



FAIRMUSE

D3.3 Innovative business models in the music sector

Dr. Adelaida Afilipoaie (imec-SMIT, Vrije Universiteit Brussel)



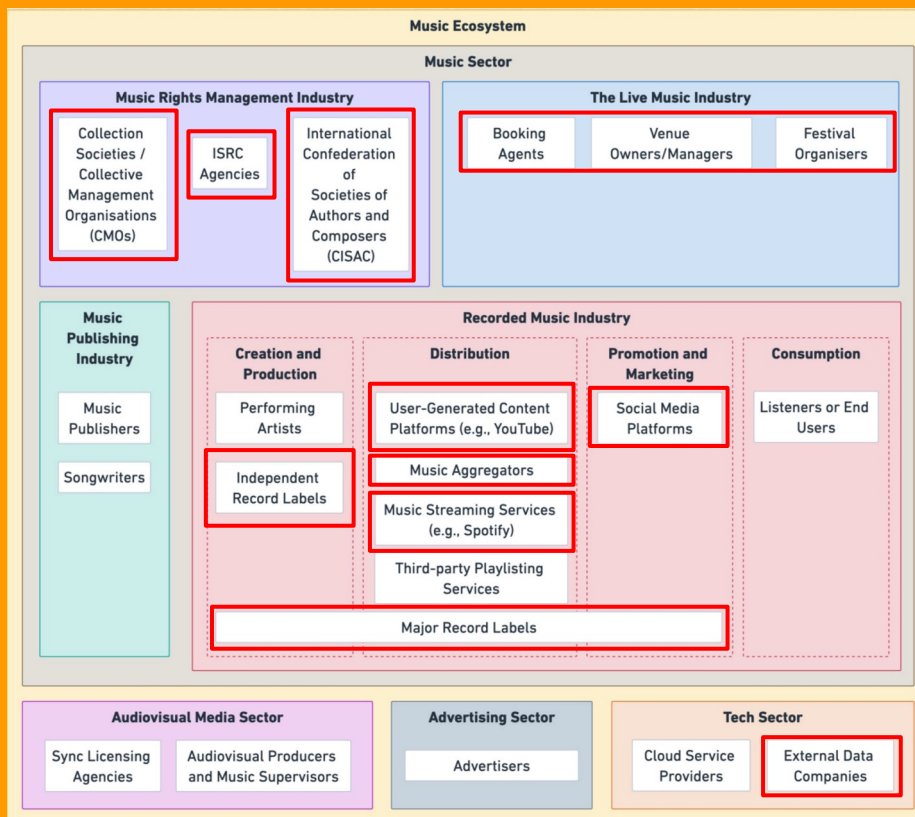
Funded by
the European Union

Team: Adelaida Afilipoaie; Valdy Wiratama; Heritiana
Ranaivoson, Anders Henten

Business Models & Innovation

Quick-scan companies

Stakeholder category	Name	Origin
Collecting societies	SACEM	Europe
	SABAM	Europe
	Unison	Europe
Data solutions and intelligence	Shazam	USA
	SoundHound	USA
	MusicBrainz	USA
	Musixmatch	Europe
	Genius	USA
	BMAT	Europe
	Udio	USA
Events promoter	Live Nation	USA
Independent record labels	Merlin	Europe (UK)
ISRC agencies	SIMIM	Europe
	SCPP	Europe
ISWC agencies	CISAC	Europe
Major record labels	Universal Music Group	Europe & USA
	Warner Music Group	USA
	Sony Music Entertainment	USA
MSS	Spotify	Europe
	Deezer	Europe
	Apple Music	USA
	Resonate	Europe
	SoundCloud	Europe
	Amazon Music	USA
	Rebeat Digital	Europe
Music aggregators	FUGA	Europe
	Bandcamp	USA
	Distrokid	USA
	Ditto Music	Europe (UK)
Social media platforms	TikTok	China
Video sharing platforms	YouTube	USA



Business Models & Innovation

Quick-scan variables and findings

- Company name
- Origin
- Ownership (independent of not)
- Parent company (as main actor in the music industry or outside it)
- Stakeholder category (based on D3.1 classification)
- Main position in the music ecosystem
- Revenue model (direct, indirect, shared, not shared)
- Data (collected, used, shared)
- Customer segments (to determine the main business model)
- Number of customers/end-users worldwide
- Worldwide revenue
- Core value proposition for B2B
- Core value proposition for B2C

