

WHILE MUSIC IS KEEPING US ALIVE, HOW IS THE MUSIC INDUSTRY SURVIVING?

NIPUN LOHIA

Class of 2020, Bachelors of Science in Business Administration , Darla Moore School of Business,
University of South Carolina

DOI: 10.46609/IJSSER.2021.v06i08.010 URL: <https://doi.org/10.46609/IJSSER.2021.v06i08.010>

ABSTRACT

Music has had a huge impact on everyone's life, it is something that affects us without us even knowing. We all have our favorite songs or artists, all of us love going to concerts and physical events and listen to them up-close - though since the pandemic has restricted all of that, the music industry has been affected severely. It makes us wonder how the music industry survives and what it holds in the future, reports and recent analytics are willing to bet that music streaming services and (other suggestions) will have immense potential to pave the way for growth.

The industry has directed its attention to music streaming services that have been in the making and gaining popularity for the past decade. This has been made possible in recent years through advancements in technology and a major shift in consumer behaviour since the pandemic. This research paper aims to critically analyse the growth of these streaming services, what this means for the future and how the music industry aims to survive globally as well as domestically. After discussing the impact of streaming services, this paper will provide recommendations on the future of the music industry in India and how the global scene and influence could help us grow further and reach a wider audience.

1. Introduction

The overall music market grew by 7.4% in 2020, the sixth consecutive year of growth. According to IFPI, the organisation that represents the recorded music industry worldwide, total revenues for 2020 were US\$21.6 billion.

Growth was driven by streaming, especially by paid subscription streaming revenues, which increased by 18.5%. There were 443 million users of paid subscription accounts at the end of 2020. Total streaming (including both paid subscription and advertising-supported) grew 19.9% and reached \$13.4 billion, or 62.1% of total global recorded music revenues. The growth in

streaming revenues more than offset the decline in other formats' revenues, including physical revenues which declined 4.7%; and revenues from performance rights which declined 10.1% – largely as a result of the COVID-19 pandemic. This highlights the immense potential the platforms hold and the attention they have garnered from consumers. The technology of music streaming services is ever-growing and is constantly learning about one's music taste and what to recommend.

Most streaming services allow users to download their music on their phones so they can listen offline, which has proven to be a game-changer. As more and more people are joining in on the digital revolution, these services are proving to make an impact, it has also opened doors for new innovations that could prove to change the industry for good.

2. Research Methodology

2.1 Secondary research

This paper is based on the research of scholarly articles and reputable websites as many of the insights are recent, the facts have been thoroughly checked as to put forward correct information.

Many of the articles led to interesting topics that deepened the research and provided great insights. The statistical websites helped a lot in providing a holistic view of the industries involved, and determining the growth factor of every sector from traditional recording methods to the rise of streaming services and how they have changed the current music industry forever. Recommendations for the future of the music industry and the streaming services were made much more insightful due to these sources involved.

Although, finding scholarly sources on the topic and taking into account the Indian environment was a little difficult, there was a lot of unnecessary data that did not prove to be relevant. As the streaming industry is such a volatile industry, things change on a daily basis, there might have been certain changes, which directly affected the industry which would not be available on the public forums yet. The advantage was that most of the websites were publicly available and came from credible platforms which really helped in shaping up this paper, the way it was required to be.

This paper is designed to assess the hypothesis that music streaming services have changed the industry forever and are constantly growing to become a significant part of the industry that could impact the future in a huge way.

2.2 Literature Review

Indian Music Industry Analysis: Streaming, Live Industry, Bollywood, 2020 Trends, and More: The article focuses on the Indian music industry and how it catered to its vast audience, primarily younger listeners through various delivery platforms, while also identifying key players and their market value.

Digitalization and its effects on the music industry: Cultural shift, Accessible Technology and More: This article focuses on how digitalization helped the Indian music industry grow, the platforms it offers and where it can lead us to.

How will Covid-19 change the music industry: Effects on industry, positive impact: This article focuses on the effects the pandemic had on the music industry globally, and the positive impacts such as well-being and need for creativity.

How Data-centric innovation and digitalisation will catalyse India's growth: Digital economy, next-generation communication: This article explains the massive digitalization growth India has had in the recent years and what this means for the future of innovation in India.

