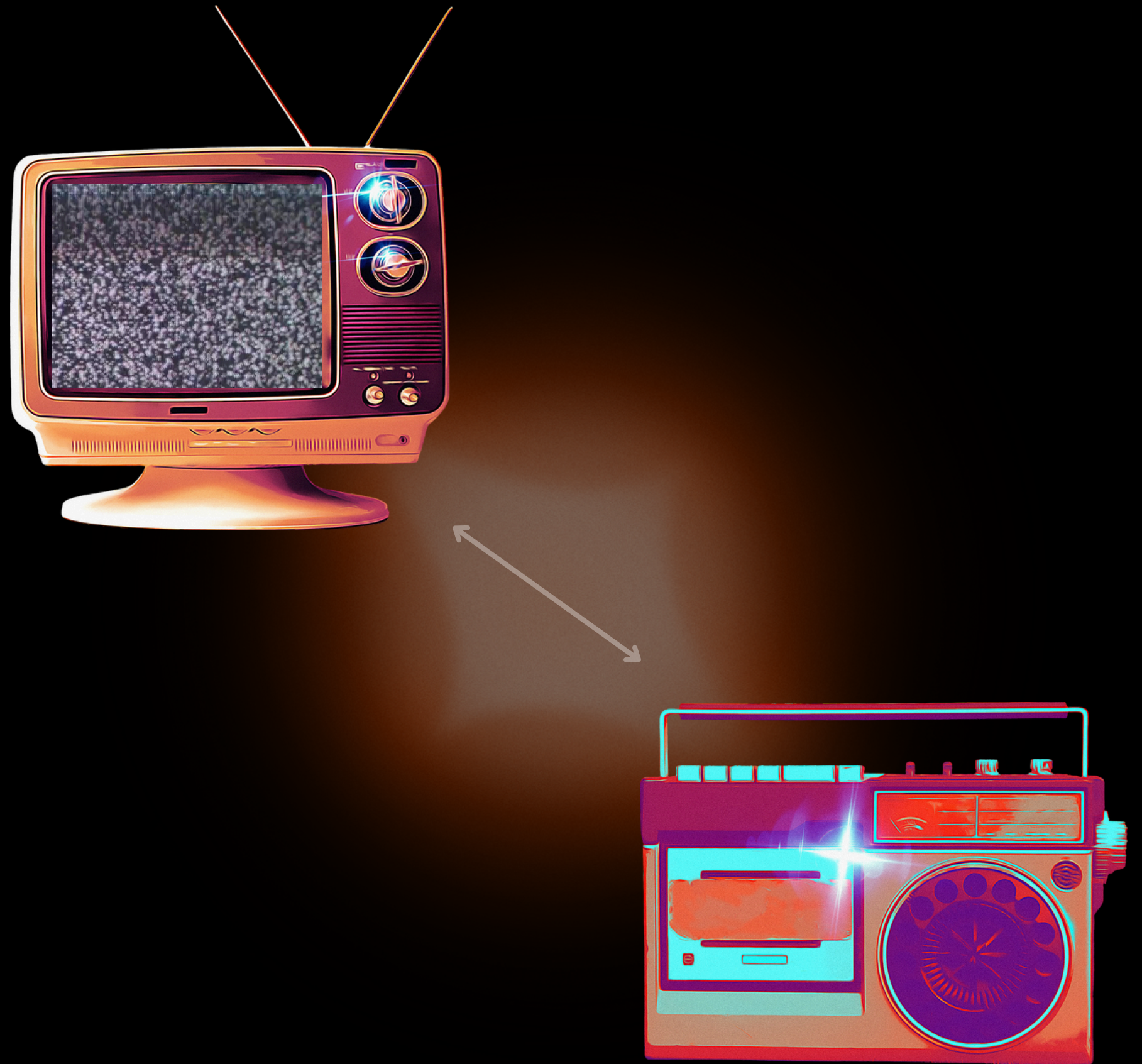


Summer Intern Project

Superfan Services and Bundling

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Who's Watching?



Suba Senthil



Lucy Hanna



Sarah Joffe

Manage Profiles



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Super Fans

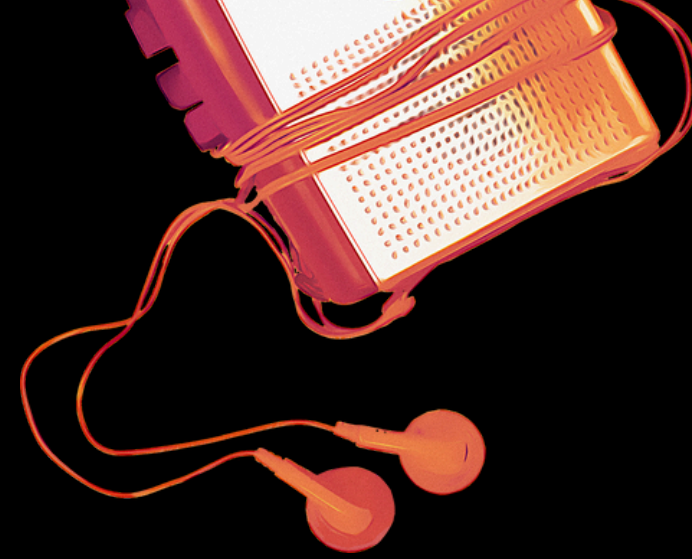
Definitions

- Listeners who engage with artists and their content in five-plus different ways
- Desire to get as “close” to the artist as possible
- Trickle-down trend setters
- At least spend \$100 annually or \$8.25 monthly on artist
- 15% – a small, but extremely valuable, subset of the most passionate fans
 - On average, these listeners drive almost one third of total streams and spend 80% more on music each month than the average listener



