

# Amazon Prime Music Direct

**A business case for self-publishing  
music**

**Product Owner: Sougata Ghosh**



# Background

## Why Are We Here?

- Amazon is the world leader in book self-publishing with its Kindle Direct Publishing holding 47%<sup>1</sup> market share in the fast-growing self-publishing segment of the \$26B publishing industry
- The company would now like to explore entering another self-publishing media vertical – video or music
- Preliminary exploration shows that Amazon is already present in the video self-publishing space since 2016 with Prime Video Direct – a self-service program for studios, distributors and content creators to make their content available on the Amazon platform
- They are not present with an offering in the music self-publishing and distribution vertical
- **The presentation that follows outlines the opportunity that Amazon can explore in the rapidly expanding independent music space, leveraging its already strong presence in streaming music via Amazon Prime Music and Amazon Music Unlimited**

## Prime Music Direct – More Power To The Music You Make

# Business Case

# Initial Focus

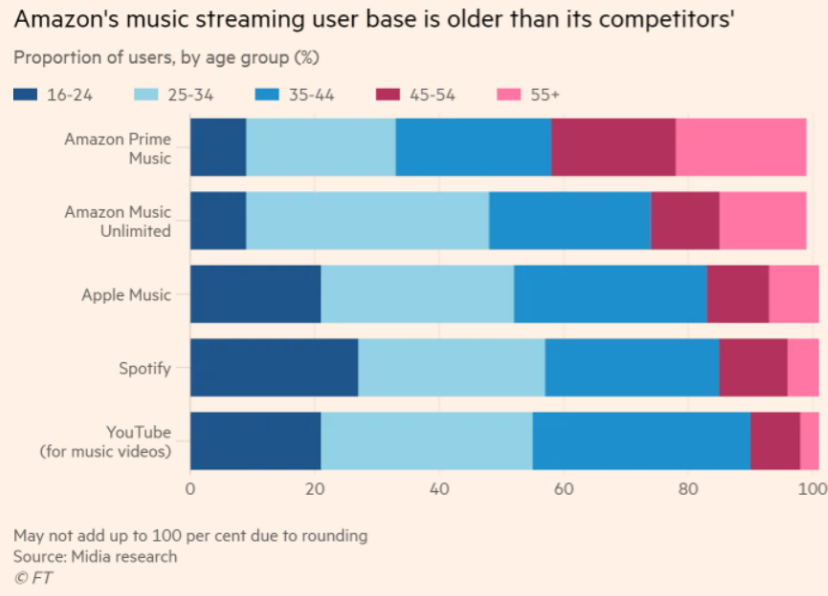
## Where are we starting?

- The need for a self-publishing platform for music is a problem worth solving both for songwriters/artists as well as streaming platforms like Prime Music
- Songwriters/artists
  - Songwriters typically receive 50% of compositional royalties under full-publishing deals with publishers <sup>2</sup>
  - Artists typically receive 15 % of recording royalties when they sign standard deals with recording labels <sup>2</sup>
  - Few songwriters and artists make money even when the streaming era has turned the music business profitable
- Streaming platforms
  - Though streaming revenues grew 24% y-o-y in 2019 to reach \$11.9B growth is slowing <sup>3</sup>
  - Streaming subscription rates have remained flat and got outpaced by inflation
  - Content differentiation through more exclusive content from artists is key to raising subscription rates and grow revenues
- **Our product vision proposes to address the woes of artists through higher royalty payments and improve the flow of more exclusive content to Amazon Prime Music**

# Opportunity

## What's the problem?

- Between 2015 and 2019 Amazon Music Streaming has grown rapidly with over 50 million customers across free and paid and has 15% share of subscriptions
- Bundling Prime Music with Echo/Alexa Amazon has addressed an older segment (45+) of listeners
- Amazon Music unlimited – its paid subscription service with a younger customer profile grew by more than 50% in 2019
- **There is a clear scope for further growth in streaming revenues in the younger customer segment**
- A music self-publishing platform can provide synergy towards this goal

