MIDiA Consulting | The Changing Nature of Music Creation

MIDiA Research

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Introduction: Independent Artists Continue to Reshape the Music Industry

The rise of a new generation of empowered, independent artists is driving transformational change throughout the music industry. If streaming drove change in the distribution of music, then today's independent artists are driving change throughout the entirety of the music business, from music creation to how artists can make a viable living from their creations.

The base of 3.7 million independent artists is highly diverse, encompassing:

1. Rising artists who will build bigger audiences and progress to label deals
2. Former label artists who are maintaining independent latter-stage careers
3. Enthusiasts with small audiences
4. Established independent artists who have found their global niches

All four groups are important, but the lattermost is in many ways the most important and contributes to the artists direct segment being a viable commercial sector in its own right. All four groups are forging a different path through the industry, yet all of them make the same creative product: songs. In this research, we examine some of the trends that are influencing the way songs are created, produced, marketed and distributed, whether at the top of the charts or deep in streaming niches.

How should new industry services adapt their propositions to help serve artists better as they create songs for this new, empowered industry?

About This Research

Amuse commissioned MIDiA Research to explore how the music industry is changing, from three key perspectives:

1. The growth of the artists direct sector
2. The changing nature of artist representation and management
3. The trend towards greater collaboration in song making

The report follows the three main perspectives above, and in each case, we state the findings and insights uncovered from the various data gathering efforts. MIDiA used a variety of sources, some public and some via our proprietary datasets.

EXECUTIVE SUMMARY – OVERALL INSIGHTS

Direct Artists

- Independent artists (artists direct and label services) generated $1.6 billion in recorded music revenue in 2018
- There were 3.7 million artists direct and 0.4 million label services artists
- Artists direct – i.e. those artists that distribute their music without any form of record label – are the fastest-growing component of the global recorded music market
- MIDiA's provisional estimates put artists direct revenue at $821 million for 2019 – up from $643 million in 2018, representing 3.9% of the entire global recorded music market

Artist Management

- As much as 85% of artists direct do not have any form of management representation (3.1 million artists)
- Artists with label services deals, namely those independent artists further along in their careers, are much more likely to have representation, with 140,000 having a full-time manager
- Most managers handle one or two clients. Within larger management organisations, a ratio of one manager to four artists is a typical average
- The UK's Music Managers Forum (MMF) recently found that 14% of managers juggle four to nine clients, often at different stages of career development
- Whilst 73% of UK managers handle featured artists, 42% represent songwriters, 33% represent producers and 17% represent DJs

Collaboration on Hit Songs

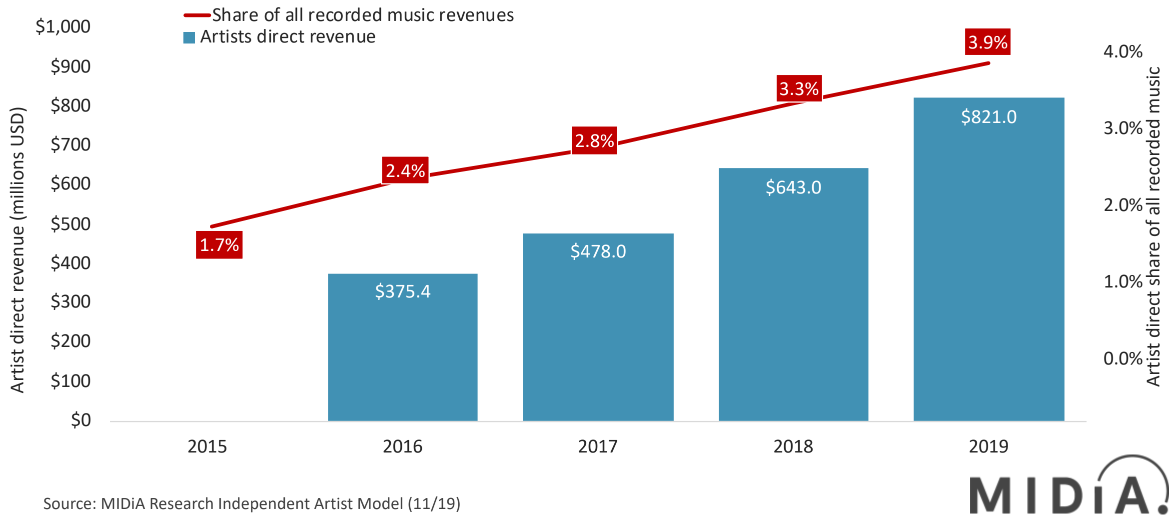
- To have a greater chance of making the Spotify top 200 streaming chart, in the UK, USA, Germany and Sweden artists are releasing more songs featuring other artists
- In the UK and USA, almost one third of unique tracks that reach the Spotify top 200 now include a featured artist or collaboration in the song title
- The 'featured' effect is even more prominent when it comes to major hits on YouTube. Of all the music videos that have passed one billion views on YouTube, 59% have featured artists
- The overall teams behind popular songs, including performers, producers and writers, have been steadily increasing for the bigger hits in the USA (Billboard top 10, Hit Songs Deconstructed)
- At the higher end of the charts (the Billboard top 100), artists are releasing a greater volume of output through a combination of longer albums, more EPs and single tracks, remixes and versions
- The above trends mean that there is greater complexity in administering rights and royalty payments, and greater requirement for clearances and pre-agreements

