



**Economic impact of the
recorded music industry in India**

September 2019

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Foreword by IMI

CIRCA 2019: the story of the recorded music industry would be that of David powering Goliath. The supercharged INR 1,068 crore recorded music industry in India provides high-octane:

- Fuel for the INR 3,130 crore private FM radio broadcast industry
- Content for the INR 6,500 crore live events industry
- Raw material for very popular music and talent shows alongside backdrop scores (TV serials) for the INR 74,000 crore TV broadcast industry
- Fuel for the INR 17,500 crore feature film industry on a pan-India basis, providing funding through purchase of audio rights
- Unicorns in the audio OTT space

When IMI embarked on drafting this report, the first of its kind for the recorded music industry in India, the objective was not only to highlight its economic contribution, but also to throw light on the lopsided revenues returned to the recorded music industry, driven by legislation that may not be relevant in today's times. If one takes a look around, the South Asian markets had vibrant recorded music industries which launched marquee names, such as

Nusrat Fateh Ali-Khan, Noor Jehan, Abida Parveen, Runa Laila, and, of course, the iconic Radio Ceylon. Shifts in technology and outdated legislation have meant that the recorded music industries in most neighbouring countries barely exist today.

Despite all odds the recorded music industry in India has survived this trying period, economically powering the media and entertainment ecosystem, as well as contributing to employment in the informal sector, preserving India's rich cultural heritage, and driving the vehicle of soft power. It is imperative that its economic contribution is acknowledged, and legislation issues, such as statutory licensing, are suitably addressed to enable the recorded music industry in India to keep churning out more hits.

Blaise Fernandes
President and CEO
The Indian Music Industry (IMI)

“I know you may not neglect me, but it may be too late by the time you act”

Ghalib

Foreword by Deloitte India

At the Indian Music Convention: Dialogue in August 2018, IMI had announced its intent to conduct a study on the economic impact of the music industry in India. IMI, in conjunction with Deloitte, has drafted this report on the subject.

If you think back to a concert you have attended, you may recall that the source notes produced by a musical instrument say, an electric guitar, are barely audible. However, these little notes spawn the booming riffs that the audience ultimately hears and enjoys. Sized at about INR 1,068 crore¹ (0.006% of GDP), the recorded music industry in India could be likened to the small source note from an instrument. This report examines how this small note i.e. the music industry creates an amplified impact on the economy.

The first wave of impact is when the music industry touches partner industries of television, FM radio, live events, films, and audio over-the-top (OTT) streaming platforms – expanding its scale to a different order of magnitude. This report examines this magnifying effect.

Then there are “informal” users/sectors (such as brass bands) whose livelihood is closely tied to music, or where music plays a key supporting role (such as small gymnasiums). This segment is not quantified in this report. Nonetheless, to give a flavour of this important space, we have discussed one such element – brass bands – through a case study.

Not everything that counts can be counted. Among the greatest powers of music are its ability to cut across cultures and its ability to heal. This report discusses the impact that music creates on so-called softer aspects.

India is the world's second-most populated nation and seventh-largest economy. It has a rich cultural heritage, including a long history of diverse and engaging music. However, India stands 15th in the world in terms of music industry size². This is not in sync with India's economic or cultural position in the world, and represents a gap – but also an opportunity to grow. Music is a powerful tool to expand India's influence and spread awareness of many things Indian – be it yoga, tourism, or made-in-India products.

It is important to shape and package our music raw material well, and create an enabling environment for the industry to realise its potential. Policy-makers and other stakeholders should bear in mind that anything that affects the music industry (positively or negatively) is expected to produce a disproportionate impact through the amplification effect.

Jehil Thakkar
Partner
Deloitte India

¹ IFPI, Global Music Report, 2019

² Ibid

Glossary

CAGR	Compound Annual Growth Rate
CD	Compact Disc
CIPAM	Cell for IPR Promotion and Management
CISAC	International Confederation of Societies of Authors and Composers
Cr / cr	Crone (1 crore = 10 million)
CY	Calendar Year
Deloitte India	Deloitte Touche Tohmatsu India LLP
DPIIT	Department for Promotion of Industry and Internal Trade
FICCI	Federation of Indian Chambers of Commerce and Industry
FTE	Full-Time Equivalent
FY	Fiscal Year
GB	Gigabyte
GMR	Global Music Report
GRP	Gross Rating Points
IFPI	International Federation of the Phonographic Industry
IMI	Indian Music Industry
INR	Indian Rupee
IP	Intellectual Property
IPRS	Indian Performing Rights Society
ISP	Internet Service Provider
M&E	Media and Entertainment
MCDCU	Maharashtra Cyber Digital Crime Unit
MeitY	Ministry of Electronics and Information Technology
MSMEs	Micro-Small-Medium Enterprises
OTT	Over The Top
PPL	Phonographic Performance Limited
TIPCU	Telangana Intellectual Property Crime Unit
TRP	Television Rating Point
TV	Television
U.S. / U.S.A.	United States of America
U.K.	United Kingdom
USD	United States Dollar

Note on scope and units used

- “Music industry” in this report refers to the recorded music industry.
- “OTT” in this report refers to audio (and excludes video) OTT streaming platforms.
- This report uses the lakh/crore system, which is prevalent in India, versus the million/billion system
 - 1 crore (cr) = 10 million
 - 1 lakh (or lac) = 0.1 million
- All values in this report are in crores of Indian rupees, unless otherwise specified.
- Numbers in this report refer to the calendar year ended 31 December 2018, unless otherwise specified.
- USD 1 = INR 68.43 has been used in this report for any INR to USD conversions, unless otherwise specified.





Executive summary

The recorded music industry in India is sized at INR 1,068 crore³ (about 0.006% of the country's GDP), and is estimated to provide direct employment to 1,460 people⁴. When stakeholders and policy-makers think about the industry, these are the figures that usually provide an anchor for a sense of scale. However, as music is raw material for several sectors, the music industry produces an impact that is disproportionate to its own scale : (illustrated on the next page).

As music flows to its "formal" partner industries of television, radio, live events, films, and audio OTT, it is estimated to represent revenues of INR 8,660 crore (8.1 times the size of the recorded music industry) and full-time-equivalent (FTE) employment of 38,600 (25.2 times the employment generated by the recorded music industry). Thus the impact of music

is transmitted to its partner industries, where it produces an amplified effect. This amplified impact is characteristic of creative sectors such as music.

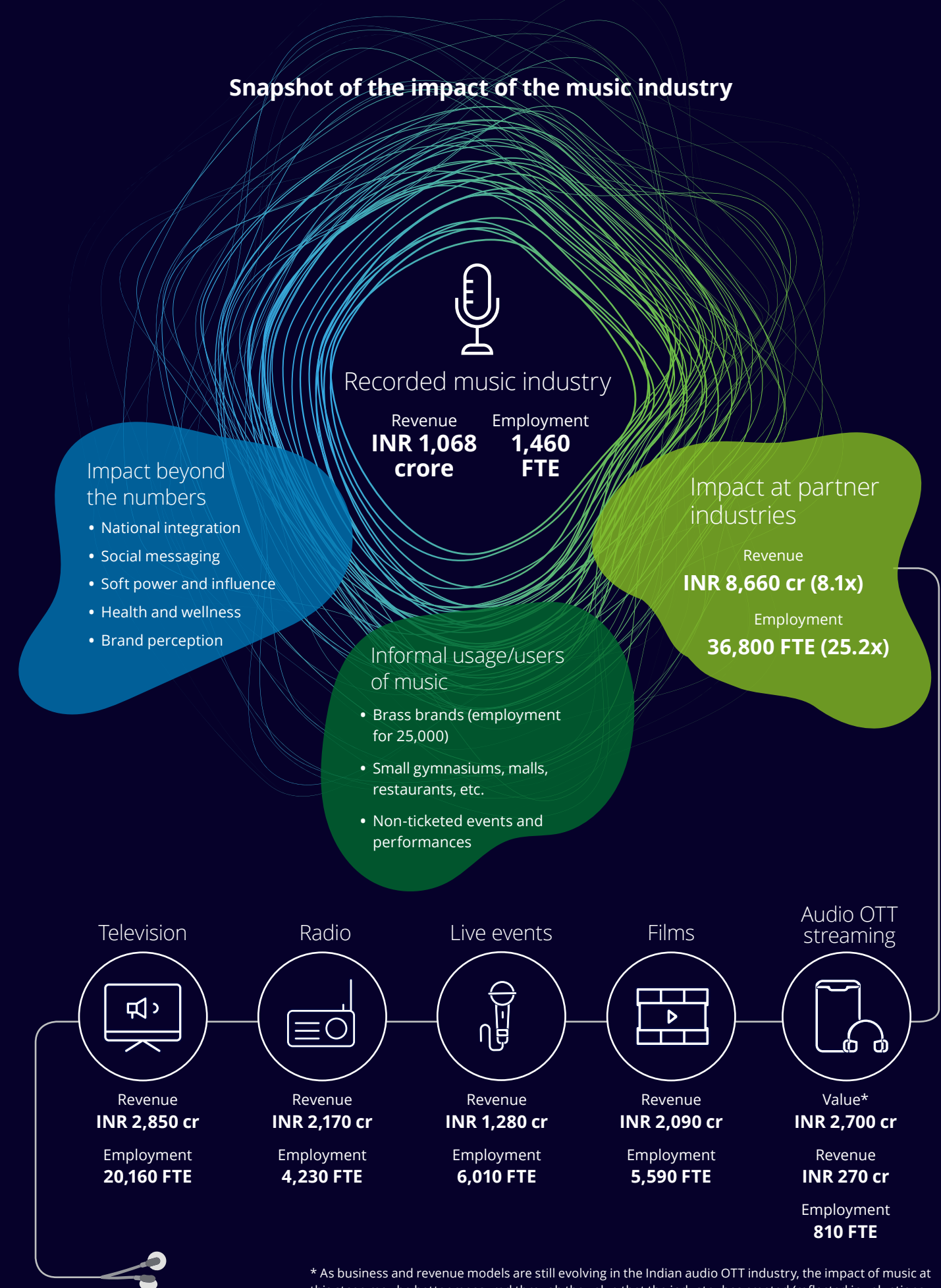
In addition to the formal partner industries, several informal users/sectors, which engage with large sections of society, derive value from music – these include brass bands, small gymnasiums, restaurants, and parlours. This report does not attempt to size this segment of users.

Last, but certainly not the least, music also creates an impact beyond the formal and informal usage detailed above. These are in areas that do not lend themselves to quantification – such as acting as a force for national integration and a tool to expand India's culture and influence.

This report covers brass bands as a case study, and notes that while brass bands are facing headwinds, the approximately **25,000 people** (usually from low-income strata) who play in such bands intend to continue to play, and recognise this stream as a major source of their income.

³IFPI, Global Music Report, 2019
⁴Deloitte analysis

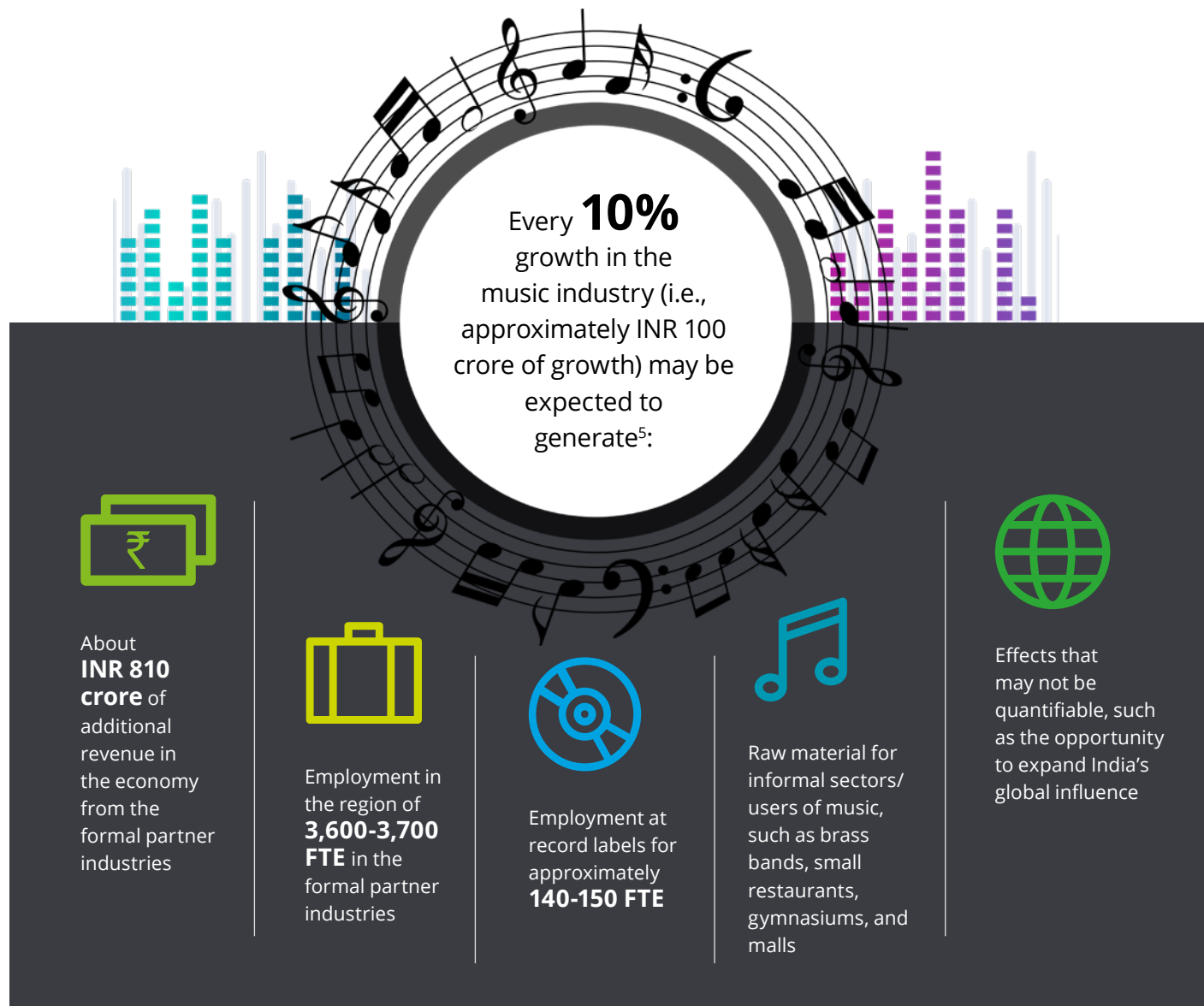
Snapshot of the impact of the music industry



* As business and revenue models are still evolving in the Indian audio OTT industry, the impact of music at this stage may be better measured through the value that the industry has created (reflected in valuations that audio OTT companies receive), rather than the revenue generated
 Source: Estimates detailed later in this report

Industry participants have indicated that piracy, value gap (sustainable sharing of value across the music value chain), and regulatory impediments (notably statutory licensing) are some of the key challenges that the recorded music industry faces. Addressing the above challenges, initiating government-funded music-centric grants and export

schemes, and seeding a performing centre ecosystem into the next blueprint of India's smart city initiatives are some of the measures that can put the music industry on a faster growth trajectory. This, in turn, could unlock the associated amplification effects in the broader economy.



