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Pandemic the game changer of the Music Industry

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Abstract

The aftermath of pandemic had left its imprint on global business and the music industry was no exception. The coronavirus hit the music industry hard in March 2020 , the streaming business declined and the revenue through live programmes took a nose dive as a result of social distancing and quarantine. The global business houses are still grappling with the post pandemic effects and things are not different for the music industry which still learning to function and earn revenue in the new normal. Most of the societal shifts or major global events will tend to bring about innovation in business with new ideas. This pandemic will bring a wave of a big change, be it another instance of innovation or a presentation of a great opportunity . This will be a prospective chance for the music industry to outline ways of bringing artists closer to their fans — without actually getting them physically closer — and innovative traditions to generate excitement around enthralling music and ensuring that the live concert experience remains intact but presented in a different form. It is not easy, but the music business has been offered with a unique opportunity to carry forward its business and ensure those towering revenues return and multiply and the business of music witness a healthy growth for years to come.

Key words : Music industry, pandemic, sustainability, Pragmatic trends, live events

Introduction

The brunt of COVID-19 on the economy and consumer behaviour gathered speed and amplified changes, including torrent growth, cord cutting, waning movie attendance and an increased focus on the price-value relationship entrenched in consumer decision-making on media spending. COVID-19 also resulted in shorter-term cyclical shock. Lockdowns and travel restrictions walloped businesses that rely on the physical gathering of people – most markedly the sports, concerts, conferences, and content production. Industry leaders are retorting to this situation by taking bold steps to reposition their companies to align with new market realities.

As the world moved into 2021, the sweeping operational restructuring actions which were declared by media majors seized the industry. A prime motive was cost reduction. Essentially cash was released for redeployment into growth investment. However, the changing nature of the industry is forcing companies to rethink of their existing structure and then enter the market with their products and services. The steps taken by media and entertainment companies for streamlining the cost and optimize the operating model for efficiency and effectiveness captured the center stage as the entire industry was plotting a pathway through disruption.

Since the Dance hall is emptying out…it is time for networks and independent studios to find partners for sustainability.

Consolidation of channels for media and entertainment companies are clearly defined and most notably, they include the strategic requirement for more content to fuel streaming growth and the tactical reality that increasing operational scale will enable efficiencies and unlock more investment of capital. However, the gap may be closing for mid-sized studios and network owners hoping to vend out to larger technical players, due to feasibility and demand. Also, there still is an uncertainty around the long-term trail for success of companies pursuing vertical integration of content creation and MVPD or wireless distribution. Media operators that lack the mega-scale of today's industry leaders now face a critical choice: either attempt to counterfeit ahead alone through turbulent waters or move rapidly to tie up with a similarly positioned peer business to improve competitive and financial positioning. In addition, they must also set their strategy while navigating the uncertainty arising from the pandemic. In the year ahead, one is likely see further combined activity involving relatively smaller-sized network owners and studios, encouraged by the need to create a bigger platform to support the investment in content creating, marketing and technology required to make the spin to a direct-to-consumer model.

Life is better when we're connected

Cable companies have accomplished record results from their high-speed data offerings as consumers depend on speedy internet connectivity for work from home, school and entertainment. Video consumption has shifted swiftly from linear channels to on-demand streaming. Cable companies are now emphasizing internet services as their core consumer offering. Pre Paid TV packages, was once the foundation of the subscriber relationship, which is now being deemphasized in support of broadband speed tiers and other connected services. According to EY's 2020 Digital Home study, almost 40% of respondents purchase internet-only packages from cable companies, which is increasing by 8% every year, further reinforcing the market dynamics. The cable companies now seek to expand their footprint more deeply into the households by positioning a broader collection of products that are dependent on the core internet connection. Consumers look up to their internet provider for complementary features that enhance the internet experience for the entire home net work. Cable companies also aim to speed growth in adjacent "smart home" channels such as home security, a assortment of connected devices – such as clinical thermometers, doorbells, smart appliances – and also for the future tele health appliances.

Live events ready for a comeback, but differently

In-person events made a vigorous return in 2021. The human need for shared experiences remains uniquely powerful and it is obvious for selective sporting events that had limited crowds that were masked and appropriately distanced. Crowds are back in stadiums cheering enthusiastically for their teams. Even so, in the absence of a fully distributed and effective vaccine for COVID-19, easing strategies will be required. This would bring a change in the dynamics for venue proprietors, promoters of live concert and event organizers. It will open innovative and prospective new channels which would enhance the consumer experience. Major business conferences, which stirred to virtual gatherings in 2020, continue to operate on digital platforms to expand their reach and accommodate remote participants who are wary of business travel. Venues of music programmes and festivals are pushing ahead with creative layouts for audiences such as boxed seating and car-park concerts to encourage participation. While promoting interactive opportunity for fans who are not comfortable coming out for a show, owners of large stadiums have utilized their gigantic capacity to design seating blocks that meet social distancing guidelines.

