

WINTRENDS 2022



15 YEARS UNITING THE GLOBAL INDEPENDENT MUSIC SECTOR

The Worldwide Independent Network was founded in 2006 in response to shared issues faced by the music sector everywhere, with the objective of providing a single voice and structure to represent the independent community globally. Today, we have 34 member associations from 38 countries throughout Australasia, Asia, Europe, North and South America, representing thousands of music companies and professionals worldwide.

Through transparency, innovation and the cooperation of all the independent music trade associations worldwide, our goal is to foster a diverse and vibrant ecosystem where all independent labels have equal access and opportunities. WIN provides support and resources to the global network of associations, building capacity locally and increasing collaboration. This includes compiling and sharing market intelligence on the recorded music sector.

We published the first WINTEL report in 2016 with the goal of mapping the global market share of the independent sector at copyright, rather than distribution level. The first three editions, covering

the period 2015 to 2017, were the most comprehensive assessment of the global independent record label sector ever compiled.

WINTRENDS is a new iteration of our market research work. The emphasis is on presenting the key trends in our industry, explaining the role and value of independent labels, and illustrating some of the challenges facing the sector. We also look at the impact of the early stages of the pandemic and the support received by independent music companies.

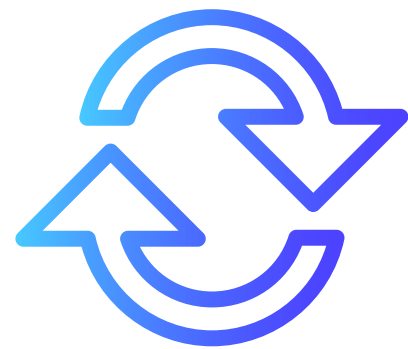
Information and market knowledge is key and will be even more so in the coming years. WIN will continue to be the focal point for collecting and sharing knowledge about the independent sector at a national, regional and international level, so that we can keep providing essential resources to our network of associations and the industry at large.

CONTENTS

TRENDS	4
The Role and Value of Independent Music Companies	8
Merlin: Enabling Independents to Own Their Future	12
Diversity, Equity and Inclusion: A Global Priority	14
IMPALA Streaming Plan: How to Make Streaming Work	18
Spotify's Discovery Mode: A Race to the Bottom	20
Keeping The Future Fair: Artificial Intelligence & Algorithms	22
For The Record: How The Success Of Vinyl Is Disrupting Its Supply	24
A Changing Performance Rights Landscape	26
Exports: New Frontiers for Dreaming Global	28
Asia: Booming Growth, Going Global	30
Latin America: A Land of Opportunity	32
COVID-19 Pandemic: The Impact on Music	34
Methodology	36
Acknowledgements	36
Our Network	37

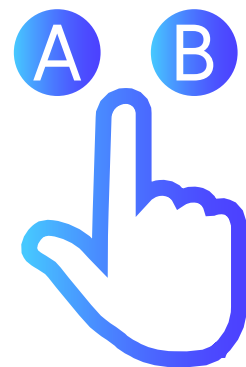
TRENDS

The following trends describe the independent music sector and are based on global survey results. The survey was conducted in 2021 and covers data from 2020.

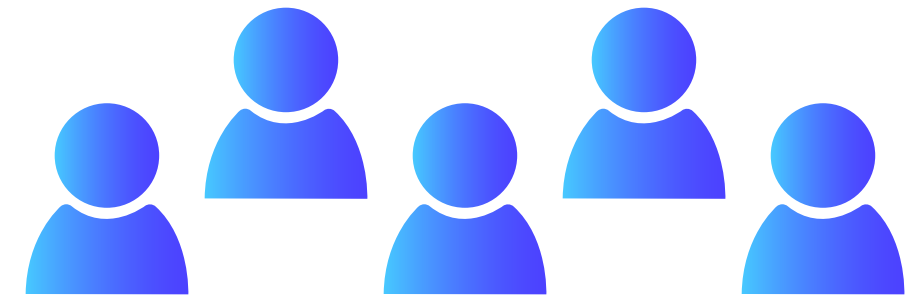


The independent sector is characterised by constant renewal and this trend continued during the pandemic. New companies have continued to emerge as the sector adapts and regenerates.

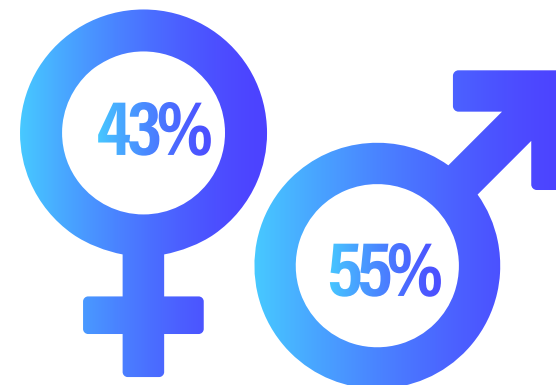
Independent music companies work with artists on an exclusive and licensed basis, meaning there is choice and access to a range of deals in the marketplace.



Independent music companies have continued to release new records despite the challenges of the pandemic, with only a minority of releases being pre-existing recordings.



Independent music companies are micro, small or medium sized enterprises, with around two thirds of companies having 5 or fewer employees.



The sector is also moving towards gender parity, as respondents reported that 55% of employees were male and 43% were female, with 2% identifying as other.

Despite having relatively few direct employees, a hallmark of the independent music sector is that companies typically generate a significant amount of indirect employment, contributing to the economies of their countries.



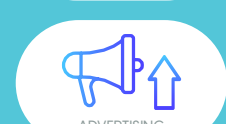
Independent music companies have diversified revenues and operate in multiple business segments, including those that are not intrinsically related to sound recording activities such as publishing, live and touring, merchandise, artist management and distribution.

Still, the sound recording business, comprising of digital formats, physical formats and performance rights, accounts for the largest share of the companies' operations.

Globally, the sound recording business showed increasing sales in 2020. Publishing, distribution, artist management and merchandise were relatively stable, while the live & touring business was significantly impacted due to the pandemic.