⁵ Deloitte analysis (detailed later in this report)



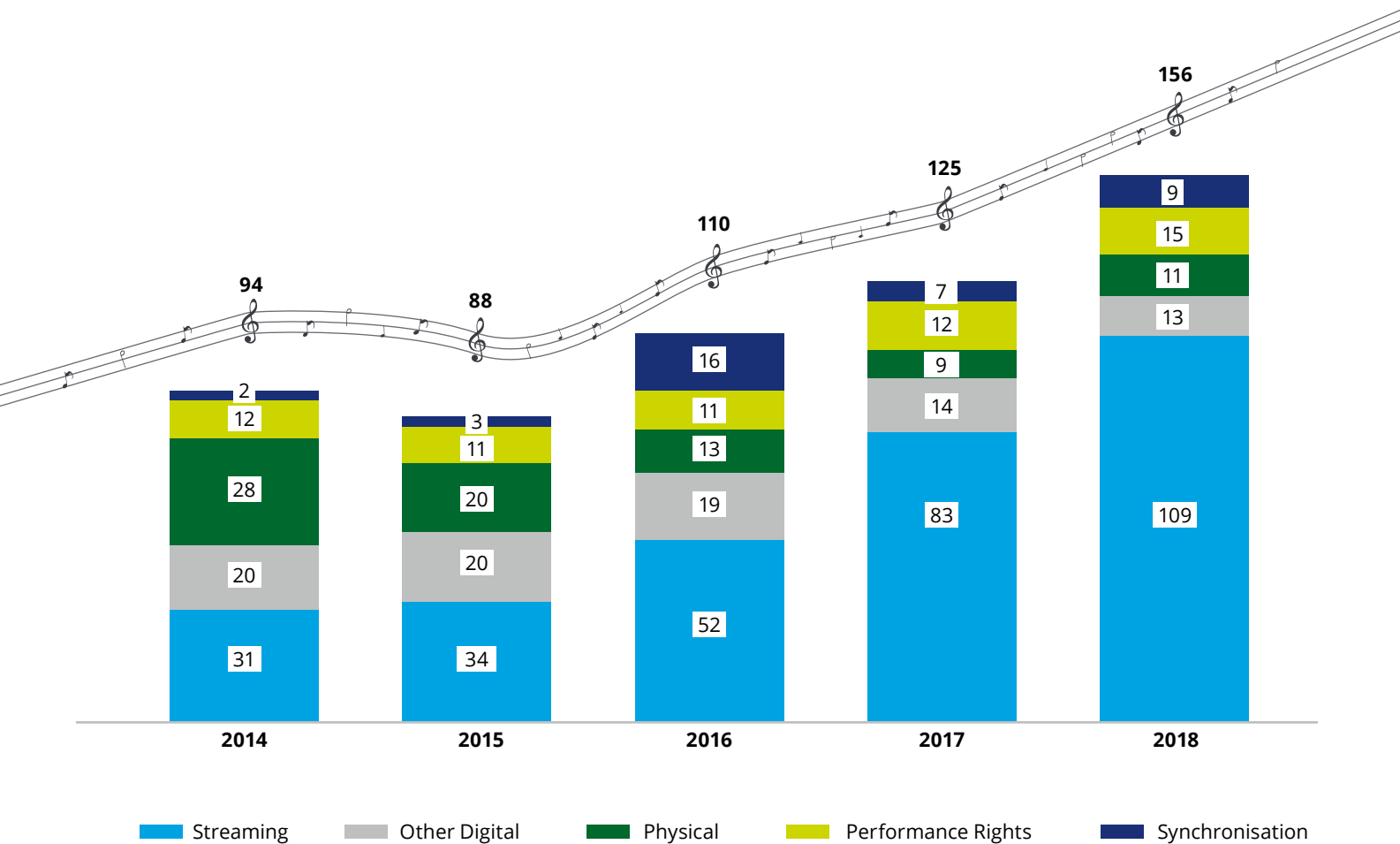
Indian recorded music industry: Size and growth

The Indian recorded music industry was sized at INR 1,068 crore (USD 156 million) in 2018⁶. The industry grew 24.5% last year. The industry has kept pace with changing technological trends; revenue

from streaming accounted for 70% of the industry's total revenue in 2018. The industry size and growth, and the evolution of revenue by source, are presented in the chart below.

⁶ IFPI, Global Music Report, 2019

Indian recorded music revenue (USD million, trade value)



Note: All USD numbers above have been calculated using the exchange rate USD 1 = INR 68.43
 Source: IFPI, Global Music Report, 2019

“The recorded music industry has seen the best and the toughest of times over the past two decades, yet we have powered through and given some really great hits along the way. Today things are looking brighter for an industry that has been suffering for so long. Artists are busy, music is being monetized again, more and more people are entering the industry. Now is the time this industry needs support from the establishment, support from audiences, support from industry leaders. This is firmly our chance to make the Indian music industry robust and one of the top 10 global music markets”

Sagarika Das,
 CEO, Vik's Band (Sagarika Music)

Indian music's place in the world: Punching below its weight

India has been home to one of the world's oldest and culturally rich civilisations. Among other things, the country has had a long and illustrious history of creating music across a wide range of genres and languages.

However, in an anti-climax, India is 15th in the world in terms of music industry size⁸. This is not in sync with India's economic or cultural position in the world, and represents a gap – but also an opportunity to grow. One may note (as we will discuss later in this report) that the music industry's growth is expected to have an amplified effect on growth in the broader economy.

⁷ IFPI, Consumer Insights Study, 2018
⁸ IFPI, Global Music Report, 2019

At present, India has the second-largest population in the world. It is the world's seventh-largest economy, and also one of the fastest-growing. It has a music loving society where the average internet user spends **21.5 hours every week** listening to music, vis-a-vis the global average of **17.8 hours**⁷.



An introduction to economic impact: The amplification effect

For the purpose of this report, we have measured the economic impact of an industry using two key metrics:



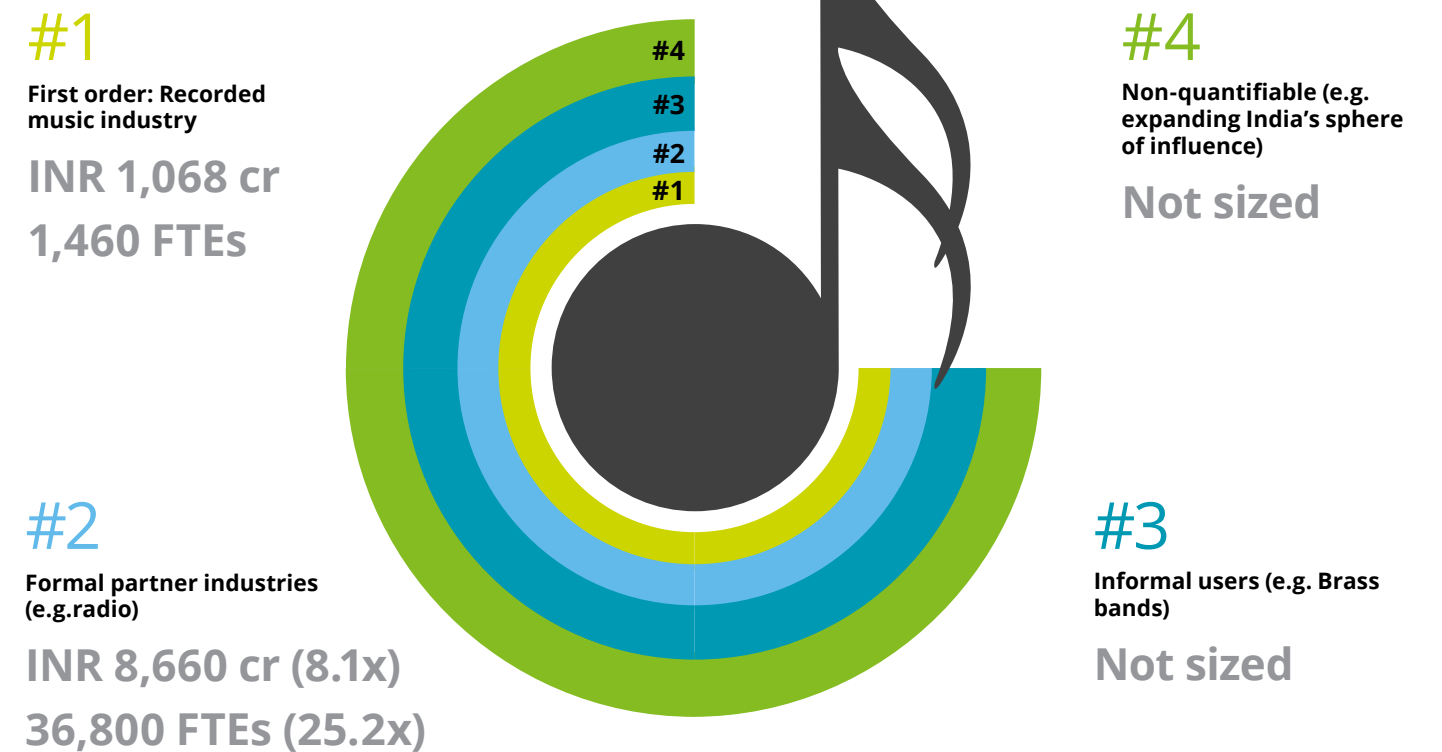
Both these metrics are important for a country that is aiming for a rapid growth trajectory, and that has a large, working-age population.

When thinking about an industry's economic impact, it is easy to get anchored to the scale of that industry – the industry size and number of people directly employed by the industry. The truth, as is often the case, is more nuanced. The most visible and cited figures typically capture only the first order economic impact. A more representative picture usually emerges if one follows the trail and estimates

higher order impacts attributable to the industry.

Creative industries, in particular, have the potential to spur demand and growth in several sectors, often creating an impact disproportionate to their own scale. The recorded music industry is a good example of such a creative industry, which is explored in this report.

Illustration of economic contribution of music (through the example of the recorded music industry)



The above illustration depicts the transmission of economic impact as one follows the tracks of the music industry. The various levels of impact are as follows:





First order impact

- This represents the recorded music industry.
- The recorded music industry is sized at about INR 1,068 crore.
- We estimate the industry to employ 1,460 FTEs. This number does not include key music society members (discussed later in this report).



Non-quantifiable impact

- Culture and national influence projection (soft power).
- Positive effect on mental health, education, and tool for national integration, etc.



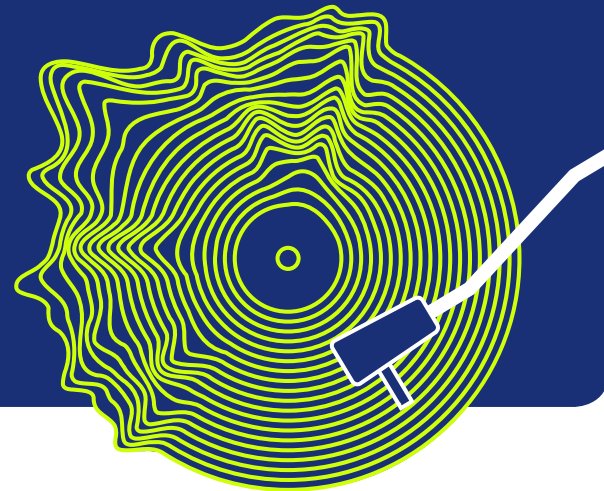
Impact through “formal” partner industries

- The television, radio, events, film, and audio OTT sectors are treated as the formal partner industries to the recorded music industry. A material portion of these partner industries’ business is tied to music.
- The impact of the recorded music industry, when measured through these partner industries, is much larger – INR 8,660 crore of revenue (8.1x of the first order revenue impact) and employment of 36,800 FTEs (25.2x of the first order employment impact).
- The overall higher order impact is expected to be greater than this estimate, due to the following reasons:
 - There are other related industries (such as sound equipment, and head / ear phones) where music is a key driver. However, our analysis is restricted to the five industries mentioned above.
 - There are higher order impacts that the partner industries in-turn produce, which are not analysed in this report. For example, the film industry is a key driver of studios, camera manufacturers, lighting, tourism, hospitality, and other industries.