- The music industry is undergoing **rapid transformation**.
- **New** revenue streams, players and business models have emerged.
- Industry is not shy of **legal disputes**.
- Metadata and tracking royalties – point of contingency

Independent Record Labels

Empowering artists through independence

- Focus on niche genres and artist development
- Artist-friendly fairer profit splits (sometimes 50/50)
- Limited budgets = **lower negotiation power + lower artist support**



Independent Record Labels

Empowering artists through independence

- Often indies and music aggregators with indie repertoire engage in **collective bargaining with each streaming service and online store** via the global digital rights agency Merlin getting fairer deals

TIKTOK: WE SHUT DOWN MERLIN NEGOTIATION OVER FEARS ABOUT STREAMING FRAUD

OCTOBER 1, 2024

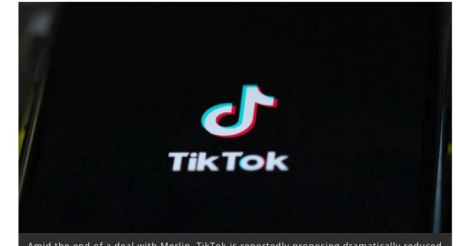
BY MURRAY STASSEN



Credit: Shutterstock

TikTok's Indie Label Renewal Terms Are Leaking — With Aggressively Reduced Payouts and Hardline 'Take It or Leave It' Offers

▲ Dylan Smith · October 10, 2024



Amid the end of a deal with Merlin, TikTok is reportedly proposing dramatically reduced compensation terms to individual indies. Photo Credit: Solen Feyissa

A little over a week after word of the TikTok-Merlin split surfaced, new details are emerging about the direct-deal terms being offered to individual indies.



May 4, 2023

SoundCloud and Merlin Announce Global Licensing Deal to Bring Fan-Powered Royalties (FPR) to Merlin Members and Their Artists

Major Record Labels Adapting to the Digital Age

- No longer controlling music distribution but there is a mutual reliance between MSS and them
- Majors **negotiate agreements directly** with MSSs and music aggregators (e.g., DistroKid), bypassing collecting societies



UNIVERSAL MUSIC GROUP AND SPOTIFY STRIKE NEW MULTI-YEAR AGREEMENT

EXPANDED GLOBAL RELATIONSHIP FOR RECORDED MUSIC AND MUSIC PUBLISHING

COMPANIES TO ACCELERATE PRODUCT INNOVATION, ADVANCE MUSIC
MONETIZATION AND DEEPEN ENGAGEMENT BETWEEN ARTISTS AND FANS

Rejoice! Universal Music Group Artists Return to TikTok as New Licensing Agreement Emerges

Paul Resnikoff © May 2, 2024



Major Record Labels

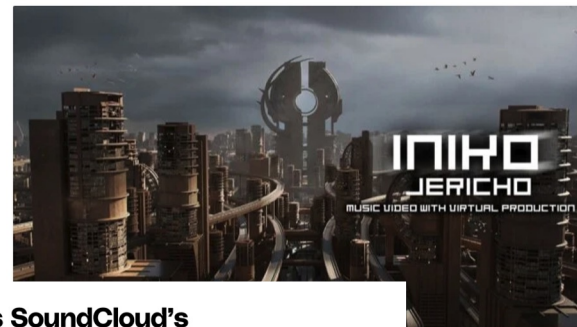
Adapting to the Digital Age

- **Diversification beyond streaming:** expanding into e-commerce, superfans, licensing, and partnerships to attract artists
- **Trying to innovate** (360 deal models were trial and error; superfans apps?!)
- Music is a **multi-industry asset** (e.g., SME) = to enhance monetisation and fan-artist connections
- **Direct artist data utilisation**

