Panel Session II: On a different note – copyright and music

Sunday, October 15 2017
14:00-15:30
Line Up

- Andrew Wiseman, Allens (Moderator)
- Lisa Margolis, Warner Bros
- Dan Rosen, Australian Recording Industry Association
- Ingrida Veiksa, University Turiba
Structure

Totally, Unstructured!
Background

• Music in Society
• Music diversity over the Years
• Absent of the Digital Era
Copyright 101

- What is it?
- How does it apply to the music business?
- Film – a case study
Problems arising from the Digital Era

• What has emerged?
• Impact on soundtrack albums
• Impact on publishing in US
Current Issues

• Value Gap
• Monetisation generally
Other Emerging Trends

• Artists
• Government
• Other?
Music listening habits of Baltic people

KANTAR EMOR

Music listening habits of Baltic people in 2017
Summary of main topics
07.09.2017
Most used web services

Youtube is clearly the most used web service

<table>
<thead>
<tr>
<th>Service</th>
<th>Almost every day</th>
<th>At least once a week</th>
</tr>
</thead>
<tbody>
<tr>
<td>Youtube</td>
<td>47</td>
<td>81</td>
</tr>
<tr>
<td>Spotify</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>Google play</td>
<td>4</td>
<td>13</td>
</tr>
<tr>
<td>Soundcloud</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>iTunes</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Apple Music</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Netflix</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Deezer</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Tidal</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>
IFPI Survey

MUSIC CONSUMPTION IN 2017

ON AVERAGE, CONSUMERS LISTEN TO MUSIC IN

45% ENGAGE IN LICENSED AUDIO STREAMING (UP FROM 37% IN 2016)

4 DIFFERENT LICENSED WAYS

85% OF 13-15 YEAR-OLDS ARE STREAMING MUSIC (AUDIO/VIDEO)

VIDEO STREAMING MAKES UP MORE THAN HALF OF ON-DEMAND MUSIC STREAMING TIME...

22% FREE AUDIO STREAMING

23% PAID AUDIO STREAMING

55% VIDEO STREAMING (INCLUDING USER UPLOAD SERVICES SUCH AS YOUTUBE)

46% YOUTUBE

USER UPLOAD SERVICES ARE THE DOMINANT FORM OF VIDEO STREAMING. YOUTUBE ALONE ACCOUNTS FOR 46% OF ALL TIME SPENT LISTENING TO ON-DEMAND MUSIC. HOWEVER, USER UPLOAD SERVICES ARE NOT RETURNING FAIR VALUE TO THE MUSIC COMMUNITY.

40% OF CONSUMERS ACCESS UNLICENSED MUSIC
IFPI survey

06 VIDEO STREAMING

THE VALUE GAP

User upload services, such as YouTube, are heavily used for music, yet do not return fair value for this music to those investing in and creating it. This is a fundamental challenge for the music community which is campaigning for a legislative solution to this issue known as the ‘value gap’.

IFPI data – for more information visit www.ifpi.org/valuegap

85% of YouTube users used the site for music in the last month, translating to an estimated 1.3bn users

VIDEO STREAMING MAKES UP MORE THAN HALF OF ON-DEMAND MUSIC STREAMING TIME...

- 55% Video streaming (including user upload services such as YouTube)
- 23% Paid audio streaming
- 22% Free audio streaming

46% YOUTUBE

User upload services are the dominant form of video streaming. YouTube alone accounts for 46% of all time spent listening to on-demand music.

However, user upload services are not returning fair value to the music community. Estimated annual revenue per user:

- US$1 Spotify
- US$20 YouTube

WHilst some use YouTube for discovering music, 76% of YouTube music users listen to music they already know.

Estimated users calculated using figures published during 15/16 fiscal year. Logged-in streams and YouTube every single month. YouTube billions and billions of views videos. All data and figures are sourced from the IFPI and licence agreements. Data: All months. UK usage. Home at 13 countries surveyed: Brazil, China, India, Italy, Japan, Mexico, Netherlands, Spain, South Korea, Turkey, Germany, UK, France, Vietnam. UK, Australia, Ireland.
IFPI survey

MUSIC CONSUMPTION

MUSIC CONSUMERS ARE HIGHLY ENGAGED WITH LICENSED MUSIC

Record companies and partners have invested in and built out the systems that have enabled the licensing of over 40 million tracks and the existence of hundreds of digital services.

IFPI 2017

96% of Internet users consume licensed music* includes: audio streaming, video streaming, physical purchase, digital downloads and radio

98% among 16-24s

45% engage in licensed audio streaming (up from 37% in 2016)

Licensed audio streaming engagement (past 6 months)

75% 66% 66% 59% 55% 55% 46% 46% 46% 45% 63% 41% 41% 39% 18%

New: All experiences accessing licensed music in the past 6 months (n=1.7T) 2016 (n=1.7T)

*Consumption of licensed music, including:

- Audio streaming paying the physical download and paid audio streaming

www.aippi.org
IFPI survey

"MUSIC IS IMPORTANT TO ME"

85% of 13-15 year olds stream music (audio/video)

53% of 13-15 year olds are purchasing physical or paid music downloads

38% downloads
37% CDs
19% vinyl

37% paid
62% free

33% pay for their own music streaming subscription
63% for 16-64 year olds
36% are part of a family subscription plan
22% for 16-64 year olds

15
IFPI survey

Global Music Listening Methods 2017

- Music consumers are engaged with multiple methods of listening to licensed music.