Theme parks have stressed on safety measures and offer attractive deals to encourage admissions to the park. While serving as a connect bridge to a full reopening, these thoughtful solutions will keep audiences engaged and establish new multi-channel, customized and personalized connections powered by sophisticated data analytics. This will finally become part of the ongoing consumer value proposition.

In India the music segment lingered to stability in 2020

The Indian music segment was seen stable at INR 15.3 billion in 2020 and is is expected to grow at a CAGR of 15% to reach INR 23.2 billion by 2023. There was 5% growth in the music label business, primarily due to increase in digital licensing revenues. Around 67% decline was observed in performance rights due to country-wide lockdowns resulting in restrictions on outdoor activities. The

Physical sales of music saw a decline of 75% as the medium of transfer continued to lose its relevance, except for products like ***Carvaan***.

Music consumption trends among Indian consumers

- Indian consumers spent 21.5 hours/week listening to music. India's average of 21.5 hours/week is higher than the global average of 17.8 hours/week. In spite of restrictions on commuting, the period of travel during which many Indians listen to music, surprisingly there was an increase in time spent on streaming apps. This was due to adoption of new listening habits while doing other chores and activities. In 2020 industry leaders had estimated a 55% increase in music consumption during leisure hours and 30% increase during fitness activities . On an average monthly stream count was over 10 billion streams in first half of 2020 and crossed 11 billion streams per month during lockdown. Post Covid-19 there was an increase of 15% Paid consumers on streaming apps. Regional music and independent artists found a place for themselves. With decline in film music, the top 100 published songs were by independent artists who increased their reach and share in the music market. There was jump from 40% to 65% in non-film songs.
- Most of the music artists used virtual events to stay connected with their fans. The consumption of Bhojpuri music grew four times over the previous year. Haryanvi, Bengali and Odiya regional music saw an upward growth of 2.5 % from the previous year. All music generated from regional language saw a profit of 33% since 2019.
- Carvan propeled life into the physical music segment. Carvan is an audio player with pre-loaded songs and extra features like USB and FM radio, has touched sales of nearly 3.5 million units (including all variants of music) since its inception in 2017 and managed to sell more than 308,500 units in 2020. This has led to the launch of other musical products including devotional music. The revenues generated from these sales have not been included in the final sizing of the music segment, which was in the order of INR 385 million in 2020.

Piracy continued to plague the music segment

- Piracy in the music ecosystem remained at 70% in 2020 but was higher than the global average of 25%
- China has succeeded in restricting music piracy through innovations such as signing up and preparing artists directly which resulted in 95% of consumers listening to licensed music.

Growth of international music

- Korean pop (K-Pop) saw a growth of 350% on the Gaana app in 2020, with K-pop band BTS making it to the top five artists streamed in India on Spotify
- Almost 60% of the top 10 albums on Spotify were by international artistes

Pragmatic trends for Indian Music Industry

Opportunity at SAARC events

- India has the opportunity to become the core centre for events in the SAARC region, substantially filling the space between Dubai and Singapore.
- This sector will attract and / or build more IPs and events of international stature through investments in infrastructure in metros like Mumbai and Bengaluru airports, properties in Noida and privatization / operating leases of government run stadium.
- Music concerts will develop manifold by 2025, leveraging India's vibrant music culture

Online gamers will hit 500 million turnover

- Online gaming will continue to develop and reach 500 million gamers by 2025 to be ranked as the third largest segment of the Indian M&E sector.
- This segment is expected to grow across all its verticals viz, e-sports, fantasy sport, casual gaming and other skill games, but growth in revenue is expected to be led by mobile-based real-money gaming applications across all these verticals.
- A statutory nodal agency needs to be established to help implement responsible gaming guidelines, as well a monitor areas like minor game play, security, data protection, content guidelines and training

Cinema audiences will divide

- Today cinemas cater to more than 100 million Indians, which are mostly top-end audiences. But in future they will begin to penetrate deeper into Indian market and cater to a wider audience base.
- Cinemas will also continue to provide entertainment to the top end multiplex audiences who watch movies in theatres for the enthralling experience and to enjoy socializing an evening with friends and family. This segment would comprise of around 100 million customers by 2025

- In addition, a set of low-budget, low-priced cinema products will emerge for the next segment of 100 million audiences across the top 75 cities of India, which may expect a change in the nature of content being produced for this "non multiplex" audience.

Textual trends - News content will exceed entertainment

- In the year 2020, Comscore data indicated that online news had a reach of 454 million consumers as compared to 450 million consumers for online entertainment.
- It is expected that there would be a trend of continued upward growth and the average length of session will remain smaller for news, the higher rate of daily visits shall re-index the news genre. Thus leading to an increase in value of the newspaper.
- With the premium customers shifting to SVOD, the importance of print media will continue to increase amongst such audiences.
- Larger networks of news media will focus its attention on increasing the collection of regional news to create very brawny regional products (print + digital) of particularly high significance to audiences. The national and large digital news media houses may not be able to offer enough regional products.
- The newspaper will indulge towards increasing its value to the consumer for ensuring it gets picked-up and read, by way of varied discounts, coupons, and curated community experiences available only through the newspaper e.g., advice for personal investment portfolios, self-help groups, home chef communities, etc.

