

# Music to Go

This whitepaper is an extract from:

**Mobile Music**  
***Videos, Streamed, Full Tracks, Ringbacks,***  
***Ringtones & Downturn Analysis 2009-2013***  
***-Fifth Edition-***



# Music to Go

---

## Introduction

Since its inception, mobile music has been the main driver of mobile entertainment services. Ringtones were the first mobile entertainment service to achieve mass adoption, while the introduction of realtones and ring-back tones provided further impetus to the market. Initially, handset and network constraints – combined with the reluctance of the major labels to engage with the mobile medium – meant that offerings of full-length, original artists’ recordings were limited, as was their adoption. However, an increasing number of mobile handsets are able to boast on-board memory in excess of 1GB, with others boosted by flash memory cards and memory sticks; and with networks able to deliver data at high speed, and with operators beginning to lower data costs, mobile users are downloading or streaming full, original recordings in ever greater numbers.

## Types of Mobile Music Service

### Ringtones

---

While ringtones laid the foundation for the growth of the mobile music industry, their own foundations have started to look somewhat shaky. Polyphonic ringtones have typically retailed at several dollars each, while ringtone clubs flourished by delivering several ringtones to consumers on a monthly or weekly basis, at up to \$20 per month. However, with the widespread availability of full-track and music video content at considerably lower price points, polyphonic ringtones are being perceived as less attractive and certainly less valuable. Thus, in many markets – particularly those in Western Europe – their value fell sharply in 2008; indeed, a number of leading operators no longer offer polyphonic tones, concentrating instead on realtones. However realtones – usually priced at a premium to polyphonic ringtones – are also starting to look less attractive when priced at a premium to full-track downloads, while applications are increasingly available which allows users to “rip” realtones from full-tracks free of charge. Thus the realtone market has also started to decline in many markets, notably in Japan.

## Ringback Tones

---

The last few years have seen the onset of ring-back tones (also known as “personalised dialling tones” or by a host of network brand names), which are tones that replace the dialling tone when mobile users are making a call. In certain markets, ringback tones have achieved a quite astonishing level of popularity, notably in China and other parts of Asia. Usage is more modest elsewhere, but is accelerating in North America and parts of Europe; one of the few markets to remain unmoved by ringback tones is the UK, where adoption is negligible.

## Full-track Music

---

A combination of factors had initially militated against the introduction of full-track downloads. The first was technological: in the early 2000s, handset storage capacity was not sufficient for more than half a dozen tracks, at best, to be stored in the handset, while data transmission over 2G was slow and extremely expensive. The second reason was that the major music labels were initially highly suspicious of the mobile environment, particularly in terms of piracy risks. However, in 2003-4 there was a substantial shift in the music value chain: whereas it had previously been dominated by smaller off-portal publishers, the operators now began partnering directly with the major entertainment brands (in the case of music, the “big four” labels) and offering original content on portal.

Full track mobile music can be delivered either through streaming, downloading or sideloading; it can also be preloaded on the handset. Tracks can either be purchased outright or effectively “rented” if offered as part of a subscription service.

## Music Videos

---

In addition to full-track downloads, many operators have been offering a music video download service. SK Telecom was the first operator to offer this option, in late-2002, and as 3G networks have been rolled out worldwide many operators have deployed some form of mobile music video service. Usually, such content is offered on a pay-per-download basis, although in some instances such videos are offered in bundles. They may also be offered as part of a music subscription service by content aggregators.

# The Hurdles to the Deployment and Adoption of Mobile Music Services

While mobile music services are potentially lucrative, there are a number of hurdles which must be overcome before such services can either be deployed, or, once deployed, be delivered in such a way so as to maximise their revenue-earning potential. The following table lists a number of the more problematic, ranging from social and cultural issues to technological difficulties.

