



A DIVERSIFYING DIGITAL MARKET: CAPITALISING ON THE NEW OPPORTUNITIES

PRESENTED BY:



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A DIVERSIFYING DIGITAL MARKET: CAPITALISING ON THE NEW OPPORTUNITIES



IMPALA – the pan-European organisation promoting and supporting the independent music sector – has teamed up with CMU Insights to deliver One Step Ahead, a new digital intelligence facility to enable independent music companies across Europe to navigate and identify trends, developments, challenges and opportunities in the digital music market.

Following on from previous reports on playlists and curation – and the role of data and networks in digital marketing – in this third report we look at the diversifying digital music market, and the platforms and business models which are going to play a key role in the next phase of market growth. That includes social media and video-sharing platforms, as well as livestreaming, podcasting and direct-to-fan services.

How are these platforms utilising recorded music and providing new revenue streams? How can artists, labels and distributors all fully capitalise on these opportunities? And what impact does this have on the artist/label relationship?

ONE STEP AHEAD: A DIVERSIFYING DIGITAL MARKET – CAPITALISING ON THE NEW OPPORTUNITIES

Researchers: Chris Cooke, Sam Taylor | Produced by CMU Insights | Published by IMPALA in June 2021
IMPALA, Coudenberg, 70, 1000 Brussels, Belgium | +32 2 503 31 38 | info@impalamusic.org | impalamusic.org

EXECUTIVE SUMMARY

To date the music industry's streaming boom has been mainly driven by premium subscription services of the Spotify and Apple Music variety. In 2020, just under 75% of the global record industry's streaming revenues came from such services.

But the digital market is diversifying, with other kinds of platforms and business models gaining momentum, and existing services adding new ways to monetise content and the fan relationship. These innovations will help drive further growth in the digital music market and will ensure that the industry becomes less reliant on a small number of dominant platforms that mainly generate income via premium subscription sales.

However, this poses a number of questions for record labels. Which of these new platforms, models and monetisation tools exploit content and rights controlled by the label? How do they affect the artist/label relationship? Do they require changes to be made to artist/label contracts? And do labels need to create, prepare and deliver recordings and other content in different ways to truly capitalise on these new opportunities?

DIVERSIFICATION

An increasing number of social media and video-sharing platforms are securing licensing deals from the music industry. Like with the original YouTube deals, these allow artists and labels to directly monetise their own music content on these platforms, and also to manage and monetise the use of their tracks by DIY creators in user-generated videos.

But there are other developments of note at these platforms too. An increasing number now also include in-built audio-libraries of tracks – or usually short clips of tracks – that users can easily grab and synchronise into their short-form videos. This creates new marketing and revenue opportunities for labels, but also creates new logistical challenges.

Many of these platforms also now provide ways for creators – including artists – to directly generate revenues from their fans through channel memberships, donations and digital gifting. This creates revenue opportunities over and above any royalties paid via each platform's licensing deals.

The latter is also part of a trend in the wider direct-to-fan domain, where monetising the online fan relationship increasingly involves providing access to digital content, rather than selling physical products through a store. That may involve charging fans to access premium content behind a pay-wall, or selling tickets to a livestream, or allowing fans to pay for the creation of short bespoke recordings, or minting NFTs that give fans both access and some special connection to a digital file.

This trend means that it makes ever more sense for artists to partner with their labels when looking to better monetise the fan relationship. That activity may involve utilising recordings or other marketing content that the label already owns. Or it might involve creating bespoke new audio or video content, activity that can be greatly enhanced by utilising the skills and resources of the label, the artist's primary business partner in content creation.

But what do labels – and their artists – need to do today to be in the best possible position to capitalise on these opportunities?

LOGISTICS

Most independent labels rely on distributors or delivery partners to deliver their recordings to each digital platform. As each new platform comes onboard – providing the label wishes to participate – the distributor or delivery partner pushes the label's existing catalogue into that new service's networks.

But with social media and video-sharing platforms increasingly using music in different and innovative ways, labels should liaise closely with their distributor or delivery partner to understand what impact those innovations might have on how recordings and accompanying assets should be supplied.

For example, the in-built audio-libraries need clips that work well when synchronised into short-form videos. Does the platform have a way of identifying what clip to use from a full recording? Or does the distributor have a role to play in that process? Or should the label itself be identifying the clip that should be used? Indeed, is that even an option? Every platform is slightly different, so labels should be consulting with their distributors and delivery partners to understand all the options and best practice.

On social media platforms where the artist or label already has its own direct presence, you might need to connect that activity with the music the distributor is delivering. Again, every platform is slightly different, so labels should consult their distributor or delivery partner to find out the best way to make that happen.

OPPORTUNITIES

Obviously, while nearly three quarters of streaming income is still generated by premium subscription services, it makes sense for labels to prioritise those services, and perhaps to see platforms like Instagram and TikTok more as marketing channels. However, as those services become increasingly

important revenue generators as well, labels might want to invest more energy into understanding how you directly drive more consumption and therefore more income within those apps and platforms.

With the opportunities around subscriptions, donations, digital gifting, livestreaming, podcasting and NFTs, labels need to consider how they get involved in that activity. What rights does the label already have over the content being created or exploited? And how can the label deliver more value to an artist looking to capitalise on those opportunities? What new skills, knowledge and resources does the label need to acquire?

Many labels have already expanded their in-house content creation expertise as music marketing has required ever increasing quantities of visuals, videos, and other digital content and experiences. It maybe that this expertise can now also be utilised to generate extra revenue for artist and label alike.

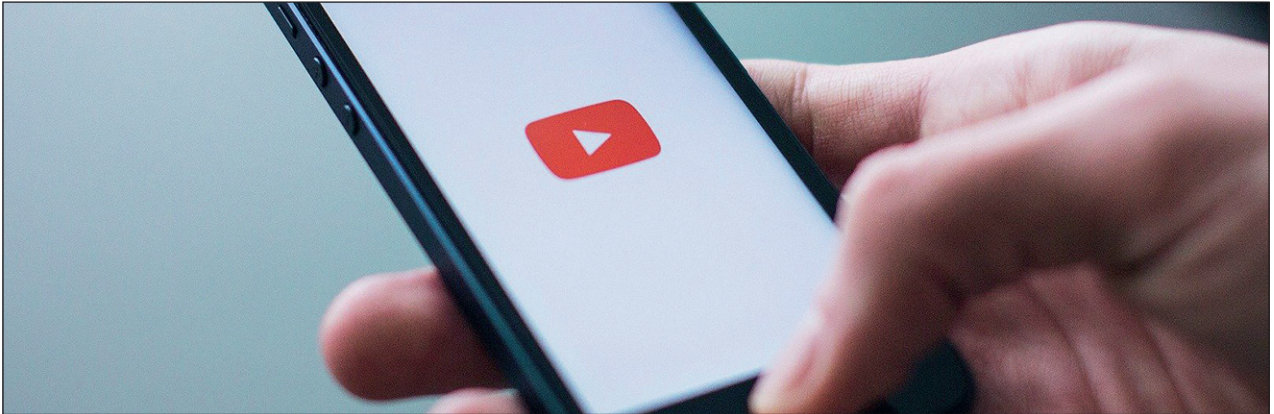
CONTRACTS

Pursuing these opportunities will require reviewing record contracts – both existing and future contracts. Labels need to identify what rights they already have over these new content-based revenue streams, and consider new clauses in new contracts that state what the label's role will be moving forward, and how any monies generated will be reported to and shared between each party.

THE REPORT

In this new One Step Ahead report we look beyond the conventional streaming services and summarise the new ways recorded music, the artist relationship and other artist content can be monetised. In part one we run through eight **specific** platforms; in part two we summarise six other **kinds** of platform. Along the way we consider and explain all the logistical challenges, commercial opportunities and contractual considerations.

PART ONE: SPECIFIC PLATFORMS



01: MUSIC ON YOUTUBE

As a platform, YouTube is many things at the same time: a streaming service, a marketing channel, a media platform, a direct-to-fan service, a micro-licensing framework and so on. This has often made it difficult for the music industry to navigate.

DISTRIBUTING MUSIC TO YOUTUBE

Most record labels – either directly, via Merlin or via a distributor – have a formal licensing deal with YouTube that connects them to the key monetisation options on the platform. These deals allow labels to provide content to and earn royalties from the following...

YOUTUBE MUSIC

The standalone YouTube Music audio subscription service, which operates pretty much the same as the other premium subscription services like Spotify and Apple Music.