SONY MUSIC UNVEILS 'NEXT GENERATION' IMMERSIVE MUSIC EXPERIENCES FOR FORTNITE AND ROBLOX

JANUARY 10, 2024

BY MURRAY STASSEN



COLUMN / HOT POD

Warner Music adopts SoundCloud's user-centric revenue model



Photo by Aselia Holowaty Krales / The Veron

/ WMG is the first major label to embrace the artist-friendly model

by [Ariel Shapiro](#)
Jul 21, 2022, 3:00 PM GMT+2

Jul 21, 2022, 3:00 PM GMT+2

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Music Streaming Services

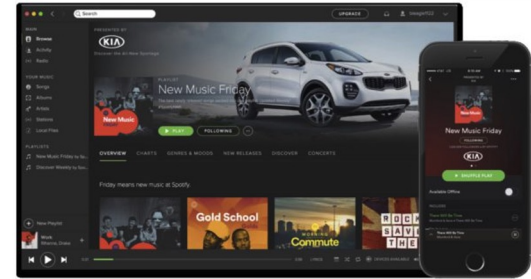
Hybrid, B2C and B2B Models

- **Growing tendency to cater to businesses = B2B services expansion**
- **Multi-revenue streams:** from ad-supported and subscription-based models to sponsored content, business solutions, and event tie-ins

SPOTIFY'S BIG BET TO INCREASE AD REVENUES: SELLING PLAYLISTS TO BRANDS

MAY 27, 2016

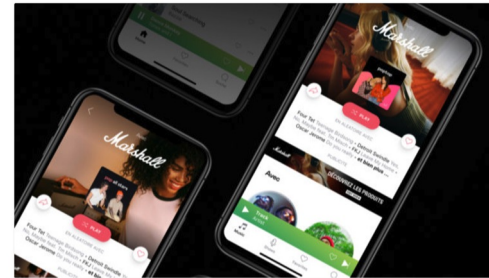
BY TIM INGHAM



DEEZER STARTS SELLING EDITORIAL PLAYLIST SPONSORSHIP TO BRANDS

JANUARY 7, 2021

BY MURRAY STASSEN



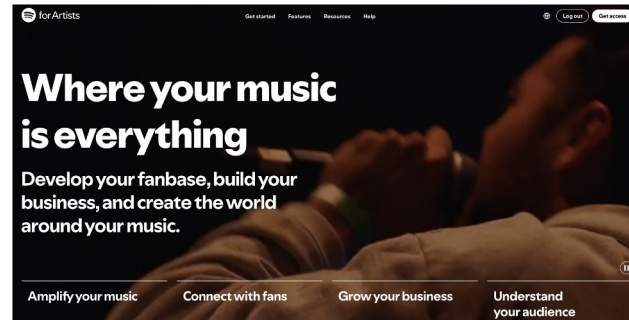
France-born music streaming service Deezer, a \$1.4bn company as of July 2020, is opening its editorial playlists to brand sponsorship.

Music Streaming Services

Hybrid, B2C and B2B Models

- **Bundled services with telecoms:** e.g., Deezer & Orange; Spotify & AT&T

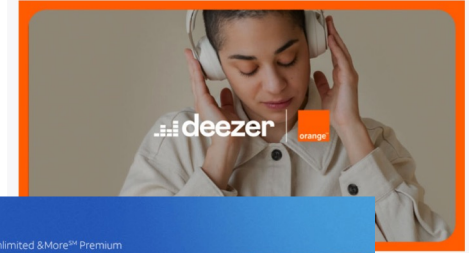
- MSS for Artists



Deezer and Orange renew successful long-term partnership for continued profitable growth in France

Jesper Wendel - Jul 20, 2023 - 3 min read

Maintaining over a decade of fruitful collaboration, the two companies will continue to bring music to life for French people



AT&T Unlimited &More™ Premium

**Unlimited Wireless.
Endless Entertainment.**

Choose an entertainment option, like **Spotify Premium**, on us.

A smartphone is shown vertically, displaying a stack of streaming service logos: Pandora, Cinemax, HBO, Spotify Premium, Starz, VRV, and Showtime. The phone is set against a blue background.

Visit att.com/unlimited for details.

Video-Sharing Platforms

A key music distribution and monetisation channel

- **Dual B2B and B2C monetization models:**
e.g., YouTube makes money from advertisers, premium users, and licensing deals & using Content ID tracking to monetize UGC.
- **Algorithm-based recommendations drive music discovery**
- **Cross-promotion and viral trends:**
interaction between YouTube Shorts, TikTok, and Instagram Reels fuels virality and audience engagement.

