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# **The digital revolution of the music industry and its emerging future trends**

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**Abstract**

This work project focuses on the digital transformation of the music industry. While examining the extent to which lower entry barriers and the resulting growing number of independent artists and labels are affecting the market power of major labels, this paper sheds light on which strategies can make on-demand music streaming profitable in the long run. Consequently, it was identified that while major labels do not consider their dominant position to be threatened by independents, the possibility exists that streaming providers could take over major labels to economize on royalty payments in the future.

**Keywords** (minimum of four): Music Industry, On-demand Music Streaming, Major Labels, Label-as-a-service

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**List of abbreviations**

AR .....	Augmented Reality
DSP.....	Digital Service Provider
K-Pop .....	Korean Pop
LAAS .....	Label-as-a-service
MP3 .....	MPEG-1 Audio Layer III
P2P .....	Peer-to-peer
Sync.....	Synchronization
VR .....	Virtual Reality

## **1. Introduction**

Due to advances in digitalization, the music industry has undergone increasingly rapid changes over the past 20 years. While the industry experienced its apogee during the late 1990s, the German Fraunhofer Institutes' development of the MP3 file format in 1994 and the rise of the Internet paved the way for the demise of the industry as it was known at that time. The distribution of illegally sourced files from songs that were yet to be officially released as well as increased accessibility through peer-to-peer file sharing platforms resulted in a diminishing market during the following decade and beyond (International Federation of the Phonographic Industry 2020). The round and flat polycarbonate cash cow, the compact disc, which especially benefitted the major record labels, had been sidelined by its digital successor. Even though many audiophiles argued that the MP3 would not achieve the CD's high fidelity, it became the widely accepted norm, particularly with continuously growing possibilities to store music on computers and enhanced opportunities to upload and download music through increasing bandwidth. Since then, the digital revolution has axiomatically reshaped the music industry's value-added network (Tschmuck 2016). New, formerly unrelated players entered the market, and physical record sales became the revenue driver of the past. Further technological advancement, including the iTunes Store, the iPod, and the smartphone, led to the development of new business models that were able to make the consumption of music profitable again: the digital ownership model and the access model. Having surpassed physical sales in 2017, audio streaming can be considered the recording industry's new golden format. However, because streaming risks cannibalizing other distribution channels and because artists' compensation is perceived as unfair, the model remains controversial to this day. This paper aims to discuss how the industry and its players have changed in the wake of this digital transformation and examines future developments on the horizon for the music industry in general and the recording industry in particular.

## **2. Theoretical Foundation**

### **2.1 The music industry**

Today's music industry consists of a triumvirate: live performance, music publishing, and music recording. However, this has not always been the case, as music itself, the way it is experienced, and the music industry have been subject to continuous evolution, primarily from technological advances throughout history. In retrospect, the field of live performance existed first, followed by music publishing and finally, music recording. Although the music industry is often mistaken for the recording industry, a clear distinction must be drawn between all three pillars. In the words of Williamson and Cloonan (2007), "it suggests simplicity where there is complexity and homogeneity where there is diversity." Due to the scope of this work project, the live performance and publishing sectors are excluded; the project focuses on placing the recording industry historically into the overall context of the music industry.

### **2.2 The emergence and development of the recording industry**

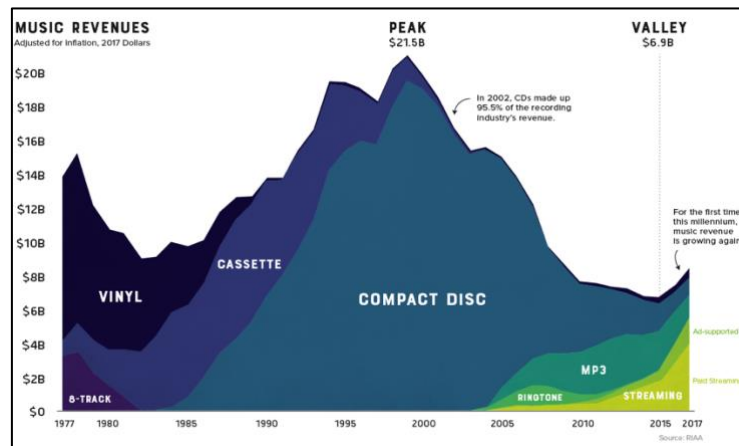
The invention of audio recording and reproduction with Thomas Edison's phonograph in 1877 left an unprecedented mark on the industry. Not even the inventor himself anticipated his creation's potential for the music business, as the device was initially meant to be used in an office environment to archive phone calls, dictate letters in advance, and create phonographic books for the blind. In combination with Emil Berliner's invention of the playback-only gramophone in 1886, a new sub-sector emerged and joined the industry's existing dualistic structure of live performance and music publishing (Myers 1992; Tschmuck 2012; Coleman 2005). While the phonograph at the time was the most crucial tool for archiving and researching audio, the gramophone laid the foundation for the commercial expansion of the recording industry (Myers 1992), thus paving the way for the establishment of the modern music industry's triumvirate as it is known today.

### **2.2.1 The cassette**

The development of tape recording in the 1950s led to a vast increase in local recording studios. By 1965, transistorized amplifiers and cassette recording were relatively inexpensive, which further accelerated the rise of recording studios (Myers 1992). With Philipps' development of the compact cassette and its corresponding cassette recorder in 1963, a new, easily portable medium for the recording and reproduction of music entered the market (Tschmuck 2012). Due to its size and utilization of batteries, it could be taken anywhere, accelerating its global penetration in the 1970s (Myers 1992).

### **2.2.2 The compact disc (CD)**

During the 1970s, Philips, among other technology companies, began to work on a successor of the record player and the LP. After cooperating with Sony, Philips launched the first commercial CDs and CD players in 1982, which quickly became the new industry standard (Peek 2010). The CD captivated consumers with its perfect fidelity and infinite durability, transforming the industry once again by making the 12-inch vinyl album obsolete. In addition, this new technology enabled customers to transform their library from analogue to digital by re-buying their favorite albums as CDs. This development was further stimulated by the introduction of bundles and sets (Daniel 2019). Thus, the recording industry experienced its as-yet-unsurpassed revenue peak in 1999 (International Federation of the Phonographic Industry 2020; Smudits 2009). Nevertheless, the fact that CDs could be easily read and copied ushered in the era of music piracy. Employees at the major labels' pressing plants in particular smuggled unreleased CDs out of the facilities to copy them at home. These illegal copies were then mostly sold physically or distributed via file-sharing websites on the Internet (Witt 2015).



*Figure 1: Recording Industry Revenue 1977-2017*

*(Downloaded from <https://www.visualcapitalist.com/music-industry-sales/> in October 2020)*

### **2.2.3 The MP3 and music piracy**

The MPEG-1 Audio Layer III (MP3) was developed by Karlheinz Brandenburg and his team at the Fraunhofer Institute in Germany. After several previous versions, the final MP3 was produced in 1995 and took the Internet by storm in 1997 (Witt 2015). Nevertheless, the open compression standard paved the way for the collapse of the recording industry as software for MP3 encoding and digital music playback became available, enabling the rapid distribution of files over the Internet. The era of copyright infringement and music piracy began as a consequence of the marginal costs of distribution becoming negligible, exerting tremendous pressure on prices alongside existing distribution channels (Easley, Michel, and Devaraj 2003). Some research even frames music piracy as the greatest threat to the recording industry (Chiou, Huang, and Lee 2005; Janssens, Vandaele, and Beken 2009), which has cost 71,000 jobs in the U.S. in 2005 (Eisend 2019). By 2006, the market had shrunk by almost half (-45.3%), causing many scholars to argue that the initial growth from the introduction of the CD had been entirely erased (Smudits 2009).

### **2.2.4 Peer-to-peer filesharing**

No standard definition for peer-to-peer (P2P) filesharing exists, but these platforms rely on the voluntary participation of peers who contribute resources from which the infrastructure is built

(Krishna Gummadi, Saroiu, and Gribble 2002). Peer-to-peer filesharing became increasingly popular between 1991 and 2001 with the advent of the initial software Napster, which later became the first filesharing website for MP3 files (Coleman 2005; Statista 2020a). Despite their illegality, new platforms emerged and transaction volume grew vastly, making it unfeasible for artists to enforce their copyrights (Thomes 2012). The recording industry's response was to go digital and offer consumers subscription-based services including MusicNet from Warner, EMI and BMG as well as PressPlay issued by Sony and UMG. However, these services only offered a selection of the issuing record labels existing library and consumers were confronted with limited downloads and time limits (Janssens, Vandaele, and Beken 2009). It was only the introduction of iTunes and the opportunity to buy and store individual songs (decoupled from albums) on a portable device that enabled the industry to significantly advance in the field of digital distribution (Coleman 2005; Simon 2019).

### **2.3 Implications of the digital revolution**

With the emergence of the Internet, the MP3, and the respective free playback software, consumers' perception of music's worth plummeted, which exposed the recording industry to a growing threat (Easley, Michel, and Devaraj 2003). As the industry relied on intellectual property rights, P2P filesharing platforms, such as Napster, threatened to eradicate all sales revenue generated through hard copies. As the major labels controlled production, licensing, marketing, and distribution, they benefited most from the existing value chain and were, therefore, the most vulnerable (Bockstedt, Kauffman, and Riggins 2005). The development of iTunes and the resulting unbundling of singles and albums in conjunction with music streaming sparked further revenue decreases, as the supply of legal alternatives for music consumption increased (Coffey 2016; Benner and Waldfogel 2016; Zhang 2018).

However, these technological advancements also fundamentally changed the cost of industry activity. As revenues shrank, major labels had to shift priority away from scouting

seminal artists towards growing the rate of success for future releases by focusing heavily on already established artists who had previously been successful within the Billboard 200 charts. Consequently, the greater selectivity led to less music being released, greater cost-sharing among selected artists while also enhancing promotion capabilities (Benner and Waldfogel 2016). Technology also paved the way for massive cost reductions in the production, distribution, and promotion processes, as the physical format's digital successor was inexpensive to reproduce, disseminate and also simple to store (Bockstedt, Kauffman, and Riggins 2005).

