Whitepaper – Music Industry

CURATED PLAYLISTS & CROSS BORDER LISTENING

THE INTERNATIONAL MUSIC FUTURE

A MIDiA Research report prepared exclusively for Midem

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The 20,000 Foot View

The US and the UK have long dominated the global music industry, thanks in no small part to the benefit of having that most exportable of languages English as their mother tongue. A heritage of decade after decade of stellar artists and music scenes of course also helps, but the first signs are emerging of smaller music markets being able to make their mark on the global arena in a way previously unimaginable. The catalyst? What else could it be other than that omnipotent change agent streaming. But while the old world establishment may have been the glass ceiling for international breakout in the analogue era, a new set of gatekeepers now determines just how far your song can travel.

Key Findings

- Globalisation and internationalisation are twin and opposing forces that are defining global culture in the digital era
- 24% of consumer are listening to more artists from other countries than they used to, up to 32% of 16-24 year olds
- Streaming music services are not a neutral observer in cross border listening but instead an active participant
- 47% of streaming music users say that streaming services help them discover more international artists
- On Spotify, streaming has helped continental European music find global audiences
- Curated playlists are driving cross border listening
- Strategic use of local curated playlists transformed French act Feder's 'Goodbye' into an international hit
- Streaming services are becoming *full stack,* end-to-end marketing and distribution channels
- The opportunity is however finite as fundamentally most foreign language music does not export at scale
- If you want a global streaming hit, you need to sing it in English

Companies and services mentioned in this report: Anghami, Apple Music, BPI, Digster, Dubsmash, Filtr, Rhapsody, Spotify, Tidal, Topsify, Vevo, Warner Music, YouTube.

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Globalisation Versus Internationalisation

Globalisation and internationalisation are the twin forces that history will likely judge as defining the late 20th and early 21st centuries. Different sides of the same equation, with one representing the increasing homogenisation of global culture, language and enterprise, and the other augmenting diversification through exposure to ideas, content and people from across the globe. Though they may be integral parts of the same process, globalisation and internationalisation are opposing forces, pulling in opposite directions. The internet has created an ever more global *lingua franca*, one that has a heavy American accent. It is aided by new global licensing practices in music, TV and film, that turn US shows like ‘Game Of Thrones’ and brands like ‘The Avengers’ into international cultural reference points. Superstar US artists like Taylor Swift and Drake are global superstars. Music services Apple Music and Tidal issue streaming exclusives from US stars like Beyoncé and Kanye West, clearly expecting interest to be as keen in Belgium as it is Brooklyn. The momentum is irresistible with the net result a sandardised set of central tenets for global culture.