SECTION 1: THE GROWTH OF THE ARTISTS DIRECT SECTOR

Independent artists generated $1.6 billion in recorded music revenue in 2018 across artists direct and label services. There were 3.7 million artists direct and 0.4 million label services artists. Artists direct are the fastest growing component of the global recorded music market. MIDiA's provisional estimates put artists direct revenue at $821 million for 2019, representing 3.9% of the entire global recorded music market. This represents a growth of 25% on 2018, with $160 million of net new revenue.

Figure 1: Global Artist Direct Revenue for 2019 Will Reach $821 Million

Global Artist Direct Revenue and Share of All Recorded Music Revenue, 2015-2019, Global (millions USD) – 2019 (Figures Are Estimates)



Artists direct represent two different opportunities for the global music business:

1. A vibrant top of funnel for identifying tomorrow's music stars
2. A viable sector for smaller-scale artists

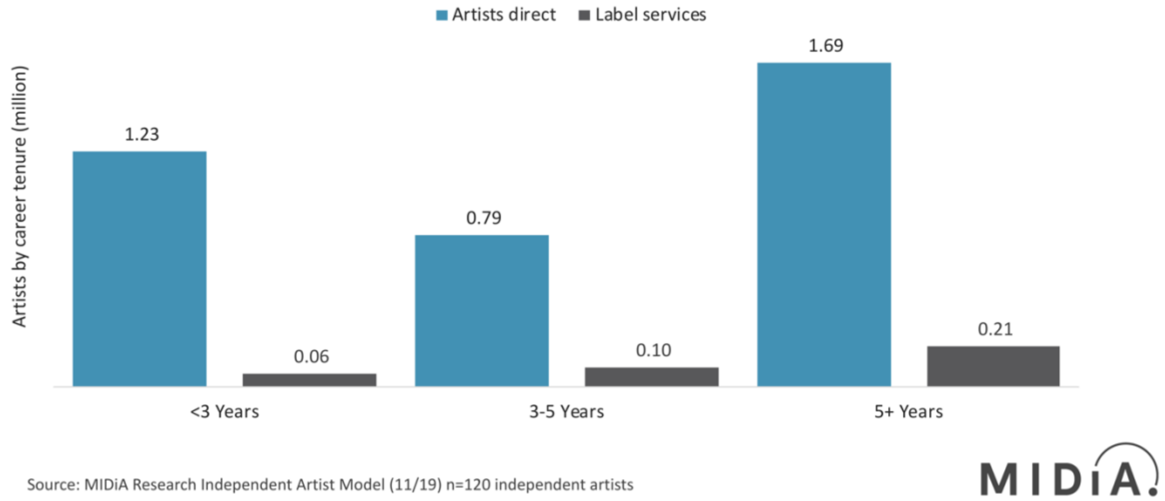
While the first represents a strong asset for feeding the wider recorded music market, in many ways it is the second that is the most exciting for a larger share of artists. Now it is possible for artists that may never become established label artists to build global fanbases and sustainable careers on global niches that direct distribution platforms can connect them with. This fast-growing tier is flourishing in its own right.