Impact in sectors where music is used informally

- Music is a key component in many sectors, where the impact is not captured due to the informal nature of usage/sector.
- Examples include playing of music in weddings, small gymnasiums, restaurants, parlours, social gathering, and other private and public places.
- Although we have not attempted to size this large and diverse unorganised industry, we have presented a case study of brass bands to offer a glimpse of the informal sector.



Each of these is discussed in further detail in this report.



Indian recorded music industry: First order impact

India’s recorded music industry revenue is estimated to be INR 1,068 crore⁹. To estimate the employment generated by the industry, we first analysed the employee strength of large music labels (which account for a majority of the industry’s revenue). Our analysis suggests that the top 12 music labels employ 500–600 people. Industry discussions suggest that there are an additional 200–300 small labels that have an average of three to four employees each. Thus, at an aggregate level, we estimate that the recorded music

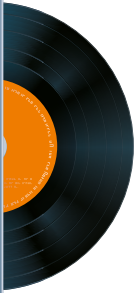
industry directly provides employment to ~1,460 people¹⁰.

Beyond the direct employment above, we note that there are members of the Indian Performing Rights Society (IPRS) and Phonographic Performance Limited (PPL) societies. These members are firms and individuals registered with the respective societies. The IPRS has 4,164 registered members¹¹, including authors, composers and owner publishers. PPL has 325 registered members¹².

Recorded music industry

Revenue:
INR 1,068 crore

Employment:
1,460 FTE



⁹ IFPI, Global Music Report, 2019
¹⁰ Deloitte analysis
¹¹ IPRS annual report FY 17
¹² PPL annual report FY 18



“Formal” partner industries: Powered by music

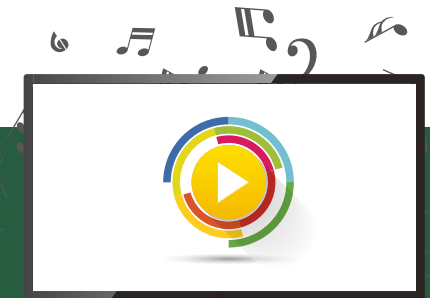
The transmission impact of the recorded music industry on its formal partner industries is discussed below.

TV broadcasting

The TV industry consumes music in several ways, including dedicated music channels, music-based reality shows (such as Indian Idol and Sa Re Ga Ma Pa), musical TV series or programmes featuring compilations of film music (such as Chitrahaar, Oliyum Oliyum, and

Rangoli of yore), commercial jingles, and background scores. We estimate that the TV industry generates ~INR 2,850 crore¹³ of revenue through music-driven content. This estimate is a subset of the the total music-driven content on TV – please refer the box on the next page.

¹³ Deloitte analysis



Advertising revenue of dedicated music channels: We estimated the advertising revenue of dedicated music channels as:

Average rate per ad slot x Number of ad slots across channels x Inventory utilization (ad slots that carry paid ads)

The broad values for these were based on discussions with industry participants. This estimate of advertising revenue is restricted to dedicated music channels, and does not consist of advertising revenue that a non-music channel such as a General Entertainment Channel (GEC) may garner from music related shows. To that extent, the estimated advertising revenue is understated.

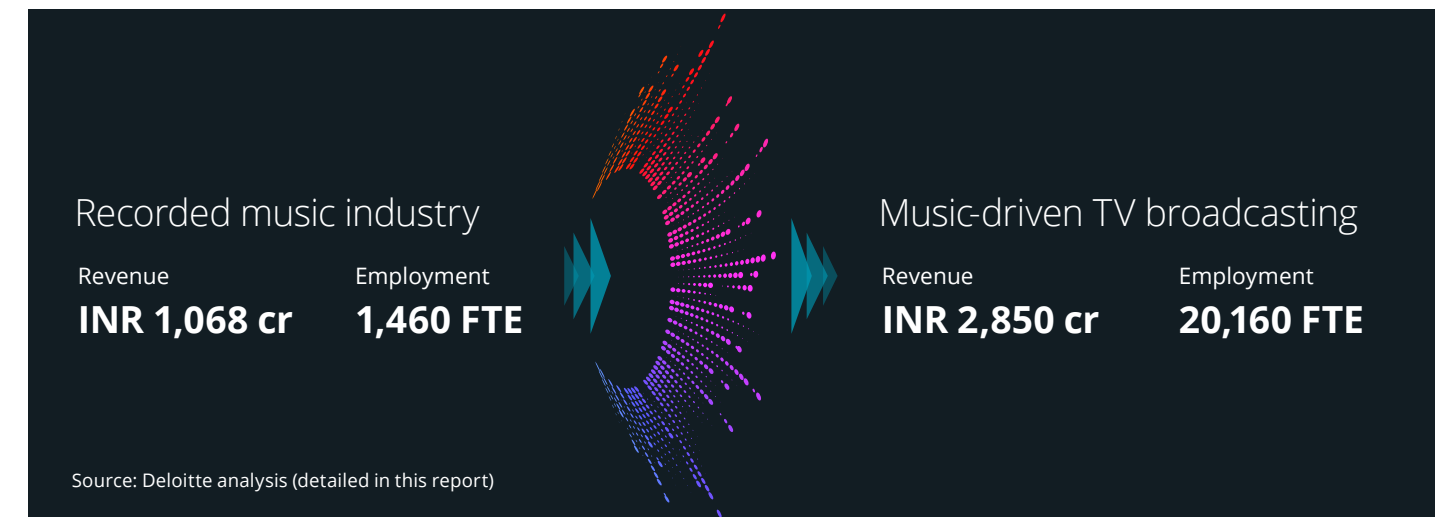
Television subscription revenue attributable to music-based shows: Music represents 5–6% of overall TV viewership¹⁴. This includes viewership of music-based shows (including those that are not aired on music channels), but does not include reality-based shows that may have music as the driver. We have applied this 5–6% share to the total subscription revenue pool of the TV industry to arrive at an estimate of the subscription revenue attributable to music.

As noted above, our estimate for subscription revenue attributable to music does not include music-based reality shows, such as Indian Idol or Super Singer (these tend to be tagged as reality shows, not music-based shows). These shows are often marquee properties of TV broadcasters and typically telecast during the valuable slots of evening prime time on weekends. Further, our estimate for advertising revenue attributable to music excludes not only reality shows (such as the ones mentioned above) but

also any music shows that do not air on dedicated music channels. The revenue attributable to music-driven content is thus expected to be higher than our estimates.

TV broadcasting and distribution are estimated to employ about 3.4 lakh people^{15, 16}. Apportioning this basis share of viewership, we estimate employment attributable to music-driven programmes at 20,160 FTEs¹⁷.

Economic impact of music through TV broadcasting



¹⁴ Discussions with industry participants

¹⁵ Deloitte - Economic Contribution of the Film and Television Industry in India, 2017

¹⁶ Deloitte analysis

¹⁷ Deloitte analysis



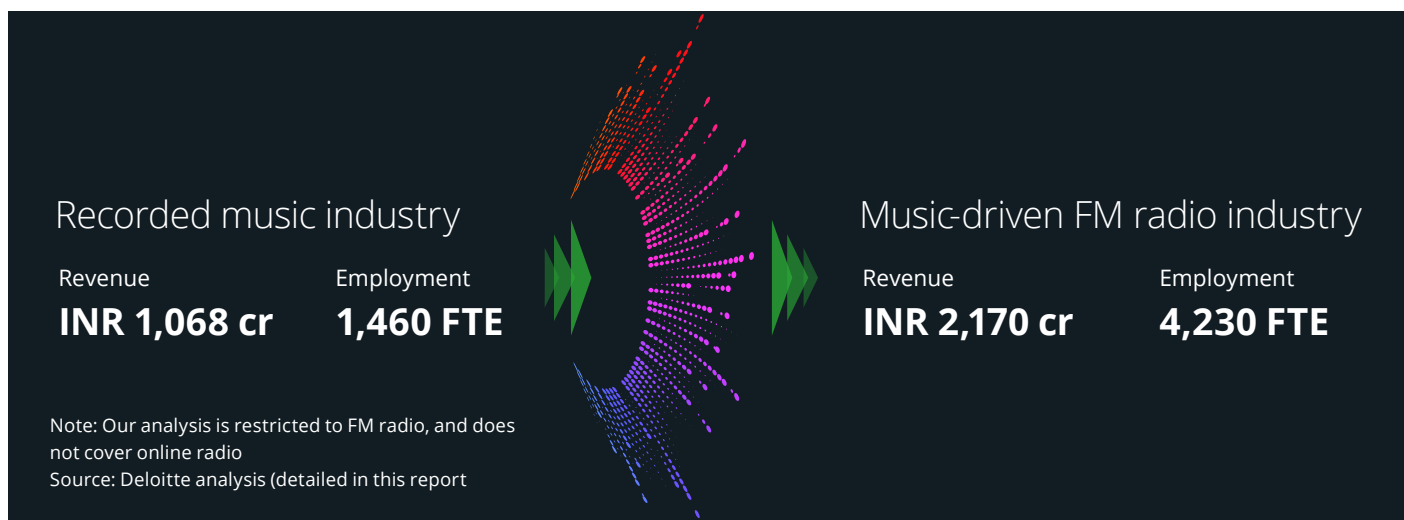
FM radio is seen to be a cherished source of entertainment, and remains one of the favourites, especially amongst commuters across various age groups¹⁸. India has more than 381 operational private radio stations, covering more than 106 cities and towns¹⁹. Music remains the core of the programming for these private radio channels²⁰. There are FM radio channels playing different genres of music: Bollywood (e.g., Fever FM), regional film music (e.g., Fever FM and Ishq FM), and western music (e.g., Radio One). All India Radio (run by state-owned Prasar Bharti) airs dedicated music programmes to showcase the talent of Indian classical music artists. Programming in private FM radio revolves almost entirely around music²¹, while All India Radio runs several news and

informational programmes in addition to music. We have conservatively assumed the total private FM industry revenue and employment to be attributable to music, and not included any All India Radio component. Thus, our estimate is understated.

The radio industry in India is sized at INR 3,130 crore²². We assume the size of the private FM radio industry in India as a proxy for the revenue of the radio industry that is attributable to music. This is estimated at about INR 2,170 crore²³.

After analysing the employee-revenue ratio for leading radio companies, we estimate that the private FM radio industry employs approximately 4,230 FTEs²⁴.

Economic impact of music through FM radio



Millennials (and increasingly even other generational cohorts) are seen to display a strong preference for experiences²⁵. This core need is a key driver for the live events industry. Over the past few years, live events (including music festivals and concerts) have increased in

number and frequency, with several new music festivals and concerts emerging on a national and global scale. These events are an amalgamation of music, entertainment, and food, with music at their core. Examples of festivals in India include:

Sunburn festival: Started in 2007, Sunburn is now the biggest electronic music festival in Asia. It is the third-largest dance festival in the world, and attracts enthusiasts from over 52 countries²⁶.

NH7 Weekender: Started in Pune in 2010, NH7 Weekender has become one of the largest music festivals in South Asia, with an annual attendance of over 100,000 across its editions. The festival hosts a large number of established and emerging local artists alongside major international acts²⁷.

Gaana Crossblade: An eight-year old musical tour, Gaana Crossblade has grown to become one of the largest regional music festivals in India²⁸. It aims to promote the spirit of Punjabi music and culture.

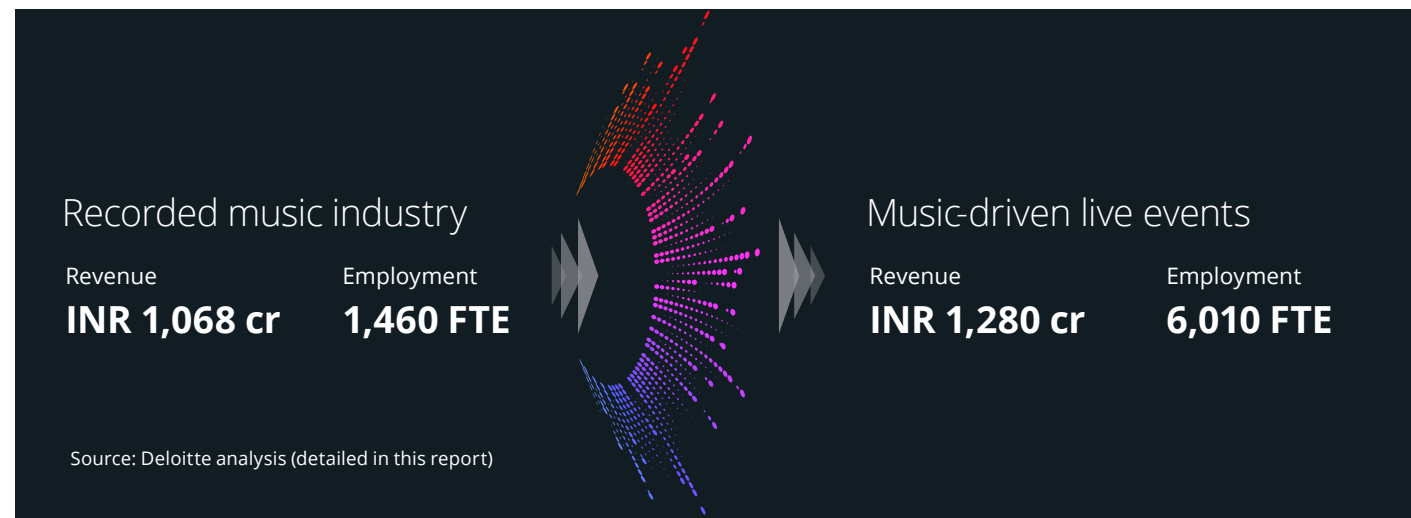
From the superset of the organised events industry in India, we have assumed intellectual property (IP) based events to be a proxy for music-based events. The revenue generated from such events is estimated to be about INR 1,280 crore^{29, 30}.

