

Economics, Planning and Finance Report- Universal Music Group

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UNIVERSAL MUSIC GROUP

Introduction

This report critically analyses the economic environment and activities of Universal Music Group (UMG). The report will discuss the micro and macro environments that the organisation operates in, and review its economic operations, competition, and financing, discussing the lean business method and how its techniques can be applied to the organisation.

A Brief History of Universal Music Group

Universal Music group (UMG) is an American-born international music cooperation that operates an array of recorded music, music publishing, merchandising, and audio-visual content businesses, owned mostly by Vivendi, a French media cooperation, and partly by Chinese technology company Tencent. UMG is seen as the biggest music cooperation in the world, being part of the "Big Three" major music companies and record labels alongside Sony Music Group and Warner Music Group, together estimated to make up around two-thirds of the music industry market (thebalancecareers, 2019).

UMG is an umbrella cooperation for many major record labels, to include: EMI, Island Records, Def Jam Recordings, Interscope Records, Republic records, Capitol Records and many more. This also includes separate umbrella groups for labels in different global territories, Polydor Records for example, which operates under Universal Music UK. UMG has signed many of the music industry's most commercially successful recording artists, producing record breaking tracks and winning major awards.

Universal Music Group has often been described as the most innovative music company and one of the top 50 innovative companies in the world overall, with a big focus on how the company has moved with the digital era of music and its dedication to diversity amongst its artists and employees (universalmusic, 2021).

The company was rewarded with the SAG-AFTRA American Scene Award in 2013 for its dedication to diversity and in 2019, was the first major music cooperation to be accoladed in Fast Company's annual list of the World's 50 Most Innovative Companies, and in the same year was identified as one of Americas best midsized employers by Forbes.

The period of 2018-2020 was very lucrative and substantial for the cooperation. UMG has licensing agreements with over 400 different platforms globally, and in 2018 signed an exclusive licensing agreement with Disney Music Group, a division of The Walt Disney Company. This granted access to UMG's roster to artists within the Disney Music Group, and in return, gave UMG the rights to the whole of Disney's back-catalogue of soundtracks. In the same year, UMG made history In the Nielsen US Music Mid-Year report, with eight out of the top ten, and the top eight artists for audio streams, being UMG artists. There was a significant amount of growth for the group, with the announcement of the expansion into the African market with the intention of developing and signing local artists. In 2020, the company further expanded into the Morocco and Israel market. That same year, UMG went into a music product partnership with Lego Group, and reinstated Virgin EMI Records, rebranding the label as EMI records.

In addition, UMG has partnered with various media and streaming services over the last two decades, being one of the first to have its catalogue available on Spotify in 2008, when the service was just launching, and co-developing the world's biggest music video streaming provider, Vevo, which is now primarily synched to Youtube. UMG continued its association with Youtube in 2019, where they worked with the service to upgrade over a thousand music videos from its artists to High Definition, re-releasing them throughout the following year. In 2017, the company signed a deal with the biggest gaming and social media company in China, Tencent, and signed a new multi-year licensing agreement with Spotify, which in addition to the service gaining the labels catalogue, saw them partner on the development of marketing tools and UMG signing on to try and test Spotify's future products and services.

Finance

Universal Music Group generates revenue and financing from various sectors, including recorded music, music publishing, audio-visual content, streaming revenue, physical sales, merchandise, live performance, investment and so on. In the first quarter of 2020, Vivendi reported that Universal Music Group's whole revenue grew by 12.7% to €1.77billion (\$1.95billion), with their recorded music revenue growing by 13.1% to €1.43 billion. €908 million of that revenue came from streaming, meaning 63.4% of UMG's whole recorded music revenue now comes from streaming alone. (Musically, 2020)

The company also saw growth from its music publishing revenue, which grew by 20.4% to €271million. However, other areas of UMG were hit by the COVID-19 pandemic, with revenue from merchandising dropping by 2%, and predictions that the pandemic will affect the company further due to the pause on live touring and physical sales. This is a significant change from the previous year, where physical sales were up by 3.1%. In total, Universal Music Group grossed a revenue of €7.43 billion (\$8.95 billion) in 2020.