At the artists direct end of the spectrum there is a huge amount of variety and diversity in terms of career stage, earnings and fanbase. Around a third of these artists are involved in projects that have existed for three years or less. These artists represent the emerging wave of tomorrow's artists, building their fanbases while retaining control of their careers. For them, tools for direct distribution represent an opportunity to reach and build global audiences on their terms in a way that previous generations of emerging artists could only dream of.

At the other end of the scale, close to half of artists direct projects have been in existence for five years or longer. These are artist who have either found their natural level of productivity or enjoyed higher levels of success in previous years. The crucial element here is that direct distribution platforms enable artists to maintain active music careers much longer than in previous eras. In the past, if a career had peaked it was hard to carry it on much further. Label business models were often not agile enough to be able to support artists with modest audiences fragmented across multiple geographies. Now, artists can reach niche audiences globally and build viable careers through a relationship with these audiences.

Figure 2: Independent Artists Are Split Between Those Building New Projects and Long-Established Acts

Independent Artists by Amount of Time Spent Working on Current Project, 2019



As artists progress through their careers, most take on management to help them manage and maximise their increasingly complex income streams and opportunities. At the very early stages, it is often a friend of the band who adopts this role, learning skills as they go. However, this model is now changing as a result of direct digital distribution.

In order to map the tenure of artist careers, MIDiA applied responses from a survey of independent artists to the total installed base of artists direct and label services artists. In the survey, independent artists told us how long they had been working on their current projects and whether they were releasing directly or on a label services deal.

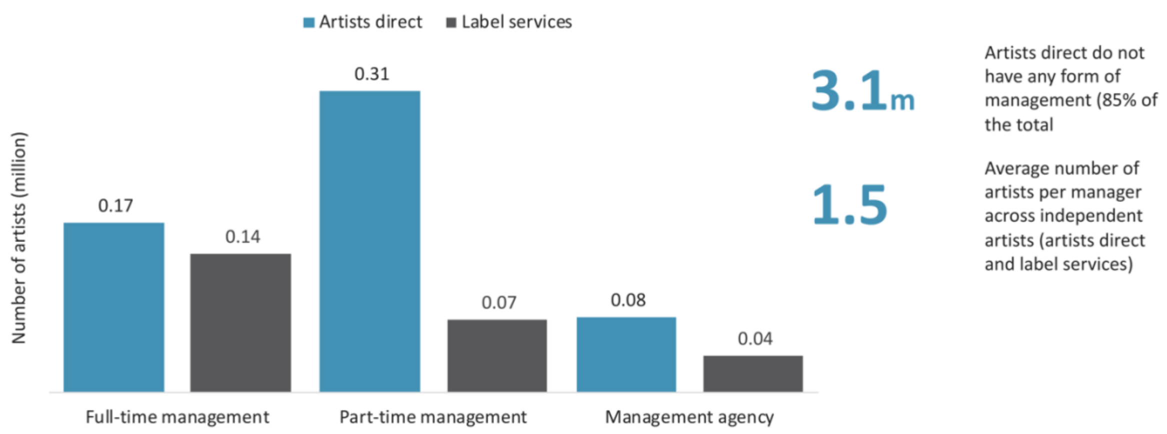
SECTION 2: THE CHANGING NATURE OF ARTIST REPRESENTATION AND MANAGEMENT

Using the same approach as for identifying independent artists with management, MIDiA applied the results from our independent artists survey to the total base of artists direct to measure the total base of management representation. As much as 85% of artists direct do not have any form of management representation (3.1 million independent artists). Many of these artists are enthusiasts who will likely never have a manager, but many have found a way to build an audience at the stage before they would normally have started working with one. This is clearly an opportunity for aspiring managers, but there is also a case here for non-represented artists to get a better sense of the benefits of working with a manager.

Of those who do have managers, the majority (310,000) have part-time management. Clearly, as these artists' careers grow many of these managers will transition to full-time roles. Artists with label services deals, namely those independent artists further along in their careers, are much more likely to have representation with 140,000 having a full-time manager.