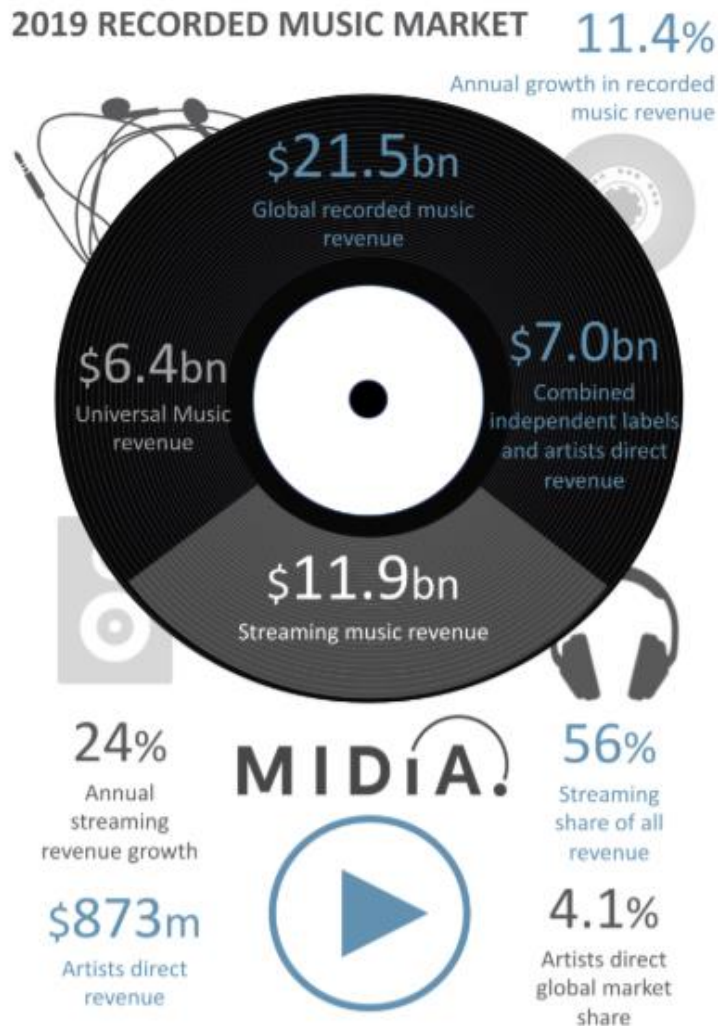


# Opportunity

## What's the problem?

- The total addressable market for our self-publishing product is the \$7B share of global recorded music revenues held by independent labels and artists direct
- The artists direct sub-category (those who use open distribution platforms like CD Baby, Tunecore) has seen the fastest growth of 32.1% to reach \$873M<sup>4</sup> representing 4.1% of the total market
- While (according to MIDIA) Covid-19 induced lockdown may hinder big labels and artists from recording, independent artists are expected to release music more frequently and consistently providing an opportunity for our product
- **The size of the artists direct market that represents our opportunity in 2020 at current growth rates is over \$1.2B**

<sup>4</sup> Recording royalties. Publishing royalties would be another 1/5<sup>th</sup> of the amount at \$175M



# Proposal – Prime Music Direct & Select

## Prime Music Direct

- Non-exclusive publishing and distribution arrangement (Amazon helps distribute content to platforms other than Prime Music)
- No fee to be paid to upload music
- 15% commission retained on master, performance and mechanical royalties to artist/songwriter
- Option to upgrade to Prime Music Select based on sales record and other analytics

# Proposal – Prime Music Direct & Select

## Prime Music Select

- Exclusive publishing and distribution arrangement (content streams exclusively on Prime Music and Prime Music Unlimited)
- No fees to upload music
- 100% of master, performance and mechanical royalties to artist/songwriter
- Selection either through A&R team or via upgrade from Music Direct based on track record
- Marketing support, radio/playlist plugging, sync-licensing, etc.



