

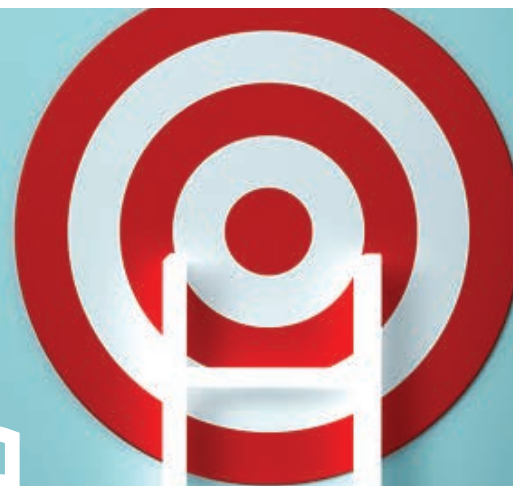
the report

music:)ally

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#2019Goals

The music industry's key challenges this year...and how we can tackle them





Up to the tasks

2018 was a cracking year for the music industry for all kinds of reasons, but particularly the continuing, streaming-driven growth for recorded-music. The IFPI may not publish its Global Music Report until April, but all the data we've seen from individual countries points to another year of healthy growth.

That's reflected in a confidence and optimism within the industry that feels very different from the 15-year period

- when recorded-music revenues were, seemingly, inexorably declining. Growing investment of all kinds – in startups, in artists, in catalogues – is aiding that spring in the industry's step.

- There is plenty to be chirpy about, then. The risk is that this confidence and optimism tips over into arrogance and complacency. That streaming-revenue growth is a long-term given – remember when people thought the same about CD

- sales? – and that we can kick back and enjoy the golden age.

- Actually, there's no better time to swerve that danger by considering some of the big challenges that our industry still faces, and how – from a position of growing financial health – they might best be tackled.

- So, to the first **music:)ally** report of 2019. We've chosen some challenges that we see, from diversity and 'fake music' to building

- subscription businesses in new markets and the post-Article-13 YouTube relationship.

- We've also turned to a range of industry figures to pick their brains on challenges for 2019, with guest contributions that avoid plugs for their own companies in favour of looking at the bigger picture. We hope the overall effect will be to boost your enthusiasm for the industry's prospects, rather than dampen it down. Enjoy! :)

Views from the industry



**Carianne Marshall, COO,
Warner/Chappell Music**

“We need to see greater recognition for songwriters and their craft in 2019. After all, there is no music without a song. We’ve already seen some welcome steps with digital services starting to highlight the role of songwriters in their credits. I’d like to see more televised award shows around the world honour songwriters so that fans understand their importance – it would be great if the BRIT or NRJ Awards had a Songwriter of the Year category.”

**Dawn Ostroff,
Chief Content Officer, Spotify**



“The music and entertainment industries have both made important strides when it comes to women and the opportunities available to them. I’ve had the privilege of meeting some exceptionally talented women in this space who are making a significant impact at all levels. This is inspiring and indicative of the future that lays ahead for all of us but, still, representation isn’t where it needs to be.

“While I’ve been a part of the entertainment business for many years, I am admittedly newer to the music industry. As I learn and grow, my hope is to become part of a solution that is grounded in a commitment to equality and drives real change. I hope the wider industry will continue to invest in building more inclusive practices, so that this business can advance in ways we can all be proud of.”

**Liliana Abudalo, music content
partnerships manager, Middle East,
Google / YouTube**

“Despite a long and rich history in arts and culture, the Middle East and North Africa (MENA) is a part of the world that



hasn’t received too much attention from the music industry in recent years. For many people in the industry this young and fast growing region is a blind spot on the map as evidenced by the fact that it isn’t covered in official aggregated data reports. Because of this, the dynamics and opportunities in 19 countries that share the same language remain largely unknown to the rest of the world.

“Last year however was an exciting one with the arrival of more global rights holders and the international expansion of global digital service providers (DSPs). This presents a pivotal moment for MENA based music companies (DSPs and licensors alike) as they will need to elevate their game to compete with the global companies.

“YouTube consistently sees both mainstream global artists and new acts from MENA reach audiences around the world. We’re excited to see this accelerate in 2019 as the region comes into focus for the global music industry. However, education on basic rules of copyright and rights administration poses a serious challenge. DSPs including YouTube help to create more awareness around copyright by reporting authoritative data to rights holders, creators and artists alike.”

Helen Alexander, CFO, Merlin

“Success can cause its own complications. As the recordings business revives and prospers with the global growth of streaming, sharp increases in the volume of data and payments pose significant challenges.

“Receiving increasingly complex reports from multiple territories, with

each DSP using a different format, creates complex individual data sets. Meanwhile, the global market demands payment solutions capable of handling fluctuating exchange rates in various currencies.

“In 2018 Merlin saw processing volumes increase significantly yet again, as new DSPs launched, existing ones expanded their business into new territories and our membership grew. At the same time, rights holders rightly expect ever quicker access to consumption data and revenues - with extremely short timeframes in our case. So we are investing heavily in systems and data processing to streamline the process and increase efficiencies.

“Looking forward, technological innovation needs to focus on the standardisation of processes across the business – whether it is streamlining the supply of data, assignment of rights, and the reporting, processing and distribution of data and revenue. All of which delivers increased transparency for rights holders, which is crucial to the ecosystem. Adopting these technologies in a more standardised way will enable the global music licensing chain to operate as an ever more effective marketplace.”



Making the music industry more diverse

In our end-of-2018 trends report in December, we highlighted some of the progress that had been made around diversity and inclusion in the music industry last year, particularly for gender. Mentoring schemes, databases of women in the industry, and manifestos outlining how further improvements could be made all drove this debate positively.

However, we also looked at some of the setbacks, including the 'Women need to step up' controversy of the Grammys, as well as the stories being shared about harassment and sexism within the industry. It was clear that there is much work to do.

So, one important challenge for 2019 is to build on those positive efforts, while another is to root them in a wider drive for all kinds of diversity and inclusion: ethnicity, disability, age, sexuality, mental health... It's not a liberal agenda for its own sake: it's about making an industry that's truly representative of the people it serves – fans and artists – and also doing better business thanks to the resulting diversity of thought.

If we had to summarise the specific challenge this year, though, it's the importance of the 'how' question alongside the 'what' and the 'why'. Which is to say: the conversation about what the industry's challenges are remains important – from proper data on where we are falling short to people speaking out about their experiences – while the understanding of why better diversity and



inclusion are goals worth working towards is equally vital.

But armed with all that information, we can also share more information about how to act on it: how companies who have tackled these issues went about it, and how that might apply to different kinds of companies within the industry who want to follow suit.