After analysing the employee-revenue ratio for leading events companies, we estimate the employment generated by the events industry that is attributable to music to be about 6,010 FTEs.

¹⁸ <https://www.livemint.com/Consumer/vBLB4xcdPUMEHZafXUUoI/Radio-emerges-as-second-most-accessed-media-outpaces-social.html>
¹⁹ <https://www.mib.gov.in/broadcasting/list-381-operational-private-fm-radio-stations-18062019>
²⁰ <https://www.livemint.com/Consumer/vBLB4xcdPUMEHZafXUUoI/Radio-emerges-as-second-most-accessed-media-outpaces-social.html>
²¹ <https://www.thehindu.com/opinion/op-ed/is-radio-relevant-in-the-21st-century/article22423373.ece>
²² FICCI Frames report on Media & Entertainment, 2019
²³ TRAI Annual Report 2018
²⁴ Deloitte analysis

²⁵ <https://www.forbes.com/sites/blakemorgan/2019/01/02/ownership-no-problem-an-updated-look-at-why-millennials-value-experiences-over-owning-things/#82fdcf522fc>
²⁶ <https://www.festicket.com/festivals/sunburn-festival/>
²⁷ <http://oml.in/festivals/nh7-weekender/>
²⁸ <http://www.radioandmusic.com/entertainment/editorial/press-releases/190107-gaana-crossblade-punjabi-music>
²⁹ FICCI Frames report on Media & Entertainment, 2018 & 2019
³⁰ Deloitte analysis

Economic impact of music through live events



Source: Deloitte analysis (detailed in this report)

Further, discussions with industry participants suggest that such live music events generate substantial employment on a contractual or temporary basis (for the work related to setting up the event). This number is over and above the estimate of full-time employees indicated above.

“The recorded music industry positively impacts the live events industry, which is valued at INR 6,500 crore. Live events often play songs that have been created by, and made popular through, the promotional and distributional activities of the recorded music industry”

Mandar Thakur,
Chief Operating Officer, Times Music



Across the globe, certain films (musicals) revolve around music, making it the main attraction of these films. “The Sound of Music” (1965) and “My Fair Lady” (1964) are examples of such movies that are still popular because of their powerful music.

In India, nearly every film produced is a “musical”. Since the beginning of Indian cinema, music has been an integral part of films. Songs are tightly woven into the

script, and the story is interspersed with songs.

In some Indian movies, music gives shape and form to the plot. Music has also been the central theme of many film plots. For instance, Bollywood movies, such as Gully Boy, Rockstar, and Rock On, and regional language Indian movies, such as Boys, have music as a core theme.

Given this context, Indian films usually have a separate budget allocation (2–3%³¹) for music. This is the initial cost to produce music. As investor-partner to the film industry in India, recorded music companies indicate that they invest considerable resources in acquiring the rights, distributing, and promoting the sound recordings created for films by film producers. For instance, indicative investment in the soundtrack of a large-budget film could be broken down as³²:

Activity	Investment spends
Content acquisition (upfront)	20–30% of the film budget
Content acquisition (revenue-sharing)	30%–50% of revenues earned by music label
Contribution to movie-marketing spends	2%–3% of film budget

Source: Discussions with industry participants

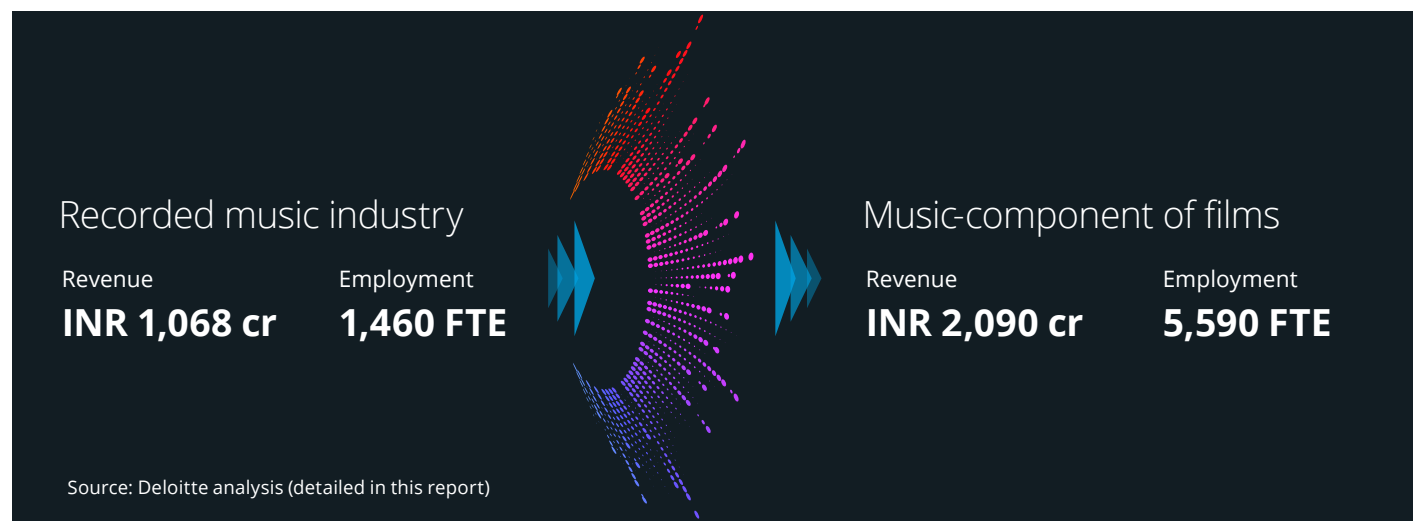
The first right that film producers sell are the official sound track rights and the money thus obtained is the seed money that goes into production of the film. A film producer has many avenues to monetise or recoup production costs, such as digital platforms, TV, and theatrical. In some cases, a film’s soundtrack can help generate greater interest in the film and drive up the bidding for satellite, digital and theatrical rights.

Considering the indicative numbers mentioned above are for large-budget

films, we assume a lower number of 12% as the revenue share of films attributable to music. Thus, we attribute INR 2,090 crore of revenue accruing to the film industry, to music.

The film industry is estimated to employ about 2.8 lakh people^{33,34}. Applying the smaller 2–3% indicated earlier (being the cost allocation for music by producers) to this employment number, we attribute 5,590 FTEs of film industry employment to music^{35,36}.

Economic impact of music through films



³¹ Discussions with industry participants
³² Discussions with industry participants
³³ Deloitte - Economic Contribution of the Film and Television Industry in India, 2017
³⁴ Deloitte analysis
³⁵ Deloitte - Economic Contribution of the Film and Television Industry in India, 2017
³⁶ Deloitte analysis

Audio streaming OTT

Digital audio streaming has been rising on the back of increasing smartphone use and decreasing data costs. In India, more than 4,440 million monthly streams are running across leading audio OTT players (including JioSaavn, Gaana, and Wynk)³⁷.

Audio OTT platforms provide various music streaming offerings to end-users. They operate on various business models, such as ad-supported free model, paid model, hybrid model, and as add-on services from telecom players. Based on a study of leading players, we estimate the size of the audio OTT streaming industry at about INR 270 crore³⁸, and employment generated at approximately 810 FTEs^{39,40}.

As business and revenue models in the Indian audio OTT industry are still evolving, the impact of music at this stage may be better measured through the value that the industry has created (reflected in valuations that audio OTT companies receive). Recent deals (Jio's acquisition of Saavn and Tencent's investment in Gaana) are estimated to value these companies at greater than 11 times their revenue^{41,42}. Applying a 10x multiple to the industry revenue of INR 270 crore, one could argue that INR 2,700 crore of value has been created by the industry. We propose this as an addition metric capturing the economic impact of music on the audio OTT industry.



“There exists a problem of fairness. These conditions are just not sustainable. No one is against the platforms. We are partners with them, but they need to recognize that we equally contribute to their success and rich valuations”

Shridhar Subramaniam,
President, Sony Music India

The industry is currently in investment mode and the funding that Indian audio OTT companies receive is an indicator of their potential to purchase music. Recent funding/investment/deals include⁴³:

- Reliance Jio's acquisition of Saavn for USD 104 million, taking the value of the combined JioSaavn (JioMusic + Saavn) to USD 1 billion
- Spotify's India launch (Spotify is the global leader, with revenues in excess of USD 5 billion⁴⁴ and market capitalisation of over USD 25 billion⁴⁵)
- Xiaomi's USD 25 million investment in Hungama Digital Media Entertainment, and the subsequent integration of Hungama's music streaming service with its Mi Music app (Xiaomi is a China-based leading global electronics company with a revenue of just under USD 25 billion⁴⁶; Xiaomi generated ~INR 23,000 crore of revenue from its India operations⁴⁷)
- Tencent's USD 115 million investment in Gaana (Tencent is a China-based leading technology company with a revenue of just under USD 45 billion⁴⁸)
- Launch of Amazon Prime Music (Amazon is amongst the highest valued public companies in the world)



³⁷ Discussions with industry participants

³⁸ Filings of Saavn and Gaana

³⁹ <https://craft.co/>

⁴⁰ Deloitte analysis

⁴¹ Filings of Saavn and Gaana

⁴² Deloitte-IMI, Audio OTT economy in India – Inflection point, 2019

⁴³ Deloitte-IMI, Audio OTT economy in India – Inflection point, 2019

⁴⁴ Company filings

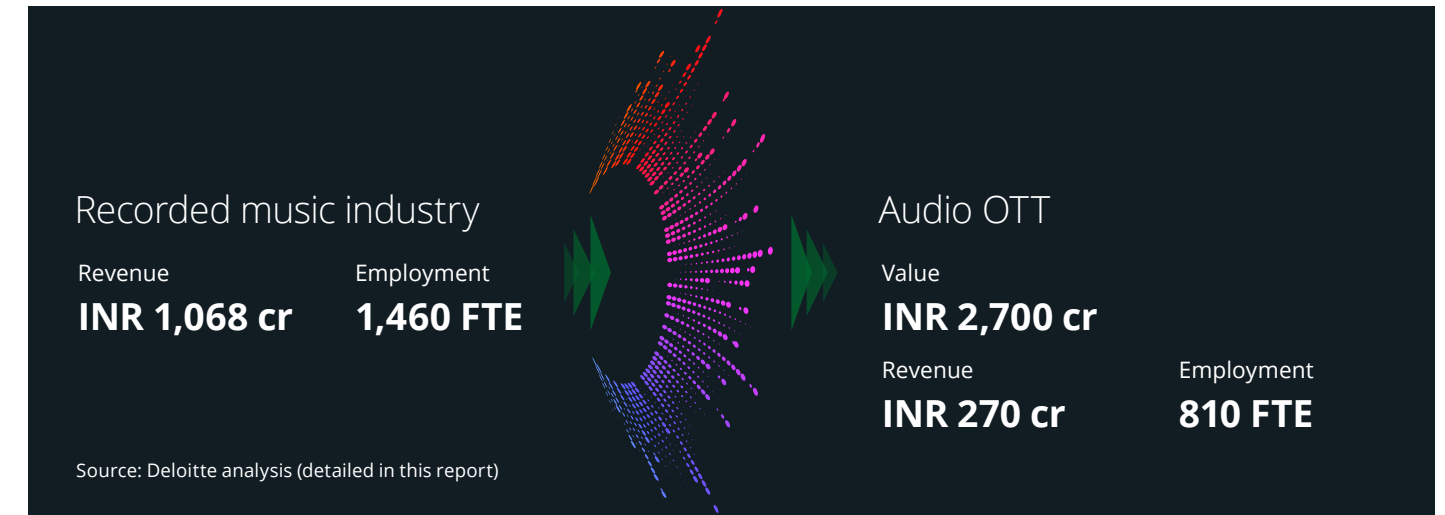
⁴⁵ Market capitalization of USD 26.45 billion (<https://finance.yahoo.com/quote/SPOT/> as on 14th August 2019)

⁴⁶ Company filings

⁴⁷ <https://timesofindia.indiatimes.com/business/india-business/xiaomi-nears-rs-23k-cr-in-revenue-within-4-years-of-operations/articleshow/66857811.cms>

⁴⁸ Company filings

Economic impact of music through audio OTT



Summary of impact at formal partner industries

The transmission impact of the music industry on its partner industries is summarised in the table below. Revenue of 8.1 times and employment of 25.2 times of the first order impact is estimated to be transmitted.

Sector	Revenue (INR crore)	Employment generated (FTEs)
Recorded music industry	1,068	1,460
First order impact	1,068	1,460
TV broadcasting	2,850	20,160
FM radio	2,170	4,230
Live events	1,280	6,010
Films	2,094	5,590
Audio streaming OTT	270	810
Total impact at formal partner industries	8,660 (8.1x)	36,800 (25.2x)

Source: Deloitte analysis (detailed in this report)



Informal usage of music: The invisible hand

In the first half of this report, we discussed the impact of the recorded music industry transmitted through its formal partner industries. At the same time, the music industry also creates an impact through several sectors that use music informally and touch large sections of society.

