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## Music and mobile phones

### Ringing the changes

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#### Could mobile-phone ringtones spawn a new music market?

DOWNLOADING a special ringtone on to your mobile phone—so that it plays a tinny rendition of a pop song instead of ringing—is a booming market. Ringtone sales were \$3.5 billion worldwide last year, up by 40% from 2002, according to ARC Group, a consultancy. Europe and Asia lead the way, but in America the Yankee Group, another consultancy, recently raised its estimate of last year's ringtone sales from \$50m to \$80m. Sales of ringtones, costing up to \$4 each, have now overtaken those of CD singles. Many artists now make more money from the former than the latter. Ringtone sales also outstrip legal internet download services, such as Apple's iTunes, which generate under \$100m a year worldwide.

The appeal of ringtones, to teenagers in particular, is that they act as a fashion statement. Sound quality is improving fast: newer phones support polyphonic playback and the latest handsets allow actual music clips, called "true tones", to be used as ringtones. Instead of a plinky-plonk rendition of the Britney Spears hit, "Toxic", as your ringtone, you could have a brief sound clip of Britney herself.

Both mobile operators and record labels sense a huge opportunity here. Anyone can make a ringtone out of a pop song, provided they pay royalties. But true tones require the record labels to license the master recording. They will only do so to trusted partners, such as mobile-networks. The dubious firms that currently dominate the ringtone business (many of which began life as providers of porn phone lines) may be squeezed out. Already in America, Verizon Wireless has partnered with BMG and EMI. In Europe, T-Mobile is collaborating with Universal and Sony.

The success of true tones would give record labels and operators a larger slice of the market. Will it also spawn an entirely new, far bigger, market for mobile-music downloads? It is not a big leap to downloading a whole song for playback through headphones. Within a couple of years, as fast new 3G networks are switched on, mobile phones get smarter and music-playback more common, there may be a thriving market in music downloads to handsets that are also personal jukeboxes. Martin Fabel, an analyst at A.T. Kearney, says mobile downloads could account for 20-30% of music sales by 2006.

This is music to the ears of record companies and mobile operators. Mobile-music downloads, they hope, will command a "mobile premium" over fixed-line services such as iTunes, which charges \$0.99 per song. But this will only succeed with agreement on sensible pricing and revenue sharing, says Ian James of Chrysalis Mobile, a firm that hopes to be a "trusted intermediary" for ringtones and other music content. "If we can get everyone in the value chain happy, there's a potential opportunity for a much broader market than the current singles market," he says, since it would allow mobile subscribers to buy music on impulse, wherever they are. Having nearly killed the market for singles, mobile ringtones could yet revitalise it.

Alamy



**Britney ringing**

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