It's practical questions like how to approach recruitment and training, and how to draw up clear policies for workplace culture. Industry bodies can and will play a strong role here, from workshops for small firms to reports and events for people to share how they

changed their company's culture and/or processes.

Such lessons from one facet of inclusion (gender, say) might also be applied to others (like ethnicity) and vice versa, while also being aware that there are also some different challenges and solutions for each.

Another challenge is one of positivity:

about diversity and inclusion being a goal everyone can work towards. It's possible to acknowledge that one specific demographic dominates the senior leadership within the music industry, while not talking defensively as an attack on 'old white men'. These men – many not so old – have a positive role to play too.

Finally, mental health and wellbeing is definitely part of this. If we want diversity of thought within the music industry, then ensuring people don't burn out and/or quit the industry is a priority, and giving people the support they need to do great work, is a priority.

An always-on culture of email and messaging mixed with the evolutions wrought by streaming – ask a nearby digital marketer how many campaigns they're juggling simultaneously, for example – offer danger points worth grappling with.

For tackling all of the above, the rewards are the same: attracting, retaining and promoting the most talented people to and within the music industry, and ensuring that the growth and optimism of the last few years can be built on long into the future. :)



Next moves for the YouTube relationship

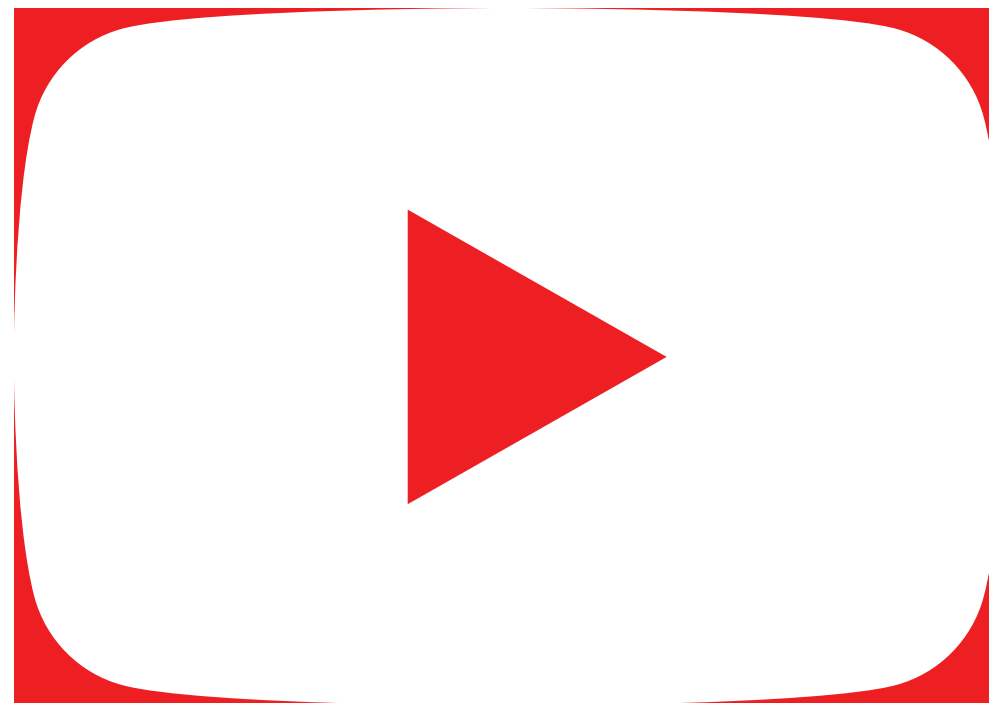
At the time of writing, it's still unclear quite what's going to happen with Article 13, the section of the proposed new copyright directive in Europe that deals with online platforms and their liability for copyrighted material uploaded by users.

When **music:)ally** spoke to a number of music-industry bodies in October, the month after a European Parliament vote to approve its draft text for the legislation, they were genuinely pleased at what they saw as a hard-won victory in an intense lobbying campaign.

Their theory: the draft texts produced by the European Parliament, European Council and European Commission were sufficiently similar (in terms of Article 13) to make it highly likely that the music industry's desire for a clampdown on platforms like YouTube would be carried through to the final text, with the vote on that in the spring this year a formality.

Three months on? It's not looking quite so good for the industry. YouTube's senior execs (including CEO Susan Wojcicki and music boss Lyor Cohen) pressed their case against Article 13 publicly, while the company launched a powerful new campaign to protest against it – from encouraging YouTubers to voice their support to pop-up ads pointing viewers to the #SaveYourInternet campaign.

The 'trilogue' process to nail the final legislation has taken twists and turns: rightsholders protested that Article 13 was being watered down at one point,



while remaining hopeful that it might swing back before the final text would be produced. Meanwhile, with European MEPs set for upcoming elections, that formality of a final vote might not be so formal after all.

The challenge that we see is about what comes after the new legislation, and how the music industry and YouTube – within the boundaries of whatever becomes law in the various EU member states – repair their relationship after the fiercely-divisive lobbying in the final quarter of 2018 and early 2019.

collaboration, even if Cohen's involvement in particular rankles with rightsholders.

Regardless of the outcome, YouTube's challenge in 2019 (musically speaking – it has plenty of others too, particularly around content moderation) is to put even more welly behind its YouTube Music subscription tier, with more marketing, more partnerships and a bigger push through Google's enormous base of Android devices.

Alternatively, if Article 13 does go the music industry's way, the challenge will be about establishing the new parameters for the YouTube / rightsholders licensing relationship going forward – which can't just mean squeezing the video service's pips for all they're worth at the negotiating table, but rather finding a balance (as with Spotify and other audio-streaming services) that enables both sides to grow together.

Rightsholders have always said they just want YouTube to have parity with those other DSPs, while YouTube has always said it wants an ever-closer and more-productive partnership with rightsholders.

Whether Article 13 is watered down or user-upload platforms' safe harbours are swept away, properly burying the hatchet (no, not in one another's backs, etc) will be vital. Particularly when, as we'll explain in a couple of pages, YouTube is such an important streaming player in the most exciting new global markets for the music industry. :)

It's true that throughout the lobbying process around Article 13, YouTube and the music industry have continued to work together – on its YouTube Music service, for example, as well as original content for artists. YouTube Music is even the sponsor for the Brit Awards on 20 February – a partnership that could feel distinctly awkward if the final text goes YouTube's way by that point.

Still, if these partnerships could happen while Article 13 was still being fought over, then a negative outcome for either side shouldn't be curtains for further

Views from the industry



Stefan Tweraser, CMO, Deezer

“The challenges facing our industry are as diverse as the music that we help users find and enjoy. It’s harder than ever to break artists in today’s environment. The pressure on artists in terms of promotion and content creation have never been higher. At the same time the people who embrace the opportunities that the digital landscape and streaming offers are the ones who will benefit the most. Given that streaming offers a direct link between music listening and revenues, it’s key for acts to embrace and explore close collaboration with streaming platforms to reach more fans. It’s also important for streaming platforms to help build emerging talent and promote the wide diversity of music, something that we’ve had great success with in the last two years through our Deezer NEXT programme.