- On average, consumers listen to music in 4 different licensed ways.

- Methods of music consumption used by internet users in the last six months:
  - 44% are purchasing physical copies of music or paid downloads.
  - 45% use audio streaming services for music.
  - 75% use video streaming services for music.
  - 87% are listening to music on the radio.
  - 68% broadcast radio.
  - 35% internet radio.
  - 39% free.
  - 27% paid.

www.aippi.org
IFPI survey

SMARTPHONE USAGE FOR MUSIC WORLDWIDE

<table>
<thead>
<tr>
<th>Country</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico</td>
<td>77%</td>
<td>91%</td>
</tr>
<tr>
<td>Brazil</td>
<td>69%</td>
<td>85%</td>
</tr>
<tr>
<td>South Korea</td>
<td>75%</td>
<td>88%</td>
</tr>
<tr>
<td>Italy</td>
<td>68%</td>
<td>73%</td>
</tr>
<tr>
<td>Spain</td>
<td>66%</td>
<td>72%</td>
</tr>
<tr>
<td>Sweden</td>
<td>64%</td>
<td>68%</td>
</tr>
<tr>
<td>US</td>
<td>54%</td>
<td>63%</td>
</tr>
<tr>
<td>Germany</td>
<td>52%</td>
<td>41%</td>
</tr>
<tr>
<td>Australia</td>
<td>52%</td>
<td>59%</td>
</tr>
<tr>
<td>UK</td>
<td>55%</td>
<td>59%</td>
</tr>
<tr>
<td>France</td>
<td>48%</td>
<td>57%</td>
</tr>
<tr>
<td>Canada</td>
<td>48%</td>
<td>52%</td>
</tr>
<tr>
<td>Japan</td>
<td>39%</td>
<td>44%</td>
</tr>
</tbody>
</table>

SMARTPHONE USAGE FOR MUSIC ACROSS AGE RANGE

<table>
<thead>
<tr>
<th>Age Range</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>16-24</td>
<td>79%</td>
<td>84%</td>
</tr>
<tr>
<td>25-34</td>
<td>67%</td>
<td>78%</td>
</tr>
<tr>
<td>35-44</td>
<td>52%</td>
<td>64%</td>
</tr>
<tr>
<td>45-54</td>
<td>42%</td>
<td>53%</td>
</tr>
<tr>
<td>55-64</td>
<td>32%</td>
<td>30%</td>
</tr>
</tbody>
</table>
UNLICENSED MUSIC

COPYRIGHT INFRINGEMENT CONTINUES TO BE A MAJOR ISSUE FOR THE MUSIC COMMUNITY

With the wealth of licensed music available to fans, these types of illegal sites have no justifiable place in the music world.

40% of consumers access unlicensed music

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

35% of all internet users are stream ripping (up from 30% in 2016)

RISING TO 53% among 16-24s

WHO IS STREAM RIPPING?
Stream rippers are more likely to be young, male, and frequently engage in other piracy methods such as torrenting and cyberlocker sites. They commonly use stream ripping to obtain individual tracks.

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>16-24</td>
<td>40%</td>
<td>30%</td>
</tr>
<tr>
<td>25-34</td>
<td>32%</td>
<td>35%</td>
</tr>
<tr>
<td>35-44</td>
<td>25%</td>
<td>32%</td>
</tr>
<tr>
<td>45-54</td>
<td>20%</td>
<td>25%</td>
</tr>
<tr>
<td>55-64</td>
<td>18%</td>
<td>20%</td>
</tr>
</tbody>
</table>

SEARCH ENGINES PLAY A KEY ROLE IN COPYRIGHT INFRINGEMENTS

54% of those downloading unlicensed music also use Google to find unlicensed music

Data: IFPI 2017 Report (based on 12 countries surveyed: USA, Canada, UK, France, Germany, Spain, Italy, Sweden, Australia, Japan, South Korea, Brazil, Ireland)
THE EVIDENCE

Audio and UUC video streaming users vs revenues

- 212m users
- 900m users
- US$3,904m
- US$553m

Subscription audio streams (paid and ad-supported)
UUC video streams

Users (millions)  Revenue (US$ millions)
THE EVIDENCE

ESTIMATED REVENUE PER USER

Spotify

US$20

vs

YouTube

<US$1
Ingrida VEIKSA,
Turiba University
Law Faculty

Graudu street 68, Riga, 
LV – 1058, Latvia, 
tel.: +371 67606105, 
e-mail: jf@turiba.lv
Thanks for your attention!