Digital is by far the strongest source of sound recording revenues for independent music companies, with consistent annual growth driven by streaming. Both subscription and advertising supported streaming categories continue to grow.



The second strongest segment in terms of sound recording revenues for independents is rights and licensing. Due to the lag between collections and distributions of performance rights revenues by collective management organisations, the effects of lockdowns and other restrictions were not fully felt by companies in 2020.

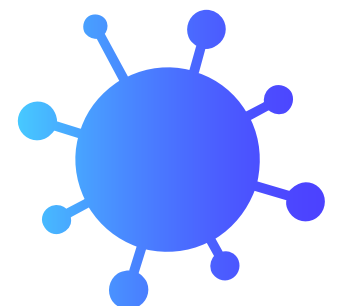
The physical market grew slightly in 2020. This is despite CD sales falling and was driven by strong vinyl sales; an area where independent companies undoubtedly thrive.



Globally, independent music companies generate about two-thirds of their respective revenues in their home markets.

Nearly half of independent music companies who responded to the survey received some form of COVID support from their governments in 2020, but this did not compensate for lost income.

The pandemic led to far-reaching consequences in the global independent music industry. Companies said it affected the creation of new jobs, signing new artists and the investment in new artists, as well as the release of new sound recordings.



THE ROLE AND VALUE OF INDEPENDENT MUSIC COMPANIES

Ask any artist how their model record label would operate, and many would paint a picture of a typical independent label; one which prioritises artist development, fair deal-making, brings experience and vision to the table, provides investment and seeks to contribute to culture.

While consolidation and the culture of big corporations have driven some record companies to take a different path, by and large independent record labels embrace a more holistic and longer-term approach to artist development and serving their artists. This usually means a broader perspective to success than the singular focus on hits and pure commercial success in favour of a more patient approach that better honours the artist's creative vision.

This approach not only enables new artists to develop at their own pace without the pressure of instant success, but can also better serve heritage acts, who can find new opportunities by working with an independent label at various stages of their careers. As Peter Soltesz, CEO of

Hungary-based AM:PM Records puts it, "I see our role as helping the artists we work with to achieve their creative visions and providing a sustainable and fair business infrastructure that gives a chance to make a decent living".

Fairness is also a key tenet of the independent music sector, with record deals and negotiations typically having greater flexibility, transparency and clarity during the deal-making process. Far from the stereotype of one-sided recording contracts, independent deals typically have a greater resemblance to partnerships. Izumi Yamaguchi, Director of Business Development of Japanese trade association IMCJ considers that "independent labels need to build fair partnerships with artists, in addition to respecting their creativity and diversity".

Moreover, the choice and competitive nature of deals provided by the independent sector has undoubtedly led to a benchmark of fairer deals across the entire industry over the past decade. The

"Independent labels passionately go out on a brink for their artists with usually limited funds but twice the amount of enthusiasm. Independent labels nurture newcomers. Who else does that anymore?"

CHRISTOF ELLINGHAUS, *City Slang* — Founder



independent sector's commitment to fair deals in the digital era was enshrined by the Fair Digital Deals declaration in 2014, a statement that sets out a series of commitments made by independent record labels that sign it, relating to transparency and fairer deals.

While the value of recorded music, and the album format in particular, has been called into question in recent years, for the independent sector and the types of diverse artists it represents, "usually the release cycle of recorded music is the main marketing driver for the rest of the artist's business" comments Zena White, Managing Director of Partisan Records. It is not uncommon for artists with relatively small album sales and no chart history to have very successful touring or merchandise businesses, and this phenomenon is often driven by the value independent labels bring with their experience, vision and specialist staff. This value often contributes greatly to artists building their business infrastructure and team, leading to further opportunities and career development.

The pandemic has made it harder for new artists in particular to build audiences and make a living without the income and exposure from touring. While many artists have experimented with live-streaming and become increasingly reliant on social media platforms, the landscape continues to evolve rapidly and not all artists find themselves able to connect authentically with audiences through these media and many struggle to develop effective strategies that focus their efforts effectively, without leading to 'digital burnout'. The challenge, especially for new artists, of reaching new audiences and markets during this time has been significant. As Magnus Bjerkert, owner of Swedish label Adrian Recordings comments, "the live slice of artist development has been missing and it has made situation very difficult. One of the hardest achievements has been to break new artists during the pandemic without being able to tour".

While many labels in today's industry are laser-focused on social media data points to try to predict success when signing artists, many independent companies

"I see our role as helping the artists we work with to achieve their creative visions and providing a sustainable and fair business infrastructure that gives a chance to make a decent living".

PETER SOLTESZ, *AM:PM Records* — CEO



will still take chances and invest at early stage in relatively unproven artists. This investment and the accompanying process of artist development sees labels acting as business partners and service providers. "Independent labels passionately go out on a limb for their artists with usually limited funds but twice the amount of enthusiasm. Independent labels also often act as a financier, bankrolling the early years of an artist's development in the absence of other income streams. Independent labels nurture newcomers. Who else does that anymore?", ponders Christof Ellinghaus, founder of German independent label City Slang.

This people-first, community ethos on which many independent music companies are founded can be seen in every aspect of their work, from their artist relationships to the atmosphere and culture in the day to day work of their employees and wider teams. A sense of unity and closeness is often formed, with artists getting to know everyone in the company and everyone in the company working together for the artists. As Spain-based Everlasting Records founder Mark Kitcatt puts it, "Independent labels usually won't wish to, or be able to, compete with majors to offer the highest financial advances, but the relationship with artists will benefit from an 'inevitable virtue' which provides a closer and more stable personal relationship with the artist."

The unity of the independent sector can be seen in the network of inter-related independent music associations across the world, from individual country trade bodies to trans-national organisations like IMPALA and WIN which unite the wider international community, and Merlin, which is focused on digital matters globally.

Independent record labels contribute greatly to the economy, engaging numerous contractors and services providers as well as driving enhanced gross value added ('GVA') through the indirect spending which is catalysed by their activities. Alejandro Varela, artist manager and founder and CEO of Argentina based S-Music Records points out that "independent labels are one of the main sources of employment in the music sector, adding great value to the industry and beyond".

