



Music Biz 2016 Business Session Breakfast
Scripted Remarks from
Music Biz President James Donio & Chair of the Board Fred Beteille

When we decided to bring Music Biz to Music City for the first time in 2015, as [Nashville Mayor] Megan [Barry] said, it was with high hopes and great expectations for a new era for our convention... we were not disappointed. Nashville was ready and waiting with open arms. Our attendance grew significantly as Megan said, and we experienced a resurgent energy and heightened enthusiasm.

It was evident among all of our attendees, both seasoned veterans, and those who attended for the first time. There's no question that the chance to experience Nashville itself, combined with the active participation of the city's professional music and academic communities, helped contribute to the event's unqualified success.

So, this time around, we were committed to making the event bigger and better in a new venue here at the Renaissance. Well, as we know, attendance is up by another 15% to almost 1,500. And what's more, there are nearly 600 different companies and organizations represented. And, this is without question our biggest conference program ever. More than 200 speakers from just about every facet of the business you can imagine -- not to mention folks from outside the business who are joining us to bring fresh perspectives and introduce new opportunities into our forum.

While we are broadening and bolstering some of our most popular sessions with new aspects and approaches, there are also compelling additions to the agenda. For example, I hope you had a chance to attend the debut of our Leading Ladies program yesterday, and that you're planning to go to our first-ever Brand & Strategic Partners Summit just after this morning's breakfast concludes.

You are here to meet and be met, to learn and be inspired, and also to get a sense of where we are as an industry. So, let's take a look at the state of the global music business.

According to IFPI's 2015 Global Music Report, worldwide digital music revenue eclipsed physical revenue for the first time, with overall recorded music revenue increasing by 3.2 percent to \$15 billion. Digital revenues now account for more than half the recorded music market in 19 markets.

In 2015, streaming accounted for 19 percent of global sales, up 5 percent from 2014. Subscription revenue jumped to 2 billion dollars, and the number of subscribers grew 66 percent to 68 million. But the physical business continued its resilience. Some countries even showed increases year over year.

So obviously, a big reason for that is attributed to the musical juggernaut known as Adele's 25, which broke decade plus sales records that will be tough to replicate. She captured lightning in a bottle, and for six weeks, she claimed true world domination. The music spoke for itself as she returned home much like a much-missed member of the family who we could not wait to embrace again.

Stateside, RIAA reported that the industry is reaching a new sense of equilibrium, leading to an overall revenue increase of .9% to \$7 billion. About a third of revenue came from streaming (34.3%), digital downloads (34%) and physical sales (28.8%).

While downloads and physical revenues experienced declines, the good news is that they have stayed strong enough to allow the rise of streaming to offset those decreases. Streaming had a banner year, with revenue growing 29 percent to top \$2 billion for the first time, and overtaking digital downloads as the top revenue generator.

All aspects of the streaming market were up, with an exciting blend of high-performing established services and new entrants to the space. Revenue from paid subscriptions was up 52 percent as the increased exposure around these services introduced a whole new generation to streaming, while on-demand ad-supported streaming also grew a solid 31 percent.

Meanwhile, the force is still with vinyl as revenue jumped another 32 percent to \$416 million, the format's highest level since 1988.

This all further underscores that the industry is experiencing a state of balance, as the newer formats deliver on their potential, while legacy formats continue to serve fans and provide a viable source of revenue.

So what does the picture look like in 2016?

We are seeing the highest-profile artists, labels and their teams strategically choose exactly when and how to use the current complement of available distribution models to their advantage for their new music.

Just look at recent projects from Kanye West and Rihanna, and the record-breaking releases from Beyoncé and Drake.

Warner Music was first to announce that streaming has become the main source of revenue — from any source — in its recorded music division. And the data graciously provided to me from Border City Media's BuzzAngle and Nielsen's Connect Platform, supports this trend industry-wide. Overall song and album consumption is continuing to rise year-over-year, in spite of ongoing declines in sales -- except for vinyl, which I would call our industry's "Energizer Bunny" for the 10th consecutive year.

The trajectory of on-demand audio and video streams is maintaining a meteoric path upward. On a comparative percentage of growth basis, from the same time period for 2015, audio actually eclipsed video. Both Border City and Nielsen will be sharing detailed stats in their various meetings and presentations here this week.

Music Biz had another busy year on many fronts.

Education is one of the most important pillars of our organization. In addition to the eclectic menu of webinars we offer as part of our Common Ground series, and the robust conference program here in Nashville, we produced Music Startup Academy programs in Denver, Philadelphia and New York.

Our Entertainment & Technology Law Conference series has been a great success for the past six years, and will be adding a new dimension this year to grow the event through a partnership with the debut of the new Mondo.NYC conference and festival this September.