It is unclear exactly how much Universal Music Group is worth. Financial services company JPMorgan valued the company at \$40 Billion in 2018, but with recent investment activities, one of the most significant being Chinese technology company Tencent acquiring a further 10% stake of UMG (totalling its holdings to 20%), the company has now been valued at over \$49 Billion as of January 2021. (Rollingstone, 2021). This means that the company is worth 29 times the EBITDA profit it made the previous year (\$1.7 Billion)

JPMorgan's head of European Media and Internet Equity Research, Daniel Kervin, stated that *"undermonetized, must-have, global content that is strategic to the tech giants and can't be replicated"* (Rollingstone, 2021) is responsible for the company's value and has claimed that he would go as far as valuing it at \$120 Billion (€100 Billion). It is to be noted that during Tencent's acquisition, UMG was valued at a lower \$36 billion (€30 billion), therefore it is now being valued at nearly three times its valuation by the Tencent sale.

As previously stated, UMG is owned by two companies, media cooperation Vivendi and more recently, technology company Tencent. In 2018, Vivendi announced its plans to explore putting the company on the stock market, and as of 2021, it has been established that the company will start trading on the Euronext Amsterdam stock exchange by the end of the year (musicbusinessworldwide, 2021). It is to be assumed this strategic move was greatly influenced by the second share brought by Tencent, as Vivendi stated that out of the purchase of the stocks grew *"interests expressed by other investors at potentially higher prices"* (FinancialTimes, 2021).

Vivendi will distribute 60% of UMG to those that hold shares in Vivendi, which will mean that even shareholders with the lowest stake in the company will significantly reap the benefits of the floatation, with a 0.01% stake possibly accumulating \$2.2million. For UMG, moving to the stock market as an alternate way of financing will give the company the greater financial flexibility that it needs to continue with its mission of innovation and technological development. Speaking of the move, Universal Music Group CEO and Chairman, Sir Lucian Grainge stated: *"it's a natural evolution in the storied history of our company that will enable our entrepreneurial and creative culture to continue to soar"* (musicbusinessworldwide, 2021)

Additionally, UMG's value may also be accredited to its own share in streaming service Spotify. UMG, along with Warner Music, Sony Music, EMI Music and Indie label Merlin, each received equity stakes in Spotify when it first launched in 2008 due to their licencing agreements with the company. At the time, Sony Music got the biggest stake of 6%, Universal Music Group got 5%, Warner Music Group got 4%, EMI got 2% and Merlin got 1%. This changed when UMG acquired EMI, as this resulted in them also gaining EMI's share in Spotify (raising their share to 7%). Nevertheless, this again changed when Spotify went public on the New York Stock Exchange In 2018. With previous years of investment and share issues within the streaming service, by the time the company was floated on the stock market, the labels shares were cut by at least half. This left UMG with around 3.5% of shares, only slightly more than Sony Music with 3%, Warner Music with 2% and Merlin with 0.5%. The company was surpassed again by Sony when the label used its own money to gain more equity in the company and raised its holdings to 5.7% in 2018. Since then, it has been reported that UMG has also upped its holdings to somewhere in the region of 42%-4.8%.

Despite this fluctuating, Universal Music Group is now at an advantage when it comes to the streaming service. After Spotify was floated on the stock market, shareholders began to sell their stocks. Merlin sold all its shares in the first week of public trading, with the company's market value at around \$26-\$28 Billion at the time, earning them \$135 Million. The company claimed that it was not in their interest to "hold a long-term equity position in a publicly listed company...we therefore worked quickly to liquidate our interest in Spotify" (Rollingstone, 2021)

Unfortunately for the label, if it would have held off selling its share, it now would have been worth \$319 million due to Spotify's current market value of \$63.86 Billion, almost three times more. Warner Music Group was another company that prematurely sold all its shares, for \$504 Million. Like Merlin, with Spotify's current market value, if it would have waited to sell the company could have gained a sum of around \$1-\$1.25 Billion. Sony Music took a different approach and cashed in on the newly floated company whilst also holding out on the future growth of the service, selling half of its shares in 2018 for \$768 Million but keeping the other 2.85%, a risk that was worth taking regarding how much the company is now worth. In contrast, Universal Music Group was the only one of the shareholders that did not sell any of its shares, and looking at Spotifys current market value, these could be worth an estimated \$2.2-\$3.1 Billion, depending on the percentage of shares the company has. UMG has made a point of giving its artists a share of these profits if it does sell, which will be a significant pay out if the company does so without counting it towards unrecouped balances (The balance left until the artist earns that amount back for the label) - around \$550-\$775 Million for each artist.

