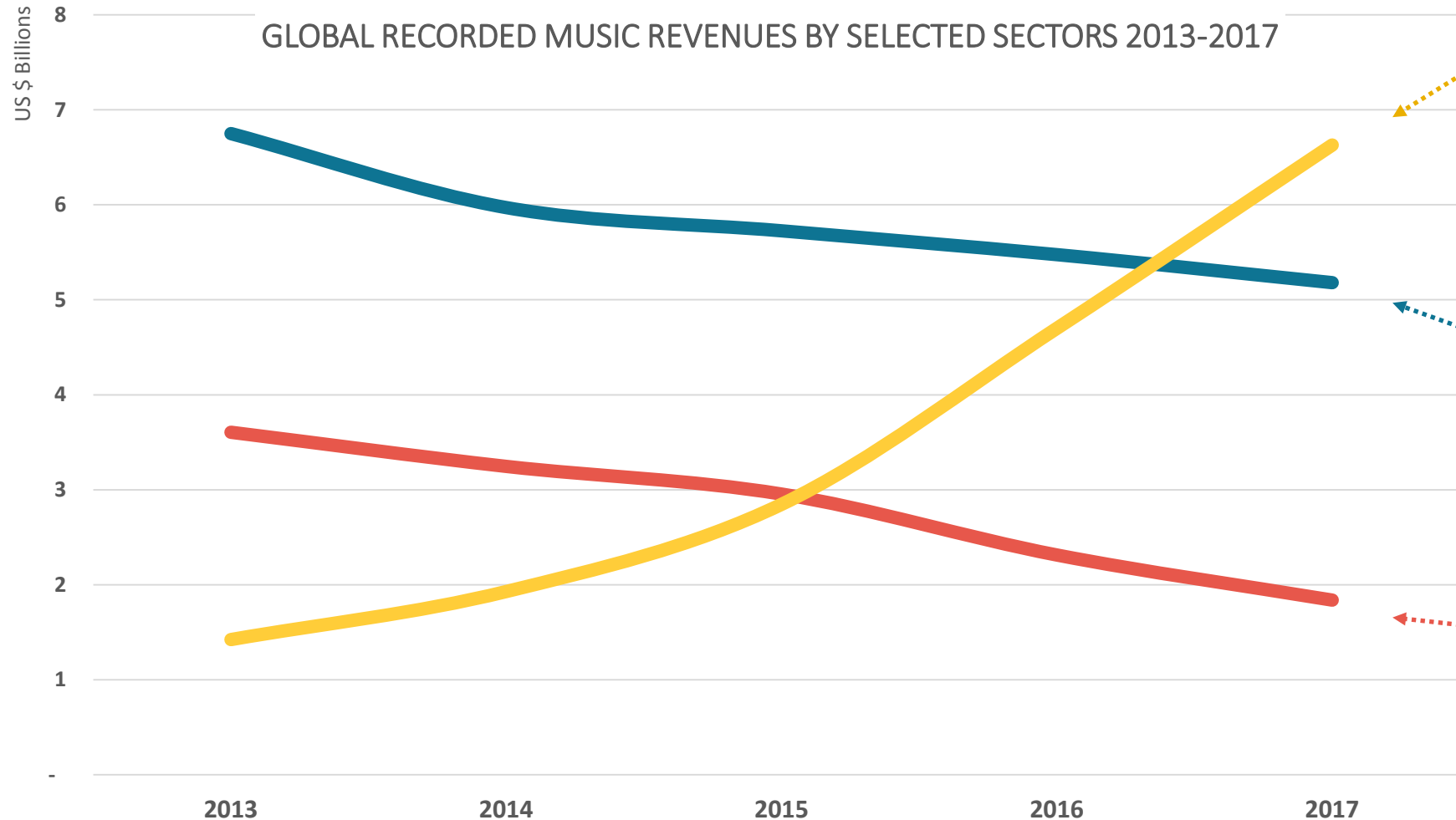


PHYSICAL

Sales of all physical formats, including CD and vinyl



The Evolving Revenue Mix



STREAMING

Subscription audio streaming, ad-supported audio streaming, & video streaming: revenues up 41.1% in 2017

PHYSICAL

Sales of all physical formats, including CD and vinyl: revenues down 5.4% in 2017

