

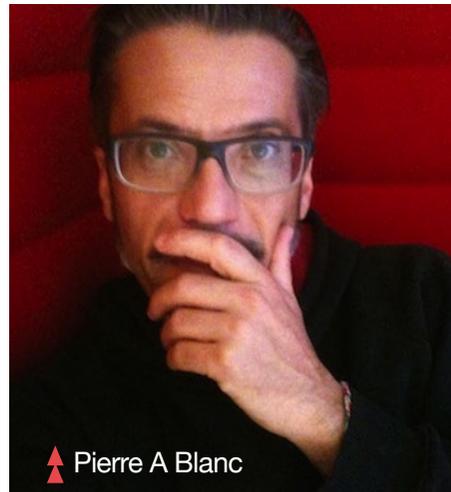
China



Apple is not a company that lacks ambition. Even so, its decision to launch Apple Music in China last September was one of its most daring recent moves.

It is not just that China is already well served for music streaming; in making its move, Apple joined an incredibly select group of Western music companies to have launched in the People's Republic. (In fact, the closure of MixRadio in China in the middle of February leaves Apple Music as the only foreign-owned music service in the country.) The Western music industry, as a result, is waiting with bated breath to see if Apple Music can make an impact in China, a country of vast potential yet limited returns for the global music business.

On the face of it, Apple Music's prospects look good: the iPhone 6 sold an estimated 3-4m units in its debut weekend in China



▲ Pierre A Blanc

CHINA



STATS



Population 1.36bn



GDP per capita \$14,300



Internet users 627m



Broadband households 217.4m



Mobile subscriptions 1.3bn

Active smartphones 878.1m

Active tablets 98m

Sources: IFPI/CIA World Factbook

a 35% share of listening (according to data from Chinese online service platform Sootoo), followed by Tencent's QQ Music, CMC's Kuwo and Alibaba's Tiantian.

(Baidu Music is, according to local sources, no longer one of the largest digital services in China, although its merger with label group Taihe Entertainment, home to two of China's biggest pop labels, Taihe Rye Music and Ocean Butterflies, is being viewed with keen interest.)

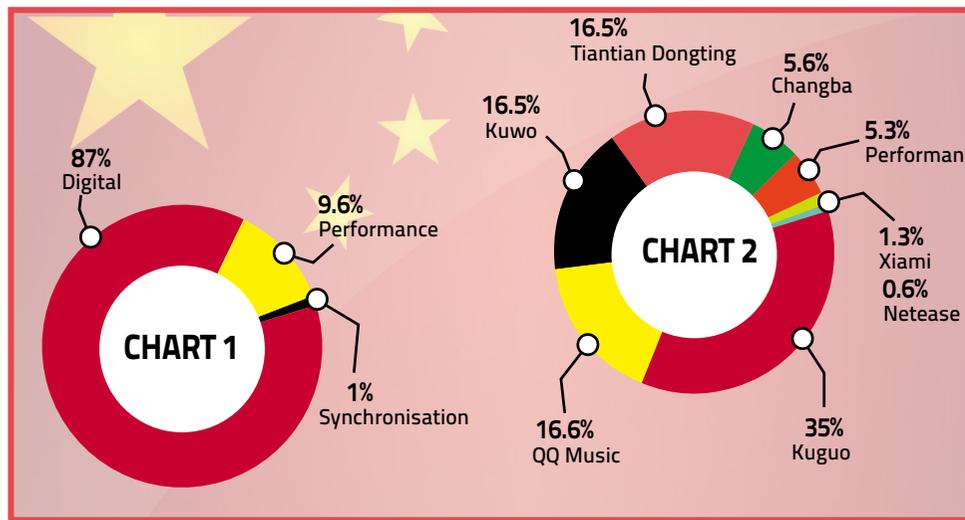
These local streaming services not only have the advantage of being long established in China, they also benefit from exclusive distribution deals with local labels and, crucially, offer a free tier. Apple Music, by contrast, is charging RMB10 a month (\$1.53) for a single subscription or RMB 15 (\$2.30) for a family plan covering up to six people, after a three-month free trial.