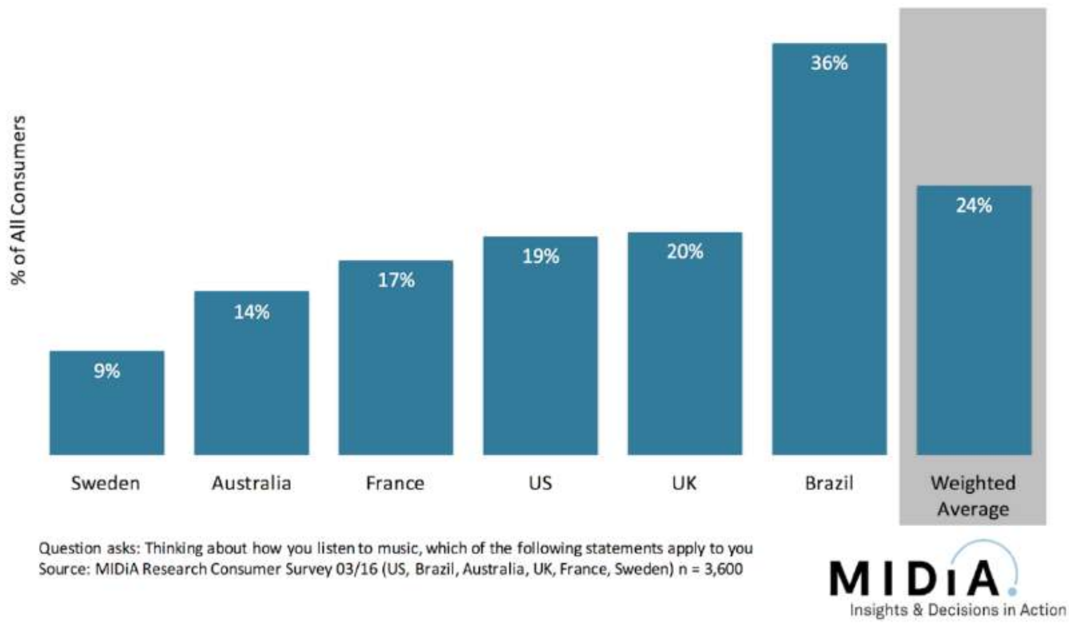
With music, TV and film it has in many respects always been thus, with the US dominating the global conversation and talent from other English speaking markets at least getting a supporting role. For a brief while in the 1960s it looked as if the ‘British invasion’ of music led by the Beatles was a permanent realignment but the US soon reassumed its dominance. Now though, there are signs that the internet is as much a force for internationalisation as it is globalisation. Netflix is learning the hard way that it needs local original shows in major new markets, having commissioned ‘Club De Cuervos’ to break into Mexico and ‘Marseille’ for France. Meanwhile Danish singer MØ featured on the most streamed track ever on Spotify in 2015, albeit on a track by US act Major Lazer. In doing so she had surpassed the previous streaming record set by another European: the UK’s Ed Sheeran.

2015 was in fact a vintage year for UK acts, with the BPI reporting that UK acts represented 17.1% of global album sales in 2015, up from 13.7% in 2014. It was the first year since 2010 that there had been any major change. With ‘album equivalent streams’ an ever large part of the mix it is clear that streaming is beginning to change how the global music works.

What is less clear is how that change will manifest. To date the US, UK and Sweden are the only music markets globally that have a music trade surplus (i.e. they make more money from music revenue outside of their borders than other countries make within their borders). Streaming might just be about to create the conditions in which other countries could start to break into that exclusive club.

Figure 1: Music Consumption Is Becoming Increasingly Globalised

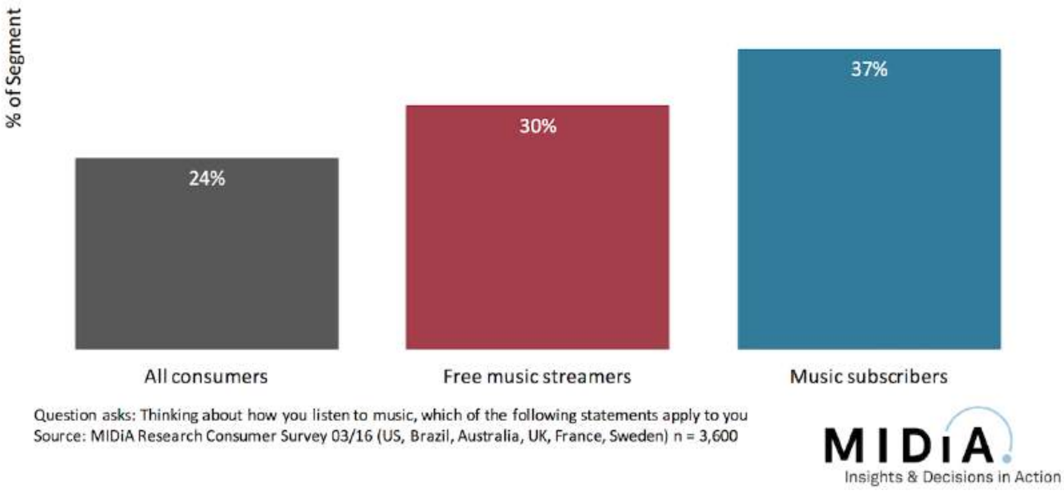
Consumers That Are Listening To More Bands, Singers And DJs From Other Countries Than They Used To