MUSIC ON YOUTUBE

Official music content on the main YouTube platform, including official music videos where

available, and YouTube-created Art Tracks for other recordings. Labels earn a share of any income generated by ads serviced directly alongside this content or a share of subscription monies when viewed by a YouTube Premium subscriber. The level of revenue obviously depends on the amount and kind of advertising serviced, and arguably more ads are served alongside more mainstream and major label releases.

YOUTUBE SHORTS

This is YouTube's short-form content service that works similarly to TikTok, which is only currently available in a small number of markets (although creators anywhere can push videos of up to 60 seconds into the service by using a hashtag). When creating content with YouTube Shorts itself, users have access to an audio-library of clips of recordings.

CONTENT ID

The Content ID rights management platform, allowing labels to either block or monetise user-generated content that makes use of their recordings. Where they choose to monetise, labels earn a share of any income generated by ads serviced directly alongside this content or a share of subscription monies when viewed by a YouTube Premium subscriber.

OFFICIAL ARTIST CHANNELS

Most labels use a distributor or delivery partner to provide audio and video content to the YouTube platform. Content provided this way is then integrated with any other videos an artist has directly uploaded to the YouTube site via their Official Artist Channel.

The Official Artist Channel allows an artist and their team to better organise their content on YouTube, especially when it is coming from multiple sources. And also to access additional analytics and – in certain markets, currently Australia, Canada, Ireland, New Zealand, UK and US – to publish tour listings next to videos linking through to ticket sales on partner ticketing platforms, currently AXS, Eventbrite, Ticketmaster and SeeTickets.

With new artists, someone needs to claim the Official Artist Channel and integrate distributed content (which is available via an auto-created 'topic' channel) with the directly uploaded content (available via a manually created 'artist-operated' channel).

Artists, labels and management then need to agree who is in charge of managing and maintaining the Official Artist Channel, and what each party wants to get out of it.

CHANNEL MONETISATION: OPTIONS

There are number of other ways that creators can generate revenue via their YouTube channel. These additional monetisation tools are generally designed with non-music creators in mind, who do not have the option to monetise their content in the ways described above. However, artists creating non-music content or with particularly engaged audiences on YouTube may seek to utilise some of these other options too.

Creators with more than 1000 subscribers and 4000 viewing hours in the last year can join

the platform's Content Partner programme and monetise their videos, allowing them to earn a share of any income generated by ads serviced directly alongside their content or a share of subscription monies when videos are viewed by a YouTube Premium subscriber.

Each video must comply with YouTube's guidelines for monetisation, which basically exist to provide safeguards to advertisers regarding what kind of content their ads will appear alongside. Certain kinds of content are not eligible for monetisation.

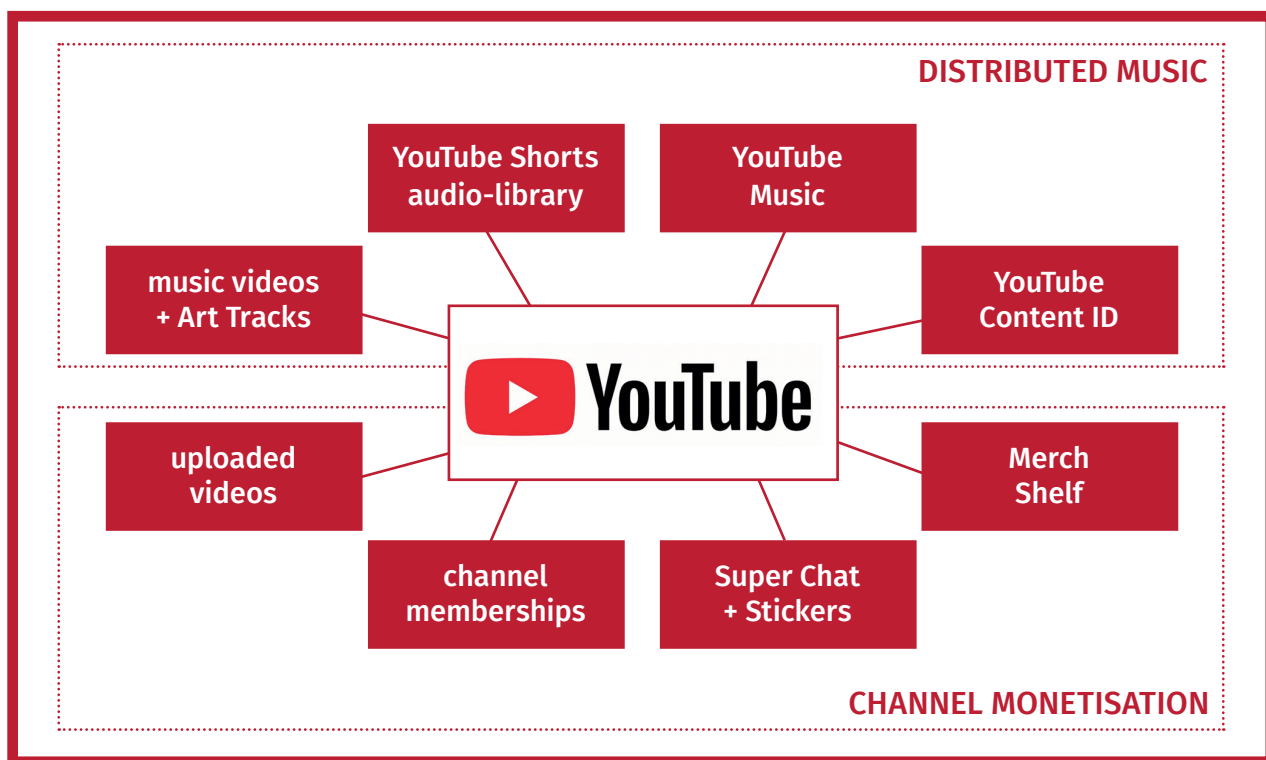
For artists, official tracks and music videos will already be monetised as described above, with any royalties due paid via their label and/or distributor. However, if they are posting other content to their YouTube channel – ie non-music based content - they could seek to monetise those videos too by becoming a Content Partner.

There are also three other notable monetisation options for YouTube Content Partners...

Merch Shelf allows creators to sell official merchandise alongside their videos. This option is automatically available to Official Artist Channels (other creators need 10,000+ subscribers). Artists then need to set up an account with a YouTube supported merch retailer and connect that retailer to their Merch Shelf via the YouTube Creator Studio.

Channel Membership allows creators to charge a monthly fee to their subscribers. Those channel members then get access to 'perks' as chosen by the creator, which might include early access to new videos, extra videos, other digital content, or member-only chat on the channel's community tab or during livestreams.

Super Chat and **Super Stickers** allow creators to monetise video premieres or livestreaming activity on YouTube by encouraging users to pay



for an enhanced presence in the creator's chat feed, either having their messages prioritised or by posting an animated image.

These other monetisation options available to YouTube Content Partners have generally been used more by non-music creators. These revenue streams tend to be more lucrative when you publish new content on a very regular basis and/or you have a particularly engaged audience on YouTube, and even then creators are often dependent on the YouTube algorithm sufficiently boosting their audience to drive views and revenue.

Because many music creators are not posting new content on a very regular basis, and often have a more engaged fanbase on other platforms, pursuing these additional YouTube revenues is often not a priority. However, some artists and some labels have built very active channels on YouTube and benefit from these extra revenues in addition to any royalties generated via their distributed music

Also, during the COVID-19 pandemic, an

increasing number of artists have used YouTube for livestreaming activity, which arguably makes utilising the Merch Shelf, channel memberships and the SuperChat/SuperStickers options a more attractive proposition.

CHANNEL MONETISATION: LABEL ROLE

Where artists do look to monetise their channels in these other ways, to what extent the label might get involved in that activity and share in the revenue depends on its relationship and deal with the artist, and/or its involvement in other channel content and activity.

For example...

Labels may seek to include CD and vinyl versions of recordings they have released in the artist's Merch Shelf. Assuming the YouTube Merch Shelf is connected to the artist's chosen merch retailer, the label needs to agree a deal with the artist to include and sell physical releases via that retailer. This may be a requirement in the artist's record contract or may need to be a separate arrangement.

Labels may have rights over an artist's merchandise via their record deal. If this means the label actually runs the artist's merch activity, then the label should connect the Merch Shelf on the Official Artist Page to its chosen merch retailer.

Labels may also be involved in making or have rights in the artist's non-music content. This may be because the artist/label have a wider

business relationship around content creation or because the label is producing the non-music video content as marketing assets.

