

Business and policy solutions: Emerging issues and implications

*Content diffusion IPR, DRM, licensing, content
security, standards*

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**Universal Music
Digital**



Overview for OECD

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Market Overview & Key Statistics



- **Digital Music Market in 2005 = \$1.1bn**
 - 300% growth since 2004
 - Over 330 digital music stores in over 25 countries world wide
- **Video download services including Apple iTunes, streaming services including Yahoo!**
- **Development of new digital only content, made for mobile content, deleted recordings, on-line exclusives**
- **New business models emerged, portable subscription, legitimate P2P, converged on-line and mobile services, advertising supported on-demand entertainment**
- **Digital only labels established for early stage artist development**



- **Viable Business Entrants**

- Viable commercial propositions
- Consumer centric marketing

- **Deployable Technology**

- Consumer focused technology
- Well designed user interfaces

- **Broadband / Mobile improvements**

- Readily available broadband access
- Mobile technologies capable of delivering rich entertainment experience

The role of a record company



- **Universal invests in artists to develop the and market their works**
 - Large upfront cash investment to the artist
 - Large upfront cash investment in marketing the artists work
 - Investment bring risk
 - Investment in unknown artists brings large risks
- **A record company is doing extremely well if 1 in 10 of the artists invested in is profitable**
- **A record company funds new artists from profits new releases and catalogue sales**
- **Record companies represent recordings – concerts, t-shirts and merchandizing are typically owned and controlled by the artist**

Universal Digital Objective



- **License widely and create many new and exciting opportunities for the consumers to “purchase” and enjoy music**
 - Wide licensing to many services
 - Bring new players into the value chain
 - Support new business models
 - Develop new digital products
- **Make the unlicensed and unauthorized use of music as poor experience as possible**
 - All possible anti-piracy measures
 - Legal action against infringing companies and individuals
- **Objective : Balance the Supply and Demand forces**



- **Agreement on Commercial Terms**
- **Good technology platform**
 - Sensible DRM approach
 - Easy to use system
- **Valid Marketing Plan**



- **Lack of Interoperability**

- Disagreement between technology and service companies to establish de-facto technology limit the growth of the market

- **Unrealistic Expectations by Value Chain Participants**

- Examples include
 - Expectations of 40% of retail for ISP or Mobile billing services are unsustainable and limit the growth of the market
 - Abnormally high bandwidth charges limit the market development