



INDEPENDENCE
AND THE
MUSIC INDUSTRY
EVOLUTION



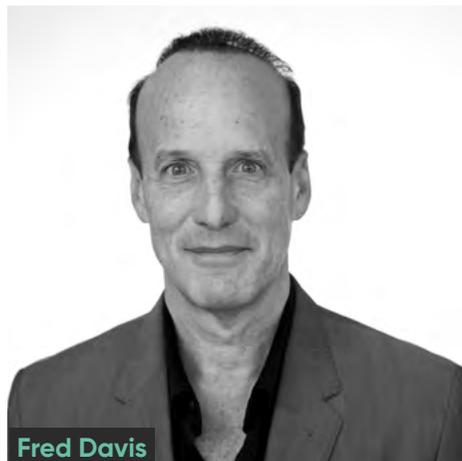
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DIGITAL EDITION

INDEPENDENCE AND THE MUSIC INDUSTRY EVOLUTION

In 2020 already, we have seen [Universal Music Group valued at €30bn](#) when it sold a 10% stake to a consortium led by Chinese technology firm Tencent, and Warner Music Group go public and reach [a market capitalisation of more than \\$16bn](#). Meanwhile, in February it was revealed that the three major music companies are collectively [generating more than \\$1m every hour from streaming services alone](#).

Business is good for the music industry's biggest companies, then. But this stage of the music industry evolution is accompanied by thriving growth for the independent music sector, including indie labels and the 'artist direct' segment – artists who are releasing their music through distributors, without a label deal.

The artist-direct sector was a particular point of interest in Midem's [Artist and Label Services keynote](#) featuring Downtown Holdings, SoundCloud and investment bank The Raine Group, which recently published a report claiming that [revenues for independent artists would grow from \\$1.61bn in 2019 to \\$2.12bn in 2020](#).



Fred Davis

"This area we're talking about is absolutely the fastest growing segment in the entire music industry," said The Raine Group partner Fred Davis, of how the music industry has changed. "It was practically nothing two or three years ago, and this year it will be, we estimate, a \$2bn sector. 10% of the entire music industry, growing at a 35 to 40 per cent rate year over year. And that's why as an investor, we want to be involved in that."

The group's investments in this area include distributor/label hybrid Amuse and SoundCloud, having [invested \\$170m in the latter in August 2017](#) as the company appointed its new CEO Kerry Trainor.



Kerry Trainor

He took part alongside Davis in the Midem keynote, revealing that there are now more than 25 million creators who have uploaded music and audio content to SoundCloud. "Over 12 million of those creators get heard every month, which is in some ways to me the more powerful stat," said Trainor.

Downtown Music Holdings is another business that has been growing alongside the rise in independent musicians, from its publishing division to its subsidiaries in royalty collection (Songtrust) and digital distribution (AVL Digital, including CD Baby, DashGo, AdRev and Soundrop).



Justin Kalifowitz

"There are a lot of options right now. We're seeing major acts who have won Grammys getting a lot of press for now going through what is known as an artist and label services offering," said CEO Justin Kalifowitz, who was the third prong of the Midem keynote.

"We're watching markets that a few years ago had really very few independently distributed artists and everything was through the traditional system [now] growing at double and triple digit growth, which is fantastic to see."

Kalifowitz also suggested that this year's Covid-19 pandemic may be

INDEPENDENCE AND THE MUSIC INDUSTRY EVOLUTION

accelerating some of the music industry evolution around independent artists, suggesting that more of them are realising 'I can do this, I'm sitting at home and the tools are there, and I don't need to wait to get signed, I don't need to wait for someone to back me, I'm just going to do this from my bedroom'.

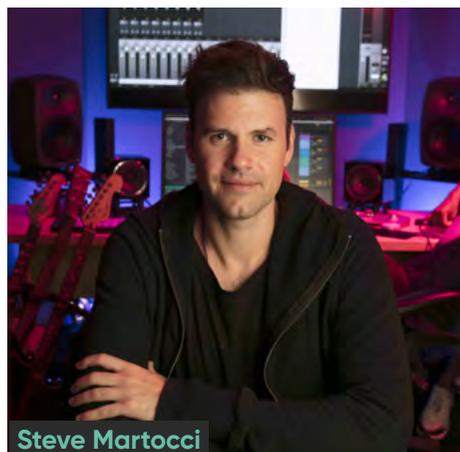
"We're seeing incredible success stories," he added.

