the report

music:)ally
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THE 42 TRENDS OF 2019

From Apple to Spotify, via China, TikTok, podcasts, publishers, Africa, YouTube, Artificial Intelligence and much, much more...

Introduction

The music industry's decline is receding into the past, but challenges remain

music:)ally was founded in 2002, at a time when the music industry was just a few years into its post-Napster decline, but when the mood was already pessimistic and fearful.

That's one reason why music:)ally was founded: to explore the constructive (rather than destructive) potential of new technologies for music companies and musicians, in the face of rapidly-spreading existential dread.

Some 17 years on, the picture is very different. A sustained bounce-back for recorded music has been accompanied by continued growth in the live sector; a bull market for acquisitions of publishing catalogues; and regular new milestones for collecting society income and payouts.

Accelerators are accelerating; major labels are falling over themselves to declare how startup-friendly they are; new markets are burgeoning; and new opportunities emerging.

That said, this industry still has its fair share of controversies and pitfalls. Creator royalties worries; licensing disputes (and lawsuits); arguments about the 'value gap and other things keeping life… interesting.

This is music:)ally's annual end-of-year report, exploring all sides of the industry's continued evolution. Just like in our early days, we're constructive and curious about the positive trends, while not ducking the thornier challenges.

Oh, and if you're wondering why we've chosen 42 of those trends? As keen readers of Douglas Adams will know, 42 is the answer to life, the universe and everything. Grab your towel and dive in! :)

In this report

On the up

Photo: Pablo Heimplatz on Unsplash

Barring a major surprise, 2019 will be the fifth straight year of growth for the global recorded music industry. Over those five years, its annual revenues have grown from $14.2bn to $19.1bn, taking it almost back to its 2004 level. If 2019 can match last year's 9.7% growth, we could be talking about $21bn this year.

The indications are good, from the quarterly figures published so far this year by the major labels, to the RIAA's mid-year stats showing 16% growth for the US recorded-music market, via record-setting revenues for collecting societies and steady subscriber growth for the big, global streaming services.

We're still a way off the revenues that the industry was recording in the peak-CD pre-Napster era, but Goldman Sachs is predicting that streaming alone will be worth $37.2bn a year to the industry by 2030, while Midia Research reckons consumer-spending on streaming (as opposed to trade revenues) could reach $45.3bn by 2026.

One of 2019's most positive trends has been the figures coming out of markets that were either slow to benefit from the streaming upswing, or those that have experienced bumps along the way.

France, for example, only saw 1.8% growth in its recorded market in 2018, but then 12.7% growth in the first half of 2019. In Germany, revenues fell slightly in 2018 but grew by 7.9% in the first half of 2019. Spain, meanwhile, saw 5.9% growth in 2018 trumped by a 27% spike in the first half of 2019.

We're also starting to see real momentum in territories like Latin America, China, India and southeast Asia, as well as some positive early-shoots in Africa. Without wishing to go overboard on the back-slapping, this is all the fruits of some hard work put in by rightsholders and DSPs alike over the past decade.

It's also, as people have been dutifully pointing out, not a moment for complacency. With money flowing in to the industry, it's a time for bold investments in artists and technologies alike; for experimentation, not caution.

"We should never be complacent and think that happy days are here to stay. You should always be looking to evolve, to anticipate the needs of the market and the changes in the market and to serve your audience and serve your fans," Warner Music Group's Stu Bergen (*pictured right*) told us in April, as the IFPI announced its latest figures.

There remain some important challenges. Our recent report where startups shared their experiences of working with major labels shone a light on the mismatches that can still emerge between rightsholders' welcoming words for innovation, and the process of turning that encouragement into actual deals.

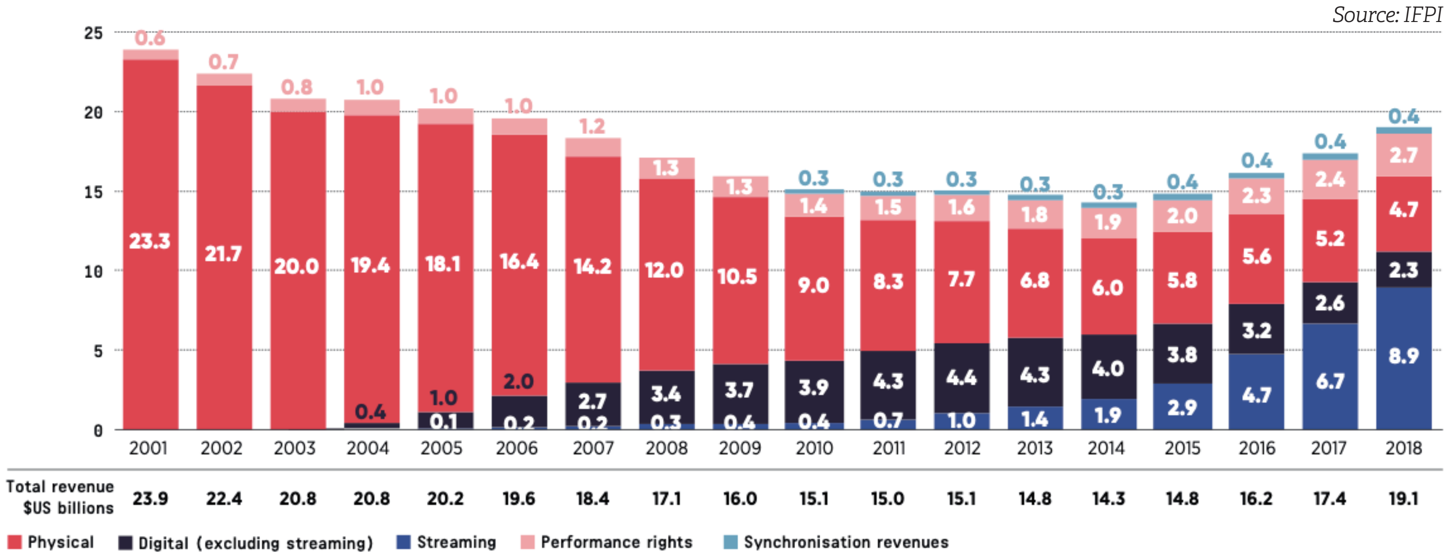
Another is the tension and suspicion that can still drive the industry's perception of the motivations of music streaming services. Is Spotify's podcast push just a way to drive down music royalties? Will music lose out in multi-media bundles? Should DSPs be doing more to reverse falling average revenue per user (ARPU) and restrict family plans?

There are real concerns here that should be taken seriously, but they can sometimes feel like they're coming from a position of distrust: that DSPs' motivations and/or perception of the value of music may not be aligned perfectly with the music industry and its creators.

That's why you hear quotes like this, from WMG boss Steve Cooper in May: "We're going to continue to push back against the devaluation of our artists' and songwriters' music from freemium models, mismanaged

On the up... *continued*

Global Recorded Music Industry Revenues 2001-2018 (US$ Billions)



family plans and other customer acquisition strategies employed by streaming platforms at the expense of creators and content producers." And he's been a strong supporter of streaming.

Five years of growth will hopefully give the industry the confidence to look beyond overly-simplistic criticism of or demands from its digital partners. For example, looking at Netflix and thinking 'It put up its prices and subscriptions still grew: Spotify should put up prices too!' may be less useful than taking a deeper look at Netflix, with its multiple tiers ($8.99, $12.99 and $15.99 a month) with their differentiated features. Rightsholders have already licensed Amazon's spin on that strategy, but there may be more to explore.

Another challenge posed by impressive growth at the industry level comes when some people within that value chain feel hard done by: that they're not getting their fair share of this tasty new streaming pie.

You can see this in the always-simmering debate about whether recordings get too big a share of the pie, and songs (compositions) get too little. Labels versus publishers feels like a battle that's ready to break out again, fuelled by those booming industry totals and major-label revenues. DSPs are, unsurprisingly, keen not to have to pick a side.

Another mismatch comes when the strong growth for the industry and key rightsholders rubs up against the financial worries of individual artists and songwriters. Streaming's scale is such that it can make a new artist very rich, very quickly, but creators lower down the popularity charts may have different feelings as they look at their royalty cheques.

Spotify's recent Wrapped 2019 promotion saw fans sharing stats on how much they'd been listening to their favourite artists, and artists sharing figures on their overall streams. The Wrapped 'cards' were ubiquitous on social media for a couple of days, but there was also a backlash: critics pointing out that a big number of streams can seem rather more paltry when converted to projected royalties.

Figuring out how to turn the burgeoning industry-wide growth into something that works for the 'middle class' of musicians, as well as the top stars and the rightsholders, remains an important challenge for the industry. As with any growing economy, it's vital to constantly ask who might be being left behind, and how they can be brought back on for the ride.

One more positive aspect of the industry's growth is the way it's helping the artist/rightsholder relationship to evolve. Bad deals may not be a thing of the past yet, but artists' and managers' awareness of the money flowing into the industry is often stiffening their resolve to seek ownership of their rights – and that flow is also funding new kinds of companies willing to grant that.

As Bergen said, sustained industry growth should never be an excuse for complacency, and in many cases, that growth will directly drive the efforts to modernise industry structures, develop new models and return more agency to creators. Fixing our problems from a position of strength and confidence is much more preferable than from the position of decline and panic that is still fresh in the industry's memory.

But let's also celebrate that strength. According to the IFPI's Music Listening 2019 study in September, 89% of respondents were using some kind of legal, on-demand music-streaming service, including 64% who listen to legal, on-demand audio-streaming services. That's a world away from 2008, when the same body was claiming that 95% of music downloads were illegal, and when the idea of even a year of growth, let alone five in a row, felt like an impossible fantasy. :)

The TL;DR of the ECD and MMA

Wind back a year, and our trends report's section on the European Copyright Directive (ECD) and Music Modernization Act (MMA) was headlined 'Legislation goes music's way… or does it?' The question was whether the industry positivity around the MMA's successful progress into US law would be matched by the ultimate form of Europe's new copyright legislation, amid heavy lobbying from the creative and tech industries.

It was also unclear at that stage whether the music industry unity that pushed the MMA through would hold steady as the new law was implemented in practice.

So, 2020. The final stages of the ECD's passage were certainly dramatic. At one point a group of music industry bodies called for the directive to be scrapped entirely for elements "which fundamentally go against copyright principles enshrined in EU and international copyright law". Quickly followed by another open letter from bodies representing music creators criticising that intervention as "heavy-handed tactics of heavyweight businesses".

The contrast to the industry unity which piloted the MMA through the US legislative process was painfully stark, and yet when the final text emerged in mid-February, our industry was back in a positive mood about its "effective and well-balanced" approach – even if the legislation's tech critics were much less impressed.

The European Parliament's approval of the ECD in March by a vote of 348 to 274 was far from the end of the story. It's now down to the individual European Union states to implement it, complete with the ability to add their own local twists. As YouTube CEO Susan Wojcicki recently made clear, the intense lobbying hasn't stopped: it's simply moved to a national level.

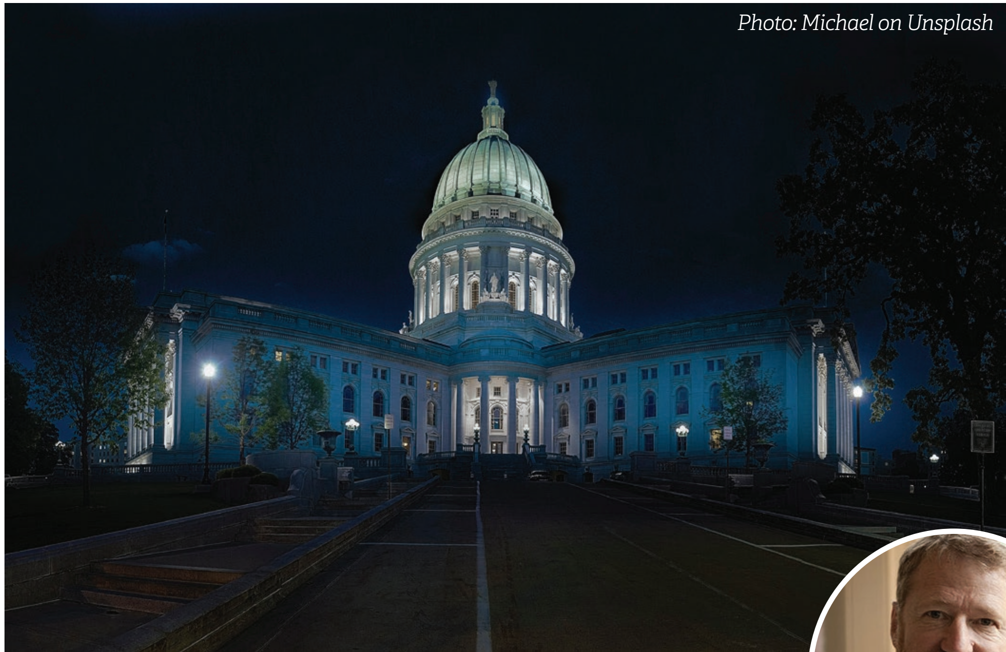


Photo: Michael on Unsplash

Well into 2020, we'll be finding out what approach countries take, including the UK, which if and when it 'Brexits' the EU, should be transposing the ECD into its own legislation. But given that the UK's Prime Minister Boris Johnson tweeted in March that the new law was "terrible for the internet… a classic EU law to help the rich and powerful, and we should not apply it" nothing is certain.

Back in the US, the emphasis has been on one of the MMA's key provisions: the creation of a Mechanical Licensing Collective (MLC) to, among other duties, create a database of works and recordings, and to ensure that publishers and songwriters finally receive the 'black box' income from unmatched streams of their work.

Two consortia battled to win the job of setting up the MLC, with the group backed by the National Music Publishers Association winning out. Cue more arguments, as its request for $66m of setup and first-year costs, to be paid for by digital music services, was challenged as being (in the words of one anonymous DSP exec) "easily three times the cost of creating a comparable organisation of this nature… a big price tag without a lot of information attached to it".

A deal was reached, and for not much less ($62m) than the original demand. But even once that was settled, the MLC's decision to pick the Harry Fox Agency as a technology partner sparked another row, this time with criticism from musician and creator-rights advocate David Lowery (*inset*), angry at HFA's past role handling mechanical rights for Spotify.