# Proposal

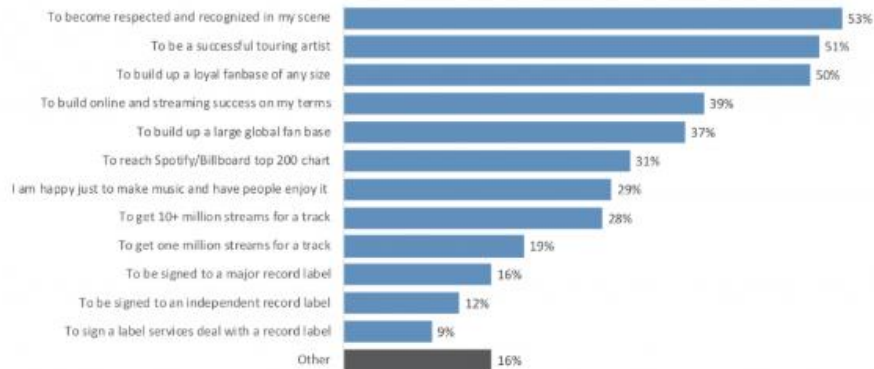
## Target User

### Mary/John the 'empowered artist'

- Looking for respect and recognition over cash
- Wants to be a successful touring artist
- Wants to build up a loyal fanbase of any size
- Wants to build online and streaming success on their own terms

### Independent Artists are Motivated by Recognition and Critical Acclaim Rather than Money

Key Measures of Success for Artists



Question asks: What does success look like for you? (Select all that apply)

Source: MIDiA Research / Amuse Artist Survey (04/19) n = 254

# Proposal

## Use Case

- Mary (John) creates and logs in through their Amazon Account
- Selects the product (album/single) and clicks 'start' button
- On 'Album Details' page fills in required release information and clicks 'create my album' button
- Adds songs to album providing details like title, ISRC code, etc. and saves details
- Clicks 'upload' button that appears to upload audio files in prescribed format
- Optionally uploads artwork file
- Optionally selects digital stores other than Prime Music
- Optionally selects physical distribution for creation and distribution of cd/vinyl to Amazon E-Commerce Store
- Makes sure all data, audio, artworks and stores are final
- Clicks 'submit' button to submit music

# Return On Investment

- ROI calculated for Prime Direct Customers only
- The same calculation not done for Prime Select as that is a different model focused on exclusive content sourcing
- We have only considered digital streaming revenues and not sales from CDs or other forms of revenue for this group
- For converting targeted album sales into equivalent number of streams and for ascertaining streaming payout we have consulted The Trichordist 2019-2020 Streaming Price Bible
- For ascertaining costs we have considered the CD Baby album upload cost of \$ 30 and added \$10 as additional marketing & administration costs

AMAZON PRIME MUSIC DIRECT	
REVENUE	YEAR 1
Targeted number of album releases	1000
Targeted average number of sales per album	50
Targeted total number of album sold	50000
Streaming Equivalent Album Unit <sup>5</sup>	3516
Number of streams	175800000
Average Streaming Payout across DSPs (\$) <sup>5</sup>	0.00173
Total Streaming Payout (\$)	304134
Commission @ 15% (\$)	45620.1
COSTS	
Distribution Cost Per Release (\$)	30
Marketing & Administration Costs Per Release (\$)	10
Total Distribution Cost	40000
Profit	5620.1
ROI (%)	14.1

<sup>5</sup> <https://thetrichordist.com/2020/03/05/2019-2020-streaming-price-bible-youtube-is-still-the-1-problem-to-solve/>

# Measurement

How will we know if we're successful?