**Table 1: Selected Hurdles to the Adoption of Mobile Music Services**

Issue	Why is it a challenge?
Macro-economic issues	<p>A downturn which initially manifested itself as a “credit crunch” in Western Europe and North America, with loans and credit becoming harder to find, has now developed into a global economic deterioration. High interest rates, a stagnant housing market, and rising unemployment have pushed many markets into recession.</p> <p>The result is that consumers have experienced a marked decline in their disposable income, and are increasingly obliged to reduce their spending on non-essential items. This reduction in discretionary spend would suggest that both ad hoc content purchases and content subscriptions are particularly vulnerable. Furthermore, the churn levels amongst existing content subscriptions are likely to rise sharply over the period of the downturn as discretionary spend is reduced.</p>
User Interface	<p>Difficulty in discovering services and content;            Difficulty in accessing services and content;            Difficulty in navigating services and content; and,            Difficulty in utilising multiple applications simultaneously</p>
Network Speed and Coverage	<p>One of the major difficulties that prevented mobile internet services from widespread adoption over 2G and 2.5G was that the networks were simply not capable of download speeds required to deliver streamed video at an acceptable quality, while their networks was too high to permit real-time videotelephony or multi-user interaction. But while the upgrading of 3G to 3.5G and beyond via HSPA and EV-DO Rev. A technologies presents a significant opportunity for mobile music, practical coverage remains far from universal, and there is often a significant degradation of coverage in-building.</p>
Service Pricing	<p>If ringtones are perceived as digital jewelry (Andrew Bud’s description), then polyphonic ringtones might be described as last season’s wardrobe. With most operators in developed markets offering realtones, the demand (and indeed the supply) of polyphonic ringtones has died up. However, the market for ringtones and realtones as a whole is in decline in many countries: realtones have been widely available for several years and as their novelty fades, so does their perceived value, particularly when compared with other mobile digital goods.</p>
Cost of Data Services	<p>High cost of browsing and downloading services and content combined with opaque pricing structures continue to act as a disincentive to service adoption.</p>

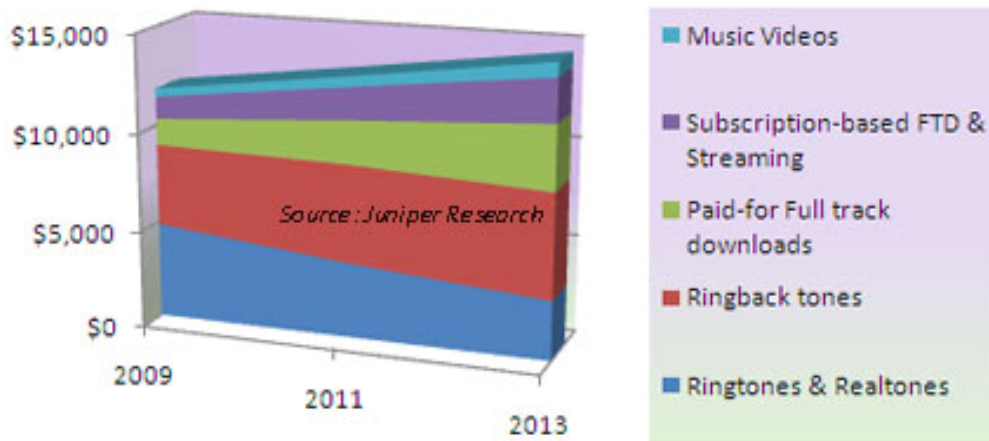
Source: Juniper Research

## Mobile Music Services Opportunity

Pulling together the revenues from the various categories of mobile music (ringtone, ringback tone, OTA full-track purchases, full-track subscription services and music videos) gives a total

of just over \$11.0 billion in revenues for 2008, rising to nearly \$14.6 billion by 2013, representing CAGR over the forecast period of 5.8%.

### Total End-user Generated Revenues (\$m) from Mobile Music Market Forecasts. By Product 2009-2013.



Source: Juniper Research

## Order Full Report

This fully updated report within Juniper's flagship mobile entertainment series, presents a number of key drivers and constraints of the mobile music market and evaluates DRM issues, data charge reductions, demand for personal mobile music services and current and future technological advances.

Key questions the report answers:

- What strategies should operators, vendors and aggregators employ to maximise their respective returns in the mobile music sector?
- What are the prospects for the rental music market?
- Are there further opportunities for growth in the ringtone market?
- To what extent are current music content retail prices sustainable?
- What impact has 3G had on the mobile music market?
- What are the major hurdles to greater adoption of mobile music?
- How has the mobile music value chain developed?
- Who are the major players in the mobile music market?

For more details on this report visit the website <http://www.juniperresearch.com> or phone +44(0)1256 830002

## About the Author

---

Dr Windsor Holden is the Principal Analyst with Juniper Research. He is responsible for developing Juniper Research's report portfolio and designing a forthcoming range of market intelligence services focusing on the mobile content market.

Dr Holden has written extensively on mobile content, emerging telecoms markets and digital TV. He is also a regular conference speaker and a former Research Fellow of the Institute of Communication Studies, University of Leeds.

### Publication Details

Publication date: March 2009

For more information, please contact:

Michele Ince, General Manager [michele.ince@juniperresearch.com](mailto:michele.ince@juniperresearch.com)

Juniper Research Limited, Wakeford Farm Business Park, Pamber End Tadley, Basingstoke, Hampshire RG26 5QN England

Tel UK: +44 (0) 1256 830002/889555

US: 408 716 5483 (International Answering Service)

Fax: +44 (0) 1256 830093

Further whitepapers can be downloaded at <http://www.juniperresearch.com/whitepapers.php>