### **2.3.1 “Artpreneurs” and “prosumers”**

Another significant development associated with the advent of digital media is that the high entry barriers maintained by the major labels' control of the production and distribution process, which ensured high concentration within the market, began to decay (Alexander 1994; Moreau 2013). The need to record in a professional recording studio has steadily lessened due to ever smaller, better, and cheaper technology. This development amplified opportunities for small independent artists (and musicians in general) to set up a fully functioning studio at home, making expensive studio time increasingly obsolete (Wikstrom 2009). Meanwhile, technology is so advanced that a mere computer with software and a pair of mediocre headphones are sufficient to produce a hit (Pack 2018). For example, Billie Eilish and her brother produced the number one album of 2019 in their bedroom with just a computer, an audio interface, and a pair of monitors (Harvey 2020). Having been presented with a major-label contract in this particular case, Eilish represents an extreme exception but illustrates how the industry has developed (Universal Music Publishing 2018). Artists are increasingly achieving the opportunity to renounce labels and produce, market, and distribute their music themselves. Tschmuck summarizes this development as a 360-degree task for artists, in which it is no longer sufficient to have artistic talent to build a reputation (Tschmuck 2016). This development commenced the

metamorphosis of the artist into the “artepreneur,” an individual with a broad spectrum of abilities beyond the power of artistic creation. Artpreneurs stand out for their economic know-how alongside their technical and social skills (Smudits 2009). These skills are necessary because a single source of income, such as record sales or live performances, is no longer enough to fully support artists. Hence, artists are forced to come up with more solutions, such as selling merchandise, telling a captivating story through social media, or offering glimpses into their workflow and techniques to grow an audience.

The industry has faced changes not only on the supply side but also on the demand side. Instead of supporting artists through purchases of hard copies, fans can now use the Internet to finance their favorite artists through crowdfunding or social payment platforms. Moreover, social media has enriched communication between artists and their fanbases, opening up an unprecedented instant dialogue. The engagement of fans has thereby shifted the pre-existing push culture, where music had been distributed regardless of the market’s demands, towards a pull culture that enables consumers to determine their preferred product. Whether by offering initial project funding, guidance through crowd wisdom, or providing user-generated content for further utilization, the music consumer increasingly takes part in the production process. Alvin Toffler coined the term “prosumer” to describe the evolved chimera of consumer and producer (Tschmuck 2012), a term increasingly used today by media scholars to describe people who actively consume and produce digital content rather than just passively consuming media (Waldron 2013).

## **2.4 Music Streaming**

### **2.4.1 Definition**

In general, streaming refers to a data transmission method whereby data can be viewed or listened to during the transmission process itself rather than only after transmission completion. This method, however, does not require the actual download of a file as the file can simply be

reproduced from the server on which it is stored. Music streaming can be divided into three categories: non-interactive radio streaming as offered by Pandora, streaming music locker services such as VOX Music Cloud, and on-demand music streaming as offered by Spotify or Deezer (Marshall 2015). As both radio streaming and locker services exceed the scope of this paper, the sole focus is placed upon on-demand music streaming (referred to simply as music streaming in this text). Music streaming grants its users instant access to massive libraries of content in an unlimited manner while maintaining the users' power to decide what to consume (Wikstrom 2012; Datta, Knox, and Bronnenberg 2018). Streaming providers can generate revenue by offering a "freemium" model which allows users to choose between a free, ad-supported account or an ad-free premium account in exchange for a flat monthly fee. Furthermore, money can be generated when streaming becomes incorporated into a provider's list of services, as in the case of Apple One and Amazon Prime (Apple 2020; Amazon 2020).

#### **2.4.2 Market overview**

While owning and expanding one's personal music collection has been one of the biggest identity drivers during the last century, the access model has increasingly replaced the ownership model in recent years (Wikstrom 2012). Even though platforms like YouTube, Pandora, and SoundCloud had launched some years earlier, the business model of music streaming emerged with the founding of Spotify in 2006. It is clearly not a coincidence that Spotify founder and CEO Daniel Ek was formerly the founder of uTorrent, the most popular platform for BitTorrent sharing, as Spotify relies on priorly developed peer-to-peer technologies that enable widespread filesharing (Marshall 2015). Though not appearing very promising at first, streaming developed into the segment that helped the recorded music industry regain momentum after its collapse at the beginning of the millennium. For instance, in 2019, the revenues generated by streaming (with and without advertising) accounted for 56.1% of total recorded music revenues equaling \$11.4 billion. Combined with the turnover generated

through digital downloads, total digital music revenues equaled 63.3% of all recorded music revenues or \$12.9 billion. By the first quarter of 2020, global music streaming users totaled 400 million, having grown 33.5% compared to 2019 (Statista 2020b; International Federation of the Phonographic Industry 2020).

Making use of the first-mover advantage, Spotify leads the industry with a market share of 35%, followed by Apple Music (19%), Amazon Music (15%), Tencent (11%), YouTube (6%), and others (14%) (Statista 2019). While Spotify dominates markets within Europe and North America, Tencent's QQ Music streaming service has the largest appeal within the Asia-Pacific market (QuestMobile, Tech in Asia, and Macquarie 2018). As the global recorded music market grew for the fifth consecutive year and digitalization continues to spread throughout the world, continuous growth, especially in emerging markets, is projected. The most promising geographic area for future growth is Latin America, where markets grew by 18.9% compared to 2018. Each Latin American market recorded double-digit growth rates, with Argentina leading with 40.9% (International Federation of the Phonographic Industry 2020).

### **2.4.3 The future of music streaming**

Despite the popularity of audio streaming, one major problem stands out: the generation of sustainable revenues has failed to materialize (Bennett 2018). According to Spotify's 2015 financial report, the premium segment was not yet scaled enough; the free model, despite scaling, did not show any path to profitability; and the royalties to be paid continue to grow in parallel with the company (Vonderau 2019). However, according to the 2019 financial report, the greatest risks related not to acquiring new users, but rather to retaining existing customers, maintaining customer attention, dealing with the lack of control over third-party providers and their content, and asserting themselves against the competitive disadvantages caused by other technology groups. The latter exists in particular due to the current and future development of mobile devices with preinstalled versions of the in-house streaming platform (Spotify

Technology S.A. 2019). Nevertheless, streaming has become increasingly popular, resulting in a quadrupling of paid subscriptions between 2015 and 2019 (Statista 2020b). The pandemic of 2020 and the resulting global lockdowns have further boosted the streaming industry. The number of paid subscribers grew from 305 million in the first half of 2019 to 400 million at the beginning of 2020 (Statista 2020b) and is estimated to grow to 450 million by the end of 2020 (Stassen 2020). However, general growth alongside average revenue per user is expected to decline over the next few years, raising the questions of when and by which strategies profitability will be achieved (Bennett 2018; Vonderau 2019; Statista 2020b). According to Ek, Spotify will focus on growth instead of profit over the coming years. Furthermore, Ek is convinced that Spotify's freemium model is remarkably resilient in the face of uncertain economic times, as users can switch from their paid subscription to a free plan if necessary, and vice versa (Ingham 2020).

## **2.5 Future trends that will reshape the industry**

With the audio streaming market's growth declining and royalties eating up the majority of revenues, the question arises as to how streaming providers can make the leap to profitability and what will drive the industry's revenues in the future. The following chapter aims to highlight various concepts that hold the potential to reframe the industry.

### **2.5.1 The growing power of independent artists**

Independent artists are understood as those who upload and distribute their work directly to digital service providers (DSPs) like Spotify or other platforms, without the participation of either major or independent labels. As mentioned earlier, technological advances have lowered the entry barrier in the industry and gradually contributed to the artist's transformation into the business-savvy entrepreneur over the course of the last decade. Beginning in the 2010s, a growing number of "bedroom artists" started to become extremely famous, hence propelling an unprecedented phenomenon that was further supported by the maturation of the streaming

market and the constant improvement of video and social platforms. This phenomenon is the rise of the independent artist sector, which has fueled growth for the entire industry (Davis et al. 2020). With superstars and bigger acts boycotting streaming services due to unjust royalty payments or releasing award-winning albums without a record label's patronage (Shamsian 2017), an ever-growing portion of independent artists and newcomers are prioritizing maintaining the rights to their own music. Consequently, the share of revenues generated on streaming platforms by independent artists is growing (MIDIa Research 2020).

In addition, artists can further monetize sales of both physical and digital records as well as gain earnings through synchronization (sync) fees, which remunerate the use of music in audio-visual works such as movies, television shows, commercial videos, or video games (Mauskopf and Gordon 2006). MIDIa estimated an global independent artist revenue of \$873 million in 2019, accounting for 4.1% of the total market (Mulligan 2020). However, U.S. investment bank Raine believes that most current analysis underestimates the full potential of this segment, which consists of distributors, sync and production music, and "mid-tail" artist services. "Mid-tail" here refers to services that offer a whole range of capabilities besides distribution, usually for the more successful independent artist segment. According to Raine, a total revenue of \$1.6 billion was estimated for 2019 with a prediction of \$2.1 billion for 2020, reflecting a 30% year-over-year growth (Davis et al. 2020). This growth rate not only matches MIDIa's but further underlines the incredible potential of this sector as it has recently grown almost fourfold compared to the entire recording industry (International Federation of the Phonographic Industry 2020). With the ever-growing number of artists and with increasingly better ways to create and market music, this development will continue, if not accelerate, which could pose a threat for labels of all kinds in the future.