Some of these sectors (notably brass bands) depend on music for their livelihood. For others, although music is not their core service offering, it enhances the overall experience by providing an ambient and vibrant environment. For instance, small gymnasiums and fitness centres, retail

outlets, hotels, malls, and restaurants use music in their daily operations to provide a superior customer experience. Thus, these establishments derive value from the music industry. However, they provide little or no revenue to the music industry. In addition to these businesses, non-ticketed events and performances are not captured in the formal numbers estimated earlier in this report.

We have not attempted to quantify the economic impact that is created through these informal users of music. However, to offer a glimpse of such users, we discuss an example below – brass bands.

A peek into brass bands

For nearly a century now, brass bands have been synonymous with Indian weddings, particularly in north and west India. Traditional Indian weddings are characterised by lively processions involving music and dance during the celebrations. Brass bands typically accompany the groom's wedding

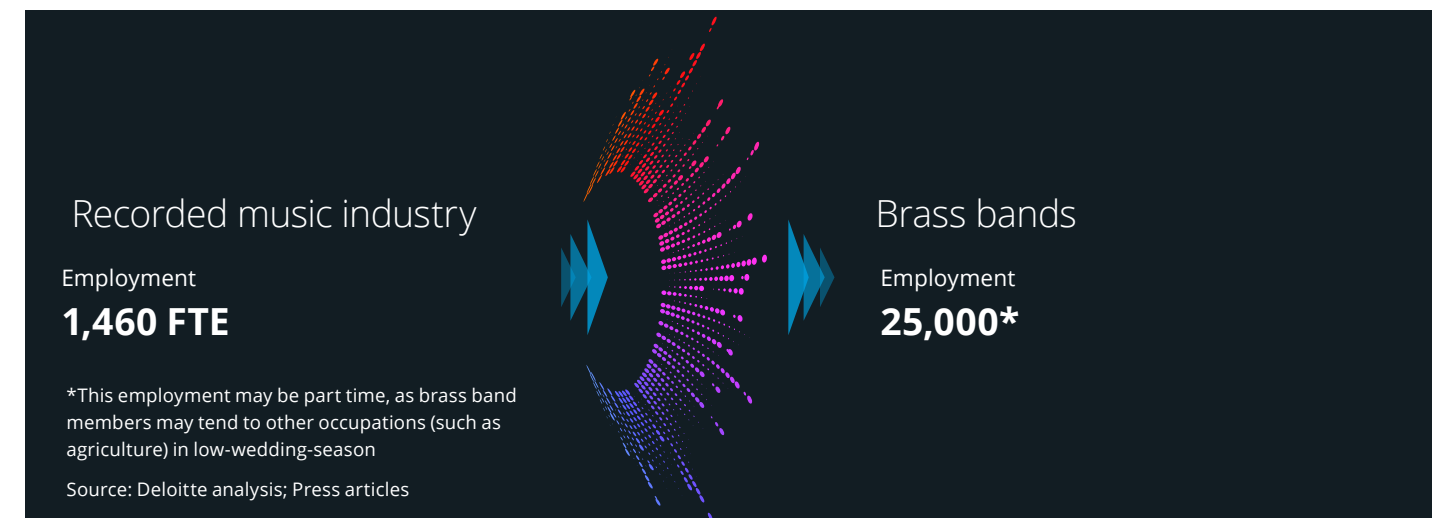
procession during the baraat ceremony in weddings. They thrive on the Bollywood music produced in the country, with bands playing iconic songs such as "Aaj Mere Yaar Ki Shaadi Hai", "Mehndi Laga Ke Rakhna", and "Mera Piya Ghar Aaya".



The Indian brass band "sector" employs nearly 25,000 people across the country⁴⁹. Members of these brass bands include musicians and migrant workers from different parts of the country. These people come to metropolitan cities, such as Delhi, Mumbai, and Kolkata, in

search of a viable source of livelihood. Due to its informal nature, this important employment generator and source of revenue for those from the lower-income strata tends to be overlooked in discussions about the scale and impact of the music industry.

Economic impact of music through brass bands






⁴⁹ <https://timesofindia.indiatimes.com/city/pune/brass-bands-fading-out-from-weddings/articleshow/64340147.cms>.

To better understand the market and gauge the impact of the changing Indian wedding landscape on the brass band sector, we spoke to over a dozen different brass bands across Delhi, Mumbai, and Kolkata.

Typical brass band structure

In India, brass bands may be classified on the basis of scale. The revenue earned from an event is largely a function of the number of band members, adjusting for the overall quality of band members and performances. Quality is primarily communicated through word-of-mouth.

Classification of brass bands by scale

Scale	Number of band members	Average revenue per event
 Small-sized	15-20	INR 15,000-20,000
 Mid-sized	20-60	INR 20,000-60,000
 Large-sized	> 60	INR 60,000 +

Mid and large-sized brass bands typically enter into annual employment contracts with their members, thus keeping them on their roster for the entire year. Small bands enter into short-term or event-specific agreements with contractors or middlemen to arrange musicians at usually INR 500-700 per person per day. The contractual rate is demand specific, and may rise to INR 1,500 per person per day during the peak demand period, which is usually November and December⁵⁰.

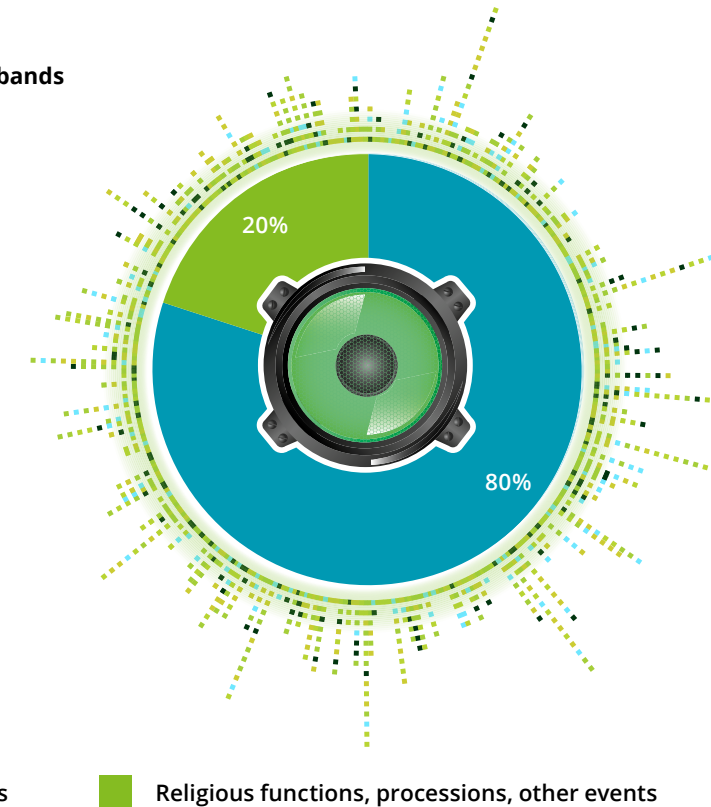
Revenue model

The Indian wedding season lasts from early November to early June. Weddings and related events account for about 80% of the overall revenue for brass bands. Given the highly seasonal nature of demand, brass band members usually return to their native villages and towns during lean season to earn income from laborious activities (such as farming, vehicle repairing, paint jobs, and cleaning). Members who choose to stay in the same city engage in similar activities to earn daily wages.

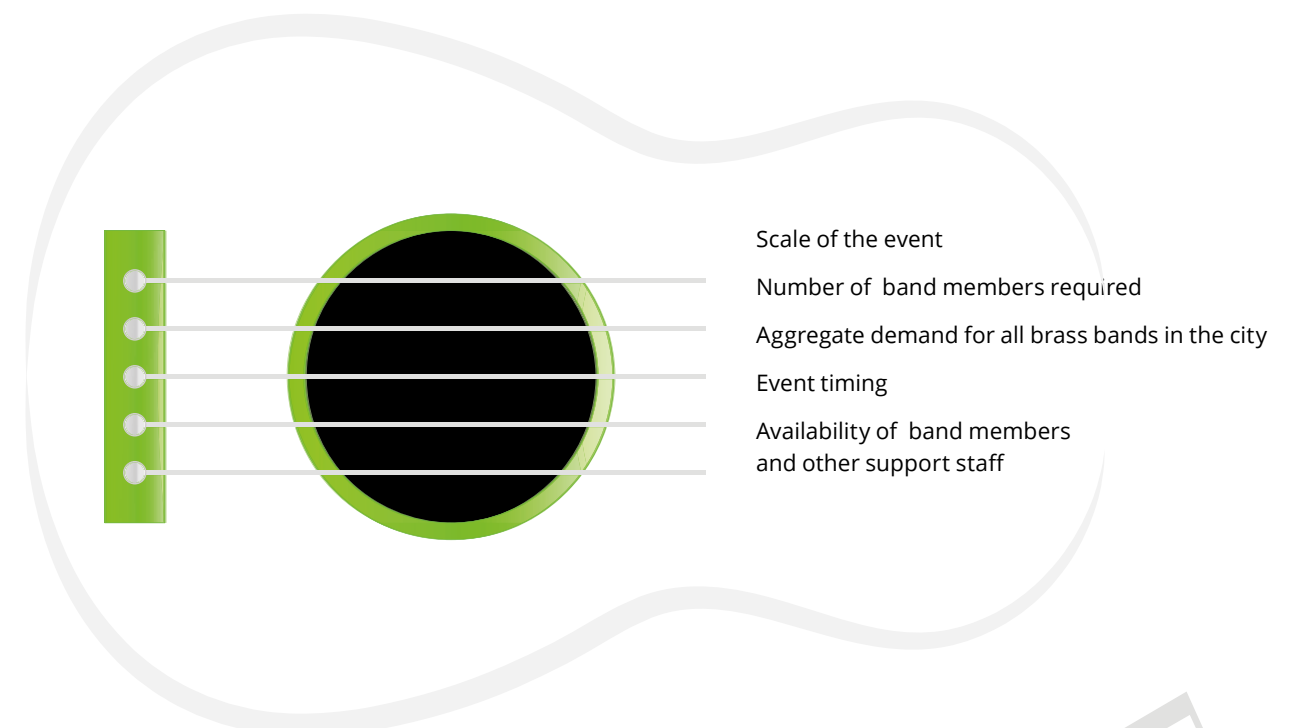
"Services of local bands are called upon for birth ceremonies, weddings, election rallies, festivals, inaugurations. These local bands play popular tunes from recorded music repertoire. The recorded music industry clearly has an impact beyond the evident and immediate industries"

Vikram Mehra,
Managing Director,
Saregama India Limited

Revenue sources for brass bands



The earnings of brass bands can accrue from performance fees and collections/tips. Performance fee refers to the fee charged by brass bands for their performances at an event. The total performance fee charged for an event usually depends on:



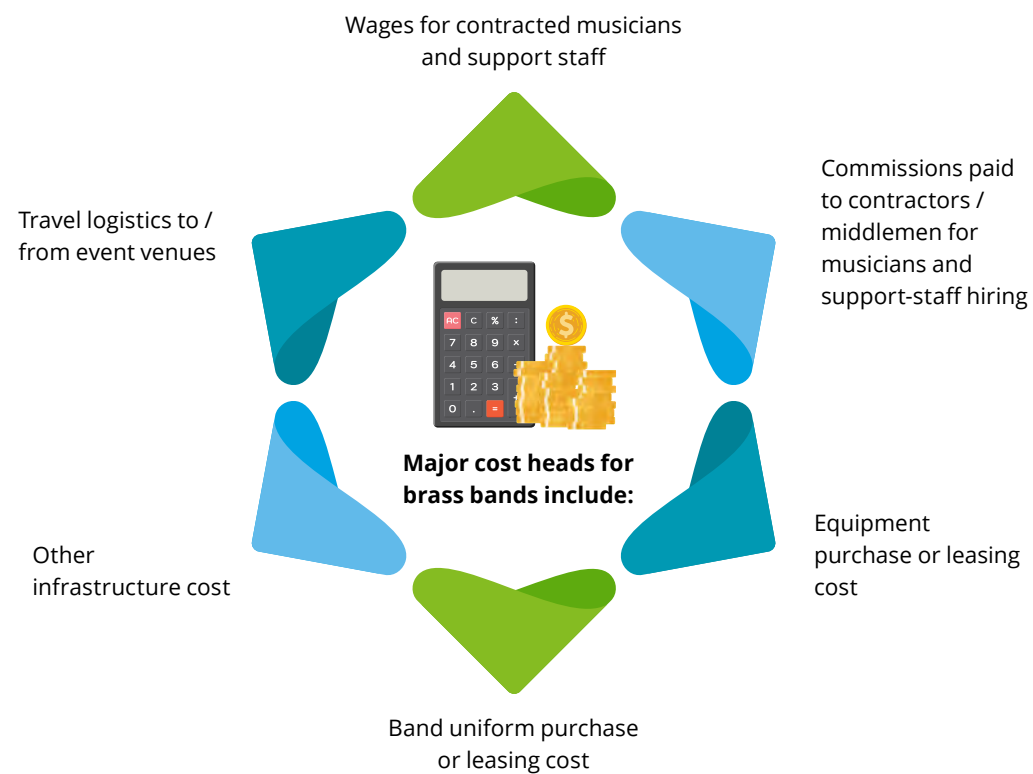
⁵⁰ Discussions with industry participants

Brass bands charge INR 15,000–25,000 on average for a 2–3 hour performance in major Indian cities. The performance would include 10 musicians, and support staff to carry light and sound equipment, and other celebratory items (such as fire crackers)⁵¹.