The lesson here? Securing legislation that is seen as positive for the music industry is one thing, but implementing it has plenty of scope for unexpected disappointments and cats-in-sacks infighting.

The US industry is now preparing for another battle: forcing terrestrial radio stations to pay performance royalties, while industry bodies in Europe are enmeshed in the ECD-implementation process. Will we still be talking about the latter in a year's time? Don't bet against it. :)

"Securing legislation that is seen as positive for the music industry is one thing, but implementing it has plenty of scope for unexpected disappointments and cats-in-sacks infighting"

Spotify's two-sided strategy

Spotify usually gets its own section in our end-of-year report, but in 2019 more than ever, it runs throughout this publication.

Its addition of 17 million subscribers and 41 million overall users in the first three quarters of 2019; its $500m investment in podcasts; its appeal against new US songwriter-royalty rates; its India launch and accompanying licensing dispute with Warner/Chappell; its antitrust complaint against Apple; tests of its first hardware…

These are all covered elsewhere in this report, as are its launch of more personalised playlists (and 'enhanced' album playlists with artists); its involvement with Facebook's Libra cryptocurrency initiative; the debate about falling ARPU and (potential) rising subscription prices; and the in-house tools used for Skygge's AI-music project 'American Folk Songs'.

Meanwhile, running through 2019 were themes including Spotify's ongoing negotiations with labels to renew its licensing deals; the departures of existing executives, to be replaced by new faces; and the ever-present discussion of Spotify's share price, for better or worse.

The theme we've picked out for this Spotify-focused bit of the report, though, is a phrase you'll invariably here when a senior Spotify exec talks in public: the 'two-sided marketplace'. It's been a staple of its corporate messaging since it went public in 2018.

"We are building a two-sided music marketplace for users and artists, which is powered by data, analytics, and software," its S1 filing explained.

"The long-term success metrics for this platform is growing the number of creators on our platform… using our promotion, marketing and career-management tools, and the number of artists and labels paying us to use those tools and services," added CEO Daniel Ek in July that year.

Analysts have always welcomed the idea of the music industry paying Spotify, as compared to the other way around. "We see great monetisation potential for data, analytical tools, tour marketing and support, ticketing, merchandise sales and other ways that SPOT can help artists and the industry," wrote MKM Partners analyst Rob Sanderson in August 2018, predicting that by 2023, Spotify would be making $580m a year from this 'additional data and services'.

2020 will see the big reveal for many of these tools, but 2019 laid the groundwork, not least when Ek told analysts in April that the marketplace strategy will be the engine of Spotify's "future for our margin growth". And then in July when he updated them on Spotify's licence-renewal talks with labels. "The primary focus for this round of negotiation has really been about enabling the marketplace strategy".

One tool is already in testing: sponsorships of the pop-up 'marquee' feature that lets listeners know a new album from an artist they like is out. Labels will pay $0.55 per tap-through from the ads, with an advised minimum spend of $5k per campaign.

There are tensions around this sort of thing. First, how will premium subscribers (who are partly paying to remove ads from Spotify) respond to 'sponsorships' on the service? The fact that they can turn off the marquee ads shows Spotify is alive to the sensitivities here.

Second, will on-platform, paid-for marketing tools work as well for smaller labels and artists as they will do for the top stars and major labels with bigger budgets? It's too early to make assumptions here, not that this will stop some people fearing the worst. Maximum transparency about how these and other new tools work, for different levels of budget, will be welcome.

The final question about a two-sided marketplace defined as listeners on one side and artists on the other, with Spotify at the centre, is the impact on those other traditional middlemen: labels.

Spotify may have ended its experiment with direct artist uploads, and repeatedly set out its belief that its strategy will help labels market more efficiently, but suspicions of its motives may be quick to pop up again, if labels feel its marketplace is putting their noses out of joint. :)

Apple Music heading for super-bundle?

Apple may be a public company, but the number of Apple Music subscribers isn't a key metric for its overall business, so unlike Spotify the company can pick and choose its times to give updates.

Apple Music passed 50m paid subs at the end of January 2019, then crossed 60m in late June. If that trend continued, it should now be past 70m, with its monthly average of 2m net additions in 2019 comparing favourably to Spotify's figure of 1.9m.

In terms of the service itself, 2019 was a year of steady improvements rather than swingeing changes. Its editors championed a range of emerging artists in its Up Next scheme; the work of its internal and external playlist curators was buffed up with original, album-style artwork; its analytics for artists came out of beta; the service got a web app; and key playlists became more-differentiated brands (see p29).

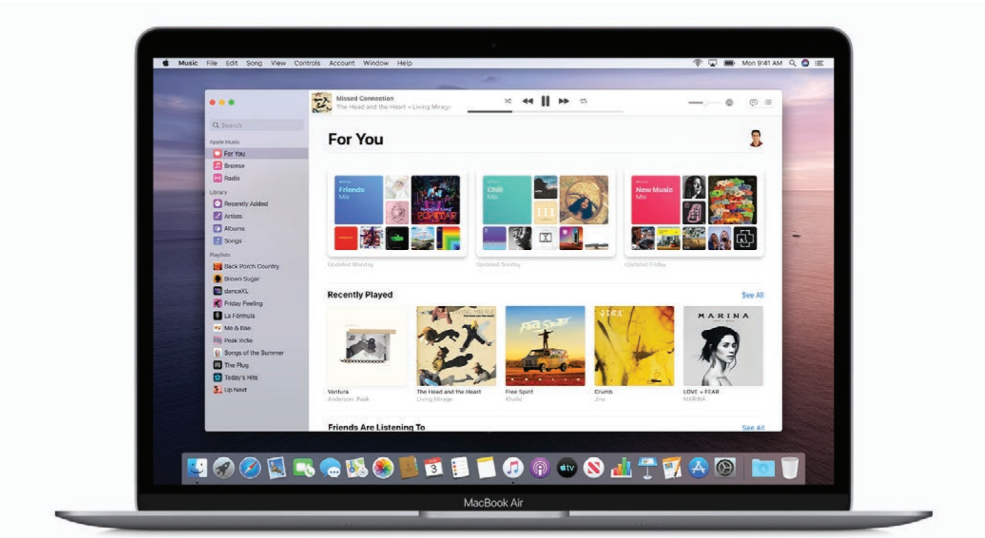
Apple finally killed off iTunes, sort of, by splitting its desktop application into separate Music, Podcasts and TV. It upgraded the For You recommendations screen; took its HomePod smart speaker to new markets including Japan; and launched a suite of Replay playlists mirroring Spotify's look-back-nostalgia features.

There were flashes of the old Apple throwing its weight around, such as the strings attached to its conversion-data agreement with Linkfire (see p29) and more light-heartedly – for external observers at least – an announcement of the first Apple Music Awards in which the "uniquely Apple" award got more words than Breakthrough Artist of The Year Lizzo.

There were two key big-picture trends around Apple Music this year though. The first was its role in helping services become one of Apple's key business segments. The division's revenues grew by 18% to a new record of $12.51bn in the third quarter of this year, including a new all-time high for Apple Music. By the end of September, Apple had 450m paid subscriptions across its various services (music included), up from 330m a year before.

It's traditional to think of Apple as a company for whom services simply help it to make money from hardware. But with iPhone revenues currently in decline, services are increasingly important for Apple. Not to mention the fact that those latest quarterly revenues – an annual run-rate of $50bn – would, if Apple's services were a standalone business, rank it in the mid-sixties in the Fortune 100 index of companies. That's bigger than Cisco Systems, American Airlines and Best Buy.

With some US presidential-nomination candidates talking about big-tech breakups, this generated speculation: in June, financial



"It's traditional to think of Apple as a company for whom services simply help it to make money from hardware. But with iPhone revenues currently in decline, services are increasingly important for Apple"

site Barrons suggested that Apple Music could be a $15bn-$20bn business (in market cap terms) if Apple were ever forced to spin it off. Not that this is currently in the offing.

The second big-picture trend is actually one for 2020. This year, Apple launched several non-music subscription services, including Apple Arcade for games, Apple News+ for digital news and magazines, and Apple TV+ for television and films.

The obvious question is when and how Apple will bring these together with Apple Music into some kind of 'super-bundle' subscription. Indeed, in November, Bloomberg predicted that such a bundle may launch as soon as 2020.

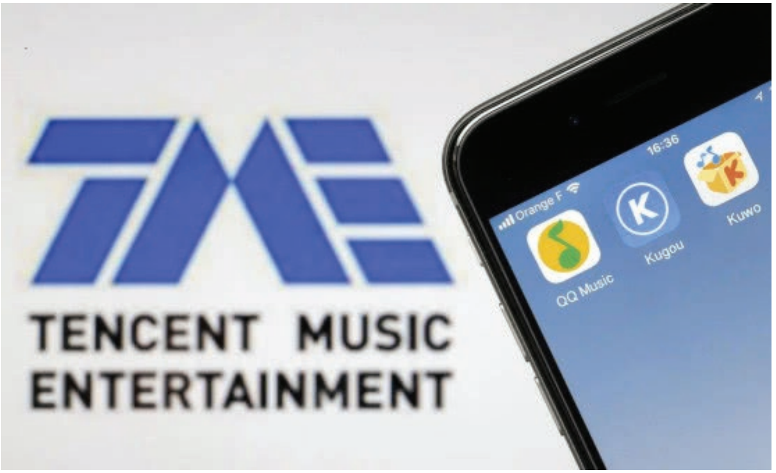
Cross-media bundles aren't an unknown quantity for the music industry, with Amazon Prime's blend of music, video, books and magazines (and free shipping when shopping) the obvious example.

Still, an Apple super-bundle raises important issues for rightsholders and Apple Music's streaming rivals alike. How will the subscriptions for these bundles be divided between, say, games, news, video and music – especially when music's ability to be played in the background nixes any simple 'time spent' mechanic?

As for Spotify, it's already more than just a pureplay 'music' service, with its push into podcasts and other spoken-word content. An Apple super-bundle may add new impetus to the exploration of video that began with a Hulu joint bundle. And remember, pureplay video services like Netflix will be facing similar questions... :)

5

China: music in the hands



Any discussion of the Chinese recorded music market will inevitably focus on Tencent Music. Partly because its three streaming services' combined market share make it the biggest DSP by some distance, and partly because post-IPO, its numbers are published on a quarterly basis.

The key challenge in China from rightsholders' view is conversion rates: convincing more of the huge base of free streamers to start paying. How did Tencent Music do on that score this year? Well, it ended 2018 with 27 million paying users of its online-music services, 4.2% of its 644 million monthly active users. By the end of September 2019, it had 35.4 million paying users, and a conversion rate of 5.4%.

That's welcome progress, but adding just under one million net new paying-users a month in 2019 in a market of China's size shows the scale of the challenge ahead, as rightsholders and DSPs alike mull paywalled music, new features and promotional strategies to up that rate of growth.

Encouragement will come from music's potential to benefit from the burgeoning smart-speaker market in China, which thanks to devices from Baidu, Xiaomi and Alibaba overtook the US for quarterly shipments this year. There were also bright spots for western artists in China, including Taylor Swift's one million 'first-week full-length album consumption' units for her Lover album in August, and a range of western acts doing well on the biggest non-Tencent streaming service, NetEase Cloud Music (*inset*).

China remains a fluid market, with stories from Alibaba's investment in NetEase Cloud Music to the ongoing dismantling of DSP catalogue-exclusivity agreements showing how its sands are still shifting. Even so, hopes are high among global and Chinese music companies alike that the market will continue to grow, and deliver real revenues (not just pie-in-the-sky predictions and user numbers) to artists and rightsholders in this new decade. :)

6

Voice smarts still developing

We're past the peak hype stage for smart speakers and voice assistants, in terms of over-excitable industry execs boasting at conferences about how Echo and Alexa have changed their lives. But 2019 saw some steady progress for this category, as well as some new thorny questions.

Progress? The year began with Amazon announcing that it had sold more than 100m Alexa-capable devices, swiftly followed by Google's (Android-assisted) comparable milestone of 1bn Google Assistant-capable devices.

It continued with both Spotify and Pandora testing voice-enabled ads; Chinese smart-speaker shipments overtaking the US (see opposite); Michael Bublé getting his own Alexa skill while John Legend lent his voice to Google Assistant; Apple finally opening up Siri to music-streaming services beyond its own; and Spotify giving away (potentially) millions of Google Home speakers, while testing its own 'Car Thing' for drivers.

Meanwhile, the number of devices out in the wild continued to grow. In March, research firm IDC predicted that 144.3m smart speakers would ship globally in 2019, although we'll have to wait until January (at the earliest) to see if that prediction was correct.

As ever, you could pick and choose your favourite (sometimes contradictory) big numbers: Canalys claimed in April that the global install-base of smart speakers would grow from 114m units at the end of 2018 to 207.8m by the end of 2019 – 93.8m units, which begged the question of why there was a 50.5m gap between Canalys's and IDC's predictions.

Two concerns this year. First, the music industry seems not much further forward in understanding what it needs to do to make the most of smart speakers: what do they really mean for marketing and for metadata requirements? Lucian Grainge reminding labels to stick the song title in the chorus was about as sophisticated as the analysis got.

Second, smart speakers aren't immune from the debates around digital privacy: we saw some indications this year that some people are having second thoughts about a listening device from Google, Amazon, Facebook or Apple in their homes. :)

TikTok: it don't stop

The joys of writing an end-of-year trends report are the hasty rewrites required by late-breaking news. Bytedance was the culprit this time round: no sooner had we written about the speculation in 2019 about its new streaming service, then Resso broke cover.

It's being tested in India, Indonesia, and other "developing markets" as a free mobile app, with a built-in paid subscription costing (in India) 119 rupees a month – about $1.70. People can stream music (and download it if they subscribe) but there's also a healthy dose of TikTok-style user-generated content in the form of 'vibes' – short, shareable videos using music as their soundtrack.

Deals are in place with big Indian labels, if not (at the time of writing) with the global major labels. But from early indications, Resso really does look like an interesting new spin on music-streaming, with the kind of social features at its core – not just videos but comments too – that the established western DSPs have swerved.