This is how Covid-19 is affecting the music industry: Current impacts on sales- streaming, Long-term vision: While the earlier article talks about the overview, this source gives us details on the effects on sales and streaming, other upcoming platforms and the long-term strategy for the industry.

Brands that changed how Indians listen to music : Planet M, Unique experience, Struggle to stay relevant: This article talks about how Planet M revolutionised how Indians discovered music, and the unique experiences it offered to the current generation growing up. It also highlights how their struggle to stay relevant resulted in their insolvency.

Growth of Spotify in India: Market entry, 'Notable' source: This article talks about the market entry of Spotify in India, and its tremendous growth ever since with their price-sensitive deals and alteration according to the environment.

Biggest Problems with the Music Industry: Pivotal changes, Industry Monopolies: This article takes a peek behind the curtain to highlight the unfair practices and issues being faced by the industry such as Industry Monopolies, Unfair long-term deals and reducing attention spans.

Record Labels Surviving Globally: Flood of New releases, Taking the challenge: This article talks about how the big records globally took the challenge head-on and survived in the midst of a global pandemic.

How 2020 changed the Music Industry Forever: Social Media, Digital events: This article focuses on the after effects of the pandemic on the music industry and how it changed the industry norms and physical events forever.

3. Analysis

3.1 Indian Music Industry

The Indian music industry was valued at around 15 billion Indian rupees at the end of 2020 and estimated to reach 23 billion rupees by the end of 2023. After four years of consecutive double-digit growth, the Indian Recorded Music Industry has grown by 4.9%. Overall, the sector was estimated to grow at a compound annual rate of 15 percent in the stated time frame.

This industry has been on a boom and has massive potential for growth. Reports suggest that with the right policy push, the industry has the potential to be on par with the European music market in a decade. "Since 70 percent of recorded music in India is film-based, the growth of the film industry should have led to the growth of the recorded music industry. However, despite this symbiotic relationship, today the film industry is valued at Rs 19,100 crore, while the music industry is valued at a mere Rs 1,500 crore. Archaic laws compounded by unwarranted and unnecessary regulatory interventions have widened the revenue gap between the recorded music and film industry,".

India has seen massive digitalization in recent years, it is a recognised technology powerhouse — it has a rapidly growing market of digital consumers, with over 500 million Internet users, and a thriving e-payment ecosystem, with an average of over 1 billion unified payment interface transactions which has been proven to be game changer and streaming services such as JioSaavn, Gaana, Spotify etc. have seen a tremendous response.

The Indian market had already seen a shift from traditional television to OTT platforms recently, as more and more Indians now had smartphones making the viewing experience so much more accessible and easier. The Indian carrier service, Jio which entered the market in 2016 with cheap data plans and handsets provided fuel to the fire as it couldn't have at a better time for the people of India, who are always looking for price-sensitive deals that offer them value for their money. This meant ample opportunity for growth for the streaming services as the country's internet population grew by more than 60% to 566 million. The music landscape in India is definitely different from most conventional aspects, Bollywood and Film music play a huge role here.

Indian Movies have an average of 5-6 songs tucked in the movie and often prove to be irrelevant to the movie. “At the same time, if the US produces around 600 movies per year, India’s output is closer to 2,000 — so that’s around 10,000 original songs produced each year to fit the needs of the film industry.” This also becomes so challenging for the artists that put in the hard work and do not garner the required appreciation. If you ask any Indian to name their top five songs - they’ll put the face of the protagonist up rather than the singer who deserves the credit.

There is a lack of realisation between the difference of an independent versus film album, though changes for the better are slowly visible.

3.2 What is a music streaming service?

A Web-based service is one that lets users stream songs to their computers or mobile devices. Such services may let users download songs for offline playback as well as allow users to upload their own music collection to the cloud, the latter known as a "music locker." (ORF).

Adoption to music streaming services has become really stagnant over the last decade and is a shift that people are accepting quickly. Music streaming works in a very simple way: a streaming service delivers data to a streamer in small amounts so that the user can get pre-buffered music that has been pre-buffered a few minutes or even seconds before playing a song, given that the user has a good internet connection, streaming technology provides an uninterrupted listening experience, without ever actually saving the files on the user's device.

