



How Vietnam Can Sink Music Pirates

Copyright violation and piracy levels in Vietnam rank among the highest in the world, with the recording industry estimating losses to unauthorized uses at 95%. From Ho Chi Minh City, **Gage Raley** proposes a strategy by which the Vietnamese music industry can get consumers to pay for their digital music downloads.

The Vietnamese recording industry faces an existential threat from digital music piracy. The most popular way of obtaining music in Vietnam is through copyright-infringing websites. Copyright violation and piracy levels in Vietnam rank among the highest in the world, with the recording industry estimating losses to unauthorized uses at 95%. “These violations will kill Vietnamese music if we do not stop them,” composer and “Vietnam Idol” judge Quoc Trung recently warned.

Two major events in 2012, however, brought hope that Vietnam may have turned a corner in its fight against music piracy. First, Apple launched iTunes Vietnam, bringing its popular paid-music service to the Vietnamese market. Second, after an Associated Press exposé on Zing’s facilitation of copyright infringement led several multinational corporations to yank their ads from the site, Zing promised to begin charging for music downloads. Pundits have heralded these turn of events as potential godsend for royalty-starved Vietnamese artists.

Unfortunately, Zing’s paid music downloads and iTunes’ new venture are unlikely to lead to an appreciable increase in royalty revenue. This is due to problems related to pricing, payment, and practice.

Pricing

iTunes’ pricing model makes its music far too expensive for the Vietnamese market. In order to prevent arbitrage, iTunes

Royalty Revenue in the Digital Age

Generating royalty revenues in the piracy age is challenging. In light of this challenge, Vietnam has established an entire entity – the Vietnam Center for Protecting Music Copyright (VCPMC) – dedicated solely to protecting copyrights and collecting royalties for artists.

The music industry is also responding to the revenue crisis with creative solutions. Borrowing from the model used to support broadcast television, Pops.vn collects royalties for its artists by cooperating with sites like YouTube for a share of the advertising revenues generated by music videos.

As millions of Vietnamese purchase smartphones for the first time, advertising from streaming apps holds enormous potential for royalty revenue. Such a solution circumvents Vietnam’s payment mechanism issues, as it relies on advertisers rather than consumers for payment.

charges the same price per song – US\$0.69 to US\$1.29 – in every country it serves. iTunes' average cost-per-song is US\$1.20, which means that a single song can cost the equivalent of a day's wages for Vietnam's young adults.

The pricing scheme that Zing proposed last year, at US\$0.05 per song, is far more realistic for the Vietnamese market. Unfortunately, Zing has not followed through on its promise to begin charging for music downloads. As of today, music is still available for free on the site.

Payment

Vietnam is overwhelmingly a cash economy, but online purchases cannot be paid for with cash. Purchases on iTunes Vietnam, for example, require either a payment card or PayPal information (PayPal accounts are linked to bank accounts). It is possible to use cash to purchase a physical iTunes scratch-off



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card, which in turn can be used to make online purchases, but iTunes cards are not widely available in Vietnam.

The lack of digital payment options represents a major obstacle to monetizing digital music downloads in Vietnam. The vast majority of Vietnamese consumers do not hold transactional bank accounts or use debit or credit cards. Nielsen reported in 2011 that credit card services “are used by just one percent of Vietnamese consumers,” and only 30% have an ATM or debit card. Of those who have been issued banking cards, VietNamNet reports that “many card holders have not used the cards for making payment.” Nielsen also reported that only one-third of Vietnamese consumers have transactional bank accounts. For

the 12-25 age group coveted by digital music providers, the percentages are even lower. Because online payment is so inconvenient, even if Vietnamese consumers wanted to pay for online music, they cannot.

“Paid music services do exist in Vietnam, such as iTunes, but the lack of a local payment option handicaps the growth of such services,” notes Esther Nguyen, CEO of POPS Worldwide, a leading distributor that markets Vietnamese music and videos worldwide. “Until an effective payment solution is in place, the Vietnamese music industry is unlikely to make significant inroads against piracy.”

Practice

Of course, most young Vietnamese consumers prefer not to pay for digital music, especially now that they are accustomed to getting it for free. Vietnamese consumers will not change their practice of downloading free pirated music unless there is a compelling reason to do so. The Vietnamese music industry's efforts at changing consumer habits has so far consisted of lobbying the government to shut down infringing sites, pressuring businesses to stop advertising on infringing sites, and “educating” consumers about copyright laws and their objectives. Unfortunately, these strategies, by themselves, are unlikely to succeed in the short term in reducing piracy rates.



The US music industry employed those exact same strategies during the early 2000s and saw disappointing results. Piracy-facilitating sites and software proved hydra-like; when music industry lawsuits were successful in shutting down one site, two more would appear to take its place. Convincing advertisers to keep their ads off piracy sites were largely unsuccessful (partly due to the inherent nature of internet advertising, which makes it difficult to monitor specific sites the advertisements are placed on, and partly due to advertisers' desire to reach the coveted youth demographic that frequents piracy sites). “Educating” consumers also failed to change attitudes towards piracy, as polls showed that a large majority of young people knew about copyright laws but did not consider music piracy to be “morally wrong.”

The failure of the US music industry to change consumer habits

US Music Industry Efforts Against Piracy

When the US music industry decided to file lawsuits against individual who downloaded pirated music, many experts warned that it would create negative media backlash. Some analysts, however, applauded the move, and further argued that the music industry should deliberately seek out and file suits against sympathetic defendants in order to generate publicity and raise awareness about the consequences of piracy.