For music streaming platforms, the biggest challenge is to stand out against competitors, given that the music libraries

are more or less the same and, with a few exceptions, there is no exclusive content. To answer this challenge, streaming companies need to work closer than ever with artists and to offer content that really engages fans and drives listening and engagement but also continue to innovate in how they use data and contextualisation to deliver a unique and personal music experience, like we do with our signature Flow feature. In addition, they need to build an authentic, trustworthy brand that both artists and music lovers can relate to.

Lastly, and this is on the streaming side rather than the label side, the challenge is to build a long term business. At the moment, all players are investing in growth with huge marketing and advertising budgets. Competing in this environment as a challenger like Deezer requires innovation, agility and a lot of focus on creative tactics.”

Anne Jenniskens, licensing manager, FUGA

“The next wave of streaming markets - the Middle East, India, Africa - offer untapped



opportunities for rapid growth. However, they also contain numerous overlapping challenges that must be overcome.

All lack stable, widespread mobile network coverage, a serious infrastructure problem which hinders streaming subscription growth, albeit improving in some areas. As networks improve, market growth might be expedited, especially if this leads to a fall in currently high mobile data costs, a further barrier for DSPs.

These areas still experience high levels of piracy, a direct and obvious threat to legitimate services. Due to the high quality of pirated material, it is very hard to convert consumers to paid subscription services. In Russia, we have seen pirate platforms legitimise their offerings, so the focus must be on encouraging a similar transition in these territories. DSPs can support this through pricing policy, assuming there is industry understanding of the potential impact on short term profits.

These solutions are not a panacea for all ills. Cultural differences may yet prove a further barrier. Beyond infrastructure and investment, local market understanding and a long term vision will be key to success in the next wave of emerging markets.”

Mike Jbara, CEO, MQA

“As the saying goes, ‘History may not repeat itself but it often rhymes’. If we aren’t careful, we may look back at this period as similar to when the industry thought the CD would live forever. In fact, I think a dose of the desperation-induced risk-taking of the mid- to late-2000s could be a healthy thing right about now.



Let’s be honest, today’s streaming success is not due to innovation driven by the music industry. It is largely thanks to technology and data companies who saw the opportunity in digital mobility and knew they needed entertainment to make it connect.

Don’t despair: the industry continues to be a singular force in the most important competency – artist discovery and development. By learning some lessons from more innovative businesses, we might be able to avoid the cliff that lies ahead on this premature victory lap.

Three things could move us forward: ‘The Attention Economy’ – recognise that we have a lot to learn from competing categories such as games and film/tv; Consumer insight – yes. Analysis – no; Excite consumers about experiences – don’t scare them by leading with price. If we make progress on these, we might just learn to disrupt ourselves.”

Building subscriptions in China, India and Africa



China was already a top-10 global recorded-music market in 2017 according to the IFPI, while the Indian music industry has made its ambitions to follow suit in the next few years. Africa, meanwhile, was barely on the IFPI's radar as a collection of trackable markets, but there's real excitement about the potential there too.

What all three territories have in common – and you can add in Latin America if you want to expand the net to so-called 'emerging' markets that are further along in their development – is that a lot of the early progress is around

free (but legal) music-streaming, but the industry is keen to figure out how to make that a powerful funnel towards paid subscriptions. Or to understand if that's a realistic ambition.

Here's some data. At the end of June 2018, Tencent Music had 644 million monthly active users for its music-streaming services in China – we've stripped out the company's other karaoke and livestreaming apps – with 23.3 million of them paying for it. That's a paying ratio of 3.6%.

In India, meanwhile, it's estimated that just 1% of the 100 million-odd people listening to audio-streaming music

services are paying for them: so around one million. Compare those figures to, say, Spotify, which at the end of September 2018 had 87 million premium subscribers out of 191 million active users overall – a paying ratio of 45.5%.

It's fanciful to assume that what Spotify has done (largely in the west) will be mirrored in other parts of the world, but... if Tencent Music could match Spotify's conversion rate, it would have 293 million premium subscribers. Even at its current average revenue per paying user (ARPPU) of RMB 8.7 a month, that would be a \$4.5bn market annually – enough (in 2017) to make it the second biggest recorded-music market in the world.

(The fact that actual Chinese revenues were \$292.3m that year shows the gap between current reality and our flight of speculative fancy. But hopefully you see our point about the potential.)

The challenge with China and India, in all manner of industries, has always been to look beyond their pure scale, and instead to properly understand demographics and behaviours within their populations, to understand how a business could best position itself for success. What are people paying for already? How much do they pay and how do they like to do it? And more specifically to us: how and why are they interacting with music for free already?

China has been on a well-documented journey from almost-entirely unlicensed music services to free, legal ones, with the

industry ready to try pulling on some new levers to drive subscriptions – in a country where mobile gaming (and, indeed, mobile karaoke) revenues undercut past assumptions of an unwillingness to pay for 'content'.

India, meanwhile, has an exciting crop of popular, well-funded audio-streaming services like Gaana and JioSaavn, with Spotify to come, and an awareness of the need for delicacy – testing how early adopters might be nudged towards paying, while riding the wave of improved mobile networks and cheap/free data to bring tens of millions more people into the free funnel, particularly outside the big cities.

And Africa? That's a big, beautiful challenge on so many levels: from connectivity to the infrastructure of the music industry itself, which may well look rather different to the established systems of the west – although interestingly, with artist/manager teams at the centre, it may look quite a lot like what the western music industries are moving towards.

One last challenge: to understand that in India and Africa, YouTube is the early kingpin of digital music, and it is unlikely to be unseated.

That may be good (could YouTube Music be the first mainstream subscription service in these markets?) or concerning (will free YouTube put a low ceiling on the possible subscription growth of its audio-streaming rivals?) 2019 may provide the inklings of an answer to this question, at least. :)

Dealing with fake music and fraudulent streams

Spotify's cost of revenue – the financial category that includes royalties – was €2.81bn in the first nine months of 2018. Based on its full-year predictions, that points to around €3.89bn for this streaming service alone. No wonder the music-streaming sector is a juicy target for scammers.

We saw it last year with the 'Bulgarian scam' involving uploading music to Spotify and then having warehouses full of devices streaming it round the clock to get royalties. We saw it just before Christmas with 'fake albums' gathering old B-sides and demos from Beyonce and SZA.