Nearly a quarter of consumer state that they are listening to more artists from other countries than they used to, with the rate in most countries below a fifth. The UK, US and Australia are all English language markets, natural exporters of music, most used to stating most of their listening appetite on homegrown talent. Though there is virtually no difference between genders, age does play a key role with penetration peaking at 32% among 16-24 year olds and falling to 8% of 50+ consumers. Though overall diminishing interest in music listening among older age groups plays a role, it is only a contributory factor. While over 50s are three times less likely to listen to overseas acts, they are only 9% less likely to be weekly music listeners. Cross border listening is thus a reflection less of music listening as a whole and instead more an extension of engagement and sophistication.

Figure 2: Streaming Music Users Are Not Only Music Super Fans, They Are Global Music Fans

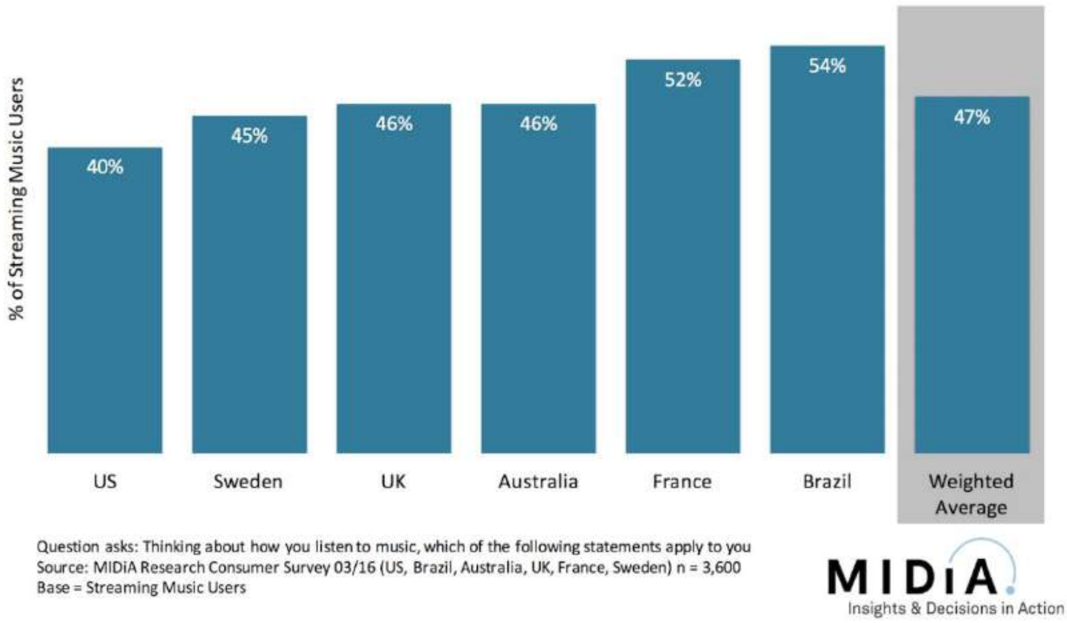
Consumers That Are Listening To More Bands, Singers And DJs From Other Countries By Streaming Activity



Streaming music users are some of the most engaged and sophisticated music fans and are significantly more likely than overall music fans to listen to international artists, with penetration peaking at 37% among music subscribers. Indeed, music subscribers are among the most engaged of music fans, over indexing for virtually every music behaviour from going to gigs (36% compared to 26% for overall consumers), through following artists on social media (36% compared to 23%) to listening to 10+ hours of music weekly (37% compared to 22%).