Resso's launch in India will be particularly intriguing, since it's launching there with the backing of another app (TikTok) that has more than 120 million active users in that country alone, as we explain on p12. Resso is thus far from starting from scratch in its bid to attract listeners.

Globally, TikTok had a big year, if sometimes a challenging one. The success of Lil Nas X's 'Old Town Road', Regard's 'Ride It', Sueco The Child, Absofacto's 'Dissolve' and more are all wheeled out as proof that the video-sharing app – with a staggering 1.5bn downloads to date – is the breakthrough platform of the year for music.

> **Like YouTube in the past, TikTok's rapid rise has come with rightsholder tensions on both the label and publishing sides... "**

It's an A&R hotbed, a meme farm, the "new radio" and more. And, like YouTube in the past, TikTok's rapid rise has come with rightsholder tensions on both the label and publishing sides.

Bytedance recruiting industry veterans like former WMG exec Ole Obermann shows its determination to get the necessary deals locked down, although publishers (see p10) are also clamouring for their slice of TikTok's growing pie.

A dispute with licensing hub ICE that's going to arbitration with the UK's Copyright Tribunal will also have an important impact on how TikTok approaches that side of licensing in 2020.

In the meantime, artists and marketers continue to flock to TikTok, encouraged by the growing number of marketing agencies promising to help them go viral with the aid of the app's young and creative community of TikTokers.

There will be some great music campaigns on TikTok in 2020, and also plenty of clunky ones, from artists who aren't genuinely engaged in the platform. One of the big marketing lessons this year was that for labels, TikTok success was often less about doing things on the app itself, and more about spotting when a track was going viral organically there, and setting the wheels in motion to capitalise elsewhere, be that on Spotify, YouTube or other platforms.

Like Vine before it, TikTok is also showing potential as a new pool for A&Rs to dip in to: not in a novelty sense, but because if a talented teenage musician is showing off their early tracks, there's a good chance it'll be on TikTok.

Like other tech companies, Bytedance has some storm-clouds gathering, with calls in the US for an investigation into its acquisition of social app Musical.ly and its privacy / censorship policies. Even after a (then) record $5.7m fine in February from the Federal Trade Commission for Musical.ly flouting children's privacy laws, the challenge of how to deal with TikTok's popularity with under-13s is still lurking, too.

Still, TikTok is a force to be reckoned with, Resso looks like it could make some decent ripples in the streaming pond, and Bytedance clearly means business. In 2020, it will continue to be a major player in our industry. :)

Resso

8

Everyone loves podcasts

Well, Spotify certainly does. The company began the year by revealing that podcast listening grew by 175% on its platform in 2018 – yes, from a small base – and it quickly made a splash in 2019 by earmarking up to $500m for acquisitions, including production studios Gimlet Media and Parcast, and podcast-recording app Anchor.

Across the year, meanwhile, Spotify launched a succession of original shows, and bagged some pricey exclusives – upwards of $10m for the Obamas? A snip! The company's claim that non-music will ultimately be 20% of its listening (see p5) was a reminder of its ambitions.

Pandora loved podcasts too, coming up with its own hybrid 'stories' format blending music and spoken-word clips, while also leveraging the talk-radio shows of its parent company SiriusXM for podcasts.

Also meaningful, though, was the music industry leaning in to podcasts. Universal Music announced a partnership with production powerhouse Wondery. Sony Music announced two joint ventures and then inked a daily-satire-show deal with The Onion.

Artists like Blossoms, Robert Plant, David Gilmour, Feist, Gregory Porter, Frank Turner, Oasis, Dolly Parton, Korn, Martina McBride, Midland, Vampire Weekend, Reba McEntire and Robbie Williams all either launched or were the subject of a new show.

This year also saw a succession of stats showing the growth of podcast listening. In March, Edison Research and Triton Digital's 'Infinite Dial' report claimed that 62 million Americans had listened to a podcast in the last week, and 90 million in the last month.

In April, research firm Warc claimed that global podcast audio advertising spend would reach $885m in 2018, nearly doubling to $1.6bn by 2022. In June, the Internet Advertising Bureau and PwC released a report suggesting that the US industry generated $479.1m of ad revenues in 2018, and predicted growth to $678.7m in 2019... and more than $1bn by 2021.

This is all exciting, but the downside was that podcasts remain a Wild West when it comes to music licensing, with many podcasters either infringing copyright, or swerving music altogether to avoid potential legal headaches. :)

9

UMG meets Tencent

UNIVERSAL MUSIC GROUP

At the time of writing it's not a done deal, but Tencent possibly buying a 10% stake in Universal Music Group (with an option to buy a further 10%) is a hint about the possible future architecture of the global music business. And also the challenges that a consolidation of entertainment super-powers could mean.

UMG is big – its revenues in 2018 were $7.15bn (up 6.2% from 2017) and Deutsche Bank put a €29bn valuation on the company earlier this year, as parent company Vivendi prepared to auction off up to half of its music subsidiary. Tencent is also enormous and dominates in gaming, music and more in China, with revenues of $12.9bn in Q2 alone.

Yet there are obstacles to clear before these two giants start to fuse together. Chinese companies – notably Alibaba, Tencent and Huawei – are under enormous scrutiny from the US government over security concerns. While Vivendi is a French company, the Sino-US political and trade standoff could also have global repercussions here.

Alongside that, there are also potential issues with the power dynamics around any UMG/Tencent tie-up. As ever, these concerns are being voiced most loudly by European independent body Impala, the veteran of numerous consolidation antitrust battles.

"Even at a low level of shareholding, we believe the risk of harm for consumers and competitors from such a transaction would be a concern because of the impact in both the digital market and the music sector, with independents being squeezed further and artists also losing out," is how Impala's executive chair Helen Smith put it.

UMG defied the odds in 2011 when it was allowed to buy the bulk of EMI after Citigroup took the company out of Terra Firma's hands. But the rules of engagement that time did not have to factor in the navigation of tinderbox geo-politics. UMG and Tencent will be pushing for their deal to happen; Impala will be pushing for the opposite. Who wins and how they win will help to define the new global order for the music business. :)

Publishers get punchy

Photo: Ivan Pergasi on Unsplash

I'm as mad as hell and I'm not going to take this anymore!" raged TV news anchor Howard Beale in 1976's Network, anticipating the Chemical Brothers by 43 years as he turned against the media company that made him. The phrase is also relevant to the views of music publishers in 2019, as they stood up for their songwriters in a series of disputes.

The biggest battle concerned the appeal by four streaming services against new songwriter-royalty rates set by the US Copyright Royalty Board (CRB), which would lead to a 44% increase in publisher royalties over the next five years.

Google, Amazon, Pandora and Spotify (who have yet to be branded as the 'value GAPS' by publishers, but give it time) submitted their appeal against the rates just before the deadline for doing so, and with Apple Music stepping back saying it was content with the new rates, publishers were left enraged.

Particularly with Spotify, which jabbed at one of the inaccurate attack lines ("No, Spotify is not suing songwriters…") and said it was not averse to paying higher royalties but only if they "cover the right scope of publishing rights" and offered flexibility for music and non-music bundles. Spotify also fanned the flames of existing tensions within the music industry: "The CRB judges set the new publishing rates by assuming that record labels would react by reducing their licensing rates, but their assumption is incorrect."

The National Music Publishers Association hit back with a 'fact check' of Spotify's arguments, and prominent publishing figures lambasted the company (its co-appealers got off lightly) over the following weeks, with Apple joining in as its separate antitrust dispute with Spotify flared up (see p14).

The outcome of the appeal has yet to be decided, but the fallout from what former Sony/ATV boss Martin Bandier called "the dumbest PR move ever" will almost certainly continue, whichever way the decision goes.

The publishing community coming together to tackle what it sees as bad actors was a theme. Witness the lawsuit led by 10 publishers against exercise brand Peloton. Music is a major part of its classes, but publishers argued that the company had not secured all the necessary licensing deals to use their works.

With Peloton hitting back by claiming it had spent "tens of millions of dollars" on a licensing system, while accusing the publishers of "a coordinated effort… to fix prices and to engage in a concerted refusal to deal with Peloton", the acrimony quickly escalated. Although we're not sure what to make of the fact that a now-$300m lawsuiit against the company had less of a negative impact on Peloton's share price than the company's own widely mocked Christmas ad did.

"Witness the lawsuit led by 10 publishers against exercise brand Peloton. Music is a major part of its classes, but publishers argued that the company had not secured all the necessary licensing deals to use their works"

As the year went on, we saw the NMPA take aim at TikTok over copyright infringement too: "While some publishers have been able to negotiate with TikTok to license their catalogs, a large part of [the publishing] industry does not have agreements in place, meaning numerous works continue to be used unlawfully as the platform's popularity grows exponentially," wrote its boss David Israelite.

Publishers were mad as hell about these and other examples of what they saw as their works and songwriters not being adequately compensated and/or respected. Their willingness to go into battle does raise the question of what their next move might be in another long-running cause of simmering resentment: the division of streaming royalties between recordings and works.

Agitating for a bigger slice of the pie at the expense of labels has taken a back seat to industry unity for political lobbying purposes in the last few years, but emboldened by their battles in 2019, perhaps publishers will have the appetite to revive the issue in 2020. Sparks will surely fly if so. :)

11

Facebook's fluid future

Facebook CEO Mark Zuckerberg's annual challenge this year was "to host a series of public discussions about the future of technology in society", although he ended 2019 being mocked for choosing eight men and one woman – all white – for those discussions.

Meanwhile, from privacy issues to its plans to launch its Libra cryptocurrency, Facebook continued to be a lightning rod for criticism of Big Tech in general. Oh, and it was hit with a $5bn fine by the Federal Trade Commission for privacy-related violations.

Despite this, 2019 has been a big success: in the first three quarters, Facebook generated $49.6bn in revenue (up 27.4% year-on-year) while generating net profits of $11.1bn.

As for music, 2019 was a year of evolution for Facebook's user-generated content licences: expansion to markets including India, Thailand and Brazil; birthday-themed music stickers in stories; and an Eventbrite partnership for ticketing for example.

Plus the odd curveball, like the launch of experimental music app Aux and the acquisition of music-VR game Beat Saber.

Facebook continued to be an important marketing platform, even as its ad-targeting capabilities evolved in response to those recent privacy controversies, and changes in legislation.

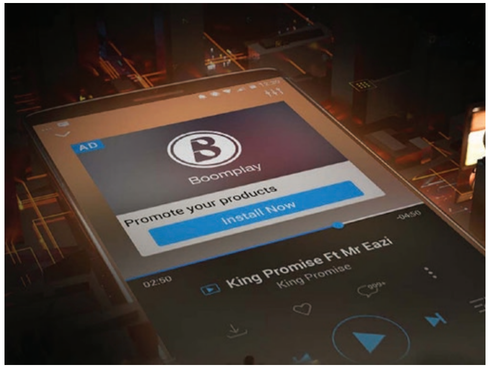
Something else to watch are Facebook's plans for fan-funding. Details emerged in February of plans for 'Fan Subscriptions' where creators would get at least 70% of the money paid by their fans.

But the longer-term future is fascinatingly fluid. Will Facebook's Portal devices catch on, and will it be able to clone TikTok? Could Libra launch successfully and (as Spotify CEO Daniel Ek suggested in June) enable fans to "be able to pay artists directly"?

Or, and this is the really big picture, could the next president of the US come to office with a determination to break Facebook and other big-tech companies up? :)

12

Boomplay signifies Africa's ambition



"We're here to stay, and you're going to know about it!" said Ikechukwu Onuorah of the Artiste Managers Association in Nigeria at our NY:LON Connect conference in January, of the ambitions within Africa to build the continent's own streaming services, industry structure and stars capable of breaking globally.

Boomplay made the biggest noise in the first of those categories, following its late-2018 distribution partnership with Universal Music Group this year with licensing agreements with WMG and Sony, giving it a full set of global major-labels to add to its African music catalogue – although the latter still accounts for 80% of its streams.

Boomplay also raised a $20m funding round in April; grew from 36 million users in November 2018 to 53 million by the end of August 2019; and signed the kind of attribution data deal with Linkfire that many global DSPs are still getting their heads around.

Boomplay isn't the only streaming game in town for Africa: uduX (with its own UMG deal); telco MTN's MusicTime; Smubu; Playfre; Naijatastic and TrackDrip were among the other services covered by Music Ally this year, in the continued absence of some of the biggest global DSPs.

YouTube isn't absent: its head of music Lyor Cohen visited Nigeria to announce a partnership with Mr Eazi to support emerging local artists, and even strutted his 'zanku' stuff on-stage (google it).

Earlier in the year, YouTube also funded a Burna Boy Artist Spotlight film, and that artist would also be named as an Apple Music Up Next artist this year.

This, plus Tiwa Savage's global deal with UMG and WMG's partnership with Chocolate City, hinted at what should be an even stronger trend in 2020: a demand for African music across the world, and strong partnerships that respect the independence and ambition of African companies and individuals, rather than seek to exploit it. :)

India sets its sights on the top 10

In 2018, India was the 15th largest recorded music market in the world, according to the IFPI. 2019 saw the country continue what the industry there hopes is a steady march towards the top 10 of those rankings.

A report early in the year from Deloitte and industry body IMI claimed there were nearly 150 million music streamers in India as 2019 started, but warned that “less than 1 percent of the subscribers are paid users and nearly 14 percent subscribers are bundled users; the remaining 85 percent of users are on free subscription”.

What’s driving its growth? Local streaming services Gaana, JioSaavn and Wynk Music take many of the plaudits, and all three announced nine-figure milestones within a few weeks: 100 million active users for Gaana and JioSaavn, and 100 million ‘installs’ for Wynk Music – although the latter, owned by telco Airtel, would later claim to have overtaken rivals for daily active users.

These Indian services faced global competition in 2019 like never before. Amazon was already in India, and claimed in January that it had doubled its Prime Music userbase in India in the previous five months. From what to what remained a mystery.

Spotify also finally launched in India in February, amid a high-profile licensing dispute with Warner Music Group over its assertion of a statutory licence for works by WMG’s publishing division Warner/Chappell. Saregama’s catalogue would

later be removed from Spotify too, after licensing issues.