And we saw it just this month with the BBC's investigation into how some previously-unknown artists with no online footprint ended up in a number of Spotify users' most-streamed artists of 2018 lists. Cue accusations that someone, somewhere, was somehow hacking people's accounts.

The BBC called it 'mysterycore', although journalistic trends being what they are, 'fake music' may well stick as a catch-all term. As we wrote in our bulletin lead earlier this month, this is a challenge for all digital-music services, not just Spotify.

"One thing that is posing a challenge for the digital service providers and mostly listeners is the growing amount of SPAM or fraudulent music out there. Much of it comes through the typical ingestion processes from low-cost distributors/aggregators that do not qualify the music as it comes through their system," one

executive at a rival streaming service told us this month.

"It ends up flowing through unchecked and ultimately makes its way into listeners' ears. Most of it goes unnoticed. Some of it, however, is designed to be searched when listeners have a typo in the track or artist name. Some of music is manufactured in music mills with the artist name 'workout music' or something similar designed to play music as search bait. Others are much more nefarious capturing on the misspelling of artist names and trying to steal their royalties. It's a growing problem for those who manage the catalogue systems in the DSPs."

In one sense, it's easy to put forward a solution for this problem: the use of data science / machine-learning to create

stronger, faster spam and fraud detection systems, alongside the mole-whacking war of staying one step ahead of hackers trying to compromise user accounts. Easy to say, but hard work and hard-won expertise are required.

It's also notable that the 'fake music' challenge has come barrelling into the headlines just as Spotify in particular is preparing to open up for direct uploads by some independent artists. While media coverage has tended to focus on the tensions this may open up with labels and distributors, it's clearly also a move that will require carefully thought-out checks and balances to guard against fraud if and when it opens up widely.

Good cooperation between the DSPs may also be helpful here. The main

players may be battling fiercely for market share, but they have also shown a willingness to work together when their wider lobbying goals coincide. Spotify, Apple, Amazon, Google / YouTube, Pandora and Napster in the Digital Media Association (DiMA) for example, or Spotify, Deezer, SoundCloud and others with Digital Music Europe (DME).

A positive step in 2019 would be for these kinds of associations to broker cooperation on identifying and sharing details of potential bad actors on streaming services, a bit like the 'pubwatch' schemes in music:ally's homeland the UK, where local pubs form networks to share details of troublemakers and bar them en masse.



Detailed information on how the DSPs fight fraud and fake uploads will, by necessity, be kept secret. But there is no doubt that these efforts must be redoubled in 2019, given the recent spate of controversies. :)

Views from the industry



Raffaella De Santis, Associate at law firm Harbottle & Lewis

"In 2019, we'll see the rate of technological disruption gather pace. Data and personal information will become a tradable commodity for music services. Voice activation will continue to develop, and in-car technologies and adaptive music will break into the mainstream. The availability of music will continue to be via ever more 'non-traditional' platforms and formats. But for me, the biggest issue facing the music industry in 2019 that comes to mind is, how can we harness music's return to growth and make that growth sustainable?"

"In taking on that task, 2019 should be the year that the music industry becomes even more self-aware. Its biggest

challenge in this regard will be to ward off complacency. A return to growth, driven by streaming, and now supported by the emergence of increasingly new and innovative technologies, should not be an invitation to return to the attitudes and practices of the halcyon days of the CD. 2019 should be the year that we in the music industry acknowledge that disruption in and of music is here to stay, and as a result of that we will need to be ahead of the curve in anticipating a constant stream of new and evolutionary technologies and formats, and the future of music itself."

Annabella Coldrick, CEO, MMF



"One of the biggest challenges for artists in 2019 is how their income from radio will be treated in an interactive era. Whilst many in the industry will think this is rehashing an old argument it's actually still a very pertinent issue as the launch of BBC Sounds exemplifies. Radio broadcast income has been paid direct to performers and songwriters regardless of their label or publishing contract and whether or not they are recouped. However as BBC Sounds has some interactivity how it will be treated by PPL is yet to be determined and some rights-holders are arguing there should be no direct performer payment. We hope that there will be a more open dialogue with artists and their representative and a solution found that ensures performers retain their vital income from the BBC Licence Fee."

Jake Beaumont-Nesbitt, executive director, IMMF

"Distributed ledgers (blockchain etc) no matter how sophisticated, are only as good as the data written onto them, music needs to standardise a system of artist ID. The progressive US Music Modernisation Act makes links between content ID's (ISWC and ISRC); however most CMO's, publishers and labels are not compelled to adopt standards for artist ID's.

"The digital footprint of music creators across entertainment, and social media is immense, add in the digital trail left by tickets, radio, streaming and other activity and

when you link all that back to artists you have a truly massive volume of usage data. Without a standard ID, and a system of authorisations, to permit artists access to usage data, artists are missing out on the value of recombining the data from multiple activities. The value of matching ISWCs to ISRCs is big, the value of matching usage to artists is bigger.

Platforms and intermediaries could share anonymised usage data directly with artists, if an ID and Authorisation system was standard, ISNI (International Standard Name Identifier) could be part of it. The challenge is for artists to start implementing a system by adding a data clause into every contract they sign."



Who will master the future of music metadata?

Alright, this one was a challenge for 2009 and every year since, rather than just 2019. Complaints about the quantity and quality of digital-music metadata have been going on pretty much as long as digital music (in consumer terms) has been a thing.

More than 15 years after the launch of Apple's iTunes; more than 10 years after Spotify's debut; and nearly five years after the biggest attempt to create a 'global repertoire database' ran aground, we still know that too much metadata is missing, wrong or disputed. 'Getting our metadata house in order' is the music industry's perennial unfulfilled new year's resolution.

Actually, that's unfair: there has been progress down the years, at the level of individual catalogues if not on a global basis. Still, when streaming services still don't know exactly who to pay what share for some of the biggest tracks in their catalogues, there is lots of work to do.

The challenge we're spotlighting for 2019, though, isn't so much about the songwriter and publisher metadata. It's about all the other contextual information for recorded music, and how it will be used in a world of algo-personalised playlists and voice-controlled smart assistants.

This is the 'Alexa, play me party music' (or 'workout music' or 'chillout music' and so on) use case, where a combination of a voice assistant and a streaming service's algorithms serve up a personalised stream of music, based on an understanding of the catalogue itself, as well as the preferences

of the listener. In the former case, those algorithms thrive on rich metadata.

The assumption has generally been that this is the labels' challenge to tackle: to go through their catalogues, ensure the existing metadata is fit for purpose – if a 1960s band's albums show up with a release date in the 1990s as that's when they were remastered, how will they be served up in 'sixties music' streams? – and create any new metadata that's required.