Most viewed music videos of all time | [Back to index](#)

Video	Views	Yesterday
1 Luis Fonsi - Despacito ft. Daddy Yankee	8,647,992,727	799,973
2 Wiz Khalifa - See You Again ft. Charlie Puth [Official Vide...	6,555,975,637	1,960,756
3 Ed Sheeran - Shape of You (Official Music Video)	6,408,581,350	555,543
4 Mark Ronson - Uptown Funk (Official Video) ft. Bruno Ma...	5,472,844,923	1,071,818
5 PSY - GANGNAM STYLE(강남스타일) M/V	5,456,403,772	1,574,944
6 Crazy Frog - Axel F (Official Video)	5,016,182,549	2,095,086
7 El Chombo, Dancing Green Alien - Dame Tu Cosita feat. ...	4,956,688,369	1,265,291
8 श्री हनुमान चालीसा ॐ श्री हनुमान चालीसा Original VL...	4,340,547,732	2,709,167
9 Maroon 5 - Sugar (Official Music Video)	4,179,604,003	531,514
10 Shakira - Waka Waka (This Time for Africa) (The Official ...	4,154,404,128	891,027
11 OneRepublic - Counting Stars	4,117,394,400	394,370
12 Katy Perry - Roar	4,099,595,874	728,472
13 Justin Bieber - Sorry (PURPOSE : The Movement)	3,914,275,736	517,116
14 Katy Perry - Dark Horse ft. Juicy J	3,903,208,169	809,889
15 Ed Sheeran - Perfect (Official Music Video)	3,882,342,124	592,516
16 Ed Sheeran - Thinking Out Loud (Official Music Video)	3,847,975,322	324,405
17 Passenger Let Her Go (Official Video)	3,773,786,404	469,215
18 Maroon 5 - Girls Like You ft. Cardi B (Official Music Video)	3,763,929,714	713,111
19 Alan Walker - Faded	3,762,545,708	563,205
20 Major Lazer & DJ Snake - Lean On (feat. MØ) [Official M...	3,725,786,109	532,042

Content ID claim



Do nothing



Remove the claimed content



Share revenue



Dispute the claim

Video-Sharing Platforms

A key music distribution and monetisation channel

- **Disparities** in the revenue generated and the actual distribution of payments to the rightsholders
- **Refrain from proactively monitoring or preventing copyright infringements**

'YOUTUBE MUST BE STOPPED FROM HIDING BEHIND SAFE HARBOUR'

APRIL 15, 2015

BY TIM INGHAM



The CEO of the International Federation for the Phonographic Industry (IFPI), Frances Moore, has given a firm but fair assessment of the record business's year in 2014 – and called for legislation to prevent the likes of YouTube and DailyMotion taking advantage of 'safe harbour' laws in Europe.

YouTube's \$1bn royalties are not enough, says music industry

7 December 2016



GETTY IMAGES

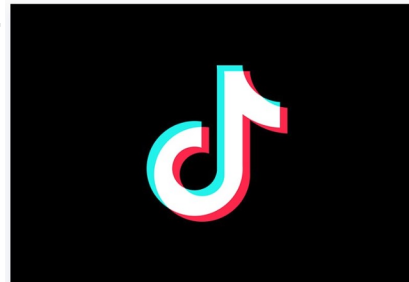
Lady Gaga, whose videos have been streamed two billion times, has criticised YouTube

By Mark Savage
BBC Music reporter

Social Media Platforms

Driving music discovery and monetisation

- **From discovery to monetisation:** platforms like TikTok turn viral trends into chart-topping success, propel both emerging artists and older catalogues back into public consciousness.
- Labels and MSS encourage artists to **leverage their social media presence** = increase chances of **playlist placements**



Digital Music News

TikTok solidifies itself as a top music discovery platform in 2024

By Johanna Campbell • December 6, 2024 • 6 mins read

TikTok's statement that "13 of the 16 Billboard Hot 100 No. 1 Songs of 2024 had major trends on TikTok" proves the platform's impact on global track success.

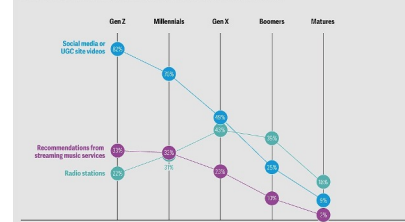
ARTICLE • 3-MIN READ • 22 JULY 2024 • Deloitte Center for Technology Media & Telecommunications

User-generated video content fuels music discovery and fandom among younger people

Gen Zs and millennials rely on social media and UGC videos to find new music—and they're willing to put their money where their ears are

Social media and user-generated content (UGC) videos help younger generations find new music

Percentage of consumers who find out about new artists or songs in the following ways



Note: N total US consumers = 2,537.
Source: Deloitte Digital Media Trends, 9th Edition.