This technology and the streaming business overall — developed as a response to the music piracy platforms of the late 90’s and early 00’s, which has been proven to be a hit. In early 2008, 95% of music was being downloaded illegally which needed to be solved quickly, Thankfully, it wasn't long until the answer was found: around 2007 Music as a service, Open music model or simply music streaming came to the rescue of the recording business. Out of the present services at that time, Spotify was clearly the first DSP to apply the streaming model into their platform as we know it today. It was founded in 2006 and publicly launched in Europe by 2008 as the first legal streaming service with an extensive, all-encompassing catalog.

Today, there is a variety of services to choose from internationally as well as domestically, the music streaming space in India has certainly become more competitive. Homegrown companies like JioSaavn, Gaana are among the big names but especially after the entry of big players like Spotify, Apple and Prime Music, there has been fierce competition.

3.3 Impact of streaming services

According to local industry body IMI, only 150 million (or about 10% of its 1,3 billion population) are using music streaming services. On top of that, less than 1% of those 150 million end up paying for standalone streaming subscriptions — which means that the market has a vast untapped potential, both in terms of streaming adoption and conversion to the premium subscriptions. With such promise, no wonder that both Spotify and YouTube Music have launched their services in India in 2019 less than a month apart. While Spotify made the headlines by getting over a million users in India in its first week, YouTube Music actually tripled that number, leveraging the 245 million local YouTube audience.

All of them offer multiple plans and offers to capture the ever-growing Indian market. The companies understand the economy and spending power of Indians, and know they are incredibly price-sensitive. Keeping that in mind all of them start their plans at a minimal price of Rs. 99 (\$1.33), while Spotify offers a Rs 13(\$0.17) per day service too which is customisable. Apple Music has a student plan as well, which costs half of the regular monthly plan, at Rs 49. India is likely to become the main battleground of the global streaming market in the next few years and is booming with potential as local audiences attract more and more with the platforms.

Music streaming app Spotify, which entered the Indian market in February 2019, has reported a 27 per cent growth in its monthly active users (MAUs) to 345 million in Q4 2020 on the back of 'notable' growth of its services in the country. Spotify had launched its new subscription model Spotify Premium Mini in India that allowed users daily and weekly access to a subset of their premium features for a lower price such as 30 song downloads and unlimited ad-free music on a single mobile for Rs 7 per day. The company had also partnered with Flipkart to offer Premium service free for six months in exchange for shopping for a certain amount on Flipkart.

These streaming services have offered Indian consumers a place to fulfill their music needs and filled a major gap, which up until now was largely covered by piracy websites.

3.4 Challenges faced by the industry

The industry has been facing challenges though, the competition, price wars and most prominently presence of piracy in the domestic climate. When it comes to off-screen consumption, the biggest streaming alternative is pirate services. Currently, India is the first country in the world in terms of piracy rates.

According to the latest surveys, 76% of internet users admit to using pirate services in the last three months — and by far the most popular unlicensed channel are the stream-ripping websites, allowing their users to turn the YouTube links into mp3 files. The estimated losses of recording

businesses linked to piracy amount up to \$130 to \$260 million and even by the most modest estimations, 80% of recording revenues are lost to piracy. Unlicensed consumption is undoubtedly one of the main roadblocks on the path to the streaming ecosystem in India. However, there's a positive angle to the piracy problem: in the long-run, the legal alternatives are bound to take over. Piracy is still a huge problem today but compared to five year ago, 98% of all digital music consumption was unlicensed. With the governmental support and marketing budgets of all streaming services that are already on the market, illegal consumption is bound to turn into the ad-supported licensed listening, giving yet another push to the recording revenues.

Other challenges in India arise due to lack of copyrighting. This means that local events and the bhajan mandli's can use the tune and beats of popular songs as long as they change the lyrics, this further results in piracy. Due to the rise of the pandemic, the constant lockdowns have not made it easier for the artists to stay involved in the game either. Their main sources of income have vanished, and many have had to rely on online events or independent channels if any.

There are some other challenges which have been coming up globally with the wake of digitalisation too. Attention spans are shorter than ever - social media is driven by instant gratification and there has been an overall decrease in the global attention span, correlating to an increase in the available material for consumption around us. The result is that an average listener simply is not willing to spend time listening to an entire album or even a six-minute song to make their decision about an artist.