Figure 3: International Repertoire Consumption Is Widespread Among Streaming Users

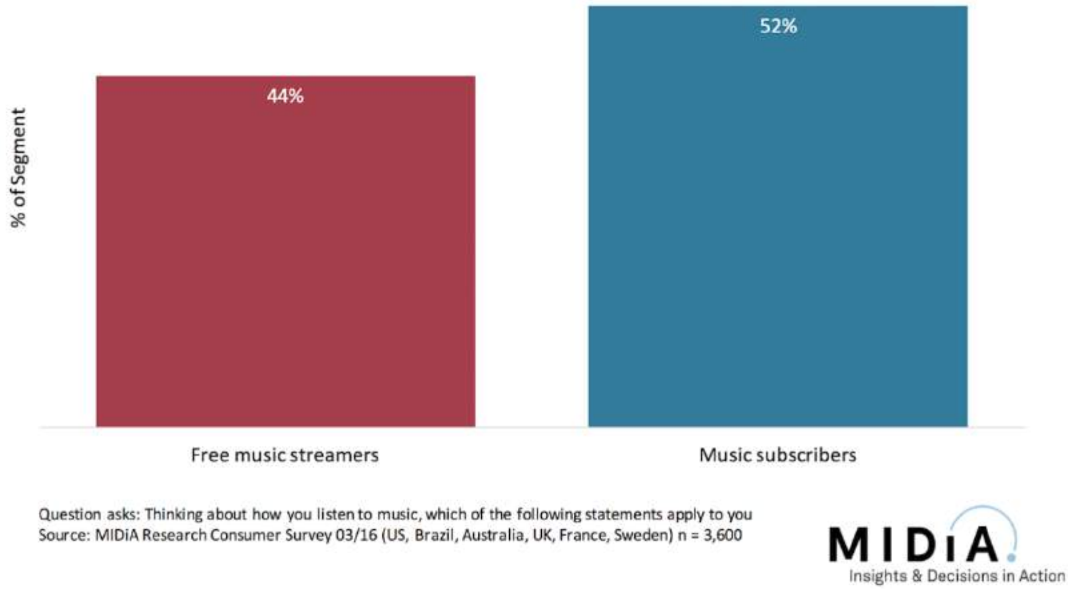
Streaming Music Users That Consider That Streaming Services Help Them Discover More International Artists



Music sophistication is a key part of the cross border listening story but it is only a part. In fact, it distracts from an increasingly circular relationship between the sophistication of music's super fans and their use of streaming services. 47% of music streamers state that streaming music services help them discover more international artists. Unlike overall penetration of cross border listening, adoption rates are more closely aligned across all markets. So although streaming music users are already more likely to be cross border listeners, streaming services act as an accelerant, accentuating this behaviour. Streaming music services are not a neutral observer in cross border listening but instead an active participant.

Figure 4: Music Subscribers Have The Most International Music Tastes

Streaming Users That Say Streaming Services Help Them Discover More International Artists, By Segment



It should come as no surprise that music subscribers are significantly more likely than free streamers to use streaming services to help them discover more international artists. This underscores the role of subscribers as super fans. It may also be evidence for the freemium model, suggesting a clear progression path for music behavior from free-to-paid.