## **2.5.2 Label-as-a-service (LAAS)**

Label-as-a-service (LAAS) or label services are services that enable independent artists who seek to retain the rights to and royalties of their music to maintain their independence while enjoying the benefits of being signed to a record label. The spectrum of fields covered by these service providers ranges from traditional marketing, promotion, distribution, and sales to stock management, logistics, synchronization, other rights management, and analytics (Music Business Worldwide 2017; Ellis 2020). With the advent of these services, artists have gained the opportunity to own a virtual label or simply boost their brand by outsourcing time-consuming tasks (such as the setup of a marketing and promotion campaign) to focus on their creative output by simply paying either a percentage of their royalties earned or a fixed subscription-based amount. These service offerings also vary in their sophistication. On one end of the spectrum exist platforms like Distrokid, which specialize purely in the distribution of music (Distrokid 2020). Moving along the spectrum, more holistic solutions are offered by CD Baby, Ditto, and ALOADED. On the opposite end sits the agency AWAL, which offers a full set of services, similar to a record label. Its offerings include funding, digital strategy support, creative support, and more (based on the career level), while allowing artists to maintain 100% of their rights and the opportunity to drop out at any time (Aloaded 2020; Awal 2020; CD Baby 2020; Ditto 2020). The latter may seem too good to be true from an artist's point of view, but agencies like Awal only team up with the most promising artists, thoroughly scrutinizing them beforehand with regard to streaming statistics and general upstream potential. As the segment of independent artists continues to grow and as a suitable LAAS offering for every level of artistic success exists, it can be assumed that the field of label services will also grow. The extent to which these services pose a threat to major labels is examined in this work project through primary data collection.

### **2.5.3 Virtual concerts**

The line between live and mediated performances began to blur with the advent of immersive technologies that improved the possibilities for hosting virtual concerts. While such a mediated experience initially lacked the dimension of space, a sophisticated virtual reality (VR) design and VR glasses provide the possibility for both high quality and an increasingly real concert experience (Charron 2017). The most famous examples of virtual concerts are probably those taking place in Epic Games' video game Fortnite. The game, which already has more than 350 million users, (Gough 2020), is one of today's most popular video games, especially among younger players. The game's first virtual concert took place in February 2019 with EDM star DJ Marshmello giving a 10-minute performance. According to Epic Games, 10.7 million players attended the 10-minute spectacle within the game, with millions more streaming it on platforms like Twitch (Webster 2019). This record was broken by Travis Scott's "Astronomical" performance in April 2020, counting 12 million in-game spectators (BBC News 2020); this helped to catapult his new song "The Scotts," which premiered during the event, to number one of the Hot 100 Charts (Hogan 2020).

As these concerts provide a glimpse of what the future might look like, the question of how they can be effectively monetized arises. Regarding the example above, Epic Games collaborated with Scott in order to release Fortnite-themed merchandise such as clothing, action figures, and Nerf guns. With an audience of the magnitude of Scott's, merchandise sales are likely to skyrocket. Nonetheless, in order for virtual concerts to gain a foothold in the market and provide another reliable revenue stream for artists, the music industry must find a way to replace the billions of dollars lost without live income, especially as usual backstage or front-row offerings are no longer applicable (Hogan 2020).

### **3. Research Questions**

Based on the theoretical understanding of the individual components of the music industry, the changes in industry dynamics due to digitization, and possible future trends, the following research questions were formulated:

- **RQ1:** Can major labels maintain their dominance in the industry given steadily growing direct artist revenues through enhanced production, distribution, and marketing opportunities for independent musicians?
- **RQ2:** Is the business model of music streaming seminal and which strategies are necessary for streaming businesses to become profitable in the future?

### **4. Methodology**

In order to gain insights that can be used to answer the research questions, interviews with industry experts were conducted. This chapter aims to compare different research strategies, to provide information on the selection of data collection methods, and to shed light on the limitations of the type of data collection chosen for this work, taking into account the adherence to adequate, systematic, and methodical procedures.

#### **4.1 Research strategy**

A large gap exists in current academic and practice-oriented research regarding the prediction of future trends in the music industry. For this reason, this paper aims to narrow this gap by conducting in-depth research and deriving a future outlook. As the problem area comprises the entire industry, relevant and especially contemporary literature is scarce.

Qualitative research refers to data collection and analysis of mainly textual material without quantitative character such as interview transcripts and documents or visual material such as videos, photos, and websites, while always reflecting human experience (Saldaña

2011). It aims to build an in-depth understanding of the subject matter in areas with a low level of knowledge by examining carefully selected individual cases (Albers et al. 2009). Furthermore, qualitative research places more emphasis on the investigation of phenomena from an insider's perspective compared to quantitative research (Lapan, Quartaroli, and Riemer 2011).

Quantitative research, in contrast, captures the variability of a characteristic through the defined assignment of numerical values. Since quantitative data are much easier to process than qualitative data, quantitative research can work with much larger samples than qualitative research. A fundamental difference between small-scale qualitative research and large-scale quantitative research lies in the representativeness of the results for the population from which the sample was drawn, thus making the results particularly suitable for deriving recommendations for action (Albers et al. 2009).

## **4.2 Interviews**

Interviews constitute one of the most common methods of qualitative data collection (Kvale 2007). An interview can take various forms, such as meticulously structured with a preconceived, standardized set of closed questions for each interviewee on the one hand or unstructured with open-ended questions that could be mistaken for friendly conversation on the other (Seidman 2006). Between these two poles lies the semi-structured interview, which aims to grasp central themes of the interviewee's perceived world by allowing the interviewer to interpret the meaning of given answers and to delve deeper into specific topics if beneficial for the research (Kvale 2007).

In order to ensure a high degree of flexibility during the interview while keeping the broad leitmotiv, the semi-structured interview was chosen for the qualitative data collection. This approach contributes significantly to covering the desired topic on a large scale while still enabling the examination of selected topics in detail. The interview questions among the

respondents are thus not completely identical. However, a general conformity of the topics to be covered is clearly recognizable due to the pre-formulated questionnaire.

### **4.3 Self-completion questionnaire**

Questionnaires to be completed by the respondents themselves are one of the main instruments for data collection within a social survey design. Compared to interviews, self-completion questionnaires can be administered more quickly, are more convenient for the respondents, and eliminate interviewer effects such as the existence of individual biases based on social background, gender, and ethnicity (Bryman and Bell 2011). However, this method of data collection also involves certain disadvantages. First, no potentially arising queries can be asked by the respondent. Secondly, crucial data can be missed if respondents decide not to answer certain questions either due to lack of interest, time constraints, or lack of understanding. Another disadvantage lies in the respondent's ability to read the entire questionnaire before answering, which could affect their answers if they respond to questions outside the predetermined order (Bryman and Bell 2011).

### **4.4 Limitations**

It is often indicated that the scope of the results of qualitative investigations is limited. If an observation is generated by few participants, it is argued that it is impossible to know how the results can be generalized to other settings. Thus, if generalizations are to be made from the observations produced, the small number of experts selected could be considered insufficient. Further, qualitative research tends to lack transparency with regard to the selection of participants and the development of the conclusion (Bryman and Bell 2011). Another crucial limitation of the qualitative research approach lies in the obstacle of transferring gained knowledge to a larger scope without falsifying the degree of accuracy. Furthermore, the process of data collection is much lengthier than that of quantitative data analysis due to the selection process of the respondents, the preparation of the questionnaire in the case of the semi-

structured interview, the chosen open-question design, and the final transcription (Bryman and Bell 2011).

## **5. Discussion**

The following chapter analyzes and discusses the results, taking into account the secondary data compiled in the Chapter 2 in combination with the primary data collected from the interviews and self-completion questionnaires. Conclusions are drawn on the basis of the findings. A description of the interview partners is presented in Table 1 below.

<b>Participant</b>	<b>Name</b>	<b>Company</b>	<b>Position</b>
<b>A</b>	Anonymous	Major label	Key Account Manager
<b>B</b>	Dan Brocksmith	Self-employed	Music Producer and DJ
<b>D</b>	Anonymous	Amazon Music	Major function for European markets

*Table 1: Interview Partner Overview*

### **5.1 Major labels**

As music-related technology and the Internet have become increasingly sophisticated and more accessible to a broader range of consumers, the market has experienced an unprecedented growth of independent labels and artists capable of publishing high quality products. With the physical distribution network vanishing and the approach of centrally organized distribution becoming superfluous, new entrants have had the chance to gain the upper hand in the newly digitized market. Yet while the revenue of independent artists has grown significantly, the dominance of major labels has persisted (Moreau 2013; MIDiA Research 2020). According to Participant A, this wave of independent artists and labels flooding the market is “actually something that I wouldn't necessarily identify as a danger or something that's kind of hard to

deal with or difficult” (Appendix I). Participant A further argued that the enhanced possibilities of producing music at home allow artists to learn and master their artistic craft from an early stage, resulting in an overall increased level of skill (Appendix I). In addition, Participant A perceived it as a huge advantage that artists today are very adept at building their own brand and bring a range of other qualities to the table when approaching a label (Appendix I). As sales began to plummet in the wake of the digital revolution, major labels had to divide the use of their resources among fewer, more promising artists (Benner and Waldfogel 2016). However, the fact that the average skill level increased and artists were usually able to build a fan base earlier was considered “honestly a helpful tool for us [Participant A and a major label], because you can sign artists who have already presented themselves extremely well,” showing an initial proof of concept to major labels (Appendix I). These initial findings facilitate the decision-making process of which artists to sign, as it becomes apparent early on what works and is accepted by the market, requiring less effort and far fewer resources on the part of labels to build and establish artists. Consequently, this development is recognized as beneficial for major labels as costs are reduced, which compensates for declining revenues since the digital revolution, especially in the last years of sustained market growth (Appendix I). It does, nonetheless, also benefit skilled artists because, as Participant A claims, “the more an artist brings to the table, especially in the early stages, the more secure, I would say, the signing is for us [a major label]” (Appendix I).