Ultimately, for music lovers, the greatest contribution of the independent music sector is cultural; creating the records we love and discovering and developing the artists we grow up and grow old with. Independent labels are tastemakers, pushing limits of genre and sound, and acting as curators in an increasingly cluttered musical landscape.

MERLIN: ENABLING INDEPENDENTS TO OWN THEIR FUTURE

Merlin is the digital music licensing organization for independents globally — whether labels, distributors, or other sound recording rightsholders. Merlin strikes premium deals with digital platforms around the world — such as Apple, Facebook, Spotify, TikTok, YouTube and more. With nearly 40 partnerships, Merlin enables its members to compete at the highest levels so they can own their independence. Merlin's collective approach has seen the organisation grow since its foundation in 2007 to represent over 15% of the global market share of recorded music.

Merlin's commercial deals provide its members with valuable access to the digital market, enabling large and small independent companies to compete on the global stage. As GoDigital Media Group's Chairman & CEO Jason Peterson comments, "Merlin serves as our outsourced licensing division and drives tremendous value for labels with business users of music to get the most value for music rights. They both reduce costs and increase revenue by licensing our content on better terms than we could get on a stand-alone basis. While providing value and efficiencies for labels, Merlin also gives independent labels access to additional marketing opportunities, and better data and analytics."

The access and transparency Merlin provides embodies a key tenet of the independent spirit. As Secret City Records founder Justin West puts it, "Merlin gives indies another potential path to market and enables us to engage in the

digital market. More choice leads to a more balanced ecosystem, supporting independents of all shapes and sizes to compete at the highest level". Merlin places emphasis on engaging with and listening to members, and deals are always presented to individual members on an opt-out basis. Mills Records founder Carlos Mills comments, "Merlin has a basket of rights equivalent to the multi-national music companies. It brings to the independent sector a level playing field".

With today's class of independent labels having access to the digital market and the opportunity to control their fates, the future looks bright for the sector. As Justin West puts it, "Independents seem to be getting stronger and stronger every year. Innovation, agility, and risk-taking are in their DNA, making them well-suited for a fast-changing market", which Carlos Mills echoes, pointing to independent companies being able to be "nimble and adaptable" as a key advantage in today's "ever-changing industry".

As this future continues to map out, Merlin's member-first approach has helped it stay ahead of the market and cemented the role of independent music on today's digital environment. As Jason Peterson remarks, "In the early days of digital music there were fewer platforms and they had less scale. Today, digital platforms are conglomerates that dominate the marketplace with billions of users. Merlin has grown with the market to continue to be an extremely beneficial licensing partner for these platforms."

"Independents seem to be getting stronger and stronger every year. Innovation, agility, and risk-taking are in their DNA, making them well-suited for a fast-changing market."

JUSTIN WEST, *Secret City Records*
— President & CEO



"Merlin has grown with the market to continue to be an extremely beneficial licensing partner for these platforms."

JASON PETERSON, *GoDigital Media Group*
— Chairman & CEO



merlinnetwork.org

DIVERSITY, EQUITY AND INCLUSION: A GLOBAL PRIORITY

Social justice, diversity and inclusion are issues of paramount importance for the independent sector globally. While the specific issues faced in each territory are different with regards to achieving equity and fairness, there are common threads. Increasingly, there is a global acknowledgement of the problems faced and the benefits of inclusion and diversity.

In June 2020, the music business embraced Blackout Tuesday; a moment of reflection and collective action in protest of racism and police brutality. In Canada, trade association CIMA launched a series of online roundtable discussions called Breaking Down Racial Barriers, addressing key areas of the entertainment industry and barriers faced by Black people with the aim of creating actionable solutions. The series was a success, with high participation and engagement, and a 7-point declaration was created which

now has over 450 signatories from the Canadian music industry. The proposed solutions from the roundtable discussions were published in the Breaking Down Racial Barriers Report: Anti-Black Racism in the Canadian Music Industry (Volume 1), an essential tool to inform how policies and practices should be reformed.

CIMA's Funding & Operations Coordinator Matt Badoe, a key contributor to the project, comments that the series was "initially much smaller in scope, we aimed to develop a couple roundtable sessions and webinars to communicate the significant disparities and struggles in working and performing as Black professionals and artists in the Canadian music industry, but as our conversations progressed and as the world further reckoned with the impact and effects of anti-Black racism, we felt a significant need to do a lot more that could actually

generate real and lasting change." Badoe continues, "Having a hand in contributing to the creation of BDRB will quite possibly be one of the greatest honours of my life. It's been absolutely refreshing to witness the Canadian independent music community's coming together, ready and willing to acknowledge and address the anti-Black racism that exists within our borders. There's a lot more we all have to do in order to actively foster an anti-racist sector and society, but I believe that BDRB and its ongoing initiatives are a solid step in the right direction."

In the U.S., trade association A2IM launched The Black Independent Music Accelerator (BIMA) in early 2021, an initiative with the purpose of amplifying independent, Black-owned music businesses. The programme provides selected businesses with the opportunity to expand their network and gain access to invaluable educational resources from some of the industry's thought leaders. Benefits include mentorship from A2IM members, meetings with digital platforms, complimentary tickets to numerous A2IM events, and free membership for one year. Besides this initiative, A2IM has taken other fundamental steps to put diversity and equity first, by gender balancing and diversifying all its events, conferences, the team, and board.

Diversity and inclusion efforts in Europe have also been prioritised, with IMPALA launching a diversity charter containing 12 commitments which the organisation will report on annually. There are a range of objectives designed to achieve structural change long term, including sharing examples of best practices across Europe, a diversity advocate on IMPALA's board and all committees, a survey measuring diversity, and offering diversity and conscious inclusion training twice a year for employees, board members and members.

IMPALA has also launched a membership programme intended to boost diversity on its board, offering free memberships and board tenures to selected local labels.