Deloitte | deloitte.com/us/en/digital/research-center/center-for-technology-media-telecommunications.html

Social Media Platforms

Driving music discovery and monetisation

- **Social media-driven distribution:** TikTok's SoundOn music distribution and artist platform that allows artists to upload their tracks and keep 100% royalties (if the music is released on TikTok and Resso – a MSS owned by ByteDance).
- **Direct fan monetization:** superfan models enable **artists to earn from direct engagement** (e.g., exclusive content sales).



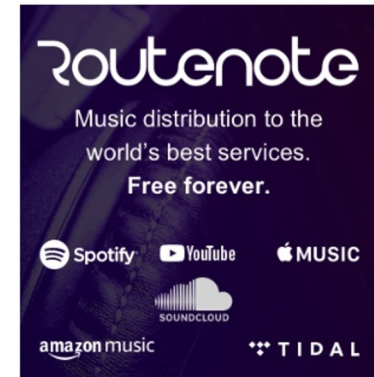
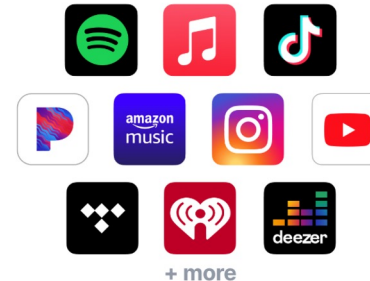
Music Aggregators (music distributors)

Enabling DIY artists and labels

- Intermediating between artists, record labels, streamers and online stores; **distribution as core**
- Ensure **correct metadata** which also ensures the accuracy of ISRC and ISWC codes
- **Self-release & DIY artist support:** aggregators like DistroKid charge flat annual fees rather than taking royalties or charging per upload

Millions of musicians rely on
DistroKid.

Pay only €20.99 to upload unlimited albums & songs for a year and get in stores 10-20x faster than any other distributor.



Music Aggregators (music distributors)

Enabling DIY artists and labels

- **Hybrid distribution models:** some, like Ditto Music, also provide artist and repertoire (A&R) services to emerging artists.
- **Supporting artist-owned music:** e.g., Bandcamp facilitates direct-to-fan sales
- **Direct payment & rights management:** gather streaming royalties and directly distribute it to the artists and labels
- **Shared data analytics** to artists and labels

ANOTHER LARGE INDIE DISTRIBUTOR INKS DIRECT AGREEMENT WITH TIKTOK, AS DITTO LEAVES BEHIND EXPIRING MERLIN DEAL WITH PLATFORM

🇬🇧 🇺🇸 🇨🇦 OCTOBER 25, 2024

BY TIM INGHAM

And Just Like That, TikTok Inks a Direct Deal with UnitedMasters — Bypassing Merlin

▲ Ashley King ○ October 24, 2024



Photo Credit: UnitedMasters

After stating it would not renew its current agreement with independent collective Merlin, TikTok has forged forward with a direct deal with UnitedMasters—a Merlin member.

The multi-year agreement will provide TikTok with UnitedMasters' full, expansive catalog of music while providing additional commercial opportunities for UnitedMasters artists through TikTok's Commercial Music Library.

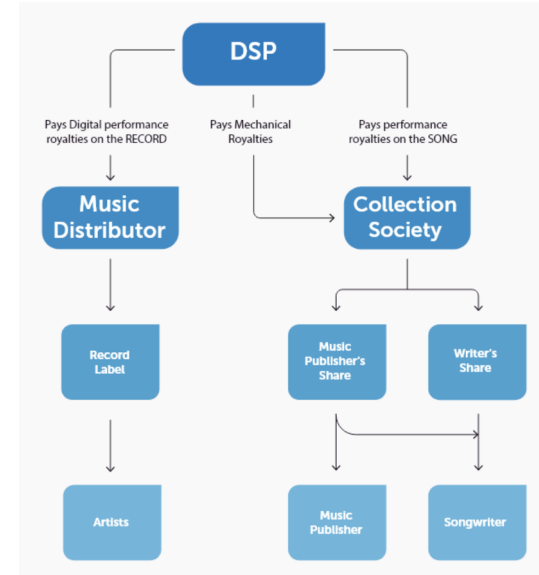


Credit (L): Shutterstock
() says Ditto's new TikTok deal offers "improved commercial opportunities" vs. the firm's previous deal with the