- For the first year we will measure performance against the following KPIs
- Business
  - Average Revenue Per User for Prime Music Direct
  - Number of upgrades/sign-ons to Prime Music Select
- Customer
  - Lifetime Royalty Payment Value
- Product
  - Average # no of album/single uploads per month
- Quality
  - Average time to complete user session

# Competitors

# [AWAL / Kobalt

- Kobalt is a global indie publishing company collecting publishing royalties
- Songwriters retain 100 % of copyright
- Being tech-driven, fast and transparent in collecting royalties and flexible contracts are its value proposition
- AWAL (Artists Without A Label) is its independent label and distribution service collecting recording royalties
  - Charges 15% commission on royalties
  - No upfront or annual fees
  - Analytics, demographics and trending reports
  - -Artists with traction get bumped-up to full-service label model with playlist promotion, sync pitching, marketing, etc. for a higher royalty percentage
- Kobalt revenues (year ended June 30, 2019) \$543M up 35% and AWAL revenues \$106M up nearly 100%

# CD BABY

- Largest online distributor of independent music in the world representing over 750000 artists, 170000 songwriters
- One-time (non-recurring) fee for albums and singles
- 9% commission on digital sales
- Publishing royalties collected through CD Baby Pro upgrade charging 15% commission
- Physical distribution program for cd/vinyl in partnership with e-commerce platforms
- Over \$100M of \$643M independent artist royalties in 2018 generated by CD Baby and gross revenues of \$120M

# Tunecore

- No commission
- Annual fees (recurring)
- Offers advances for future revenue projection
- Revenue analytics and trending reports
- Songwriter royalties collected through Tunecore Publishing (15% - 20% commission)
- Distribution income for artists reached \$308M in 2018, a 28% Y-o-Y increase
- Publishing administration royalties grew 42%



# Our Advantages

Why are we better?

- Brand association with Amazon
- Lion's share of royalties to artists and songwriters and no upfront/recurring costs
- Prime Music Select users get 100% royalties, marketing support and exclusive content deal with Prime Music and Prime Music Unlimited – two of the fastest growing streaming services
- CD/Vinyls distributed to the world's largest e-commerce store at no extra cost
- Transparent and swift royalty payments with splits

# Roadmap and Vision

# Roadmap Pillars

## Prime Music Direct – More Power To The Music You Make

- Vision Statement: For the independent artist/songwriter who needs to create music on their own terms, Amazon Prime Music Direct is a self-publishing and distribution platform that gives the user 100% rights, the lion's share of royalties and freedom from the shackles of standard contracts. Unlike TuneCore or CDBaby our product also helps them truly unleash their potential by getting into exclusive content arrangements with Prime Music and Prime Music Unlimited – two of the fastest growing streaming services.



# Roadmap Pillars

Where do we go from here?

- Theme 1: Simplify process
- Theme 2: Identify Talent
- Theme 3: Streamline royalty payments

# Theme 1: Simplify Process

[Ensure Upload Completion]

- Key Features

- In-built music encoder – Since audio files need to be uploaded in a specific format (e.g. 16 bit, 44.1 kHz, 1411 kbps stereo WAV files) the upload site will have an easy-to-use file converter
- Artwork creating feature – Since cover artworks must be in a specific format(JPG, PNG or GIF) , square and of specified pixels and resolution there will be a feature to create the artwork from templates available on the upload site

# Theme 2: Identify Talent

Ensure upgrade & direct enrolment Into Prime Music Select

- Key Features

- Analytics-based upgrade from Prime Direct To Prime Select
- In-house Artists & Repertoire team for scouting talent

# Theme 3: Streamline Payments

[Ensure transparent and speedy royalty payments]

- Key features

- Using blockchain technology instantly generate legally-binding smart contracts involving all parties including artists and songwriters
- Allow for accurate multiple split payments for the lifetime of the song recording

# Where do we go from here?

## Widening the scope

- Amazon Prime Direct signs up at least 500 new artists with an average of 2 album releases in the first year and at least 1000 new artists with an average of 2 album releases in the second year
- Amazon Prime Select signs up at least 10 new artists with an average of 2 album releases in the first year and at least 15 new artists with an average of 2 album releases in the second year
- By the end of Year 5 Amazon Prime Direct & Select capture at least 30% share of the Artists Direct Market and at least 10% share of the total Artists Direct & Indie Labels market
- **Amazon Prime Direct becomes the preferred self-publishing and distributing platform for independent artists/songwriters**



Thanks

