

The digital music business saw unprecedented global expansion in 2011, while key steps forward were taken in several markets to help tackle digital piracy.

With rapid expansion into new markets by services such as iTunes, Spotify and Deezer, the major international digital music services are now present in 58 countries, compared to only 23 at the start of 2011.

Consumers are benefiting from a widening choice of services for experiencing digital music. In 2011, subscription services expanded and linked with new partners to reach new audiences. Meanwhile cloud technology is helping transform the way fans manage and store their music.

Global revenues to record companies grew by an estimated 8 per cent to US\$5.2 billion in 2011 - a faster rate than 2010 - with strong consumer demand for both single track downloads (up 11 per cent by volume), digital albums (up 24 per cent by volume) and fast-expanding subscription services. The number of users paying to subscribe to a music service leapt by 65 per cent in 2011 to 13.4 million worldwide, according to IFPI estimates.

In the US, the world's largest music market, digital channels have overtaken physical formats to become the primary source of revenues for record companies. Globally, 32 per cent of music industry revenues come from digital sources, far surpassing the film, newspaper and book sectors. New services launched across Latin America, while in China record companies are working in a landmark partnership with the largest internet company Baidu.

IFPI's Digital Music Report 2012 is published today, providing a comprehensive overview and analysis of the global digital music business at the start of 2012.

Commenting on the Report, Frances Moore, CEO of IFPI, said: "As we enter 2012, there are good reasons for optimism in the world of digital music. Legal services with expanding audiences have reached across the globe and consumer choice has been revolutionised. Meanwhile momentum is building in the fight against piracy as governments and a growing circle of intermediaries engage with our industry.

"Any complacency now, however, would be a great mistake. Our digital business is progressing in spite of the environment in which it operates, not because of it. In 2012 the momentum needs to build further. We need legislation from governments with coordinated measures that deal with piracy effectively and in all its forms. We also need more cooperation from online intermediaries such as search engines and advertisers to support the legal digital music business."

Positive momentum but legal environment remains a huge problem

Piracy remains an enormous barrier to sustainable growth in digital music. Globally, one in four internet users (28%) regularly access unlicensed services, according to IFPI/Nielsen. This is rigging the market for legitimate services, stunting growth and jeopardising investment in music. IFPI advocates an inclusive combination of graduated response, site-blocking and other measures to tackle the problem.

There has been positive momentum in the fight against piracy in 2011. In France, the introduction of the new Hadopi graduated response law has seen peer-to-peer (P2P) piracy levels decline by 26 per cent, with around two million P2P users stopping the activity since warning notices were first sent out in October 2010 according to IFPI/Nielsen.

A newly-published academic study finds evidence that Hadopi has had a positive impact on iTunes sales in France. The analysis, by Danaher et al¹, found that iTunes singles sales were 23 per cent higher than they would have been in the absence of Hadopi.

In the US, a groundbreaking ISP cooperation deal was signed in 2011 and a graduated response program will be implemented in 2012, with most major ISPs signing up to a "copyright alert system". The move follows the closure of the illegal service LimeWire in 2010, which has helped cause a dramatic drop in levels of P2P piracy in the US market.

There was important progress elsewhere too. In New Zealand, a new graduated response law took effect in September 2011, with early indications of impact. In Europe, a string of court judgments has helped reduce copyright infringing activity on major sites like The Pirate Bay. In Belgium and Italy visits to the infringing sites dropped by 70-80 per cent in each case. In Spain a new law came into force to allow the blocking of illegal websites - a positive step, though disappointingly limited in its scope.

Stepped-up cooperation with online intermediaries

The recorded music industry is now working directly with advertisers, payment providers, search engines and website hosts to tackle digital piracy. A partnership struck in 2011 between IFPI, the City of London Police and payment providers MasterCard, Visa and PayPal has prevented more than 60 illegal websites from abusing payment services since it began in March 2011.

Better cooperation is being sought with search engines, which are a major channel for consumers to access music. Research in several countries indicates that between a quarter and a half of people illegally downloading access infringing music via search engines. However, many of the top results provided by search engines are linked to unauthorised content or sites which regularly infringe copyright.