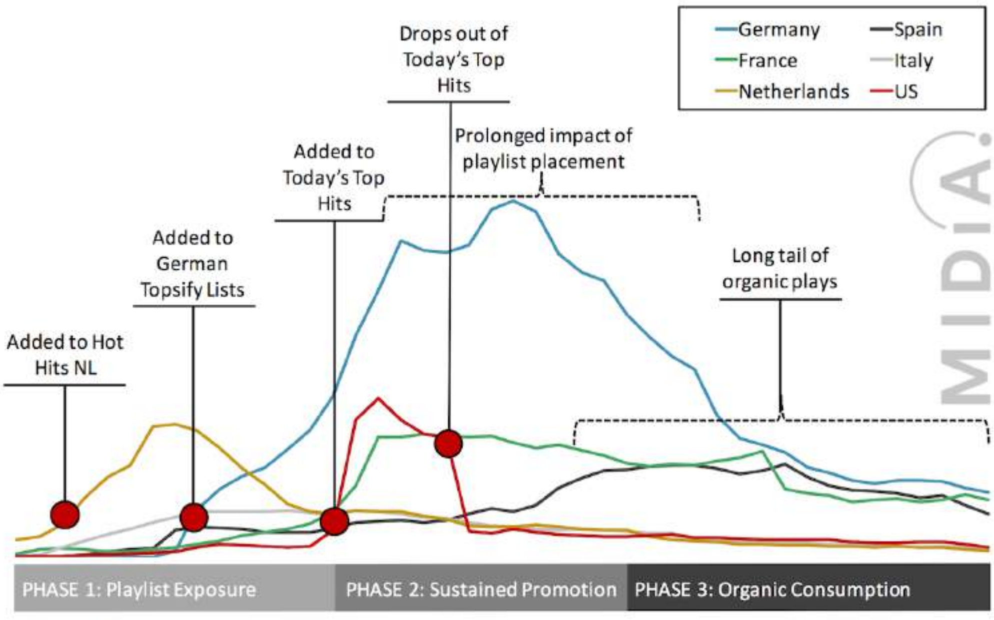
But beyond the freemium tier distinctions the impact of streaming on cross border listening is clear. Country case studies from Spotify further build the case:

- **Trans-Atlantic travels for Norwegian music:** Norwegian music is being streamed less in the Nordics but overall streams of Norwegian music is up, due to overseas listening, with Mexico and the US two of the key 'export' markets. In fact, Mexico is the 6th largest market globally for Norwegian music on Spotify.

- **Streaming helps Dutch rappers find their tongue:** In the Netherlands streaming is acting as an enabler for Dutch language rappers. Prior to streaming Dutch rappers typically rapped in English in order to widen their appeal. Now though Dutch rappers are increasingly rapping in their native tongue and reaching native audiences in their millions via Spotify. Prior to streaming music services, download stores only had a small Dutch footprint, so there was no effective route to digital audiences at scale that could also be a meaningful revenue driver. (YouTube could of course deliver scale but not revenue). The story does not stop there though, now those Dutch rappers are additionally reaching cross border audiences with their Dutch language tracks. To be clear, we are not suggesting that streaming is going to convert the world into a marketplace for Dutch language rap, but it does tap niche cross border audiences that previously might not have even been imagined to exist.

Figure 5: Border Breaker: Curated Playlists Transformed Feder From Local French Success To International Success

Spotify Streams Of Feder 'Goodbye (feat. Lyse)' March 2015 To December 2015 And Key Playlisting Activity



Source: Spotify

In the earlier days of streaming it was possible to talk about it as an almost autonomous force propelled by its own momentum. Change brought by streaming was the manifestation of user behaviour and technology, with business practices racing to keep up. Now though the picture is changing. The rapidly growing power base of curated playlists means that many behavioural and market shifts are now being actively shaped and influenced by the playlist curators. Cross border discovery is one such example.

For the express purposes of this report Spotify shared with us streaming data to demonstrate how a French electronic music artist Feder broke through to international success with his deep house vocal track 'Goodbye (feat. Lyse)'. The data simultaneously illustrates the appetite for international repertoire among Spotify's user base and the pivotal role of curated playlists:

- **Three phases of breakthrough:** Spotify identified ‘Goodbye’ early on as a track to promote and devise a strategy aimed at driving exposure across multiple territories, not just in its native France. This followed 3 key phases: 1 Playlist Exposure, 2 Sustained Promotion, 3 Organic consumption

- **Local playlist support was crucial to success:** Though French, ‘Goodbye’s growth story started in the Netherlands, where following its addition to the Hot Hits NL playlist, plays quickly spike and paved the way for a succession of other country specific spikes. Next came a steady accession in Germany via Topsify lists, which became the single largest component of Feder’s success and ultimately saw Germany deliver 41% of all streams during the period. During the prolonged Germany peak ‘Googbye’ was also featured on the global playlist ‘Today’s Top Hits’ which drove an immediate spike in US streams which in turn dropped off just as quickly once it dropped out of the playlist. US streams were thus driven by a global playlist while Germany and Netherlands were driven by local lists.