In the UK, trade association AIM has long embraced diversity, equity and inclusion as a key priority, with several new initiatives in 2021. A full EDI Training programme is now available for free for AIM members, with the objective of breaking down barriers and helping participants create professional environments where conscious inclusion is embedded into their businesses. AIM also launched a free Associate Membership tier, offering free access to resources needed for artists and industry professionals working towards a career or business in music.

Such efforts to diversify memberships can drive change and pave the way for a more equitable and diverse industry. AIM have also partnered with shesaid, the global community of women and minority genders in the music industry, with the two organisations offering cross-membership benefits. AIM's work has further extended to working with disability-led charity Attitude is Everything on promoting an accessible employment guide, intended to boost inclusion of deaf and disabled workers in the music industry.

In Chile, where a moment of social reckoning and protests emerged in 2019 just before the onset of the pandemic, there has been plenty of time for reflection in recent months. "The industry has been challenged by the unexpected context that has hit us hard, and in this complex scenario, we became aware of the blind advance of our industry in relation to diversity, inclusion and equality" summarises Noela Salas, Director of trade association IMICHILE.

IMICHILE and Fluvial festival and



"The power which music and entertainment companies wield over shaping perceptions and influencing society cannot be ignored"

MATT BADOE, CIMA — Funding & Operations Coordinator

conference, in alliance with various indigenous and non-indigenous collaborators, are working to contribute to diversity in the creative industries with the purpose of strengthening cooperation and laying the foundations for equity at the Pan-American level.

The working group, named "El Águila y el Condor" (the Eagle and the Condor), is delivering a report and other inclusion efforts, including the development of intercultural showcases bringing together indigenous and non-indigenous artists, and specialised panels centred on the interests of First Nations, some of which took place at Fluvial 2021. Each event run by this initiative opens with a Lillipun, a Mapuche world ceremony which greets a new encounter between people and the spirits that accompany them.

With some semblance of normal life returning to Chile, genuine change appears to be on the horizon, as Noela Salas remarks, "We do not want to continue without diversifying our industry and focusing on inclusion. We want to take a look at sectors that have historically not managed to enter spaces of power, and to facilitate the opening of opportunities that include a wide universe in terms of gender, territory, identities and ethnicities."

IMPALA STREAMING PLAN: HOW TO MAKE STREAMING WORK

The growth of streaming over the past decade has presented a multitude of both challenges and opportunities for independent music companies. It has become clear in recent years however that serious fault lines are appearing across the streaming ecosystem, with a potential to impacting the independent sector.

Following extensive discussions with independent music companies across Europe, IMPALA published its 10-point streaming plan in March 2021. The plan proposes key reforms to achieve a thriving ecosystem that is fairer and more diverse, while maximising revenues for independent artists and music companies. As Mark Kitcatt of Everlasting Records, Chair of IMPALA’s streaming task force puts it, “We hope we’ve presented a plan which will help reshape the music industry to better reward more people. Our business can be more sustainable for more creators, more exciting for fans, and more conducive to the sparks of inspiration and individual and collective brilliance that music thrives on.”

With European trade revenues down to 35% of their 2001 value when adjusting for inflation, key aspects of IMPALA’s streaming plan relate directly to enhancing income for the independent sector. For starters, ending safe harbours for digital platforms and ensuring no new loopholes appear following the national implementation of the Copyright Directive across the continent and the

adoption of the Digital Services Act. Another closely monitored area is the allocation of streaming revenues, wherein IMPALA’s Executive Chair Helen Smith remarks that “maximising revenue for our artists is one of our key priorities and that means real change. We’ve come out against equitable remuneration because it is not “equitable” and would damage emerging artists. Instead, we ask record labels to pay artists a fair contemporary digital rate and we put forward ideas for services to differentiate how they charge for music and allocate revenues. We have several proposals to shift how revenue is generated and paid out — Pro Rata Temporis, Active Engagement, Artist Growth, User Choice”.

The role of algorithms in the streaming ecosystem features prominently in IMPALA’s streaming plan. This includes recent initiatives such as Spotify’s Discovery Mode where rightsholders accept reduced royalties in return for plays or preferential treatment, regarding which Helen Smith comments “we see this as payola” and emphasises the importance for independents to have a seat at the algorithm table. IMPALA’s plan seeks to ensure editorial algorithm developments at streaming services don’t negatively affect diversity, local repertoire and opportunities for artist discovery.

Other aspects of IMPALA’s streaming plan are designed to boost diversity and ensure fairness in the ecosystem. This includes



specific recommendations to boost local markets in Europe, and proposals focusing on the nuts and bolts of streaming services such as facilitating search functions that allow users to search by label, producer, composer or publisher, and supporting track titles in multiple languages. Meanwhile, the issue of streaming manipulation and ad-blocking remains important to the independent sector, siphoning off an estimated hundreds of millions of dollars of value away from the streaming ecosystem and independent music companies and artists annually.

IMPALA’s streaming plan was eagerly received by the industry within and beyond Europe, given its methodical diagnosis of the streaming ecosystem’s problems and solution-orientated approach. As Mark Kitcatt summarises, “We investigated all the ideas we could get hold of on how to do this, and their likely, often unintended, consequences, from inside and outside the streaming task force group. We hope and expect that our friends and colleagues in the industry — artists, services and other labels — will want to take on board these ideas. They can make a genuine change for a better creative industry.”

“Maximising revenue for our artists is one of our key priorities and that means real change.”

HELEN SMITH, IMPALA — Executive Chair



SPOTIFY'S DISCOVERY MODE: A RACE TO THE BOTTOM

In late 2020, Spotify quietly announced that it was beta testing a new "audience development tool" called Discovery Mode. It enables artists and labels to choose specific tracks to be prioritised and algorithmically served to listeners. Spotify promotes Discovery Mode as having no upfront cost, claiming it "gives artists at any stage of their career the opportunity to participate". Crucially however, Discovery Mode is available only to artists who are willing to accept a reduction in royalty payment.