This could prove a difficult sell, according to local sources. Chinese streaming services do typically offer paid premium tiers with improved audio quality, but there is little evidence to date of subscription streaming taking off. The most recent IFPI figures show that subscription streaming generated a miniscule \$14.88m in China in 2014 compared to \$63.59m for ad-supported services.

"There is a niche of Chinese people who want high quality and a good catalogue and will pay for it," says Blanc. "But most of the Chinese audience don't care about the music they listen to or the quality. They listen to music on their iPhones, 40 seconds of a track, then go to the next one."

Ed Peto, managing director of Beijing-based music industry consultancy Outdustry Group, believes that the launch of Apple Music is very timely. "Right now it is a hard sell - convincing people to spend US\$1.50

China *continued...*



▲ Chart 1: recorded music sales by sector, 2014 (value) Source: IFPI

▲ Chart 2: music streaming services in China – market share, Q1 2015 Atlas/Sootoo

(approximately) a month on music that is ubiquitously free elsewhere; but this will be turned on its head in the next couple of years as the market makes a concerted push towards a paid model, by which point Apple Music will be a seasoned player in a burgeoning market," he argues.

"In the short term, their arrival has been a wake-up call to local content providers in terms of DSP transparency and reporting. In a notoriously murky market, the bar of expectation has been permanently raised. That alone represents a seminal moment in the development of the Chinese industry."

Apple's entry into the Chinese music market is, in fact, part of a wider trend in China that has seen digital music slowly emerge from a morass of piracy and illegal content into something approaching legitimacy. In July 2015 the country's National



Right now it is a hard sell – convincing people to spend US\$1.50 (approximately) a month on music that is ubiquitously free elsewhere; but this will be turned on its head"

Ed Peto, Outdustry Group

Kuguo, China's leading streaming provider

酷狗音乐 KUGOU.COM 听音乐,找酷狗

新用户注册 立即登录

网页播放器 | 酷狗游戏 | 下载客户端

乐库 电台 MV 资讯 音乐直播 星乐坊 歌友会

VIP中心 客服中心 产品中心

推荐 排行榜 分类 精选 好歌 抢鲜听

酷狗音乐 6 for Android

新起点, 新亮点

酷狗音乐

PC version 7.7.5.45

Android version 3.1.4

iPhone version 3.9

iPad version 3.1.1

Copyright Administration announced stricter rules for music streaming, cracking down on the wealth of unlicensed music that had proliferated on streaming platforms, while in 2011 the Beijing Copyright Bureau announced new guidelines to redress the burden of proof between copyright owners and companies who profit from institutionalised piracy.

"In reality, that announcement [in July] was just the NCA adding its imprimatur to a process that was already long underway," Peto explains. "The DSPs had actually been slowly getting their houses in order since around the Baidu/OneStop deal of 2011 [in which Baidu agreed to distribute music from the three major labels], with serious efforts at self-regulation being made in the last couple of years. Any changes resulting from that government initiative were really cosmetic, but the visual is meaningful as it shows the DSPs now have the public support of the government as they continue a push towards a paid model in China."

Meanwhile, there may be a new opportunity for Western music companies in China in the form of the new craze for live concert video, as Blanc explains. "Over the last four months, all of the music platforms have

launched live streaming platforms – like LiTV and Modern Sky; there are 100 video platforms who stream live concerts," he says. "Each time you bring a good artist to China, you have two, three, four or five music video platforms asking you a broadcast your show to the Chinese market." For the moment, this may not pay a great deal (if at all), but live streaming does increase exposure for the acts in question (a recent Mika concert has amassed 2m views) and could, one day, possibly prove a useful additional income stream.

Of course, in a country where where total music revenue per capita is just \$0.10 and \$1.53 is seen as expensive for a month's music streaming, we should not expect to replicate the Western music business model. But that is not to say that China's digital music industry can't become a success in its own right.

"I have lived in China for 15 years; I was one of the pioneers when I arrived in 2001 and I have seen the market change," Blanc concludes. "I am pretty optimistic. It can be way better. The Chinese market now is really specific to this country. I don't think it can be similar to what we have in Europe, the US and Japan. The music industry here is totally different in terms of evolution." ☺