Super Fans

A History



- 2000: “Stan” (Eminem) – Stalker Fan
- Beyond the Music Industry
 - Sports, Film/TV, Actors, Gaming
- Emphasis on perception as a fan through material consumption

Timeline

1

1960s

- Rock 'n' Roll and Beatlemania
- Groundwork of contemporary superfans

2

2010s

- Rise of social media fandoms - "stans"
- Facebook, Twitter (X), **Tumblr**, Instagram, TikTok

3

2012/13

- *One Direction*
- *K-Pop*
 - *Unprecedented fan devotion supplemented by globalization and advances in technology*

4

2020

- Covid virality
- Craving for live events, connection, community
- TikTok reshaping how music is consumed
- Streaming growth: 6.7b in 2014 to 17.1b in 2022

5

July 2023

- Goldman Sachs predicts market opportunity for superfan monetization will bring \$4.2 billion into the industry

6










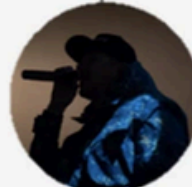


PRESENT - 2030

- UMG and WMG announce that they will focus on monetizing superfans in 2024
- By 2030 - Goldman predicts 60% of superfan market will be monetized

Why are superfans undermonetized and why should we monetize them?

- Current system flawed – both artists and fans seek deeper relationships
- Changes in royalty distribution
- **Goldman Sachs prediction**
 - “Monetization of superfans could add \$2 billion of incremental revenue for streaming platforms by 2027 and \$4 billion by 2030, representing a 16% boost to paid streaming revenues.”
- Expansions on existing platforms or the birth of new services directly marketed towards superfans

Pro Rata vs User-Centric/FPR

Drivers of Royalties	Pro Rata		User-Centric	
I. Subscription plan² a) Full b) Reduced	Amber Deezer User € 5 	Sasha Deezer User € 10 	Amber Deezer User € 5 	Sasha Deezer User € 10 
II. Listening behavior a) Number of generated streams (listening time/song length)	listens 90 times 	listens 10 times 		
III. Allocation rule a) Pro Rata: Total revenue from all subscriptions divided by total number of streams b) User-Centric: Revenue from each single account divided by total number of streams generated by this account	<div> <div>€ 15</div> <div>90% Artist 1 - 10% Artist 2</div> <div>receives 90% of revenues</div> <div>receives 10% of revenues</div> <div>  Artist 1 € 9.45 </div> <div>  Deezer¹ € 4.50 </div> <div>  Artist 2 € 1.05 </div> </div>		<div> <div>100%</div> <div>100%</div> <div>  Artist 1 € 3.50 </div> <div>  Deezer¹ € 4.50 </div> <div>  Artist 2 € 7.00 </div> </div>	

¹⁾ Deezer and other streaming services have a margin of 30%, independently of the remuneration policy.

²⁾ Free, advertising-based subscriptions follow the same logic in the allocation of advertising revenues to right holders.

Superfan Psychology+Value

- The environment of a super-fandom prompts the release of dopamine, oxytocin, and testosterone
- Superfans crave identity, belonging, and community
 - Para-socialism
- How that translates into **digital intimacy**
- Connection to BMI / licensing
- **Goldman prediction**
 - 15–20% of an artist's listeners are superfans
 - remaining 80% convertible
- If superfans contribute \$100/year,
 - **\$4.2bn revenue opportunity**



Top **2%** of Fans Responsible for **52%** of Merchandise Sales



“ Artists want to work with every single platform... they don't want to optimize just for one platform over another. So a solution like this for superfans has to be a cross-platform solution”

