Chapter 5
Mobile Music:
An Overview

Claudio Feijóo
Technical University of Madrid, Spain & Tongji University, China

Sergio Ramos
National University of Distance Education, Spain

Victoria Bleda
ContentWise.media, Spain

ABSTRACT

Music industry is arguably the foremost example of the advantages and disadvantages of having been exposed early on to digitalization. But not only has music been a pioneer in the area of digitalization, but it has also been one of the first sectors in the content industry to be massively "mobilized". It is therefore an area where lessons can be learnt for other mobile media and content market segments. From this framework, this chapter examines four main stages in the evolution of mobile music, investigates in some detail the emerging business models in the domain and concludes with the main challenges and opportunities for mobile music.

MUSIC IN THE HANDSET: PIONEERING DIGITAL MOBILE DEVELOPMENTS

It is beyond dispute that the music industry was the first to be significantly affected by the transformations caused by digitization. Analyzing the three basic stages that music content goes through from inception to consumption, namely, creation / production, distribution / access, and consumption / interaction (C Feijóo, Maghiros, Abadie, & Gomez-Barroso, 2009), it is rather clear that they have all been drastically altered by digitalization. Musical production, which is practically 100% digitized, has become considerably cheaper, with a variety of tools and techniques now available to creators that before were only available in the professional sector. Music distribution is increasingly conducted online in digital format; in fact, there are already a number of markets in which it represents more than 50% of total distribution (IFPI, 2013), in particular in three of the top 10 country music markets (IFPI, 2014). Similarly, music

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consumption is more intense than ever and occurs through a wide variety of media and digital devices. In addition to its increasing ubiquity, the ease with which music – and the experience of listening to it – can be shared has made it a key element in social networks. In fact, to underline the relevance of music in those, it is enough to recall that in 2013, nine of the ten most followed people on Facebook – and seven out of ten on Twitter – were music artists and that nine of the ten most watched videos on YouTube were music videos (IFPI, 2013).

Of course, the role of the music industry as a digital pioneer has also brought with it a considerable number of new challenges that did not exist in the past. The most evident is the ease with which users can exchange and share digitized information – music. Independent of where the boundary is placed between the public and the private spheres, and going beyond avoiding economic hardship for legitimate content owners, it is certainly true that the traditional music industry has exhibited myopic behavior in terms of taking advantage of the opportunities of digitalization, in particular during the very long period of time in which it has been unable to provide an answer to the new needs and expectations of consumers. It has been necessary to wait until 2013 to see once again the modest growth of music of 15 years ago (IFPI, 2013). In any case, the effect of all of this has been the decline – at least in monetary terms – of the traditional music industry and the introduction of new digital players – providers – whose business models have only now started to compensate for the income generated before the shift to digital (Leurdijk & Nieuwenhuis, 2012). In 2012, digital music represented 5.6 billion dollars worldwide, representing 9% more than in 2011 and a third of the total income of the music industry (IFPI, 2013). Growth slowly continues with the latest figures available displaying that digital music at 5.9 billion dollars, this is, 39% of the total revenues of the industry (IFPI, 2014).

Mobile music, with its particularities, is a clear example of the advantages and disadvantages of having been exposed early on to digitalization, as will be explained in detail in the following sections. Therefore, it is a field from which other (mobile) sectors that are lagging in their digitalization process can learn many lessons. Not only has music been a pioneer in the area of digitalization, but it has also been one of the first sectors in the content industry to be massively "mobilized". Therefore, there is a considerable amount of valuable evidence that can be gathered from examining the (mobile) music industry.

Some general market data can help clarify the industry's relevance. According to market analysis firm Juniper, the total value of the global mobile music industry was 3.1 billion dollars in 2010, with a prediction that it will reach 5.1 billion in 2015.[1] Against this background, it is important to note that, of course, the most developed mobile music market has been the U.S., followed by the group consisting of Japan, Korea, and China, with Europe at a modest third place. In terms of the use of mobile music, according to data from the online market analysis firm Comscore, already in 2010, 24% of users in countries such as the United Kingdom, France, Germany, Italy, and Spain listened to music on their mobile phones, a 10% increase over the 2009 values. Available data from a survey administered by the firm NPD at the beginning of 2013 in the U.S. show that 56% of smartphone users regularly listen to music on their devices – 39% do it daily. The most popular services for listening to music – through "streaming" – were Pandora, Spotify, and Rhapsody. In addition, 60% of users had transferred part of their personal music collection to their devices. According to the last survey from ONTSI in Spain (ONTSI, 2012), the number of users with an integrated FM radio in their mobile handset is 68%, and of these, 39% use it. Mobile handsets with the capacity to play music in MP3 format amount to 57%, and this function is regularly used by 47% of those for whom it is available.