Participant B acknowledged the increasing ease of entry into the craft of music production: “I for myself taught me [*sic*] everything by watching tutorials and simply spending time practicing with very limited equipment at home. This was unimaginable before the time of YouTube” (Appendix II). The decreased difficulty of mastering tracks (a process which previously had to be accomplished by a professional sound engineer in a sophisticated recording studio), which nowadays can be substituted by algorithmic run programs and the simplified

distribution of finished songs to DSPs have accelerated the growth of releases by independent artists even further because such services are “offered for a fraction of the price” and processed in almost an instant (Appendix II).

From these reasons, it can be deduced that technological progress has benefited both labels and artists, allowing major labels to offset declining revenues with cost savings, thus ensuring they maintain their market power and allowing artists to pursue a career in the music business with significantly lower initial cost and required knowledge. This in turn has a positive impact on the diversity of music in the market.

The research participants did not perceive the concurrent growing popularity of LAAS providers that cater to the needs of independent artists to be a threat to the current position of major labels but rather as a very helpful tool for upcoming artists. According to Participant A, major labels have been offering artists individual services from their entire range for many years, regardless of whether a corresponding record contract is owned as “these are also things that we [a major label] have actually been following for many years now” (Appendix I). As today’s entrepreneurs are increasingly well-versed in all areas in addition to creative work, the full range of services offered by a major label is not always required. In order to better address this trend, major labels identified the most demanded competencies, which resulted in internal restructuring and the initiation of a matching department. This coincides with Participant B’s statement that “mastering and distribution are the most relevant things [services] for new independent artists with limited money and connections in the industry” (Appendix II). However, these services were never sold as individual services, meaning they do not represent a modular system from which any artist can choose as they desire but rather an extensive offering for already successful artists. Furthermore, in order to position themselves more broadly, major labels have already acquired LAAS providers in the field of online distribution and could possibly acquire more in the future (Appendix I). Participant B validated that label

services are highly valued by independent artists as they allow undiscovered talents in particular to gain traction, acquire listeners through DSPs, and list their work in online stores. In contrast to label services, Participant B stated, “that due to their dominance, major labels amongst themselves are their biggest threat,” (Appendix II), which coincides with the initial thought of Participant A that “for Sony it’s Universal, and for Warner it’s both of them,” (Appendix I), further highlighting the lack of danger to major labels posed by label services.

## **5.2 Music streaming**

When envisioning the evolution of the streaming market over the next few years, Participant C expects consolidation to take place among both the large streaming services as well as the smaller auxiliary providers (Appendix III). Participant C further stated that especially the large service providers will morph into holistic entertainment hubs that are likely to charge a bundled fee for their entire offering. With special regard to Amazon, Participant C predicted that “with Twitch, Prime Video, Amazon Music, Audible and all the other services, Amazon will provide a service that is a one-stop shop for a bundled price” in the future (Appendix III). Such a development would match Apple’s launch of its integral subscription service Apple One in October 2020, which includes Apple Music, Apple TV+, iCloud, and Apple Arcade (Apple 2020). This forecast concurs with Participant A’s statement that “Apple understood early on how to pull people into an ecosystem like no other. And I think that’s also the case with Amazon, because it’s also this ecosystem that is the key driver for the success of the music streaming service” (Appendix I). Thus, it can be concluded that it is also in Spotify’s interest to bundle a multitude of services within their own ecosystem to drive subscription revenue in the future.

The crucial question remains of whether, and if so, how streaming providers will become profitable in the future remains as Spotify, which has only had one profitable quarter since it was founded, will continue to focus on growth rather than profit over the next few years

(Ingham 2020). A key obstacle is the increasing amount of royalties to be paid to labels and artists as the company continuous to grow. For Participant A, however, this obstacle could be easily overcome by the growing focus on advertising revenues as evidenced by Spotify's Marquee pilot project in the USA (Appendix I). The Marquee ad system enables advertisers to place bids for their ads in the form of pop-up notifications sent to users of both the free and premium tiers on the release day of a new song, for instance. These cost 55 cents per click, with a minimum spend of \$5,000 (Leight 2019). Participant A stated that the results can be enormous for famous artists because "on release day, 5 million people or 20 million monthly listeners around the world will somehow get your [the artists] album displayed, who might not have had it on their radar" (Appendix I). Moreover, due to the individualization of ads based on user behavior, the possibilities to advertise on the same space multiple times throughout the day, and the bidding character, which could degenerate into mutual outbidding of advertisers, Participant A could imagine "that that's a service, if they [Spotify] roll that out globally, that will be extremely profitable" (Appendix I). Apart from that, Participant A identified that the increase in the production of original and the acquisition of relevant podcast formats are a driving force to reach profitability faster, since besides the high initial investment, podcasts are not remunerated as music, allowing DSPs to omit licensing fees (Appendix I).

Besides Participant A's thought on advertising, Participant C identified future developments in the intersection of audio streaming and video experiences as future drivers of the streaming industry, complementing aspirations to evolve into encompassing entertainment hubs. According to Participant C, "Prime Video Concerts, that offers the artist a chance to connect to their fanbase and for customers and fans to see some of their artists" began to be offered in 2020 (Appendix III). This connection is achieved through the offer of a unique musical experience including live concerts and elaborate music videos that were produced in the course of the pandemic of 2020. Besides the individual performances, users can access

behind-the-scenes content that provides insights into the artists' rituals for preparing for shows. When further developed, this concept could result in fans enjoying the ability to join concerts around the globe on a pay-per-view basis in the future (Appendix III). This matches not only Participant A's forecast that should augmented reality (AR) become more sophisticated, "you have Taylor Swift sitting on the couch, singing a song or something like that" (Appendix I), but also Participant B's opinion that "if VR or AR becomes better and 5G will be rolled out, I could imagine that virtually attending to clubs, festivals or your favorite DJ's house could be a thing in the future" (Appendix II). Should these offerings become more sophisticated and more widely adapted, DSPs "could further connect artists and fans" (Appendix III). Furthermore, Participant C believes that DSPs "could also include other business models where much more beyond the music is being sold" (Appendix III), which could then be monetized in the form of specialized artist-specific access passes, merchandise, and more. In particular, the sales potential of limited-edition merchandise tied to individual immersive events is consistent with Travis Scott's merchandise sales following his virtual concert in Epic Game's Fortnite.

### **5.3 Limitations**

This study contains limitations that exhibit avenues for further research. In particular, limited access to industry experts from key players, such as major labels, independent labels, artists, streaming providers, LAAS companies, and more, limited the development of holistic, industry-reflective, in-depth knowledge. Although the interview partners provided valuable insights into current and future developments within the industry, a major shortcoming of this research is the small number of experts who form the basis of the primary data collection. With a broader set of experts from the various fields of the music industry and the recording industry in particular, a more precise assessment of potential future developments would have been possible. Moreover, a larger sample size would have increased the significance of the results and enabled the number of non-anonymized statements to increase, both of which would have enhanced the

credibility of the findings. Lastly, since expert interviews and self-completion questionnaires were conducted according to the qualitative research methodology, the results reflect only the subjective perceptions and personal opinions of the respondents.

#### **5.4 Direction for future research**

As this work project focused on Western music markets, it would be valuable to analyze the Asian market in particular with respect to user preferences in order to achieve a global assessment of future trends and to gain insights into possible acquisition strategies for the dominant streaming providers. Here, some initial work on the Chinese approach of predominantly monetizing fandom over music consumption had initially been conducted by the author. Specifically, the author tried to identify to what extent the approach of offering a wide array of features such as extensive artist-related video content, virtual parties with DJs, social features for interacting with fellow fans, and the opportunity to financially support artists directly through the app might complement the Western approach of solely monetizing music consumption. Unfortunately, it was not possible to attain results on this matter due to the small number of experts and their lack of knowledge. For this reason, future research could focus on how streaming providers perceive the approach of prioritizing engagement over consumption for future monetization. More valuable insights could result from additional research on the extent to which Asian market preferences might be accepted in Western markets, both because music tastes are becoming increasingly globalized with the rise in popularity of, for instance, Latin Trap and K-Pop and because Western products to date offer little to no interaction among users. Moreover, it would be enlightening to gain knowledge on the extent to which microtransactions that provide access to special content would be accepted, and more crucially, paid in addition to an already existing premium fee.

## **6. Conclusion**

This work project has outlined the evolution of the recording industry with its dominating physical mediums to its digital successor while shedding light on all subsequent changes in market dynamics. In order to determine the extent to which the digital revolution affects individual parties and the relationships between them in the industry, research questions were formulated which were presented to industry experts in the form of interviews or by means of self-completion questionnaires.

It was found that the growing number of independent artists and labels, as well as the growing number of LAAS providers, does not pose a substantial threat to major labels' market position, but is rather perceived as beneficial for securing it. Major labels benefit from an increase in the average skill level of artists, which eases the search for promising upcoming artists and moreover results in cost savings since far fewer resources are required for building up artists should they be signed. Artists also benefit from the simplified access to and the growing amount of information regarding how to produce music, how to build a brand, and how to become successful within the industry while requiring less money to set up a home studio sufficiently equipped to produce potential world hits.

Furthermore, the research participants indicated that streaming providers would become profitable in the near future due to an increased focus on in-house productions, the acquisition of non-music originals, improvements of existing advertising systems, and the gradual transformation into integral entertainment hubs. The latter refers to the goal of major tech companies, and presumably Spotify as well, to create an entire media ecosystem for which a uniform subscription fee could be charged. Since a large number of services must be offered in order to provide such an ecosystem, the acquired insights suggest that the market will continue to consolidate. Major labels thus run the risk of being accumulated by streaming providers in

the long run, as they could thereby cover a broader spectrum of the value chain and save on growing royalty payments.