Spotify signed up more than one million users in India in its first week, but has since declined to report specific figures – although in its Q3 financials Spotify did claim that India had “outperformed our forecast by 30% this quarter”.

The biggest competition for all of these audio streaming services remains YouTube, which as of April had 265 million monthly users in India – 20% of the population. When it launched its YouTube Music app in mid-

“Spotify signed up more than one million users in India in its first week, but has since declined to report specific figures – although in its Q3 financials Spotify did claim that India had “outperformed our forecast by 30% this quarter”

March, it was downloaded 15m times in its first month and a half.

Meanwhile, Indian films and music company T-Series finally unseated gamer PewDiePie as the top channel on YouTube by subscribers, reaching 100 million at the end of May, and 121 million by early December.

Indian artists like Neha Kakkar (*left*), Kumar Sanu, Alka Yagnik, Udit Narayan and Arijit Singh were mainstays in the top 10 of YouTube’s weekly global (not just India) music charts. By December, Yagnik was averaging more than 1.2bn plays of her music a month on YouTube.

No wonder YouTube accounts for 40% of Indian labels’ digital revenues, according to a March report from the Federation of Indian Chambers of Commerce and Industry (FICCI) – even if Indian artist Badshah failed in his Google Ads-assisted bid to snaffle YouTube’s global 24-hour-debut views record.

YouTube isn’t the only user-generated platform making waves in India. 2019 was the year when TikTok’s importance there became clear: with 120 million monthly active users in this country alone by June. TikTok also faced criticism (and even a brief app-store takedown) from the Indian government, amid a wider debate about the need for new regulations for tech ‘intermediaries’ that in some ways echoed the Article 13 / Section 230 debates in Europe and the US.

Changing listening habits were interesting too. The rise of regional language music from other parts of India, to the growth of independent Indian hip-hop (and one of its trailblazers, Divine, being signed to UMG’s new joint-venture Mass Appeal India) and experiments with non-film music from labels and DSPs alike, has shown there is life outside the movies world.

Ambitions are high: Gaana’s CEO said in April that he hopes India will have 600 million people streaming music “in the next 2-3 years”. The key to cracking the IFPI’s top 10 and then shooting up it will be subscriptions, though. A report from KPMG India in September predicted that while subscriptions would only be 9.1% of the Indian music industry’s streaming revenues in 2019, that will grow to 31% by 2024. :)

14

Progress on diversity


Photo: Nathan Dumlao on Unsplash

That the music industry has had a diversity problem should be a surprise to no one; that it continues to have one is shameful. But – slowly – things are changing.

2019 saw continued momentum for people and organisations speaking up about having diverse workforces and management within music companies, not to mention on panels at conferences. There was also a sharp awareness that collectively, we have some distance to go.

What's encouraging is the combination of calling out problems, and offering solutions. There were still prominent 'pale, male and stale' industry "power" rankings, but also initiatives like SheSaid.so's Alternative Power 100 list to offer another view.

Studies in the UK, Nordics and elsewhere laid bare the dominance of male songwriters in the charts and even in the memberships of collecting societies, yet there were songwriting camps, mentoring initiatives and other efforts to continue the process of changing these ratios.

There were controversies around festival lineups, most prominently with the TRSNMT festival in Scotland, and its boss' response to criticism of a male-heavy lineup announcement being "we need to get more females picking up guitars, forming bands, playing in bands".

Women who've been picking up guitars for their whole careers quickly let him know what they thought about that. Yet the flipside is the growth of the Keychange initiative, which has an increasing number of festivals committed to (and some already achieving) 50/50 gender parity on their lineups.

Streaming services were also held to account in terms of their playlists and recommendation algorithms. Country artist Martina McBride (*pictured below*) laid into Spotify after funding that the first 135 suggestions of tracks for a country music playlist she was making were all by men. An apology and a promise to do better was the refreshingly undefensive response.

2019 was also the year of the Surviving R Kelly documentary, and the ensuing clamour for music companies to cut their ties with the artist. It's often said that the music industry itself has yet to have its 'Weinstein' moment – the downfall of a hugely-powerful executive after allegations of sex crimes and misconduct – but the work of Time's Up in the US, SheSaid.so and InChorus Group in the UK and others is laying the groundwork for harassment and bullying to be called out and for their proponents to get their comeuppance.

Diversity and inclusion is a topic that goes well beyond gender. People who aren't white, people who aren't heterosexual, people who live with disabilities or mental-health conditions, people whose families can't afford to fund months of unpaid internships until they get a job… there is lots of work to do in the music industry, as elsewhere. But there are lots of people willing to do that work, and talk about it loudly.

All in all, it feels like there are positive signs of an industry facing up to its past shortcomings, and doing something about them – now. When we're confronted by evidence of the problems – the annual gender pay-gap data publication in the UK has already established itself as an apologetic moment for most music companies – it can act as an accelerator for change.

If 2019 proved anything it is that the momentum is there to change all this much quicker than was imaginable even as little as five years ago.

The recent announcement by US organisation Women in Music of its ambitions was a neat summary of how inclusive this drive for, well, inclusion can be.

"We want to open up the conversation in a real and impactful way - for women of colour, for the LGBTQ community, for our male allies, and more - to create a safer, more inclusive and more equitable music industry for all," said its president Nicole Barsalona. Onwards.

:)

15

Spotify and Apple's antitrust battle

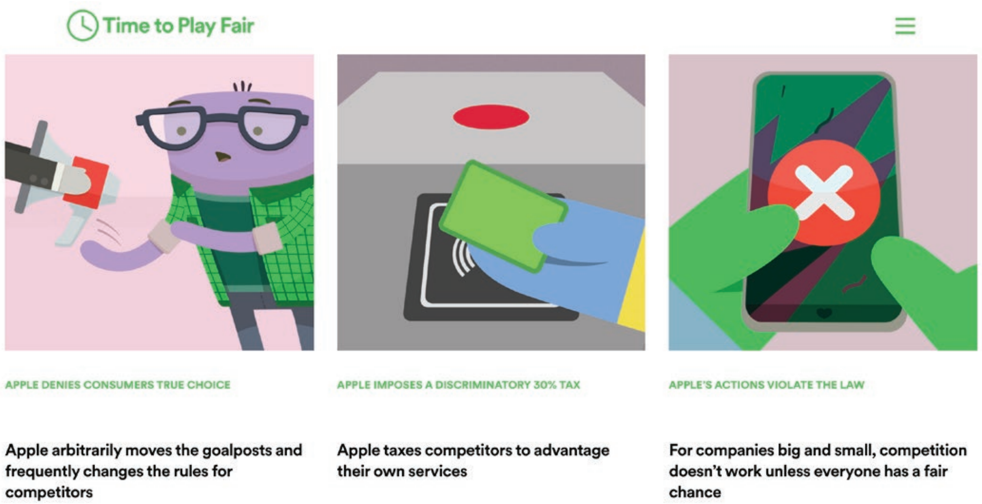
Spotify and Apple have been squabbling almost since the former's launch. From Spotify's agitation over whether its iPhone app would be approved by Apple in 2009, through claims that Apple was dripping poison in labels' ears when Spotify was trying to sign its US licensing deals in 2010-11, to 2019's full blown antitrust argument.

It had been presaged by Spotify's prominence (along with Deezer) in calls for European regulators to monitor 'access to platforms' where big technology companies run app stores, smart speakers, search engines etc, but have their own services competing with independent players on those platforms.

It all blew up in March, when Spotify filed a complaint against Apple with the European Commission, launching a website to go public with its belief that Apple had regularly abused its position to hurt Spotify: from in-app subscriptions to Siri/HomePod access and Apple Watch app-rovals.

It was quite something to see Spotify and Apple flying at one another so publicly, including Apple's "they distribute the music you love while making ever-smaller contributions to the artists, musicians and songwriters who create it" clapback in its rebuttal of Spotify's claims.

"Underneath the rhetoric, Spotify's aim is to make more money off others' work. And it's not just the App Store that they're trying to squeeze — it's also artists, musicians and songwriters."



Spotify was backed by a few other streaming services, including Deezer and Anghami. After those fireworks, however, it all went a bit quiet. In May the Financial Times reported that the EC was preparing to formally investigate Apple over Spotify's claims, while in June Apple's official response claimed that only 0.5% of Spotify's subscribers were using its in-app purchases.

In October, Reuters claimed that US lawmakers had requested information from Spotify as part of a separate potential antitrust probe into Apple, opening a new front in the battle.

All this is against a backdrop of other complaints and concerns around Apple, with the App Store alone sparking an investigation in the Netherlands; a consumer antitrust lawsuit in the US; and a New York Times investigation into why Apple's own apps often appeared so high in its search results.

The latter article noted that Apple had tweaked the way those results worked to avoid the problem in future. "'It's not corrected,' Mr. Schiller said. 'It's improved,' said Mr. Cue" being one of our favourite parts of the NYT piece.

The regulatory landscape (and the attitudes of politicians) on either side of the Atlantic make antitrust criticism a particularly-sensitive topic for Apple and other large technology companies.

There was progress. Apple's latest iOS and HomePod updates open up Siri to other music-streaming services for the first time, although even then, Spotify still had barbs.

"However, you still can't choose Spotify as the default music player. And unless you mention our name ('I want to play [X] on Spotify'), every time you give a command to play audio, Siri will default to Apple Music and so will your Apple device," claimed the update to Spotify's Time To Play Fair lobbying website.

Amazon, meanwhile, announced something called the 'voice interoperability initiative' in September, with Spotify, Sonos and Tencent all among its first members. It's about ensuring "voice services should work seamlessly alongside one another on a single device, and... voice-enabled products should be designed to support multiple simultaneous wake words".

So, as 2019 ends, we're still no clearer to knowing whether the European Commission will back Spotify or Apple; and whether US politicians will be taking their own action.

One final thought: in 2019's battles, Spotify saw itself as the hard-done-by underdog to Apple's industry titan. Within its own industry – music – however, Spotify is the biggest (subscription player). It may well face its own anti-competitive controversies in the years to come. :)

16

Artists play with AI music

When music:)ally first started writing about AI-generated music a couple of years ago, one of the responses to fears that it would put human musicians out of work was that AI would instead be a tool for artists. A creative foil that would help them avoid writer's block and/or step out of their comfort zones.

The problem was that at the time, there weren't many artists actually doing that. 2019 feels like a big step forward in that regard.

Holly Herndon released her 'Proto' album and talked in interviews about the 'Spawn' AI she'd built as a collaborator for it. Yacht fed their back catalogue into an AI and used the results for their new 'Chain Tripping' album. And Skygge – aka musician Benoit Carré – used AI tools developed at Spotify for his 'American Folk Songs' EP.

These are just three examples of artists leaning in to AI, and as Herndon put it in her recent comments on the technology: "Drum machines made basic drumming accessible to musicians but didn't replace *great* drummers. Cool AI tools will augment the producer's palette."

As our recent AI-music report explored at greater length, we're in an exciting moment where there are a bunch of startups developing this technology, and a growing number of artists willing to experiment with it.

There are certainly challenges: for example the legalities of training an AI on a catalogue of copyrighted music, and the question of how the rights are assigned for that AI's resulting output.

2020 may bring this technology's real disruption though, if (as several interviewees for that recent report predicted) it makes its way into social apps like TikTok, to get hundreds of millions of non-musicians creating and sharing original music.

From Bytedance's acquisition of AI-music pioneer Jukedeck, via Boomy's release-your-own-albums tools, to Popgun's consumer-focused Splash app, there was plenty to write about this year. The next 12 months promises to be just as busy for this sector. :)

17

Japan's streaming transition continues

The second-biggest recorded-music market in the world continued its slow transition from physical sales to streams this year.

In February, industry body the RIAJ revealed that streaming revenues had overtaken download revenues in 2018, and while you could argue this was more a reflection of a historically-disappointing downloads market in Japan, news that audio streaming subscription revenues had grown by 130% in 2018 felt encouraging.

As did the claim by research firm ICT Research & Consulting that 10.1 million Japanese people were paying for a music subscription by the end of 2018, with a further 9.7 million on free trials.

What about 2019 though? Mid-year figures from the RIAJ showed a 27.5% year-on-year increase in overall streaming revenues – covering audio and video, free and paid.

At this stage of the market, that growth seems sluggish: the much-more-mature (in streaming terms) US market saw a 26% growth in streaming revenues by comparison.

Streaming was still just 14.4% of Japan's recorded music market in the first half of 2019, so there is plenty of room for growth in the years ahead, mirroring past trends elsewhere in the world.

Something we've found since launching music:)ally JAPAN – a localised edition of our journalism – in February, though, is a real desire in Japan to start catching up by applying the lessons learned from other, more mature streaming markets.

Also positive: this year popular Japanese artists including Bump Of Chicken, The Hiatus, Gen Hoshino, Perfume, Namie Amuro, Spitz and Arashi had their new music made available on streaming services. There are still a number of artists whose music is being withheld from streaming altogether, while others (like Arashi) only have their singles available.

Still, it's progress, and with global DSPs and local services like Line Music continuing to grow, and a new generation of industry executives and artists willing to back streaming, Japan's transition is underway, and will hopefully accelerate in 2020. :)

18

K-pop makes waves globally

Shock news: K-pop boy-band BTS were pretty popular in 2019! But the interesting trend was that they weren't alone in making waves well outside South Korea.

This year saw girl-band Blackpink also making a splash globally, with encouraging signs for another group, Twice, and a flurry of US media attention around the launch of SuperM, a supergroup with members drawn from several existing K-pop groups, swiftly dubbed (admittedly by their own label) "the Avengers of K-pop".

BTS offered a useful case study. By the end of November, South Korea was only their sixth-biggest market for YouTube views, behind the US, Indonesia, Brazil, Mexico and Japan. South Korea was only ninth for Blackpink, beaten by Thailand, Indonesia, Brazil, the Philippines, Vietnam, the US, Japan and Mexico.

"If you look at the top 25 most-watched K-pop groups over the past year, 90 percent of the views are coming from outside of South Korea," YouTube's trendwatcher Kevin Allocca said in September. "Half of the biggest 24-hour debuts on YouTube are all K-pop groups."

