

News Flash



Music on Mobile

First, there were musical ringtones. Then came "ring-back" tones—tunes that play while a caller waits for someone to pick up a mobile phone. Now, in some countries like US, cell phones are offering streaming music, with access to online music stores on the way.

In the US, the primary appeal of the cell phone is its ubiquity; nationally, more than 60 percent of people carry a cell phone, making the potential audience huge. "I strongly believe people will use cell phones as their multipurpose tools, and one of the most logical choices for that is music," said Roger Entner, an analyst with research firm Ovum who said he recently observed teenagers on Boston's subway system playing loud music on their cell phones. **Last year, ringtones generated \$400 million in sales in the United States**, and the total **will reach \$600 million this year**, he said. "I see all the success of all the MP3 players . . . [and] they beg to be integrated into something that is already providing a great level of utility. Cell phones will do to the music market what they have already done to the camera market."

Back home in India, for music companies and mobile telephony service providers, revenues from ringtones began as a trickle but have now gained momentum. With around 20-25% of India's 56 million mobile subscribers paying to have caller ring-back tones and downloading of ringtones, and with a monthly growth rate of 20-25%, according to industry estimates, they have become one of the most popular applications. "More and more subscribers are ready to pay Rs 30 per month for caller ringback tones with Rs 15 for the initial download payment and Rs 9 for each ringtone download," said a Kolkata-based spokesperson for Airtel.

In ringtones and caller ringback tones, three parties have to cooperate to provide the service. The music companies provide the content or the ringtones themselves, aggregators who take care of issues like copyrights and formatting the music, and finally the phone company. Handset manufacturers are expected to become the fourth partner soon, what with Ericsson tying up with Napster and Motorola planning to offer the iTunes music service.

In India, operators introduced ringtones three years ago, and ringback tones (*Airtel calls them Hello tunes and Hutch caller tunes*) were launched around last August. Said Mandar Thakur, GM of Soundbuzz India, a company which has a range of interests as an aggregator and online music

market, "The coming of ringback tones brought a new revolution in the value-added service market. When they were first launched in the Indian market, I don't think either the operators or any of us had anticipated the kind of explosive growth that has happened." Mr Thakur said that Soundbuzz alone contributed close to 2.25 million ring tones per month to the mobile subscribers. These kind of figures have convinced all the mobile operators that ringtones and ringback tones are a goldmine if exploited properly.

According to NV Subba Rao, COO for mobility at Bharti Televentures, the operator is providing ringtones in 18 Indian languages and its subscribers can access around 1 lakh tones and songs. In case of Reliance, its R World provides over 3,500 ringtones in different categories namely voice, special effect and traditional besides offering from various music portals. **In terms of revenue from downloads, the mobile operators are aiming to get 7% of their total from this segment over the next two-three years.**

At a time when the use of caller tunes is increasing by the day, **corporates have spotted opportunity for internal branding via this facility.** Under this system, the caller tune of all the employees of the company is set as the advertisement jingle of the company, such as 'oye bubbly' for Pepsi. Whenever somebody calls up on cell phones of Pepsi employees, the company's ad jingle is played as the caller tune. Corporates that do not have any such ad jingle can request the service provider to prepare one for them. **Hutch has more than 12 corporate clients that have opted for this service in Gujarat.**

For the Rs 500 crore Indian music industry plagued by piracy, the new applications have started contributing to the bottomline. Though the contribution is small, the companies hope that in future, the mobile downloads would contribute a sizeable amount in the non-physical segment. At present, a music company gets 25-40% of every payment made by a consumer for a download, depending on the popularity of the tone and whether it is a mono, poly or true tone.

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Financial Express, July 4, 2005