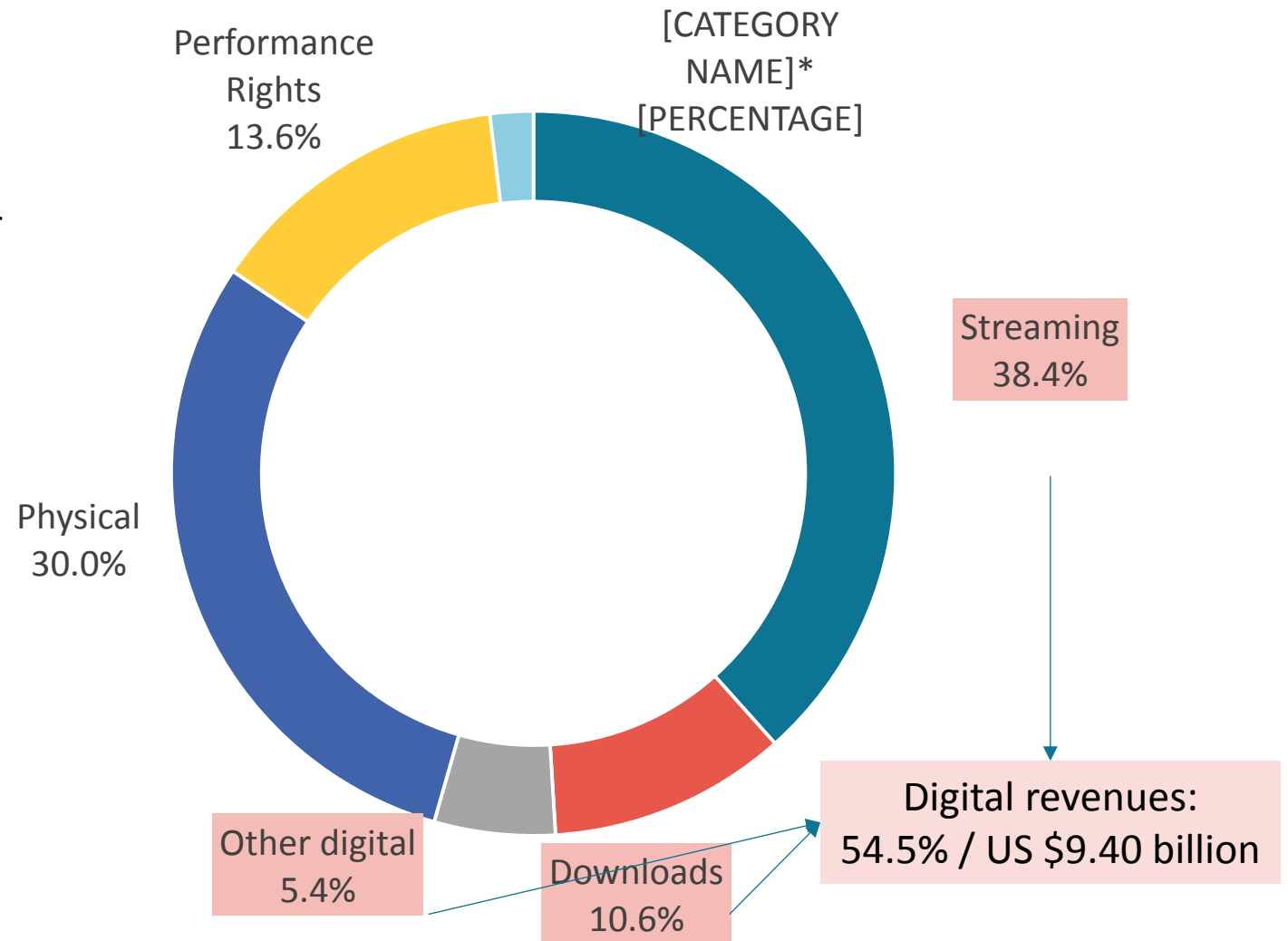
DOWNLOADS

Permanent downloads: revenues down 20.5% in 2017

Global Revenue by Format 2017

Digital formats responsible for:

- more than half of **all industry** revenue at 54.5%
- 64.5% of **all sales** revenue (digital + physical sales only; performance & sync excluded) compared to 100% from physical sales in 1999