There are many benefits of UMG holding on to its stakes. In addition to the market value, it also solidifies a relationship between the group and Spotify, making it easier to negotiate future deals. On the other hand, retaining its shares could also hinder UMG. Revenues for artists have dropped recently due to the COVID-19 pandemic and its impact on touring and merchandise sales. A significant one time pay out may be a smart move to build trust and morale with artists. Spotify itself

has also reported a slower growth in subscribers for 2021 compared to the previous year, and has spent \$1 billion on its podcast strategy that has been reported to not have contributed much in terms of profit for the company in two years of it going live. UMG may also need to consider its affiliation with the streaming service in general, as analysts have predicted the aim for Spotify will be to eliminate the market power of the “Big Three”, ultimately leaving space to modify its business model accordingly to gain operational leverage, boost profits and lower expenses.

Economics

Macro

The music industry has recently come under threat due to the COVID-19 pandemic, with live performance royalty and merchandise revenue being hit due to the closure of live entertainment venues. Unemployment has also risen in certain territories, particularly the UK, meaning less disposable income for consumers to spend on music and music related products. There have also been political hindrances in the UK due to Brexit, having a domino effect on the live music industry due to the revelation that touring artists may have to obtain a visa for each individual country to tour in Europe. If this creates a fall in touring, there will be a significant loss to the UK economy as music tourism was reported to contribute around £4.5 billion (thecreativeindustries, 2021). Although UMG is a global cooperation that operates and gains revenue in many territories, if significant dents are made in the UK, Universal Music Group could see a loss in revenue through Universal Music UK. This along with unemployment could ultimately affect music creators globally who gain revenue from touring, as not only will UK artists not tour, but UK consumers will not have the disposable income to spend on tours and live performances for international artists.

Technological developments and the rise of independent labels could see the traditional label structure decline as start-ups make way for new market structures (McKinsey, 2020). Digital innovation has led to a change in consumer habits, with many now opting to consume music digitally, forcing major labels to reconsider their business plans and move quickly with the times. Universal Music Group’s dedication to digital innovation will undoubtedly give the company an advantage when it comes to the fast-changing market, helped by the music industry already being an innovative hub of destructive technology and risk taking.

Micro

The Market

Universal Music Group operates in an oligopoly market structure, dominating the market alongside its two main competitors, Sony and Warner. This brings higher revenue and simplifies the market, reducing competition. However, giving consumers fewer choices could be counterproductive if the choices are not suitable for the consumer, leaving them to go without and potentially having a knock-on effect for the industry (greengarageblog, 2017). Furthermore, with the rise of DIY artists and independent labels, the “big three” need to prepare for the possibility that the traditional label structure may take a hit, potentially losing their dominance as gaps are created for new models.

The music market has been significantly affected by the COVID-19 pandemic, with the closure of entertainment venues, unemployment and the drop in merchandise and performance royalties, there was speculation that the music industry should prepare for a small crash in the market. In the first quarter of 2020, the recorded music industry saw a dip in revenue from the previous year, with Universal Music group revenue falling by 4.5%. However, the overall revenue of the global recorded music industry was estimated to be around \$23.1Billion, up by 7% from the previous year. The last quarter of 2020 saw an opposite change than the first quarter, with global industry revenue growing by 15%. This change could be due to the increase of streaming, with more people staying at home and signing up to streaming services. Despite the pandemic, global music streaming revenue grew by 19.6% (\$2.3 billion) in 2020, faster than the previous year. Covid-19 also brought about growth for the DIY artist sector, with more artists uploading their music to services such as Soundcloud, which generated \$1.2 Billion in revenue for the industry. Additionally, Physical sales of CD's and Vinyl's were up by 11.2% in 2020. Lockdown also carved out new markets for virtual concerts and digital content, with many artists profiting off of the pandemic by selling tickets to digital performances (midiaresearch, 2020), perfect for a cooperation such as UMG who have a variety of audio-visual businesses as well as its recorded music and publishing. Live streaming has had a knock-on effect for the industry, with many believing that there should be premium formats for virtual streaming if artists are going to continue to generate income this way post COVID-19, creating a whole new potential market sector.

