

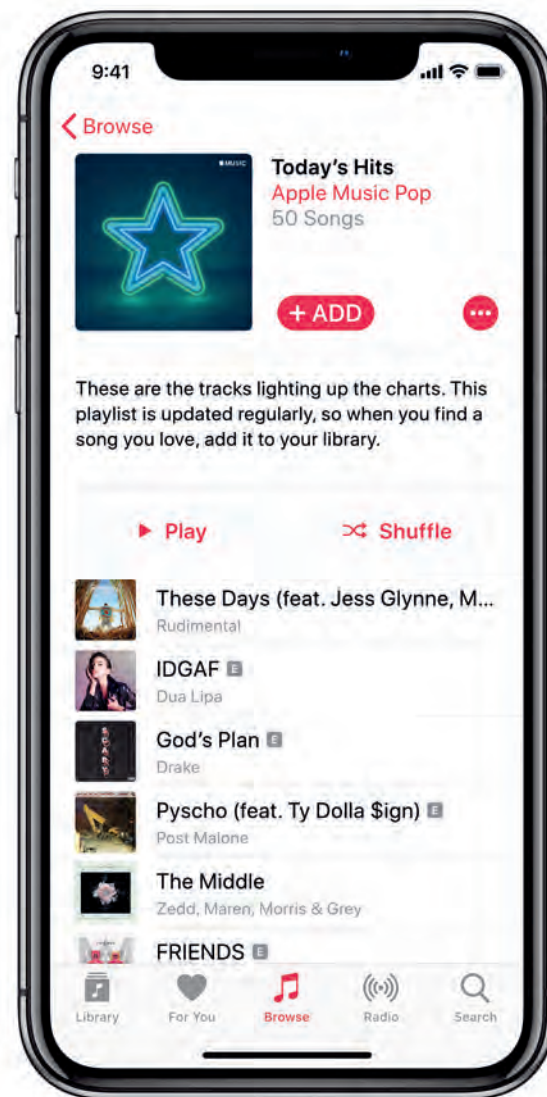
Global Music Report 2018

ANNUAL STATE OF THE INDUSTRY





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Welcome

As an artist, I am privileged to perform before audiences around the world and see first-hand how essential music is for people from every walk of life.

But even as music's essence is enduring, much about music is changing.

The *IFPI Global Music Report* tells the story of recorded music's ongoing journey. Today, artists are reaching music fans in ways I never could have imagined when I began my own career. Music is global and increasingly digital. This transformation has been fundamental and rapid and offers great opportunities.

But we can never forget that music does not just happen. It requires the hard work, commitment, investment and artistry of so many people.

One of the crucial roles for record companies is to support and invest in artists and to help them develop for their greatest creative and commercial success, so that their music can be enjoyed by fans around the world.

It is therefore essential that all music creators are fairly compensated for their work. I have met with policymakers in Europe and elsewhere to call on them to back legislation that would support this by addressing the value gap, thereby ensuring a fair and balanced digital marketplace for all.

We are living in an incredibly exciting time for recorded music. We must persevere with our efforts to ensure its journey benefits the music creators and fans of today, and continues to do so for generations to come.



PLÁCIDO DOMINGO
CHAIRMAN, IFPI

“**This is the most fast-paced and innovative chapter of the music business in decades.**

We continue to grow the number of opportunities for artists to reach their audience, whilst ensuring that the standard of the art is equally exciting and challenging.”

**Rob Stringer, CEO,
Sony Music Entertainment**

“**When we combine great music with the continued investment, passion, innovation and support of the women and men at music companies, the results are profound.”**

**Sir Lucian Grainge,
Chairman & Chief
Executive Officer of
Universal Music Group**

“**For some time now, we’ve been looking at artists as global from day one. Our role is to help turn creativity into careers and to convert fans’ access into attention. So, when our local expertise ignites momentum, a connected, agile team around the world is primed and ready to amplify instantly.”**

**Max Lousada, CEO,
Recorded Music,
Warner Music Group**

INDUSTRY CURRENCY

Comprehensive Sales, Streaming & Airplay Data
Powered by Music Connect

CUSTOM RESEARCH

Music Fan Insights to Maximize
Commercial Success

SPONSORSHIP VALUATION

Artist & Brand Solutions to
Build Successful Partnerships

THE LEADING SOURCE OF MUSIC CONSUMPTION DATA
& FAN INSIGHTS AROUND THE WORLD

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GLOBAL MUSIC MARKET 2017 IN NUMBERS

↑
41.1%
Growth in
streaming revenue

↑
54%
Digital share of
global revenue

↑
8.1%
Global revenue
growth

↓
-20.5%
Download
revenue

↓
-5.4%
Physical revenue

SAAY photo courtesy of Universal Music Group
Coely photo by Jokko
Anitta photo by Fernando Tomaz
Khalid photo by Kacie Tomita

Introduction

SEEKING FULL AND FAIR VALUE FOR
MUSIC IN A CHANGING WORLD

What a year for music! From Ed Sheeran's incredible album ÷, to the global smash hit *Despacito* and the broadening appeal of Latin music, to artists such as Camila Cabello reaching new audiences worldwide. Artists across genres, from hip-hop to classical, are creating incredible art and the soundtrack of fans' lives.

Music is on an extraordinarily exciting, albeit complex and challenging, path – artistically, technologically and commercially.

Undergoing its digital transition earlier than others, music initially struggled to find a way to connect artists and their music with fans. Record companies faced the challenge, working not only at the forefront of support for artistic creation, but digital and technological innovation as well.

This year's *IFPI Global Music Report* demonstrates that these efforts are yielding results. After 15 years of decline, global recorded music achieved its third consecutive year of growth last year, with more fans listening to more music around the globe in increasingly rich and immersive ways.

But much remains to be done. Record companies are dedicated to ensuring that full and fair value is being returned for music as it is consumed in its many different and changing forms. This is crucial to maintaining the virtuous circle, in which record companies continue to use the revenue from successful projects to invest in discovering and nurturing artists, thereby developing and delivering great music to fans around the world.

In pursuit of this mission, the industry has embraced technology. It is no accident that music is driving engagement with new products and services. Record companies are working with existing and start-up technology companies, licensing their music to create great experiences for fans. This is happening with traditional partners, such as audio streaming services, and new ones, such as social media platforms. They are taking on complex challenges, building systems and clearing rights to bring about exciting, yet easily accessible, music experiences.

In addition, record companies are working to develop new markets. The virtuous circle of investment is extending into new parts of the world, helping to develop local artists and enrich local music cultures. The music emerging from these markets is subsequently being lifted onto a global stage and connecting with fans around the world.

The music world continues to contend with the evolving challenge of copyright infringement, with stream ripping the latest and fastest growing form. We are coordinating global content protection to tackle this. We are making progress, but more must be done.

Ultimately, the music community's goal of realising full and fair value for music is dependent on a fair digital marketplace. For that simple reason, it is united in its campaign to fix the value gap, the mismatch between the value created by some digital platforms from their use of music and what they pay those creating and investing in it.



FRANCES MOORE
CHIEF EXECUTIVE, IFPI

The music community is seeking a legislative solution to secure a level playing field for all music rights holders and digital services. This is not just essential for music to thrive in today's global market, but to create the right environment for it to do so in the future.

The global music industry is in a constant state of change and record companies are driving it, with energy and purpose.

Frances Moore photo by Graham Flack

Global Charts

MOST POPULAR ARTISTS
AND BEST SELLERS OF 2017

TOP 10 GLOBAL RECORDING ARTISTS

1



Ed Sheeran

2



Drake

3



Taylor Swift

4



Kendrick Lamar

5



Eminem

6



Bruno Mars

7



The Weeknd

8



Imagine Dragons

9



Linkin Park

10



The Chainsmokers

2016 TOP 10 LIST:

1 Drake

2 David Bowie

3 Coldplay

4 Adele

5 Justin Bieber

6 Twenty One Pilots

7 Beyoncé

8 Rihanna

9 Prince

10 The Weeknd

Source: IFPI. The compilation of the IFPI top artist chart has been independently verified through certain agreed procedures by BDO LLP. BDO LLP has verified that IFPI has compiled the chart correctly in line with the outlined procedures.

GLOBAL TOP 10 DIGITAL SINGLES OF 2017

	TITLE AND ARTIST	GLOBAL TOTAL CONVERTED TRACK EQUIVALENT (M)
1	 Shape of You Ed Sheeran	26.6
2	 Despacito Luis Fonsi	24.3
3	 Something Just Like This The Chainsmokers and Coldplay	11.5
4	 That's What I Like Bruno Mars	9.7
5	 Closer The Chainsmokers	9.0
6	 HUMBLE. Kendrick Lamar	8.3
7	 Attention Charlie Puth	8.3
8	 I'm the One DJ Khaled	7.9
9	 Perfect Ed Sheeran	7.9
10	 Believer Imagine Dragons	7.8

Source: IFPI. Units include single-track downloads and track-equivalent ad-supported audio and subscription audio streams. Video streams are excluded. For full top 50 global albums and top 20 digital singles, please see the Data and Analysis section of the full report.

GLOBAL TOP 10 ALBUMS OF 2017

	TITLE AND ARTIST	GLOBAL TOTAL ALBUM SALES (M)
1	 ÷ Ed Sheeran	6.1
2	 Reputation Taylor Swift	4.5
3	 Beautiful Trauma P!NK	1.8
4	 Human Rag'n'Bone Man	1.6
5	 The Thrill Of It All Sam Smith	1.4
6	 Songs Of Experience U2	1.3
7	 DAMN. Kendrick Lamar	1.3
8	 Revival Eminem	1.1
9	 Harry Styles Harry Styles	1.0
10	 24K Magic Bruno Mars	1.0

Source: IFPI. Physical and digital albums included. Streams excluded.

Global Market Overview

STREAMING DRIVES GLOBAL GROWTH



In 2017, the global recorded music market grew by 8.1%. This was the third consecutive year of global growth and one of the highest rates of growth since IFPI began tracking the market in 1997. Revenues increased in most markets and in eight of the global top 10 markets.

Driven by fans’ engagement with streaming – especially paid subscription audio streaming – digital revenues now account for more than half (54%) of the global recorded music market. Total streaming revenues increased by 41.1% and, for the first time, became the single largest revenue source. By the end of 2017, there were 176 million users of paid subscription accounts globally, with 64 million having been added during the year.

However, to put this recovery in context, total industry revenues for 2017 were still just 68.4% of the market’s peak in 1999.

Against the backdrop of a global market that had endured 15 years of significant revenue decline, record companies are working to fuel the recent return to growth and ensure music creators receive fair value.

This renewed growth is a result of record companies’ ongoing investment, not only in artists, but also in digital innovation that is enriching fans’ experiences and harnessing technology such as voice-controlled home speakers and much more.

Even beyond their constant efforts to break and nurture artists, music companies have worked to foster growth in developing music markets, in particular by creating engaging ways for fans to access music on multiple services and platforms.

However, copyright infringement remains a widespread and evolving problem, with stream ripping emerging as the latest issue facing the music community (see page 42).

The industry remains united in its commitment to solve the value gap (see page 26), the most significant roadblock on the path to sustainable growth, where certain online user upload services exploit music without returning fair revenue to those that are creating and investing in it.