-Robert Kyncl, Warner Music Group CEO

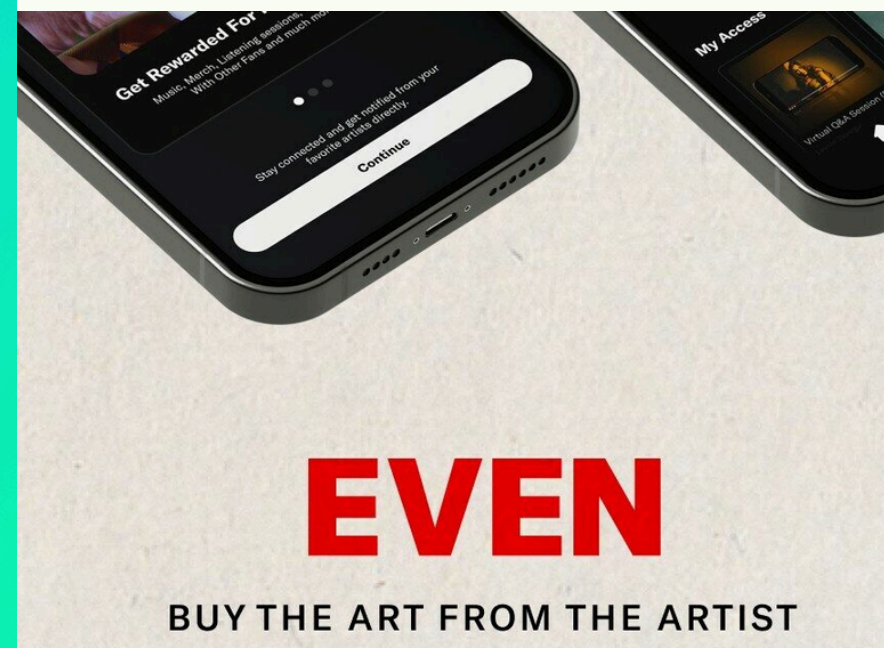
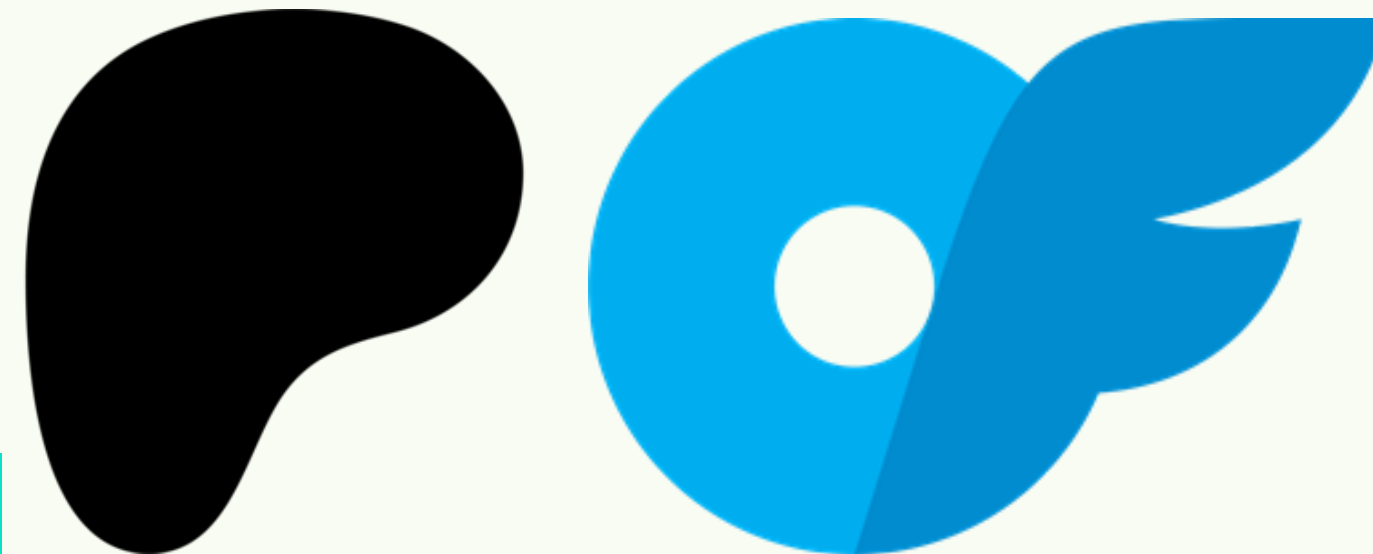
A large stadium filled with a massive crowd of fans, many holding up their phones to capture photos or videos. In the foreground, Taylor Swift is seen from the side, walking across the stage. She is wearing a light-colored, possibly white or light pink, blazer over a dark top and skirt, and white boots. She is holding a microphone in her right hand and gesturing with her left hand. The stage is illuminated with warm lights, and the overall atmosphere is that of a major concert event.







BMI Songwriter Taylor Swift Case Study

Eras Tour and Beyond

- How does she monetize super fans?
 - Numerator Survey – **58% of Swifties say they've spent money on Taylor-related products or services in the past year**
- Billboard estimates \$1.82b in revenue in 2023
 - \$132m in merch – avg \$2m per show
 - \$900m in ticket sales
 - \$536m in streaming royalties, music purchases, and broadcast radio play
- Under monetization
 - Friendship bracelet missed opportunity

PLATFORMS



Service	Main Use	Stand-alone or used with APIs?	Revenue cut
	Digital music collectible	Used w/ APIs	10-20%
	Rewards system for artist engagement + feedback	Used w/ APIs	2.4%
	Buying music direct from artists	Used w/ APIs	20%
	Promoting music, selling merch, livestreams	Standalone	Unknown
	Fans make stations to play music from an artist to other fans	Used w/ APIs	0%
	PPV or subscription artist exclusive content	Standalone	5%-12%