Considering the recording market as a whole, it is evident that further growth will be achieved in the coming years, even surpassing the former industry peak of 1999. In general, sales of physical recordings will decline, with the exception of the resurgent vinyl record. Digital downloads will also continue to decline over the next 10 years, while music streaming will be responsible for carrying the industry into a new golden age. Although the recorded music market could be considered the strongest in terms of revenue for the first time in 20 years this year, it can be assumed that once the pandemic is successfully overcome, the live performance segment will once again take the lead in the triumvirate of the music industry. It also remains to be seen to what extent the fields of live performance and recorded music will converge in the future and if the result will guarantee fans instant access to their favorite artists performance, regardless of location, by means of VR or AR. As a result, interactions between artists and fans will become increasingly crucial to ensuring success. Whether it is through co-creation in the artistic production process or the creation of their own user-generated content, fans will continue to evolve into prosumers who influence the production process to match their needs, while artists will need to exhibit an ever-wider range of skills beyond music in order to compete against growing competition, should they not outsource these to label services or major labels. In conclusion, however, the question remains of what might replace streaming as the dominant format for music consumption in the future and what other future disruptions will influence the industry as a whole.

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## **8. Appendix**

### **Appendix I – Expert Interview (Participant A, Anonymous)**

**Interviewer** [00:01:02] Alright, then I would start with the first question. Can you tell me what kind of company within the music industry you work for?

**Interviewee** [00:01:12] It's a major label. One of the big three.

**Interviewer** [00:01:16] Okay. All right and how much work experience do you currently have? And what exactly is your profession?

**Interviewee** [00:01:24] That's four years now and I've been employed as a key account manager for various customers. A key account manager basically looks after the customer relationship between the label and partners in the company. Partner in this case is a streaming service and that's where I worked for a long time on Apple and then switched to Spotify. I'm now responsible for Spotify as a Key Account.

**Interviewer** [00:01:51] All right. And what does the work there basically involve?

**Interviewee** [00:01:56] Ok, so we're actually responsible, roughly speaking, for making sure that our artists have the best possible space on the partners platform. Meaning, when you open the app of your streaming service in the morning, ideally you only see content from the major label I work for. Of course, that's not always the case. Not always possible. But that's basically our job. We also look at the account strategically, how do we as a label work with this partner? How can we increase our market share? Because if we increase our market share, we increase our sales to the partner. And that is ultimately the goal. So we want to maximize sales together with the partner.

**Interviewer** [00:02:41] Good. Do you see any current developments in the recording industry that excite or worry you? Any trends that you've identified? That you have identified as a company?

**Interviewee** [00:02:55] What I find exciting. What I find interesting is the comeback of vinyl. I think that's pretty cool, I have to say. Also supports a prediction that we made a few years ago. You see digital download just completely collapsing. By that I mean download to own. And less so in Germany than worldwide, but still strong. And you see a decline of CDs and at the same time you see an emergence of vinyl, which just shows that the market is splitting into those who want to have it digital and always available and use a streaming service. On the other hand, those who like to own things and nostalgics who need things to touch. The latter ones also tend to take vinyl or a fan box straight away. So on the one hand the fans who need something to touch and probably own a streaming service in parallel or something like that. So you can see that the market is simply splitting up a bit and that this everyday product of a CD will simply put be gone in the long term.

**Interviewer** [00:04:12] Is it then also the case that you are considering including vinyl again in any bundles for releases in the form of boxes etc.?

**Interviewee** [00:04:23] We do. So we're already doing that. And that works really well too. We've been paying a lot more attention to vinyl again and we're making a pretty big chunk of sales with vinyl again as well. We've increased that very well the last couple of years and then also this year.

**Interviewer** [00:04:41] That sounds really exciting, because you wouldn't think that vinyl, which was thought to be almost dead, is now so strongly on the rise again.

**Interviewee** [00:04:49] Yes, look at the last release of ACDC, they sold almost 60,000 vinyls in Germany alone.

**Interviewer** [00:04:54] Awesome. Okay, good. Yeah, what I would also be interested in is. Since major labels have actually always enjoyed absolute dominance in the market: What do you identify as the biggest, threat? Nowadays, if there is one.

**Interviewee** [00:05:18] As the biggest threat to major labels?

**Interviewer** [00:05:21] Yeah. Except maybe the major labels among themselves.

**Interviewee** [00:05:25] Yeah, that would have been my answer. For Sony it's, the Universal for Warner it's both of them. It's an interesting question. I'll have to think about it a little bit more.

**Interviewer** [00:05:47] Yeah, sure. If you haven't identified anything, that's not a problem at all, then that's the way it is.

**Interviewee** [00:05:56] Well, I'd say to keep up, because a major label, with its structures. I mean, in Germany we are of course an independent GmbH on paper. But the parent company is a global corporation, in which we are integrated. And such a ship is simply much more cumbersome in terms of innovation than perhaps a small independent company where the intern can also sign artists at the same time. And I don't know just signing a new podcast deal or anything like that. Everything seems to keep up a bit of the sluggishness in the area of innovation. On the other hand, of course, it's always an insane opportunity, because you can access much greater resources than a small, more agile company might be able to do. So you see, I'm steering around the question.

**Interviewer** [00:07:07] No, that's fine. Maybe I'll just specify that a little bit more then. My main point is that in the course of the last two decades, with the advent of new technology, the market barriers have shrunk extremely. Whereas in the past, pressing plants for CDs and the entire distribution channels were completely in firm hands, now it's like that everything has been gradually broken down. Have major labels also benefited from this? Or would you say that the benefit existed only for artists? Or did maybe, even all of them benefit?

**Interviewee** [00:07:49] I was thinking about that question too. That's actually something that I wouldn't necessarily identify as a danger or something that's kind of hard to deal with or difficult. On the one hand, yes, it's good that artists have so many options. Because nowadays, as artists, you can really do a lot of things yourself, from production, where there are many possibilities, to marketing, you can really just take a lot of things into your own hands and all the rights remain with you. And that's just honestly a helpful tool for us, because you can sign artists who have already presented themselves extremely well. And you have a proof of concept. Do you know what I mean? You have an artist who has already proven that his music works in the market, that he is willing to work on it. And you have a proof of

concept. And then you only have to sign such an artist, so you already have this existing infrastructure, which could be cheaper than having to develop everything from scratch like building up the artist. Because let's be honest, every label of course has its star artists who bring in cash. But we put a lot of money into building and developing artists, which is important and obviously right. And that's basically our job. But the more an artist brings to the table, especially in the early stages, the more secure, I would say, the signing is for us.

**Interviewer** [00:09:37] I see. So you can say that even though certain structures may have broken away, you all benefit equally. You are saving on costs. You don't have to press anything anymore. You don't have to have factories. And the artists are approaching labels with a completely different skill level than before.

**Interviewee** [00:10:01] Yes, absolutely. And most of all. Ah now I've lost the thread. Okay, lets move on.

**Interviewer** [00:10:12] No problem. How do you explain that more and more artists want to stay independent nowadays?

**Interviewee** [00:10:22] I don't think it's that everyone wants to stay independent - necessarily. Because in the end they all think it's cool if they have a major label deal. It's also a matter of negotiation what kind of deal you have. I also think it's justified that a label earns money from it. So it's not like, I don't know, depending on who you're talking to, it's always like: the evil big major labels are somehow robbing the artists. That's something that I just don't see that way at all. Because you really put a lot of money and effort into developing these artists. And somewhere it has to be worth it for both sides. It always depends on what kind of a deal you as an artist negotiated with your label and how high your share is.

**Interviewer** [00:11:15] Can you tell me what the most common formats are that are offered there?

**Interviewee** [00:11:20] No, I can't tell you, unfortunately, because I'm not involved in the contractual arrangements with the artists. Our boss always says so nice when an artist is taken under contract, which I doubt again considerably, where I say: where should that work? Because my job is to market the stuff to our partners. Then he always just looks at me and says: Yes Mr. x, it has already been A&R'ed once. You don't need to do that again. It has its reasons why it was signed. So yes. Where did I come from?

**Interviewer** [00:12:03] Why artists don't want to stay independent.

**Interviewee** [00:12:09] Exactly, that's something where, of course, you also go along to some extent if an artist wants that. He wants to be a bit more independent. And you had called it Artists Services or something like that because that was an abbreviation for it.

**Interviewer** [00:12:24] Yes Label-as-a-Service.

**Interviewee** [00:12:28] Exactly. And these are also things that we have actually been following for many years now. If artists say they would like to have only one particular service from us, then we also sell them this one particular service. That works. We often have the case that we have artists who say, I'll do everything myself. I have my own camp here. I don't need development. I don't need an A&R. I don't need anyone to tell me what to do, to put it bluntly. And I just want you to do the distribution for

me. Means: We deliver the stuff completely to the partners and my colleagues and I take care that the repertoire is represented at the partner.

**Interviewer** [00:13:16] How does that look with the rights? Do they remain fully with an artist, if he was not signed before? Or is that then only offered for artists who are already signed with you?

**Interviewee** [00:13:29] Oh no, that also works for artists who are not signed. So they come to us and say "Hey, I'd like to have .... " in the rap area it's common practice. In fact, because in the last few years, sums were requested that are completely absurd. By that I mean what the artists want to have in advance. The artists there are very independent, so they make one deal here, another deal there. The next 3 singles come through Universal, the 3 singles after that through Warner and the album is being done at the Sony. Therefore, they often have such distribution deals and it really depends on what rights you have bought. Because for example, you own the audio rights for the track, but not the video rights. These artists then self-distribute their work and they upload it somewhere themselves. Or the video rights are owned by another label. You see they are really flexible and there are also some deals and some artists who have switched away from us with record deal into a distributed deal, where we then basically only take over the distribution. That would also be a possibility.

**Interviewer** [00:15:00] So it's not a fixed in-house solution as an answer to these label services, but actually just outsourced core competencies in a modular format for artists if they need them.

**Interviewee** [00:15:16] Yes, absolutely. But there are also artists who say: Hey, I want to get out of the distribution deal again and I want to get into a record deal, because we as a label have completely different possibilities. We have our own department that only deals with supporting our artists in storytelling and online marketing. They deal with things like: how can we build the content around the artist? What story is he telling? Where can we do something? They sit down with influencers, they sit down with online press. They sit down with the print press. And these are services that I would say an artist rarely or never has access to in his own environment and that not every manager can provide. Where we can simply offer added value, because we have all these departments that simply cover a much larger spectrum of services for the artist.