One key trend of 2019 for K-pop was the platform support that these groups were getting globally. Deezer and Tumblr launched K-pop hubs; YouTube commissioned a Twice docu-series, plus a travel show featuring members of K-pop bands TVXQ and Super Junior.

Meanwhile, TikTok gave BTS its signature hashtag-challenge treatment after they joined the app; and Spotify (which has had a K-pop hub since 2015 despite not yet being available in South Korea) joined in BTS' global 'Armypedia' scavenger-hunt marketing campaign.

From India to Latin America, the growing clout of K-pop was clear, and BTS even got that very-2019 seal of approval in the US: a featured spot on one of Lil Nas X's 'Old Town Road' remix. How this clout is flexed creatively and commercially in 2020 will be very interesting to watch. :)

19

AR hotter than VR... for now

"AR trumps VR for practical uses," was our verdict in this report a year ago, and that assessment hasn't changed in 2019. Billie Eilish, Childish Gambino, Madonna and Slipknot were among the artists testing out augmented-reality technology in apps like Instagram and Snapchat this year.

These social apps have made AR truly mainstream, even if artist lenses or filters couldn't quite compete for virality with the FaceApp craze this summer – an app that digitally aged its users.

With Facebook (including Instagram) following Snapchat's lead in opening up tools for people to build their own AR effects, this has become an increasingly-common element in digital-marketing campaigns.

At the higher end of AR, meanwhile, Magic Leap got a dedicated Spotify app, but also reports that it had only sold 6,000 of its headsets. Meanwhile, regular speculation pointed to Apple launching its own head-worn device... sometime.

Possibly 2020, or 2021 if not. Or later. If and when it does come out, the identity of its maker should ensure that music has some kind of role.

The other side of the 'immersive tech' coin, virtual reality, continued to face scepticism in the industry this year, with VR headset sales only growing slowly.

music:)ally sees green shoots though: from TheWaveVR and MelodyVR's reinvention as platforms capable of distributing VR music performances to non-headset-demanding places like YouTube, Twitch and social media, to the million-selling success of VR music game Beat Saber – snapped up by Facebook in an acquisition this November.

Gaming is an exciting area for VR music, even if the business model for performance-based services remains murky – MelodyVR is pivoting to a subscription model after a la carte pricing failed to catch on.

It was a curiosity of 2019 that scepticism of the idea of artists playing virtual concerts was accompanied by one of the biggest digital-music events yet – Marshmello's performance in the game Fortnite, which attracted more than 10 million players. Notably with no headsets required. :)

YouTube finds its feet

In the year of the European Copyright Directive (see p4) the ‘value gap’ debate still hung over YouTube’s music activities in 2019. Yet there’s plenty more to talk about in terms of its growth and expanding features too.

Music is a huge part of YouTube, with video and music analytics firm Pex claiming in June that music videos generated just under 2tn views on YouTube in 2018, representing 20% of total views on the platform, even though they were only 5% of its content.

YouTube has yet to announce subscriber figures for its YouTube Music service which, given the regularity of milestones from rivals like Spotify (which has to, as a public company) and Apple Music (which does not) may leave you wondering whether YouTube isn’t shouting about its numbers because they’re not yet worth shouting about.

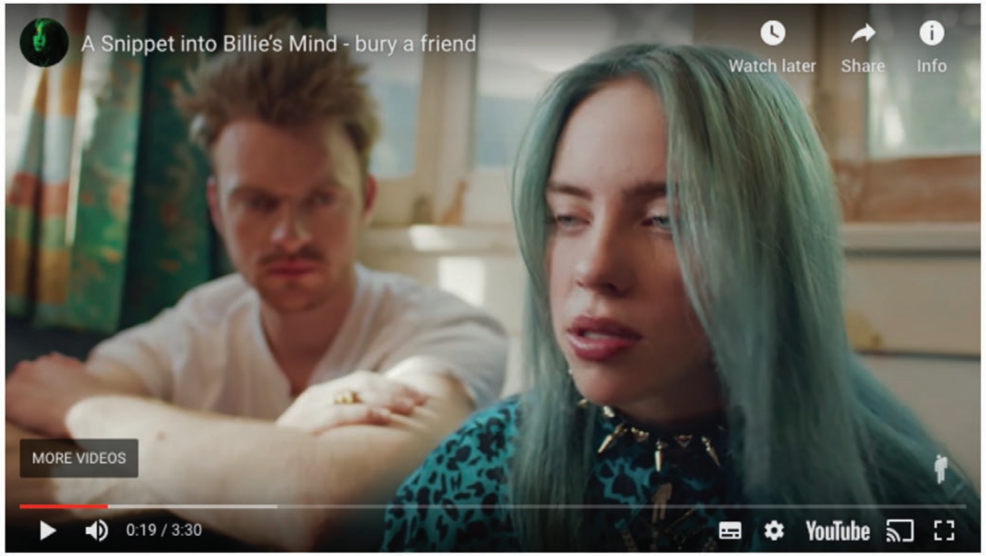
That said, consultancy Midia Research estimates that Google Play and YouTube Music combined had 16.2 million subscribers by the end of June, putting it fifth behind Spotify, Apple Music, Amazon Music and Tencent Music in that order.

YouTube’s global head of music Lyor Cohen, in an attempt to quell industry grumblings, has been forthright about the company’s ability to convert ad-supported users into monthly subscribers. Perhaps a public milestone or two will result in 2020 to back that up.

PRS for Music CEO Robert Ashcroft was somewhat cynical when we spoke to him in April. “The challenge for them, and therefore for us, is that their free service is so good,” he said of YouTube’s moves. “Sooner or later, we’ve got to see some sort of distinction between the two [tiers] which is sufficiently compelling to make people want to pay. I can understand their reticence to make the free service worse, though: then they’ll risk losing customers.”

Even so, YouTube remains a crucial music-marketing platform, and the company spent 2020 rolling out new features, including bankrolling mini-series and documentaries for artists ranging from Billie Eilish and Mark Ronson to Burna Boy. YouTube’s ‘premieres’ feature remains one of the best ways artists can gather fans in one place for a big ‘moment’ – the debut of a new music video – while its livestreaming activities continue to span festivals, awards shows and one-offs like Coldplay’s recent album launch in Jordan. Well, two-offs in that double-performance example.

Tensions with rightsholders remain above, but at the level of YouTube Music, there is hard work being put in to serving artists – who know that not being on YouTube is like being invisible in the modern industry.



Something else we’d highlight about YouTube’s role in the modern music industry is its strength in high-potential markets: India and Africa (if not China, for availability reasons) in particular.

Earlier in this report we’ve talked about YouTube’s scale in India, where it has 265 million monthly active viewers – something that’s helping the top Indian artists rank even higher than the big western stars in the platform’s global charts. 3m downloads of the YouTube Music app in a week after its launch in India, and 15m in a month and a half, also showed its clout.

In Africa, too, YouTube is already a huge music platform, and one which, in contrast to the ‘value gap’ debate in the mature music markets, has won goodwill from artists for paying them anything at all.

Finally, 2019 was the year YouTube’s metrics came under the spotlight, as Indian artist Badshah used Google Ads to break the platform’s 24-hour-debut views record, before having that title whisked away as YouTube changed its chart and record rules. Loophole closed.

The enduring question – and not just for music – is how to ride the evolution of YouTube’s recommendation algorithm. As Vevo explained in a pair of talks at Music Ally conferences this year, success can be all about the details of videos and their metadata. Just another reason why YouTube remains such a fascinating platform. :)

21

Green shoots for hi-res music

Labels like the idea of 'hi-res' music, especially if digital services can charge more for it. A lot of artists like the idea of listeners hearing something much closer to what they hear in the studio. Audiophiles (whether vinyl or HD download buyers) seem keen on the idea too.

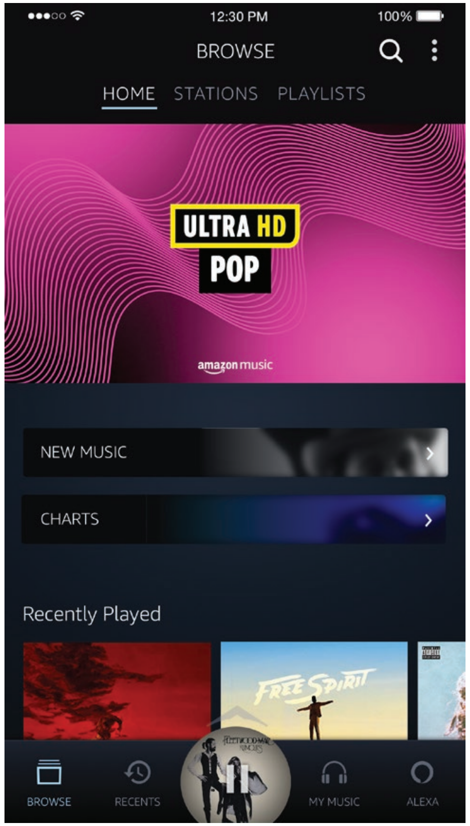
The questions have always been these: first, how many of those audiophiles will make the leap to hi-res streaming subscriptions? And second, will the much-bigger base of mainstream music fans ever care about hi-res to the extent that they're willing to pay more for it?

2019 brought the usual range of tech announcements and new formats: take a bow 360 Reality Audio and Dolby's Atmos, both of which garnered support from major labels. Existing player MQA continued to sign deals with hardware and service partners, too, while Sony Music Japan's Napster-powered Mora Qualitas service launched in Japan in October.

What we've always said, however, is that hi-res will be significant if and when the bigger streaming services do something with it. This year, we got our first green shoots of that.

Okay, the Apple Digital Masters initiative was about how tracks are encoded before being made available on Apple Music (and iTunes) rather than being hi-res at the point of delivery. It was perhaps a pointer to the latter in the future.

The big news came from the world's third-biggest subscription service, Amazon. Launched in September, its Amazon Music HD tier not only undercut existing rivals with its $14.99 monthly price (and $12.99



for Prime members), but it was squarely targeted at mainstream listeners. "The way the industry heretofore has priced this has been basically saying 'we want this to be niche'. But I think the industry understands that sound quality isn't niche," Amazon Music VP Steve Boom told **music:)ally**.

Amazon hasn't yet published any figures, but it has certainly shaken up the pricing for hi-res streaming, and perhaps provided a model for Apple Music and Spotify to follow if (and it's still an if) they choose to jump in. :)

22

Heavy lifting ahead for Pandora

2019 started with shareholders approving satellite radio firm SiriusXM's acquisition of streaming service Pandora. High on the agenda: reversing the slide in the latter's monthly active listeners.

It hasn't happened yet. Pandora ended 2018 with 68.8 million listeners, but that fell to 66 million by the end of March, 64.9 million by the end of June, and 63.1 million by the end of September.

It's thus been losing around 633,000 listeners a month, in a year when Spotify alone has been adding around 544,000 a month in North America – not a direct comparison to Pandora's US-only figures, admittedly.

SiriusXM isn't shirking this issue in its earnings calls. "It's been a long time in the making. It's a five-year path to a 20% decline in audience," said senior EVP and chief financial officer David Frear in October. "We have a lot of heavy lifting ahead of us," added CEO Jim Meyer.

The emphasis is very much that stabilising Pandora's audience isn't an overnight task, but that SiriusXM is confident it can manage it, while nurturing what's an already-growing business – ad revenues grew by 8% year-on-year in the third quarter, plus a 5% bump in subscription revenues.

There was also plenty of evidence this year of new features and innovation at Pandora, and collaboration with its new parent company.

On the former front, there was a Pandora voice assistant; a format called 'stories' blending podcasts and playlists; new listening modes from Deep Cuts to Discovery; a Ticketmaster partnership; and experimentation with interactive voice ads.

On the latter, we saw SiriusXM talk-shows repurposed as Pandora podcasts, and the creation of a new 'original content' team at Pandora. In October, Pandora also claimed that its Artist Marketing Platform had seen 688% year-on-year growth in active artists.

Will all this fuel a bounceback in listeners for Pandora in 2020? The jury's out, given the strong competition from Spotify, Apple, Amazon and YouTube, but with the context of the wider battle of streaming versus radio, Pandora still looks a strong strategic priority for SiriusXM. :)

23

New levels for games and music

> **This was part of a bigger tapestry of interesting music+gaming partnerships throughout 2019 – a new dawn for a crossover that some had thought ebbed away with the decline of Guitar Hero and Rock Band years ago"**

"It feels like there is scope for much more of this sort of thing," we wrote in 2018's trends report, referring to Universal Music's partnership with gaming star Tyler 'Ninja' Blevins, who came to prominence playing Fortnite.

Just a few weeks later, in early February, we got a spectacular more-of-this-sort-of-thing example, as Marshmello played a concert in Fortnite to an audience of 10.7 million people – and even more once the videos of the event started to proliferate on YouTube.

Weezer and Major Lazer would follow that event with their own Fortnite tie-ups – a branded island and in-game items pack respectively – but this was part of a bigger tapestry of interesting music+gaming partnerships throughout 2019 – a new dawn for a crossover that some had thought ebbed away with the decline of Guitar Hero and Rock Band years ago.

Artists popped up in Star Trek: Fleet Command (Steve Aoki); Beat Saber (Imagine Dragons); FarmVille (Trisha Yearwood); AdventureQuest (Korn), World of Tanks (The Offspring) and Words With Friends (Garth Brooks) for example.

Meanwhile, the likes of Drake, The Weeknd, Offset out of Migos, Will Smith and Scooter Braun invested in startups and teams from the esports (pro gaming) world – an industry expected to be worth more than $1bn for the first time this year.

BTS launched their own mobile game, while the developer of League of Legends – still one of the biggest titles for esports – launched another of its own bands, virtual hip-hop group True Damage.

More (and even more-creative) crossovers between the music and games industries can only be a good thing in 2020, although there will inevitably be tense moments too: this year's included various lawsuits against Fortnite for allegedly plagiarising dance routines, as well as collecting societies making menacing noises about performance-royalties for events like the Marshmello gig. :)

24

LatAm's stars are truly global

We are far, far beyond The 'Despacito' Effect. Originally released in early 2017, that track now has more than 6.5bn views on YouTube, having kicked down the doors for many other Latin American artists to burst into the global mainstream.