Platforms like TikTok, Instagram Stories, and Reels, with their 10-15 second limits, have further popularized the need for cramming as much attention-grabbing content as possible within the first minute of a song, which decides the fate of the artist for them. The need for instant gratification has made many people prone to good music and lyrics.

The music industry remains very hard to break into for an "outsider." In the past, major record labels like "Sony BMG and Universal have been known to have purchased billions of fake YouTube views, and major artists have been revealed to have bought fake Twitter followers, to the point where it's almost standard industry practice now." Labels push millions in order to artificially boost their products' visibility, something that independent artists simply cannot afford. This creates an unfair entry barrier for legitimate artists to reach out to a bigger audience.

3.5 Planet M and its disappearance

For Indians, PlanetM was more than a store, it offered a plethora of choices that local music stores simply couldn't afford to keep. Rows and rows of well-catalogued CDs that cut across

musical genres were offered to a generation that wanted to access western pop culture more easily. Here, they could not only discover new artists but also delve deeper into their own personal tastes. This was a one-of-a-kind store that definitely grabbed the consumers attention.

Though as consumers shifted to music streaming services drastically, music stores in India such as PlanetM, Music World etc. faced a major blow as downloading and sharing music became so much easier and accessible. "The art of physically finding the right kind of music, taking every CD in your hands and reading about the album beforehand just died the moment people had everything on their screens," says Sanjay Karwa, former CEO of Planet

M. The joy of discovering a new artist or a new song was something that was unmatched, though we can still do that by pulling up our favourite app, the essence and purity of the process can not be found.

After struggling to grow in sectors such as video-games, mobile phone accessories, MP3 players they eventually had to close shop in 2018, which is just another example of how the digital streaming services cannibalised the brick-and-mortar experience.

4. Comparison

Covid-19 undoubtedly has had an immense impact on the Indian music industry as well as internationally. As live-shows and traditional platforms to reach the audience have practically disappeared, this has occurred in massive losses. The World Economic Forum states in the wake of the pandemic, physical sales, which represent a quarter of recorded music revenues, are down by about one-third – unsurprising given the closure of retail stores – while digital sales have fallen around 11%.

Other than revenue, the industry has had to look for innovative methods to keep their audiences engaged and stay profitable. Before the pandemic, major areas of focus used to be physical events and music festivals with interactive elements, evidence suggests that in the wake of coronavirus, the way people listen to music has also been changing. Spotify, noted the change in consumers' routines, saying that daily habits are now reflective of weekend consumption, as well as relaxing genres rising in popularity.

Covid has provided a major push to the popularity of OTT platforms and other streaming services. The number of users have sky-rocketed by almost 60% post-covid, and the trend is expected to stay as life starts returning to normalcy. This shift has had a major impact on the advertising industry and in-turn the music industry that provided the jingles and music for them as OTT platforms offer an uninterrupted viewing experience. As the music industry was used

commercially before but now these OTT platforms have started offering ad-free music which means less revenues for everyone involved, this results in further losing out on promotions. “Post-pandemic the industry has pushed the people to shift to a new model of streaming and downloading music. Digital streaming revenues rose 21% in 2020 to \$153 million, slower than the 26% growth recorded in 2019 but enough to push the overall music industry growth to positive territory despite a collapse in other revenue streams. Overall music industry revenues grew 5% to \$180 million last year.”

In the initial wake of bans on mass gatherings, some venues offered live streaming of performances. However, even these formats have had to suspend as those sites have closed. Now, artists are directing fans from their own homes, to services like Twitch, Instagram TV and others. This is certainly not new, but the current scenario has required a pivot in ways artists have to keep their fans engaged, and record labels are facilitating it by providing live streaming equipment to performers. These new ways for musicians, labels and venue providers could prove to be a long-term strategy for the industry to build up on. They are getting behind such efforts: Vivendi, for example, has developed a platform for artists to perform, engage with fans and share content – it makes no money from the platform itself, but indirectly benefits from royalties and sponsorships. On the other hand Verizon is working with partners such as Live Nation Entertainment to organize virtual events and video series.

The pandemic has definitely made it necessary for companies to think outside the box and cater to the existing needs. Though due to the pandemic, the streaming services have grown massively and consumers have certainly shown their approval toward it, analysts believe once life returns to normal, the core value of the music industry is likely to remain unchanged. The big labels will still be producing and artists will want to record under contracts. The model may definitely see fluctuations - but upheaval is unlikely.