What hasn't been talked about much, although we did write about it in our 2018 end-of-year report, is the fact that streaming services might – whisper it – be better placed to do this work. Analysing, tagging and

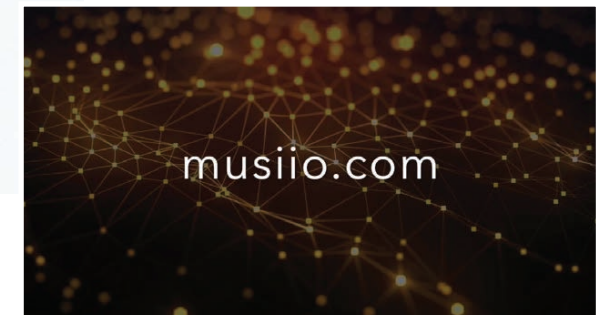
making sense of huge catalogues of content are what big technology firms and their machine-learning expertise are (or should be) good at, after all.

Amazon has talked openly about creating metadata to power new musical interactions for Alexa, if it hadn't been supplied by rightsholders. At one of indie body AIM's conferences in 2018 where Music Ally moderated a panel on metadata, the message from Amazon's representative was that labels shouldn't be overworried about metadata headaches, since his company was well-placed to help.

Those comments were made in the spirit of cooperation, but it's also possible

to see tensions here. Do labels really want to hand over the task of creating metadata that will drive even a small-but-significant chunk of their streams (and thus revenues) to the DSPs? Fears of a loss of control are understandable.

This question hasn't boiled over into public tensions, but behind the scenes, Music Ally detects a renewed sense of purpose among labels to play a role here – the bigger ones are investing in their own machine-learning teams and technology, while all sizes are kicking the tyres of startups that might have technology to help.



(One, Musiio, presented at our NY:LON Connect conference recently. Another, FeedForward, has recently launched its Figaro product for this kind of catalogue analysis and metadata creation.)

Metadata doesn't have to be a rightsholders vs DSPs battle: they can work together to tackle this challenge. Even so, diplomatically feeling out one another's capabilities (and any red lines for major labels in particular) may be an important behind-the-scenes task in 2019. :)

How labels evolve in the artist-direct era



Rather than unnecessarily rewrite the introduction to a recent **music:)ally** bulletin lead on this topic, we'll reproduce it here as a starting point for discussion of a challenge for labels that's often presented in existential terms.

"We'll be blunt: anyone who tells you that labels are dead is talking out of their trumpet. But anyone who tells you that an artist can't succeed without a label is just as big a fibber," we wrote, following the publication of an RIAA-commissioned report on how labels are evolving.

"The truth of the matter is that the ability for artists to thrive outside the traditional

labels system in 2019 – the existence of that alternative path – is what will fuel the next big evolution of labels (good ones, anyway) in terms of how they're structured, what they do for artists, and how those deals are structured. It's a positive process, albeit one with some necessary tensions along the way."

That's our position in a nutshell: labels in their traditional form are being challenged on multiple fronts in 2019, whether it be Spotify and Apple licensing some artists directly (and Spotify allowing others to upload directly without even a distributor); the steadily-growing number of artists able to not merely survive, but

thrive and prosper with label-services or distributor-only strategies; and the awareness that managers and publishers are shouldering more of the early burden of artist development, while the former are increasingly calling the shots around artist-marketing too.

There are exciting opportunities here for managers, including challenges in terms of bringing the right people and technology in to serve artists' needs and expectations – from choosing a distribution partner and building relationships with streaming services to making sense of analytics and mastering social-media marketing.

This activity isn't driven by a desire to kill off all labels though. There's a parallel opportunity for labels to evolve into new kinds of companies themselves, with flexible capabilities (and flexible deals) that ensure they can fit smoothly into the teams that artists are building around themselves.

There is no longer one accepted way of doing things to achieve musical success, no sense that a major-label deal is THE golden ambition (even one to kick against, for independent artists). If you sign to a major label in 2019, it's because you think that label and that team can help you fulfil your ambitions. If you could but don't, it's because you think another route will serve you better. Both options are valid.

(As, indeed, is going it alone to a certain

point and then signing to a label, with the leverage to strike a deal that is more advantageous to the artist than would have been the case a few years ago.)

This feels like a healthy challenge for labels of all sizes: to understand the changing needs of artists and reorient (if necessary) their businesses around them – while also accepting that the new era of deals is likely to also often involve some grown-up discussions about rights ownership. Not every artist can and will demand to retain all their rights, but the centre of gravity for these negotiations has definably shifted.



The fact that we're still talking about the 'Chance the Rapper effect' – Chance's (*left*) mainstream breakthrough: 2016 – suggests that this effect isn't creating a conveyor belt of global, label-free pop stars just yet. But remember, too, that every year will bring a new spate of existing stars coming to the end of existing

contracts and surveying their options.

Call that the 'Taylor Swift' effect maybe: despite the headlines about its Spotify-windfall promise, the terms of how Swift's masters are licensed will be more influential on her peers.

This isn't just about the biggest stars and major-est labels though: the challenge of 2019 for labels of all sizes is how to stay relevant: many are already relishing this, and serving their artist partners well as a result. :)

Views from the industry



Steve Pearce, CEO, TickX

“Ticketing is changing right now, and one of the biggest challenges the music industry will face in 2019 is the cave-in between primary and secondary. Consumers have grown tired of the secondary market and their willingness to pay exorbitant prices has diminished greatly, and it’s time that the industry responds to that change.

Sites like Ticketmaster are merging their primary and secondary offerings, opening up a new avenue of fan-to-fan resale; more legislation is coming to regulate resale and keep the consumer safe and it’s growing more commonplace for tickets to be charged at what they’re worth. In 2019, we’ll see more tickets sold directly at market prices through dynamic pricing.

“One of the key things that everyone in live music needs to consider this year is transparency with the consumer. New legislation is already starting that off, but there is still a long way to go before ticket sellers, musicians and the industry as a whole are maintaining clarity with consumers on the best prices.”

Katie O’Leary, campaign lead, FEAT



“From legislative changes to the closure of GetMeIn and Seatwave, the UK has recently witnessed a number of significant wins in the war against touts. But a quick look around certain online resale platforms reveals the battle is far from won.

“While national governments across Europe work to address the issue, there is no Europe-wide legislation targeting online resale abuses. This means regulatory bodies such as the UK’s Advertising Standards Authority can find their hands tied when it comes to prosecuting touts.

But why is this relevant given the current political climate? First off, an orderly exit from the EU would see the UK remain under the jurisdiction of the European Court until December 2020 or beyond. But post leaving, we are still geographically part of Europe, and UK artists want their fans across the continent to be protected.

