



Swiss Entertainment & Media Outlook 2020-2024

# Music, radio and podcasts

Pulling the future forward: The entertainment and media industry reconfigures amid recovery

# Music, radio and podcasts

## Segment definition

This segment comprises consumer spend on music, including physical/digital recorded music and live music played at concerts, as well as revenue from sponsorship of live music, but does not include revenue from merchandise or concessions at live music events. Also considered is revenue from consumer spend on radio licence fees (where applicable) and all advertising spend on radio stations and radio networks. Furthermore, it includes revenue from podcast advertising, whereas podcasts are defined as a digital audio or video recording of content (excluding audiobooks) that can be either downloaded or streamed. This segment includes both digital and non-digital revenue from both consumer and advertising spending. The recorded music component comprises consumer spending on physical and digital music recordings. All consumer spend is measured at retail level, which can be substantially higher than the wholesale or trade value revenues sometimes reported. Physical recorded music covers any retail or online purchase of official physical albums (i.e. CDs), single sound recordings and music videos. Digital recorded music reflects sales of any licensed music distributed digitally to connected devices (including PCs, tablets, smartphones and dedicated music players), and is split between streaming and downloads. Streaming comprises revenue from subscription and advertiser-supported streaming services (such as Spotify). Downloads includes revenues from any licensed recorded music downloaded via app stores or licensed services (such as iTunes), whereas the ringtones and ring-backs subsegment refers solely to the purchase of these music formats. Revenues from music services that are delivered wirelessly to connected devices (such as Spotify) are included under digital. Performance rights revenue is generated for record companies and performers upon the use of recorded music by broadcasters and at public events. Synchronisation rights revenue represents earnings from the use of music in advertising, films, games and television programmes. As to live music, consumer spend on tickets is included along with sponsorship revenues. This segment is non-digital and represents revenue from consumer and advertising spending. In the radio subsegment, public radio licence fees are included for applicable markets in EMEA and APAC. Where a mandatory fee covers both TV and radio reception, we have estimated radio's share of that total (NB: the TV subscriptions subsegment includes the entire fee; radio's share is eliminated when calculating total revenue to avoid double counting). Revenue from radio advertising via broadcasters and radio networks is reflected net of agency commissions, production costs and discounts. In the US and Canada only, revenue from advertising spend on terrestrial broadcast radio is considered separately from online advertising revenue. In those specific markets, revenues from subscriptions to satellite radio services (such as SiriusXM) are also considered, as is advertising spend on satellite radio. Podcasts advertising includes all revenue generated from advertising carried within podcasts, whether directly embedded in the audio file or dynamically inserted. Revenue from advertising not contained in the podcast itself (e.g. banner ads surrounding a Web player) is not included. Advertising revenue is assigned to the country where the revenue accrues (generally the country where it is produced), regardless of where the listening actually occurs.

## Music

### Global market drivers

#### Streaming fuels growth

Amazon rose to the top ranks of streamed music in 2019. At the start of 2020, it reported that Amazon Music had closed out the previous year with a worldwide user base of 55mn for both its advertising-supported and paid-for music library, thanks to the increasing proliferation of earbuds connected to smartphones. Amazon Music attracted 15mn net new users in 2019.



Amazon now ranks just behind Apple Music, which has 60mn-plus users, although both providers trail Spotify with its 124mn paid subscribers at the end of 2019. Given its recent growth rates, Amazon could soon overtake Apple Music, especially in light of Amazon's extensive reach, which represents a huge opportunity for marketing its music services. The company has 150mn paid Amazon Prime members worldwide and offers them its 2.0mn-track Prime Music service at no additional cost.

## Valuable record companies

Sweden's Spotify had its shares listed on the New York Stock Exchange in April 2018 at an initial offering price of US\$132. Shortly after the company reported its 2019 full-year results in February 2020, the stock traded at around US\$155.

Spotify is a leader in its segment, and consumers around the globe are continuing to choose streaming as their preferred means of listening music. The company has stated its intent to become the world's number one audio platform. Global digital music-streaming revenue is forecast to increase at an 11.3% CAGR in 2024.

Warner Music Group (WMG) reported streaming revenue of US\$589mn for the fourth quarter of 2019, up 17% from the same period in 2018. Sony Music Entertainment's annual streaming revenue rose more than 16% year-on-year.

In 2019, French conglomerate Vivendi sold a 10% stake in its wholly owned Universal Music Group (UMG) unit to a consortium led by Chinese tech giant Tencent. The USD 3.4bn deal implied a total market value for UMG of some USD 34.0bn.

Tencent also has its own music subsidiary, Tencent Music Entertainment Group, which raised more than USD 1.0bn in an IPO in 2018, giving that unit a valuation of more than US\$21.0bn. But Tencent clearly has a strategy to invest in and own important global intellectual property, as witnessed by its investments in video game companies such as Activision Blizzard and Riot Games.

## The consolidation of live music

The flurry of consolidation in the live music space continues unabated.

California-based Live Nation acquired several companies in 2019. Towards the end of the year, the live entertainment giant picked up majority stakes in Chilean promoter DG Medios and PR Worldwide's live events business in Malaysia, while also entering into a strategic partnership with Canadian promoter Evenko.

Live Nation was also active in Europe, buying up Nordic music festivals, Polish and Spanish promoters, and the UK's Rewind Festival, amongst others. However, it faces local competition from Germany's CTS Eventim and Deutsche Entertainment AG (DEAG). The former has been buying live music assets to build out its Eventim Live network of European promoters, while DEAG is intent on extending its footprint through acquisitions on its home turf. With global live music revenue expected to grow at a 1.4% CAGR, despite disruption to the sector in 2020 as a result of the COVID-19 pandemic, there is much to gain from having a broad-based live offering.

## Music plus esports

The music industry is recognising that there is heightened value to be had from entering into partnerships with the burgeoning esports sector as millions of people around the world watch gamers play interactive games online with music in the background and, more frequently these days, watch actual music concerts that accompany those live esports events.

Universal Music Canada (UMC) is becoming a force to reckon with in this regard. In January 2020, it unveiled a tie-up with OverActive Media, a professional esports owners group that backs the Overwatch League team Toronto Defiant and Call of Duty League team Toronto Ultra. UMC tracks will feature in the official music playlists of Defiant and Ultra players when the teams walk out, and UMC artists will perform live at some of the events. UMC already had a deal in place with gaming events group Luminosity and a stake in Enter Records, which focuses on fostering up-and-coming artists in the esports segment.

## RADIO

### Market drivers

Many countries are continuing to invest in digital radio infrastructure offering high-quality, reliable broadcasts. In February 2020, Switzerland's digital migration department announced that 68% of radio broadcasts in Switzerland are via DAB+, an upgrade to the digital audio broadcasting (DAB) standard, and that only 15% of the Swiss population listened to radio exclusively through FM broadcasts. In April 2019, Thailand launched a 20-month DAB+ trial in Bangkok, and in May of that year, Poland's National Broadcasting Council issued DAB+ licences in 11 new areas and extended 24 pre-existing licences across the country.

## PODCASTS

Market-leading tech giants have continued their expansion into podcasting in the past 12 months. Apple Podcasts, the first platform of its kind, is rumoured to be in discussions with content producers to buy the exclusive rights to podcast material. Meanwhile, Google has made improvements to its search engine to facilitate listenership on its Google Podcasts app.

But it is Spotify that has made the most significant moves in this area by acquiring podcast companies including Gimlet Media, Parcast and The Ringer, with the latter costing Spotify USD 250mn. The company's portfolio currently encompasses some 700,000 podcast titles, rivalling Apple Podcasts, which hosts 750,000. Spotify reported in February 2020 that more than 16% of its monthly active users are now listening to podcast content, and that the number of podcast hours streamed is up 200% year-on-year.

Advertiser interest in podcasts will continue to increase as businesses recognise the value of the engaged listener base that podcasts command.

### The impact of COVID-19

The outbreak of COVID-19 in early 2020 will have an effect on the music, radio and podcasts sector.

In the music industry, restrictions on mass gatherings have caused the cancellation or postponement of numerous live music events originally scheduled for 2020, leading to a sharp contraction in live music revenue. Taylor Swift, Ringo Starr, The Rolling Stones, Stormzy and BTS are just some of the acts that have had their tour dates affected by the virus. Large music festivals including Glastonbury, Coachella and Primavera Sound were also forced to reschedule.

Some radio networks are experiencing an increase in listenership as people turn to live radio for realtime updates on the COVID-19 pandemic. In the US, 60% of adult Americans reported that they trust radio to provide information about the situation. Aside from news, consumers also look to radio for companionship and comfort, and generally have more time in their day for media and entertainment consumption.

However, some small radio stations that rely heavily on local businesses for advertising income suffering as those companies are forced to cut or significantly reduce their marketing budgets in response to the virus-related economic volatility.

The podcast market is particularly well insulated from the adverse effects of the pandemic, as podcasts lend themselves well to listeners spending extended periods of time indoors. Over a third of respondents to a survey by research firm Omdia reported that COVID-19 had led to no change in the time they spend listening to podcasts, whereas a further 25% reported that their time spent on accessing this content had either marginally or significantly increased.

# Switzerland

## Music, radio and podcasts in Switzerland

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2019 - 2024 CAGR
<b>Music, radio and podcasts in Switzerland (CHFmn)</b>	1'094	1'108	1'123	1'120	1'127	811	972	1'114	1'117	1'117	-0.15%
<b>Music (CHFmn)</b>	534	543	558	559	570	295	423	566	571	573	0.11%
<b>Live music (CHFmn)</b>	385	390	395	400	405	130	247	380	381	380	-1.23%
Live music sponsorship (CHFmn)	71	71	71	71	72	24	45	68	68	68	-1.09%
Live music ticket sales (CHFmn)	314	318	324	328	333	106	202	313	313	312	-1.26%
<b>Recorded music (CHFmn)</b>	149	153	162	160	165	165	176	186	190	192	3.13%
<b>Digital recorded music (CHFmn)</b>	58	65	77	88	100	115	125	130	136	140	6.93%
Digital music downloading (CHFmn)	36	33	28	22	16	13	8	6	5	3	-29.74%
<b>Digital music streaming (CHFmn)</b>	21	31	47	66	83	102	116	124	131	137	10.49%
Digital music streaming advertising (CHFmn)	3	2	5	5	6	7	7	9	9	10	7.64%
Digital music streaming consumer (CHFmn)	18	29	44	60	77	95	109	115	122	127	10.72%
Ringtones and ringbacks (CHFmn)	1	1	1	1	0	0	0	0	0	0	-36.03%
Music performance rights (CHFmn)	21	22	26	25	26	22	24	27	28	28	2.53%
Music synchronisation (CHFmn)	1	0	0	1	0	0	0	1	1	1	6.04%
Physical recorded music (CHFmn)	69	67	60	47	39	27	27	27	26	24	-9.67%
<b>Radio (CHFmn)</b>	560	565	566	561	556	516	548	548	546	546	-0.43%
Public radio licence fees (CHFmn)	431	439	442	439	436	419	433	431	430	429	-0.33%
<b>Radio advertising (CHFmn)</b>	129	126	124	122	120	98	115	118	117	116	-0.79%
Terrestrial online advertising (US + Canada only) (CHFmn)											
<b>Traditional radio advertising (CHFmn)</b>	129	126	124	122	120	98	115	118	117	116	-0.79%

Notes: Numbers shown are rounded. Totals may not equal the sum of their parts due to rounding.

Sources: PwC, Omdia, AGCOM (Italy), Syndicat National de l'Édition Phonographique (France), German Music Industry Association

Switzerland's music, radio and podcast market was worth USD 1.2bn in 2019 and, given the impact of the COVID-19 pandemic, is forecast to decrease at a negative 0.2% CAGR to reach US\$1.2bn in 2024.

Despite this disruption, Vivendi-owned ticketing company SeeTickets acquired the independent Swiss ticketing firm Starticket in early 2020 in a move that gives it an initial foothold in Switzerland. Starticket has been in the market since 2003 and can boast links with hundreds of event promoters. It sells more than 5.0mn tickets per year. The company was previously a target of leading German entertainment group CTS Eventim but the proposed deal was rejected by the Swiss Federal Competition Commission, which ruled that the merged company would have gained a dominant position in Swiss ticket sales.

The Swiss ticketing sector saw CTS Eventim-owned Ticketcorner launch its face-value ticket resale platform fanSALE in April 2019. Headline resale pricing with this fan-to-fan service corresponds to the original ticket price plus an additional fee to cover expenses. Ticketcorner said that fanSALE has not been designed as a commercial undertaking but instead as a means of ensuring the fair resale of tickets.

## Radio

Two factors are expected to have a negative impact on Switzerland's radio industry going forward: a revamped licence fee that is lower than the previous one, and the proposed switchover from FM to DAB. As a result, total radio revenue is forecast to decrease from USD 610mn in 2019 to USD 597mn in 2024, reflecting a -0.4% CAGR.

Since January 2019, Switzerland's all-in public broadcasting licence fee has been levied per individual household rather than being based on the actual ownership of a TV or radio. The new USD 368 fee is less than the previous rate (USD 403), but the revised regime is expected to reduce the ca. 10% of households that avoided payment in years past.

Meanwhile, with the level of digital radio listening now reported to be around 65% compared to 17% on FM, the federal communications regulator OFCOM announced in August 2019 that FM will be switched off across the country by end-2024. When Norway became the first country to make its switch from FM to digital in 2018, the immediate effects on the country's radio industry were negative.