**Synchronisation refers to inclusion of music into movies, TV programs, advertising, etc*

Digital Revenues by Format



Digital

\$9.40 billion

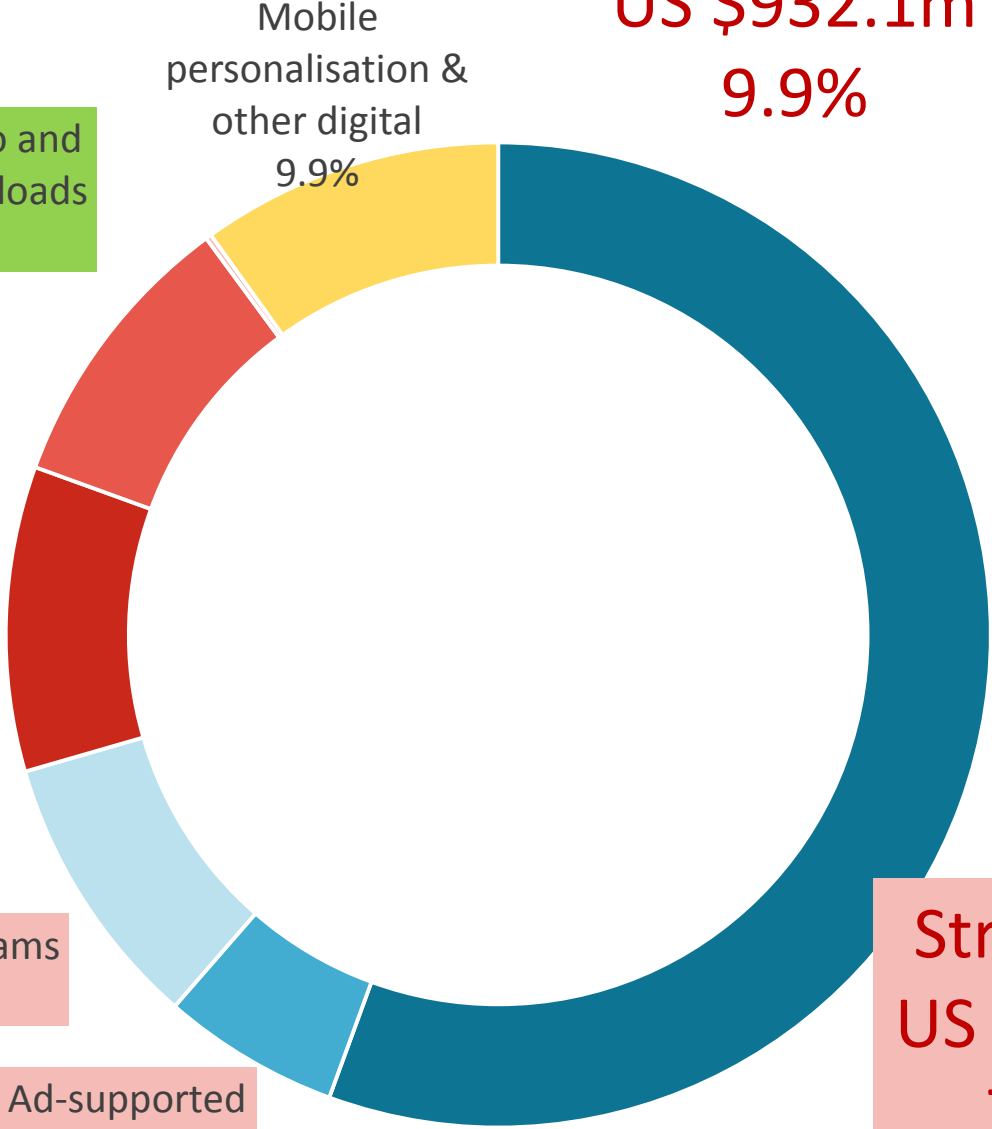
+19.1% from 2016

Downloads:
US \$1.84 bn
19.6%

- Music video and other downloads 0.2%
- Full album downloads 9.4%
- Single track downloads 10.0%

Video streams
9.1%

Ad-supported audio streams
5.8%



Mobile:
US \$932.1m
9.9%

Streaming:
US \$6.63 bn
70.5%

Sale of Vinyls Continued to Increase



\$631.4m

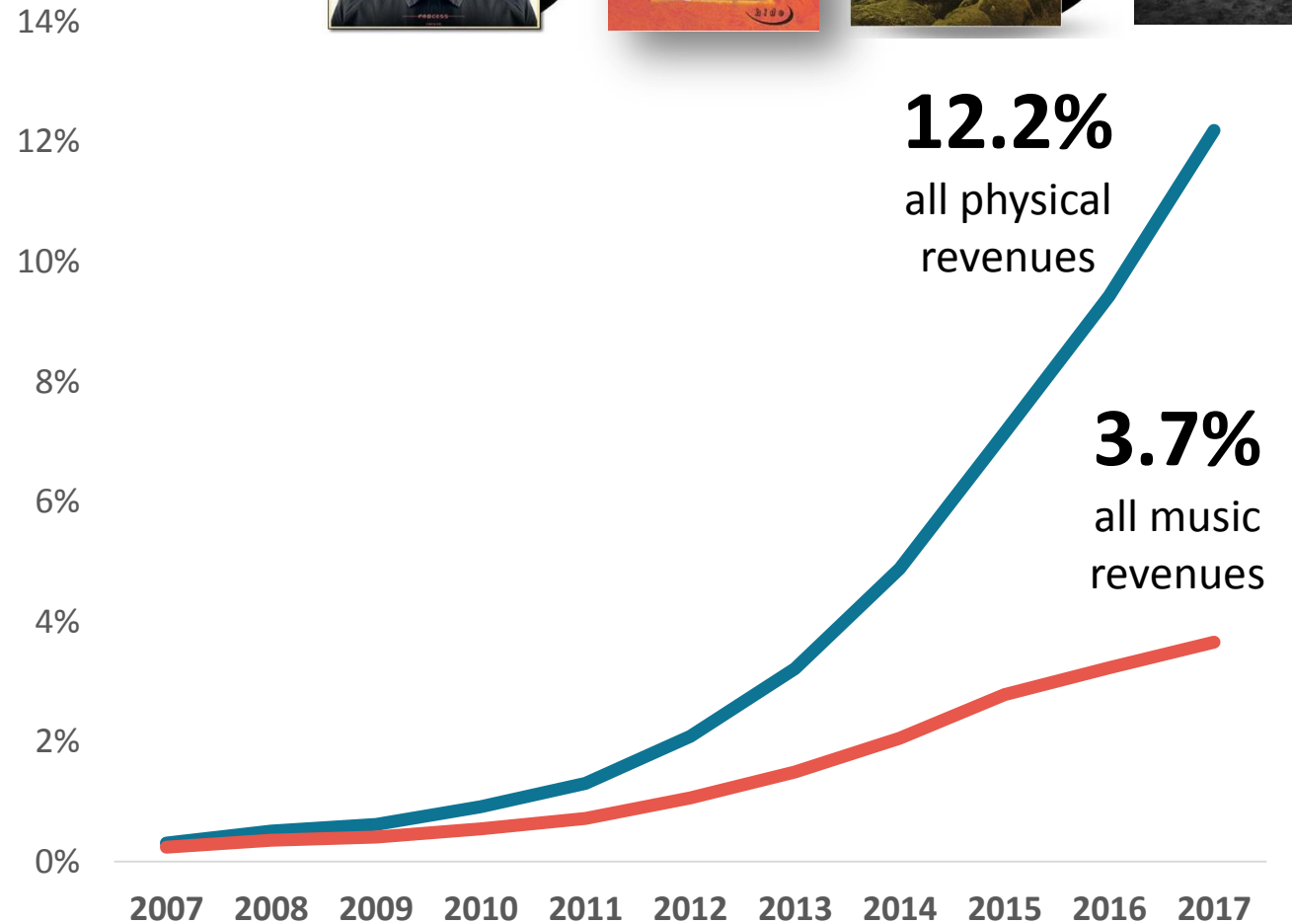
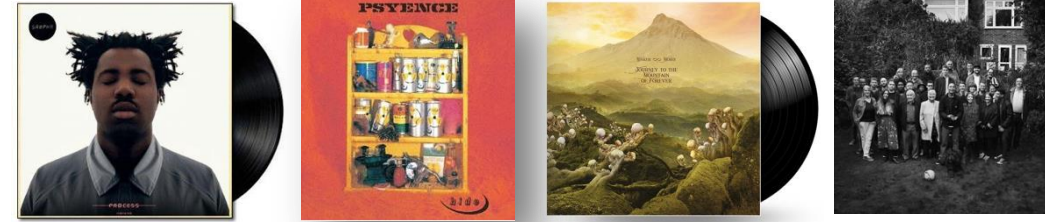
revenue in 2017