**Interviewer** [00:16:24] Okay, I see. So you don't feel at all threatened or outranked by all these companies that are sort of offering this now?

**Interviewee** [00:16:34] No, not really, I must say. There are also some that we buy up ourselves.

**Interviewer** [00:16:40] Oh, so that happens too?

**Interviewee** [00:16:42] That also happens when there are, for example, online distributors who offer sales, for example. Could be that they could be bought or already have been bought. But I'm obviously not going to tell you which company.

**Interviewer** [00:16:57] Yes, of course, that makes sense. Okay, that means you are actually happy to hear that the sales of independent artists are growing. I think from last year to this year about 30% growth, a total of 2.1 billion dollars in sales.

**Interviewee** [00:17:16] Yes, and every new artist also brings along their own target group and their own fan base. Ideally, we make the cake bigger for everyone together and don't chase each other's shares

away from somewhere. That's a philosophy I just don't like anyway. We don't fight against each other with the major labels. It's rather about one can offer one thing really well, the others can offer something else and it depends on where the artist feels most comfortable. If the artist feels most comfortable having his video rights at Universal and his audio rights at Sony where they should solely take over the distribution, or maybe do more, then that's the way it is and if the artist is happy with that, then we usually are too.

**Interviewer** [00:18:06] I see. Good. So when did you as a company start doing that? Or when did you come up with the idea of using these outsourced services as well? Did you at some point just see that there are these agencies that really offer everything that a major label also offers? From preliminary funding to production to digital strategy or artist strategy. Or what was the motivation behind that?

**Interviewee** [00:18:43] Yes, so I know that there is this variant that I just told you about, with an artist only doing his distribution with us. It's been around for a while. It's been around for a few years. It's actually been around before my time, to be honest. We've also been doing online marketing and supporting artists for a long time. These are all things that have always happened. A few years ago, we restructured a department based on the identified needs. But honestly, these areas offered by independent agencies that you're talking about - we have always done that. But we didn't sell them out as individual services. For example, you can't come to us as an artist and say I want you to solely do the storytelling for me and online marketing and I'll release my music somewhere else. That doesn't work for us.

**Interviewer** [00:19:56] Yes, of course, that makes sense. Okay, definitely exciting, because from what I've read so far, I've estimated it a bit differently. But seems to be really accepted. It was also a nice example with making the cake grow instead of haggling over market share.

**Interviewee** [00:20:28] Look, we have round about 6 million Spotify subscribers in Germany. Because Spotify doesn't give out any numbers. Officially. Worldwide, it's 70 million or what? And we have about 6 million Spotify subscribers in Germany. We've got about, if you add Amazon Prime Music and Music Unlimited, we have about four and a half, five million Amazon users. We have 1.5 million Apple Music users. So you see, we're kind of approaching 15 here right now, step by step, if that's somehow enough. So we're kind of at about 13 million streaming service users right now. If you just add up the three big ones. We have 80 million citizens in Germany. Over 80 million. There's still a lot to do. We now have a generation that is growing up with a streaming service. And they're not solvent at all, they don't have a job yet, they don't have anything. If they grow up with it now and come of age in a few years and have their own subscription, you already have target groups that tag along. Especially with Spotify, which has an extremely young target group. And you have the generation that was introduced to a streaming service while they were still in school during their studies, like me for example, who can show that to their parents. And I think we have a lot of opportunities to grow there. And I think that this pie that we just talked about, to close the circle here, can definitely get much bigger.

**Interviewer** [00:22:30] Ok I see, that definitely sounds conclusive. That was also a nice segue to my next question. Because this is also about Spotify. Can you imagine that it would be in the interest of a major label or several or even all major labels to eventually incorporate streaming providers?

**Interviewee** [00:22:50] I don't know how much you've followed the film industry over the years. I think the film industry has been a pretty good example. They've always been a few years behind compared to the music industry. If you look at the two: we started stumbling around the same time. Film industry and music industry. In terms of piracy. Illegal downloads on the Internet and the decline of physical

recordings. However, the music industry managed to turn the tide much earlier, together with streaming partners such as Spotify, for example, and make money in digital or even in download stores such as iTunes, which launched at that time, and so on and so forth. The film industry didn't manage to do that. It took them much, much longer to establish a streaming model. With Netflix and the like, however, it's now the case in the film industry that they're opening up their own streaming service. Look at Disney+, for example. They have the content that they own, which is extremely strong, and they're pulling that out of other platforms. Or at least they're not renewing the contracts anymore. Wherever you can buy or rent downloads to own, they're still in. The rest stays in their own platforms and that's the twist that the movie industry actually has over the music industry. We are now in a certain dependency on the biggest streaming partners. If they say: we're changing our conditions or something. Then it's hard for us. I'd say - it's not impossible and we're also negotiating a lot. But it's harder to fight it, simply because they have a certain market power. And we actually helped to build them up at the beginning. Look at Amazon. The very first time Amazon came to us to sell CDs, they had to buy everything in advance. In advance. You have to imagine that. And today, it's actually the world's largest online retailer. Makes billions in profits or sales. I'm not quite sure. Turnover in any case. So, if you just compare that, I think the danger lies not within a major label buying a streaming provider, but that a streaming provider buys the label competence. I don't think it's about taking over a major label. I couldn't imagine Spotify buying Warner, for example. But what I could imagine at some point is that you go and acquire these competencies, like in the film sector, for example, that you have your own film studios, as is the case with Disney. They had the first studios and then the streaming service followed. But it makes sense to buy a label that can sign artists, because that's what's hurting Spotify the most at the moment. The licenses that you have to pay to for music.

**Interviewer** [00:26:37] Yes exactly. The bigger they get, the more they have to pay. I actually read somewhere that professor predicted that at some point Spotify or consortia will incorporate such a major label, simply to be able to drop all the royalty payments in order to be able to ensure profitability.

**Interviewee** [00:27:06] Honestly, that's a logical step. So that makes complete sense from a monetary perspective. Whether that helps diversity in the market, I don't know. Because these are all partners that are very number-driven. And it's always been a balancing act between art and culture. How free are, art and culture and how much are you somehow subject to the markets. But that's actually the bigger threat. Now let's look at the long term. And I'm kind of talking about the next five to ten years or so. I don't think it will happen in the short term. But in the long term, I can imagine that very well.

**Interviewer** [00:28:00] Ok, do you think streaming providers will manage to become profitable before then? If everything stays the way it is now.

**Interviewee** [00:28:17] Yes, I could imagine that, because it's also a lot about advertising space. Spotify, for example, is currently testing a model in the U.S. where they are auctioning off the marketing space in the premium area in a certain way. That means you can pitch for it and can then buy your reach, so to speak. For example, there's a tool called Marquee. I don't know if you know it or have seen it before.

**Interviewer** [00:28:50] No, what is it called?

**Interviewee** [00:28:52] Marquee. M-a-r-q-u-e-e. So when you open your Spotify app. And the very first thing you see is a full screen: Now listen to ACDC's new album. I don't know, you might have had that before if you use Spotify. I don't know. Yes? This tool is called Marquee. And that's based on reach. So that means all followers of the artist get that displayed and I don't know if for all monthly listeners

entirely. But a certain percentage of the monthly listeners. So the monthly listeners and the followers get that displayed. And depending on how big an artist is, the higher your reach in this tool. So if you're Mark Forster or Alan Walker in Germany for example, then that's massive. Because then, on release day, 5 million people or 20 million monthly listeners around the world will somehow get your album displayed, who might not have had it on their radar. That's how you use this reach with this tool. And they're doing a test run in the U.S. right now and trying to sell that. You can make a bid as an artist. How much is it worth to me to invest? 1,000, 2,000, 5,000 dollars? And then the algorithm plays it out in a range depending on what you paid. And I could imagine that that's a service, if they roll that out globally, that will be extremely profitable. Because it's not an advertising space that you sell and it's gone like a billboard, but I can play out different spaces to different users in different countries at the same time. Measured by their listening history and their behavior You can play this space multiple times and I can imagine that this could simply bring in a lot of money.

**Interviewer** [00:31:13] So you think they'll make it through advertising alone? Despite increasing license fees that have to be paid?

**Interviewee** [00:31:23] Yes, I can imagine that, I must say. Because they also try to push music massively out of the service. Of course, not officially and not proactively. Of course, it's a music streaming service, but they're spending extremely to get originals, which they can't actually do with music, but rather in the podcast space. That is extremely pushed and they don't pay licenses for that. You have to keep that in mind as well. So the way tracks are compensated, podcasts on Spotify are not compensated. Unless you make an original. But then they just buy them.

**Interviewer** [00:32:08] Yes, they spend a lot of money, at least for the big ones. Whereas I've already seen that they are focusing on content like mental health and consciousness, meditation and so on. So daily content in the field of motivation and meditation and all that stuff. It remains to be seen to what extent this will have an impact.

**Interviewee** [00:32:37] Ah very interesting. That coincides with a request we got the other day. But I didn't know that yet. Very, interesting.

**Interviewer** [00:32:47] Okay, so I'll continue. What do you think will provide the recording industry with revenue when streaming eventually becomes saturated?

**Interviewee** [00:33:05] We talked briefly earlier about the market itself. How many streaming subscriptions there are currently in Germany and I believe that the target group is much larger. I think it will be a long time before we actually have saturation in the streaming market, because it will take a long time to reach these untapped audiences, to use the term. So those who really don't have a streaming service yet, neither Amazon, Apple, Spotify, Deezer and the like, it's not that easy to reach them. And to pull them in, you always need an artist on hand who tags along with the target group. These are still extremely physical target groups. Reaching all of them and bringing them into streaming is quite a task, and it also differs greatly from genre to genre. For example, metal and classical are extremely physical genres, where the market is at least 80% physical and only 20% of revenue in the market, is generated digitally. And if you take a look at that, you see that there's still a really long way to go to convert all of them. And I actually think that's going to keep us on our toes for the next few years. What comes after that? Honestly, I don't know. What's your opinion? What do you think?