It is therefore critical that the live music business across Europe unites to lobby for better EU legislation, including monitoring the progress of the European Commission’s New Deal for Consumers and ensuring that ticketing is on the agenda when the new Parliament is elected in May. Stronger legislation means more rights for fans and gives regulatory bodies the tools they need for effective enforcement.”

Becky Brook, business development, licensing and strategy consultant at Jaak

“The US Register of Copyrights has less than six months to select a Mechanical Licensing Collective (MLC), an organisation which then has until January 2021 to operationalise a blanket US mechanical license.

“This includes, most importantly, establishing a relevant and public database and arrangements for paying royalties. The MLC can and is likely to appoint vendors, the tender process alone for these services would usually take a year or more. CMOs, who have been offering these services for decades, have long laboured over the challenges inherent in creating a conclusive view of fractional ownership of natural rights.



“It’s unclear to me whether the MLC’s database can be based on an existing vendor’s database or be built from scratch with data supplied by publishers. Using an existing vendor’s database is the quickest option, but will bring with it many of the criticisms levelled at existing solutions. I highlight this not to undermine the efforts to date, but because I think the next period will require even more collaboration and determination than it took to pass the MMA.

“The effort will be worthwhile, unlocking innovation in music services, driving more revenue to the industry and most importantly ensuring writers get paid.”

Using spoken-word content to take on radio

Podcasts, podcasts, podcasts. You're going to hear the word 'podcasts' an awful lot this year, with Spotify, Pandora and Deezer among the music-streaming services already making spoken-word content a priority. Apple, of course, has a long-established podcasts category within its iTunes empire – albeit not as yet integrated with Apple Music – while Google launched its own standalone podcasts app in June 2018.

Even now, podcasts are a tiny share of listening on the music-streaming services, although that lends itself to announcements of impressive-sounding triple-digit percentage rises. But the strategic importance of podcasts plays in to a bigger challenge: the desire of the streaming services to take a bigger bite out of traditional broadcast-radio's audience – and its advertising revenues.

In the world's biggest recorded-music market – the US – this challenge can be viewed through the lens of a lack of performance royalties from radio spins: the argument is that shifting listeners to on-demand streaming will put more money in musicians' pockets. But even where radio's royalty structure is less controversial, this idea of a migration from radio to streaming is much talked-about.

The challenge, then, is to make it happen. That's partly about getting the devices with streaming capabilities into homes and (particularly important, this) cars. Smart speakers, voice assistants and smartphones have all been playing a role here already.

We see another task that should be

grappled with in 2019, however: that of understanding what radio offers that on-demand streaming does not, and exploring how to plug those gaps – which does not just mean copying.

Podcasts are just a first step in this process: they sound like radio shows (indeed, many are edited versions of actual radio shows) and bring the intimacy of conversation to a medium that's been lacking it.

This is also a market ripe for disruption: for example in the way podcasts are recommended and discovered – a challenge Spotify and Pandora are already chipping away at – and in the way they might be mixed in with streams of music (something Deezer's 'Flow' feature seems likely to evolve towards).

Last summer, Spotify told **music:)ally** that it was now the second-largest podcast-distribution platform in the world, behind only Apple. That too showed the opportunity for music-streaming services to quickly build an audience of podcast listeners, and increase the overall audience for this content.

How best to build on that? More and better tools to help podcasters make money, beyond simply paying them for exclusivity. There's an opportunity for the kind of ad-tech that the streaming services are already investing in to be deployed for podcasts, and to thus make themselves

a centre of gravity for the aspiring podcasters who'll come up with the

next Serial / Stuff You Should Know / My Dad Wrote a Porno.

Podcasts are just one facet of spoken-word audio though. Another opportunity in 2019 might be for music-streaming services to do more with audiobooks – a market where one dominant player (Amazon's Audible) could do with some proper competition.

There is also the challenge that none of this spoken-word content is live, which remains one of radio's strengths. Last year, Spotify CFO Barry McCarthy admitted that he was unsure how news and sports will fit in to a world where on-demand streaming has taken the place of broadcast radio. Now's the time to explore the technology and partnerships that might answer this question.

In the US, satellite-radio service SiriusXM's acquisition of Pandora is understandably the focus of attention on this front, as the former mulls its options for cross-promotion and other links between the two services. Recent rumours of an Apple partnership with iHeartRadio – with the Beats 1 station centre-stage – offered another glimpse at the potential.

Will Apple launch more Beats-branded stations? Will Spotify strike deals to bring existing live stations to its platform, adding a TuneIn-style string to its bow? Will a startup like Stationhead spark a new wave of user-generated radio stations?

Perhaps 'will streaming replace radio?' is the wrong question, compared to 'How will the boundaries between streaming and radio continue to blur?' ;)



Make artists more than just a line on a playlist

This challenge shouldn't come as a surprise: managers and labels have been worrying about how to tell their artists' stories in a world of streaming and curated playlists for some time now. And it's true: some artists have seen millions of streams driven by their songs getting placed on popular playlists, but would struggle to sell out a cupboard for a live concert. Their listeners simply haven't registered who they are.

It's not a new challenge, then, but it feels sharpened in 2019 with the growth of smart speakers and voice assistants – a way of interacting with music where the artists aren't *even* a line on a playlist that can be looked at by the listener. How will musicians thrive in a world where the entity people are emotionally attached to is Alexa, or RapCaviar?

Tackling this challenge is partly for the streaming platforms, building on their existing work around artist marketing. From interviews and behind-the-scenes videos in Spotify playlists, to Side By Side interviews on Amazon, to documentaries commissioned by Apple Music, to Artist Spotlight Stories on YouTube, to Pandora's ability for artists to drop audio-messages targeted to fans... The ability to tell artists' stories and reveal their personalities 'on-platform' exists, even if it's often skewed towards established stars and a narrow



their audience between the two as best they can.

Alongside this, there's an emerging understanding that building a story outside the streaming platforms is crucial to success on those platforms: that a convincing pitch for inclusion on Spotify's playlists has to involve evidence of engagement and momentum elsewhere. Rather than worrying that streaming playlists strip away their personality, artists know that they may struggle to even get onto those playlists if they're not building their story and getting across that personality in other places.

Tapping in to passions outside music is one strategy that deserves even more effort. From recent years: Action Bronson made a cooking show with Vice; fka twigs

- turned her Instagram into an episodic magazine; Marshmello launched his own gaming show on YouTube; George Ezra and Jessie Ware won plaudits for their podcasts. Artists having extra-curricular pursuits certainly isn't a new trend, but in 2019 these hinterlands feel more vital than



ever in the process of attracting an audience and creating fans.

It will also be important this year to be wary of the pressures some of this puts on artists: for them to be creative on every social platform, and

- to share more and more of themselves. Sympathy tends to be in short supply when an artist like Justin Bieber (pictured) is perceived to be complaining about the pressure of social media, yet the succession of YouTubers hitting a burnout wall in 2018 should be a reminder to take these complaints seriously.