Reduced reliance on advertising

- Growth of the Cover price is vital for the print segment, for reducing the variable loss incurred on each newspaper printed by most print companies, and India may see a doubling of newspaper average cover prices by the year 2025
- Online subscription models for digital products have become creative since 2020. And after the pandemic it has witnessed an increased interest which will continue for next few years, following the footsteps of the OTT video segment in mass bundling with data packs and other online offerings.

Increased focus on margins

- A continued focal point on operating margins will be required which could be made possible by creating state-wide shared services across news gathering, production and distribution while . While feature companies shall remain focused on their core capabilities of brand building, community management and editorial excellence.

Audio trends - Video OTT is expected to drive the music vertical

- The content produced for the video OTT segment shall emerge to play a more important role in utilizing and promoting music – similar to Bollywood's connection with music which will give us a chance to witness a lot more music led innovation from this segment. The consumption capacity will remain on AVOD platforms
- If YouTube continues to provide fresh and current video content-linked music for free, then the paid OTT music sector is expected to reach more than 5 million top-end users by 2023, and grow to INR 2.5 billion in revenue, leading to combined increase in the music OTT segment.

Radio to continue as the lowest cost entertainment medium

- Radio, the most inexpensive of all media for consumers, shall continue to survive and serve large portions of the country through smart phone FM services, and play a imperative role in retail advertising
- Radio will create and give financial support to communities through its RJs and other influencing networks, besides re-defining itself into a marketing specialist for brands which have a direct-to-customer focus. The business models of Podcasting will continue to be funded by advertisements. Comparatively few stand-alone podcast platforms /creators will be able to generate subscription revenues on their own and it is expected to remain funded .

Supply side experienced changes

- Almost all M&E companies created digital twins for their traditional products and, whilst most of them just added on a **.com** to their brand names, as they realized that it took a lot more to make a success story in the digital world.
- Those companies that expected their "digital division" to work along with or beneath their "main business" found out the hard way that it was just not possible to differentiate between the online and offline audience. Hence, many ended up setting up standalone digital businesses.
- Advertisement sales teams suddenly realized that the e-commerce boom resulted in more brands allocating a portion of their expenses to e-commerce platforms. The estimates showed these expenses to be at INR30 billion in 2020.
- Digital point of sale advertising provided quantifiable return on advertisement expense data in near real time, creating a new challenge for the traditional ad sales teams.

Consumers turned creators

- User base of short format video platform apps has grown by 65% in the last two years

- Apart from the typical short videos, investments into professionally generated content for instructional videos of gym, music, art, cooking and live streams helped reach a larger segment and the average viewership time also grew.
- It is estimated that over 50,000 creators have a following of more than 100,000 each on short video platforms, democratizing the creation of content.
- With more than 60% of audiences from outside the metros, regional content is motivating short video production. Hence Sachet pricing has regained its popularity.
- As the auto billing rules has changed, more media companies have begun to offer these options for subscription products, resulting in there-emergence of sachet pricing options as compared to annual packages

Non-media became media

Led by Amazon, 2020 saw the appearance of content on several non-media platforms like PayTM, Zomato, etc.

- Gamification related to sporting events, reality shows, and exhibition content were popular on e-commerce platforms, with several brands opting for these non-traditional online advertising options. The equation of consumer value changed
- 285 million consumers accessed package of pay OTT through telco data bundles, while at the bottom of the pyramid, free television crossed over 40 million homes because entertainment, education and news channels increased on the non-media platform
- VOD made a strong launch with several films releasing through this method when cinema halls were shut

Conclusion

If the music industry were allowed to write its own history, every year's narrative would blaze with variations on the same theme — the words "transformation," "revolution," and "record-breaking sea change" chief among the glossary — ad nauseam. But in the uncharacteristic shadow of the pandemic, these pretentious end-of-year appraisals, for the first time, are quite accurate. Without rewarding live shows and a predictable event calendar, the industry — from record labels artists to dashing financial entrepreneurs — went off its rails in search of new revenue streams and new points of connection to music fans. **Observations reveal that Artificial Intelligence driven music will surge forward. Music artist will be more inclined towards artist friendly streaming platforms which will have less interaction between the artist and their fans. The internet will take the centre stage and execute the virtual industry operations. But there will be a need to bring some tangibles in terms of value to the musical product. With a dip in the economy fans may have a**

less disposable income for face to face shows. It is expected that the music industry will adopt newer models to lend new experiences to their consumers.

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