Spotify and YouTube have both continued to see sharp growth in Latin America, with both services providing Latin acts with a global platform. Particularly in the US, where according to Nielsen in April, 18.4% of music video streams were of Latin music – second only to hip-hop/R&B.

Meanwhile, the RIAA's mid-year figures revealed 13.5% growth for Latin recorded-music revenues – slower than the overall market, but still a decent uptick – with streaming accounting for 95% of that income.

The biggest Latin hits are now some of the biggest global hits, as YouTube's chart of its biggest music videos in 2019 made clear. Daddy Yankee, J Balvin and Anuel AA were prominent in the top 10, along with Spanish artist Rosalía. Meanwhile, Balvin has topped Deezer's annual most-streamed chart for the last two years, while Bad Bunny was fifth in Spotify's 2019 artist rankings.

Collaborations also continue to be a key strength for Latin American artists, from mega-collaborations like Anuel AA, Daddy Yankee, Karol G, Ozuna and J Balvin's 'China' (released in July and already closing in on its first billion views) to those that extend beyond their home continent.

'Mueve La Cintura' from Puerto Rican artist Tito El Bambino, US artist Pitbull and Indian artist Guru Randhawa being one example, and 'Chicken Noodle Soup' by BTS member J-Hope and Mexican-American artist Becky G another.

It's not just that Latin (or Latin-heritage) artists are having global hits sung in Spanish. It's that they're reaching out directly to other non-Anglo collaborators, be they from Korea, India or elsewhere. Streaming has made polyglotism the new lingua franca of pop. That's your revolution right there. :)

25

Old Town Road rewrites the rules

Is Lil Nas X's 'Old Town Road' track country or not?" was the question music:) ally posed in our bulletin in March, reporting on a controversy in the US around a new track whose meme status on TikTok was translating to chart waves.

"While 'Old Town Road' incorporates references to country and cowboy imagery, it does not embrace enough elements of today's country music to chart in its current version" ruled Billboard, as it barred the track from its country chart.

Fans didn't care what genre the track was assigned: they just wanted to play it over and over. Old Town Road' broke Drake's record for single-week US streams in April; topped YouTube's global songs chart in May; kept Taylor Swift, Post Malone, Shawn Mendes AND Ed Sheeran / Justin Bieber off the top of the US singles chart over the summer; and ended the year crowned as Apple Music's 'Song Of The Year', the most-streamed song on Amazon Music US and the most-thumbed on Pandora, not to mention a 'Musical Event of the Year' gong at the Country Music Association (CMA) awards in November.

Along the way, 'Old Town Road' reflected the evolution of the industry, and wrote some new rules itself. Built using a $30 loop from beats marketplace BeatStars (originally created by a Dutch teenager using a banjo sample from Nine Inch Nails), it was first released through Amuse, one of the new breed of distro/label-services startups.

Turning down a "north of a million dollars" offer from Amuse to stay with the company, Lil Nas X signed to Columbia Records, then embarked upon a summer of remixes, Animoji videos and social-media sass to fuel the track's momentum.

Plus there was Lil Nas X himself, a gay man operating across two genres where homophobia is still in plain view. "I feel like I'm opening doors for more people," he told the BBC in July. "Especially within the country and the hip-hop community... it's not really accepted in either."

For those people hovering at the doors and for the wider music industry alike, 'Old Town Road' was a genuinely important moment in 2019. :)

26

Privacy matters – including for music

Photo: Dayne Topkin on Unsplash

In this era of big data, micro-targeting and state-sponsored social-media shenanigans, many of us are much more aware of digital privacy issues than we were just a few years ago. That's a good thing, for sure.

But perhaps we in the music industry should be spending a bit more time thinking about what this means for how our businesses operate too. A few stories this year made it clear that music companies, too, can face questions about privacy.

In 2018, Live Nation's investment in Techstars Music alumnus Blink Identity was seen within the industry as a clever bet on an inventive technology – facial-recognition to speed up entry of ticketholders into venues. In 2019? Instead of hailing Live Nation's cleverness, artists and privacy campaigners were rising up against the idea, with a campaign demanding that festivals promise not to use facial-recognition tech.

Elsewhere, there was soul-searching about exactly what Alexa, Siri and Google Assistant might be listening to in people's homes – and how some of those recordings were being listened to by humans for training purposes.

Spotify faced an investigation from the Swedish data-protection agency; labels were criticised for overreaching on permissions with their Spotify pre-save campaigns; TikTok and YouTube were punished by the US Federal Trade Commission for flouting child-privacy laws... The list of reminders that privacy matters for music fans went on.

Meanwhile, a year and a half after its introduction, music marketers are still grappling with the implications of Europe's GDPR legislation, and debating whether the retargeting technologies that have been so key to many of their campaigns in recent years are going to be shaken up.

Or, as Linkfire's CEO Lars Ettrup put it at our Sandbox Summit conference in October: "Cookies will die. The way we do retargeting on individuals today will change drastically over the next six-to-12 months." :)

27

Taylor's Wizard of Oz moment

Taylor Swift is that rare artist who can turn a business story into a rolling news item in the mainstream media, as veteran Spotify execs will ruefully testify. But her face-off this year with Scooter Braun and Big Machine Music was on a whole other level.

To recap: Braun (backed by investment firm Carlyle Group) acquired Big Machine for more than $300m in June, sparking a furious reaction from Swift due to past tangles with Braun. Later in the year, the dispute blew up again over Swift's allegation that Big Machine was blocking her from performing old hits at the American Music Awards, as well as using her back catalogue for an upcoming Netflix documentary.

Every blow was played out in public, on social media, which felt a bit like the curtain being ripped back in The Wizard Of Oz, revealing the machinations of the music industry close up – and providing the next generation of artists a crash course in some of the challenges around rights ownership.

Swift's current deal, with Universal Music Group, ensures (in her words from November 2018 when it was announced) that "I'll own all of my master recordings that I make from now on". Yet her back catalogue belonged to Big Machine, including clauses preventing Swift from re-recording those older albums until late 2020.

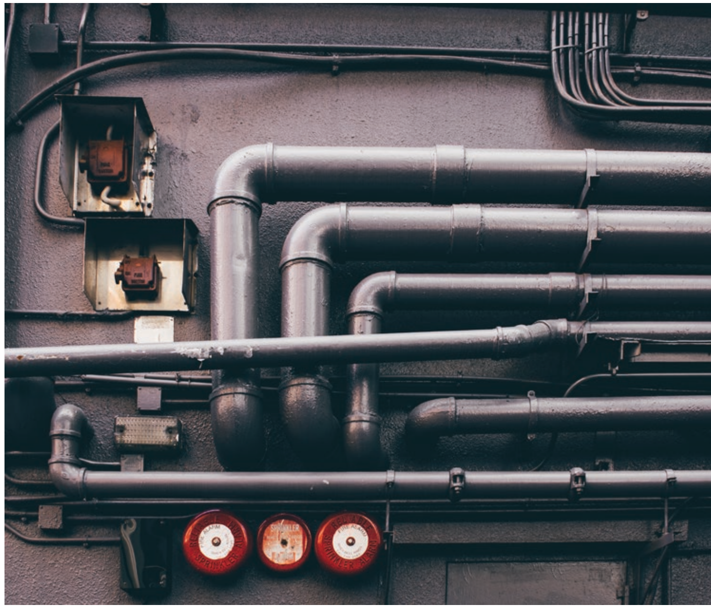
Outraged fans were more concerned with blasting Braun's social-media posts with rat emojis than debating the legal niceties of 'reversion of rights', but it's the latter that are increasingly being built into modern-day music contracts.

Rights reversion was a key theme in the Managing Expectations report that the MMF and **music:)ally** published this year, and it's becoming a make-or-break issue in many deals. Swift got to perform her AMAs medley in the end, but the longer-term ramifications of her dispute in terms of the expectations of musicians and the deals offered to them by labels and publishers will be even more important. :)

28

Distribution's evolution

Photo: tian kuan on Unsplash



When Spotify announced in 2018 that it was beta-testing a tool for artists to upload their music directly to its platform, there were a lot of dry mouths in the music distribution business. Yet as we explained earlier, the test was shut down this year – in Spotify's words "to lean into the great work our distribution partners are already doing to serve the artist community".

This was just one strand in the evolving distribution market, however. Another trend is for the big streaming services to pick specific partners to lean in to more: the "preferred" distributor lists of Spotify and Apple Music were good news for those chosen, but less so for those left out in the cold.

The big story in distribution continues to be consolidation, however. Universal Music took full ownership of Ingrooves in February; Downtown Music Publishing took control of CD Baby as part of its acquisition of AVL Digital Group in March; SoundCloud bought rights company Repost Network (which also handled streaming distribution) in May; and FUGA acquired rights-management platform Songspace in July. Even collecting societies were getting in on the act, with GEMA recently taking a majority stake in Zebralution.

This went hand-in-hand with diversification, as distributors expanded their offerings from Absolute Label Services' digital marketing packs to Ditto's new management arm. There were new players, like Secretly Noord getting the old Phonofile band back together in the Nordics, too. And companies like Troy Carter's Q&A hinted at opportunities to come for firms in the sweet spot between distribution, management and artist-services.

This intense activity is driven by the wider 'artist direct' trend, with Midia Research suggesting in March that global revenues for artists outside the traditional label system had grown by 35% to $643m in 2018. The traditional majors are playing in this market, rather than just being threatened by it. We predict more diversification, consolidation and a few surprises in 2020. :)

29

Catalogue shopping booms

Photo: Sharon McCutcheon on Unsplash

2018 ended with Sony being given the green light to fully acquire EMI Music Publishing, scooping up the other 60% it didn't own. Two years earlier it had bought out Michael Jackson's estate's 50% of Sony/ATV for $750m.

Such accelerated consolidation at the major publisher level will slow down for a while for fear of waking the regulators, but 2019 saw independent publishers go into an acquisition frenzy.

Leading the way here, without question, was Hipgnosis which was raising serious amounts of funding (£51.1m in August and a further £231m in October) to go on a major spending spree that saw it swallow up whole or partial catalogues of acts and writers as diverse as The Chainsmokers, Benny Blanco and Timbaland.

It was given a serious run for its money by Primary Wave whose purchases included works by Leon Russell and Bob Ezrin as well as a minority equity interest in Premier Music Group.

On top of this, ole took 100% of Parallel Music Publishing's catalogue of over 6,500 songs, Downtown Music Publishing swallowed up Strictly Confidential and Concord took control of Another Victory Publishing.

There is a lot of growth optimism here, with Research And Markets forecasting the global market for music publishing will reach $6.5bn in 2025, up from $4.3bn this year.

But the acquisition that perhaps points to the future is Primary Wave buying a 50% stake in the Whitney Houston estate in May – meaning it will share in not just her publishing and recorded music income but any branding deals and a hologram tour that starts next year. This echoes BMG acquiring Buddy Holly's publishing, recording and image/name/likeness rights back in 2015.

With publishing rights at the heart of everything, we could see quote-unquote traditional publishers now becoming full 360 operations – and not just for estates. This will make the multitude of purchases this year seem like an entrée before the full banquet. :)

30

Middle Eastern promise is clear

The Middle East and North Africa (MENA) region has long been marked out as a region of high growth potential for the music industry. 2018 ended with Spotify and Deezer both newly-launched in the region, joining Apple Music as global DSPs hoping to make a splash there.

There weren't many big numbers coming out of MENA in 2019, but one small figure offered encouragement. In March, local streaming service Anghami revealed that it now had more than one million paying subscribers, out of 21 million active users.

A million subs may sound small to western ears, but it's evidence of traction not just in listening, but in building a premium business. As elsewhere in the world, converting free users into paying subscribers is very much on the agenda in MENA.

October saw Deezer CEO Hans-Holger Albrecht offering his own bold ambition of reaching four million 'registrations' in the region, driven by key markets including the UAE, Saudi Arabia and Egypt.

"For us, MENA is not just a small region like it could be for Apple or Amazon. We really want to build our strong presence here," he said. "This region is still small in revenues but our interest is driven by potential. Music streaming penetration is very small in Mena, less than 2% of the population, whereas in other markets like Scandinavia it is more than 40%."

Deezer's ambition – backed financially by Kingdom Holding Company and Rotana Group – as well as Anghami's strong-rooted business makes MENA a doubly interesting region, as it's not one where the biggest global DSPs can assume dominance.

All will remember, though, that the biggest music-streaming service of all, YouTube, has its own ambitions in MENA. YouTube Music launched in eight countries in the Middle East in September, swelling what was already a hyper-competitive market in its early stages of streaming growth. :)

Photo: David Rodrigo on Unsplash

31

Amazon's voice grows stronger

Amazon began 2019 with a surprise: some new public data related to its music business. Well, it said it had signed up "tens of millions" of new Prime members over Christmas 2018, while reaching lifetime shipments of 100m Alexa-capable devices.

It was left to external sources to provide more direct stats for Amazon Music. In April, the Financial Times reported that Amazon had more than 32 million subscribers across its Prime Music and Music Unlimited tiers globally.

Midia Research recently updated that stat, claiming that Amazon had 38.3 million subscribers by the end of June, putting it third behind Apple Music (54.7 million) and Spotify (108.1 million). Research firm eMarketer, meanwhile, suggested in March that Amazon Music would be the fastest-growing (in percentage terms) music-streaming service of all in 2019.

Amazon's growth has been aided by its commanding share of the smart-speakers market outside China. One report in February suggested that 70% of the smart speakers in use in the US were Echos, while research firm Canalys' figures claim Amazon shipped 21.6m Echos in the first nine months of 2019, up more than 67% year-on-year, making it comfortably the leading manufacturer.

Amazon is big, then, but it's also being thoughtful and methodical with its music streaming strategy. 2019 saw new tiers both at the lower and higher ends of its offering:

a new ad-supported free tier and the hi-res Amazon Music HD respectively.

Amazon's music tiers now range from free, through the feels-like-free Prime Music; the $3.99-a-month single-device plan for Echo or Fire TV; the $9.99-a-month Music Unlimited; and the $14.99-a-month Amazon Music HD – with discounts for Prime members on the latter two.

It's the widest range of options for a Western DSP, and this was supported by (again, thoughtful and methodical) global expansion, and well-honed marketing to Amazon's huge existing customer base. The little details also counted, from new music commands for Alexa to new playlists and artist partnerships.

