

Canada

Pirates under the Maple Leaf

The music industry in Canada is more than a miniature version of the US market. Not only is The True North different from the US, but it also faces a host of problems that differentiate it from almost every other major digital market.

In 2008, the Canadian Recording Industry Association (CRIA) reported that the Canadian music market shrank to US \$439m with retail sales dropping below half of their peak 1999 revenues. The total market dropped 9% compared to 2007, which came as good news in light of the 15% decline from 2006 to 2007. Stronger sales stemmed the revenue plunge during the 2008 holiday seasons, but digital music sales were a mixed bag for the business.

The total physical market for Canada stood at US \$365m in 2008, a loss of 15% compared to 2007. Revenue from CD albums fell 16% compared to 2007, DVD sales were down 9% and other physical media dropped 33%. Roughly 36m physical units were shipped, down from the previous year's 42m.

Fortunately the digital sector climbed 44% to US \$74.5m, marking the strongest area of growth, according to CRIA. Internet downloads hit US \$45.4m, jumping up 65%. Subscription service revenues increased by 46% and mobile content grew by around 5%. Ad-based and non-download services, mainly streamed content, rose 413% to US \$2.8m, the

largest jump of the sector.

Despite digital music's gains, it only represents 17% of the whole Canadian market according to the IFPI, a number much lower than other nations. This puts Canada below the global average of 22%: this is despite having one of the highest broadband penetration rates in the world. Digital track sales in Canada, which historically have been near 10% of US sales, reached only 40.7m units, barely 4% of the States' 1.07bn units.

The digital market's biggest threat is piracy: the OECD said Canada has one of the highest rates of illicit file-sharing in the world.

The most dynamic piracy in Canada takes place in the ever-evolving BitTorrent sector. While most P2P traffic has moved to these sites, two other piracy forms also shape the landscape: physical counterfeiting and storage services. Over the past two years, CRIA and law enforcement have seized more than 700,000 CDs, with a single raid last year capturing roughly 200,000 music CDs and DVDs.

This slump in the market doesn't look short-term. According to CRIA there were no major new digital music service offerings launched in Canada in 2008. The only real innovation came from a few net radio services adding digital storefronts and the introduction of the iTunes Genius recommendation engine. So far in 2009, the biggest additions to the market have been the imminent expansion of 7digital's store to Canada; and online music

store MyMusic.com's recent deal with 24-7 Entertainment to provide digital content distribution for some label partners.

Despite some sour numbers, Canada's mobile market has the potential to do well this year. Projections put smartphone users at 30% of the market by the end of 2009, a 19% increase over two years. Research In Motion, the company which manufactures the BlackBerry, is Canadian and is a global success story with a reach of 21m users, smartphone market share of 20% worldwide and 68% growth in the sector in the last year. And a global partnership with U2. But all of this may not help its home music market.

Canada's big three mobile operators — Bell, Rogers and Telus — now provide an over-the-air music download and subscription service. So at least the stores will be there as soon as the customers show up: the latest IFPI figures show that mobile sales fell from US \$21.7m in 2007 to \$20.8m in 2008.

The extent to which other mobile downloads increase depends on continued 3G development. The sale of new spectrum at the end of last year is a good sign for further development. Nielsen expects the country to reach 70% 3G penetration by 2013.

All of this means that, as in many other countries, the plight of the music business has become politicised. On the one hand there's the strength of the file-sharing masses, galvanised by the country's Pirate Party who recently launched a new



Canada Stats

Population:
33.48m

GDP per capita:
US \$39,100

Internet users:
28m

Broadband connections:
9.6m

Mobile subscriptions:
25.1m

Sources: CIA World Factbook, OECD

BitTorrent tracker, dubbed 'Captain,' to allow artists to release tracks under Creative Commons licences to the wider world. On the other hand, the Songwriters Association of Canada might have better luck with its controversial push for a legal P2P network that charges users a flat monthly fee.

While digital sales continue to climb, they do not offset Canada's physical losses. If the industry aims to stay afloat, the government will have to address piracy problems and concerns in order to entice services like MySpace Music and Amazon MP3 to open their doors in Canada. The spread of 3G networks and smartphones is also vital to the future market, especially as more applications and services come available for Android mobiles, BlackBerry devices and the iPhone. The future of Canada's market hinges on the enhancing copyright protections while enticing new service providers.