Figure 3: Majority of Independent Artists Do Not Yet Have Management of Any Kind; of Those That Do, Majority Are Part Time

Number of Independent Artists with Management Representation, 2019



Source: MIDiA Research Independent artist Model (11/19) n=120 independent artists

Across all independent artists, managers represent an average of one and a half artists, with management agencies skewing up the average. Within agencies there is an average ratio of four artists to every manager (sourced from researching ROSTR).

Role of Managers (MMF, UK)

The UK MMF recently surveyed 183 member managers and published the results in the report Managing Expectations. This study revealed the following insights:

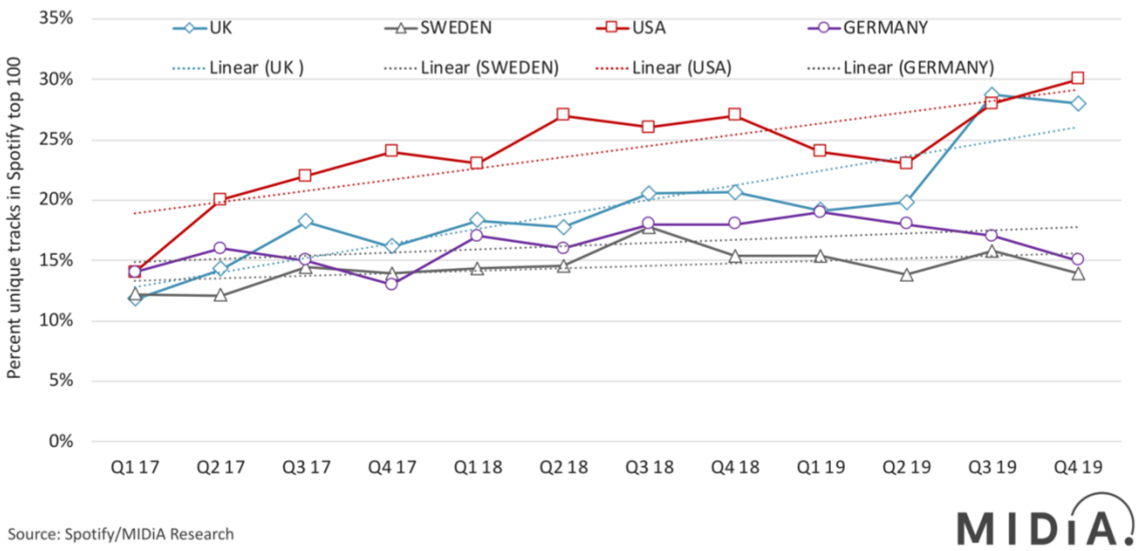
- Whilst 73% of UK managers manage featured artists, 42% represent songwriters, 33% represent producers and 17% represent DJs
- Most manage one or two clients. However, 14% juggle four to nine clients, often at different stages of career development
- 43% have been managing for one to five years, whilst 44% have been managing for over five years
- One in five managers earn nothing at all, with 56% earning less than £10k per annum

SECTION 3: THE TREND TOWARDS GREATER COLLABORATION IN SONG MAKING

Spotify Charts: Featured Artists on the Rise

By analysing the Spotify charts (top 200) in four major music markets, it is clear that collaborations are on the rise when it comes to streaming hits. Over the past three years the trend towards including a featured artist in a streaming hit is strongest in the UK and the USA. Featured artists have been more prominent in the USA charts than in the UK in the past, but the UK has now caught up. In both markets almost one third of unique tracks that reach the Spotify top 200 now include a featured artist or collaboration in the song title.

Figure 4: Tracks with Featured Artists Are On the Rise
Percent of Unique Tracks in the Spotify Top 200 with Featured Artists



