

Music

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Executive summary

Streaming music services have been instrumental in tackling piracy (illegal copying of digital recordings) and the industry is now focused on evolving how it goes to market to create supplementary revenue streams. Currently, royalty revenues to artists from streaming services are small but growing;¹ however, they are not expected to replace lost revenues from declining physical music products. The live music market is predicting growth as artists work hard to leverage and monetise fan engagement. The advent of voice-activated smart speakers, especially in the home, will boost music-listening opportunities for Australian artists and labels.

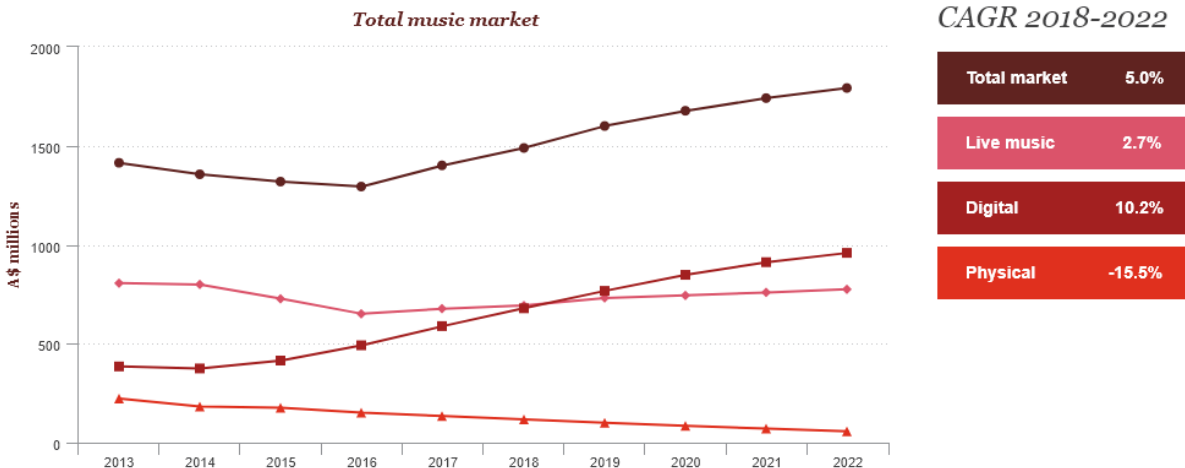


Giving credit where credit's due to those who supply the soundtrack to our lives.

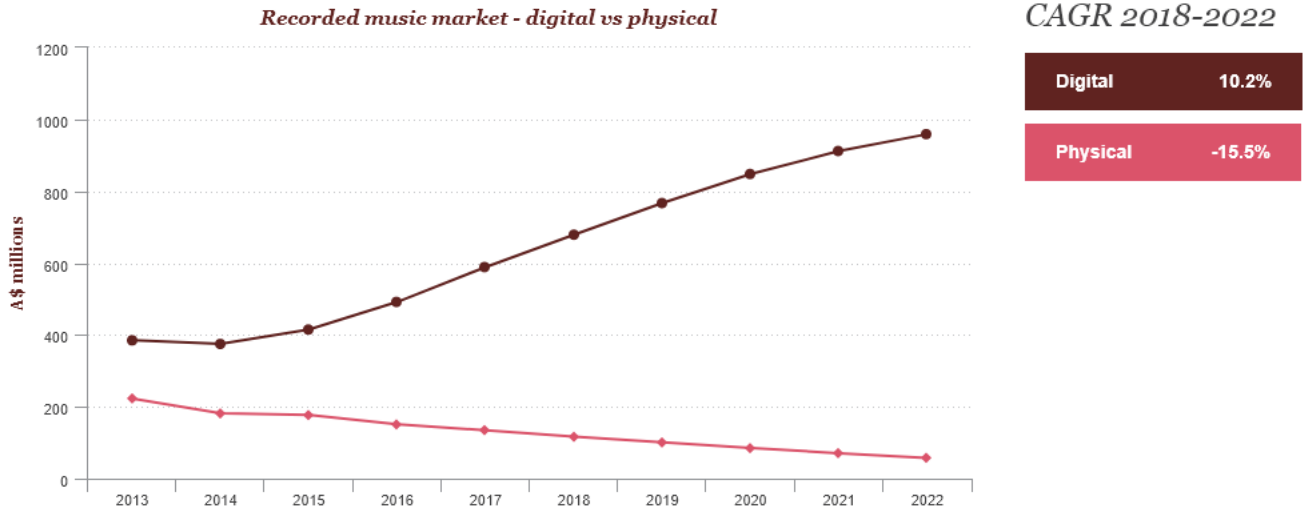
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Forecasts at a glance

Strong growth in digital music propels the total market



The disparity between digital and physical music sales continues to widen



Australian snapshot



Live music is key

As recorded music enters the final stage of its transition from physical to digital, live performance becomes even more important for artists to achieve audience engagement and a supplementary revenue stream. In Australia, live music is a strong part of our culture, a 'right of passage for young people'² says Dan Rosen, CEO of ARIA. However, changes to regulatory environments and increasing costs in cities are threatening the live music scene in some parts of Australia.³ Cooperation between community groups, local businesses and government to ensure live music venues remain open is imperative. After 'lock-out laws' were introduced in Sydney in 2014 requiring CBD venues to close early, there was a 40 percent decline in attendance revenue in live music venues and a number of high profile venue closures.⁴ Australia's second biggest city, Melbourne, has been encouraging late night music by providing all-night public transport for festival events. Live music events in Melbourne increased 19 percent between 2012 and 2017, and 55 percent of venues reported an increase in live music audiences in 2017.⁵

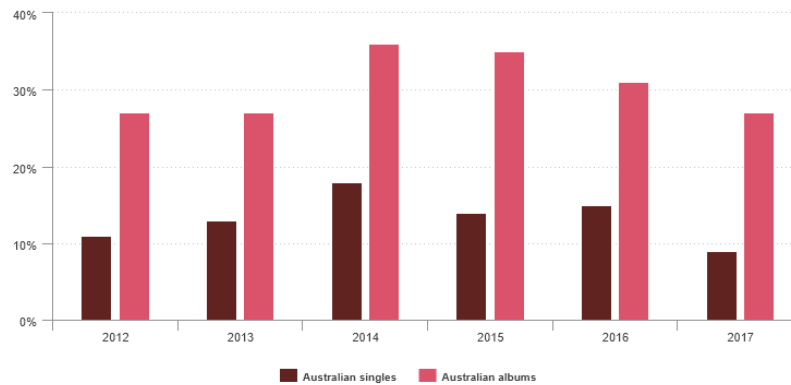
Australia is also an attractive market for big name international acts who, despite the distance, see benefits in escaping northern hemisphere winters to appear before enthusiastic Australian fans. For example, Ed Sheeran's 2017 tour sold over one million tickets, a record breaking number.⁶

'We need to make sure that as a country we value and champion local content and are able to work with government, industry and the platforms to ensure we can continue to tell Australian stories with Australian voices.'

Dan Rosen, ARIA

Australians' taste in music is increasingly global; however Australian musicians hold their ground in the 'ARIA top 100'

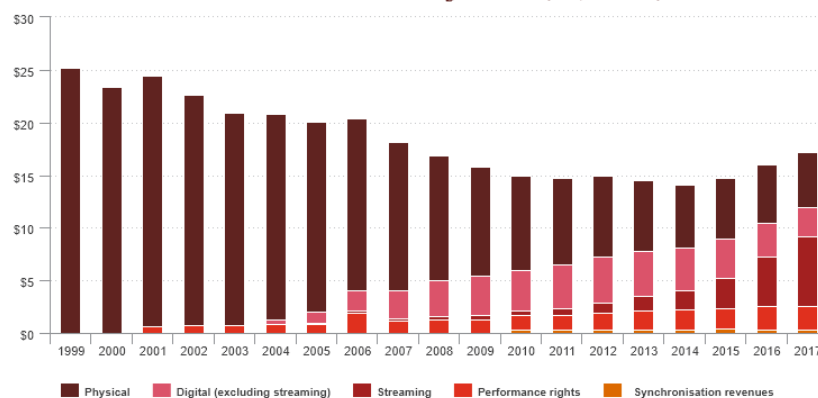
Proportion of Australian singles and albums in the 'ARIA top 100'



Source: ariacharts.com.au

Music finds success through diversification and streaming revenues

Global recorded music industry revenues (US\$ billions)



Source: IFPI Global Music Report 2018

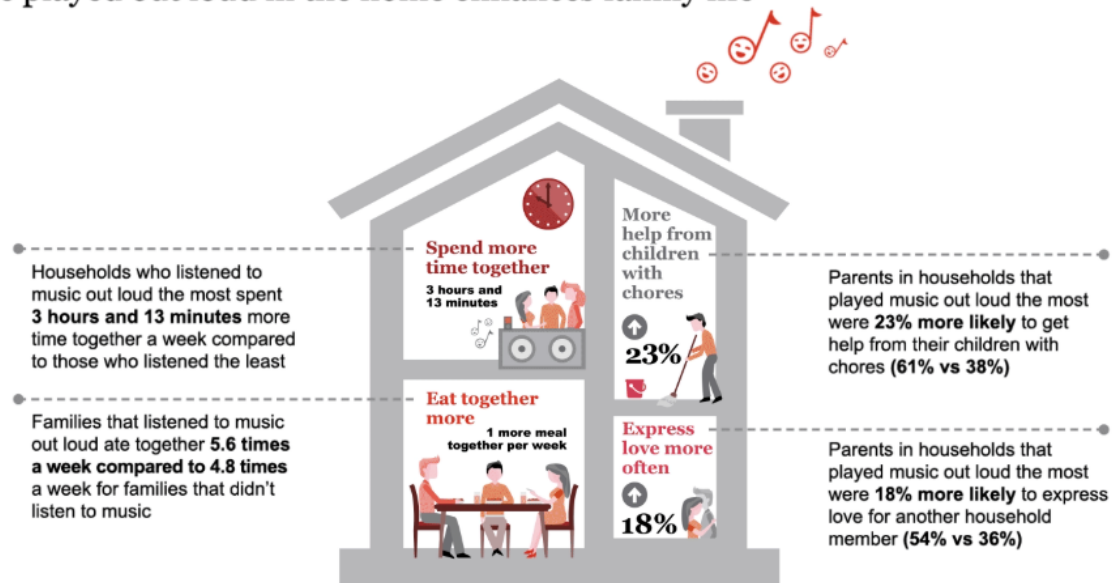
Smart speakers multiplies the flexibility of music adoption

The introduction of smart speakers such as Google Home, Amazon Alexa and Sonos into the Australian market in 2017 enabled a more seamless integration of music into the home. After success of this technology in the US,⁷ Germany and the UK,⁸ Australia jumped on the bandwagon during the Christmas retail period and sales are expected to continue. Music has proven to be the number one use for smart speakers and encourages greater consumption of music.⁹ With the use of artificial intelligence, smart speakers can become a true representation of the 'sonic internet' - 'when you can think it, you can say it, it can be done,'¹⁰ - as opposed to a pre-curated list from a streaming service or home library. Through voice activation the user can request songs based on their mood and behaviour. This change to audio habits, including increased shared listening,¹¹ will see streaming services reach much broader audiences.¹²

'Smart speakers aren't just a fad, they are a trend.'

Rennie Addabbo, Sonos

Music played out loud in the home enhances family life



Source: Sonos Study: Music Makes it Home 2016, n = 30,000

Data will help propel fanbase targeting

Streaming services are key for protecting and promoting the Australian music industry. By featuring domestic artists on global platforms through curated playlists, opportunities arise for the discovery of local artists. Spotify has partnered with local artists including Vance Joy and PNAU to target 'super' fans and engage with them via exclusive gigs and giveaways.¹³ There is an intrinsic link between engagement generated on streaming platforms, ticket sales and awareness in live music.¹⁴ The abundance of data available from streaming services can help artists plan tours, understand their audience better and drive future marketing efforts.

'That is the power of our platform and our ability editorially, to promote homegrown music to our listeners on-platform and then amplify that through our social channels and off-platform. These are big levers to pull in this market. We like the buzz of people sharing and talking to each other about their favourite artists and that's a great form of discovery that you can't underestimate.'

Jane Huxley, Spotify



Industry participants

Music

Music data tables

Music market (A\$ millions)

	Historical data					Forecast data					2018-2022 CAGR
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
AUD											
Australia	1,414	1,356	1,319	1,294	1,401	1,489	1,600	1,677	1,741	1,792	
% change		-4.1%	-2.7%	-1.9%	8.3%	6.3%	7.4%	4.9%	3.8%	2.9%	5.0%

Physical distribution (A\$ millions)

	Historical data					Forecast data					2018-2022 CAGR
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
AUD											
Australia	223	182	177	151	135	117	101	85	71	58	
% change		-18.4%	-2.7%	-14.7%	-10.6%	-13.1%	-14.1%	-15.3%	-16.6%	-18.3%	-15.5%

Source: ARIA

Digital distribution (A\$ millions)

	Historical data					Forecast data					2018-2022 CAGR
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
AUD											
Australia	385	375	415	492	589	679	767	848	912	959	
% change		-2.6%	10.7%	18.6%	19.7%	15.2%	13.1%	10.5%	7.5%	5.2%	10.2%

2016 figure has been updated to reflect most recently available information

Source: ARIA

Live music (A\$ millions)

	Historical data					Forecast data					2018-2022 CAGR
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
AUD											
Australia	806	799	727	651	677	693	731	744	759	775	
% change		-0.9%	-9.0%	-10.5%	4.0%	2.4%	5.5%	1.7%	2.0%	2.1%	2.7%

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