As expected, the lawsuits sparked a media firestorm. When the industry filed a multi-million dollar suit against a 66-year-old retired schoolteacher mistakenly accusing her of using KaZaa to download hardcore rap, including Trick Daddy's “I'm a Thug,”

the New York Times ran a full-length article on her plight. Fox News ran a story on Durwood Pickle, a 71-year old computer-illiterate grandfather from Texas who was sued because his grandchildren downloaded music on a computer he purchased for them. The defendant who received the most media attention was 12-year-old Brianna LaHara, an honor student who lived with her single mother in a New York housing project. The BBC reported that one of the songs she was sued for downloading was the children's song “If You're Happy and You Know It.”

The controversial lawsuits worked. Piracy rates plummeted soon after the lawsuits were filed and reformed music pirates flocked to the new iTunes service.

through shutting down infringing sites, pressuring advertisers, and educating consumers does not bode well for its Vietnamese counterpart's similar initiatives.

How Vietnam Can Effectively Combat Music Piracy

So if the Vietnamese music industry's current efforts are unlikely to succeed, what can it do to effectively combat piracy? Fortunately, the experience of the US music industry offers a case study in how to curb piracy and convince consumers to pay for digital music.

The US music industry eventually managed to change consumers' downloading habits through a controversial two-prong strategy. In 2003, the major record labels approved a licensing deal with Apple to provide consumers with a cheap, convenient, and legal service for obtaining digital music: iTunes. The record labels believed that the iTunes business model had the potential to be a success, but also knew that consumers would not shift from free pirated downloads to paid iTunes downloads voluntarily. In order to force consumers to make the switch, the record labels initiated a massive lawsuit campaign aimed at individuals who had downloaded music illegally.

Under US law, the potential liability for unauthorized music downloading is US\$150,000 per song, and each lawsuit defendant faced claims worth millions of dollars. The music industry intentionally targeted sympathetic individuals – students, grandparents, and even the disabled – in order to generate media outrage and intensive coverage of the lawsuits. As expected, the lawsuits received heavy media attention.

The purpose of the lawsuits was to scare people away from downloading pirated music, and the lawsuits worked. Traffic to popular piracy sites plunged, and iTunes' music sales soared. Today, over 25 billion songs have been sold through iTunes, a profound validation of the music industry's 2003 initiative.

The piracy fight in the US shows that turning a profit in the digital age is possible with the right tactics. The Vietnamese

Advertising and Music Piracy

In Vietnam, social media sites such as Zing are major facilitators of music piracy. The sites attract young consumers with free music, who in turn attract advertisers to the sites.

The 15-25 demographic is one of the most sought-after age groups by marketers. Impressionable young people are more receptive to advertising than adults, and are thus the most valuable target for advertisers.

This makes it difficult for the Vietnamese music industry to convince advertisers to boycott copyright-infringing sites like Zing. While businesses might wish to be good corporate citizens and shun such sites, they are also tempted by the presence of a highly-coveted demographic group.

The music industry successfully lobbied Samsung and Coca-Cola to stop running ads on Zing, but other businesses have resisted pressure to leave the site.

Even after it was discovered that the US Embassy in Hanoi had a presence on Zing, the Embassy initially resisted calls to leave the site, noting that Zing was one of the few avenues it had to reach out to young Vietnamese. Eventually, the Embassy removed its account from the site.



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music industry could attempt to change consumer practices by adopting similar tactics. To do so, the Vietnam music industry must first develop a digital music vending service that is tailored to the Vietnamese market, and then drive consumers away from piracy sites and to the new service.

The business models of existing online retailers simply are not feasible in the Vietnamese market. Their prices are too high for the Vietnamese market, and their bank card-based payment mechanism cannot be utilized by the vast majority of Vietnamese consumers. Therefore, an entirely new digital music service, priced appropriately and utilizing a payment mechanism suitable for Vietnam, must be developed and brought online.

The pricing model that Zing floated last year – a US\$0.05 per song – is a realistic price for Vietnam. Such a price is just a small fraction of what iTunes charges for the same songs, and royalties will also be smaller, but that price is still US\$0.05 more than when a consumer downloads a pirated song.

In regard to the payment method, scratch cards offer a possible solution for making digital music purchases. Vietnamese consumers are already well acquainted with using scratch-off codes to refill pay-as-you-go mobile phones, as Thanh Nien Daily reports that 90% of Vietnam's mobile phone customers are prepaid users. A digital music site or smartphone app could use scratch-off codes as its form of payment. Several online gaming sites in Vietnam are successfully using scratch-off codes as a payment mechanism. iTunes, as mentioned earlier, uses scratch-off cards to reach US consumers who do not have credit cards, which demonstrates that scratch-off cards can be a viable system for digital music purchases.

Finally, the Vietnamese music industry should make high-profile examples of a few individual copyright infringers in order to make Vietnamese consumers think twice before downloading music illegally. These individuals should be sympathetic and relatable so that consumers identify with them; the goal is to make the consumer think, "what if I'm taken to court next?" This deterrence campaign should only take place after the new digital music payment service is functional, as the objective is to use the consumers' fear of punishment as an impetus to switch to the new service. This dual effort will need to be coordinated. There may only be a small window of time, when the deterrence campaign is new and fresh on everyone's mind, that consumers will be open to changing their downloading habits. After a while, the story will fade and the fear will subside, so timing is crucial.

Conclusion

With the right strategy, the Vietnamese music industry can get consumers to pay for their digital music downloads. Using the US experience as a guide, the industry should develop a paid digital music service tailored to the Vietnamese market, and then use a well-publicized deterrence campaign to convert consumers to that service. **AIP**