This acceptance of a lower payments in return for preferential treatment induces memories of payola, where historically radio stations in some markets accepted money in return for airplay before

regulators intervened. Discovery Mode positions money as a proverbial "finger on the scale" and a deciding factor in music discovery — at an inopportune time when many artists are already pointing to streaming payments being too low, and other revenue streams such as touring have been affected by the pandemic.

Spotify claims to have paid \$7bn to rightsholders in 2021, of which around 30% is estimated to represent algorithmic streams. While the exact reduction in royalties that the company will be pursuing with Discovery Mode is unclear, modelling for several potential scenarios unveils a significant reduction in royalties paid through to the industry.

Based on Spotify's 2021 payouts to rightsholders, a 20% reduction in royalties due to Discovery Mode would result in an annual \$420m drop in royalties paid out, while a 30% reduction would result in a \$630m drop per year. If the share of algorithmic streams on the platform were to increase from 30% to 50%, a 20% reduction in royalties due to Discovery Mode would result in an annual \$700m drop in royalties paid out, while a 30% reduction would result in decrease of \$1.05bn drop per year.

While the effects of reduced royalties on individual artists are negative, the effects on the entire music ecosystem could be disastrous; creating a race to the bottom. It stands to reason that not everyone can receive preferential treatment, and while artists that have been part of early testing phases for Discovery Mode report positive results, the overall royalties paid would be very different were Discovery Mode to reach widespread adoption.

As AIM CEO Paul Pacifico describes it, "imagine you're at the movies and one person stands up to get a better view. That obviously will work well for them and they will have an advantage. But as more people stand up that advantage decreases. By the time everyone stands up, they are back to square one, but a lot less comfortable." The difference between this analogy and Discovery Mode is that, by artists accepting reduced royalty rates, Spotify would be better off, and the entire ecosystem would be worse off.

Discovery Mode has received widespread condemnation from the independent label

community, with bodies such as A2IM, AIM, IMPALA, the Artists Rights Alliance and the Music Managers Forum US coming out against the scheme. In the U.S., concerns have been raised in Congress and the House Judiciary Committee sent a letter to Spotify CEO Daniel Ek in June 2021. For its part, Spotify claims Discovery Mode will only apply to radio and autoplay playlists.

Besides financial considerations, the credibility of Spotify's trusted recommendation engine is threatened by Discovery Mode. Since its founding over a decade ago, Spotify has built industry-leading music discovery tools and prioritised its listener experience. It is largely seen today as a gatekeeper and wields significant influence in the industry. Discovery Mode seems to be at odds with Spotify's promises over the years of providing a level-playing field and giving artists a fair and impartial chance of success, dependent on listeners' preferences and the quality of music.

"Discovery Mode is an existential threat to a healthy music ecosystem and is contradictory to a vision of an equitable global music streaming economy", concludes A2IM CEO Richard James Burgess.



"Discovery Mode is an existential threat to a healthy music ecosystem and is contradictory to a vision of an equitable global music streaming economy"

RICHARD JAMES BURGESS, A2IM
— President And CEO

KEEPING THE FUTURE FAIR: ARTIFICIAL INTELLIGENCE & ALGORITHMS

There may be no technology more impactful to the future of how music is created, distributed and discovered than artificial intelligence; broadly defined as a collection of technologies that combine data, algorithms and computing power. Indeed, these technologies are already deployed in today's music industry to a significant degree, though undoubtedly their influence and ubiquity will only increase with time. This increased adoption warrants a careful examination of how artificial intelligence intersects with music and what the consequences may be.

Some questions subject to frequent ongoing debate include the copyright status of works created using AI, issues around the use of copyright protected works to "train" artificial intelligence, and the matter of infringement and liability relating to these usages. These issues are vitally important to the future as AI plays a greater role in the creation of music, though they may not be as immediately pressing as the role algorithms are already playing in today's music industry.

Streaming service algorithms have been the source of much discussion in recent years, due to their increased importance in music discovery through recommendations and playlists. The power of algorithms when it comes to selecting which song will play next has seen numerous songs and artists gain popularity, however the question of how these songs and artists are selected is important.

The music industry is already highly concentrated, with the vast majority of streaming charts and radio playlists being dominated by major label artists. The key concern is that the prevalence of algorithmic recommendations may exacerbate this domination and lead to a less diverse musical offering by favouring the biggest artists and labels, which in turn would affect the long-term sustainability of less popular but culturally rich and diverse musical genres.

While many playlists are human-curated and do reflect a diverse mix of genres, artists and independent repertoire,

"Can an algorithm be expected to replicate the cultural care traditionally taken by playlist curators, bloggers, journalists or DJs?"

algorithmic playlists have been linked to a loss of musical diversity and the amplification of systematic biases. These have been well documented across numerous sectors for decades. AI systems ultimately learn to make decisions based on training data, and this often reflects biased human decisions which can mirror historical or social inequities.

The lack of transparency from streaming services regarding how their algorithms work does not preclude that these systematic biases exist and may be working against the interests of independent artists and labels. This problem is enhanced if these algorithms simply serve to amplify what is already popular at the expense of underrepresented and marginalized voices - the voices traditionally championed by the independents. The independent sector has for years relied on fair and balanced editorial coverage, curated by teams with expert local and genre knowledge. Can an algorithm be expected to replicate the

cultural care traditionally taken by playlist curators, bloggers, journalists or DJs?

While many questions need answering and careful consideration, governments are starting to look at the issues presented by AI in many different sectors including music. On April 21, 2021, the European Commission published a bold and comprehensive proposal for the regulation of AI. In July 2021, the Canadian government launched a consultation on a Modern Copyright Framework for Artificial Intelligence and the Internet of Things. In the UK, the National AI Strategy dedicated package was rolled out in September 2021. The results of these initiatives and subsequent action will be closely watched by the music industry.

FOR THE RECORD: HOW THE SUCCESS OF VINYL IS DISRUPTING ITS SUPPLY

The resurgence and continued growth of the vinyl format, once regarded as being on a one-way road to extinction, is one of the most romantic comeback stories in the music business. After being replaced by the CD and then digital music, vinyl was seen as archaic and irrelevant to the emergent digital world. However, the virtues of the format have proved to be irreplaceable; the authentic sound quality, the collectability factor, and a physical product of the music listeners love and cherish.

