

The Impact of Digital Distribution on the Japanese Music Market

By Onouchi Megumi

MUSICAL performances and listening styles have been changed over the decades in line with development of technologies. At one time, the only way to listen to music was to be present during an actual performance. Then printing of musical scores enabled different audiences and performers to enjoy same music at different times and places.

In 1877, Thomas Edison invented the recording systems. This gave rise to an industrial system where musical recordings are purchased and listened to on playback machines, and people anywhere in the world can enjoy the same performance whenever they like. While these industrial systems and technologies originated mainly in Europe and North America, technology and products from Japan have also played a major role in the transformation of music worldwide.

In the late 1970s and 1980s, DJs in dance clubs used turntables to play rap and hip-hop music, and developed the scratch and remix methods for music performance. The concept of using a playback device as an instrument to perform music was an important milestone in music history. Most of the record players used at that time were "Technics" turntables from Panasonic with turning speed-control systems, and even today Japanese-made turntables are standard equipment for DJs.

Launched in 1979, the Sony headphone stereo "Walkman" led to a major change in the way that people listen to music. Audio equipment up to that time was based on the concept of playing back music in a certain place. However, through the development of a small portable cassette tape player with headphones, a new way to enjoy music was invented that allowed listeners to move around while enjoying music privately inside their own heads. This proved to be a huge hit among young people all over the world.

Today in Japan, this personal and mobile style of listening to music has

been fused with music distribution via digital networks, and musical styles are about to undergo yet another transformation – to a style in which people enjoy music via cell phone.

CURRENTLY, 68.7% of the Japanese population (83 million people) are cell phone subscribers. It seems almost everyone in the country has a cell phone as a mobile digital tool. Two or three out of every 10 people listen to headphone stereo devices during their morning and evening rail commutes. By contrast, three to five out of every 10 people send and check e-mail or play games with their phones. Cell phones in Japan are not only used for telephone conversations, but also for a wide range of functions, including e-mail, surfing websites, e-commerce, taking photos, exchanging still and video images, playing games, as well as map and local information services.

Around 1998, when the mobile phone usage rate was about 40%, it became popular for users to input their favorite melodies using the phone push buttons as a replacement for the regular ringtone. Users have previously been able to choose from several different chimes or jingles based on popular songs instead of the standard ringtone. However, since the three Japanese mobile phone carriers launched digital IP services in 1999, the downloading of digital ring melodies (*Chaku-Melo* or melody ringtones) has become widely popular. Phone carriers handle everything from phone sales to service subscription and fee collection, and this has helped to accelerate the popularization of digital ring melodies. Today, there are innumerable sites offering melody ringtone services, with prices ranging from ¥15 per song, to ¥300 per month for unlimited use, with some sites even offering free downloads.

The purpose of melody ringtones for users is not to listen to music, but to personalize the ringtone with favorite

tunes, or to use different melodies to identify each friend that is calling. It is a new development in music history to use songs as a fashion accessory.

Up until two years ago, melody ringtones consisted of only certain hits and standard songs that had been recreated using electronic sounds, which were distinguished from the original recordings in CD format. But users were not satisfied with these electronic tones, and the music creators and copyright holders of the original music recordings were not happy either, as only the composers were being compensated under this form of song distribution. In 2002 the carrier KDDI began its "Chaku-Uta" (song ringtone) services, which enables users to download part of the original recordings, in cooperation with Label Mobile Inc. KDDI now provides about 100,000 songs, and a total of 170 million copies have been downloaded so far. In 2004 the "Chaku-uta Full" service was launched, offering complete songs, and two million copies were downloaded in three months. This has promoted a shift in the billing method for IP access to unlimited use for a fixed monthly fee. Cell phones with digital audio player functions have also been released. While using ringtone melodies as an accessory, users also can download and listen to music for their own personal enjoyment (Table 1).

