

# IFPI DIGITAL MUSIC REPORT 2012

## KEY FACTS AND FIGURES

### Headline figures

- Digital music revenues to record companies grew by 8 per cent globally in 2011 to an estimated US\$5.2 billion. This compares to growth of 5 per cent in 2010 and represents the first time the year-on-year growth rate has increased since IFPI started measuring digital revenues in 2004
- IFPI estimates that 3.6 billion downloads were purchased globally in 2011, an increase of 17 percent (combining singles and albums downloads)
- Some markets now see more than half of their revenues derive from digital channels, notably the US (52%) and South Korea (53%)
- Digital channels now account for an estimated 32 per cent of record company revenues globally, up from 29 per cent in 2010. This compares with 5 per cent for newspapers, 4 per cent for books and 1 per cent for films<sup>1</sup>
- *Just The Way You Are* by Bruno Mars was the top-selling single of 2011, selling more than 12.5 million copies
- Many major markets are seeing healthy growth in single track download sales: the US up 8 per cent in volume; the UK up 10 per cent; France up 23 per cent
- Consumer demand for an artist's body of work remains strong in the digital world. Digital album volume sales grew by an estimated 24 per cent globally in 2011, with the US and UK up by 19 and 27 per cent respectively and France up 71 per cent
- The global number of paying subscribers for music services has grown by 65 per cent, from an estimated 8.2 million in 2010 to over 13.4 million in 2011
- Subscription has caught on exceptionally well in some markets, particularly in Scandinavia. In Sweden, for example, subscription accounted for 84 per cent of digital revenues in the first ten months of 2011, boosted by its national champion Spotify. Other markets saw sharp growth in subscription revenues, such as France with growth of more than 90 per cent in the first 11 months of 2011

### Digital music goes global

- At the start of 2011 the biggest digital music services were present in 23 markets. Now they are present in 58 markets
- iTunes opened for business in 28 new markets in 2011, including all members of the EU and 16 countries in Latin America
- Spotify launched in the US and four European countries so is now in 12 countries
- Deezer has launched in 25 countries in Europe and expects to be in 80 countries internationally by the end of February
- Sony's Music Unlimited is now in 13 countries
- rara.com announced a new streaming service in 20 countries in December 2011

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<sup>1</sup> Source: PWC Global Entertainment & Media Outlook, IFPI

- Other services are developing and expanding: such as JUKE, Rdio, WiMP and Vevo
- Google Music launched in the US in November 2011 – further expansion expected in 2012
- In Asia, South Korea remains the most successful digital music market, with an estimated three million music subscribers. In China a landmark partnership was announced in June 2011 between three major record companies – Sony, Universal and Warner - and internet search giant Baidu

### Global top selling digital singles of 2011

- The top selling digital single of 2011 was Bruno Mars’ *Just The Way You Are*, which sold more than 12.5 million copies. The combined sales of the top ten digital singles grew by 11 per cent in 2011.

Artist	Title	Sales (m)
Bruno Mars	Just The Way You Are	12.5
Bruno Mars	Grenade	10.2
LMFAO	Party Rock Anthem	9.7
Jennifer Lopez	On the Floor	8.4
Adele	Rolling in the Deep	8.2
Lady Gaga	Born This Way	8.2
Pitbull ft. Ne-Yo, Afrojack & Nayer	Give me Everything	8.2
Black Eyed Peas	The Time (Dirty Bit)	7.3
Maroon 5	Moves Like Jagger	7.0
Bruno Mars	The Lazy Song	6.5

*Source: IFPI 12 months to November 2011. Sales are rounded. Combines versions of the same song*

### Piracy rigs the market

- 28 per cent of internet users globally access unauthorised services on a monthly basis, according to IFPI. Around half of these are using peer-to-peer (P2P) networks. The other half are using other non-P2P unauthorised channels which are a fast-growing problem
- Illegal “free” has a negative impact on sales. Research by The NPD Group in the US in 2010 found that just 35 per cent of P2P users also pay for music downloads. P2P users spent US\$42 per year on music on average, compared with US\$76 among those that pay to download and US\$126 among those that pay to subscribe to a music service
- 60 per cent of e-book downloads in Germany are illegal, according to Börsenverein des Deutschen Buchhandels, the organisation representing German publishers and booksellers

### ISP cooperation: the needle is moving

- In France, the Hadopi law has been successfully implemented and research shows it is having an impact on consumer behaviour and on digital sales