22.3%

growth compared
to 2016



42.3m units sold



Closure of Record Stores & Reopening of vinyl manufacturing factories

Hong Kong Records to close shops at Pacific Place and Harbour City, marking end of era in city's music scene

Owner Siu King-chin blames steady losses over the past three years for the closure, the latest blow to the city's bricks-and-mortar music stores

PUBLISHED : Thursday, 21 June, 2018, 9:01am

UPDATED : Thursday, 21 June, 2018, 3:46pm

COMMENTS: 19

Records come round again: Sony to open vinyl factory in Japan

Major label's Japanese arm to build new vinyl-pressing plant to keep up with growing demand for reissues and new releases on retro format



▲ A Tokyo record store manager shows off a period Japanese pressing of The Beatles' final studio album Let It Be. Photograph: Toshifumi Kitamura/AFP/Getty Images

Summary

Respondents listened to more than **2.5 hours of music daily** on average.

Audio streaming was used by 61% globally.

81% of **16-24s** used **audio streaming**.
50% chose audio streaming if they had to pick a single music listening method.

YouTube was responsible for **one-fifth** of all music listening time and **more than half** of all on-demand music streaming time.

Radio remained key to listening and discovery.

Stream ripping was the dominant music piracy threat.

17.8h

Time spent listening to music each week globally

21.9h – 16-24s
19.4h – 25-34s
17.0h – 35-44s

61%

used **audio streaming** in last 3 months (81% for 16-24s)

50%

of **16-24s** choose **audio streaming** if there was only one way to listen to

86%

listened to music on the **radio**

39%

discovered music on the **radio**

1/5th

of global music listening time is spent on **YouTube**

52%

Of on-demand music listening time spent on **Video Streaming** (47% on **YouTube** alone)

84%

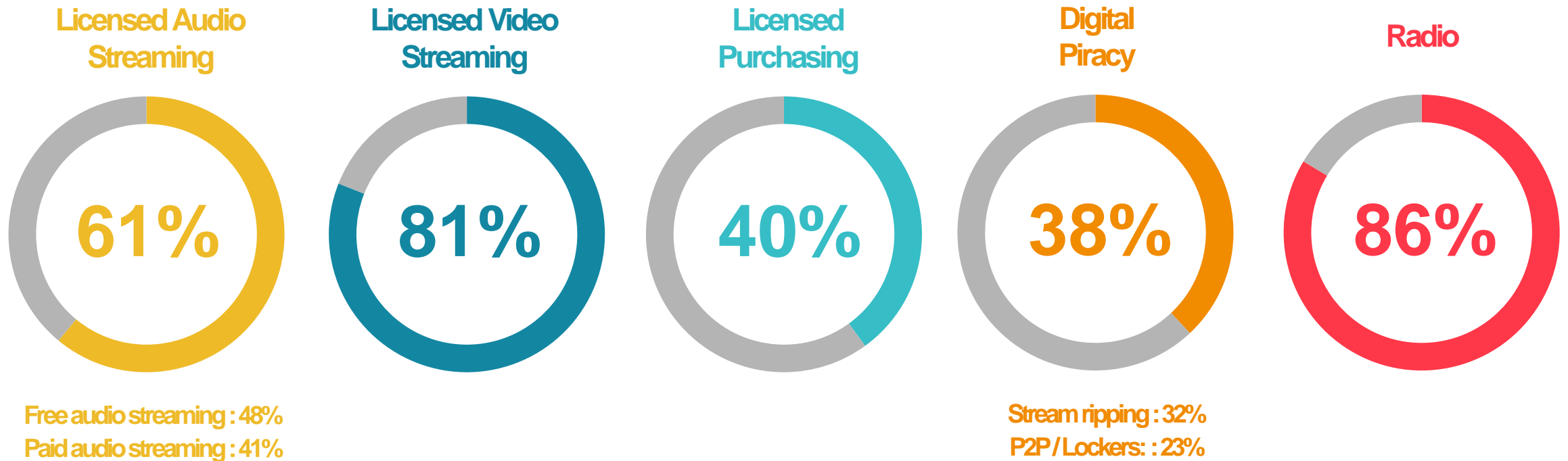
used **YouTube** for music – but mostly for familiar music

32%

downloaded music through stream ripping

86% consumed music through on-demand streaming

'Users' are defined as those using in the past 3 months to consume music:



2

Digital Piracy



Example of Scale of Problem



IFPI and National Groups - 2016

19,200,000

take down requests sent for unique URLs

330m+

delist requests to search engines

52,603

URLs reported on a typical day

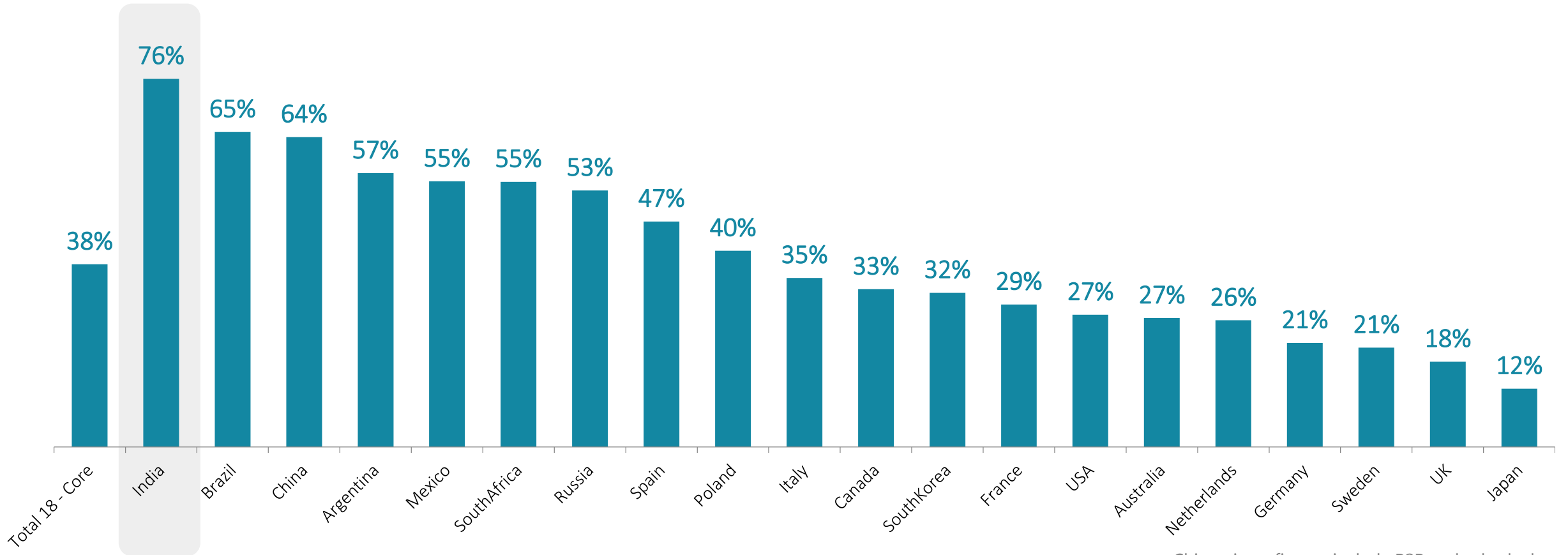
14.8m

pieces of repertoire monitored

- Recorded music industry remains over 30% lower than its peak in 1999 despite exponential growth in consumption of music
- Digital piracy is biggest obstacle to music industry realizing its true value
 - Unlicensed streaming, peer-to-peer (P2P) file-sharing networks, cyber-lockers, aggregators, forum & social media sites, stream ripping and illegal mobile applications
- Legal digital music services cannot compete with free illegal services that do not pay producers (who invest in the making of the music), performers (their livelihoods), composers, publishers
- Digital piracy undermines the licensed & legitimate music businesses across many forms, platforms and channels

Piracy rates across global 20 countries

Piracy usage (NETS) over past 3 months, by territory:



China piracy figures include P2P and cyberlocker downloads (**excludes stream ripping**)

Source: Q12. When, if at all, did you last use each of the following as a way to listen to or obtain music? / Q13. When, if at all, did you last use any of the following methods to make a download of music content from YouTube or another video or music streaming site? Base: (n. 23000 respondents)

Stream ripping dominant mode of music piracy worldwide

Piracy usage (NETS) over past 3 months, by territory:

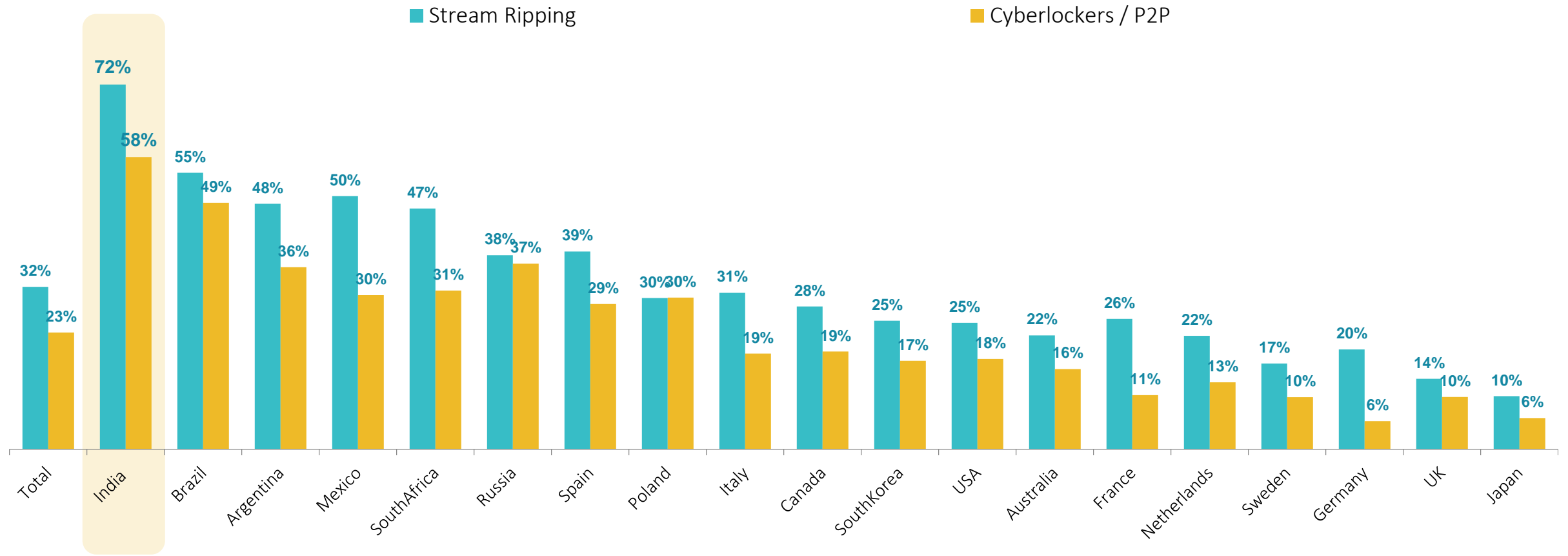


Chart excludes China

Stream Ripping

- The latest, fastest growing trend in music piracy
- Hundreds of stream-ripping sites developed in different countries
- Main function is to convert streaming web content from YouTube or Spotify to a file which users can download and save in their computers and store forever, without paying for the reproduction
- Estimated that YouTube-mp3.org generated hundreds of thousands of dollars in advertising revenue per month, often from major brands; without any payment back to music artists, creators or publishing or recording companies unlike other legitimate businesses

YouTube mp3

<http://www.youtube.com/watch?v=KMU0tzLwhbE>

Convert Video

32% stream ripping (source IFPI)

**COPYRIGHT INFRINGEMENT IS EVOLVING RAPIDLY
STREAM RIPPING IS THE DOMINANT METHOD
AND CONTINUES TO RISE**



32%

OF ALL INTERNET
USERS ARE STREAM
RIPPING (UP FROM
30% IN 2016)



Rising to

47%

For 16-24
years old

Legal actions filed against YouTube-mp3 in the US by RIAA on behalf of record labels

1. Successful action against YTmp3



Site shut down globally in Sept 2017

SCIENCE TECHNOLOGY

YouTube-mp3.org shuts after music business suits



By Reuters

Posted on September 7, 2017

TECH ENTERTAINMENT MUSIC

Major YouTube audio-ripping site agrees to shut down after getting sued by labels

Say goodbye to YouTube-MP3.org

World's Largest YouTube Ripping Site Ordered to Shut Down

The music industry has scored a major legal victory, sinking the pirate outfit YouTube-mp3.org, a global "stream ripping" site operating out of Germany that was facilitating the theft of millions of dollars worth of music intellectual property per year.

2. Actions against other major stream ripping sites - German major record labels filed litigation against Convert2mp3.net

Piracy Destroys Jobs in Creative Industries

Pirates distributing and making the money

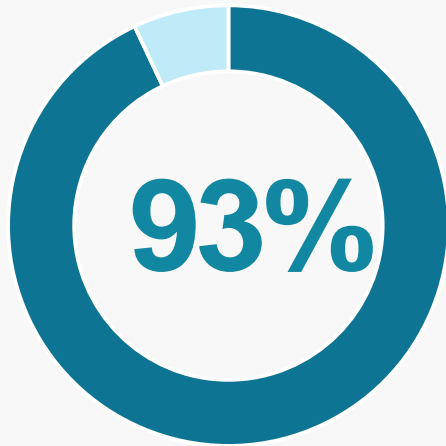
Advertising on pirate sites

Jobs going to pirates

Would you raise your child to work for a pirate?

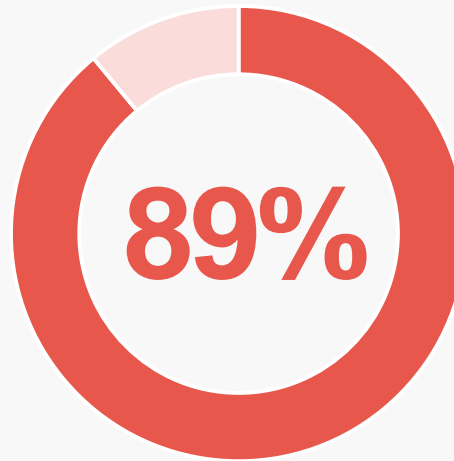
A large, bold, white number '3' is positioned on the left side of the slide. It is set against a background of a dark, textured surface, possibly a leather jacket, which is partially obscured by a semi-transparent grey overlay. The number is the central focus of the left half of the slide.

Where has all the
money gone?
The Value Gap



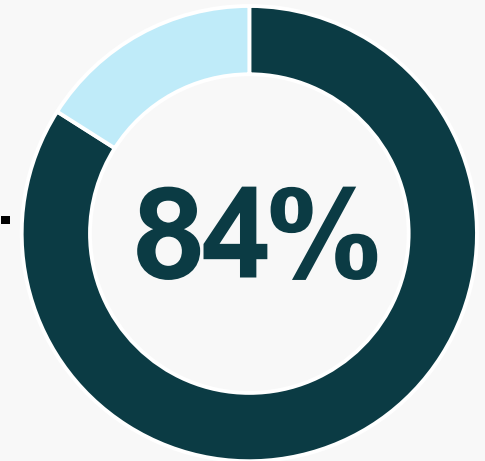
used YouTube in the past 6 months for ANY content

of which...