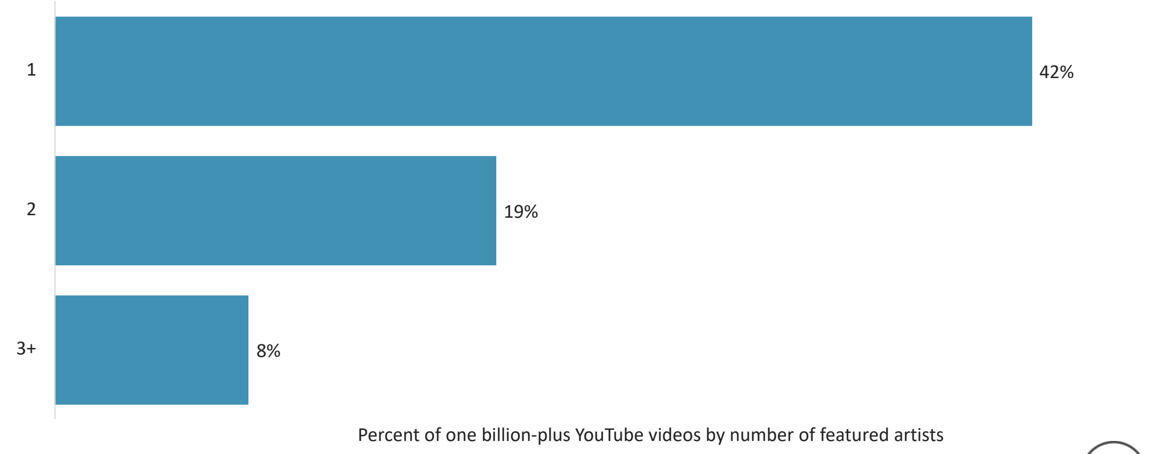
Methodology note: *Spotify's 200 weekly most-streamed charts from January 2017 until November 2019 were analysed for the following markets: USA, UK, Germany, Sweden. The data for these markets was then arranged by unique tracks that had spent at least one week in the top 200. These were then split into the categories of featured and non-featured. Featured denotes at least one other artist listed as featuring/appearing on the track (mentioned by song title).*

YouTube: Biggest Videos with Featured Artists

YouTube has long been central to the streaming music marketplace and for artists finding audiences, but its role has accelerated in recent years. Nowhere is this seen better than in the rise of music videos that have reached one billion views, and within these featured artists have become a vital ingredient. Featured artists give music videos a greater chance of large-scale success by combining the fanbases of multiple artists and, in other cases, allowing an emerging artist to piggyback on the audience of an established collaborating artist. Of all the music videos that have passed one billion views on YouTube, 59% have featured artists.

The most common approach is for just one featured artist (32% of all one billion-plus videos), but a fifth have two. Some artists have made a career of being featured artists, with nine artists appearing as featured artists on two or more one billion-plus videos, peaking with Nicki Minaj who features on five.

Figure 5: Featured Artists Are Central to the Success of the Biggest Music Videos on YouTube
Music Videos with One Billion-Plus Views by Number of Featured Artists



Source: YouTube/MIDiA Research

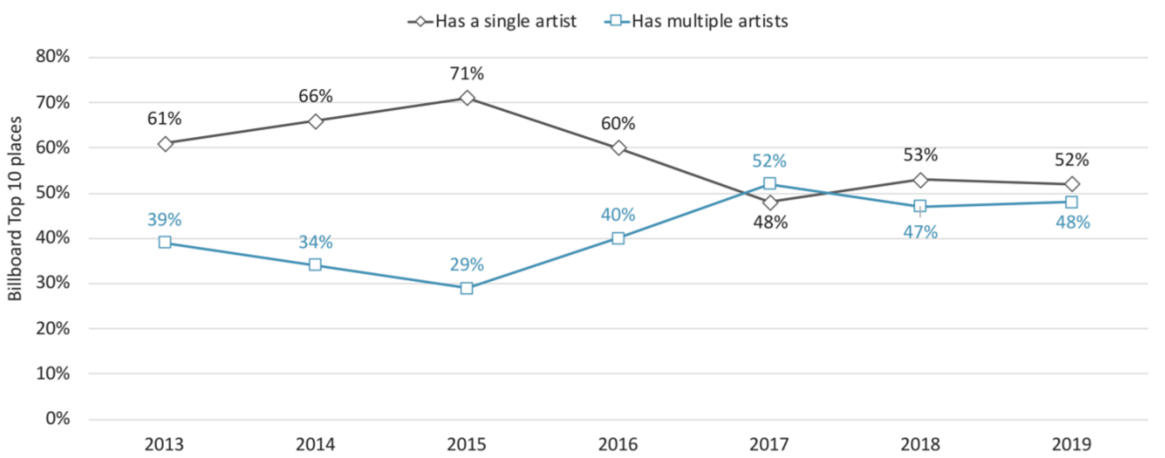
Overall Team Sizes on the Rise in the USA for the Biggest Hit Songs

MIDiA commissioned analysis by New York start-up Hit Songs Deconstructed to do a bespoke assessment of the individuals' contributions to songs that reached the Billboard top 10 in any given year from 2013-2019 (between 60 and 70 tracks each year on average). Hit Songs Deconstructed offers a view of the song writing and production techniques that go into each song via the track metadata. The analysis covered performance team size, number of producers, and overall team size including performance, producers and writers.