- New Zealand passed a new graduated response law in 2011 and surveys show it is already affecting consumer behaviour positively
- In the US, music and film companies have agreed with ISPs a new copyright alert system, while new draft legislation aimed at tackling “rogue” sites is before Congress
- South Korea, a pioneer of anti-piracy legislation which has required an effective role from ISPs in stopping infringement, is seeing continued market health
- In Europe, a series of successful court actions required ISPs to block access to The Pirate Bay, prompting substantial reductions in users of that service

### **France: Hadopi law makes an impact**

- To date there have been more than 700,000 notices sent, which IFPI estimates to have reached around 10 per cent of P2P users in France. There are good indications of the impact Hadopi has had on piracy in its first year of operation.
- The use of unauthorised P2P networks has sharply declined, with overall P2P use down by 26 per cent since notices started being sent in October 2010 (IFPI/Nielsen) – the equivalent to a loss of around two million P2P users.
- A study by Ipsos MediaCT, conducted in November 2011, found 90 per cent of P2P users in France were aware of the law and 71 per cent would stop infringing if they received a notification as part of the graduated response programme
- A new study by Professor Brett Danaher and others<sup>2</sup> found that French iTunes sales were 23 per cent higher for singles and 25 per cent higher for digital albums that they would have been in the absence of Hadopi

### **New Zealand consumers heed graduated response**

- Ipsos MediaCT research from August 2011, on the eve of the law coming into force, found that seven in 10 P2P users said they would stop infringing on receipt of a notice backed by sanctions as part of the country’s graduated response programme. According to IFPI, usage of P2P networks fell 16 per cent in the first three months of the law being in force, accompanied by increasing online sales

### **Other evidence of the impact of graduated response**

- In Germany, 81 per cent of consumers that download media content illegally believe that warnings with the prospect of consequences would make people stop their illegal activity (GfK, February 2011)
- In South Korea, government officials report that 70 per cent of infringing users stop their activity on receipt of a first notice. A similar pattern is found on receipt of the second notice, with 70 per cent of users ceasing to use their account to infringe

### **Groundbreaking US ISP agreement**

- In July, an agreement was struck between rights holders and ISPs, establishing a system of “copyright alerts” that will notify internet subscribers when their accounts

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<sup>2</sup> Danaher, B; Smith, MD; Telang, R; and Chan, S

are being misused to infringe copyright law. A system of “mitigation measures” aims to deter repeat infringements by those who ignore repeated alerts

### **Site-blocking has impact internationally**

- In Belgium, a court order requiring two ISPs to block access to The Pirate Bay reduced visits to the site by 80 per cent from September to November 2011 (comScore)
- In Italy, an order requiring ISPs to block access to major BitTorrent site BTJunkie, reduced usage of the service by 70-80 per cent (Nielsen)

### **Reducing piracy helps the legitimate market**

- The most heavily-used illegal music service in North America, LimeWire, was closed in October 2010 when a federal court in New York issued a permanent injunction against the company. The percentage of the US internet population using a P2P file-sharing service fell from 16 per cent in the fourth quarter of 2007 to 9 per cent in the fourth quarter of 2010, when Limewire ceased its file-sharing operations (The NPD Group)
- South Korea illustrates how good legal services, combined with strong repertoire and a healthy legal environment can lead to significant market growth. In July 2009, graduated response measures were introduced and in April 2011 a new law required cyberlockers and P2P services to register with the government and implement filtering measures. The recorded music market in South Korea grew by 6 per cent in value in the first half of 2011, following a 12 per cent increase in 2010. In 2005 it was ranked as the 33rd music market in the world. Today, it ranks as the 11th largest market

### **More cooperation needed from search engines**

- In the UK, 23 per cent of consumers regularly download music illegally using Google as their means to find the content (Harris Interactive, September 2010)
- Around half of users of unauthorised downloads said they found the music through a search engine, according to research in 2011 in New Zealand (Ipsos MediaCT, October 2011)
- Searches for the name of the top five artists in the Billboard Top 100 chart on 1st November 2011 plus the term “mp3” (the dominant legal and illegal file format for digital music) found the majority of search results – on average over 70 per cent - were infringing

### **Payment providers act on illegal sites**

- A partnership between IFPI, the City of London Police and payment providers has prevented 62 illegal websites based in Russia and Ukraine from abusing payment services since it began in March 2011. It is estimated that, to date, the programme has stopped some £180 million of illegal trade, based on the revenues generated by the sites over the previous year
- Anti-piracy investigators use the latest automated technology to identify and remove infringing links worldwide. In 2011, it removed more than 15 million tracks, up from seven million in 2010, an increase of 115 per cent