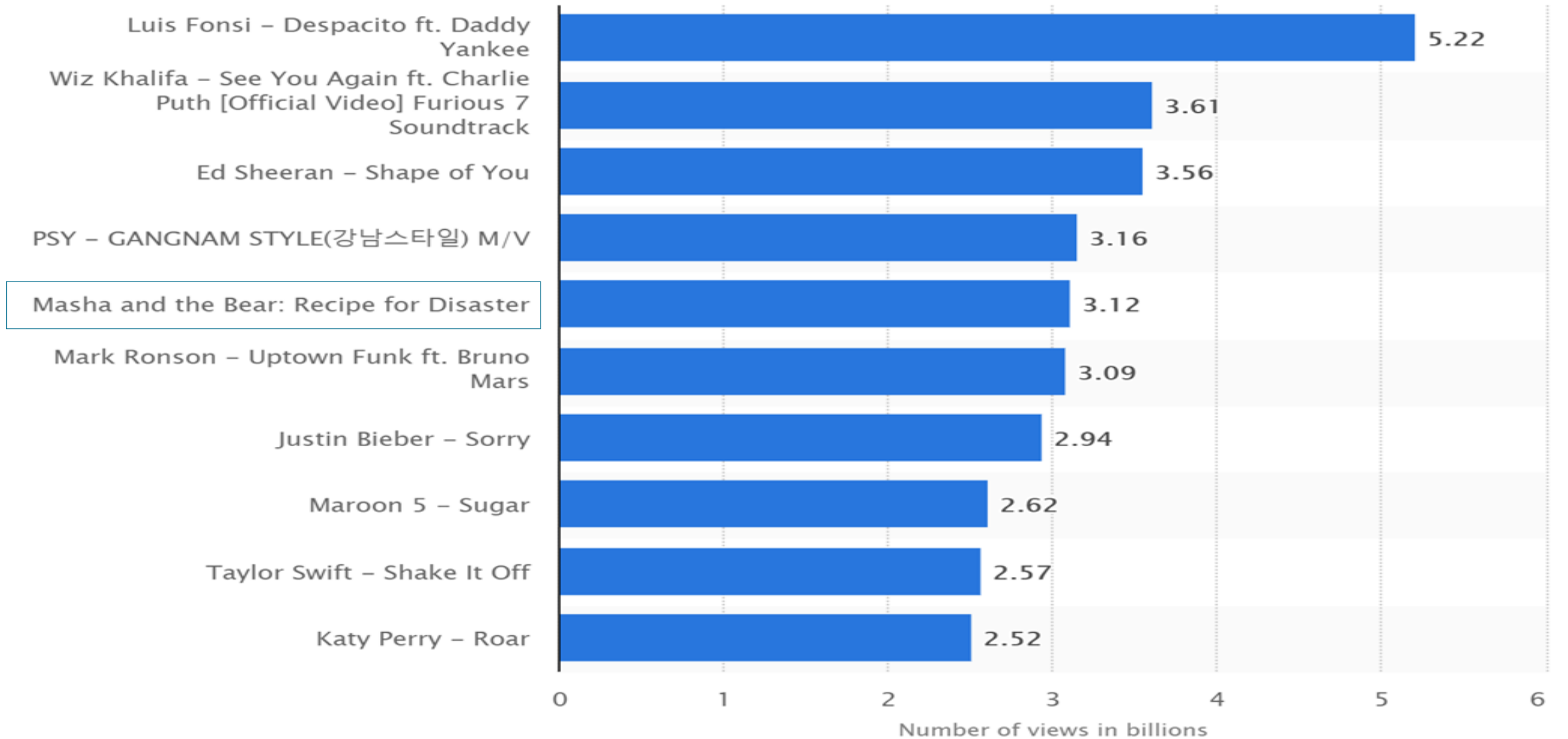
used YouTube for ANY music related activities

which means...

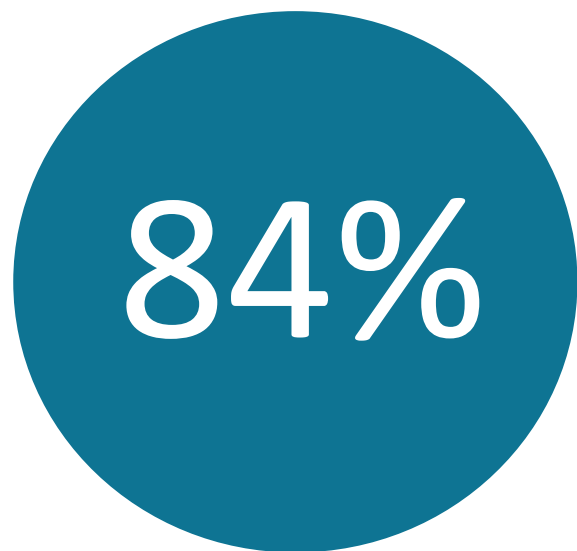


of all respondents using YouTube for music

Top 10 Most Watched Videos (June 2018)