Vinyl has established itself as a format for music lovers, as Zena White, Managing Director of Partisan Records comments, "Fans often buy a record to remind them of the artists they love. Vinyl is a tangible embodiment of an album and creates a connection between the fan and artist." This connection is often fuelled by a sense of collection, as Gesine Schönrock, founder of German vinyl-focused independent label Kompakt Cologne notes, "Vinyl is a collector's item and the customers in Germany are often full of nostalgia. They also love the sound which is not comparable with a digital file."

Despite the pandemic, vinyl sales continued to grow in 2020, which Zena White puts down to, "anecdotally, we saw a lot of people buying vinyl as a means to support their favourite artists, or to maintain their identity as a music lover in the absence of concerts." One of the positive outcomes of the COVID is that many record stores did not have online

businesses pre-pandemic, and many have adapted to survive retail shutdowns, and have the silver lining of a new revenue stream today.

Despite weathering the challenges and digital transformation of recent years, vinyl is not without its problems, which have been exacerbated by the pandemic and related supply chain issues. There have been production difficulties due to capacity issues at pressing plants, shortages in materials needed for manufacturing, delays at seaports, driver shortages in many markets, and increased fuel costs. These issues impact transit time, production costs and turnaround time.

As Gesine Schönrock remarks, "It is terrible and it is really hurting the independent vinyl market. We are forced to work with long production times and can't change it. We try to release some digital files in advances to go around the problem". This is echoed by Zena White, who comments, "Vinyl pressing is a volume business so naturally independents are suffering because since vinyl is no longer a niche product, plants are block-booked by majors who can afford to commit to a much higher volume of pressings. We are doing everything we can, but there's no obvious solution."

Despite the issues faced, vinyl is clearly back in consumers' hearts and living rooms. "There is no sign of vinyl growth and demand slowing down", concludes Zena White.

"Vinyl is a tangible embodiment of an album and creates a connection between the fan and artist"

ZENA WHITE, *Partisan Records*
— Managing Director / SVP



A CHANGING PERFORMANCE RIGHTS LANDSCAPE

While streaming soared to new heights during the pandemic, one of the hardest hit areas of the recorded music business was performance rights. The pandemic shut down retail outlets, gyms, bars and music venues, interrupting royalty collections. Meanwhile, TV and radio were also disrupted, with production scaled back and advertising revenues affected.

Given that most collecting societies have a lag between when monies are received and when they are paid out to rightsholders, the worst impact of the pandemic was not fully felt by independent music companies in 2020. As Beggars Group's VP Collective Rights Rob Gruschke comments, "It is a period of uncertainty for music rightsholders regarding distributable amounts and how badly collections have been affected."

With collections hit hardest in Europe, Gruschke predicts that, "in order to reach pre-pandemic levels, collection societies will probably need about 2 years as there are direct and indirect implications of the pandemic. North America will recover sooner [due to a different rights picture] and hopefully Latin America and Asia will follow not more than a year later than Europe."

As life in many parts of the world returns to a greater semblance of normality, there is a light at the end of the tunnel — and it bears mentioning that the performance rights landscape was healthier than ever pre-pandemic. As Rob Gruschke puts it,

"This very well could be just a temporary setback in the development of collections in many parts of the world, and there are definitely opportunities for progress."

These developments include China recently introducing a remuneration right for the public performance and broadcasting of sound recordings, and hopes that Japan may introduce a public performance right and even the US may at some point introduce a terrestrial broadcast performance right. Gruschke urges, "We should continue to support establishing the rights of rightsholders in all countries that don't (fully) have these rights established yet."

These developments include improvements relating to metadata and the challenges presented by legacy data. As Gruschke puts it, "Metadata is getting more and more attention not only by collection societies but also by rightsholders. On both sides the greatest challenge is legacy data. New recordings are better administered nowadays, but for legacy repertoire correcting the data is very labour intensive, but very rewarding as well."

One of the key developments in recent years has been the Repertoire Data Exchange (RDx), a joint venture between WIN and IFPI, which provides opportunities to improve data quality through the use of standards and central processing. With RDx, rightsholders can deliver sound recordings repertoire data to multiple music licensing companies (MLCs) at the same

time, simplifying the process, and receive messages about registration status and claims conflicts, improving transparency.

As Richard Gooch, IFPI's CTO puts it, "Industry-wide metadata infrastructure depends on good cooperation of industry participants. Good and equal cooperation between IFPI and WIN has been a key factor throughout, including on requirements, testing and rollout of infrastructure which boosts efficiency and accuracy for every kind of entity dealing with performance rights."

The importance of the industry working together with an inclusive approach to improving infrastructure for all was echoed by WIN General Manager Noemí Planas, who comments, "RDx is an example of the benefits derived from the implementation of common technical standards across the industry. We are delighted to see interest in RDx growing and we continue to work to maximize the number of companies that can benefit from it."

"We should continue to support establishing the rights of rightsholders in all countries that don't (fully) have these rights established yet."

ROB GRUSCHKE, *Beggars Group* — VP Global Collective Rights



EXPORTS: NEW FRONTIERS FOR DREAMING GLOBAL

Music is possibly the greatest cultural export imaginable; its distinct sounds and instruments coupled with the diverse voices and worldviews, wrapped into a recording and transferred around the world in seconds. The advent of digital music and streaming has led to cultural cross-pollination on a scale never seen before, with music from Latin America, Africa and parts of Asia truly going global in recent years.

Record companies and local trade associations have placed increased emphasis on exporting music in recent years. Often, having first movers and a strong national cultural brand and musical identity are essential to the continued success of exports. Brazil is a prime example of this, with the country seeing significant success exporting music despite its historical lack of structured public policies. As ABMI's President Carlos Mills remarks, "The brand 'Brazilian Music' is generally very appreciated and respected throughout the world. Our creative music production is a direct result of an open and diversified society that generates amazing artists and brave entrepreneurs".