In either case, the artist and label need to agree whether the other monetisation tools will be employed (ie monetise the video itself or sell channel memberships and/or Super Chat and Super Stickers) and, if so, whether the label will share in that income.

TIPS + TALKING POINTS (Distributed Music)

- When you deliver videos and recordings to YouTube via a distributor, that content should then be available via YouTube Music, the main YouTube platform and be logged with Content ID so you can manage and monetise user-generated content. Recordings may also now be pushed into the YouTube Shorts audio-library. However, you should confirm all this with your distributor.
- The YouTube Shorts audio-library contains short clips of each recording – obviously you ideally want clips that will work well in this format. Quite how audio-library clips are generated can vary from platform to platform, and distributor to distributor. As your distributor starts working with YouTube on Shorts, it is worth asking about best practice in this domain.
- When working with new artists, you need to make sure that distributed content and any content the artist directly uploads to YouTube is connected via the Official Artist Page. If you haven't already done this, again you should consult your distributor about the best way to make it happen.

TIPS + TALKING POINTS (Other Monetisation)

- Are your artists fully monetising their content and fan relationship on YouTube in other ways – and if not, is that a missed opportunity? If so, how can you encourage and help enable the artist to capitalise on these other opportunities?
- Do you have involvement in each artist's other activity on YouTube? That includes Merch Shelf, Channel Memberships, and/or Super Chat/Super Stickers. You may have involvement because:
 - This other activity is selling or utilising recordings you control as a label.
 - This other activity is utilising marketing content you created and control.
 - You have exclusive rights over any recorded content the artist creates.
 - You have contractual rights over the artist's merchandise and/or direct-to-fan activity.
- Where one of these things applies, you need to agree with artist and management how this activity will be run and how any revenues will be accounted for, reported on and shared.
- Where none of these things apply, are there significant opportunities in this space and – if so – should you be looking to add this activity to your deal with the artist?
- Even if you have no direct involvement in any of this activity, if the artist has a fanbase that buys CD and/or vinyl, how can you make sure this is available via the Merch Shelf?

02: MUSIC ON FACEBOOK



Facebook was originally seen as primarily a marketing channel for the music industry, however it has followed YouTube's lead both in licensing music from labels and distributors, and providing other monetisation tools for artists and creators.

DISTRIBUTING MUSIC TO FACEBOOK

As with YouTube, most labels now have a formal licensing deal with Facebook – directly or via Merlin or a distributor. Through these deals labels can...

- Deliver content to official music video pages within the Facebook Watch channel, in those markets where such pages are currently available.
- Deliver content to the audio-library feature available within Facebook Stories, from which users can select tracks to synchronise into their video posts.
- Access Facebook's Rights Manager For Music platform, and monitor, manage and monetise

user-uploaded videos containing the label's music across the Facebook platform.

Although Facebook has greatly expanded its licensing and use of music in recent years, it is still some way behind YouTube in terms of how music usage is reported and monetised. This means that monetisation is not always directly linked to specific usage, and quite how royalties are calculated and paid will depend on each specific deal and a distributor's approach.

PAGE MONETISATION: OPTIONS

As with YouTube, creators can monetise video and other content on their pages in other ways, providing they have at least 10,000 followers and meet certain other eligibility requirements (mainly a minimum amount of viewing minutes in the previous two months).

Facebook In-stream ads allow creators to insert ads before, during or after their videos. The creators earn a share of any ad revenues generated from that content.

Facebook Page or Group Subscriptions allow creators to charge fans or group members a monthly subscription fee to access premium benefits or content.

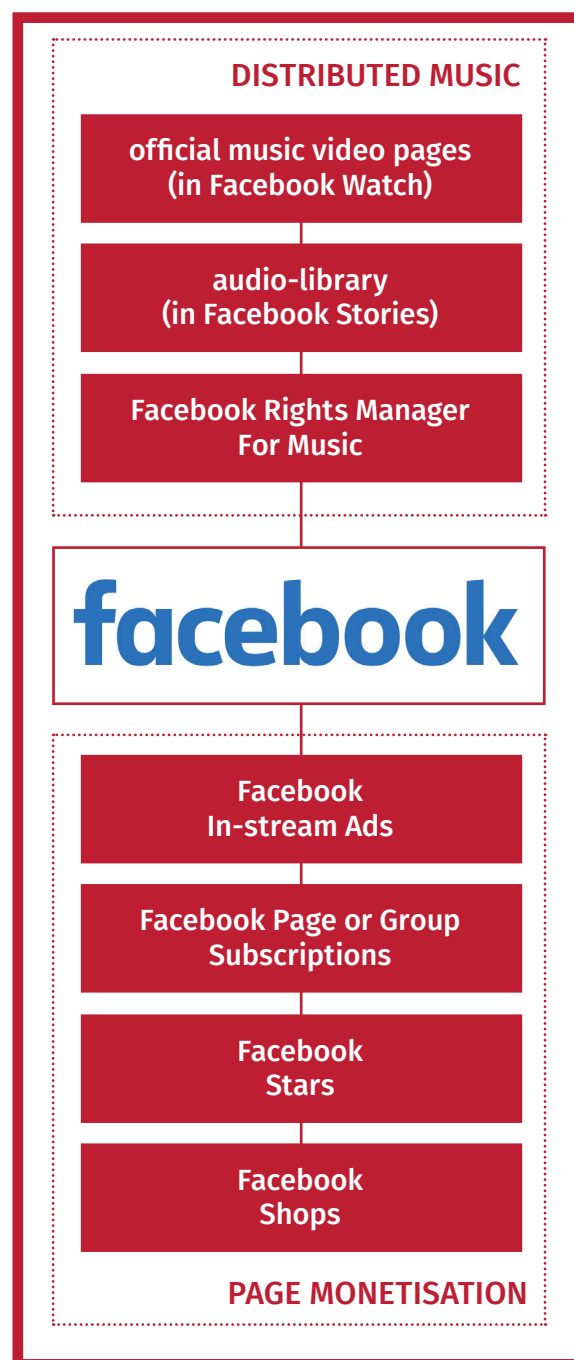
Facebook Stars allow creators to monetise their livestreaming activity. Viewers to a livestream can buy stars from Facebook and then award them to a creator during a livestream, in doing so making their comments stand out.

Facebook Shops is a service aimed at more conventional business customers, but which could be used by creators to sell merchandise. It allows you to integrate a store built on a direct-to-consumer platform like Shopify within the Facebook app, making it easier to promote products via Facebook and making the buying process more seamless.

As with YouTube, non-music creators have generally made greater use of these page monetisation tools, however – particularly with the rise of livestreaming during the COVID-19 pandemic – some artists have now started to utilise them as well.

PAGE MONETISATION: LABEL ROLE

Again, to what extent labels can participate in these extra monetisation options will depend on their relationships and deals with their artists. However, if these do become more significant revenue streams for artists, built primarily around recorded content of one description or another, labels should probably seek involvement in this activity.



TIPS + TALKING POINTS (Distributed Music)

- When you deliver videos and recordings to Facebook, that content should then be available via official music video pages within Facebook Watch (in those countries where this is currently an option), the Facebook audio-library in Stories, and be logged with Rights Manager For Music, so that you can manage and monetise user-generated content. However, you should confirm with your distributor or delivery partner that this is the case.
- The Facebook audio-library contains short clips of each recording, with the platform generally selecting the clip from the full recording. Your distributor or delivery partner can again advise on options and best practice when it comes to supplying these clips.

TIPS + TALKING POINTS (Other Monetisation)

- Are your artists fully monetising their content and fan relationship on Facebook in other ways – and if not, is that a missed opportunity? If so, how can you encourage and help enable the artist to capitalise on these other opportunities?
- Do you have involvement in each artist's other activity on Facebook? Currently this is most likely to be livestreaming where fans make payments via digitally gifting Facebook Stars. But it could also include Profile subscriptions and/or a Facebook Shop.
- You may have involvement because:
 - This other activity is selling or utilising recordings you control as a label.
 - This other activity is utilising marketing content you created and control.
 - You have exclusive rights over any recorded content the artist creates.
 - You have contractual rights over the artist's merchandise and/or direct-to-fan activity.
- Where one of these things applies, you need to agree with artist and management how this activity will be run and how any revenues will be accounted for, reported on and shared.
- Where none of these things applies, are there significant opportunities in this space and – if so – should you be looking to add this activity to your deal?

03: MUSIC ON INSTAGRAM

Obviously Instagram is owned by Facebook and therefore covered by the same music licensing deals as its sister platform. However, how Instagram makes use of music is slightly different, and it offers its own additional monetisation tools for creators.

