

CONFERENCE DAY 2

Expanding the Research Horizon in Korean Studies – Copyright Issues and Culture Industries in Southeast Asia and Korea

Copyright Industries in Southeast Asia and Korea—Part I

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Presenters

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A BRIEF HISTORY OF GMM GRAMMY AND THAI MUSIC INDUSTRY

Mr. Surachai Sensri

Managing Director, GMM International, GMM Grammy Ltd., Thailand

GMM Grammy was set up in 1983 as a small records company.

By that time the biggest local records company was EMI. They had a lot of big local artists such as Chatree, Pink Panther and etc.

International music industry was under heavy piracy at that time.

GMM also started media business by getting a block on national TVs to do music video programs as a self contained media company and also to support the records business.

In 1993 the government cleaned up the piracy on the international music side. During that

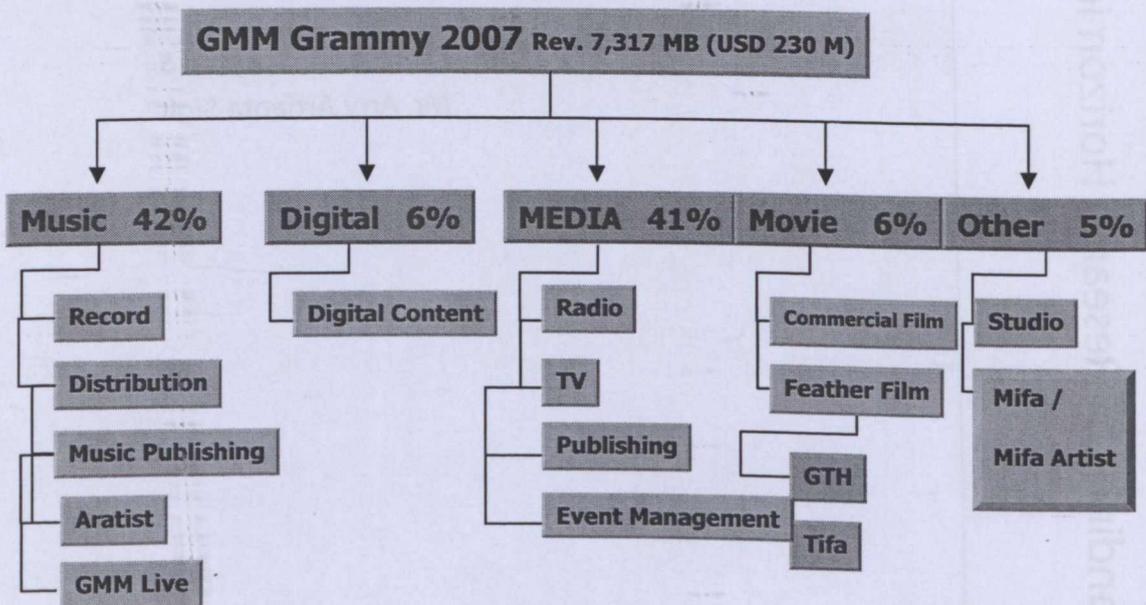
time we can see a lot of international artists managed sell over 100,000 units in Thailand. There were also so many international artists came to Thailand for both promotional trips and concerts.

In 1994 GMM Grammy listed GMM Grammy Public Company Limited in The Stock Exchange of Thailand.

In 1997, there was an economy crisis in Thailand.

In 2002 GMM Grammy listed GMM Media Public Company Limited in The Stock Exchange of Thailand.

GMM Grammy Group Structure



GMM Grammy has own building 43 stories in central Bangkok. The building is called GMM Grammy Place.

We have almost 3,000 employees. Most of us are working at this building.