- **Label playlists shape listening and revenue:** The longer term, bell curve streaming spike in German listening is the single biggest part of ‘Goodbye’s streaming success. It was driven by prolonged placement in a number of Topsify playlists. Topsify is run by Warner Music, which just happens to be Feder’s record label. What took place is a ‘full stack’ A&R/promotion/monetisation label strategy. One that set out to make a French act a global breakout.

- **Playlists create international long tails:** Before playlist promotion ‘Goodbye’ streams barely registered. By the time the promotion had finished (Phase 3) organic stream counts were markedly higher except in 2 markets (US and Netherlands). Intriguingly these were the same 2 markets where Spotify curated playlists had driven strong listening spikes. What may have happened is that these playlists had concentrated an inherent base level of demand into a short period. Thus by the time this artificial stimulus had subsided, demand had been exhausted, like a nutrient stripped field that has been over-fertilized to support genetically modified crops.

Conclusions

Streaming music services are equally well equipped to be a catalyst for globalisation as they are internationalisation. They both fuel the Anglicisation of global culture via the dominance of major label superstar artists and also provide tools that aid cultural diversity:

- The curators determine the impact of playlists: Countless start-ups tried to 'fix' discovery in the early 2010's. Now curated playlists have provided the 'fix' as an integral component of streaming services. In doing so they are making on demand services increasingly lean back experiences which cedes ever more power into the hands of the curators. So much we already know. But this also means that it is them that will ultimately shape whether streaming services become a tool for globalisation or internationalisation. For example, while a streaming service may strive to drive cross border listening of smaller continental European acts, a major label might put all its playlisting power behind saturating every market with its latest bubble gum pop songstress.

- English still travels furthest and fastest: Albums are a dying force on streaming services, with playlists and singles rising to the fore. This tilts the market towards the hit making marketing machines of the major record labels, amplified by their networks of playlist brands such as Digster, Filtr and Topsify. And these big labels unsurprisingly emphasize English language hits due to their greater ability to travel globally. Little wonder then that international artists such as MØ and Lukas Graham (both Danish) are realising that singing in English is the surest route to reaching global streaming audiences.

Streaming music services are rapidly emerging as both retail and radio successors rolled into a single whole. This is full stack music, not in terms of an integrated ecosystem of different revenue sources, but instead as an end-to-end marketing and distribution channel. The act of breaking an artist on a playlist is the very same act of monetizing an artist. Discovery and consumption have fused into one, giving the playlist curators – be they labels, the music services or third parties – are acquiring an unprecedented degree of control. This gives them an equally unprecedented ability to drive cross border listening and help tilt the balance from cultural globalisation to internationalisation.

However, a final and crucial word of caution: however much the playlist curators may, or may not, attempt to drive cross border listening, fundamentally most foreign language music does not export at scale. The harsh realities of global music listening is that people like to listen to music that is accessible, which most often means being sung to in their own language or in English. If you want a global hit you need to sing it in English. There are exceptions, such as in the Middle East where Anghami's Arabic music service can straddle borders due to shared culture and language and in Latin America where Vevo has established a strong foothold for similar reasons. But they are just that, exceptions. Streaming services have an opportunity to increase cross border listening but do not expect the world to change.

ABOUT THE AUTHOR

Mark Mulligan is a leading music industry analyst and the Managing Director of MIDiA Research, an analysis and data company focused on the intersection of media and technology. Mark has spent the last 17 years working with all of the leading players in the digital music market, from record labels, through telcos and device companies to music services, often right up the c-level. For 11 years Mark was a Vice President and Research Director at Jupiter Research and then Forrester Research, where he led research and analysis into how technology shapes media businesses and the consumer. Mark is the author of the industry leading blog Music Industry Blog. He is also author of '*Awakening: The Music Industry in the Digital Age*' the definitive account of the rise of the digital music market.

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