**Interviewer** [00:34:54] That's really a good question. I was also thinking about that. At least this year, because of Corona, recording was again at the top of the three segments in the music industry after a

while. Whereby I already believe that live performance will also come back as soon as people can go out again. But what I could also imagine, and we've already seen this, are virtual concerts, for example, and I'll just say that in addition to the live performance, we also have the rights to advertise the whole thing on the Internet. I mean, Fortnite has already done that quite well with astronomical audience figures.

**Interviewee** [00:35:44] Astronomical hits it pretty well if you're referring to Travis Scott Astronomical.

**Interviewer** [00:35:49] Yes, exactly.

**Interviewee** [00:35:52] Yes, that's a very good example.

**Interviewer** [00:35:56] So yes, I always think about what could be the next big thing in the music industry in general? And I can imagine that if there is your favorite festival, which is doing a Mexico Edition, instead of taking place on your doorstep, that you just buy your virtual pass and get in via 5G and VR glasses or something. I don't know. I think this merging of live and everything else is also a very exciting topic. Whether that's enough to outstrip streaming at some point or what will replace streaming at some point in general is hard to say at the moment.

**Interviewee** [00:36:46] Yes, but that's an interesting statement, because this is also a development that has been occupying the industry for longer than a few years. The whole virtual reality topic and yes, I don't know if I'm getting it together correctly now but Napster, the streaming provider for example, was recently bought up by Melody I think and that's a VR provider.

**Interviewer** [00:37:23] A creative agency for an immersive experiences, I think?

**Interviewee** [00:37:26] I think so, yes. And that's an interesting approach and that probably hits right into the notch that you just mentioned.

**Interviewer** [00:37:35] Is there interest from major labels to jump on the bandwagon and possibly make something out of it?

**Interviewee** [00:37:47] Well, we certainly won't be the first mover, I'm pretty sure of that. But if there is something that somehow works and is interesting, I can certainly imagine, apart from the theory, that we take a look at it. Regardless of whether it's an investment in a certain company that's active in this area or whether we try it out first with our own artists, I think that's possible and makes sense.

**Interviewer** [00:38:29] Let the others burn their fingers first and then see how it works.

**Interviewee** [00:38:34] That's what you said.

**Interviewer** [00:38:37] Okay, great. What I would also like to know: I've read a lot about how user generated content is exploding. With people making their own bootlegs, mash-ups or whatever that have always been uploaded to Soundcloud and the like but now especially the whole lip-syncing stuff from TikTok or TikTok in general. And I read that this is supposed to go into the billions, so I think 6 billion dollars in revenue by 2022 to quantify it. Are there any efforts by major labels to make money out of it? Or is this simply being run parallel to the normal business?

**Interviewee** [00:39:31] Revenue that flows in what form? Advertising revenue or what?

**Interviewer** [00:39:36] Yes exactly and generally just what artists can then also recycle to bring out more own music based on this content plus the reach, which then also leads to increase sales. Like Old Town Road, which became big via TikTok. Things that might not have gone viral otherwise.

**Interviewee** [00:40:05] Well, so first of all, the content on platforms like Facebook, Instagram, TikTok, etc. has been free. In fact. So until that was monetized at all in any form it took a really long time. I mean, a lot of artists just published their content on SoundCloud or whatever available before that became a paid model. Which I also find totally nonsense. Because every artist gives away their content for free, so to speak. If there's one thing we've learned from the past, it's that it's very difficult to teach people why they should pay money for something that they used to get for free. To have made that shift is very good. That's why I would never, from an artist point of view, go back to any model where I provide my content for free, completely regardless of what the benefit of that is. There are agreements with the partners that we provide the music for that make sure that we get compensated for that. Often these are one-time fees that are renegotiated again and again, depending on how much the music is used. And we do this, for example, when an artist with a YouTube channel moves entirely to us. Then we monetize that. Everything that is created and uploaded there musically in some way is monetized and claimed by us. And that means that value is already being added. But there are also other platforms like TikTok, for example, which are perhaps first of all just marketing platforms. Artists like Lil Nas X, for example, might upload a song like Old Town Road, then it's discovered, signed, and it becomes a global hit. That's just what happened. So I don't see where there should be a lot of value creation that we're not involved in right now. Because we get paid for the content on Instagram and Facebook. And there is also an agreement with TikTok as far as I know. We're in talks with them as well. Right now, we're not losing any money there I believe - unless I'm misinformed. I mean, I don't know everything either, but right now we're not losing anything there.

**Interviewer** [00:42:58] Okay I see. How is that with Instagram now that you brought it up? How can I imagine that? If someone picks a song from your media library and puts it behind a story. Do you then receive money for that?

**Interviewee** [00:43:18] No, no, that's a one-time fee. So we kind of make the songs available for users to use in the first place. Okay. For embedding them in their stories or something like that. And for that we are compensated by the partner. And from Instagram or Facebook.

**Interviewer** [00:43:35] Can you tell me the approximate cost?

**Interviewee** [00:43:38] No, unfortunately I can't.

**Interviewer** [00:43:39] Okay, too bad, that would have been interesting.

**Interviewee** [00:43:41] Yes, absolutely.

**Interviewer** [00:43:48] So you then also give away the complete right just with such a one-time-fee, no matter what the platform is?

**Interviewee** [00:43:59] No, so you're not allowed to use that as you like. We don't give all the rights to the platform with a one-time-fee. That would actually be insane. So what we are making available to them are 15 to 30 second snippets or whatever they can use or – no - you can also include a full song in

your story. So these songs are available for use. Everything else that takes place beyond that in the brand context is just standard sync fee, so if companies want to use our track for anything, they have to pay a sync fee.

**Interviewer** [00:44:43] Well, that's becoming increasingly important. Especially the use of sound in gaming and other areas is on the rise. If the game developers don't hire their own producers to make the whole soundtrack for games. Also quite exciting. Alright, then I would actually have only one last question for you. And that is, well, maybe we already talked about that a little bit earlier, but if you look 10 years ahead, what will be the big thing in the music industry?

**Interviewee** [00:45:24] I believe in augmented reality, I must say. I think it's something that makes sense and something that I can see myself doing very well. I also believe augmented reality actually rather than virtual reality. Because for serious, good use in Virtual Reality, we're not there yet. You rarely sit on the couch and kind of look around 360 degrees. But to really interact with your environment, I think at least the technology is not there yet. There are prototypes, in terms of the treadmills, you know, where you can actually walk on the spot. And I think if that's somehow further progressed and good, then I can imagine that virtual reality will then also somehow make sense in a larger context. But that's more for the gaming industry than for the music industry.

**Interviewer** [00:46:28] Do you have an example of augmented reality music context? What do you have in mind roughly?

**Interviewee** [00:46:35] Ok, imagine you're with your friends and you have a live band that's sitting in the corner of your living room playing, but they're not there, they're performing in the evening and they're streaming out into the living room, for example. Or that you have Taylor Swift sitting on the couch, singing a song or something like that. I don't know. That's just spun around. It's just something that merges with your real world around you. That's why I think augmented reality actually has the better chances. At least according to the current state of technology. For live concerts, I think your approach to virtual reality is actually pretty cool. I can imagine that very well. And I think that the whole topic of ecosystems will also be a trend. Like the way Apple did it with iTunes and later they followed up with Apple Music in the streaming service and they brought out their own video platform with Apple TV Plus. And I mean, Apple understood early on how to pull people into an ecosystem like no other. And I think that's also the case with Amazon, because it's also this ecosystem that is the key driver for the success of the music streaming service. I think that's something that will continue to be with us. On the one hand, Amazon is expanding its market power, and then at some point I can also really imagine that larger parts of the value chain will be covered. So buying labels or at least offering services that a label offers as a streaming platform to really offer the whole package. I think that's a trend that I can imagine very well.

**Interviewer** [00:48:50] Can you also imagine that in order to defend against possible takeovers, the Big Three will eventually become a Big Two?. That there will be further mergers?

**Interviewee** [00:49:07] Well, there were already extreme antitrust reservations when Universal acquired EMI back then. Yes, that wasn't easy, I'd say. That there now actually any of the two large ones also takes over Warner or merged with one another I can honestly not imagine.

**Interviewer** [00:49:30] Also not as a last resort to protect oneself before you maybe get absorbed by one of the technology companies.

**Interviewee** [00:49:46] Well, I don't think it will go through legally. Because I was thinking about that earlier. Being taken over by a technology group is even more likely, because that's a different industry. I'm at the other end with a streaming service. I don't think Universal will take over Sony any more than Spotify will buy out Apple's music division. I just don't think that's going to pass antitrust muster. Imagine that. Universal currently has a 28-29% market share in Germany. Sony at 23-24%. We have Warner Music here, I think they're at 13%. I don't know exactly. But if Universal and Sony merge, that would be over 50% of the market. So there's no way that's going to happen. Whereas by buying up Spotify or Apple, then Apple again would only have this one percent share of the market and would not be dominant in the market in the segment. That's why this is the more likely variant.

**Interviewer** [00:51:03] But it could also be, for example, that now that independent artists are getting bigger and bigger and many then maybe don't look for a label or just an indie label, the market share of those is getting bigger too. Then it would perhaps not have to come to over 50% market share. I mean this is all very hypothetically.

**Interviewee** [00:51:29] Yeah, absolutely. If you have an independent label that gets bigger one day. I mean, if we're losing market share right now then it's not always in favor of the other major labels. It's in favor of the independent labels.

**Interviewer** [00:51:51] It's in any case a very exciting thing that I like to follow further and I think you/your company probably much more.

**Interviewee** [00:52:03] Yes, as long as I'm in the music business, definitely. And even after that it's still exciting.