On an individual company basis, embracing the latest digital platforms and tools, building regional networks and adapting marketing strategies for specific markets plays a vital part in exporting music in the modern era. As Dan Muraru, co-founder and Managing Director of Romanian record label Roton puts it, "We

have the wonderful chance of having long-term friends and partners in the music industry with whom we built a successful path in music export, which is a path of mutual benefit. The industry is consistently developing, one of our main focuses today is integrating technology tools suitable to the present but also to the ever-changing future".

The advantages of exporting can result in a stronger market at home, as exemplified by Australia. The country has historically been regarded as an important export market which saw foreign labels frequently licensing their records to Australian labels. In recent years however, the mentality of local artists has changed and they have started to seek opportunities and growth from foreign territories. "This shift has allowed the local industry to grow in all areas and the labels that were only licensing content for Australia are now housing rosters predominantly made up of artists that they control worldwide as a base, and then may compliment by releases licensed only for Australia but their overall focus is definitely global", explains Ashley Gay, Managing Director of distributor Xelon Digital. With the world's palette of music being available to over a billion digital music consumers, and the tools and technology available for artists and labels to dream global, the shift towards an intertwined, global industry is resulting in new frontiers for culture and revenue.

"Music export is a path of mutual benefit."

DAN MURARU, *Roton Music*
— Co-Founder and Managing Director



ASIA: BOOMING GROWTH, GOING GLOBAL

Asia is home to a number of unique and fascinating music markets which share some key commonalities despite their differences: distinctive local musical cultures, significant innovation when it comes to digital and social music consumption, and a drastic recent pace of growth and development.

Leading the charge in this regard is China, where the market has been transformed over the past decade due to a concerted effort from local policy makers to create an environment conducive to intellectual property investment and growth. As Xiaowei Hu from Chinese trade association IMCO puts it, "Since 2015 there have been major efforts from the government to ensure compulsory protection of all things related to copyrights within the music industry. By fostering the industry's economy China has ensured expansion. Policy changes such as allowing corporate organizations and companies to invest in the music industry, legally recognizing neighbouring rights and collection, and recently preventing streaming platforms from signing music catalogues exclusively have all heavily influenced this change."

This environment has led to investment in diversified music and social streaming platforms, and has created a viable and booming market for rightsholders both local and international. Hu continues, "Live streaming and short video content have dramatically increased the exposure of music to a wide array of audiences, leading to an increased number of users discovering music on video-centred

apps and then subsequently listening to music on streaming platforms. Younger generations are now habitually paying for music, with more and more users from 'Gen-Z' opting for a monthly subscription."

The traditional industry superpower of Japan, the second largest recorded music market globally, is also undergoing significant change accelerated by the pandemic. In past years, streaming adoption in Japan has been surprisingly slow compared to other major global economies, as the CD format has continued to dominate the Japanese market. However, the pandemic and subsequent forced changes to consumer habits have finally seen significant growth in streaming. As Taro Kumade, Executive Officer of U'S Music Co states, "The shift to digital has been slow because of a conservative industry and it has been a challenge for many companies to understand the changing landscape. But the younger generation coming through have a better understanding of the new ecosystems of the future".

The strong physical market and the dominance of domestic repertoire has historically led to a less export-focused ecosystem in Japan than in similar territories. As IMCJ's Director of Business Development Izumi Yamaguchi puts it, "We need to reach out to the global market. This is not only to cover the decrease in CD sales, but also to find even more opportunities for Japanese music outside Japan. This is also an opportunity for non-domestic music to get their fanbase

"We need to reach out to the global market."

IZUMI YAMAGUCHI, IMCJ — Director of Business Development



in Japan by developing partnerships with local players such as Japanese labels, agents and promoters."

Paving the path for global exports in recent years has been South Korea, where the upper echelons of the industry have embraced digital innovation and enabled the bridging of cultures which has seen K-Pop artists taking over across the world. Setting notable successes aside, there is a significant amount of room for development within the domestic industry. As Gill Shin, Secretariat General of LIAK comments, "With the right guidance and active support, the Korean music industry has a great deal of untapped potential that can be fast-tracked for success. One of the challenges in the Korean music industry is the lack of a consistent, specialized, representative

organization to lead agendas on behalf of the industry. In both the public and private sectors, decisions are being made that apply to entertainment as a whole, but do not always consider the impact it has on the individual sector."

The APAC Alliance, officially launched during the first Asia Pacific Music Summit in October 2021, is a regional working group driven by WIN and the Asia-Pacific independent music associations IMCJ (Japan), LIAK (South Korea), IMNZ (New Zealand) and AIR (Australia). Its aim is to facilitate dialogue and exchange to unlock the potential of the Asia Pacific region and address how its industry can better connect with the world.

LATIN AMERICA: A LAND OF OPPORTUNITY

One of most vibrant musical regions in the world is Latin America, home to both a rich and varied culture and a highly engaged, digitally connected audience. The continent's music industry has rapidly developed in the last decade since the digital transformation enveloped the region, further providing opportunities for artists and labels to reach the world with their music and culture.

In Argentina, the music market has undergone significant transformation and growth on all sides. The rising tide of opportunities in and beyond the local market is reshaping the landscape, especially as pandemic restrictions soften and reformed consumer habits are revealed. As 432 Hertzios Director Nicolás Madoery comments, "In Argentina, we're exploring how to incorporate different alternatives of financing models, and understanding the convergence towards a hybrid world where digital solutions coexist together with physical experiences. Parallel to the gradual return of live music, the appreciation of rituals such as enjoying music, non-digital media and experiences is growing, with the rising phenomenon of vinyl fairs and growth in the vinyl market share."