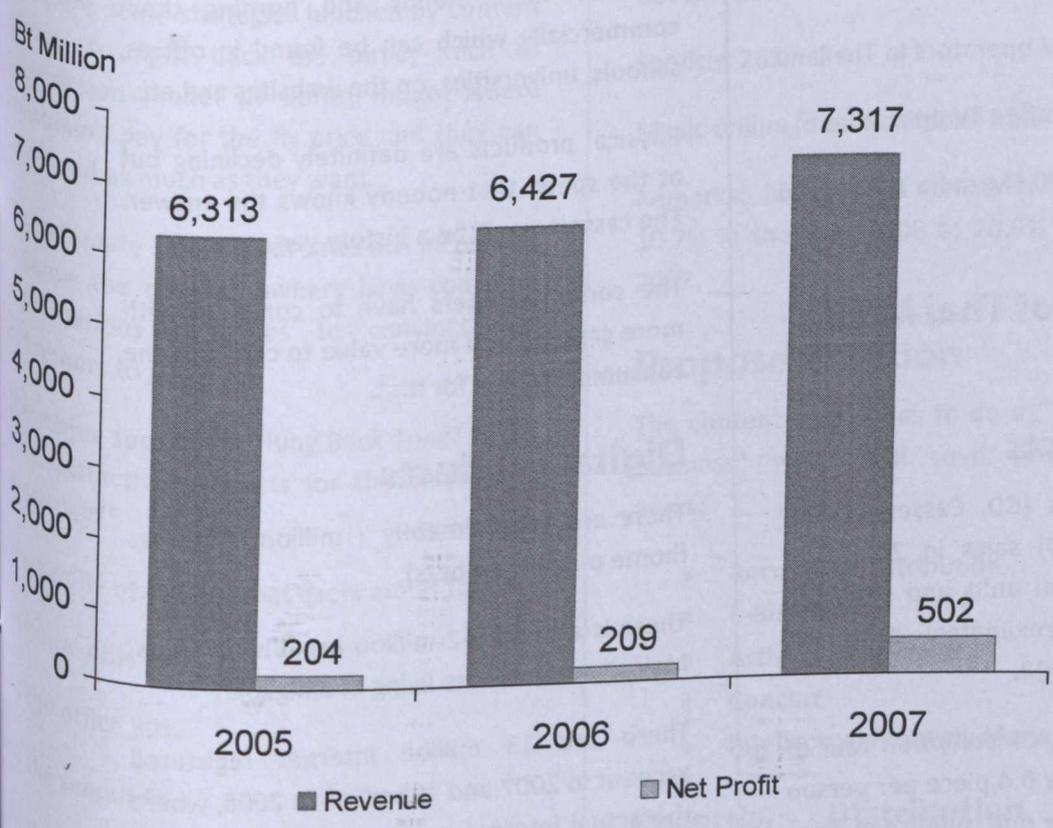
We have more than 400 active signed artists with more than 70% market share of total music market in Thailand.

We have produced more than 100 new albums per year with more than 1,000 new songs per year.

We are also a music publisher for most of these songs.

GMM Grammy Revenue & Net Profit (2005 – 2007)

GMM GRAMMY



General Information About Thailand & Media Environment

Thailand has population of 65 Million people.

75% of the population is Thai and 15% is Chinese.

For teenagers and early working people, these groups of Chinese Thai are the third or fourth generation in Thailand. Most of them are no longer speaking Chinese anymore.

The official language is Thai. There are 76 provinces in Thailand.

There are 6 national TVs that cover Thailand nationwide.

More than 400 Cable TV operators in Thailand.

There are also some satellite TV operators.

There are more than 300 FM radio in Thailand and 34 are in Bangkok.

Current Status of Thai Music Industry

Physical Products

Total physical products (CD, Cassette, VCD, VCD Karaoke and DVD) sales in 2007 was approximately 25 million units and expected to decline to be approximately 20 million units (20% decline) in 2008.

In 2007, Thailand has a consumption rate of physical products at only 0.4 piece per person per year and the average ppp (published price to dealer) of CD, VCD and VCD Karaoke are only approximately 3-6 USD.

Compared to Japan where a consumption rate of physical products is 2.4 pieces per person per year and the average ppp (published price to dealer) of CD approximately 17-23 USD.

Piracy is mostly available in mp3 format. There is rarely counterfeit audio CD, VCD and VCD Karaoke available.