Collecting Societies (CMOs & PROs)

Ensuring rights & royalties

- **Manage rights and distribute royalties for music creators** (i.e., composers, songwriters, performing artists), **music publishers**, from music users (i.e., streaming platforms, broadcasters, venues), and industry partners (i.e., data analytics and rights technology companies)
- **Intermediary** position between rightsholders and music users
- **CMOs coordinate** across territories (umbrella organisation CISAC and BIEM)



Collecting Societies (CMOs & PROs)

Ensuring rights & royalties

- **Direct-to-creator services:** Spanish rights management company Unison's subscription model platform SOLO offers real-time insights into royalty distribution through a dashboard for artists
- Transparency issues in streaming revenue distribution due to **metadata mismatches** (ISWC & ISRC) which affect payments



Welcome to SOLO: global management of all digital rights on one single platform

27 July, 2023 | 0 Comments | News

ISRC and ISWC Agencies

The backbone of digital music rights

- These agencies assign and manage the **unique identifiers** to recordings (ISRC) & compositions (ISWC)
- **Policy influence & copyright advocacy:** partnering with IFPI and CISAC to set global music licensing standards

ISRC CODE

USABC22000001

Country Code Registrant Code Year Code assigned by rights holder

ISWC = International Standard Musical Work Code

T 342467418 1

Always "T"

9 Digit Unique
Code

Luhn
algorithm

ISRC and ISWC Agencies

The backbone of digital music rights

- ISWC agencies work **directly** with Collective Management Organisations (CMO) and **indirectly** with music creators, music publishers (manage the licensing, administration, and monetisation of musical works on behalf of the music creators) and rights administrators
- Important in **metadata and unallocated royalties** discussions



House of Commons
Digital, Culture, Media and
Sport Committee

Economics of music streaming

Second Report of Session 2021–22

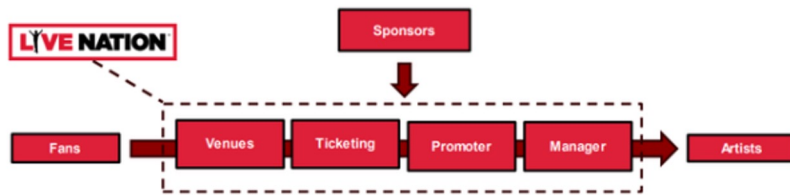
A decorative border composed of various geometric shapes including triangles, circles, and semi-circles in colors like blue, orange, pink, green, black, and white, some with patterns like stripes or zig-zags, framing the central text.

Event Promoters

Monetising live performances and beyond

- **Vertical integration in live music:** companies like Live Nation own ticketing (Ticketmaster), venues, and festivals.
- **Hybrid B2B and B2C revenue streams:** partnering with brands & streaming and online stores to integrate digital music promotion into live events.
- Live Nation has a strand of its business called **Artist Nation** which offers global touring deals and festival performances, as well as artist management
- Expanding **(super)fan experience monetization** as an alternative revenue stream (VIP, exclusive content, brand sponsorships).

Live Nation operates in all verticals within the live music industry value chain, cementing itself as the industry leader.



LYV's role in the value chain (Author)

PRESS RELEASE

Justice Department Sues Live Nation-Ticketmaster for Monopolizing Markets Across the Live Concert Industry

Thursday, May 23, 2024

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For Immediate Release

Office of Public Affairs

Oasis ticket row: How Ticketmaster's owner has grip on UK live music scene

5 September 2024

Share < Save

Chi Chi Izundu and James Stewart

BBC News



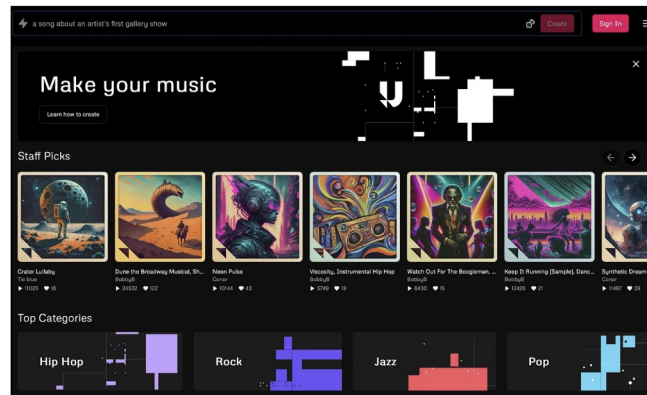
There was huge demand for Oasis's first gigs together since 2009

Live Nation-Ticketmaster's Exclusionary Conduct and Dominance Across the Live Concert Ecosystem Harms Fans, Innovation, Artists, and Venues

Data Solutions and Intelligence

Data-driven innovation in music

- **AI-driven music creation:** e.g., Udio uses AI-generated music, allowing users to create tracks from text prompts.