Performers

Overall for tracks in the Billboard top 10, single artist performances have fallen slightly in number, giving way to multiple artists per song (interestingly the trend has not applied to the number one songs over the past couple of years). This has been especially true for non-hip hop tracks (perhaps indicating pop and other genres are following the hip hop genre, where this trend is most prolific).

Figure 6: The Dominance of Single Artists Has Declined Significantly
Billboard Hot 100 Top 10, with Single Versus Multiple Artists, 2013-2019, US Only



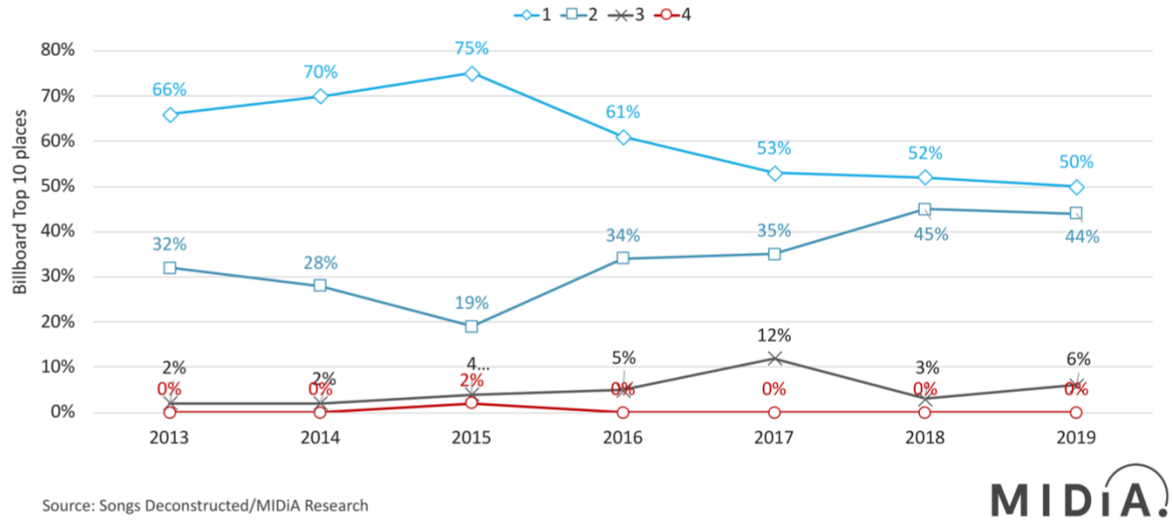
Source: Songs Deconstructed/MIDiA Research

Outside of the hip hop genre, total team size has been trending slightly larger over the last few years.

Songs with at least two credited artists now make up 50% of those that reach the top 10 (2018 and 2019). Compare this with 2015, when some 75% of top 10 hits were by sole-credited artists.

Figure 7: Performing Artist Team Size

Performing Artist Team Size, Billboard Hot 100 Top 10: Non-Hip Hop, 2013-2019, US Only



Producers

- In terms of producers, two thirds of songs in the top 10 have two or more producers, which has been trending up slightly over the period
- Producer team sizes of two have generally been the most popular over the past few years across the Hot 100 top 10

Figure 8: Producer Sizes Have Increased More for Non-Hip Hop Tracks

Producer Team Size**,** Billboard Hot 100 Top 10: Non-Hip Hop, 2013-2019, US Only