The big challenge here, then, is how to help artists cut through – themselves as well as their music – in an age of increasing digital noise, social-media drama and always-on cycles of creation and promotion alike.

It can sometimes be enough to make life as a playlist-streams-millionaire who can't sell out a cupboard in the non-digital world sound quite appealing. But more optimistically, 2019 should be a year when many artists, managers and labels will find paths that work for them to create true fans, not just casual listeners. :)

- selection of new artists deemed (by everyone) to be the next big thing.
- For artists generally, though, it can feel like there's a separation between the platforms where their music is consumed, and the platforms where they actually engage with their fans, leaving them to drive

Views from the industry



Lana Meisak, VP of Marketing and BD, Gismart

“Over the last few years the gaming industry has overgrown music industry. Music gaming has been on the rise, particularly when it comes to the mobile games market. The mobile music gaming industry will continue to be influenced by three significant trends: simplification, collaboration and tech innovations - all of which will create opportunities and challenges surrounding them.

“Simplification will deliver more accessible experiences leading to the growth of music games with simpler mechanics known as the casual and hyper-casual game category. These products will have better potential to appeal to mainstream audiences. However businesses should be prepared to market these games effectively.

“Artist collaborations will boost the growth of music gaming through more opportunities for both cooperation and interaction

between users, artists, and artists' music content. Through gamified music-creation, artists can benefit from engaging with fans and promoting their music in a new way. The complexity of a music industry ecosystem could create a barrier to follow this trend for smaller businesses/music entertainment product developers.

“Tech innovations such as AI and machine learning will deliver more personalised experiences for users, especially across music learning and entertainment products. AR technology will also continue to enrich music experiences. Investing in technology could prove challenging for some businesses, so it's important to assess what value and opportunities it creates for their product and business metrics of their product.”

David Borrie, co-founder, Pirate Studios



“An important challenge for the music industry to tackle in 2019 is finding new ways of putting money in musicians' back pockets. It's not a new challenge, but one that is growing in its significance due to small venues struggling to make ends meet, and gig opportunities decreasing. With this, artists are having to search for new ways of monetising their content.

“There's no easy fix for the problem, but encouraging a shift in the culture around music consumption will be a big help in changing these fundamental dynamics. For example, it's great to see Mixcloud's new Select offering, following the lead of e-gaming platforms, which gives listeners the chance to subscribe directly to artists and their channels.

“It's also encouraging to see new companies implementing blockchain technology to ensure artists get paid their fair share instantly. But, in truth, more can be done to find new ways for artists to get paid for their music, as well as making sure that the majority of the money they do earn goes in their own pocket. As is always the case, technology can play a massive part in opening up new opportunities and I'm confident there are some revolutionary changes on the horizon.”

Gee Davy, head of legal and business affairs, AIM

“Generative AIs are not just coming soon... they're already here! I've not personally heard convincingly good music created by one yet but I'm told it exists. The question that keeps cropping up at conferences is: “why would I pay for a human to create music (a human with



moral rights and publishing agreements and ethics) when I could get an AI to write it and own all rights in perpetuity”? The ensuing conversation invariably ends in a question about the value of human creativity. Oh, you might say... this is all years away yet. But those who fail to learn from the mistakes of their predecessors are destined to repeat them and the music industry doesn't have the best track record in engaging with new paradigms.

“We need to at least start to have the conversation about the value of human creativity now so that we put structures in place well before we risk there being no humans financially capable of creating. Generative AI will start to produce background music for sync. It may then move onto creating for voice control playlists. And as connected cars and other tech develops it will be there too. I believe this is not only the next biggest challenge for the music industry but a truly existential one.”

Finding and supporting startups that make a difference

A quote that stood out from the investment panel at our recent NY:LON Connect conference came from Jeff Bronikowski of Warner Music Group, in a conversation about startup turnoffs. “If a company is trying to do 12 things, it’s just not going to work... This one glorious unified theory of everything. I haven’t seen one thing succeed like that, as opposed to solving a problem or taking an opportunity and just doing it really well,” he said.

A challenge for 2019 – not that it hasn’t been for previous years – is how to continue identifying and supporting those startups that solve one problem really well. A trend **music:ally** already sees is the music industry’s recognition that it can be more involved in that process: including as an investor itself.

WMG’s Boost seed fund and UMG’s accelerator network are already examples, as are the likes of Techstars Music, Abbey Road Red, Marathon Artists Labs and other accelerators with heavy involvement from the music industry, rather than just investors.

One past challenge that’s been addressed is widening the definition of what a ‘music startup’ is - Techstars Music opened that out to companies in adjacent industries, while at NY:LON Connect Bronikowski said that the impetus behind Boost was to be able to invest in startups that WMG might not necessarily encounter at an early stage otherwise – because they weren’t seeking rights.

Anyway, it’s evident that the growth



of subscription streaming is fuelling a willingness to invest from major labels, and a sense that the relationship with startups can’t just be about advances that bolster the next quarterly revenue figures – and to hell with the long-term sustainability.

One challenge for the startups is that ‘music’ continues to be a slightly toxic keyword in some circles of the investment community: and this, despite last year’s IPOs for Spotify and Tencent Music, which you might expect to have

caused a surge of confidence. This isn’t so much a fear of funding any

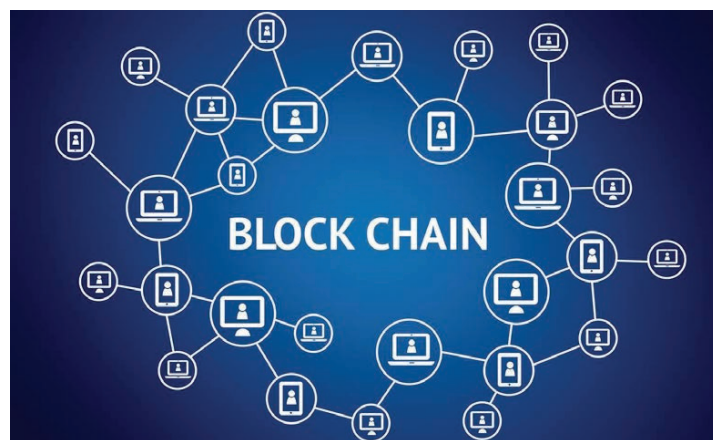
startup that requires music licensing deals. It’s partly that, but also the sense of a gap between VCs’ expectations of startups with high growth rates and lucrative exit potential, and the music industry’s desire for startups that are less exciting (from a growth viewpoint) but more useful in terms of what they can deliver to the industry. Tools for marketing being just one example.

