

Mobile music a cell-out in India

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Partly helped by illegitimate downloads and partly because it has become an outright fad, mobile music is set to overtake legal conventional music in India in the next few months.

According to the Cellular Operators' Association of India, the mobile telecom lobby, the size of the mobile music industry which is about \$115 million now, is set to touch \$170 million by this year end, exceeding revenues of the conventional music industry like compact disks and audio cassettes by about \$5 million.

"The mobile music downloads is growing at a scorching pace -- over 50 percent a year," said TV Ramachandran, secretary general of COAI, "whereas growth of legal conventional music is stagnating."

In fact he added "if you include the illegitimate distribution of music through mobile phones, the size of the mobile music market may be a lot bigger than conventional music already."

Indeed in the country where for over a decade value-added services has always been about messaging, few thought that mobile music that consists ringtones, caller ringback tones and music clippings ring tones would ever be a booming business.

"But thanks to a burgeoning market for mobile phones where owning a high-end mobile phone has almost become a fad and a strong affinity of Indians to Bollywood (the Hindi film industry) music and devotional music," says Ramachandran, "mobile music has emerged as the most

prominent segment of the country's music industry."

According to COAI, India had 90 million mobile subscribers as of the end of March and is adding about 5 million every month. Although much of the mobile phones are still low-end, "India is well on its way to reach 250 million subscribers in another two years, almost all of whom would buy handsets capable of playing polyphonic music or actual music," said Ranchandran.

"Clearly, the growth of devices capable of playing conventional music would be nowhere near the growth mobile music devices promises, so this segment of digital music is set to explode," he added.

But mobile music is not just a lucrative business in India. According to the International Federation of the Phonographic Industry (IFPI), with the evolution of the mobile handset from a basic voice-based device to complete entertainment hubs, mobile music has become a major revenue stream for the music industry globally, running far ahead of revenues from the conventional music distribution channels.

However, "in some European countries and in Asia," said the IFPI report, "mobile music is developing faster boosted by higher penetration of phones compared to portable players or broadband, and by ease of payment."

And between the European countries and Asia, Asia leads the way accounting for half of all mobile subscriptions in 2005. "Penetration of music-capable phones in Asia is the highest in the world, given consumers' willingness to pay more for their phones in Asia," the report said.

In Japan, for example, mobile music revenues totaled \$211 million in the first nine months of 2005.

"Moreover, within Asia," says Sudhanshu Sarronwala of Soundbuzz, a Singapore-based distributor of online and mobile music, "India has the fastest growing mobile population where digital music is predominantly mobile music."

Which is why, mobile music is also rocking for the local mobile phone operators. For most, while they have been focusing on data services --primarily messaging -- to expand their market for value added services even until recently, suddenly mobile music is now a major revenue source.

For instance almost all operators have launched an "Easy Music" service that allows subscribers to walk into a mobile phone outlet, choose their favorite music from a huge catalogue of music in as many as 20 languages and download onto their mobile phones -- or even other digital devices like iPod -- for as little as 15 cents each for a Hindi song or 30 cents for an international song.

Yet despite this new windfall, the local music industry does not seem to be quite happy with the proliferation of digital music. Local music companies and content owners complain that distributors (the mobile phone operators and companies like Soundbuzz that distributes digital music, who control the network and the audience) walk away with a bigger portion of the revenues leaving the content providers with little.

"For a polyphonic ringtone, the telecom operators and the distributors walk away with 60 percent of the revenue while the balance is split between the other middle men and the content owner," says Rajiv Hiranandani, of mobile mobile2win, a digital music content owner.

Illegitimate downloads is the other challenge. Illegitimate downloads refers to the free transfer of music from one handset to another (like music downloaded from a friend's mobile) and according to the music

industry, that along with pirated downloads have reached a volume which is three times the legal music.

But illegitimate downloads, at least, could be blessing in disguise, feels Ramachandran of COAI. "Illegitimate downloads is actually helping the mobile music industry to grow, and as the music industry tightens its noose on such downloads and piracy, the content providers would emerge as big gainers too along with operators and digital music distributors," he says.

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