**Interviewer** [00:52:11] Yeah cool. That would be it from my end. I can really just thank you very much again for taking the time. That really helped me a lot.

**Interviewee** [00:52:23] Happy to help. And then just again for the record. The use of my name as well as the company that I work for is not allowed. Ok? All right then I wish you all the best. Thank you very much.

**Interviewer** [00:52:58] Thank you.

**Appendix II - Self-completion questionnaire (Participant B, Dan Brocksmith)**

For which company do you work? Or are you self-employed?	What is your profession and how many years of work experience do you have?	Are there any recent developments in the (recording) industry that you are explicitly excited or concerned about?	Major labels have always enjoyed absolute market dominance. Who or what is the biggest threat to major labels today?	How do you perceive the technological advancement within the industry? Is it rather benefitting labels or artists, maybe both equally?
<p>I am a self-employed Music Producer &amp; DJ within the electronic dance music scene. I work together with labels for releasing music but consider myself independent.</p>	<p>I am professionally DJing for approximately 11 years now. Music production for about 6 now.</p>	<p>I know that everyone is affected by it but it's obviously the pandemic that makes me concerned. I haven't played a show since February as all the clubs had to shut down. And nowadays as a DJ it is not sufficient to live on what you earn with your music being sold or streamed. Streaming providers just don't remunerate you enough if you're not a top act of the scene. You need hundreds of thousands if not millions of plays and still wouldn't compensate for what you earn when you play in clubs or festivals. I've experienced it myself and I know plenty of colleagues who suffered extremely this year. Promoters had to close their party series because they had too many events planned and especially payed in advance. Artists too desperately tried to make money by selling either studio equipment or by offering online mentorship programs for either the art of DJing, music production or even how to get started within the industry. Some of my colleagues had to look for temporary jobs not related to music. Should clubs and other venues open in 2021 again I believe that salaries will drop significantly which will prompt you to get more gigs, but we'll have to wait what 2021 will bring anyway. So, there are actually several chain reactions linked to this pandemic that make me concerned.</p>	<p>I believe that due to their dominance major labels amongst themselves are their biggest threat.</p>	<p>I think we as artists benefitted significantly from the technological advancement. I for myself taught me everything by watching tutorials and simply spending time practicing with very limited equipment at home. This was unimaginable before the time of YouTube. When I think back to when I started, there were also no possibilities to release music without a label. If you wanted to get your music out to the world, you either had to establish your own label which involved a lot of work or you had to be good enough to be signed by a label. Today even your SoundCloud Pro membership allows you to master songs while also distributing them to all the streamers. So SoundCloud, LANDR or other companies basically allow artists to let an algorithm do the job of highly skilled audio engineers for a fraction of the price in almost an instant. These services work particularly well because mastering and distribution are the most relevant things for new independent artists with limited money and connections in the industry. If you had difficulties getting your songs heard by A&amp;R when you started to produce music, you had to work harder on your music. Today you can simply sign up at SoundCloud or any other platform that releases your songs on all streaming platforms. And all for a monthly fee and sometimes a part of the royalties you earn while keeping the rights of the music. This is a huge benefit to 5-10 years ago. But then again, you profit from the prestige and the marketing capabilities of a label. Especially for lesser-known artists I believe that it is rather difficult to get your music heard if you do everything yourself. But there are obviously always exceptions to the rule.</p>

<p><b>Did enhanced entry possibilities due to technological advancement force major labels to rethink how to operate their business?</b></p>	<p><b>Why do more artists than ever want to remain independent?</b></p>	<p><b>Today, artists can choose between a multitude of label-as-a-service (LAAS) offers and thus increasingly prefer to distribute their music themselves while maintain their rights. How do record labels try to cope with this development?</b></p>	<p><b>Are major labels working on similar solutions or could you imagine that major labels acquire such LAAS firms in the future?</b></p>	<p><b>Agencies like Awal or Ditto offer artists nearly the same set of services while preserving the artists rights. Do record labels think about reshaping their contracts &amp; practices?</b></p>
<p>I've never had contact with a major label so far so I can't tell. But I guess that there is no need for a major label to change practices. If there is a up and coming talent being discovered – one which started by distributing music without label for instance – I can imagine that they simply offer a contract and sign the artist on the spot. Which artist wouldn't take the next step towards a real pro career if they could? Again, the genre that you produce is important. This probably rather applies to a Pop or Hip-Hop artist. In House or Techno, what I play such thing is highly unlikely because the scene is built up on a strong network of independent labels.</p>	<p>I can imagine that everyone just wants to have a shot at becoming famous in a way. It's the same thing as why everybody is becoming DJ – at least that's how it feels. Equipment got so much cheaper that literally everyone could start becoming a bedroom DJ or producer. Today some of the best tracks that are released throughout a year did not emerge from a producer sitting in a fancy studio in Los Angeles or London but rather by some kid in front of his laptop anywhere around the globe. And if you look at all these cheap services that allow you to send your music out to the world like all the pro artists, it is an obvious development. However, I also believe that the market is full with mediocre music as everyone is capable of uploading their work. Back when I started with my own music the level of quality most probably wasn't good enough to compete with artists that have been making music for one or two decades. That is why it wasn't released until it became good enough.</p>	<p>As mentioned earlier, I believe that record labels want to maintain their level of quality especially as they are known for a such high standards. I don't believe that they need to change or that they need to cope with this. If the artist is good enough and fits the roster the label will approach the artist and sign him. Or the artist tries sending the label music and gets accepted if the label sees fit and growth potential.</p>	<p>I can't tell for sure, but I believe that a major label by itself has all the capabilities it needs to release or market music. They finessed them throughout their entire existence. They work closely with all the other parties within the industry. If they would see a threat in these services, they'll probably just buy them. But not because they would need the capabilities.</p>	<p>I don't know.</p>

<p>As major labels own shares of Spotify: Could you imagine that major labels will acquire streaming platforms in the future?</p> <p>a) If yes: Why?</p> <p>b) If not: How likely do you think would it be for a streaming service to acquire a major label?</p>	<p>Will music streaming services become profitable in the future?</p>	<p>Like the film industry, the streaming industry too suffers from the dilemma that royalties to be paid grow parallel to the company's business. Which measures will ensure reaching profitability?</p> <p>a) Will subscription and advertising revenue alone be sufficient?</p> <p>b) How important will self-produced, non-music audio content such as podcasts, audio books, lectures, meditation and news be?</p>	<p>What do you think will drive revenues within the recording industry when the streaming market becomes saturated?</p>	<p>Looking ahead to the next decade, what future trends will there be in the recording industry?</p>
<p>I could imagine that Spotify, Amazon or Apple incorporate a major label into them. If you look at the power and money these tech companies have it would just make sense for them to save on all those royalties, they need to pay to labels. All these streaming services further expand. I think Spotify just launched in India and Russia and many other countries will follow. The bigger they get the more they need to pay. This would definitely make more sense than a major label buying a streaming service. I think that they just wanted to have a seat at the tables which could explain the share in Spotify.</p>	<p>If streaming providers continue growing the way, they are now I'm absolutely convinced that they will become profitable.</p>	<p>a) I believe that if enough users sign up and markets are further penetrated, Spotify will become profitable in the near future.</p> <p>b) I can imagine that Spotify tries to maximize its profits with a growing library of non-music content that they produce themselves. That's probably also the reason for Spotify buying all the popular Podcasts shows such as the Joe Rogan Experience or the Michelle Obama Podcast. I don't know how Spotify remunerates Podcasts, but I can imagine that they negotiate the contracts favourably for themselves. That's presumably part of their strategy.</p>	<p>I believe that streaming will stay the dominant way of consuming music for a while. As long as nothing new and disruptive will be developed it's hard to imagine that Streaming will be displaced. But I can also imagine that sync revenues will grow increasingly important especially with advertising and gaming.</p>	<p>I can definitely imagine that there will be a growth in independent musicians. Technology will become even more affordable so more kids will start to make music at home. I could also imagine that the whole area of video will become increasingly popular as technology becomes more sophisticated. Especially now with this pandemic, I see that many people started to watch live streams of DJs at home or producing session that had been streamed. So if VR or AR becomes better and 5G will be rolled out, I could imagine that virtually attending to clubs, festivals or your favourite DJ's house could be a thing in the future.</p>

**Appendix III – Self-completion questionnaire (Participant C, Anonymous)**

For which company do you work? Or are you self-employed?	What is your profession and how many years of work experience do you have?	Where do you see the music streaming industry within the next decade?
Amazon Music	Major function for European Markets 20+ Years of Experience	<p>Currently we have a handful of big players in music streaming. And we have very few tiny other players that do auxiliary services like live streaming (twitch), merchandising and more. And I do think that instead a decade, already 5 years from now the industry will have consolidated. So not big 5 players but 4 or even 3. And these players will offer a lot more to the customer. And the main players will morph from pure music streaming delivery into entertainment hubs. In laymen's terms what's going to happen within 5 years is that when you think about a company like Amazon with Twitch, Prime Video, Amazon Music, Audible and all the other services, Amazon will provide a service that is a one-stop shop for a bundled price. When it comes to music itself, I see a very bright future. Because Music is one of these places that has established itself as a single business and as a base. And there is a huge potential building around this base. We started to offer Prime Video Concerts that offers the artist a chance to connect to their Fanbase and for customers and fans to see some of their artists. But if you think it a step or two further, there is so much more potential. If an artist really takes it seriously, even after Covid-19, when everyone is back to normal touring. This live thing is such an opportunity to always stay relevant. And it's not just about concerts. But if you are a big fan of someone which plays in Tokyo and you've got the chance be there - not for real but virtually – that's the next big thing. And this is just the video-live element. There are so many other options that could further connect artists and fans. Right now, you don't hear or see a lot from the artist at all but there might be a chance to actually witness and become part of direct communication through streaming services. This could also include other business models where much more beyond the music is being sold.</p>