Anyone who scoffed at its small catalogue when Amazon made its streaming debut in the US in 2014 with Prime Music will have long since eaten their words. There are two clouds on the horizon though, one related to music, and the other to Amazon more widely.

In March, Amazon joined Spotify, Google and Pandora in appealing against the new songwriter royalty rates set by the Copyright Royalties Board (see p10), with NMPA boss David Israelite publicly criticising it as a ringleader: "Spotify and Amazon are the bad actors; they drove the decision to appeal…"

He would later round on Amazon's business model for music, arguing that Prime Music was not only "priced so low, songwriters will reap almost no royalties from its platform", but that it might violate legislation "that protects songwriters work from being bundled with other offerings and essentially used for free". Such brickbats were a relatively new experience for Amazon.

The second cloud concerns the wider societal conversation around big technology companies. Amazon faced new privacy questions when it emerged that it had a team listening to and transcribing Echo voice-recordings, even though the stated reason was to improve Alexa.

More recently, more than 1,000 musicians joined a protest against Amazon's commercial relationship with the US Immigration and Customs Enforcement agency (ICE), fresh from the controversy around separating migrant children from their parents.

There's no sign yet that established artists are heeding the call to boycott Amazon's music services, but all this was a reminder that while it may be a challenger brand in music-streaming praised for its innovation, Amazon is still a big technology company at a time when such firms' motives and practices are constantly being questioned. :)

Action, not just talk, for user-centric payouts

In this report a year ago, a headline of 'User-centric debate gets louder' was caveated in the first line of the analysis with 'Well, not that loud still'. We could say much the same about 2019, but that means the volume is slowly but surely increasing.

To recap, briefly: streaming services currently pay out based on a 'pro-rata' model of an artist's overall share of streams. If Drake gets 3% of subscribers' streams, he (or rather, his rightsholders) gets 3% of the royalties payable from their subscriptions. Even if you don't listen to Drake, in effect 3% of the royalties generated by your $9.99-a-month are going to him.

The user-centric model ditches that in favour of calculations based on each individual user, where the royalties generated by your subscription are divided only between the artists you listen to. If you only listen to Drake, he gets 100% of the royalties from your sub, and if you don't listen to him, he gets diddly squat from you.

People have been talking about whether the user-centric model is a fairer way of paying streaming royalties for several years now. The consensus has been that it feels like a fairer method, even if the impact might not be as big (in terms of who gets paid how much) as some people hope. But also that more research, supported by the industry and at least some of the big streaming services, was essential.

In 2019, we got a bit more chatter. A panel at the Great Escape conference in May revealed (via Ivors Academy chair Crispin Hunt) that Apple had investigated the likely effect of user-centric payouts. "They said 'Be careful: we've modelled how this comes out'," he warned. Per Kviman from international managers body EMMA suggested that major labels in smaller markets (like Sweden) backed the idea but "will have problems driving it through with the US and UK".

In a subsequent interview, Because Music boss Emanuel de Buretel also came out in support of the user-centric model, claiming it might "reduce the share of 'fake streams', ensure a better flow of income between artists and titles, or promote the diversity of musical genres". Again, though, these are beliefs, or hopes, which need to be backed up by research if the industry is to swing behind them.

What about the big streaming services? Spotify, Apple Music and Amazon did not publicly join the user-centric debate in 2019, but Deezer strengthened its position as the model's main DSP evangelist with its 'User-Centric Payment System' plans in September.

Well, we say plans: these were hopes too: Deezer wants to launch a user-centric pilot in one country (France) for recorded-music royalties only, in early 2020 IF it can persuade major labels to support such a test.

"We've fed all our partners with piles of data. Do we have the answer for every single question? The answer is no. But we still think this is a better way of doing it, and until we try, we will not know," Deezer's chief content and strategy officer Alexander Holland told **music:)ally** at the time.

If we're back here in a year's time writing about the debate getting a little bit louder, it would be a shame. Deezer's one-market pilot would be a welcome step forward, going beyond modelling to get some real-world data on the impacts of user-centric payouts.

A successful pilot might inspire the big three global streaming services to follow suit. The long-term challenge would be coordinating an industry-wide leap from pro-rata payouts to user-centric systems, with DSPs, labels and (perhaps) publishers and collecting societies moving together. That surely won't happen in 2020, but if the user-centric model has legs, next year will be an important one for preparing the ground for such a move in the future. :)

Pledges broken

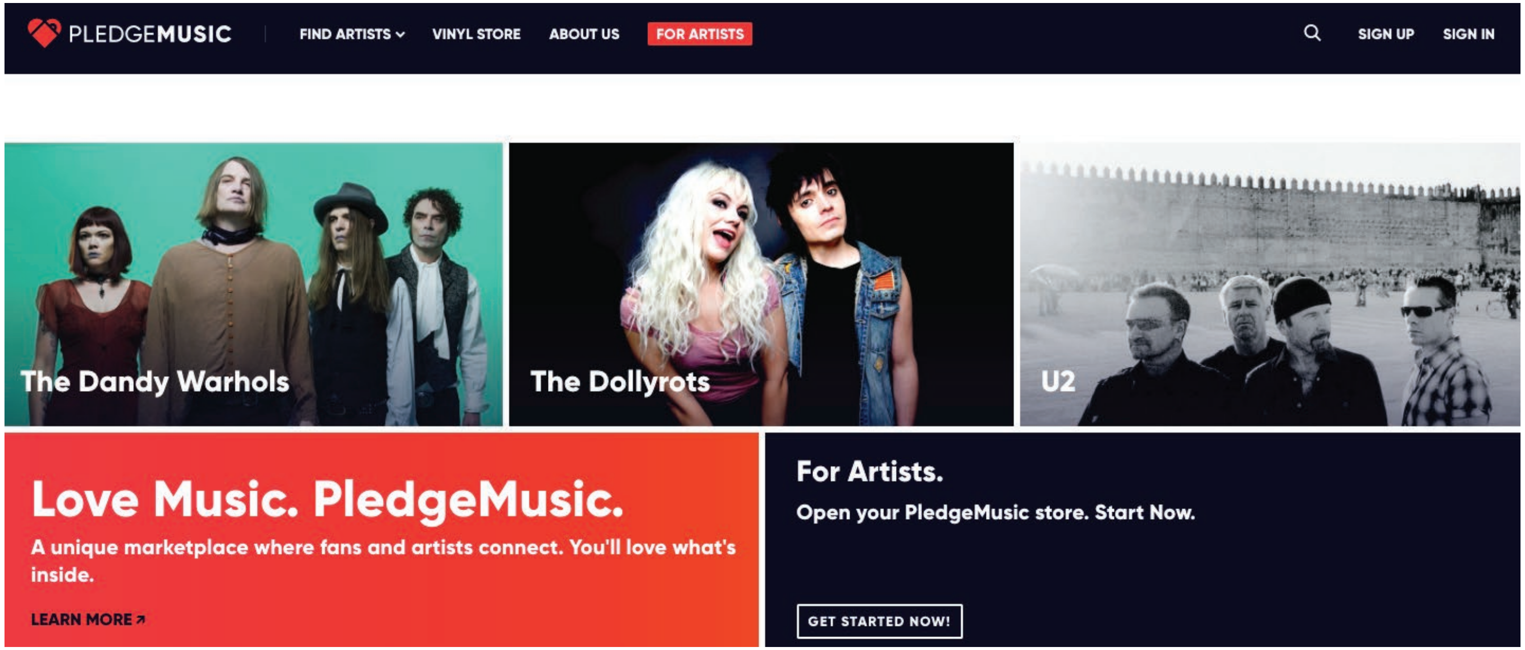
Was 2019 a bad year for crowd-funding? It was certainly a bad year for the artists owed thousands (or even tens of thousands) by PledgeMusic when the company collapsed. It was a slow, very-public fall from grace for the company, with plenty of false hopes along the way.

In late January, artists were speaking out about delayed payments and a lack of communication from PledgeMusic, and getting a promise in return that it had “cut its operating expenses nearly in half over the past year” and “overhauled key parts of our financial and operating systems”.

The company also hinted at upcoming investment or acquisition of its platform, and said “it is our expectation that payments will be brought current within the next 90 days”.

Spoiler: they were not. Some artists did get their money, but despite the return of the company’s co-founder Benji Rogers in an effort to fix the problems, the decline was terminal.

In early February PledgeMusic asked for patience, hinting again at “discussions with several interested parties about a potential partnership with or acquisition of PledgeMusic” and asking for “breathing space”. Yet it soon suspended all active campaigns, and by May, Rogers was confirming that those acquisition talks had failed. “I wanted to be a part of the efforts to get things back on track but it is obvious now that too much damage had already been done,” he said.



PledgeMusic was wound up in London in July amid recriminations and questions. UK Music called for the government to step in, while an investigation by music blog My Emu is Emo revealed a “solid decade of losses” for the company leading up to 2018. In October, court documents revealed that the company entered liquidation with nearly $9.6m of debts; assets worth just $20k; and “little prospect” that artists would be paid what they were owed.

There still needs to be a proper (and public) post-mortem into how and why PledgeMusic collapsed, and particularly into why money paid by fans was not ring-fenced from the money used to run the business.

PledgeMusic’s collapse shouldn’t detract from some of the bright spots for fan-funding in 2019. Patreon – which describes itself as a ‘membership platform’ rather than crowdfunding – had a pretty good year. In January it revealed that it had more than three million patrons (fans) supporting more than 100,000 creators, and predicted that this support would reach $500m in 2019 alone – doubling Patreon’s lifetime total.

The company also continued its own fundraising efforts this year, pulling in $60m from institutional and individual investors in July, taking its total raised since launch in 2013 to nearly $166m. There’s no danger of a PledgeMusic-style downfall for now, although this level of funding brings its own questions about what the ultimate ‘exit’ might be, and how those investors’ expectations might intersect with the needs of Patreon’s creators in the future.

Other green shoots included Bandcamp’s continued value for independent artists; Bandzoogle launching a fan-subscription feature; new startups like Corite, Evershare and ROCCR; and the continued development of fan-donation or subscription features on platforms like YouTube and Facebook, even if they were focused more on influencers than on musicians.

There was even, in July, a hint that Spotify is thinking about fan-funding. Its chief premium business officer Alex Norström’s reference to “things that are beyond just ad sales and subscriptions... stuff on top like micropayments, à la carte...” wasn’t a firm declaration of intent, but it did hold out the possibility that the worlds of streaming and fan-funding may finally collide in 2020, to artists’ benefit. :)

34

The rise of 'Trigger Cities'

The credit for coining the term 'trigger cities' goes to music-analytics firm Chartmetric, which published its thoughts on the phenomenon in a series of blog posts starting in May this year.

In a nutshell, trigger cities are (in the company's words) "cities that due to their socioeconomics, may not be large contributors to the global streaming revenue pot that IFPI measures annually" – but which have large, hyper-engaged populations of music-streamers. They can thus be springboards for new tracks and artists to break globally.

The streaming scale of Mexico City, one of the key trigger cities, is hardly a secret, but Jakarta, Buenos Aires, Quezon City, Bangkok, Lima and others have not, historically, been seen as places for global labels to focus much marketing energy on. Perhaps now, they will be.

Much of this is still theory: labels are still refining their strategies for turning engagement in the trigger cities of south-east Asia and Latin America into momentum elsewhere in the world. In 2020, Music Ally expects more campaigns to tap in to these audiences, and that we'll be able to trace at least a few new musical stars' paths to fame back to some clever trigger-cities marketing.

There's also a sense of an evolution in the way our industry uses geographical analytics. Once, the thinking rarely went beyond using streaming data to plan tours. That was good, but the trigger cities theory adds another layer: mining data to understand which sometimes-unexpected markets could give a certain artist lift-off, then marketing strategically (and often, more cheaply) in those places, before returning to the data to assess the impact.

Of course, trigger cities has also been canny marketing for Chartmetric itself, but the bigger picture is of an industry continuing to mature in the way it interprets data, and takes action accordingly. :)

Photo: Gede Suhendra on Unsplash

35

Fake music, real concerns

It's been an exciting last 12 months for music, what with those new albums from Beyoncé, SZA, Rihanna and Britney Spears. Oh, wait, those weren't actually new albums from those artists. They were part of the unwelcome trend of 'fake music' finding its way onto the big streaming services.

The pattern was often the same: a collection of old bootlegs and rarities by the star, packaged as an album (or podcast episodes in Spears' case) – often under a different artist name – and uploaded to Spotify, Apple Music and other DSPs via an independent distributor.

They rarely stayed online for long, so it's hard to suggest that serious financial or reputational damage was done to the artists, but the fact that it kept happening was an annoyance for the industry, including the unwitting streaming services.

The onus is on distributors to nip fake music in the bud as it goes through their pipelines. In April, CD Baby announced a deal with audio-fingerprinting firm Audible Magic to spot previously-copyrighted music coming through its system, while in June DistroKid followed suit, but also launched a tool called 'DistroLock' for artists to upload and register their unreleased music too, so any bootlegs can be spotted.

As if fake music wasn't enough, 2019 also saw more chatter about the potential challenge of fake streams. Spotify booted a group of artists from its service in January after a BBC investigation into 'abnormal streaming activity', while Hopeless Records boss Louis Posen made waves in June with his claim that "three to four percent of global

streams are illegitimate streams: that's around $300m in potential lost revenue".

A single-sourced claim of that nature needs backup, but the announcement the same month of a cross-industry 'Anti-Stream Manipulation Code of Best Practice' suggested that the challenge is real – even if details on how DSPs, rightsholders and industry bodies plan to crack down on it remain elusive. :)

Scalping the scalpers

Music:)ally has always tried to choose our words carefully when writing about secondary ticketing. Touting (aka scalping) is eminently hateable: buying up tickets with the sole intention of selling them on to fans for inflated prices. But reselling tickets for personal reasons – inability to attend a gig for example – should not be a problem. Secondary ticketing itself isn't problematic, but it is when platforms give touts free reign.

2019 has been – bar the big surprise at the end, which we'll get to – a positive year on both sides of this equation: tackling touting and supporting ethical, not-for-profit reselling.