↑ 8.1%

global recorded music market growth

54%

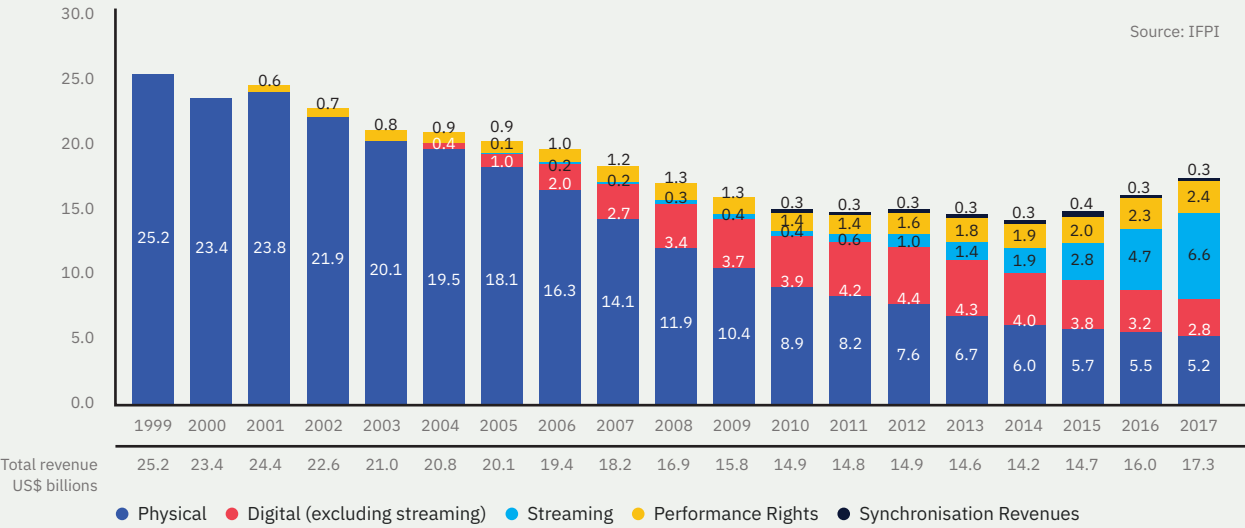
digital music share of global revenue

↑ 45.5%

growth in paid streaming

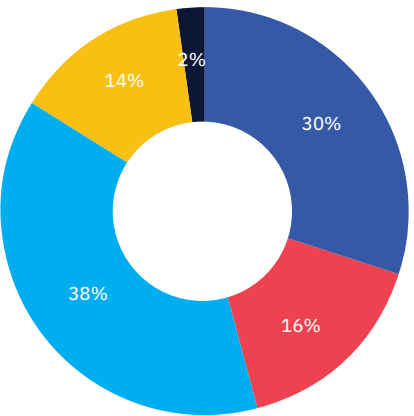
Harry Styles photo by Harley Weir

GLOBAL RECORDED MUSIC INDUSTRY REVENUES 1999-2017 (US\$ BILLIONS)



DESPITE THREE YEARS OF CONSECUTIVE GROWTH, REVENUES IN 2017 WERE STILL JUST 68.4% OF THOSE IN 1999

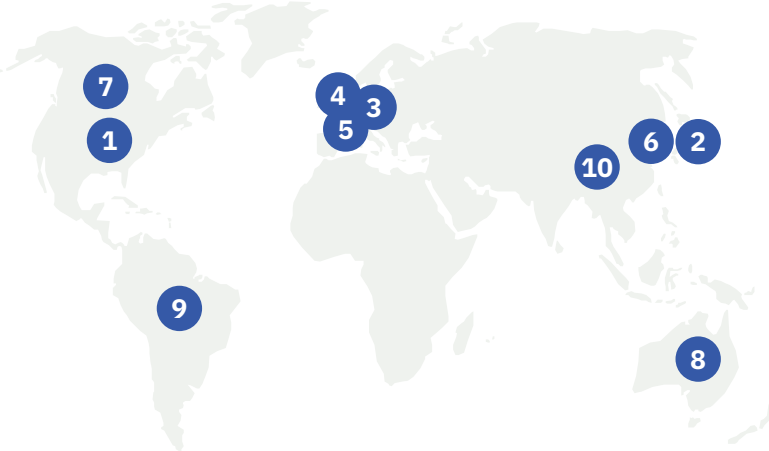
GLOBAL RECORDED MUSIC REVENUES BY SEGMENT 2017



- Physical
- Digital (excluding streaming)
- Streaming
- Performance Rights
- Synchronisation Revenues

Julie Bergan courtesy of Warner Music Group

TOP TEN MUSIC MARKETS 2017



1. USA

2. Japan

3. Germany

4. UK

5. France
6. South Korea

7. Canada

8. Australia

9. Brazil

10. China

DON'T STOP THINKING ABOUT TOMORROW

amazon music



Fleetwood Mac
"Don't Stop"
Words by Christine McVie
Courtesy of Universal
Music – Careers (BMI)
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2017 Figures By Format

In 2017, global recorded music revenues totalled \$17.3 billion. They rose 8.1% on 2016, one of the fastest growth rates the industry has seen since IFPI began tracking industry sales in 1997.



DIGITAL REVENUE

↑ 19.1%

Digital revenues grew 19.1% to US\$ 9.4 billion and, for the first time ever, accounted for over half (54%) of total recorded music industry revenues worldwide. The global surge in streaming was a key driver, up 41.1%, with paid subscription audio streams up 45.5%. Following a 20.5% decline in revenue, digital downloads accounted for 20% of global digital revenue overall. In 32 markets, digital revenues now account for more than half the recorded music market with six further countries crossing the threshold last year.



PHYSICAL REVENUE

↓ 5.4%

Revenues from physical formats declined by 5.4%, a slightly higher rate than the previous year (4.4%). Consumption of physical formats declined in the majority of markets, but physical revenue still accounted for 30% of the global market and a higher percentage of market share in countries such as Japan (72%) and Germany (43%). Globally, revenues from vinyl sales grew by 22.3% and made up 3.7% of the total recorded music market in 2017.



PERFORMANCE RIGHTS REVENUE

↑ 2.3%

Revenue from the use of recorded music by broadcasters and public venues increased 2.3% to US\$2.4 billion. This accounts for 14% of total industry revenue overall, but the industry believes that this still does not represent fair value for rights holders and continues to campaign to address this.



SYNCHRONISATION REVENUE

↑ 9.6%

The revenue from the use of music in advertising, film, games and television programmes increased by 9.6%. Synchronisation maintained its 2% share of global recorded music revenues in 2017.

2017 Figures By Region

WITHIN THE GLOBAL UPWARD TREND, EACH REGION RECORDED REVENUE GROWTH IN VARIOUS WAYS.



Asia and Australasia saw revenue grow by 5.4%, the third year of consecutive growth. Digital revenues were up 22.4%, despite a 7.5% decline in digital downloads. Streaming revenues grew by 38.2% and increased at a strong rate in most markets, including India (60.8%), South Korea (47.0%) and Philippines (24.3%). Revenues in the region's largest market, Japan, declined by 3.0%, in part due to a slower rise in digital revenue (8.0%), which has not yet offset the declining physical market (-6.1%). China saw revenues grow by 35.3% driven by a 26.5% rise in streaming revenues (see case study on p.34).



Ananya Birla photo by Taras Tarapovvala
Maluma photo courtesy of Sony Music Latin



Latin America continued its upward trajectory, with 17.7% growth in revenue, up on 2016's increase of 8.5%. Overall, the region showed the highest level of growth globally, driven largely by a 48.9% increase in streaming revenues that helped offset a 41.5% decline in physical revenue. Growth was seen across the whole region (see case study on page 30), but most notably in Peru (21.7%), Chile (14.3%), Colombia (10.5%) and Mexico (7.9%). The region's largest market, Brazil, has returned to impressive growth (17.9%) after a 3.0% decline in 2016.



Europe grew at a slower rate in 2017 (4.3% versus 9.1% in 2016), but digital revenue continued to perform strongly, growing 17.5% and accounting for 43% of the market. Total streaming was up 30.3%, with revenues from paid subscription audio streams accounting for 70% of total digital revenues. The region's largest markets, Germany, UK and France, all saw growth in streaming revenues (46.2% 41.1% and 24.1% respectively). Physical revenues declined 7.4%, whilst revenue from digital downloads fell 21.0%



Jazz Cartier photo courtesy of Universal Music Group
Anne Marie photo courtesy of Warner Music Group



North America saw revenues up 12.8%, with the region now having posted growth for three consecutive years, at a faster rate than the previous year (2016 revenue growth was 8.0%). Digital revenues increased 17.4%, boosted by strong streaming growth (49.9%). Overall, physical revenue was down 0.7%. Once again, the US is the world's largest music market, with digital representing three quarters (75%) of total revenue. Streaming in the US was up 49.8% and paid subscription audio streaming revenue grew 59.6%, accounting for almost half (47%) of all digital revenue.

The Evolving Market

STREAMING POWERS FURTHER GROWTH AS INDUSTRY EMBRACES CHANGE AND TECHNOLOGY.



Record companies have worked to shape music’s transition for the benefit of fans and music creators alike. The results are showing. Aligned with constant technological innovation – and backed by the efforts of record companies and their partners – music consistently reaches more fans in more territories year after year.

However, the fact remains that the market is still very much in recovery. Adam Granite, EVP Market Development, Universal Music, says: “We lost a significant amount of business over the past 15 or so years. That permeated all aspects of our business and required significant investment in our infrastructure on a global basis.

“So, whilst we’re very happy to see the growth, we feel we are only just starting to reap the benefits of our investment and there is still work to be done to put the industry on a sustainable path. We certainly are not resting on our laurels.”

Helene Fischer photo by Kristian Schuller
Travis Scott photo by Nick Knight



↑ 45.5%

growth in paid subscription streaming

176m

users of paid subscription accounts

38.4%

of total global revenue from streaming

At Warner Music, John Rees, VP, Head of Digital Strategy and Business Development, reiterates: “We hope this positive story can continue for the next five, 10 years and more, but it’s not straightforward and requires consistent effort to optimise and maintain growth.”

“Right now, it’s about embracing all of the new business opportunities and really being open-minded,” says Glen Barros, COO of Concord Music. “The more we continue to adapt, the better off we’ll be as an industry.”

“As much as there is a sense of optimism, there is also a sense that there is a huge amount of work to be done,” says Simon Wheeler, Director of Strategy, Beggar’s Group. He adds: “But that also means there is a huge amount of potential for the industry to grow.”



SEEKING FULL AND FAIR VALUE FOR MUSIC

As the market continues its evolution, record companies remain focused on ensuring full and fair value is being returned for music as it is consumed around the world.

Ole Obermann, Chief Digital Officer, EVP, Business Development, Warner Music, says: “As an industry, it is vital to continue to highlight the cultural and financial value of music, almost despite rather than because of its growing ubiquity. There continue to be sectors and circumstances where it is regarded as ‘free’, but we must collectively ensure that there is always recognition that, whilst music is art, it is also discovered, nurtured, created, refined, marketed and promoted.”

Warner Music’s Rees stresses: “We’re nowhere near the finish line. There’s growing competition for listening hours in people’s days, and ensuring quality music is engaged with by fans, while maintaining value for recording artists and songwriters, is a huge task.”

Sony Music’s President of Global Digital Business & US Sales, Dennis Kooker, homes in on the need to continue to convince consumers of the value of paid subscription services: “When you look at the breakdown of the business and what really is fuelling the growth in absolute numbers, it’s paid subscription.

“But you can’t take a one-size-fits-all view to transitioning to streaming. There are still many different channels to manage, and consumer behaviour varies dramatically, which requires a market by market approach.”

Universal Music’s Senior Vice President of Digital Strategy and Business Development, Jonathan Dworkin, also stresses the importance of paid subscription and calls for creative thinking: “As the streaming market matures, we need to work with our music service partners to develop robust consumer segmentation and address how we provide differentiated products that are more likely to reach either people who are not converting to subscription or are willing to spend more for richer offers.”