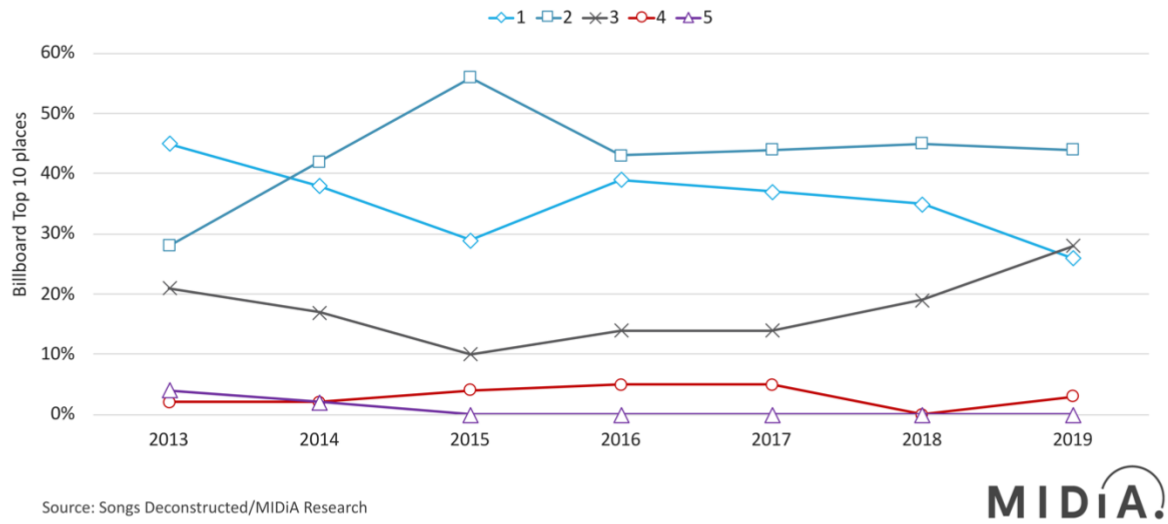
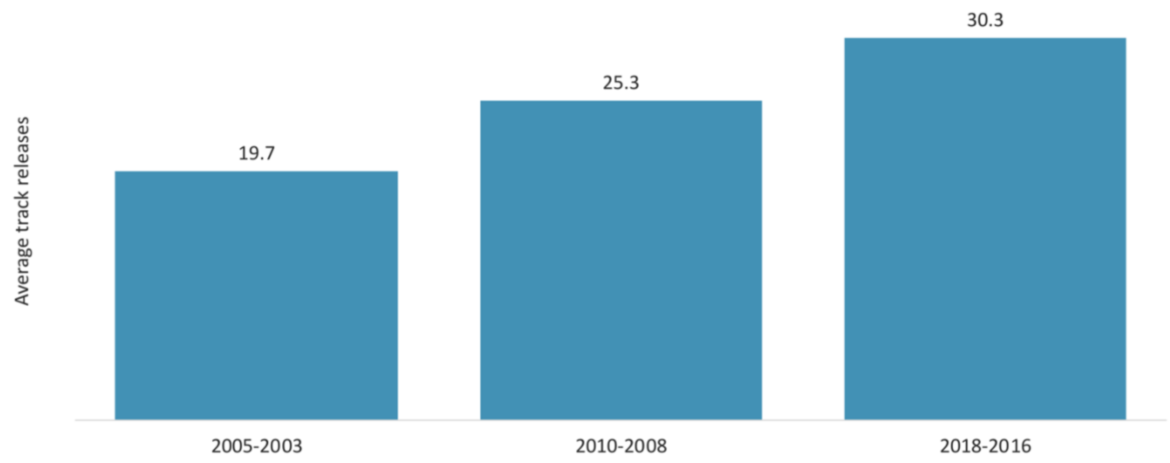


Figure 9: Major Chart Artists Are Releasing More Tracks than Ever Before

Average Track Releases per Three-Year Cycle for Top 100 Billboard Chart Artists, US Only



Source: MIDiA Research

MIDiA analysed the Billboard year-end top 100 chart at three intervals: 2005, 2010 and 2018. For every fifth artist in the top 100, we researched the individual tracks released in that year as well as the prior two years (e.g. 2018-2016). We tracked the releases by album tracks, EPs or singles. We included all separate album tracks, singles and remix releases (not remasters or re-issues, and with no double counting of singles and albums).

