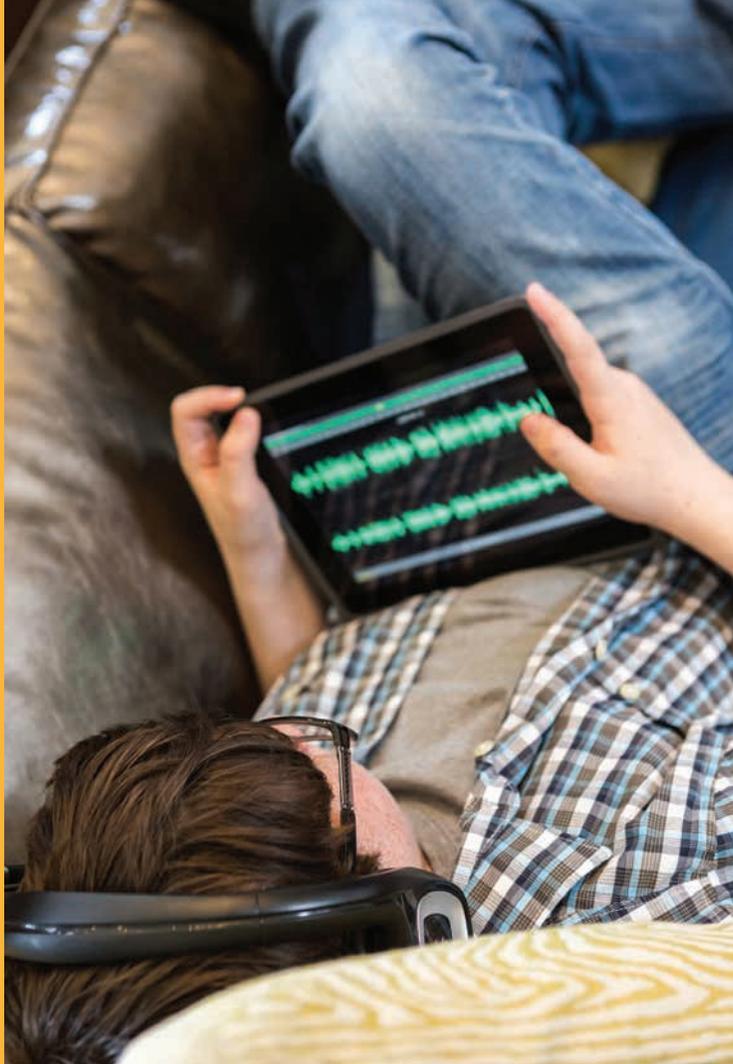




#labelsatwork

American Music's
Digital Revolution



#Digital_Revolution

It starts with a beat. A hook. A voice. One listen and you want it for a download. Your ringtone. Your playlist.

You download, stream or share this song you've just discovered. Hashtag. Like. Instantly, you connect with the artist behind those songs on Twitter, Facebook and YouTube. This is an industry's digital revolution.

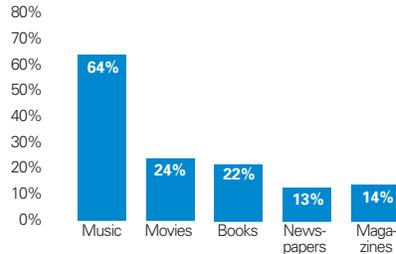
Some 450 digital music services are authorized worldwide offering almost 40 million tracks bringing you music how you want it, when you want it, where you want it. From on-de-

mand streaming and digital radio to music bundled with mobile phones or stored in the digital cloud, this is just the beginning.

Music is more digitally distributed than other forms of content, including movies, books, and magazines. Music is not only driving business today, it's key to developing new services and technology for tomorrow.

Because this revolution belongs to the fans. And even more options for listening, owning and discovering new artists and beloved classics are just around the corner.