In addition to services operated jointly with record companies, Microsoft, portal sites, carriers, mobile phone service companies and music information service companies have all entered the online music distribution market in Japan, creating intense competition in 2004 (Table 2). However, the biggest rival to these services is music distribution via mobile phones.

The Japanese music market consists not only of fans listening to music on personal headphone stereo devices, but also of those who enjoy music as a mobile phone accessory, as well as those who would rather sing songs than listen

Table 1 Mobile Phone Music Distribution Services. Researched by Fukagawa Yasuto

Carrier and Service / Status of Music Distribution Service	Service Provider	Service Launch	Number of Songs Offered	Content	Price Per Song	Data Format
NTT DoCoMo Number of Melody Ringtone and Chaku-Uta sites: 177 Chaku-Uta service launch: Feb. 6, 2004 Chaku-Uta data format: AAC and AMR	Giga Networks	Sept. 1999	12,000	Melody Ringtone	<ul style="list-style-type: none"> • ¥100 per month / up to 7 songs • ¥200 per month / up to 15 songs • ¥300 per month / up to 25 songs 	MLT
	Infocom	Oct. 21, 2002		Melody Ringtone	<ul style="list-style-type: none"> • Purchasing points for ¥31, ¥105, or ¥315 and redeeming them for songs • ¥310 per month / unlimited songs 	
	Yamaha	March 1, 2000 June 21, 2004	20,000 2,000	Melody Ringtone Chaku-Uta	¥315 per month / up to 21 songs	3GPP
	Dwango	June 2001	20,000 1,600 (as of Feb. 2005)	Melody Ringtone Chaku-Uta	¥315 per month / 30 points	MIDI Mp3
	Label Mobile	Feb. 6, 2004	6,000 (initially)	Chaku-Uta	<ul style="list-style-type: none"> • ¥315 per month / 315 points • ¥525 per month / 525 points 	
OU (KDDI) Chaku-Uta Number of sites: 227 Service launch: Nov. 18, 2002 Number of songs offered: About 100,000 Total number of downloads to date: 171.25 million (as of Feb. 2005) Data format: AAC Chaku-Uta Full Number of sites: 10 Service launch: Nov. 19, 2004 Number of songs offered: 13,000 Total number of downloads to date: 2 million (as of Feb. 2005) Data format: HEAAC	Infocom			Melody Ringtone	<ul style="list-style-type: none"> • ¥15 to ¥25 per song • ¥300 per month / unlimited songs 	
	Yamaha	March 1, 2000 Jan. 16, 2004	20,000 2,000	Melody Ringtone Chaku-Uta	<ul style="list-style-type: none"> • ¥300 per month / up to 20 songs • ¥78 or ¥105 per song 	AAC
	Dwango	June 2001	20,000 1,600 (as of Feb. 2005)	Melody Ringtone Chaku-Uta	¥315 per month / 30 points	MIDI Mp3
	Label Mobile	Dec. 2002 Nov. 2004	20,000 for all Chaku-Uta	Chaku-Uta Chaku-Uta Full	¥52 to ¥210 per song ¥200 to ¥300	HEAAC
	Infocom	Sept. 2000			Melody Ringtone	<ul style="list-style-type: none"> • ¥15 to ¥25 per song • ¥300 per month / unlimited songs
Vodafone Number of Melody Ringtone and Chaku-Uta sites: Unknown Melody Ringtone service launch: Nov. 1998 (Voice guidance format) Chaku-Uta service launch: Dec. 2003 Chaku-Uta data format: AAC	Yamaha	Sept. 2000 April 1, 2004	20,000 2,000	Melody Ringtone Chaku-Uta	<ul style="list-style-type: none"> • ¥300 per month / up to 20 songs • ¥210 per month / up to 10 songs 	MP4
	Dwango	June 2001	20,000 1,600 (as of Feb. 2005)	Melody Ringtone Chaku-Uta	¥315 per month / up to 30 songs	MIDI Mp3
	Label Mobile	Dec. 2003	2,500 (initially)	Chaku-Uta	¥52 to ¥210 per song	
	Infocom	Sept. 2000			Melody Ringtone	<ul style="list-style-type: none"> • ¥15 to ¥25 per song • ¥300 per month / unlimited songs