DISTRIBUTING MUSIC TO INSTAGRAM

Labels that distribute music to Facebook are also distributing music to Instagram.

As with Facebook, music is utilised in various ways on the Instagram platform, though the most obvious and probably most important use is the audio-library that allows users to add a

clip of a track (and possibly the accompanying lyrics) within Stories and Reels.

ACCOUNT MONETISATION: OPTIONS

Instagram has also been developing various tools via which creators can directly monetise their accounts. This includes...

IGTV ads, which is basically the same as In-Stream ads on Facebook, although specifically linked to the IGTV element of Instagram which is focused on longer-form videos. Creators can insert ads before their content and earn a share of any ad income.

Instagram Badges, which are basically the same as Facebook Stars and allow creators to monetise livestreaming activity. The benefits received by users who purchase a viral badge are slightly different than with Facebook Stars,



although the basic concept is the same, ie it's a way to encourage fans to make small payments when watching a livestream.

Instagram Shopping is basically the same as Facebook Shops, and once a creator is set up on the Facebook system via a platform like Shopify they can use that to power their Instagram store. Although Instagram Shopping is now also starting to integrate with third party provider Merchbar, which will likely be more attractive to the music industry (especially for those artists and labels already using Merchbar to intergrate with YouTube's Merch Shelf).

For artists selling merch, the Instagram Shopping feature is also probably more effective than Facebook Shops. Especially because products that appear in images posted on the artist's Instagram profile can be tagged so that users can easily access information on

those products, and then click through to buy them via Shopping.

As with YouTube and Facebook, these monetisation tools have been more used by non-music creators, although they are also starting to be employed within the music community, especially Badges. Given many artists have their most engaged audiences on Instagram, if they were going to explore any of these extra monetisation options, it would make most sense to do so on this platform.

ACCOUNT MONETISATION: LABEL ROLE

Once again label participation will depend on quite how these tools are being employed and on each artist's record deal. Though where monetisation is directly linked to content, labels may be able to deliver added value in return for a share of any income generated.

TIPS + TALKING POINTS (Distributed Music)

- When you deliver recordings to Facebook, that content should also appear in the Instagram audio-library, which contains short clips of each track, with the platform generally selecting the clip from the full recording. For some artists, this is currently the most important use of their music within the wider Facebook ecosystem. Your distributor or delivery partner can again advise on options and best practice when it comes to supplying these clips.

TIPS + TALKING POINTS (Other Monetisation)

- Are your artists fully monetising their content and fan relationship on Instagram in other ways – and if not, is that a missed opportunity? If so, how can you encourage and help enable the artist to capitalise on these other opportunities?
- Do you have involvement in each artist's other activity on Instagram? Currently this is most likely to be livestreaming where fans may donate money via Badges. But it could also include Instagram Shopping, especially with the recent Merchbar integration, which will expand moving forward.
- You may have involvement because:
 - This other activity is selling or utilising recordings you control as a label.
 - This other activity is utilising marketing content you created and control.
 - You have exclusive rights over any recorded content the artist creates.
 - You have contractual rights over the artist's merchandise and/or direct-to-fan activity.
- Where one of these things applies, you need to agree with artist and management how this activity will be run and how any revenues will be accounted for, reported on and shared.
- Where none of these things applies, are there significant opportunities in this space and – if so – should you be looking to add this activity to your deal?

04: MUSIC ON TIKTOK

TikTok has been the most hyped of the new digital platforms in the music industry in recent years, of course, and certainly as a marketing channel has become an important platform for some genres and labels.

That usually involves creating video content – both directly and in partnership with selected 'influencers' – that uses an artist's music, with the aim that that content will go viral in its own right and encourage others to create similar videos.

DISTRIBUTING MUSIC TO TIKTOK

At the moment, the main benefit of successfully seeding videos onto TikTok is arguably that it causes a spike in listening of the featured track on more conventional streaming platforms, which in turn results in an uplift in royalties paid by those other services.

However, TikTok does have music licences itself, and most labels are now distributing music into the app's audio-library from which users can select clips of tracks. As TikTok evolves its business model it seems likely that viral success on the platform will result in a direct royalty uplift from the service itself. Although to date many TikTok deals have been advance based, meaning earnings are not always directly linked to consumption (although that depends on specific deals and distributor policies).



PROFILE MONETISATION: OPTIONS

TikTok is also developing tools to allow creators to monetise their content. To date that is mainly centred on livestreaming and TikTok Coins, which work in a similar way to Facebook Stars and Instagram Badges.

Fans can spend TikTok Coins by sending digital gifts to creators who are livestreaming via the platform, which then translate into income for the creator (the gifts become TikTok Diamonds, which creators can then withdraw as dollars).

Although basically the same concept as Stars and Badges, TikTok has innovated in this space, in part influenced by platforms in its home country of China where digital gifting of this kind has been a bigger part of the

digital experience – and a significant revenue generator – for quite some time. The Chinese version of TikTok, called Douyin, has a wider range of digital gifting options, and rival Tencent Music Entertainment’s most successful service in China is its livestreaming and karaoke platform WeSing, which makes money this way.

PROFILE MONETISATION: LABEL ROLE

To what extent labels can participate in this kind of monetisation again depends, partly on what content the artist is livestreaming, and on the terms of their label deal.

Although this kind of revenue could become significant and, especially where it is music-related content being livestreamed, labels should probably look to be involved.

TIPS + TALKING POINTS (Distributed Music)

■ Most distributors now have deals in place with TikTok and will be delivering your recordings to the app’s audio-library, which contains clips of each recording of varying lengths up to 60 seconds. TikTok itself has an automated system for selecting appropriate clips from full-length recordings, although labels can also dictate what the clip should be. Once again, your distributor or delivery partner can advise on options and best practice when it comes to supplying these clips.

TIPS + TALKING POINTS (Other Monetisation)

- Are your artists livestreaming via TikTok? If so, how can they generate additional revenue from that activity via TikTok Coins and Diamonds?
- Do you have involvement in each artist's livestreaming activity on TikTok? You may have involvement because:
 - The livestreams are utilising recordings you control as a label.
 - You have exclusive rights over any recorded content the artist creates.
- Where one of these things applies, you need to agree with artist and management how this activity will be run and how any revenues will be accounted for, reported on and shared.
- Where none of these things applies, are there significant opportunities in this space and – if so – should you be looking to add this activity to your deal?

05: MUSIC ON TWITCH

Originally a platform focused on live gaming – allowing gamers to livestream their gameplay and to build archives of on-demand clips of that output – Amazon-owned Twitch has been seeking to bring other creators into its platform in more recent years, and has sought to capitalise on the increased interest in livestreaming during the COVID-19 pandemic.

DISTRIBUTING MUSIC TO TWITCH

The status of music on Twitch has proven controversial of late. Many creators livestreaming on the platform have background music in their livestreams and resulting clips, but most of that music is currently unlicensed.

A handful of labels and distributors have entered into licensing deals, pushing their

music into a pre-cleared library of tracks that Twitch creators are encouraged to use in order to avoid copyright issues and takedown requests.