This is a funding gap that labels are well-placed to fill: investing in startups not because they expect a Spotify-style windfall a few years down the line, but because that startup’s product or service can benefit the label’s artists now, in practical ways.

Finally, an ongoing challenge is to identify meaningful startups without being overly swayed by hype, but also by its opposite: Blockchain technology is a good example: we’ve seen some startups with grand ambitions and no obvious business model, and we’ve seen an overload of hype around what blockchain will mean for music. Yet

the wise path of action now is not to give any blockchain music startup the cold shoulder, but rather to seek out those that have the technological chops, proper business plans and a willingness to engage with the music industry’s problems.

Don’t believe the hype, but don’t be overly influenced by the gripe either: in 2019, music companies have an opportunity to back a wave of new startups that could play important roles in its growth in the coming years. :)



Views from the industry



**Richard Lodge, music consultant,
Mood Media**

“One of the biggest challenges facing the music industry this year will be how emerging artists – who are yet to establish a reliable income through streaming – can diversify their portfolio of opportunities in order to thrive in such a competitive and saturated landscape. One such opportunity, which could be a key element of up and coming artists’ success in 2019, is brand partnerships, providing them with a healthy injection of cash as well as that all-important exposure.

“However, artists need to make sure they’re only teaming up with brands they feel a genuine connection with, and which reflect their personality as an artist - and vice versa. We know that more than half (57%) of shoppers say they’ll disengage if brands make poor music choices such as unenjoyable or “unfitting” music in their stores; so while diversifying opportunities is

important, brands and artists alike also need to get smarter with their collaborations.

“At a time when many brands are investing in creating memorable experiences for customers, there’s a huge opportunity for artists to capitalise on this growing trend. “Content is King” has never rang truer, and artist/brand partnerships have previously delivered the holy grail of engaging viral content. In 2019 the challenge is to show brands that they can leverage their partnership with music artists to further engage their consumers, turning them into loyal fans while, on the other side, artists are provided with unparalleled exposure to new and broader audiences.”

**Gilles Boisselet, Chief Strategy Officer
and Creative Partner, UNIT9**



“As we hit 2019, the monetization challenge continues to grow. But this year will see the emergence of a new solution that capitalises on artist influence through ICOs (Initial Coin Offerings).

Beyond the music itself, an artist’s biggest asset is their influence. It’s why they get remunerated for everything from streaming to fashion label collaboration. In the same way that Snoop Dog launched his own brand of weed and French rapper Booba launched his own whisky, artist influence can be used as a PR platform for product launches. But it’s hard work. There’s always a middleman; be it a platform, product or brand. This middleman, however, can be cut from the equation by setting up direct financial relationships with artist’s followers. And by following more of an ICO rather than a Kickstarter type model, artists can build longer-term relationships.

“An ICO is roughly like an IPO: you go public and your followers can invest by buying the equivalent of shares through Blockchain and cryptocurrency. The difference between the Kickstarter and ICO model is that with an ICO, followers are not simply giving money; they are investing. If it all sounds too futuristic to have legs, it’s not. Just take a look at The Grateful Dead. They unwittingly pioneered this model when they allowed fans to tape their gigs and profit from the recordings. And as initiatives like Robinhood and StockX show, today’s younger generations are hungry to get involved. There is definitely something in the air for the brave.”

Tim Heineke, founder of I Am Pop

“What a difference a decade makes. The once-dominant social media news feeds are overcrowded and increasingly irrelevant to users. Scandals around fake news and privacy breaches are further impacting on channels that are too noisy. Managing that



churn has led to the deployment of stringent algorithms to prioritise content resulting in organic reach (who receives the message) below 2% on platforms like Facebook, with the highest engagement rate (who opens the message) as low as 0.2%.

“Interacting with fans on social media is a losing strategy for the music industry.

“More intimate online connections are the future for both conversation and marketing, removing concerns around privacy and delivering uncluttered communications, free from the feed. This is already happening, by the mid-point of 2018 we were sharing more content via messaging apps than via social media platforms. But the business is still in its infant stage with these opportunities.

“The next step for music marketers is to switch budgets from battling newsfeed algorithms that achieve minimal engagement to developing, cultivating and engaging audiences online via one to one, opt in models. The shift has already started.”

Views from the industry



Oliver Betts, programme leader for creative music technology, LCCM

“As ‘Technoculture’ continues to drive both the marketing and creation of music, the importance of social media status becomes increasingly challenging for new artists. Social media followers and engagement are “currency” in the eyes of labels, publishers, promoters and investors. Having evolved steadily over the last decade, it has now taken centre stage.

“The challenge is not simply the art of making great music but building an online following that rivals stadium numbers before the industry engages with you. The solution maybe is as transient as the social media

platforms themselves but engaging with social media is now a must in the quest for success. An artist must now be a “content creator” alongside being a music maker. Although this is a challenge, rather than an obstacle, I like to think of it as an opportunity to create an identity unique to your music, targeting your audience directly. Whilst the time commitment can detract from music making, their interaction is symbiotic and must become part of the creative process.”

Brent Jaciow, Head of Blockchain Affairs at Utopia Music

“Music, at its very essence, is a powerful social glue that unites people of varied

backgrounds and expresses the intricacies of distinct social values. Yet, along the digital shift has come cultural globalization that resulted into borderless fandom for artists and genres blendings for music. Never before has the music ecosystem been so interconnected, yet lacking harmony with the legal and technological infrastructure in order to support this globalization.

“While it is true that new legal skeletons are emerging – notably the MMA in the US and the EU Copyright Directive – laws and policies could never follow the fast pace at which technology evolved in the twenty-first century. As a result, those who populate the music space (publishers,

Publishing Rights Organizations, Artists, Record Labels, etc) are not rewarded fairly and do not have accurate data regarding frequency, where, when and by whom their music is being played.

“To solve that problem, the music industry’s incumbents ought to embrace technological advances, as much as the world’s jurisdictions need to sync across borders and continents, in turn aligning with the constantly developing music consumption patterns. The music business, the legal and the technological realms are yet to harmonize their tune to the requirements of their time – and that altogether.”

Music Ally is a music business information and strategy company. We focus on the change taking place in the industry and provide information and insight into every aspect of the business, consumer research analysing the changing behaviour and trends in the industry, consultancy services to companies ranging from blue chip retailers and telecoms companies to start-ups; and training around methods to digitally market your artists and maximise the effectiveness of digital campaigns. We also work with a number of high profile music events around the world, from Bogota to Berlin and Brighton, bringing the industry together to have a good commonsense debate and get some consensus on how to move forward.



Andrew Fisher,
CEO, Shazam
Entertainment

Music Ally is an example of perceptive journalism at its best, with unrivalled coverage of the digital music sector”



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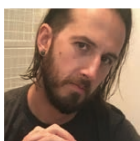
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