People can buy a CD compilation of 150-200 songs of mp3 around 2-3 USD. It's distributed to everywhere. In the street markets close to office buildings, in the weekend markets, in some shopping malls and etc. Some of them are even available on many websites that sell pirate products.

For DVD, there is a lot of counterfeit DVD available in the same distribution channels as pirate mp3.

The other form of piracy is burning of CD, VCD and DVD. There are in the form of burning for free for their friends and burning them commercially which can be found in offices, schools, universities, on the websites and etc.

Physical products are definitely declining but at the speed that nobody knows the answer. The cassettes will be a history very soon.

The content owners have to come up with more creative and more value to convince the consumers to pay for it.

Digital Products

There are approximately 7 million land lines (home phone numbers).

There is around 1-2 million broadband users. Majority of them are living in Bangkok.

There are 13 million internet registered account in 2007 and 18 million in 2008, where the actual internet users was 20 million (30% of the population) in 2007 and 27 million (40% of the population) in 2008.

There are 51 mobile phone users (78% of the population) in 2007 and 54 mobile phone users (83% of the population) in 2008.

The piracy in the form of digital is increasing rapidly. Once the song just distribute to media or available commercially, there will be available shortly afterwards in hundreds or thousands of websites for free. This form of piracy has affected the physical piracy. We can see the downturn of physical piracy where youngsters, those who are younger than 30 years old and computer literate, has shifted to digital piracy because it's cheaper or free to them.

The only application that the consumers can not pirate is the "Ring Back Tone" (the song the caller hears when he or she is calling someone else), where the digital files is hosted at the telecom companies' servers.

There are some strategies lunched by content owners to fight back the piracy such as subscription model or buffet model where consumers pay for the fix price and they can download as much as they want.

On legitimate side, digital sales are increasing because the content owners have come up with various strategies to convince the consumers to pay for it.

The major application "Ring Back Tone" is the most attractive products for the consumers these days.

The profile of the internet users are as follow;

At home 48%

At the office 39%

At the school 4%

At the internet cafe 7%

Others 2%

37% of them using broadband and 63% of them are still using dial up

E-commerce is still a very long way to go in Thailand. 30% of the internet users have tried it before where the other 70% has never tried.

The reason why customers never try to buy on the internet;

Don't trust the seller 59%

Don't have a chance to examine the product 59%

Don't trust payment method 43%

Don't want to give away credit details 39%

Think that the process is to complicated 28%

The products that most sold on internet;

Books 33%

Services 26%

Music online (downloadable) 21%

Remarks: Music sold online is rising from 10.7% in the year 2006 to 20.9% in the year 2007.

Propose Solution

The content owner has to do a "Total Music Business" which will cover the following areas;

- Records & Distribution
- E-Business
- Artist Management
- Concert
- Intellectual Property Management

Records, Distribution & E-Business

As we can see that it's a declining stage for records companies worldwide. Most of the countries have suffered from heavy physical piracy. If the companies are able to manage to catch with an increasing of digital music

business then they may survive in such a heavy piracy environment.

But people are listening to more songs. Some may listen from mobile phone; some may listen from mp3 player. We can see that in the past 5-10 years people have listened to more songs because it's getting more and more convenience for them to listen to.

They do not have to carry a lot of CD and do not have to carry a portable CD player or look for a CD player to listen to music anymore. Key word is "Convenience". But it comes with convenience to pirate as well. That why records companies worldwide has been suffering from declining sales of physical products.

If the content owner want to produce records (content) but do not want to have their own physical and digital distribution, they will make money from the content exploitation only. They will loose margin to physical and digital distributors. These margins should not be overlooked. It's quite big money for content owners to investigate in having own distribution for both physical and digital.

The content is always the core, or you can call it "The King", for music industry. If there is no music, there will not be distribution. We are just living in the changing world from physical distribution to digital distribution.

The best opportunity for records companies to survive they have to own content and distribution.

Artist Management

Artist management has playing important roll to develop, maintain and promote artist's career. There are more and more that records company in Asia has controlled artist management rights of their recording artists.