AS SUNO AND UDIO ADMIT TRAINING AI WITH UNLICENSED MUSIC, RECORD INDUSTRY SAYS: 'THERE'S NOTHING FAIR ABOUT STEALING AN ARTIST'S LIFE'S WORK.'

AUGUST 5, 2024

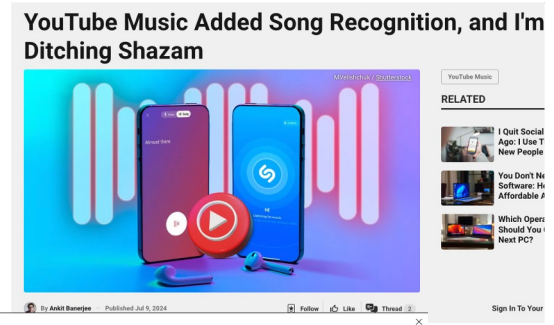
BY DANIEL TENCER



Data Solutions and Intelligence

Data-driven innovation in music

- **Music discovery & metadata accuracy:** Platforms like Shazam drive engagement & playlist curation for MSSs.
- **Open-source & licensing models:** MusicBrainz provides structured metadata, monetising via commercial API access.



List of search results...

There are 40 search results from the database MusicBrainz. Please choose one:

Score	Type	Albumname	Artistname(s)	No. of Media	Format	Total Tracks	Country	Date	Catalog No.	Label/Publisher	ASIN	Barcode	Status
100	Album	Waterloo	ABBA	2	CD (16) DVD-Video (4)	20	SE	2004	0602498664636	Polar		602498664636	Official
100	Album	Waterloo	ABBA	1	CD	14	SE	2001-07	549 951-2	Polar	B00025KAC2	731454995122	Official
			ABBA	1	CD (19) DVD (14)	33	SE	2014-04-07	00602537645374	Polar	B00HYFKUJ2	602537645374	Official
			ABBA	1	CD	2	GB	2004	982 120-1	Polydor	B00000768F	731453398538	Official
			ABBA	1	CD	11	GB	1997	533 985-2	Polydor		042384364324	Official
			ABBA	1	CD	11	DE	1990-08-20	843 643-2	Polydor			Official
			ABBA	1	CD	14	US	2001-06-25		Spectrum Music	B00025KAC2		Official
			ABBA	1	CD	11	DE	1993	133 1342	Spectrum Music	B00025KAC2	731455003420	Official
			ABBA	1	12" Vinyl	11	FR	1974-03-04	LDMA 30263	Vogue			Official
			ABBA	1	CD	11	JP	1992-10-01	POCP-2202	Polydor		4988005104892	Official
			ABBA	1	CD	16	DE	2004-04-27	0602498664636	Polar	B0001Y48Q2	602498664636	Official
			ABBA	1	Digital Media	14				Polar	B0015Z87UM	00711454995122	Official
			ABBA	1	Digital Media	19	XW	2014-04-04		Polar	B000CND2IE	00602537776402	Official
			ABBA	1	Digital Media	1				Polar Music International AS		00602465581768	Official
			ABBA	1	7" Vinyl	2	XW	2024-04-05	30309587	Polar		602455777393	Official
			ABBA	1	CD	22	DE	1999	561 494-2	Polydor			Official
			ABBA	1	CD	3	DE	1974	45 X 3104	Vogue		731456149424	Official
			ABBA	1	7" Vinyl	2	FR	1974	45 X 3104	Vogue			Official
			ABBA	1	7" Vinyl	2	GB	1974	5 EPC 2240	Epic			Official