5. Conclusion

In this paper, we surveyed several aspects of the Music industry mostly from an Indian angle- the growth of streaming services, digitalisation, piracy issues etc. It provided an overview of how things work here and how this environment is different from anywhere globally.

The way music is distributed and experienced has truly been changed forever with the arrival of streaming services and numbers suggest they're here to stay. Along with the growth of home-grown independent artists, the consumption of international music is quite evident and vastly growing in India too - the local market presents a tremendous growth opportunity for international artists and many of them have been touring India for years now.

While there are some challenges that arise due to our domestic environment, the massive boom of digitalisation has also paved the way for such events. These people are coming online and logging into the streaming services, discovering new international acts and new music. These are initial signs of a new era for the Indian music industry and by implementing strategies for growth with improved policies and proper alignment of governmental support-the industry could make its way to the top.

Global analysts suggest looking to the long-term plan, the core value chain of the global music industry is likely to remain largely unchanged. Professional artists will release music via one of the big record labels or may opt for an independent publisher. This operating model represents 97% of recorded music by market share and may see fluctuations – but upheaval is unlikely.

Bibliography

Chaudhuri, S.(2021). How record labels survived the pandemic. [online] The Score Magazine. Available at:

<https://highonscore.com/how-record-labels-survived-the-pandemic-score-short-reads/> [Accessed 12th July, 2021].

Clark, B. (2021). 7 of the biggest problems with the Music Industry. [online] MusicianWave. Available at:

<https://www.musicianwave.com/biggest-problems-with-the-music-industry/> [Accessed 12th July, 2021].

Coffey, A., (2016). The impact that music streaming services such as Spotify, Tidal and Apple Music have had on consumers, artists and the music industry itself. University of Dublin.

Collins, Hattie (2020). How will COVID-19 change the music industry? [online] Available at: <https://www.vogue.in/culture-and-living/content/how-will-covid-19-change-the-music-industry>[Accessed 10th July, 2021].

Hall, Stefan (2020). This is how COVID-19 is affecting the music industry. [online] Available at:

<https://www.weforum.org/agenda/2020/05/this-is-how-covid-19-is-affecting-the-music-industry/> [Accessed 10th July 2021].

IndianImi.org (2020). India Trends 2020. [online] Available at:

<https://indianmi.org/activities/india-trends/> [Accessed 9th July, 2021].

Maji, Navneel(2020).Music Industry: Surviving, Thriving & Collaborating Despite The Pandemic. [online] Available at:

<http://www.businessworld.in/article/Music-Industry-Surviving-Thriving-Collaborating-Despite-The-Pandemic/14-07-2020-297309/> [Accessed 9th,July 2021].

Misra, S. and Jha, F. (2020). Planet M — brand that changed how Indians experienced music in new millennium. *The Print*, [online] p.7. Available at:

<https://theprint.in/features/brandma/planet-m-brand-that-changed-how-indians-experienced-music-in-new-millennium/353948/> [Accessed 10th July, 2021].

Rai, N (2020). Data-centric innovation and digitalisation will catalyse India’s growth. [online] Available at:

<https://www.orfonline.org/expert-speak/data-centric-innovation-and-digitalisation-will-catalyse-indias-growth/> [Accessed 10th July,2021].

Soni, S. (2021). India serves Spotify as a ‘notable’ source of growth. *Financial Express*, [online]p.3.Available at:

<https://www.financialexpress.com/industry/india-serves-spotify-as-notable-source-of-growth-in-monthly-active-users-in-q4-2020/2189563/> [Accessed 10th July, 2021]

Statista.com(2021). Value of Music Industry in India. [online] Available at:

<https://www.statista.com/statistics/235845/value-of-the-music-industry-in-india/> [Accessed 9th July, 2021]

Ucaya, Market Intelligence for the Music Industry. *Soundcharts*. Available at:

<https://soundcharts.com/blog/india-music-market-overview> [Accessed 9 July, 2021].

Wang, A., Millman, E., Ingham, T., Hissong, S. and Levinson, S., 2020. How 2020 Changed the Music Business Forever. *Rolling Stone*, [online] Available at:

<https://www.rollingstone.com/pro/features/music-business-changes-transformations-2020-1107373/> [Accessed 12th July 2021].