THE MUSIC INDUSTRY EVOLUTION IN HOME RECORDING

The ease with which independent artists can record and release from home cropped up in several Midem sessions, including the one on [Music's Bedroom Producer Boom](#).

"Software and what people are able to do at home is so empowering. We are all bedroom producers now! All of a sudden the world changes a bit and we have to do everything we can from home," said Steve Martocci, CEO of Splice, which has a community of more than four million musicians doing just that using its samples library and other tools.

Splice has paid out more than \$25m in royalties to independent artists



Steve Martocci

who've created sample packs for its store – a new income stream for many of those artists, helping them to sustain their independence.

"The whole do-it-yourself concept as it relates to recording has given the artist an opportunity to say 'Oh, I can get a laptop and a microphone and the new Splice compressor, and say 'I'm just gonna cut this myself'. We have a little bit more flexibility going forward," added Grammy-nominated producer Oak Felder.

Recorded music produced at home is not a new trend, but it's one with fresh impetus during the Covid-19 pandemic, with artists aware that even if they write and

record from home, the results can still be high-quality.

"The home studio revolution has gone on for some time," said Kobalt chairman Willard Ahdriz during his [The New Normal Midem keynote](#).

"The most famous album last year, Billie Eilish and Finneas' album [Eilish's debut, which was co-written with her brother Finneas O'Connell] was mostly recorded in their bedroom at home. So quality and great music can be done in those environments."

A HUGE OPPORTUNITY FOR THE INDEPENDENT ARTIST

Like Downtown, Kobalt has built businesses around independence, namely its AWAL distribution and label services arm. Ahdriz said he founded Kobalt inspired by a coming "fundamental shift for independence and access" in the global music industry, and that he hasn't been disappointed.

"There is a huge opportunity now for the middle-tier artists that I have pushed for and believe in," he said. "Instead of having 2,000 artists that can live on their music, that the traditional industry has



Oak Felder

been working on, we can see now hundreds of thousands of artists that can live on their art and work."

Ahdriz was also keen to stress that streaming platforms – alongside live performances – can pay off for these 'middle-tier' artists, despite the ongoing debate about the economics of streaming services and musicians below the superstar level, amid the global music industry evolution.

"In our structure and model at AWAL, we see that people are getting twice as much recording royalties than their touring income. That is a fundamental change in artist economics," he said, noting that this was before the pandemic hit touring

INDEPENDENCE AND THE MUSIC INDUSTRY EVOLUTION

income. "We have artists you'd have never heard about, hundreds and hundreds of bands that are making \$100,000 or more per annum in royalties. For me that is a great success for fans, for culture, and for the artists and creators in itself."

DIGITAL DISTRIBUTION AND THE EVOLUTION OF THE MUSIC INDUSTRY

This was a good year for independently-minded Midem keynotes. Another example was [Shaping the Future of the Music Industry](#), with Believe Digital CEO Denis Ladegaillerie. He suggested that independence is going to be the big theme of this next decade for the music industry.

"2010 [to] 2020, the headline was the rise of streaming. 2020 to 2030, I think the headline is going to be the rise of local independent artists," he said, citing streaming's status as the main music consumption model as key to that.

"When you look at how the traditional music industry worked, there were very few independent artists who had access in the recording world to audiences. Their CDs were not man-



ufactured, their CDs were not distributed," he said. "The means they had to get themselves developed was manufacture a couple of CDs, send them out to record labels in envelopes [so] they might get signed. And very few of them got signed."

"One of the benefits of digital is that through TuneCore, through DIY services, all of these artists now have access to markets. So the traditional music industry which is heavily focused on top artists, is now enlarging."

Interestingly, Ladegaillerie cited the same figure as Ahdriz – \$100k annual income – as a yardstick of successful independence for a 'middle

class' of artists, and said that this group has "grown very significantly in numbers" in recent years. He also stressed the local aspect: that independent artists in countries like France and Italy can become major players in their home countries.

"If you take the top 200 most-streamed artists across most markets around the world right now, they are not top stars. They are very, very big local artists," he said, later adding that "it's going to be the decade of the rise of independent local artists".

Believe later hosted a workshop for independent artists and labels on [how to leverage their music during Covid-19](#): a reminder that there is plenty of information out there to help independent music find and monetise its audience during the music industry evolution.