It is easier for a records company to manage artist instead of letting an artist management company handles their recording artist.

It is also declining of revenue in records business, records companies have found another revenue stream from artist management to substitute the declining of their revenue in records business.

Artist management covers all 360 degrees management that related to artists such as booking agents, endorsement deal and so on.

The most common area of artist management that everyone is familiar with is a booking agency role. When the artists do concert or showcase touring, the artist management has organized the touring for them. This role of artist management is called booking agency. Normally the artist and the artist management have agreed in the mechanic and also revenue or profit sharing model before starting the tour.

The tour can be the club tour, can be the shopping mall tour, can be open air concert tour and etc.

The other most common area for artist management is endorsement deal which they will look for products to be associated with their artists. The products will pay the artists for being a presenter of the products.

Concert

Paid concert is also another source of revenue for record company to step into. This can be done in a small scale such as one – two thousands audiences, a medium scale such as five to ten thousands audiences or a large scale such as thirty thousands to sixty thousands audiences.

The records company can earn revenue from both ticket sales and sponsorship.

As the content owner who also controlled music publishing rights (it will be explained in details about music publishing in the next subject - Intellectual Property Management), it makes the content owner in an easy position to record the concert and release in DVD or other formats later on.

Intellectual Property Management

Most of the records companies in the world owned only sound recording. But there is the other right which is called "Music Publishing Rights". Music Publishing consists of melody and lyrics [written by songwriter (s)].

In most of the cases, the songwriters own or co-own with the music publisher.

The records company has to get the song first, from the songwriter or the music publisher, before they can let their artist records the master for them.

If the songwriter or the music publisher insists not to let the records company use their song, then - in most of the cases, the records company can not use their song.

We can see that these days, the records company started to own or being a music publisher for a songwriter. So when the records companies decide to do anything with the song, they do not have to worry whether they will get an approval from the songwriter or the music publisher or not.

Music Publishing is one of the areas in music industry that is not declining;

Whenever records companies sell their masters in any form, physical or digital, they have to pay royalty to music publisher for using the melody and lyrics.

Whenever an advertising company wants to use the song in their client's TV commercial,

they have to pay the song writer for the melody and lyrics.

Whoever wants to uses the songs for commercial purpose either directly from the songs (such as karaoke and etc.) or indirectly (such as a song played in a restaurant), they have to pay the license fee to the songwriter or the music publisher or an organization that represents the song writer / the music publisher.

Problems Found From Business Ties with Foreign Companies in Thailand

Synchronization Clearance

Adaptation violation - The licensor, which is a records company, did not clear with the music publisher for adaptation of original melody into local language. They let their artist sing in local language by using other people's melody.

Synchronization violation - The licensor synchronize the video or music video with the new master (new version) which is a local language lyric with other people's melody without clearance with the music publisher.

No sub publisher in Asia / Thailand for some western song writers

The licensor can provide the name of the songwriters but they do not have sub publisher(s) in Asia / Thailand. If we can't clear 100% of that specific song, we have to remove the song from the package or can't release the single/EP/album at all. In some case that we can not release the package because the licensor does not approve us for releasing the package without that specific song.

No label copy provided

Most of the licensors do not provide label copy. The essential information is the song writers' name and sub publisher (s) company in Asia / Thailand.

We have accrued mechanical royalty according to the industry rate, but we don't know whom to pay to.

Sometimes the song writers use pseudonym, which is not their real first name and last name, this makes licensee's life very difficult to find out who they are.

Adaptation Clearance

There are many times that we want to clear the song to adapt into Thai language by GMM artists. But the song writers and / or the original music publisher compares Thailand market with Japan market which is about 50% bigger than Thailand market. They use the income or advance they have got from Japan to be a benchmark to ask from us, which is not realistic.

Middleman

Some of the records companies in Korea licensed their products to Korean companies, both base inside Korea and outside Korea. These companies have tried to sub license these products to us. We found that they have no knowledge about music industry especially about rights. It makes things worse for licensee who wants to sell Korean products in Thailand.