A similar story has transpired in Brazil, where a tradition of physical products has been joined over the past decade by a rapidly growing digital business; one which has helped the nation's music industry sustain through difficult times. "The music industry was severely affected by the pandemic, there were reduced releases and costs. Without a doubt, learning and

working in the digital world has been a great move" comments Antonio Pontes, Administrative and Financial Manager of label Biscoito Fino. But despite the challenges faced, a positive approach is paramount, as Antonio Pontes puts it, "In Brazil, there always were and always will be difficulties, whether structural or cultural, but we always manage to look for the bright side. This is a Ferris wheel and old things will go away and new ones arise. The digital market and globalisation have given us opportunities to reach where it would not be possible once, and to explore new markets. The opportunities are there, the cards are on the table, and now we just have to know how to play".

Challenges and opportunities are also abound in Chile, where a social outbreak occurred in late 2019 when discontented and overwhelmed citizens took to the streets to demand change in society. This was followed by the onset of the pandemic, and the music industry subsequently halted almost completely for this period. There are signs for life again for the country's live music sector, as concerts are beginning to resume. From a wider perspective, there is also optimism regarding a new constitution, which will seek to define the future of the nation and is expected to address culture and intellectual property.

Unity and a focus on improving the music sector are key takeaways for the music sector from the pandemic, as IMICHILE's President Germán Torres remarks, "The pandemic made it clear we cannot depend on live music alone, and

encouraged us to unite as a sector, leaving aside differences between majors and independents." This led to the creation of the first Chilean music federation Red de Asociaciones Musicales de Chile (R.A.M.), which brings together 11 representative organisations in the music sector, working towards a united goal to strengthen the music sector in Chile.

Another key piece of industry infrastructure emerging from Chile is the Observatorio Latinoamericano de Música Independiente (OLMI), a data analytics platform whose main goal is to characterise the Latin American independent music ecosystem, considering the social, cultural, technological and economic aspects of the continent.

The project originated when independent trade associations from Argentina, Brazil and Chile came together with support from WIN, and in collaboration with the Digital Observatory of Chilean Music (ODMC). OLMI has local partners across the region, and has published research in 11 countries: Argentina, Bolivia, Brazil,

Chile, Colombia, Costa Rica, Ecuador, Paraguay, Panama, Mexico and Uruguay. As Cristóbal Dañobeitia, Director of OLMI, comments, "Our goal is to compile, analyse and make available quality information to promote better decision-making across the continent".



olmi.la

The importance of having quality data in Latin America is paramount, perhaps even more important than in other regions of the world. As Dañobeitia remarks, "The region suffers from a high level of labour informality, which implies that there is a large number of relevant actors who do not have official statistics. The reality of the region is very diverse, and this generation of new models of the industry and the promotion of intra-regional exports is a great development pole for music".

"The reality of the region is very diverse, and this generation of new models of the industry and the promotion of intra-regional exports is a great development pole for music".

CRISTÓBAL DAÑOBEITIA, OLMI — Director



COVID-19 PANDEMIC: THE IMPACT ON MUSIC

The effects of the COVID-19 pandemic have left few parts of life untouched, but not many industries have been as fundamentally impacted on a global basis as the music sector. With most countries implementing lockdowns which effectively shut down public life, the concert industry has been hit hardest and has either been the one of the last activities to resume — or has only been able to reopen with restrictions that have made touring unviable for the time being.

Indeed, the pandemic has shone the spotlight on just how integral a revenue stream touring was for so many artists and independent music companies. The impacts of live music shutting down have been further reaching, with touring personnel and related service providers heavily affected. As Germany trade association VUT's Chairman Mark Chung

comments, "The music industry's high degree of division of labour and close interlocking" and noting that "health policy measures have affected all sub-areas of the industry."

For markets where the music sector has been fortunate to receive government support, trade associations have assisted with the implementation of support, which Chung describes as requiring "a holistic, targeted approach across various sectors". However, in many countries there was no governmental assistance, as Nikola Jovanovic, founder of Serbian company Kontra comments, "With the lack of state support, we have seen a lot of people changing professions and looking into other careers. Many people lost companies and are out of a job."

This is echoed by Csaba Nasz, Co-President of Hungarian trade association HAIL, who notes that "the pandemic had a serious effect on the music sector in Hungary, possibly even more significant than in bigger markets. A heavy dependence on live performance resulted in a huge drop in live revenues (80%-90%) and a 30%-40% loss of revenues from collecting societies."

In many countries, companies within the music sector have embraced the value of sticking together and adopting a collective voice as part of an organisation. As Eva Karman Reinhold, Chairman of Sweden music association SOM notes, "In these times, both new businesses and experienced labels see the value of joining an organisation and being part of the independent community".

With global vaccination rates growing and many countries adopting less restrictive approaches to containing the pandemic, live music is now back on the menu, albeit with some restrictions. A collective approach mixed with a dose of hope and cautious optimism seems to be the consensus outlook for the future.



"In these times, both new businesses and experienced labels see the value of joining an organisation and being part of the independent community".

EVA KARMAN REINHOLD,
SOM — Chair

METHODOLOGY

During 2021, WIN and House of Research fielded a major survey to independent record labels across the globe, covering 32 countries in 5 continents. The survey was commissioned by WIN and supported locally by its member associations.

The trends presented in this report originate from the responses to the online survey which addressed issues including the size of the business, people employed, releases, sound recording revenues and the impact of COVID. The surveys to collect data from the UK, Brazil and Chile were conducted by the respective local trade association partners, on the basis of the survey instruments developed by House of Research, and subsequently incorporated into the overall data set.

The editorial content included within the report was supplemented by interviews with associations and their members.

Characterising the size and trends within the global recorded independent music market is a complex endeavour with numerous considerations. This report does not attempt to provide a complete characterisation of the industry. Instead, we have focused on encapsulating a broad picture of the independent music industry, highlighting the trends and key themes and issues observed across the sector globally.

ACKNOWLEDGMENTS

This report would not be possible without the input from hundreds of independent music companies around the world. We would like to thank them, as well as our member associations who promoted the project and provided assistance. A special thanks to everyone who provided citations and contributed to this report.

Writing and Research: Denis Simms
 Graphic design, layout: Roberta Landreth
 Cover photo: Unsplash
 All layout photos: Unsplash

OUR NETWORK





worldwide
independent
network