Collections/tips refer to the cash informally collected by band members during an ongoing performance at weddings and other events. This has traditionally been a major source of

income for band members, considering that they earn INR 10,000–15,000 as a monthly salary.

Through our discussions with various brass band members, we estimate that small brass bands earn about INR 15,000–20,000 per event, and retain roughly INR 2,000–3,000 per event. Costs usually account for 80–90% of the overall performance fees for an event. Major cost heads for brass bands include:



A glimpse into the lives of band members

A large proportion of people in the sector have been playing in brass bands for generations; they have inherited musical skills from previous generations of their families. Most people are included in brass bands through a personal source/family connect. Given the lack of formal training methods for musicians in a brass band, members usually learn by watching their family and peers perform at events. A few large bands provide regular weekly training to band members.



⁵¹ Discussions with industry participants

Temporary staff in brass bands usually consists of people employed in other sectors such as farming, vehicle and instrument repair, and tailoring. These people take to brass bands to supplement their income by performing in events. Permanent/salaried members of brass bands usually stay on the band payroll for a period of 10 months in a year. During the lean period (the remaining two months), they visit their villages / towns to earn income from other means.

Challenges faced by brass bands

The temporary staff in brass bands usually consists of people employed in other sectors such as farming, vehicle and instrument repair, and tailoring. These people take to brass bands to supplement their income by performing in events. Permanent / salaried members of brass bands usually stay on the band payroll for a period of 10 months in a year. During the lean period (the remaining two months), they visit their villages / towns to earn income from other means.

From being a must-have source of entertainment and celebration during the past century, brass bands have witnessed a steady decline in demand over the past few years. As the taste of young, wealthy Indians shifts to contemporary

music, young couples have increasingly displayed preferences for DJs playing electronic music through powerful speakers. This change in consumers' preferences, coupled with government policies (such as prohibition of amplified and loud music beyond 10/11 PM), is seen to have adversely affected the sector. In areas such as old Kolkata, brass bands are banned, as their performances are branded as processions that require blocking of roads for band members to march on.

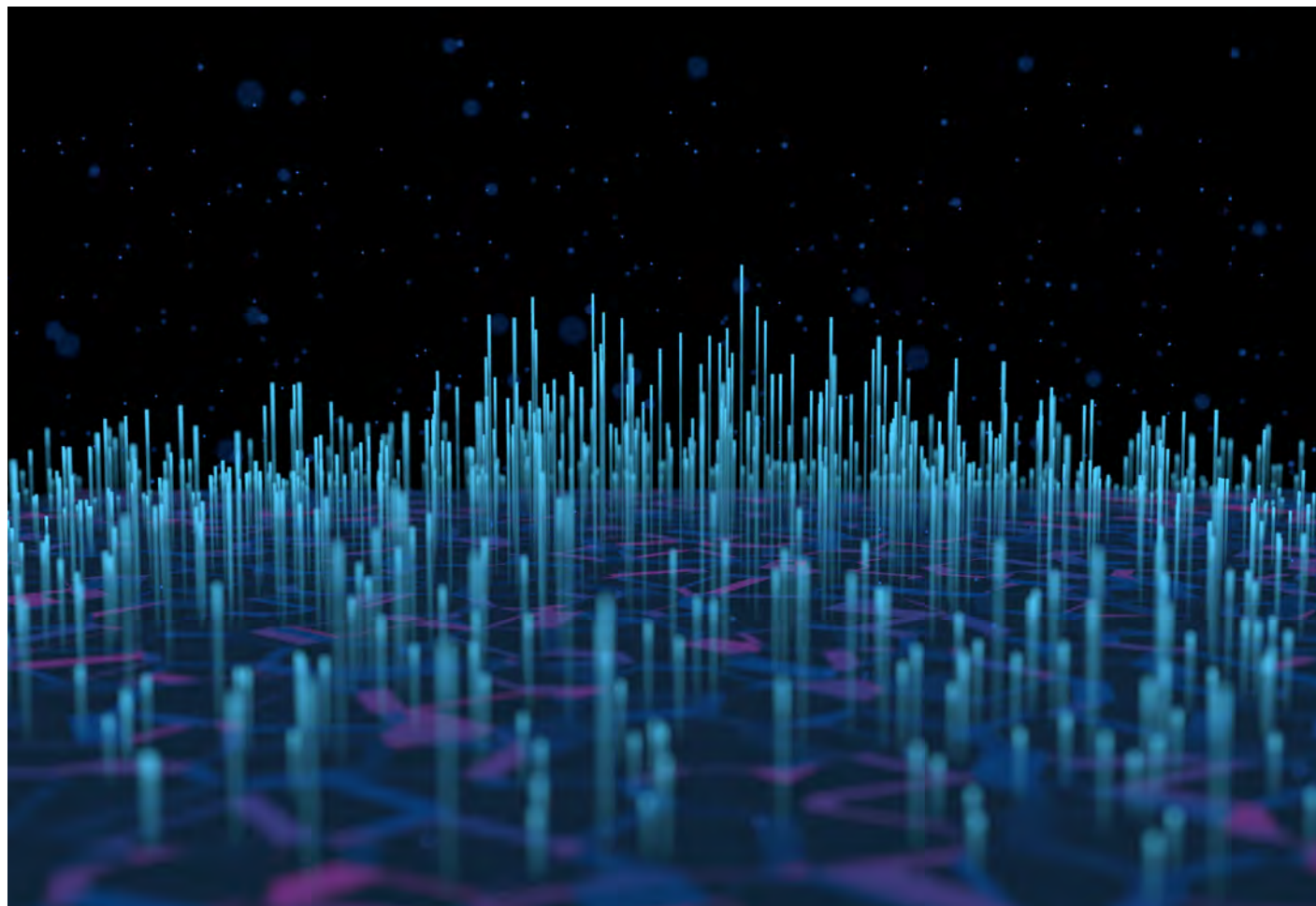
Further, demand for brass bands is affected by cultural practices in the country. For instance, couples and families often consult their astrologers to obtain an auspicious date for the wedding. November 2018, one of the peak demand months for brass bands, saw the total number of auspicious dates to be a single-digit number. This resulted in low business for brass bands during this traditionally high-revenue-generating month.

Another event that had hit the sector was demonetisation of high-denomination currency in India. The temporary shortage of cash due to demonetisation affected the entire brass band sector in India, as the industry witnessed a major reduction in collection/tip as a source of revenue.

Deep connection with music

Even in the face of the challenging backdrop described above, a large number of individuals in the sector intend to continue playing in brass bands, and recognise this stream as a major source of their income. The recorded music industry provides core raw material viz. music to brass bands, enabling the livelihood of these sprightly performers who are synonymous with Indian weddings.





Impact beyond the numbers: Counts, but cannot be counted

“You can’t manage what you can’t measure” – often attributed to management guru Peter Drucker, this phrase captures the essence of our tendency to focus on quantification and measurement across fields – be it sports, medicine, or public policy. However, this philosophy frequently takes the shape of a false corollary, such as “What can’t be measured isn’t worth managing”⁵².

The natural desire to focus where data is available and where things can be

quantified, may cause one to miss the most important issues that need to be considered⁵³.

Music has the power to connect people; bridge linguistic, cultural, and political divides; act as a source of identity and expression; and heal. These are some areas where the impact of music cannot be measured in numbers. Music, by its very nature a creative pursuit often mapped to the right-brain, does not lend itself easily to left-brain quantification.

⁵² <https://hbr.org/2010/10/what-cant-be-measured>

⁵³ <https://medium.com/@russroberts/adam-smith-loneliness-and-the-limits-of-mainstream-economics-f0be78940e17>

Some examples that discuss music’s impact beyond the numbers are as follows:

National integration

In a country as diverse as India, a tool such as music that can transcend language and cultural differences, offers a powerful means to enhance our “unity in diversity” and national integration. The national anthem and national song are immediate examples – they have absorbed and amalgamated the diverse cultures and individuals of India in times of struggles and victories. Furthermore, soundtracks such as “Mile Sur Mera Tumhara”, “Ye Jo Des Hai Tera”, “Maa Tujhe Salaam”, “Chak De India”, and “Jai Ho”, have instilled a sense of national unity among the Indian population (promoting themes such as freedom, peace, harmony, and love). The soundtracks have inspired millions of Indians not only during situations of crisis but also during major global sporting events, such as the Olympics, cricket world cups, and Asian Games. The album titled “Vande Mataram” is one of India’s largest-selling non-film albums⁵⁴; it has been played over several national and regional events across the country. BBC chose the soundtrack “Maa Tujhe Salaam” as one of the top 10 songs of all time as part of its international poll⁵⁵. The soundtrack also holds two Guinness World Records for being reproduced across the maximum languages⁵⁶.

Social messages

Music offers a means to create messages that stick. As India rises from a low to a middle-income economy, music offers an option to transmit important social messages around topics such as health and nutrition, cleanliness, and environment to a population, 25% of which is not literate⁵⁷. Commercial jingles such as “Doodh Hai Wonderful”, “Padhna Likhna Seekho” and “Cigarette in My Hand” became quite popular in India while seeding the importance of nutrition, literacy, and nicotine/cancer awareness, respectively.

Spread of India’s culture and influence (soft power)

Music’s virtue of being a “universal language”, and ability to shape behaviour and perception make it a compelling vehicle to expand a country’s influence. Numerous soundtracks from Indian artists have successfully crossed the barriers of language, culture, and country to become global hits and showcased glimpses of Indian culture to millions of people around the world. Indian soundtracks, such as “Jimikki Kammal”, “Mundian To Bach Ke”, “I am a Disco Dancer”, and “Tunak Tunak Tun”, have found traction on the international stage⁵⁸. “Jimikki Kammal” amassed over 90 million views on YouTube⁵⁹ from audiences across several countries, including Estonia and Russia. It became the most viewed Malayalam song ever⁶⁰. “Mundian To Bach Ke” emerged in the top 20 song charts in over 15 countries and sold an estimated 10 million copies globally⁶¹. It also became the number one soundtrack in Italy and Belgium⁶². Numerous soundtracks from global artists and bands have also been instrumental in popularising Indian culture abroad among foreign nationals as well as the Indian diaspora. The globally renowned band Coldplay and artist Beyonce launched their soundtrack and music video for “Hymn for the Weekend” in January 2016. Shot in India, the music video focused on displaying a wide array of colours, cultures, prints, temples, and spiritual gurus from the country. To date, the music video has amassed over 1 billion views on YouTube⁶³. The song and video resulted in a heightened interest and passion among the global audience to discover Indian culture, and its practices and colourful festivals.

⁵⁴ <https://www.ciol.com/listen-versions-vande-mataram/>

⁵⁵ <http://www.bbc.co.uk/worldservice/us/features/top10/profiles/index.shtml>

⁵⁶ <https://www.youtube.com/watch?v=4FU6gjh3lk>

⁵⁷ <https://www.census2011.co.in/literacy.php>

⁵⁸ <https://www.thebetterindia.com/119886/indian-songs-huge-international-hits-jimikki-kammal-awaara-kolaveri/>

⁵⁹ https://www.youtube.com/results?search_query=jimmiki+kammal

⁶⁰ <https://www.thebetterindia.com/119886/indian-songs-huge-international-hits-jimikki-kammal-awaara-kolaveri/>

⁶¹ <https://www.thebetterindia.com/119886/indian-songs-huge-international-hits-jimikki-kammal-awaara-kolaveri/>

⁶² <https://www.thebetterindia.com/119886/indian-songs-huge-international-hits-jimikki-kammal-awaara-kolaveri/>

⁶³ <https://www.youtube.com/watch?v=YykjpeuMNEk>

Health and wellness

Most of us can relate to the healing effects of music. Different rhythms can have a positive impact on our heart rate, breathing, and parts of brain⁶⁴. An example is the “Mozart effect”, which is claimed to improve people’s cognitive abilities – encouraging new mothers to play classical music to their babies. Several studies have gone on to demonstrate how our minds and bodies are receptive towards music, and how music plays a key role in influencing moods and stress levels. Patients who listened to music before, during, or after their surgeries or medical treatments have been found to be in less pain vis-à-vis those who did not. Further, music has been used as a potential therapy to aid communication, anger, and illness⁶⁵. A study conducted for the National Care of Medical Health and reported in WHO, states that at least 6.5% of the Indian population suffers from some form of serious mental disorder. Music’s impact on mental health may be particularly relevant in today’s times. Improved health and wellness of the population can translate into improved economic performance of a country through higher productivity levels.

Brand perception

Over the years, music has emerged as a powerful marketing tool for corporates and brands around the world. Companies have increasingly used creative melodies and jingles to promote their brands. The use of catchy jingles and melodies offers a means to cut through the clutter, and results in consumers remembering the brand. Further, a powerful jingle may be successful at communicating brand values and help brands in defining themselves to their customers⁶⁶. Over the years, several brands have designed advertisements with jingles that have had a lasting impact on audiences. Some of these include “Ye Dil Maange More” by Pepsi, “Har Ek Friend Zaruri Hota Hai” by Airtel, “You and I in This Beautiful World” by Vodafone, and “Googly Woogly Wooksh” by Ponds⁶⁷.