The structure of the music industry is changing rapidly in the digital age. Private equity money is being poured into digital tools and software. The 'Social Commerce' sector is growing vastly, with artists using social media sites such as Instagram to engage with fans and sell merchandise direct-to-fan. The sound market has also increased, with platforms such as BandLab releasing sample packs for musicians and producers to create new music, ultimately creating another source of revenue for the industry. Furthermore, there is a strong shift to the monetization of 'fandoms', where artists can gain revenue from engaging and offering exclusive products to their fans via social media, apps and streaming services. This monetization could produce significant revenue growth for Universal Music Group, with their catalogue of some of the most successful and established artists in the world who have extremely dedicated fans that will buy into these products.

When talking about the recorded music industry market in relation to UMG, it is important to remember that it operates in a multitude of territories, therefore each one has different events and changes that affect that specific territory. Although the overall revenue of UMG grew in 2020, COVID-19 saw the loss of 85% of UK live performance revenue, with 65% of music creators income being lost overall (Musicbynumbersreport, 2019) Considering the UK music market has overtaken Germany in becoming Europe's largest music market, this will likely have an impact on Universal Music UK's artist revenue.

Products, Pricing Strategy and Customer Base

Universal Music Group's customer base is varied due to the large scale of the organisation and the many sectors it operates in, from music fans to creators and musicians. It provides an array of products to its multitude of consumers, including recorded music, music publishing, merchandise, live performance, and audio-digital content, all with different pricing.

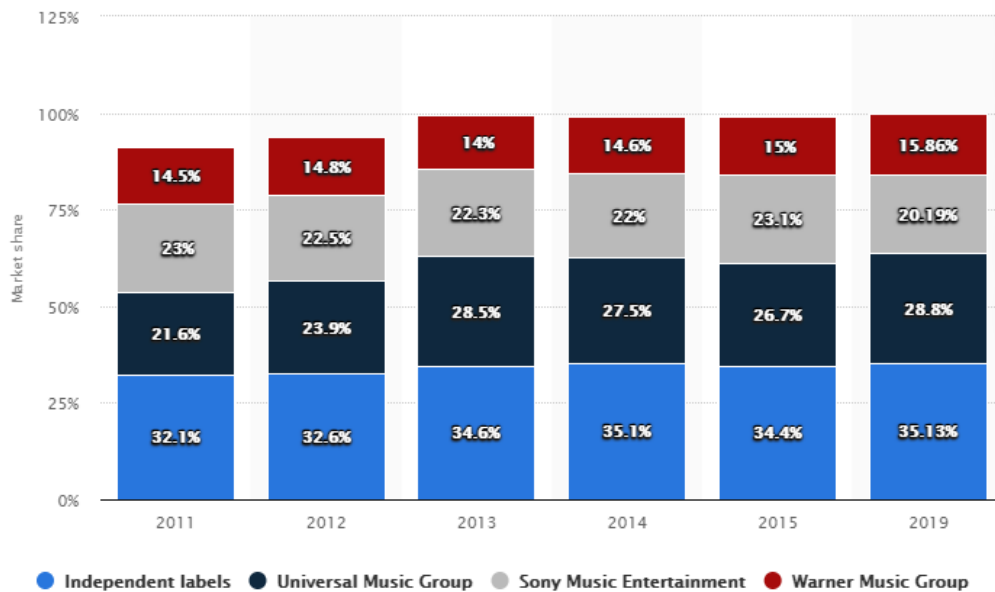
Music is an industry that has high elasticity of demand, something that the major labels used to dismiss (Pakman, 2010). In 2004, labels were pressed to lower their wholesale prices as research found that if prices were lowered, more units could be sold, lowering the cost for the consumer whilst retaining the amount of revenue. The majors resisted this idea and therefore retailers began to reduce the shelf space for their products, decreasing revenue. If one of their competitors lowered their prices, UMG would likely have to follow suit to retain their share in the market. Universal Music Group has a cost advantage due to the scale of the cooperation, as this brings about the ability to reduce the cost of making products so that it can offer lower prices, meaning a drop in competitors prices would presumably not cause a problem for the company. If they decided to increase prices, the demand for their products would decrease and its customers will most likely move to its competitors, lowering its market share.

The economic tool of Game Theory can be applied here to analyse the 'strategic interaction' of the three majors. The 'Game' is any circumstance that involves pay-outs and quantifiable consequences with an outcome dependent on the actions of the players (investopedia, 2019). Within Game Theory, there is an assumption of rationality, that the goal of the players is maximisation. Therefore, it is assumed that 'rational' people may not cooperate even though it is in their best interest because the reward for doing so will be bigger. It can be believed that price drops would not happen within the major labels, as If one of the labels drops its prices, this could be considered as defecting as it breaks the agreement to keep prices as they are to maximise profits for the market, and doing so could have detrimental affects on market share for the labels.