NEW MARKETS AND INDEPENDENT OPPORTUNITIES

Talking of labels, the [Music Business with Charlie Lexton, Marie Clausen and Michael Ugwu](#) session at Midem, held in association with independent bodies and agencies



Impala, WIN, IMPF and Merlin, offered more evidence of the independent sectors' clout in 2020.

Lexton, Merlin's chief operating officer, compared the current day to 2008, when the agency was [embroiled in a row with Myspace Music](#), after requesting licensing talks.

"Their reaction was literally to write back to us asking us never to contact them again. By contrast in 2017, when Facebook decided to add music products to its offering, they called us asking us to talk about a deal," he said, later adding that "the value and vitality of independent repertoire is now well recognised".

INDEPENDENCE AND THE MUSIC INDUSTRY EVOLUTION

Lexton painted a healthy picture of growth opportunities for the independent sector: first in new business models and deals with the likes of Facebook and TikTok (“and some other high profile additions to be added to that list soon”), and second in high-potential markets like India, Africa, Russia, south east Asia and Latin America.

“Seeing significant digital revenue coming from these territories is certainly new,” he said. “If I look at the list of what are the top performing markets that we see for our members, I’m seeing markets like Brazil and Mexico pop up much higher on the list than we would have guessed five years ago. Over time, I expect markets in Asia to become increasingly important for our members in the same way.”

FINDING NEW WAYS TO MARKET FOR INDEPENDENT MUSICIANS

For independent artists viewing this increasingly globalised market, the opportunities are considerable. One of those artists, Akon, offered his views during Midem, explaining his recent strategy of [launching four labels each focused on a](#)



Charlie Lexton

[different genre](#): hip-hop, Afrobeat, reggae and pop respectively.

During his keynote, he also talked about how independence has freed him up to release more of his own music. “I’m doing it under my own label, and the only way to do it was to create my own label to do it, because when I try to do it under the establishment, I would get ‘Oh no, that’s too difficult... too much music in one time’. I get every excuse, but okay, let’s figure out a way to do it,” he said.

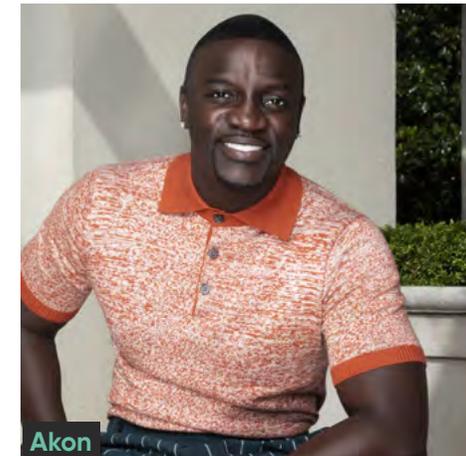
“The world is so big, six albums is nothing when you’re servicing the whole globe... I didn’t want to have

any limitations to be able to re-release music, but I think sometimes: the way the system is set up, they limit you to what you can release, how you can release it and where you can release it, depending on how they see you as an artist.”

He delivered a message that may provide inspiration to younger, emerging artists. “I think a lot of times, it’s the record companies that pigeonhole you... Sometimes they’re afraid to take that risk, and I think the only way to do it sometimes is to bet on yourself!”

Some of those emerging artists were, of course, present (virtually) at Midem Digital Edition, through the Midem Talent Exporter initiative, which was presented by Amuse. 30 artists were chosen from five continents, representing countries including Cameroon, Algeria, Canada, Dominican Republic, France, Germany, Ghana, India, Latvia, Argentina, South Korea, Botswana and Ukraine.

These artists are all making their way in the music industry, and while not all will stay independent, it was clear that they (and their teams) are seeking the knowledge and contacts to give them as much choice as possi-



Akon

ble when deciding what deals and partners will be most useful in the future. You can watch the Talent Exporter pitch sessions – [day one](#), [day two](#), [day three](#), and [day four](#) – on the Midem Digital platform.

Where is the music industry headed? Perhaps the last word should go to Denis Ladegaillerie, who summarised the current state of the evolution of the music industry in his keynote. “I’ve experienced, I would say, for most of my music career the word ‘independence’ to be seen as a synonym to ‘weakness’. And I think what we’re starting to see now is the opposite. Independence is starting to get powerful.”

ABOUT THE AUTHOR

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