Our Academic Partnership Program grew from just a few institutions at this point last year, to nearly 20 right now. That translates into almost 2,000 students becoming part of our community. Many are taking full advantage of their affiliation by attending our event here this week. Music Biz firmly believes we should all be committed to preparing our next generation of leaders. So I know everyone will make them feel more than welcome. You will probably see students from New Jersey's William Paterson University recording interviews they will use for podcasts they'll be producing as part of a class designed with Music Biz in mind. We've even added a Career Day opportunity for students to be introduced to companies at which they may find internships or jobs.

You'll hear more about how students benefited from the Academic Partnerships during the Scholarship Foundation report later this morning.

We build and foster community, and serve as a catalyst for proactive industry initiatives through our interest-specific workgroups.

Here's a snapshot of some of the ongoing and upcoming initiatives for each of the groups:

--Business Development

[on slide:

Growing relationship with Nashville's Project Music startup initiative

Ongoing relationship with the International Music Managers Forum

Music Startup Network v2.0

Exploring introduction of Online Education]

--Metadata

[on slide:

Publishing Operations Guide

Ongoing Partnership with DDEX

Studio Metadata

Style Guides]

--Streaming

[on slide: Royalties White Paper]

--Marketing

[on slide: Music Consumption Study]

--Electronic Music

[on slide:

Partnership with Association for Electronic Music

Tackling data transformation on a global scale

Joint Meeting]

Anyone can participate. All you need is an interest in the topic, a commitment to engage and to provide ideas and feedback. Bill Wilson and Robby Towns will be happy to speak with you while you're here about any of the groups you might be interested in.

Bill, Robby and I have also kept Music Biz visible around the world by speaking at events such as Jazz Connect and Blockchain & The Arts in New York, South By Southwest in Austin, Eurosonic in The Netherlands, Reeperbahn in Germany, and Tallinn Music Week in Estonia, a tiny little country that is actually one of the most technologically advanced in the world.

Our PR efforts over the past year have included weekly comments on music consumption, and a wide range of interviews in media outlets from Billboard and Music Row, to Rolling Stone, Forbes and the NY Post. And if you'd have told me I'd someday be quoted in a US Weekly cover story entitled, "How Beyoncé Saved Her Marriage," I would have never believed it!

The physical music business remains at the heart of our identity, and Music Biz is honored to be one of the longest-running sponsors of Record Store Day. For the past eight years, this phenomenal event has brought much-needed focus to the cultural and commercial contributions that independent businesses make in their communities around the world.

The 2016 edition may have been a bit leaner and meaner in terms of the total number of releases, but the results remained outstanding. Just consider:

- Largest week for vinyl since Christmas 2015.
- Best week overall for vinyl since Christmas 1991.
- Vinyl sales up 320% from prior week.
- Overall indie retailer album sales up 131% from prior week.
- Indie retailers sold 30% of all physical albums and singles for that week.

The Record Store Day Town Hall will take place tomorrow at 10 AM to debrief and start planning for 2017.

I'd like to take a few minutes to share what's coming for Music Biz members:

Our web site has been completely rebuilt, redeveloped and reorganized to be more user- and mobile-friendly, which we believe will increase both its usage and its value to all of our members.

It will be going live today, this afternoon, and members will receive an email highlighting the site's newest features. The email will also contain your username and password for logging into the members-only sections of the site.

And, to take a page from the late, great Steve Jobs' playbook... there's one more thing!

I am proud to announce the imminent arrival of a brand new member service.

In collaboration with LOOP, a sister organization of one of our current partners, Audiencenet, we are creating Music Biz Consumer Insights. Here's a preview... [\[video\]](#).

I could not be more excited about the potential of this new service to deliver tremendous value to all of

our members. The LOOP team is here this week and available to not only tell you more about what you can expect from Consumer Insights, but more importantly, how you can help shape what the service delivers to you.

In the weeks and months ahead, the debate will rage on between music creators and technology innovators, about the continued evolution of our business, and the implications for both. There will be compelling arguments about the rules of the road that were created when the business was obviously in a very different place than it is today, and the need to update them.

Creating a song is nothing short of pure magic. I wish I could have that experience, and I'm guessing most of you would, too. I know we all agree that without the song, this room would be empty. But, technology innovations bring their own kind of magic, underscoring just about every new development in the modern music industry. Without ongoing investment and advances in technology, the music business would have an uncertain future, to say the least.

So, some could assert there are clear parallels between the artistry of songwriting, and the innovation of technology. When they come together, more fans can discover and enjoy more music in more ways than ever.