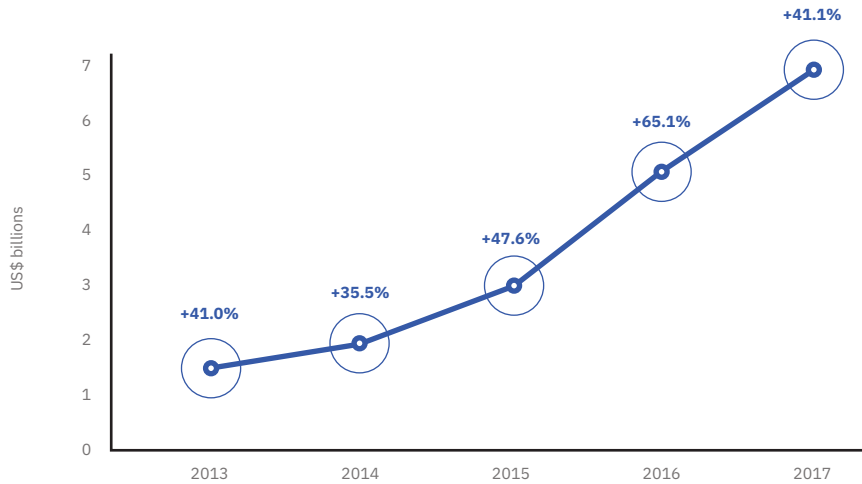
“We cannot be afraid of perpetual change, because that dynamism is driving growth.”

Jonathan Dworkin,
Senior Vice President of Digital Strategy and Business Development,
Universal Music

“We must collectively ensure that there is always recognition that, whilst music is art, it is also discovered, nurtured, created, refined, marketed and promoted.”

Ole Obermann, Chief Digital Officer,
EVP, Business Development,
Warner Music

STREAMING REVENUE GROWTH YEAR ON YEAR: 2013 – 2017



SZA photo by Bryan Derballa



bmat
MUSIC INNOVATORS



Khalid photo by Kacie Tomita
SIA photo by Tonya Brewer



VOICE GETTING LOUDER

In the past few years, voice control has moved rapidly up the industry agenda and into people's homes, with the last quarter of 2017 widely seen as the point at which smart speakers went mainstream.

Sony Music's Kooker highlights the benefits it brings to fans: "It breaks down the barriers and makes it easier for people to use a music streaming service, in particular people who may have been intimidated by the technology. The idea of just being able to speak and then hear what ultimately you want to listen to; it doesn't get any easier than that."

Warner Music's Rees is equally enthused, but injects a note of caution: "Voice control will bring a major shift in consumer behaviour this year; we're already seeing it and it's got potential to transform how people interact with music. Frictionless access to music via voice is an overwhelmingly positive development, but as the user interface gets replaced by AI, ensuring that the depth of listening experience and artist discovery are not sacrificed are fresh challenges to overcome."

The increasingly frictionless nature of actually choosing and playing music also means that record companies are finding new ways and new touch points through which to engage with fans and ensure that artists maintain their profile and prominence within a changing ecosystem.

Dworkin says: "The fundamental role of a record company remains the same: to discover, nurture and support artists and to bring great music to as broad an audience as possible. Voice-controlled user interfaces will help us do that, but record companies will remain an integral part of the consumer experience in order to make

sure artists, not algorithms, are front and centre, driving the culture, inspiring and moving people, and delivering music that is unexpected, unpredictable and comes from seemingly nowhere to the centre of people's lives."

Sony Music's EVP International Marketing, Jenifer Mallory, supports this idea from a marketing standpoint: "Voice is another great way we can reach people with our music, and it's also another place we can work out a tailored campaign to promote our artists. It adds another element to our planning."

It also should not be forgotten that whilst voice is being largely driven through devices from companies such as Amazon and Google, record companies are making the process possible by providing near-seamless access to music – the number one reason why people buy smart speakers and the primary use of the devices.

The task of improving data has been a mammoth undertaking, one that has been crucial in enabling voice recognition to be reliable and simple enough to become a mass market proposition.

Barros at Concord says: "Voice is great and it should have a steadily increasing impact on the way people access music, but this can only be optimized if record companies make the very significant investments required to improve the complexity and quality of our metadata, so that people get what they want when they ask for it. It takes a great deal of work on the back end to create the best consumer experience on the front end, and that work is what will really drive voice recognition with respect to music."

“

"It takes a great deal of work on the back end to create the best consumer experience on the front end, and that work is what will really drive voice recognition with respect to music."

Glen Barros, COO,
Concord Music

“

"Voice is another great way we can reach people with our music, and it's also another place we can work out a tailored campaign to promote our artists."

Jenifer Mallory, EVP International
Marketing, Sony Music



UNLOCKING SOCIAL MEDIA FOR MUSIC

Nowhere is technology moving faster or having more impact than in social media. Again, music is central to the proposition, helping to grow audiences and build businesses. This makes it imperative that artists and rights holders are properly rewarded within the sector.

Warner Music's Obermann comments: "We will eventually see a whole new level of user generated content using licensed music and that can become a much bigger part of the business. Working with fully licensed players in the UGC space will mean that we can create better experiences for music fans and fairly pay rights holders."

Granite sees it as part of an ongoing focus on "expanding the reach in the monetisation of artist content beyond just music distribution platforms" – and points to the potential of music in messaging. "There is a huge opportunity there, it dwarfs even social media. Music is so associated with our identities and our tastes that it's a perfect fit with how we want to communicate and share.

"People are sharing stories and photos and information, billions of people, billions of messages, every day; music should definitely be a part of that and be better monetised within those systems."

Universal Music's Dworkin, meanwhile, heralds a wholly encouraging transformation of the competitive (but connected) landscape. "We have hundreds of single-market services providing exceptionally highly localised experiences; we have massively scaled global pure plays and platforms driving product innovation; we have social media companies large and small competing around ad-funded UGC. We have the richest patchwork of partnerships that I can recall in my 20 years in the industry."



RECORD COMPANIES REINVENTED

Alongside the technological revolution there is an ongoing evolution of record companies into more than music companies. Universal Music's Michael Nash says: "We are in the process of transforming from being a product-based music company to a music-based media company.

"You don't have to think or look much further than your smartphone, observing that it has a screen and that there are billions of customers whose primary tool for consuming music is that phone, with a rich visual display and an interactive touch screen.

"We also understand that our artists are producing some of the most popular short-form audio-visual content on the internet, and that their social media channels reverberate around the world. There's obviously an incredible opportunity before us."

Sony Music's Mallory endorses the message: "We have to continually give fans a reason to go back to a track, back to an artist, so we have to be more proactive and re-engage fans through different kinds of content, keeping that relationship alive."

Michele Anthony, Executive Vice President of Universal Music, points to continued investment as the key to this: "We've continued our investment, even throughout the really challenging times, so that we can provide resources and a wide range of opportunities for our artists."

Martin Mills, Beggars Group Founder and Chairman, highlights how his company has brought in new expertise to respond to the changes in the industry: "In our London office, about 20-25% of our staff are doing roles that didn't exist for us five years ago. We have reconfigured our business to respond to this new world."

The changing nature and expanding remit of record companies is being reflected in new models of artist relationships (and, subsequently, contracts), with the emphasis on flexibility, partnership and creative opportunity.

Universal Music Group, SVP, Michael Seltzer says: "Present-day contracts tend to be far more bespoke to the individual and differing needs of an artist than even, say, five years ago. They can also cover more than just recorded music, giving artists the opportunity to plug into other parts of our company, be that music publishing, merchandising, brand sponsorships, even documentary and scripted film production, and so forth.

"There are also increasing examples of successful artists building their own label within the Universal ecosystem. They look to sign artists to their own brand and create their own platform, in partnership with us – and ideally benefitting from our experience, reach and infrastructure."



837 years of music. Every day.

In over 180 countries around the world, millions of music fans stream 35 billion of their favorite tracks every year with us.

Streaming the future.



“*The role of the record company is still irreplaceable. To develop a global career with an artist you need boots on the ground in 70 plus countries – that’s what a record company can bring.*”

Michele Anthony, Executive Vice President of Universal Music



GLOBAL OPPORTUNITIES, LOCAL HEROES

Another effect of the rise of streaming is the simultaneous extension of global reach and the localisation of repertoire.

Artists from outside those territories (and genres) traditionally dominant in the music industry can now reach fans all over the world in an unprecedented number of ways. At the same time, local scenes are also being discovered and nurtured, creating homegrown stars who are able to build their careers to previously unimagined levels.

In early 2018, K-pop supergroup, BTS, who mainly sing in Korean, became the first South Korean act to achieve a gold certification from the RIAA in the US. However, the most striking example of the ‘local becoming global’ phenomenon in 2017 was the breakout of Latin music [see case study on page 30] and the record-breaking success of Luis Fonsi [see case study on page 33].

Warner Music’s Obermann says: “The success of Latin music has been absolutely fascinating and it is happening because streaming is exposing a great song to a global audience. It would not have been possible previously because there weren’t the platforms to provide that international exposure.

“But these aren’t accidents. There is a record company role in that process; our job is to get our artists as big an audience as possible and that does not have to be restricted to the territory where they were signed. That has pretty much always applied to US and UK acts, but now it applies to everyone. It also opens up further revenue streams for the artist, because it means an artist from Latin America can come to Munich or Stockholm and sell a few thousand seats before they’ve even set foot in the country.”

Universal Music’s CFO, Boyd Muir, says: “An artist now has the ability to reach a global audience like never before”, adding that “it doesn’t really matter where you’re from in the world when the world has become one marketplace.”

Sony Music’s President, Continental Europe and Africa, Daniel Lieberberg agrees: “There are tremendous creative and technological opportunities in the global market and we are seizing these advantages to develop hits around the world and drive artist development across territories.”

Martin Mills at Beggars Group highlights how they have adapted their business to respond to this new landscape: “The challenge of combining a local approach with a global one is really interesting. We have made quite a lot of changes to the structure of our business to respond to this, as we wanted all of our staff to have a global remit and to have direct lines of communication to every market.”

Universal Music’s Anthony concurs, pointing to the role record companies play in unlocking global opportunities for artists by providing direct support at a country level: “The role of the record company is still irreplaceable. To develop a global career with an artist you need boots on the ground in 70 plus countries – that’s what a record company can bring.”

The globalisation process has opened up the worldwide market for a more diverse mix of artists and genres, but, at the same time, the democratisation and transparency of streaming has allowed culturally specific music to flourish on home turf rather than shrink in the shadow of US and UK superstars.

Spotify’s Chief Economist, Will Page, highlights a specific example: “There’s a really interesting story around the success of Dutch-language hip-hop over the last three years – and the role that streaming has played. It’s a microcosm for the shape of things to come elsewhere.

“The Netherlands was an early adopter of Spotify, which allowed us to justify investment in local editors in 2015, who quickly rolled up their sleeves and engaged with local artists. They created a dedicated playlist on Spotify called ‘Woordenschat’, and it’s now the second most popular playlist in the Netherlands. Fast forward to 2017, and GfK data shows total streams up 53% overall in the Netherlands last year, whereas Dutch language hip-hop streams are up 141%. [Dutch rapper] Boef has over a million followers across social media. These artists have become household names. Streaming has not only democratised music, it has made it more professional.”

At Warner Music, Martin Jessurun, President (Benelux), was part of that process with regard to Boef in particular and Dutch hip-hop in general. “We released Boef and he broke Ed Sheeran’s streaming and charts records here. In Benelux, which is a relatively small market, he achieved 150 million streams in 2017. At one point, he had 16 album tracks in Spotify’s Top 20, with seven tracks in the Top 10. Also, his video for *Habiba* was the most viewed video ever (50m views) from any Dutch artist. We are the amplifier for these artists; we are the machine behind them that can get things done. What we are seeing is that globalisation leads to localisation and vice versa.”