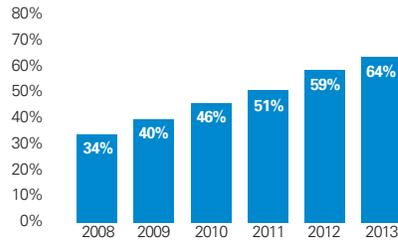
Digital Distribution in the US by Type of Media (2013)



Source: RIAA; RIAA analysis of PWC projected data



US Music Industry Digital Share by Value



Source: RIAA

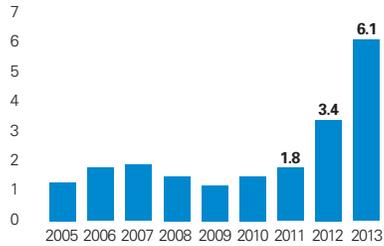


Music is a part of everyday. Making music convenient, affordable and legally accessible is achieved by a rapidly evolving industry. Through fan friendly resources like **whymusicmatters.com**, or apps developed to help music lovers discover new artists, there is an army of people who find, cultivate and invest in the musicians and artists we love. The result is a stronger music community; one that is growing and increasingly streaming.

In just over five years, streaming services have rapidly grown with subscription services leading the trend. There were more than six million paid subscribers to streaming services such as Spotify, GooglePlay, and Rhapsody in 2013. Streaming services make up a significant portion of America's digital music revenues, totaling \$1.4 billion and accounting for 21 percent of music industry revenue in 2013.

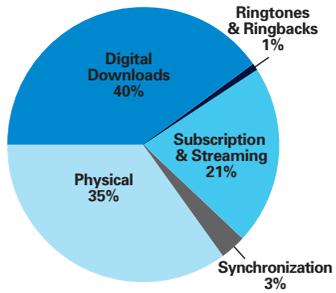
Subscription Services

Millions of US Subscriptions



Source: RIAA

US Record Industry Revenues 2013



Source: RIAA



Photo credit: Ben Watts

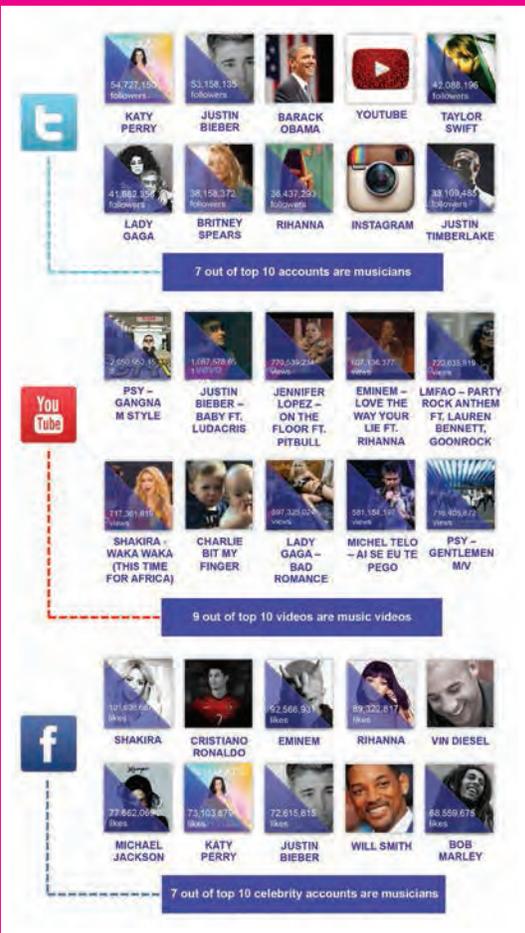


Photo credit: James White



Gold & Platinum Program Digital Single Award. The RIAA integrated song streams into its digital single category for its prestigious Gold & Platinum certifications. This modernized award recognizes online demand for songs and captures the popularity of the music fans love in the diversified ways they listen. Gold awards are now earned by selling 500,000 downloads, or a lesser number of downloads plus on-demand streams.