Major Market Competitors

Universal Music Group has two major competitors, Sony Music Group and Warner Music Group. They are the “Big Three” cooperation’s that dominate the music industry, between them accounting for 69.2% of global music industry revenue.

Market share of record companies in the United States from 2011 to 2019, by label ownership



Statista.com, 2021

© Statista 2021

Sony Music Group

Sony Music Group is the second largest of the “big three” after Universal Music Group. It is part of the Sony Corporation of America and owned by Japanese conglomerate Sony Corporation. Although Universal Music Group is the biggest music cooperation, Sony Music Group’s publishing division is the biggest music publisher in the world. Like UMG, Sony has a roster of some of the world’s biggest artists and record labels, including Columbia, RCA, Ministry of Sound, Syco, Sony Music UK and many more. Similarly, to UMG, the COVID-19 pandemic did not have a significant effect on Sony Music’s performance in 2020, with annual streaming revenue increased by 19.5% and its worldwide recorded music revenues reaching \$4.51 Billion.

Despite claims from Sony that it “is at the forefront of digital innovation” (Sonymusic, 2021) the past has indicated that the company may not be that successful when it comes to technological development. Sony invented the Walkman in 1979, becoming a leader in music technology. However, the company struggled to synergize its audio-tech business with its music content and lost its market position to the launch of the iPod in 2001. The shift to digital music altered Sony’s operational model, as they tried to keep up with new online subscription platforms such as Spotify. In 2010 Sony launched “Music Unlimited”, a subscription model service that they believed would have an advantage over their competitors due to their vast industry experience and resources. The problem was that the service was only available through Sony’s PlayStation Network, where its competitors were available on any device. The service only had 20,000 subscribers by 2015, and the

company had to surrender to its competitors, eventually partnering with Spotify. If the company would have held out and leveraged the resources it had to offer, it could have introduced new technology such as iTunes and Spotify to the world, becoming a market leader.

Warner Music Group

Warner Music Group is the third largest of the “Big Three”. Unlike UMG and Sony, Warner was a private company that was taken off the New York Stock Exchange in 2011 and sold to American multinational industrial group Access Industries. It went public again in 2020 when it was valued at \$12.75 Billion. In the same year, Chinese company Tencent, who brought shares in UMG, purchased 1.6% of the company. Like its two competitors, Warner Music Group has a roster of some of the most established artists and labels, including Warner Records, Atlantic Records, Parlophone records, Elektra Records and so on. Its products include recorded music, music publishing and artist services. Warner has a history of investing in start-ups and have announced a dedication for further investment, creating an investment fund, WMG Boost, to fund and support entrepreneurial growth in the music industry (WMG, 2018). In contrast to its two competitors, Warner Music Group did see a decline in recorded music revenue in 2020 due to the COVID-19 pandemic. Although streaming revenue grew by 11% to \$586 Million, Warner’s overall recorded music revenue dropped by 2.8%. This has been credited to the impact the pandemic had on physical music sales, which fell by 27.7%.

Business Strategy

There are many Business strategy tools Universal Music Group can use to analysis their business activities and the market they are in to aid development and grow revenue. SWOT analysis, Porters Five Forces and the Lean Business Method are all established and respected tools that have been executed and applied to UMG.

SWOT Analysis

Businesses can utilise SWOT analysis to identify their strengths, weaknesses, opportunities, and threats in relation to competition, project planning and overall development.

Below is a SWOT analysis for Universal Music Group:

Strengths	Weaknesses
• Large global and local market • Large investors • Strong management • Recognised Brands • Artist portfolio/catalogue • Large market share • Powerful Partnerships • Diverse • Innovative • New technologies • Committed to digital development	• High risk industry • Legal battles with artists • Artists not being paid properly
Opportunities	Threats
• Growing consumer base • Expansion into new markets/territories • Investment into technology • Access to world class talent	• International competition • COVID-19 • Internet and rise of single artist/indie labels • Technology changing music trends

Porters Five forces

Porter's Five Forces is another business tool that organisations can use to identify the competitiveness of its market and the potential ways in which its business strategy can make profit. The tool has become one of the most popular and recognised strategy tools within business since its creation in 1979. Porters Five Forces allows organisations to examine the other factors that could potentially have an impact on their business plan besides just the activities of their competition. The five forces are Competitive Rivalry, Bargaining Power of suppliers, Bargaining Power of Consumers, Threat of Substitution and Threat of New Entry (mindtools, 2021).