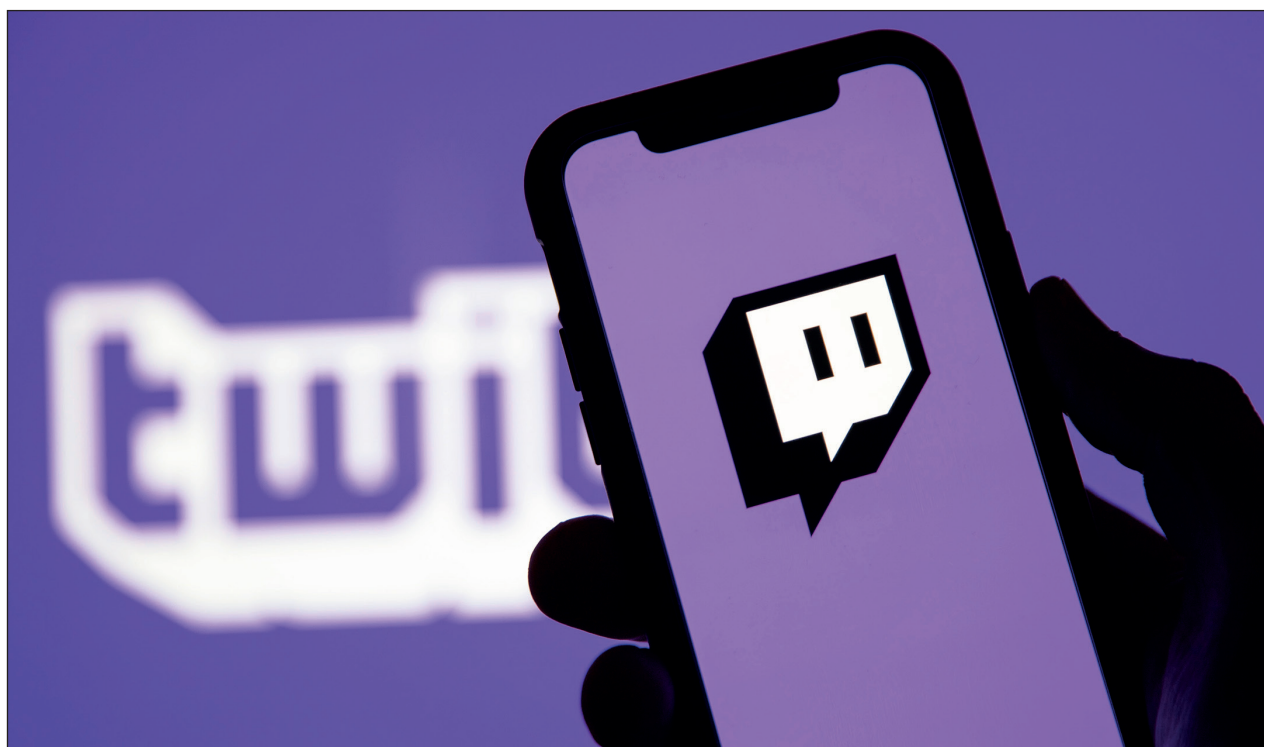
But at the moment most labels do not have a licensing arrangement with Twitch, and therefore do not earn if their music appears in any content on the platform.

CHANNEL MONETISATION: OPTIONS

Twitch provides three main ways for creators to generate income around their content.

Channel Subscriptions allow the creator to charge fans a monthly fee to access extra content and other benefits. Although there are some constraints, creators ultimately decide what to charge and what benefits a subscriber receives.

Bits are Twitch's equivalent to Facebook Stars, Instagram Badges and TikTok Coins, allowing fans to tip the creators as they are watching their livestream activity.



Advertising Revenue Share is also available, though only to those creators who have invite-only Twitch Partner status. For those who do qualify, this works in a similar way to creators sharing in ad revenue on YouTube, Facebook and Instagram.

CHANNEL MONETISATION: LABEL ROLE

As always, label participation in channel monetisation depends on the nature of the content and the deal. However, some artists have started to gain some traction with

livestreaming on Twitch and are successfully monetising that activity. Therefore labels may want to consider how they can add value to this and share in the revenue generated.

The issues around Twitch's lack of licensing deals may be an issue for some labels, and there could be problems on the song rights side even when labels choose to support artist activity on the platform. Twitch does have deals with some collecting societies on the songs side, but there nevertheless remain plenty of licensing gaps overall.

TIPS + TALKING POINTS (Distributed Music)

- Only a small number of labels and distributors currently have deals in place with Twitch, meaning if a Twitch creator is using your recordings in their videos, that music is unlicensed and not generating any income.
- Twitch (and Amazon) are under pressure to secure more music deals for the platform, although – in communications to its creators – the company has been cautious about how quickly this might happen. Nevertheless, you should keep a look out for future announcements in this domain.
- In the meantime, monitoring Twitch and issuing takedowns if and when recordings are used – probably in partnership with a rights management and anti-piracy agency – is the only way for labels to formally control their content on the platform.

TIPS + TALKING POINTS (Other Monetisation)

- Are your artists livestreaming via Twitch? If so, how can they generate additional revenue from that activity via Channel Subscriptions and Bits?
- Do you have involvement in each artist's livestreaming activity on Twitch? You may have involvement because:
 - The livestreams are utilising recordings you control as a label.
 - You have exclusive rights over any recorded content the artist creates.
- Where one of these things applies, you need to agree with artist and management how this activity will be run and how any revenues will be accounted for, reported on and shared.
- Where none of these things applies, are there significant opportunities in this space and – if so – should you be looking to add this activity to your deal?

06: MUSIC ON SNAPCHAT



Although very buzzy a few years ago and embraced by some in the music industry as a marketing tool for a time, the rise of TikTok has taken much of the attention away from Snapchat in the music community. Nevertheless, it remains an important platform.

DISTRIBUTING MUSIC TO SNAPCHAT

Although artists and labels targeting even younger fans are probably less likely to prioritise Snapchat in their marketing efforts

today, the app has now entered into licensing deals with the music industry. Like Facebook, Instagram and TikTok, this means the Snapchat app now has an inbuilt audio-library with clips of music that can be used in Snaps.

As with TikTok, many of the licensing deals done with Snapchat have been lump sum advance arrangements. However, in the future payment may become more directly linked to usage, and so encouraging fans to use tracks in their Snaps would be directly revenue generating, in addition to any marketing boost that activity delivered.

TIPS + TALKING POINTS (Distributed Music)

- Many distributors now have deals in place with Snapchat and will be delivering your tracks to the app's audio-library, which contains short clips of each recording. Once again you should consult with your distributor or delivery partner on how to get the most out of these clips.

07: MUSIC ON TRILLER



Probably the most significant of TikTok's competitors from a music industry perspective, Triller has sought to distinguish itself with extra tools and at times has also capitalised on its rival's political woes in some markets.

DISTRIBUTING MUSIC TO TRILLER

To date most labels have put much more effort into building audiences and gaining traction on TikTok, and certainly see it as the more important marketing channel. Though Triller has been busy trying to persuade influential creators to switch to its platform.

And with many labels and distributors now also having licensing deals in place with Triller, there are both marketing and revenue opportunities on this platform too, even if it is often a lower priority for many labels. As distributors agree their licensing deals with Triller they will push clips into the app's audio-library. As always labels should liaise with their distributors regarding options and best practice for including recordings in that library.

08: MUSIC ON TWITTER



Twitter has obviously been a popular marketing tool for a long time now, though the social media firm's lack of music licences has become ever more controversial as the sharing of short-form videos has become common on the platform.

PROFILE MONETISATION

Alongside the debate over Twitter's lack of music licences, more recently there have been interesting developments regarding the introduction of new monetisation tools for creators within the platform. That includes the Twitter Tip Jar, a recently added function making it easier for fans to make donations to creators directly via the app, albeit via a third-party transaction platform like PayPal, Patreon or Bandcamp. The inclusion of the latter suggests that Twitter hopes music creators will use this tool. Twitter is also piloting a scheme whereby creators will be able to host ticketed events via the platform's audio-conversation function Spaces. It's early days for all of these new tools and it remains to be seen if they are embraced by the music community. Nevertheless, labels should watch these developments and consider opportunities.

PART TWO: OTHER DIGITAL REVENUE STREAMS



01: LIVESTREAMING

Although livestreaming is not new, interest from both fans and industry has increased during the COVID-19 pandemic as more artists have staged livestreams of one form or another, partly to stay connected to the fanbase and partly in order to generate extra income through live performance while real world shows have not been possible.

Many people believe that this new appetite for livestreaming among fans will outlive the pandemic and that more artists will therefore stage livestreams on a regular basis.

This poses various questions regarding if and how this activity will be monetised, and which of an artist's business partners will take the lead on, be involved with and benefit from any livestream projects.

It is worth distinguishing between...

■ **More informal livestreams** that are usually free for the fan to access. These would usually be delivered via a platform like YouTube, Facebook, Instagram, TikTok or Twitch and would likely have relatively low production values. Although there may also be a marketing element to this activity, there are monetisation opportunities too, mainly by utilising the subscription, donation or digital gifting tools that are now being offered to creators by those platforms, as described above.

■ **Ticketed livestreamed concerts** which are more like an online version of an actual live show, usually with much higher production values. These shows are obviously directly income generating, with ticket sales the primary revenue stream.

While it feels like YouTube, Facebook, Instagram, TikTok and Twitch are currently the dominant platforms when it comes to more informal livestreaming activity – partly because it makes sense to deliver that content via a platform where the artist already has a following – a number of other newer and more specialist platforms are also seeking to become established players in the ticketed livestreaming domain.

The debate is ongoing regarding how livestreams should be licensed from a copyright perspective, especially on the songs side.

Unlike a traditional live show, where only the performance element of the song copyright is exploited, a livestream also exploits the making available and reproduction elements of the copyright, and might also be considered a synchronisation. That makes the licensing of the song rights more complicated and – especially in Anglo-American markets – might mean that licences would be required from both collecting societies and music publishers.