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Table 2 Main Online Music Distribution Services in Japan

Service	Overview	Service Launch	Number of Songs Offered	Price Per Song	Data Format
Mora	Launched in April 2004, and is a record label gate with the capital participation of 18 companies including avex, Sony Music Entertainment, and Victor Entertainment.	April 1, 2004	100,000 (as of Dec. 1, 2004)	¥210 to ¥270	ATRAC3
MSN Music	Started to coincide with the release of Windows Media Player 10. Songs can also be purchased directly through this software.	Oct. 20, 2004	50,000 (initially)	¥158 to ¥367	WMA
Excite Music Store	Operated by the major portal site, Excite. Users can purchase whole albums and transfer the music to a portable player that is compatible with Windows Media DRM.	May 20, 2004	60,000 (as of Jan. 2005) Target 100,000 (by the end of 2004)	Around ¥270	WMA
OCN MUSIC STORE	This service targets members of the OCN Internet service provider, which is managed by NIT Communications. Music can also be transferred to a portable music player that is compatible with Windows Media DRM.	June 7, 2004	60,000 (as of Feb. 2005) Target 300,000 (by the end of fiscal 2004)	¥210 to ¥260	WMA
music.jp	The first music distribution service to be operated by music.jp. The music lineup consists of popular Japanese songs from the seventies and many other tunes that are relatively difficult to find on CD.	April 21, 1997	8,500	¥210	WMA MP3
ORICON MUSIC TOWN	This service offers music ranging from the latest numbers from the Oricon music hit chart to golden oldies. With a lineup of over 100,000 songs, it has a tie-up with a newspaper website.	March 23, 2005	Over 100,000	¥200 on average (expected)	WMA
Yahoo! Music Download	Yahoo! Music has a database of about 2.3 million songs, CD reviews and rating information. Jointly operated with Label Gate Co.Ltd.	Feb. 2005 (expected)	73,000 (expected)	¥158 to ¥368 per song (expected)	ATRAC3

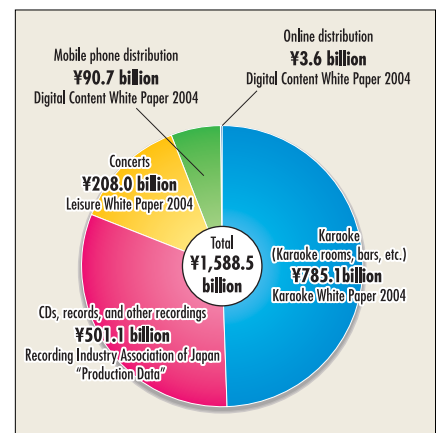
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to them, in *karaoke* studios (Figure 1). The future of Japanese music distribution will depend on whether serious music fans will decide to use cell phones or karaoke to enjoy music, and whether casual users who enjoy music through cell phones or karaoke will decide to use online music distribution services.

From the perspective of the music copyright holders, music distribution via cell phone provides security in preventing illegal music use, as users cannot transfer the songs from their phones.

Moreover, fees can be collected easily and reliably through carriers with this format. In the last 10 years the Japanese music market has grown from one focused on *enka* (modern ballads) and *kayo-kyoku* (Japanese hit songs), to "J-pop," contemporary rock and dance music with Japanese lyrics. However, in the last few years there have been few number of big J-Pop hits. The most important thing is to create music which stimulate for distributing it on IT systems.

Figure 1 Japanese Music Market by Distribution Method (2003)



Source: ©HUMANMEDIA

Music has no borders – although it is said that in actual fact the best distribution methods vary from country to country depending on the IT environment. The Japanese music industry is in a unique situation. There is a common view that the transformation of music through technology cannot be stopped, and the past is gone forever. **JS**

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