Below is a Porters Five Forces analysis for Universal Music Group:

Competitive Rivalry- As UMG is one of the “big three” music cooperation’s, there is already automatic competition from the other two organisations within the oligopoly, Warner and Sony, in addition to other labels within the industry, particularly Indie labels that are growing at a fast pace due to the rise of the internet and development in technology. Consumer needs are also changing, giving other businesses potential for first mover advantage, and weakening UMG’s place in the market.

Bargaining Power of Suppliers- There is a moderate risk in regard to supplier power for UMG. The corporations high profile artists have the power to switch between labels and negotiate better deals for themselves, potentially increasing the expenses of UMG or running the risk of losing the artists to its competitors.

Bargaining power of consumers- Consumers have a lot of buying power within the music industry. There is a vast range of different genres, artists and services that they can switch between, which is especially significant when it comes to streaming. Consumers can easily switch from one streaming service to another, which not only has an influence on the profits of the service, but also the artists within the label whose catalogue is made available on the service. This gives consumers bargaining power to lower prices and even cut revenue all together, as the internet and freemium models allow them to consume music for free.

Threat of Substitution- The threat of substitution for UMG is growing rapidly due to the low start-up costs artists and independent labels now have. More artists are cutting out the middleman and sharing their music independently through the internet and social media without label involvement. This leaves UMG and other labels in a more vulnerable position, with a threat to the whole market.

Threat of New Entry- There is a threat of new entry due to the change in how artists are releasing music, with the potential of new start-ups creating space for other methods and other labels to enter the market. However, as UMG is one of only three ‘majors’ dominating the industry, there will most likely not be a significant change in its position yet, as many artists still need the support and stability of a record label.

The Lean Business Model

Lean Theory

Lean is a set of practices that can be used to organize any enterprise with a focus on the customer, implementing new business practises and committing to improvement (leanfordummies, 2007). There are two separate areas of Lean Business method. The first, Lean manufacturing, is a set of techniques and practices used to eliminate waste and maximise value in an organisation. However, Lean Start-up is an innovative process that is not about cutting waste, but trying to find out what works by getting feedback from the organisations customer base, putting the products and services in their hands before they are finished to gage the reaction and using these findings to develop and improve. The focus of lean start-up is the cycle of building (product), measuring (data) and learning (ideas). Unlike existing cooperation's, start-ups do not execute a business model, they look for one (Harvardbusinessreview, 2013). This is the overall goal of the lean start-up method, temporary organisations designed to discover a suitable business model that will have repeatability.

Minimum Viable Product (MVP) is a key matter when talking about the lean start-up method. It is a version of a product or service that has been developed just enough to be suitable for early use so that customers can provide feedback for development, a method that can reduce unnecessary work by putting the product or service out as a hypothesis to gain this data as soon as possible. Once the Minimum Viable Product has been decided on and the data collected, organisations can then decide to pivot (change). Pivoting can be done for many different reasons. A value capture pivot is when a start-up decides to change the way they make money from the product or service, and an Engine of Growth pivot changes how they will grow. The two may coincide with each other, as an engine of growth pivot may require a capture value pivot if their change in growth strategy needs an alternative way of funding (shortform, 2020).

To know whether to carry on or to stop, organisations need to clearly distinguish success and what kind of reaction they consider to be a good reaction. The biggest risk for any start-up is making a product that no one wants. In many instances, companies may execute a business plan and put the final product out there quickly without having gained any prior feedback from its customer base, usually because they are worried that if they leave it too long they will lose out to their competitors. Even though having first mover advantage is important, by doing this there is a bigger risk of failing. Implementing the lean start-up method and putting product in the customers hands in the early stages gives organisations the time to learn and develop, so it can provide the best quality products suitable for its customer base.

Negatives of Lean

Although the method is helpful in the development of a start-up, there are negative aspects of lean that may hinder rather than help.