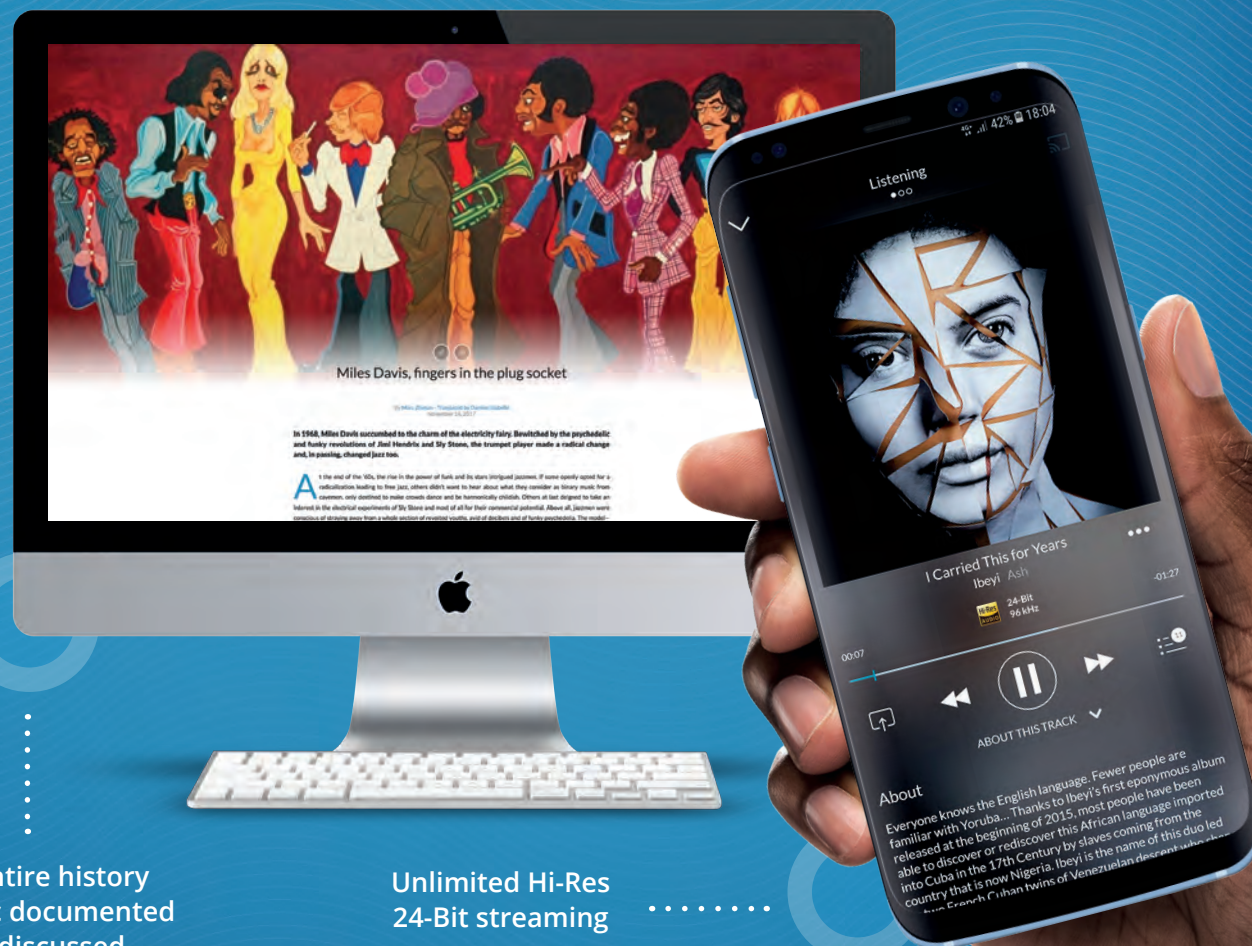
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BUILDING MARKETS AND PARTNERSHIPS

Streaming continues to open and expand territories where there have previously been barriers to generating revenues through licensed music. Countries where there used to be vast discrepancies between population size and consumer spend on music are finally beginning to realise their potential.

Streaming, however, is not simply the answer in itself. Rather it is a technology that record companies and their partners have utilised to benefit artists and consumers through bespoke offerings and approaches in different territories. They have not waited for streaming to build markets, but have used the opportunity of streaming to lead the way, working with local services and global platforms alike to create and develop markets at an unprecedented rate.

Warner Music's Rees says: "We're starting to see encouraging growth in a number of markets which historically have been completely overwhelmed by piracy. Russia, Turkey and China in particular, are now becoming success stories driven by consumer adoption of legitimate paid streaming platforms."

"We work with [Russia's leading social media network] VKontakte, which last year launched a licensed music service that's helping unlock the Russian market alongside our other paid streaming partners such as Apple Music, Yandex and Zvooq. There's huge potential in Russia, and, considering the population size, we've only recently begun to scratch the surface."

Sony Music's Kooker also highlights Russia: "It's become an interesting market. The local services are meaningful now, and VKontakte has gone from being the number one most notorious copyright infringer to being a positive contributor."

Simon Robson, President, Asia, Warner Music, says: "Most of the countries in our region are seeing strong growth, which is especially encouraging after a long period of decline. I think in five years' time Asia will be producing music and artists with genuine international appeal, not as novelties but as part of a process that will see it becoming increasingly influential and prominent on the global stage."



WORKING FOR FURTHER GROWTH, WELCOMING NEW CHALLENGES

The real story of today's music industry is behind the numbers. It is one of record companies driving change; shaping it and utilising it to deliver a better experience for music fans and a better deal for artists.

The lessons learned during years of decline are not specific or simple. They are to do with attitude and culture. They have resulted in a new and very different industry, one which is already maximising the opportunities that are part of a new generation of digital music and will be at the forefront of the revolutions still to come.



Post Malone photo courtesy
of Republic Records
Future photo by Ricky Saiz

Fixing The Value Gap

BREAKING DOWN THE VALUE GAP

WHAT IS THE VALUE GAP?

The value gap describes the growing mismatch between the value that some digital platforms, in particular online user upload services, such as YouTube, extract from music and the revenue returned to the music community – those who are creating and investing in music.

HOW HAS IT COME ABOUT?

Inconsistent applications of online liability laws have emboldened certain digital platforms to claim that they are not liable for the music they make available to the public. Today, services such as YouTube, which have developed into sophisticated on-demand music platforms, use this as a shield to avoid licensing music like other digital services do, claiming they are not legally responsible for the music they distribute on their site.

WHY IS IT A PROBLEM?

Artists and all music creators must be fairly compensated for their work. The music ecosystem is dependent on record companies investing in music and in artists. Music must be valued fairly and those that create and invest in it must be properly remunerated. If digital platforms which do not recognise the true value of music are allowed to attract users from other, fairly licensed, digital services, therefore draining revenues from the creative ecosystem, then it becomes unsustainable. The situation also creates unfair competition. Services such as Spotify, Amazon Music Unlimited, Deezer and Apple Music are forced to compete with music platforms that do not play by the same rules and that claim they are not liable for the music they distribute.

HOW CAN IT BE FIXED?

Legislative action is needed to ensure that laws on copyright liability are applied correctly and consistently, so that online user upload content services making music available must negotiate licences to do so, instead of free riding on the back of so called ‘safe harbour’ liability privileges. The music community is united in calling for policymakers to take action.

“

For music to thrive in a rapidly evolving digital world, there must be a fair digital marketplace. To achieve this, we must fix the value gap.”

Frances Moore, Chief Executive, IFPI

WORKING TOWARDS A FAIR DIGITAL MARKETPLACE

The music industry has transformed itself into a predominantly digital, growing industry. To achieve this, record companies have worked tirelessly to adapt, innovate and invest, to drive a new digital age for music. However, for this positive development to be sustainable, there must be a fair digital marketplace where all the participants play by the same fair rules.

The sustainable and balanced growth of the digital content market continues to be undermined by a fundamental flaw in legislation underpinning the market that has created a ‘value gap’, a mismatch between the value that online user upload services, such as YouTube, extract from music and the revenue

returned to the music community.

It is currently the biggest policy challenge facing the music industry. For music to thrive in a digital world, those that are creating and investing in music must be able to negotiate fair commercial terms for its use. Furthermore, digital music services that are licensing music on freely negotiated terms, must be allowed to compete on a level playing field – something they currently do not have.

The global music community is united in its call to fix the value gap and is campaigning around the world for a legislative solution.

ESTIMATED ANNUAL REVENUE PER USER



US\$20

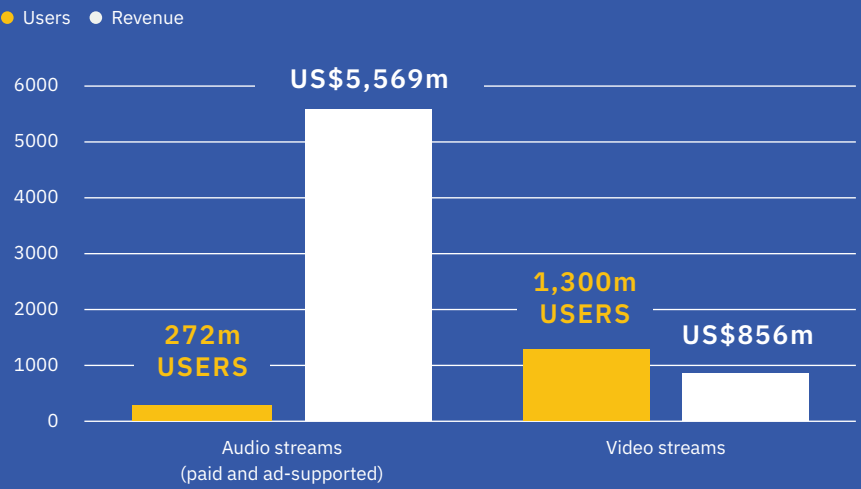
VS

<US\$1



From publicly available data, IFPI estimates that Spotify paid record companies US\$20 per user in 2017. By contrast, it is estimated that YouTube returned less than US\$1 for each music user.

AUDIO AND VIDEO STREAMING USERS VS REVENUES 2017



User upload services, seeking to benefit from inconsistent applications of online liability laws, comprise the vast majority of video streaming activity. They have the world’s largest on-demand music audience, conservatively estimated at more than 1,300 million users.* The revenue returning to rights holders through video streaming services in 2017 amounted to US \$856 million. By contrast, a much smaller user base of 272 million users of audio subscription services (both paid and ad-supported), that have negotiated licences on fair terms, contributed US \$5.6 billion.**

VIDEO STREAMING MAKES UP MORE THAN HALF OF ON-DEMAND STREAMING TIME



Data from research conducted by Ipsos in 2017 with internet users predominantly aged 16 – 64 in 13 of the world’s leading music markets (Australia, Brazil, Canada, France, Germany, Italy, Japan, Mexico, South Korea, Spain, Sweden, United Kingdom, and United States). These territories accounted for 85% of the global recorded music market in 2017. See: <http://www.ifpi.org/music-consumer-insight-report.php>

*: Video streaming users calculated using published figures from YouTube stating 1.5 billion logged-in viewers visiting YouTube every month combined with consumer data from thirteen major music markets finding that 85% of YouTube users used the site for music in the last month, plus additional music users of other video streaming services such as DailyMotion, Vimeo, and Vevo. See: <https://youtube.googleblog.com/2017/06/updates-from-vidcon-more-users-more.html> and <http://www.ifpi.org/music-consumer-insight-report.php>

**:: For consistent comparison between audio and video streaming, this chart excludes China as IFPI is not aware of published figures for music users of video services in China and YouTube is not present there.

The Value Gap: A Solution For Europe



The European institutions have recognised the value gap as a market distortion that needs a legislative fix and, this year, are negotiating provisions that could bring about a positive step forward.

The industry is calling for the legislation to clarify that online user upload services that provide public access to copyright protected works uploaded by their users without the rights holders' involvement, are liable for that content and need a licence. Furthermore, user upload services providing access to large amounts of copyright protected works should also have to prevent the upload of unauthorised works to their services, reinforcing the role of fair licensing when a service wants to provide access to music.