Musicians Dominate Social Media



Gold and Platinum Program

- **1958** Program launched by the RIAA to honor artists and create a standard by which to measure sales of a sound recording.
- **1999** Diamond Award established to honor sales of 10 million copies or more of an album or single.
- **2004** Digital Single Award introduced in recognition of the significant sales of emerging digital music formats.
- **2005** First Platinum Digital Single Award goes to Gwen Stefani for her "Hollaback Girl" (Interscope Records) selling more than one million downloads.
- **2006** Master Ringtone Award introduced to recognize the popularity of enjoying music on mobile phones.
- **2013** "Combined" Digital Single Award launches counting both downloads and on-demand streams in recognition of the increasing popularity of streaming as a method of music listening.
- **2013** Three top achieving artists earn Diamond Awards counting sales and streams to surpass the 10 million threshold: Justin Bieber at 12x multi-Platinum for "Baby (feat. Ludacris)" (Island/Def Jam), Eminem at 11x multi-Platinum for "Love the Way You Lie (feat. Rihanna)" (Aftermath Entertainment/Interscope Records) and Lady Gaga at 10x multi-Platinum for "Bad Romance" (Interscope/Geffen/A&M).
- **2014** Katy Perry (Capitol Records) is named Gold & Platinum's most awarded digital act, amassing 72 million cumulative Digital Single Certifications counting downloads and on-demand streams.
- **2014** Eminem (Aftermath Entertainment/Interscope Records) becomes the first artist to earn two RIAA Digital Diamond Awards for "Not Afraid" and "Love The Way You Lie (featuring Rihanna)," both surpassing the 10 million threshold counting downloads and on-demand streams.



≡≡≡ #LabelsAtWork ≡≡≡

Music defies age, occupation and culture. It connects us to memories, moments and each other. But before a melody can become a summer anthem, there's a team of music aficionados discovering new talent, engineering productions, promoting artists that stand out from the crowd, and devoting all means available to ensure that quality tunes reach fans' ears. Significant work and resources go into the songs you love.

While today's digital world allows artists to reach fans directly, music labels help artists successfully connect with new and bigger audiences. In the last decade, the major labels spent \$13.4 billion to find new acts and help them develop their sound. Music labels then employ a variety of innovative strategies for the launch of each individual song and album. For example, Katy Perry, Avicii, Hunter Hayes, and Daft Punk are all artists whose 2013 releases benefited from a sophisticated marketing campaign of a major record label.

Label investment in talent also helps 'seed' the rest of the music ecosystem. In the last decade, major labels have paid out \$20 billion in royalties to artists and songwriters. And by helping create hits that reach worldwide audiences, labels help generate billions in additional royalties for these music creators.



Advances, tour support, recording costs, video production, promotion and marketing expenses – all are responsibilities of a music label and what a label does best. That help comes at a

steep price with even higher risks: only one out of every five or six new albums is a successful album.

According to global music trade group IFPI, breaking a new act in a major market can cost more than \$1 million. Global estimates peg the percentage labels spend on investing in new talent at around 16 percent of revenues. In fact, the proportion of revenues invested by record companies in A&R activity is higher in comparison than almost any other industry's investment in R&D. This investment is to help artists – and fans – cut through the musical clutter. And artists know it: the majority of unsigned artists want to be signed to a label. One out of four artists signed to a major label is a new signing (within prior 12 months).

How music's global 16% A&R investment compares with other sectors' R&D investment

Rank	Sector	Overall Sector R&D Intensity
1	Pharmaceuticals & Biotechnology	15.3%
2	Software & Computer Services	9.6%
3	Technology Hardware & Equipment	7.8%
4	Leisure Goods	6.2%
5	Healthcare Equipment & Services	6.1%
6	Electronic & Electrical Equipment	4.2%
7	Automobiles & Parts	4.1%
8	Aerospace & Defense	4.0%
9	Chemicals	3.1%
10	Industrial Engineering	3.0%

Source: The 2011 EU Industrial R&D Investment Scoreboard. European Commission

A record deal matters, say unsigned artists

Unsigned artists aiming to be signed by record company	71%
Unsigned artists thinking a record deal is important in developing a career	75%

Source: Survey of unsigned artists in the UK compiled by IFPI and *The Unsigned Guide*, May 2012

“Today, my music is available on a huge range of digital services. People can listen to an opera as they go about their everyday lives. They can constantly discover new music on recommendation services. They can engage with artists on social networks. We no longer rely on physical delivery of the music we love to hear.”
– Plácido Domingo (2014 DMR report)

WhyMusicMatters.com – a reflection of a changing marketplace.

The Internet is a powerful resource that connects fans, artists and the music they love. It also informs how we’ll listen to and buy music for generations to come. The music industry is working to simplify licensing for new business models so fans can better connect to the music they love. Music is at the center of modern business, collaborating with tech leaders, Internet service providers, advertisers and others spurring innovation to benefit the music community, fans and our economy alike.

With so many options for enjoying music online come questions about which services are authorized. That’s why we joined the Music Business Association (Music Biz) to create whymusicmatters.com as a guide to the more than 70 (and growing) authorized U.S. music services offering downloads, streams, music videos, mobile access, CDs, vinyl and much more. Think of it as your one-stop shop for accessing music online.





Photo credit: Kai Z. Feng

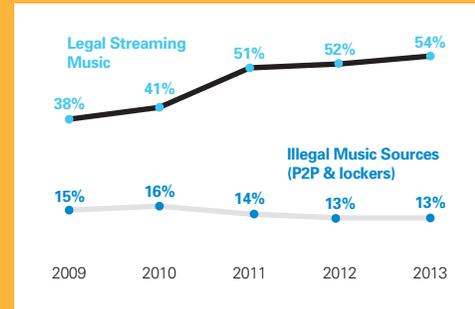




American Jobs in Jeopardy

Protecting creators' rights helps commerce and culture. Unfortunately, when music is accessed through illegal means, it impacts the creator as well as new artists trying to make music their livelihood.

Many in the music community are their own small business and every song helps pay the bills. When songs are taken illegally, these artists receive no payment for their work. The Internet should be open and free, but not lawless.



Source: MusicWatch (US Internet Pop. Age 13+)

Through public education and strategic enforcement of unauthorized services, many U.S. users now turn to legal downloads and have stopped using file-sharing services altogether.

While this is good news, many other forms of illegal services and platforms such as torrent sites and pirate apps continue to plague the business. Of particular concern are search engines that have not taken meaningful steps to prevent piracy. For example, when a user searches for music, search engines direct them to unauthorized music sites found on the first page of search results. In fact, research from MusicWatch shows that search engines are one of the most common ways users discover sites to download music without paying. Search engines have the ability to promote legal sources of music above illegal ones in its search results but have thus far refused to take sufficiently meaningful steps.

Search engines are one of the most common ways users discover sites to download music without paying – MusicWatch



Top Ten Global Best Selling Albums of 2013

Rank	Album & Artist	Total sales (m)
1	Midnight Memories One Direction	4.0
2	The Marshall Mathers LP2 Eminem	3.8
3	The 20/20 Experience Justin Timberlake	3.6
4	Unorthodox Jukebox Bruno Mars	3.2
5	Random Access Memories Daft Punk	3.2
6	Prism • Katy Perry	2.8
7	To Be Loved Michael Bublé	2.4
8	Night Visions Imagine Dragons	2.4
9	ArtPop • Lady Gaga	2.3
10	Beyoncé • Beyoncé	2.3

Source: IFPI

#WeRmusic

American music is a force in culture and commerce. It dominates social media, drives new technology and is one of our biggest international exports. The most popular videos on YouTube are music videos. The top Twitter and Facebook accounts belong to musical artists. Music is consistently one of the most talked about subjects on social networking sites. American music is a big part of a copyright economy that now contributes one trillion dollars to the U.S. gross domestic product every year, and outpaces our national economy in growth. And in 2013, eight of the top 10 global best-selling albums and singles were from American artists. All of this makes us proud to say (or tweet or post): #WeRmusic.

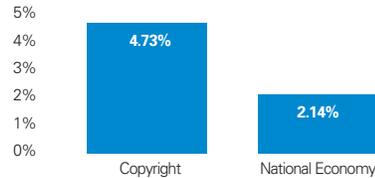


Photo credit: Davis Black



Copyright Economy is growing faster than the National Economy

Annual Growth Rate Value Added to the US GDP, 2009-2012



Source: IIPA 2013 Copyright Report



Top Global Singles of 2013

Rank	Single & Artist	Total units (m)
1	Blurred Lines • Robin Thicke feat. T.I. and Pharrell	14.8
2	Thrift Shop • Macklemore & Ryan Lewis feat. Wanz	13.4
3	Wake Me Up • Avicii	11.1
4	Just Give Me a Reason P!nk feat. Nate Ruess	9.9
5	Roar • Katy Perry	9.9
6	Get Lucky Daft Punk feat. Pharrell Williams & Nile Rodgers	9.3
7	Radioactive Imagine Dragons	8.6
8	When I Was Your Man Bruno Mars	8.3
9	Scream & Shout Will.I.Am feat. Brittainy Spears	8.1
10	Stay • Rihanna	7.9

Source: IFPI * Units include single-track downloads and track-equivalent streams.



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