

Digital Music: Opportunities & Challenges for Russian Businesses

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Specific Case Study with 3 Broader Themes

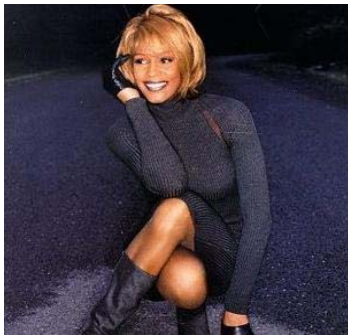
1. I am excited about the opportunities today to launch new digital music products in Russia.
2. The music and technology industries are having success across Europe in creating new, legal music services that millions of people enjoy; but Russia is DIFFERENT in the legal challenges Russian companies face.
3. Russia has skilled technology and music companies building new services today, but they need help from the Russian government and law enforcement communities to succeed as businesses.

Vastly expanded product offerings



1998

Whitney Houston –
My Love is Your Love



1 physical album



1 physical
single

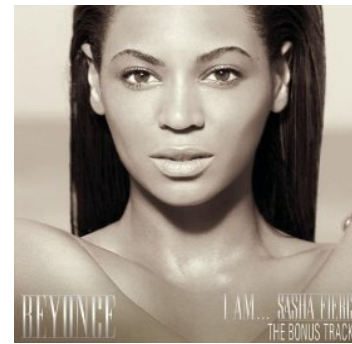
2008

Beyoncé – *I Am...*
Sasha Fierce

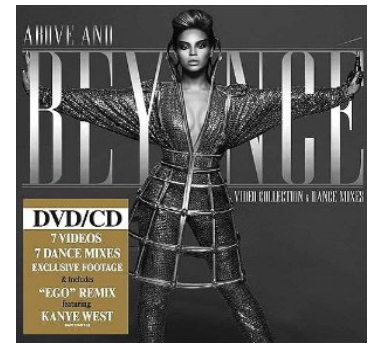
150+ pieces
of digital
content



10 physical albums
5 digital albums



50 album and
remix tracks



1 DVD



65 mobile tones
55 mobile tracks



17 videos

Streaming Services in Europe



▶ What?

- Launched 2007-2008
- Instant access to almost all the music in the world.
- Free, advertising-supported online access PLUS
- Paid-For mobile access

▶ Results

- UK, France, Spain, Sweden, Norway, Finland, Holland
- 5-10 million active users
- Partnerships with major telecommunications companies France Telecom and Telia Sonera
- Millions of Euros have been made for artists, technology companies and music companies.

Leading Russian Digital Music Companies

- ▶ **IMMO**. Music Supplier to MTS, mobile & online.

Ringbacktones, Omlet.Ru ; Yogurt.ru;



- ▶ **Muz.Ru**. On-line sales of tracks and albums.



- ▶ **Yota Music**. Subscription for music streaming service.



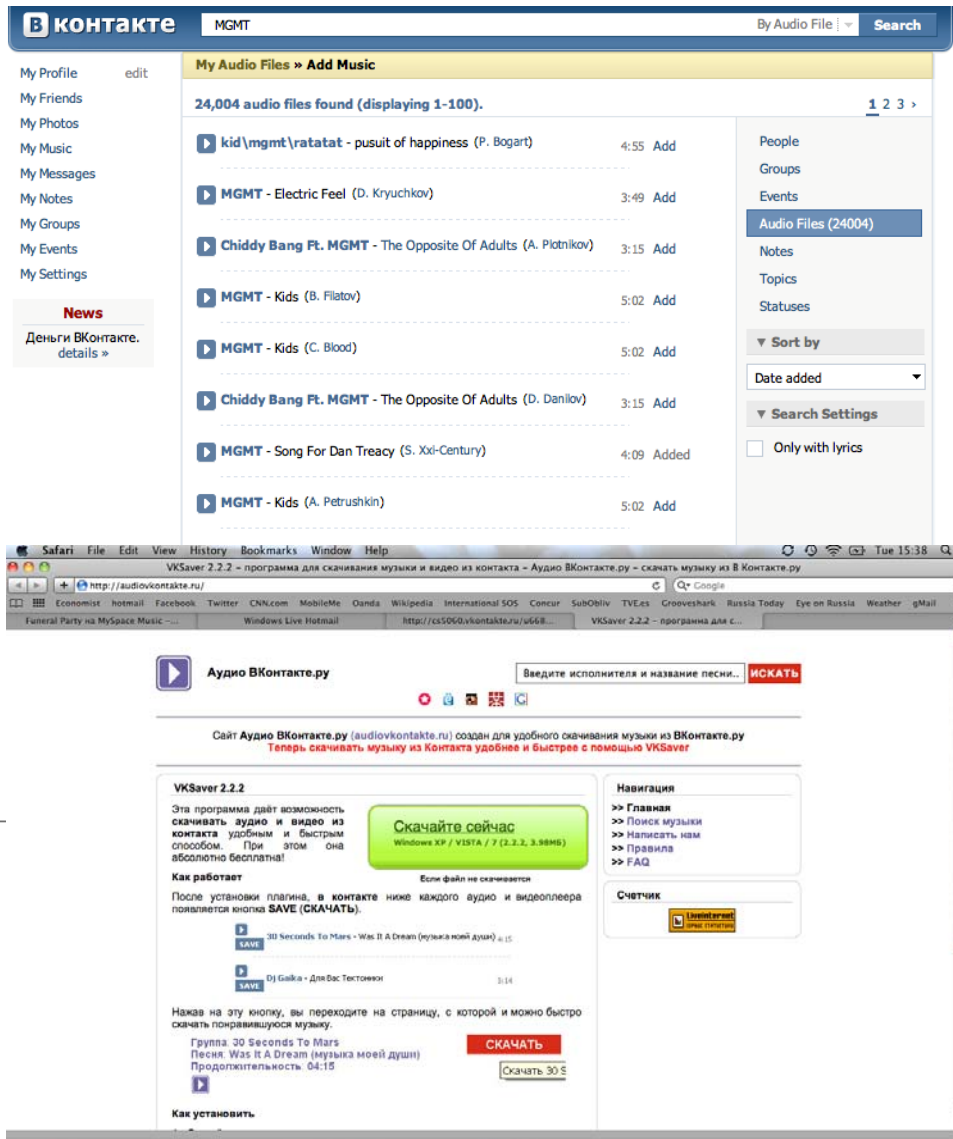
- ▶ **Yandex**. Music streaming service



- ▶ **Ai Mobilco**. Subscription for album downloads



Streaming Services in Russia



The top screenshot shows the VKontakte 'My Audio Files' interface. It displays a list of 24,004 audio files found, with the first few items being MGMT tracks like 'pusuit of happiness', 'Electric Feel', and 'The Opposite Of Adults'. The interface includes search filters, sorting options (set to 'Date added'), and a sidebar with navigation links.

The bottom screenshot shows the VKSaver website, which is a third-party tool for downloading music from VKontakte. It features a search bar, a 'СКАЧАТЬ' (Download) button, and a list of tracks with their durations and download buttons. The website also includes navigation links and a 'Счетчик' (Counter) section.

▶ Music streaming in Russia is dominated by **В К О Н Т А К Т Е**.

▶ What?

- Instant access to music that users upload.
- Unlike Western European services, users can download music without paying.

▶ Results

- Used by many of **В К О Н Т А К Т Е**'s 80 million registered users.
- No money is being earned by Russian artists, music or other technology companies.
- Many Russian digital music companies are not investing in new streaming and download