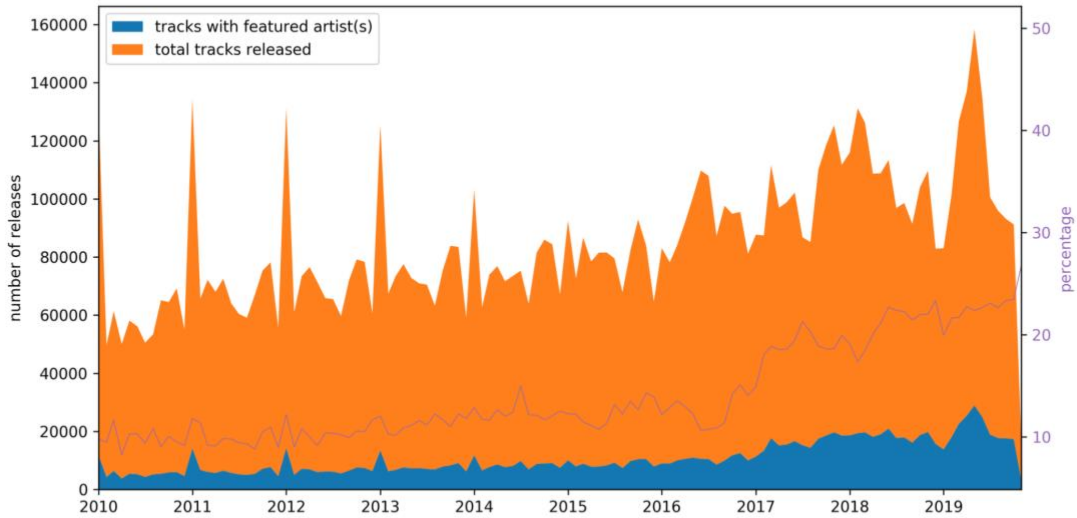
The sample shows a marked increase of releases among the top chart artists. On average, the number of separate song releases in a cycle increased by one third from just under 20 in 2005 to just over 30 in 2018.

APPENDIX

The Collaboration Activity Index

ChartMetric recently published the Collaboration Activity Index (CAI), an analysis of all track releases onto streaming platforms:

"To gauge the evolution of artist collaboration behaviours over time, we analysed all tracks released on major Western platforms in the past 10 years and aggregated their counts by month. We then calculated the Collaboration Activity Index (or CAI, as a percentage of collaborations) by tagging each track as either "solo" or "collaboration". By analysing the whole dataset, we observed that the CAI has doubled in the past decade, with most of the increase happening in the last three years, as evidenced in the chart below."



Number of Releases, From Public Sources

Rolling Stone

"The old album rollout model usually consisted of one single in the months leading up to an album and a second to coincide with the LP's release; now," Kotecha says, "it's all about throwing out content." Camila Cabello shot out six songs before her debut LP, Cardi B unleashed four and on-the-rise boy band PrettyMuch have sprayed out six – with no album in sight.

Additional Findings on Featured Artists and Songwriters, From Public Sources

Dorian Lynskey, GQ

Music Week found that it took an average of 5.34 people to write the 100 biggest hits of 2018 – a new record. "The attitude to what song writing is has changed," says Helienne Lindvall, songwriter and chair of the Ivor Novello Awards. "It's going up by half to a whole songwriter every year and I think that's going to continue."

Music Week

It took another half a songwriter to write the UK's biggest hits in 2018, new Music Week research reveals, with an average of 5.34 writers working on last year's Top 100 biggest singles. That is up 0.5

on 2017’s average of 4.84, and up 0.81 on 2016, as song writing camps, credits for samples and adding writers to avoid plagiarism claims all continue to proliferate.

There were three 100% sole-artist written songs on the Top 100, up from last year’s two, although none of them were released in 2018: Ed Sheeran’s ‘Perfect’ (No.6) came out in 2017, Dennis Lloyd’s ‘Nevermind’ (No.77) was first released in 2016 and even Freya Riding’s ‘Lost Without You’ (No.81) was first available at the end of 2017, although it did not chart until July last year.

The Economist

Hip hop artists continue to collaborate at higher rates than their peers. Hit Songs Deconstructed, a music-analytics firm, estimates that 64% of hip hop tracks that reached the Billboard top ten in 2017 featured more than one artist, compared with 40% of pop songs.