Frankly, this debate may seem totally impossible to judge. Creators unequivocally must have the chance to shine and must be rewarded fairly. But, we also have to be realistic about how technological disruption brings worthwhile changes to business that must be supported to thrive. Just look at Nashville. It has one of the strongest communities of creators anywhere in the world, but it is now a hotbed for developers and startups.

The recorded music industry as we know it began in the late 1800s when Edison developed the first device to record sound. This was also the height of the sheet music industry, when millions of copies of songwriters' sheet music were being sold for hit songs every week. Whether the Les Paul electric guitar, or the long playing record, whether refined sound amplification techniques or ProTools, or any one of the mind-blowing new apps and services, it's technology that has changed music from being an intimate event, performed on back porches, in parlors and churches, limited to the audience that can fit in the space, to recorded performances that can be shared all over the world, to billions of people. Innovation, whether technological or cultural, is one of America's greatest contributions to the world.

And the songwriters and those creators with the new business ideas have been right there together, from Sousa to Spotify, from Elvis to iTunes, and beyond.

So, despite the differences in perspective, remember that the only way all boats rise is if we truly value what each partner brings to the table. Each role is critical in ensuring the future of the business of music.

I know this won't be easy, but finding common ground and making it work is our only realistic and sensible path forward. And I know we can do that.

It's also not easy to accept the painful and heartbreaking loss of members of our music community. Over the past year, and particularly in early 2016, we've had to say far too many good-byes. So, I ask that we have a moment of silence for all of the artists and executives whose contributions we valued and whose memory we will cherish forever.

As always, I want to express my deep appreciation to our Board of Directors and, of course, my amazing staff for their brilliant and tireless efforts creating this year's convention.

Please join me in a round of applause for the Music Biz Board and staff.

And, naturally, none of this would be possible without the terrific support of our generous sponsors, advertisers and promotional partners. Thank you all so much.

Lastly, this event is more than just a collection of meetings, seminars, parties, and music. It is also an invaluable moment in time when you can add your voice to important conversations -- not just about the future of our industry -- but about the future of our world and our place in it.

Please don't hold back!

I will actually follow that advice myself. You see, as a Gay man, I cannot help but think that I might not be delivering this speech today if new state laws that allow various kinds of discrimination against people for who they are, how they live, who they love, or what they believe -- and that are being considered in far too many other states -- were in place when I was building my career here.

Fortunately, I had some strong and enlightened advocates who guided and fostered my journey so I could have the chance to be where I am today. My fervent hope is that the journeys of those in the worldwide LGBT family can receive that same acceptance and encouragement, in the face of extremely troubling judgment and narrow-mindedness that I feel simply cannot be allowed to prevail.

As you know, when we planned this event in Nashville, there were no legislative issues with the state of Tennessee. Even though that has changed, and not for the good, we're here because this convention provides a perfect forum to highlight how music serves as a unifying force around the world. It brings people together, regardless of who they are. Our industry stands as a positive force for promoting understanding.

We can influence people and we can make a difference. I know our industry can provide an inspiring soundtrack that highlights and celebrates diversity. And, guess what? There's no time like the present to start that movement. We have a special session we've scheduled at 1:30 PM today, this afternoon with GLAAD and Nielsen entitled, "Accelerating Acceptance." I hope to see you there.

Have a fantastic time here with us in Nashville, get a lot of business done, make some new friends, and enjoy yourselves.

Thank you.

Now, it is my pleasure to introduce our Chairman of the Board, from YouTube...Fred Beteille.

Fred Beteille

Good morning, everyone.

Please join me in recognizing Music Biz's Board of Directors. I ask that each Board member stand when I read your name.

- From Universal Music Group, **Candace Berry**
- From The Sound Garden,
Bryan Burkert
- From Microsoft, **Christina Calio**
- From Redeye, **Glenn Dicker**
- From INgrooves Music Group,
Amy Dietz
- From Sony Music Entertainment,
Bob Garbarini
- From Entertainment One,
Michael Healy
- From Schoolkids Records,
Stephen Judge
- From Super D/Alliance,
Bruce Ogilvie
- From Dimple Records,
Dilyn Radakovitz
- From Big Machine Label Group,
Kelly Rich
- From Spotify, **Steve Savoca**
- From Warner Music Group,
Matt Signore; and
- From Apple Music, **Colin Young**

Serving with me on the Executive Committee are:

- Vice Chairman, from Baker & Taylor,
Steve Harkins
- Treasurer, from immergent,
John Trickett
- And Secretary, from Amazon,
Ryan Redington.

How about another round of applause for the entire Board.

I would like to personally thank all of the Board members for the gift of their time, their candor and especially their experience during my second year as Chairman. It has been invaluable.