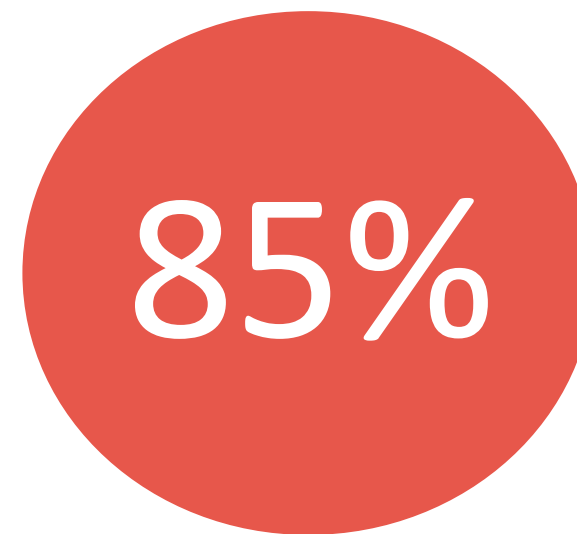


YouTube more a means for on-demand music consumption than music discovery



Of YouTube users use it for music

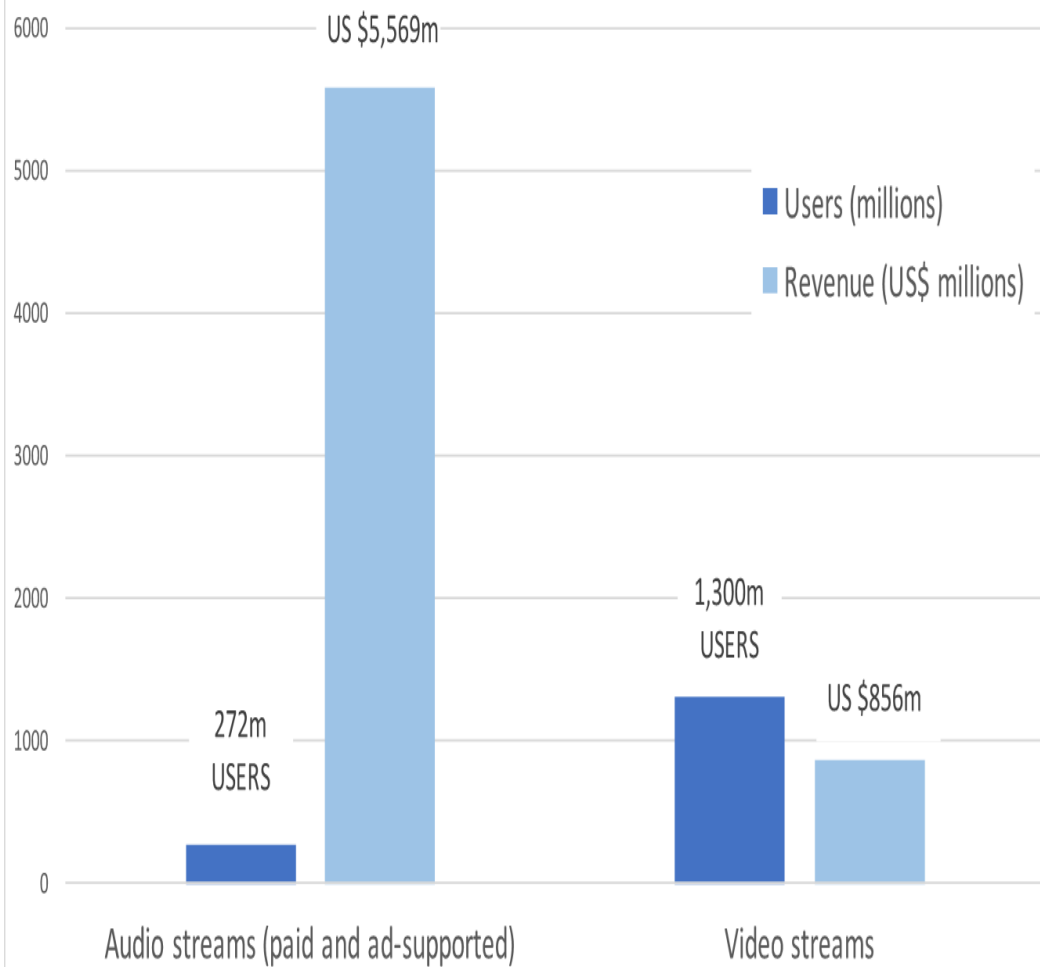
...Of which



Listen to music they already know*

The Value Gap illustrated

AUDIO AND VIDEO STREAMING USERS Vs REVENUES 2017



\$22

<\$1



Audio streams (paid and ad-supported)

Video streams



What's causing the value gap?

- A structural flaw in our marketplace caused by the misapplication of copyright liability rules on online platforms, or by rules that are no longer fit for purpose
- The main problem is the misapplication of liability privileges e.g. 'safe harbours', to user upload services such as YouTube
 - Right holders ask a User Uploaded Content (UUC) service making music available to enter into a licence
 - Service claims only its users are liable while the service is protected by legal liability privileges. Service declines a licence, or may offer to share advertising revenue at "take it or leave it" terms
- This allows them to use music in their business in a way that devalues music, gives them an unfair advantage over other digital services, and deprives artists and labels of fair revenues
- Not something our business can fix. It is for policy makers to legislate.

- IFPI's objective: A legal framework that supports balanced and sustainable growth of digital content markets worldwide.
 - Only true **technical, automatic and passive** intermediaries should be eligible for 'safe harbor' privileges.
 - Online services that provide access to content and actively engage with it; such as those that select or recommend content, promote it, or optimise its presentation, **are not mere passive intermediaries** and should not be entitled to safe harbor protection
 - Requests Governments to **clarify or amend their safe harbor laws** to delineate truly neutral and passive intermediaries that are eligible for safe harbor privileges from ISPs that play an active role in distribution of copyrighted works and who are not
- EU recognise the value gap as a market distortion that needs a legislative fix and, this year, are negotiating provisions that could clarify that online user upload services that provide public access to copyright protected works uploaded by their users without the rights holders' involvement, are liable for that content and need a licence

Capacity Building and Training

- Policy makers need to be sensitized through capacity building and training to the balance required between technology and copyright
 - Copyright does not kill the Internet but is the bedrock on which the technology industries are built
- Consumers need continuing sensitization on the value of copyright and the need to pay for that value in building enduring cultural and creative industries
- Judiciary requires capacity building and training to make the right legal decisions
-



05

Concluding
Remarks



representing the
recording industry
worldwide

What We Do

We promote the value of recorded music, campaign for record producer rights and expand the commercial uses of recorded music in all our member markets –

- Lobby for new rights
- Tackle piracy
- Engage governments to help develop music industry through market data & research



60

countries with
national organisations
& affiliated collecting
societies

1,300

members worldwide; include
3 “majors” – Universal, Sony
& Warner, 7 more than a
thousand independent record
labels

Thank you

Kweetiang.ang@ifpi.org

www.pro-music.org for most comprehensive
directory of world's legal music services