Buttons: < Back, Next >, Cancel

Business Models & Innovation

Case studies





- From music ownership to curated access
- 71% of music on Spotify is from the Big Three and Merlin
- Works with music aggregators who offer streamlined royalty payments, metadata management and catalogues
- For commercial use: partnership with Soundtrack Your Brand
- Algorithmic selection and playlist curation create barriers for smaller labels and artists
- 18% of WMG's revenue came from Spotify's paid royalties
- Spotify paid by half of the revenue generated to independent labels and artists; the number of independent musicians generating significant income from Spotify has also grown



- Combining features of a social network for music creators and of a MSS
- Also functions as a music distributor/aggregator for music creators - integrating both fans and creators into its ecosystem; 140 million registered users (40 million are music creators)
- freemium model towards music creators and listeners
- 'producer-oriented' platform: empowering musicians
- particular 'prominence' in electronic dance music (EDM) and hip-hop, genres
- Enabling artists to share mash-ups, remixes, and DJ sets □ copyright infringements legal actions
- Innovate remuneration model: user-centric model since 2021; since 2023 it is profitable



- Among the top MSS in various markets: USA, Germany, UK, Spain, Japan
- Amazon Music: it makes the loyalty Prime membership seem like a better value (even if they do not use it)
- Part of the Amazon ecosystem: leverages its parent company Amazon's vast resources, customer base, and technological infrastructure; Alexa integration + bundles
- Cross-promotional activities on gaming platforms; Twitch has proven to be a launching ramp in the careers of many artists and a various source of revenue
- Amazon Music for Artists: artist-fan engagement
- Amazon Digital Music Store: ownership over streaming
- Amazon Music Originals



- Apple created a whole ecosystem of devices, software and services that facilitated the commercial consumption of recorded music: iPod, iTunes, iPhones, etc.
- Late entry (in 2015): Apple shifted from a purchase-and-download model (via iTunes) to a subscription-based streaming model (Apple Music)
- Apple Music is preinstalled on all iOS devices – advantage
- Use of bundles: Apple One; Locking in effect on users to the Apple ecosystem
- Shazam's acquisition in 2018: visibility and discoverability; 120 million active users, Shazam is said to generate 400,000 music downloads daily on its connected platforms
- Apple Music for Artists: access Shazam data analytics



- VSP: hosting UGC and professional content
- Major platform for music promotion and discovery
- Various monetization opportunities: ads, channel memberships, merch sales, and YPP sponsorships
- Challenges in the areas of copyright enforcement, fair use, and revenue allocation; Safe harbour provisions allow YouTube and other UGCs to opt-out of buying licences
- Content ID system: a copyright management tool to automatically deal with UGC infringements
- CMOs monitor, collect and distribute royalties from YouTube for the usage of their members' music
- Leveraging Google's vast advertising network
- YouTube Music as YouTube's own MSS



- Social media platform functioning as a content discovery hub and promotional tool that shapes music consumption
- TikTok's music-centric design integrates short audio snippets into UGC; social space for Gen Z
- Copyright and revenue disputes: TikTok operates on a lump-sum licensing model, where labels receive upfront payments rather than royalties based on how many views on the videos that use the audio track
- Content spreadability does not rely on reposting, but on interacting with the content □ participatory culture
- TikTok's strategy for promotion include outsourcing influencers, which are recognised stakeholders in the EU
- SoundOn, TikTok's own music distribution platform

Key Takeaways

- Being part of a tech multinational (Amazon, Alphabet, Apple, ByteDance) plays an important role for budget reasons, risks taken, innovative attempts, experimentation, M&As, cross-market subsidisation = cheaper subscription, data synergies, economies of scope, negotiation power, power of the ecosystem
- Spotify had a first-mover advantage, but other MSS are picking up
- Only SoundCloud adopts an artist-centric remuneration system which is considered fairer to the artists
- VSPs and social media argue that they contributing to the ecosystem through enhancing visibility and should not be forced to comply with the same requirements as MSS



Conclusions

The future of music business models

- The industry is evolving towards **diverse revenue streams & artist empowerment**
- **Technology, data analytics, and AI** are reshaping the music economy
- Social media, streaming, **artist-fan engagement** and **'superfans'** redefine success
- **From B2C to B2B and hybrid models** for monetisation growth
- The future lies in **flexibility, transparency, and hybrid models**
- Music royalties are so complex that **metadata must be extremely accurate** to ensure its tracking and ensure that rightsholders receive their fair payouts (= joint effort)





Thank you!