⁶⁴ <https://www.health.harvard.edu/staying-healthy/music-and-health>

⁶⁵ <https://www.gethealthystayhealthy.com/articles/10-health-benefits-of-music>

⁶⁶ http://www.hitechcentrum.eu/www/_media/de/impact_of_songs_and_jingles_used_in_advertising_on_brand_and_product_awareness.pdf

⁶⁷ <https://www.scoopwhoop.com/20-Advertisement-jingles-Better-Than-Our-Bollywood-Songs/#.ppcvq489>



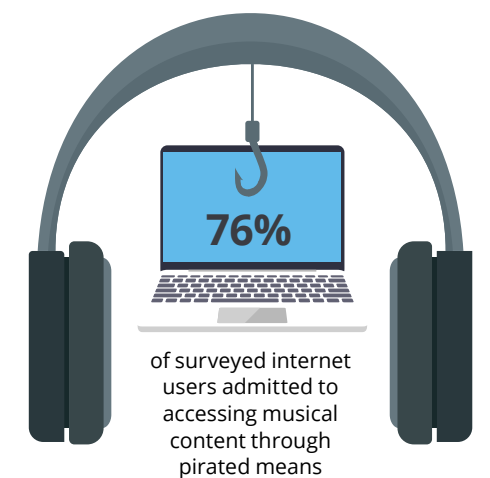
Challenges faced by the industry: Hurdles to growth

After a challenging 2014 and 2015, the music industry in India has traversed a promising path in terms of growth and revenue. The industry grew 24.5% last year, from INR 858 crore in 2017 to INR 1,068 crore in 2018. However, the industry faces a myriad of hurdles which, if resolved, could pave the way for India to become one of the top 10 music markets in the world⁶⁸. Industry participants have articulated the following key challenges:

1. The piracy epidemic

The increased penetration of smartphones and affordable data

charges in India have been accompanied by an increase in the consumption of pirated content online. In a recent study in India, 76% of the surveyed internet users admitted to accessing musical content through pirated means, underlining that piracy is rampant in the country⁶⁹. Illegal P2P apps, streaming apps, stream ripping websites or even infringing websites in India or neighbouring countries, such as Bangladesh and Pakistan, result in losses of ~USD 250 million annually to the recorded music industry⁷⁰.



⁶⁸ India currently ranks 15th amongst the recorded music markets in the world, per IFPI-GMR Report, 2019

⁶⁹ AudienceNet – IFPI Survey; Available at <http://indianmi.org/be/wp-content/uploads/2018/10/Digital-Music-Study-2018.pdf>

⁷⁰ IMI-Vision 2022 Report, 2018

While piracy, both digital and physical, is on the decline at the global level⁷¹, it remains a key challenge for the entire music industry ecosystem in India. Piracy hampers the music industry's economic growth, leaving artists, music publishers and composers, and record labels uncompensated for their investments in content creation, marketing, promotion, and distribution. The larger effect is that of perception, as piracy creates an image that music is a free commodity, which further affects music sales.

The increasing value gap

Record labels consistently highlight the expanding "value gap" as a key challenge. The recorded music industry describes value gap as the growing mismatch between the value that some digital platforms (notably user upload services) extract from music and the revenue returned to the music community (those who create and invest in music)⁷².

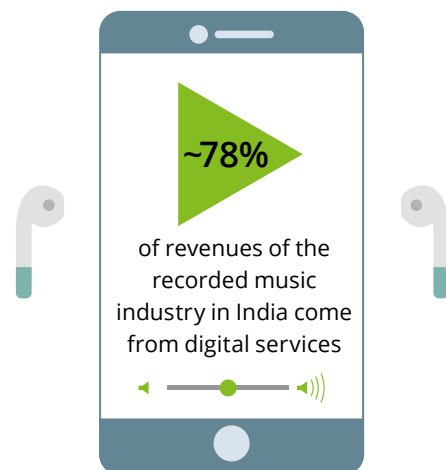
Record labels have evolved with technology. Today, about 78% of the recorded music industry's revenues in India come from digital services⁷³. However, they point out that the law has not kept abreast with changing technology. The internet, its intermediaries, and its standard business models are rapidly evolving. For instance, intermediaries that once qualified as passive pipelines of information, now actively track, manage, and control the content on their platforms. Thus, one area for regulators to explore could be around outdated safe harbor provisions and exceptions that shield internet intermediaries from liability – these could be factors that enable the value gap.

Record labels indicate that they make large financial investments and take upfront risks, particularly for emerging artists. These risks encompass advance

artist payments, funding of recording costs, music video production, deficit funding of artist touring activities, and marketing and promotion.

While overall music consumption in India has never been higher⁷⁴, record labels suggest that payments to those who create it have not kept pace. Notably, the industry points out that video streaming platforms, especially those which have a user-generated content model, host copyrighted material on their websites/apps to monetise content generated by creators. Such platforms argue that they should be insulated from liability for the infringing material, owing to their predominantly user-generated nature; by virtue of being mere facilitators of user-upload activities and claiming that there are major challenges in identifying the nature of the material being posted. At the same time, these platforms point users to the posted content and monetize it by selling advertisements and/or harvesting user data.

Determining the fair value for all stakeholders will be important to make it sustainable for all parties.



“A discussion of what ‘fair value’ entails is overdue. Unless the creative community and business are able to discover this value, the music market in India will continue to be undervalued”

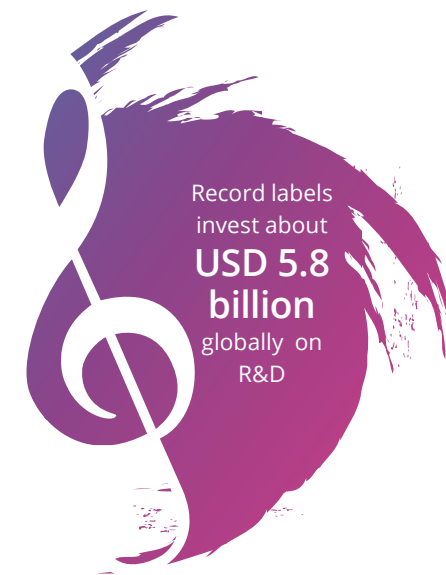
Javed Akhtar,
Reputed scriptwriter, lyricist, and poet; and Chairperson – IPRS

Legislative and regulatory impediments to achieving fair value

The general principle is that any individual or business that wants to use a content owner's work needs to obtain the owner's permission through licensing. The owner has the absolute right of refusal in these cases. Regulatory norms, such as statutory licensing, introduce exceptions to the principle wherein licensing norms are fixed by the government, subject to the licensee giving a notice and depositing the fee as fixed by the government.

Record labels indicate that statutory licensing of sound recordings is the biggest obstacle in the path of the recorded music industry in India to achieving fair value. In light of recent legislative⁷⁵ and regulatory developments⁷⁶, and judicial pronouncements⁷⁷, an ambiguity revolving around the law on statutory licensing in India has arisen. Such legislative and regulatory developments are seen to present an obstacle for the recorded music industry in India to realise its true potential and become one of the top 10 recorded music markets in the world. Additionally, such ambiguity in laws is not in sync with the ethos of increasing the ease of doing business in India.

Record labels invest about USD 5.8 billion globally⁷⁸ on R&D; the amount is spent on discovering new artists, and promoting and marketing content. Permitting the industry to negotiate voluntary licensing arrangements reflecting the value of their investments, is expected to help facilitate fair value to all stakeholders in the value chain. Not allowing this could create bottlenecks for investments and speed breakers for further investments in the recorded music industry. This, in turn, could have an impact on creative talent, authors, and composers – the value chain in the music ecosystem.



“The music industry is bleeding due to the major challenge that is piracy, and needless to say that physical sales are almost gone. The last hope of music business is streaming/digital industry. Music companies take the risk, keeping the culture of music alive. It is they who need protection; otherwise no one will take the risk of creating new content or investing in new talent. A balance is extremely essential so that music companies can keep encouraging new talent and create something new and compete in a relatively equal manner. With the introduction of Section 31D (Copyright Act), small music companies or regional labels will be compelled to license their content at a much cheaper rate. As a result small music labels will not be able to survive in the long run”

Mahua Lahiri,
Managing Director, Asha Audio

⁷¹ MUSO Global Piracy Report, 2018; Available at <https://www.digitalmusicnews.com/2019/03/25/stream-ripping-muso-study/>
⁷² IFPI Global Music Report 2019
⁷³ IFPI-IMI Digital Music Study, 2018
⁷⁴ An average user spends 21.5 hours listening to music per week - over three hours each day - which is higher than the global average of 17.8 hrs/week; IFPI-IMI Digital Music Study, 2018

⁷⁵ Draft Copyright (Amendment) Rules, 2019; Available at https://dipp.gov.in/sites/default/files/Draft_Copyright_Amendment_Rules_2019.pdf
⁷⁶ DPIIT Office Memorandum, 2016; Available at https://dipp.gov.in/sites/default/files/OM_CopyrightAct_05September2016.pdf
⁷⁷ Tips Industries v. Wynk Music Limited & Anr., COMMERCIAL SUIT IP (L) NO. 113 OF 2018; Available at <https://barandbench.com/wp-content/uploads/2019/05/Bombay-HC-Wynk-v-Tips-Mandatory-Broadcasting-Rights-Section-31D-Copyright-Act.pdf>
⁷⁸ <https://powering-the-music-ecosystem.ifpi.org/>

Public performance rights compliance

Public performance rights are the rights of record labels to collect monetary compensation in the form of royalties for playing the songs of music labels publicly. Such rights typically involve event managers or hotels obtaining performance licences from original content owners at a certain licence fee. Performance rights are an important source of revenue for the recorded music industry in India. These rights include the right of record labels to receive revenues generated from concerts, live gigs, events, music festivals, etc.

Music is a commodity to establishments such as restaurants, hotels, beauty parlours, and shopping malls, and recorded music companies need to be remunerated fairly for the use of this commodity. However, discussions with record labels indicate that these users often do not obtain licenses for using recorded music repertoire. Record labels point out that getting content users to buy licenses and collection of royalties for public performance are large hurdles to unlocking fair value for the recorded music industry in India. Discussions with record music industry stakeholders suggest that fewer than 5% of Indian businesses purchase public performance licences for the music they play. Issues related with enforcement of performance rights need to be resolved to achieve fair value by the recorded music industry in India.

“TIPS is a 100% #makeinindia #digitalindia #startupindia story. Today as an entrepreneur I am not confident about making big investments given the statutory licensing sword that is hanging over my head. My company is the only 100% record label that is publicly listed and our valuation is INR 88 crore. It is worthwhile for the law makers to study the market capitalisation of FM and streaming companies. Our Prime Minister, Shri Narendra Modi, has taken some very bold decisions. I urge him to please consider our request to abolish statutory licensing”

Kumar Taurani,

Chairman & Managing Director, Tips Industries

“Statutory licensing takes away the very basic copyright of owner's hard earned "exclusive" property for the benefit of private parties. It takes away the very basic right of ownership on any commercial exploitation which is mandatory in a free country as ours”

Manoharan Naidu,

Managing Director, Lahari Music

Transition to a subscription-based economy

Consumers in India are not accustomed to paying for music. While ad-supported OTT platforms have witnessed rapid growth, subscription-driven OTT music streaming platforms face a challenge⁷⁹.⁸⁰ The conversion (into subscription) among 150 million music listeners on OTT streaming platforms is low – at about 1%⁸¹. The wide availability of music on user-generated video streaming platforms and the large consumption of pirated content present considerable challenges in persuading users to pay for streaming.

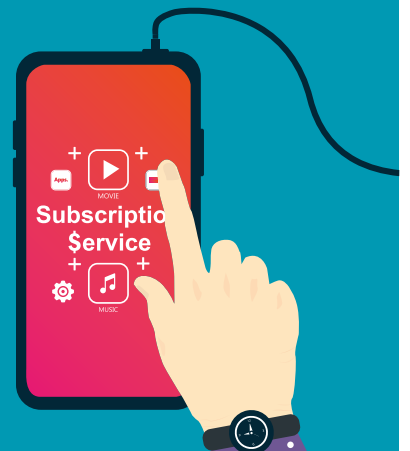
In a study conducted by AudienceNet in association with IFPI and IMI⁸², over 52% of surveyed respondents cited the availability of music on free platforms (free-version) as a reason to opt out of subscribing to premium tiers of audio OTT platforms.

The key challenges in the way of higher subscription revenue are:**Comprehension of online payment mechanisms**

Online streaming apps usually contain an in-built user interface digital payment system for subscriptions to their services. Despite the growth of digital payment systems in India and rising digital transactions, India remains a largely cash-based economy⁸³. This creates friction in making the switch to a subscription-based economy.

Limited user retention techniques on OTT platforms

Analytics (notably recommendation engines) and creative retention techniques on OTT platforms can be used to keep users from switching to different channels of consumption. Lessons can be borrowed from Chinese apps, which enable companies, organisations and celebrities to interact with their customers, fans and followers. For instance, the market for mobile karaoke apps, which combine characteristics of live streaming and music sharing, has been rising. Such apps have capitalised on the popularity of live streaming in China, as well as the decline of conventional karaoke venues, many of which have been forced out of business by rising rent and increased competition from online entertainment options. Chang Ba and Tencent's Quanminkge are two players in the online karaoke space that offer users a catalogue of songs to sing along and a social function that shares their singing with others. Similar to other live streaming apps, the revenue driver is a payments system rewarding user-generated content that attracts viewership and user engagement⁸⁴.