When applying lean, especially to a creative industry such as music, vanity metrics may come into play. These are metrics that make you look good to others, but don't necessary provide any significant feedback on performance that helps to improve future business strategies. They may make it seem like there is growth from the outside, without being actionable and able to be controlled so they can be repeated in a useful way (Thatericalper, 2018). One of the biggest vanity metrics in the music industry is streaming. The number of plays an artist has on streaming services is

usually seen as an indicator of their success, but these plays do not have as much impact on the business as much as engagement does, and the two do not actually have any direct correlation. Engagement is in reference to how many of an artist's songs listeners listen to in full, save and replay, whereas number of plays only refers to how many people have played that one song, and there is no way of indicating how many of those plays could have come from users simply clicking on the song without actually caring about the music.

Lean may also cause more issues for a start-up due to selection bias. Companies may not be getting a representative sample of their customer base when testing products, meaning that the process will be unbeneficial. When applying the lean method, companies need to make sure they use a large sample so that proper randomisation can be achieved. Another hindrance of not having a large sample is that the people within that smaller sample could already be your adversaries and people that are just not a fan, already having a negative opinion and bias.

Most notably, there is a risk with lean's method of releasing products in the early stages of production, as competitors could copy (University of Pennsylvania, 2018). Experimenting and testing leaves start-ups in a position of vulnerability as they are prematurely putting out information about their idea. Start-ups need an appropriate defence strategy to prepare for this risk, and this is where Intellectual Property such as copyright, patents and trademarks need to be put into play.

In innovative and creative industries, receiving a lot of feedback may do more harm than good (Harvard Business Review, 2016). It could knock the confidence of the entrepreneurs and cause them to overthink, swaying them away from their initial idea and leaving them feeling disheartened, which may have a negative knock on affect for the future of the project, and result in a lot of good ideas being wrongfully scrapped. This could be a particular issue in the music industry, as music is such a personal thing for artists that they may get tired of negative feedback and give up on the idea.

It is important to remember that lean is a tool, not a substitute for thinking and can only go so deep. 75% of start-ups fail, and the application of lean hasn't improved this statistic, but merely provided the tools to recognise the problems.

How Lean Start-up can be applied to Universal Music Group

Universal Music Group has a significant dedication to the development of technology and entrepreneurship within music, developing a multitude of initiatives to help music-related start-up businesses. UMG launched the Accelerator Engagement Network in 2017, that supports the contributions accelerator programmes have given to the global start-up eco-system, providing mentorship to digital music start-ups. They also launched Abbey Road Red in 2015, Europe's first music technology incubator that supports the next generation of music entrepreneurs, and the Capitol360 Innovation Centre that brings innovators from music and technology together. Along with these initiatives, the company partakes in 'Hackathon' events that provide entrepreneurs with the opportunity to create new products and services in a short space of time, usually over a couple of days. The event consists of UMG offering resources and expertise to creatives, coders, designers, and developers whilst they solve problems and build innovative products. They have also created a specialist license that will give entrepreneurs access to its music catalogue so that they can try and test products with licensed musical content (universalmusic, 2021).

Whilst there is little to no information on whether the organisation explicitly utilises the lean start-up method, it would be safe to assume that due to the volume of involvement the company has in innovation and entrepreneurship, that the method of early testing is used at some stage in the development process. Furthermore, technological advances are being developed within the music industry to help musicians as well as technology start-ups. 'Lean Musician' founder Jack Vaughan has stated his passion to build software that enables composers and song writers to have more structure and be more efficient, by deconstructing, creating, and learning music more effectively (leanmusician, 2021). These developments mean that if UMG adopts this new technology or aids in its development, not only can the Lean method be applied to its external entrepreneur initiatives, but also help its internal creatives be more efficient, potentially boosting productivity, revenue, and innovation.

Recommendations

My recommendations for Universal Music Group would be to keep a close eye on the fast-changing market that it operates in. Whilst the corporation still dominates the market, there is now space for new start-ups to disrupt the market with the growth of independent labels and new technology. UMG would benefit from using the Lean Start-up method when developing its new technology, as consumer habits and demand are changing all the time and it would be wise to get feedback from consumers to avoid wasting time.

Summary

In conclusion, Universal Music Group is a forward-thinking cooperation that is pioneering the way for future digital development. The COVID19 pandemic has solidified its position as the biggest music corporation in the world, highlighting its ability to move with the ever-changing digital era of music, the sheer scale of the cooperation giving a cost advantage that enables the company to be relatively disaster proof. Despite its power, there are still threats that could hinder its market share in the future, the rise of the digital era being the main cause for concern for traditional label structures. UMG will need to continue its development of new technology in order to retain its position in the market.

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