“**We’ve an amazing opportunity to reach more people worldwide than ever before with our artists’ music. Barriers are tumbling and the next global hit could just as easily come from São Paulo as Suffolk. But artists still need support to break through to big audiences and that requires heavy investment. That’s why it’s vital that artists and those who invest in them benefit fairly when third parties use music to build their own businesses.**”

Stu Bergen, CEO, International and Global Commercial Services, Warner Music Group

The Weeknd photo by Nabil Elderkin

The Creative Sector Speaking Out

The value gap impacts a wide range of creative industries. In Europe, 28 organisations have united in their call for a solution.



“Europe needs to act to allow composers, songwriters, artists and their creative and business partners to better reap the benefits of the digital world.”



“The creative community globally is watching and hoping Europe will set an example to the world.”



“The value gap proposals in Europe are the most important reforms in decades.”



“Greater legal certainty will allow for more services, more content and more access.”



“We must make the digital age fit for copyright and ensure creators get paid properly.”



“Addressing the asymmetric relationship between rightholders and commercial players who profit from displaying press publishers’ content is vital.”



“Copyright is the cornerstone of our creative investment.”



“The Copyright Directive is a once-in-a-generation opportunity to ensure songwriters, composers and lyricists are properly remunerated when their works are exploited by user-uploaded content platforms.”



“Solving the value gap issue is crucial for the entire music sector.”



“Today the value of cultural and creative works is completely retained by certain UUC platforms instead of going to the creators.”



“Visual authors’ works are increasingly used by social media and very little of the economic value created is reaching the visual authors.”



“This is an opportunity to set in EU law the Court of Justice’s rulings on the fight against illegal content online.”



“The EU has a once-in-a-generation opportunity to ensure rights holders have the tools to effectively license and protect their content. This would have a significant long-term benefit for all stakeholder groups.”



FOR THE FULL LIST OF ORGANISATIONS AND MORE INFORMATION ABOUT HOW THE VALUE GAP IS AFFECTING THE CREATIVE INDUSTRIES IN EUROPE PLEASE SEE WWW.IFPI.ORG

LATIN AMERICA

A domestic success story becomes a global phenomenon.

Latin America's positive growth story is no secret. In 2017, it was the region that saw the largest revenue growth in the world. Total revenues were up by 17.7%, with especially strong showings from Brazil (up 17.9%), Peru (up 21.7%) and Chile (up 14.3%).

However, 2017 also saw the continent's artists and repertoire impact the global mainstream like never before.

This double-whammy success story is driven by the growth of streaming, in harness with record companies. They are not only playing a key part in building out the market infrastructure, but also nurturing artists, giving them a global stage and working on the ground, with local partners, whilst constantly finding new ways to engage with fans.

Afo Verde, Sony Music Chairman & CEO Latin America, Spain and Portugal, says: "After almost 17 years of continuous decline, the last few years have seen steady growth in Latin America, with the prospect of an even greater outlook, alongside the continuing trend for increased consumption of Latin American music around the world." He highlights Chile and Peru as two countries where growth has been "quite extraordinary".

PAYMENT SOLUTIONS

For the Latin American market to continue to develop, challenges tied to both smartphone ownership and financial inclusion must be overcome. Iñigo Zabala, President, Warner Music Latin America, explains: "We are reaching the point where people with credit cards and smartphones are already in the system, so now we have to find a way to reach people who are consuming music for free, and find a payment model that will be attractive to them, not only in terms of pricing, but in terms of the method of payment."

Without that breakthrough, the risk is that the growth in music consumption will not be matched by a rise in revenues. Zabala continues: "In Latin America you are seeing the explosion of usage, but, because so much of that usage is free, we are seeing the effects of the value gap here perhaps more than anywhere. Everywhere in the world has this problem, but in Latin America it is multiplied."

Verde concurs: "One of our main challenges is still to drive consumers to paid subscription streaming, something which is made more difficult by the absence of more offers in local currency and pre-paid options in a region where there are a huge number of consumers who do not have credit cards."

There is no denying, though, that the overriding mood is one of confidence. Nir Seroussi, President, Sony Music Latin, says: "This is still just the beginning for Latin America. If you think about it, we're talking about 15-16 million paid accounts in a continent of 650 million people. If you look at that alongside the sharp increase in smartphone ownership that is predicted for the next three years, the potential is huge."

↑ **17.7%**

revenue growth

↑ **48.9%**

growth in streaming revenue



“If you have been surprised by recent and current trends, then believe me, the future looks even brighter.”

Afo Verde, Sony Music Chairman & CEO Latin America, Spain and Portugal



BUILDING ON BREAKOUT HITS

Latin America's leading breakout hit of 2017 was, of course, *Despacito* by Luis Fonsi, a Universal Music artist [see case study on page 33]. The company's Chairman/CEO of Universal Music Latin America and Iberian Peninsula, Jesús López, says: "The challenge for the industry is to continue building on the success of 2017 and surpass the very high bar set by *Despacito*."

"At Universal, the entire company is aligned on a global scale to break Latin artists, including a focus on finding strategic collaborations between Latin and non-Latin artists. What we know for sure is that *Despacito* is not a one hit wonder, it is the highest profile signifier of a major trend and that trend is supported by data from all over the world."

"I am sure Asia Pacific, Africa and other territories will develop fast and gain more and more global traction, but going from 2017 into 2018, nothing can match what is happening with Latin music."

He has especially high hopes for Brazil when it comes to continuing Latin America's hot streak of providing breakthrough international artists: "I think Brazil has been a sleeping giant for years and I think the next big hit worldwide from the Latin sector will come from Brazil."

Adriana Restrepo, President of Codiscos and Chair of IFPI's Latin America & Caribbean Regional Board, concludes: "We are witnessing Latin American music's big moment. There is a real dynamism in the market that is bringing it to prominence and driving fan engagement with the music."

"We are seeing increasing numbers of artists releasing more and more tracks each year. They are topping the charts, not just in Latin America, but around the world."

“Record companies are committing more and more to Latin music, because it is fun, it is popular, it is danceable, it cuts through and cuts across continents.”

Iñigo Zabala, President, Warner Music Latin America

INVESTMENT IN ARTISTS

Verde is confident that growth at home will continue to be matched by global success for home grown artists: "If you have been surprised by recent and current trends, then believe me, the future looks even brighter. I strongly believe it is down to heavy investment in talent over many years. When talent and catalogue met steaming services, the opportunity for rapid worldwide expansion became a reality."

Warner Music's Zabala also highlights the fact that Warner Music, as a global company, is prioritising Latin repertoire like never before. "We've been increasing our A&R resources and signing more artists than we've signed for years, whilst at the same time working closely with our colleagues in Europe to give the music we make every opportunity to succeed outside of our territory."

"The industry always used to see one Latin international breakout hit a year, the song of the summer. But now, because of streaming, the barriers it breaks down and the opportunities it creates, the industry is seeing more than 10 songs a year break outside the region. Streaming democratises taste, it allows the people to decide and, from that, record companies are committing more and more to Latin music, because it is fun, it is popular, it is danceable, it cuts through and cuts across continents."

As examples of recent success stories, he highlights Venezuelan artist Danny Ocean, who broke the record for the longest running entry in the Spotify Global Top 50 with his song *Me Rehúso*.

He says: "There are more artists being discovered and nurtured by record companies, there is more investment by record companies and there is also far more co-operation within the different territories of record companies, with all sides and all types of artists benefiting."



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LUIS FONSI

A GAME-CHANGING HIT FROM LATIN
AMERICA TO THE WORLD

Universal Latin, Universal

Despacito by Luis Fonsi was the song of 2017. Sometimes these things are subjective. In this instance, there can be no argument.

By April 2018, the original and the Justin Bieber-featuring remix had been streamed 7.5 billion times between them, including 1.9 billion times on Spotify and 5.6 billion views on YouTube.

A Spanish language urban-pop track from a Puerto Rican artist who was relatively unknown outside Spain and Latin America topped the charts in 47 countries worldwide.

Universal's involvement with Fonsi, however, is not a story of overnight success. The company has worked with the artist for over 15 years and has played an important role in building a career that has delivered several number one albums in Latin American territories and on Billboard's Latin chart in the US.

Jesús López, Chairman/CEO of Universal Music Latin America and Iberian Peninsula, says: "We worked on *Despacito* for a year before it was released: we chose the producer, we knocked on Daddy Yankee's door, we shot the video and we made sure that it was the first Latin single released in 2017.

"We played a key role in the entire A&R process and execution of the marketing campaign. After release, we were

able to help bring about Justin Bieber's involvement, which pushed it to another level globally." López adds that being reactive enough to rapidly incorporate the Bieber-featuring remix into the ongoing campaign was crucial: "Justin jumped on the record in a key moment during the campaign. The Justin Bieber remix was recorded on a Tuesday and released that Sunday.

"The democratisation of consumption and the instantaneous transparency that streaming provides allowed us to detect and track the performance of the song and to position *Despacito* in each market according to its needs and timings."

López sees the amazing success as a true team effort: "All of Universal Music worked to make this happen and our partnership with Republic Records was strategically key to this release."

Fonsi followed *Despacito* with *Echame La Culpa*, a duet with Demi Lovato. It went to number one in 14 markets. He has just finished an 81-date world tour and has a number of global sponsorship deals.

One big hit makes a very big difference. That has always been true, of course, but now, more than ever before, that hit can come from anywhere and go everywhere.

“

"The instantaneous transparency that streaming provides allowed us to detect and track the performance of the song and to position *Despacito* in each market according to its needs and timings."

Jesús López, Chairman/CEO of
Universal Music Latin America
and Iberian Peninsula



Luis Fonsi photos by Omar Cruz

FOCUS ON CHINA

A market of opportunity
at home and abroad.

China's music market continues to be one of growth, challenges and innovation. It also remains, fundamentally, a market of potential, gradually but determinedly being realised by record companies working together with local and global partners.

It is undeniably a vastly different landscape compared to 10 or even five years ago, having undergone a significant cultural shift in regard to the value and protection of copyright – a process driven by government regulation alongside the efforts of record companies and other rights holders.

Significant challenges to the continued development of the market remain. For example, China is still lacking the performance and broadcast rights which, if given, will significantly contribute towards greater investment in the development of the Chinese music market.

One of the companies at the forefront of the revolution is Chinese digital giant, Tencent, home to three of the territory's leading streaming services: QQ Music, Kugou and Kuwo. It recently signed a deal with another Chinese digital giant, NetEase, to share 99% of all content to which they respectively hold the rights.

The agreement enhances the growing movement towards a more competitive and democratised market in which Tencent already sub-licenses music to, amongst others, Alibaba Music, Taihe Music Group, Changba, Apple and KKBOX.

The firm's Music Entertainment Group Vice President, Andy Ng, says: "The entire music industry in China is developing rapidly and soundly. The copyright protection environment is greatly improved, users' awareness of the value of music is also greatly strengthened and high-quality music is emerging from Chinese artists. We believe that 2018 will see another significant turning point for Chinese music and it will play an increasingly important role on the world stage."

Universal's EVP market Development, Adam Granite, adds: "There is considerable focus now on the evolution of the Chinese music market. It's impossible not to be excited at the opportunity – although it will take time and concerted effort to move a significant part of the population onto paid services."

Sony Music's CEO of China and Taiwan, Samuel Chou, also picks up on the importance of switching to paid audio subscriptions: "The demand for music here has always been huge, but what we are seeing now, and what needs to continue, is digital music platforms encouraging people towards payment models. The key to that process is providing reasons and incentives to switch, possibly through exclusive new content, more choice and higher quality of audio and service."



“**The opportunity to bring Chinese repertoire to the world is definitely ramping up. That sort of global impact is a clear goal for our Chinese artists over the next few years.**”

Adam Granite,
EVP Market Development,
Universal Music



MAKING MUSIC SOCIAL

Xiami Music, the streaming platform acquired by Alibaba Digital Media & Entertainment Group in 2013 and now part of Ali Music, has its own way of attracting and retaining subscribers. Ali Music CEO, Zhangyu, says: "We have made great efforts to innovate and improve our platform, for example we have created 'virtual party rooms' that enable users to have more interaction within Xiami. They enrich the environment, make it more 'human' and create a conversation between the music and the fans."

At Tencent, Ng also talks about an expanded offering that ensures customers are increasingly willing to pay for their music: "Tencent's future lies with fans not only listening to music, but also watching video, singing along and even creating their own music to share. Music is at the core of what we do, but we are building a 'pan-music entertainment' ecology."

"We are always improving the paid experience, with higher quality products and services and rich, interactive and innovative offers, such as digital albums and live music. Through this we are constantly expanding our paid user base."

Simon Robson, President, Asia, Warner Music, highlights that NetEase are pursuing similar goals through a distinctive strategy: "What they've done is very interesting. They've managed to unlock the social aspect of music and they have huge numbers of people commenting on songs. They've been really successful in turning their music service into a social network, so they're not just following a Western model, they're coming up with something innovative and new."

FINDING A WAY

Robson also talks about global record companies "investing very heavily in China", as a market for international artists as well as a place to discover new talent. He says: "Consumer taste is changing and there is now more appetite for a wider range of genres than ever before."

He acknowledges the logistical obstacles artists face when it comes to 'breaking' China, but highlights some smart alternatives and notable success stories: "More and more artists and managers are seeing the opportunity and we're working with them to help them make an impact here. Charli XCX is one of our artists who's doing a phenomenal job in China. She's been here a number of times, she's done endorsement events and she recorded a Mandarin version of *Boys*. She's really embracing China."

"She's also done a live streamed interview with Tencent, which attracted 150,000 fans. [Danish singer] Christopher did one that got an audience of 600,000 people and Linkin Park had 750,000. So, if people are having trouble trying to find room for China in their schedule, we can still find ways for them to engage with their fans."

↑ **35.3%**
revenue growth

↑ **26.5%**
growth in streaming
revenue

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EXPANDING GENRES

Billy Koh, founder of Chinese-based music company Amusic Rights Management, says: “China is now very open to Western artists, particularly younger music fans, and they are not restricted by genre. Last year the two most popular songs across all platforms by Western artists were *Shape of You* by Ed Sheeran and *Faded* by Alan Walker, one pop, one electronic dance music. In China, if you have a really good song with a strong hook, fans don’t care about the genre.”

Tencent’s Ng agrees: “The styles of music enjoyed in China are now very diverse. There is a market here for hip-hop, punk, country and much more. Fans have a higher than ever demand for more elaborate works and different genres.”

Denis Handlin AO, Chairman & CEO, Australia & New Zealand and President, Asia, Sony Music Entertainment, adds: “There is no doubt Chinese music fans are incredibly enthusiastic and are very much driving the diversity of the artists and the genres the industry is signing and promoting. We have had a long history of developing local artists in Greater China and now there are even more opportunities to export them regionally and globally.”

Sony’s Chou talks of record companies “investing more than ever before locally, developing our own artists”. He believes the time is right for Chinese artists to come more to the fore, starting domestically and then globally. “For 30 or 40 years, Hong Kong or Taiwanese artists have been successful in China, because the copyright laws were stronger there and it was worthwhile recording

original material. Now, Chinese artists have an opportunity, their work and their copyrights will be protected, their music will be part of a properly monetised ecosystem and through this we will generate homegrown success and, eventually, a Chinese superstar artist.”

Jiang Tao, President at ChiaTai Music, also links the shift in attitude towards copyright and the emergence of a new generation of Chinese artists: “The rights situation surrounding music has improved considerably. Previously, songwriters and record producers weren’t interested in creating new songs because the laws weren’t perfect enough to protect them, but that is improving and we will see more and more new music over the next five to 10 years.”

Xiami Music CEO, Zhangu, echoes this positive development: “We are focussed on encouraging the development of original music in China and have recently launched a Xiami Music project ‘Looking for the Unseen Originality’, which is helping to discover and launch new Chinese artists.”

Tencent’s Ng declares: “The Chinese music industry is ushering in an unprecedented era of creativity with more and more outstanding musicians and musical works emerging from within China.”

Universal’s Granite is optimistic that this groundswell will parlay into international success: “China is opening up and the opportunity to bring Chinese repertoire to the world is definitely ramping up. That sort of global impact is a clear goal for our Chinese artists over the next few years.”



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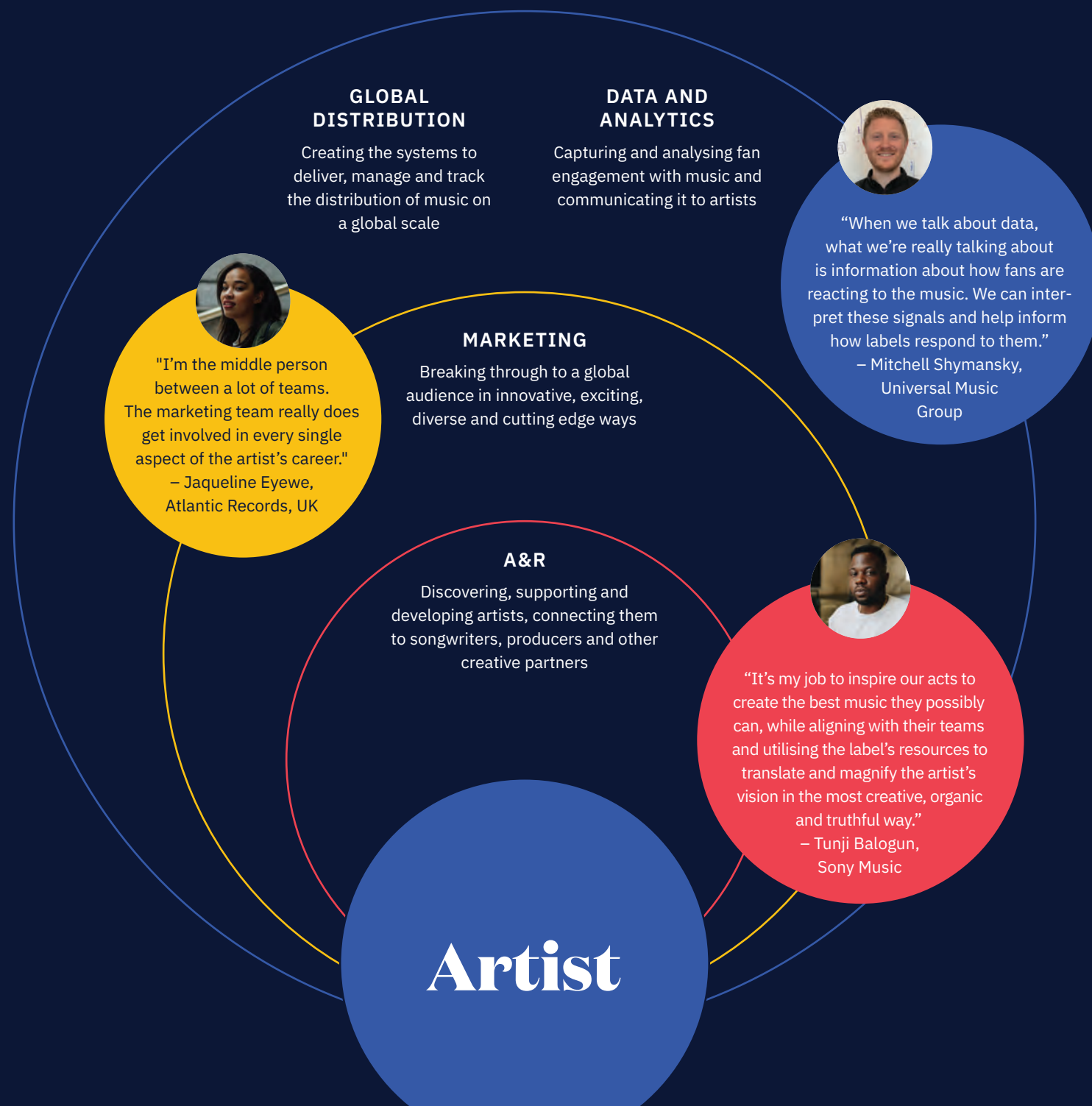
“The styles of music enjoyed in China are now very diverse. There is a market here for hip-hop, punk, country and much more. Fans have a higher than ever demand for more elaborate works and different genres.”

Andy Ng, Vice President, Tencent Music Entertainment Group



Working In Partnership With Artists

Record companies are home to some of the most talented and passionate people in the music industry. They work in collaboration with artists, helping them develop their music, their full artistic careers, expand their reach to fans everywhere and break through even in an environment featuring more music than ever before. IFPI spoke to a number of these individuals to find out more about their work and what drives them.



CHRIS FRANKENBURG
VP, Business Operations,
Global Digital Business,
Sony Music



DAVID HELLBURG
Head of Digital,
Warner Music Sweden



JACQUELINE EYEWE
Senior Marketing Manager,
Atlantic Records, UK

Could you please describe your role?

I drive strategic and operational initiatives to support our worldwide digital business. Lately, I spend most of my time building tools that help labels make smarter decisions using data and analytics.

Which attributes and skills are most needed to perform your job well?

I'd say creative problem solving is very important, so is having curiosity and drive. I interact with lots of other teams, so being able to listen well and learn from others helps.

What's your favourite part of the job?

Working across a huge range of Sony Music teams globally, from A&R to Analytics, Marketing to Metadata, and Business Development to Supply Chain.

How does your work support artists?

Mostly, I support our labels by helping to make how they do business smarter, faster or simpler. In turn, it helps labels do more for artists.

What benefits are you and your team/colleagues able to bring to a collaboration with an artist?

Recently, we upgraded our Artist Portal, which provides artists and their managers with a detailed breakdown of how their music is being consumed, in what ways and in which places around the world.

What benefits are you and your team able to bring to a collaboration with an artist?

We work on digital campaigns all day, every day, and try a million different versions of our ideas based on the outcome. We always try to develop ideas and plans that are specifically crafted for that artist or track – but within that, it's all about knowing what works and what doesn't.

What's your favourite part of the job?

Feeling like you've participated in breaking an artist is extremely valuable. That's what you live for.

What achievement are you most proud of?

I'm really proud of how our team managed to grow the Warner Music Instagram account by over 50% during 2017 since it's a very important platform for us and our artists. I'm also proud of implementing a new type of role in our organisation – The Growth Manager, which has become an integral part of the digital and marketing team.

What are you most excited about for the future?

The huge amount of data that we have access to now is really, really interesting. It allows us to make smarter choices when it comes to marketing and even in terms of how we want to portray an artist, or what type of content we want to release. But the most exciting part is probably the fact that we don't know what the next big thing in music will be. Things change so fast, which forces us to always be on top of our game, trying new things and making educated decisions based on the outcome – that's really something I love.

Could you please describe your role?

I'm the middle person between a lot of teams. The marketing team really does get involved in every single aspect of the artist's career.

Which attributes and skills are most needed to perform your job well?

Your passion for music will drive your willingness to learn, but you also need to have understanding and knowledge. I work mainly in rap, hip-hop, R&B, dancehall and pop genres, so my knowledge of that area of music serves me and means I can navigate the world that I'm operating in.

What's your biggest challenge?

There's the creative side to the job and then there's numbers, stats and admin. One doesn't work without the other, so knowing how to balance that is a challenge. You've also got to learn to deal with pressure. I take my job very seriously because it is people's careers, which means it's their lives.

What are you most excited about for the future?

The development of all aspects of black music, and the genres within it, especially in the UK. It has proven that it is in demand and there's always an audience for it. I love being a part of that and now we can have more success at a mainstream level. We also have more executives operating in these spaces, which is exciting as it opens so many more doors for people from different walks of life.



JOE KENTISH
A&R Director,
Warner Bros. Records UK

Which attributes and skills are most needed to succeed in A&R?
You’ve got to love music and you’ve got to love people. You’re going to be listening to a lot of music and you have to be excited about it every day. And you’ve got to love people because your day is non-stop interaction. If you love it, it’s invigorating.

What’s your favourite part of the job?
Listening to new music. It’s still the bit that can totally derail your plans for the day. If someone sends me something that I love, I’ll just play it over and over again and I just want to go straight down to the studio. New records still fill me with excitement. It doesn’t matter how long I’ve been doing it, I still have this childlike expectation that the next thing I hear is going to be great.

How do you approach collaborating with artists?
You’ve got to always be really respectful of their age and the fact that this is possibly the biggest thing that’s ever happened in their lives and that there may be massive disappointment along the way. A big part of my job is to be encouraging of them because the creative process is really difficult. It takes something out of you physically and mentally to be that creative and to come up with ideas non-stop, but it’s my role to keep them encouraged.

What achievement are you most proud of?
Part of what I do is help manage a team of younger A&Rs and helping them do what they do has been very rewarding.

What are you most excited about for the future?
I think we’re in a shifting landscape, but it’s a landscape which gives you the freedom to try out stuff. I think today you can be more creative as an A&R person than you ever could have been.



Maroon 5 photo courtesy of Universal Music Group



MITCHELL SHYMANSKY
Vice President,
Data & Analytics,
Universal Music Group

Could you please describe your role?
In its simplest sense, my job is to collect, organize and make sense of the vast mountains of data that come into the company and to take raw data to actionable insight in the shortest time possible.

Which attributes and skills are most needed to perform your job well?
You need an understanding of the underlying technologies and how to build an infrastructure that can house extremely large datasets. That’s the technical side, but you also need to love music. Ultimately, you’re trying to get your artists out there using data to help you connect their music with their fans.

What is your biggest challenge?
We have always been a ‘gut-feel’ industry. The challenge is to work out how data can support this. When we talk about data, what we’re really talking about is information about how fans are reacting to the music. We can interpret these signals from the fans and help inform how labels respond to them.

How does your work support artists?
A key driver for an artist is finding an audience. The number one area where the data and analytics team help is that we understand the audience because, ultimately, we’re the ones using data to interpret signals 24/7.



MITRA DARAB
EVP Global Marketing,
Capitol Music Group

Which attributes and skills are most needed to perform your job well?
You need to be very well versed in every genre of music. You also need to care, to be creative and, as a leader, it’s important to give your team the opportunity to shine.

What’s your biggest challenge?
Making sure that everyone communicates with their respective teammates. Your job as a leader and a marketing person is to see yourself as the quarterback of the team and if you’re not including everyone, you’re not going to win.

How do you approach collaborating with an artist?
When an artist comes to you, it’s usually about creative ideas. They aren’t necessarily thinking of the number one thing for me, which is the strategy. The most important part of our job is to let the artist know about the strategy and that cool, creative ideas also need a plan to support and execute them.

Do you have an achievement that looking back you’re most proud of?
I get a huge sense of accomplishment from seeing my team succeed. Witnessing them do really well and knowing that I’ve had a small part in that is great.



STACEY TANG
Co-Managing Director,
Columbia Records UK

Could you please describe your role?
I’m part of the management team running the label with marketing and digital teams reporting to me. I’m charged with strategy and storytelling for our artists, from their creative/visual identity through to eventual fan engagement.

What key attributes/skills do you need to do your job?
Great communication skills, passion and interest in all culture and entertainment forms, resilience, lateral thinking, hustle and a sense of humour.

How does the support and expertise available at your company help you perform your role?
The company encourages a collaborative approach between labels. Whilst we are all continually trying to improve on our own personal bests, there is encouragement to be inquisitive and challenge standards as a collective at corporate level. It’s been exceptionally important for me to see many women heading up departments, running labels or sitting on executive/senior management teams across the business.

How do you approach collaborating with artists?
There is a lot of conversation which starts in the pitch process and continues ad infinitum. There has to be trust and integrity in the things we do together as a team and that only comes from being familiar with one another. Ultimately, it’s about the artist and their story and if we aren’t talking with one another it’s very difficult for me to translate that story to millions of fans across myriad platforms.

What benefits are you and your team able to bring to a collaboration with an artist?
I can say with confidence we have shared core values – we want to do good work, we are proud of our successes and curious enough to make sure our work is approached innovatively. We have a diverse team in respect of age, gender, heritage and sexuality, so there are many different experiences and opinions included in our planning and decision making.



STEVEN VICTOR
EVP and Head of A&R,
Def Jam Recordings

Which attributes and skills are most needed to perform your job well?
I would say patience, certainly. Also, being immersed in the culture of music so that you are aware of everything that’s going on.

What are some of the biggest changes you’ve seen in relation to A&R in recent years?
I think one is definitely the more public nature of artist development, something that is probably enhanced by the proliferation and importance of social media. Previously, artists would stay behind the curtain for however long it took and come out fully formed. Now, artists are developing in real time, in front of fans, in front of the audience.

What else is key to your role?
A huge part of the process is about getting to know the artist as a human being, getting to know what their ambitions are, what their fears are and what drives and motivates them. Throughout that process you build up mutual trust and confidence. From there you move on to the music, the career, the other stuff. It starts as a relationship. You also have to remember how important it is for the artist. This is their life, and I encourage my A&R people to look at it that way as well. It’s not your name on the line, but you should treat it as if it is. This is not just a day job, and if you treat it as such, you’re not going to get full value out of it.



TUNJI BALOGUN
EVP of A&R at RCA Records
and co-founder of Keep Cool,
Sony Music

Could you please describe your role?
Identifying great artists as early as possible and working closely with management and RCA to help these artists tell their unique stories. It’s my job to inspire our acts to create the best music they possibly can, while aligning with their teams and utilizing the label’s resources to translate and magnify the artist’s vision in the most creative, organic and truthful way.

How does the support and expertise available at your label help you perform your role?
There are so many passionate people at RCA and they’re all specialists in their respective fields. We’re at our best when we rally round an artist and collectively develop unique plans that complement and contribute to the world the artist is trying to build. We read the culture around an act so that we can deploy our different teams – A&R, production, digital, marketing, publicity, video, touring and promotion, in the smartest and most innovative ways.

What benefits are you and your team able to bring to a collaboration with an artist?
We pay attention to our artists’ sensibilities and instincts, and do our best to surround them with people and resources that push them forward and inspire them creatively.

What are you most excited about for the future?
I would be thrilled to see more women of colour emerging both as successful breakout artists and as powerful creative executives within the industry.

Little Mix photo by Michelle Greco

Defending Creativity

PREVENTING MUSIC FROM BEING DISTRIBUTED ILLEGALLY, WITH NO REVENUE FLOWING BACK TO ARTISTS OR PRODUCERS, REMAINS A KEY PRIORITY FOR THE RECORD INDUSTRY.

TAKING ACTION ON STREAM RIPPING

As the market continues to evolve around the world, so too do the challenges record companies face in tackling illegal services that seek to exploit the work of artists and profit through large scale copyright infringement.

Stream ripping is the fastest growing form of music copyright infringement globally. Sites operating ripping services threaten the music ecosystem by undermining legitimate music services that license rights and pay artists and rights holders. Stream rippers profit by diverting fans away from legitimate services, while paying nothing to the creators or producers of that music.

The recording industry is coordinating a diverse global strategy to tackle this issue around the world. IFPI’s Director of Litigation, Elena Blobel, comments: “Our approach is wide in scope and the focus is on direct action against the largest ripping sites in a variety of countries, whilst also looking at other ways we can disrupt their operations.”

Last year, the industry achieved a significant victory when legal action from record companies in the US and UK was successful in closing down YouTube-mp3.org, formerly the world’s largest site dedicated to offering illegally stream ripped music. The Germany-based site, which had 60 million visitors per month from around the world, shut down globally and its operator agreed

not to infringe the rights of artists and record companies in the future.

The closure had a strong overall impact on stream ripping activity causing a 25.5% drop in global stream ripping piracy activity in the three months immediately following the shutdown. The problem remains significant, however, with an estimated 416 million visits to stream ripping sites in January 2018. Momentum behind the industry’s campaign continues to build and recently German record companies have filed a court application against Convert2mp3, one of the largest stream ripping services.

Commenting on the issue, IFPI Chief Executive, Frances Moore, says: “The actions taken by the industry are having a positive impact and reducing stream ripping across major music markets. However, the problem is far from solved and we will continue to take on these illegal sites wherever they are operating around the world.”

WHAT IS STREAM RIPPING?

Stream ripping sites create an audio file from an audio-visual work that is only licensed for streaming (such as a music video) and provide users with a permanent download. These sites exploit high levels of traffic to generate revenues from advertising whilst paying nothing to artists or record companies.

PROTECTING MUSIC IN THE RUN UP TO ITS RELEASE

Protecting all elements of an artist’s creative work from being leaked online in the run-up to its release is a key focus for record companies. Criminal organisations seeking to profit from illegally obtaining and distributing music – sometimes even before it is fully ready for release – can jeopardise the work of artists and that of the many teams of people that support them.

“The process can begin around 10 months in advance of the release date”, says Graeme Grant, Head of Anti-Piracy Operations, IFPI. “We collaborate with a record company to ensure everyone involved in the project has an awareness of the risks around leaked content and we work together to mitigate them.”

A first step involves working with artists and their teams to educate them as to how they can protect their content whilst they are developing it and sharing it with collaborators. Once completed, processes are put in place so that the music can be shared securely and tracked, ensuring only the agreed recipients are accessing it. Grant explains that even

album listening parties can present a risk: “We’ll often work with record companies to assess the location for an album listening party, ensuring it’s soundproof so there isn’t a possibility that someone would be able to somehow make an illegal recording.”

IFPI and record companies will also assess aspects of the physical supply chain, reviewing the production, storage and delivery of a record. Grant notes: “In some cases, we work with the record company to inspect plants where the product is being manufactured to ensure they have the right security. We’ll look at where it is being stored and even the security that bricks-and-mortar retailers put in place ahead of a record going on the shelves.”

Despite this extensive work, leaked music can still emerge online in many different forms. Systems are in place to monitor all heavily used copyright infringing sites and social networks for any links to infringing music 24 hours a day. The anticipation of a new release can also trigger the illegal sharing

of other work by the same artist, so it is necessary to step up monitoring activity across the board. If infringing content is identified, then the host provider is immediately notified and called on to remove the content. In 2017, 11 million URLs were identified as hosting infringing content and actioned for removal by IFPI and national group programmes.

Grant cites a recent collaboration with Warner Music Group and Atlantic Records on Ed Sheeran’s record breaking album, ÷, as an example of how all the key elements of the process can successfully come together: “We were able to prevent pre-release leaks of the album until 20 minutes before it was officially made available. It’s a really rewarding experience when we achieve something like that, when everyone in the chain is working towards ensuring the music arrives with the fans that are legitimately accessing it, in the way it’s intended by the artist.” Grant concludes: “It’s not just important to the artist but also for the hundreds of people involved in supporting the process.”



Rag 'n' Bone Man photo by Dean Chalkley
P!nk photo by Ryan Aylsworth



CAMILA CABELLO

A PERFECT STORM

Epic Records, Sony Music

Cuban-American singer songwriter, Camila Cabello, achieved enormous success as a member of pop group Fifth Harmony before relaunching her career as a solo artist in 2016. She worked with her label, Epic Records, to take on the challenge of establishing herself as an artist in her own right.

In collaboration with Camila, a comprehensive, global marketing campaign was devised, tying together multiple strands of live TV performances, radio, the creation of unique online content and brand partnerships. Together, these elements would create opportunities for fans to engage with Camila across multiple platforms and discover her new music in a variety of exciting and different ways.

The first stage of the campaign centred on a ‘two-track single’ approach, beginning with the simultaneous release of both *Crying in the Club* and *I Have Questions* in May 2017. Jenifer Mallory, EVP, International, Sony Music Entertainment, notes that it was the follow-up two tracks that really cut through to a global audience: “We put out *Havana* and *OMG* at the same time and we let the fans speak.” *Havana*, and the subsequent remix version with Spanish lyrics from Daddy Yankee, rocketed Camila to global solo success, reaching No. 1 in 95 countries.

Whilst a carefully planned campaign was critical, Mallory describes the need to maintain flexibility and know when to take a reactive approach, such as the decision to bring forward the release of Camila’s self-titled album, to provide the

fans with new, fresh music as *Havana* still soared in the charts. It was a beneficial move and Camila became the first woman in three years to debut at No. 1 with a full-length album on the Billboard 200 chart.

From the moment her music was launched, the team around Camila continued to create ‘moments’ to encourage fans’ constant engagement with her music, like original and tailored content for radio, TV and social media channels. “When you have a new solo artist, I think it’s all about the continuous flow of content,” explains Mallory. “It’s been a really important part of solidifying her solo career and giving her a voice that sets her apart and that allows fans to relate to her.”

Partnerships with major brands were also an important layer in Camila’s campaign, helping to amplify her profile globally throughout her solo breakthrough. Camila starred in an advert for L’Oréal Paris Elvive, to promote a new haircare product, with the strapline: “Everyone loves a comeback.”

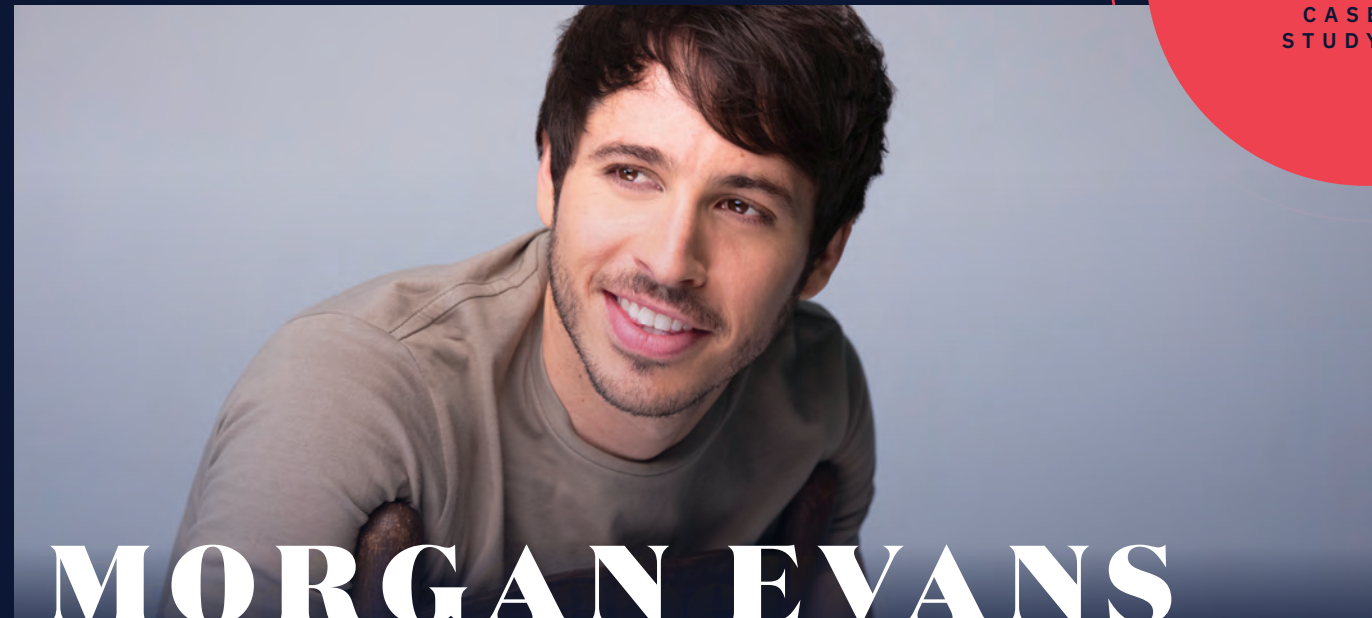
Mallory is keen to note that, despite the global nature of the campaign, a one-size-fits-all approach to every market does not work: “We put tremendous effort into making these campaigns feel local and it’s important to do that. Fans in every country want to feel like they discovered her themselves.” This was achieved by engaging with local ‘influencers’, prominent bloggers or personalities in specific countries, as well as tailored campaigns for radio and streaming services.

Ultimately, Mallory believes that it was a number of moving parts coming together harmoniously that helped Camila to become the successful solo artist she is now: “I think it’s never just one thing, right? It’s always a perfect storm of many things,” she says. However, at its core, Camila’s talent and ability to connect with her fans was the epicentre of her solo debut: “The music is great and if the music is great we can do our job and roll it out around the world, but it absolutely starts with the music.”



“The music is great and if the music is great we can do our job and roll it out around the world, but it absolutely starts with the music.”

Jenifer Mallory, EVP, International,
Sony Music Entertainment



MORGAN EVANS

A NEW GENERATION OF NASHVILLE MUSIC STAR

Warner Music Nashville, Warner Music

Morgan Evans is not your typical Nashville music star. For a start, he was born in Newcastle, Australia. For another, his music style, harnessing the power of a loop pedal, has drawn more comparisons to Ed Sheeran than Kenny Rogers.

None of this has stopped Evans from becoming a fast-rising star of the Nashville music scene. He signed to Warner Music Nashville in 2017 and released his single, *Kiss Somebody*, later that year. It has generated more than 21 million on demand streams in the US alone and Evans was named by Amazon Music, Billboard, Google Play and Pandora among others on their 2018 ‘Artists to Watch’ lists.

John Esposito, Chairman and CEO of Warner Music Nashville, says: “I knew Morgan was a special talent from the first time I heard him play. He was signed to our Australian company, but harboured the ambition to come and build his career in the U.S. We were only too delighted to take him on and support him as he builds his career here.”

Evans began his music career in high school, playing in a local rock band. In 2007, he won a competition called the Road to Tamworth and, for his prize, flew to Nashville and recorded a single. Subsequently signed to Sony BMG in Australia, he released his debut EP, *Big Skies*, which received airplay on Australian country music stations.

By 2012, Evans had signed a deal with Warner Music Australasia. He released his eponymous debut album, which became a Top 20 hit in the mainstream Australian album chart. He also became a huge celeb-

rity on the Australian country music scene, opening tours for the likes of Taylor Swift.

The next logical step for Evans was to relocate full-time to Nashville, which he did in 2017. He also moved labels from Warner Music Australasia to Warner Music Nashville.

Evans says: “Moving to Nashville was a big deal. It felt daunting at times, but I’ve always loved Nashville music and I wanted to dive right in. You’re surrounded by the best songwriters and musicians in the world and you pretty soon need to make a choice to be intimidated or inspired.”



“I think that Nashville music can travel around the world and has a home wherever fans value great storytelling and amazing tunes.”

Morgan Evans

2017 was a standout year for other reasons as well. In December, he married American singer-songwriter Kelsea Ballerini. He wrote the song *I Do* about their wedding and it went on to become a Top 10 hit in Australia. He started 2018 on a high too, touring with the likes of Cole Swindell and James Blunt, while working in-studio with producer and songwriter Chris DeStefano on his forthcoming second album.

Evans is one of a new generation of Warner Music Nashville international priority acts. Streaming is gaining traction among traditional Nashville music fans, which is helping propel artists into the global charts and introducing their music to a wider international audience.

Esposito explains: “In the same way that the adoption of streaming in Latin America helped propel Latin music into the global charts, the transition to streaming by Nashville music fans offers us an unprecedented opportunity. In the past we’ve only occasionally seen traditional country stars crossover to the mainstream, but now Nashville music is much more a part of the mainstream in the US and overseas.”

Evans recently spearheaded his international campaign with performances at the UK’s Country2Country (C2C) music festival in London and Glasgow. Now in its sixth year, C2C has become a major global platform for Nashville acts.

Esposito says: “It’s amazing. The audience sang along to every word of our artists’ sets. This is music that isn’t getting played on British radio yet. People are discovering it elsewhere and streaming is obviously a massive door opener for us. Our UK labels are putting their hands up to work with Nashville artists because they sense there’s a real opportunity here.”

Evans concludes: “I was stoked to be asked to play London and Glasgow for C2C. I think that Nashville music can travel around the world and has a home wherever fans value great storytelling and amazing tunes.”



THE POWER OF PERSEVERANCE

Razor & Tie, Concord Music

The story of New Orleans seven-piece rock outfit The Revivalists is one of endurance rewarded and of how the backing of a record company can take a track from live fan favourite to mainstream radio hit.

The band formed in 2007 and, through the acquisition of Wind-Up Records, became part of Concord Music in 2015, soon after releasing their second album, *Men Against Mountains*.

Concord's SVP – Promotion Marketing, Jill Weindorf, takes up the story: "I'd seen them live a few times over the years and I always thought they were special, but what we didn't know was whether or not they could get traction in my medium, which is radio."

At the time the band was struggling to make any significant impact with the album's first single, *Keep Going*. Ironically, it was the next release that would deliver the perfect lesson in perseverance.

"There was this other song, *Wish I Knew You*, that we felt really had something going on. Whenever they played it live it got such a great response from the crowd and we thought, you know what, this is the one. So, we started to get ready to take that out in early January 2016."

The Concord promotions team, in partnership with the band, then worked the song at radio for weeks. And then months. And then just kept working it – fuelled and sustained by a passion for the track and a commitment to the artist.

"In the end it took 44 weeks to go to number one on Billboard Triple-A (adult alternative), but then it hung around for almost the same amount of time and still, to this day, is getting a tremendous amount of airplay there."

"From there, it took us 22 weeks to get it to number one on the Billboard Alternative Songs chart – but, again, when it did, it set a record for the most single week spins in the history of the format and went on to become the number two most played Alternative song of the year."

Wish I Knew You went on to hit the Top 20 in the Adult chart, Top 5 in the Rock chart and even broke into the Billboard Hot 100 at 84.

Weindorf is keen to stress that the breakthrough and subsequent sustained success was very much the product of collaboration: "The band ran alongside us every step of the way. They felt the same level of connection with us as a label that we did with them as artists. They said: 'We're in', and they showed up, every time. Nine in the morning to play live on radio; past midnight shaking every hand; they showed up."

She also points out the difference that one track, and one incredibly dogged campaign, can make to a career. "The success of *Wish I Knew You* is measured in sales, in consumption, in ticket sales and in the fact that people now know who The Revivalists are."

"But the greatest success, I think, is what it enables us and them to do next. They're in the studio now working on a new album, and from what I've heard already I know that there are at least three more big singles there. Ultimately, though, they will become album artists, they will become career artists, because that's what we create at Concord."

“

"This campaign's greatest success is what it will allow us, and them, to do next."

Jill Weindorf, SVP – Promotion Marketing, Concord Music.

TAKING CHINA TO THE WORLD



Tencent Music Entertainment Group



Thank you.

It's been a huge year for Spotify.
Here are a few reasons why:

€8bn

paid to rightsholders
since launch

157m

active users

71m

paying subscribers

We couldn't have done it without you.
Thank you for your support.