Expansions

- WMG, UMG, Spotify, **Live Nation** superfan platform features in the works
 - VIP clubs, viewing decks, rock boxes
 - Expect an ROI of 40–50%
 - Dynamic pricing = significant profit from superfans



Expansions

- Soundcloud
 - “Fans” feature
 - “Fan-powered royalties”
(FPR)
 - 56% of 118,000 artists better off under FPR
 - First Fans feature for Next Pro Members

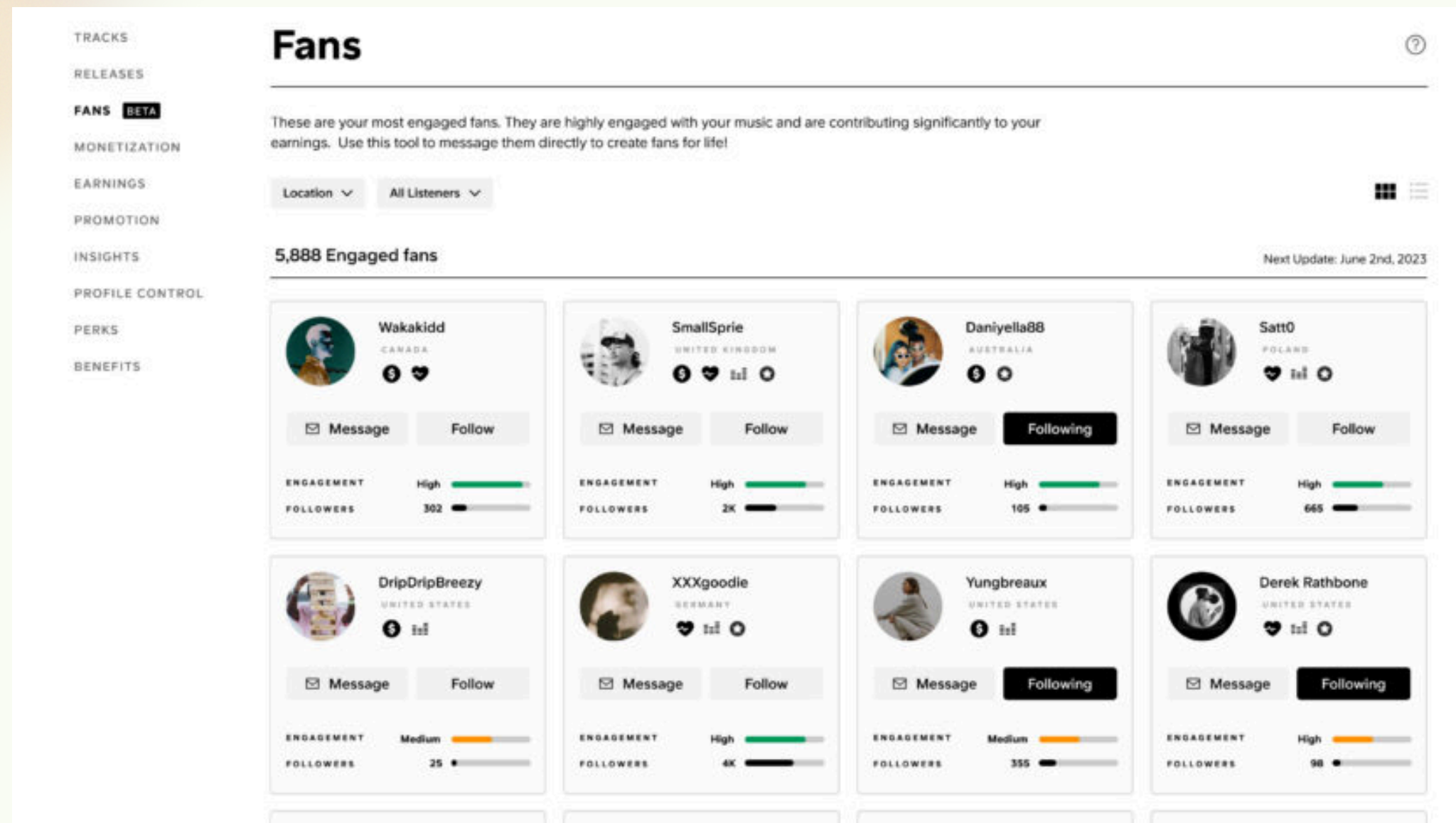


SoundCloud Expansions

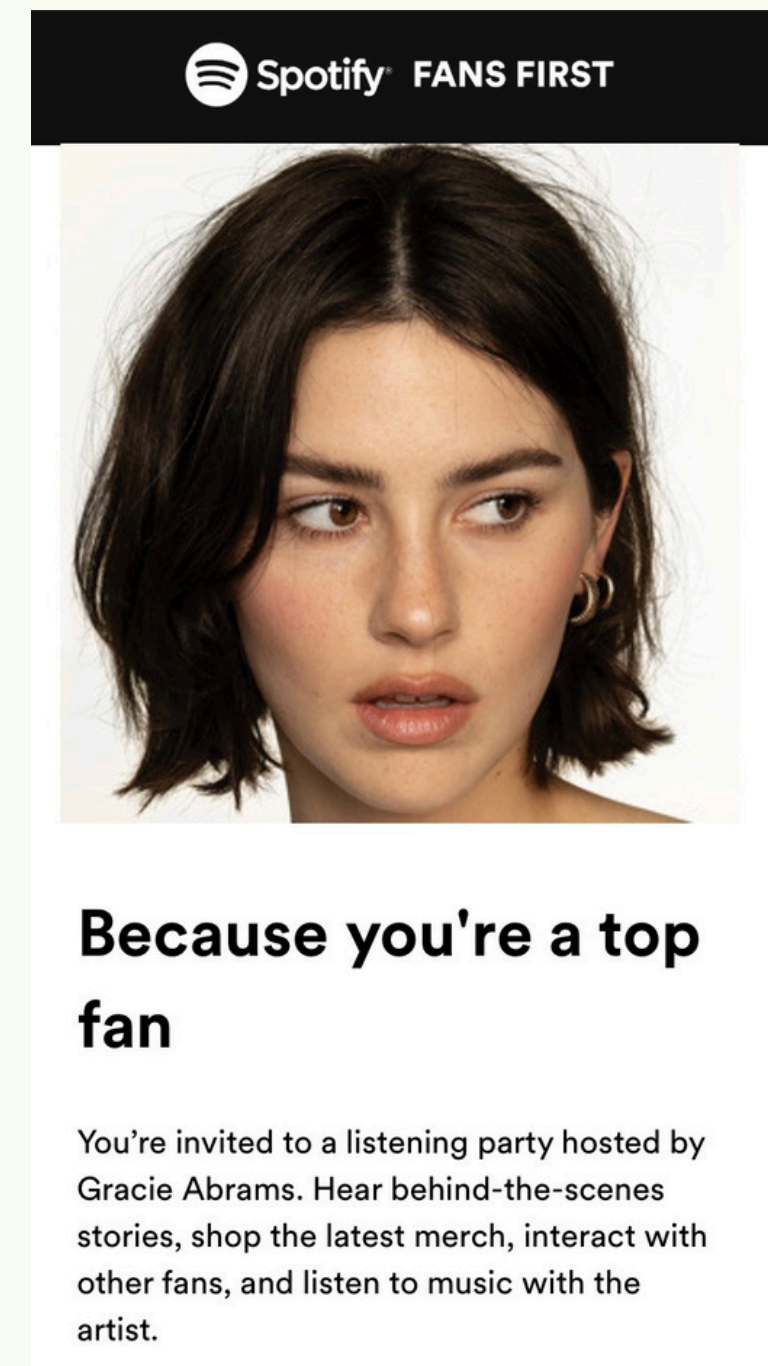
56% of the 118,000-artist sample (from a SoundCloud report) are better off in FPR than under pro rata

**Those artists who are better off
under FPR received 42% of their
income from their superfans: 1.9%
of their total audience**

Expansions



Enables artists to DM their superfans with the option to attach a track-- used in beta by 10,000 artists in partnership with WMG



Monetization

- Platforms take a cut of fan/artist profit
 - More direct form of payment to artists
- Creates more revenue for the industry from untapped territory



Analysis of Benefits

Benefits of Superfan Platforms

Benefit	Description
Direct Revenue Streams	Monetize fan engagement through subscriptions and exclusive content
Enhanced Fan Loyalty	Strengthen the bond between artists and superfans
Data Insights	Gain valuable insights into fan preferences and behaviors
Customized Experiences	Tailor content and interactions to meet the specific interests of superfans

- Content that is already being made / easy to make... why not take the extra step to monetize?
- Exclusive discounts on concerts/access to concerts
- Signed merchandise
- First looks at music/content
- Giveaways



Changes in Licensing

Impact on Licensing

- Licensed under other categories
- Inconsistency on behalf of services
- Interim approach to see how the market takes shape

Where Do We Go From Here?