Where collecting societies issue the licence, there is also the question over whether or not global licences are available. Clearly most livestreams will be delivered globally, so not being able to secure on one-stop-shop global licence is a challenge.

These complexities may mean that it makes more sense for the platform to sort out the licensing on the song rights side, rather than the promoter or producer of each individual show. This is relevant here because it might mean that whichever platform can offer a one-

stop-shop off-the-shelf licensing solution ends up dominating this market.

THE LABEL OPPORTUNITY

From a label perspective there are two key considerations when it comes to livestreaming.

Livestreams using pre-existing recorded music

First, is pre-existing recorded music being used in a livestream and, if so, how is this licensed? This is most relevant where it is DJ sets being livestreamed, although in some genres pre-existing recordings may also be part of a 'live' show experience.

There may be a role for the record industry's collecting societies here, which would in theory simplify things and make the issuing of licences and collection of royalties simpler. Although, as with song rights, there are issues around whether or not societies can issue the global licences which the promoters and producers of livestreams require. And if a livestream was going to be made available on-demand post-event, it is likely that the collecting society would not have the mandate to issue the licence in that scenario.

Some societies have been actively investigating just how big an opportunity there is in this domain in revenue terms and how they might go about issuing more user-friendly licences.

As with song rights, it may be that it is easier to license platforms rather than individual promoters and producers. Mixcloud in particular has been seeking and securing licences that allow it to offer a pre-licensed platform for delivering livestreamed DJ sets. Though the specifics of platform-wide deals of this kind vary and, in many cases, are still being properly worked out.

Livestreams of live performances

The second consideration for labels here is that any livestream – even if it is a live performance

being livestreamed – creates a new recording.

In most countries labels have rights over any recorded content, or certainly any recorded music, created by the artist while they are still contracted to that label. Depending on how the label deal is structured, this may mean the label's permission is required to deliver the livestream in the first place, and the rights in any content created will belong to the label.

Obviously during COVID-19 when, for many

artists, livestreamed shows were designed to replace income lost from cancelled real world shows, most labels have sought to be flexible.

But if livestreaming is going to be a new revenue stream long-term, then labels will want to be part of this activity, which means understanding what rights the labels already has in its record contracts, how the label can add value to livestreamed projects, and how artist, label and other business partners will share any rights and revenues created.

TIPS + TALKING POINTS

HOW SHOULD LIVESTREAMED DJ SETS BE LICENSED?

- The indie music community should consider the best way to license livestreamed DJ sets, most likely via the collective licensing system, and how societies might issue global licences in this domain.

WHAT LABEL CLEARANCES ARE REQUIRED FOR A LIVESTREAMED SHOW – AND WHAT SHOULD THE LABEL CONSIDER WHEN PROVIDING THOSE CLEARANCES?

- Depending on the specifics of each artist's record deal, label clearance is likely required for livestreamed shows. You should consider on what terms you provide this clearance – in particular considering the impact, positive or negative, on any release plans or campaigns.
- IMPALA issued guidance in summer 2020 on what to look out for when promoters of livestream shows request clearances – you can access this guidance via the IMPALA website.

SHOULD LABELS TAKE OWNERSHIP OF AND EXPLOIT LIVESTREAMED RECORDINGS POST-SHOW?

- Depending on the specifics of each artist's record deal, you may have rights over any recordings created during a livestreamed show. In partnership with artist and management, you should then consider if and how you might exploit those recordings.
- As a label, you are obviously best positioned to distribute and market those recordings, and to handle any data and administration tasks, including logging recordings with society databases.

SHOULD LABELS TAKE THE LEAD ON AN ARTIST'S LIVESTREAMING ACTIVITY?

- Given livestreams are as much about creating great recorded content as staging a show, there is arguably a role for labels to be proactive partners in staging livestreamed concerts with their artists.
- Though there are considerable logistical and production challenges involved in staging a successful ticketed livestreamed show, which you may or may not want to get involved in, plus the song right licensing issues outlined above need to be navigated.
- However, if livestreaming is going to be a long-term new revenue stream for artists, you might want to consider active involvement in those shows being a core part of your artist deals.

02: PODCASTS

Podcasts have been gaining momentum for years now and it's no secret that both media companies and the streaming services have been investing heavily in a bid to dominate this market, whether that is as creators and owners of podcast content, aggregators and distributors of podcast programmes, or as the app via which people access these shows.

There have been some interesting developments when it comes to podcast monetisation this year, with a number of the companies that are seeking to lead the podcast market seemingly recognising that they can gain competitive edge by helping podcast makers more easily generate revenue from their content and audiences.

In the early years the main way to monetise podcasts was advertising, either inserting radio-style ads before, during or after the podcast (some aggregators provide this as a service) or having actual advertorial within the podcast programme itself.

In more recent years more podcasters have sought to generate revenue through donations or subscriptions. Though these transactions usually take place separately to the delivery of the podcast itself. So the podcaster sets up a bespoke website or a profile on a platform like Patreon – and then directs listeners to that site or profile promising extra benefits to those who subscribe or donate. Generally only a small fraction of listeners will actually do that, but nevertheless podcasters can generate some decent income through this approach.



Some podcast aggregators – like Acast – and podcast apps – like Apple Podcasts and Spotify – are now seeking to more closely align the actual podcast programme with the subscription element. Apple Podcasts is launching what is probably the most seamless solution, allowing podcast makers to both take a subscription fee and then deliver any extra premium content from within the same app that the main free podcast programme is delivered.

As podcasts are increasingly monetised – whether through advertising, subscriptions or donations – it poses the question as to whether this format could become a revenue stream for the music industry.

While in some ways podcasting could be seen as an evolution of radio, unlike radio, to date

spoken word rather than music programmes have tended to dominate. This might be because listeners already have access to enough music content via traditional radio stations and their 'listen again' websites and apps, and the curated playlists on streaming services. Or it may be because it remains quite hard to license music for podcasts.

Unlike radio, there are not currently one-stop-shop off-the-shelf music licences for podcasts. Some collecting societies do have licences that might cover podcasts, but these are usually designed for relatively small audiences and often only cover one territory, which is pretty much unworkable for podcast makers.

On the recording side in particular there has been resistance to licensing podcasts via collecting society issued blanket licences, possibly because the podcast format traditionally involved a download, and so was therefore sufficiently distinct from radio to not qualify for a radio-style music licence.

However, as podcast programmes are increasingly streamed rather than downloaded, it may be that there is a role for collecting societies to license these services, bringing in a new revenue stream for artists and labels.

THE LABEL OPPORTUNITY

From a label perspective there are two key considerations when it comes to podcasts.

First, some labels and artists create their own podcasts. This has often been seen as marketing activity more than anything else in the past. However, as podcast monetisation options grow, and as subscriptions become easier to manage, it may be that these could become revenue generating too.

With artist podcasts, does the label have any pre-existing rights over this content, and/or could the label bring expertise in podcast

production and distribution to the table and share in any revenues created by this activity?

Second, can the record industry come up with an effective way of licensing podcasts and therefore create a new ongoing revenue stream? Once again, it would be easier to license platforms instead of individual podcast makers, though that would involve persuading podcast aggregators and apps to take on this task and any accompanying liabilities.

However, as podcast aggregators and apps compete to dominate this market, it may be that being able to offer podcast makers an easy music licensing solution could be a way to achieve competitive advantage, especially if the platform is already involved in monetisation so that there is a revenue stream from which music royalties could be deducted.

Spotify is already experimenting in this space, basically by offering podcasters a tool whereby they can pull tracks from the Spotify music library into their programmes, with the music industry earning standard streaming royalties when those tracks play within the podcast.

It may be systems of this kind that actually allow music podcasts to grow and which turn podcasting into an ongoing revenue stream for the music industry.

The one big limitation of that new service is that, obviously, programmes produced that way can only be streamed via Spotify, and podcasters have to date preferred to be app and platform agnostic.

However, combined with Spotify's new tools for selling podcast subscriptions, it could be that the makers of music-centric podcasts would accept this limitation if it meant they could produce and distribute fully licensed and monetised content.

Some labels are also experimenting with this new service from Spotify, creating editorial content around artists and releases, including catalogue.

Obviously the label is still faced with the challenge of promoting that podcast and building an audience, but it is arguably a more interesting way for labels to curate content

on the Spotify platform than setting up label playlists, and may initially benefit from the novelty factor as well.

Plus with the new subscription tools coming online, the label could directly generate revenue from that podcast by charging listeners for access to extra premium content.