On the first of those, we saw the formation of FEAT, a pan-European group connecting the scalper-battling efforts going on in countries including the UK, France, Germany, Spain, Italy and Switzerland; a European Parliament vote in favour of measures to tackle the use of bots to bulk-buy tickets; Dice's global expansion; a 'How to Stop Ticket Touts' guide for managers published by the FanFair Alliance and Music Managers Forum; and the recent launch of a US Congress investigation into the secondary-ticketing market.

Artists and their teams took action, rather than just talking. Promoter Kilimanjaro Live attracted some criticism for its resale system for Ed Sheeran's tour in the summer, when the primary tickets it was making available right up until the day of each concert undercut the prices of tickets being resold by fans through the authorised platform – thanks to the latter adding a 10% resale fee. It was an important lesson, but it shouldn't detract from Kilimanjaro and Sheeran's ongoing willingness to stick their necks out on the touting issue.

We also felt sympathy followed by admiration for Tegan and Sara, who found themselves playing to crowds with big gaps due to touts snapping up swathes of tickets. The duo responded by offering 'rush seating' for fans willing to turn up on the night and pay a donation of their choice to the artists' foundation.

The chief villain in the eyes of anti-touting campaigners remained secondary platform Viagogo, which had a mixed year. It was buffeted by regulators in the UK, including being pursued (for a time, at least) for contempt of court by the Competition and Markets Authority (CMA), and then suspended from Google's paid-search results for breaching its advertising policies.

Photo: Markus Spiske on Unsplash

A company on the run? So you might have thought, right up until the news broke in November that Viagogo was buying a key rival, eBay's StubHub, in an all-cash deal worth $4.05bn. While regulatory approval has yet to be attained, the prospect is of a new 'supergiant' of secondary ticketing, with a chequered history of cooperation with regulators and the music industry.

FanFair Alliance's statement calling the deal both "a desperate move from both parties" and "a major concern for both audiences and music businesses" reflected the confusion engendered by the news: is Viagogo on its last legs or becoming even more of a menace?

Either way, it's an incentive for the efforts to forge a strong, ethical secondary market to continue in 2020: a process that will benefit from the engagement of giants like Ticketmaster, promoters and artists, and bodies like FEAT and FanFair. Plus, there's the continuing evolution of the primary ticketing market, striving to ensure that tickets end up in the hands of fans rather than scalpers, and dealing with the age-old challenges of finding inventive ways to fill venues that might not have sold out, while dealing with the demand-vs-supply imbalances for the most popular concerts.

Touting isn't a problem that can be 'solved', but in 2019 the hard work being put in to tackling it felt like it was making progress. :)

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Piracy, schmiracy!

Photo: Luke Southern on Unsplash

Let's not be complacent: some people do still get their music illegally, from torrent trackers and/or stream-ripping sites. In March, piracy-tracking firm Muso claimed that music-piracy sites attracted 30bn visits in 2018 alone, while in September the IFPI revealed that 27% of the 34,000 people it surveyed for its 'Music Listening 2019' study said they'd pirated in the last month.

Here's the thing though: both of those studies revealed (although notably they didn't shout about it) a marked downward trend. Muso's year-prior report had claimed there were 73.9bn visits to music-piracy sites in 2017, so the 2018 figure was a reduction of 59.4%.

Meanwhile, the IFPI's previous consumer study, in 2018, found that 38% of respondents had pirated in the last month – and thus its 2019 figure was down by 11 percentage points. Music piracy may not have walked the plank entirely, but it's shivering far fewer industry-timbers than it used to.

Work continued this year to combat piracy in various ways, from ISP-level blocks on prominent pirate sites from various countries, to takedowns of stream-ripping sites. Convert2MP3 was one of the bigger scalps on the latter front, shutting down in June under pressure from the IFPI, which claimed it alone had generated 684m visits in the previous year.

A decade ago, some people thought the recorded-music market was in an unstoppable decline. Now it's music piracy that's in a tailspin, thanks to the efforts above, as well as the growth of multi-tiered, legal streaming services.

The European Union published a report in October revealing that only 39% of 15-24 year-olds intentionally use illegal sources to access music, down from 56% in 2016. A fair chunk of that demographic group weren't even born when the original Napster filesharing service launched.

At the turn of this century there were real fears that illegal music would be the norm for the next generation of listeners. Instead, they're the streaming generation, and while that brings its own challenges, the existential dread around piracy is long gone. Good riddance. :)

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Don't boo the blockchain

Once upon a time (mid-2017, since you ask) blockchain technology was being hailed as the next big disruption for the music industry. It would sweep away unnecessary middle-men! It would herald a new era of royalties transparency! It would empower artists and fans; sort out rightsholders' missing metadata; and pay everyone in glorious cryptocurrency!

Until it didn't. Blockchain was not (and still isn't) a bogus technology, and it still has several potential applications within the music industry. What was bogus were some of the claims around what it could and would do, and how quickly it could do it.

In October this year, research firm Gartner applied its famous 'hype cycle' theory to blockchain, and pronounced that the technology was "sliding into the trough of disillusionment". Gartner wasn't talking about music specifically: in fact, many people in the music industry were disillusioned with blockchain well before that.

An important thing about Gartner's hype cycle, however, is that it's a journey. Its trough is followed by a 'Slope of Enlightenment' and ultimately a 'Plateau of Productivity' – the point at which mainstream adoption of a technology starts to take off, and its "broad market applicability and relevance are clearly paying off".

So, as 2019 ends, we shouldn't be writing blockchain off as a failure, but rather looking for the companies and applications that will, in time, make it productive for our industry. Blokur's publishing-rights platform; Paperchain's streaming-payouts test; Universal Music's Amplitude project; Revelator's artist wallet… there was plenty of activity worth monitoring.

Photo: Hitesh Choudhary on Unsplash

There were controversies too. Facebook's proposed Libra cryptocurrency was backed by Spotify – CEO Daniel Ek even suggested it may have potential for fans to pay artists directly – but swiftly ran into regulatory walls. Meanwhile, blockchain-powered streaming service Audius raised eyebrows with its "censorship-resistant" decentralised platform, and questions about what that would mean for copyright takedowns.

There are still big ideas around blockchain, but it's the smaller, partnership-focused projects that will, we think, steer this technology towards its plateau of productivity for music. :)

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Playlists press on

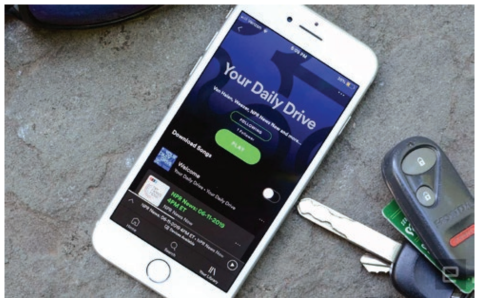
Branding and personalisation were the watchwords this year for streaming playlists, although neither was a brand new trend.

The first of those related particularly to Apple, which turned several of its flagship playlists into bona fide brands, moving away from its existing The A-List branding. The A-List: Hip-Hop became Rap Life while The A-List: Alternative became ALT CTRL and The A-List: Dance became danceXL, while a new New Music Daily playlist promised... well, that name was self-explanatory.

Rap Life and New Music Daily also spawned shows on Apple Music's Beats 1 radio station, as the company explored the kind of brand extension that's become a key part of Spotify's strategy, albeit with live gigs rather than radio shows in the latter's case.

Strong, global playlist brands are going to be ever-more prominent on and off streaming services, and teaching listeners to ask voice assistants to play them will be one of their marketing goals in 2020.

Spotify was a pioneer of personalised playlists at scale, and 2019 saw it continue that work. There was Duo Mix for couples, Family Mix for families, and On Repeat and On Rewind to gather people's recent jams, for example.



Spotify applied its algorithms to podcasts too, with a dedicated Your Daily Podcasts playlist, and (more interestingly) a Your Daily Drive playlist blending music with podcast clips. A clear example of Spotify parking tanks on traditional radio's lawn.

There was also its announcement in March that some of its editorial playlists would be getting a dash of algorithmic personalisation: Beast Mode, Songs to Sing in the Shower and others would now have a large pool of tracks chosen by an editor, before the algorithm narrowed them down for each listener.

Other trends included Apple's continued focus on guest curation, from Mark Ronson, the Spice Girls and Marshmello to Gay Times and Ministry of Sound – although the latter's exclusivity recently lapsed.

Meanwhile, Spotify's external focus was more on helping artists blur the boundaries between albums and playlists: Billie Eilish, Taylor Swift and Mariah Carey were among the artists releasing 'enhanced' albums with videos and spoken-word added in. :)

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Attribution or retribution?

Photo: Ming Jun Tan on Unsplash

Attribution (or conversion) data has been a sore point for music marketers for years now. They can track how many fans click or tap through from their smartlinks to streaming services, but they can't tell what they do once they get there. Do they listen, follow artists and add their tracks to their libraries or playlists? Nobody knows.

Well, they didn't. One of the encouraging trends of the last 18 months has been the efforts of music-marketing firms (Linkfire especially) and some streaming services to plug this knowledge gap. Linkfire kicked that off in March 2018 through its partnership with Pandora, and in 2019 struck similar deals with Anghami and Boomplay.

At our Sandbox Summit conference in October, CEO Lars Ettrup predicted that his company would be able to attribute 50% of its traffic within six months, adding that "the goal of achieving 100% attribution is feasible in the very near future".

Unfortunately, there may be strings attached. Linkfire's biggest such deal yet came in November, with Apple Music, yet artists were told that they'd only get the conversion data if they placed Apple Music first in the list of services on their smartlink landing pages, although they'd also get it when using 'direct-to-service' links to Apple Music.

Why is this controversial? Because it's turning access to data into a weapon in the competitive battle between the big streaming services. If Spotify were to follow suit with a similar policy, artists and labels would be caught in the middle.

There's a bigger story brewing here for 2020 too: about what DSPs demand more generally from labels and artists if they want to be considered as 'priority' partners.

Imagine, for example, if a streaming service (or several) demanded top placement on smart-links, and prominence over rivals in social posts and profiles, before it would commit on-platform marketing and even playlist support? Labels will be monitoring this carefully. :)

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A Blizzard of Data

Photo: Markus Spiske on Unsplash

Having access to data on artists' streams, socials and other performance metrics is good. Understanding that data enough to take useful actions is, obviously, much better. 2019 felt like an improvement on this score.

The continued improvement of DSP tools like Spotify for Artists, Apple Music for Artists and Next Big Sound, along with third-party dashboards from the likes of Chartmetric and Soundcharts, meant that making sense of masses of data became… if not easy, then at least easier.

Meanwhile, there were new dashboards launching from all angles, from collecting societies (like PRS for Music) to labels (like UMG's new app for artists). Rather than standing back and watching artists and songwriters become snowblind from data, labels, services and PROs are actively working to help them.

What the industry does with all its data continues to be a conversation-starter, and not always in a positive sense. YouTube music head Lyor Cohen was the most high-profile exec yet to warn against data becoming a proxy for quality A&R in the industry.

"Right now everybody's so drunk off the data that they're putting these kids in places prior to having any artist development," he said. "I think if we could potentially dial back and understand that the data is helpful, but you also need to be passionate about an artist and spend time with that artist."

New ways to slice and dice music data are regularly emerging too: Chartmetric's 'Cross-Platform Performance' metric (a single metric measuring an artist's performance across a number of streaming and social platforms) being just one example.

The industry has come a long way with data in the past five years, but there is plenty more innovation to come, and plenty more work to do to ensure that that clear lessons can be drawn, and acted upon, for the benefit of artists. :)

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The climate emergency

Photo: The New York Public Library on Unsplash

Grown men queuing up on social media to mock and bully a 16-year-old girl with Asperger syndrome was one of 2019's least-edifying political moments – against plenty of competition.

Greta Thunberg had the last laugh, and not just with her Time Person of the Year award. Barbs from right-wing climate-sceptics showed that she and her fellow climate activists had them rattled, as they ignited a new movement around the climate emergency.

One positive thing from **music:)ally**'s perspective is that 2019 saw some real signs of engagement with this issue from musicians and the music industry. Including The 1975, who had Thunberg guest on a track, while recycling old merchandise and talking publicly about their efforts around carbon offsets, non-plastic packaging and support for reforestation charities.

Artists sticking their necks out on these issues are magnets for whataboutery ('But what about your tour flights?'), as was acknowledged in an open letter in October signed by musicians including Thom Yorke, David Byrne, Mel B, Brian Eno, Imogen Heap, Orbital and Amanda Palmer.

"Dear journalists who have called us hypocrites, You're right. We live high carbon lives and the industries that we are part of have huge carbon footprints," it began. "The stories that you write calling us climate hypocrites will not silence us… We invite all people with platforms and profiles to join us."

The UK's 'Music Declares Emergency' campaign was a welcome sign of the industry coming together to figure out how best to contribute, with labels, artists and festival promoters all on board. We expect 2020 to see more such initiatives around the world, prompted by artists willing to use their platforms to talk about the issues (and yes, about what actions they're taking in their personal and professional lives).

In the past, the music industry (**music:)ally** included) has talked about the issue of piracy being an 'existential' one in terms of its impact on the industry. Now with the planet facing a crisis that really IS existential, the more our industry can contribute, the better. :)

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.

> *"Music Ally is an example of perceptive journalism at its best, with unrivalled coverage of the digital music sector"*
>
> **Andrew Fisher, CEO, Shazam Entertainment**

ANTHONY **CHURCHMAN**

Business development

anthony@musically.com

STUART **DREDGE**

Editor at large

stuart@musically.com

EAMONN **FORDE**

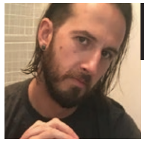
Reports editor

eamonn.forde@me.com

ISABELLE **LJUNGQVIST**

Digital marketing coordinator

isabelle@musically.com



PATRICK **ROSS**

Director, digital strategy

patrick@musically.com

Contact:

music:)ally

Studio 11, Holborn Studios, 49-50 Eagle Wharf Rd,
London N1 7ED
Tel: +44 (0)20 7250 3637
www.MusicAlly.com **mail@MusicAlly.com**

Registered company number: 04525243
VAT number: 858212321

Our clients include: