


Is your fan experience
evolving as quickly as
your fans are?



■ ■ ■
The better the question. The better the answer.
The better the world works.

EY

Building a better
working world



To meet fan demands for new kinds of experiences, music companies will need to listen, engage and deliver in profoundly different ways.

In brief

- ▶ Robust customer data and analytics can help music companies deliver content and engage fans in meaningful ways over the channels they prefer.
- ▶ Digital commerce and Web 3.0 technologies can expand revenue streams for real-world assets and the monetization of virtual assets.
- ▶ Music companies will differentiate themselves if they focus on the fan experience rather than on their own bottom line.

The entertainment world is rapidly changing thanks to the explosion of digital technologies. The emergence and adoption of new technologies has accelerated, providing opportunities for fans who want to interact with their favorite artists in fundamentally different ways – how they watch, listen, communicate and follow; and how they buy goods, support and even create content inspired by the artist.

The music industry extends across a wide range of interconnected participants, including songwriters, performers, music publishers, managers, booking agents, promoters, record labels, radio channels, streaming platforms, merchandisers and many others. Consumers engage with music content all along this value chain, which, like the entire entertainment industry, is evolving rapidly.

Fans are increasingly interested in participating in digital events. They want exclusive access to artist content for “premiere fan” experiences. And they want greater authenticity from artists through deeper connections, shared interests and memorable interactions.

Music companies and artists looking to keep pace with the shifting preferences of their customers must find markedly different ways to engage and deliver the experiences fans are demanding.

The music companies that are part of or have partnerships with media and entertainment conglomerates are particularly well-positioned to integrate their artists and music across different channels and assets in ways that create new fans and expand relationships with existing fans.

A large concert venue with a stage and a large audience. The stage is lit up with bright lights, and the audience is seated in the foreground, looking towards the stage. The background shows the complex structure of the arena's roof and lighting rigs.

“

Robust customer data and analytics can help music companies deliver content and engage fans in meaningful ways over the channels they prefer.

EXPANDING ENGAGEMENT

78%

of consumers are listening to music on their smartphones, opening the door to new and more interactive ways to reach customers.¹

SHIFTING HABITS

38%

of consumers have invested in new paid music subscription services since March 2020.²

1

Immersive experiences convert fanship to friendship

Virtual experiences create multiple opportunities for companies and artists to reach fans at home.

Virtual is here to stay

Today's fans expect virtual, immersive experiences that facilitate personalized interactions and that are exclusive and authentic. Between December 2020 and June 2021, there was a 292% increase in ticket revenue for virtual events.³ While we could mostly attribute this shift to the pandemic, we see the trend continuing beyond the pandemic era. Further, virtual music events are expected to extend the experience and relevance in the market. Nearly three-quarters of virtual concert viewers plan to continue to tune in to streaming events even as in-person concerts return. "The coming years will be characterised by steady continued growth, with hybrid and 'pandemic proof' solutions for venues ... Expect more investments and more consolidation as this market begins to set itself up for long-term, organic growth."⁴ We expect both in-person and virtual concerts to remain, and there will be synergies rather than cannibalization.

Streaming virtual concerts gives artists, publishers, and venues additional ways to connect directly with fans through personalized outreach and promotions. However, simply streaming a concert isn't enough for virtual fans. More than a virtual event, they expect virtual experiences and closer proximity to artists. These experiences need to be immersive, enabling personalized and real-time social interactions.

This is the experience that the metaverse brings. Music and entertainment companies are starting to merge the real and virtual worlds to create new immersive experiences. Some artists are already starting to create this omnichannel, hybrid presence, bringing real-world artist and musicians into the online platforms, often incorporating augmented reality (AR) and virtual reality (VR) to create interactive experiences for their fans.

John Legend used VR to appear as an avatar when performing a live social media concert. Ariana Grande crossed into a music-adjacent channel when she performed a concert in a popular video game. Pokémon GO and Ed Sheeran launched an in-game collaboration featuring a musical performance and special bonuses for players including avatar items, stickers and bundles.

During these events, fans expect to be able to collaborate and control their real-time virtual experiences, including real-time social interactions with artists and other members of the community. For example, gamers were able to purchase Ariana Grande outfits for their video game avatars.

As technology improves, these types of experiences will move from niche to mainstream, with music fans creating a personal avatar and entering virtual concerts, where they can view, explore and interact with their peers. Virtual nightclubs are adopting a similar technology, allowing guests to import 3D images of themselves so they can engage with other people in real time on screen.

We've also seen a rise in hybrid experiences, where fans simultaneously attend concerts in person and online. Whether it's in person, online, or a little bit of both, fans increasingly are demanding the ability to watch live performances on their terms, on their schedule and from a location of their choosing. The metaverse provides an opening for music companies to create opportunities where both fans and artists can engage in seamless ways that link their real and virtual worlds.



Key takeaways for music companies and artists

Virtual events increase the reach of entertainers and allow more fans to engage at the same time. Music companies and artists need to carefully consider how to strike the right balance between virtual and in-person experiences. Here are some options to consider.

- ▶ Build a digital-physical hybrid model that can support cross-platform events.
- ▶ Use emerging technology to create active high-quality virtual and hybrid social experiences, rather than passive experiences.
- ▶ Find the right balance between virtual and in-person events by evaluating criteria such as an artist's maturity, fan base, music release cycle and any overlaps with in-person events.

DRIVE TOWARD VIRTUAL EXPERIENCES

74%

of virtual concert viewers plan to continue to tune into streaming events even with the resumption of in-person concerts.⁵



Fans want to make the leap to friends

The changing nature of fans' relationships with artists started with social media. From 2020 to 2021, average time spent with social media increased by 16% to 65 minutes per day.⁶

Fans are using social media to:

- ▶ **Discover music.** Social media is the leading platform for music discovery, with TikTok leading the way.
- ▶ **Spread the word.** Artists are also using social media to direct followers to other platforms to attend virtual concerts, buy merchandise or view exclusive content.
- ▶ **Make friends with artists.** Social media is a gateway for fans to get to know artists on a deeper level, allowing them to participate in Q&A sessions, in-studio sessions and more.
- ▶ **Create and collaborate.** Fans are using social media as a platform for creating their own music or collaborating with artists. For example, TikTok videos allow fans to layer their own vocals on top of the artist's vocals to create a personalized duet. Often, artists respond by creating a video of them reacting to the duet created by the fan.

Making friends, creating and collaborating are ways that fans are demonstrating their desire for exclusivity, proximity and authenticity to and from their favorite artists – and artists are responding.

Although some venues have offered in-studio livestreaming performances, some artists have sought to engage directly with fans in their own homes using a variety of streaming services. This approach fosters feelings of intimacy and proximity with the artist and allows the artist to appear more accessible and authentic.

While artists are expected to connect with fans authentically, and many do when they're promoting a new album or release, some artists are also going one step further, choosing to field more lighthearted and off-topic questions from fans.

Authenticity works best when fans have proximity. They prefer to engage with artists with as little mediation as possible. Direct-to-creator platforms enable fans to support their favorite artists without anyone in between. For example, one technology provider offers a platform for fans to fund their favorite artists, either through a monthly subscription or a one-time payment.

At the same time, artists themselves can reach out and engage with their fans through fan communities. For example, the Gigs Live platform supports hybrid concerts and allows artists to offer meet-and-greet passes to their fans. It also has a "Your Tribe" option that allows fans to find, connect and follow other equally passionate fans of an artist.



Fans want to make the leap to friends

Key takeaways for music companies and artists

Music companies

- ▶ Align customer data to content and commerce to where and how fans are engaging.
- ▶ Create immersive, robust user experiences. Companies need users to be more willing to provide more personal information, especially with changing regulations for cookies. To build loyalty and trust, businesses need to be able to collect, manage and apply personal information effectively and consistently across their platforms.
- ▶ Negotiate artist presence on key social media platforms to attract new fans while continuing to build streaming services for discovery.
- ▶ Create robust user experiences based on effectively managed first-party data.

Artists

- ▶ Adapt to new fan expectations. Fans want artists to find them in their spaces, not the other way around.
 - ▶ Leverage social media and gaming platforms to lead live, direct conversations with fans. This will allow you to showcase your personalities and develop deeper relationships with core superfan audiences.
 - ▶ Balance meeting fans in the spaces where they gather against driving them to more commercial spaces.
-

SOCIAL MEDIA'S INFLUENCE
ON FAN RELATIONSHIPS

66%

of social media users
report having discovered
new artists on social
media.⁷

“

The changing nature
of fans' relationships
with artists started
with social media.



Fans want content beyond music

Streaming services allow fans to discover artists, but fans hunger for more. In response, artists are creating more exclusive content than ever before and are using it to engage with their fan base, monetize acquired media channels (both direct and indirect monetization models) and drive more traffic on their platforms. Examples include exclusive concerts, as well as non-fungible tokens (NFTs) – one-of-a-kind digital items, such as music videos, avatars and graphics. The metaverse provides a foundation for these creative connections.

Artists are also creating podcasts that allow them to engage in more in-depth storytelling. For example, Bruce Springsteen and Barack Obama collaborated on a limited distribution podcast, *Renegades: Born in the USA*.

Video streaming services have engaged in bidding wars to secure exclusive video content, such as concerts and documentaries, much to the artists' benefit.

The result is a fan base that feels more connected to the artist when purchasing merchandise, especially when it's exclusive or supporting a social cause. More than half of Americans say it's important for them to purchase from brands that have values that align with their own. As such, artists need to make sure that they remain authentic in their interactions with fans.

Key takeaways for music companies and artists

Companies

- ▶ Pursue new pathways to promote artists across a variety of diverse platforms - film, podcasts, blogs, gaming and fitness. The key is to create content that is authentic to both the artist and the medium and on platforms where fans are already gathering.
- ▶ Balance protecting copyright with fans' ability to become creators and drive an artist's story forward, in often unexpected but sometimes brilliant ways.
- ▶ Develop a unified view of their customers - the channels they're using, the content they're consuming and their demographic data. This holistic and unified customer profile can help you drive personalized messaging, opportunities and offers.

Artists

- ▶ Create opportunities for fans to become creators themselves, through remixes, fan art, NFTs and other forms of user-generated content (UGC).



New technologies help to monetize fan engagement

Digital commerce opens the doors to new revenue streams for real-world assets, while blockchain and crypto currencies enable the monetization of virtual assets.

Digital commerce and social media can generate new revenue streams for artists and labels

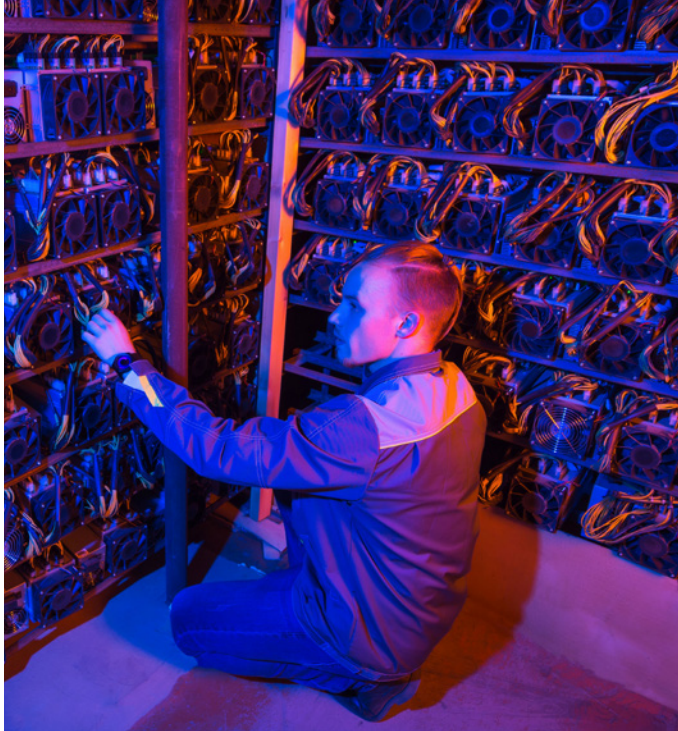
Digital and social commerce present significant opportunities for artists to reinvigorate merchandising revenue. As fans flock to social ecommerce for artist-related products, the projected compound annual growth rate (CAGR) for merchandising revenue is expected to rise 27% between 2020 and 2024.

Fans are willing to either buy content that they can transfer to any digital environment or subscribe to access content, platforms or environments. Alternatively, some fans are willing to trade free access in exchange for their data, which they agree can be sold for advertising purposes.

During live virtual events, there are additional opportunities for artists to take advantage of stream-side merchandise sales. There is also an opportunity to capitalize on real-time auctions. For example, certain platforms allow fans to tip during live performances. The top tippers appear on a chart and can enter into a “tipping war” with other fans.

With the digital monetization of merchandise becoming an increasingly important revenue stream, artists are expanding the scope of the type of merchandise they sell. Some artists also are marketing social impact-focused merchandise outside of their album cycles and donating a substantial percentage of the revenue to causes they support. Others are seizing the opportunity to elevate the market with a bespoke approach to merchandising, marketing their apparel lines as high-quality standalone brands.

It’s important to note that social platforms are available to all artists, not only those who are new to the scene. Social media has revived former hits and reversed chart performance. This presents an opportunity for labels to monetize the rights to classic songs and their back catalog. A case in point: Fleetwood Mac released “Dreams” in 1977; in 2020 it went viral on social media, with 71.6m views. As a result, 43 years after its original release, “Dreams” surged up the charts and became the number 21 song on the Hot 100 list, with 13.4m streams in one week. The owners of Fleetwood Mac’s music rights received an unexpected windfall from this spike in interest.



Three new Web 3.0 technologies that are all the rage among fans

The next phase in the evolution of the internet, Web 3.0, sits on a foundation of decentralization, openness and more user interaction. Three new Web 3.0 technologies allow consumers to move from fans to stakeholders.

- ▶ **NFTs.** Creators have been releasing NFTs as a way to merchandise unique and tradable digital assets. This can help artists monetize some of their big career moments or exclusive or signed content. Some musicians, for example, are offering NFT music videos or digital avatars of themselves.
- ▶ **Music-enabling cryptocurrencies.** Artists and music companies are exploring the capabilities of cryptocurrencies and blockchain in merchandising. Currently, there are multiple merchandising platforms that accept crypto as a method of payment. Also, artist tokens and shared music ecosystems are starting to flourish.
- ▶ **Decentralized applications or programs (DAPPs).** DAPPs operate on a blockchain or peer-to-peer (P2P) network of computers, outside the purview and control of a single authority. This is an opportunity for artists to create P2P relationships with fans. Some platforms are starting to create new business models based on this technology.

These technologies and Web 3.0 enable creators to build markets where the lines between digital assets in the real world and real assets in the digital world become indistinguishable.

Key takeaways for music companies and artists

Companies

- ▶ Adjust and position merchandise within common consumer spaces to capitalize on a fan's willingness to buy more content.
- ▶ Develop, optimize and personalize user stories and customer journeys. By leveraging data analytics, you can tailor, measure and optimize content, merchandise and experiential offerings to the individual fan, leading to monetization of engagement and customer experiences.
- ▶ Capitalize on your back catalog of intellectual property (IP). Your trove of IP is one of your biggest advantages. Use it to attract, engage and sell to users in these new digital spaces.
- ▶ Expand scale and scope to improve customer stickiness. Create licensing partnerships to expand your reach and stay current. Licensing music across platforms allows you to create new revenue streams, get content in front of new fans or in a different context, expand to new geographies, and take advantage of newly popular platforms.
- ▶ Create opportunities for IP to be repurposed and remixed in unanticipated ways (e.g., NFTs and cryptos). This is what drives culture and art forward. Give fans a stake in crafting the narrative for an artist.

Artists

- ▶ Host virtual concerts. They allow millions of people to attend rather than a few thousand, creating interesting new revenue streams.
- ▶ Leverage gamification for fans tipping the most.
- ▶ Increase sales of merchandise on social ecommerce platforms.
- ▶ Develop a direct relationship with your fans. Offer newsletters, subscriptions, exclusive content, merchandise, presales and cross-promotion of other artists that fans might like.



Five ways music companies can create and monetize amazing fan experiences

As fan expectations shift, music companies need to do more to get to know who their customers are and what they want. However, with the rise of data privacy regulations (e.g., GDPR) and the demise of third-party cookies, companies must evolve their approach to collecting and using customer data. Add in fragmented technology stacks, siloed approaches to reaching their customers and the trend toward disintermediation, and companies should be recognizing the urgent need for change.

So, what can and should music companies be doing to connect directly with their customers – and do it fast? Here are five ideas.

1

Collect first-party data in a way that builds trust and loyalty. First-party data is essential for creating personalized content and increasing fan engagement.

By using first-party data to derive analytic insights, companies can develop expanded content offerings; plan and promote new releases, events and merchandise; and serve up relevant, highly targeted advertising and marketing messages to fans. At the same time, consumers have more choice and agency over how their personal info is collected and used. This is especially true with the sunset of cookies, iOS tracking updates, etc. To achieve these insights and build trust, companies need to assess their current first-party data strategy and then develop a plan to gather the data in a privacy-compliant and consumer-friendly way. Fans don't mind sharing their data if they trust the company they're sharing it with and feel that they're getting value in return.

2

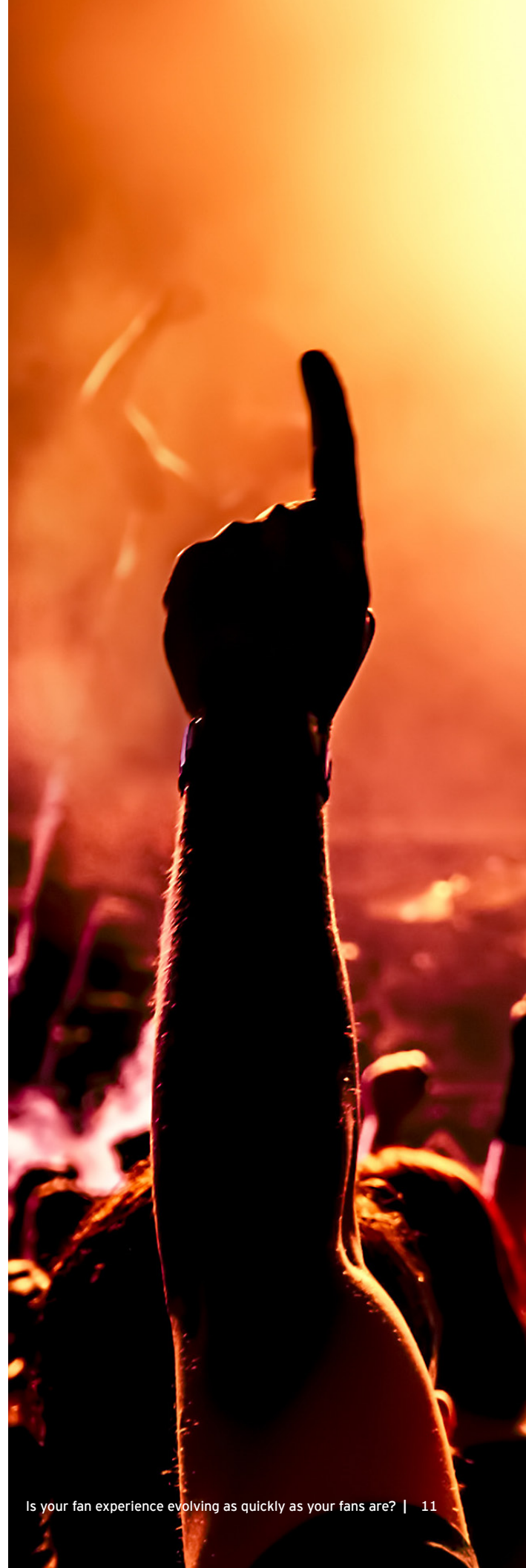
Craft tailored approaches based on granular fan segments and the platforms they gather on. Consumers are not monolithic. As such, their

composition and how they engage with content will differ across platforms. Companies need to expand and deepen their understanding of their customers – the fans – and their ability to create customer segments. Start by assessing your current customer segmentation capabilities. Then, establish a plan for building and activating core customer profiles. There will be segments among customer demographics, as well as where an artist is in their lifecycle. How fans interact with new artists versus established artists will vary. For example, emerging artists will want to connect on a deeper level. This may mean livestreaming to build out their brand. Bigger artists, meanwhile, may want to innovate immersive experiences because they have more resources. On a more granular level, fans may only like one part of an artist's work. Companies need this level of granularity to create the personalized experiences fans are expecting – and will pay for.

3 **Develop a detailed view of the user journey and an individual view of the user.** To create and monetize experiences, companies need to apply data analytics to understand the fan's mindset and needs at every stage of their journey. Further, companies need to measure and optimize how content and merchandise is delivered to individuals and audiences. The Adobe Experience Platform and Adobe's Customer Journey Analytics and Optimization solutions can help companies get a good picture of the current customer journey and where they can optimize the journey in the future. Companies can assess current experiences across multiple touchpoints in the ecosystem and then tailor them to make them more relevant and personal, thereby creating stickier customer relationships. The goal for companies is to maximize engagement. It takes a lot of work, but if companies want to survive, engagement is key.

4 **Listen to and engage fans when developing experiences.** Companies need to become familiar with their customers to create the personalized, immersive experiences they want using new and emerging technologies. Technologies such as AI and machine learning, often combined with marketing technology solutions like the Adobe Experience Platform, can help companies gather customer data from the right data sources across the enterprise in real time into one place. Advanced analytics can then provide the insights companies need to get a complete and up-to-date view of their customer so that they can deliver personalized experiences on every channel along every step of their customer journey.

5 **Commit to creating value for customers rather than only capturing it from them.** Music companies have an opportunity to differentiate themselves from their competitors by focusing on the fan experience rather than on their own bottom line. Companies need to think of entertainment as an ecosystem, where value is created and exchanged among all participants – companies, artists and fans.





Case studies

Global media and entertainment company adopts direct-to-consumer platform

A global media and entertainment conglomerate transformed their business model to embrace and evolve a direct relationship with their customers.

To activate this new approach, the company needed to improve the way they collected web and mobile viewer information, and they needed to consolidate important customer data and preferences from numerous, disconnected internal data sources.

With the help of EY teams, the organization transformed its ability to collect behavioral customer data from a multitude of digital brands and platforms across web, mobile and connected devices. EY teams standardized the tagging process and allowed increased quality and scale through an enhanced data governance process.

The company's ability to integrate and leverage first-party data in new ways continues to unlock value and support deeper customer connections.

Music company accelerates digital streaming growth

A satellite and streaming music services provider went from a single-channel streaming music provider to a customer-centric omnichannel streamer.

To proactively provide a path to digital for customers and deliver exceptional digital experiences, the organization needed to collect first-person data from its customers. The organization also sought to enhance the fan experience by providing a frictionless ramp to streaming and self-serve. It would enable fans to get closer to artists and open new monetization areas for the organization.

With the help of EY teams, the organization piloted prototypes aligned to its customer-first, first-party data vision, created a future state architecture blueprint that could support a customer-created human identity, and made digital-first improvements across the organization for a better fan and artist experience.

By 2026, the organization's efforts are expected to result in an estimated US\$100m in net value.



In summary

Thanks to rapid advances in technology, fan engagement is evolving. But the evolution is more nuanced than a simple shift in the fan-artist relationship. It is predicated on and molded by the multiple characteristics that shape the fan experience: age, gender, geography, social influences, etc. Dedicated, long-time fans may want a different experience than trend-following new fans. The technology they prefer can differ as well, leading them to interact with the artists they follow in different ways. Artists and music companies need to understand these nuances so they can deliver the personalized and authentic experiences fans are increasingly expecting and demanding.

A strong foundation of customer data and analytics can help artists and music companies provide fans with the content they are interested in over the channels they prefer. In doing so, fans are more inclined to invest in the artist relationship in ways that are meaningful to them - whether through a subscription, a merchandise purchase or a concert ticket.

Harnessing the right customer data, in the right ways, requires the right marketing technology and people who know how to use it to maximum advantage. Putting these elements together gives music companies the knowledge, technology and tools that they need to target the right fan segments through the right channels, offering content that meets their personal interest and wins their attention, engagement and loyalty.

Resources

1. Nielsen/MRC find U.S. music listening, including subscriptions, are up in the coronavirus pandemic, rainnews.com, April 14, 2020
2. Consumers Willing to Pay More for Streaming During Pandemic, Nielsen Music/MRC Data Finds, [Billboard.com](https://billboard.com), April 13, 2020
3. Ticketed Streams Exploded In 2020, But Expect More Growth In 2021 [MIDiA Virtual Concerts Report], [Hypebot.com](https://hypebot.com), January 8, 2021
4. Live streaming's second growth phase, [Midiaresearch.com](https://mediaresearch.com), October 6, 2021
5. Keep Bringing Live Music To Fans, [Bandsintown Insider](https://bandsintown.com)
6. US adults added 1 hour of digital time in 2020, emarketer.com, January 26, 2021
7. The impact of technology and social media on the music industry, [Econsultancy.com](https://econsultancy.com), September 9, 2019

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

© 2022 EYGM Limited.
All Rights Reserved.

EYG no. 002798-22GbI
CSG no. 2201-3961296
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com