⁷⁹ Deloitte-IMI, Audio OTT economy in India – Inflection point, 2019

⁸⁰ IFPI-IMI, Digital Music Study, 2018

⁸¹ Deloitte-IMI, Audio OTT economy in India – Inflection point, 2019

⁸² IFPI-IMI, Digital Music Study, 2018

⁸³ <https://economictimes.indiatimes.com/industry/banking/finance/view-cashless-india-could-be-a-model-for-the-world/articleshow/69669960.cms?from=mdr>

⁸⁴ <https://technode.com/2017/02/23/chinas-karaoke-apps-turn-o2o-on-its-head-in-favor-of-newretail/>



Way forward: Laying the foundation for growth

Industry participants indicate that the following initiatives, if implemented well, could create an enabling environment for growth:

01. Legal regulations and enforcement surrounding copyright infringement

The Cell for IPR Promotion and Management (CIPAM) has been taking positive efforts aimed at law enforcement coordination and increasing awareness of the need for better copyright protection and enforcement at the central and state government levels (including India's representation to international organisations). These efforts are testament to the government's increased attention in tackling the issue of piracy.

The recorded music industry has also seen support from recently proposed legislative policies, such as the Draft National E-commerce Policy, issued by the Department for Promotion of Industry and Internal Trade (DPIIT), and the Draft Intermediary guidelines issued by the Ministry of Electronics and Information Technology (MeitY). These are likely to result in digital platforms (including infringing websites) which distribute musical content recognizing their legal liability and accepting to operate as diligent economic operators to prevent infringed content on their platforms.

Applying safe harbour provisions only to services whose activities are of a technical, automatic and passive

nature, and on the condition that they operate in a manner expected of a diligent economic operator to prevent the availability of infringing content on their platforms, can be expected to help the recorded music industry to unlock more value. The industry is also expected to benefit from safe harbour provisions being amended to expand the burden of proof on services that the offence or contravention was committed without its knowledge, and that the service had exercised all due diligence in this regard.

One may also note that content "taken down" often reappears soon after. Therefore, requiring digital platforms to implement a "notice and stay down" mechanism to ensure that all copies of or URL links to infringing content (a) are removed and (b) do not appear in the future, will be a key step to help the legitimate music industry.

Campaigns have been launched, and IP cells have been set up across states (such as the Telangana Intellectual Property Crime Unit, i.e., TIPCU) to deal with complaints on online piracy. Maharashtra Cyber Cell has launched

a new unit called Maharashtra Cyber Digital Crime Unit (MCDU) with a mandate to protect IP rights on digital platforms and address digital IP issues. Such initiatives need to converge in a cohesive manner to help eradicate piracy and thus, promote the legitimate music industry.

02. Creative cities as growth accelerators

Creative cities could be a tool to provide a fillip to India's economic growth. Cities with a performing centre ecosystem have been proven to generate economic activity of USD 100+ million through cultural/ tourism services and its ilk⁸⁵. For instance, Esplanade in Singapore, the Opera House in Sydney, and the O2 in London are tourist attractions that are key to community engagement and bring in millions in revenue and employment generation to the exchequer⁸⁶. Seeding a performing centre ecosystem into the next blueprint of India's smart city initiatives could boost some of the key drivers of economic growth viz. travel, tourism and hospitality⁸⁷.

"Regional labels like Aditya Music provide variety and repertoire to the recorded music industry and are champions of India's soft power. We are often pressured by big corporations to accept low license fees for our content which in turn affects our ability to invest and also hurts our ability to support our partners in Tollywood, etc. We need to be encouraged to invest in content and local talent, and for that we need fair value for our investments. Our partners need to recognize that, the administration needs to recognize that"

Aditya Gupta,
Managing Director, Aditya Music

⁸⁵ IFPI, The Mastering of a Music City

⁸⁶ Esplanade Annual Report FY17/18

⁸⁷ NITI Aayog, New India: Strategy@75

To promote and develop these performing centres, the following could be considered:

- Establishing public-private partnership models with media and creative industries to help with curation of these creative cities
- Introducing attractive policy frameworks, such as tax concessions or exemptions, to attract foreign investors (such as LiveNation, and AEG) in the live events ecosystem, and to inculcate global best practices for their development and maintenance
- Encouraging involvement from creative industry stakeholders, including the recorded music industry to participate in the Smart City advisory forum as knowledge partners

03. Developing the talent pool in music

As discussed earlier in this report, music often makes its way to several establishments, such as food and beverage (F&B) outlets, garment stores, shopping malls, and parlours. Deeper integration of music by such establishments could help them elevate the customer experience and improve their business prospects. For instance, the F&B industry has witnessed strong growth (9.4% CAGR from INR 2.48 lakh crore in 2012–13⁸⁸, to INR 4.24 lakh crore in 2018–2019⁸⁹), and has been able to

raise the premium factor by leveraging value-added services, such as live performances (gigs, karaoke events, etc.). Such use of music will also increase the demand for musical talent (DJs, musicians, etc.) at these venues, consequently untethering ‘high potential’ employment generation at the grassroots level, beyond just the development of creative talent and roles related to the production of music.

To propel the growth of these businesses, India needs to consider investing in vocational training to nurture talent and attract students from across the country, thereby leading to higher levels of employability. Berklee College of Music, Julliard, and Royal College of Music are world-renowned music universities. India needs to develop (or at least market) such national universities that focus on performing arts, especially music. This would also develop talent for the creative cities proposed earlier in this report, and promote and add to the rich musical culture, heritage, and influence on other musical art forms in India. In addition, including practical aspects of music education (in particular, music technology and performance skills) into the curriculum for higher secondary classes, could also benefit the broader creative industry.



⁸⁸ <https://nrai.org/downloads/reports/>

⁸⁹ <https://nrai.org/food-service-industry-to-touch-rs-5-99-lakh-cr-mark-by-2022-23-says-national-restaurant-association-of-india/>

04. Music-centric grants and export schemes

Music grants and export schemes, provided by relevant government bodies, can help build a supportive ecosystem in India that is conducive for the growth of micro-small-medium enterprises (MSMEs), larger enterprises, as well as start-ups that are involved in musical content creation. Such schemes could develop the musical talent pool, and aid the large investments required to create, market, and promote musical content. This could act as a stimulus to businesses that invest in regional content and local talent.

The government could consider linking the aforementioned grants and schemes to the Startup India

initiative, which is promoted by the Department for Promotion of Industrial and Internal Trade (Ministry of Commerce and Industry), with the support of relevant government bodies, such as the Ministry of Culture. The Startup India scheme could further be aligned with the reforms targeted at increasing the Ease of Doing Business in India. Music grants and export schemes could spur growth momentum and act as a protective shield for the recorded music industry, in light of digital and technical advancement, and in an environment where piracy is rampant. Lastly, successful outcomes from the music export scheme could lead to inbound revenues for the Government of India.





Conclusive remarks: Unlocking the amplification effect of music

The recorded music industry is sized at INR 1,068 crore, and estimated to employ 1,460 FTEs. However, it produces an impact disproportionate to its own scale. For its "formal" partner industries of television, radio, live events, films, and audio OTT, revenues of INR 8,660 crore (8.1 times the size of the recorded music industry) and FTE employment of 38,600 (25.2 times the employment generated by the recorded music industry) could be said to be attributable to music. The real impact of music is likely to be greater, when one accounts for the impact seen through informal users/sectors (such as small restaurants and gymnasiums), and non-quantifiable but highly valuable

benefits (such as national integration and expansion of India's soft power and influence).

Extrapolating the impact calculations discussed earlier in this report, every 10% growth in the music industry (i.e., approximately INR 100 crore of growth) may be expected to generate:

- INR 810 crore of additional revenue in the economy from formal partner industries
- Employment at record labels for approximately 140-150 FTE
- Employment of 3,600-3,700 FTE in formal partner industries

- Raw material for sectors that use music informally, such as brass bands, small restaurants, gymnasiums, and malls
- Effects that may not be quantifiable, such as the opportunity to expand India's global influence

India has key elements in place for the next wave of growth in music – demographics, affordable data, and smartphone penetration. India has a

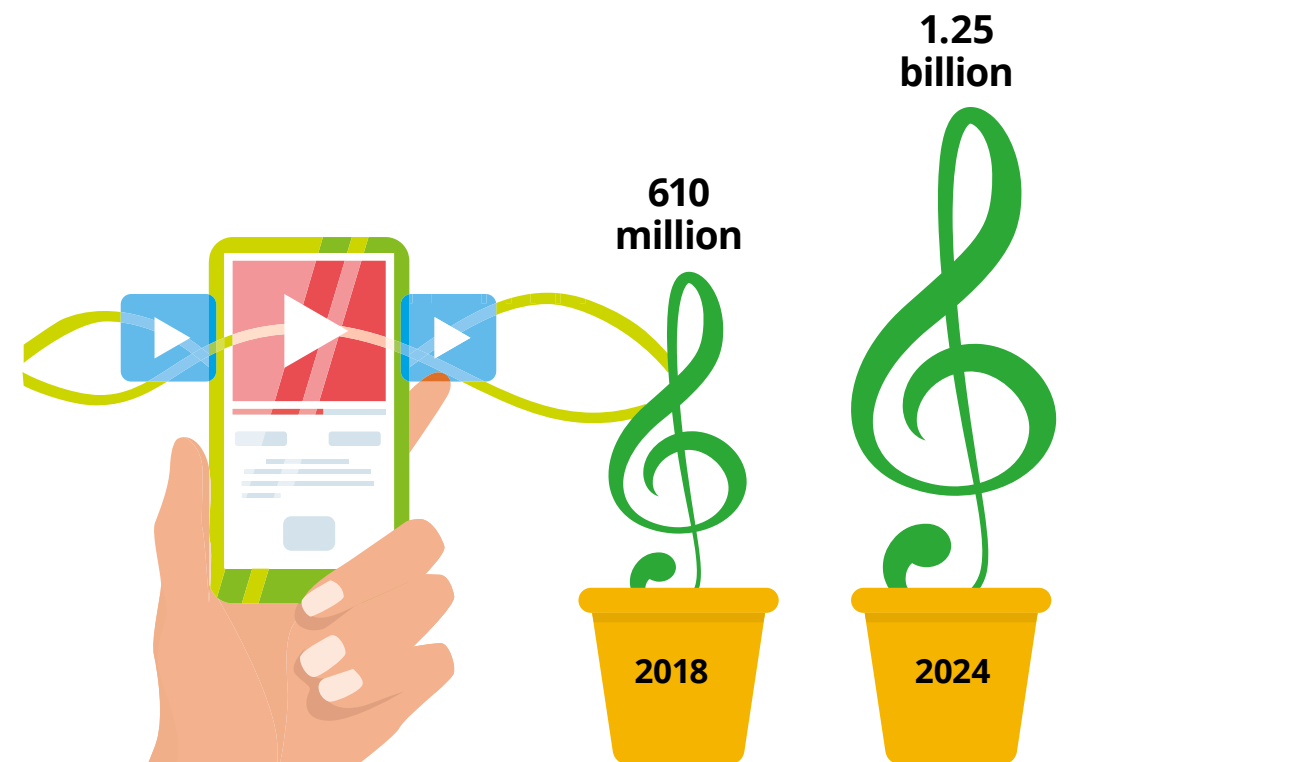
young population; the percentage of youth in India (15–24 years) is 19.1% of the total population, and expected to grow to 34.3% by 2020⁹⁰. Mobile broadband subscriptions in India are expected to increase from about 610 million in 2018 to 1.25 billion in 2024⁹¹. The number of smartphone users is expected to more than double in five years, from 404 million in 2017 to 829 million by 2022⁹².

“There’s never been a better time for our industry as we’re poised for growth on the back of a dynamically increasing streamscape across both local and global services, a visible growth in society incomes and a digital & social ecosystem with some of the largest global bases in India growing parallelly, giving the industry wings. At Universal Music, our single minded focus is on non-film music via our sub labels “Vyrl Originals” & our global imprint “Mass Appeal Records India” for Hiphop, where we are investing heavily to create domestic content for Indians here, our diaspora audiences all the over the world, and for global audiences who now know the time has come for our music to perpetuate itself into the world”

Devraj Sanyal,

Managing Director & CEO, Universal Music Group – India & South Asia

Expected growth: Mobile broadband subscriptions in India



Beyond the country itself, Indian music can tap into the global market, with a more tightly integrated world making it easier to reach global audiences than ever before. The vast and globally spread out Indian diaspora is itself an attractive market, and also a source of potential ambassadors and advocates of Indian music to the world. Availability of Indian music to a global audience is a source of valuable export revenues.

Industry and government stakeholders must actively consider tapping into this

potential, and pave the way for India to become one of the top 10 recorded music markets in the world⁹³. Indian content owners, including the recorded music industry in India, should continue investing in talent, content creation and subsequently, marketing and promotion, to bring musical content to local and global consumers. It is important for all stakeholders to cherish, preserve, and invest in India's creative communities as the country looks to take its rightful place in the world.

⁹⁰ MoSPI, “Youth in India”, 2017

⁹¹ Ericsson Mobility Report, 2019

⁹² Cisco VNI, India - 2022

⁹³ India currently ranks 15th amongst the recorded music markets in the world, per IFPI-GMR Report, 2019

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Key contacts

Deloitte Touche Tohmatsu India LLP

Indiabulls Finance Centre, Tower 3, 25th Floor
Senapati Bapat Marg, Prabhadevi
Mumbai – 400 013, Maharashtra, India
Tel: +91 22 6185 4000
Website: www.deloitte.com/in

Jehil Thakkar

Partner, Deloitte India
jehilthakkar@deloitte.com

Prashanth Rao

Partner, Deloitte India
prashanthrao@deloitte.com

Vivek Ramakrishnan

Director, Deloitte India
vivekrama@deloitte.com

The Indian Music Industry (IMI)

Email: info@indianmi.org
Tel: +91 22 2436 7864
Website: <https://www.indianmi.org/>

Blaise Fernandes

President and CEO
blaisefernandes@indianmi.org

Abhimanyu Singh

Project Management Officer
abhimanyu@indianmi.org



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