- Targeting where the most abundant untapped markets are ----> superfans
 - Demographic segment willing to spend the most amount of money
- Sabrina Carpenter x Spotify x Ticketmaster
 - “For the first time, Spotify created a Top Listener Fan Pit at the front of every North American show, and we’re offering tickets to my top listeners.”

BUNDLING



Bundling

A History

- 1970s: bundling = hundreds of channels within cable services for one price
- Bundling is now recurring in a new form



Timeline

1

1926

Creation of television

2

1960s

Cable began to gain traction - 4.5 million subscribers to cable

3

1962

Corporations switched funding from traditional broadcast television to cable

4

1976

First "superstation" established under one of the largest cable conglomerates

5

1980s

Cable overtakes broadcast television as households' main method of content consumption

6

1992

Cable companies start to raise prices

Timeline

1

1996

Broadband is born - gave people more choice, which led to cable companies diversifying and changing, in turn decreasing subscribers

2

2001

SVODs, video on demand cable, interactive TV

3

2007

Launch of Netflix - disaggregation of streaming

4

2010s

Cord-cutting becomes common (leaving cable)

5

2018

Enormous growth of FAST

6

PRESENT






Cable is declining, but many SVODs, TVODs, FAST, and AVODs exist, and these services are starting to bundle, repeating the rebundling cycle

A collection of vintage color televisions, likely from the 1960s or 1970s, arranged in a cluster. The TVs have wood-grain cabinets and multiple control knobs and buttons on the right side of the screen. The word 'COLOR' is visible on the bezel of each TV. The background is dark, and the overall lighting is dim, highlighting the TVs. The text 'Current Methods of Content Consumption' is overlaid in the center in a large, white, bold, sans-serif font.





Current Methods of Content Consumption

Cable costs \$105/month for the average household

Now, households subscribe to an average of 4.1 SVODs, which only costs about \$30/month and are able to access a wide range of shows on demand

Content Service	Cost Type	Viewing Type	Example
Traditional Cable	Subscription	Linear	
Subscription video on demand (SVOD)	Monthly/annual subscriptions	On-demand	
Ad-based video on demand (AVOD)	Free	On-demand	
Transactional video on demand (TVOD)	Transactional	On-demand	
Free ad-supported streaming television (FAST)	Free	Linear	 Samsung TV Plus

Emerging SVOD Bundles

Bundle	Offerings	Monthly Subscription	Add-on Service?	Available yet?	Savings
Disney + WBD	Disney+, Hulu, Max, Venu Sports	\$17/\$30			38%
Paramount+ with Showtime	Paramount+, Showtime, Sports, Live TV	\$12			25%
Comcast's Xfinity StreamSaver	Peacock, Netflix, Apple TV+	\$15			30%
Verizon MyPlan	Max+Netflix or Hulu, Disney+, and ESPN+	\$10			40%

Price Analysis

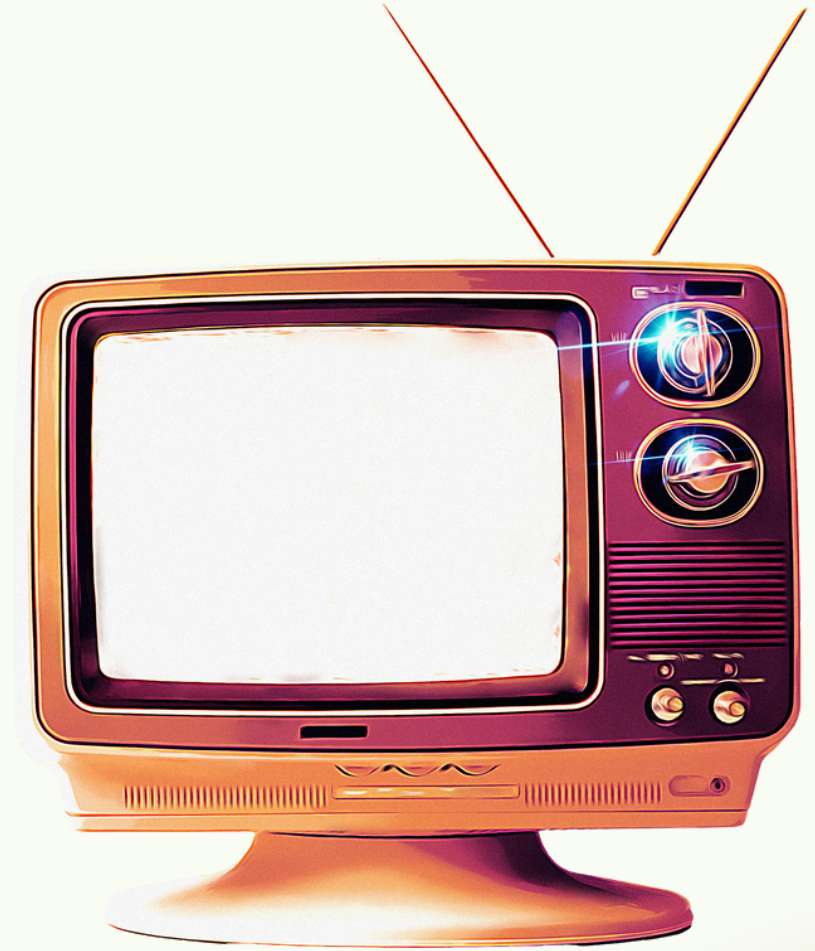
- Effective prices of individual services are diluted through bundling
- **Example: Apple One**



- Lower churn for owners and lower revenue per subscriber
- Deciding Factor: who and what are you bundling with?
- Margins v Volume

Most streaming services have
twice as many **casual**
customers than long-term,
loyal users

Advantages of Bundling



- **For consumers**
 - Easier to manage subscriptions
 - Saves money on each service
- **For streaming services**
 - Increased customer retention/loyalty
 - Brings in new viewers
 - Reduced churn
 - ex. Disney bundlers are 59% less likely to churn

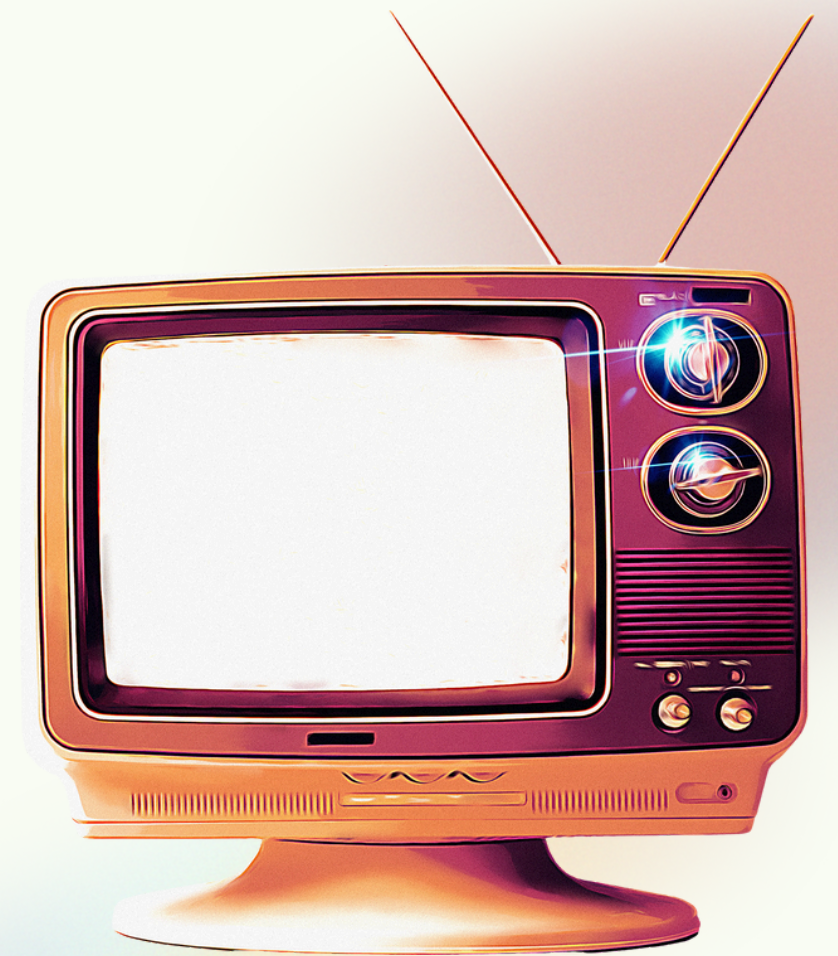
Disadvantages of Bundling

- **For consumers**

- Might be paying for some services they don't want to use
 - Can't customize a bundle with exactly what platforms you want to use
- Can't take advantage of sales for a single service

- **For streaming services**

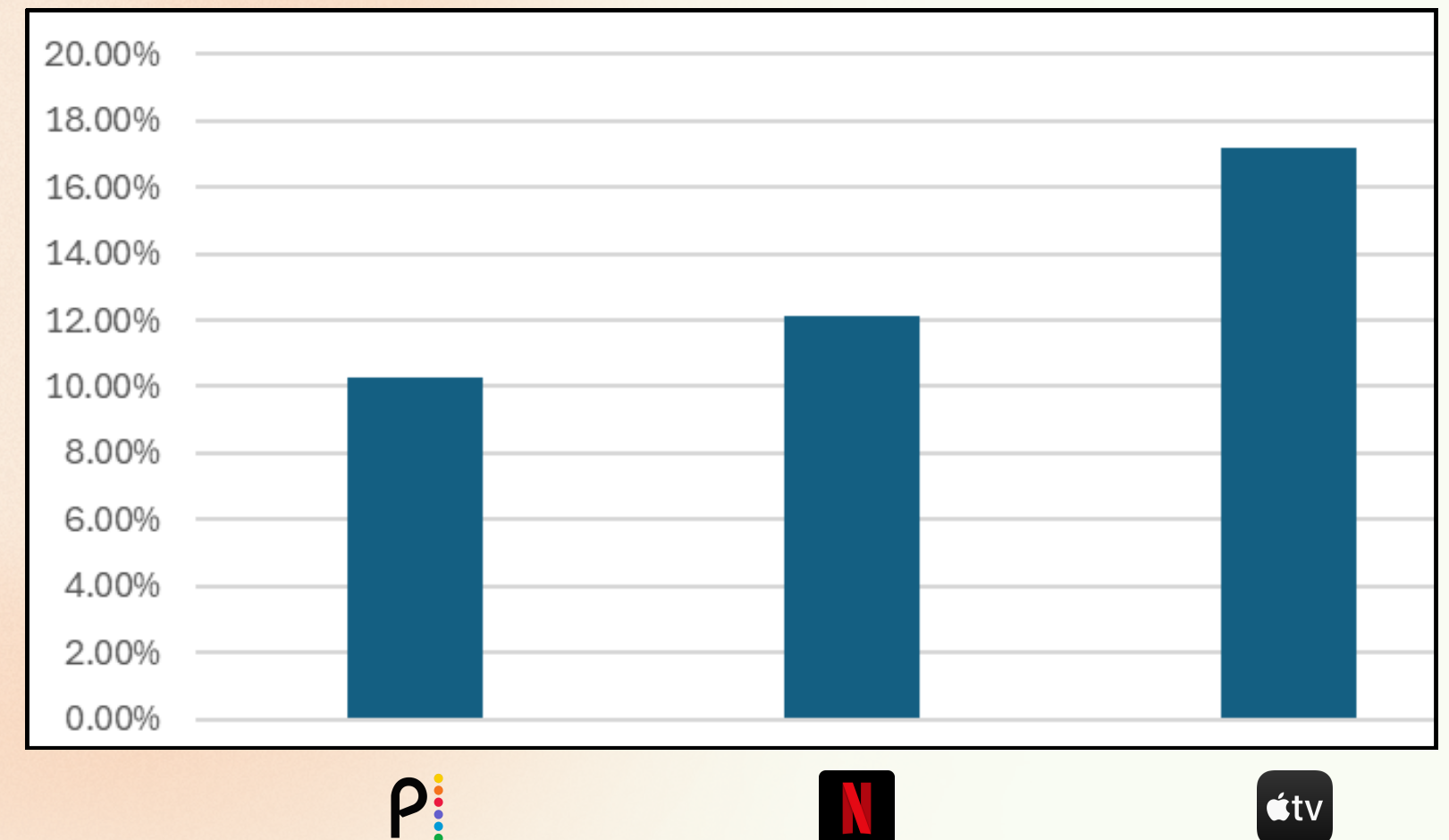
- Cannibalization
 - Netflix



Xfinity StreamSaver™

- Peacock (with ads), Netflix (with ads) and Apple TV+ — for an additional \$30 per month
 - Peacock w/ ads: \$5.99 / month 10.3%
 - Netflix w/ ads: \$6.99 / month 12.1%
 - Apple Tv+: \$10 / month 17.2%
 - Comcast/Xfinity plan (from \$35/month) 60.4%
- Unbundled cost = \$57.98
- $30/57.98 = 51.74\%$

Percent price dilutions per service





Impact on Licensing

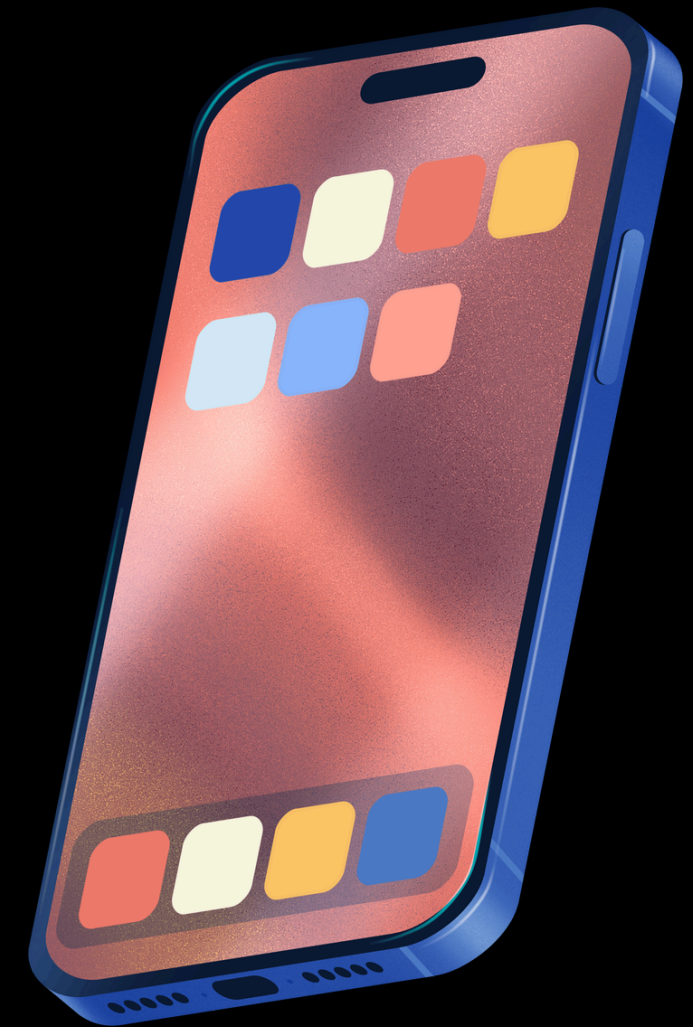
- Bundles having a clause in an agreement -> becoming a major aspect of licensing agreements
- Ex - large corp crossing its various verticals
 - If Disney gives Disney+ away to bolster park ticket sales

Where is bundling going?

- Cyclical nature of bundling continues
- Streaming services forced to bundle to remain in business
- Prices are lower now to entice people to join a bundle but could rise after they garner a large enough customer base

THE RISE OF SUPERFAN + BUNDLING SERVICES

- Pop culture relevancy / literacy
 - Newest shows are not on cable
 - Newest songs are not necessarily determined by radio play anymore
- Accessibility and use of the internet now more than ever





THANK YOU

QUESTIONS?