TIPS + TALKING POINTS

HOW SHOULD THE INDUSTRY LICENSE MUSIC TO PODCASTS?

- The indie music community should consider whether the record industry's collecting societies should be empowered to issue blanket licences for podcasts – especially when the delivery is entirely stream based – allowing music-based podcasts to be licensed and revenue generating in the same way as radio.
- Or, alternatively, is the system being piloted by Spotify where podcasts pull in music from a streaming service's catalogue – so that each play of each track counts as a stream on that service – a better approach? Could and should other streaming services offer a similar service?

WHAT IS YOUR INVOLVEMENT IN ARTIST PODCASTS?

- Are any of your artists creating podcasts?
- If so – are you involved in that activity?
- Do your exclusive rights in the artist's record contract include podcasts?
- If not, should they?
- Do you want involvement in podcast activity – and what can you bring to the table in terms of creation, production and distribution?
- Can the artist's podcast be monetised via advertising or subscriptions, and if so, how can you share in that revenue? In most cases ad income around podcasts will be nominal unless the programme has a significant audience, meaning there are likely to be more opportunities with subscriptions. For an artist, this kind of monetisation could also be linked to a wider direct-to-fan subscription offer.

COULD A LABEL PODCAST DRIVE STREAMS AND GENERATE EXTRA REVENUE?

- Could you create a regular podcast for your label?
- Do you have an existing label audience who you could promote a podcast to?
- By using Spotify's new podcast tools, this activity could directly result in extra streaming royalties from Spotify, plus you could look to monetise the programme by offering extra content to premium subscribers. Some labels are also looking into this as a marketing tool, especially around catalogue.

03: DIRECT-TO-FAN – STORES

Arguably the single biggest impact to the music industry caused by the emergence of digital channels in the late 1990s and early 2000s was the creation of the direct-to-fan relationship. Although it does feel that the industry at large is yet to truly capitalise on this.

Most direct-to-fan activity to date has centred on online stores – so artists and labels set up stores on their own websites and/or a direct-to-fan platform like Bandcamp, and then they promote and sell products directly to the fanbase.

Depending on the fans, this may be mainly CD and vinyl releases, and/or other merchandise products. It may also include digital content, although that was more common when downloads dominated the wider digital market.

Linked to the online stores are those platforms that enable pre-order or fan-funding campaigns. These are sometimes the same as the platforms powering the stores. Most D2F platforms allow pre-orders, and Bandcamp has specific fan-funding functionality around vinyl releases. But there are, of course, fan-funding specific platforms like Kickstarter.

These allow an artist or label to build a campaign around a physical release or new merchandise, creating a compelling reason and a sense of urgency for fans to commit to a purchase. Getting orders upfront can also reduce risk and help with cashflow, of course.

Although such campaigns generally require a considerable communications effort, and fans

who opt in need to feel that they are getting extra benefits from doing so.

Although D2F stores and campaigns of this kind are not new, during the COVID-19 pandemic many artists have put more effort into this activity, and this may well continue even once the pandemic is over.

And, as described above, this activity can now be integrated with YouTube, Facebook and Instagram (depending on what platform is powering a store), which makes it easier to promote products and simplifies the process for fans looking to purchase.

THE LABEL OPPORTUNITY

From a label perspective there are three key considerations when it comes to D2F stores.

First, does the label have its own direct-to-fan store, most likely selling physical releases (CD, vinyl, possibly even cassettes), but also possibly merchandise, whether label or artist centric? If so, how can the label maximise direct-to-fan sales through this store?

Second, how can the label utilise its artists' own stores, in particular for selling physical releases. That may simply mean treating the artist's D2F store as another retailer, and maybe even allowing the artist and their team to take the retailer's cut of any sales, so to incentivise them to push the label's releases to the fanbase.

Third, some labels may have an interest in an artist's merchandise business in particular or direct-to-fan activity in general as ancillary revenues in a record deal.

Where that is the case, how proactive is the label on this side of the artist's business, and what can the label do to maximise the



potential of the artist's merchandise and direct-to-fan sales?

One challenge can be finding an effective way to bring together products from all an artist's business partners into one location – so records, tickets, merchandise etc – making it easier for fans to purchase, and allowing artists to bundle and upsell products, which can be a key part to maximising artist store revenues. This is all the more tricky if the label, promoter

and merchandiser all also have their own direct-to-consumer platforms.

Some platforms – Bandcamp in particular – have sought to facilitate this process, by allowing artists and labels to have their own accounts, but for relevant products from the latter to also appear in the former's stores. This obviously requires both artist and label to use the same platform, but can increase the effectiveness of this activity.

TIPS + TALKING POINTS

HOW CAN YOU MAXIMISE SALES ON YOUR LABEL'S OWN DIRECT-TO-FAN STORE?

- The opportunity here depends to an extent on how big an online audience your label has built – which may in turn depend on your A&R policies and what genres you specialise in.
- However, assuming you have some online audience, direct-to-fan sales can be maximised through routinely bundling and upselling products, pushing discounts and promotions via social media, and utilising print-on-demand services to expand product range without too much risk.

HOW CAN YOU BETTER UTILISE YOUR ARTISTS' STORES?

- If an artist's core fanbase includes CD and vinyl buyers, then make sure these products are available in the artist's store. You could consider offering the artist the retailer's cut on any sales so they are incentivised to push these products.
- If as a label you have rights over the artist's merchandise and/or direct-to-fan activity, then how is this side of your partnership managed? If it means you are running the artist's D2F store, then everything said above about maximising sales on the label store also applies to the artist store.

04: DIRECT-TO-FAN – SUBSCRIPTIONS & DONATIONS

A growth area in the direct-to-fan domain is in donations, subscriptions and 'patronage', encouraging fans to make one-off or repeat payments, possibly simply to support the artist and their creative projects, and/or to access extra premium content or experiences.

In many ways this is simply a digital version of the old-fashioned artist fan club. However, it does feel that the opportunities in this domain have increased in recent years.

That is partly because of certain platforms that facilitate this activity gaining momentum. And partly because of creators outside of music increasingly relying on this revenue stream, which means fans are more used to the idea of direct-to-fan donations and subscriptions.

As noted above, platforms like YouTube and Facebook have developed subscription and donation tools that can be used to monetise the direct-to-fan relationship in this way.

However, in the main artists tend to use specialist platforms for this activity, with both Bandcamp and Patreon very popular in this domain. OnlyFans – although usually associated mainly with social influencers and more adult content – is also seeking to sign up more artists from the music community. There are also platforms that can provide more bespoke subscription offerings for artists, such as the artist-specific apps created by FanCircles.

THE LABEL OPPORTUNITY

From a label perspective there are three key considerations when it comes to artist subscriptions and donations.

First, if an artist wants to make recordings controlled by the label available as part of any subscription offer, how do you facilitate that, how is that monetised, and how do you ensure that such activity does not negatively impact on other revenue streams?

Although the subscriptions option on a D2F platform might allow you to give subscribers access to all of an artist's recordings, a label may prefer fans to mainly listen to tracks on a streaming service that is paying royalties for each play. However, offering subscribers access to rarities, demos and remixes not available elsewhere can be a compelling proposition, but how does the label benefit from that if the artist is selling the subscriptions?

Second, if the artist is creating original content for their subscribers, is the label involved in that activity and does the label have any rights over that content?

Even if the label is not directly involved in this side of the artist's business, labels are often making great content for marketing purposes, some of which could be repurposed for this activity. And – especially if the original content includes musical performances – the label may have rights over that content anyway through any exclusivity clauses in their record deals.

Therefore artists and labels should at the very least discuss this activity, how the label might get involved, how the label might add value and enhance the subscription offer, and whether

the label has rights over any content and, if so, what that means.

Third, some labels may have involvement in the artist's direct-to-fan activity as an ancillary revenue stream in the record contract. If so, again the artist and label need to discuss how this activity should be managed and how any revenue may be shared.

The label's exact role may also change over time. Around new releases, the label may be well positioned to create additional content and add value to the artist's subscription service with minimal extra cost and hassle. But at other times the artist and management may be better positioned to create and deliver the content and experiences that have been promised to subscribers.

TIPS + TALKING POINTS

WHAT IS YOUR ROLE WITH THIS KIND OF DIRECT-TO-FAN ACTIVITY?

■ With your current artists, what is your involvement in this activity? That will depend partly on what form this activity specifically takes and what rights you have in each record deal. But where you are involved, how can you support the artist so that they can offer the best benefits for subscribers?

WHAT SHOULD RECORD DEALS SAY ABOUT THIS KIND OF DIRECT-TO-FAN ACTIVITY?

■ With this kind of direct-to-fan activity currently in growth, labels should consider whether they would like increased involvement in this side of each artist's business, and then ensure that new artist contracts cover this activity, setting out what specific support the label will provide and how revenues will be shared.

05: DIRECT-TO-FAN – BESPOKE CONTENT

A relatively new trend in direct-to-fan is offering bespoke content services, whereby fans pay an artist to record a bespoke piece of content, usually a short and simple audio or video message. Cameo is perhaps the best known platform in this domain.

Within the music industry, it is still very much early days for this kind of service. Some artists have been able to generate decent revenue from this activity, although it remains to be seen to what extent that success has been at least partly enabled by the gimmick element,

and to what extent this could be a long-term decent revenue stream.

THE LABEL OPPORTUNITY

If there is long-term potential for this revenue stream, and where artists are willing to offer this service to fans, labels should possibly consider how they get involved.

Labels with an interest in an artist's direct-to-fan activity should definitely consider this opportunity – and if any bespoke content created for fans features music, they may also have some rights over this activity through a more conventional record contract.

Of course, because this activity needs to be

entirely artist-led – and given how lo-fi the content created usually is – it is debatable what added value the label can bring. However, with artists where this could be a

significant revenue stream, those artists and their labels should probably discuss what role the label should have in this activity and any revenue it generates.

TIPS + TALKING POINTS

WHAT IS YOUR ROLE WITH THIS KIND OF DIRECT-TO-FAN ACTIVITY?

■ With your current artists, is this a viable new D2F revenue stream and, if so, what is your involvement in this activity? Assuming the bespoke content does not include musical performances – which it usually would not – then that will depend on whether you have rights over other kinds of recorded content and/or direct-to-fan activity. Where you are involved, how can you support the artist to get the most from this opportunity and effectively manage requests for content?

WHAT SHOULD RECORD DEALS SAY ABOUT THIS KIND OF DIRECT-TO-FAN ACTIVITY?

■ With this kind of direct-to-fan activity currently in growth, labels should consider whether they would like increased involvement. Obviously, unlike the other direct-to-fan activity described above, this option is only suitable for certain artists and certain fanbases, and would definitely require the enthusiastic participation of the artist. But if you are working with artists who want to pursue these opportunities, then ensure that new artist contracts cover this activity, setting out what specific support the label will provide and how revenues will be shared.

06: NFTs

Non-fungible tokens have become a big talking point in the music industry in 2021, as a number of artists have generated significant sums through the sale of such tokens.

An NFT is basically a set of data, stored on a blockchain, that can verify the authenticity and ownership of any one unique item, including a digital content file. One of the reasons they have garnered interest in the creative and music communities is that through NFTs you can introduce scarcity into the digital market, and in doing so greatly increase the value of any one piece of content, thus creating a marketplace for unique collectable digital files.

The sale of NFTs within music has raised some interesting questions. What kinds of digital or real-world content or experiences can be attached to an NFT? What rights does the purchaser of the NFT actually acquire? Crucially, ownership of an NFT does not necessarily equate to ownership of all or any of the copyrights within a piece of digital content.

There has been an element of experimentation to date, and many of those questions are yet to be fully answered. In terms of the commercial potential of NFTs, the huge sums of money already generated by certain artists may have benefited from the wider general interest in NFTs and the ownership of such tokens, including in the investment community. It may be that as the market matures the amounts of money raised starts to fall.

THE LABEL OPPORTUNITY

Although NFTs have been widely positioned in the media as a way for creators to “cut out the middle men”, if there is long-term revenue potential in this domain, artists will want to work with their business partners on capitalising on this opportunity, including labels. Where the product linked to the NFT is recorded content – as it often is – obviously an artist’s label will automatically be involved in that activity, if only because the label will likely have rights in the recordings being utilised.

Industry conventions need to be developed as to quite how that will work, what rights the purchaser of an NFT will have over any content, how monies will be shared between the artist and their business partners, and whether the

artist and any of those business partners will also share in any subsequent resale of the NFT (the original seller can factor a share of subsequent resale profits into the token).

While bigger name artists may be benefiting from the general hype around NFTs at the moment, in the long-term they are likely another direct-to-fan product via which super fans can buy access to limited edition content or experiences, and/or simply enjoy the feeling of having a “unique connection” to that content and the artist who created it (so that what the fan is actually buying could be seen as “bragging rights”). The NFT might also be a useful tool for connecting a physical piece of merchandise with some digital content, linking the physical product to a recording.

TIPS + TALKING POINTS

WHAT IS YOUR ROLE IN NFT ACTIVITY?

- There is obviously a big role for labels here, as artist-centric NFT activity is often linked to recorded music, and therefore likely exploits the label’s rights. Artist and label need to consider what content is being made available in this way, what specific rights the purchaser will have over that content, whether there will be any additional income from future resale of the NFT, and how any revenue will be reported and shared between artist and label.
- Consideration also needs to be given to the song rights in any recorded music, as licensing those rights and paying any royalties due to the publisher or songwriter will generally be the responsibility of whoever sells the NFT. The music publishing industry is still figuring out how such activity will be licensed – ie via a collecting society, a music publisher or a combination of the two.
- Assuming NFTs have a longer-term future beyond the current hype, labels might want to consider specifically including this activity in record contracts. That could also enable labels to get involved with NFT projects linked to other kinds of content and experiences beyond sound recordings.

WHAT ABOUT THE ENVIRONMENTAL IMPACT OF NFTs?

- Given that the independent music community has been very proactive in recent years regarding the need to build a more environmentally sustainable industry, labels should also consider the environmental concerns that have been raised about NFTs.
- This mainly relates to the way the blockchains powering NFTs work, in particular the Ethereum blockchain that has been the biggest in this domain to date. Although this is definitely a concern, planned future developments regarding how Ethereum works – and/or the use of rival blockchains in the NFT space – will likely reduce the environmental impact considerably.

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ABOUT IMPALA

IMPALA was established in 2000 and now represents over 5000 independent music companies. 99% of Europe's music companies are small, micro and medium businesses and self-releasing artists. Known as the independents, they are world leaders in terms of innovation and discovering new music and artists – they produce more than 80% of all new releases and account for 80% of the sector's jobs. IMPALA's mission is to grow the independent music sector sustainably, return more value to artists, promote diversity and entrepreneurship, improve political access, inspire change, and increase access to finance. Read more about IMPALA's story in 20 milestones on our website. impalamusic.org



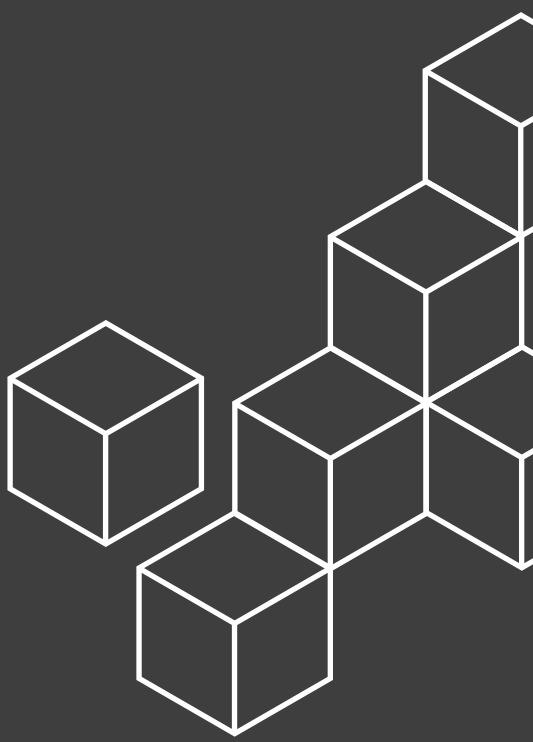
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CMU helps people navigate and understand the music business through media, education, research and events. CMU Insights is the company's business intelligence unit. It supports the music industry – both music companies and companies working with music – through training, consulting, research reports and conference sessions. cmuinsights.com



ABOUT MERLIN

Merlin provides independents the means to own their future. Members work directly with key digital partners, but benefit from Merlin's premium deals with over thirty digital music services around the world. Merlin's membership consists of independent labels, distributors, and other rights-holders, representing tens of thousands of labels and hundreds of thousands of artists from every country in the world, representing 15% of the global market share. As a member-led, artist-focused organisation, Merlin's mission is to deliver best in class services and work collaboratively with its digital partners to drive incremental benefits to members, while delivering value back to digital music services. merlinnetwork.org



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