Sync or swim time

Could the sync licensing business be the next area of the music business to be disrupted by new digital technology? Resilient Music's founding partner Richard Kirstein – author of the book Music Rights Without Fights – takes a look at the future of the sector...

PUBLISHING

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As if anyone in the music business needs reminding, the past two decades have seen practically every industry on earth disrupted and displaced by technological innovation. According to the recent Tech Nation report, the UK's digital sector grew 32% faster than the rest of the UK economy during 2011-2014 - buoyed by a production line of new start-ups all looking to shake up the status quo.

Typically, the aim of such ventures is to solve an existing market problem, or one that users didn't know they had - automating a process previously completed by human creativity and skill, for a fraction of the cost, faster and with less friction. You only need to consider the protests against Uber and Airbnb to see that those whose livelihoods are at stake won't take it lying down.

Despite being relatively mature in terms of a digital business, music continues - somewhat surprisingly, given the survival rate - to act as a honeypot for tech entrepreneurs. Last year, investment in new services reportedly increased to $2 billion. The vast majority was focused on the live and recorded sectors (Spotify accounted for $526m) but there has also been a notable flurry of start-ups aiming to crack perceived problems in the music licensing process.

The latest is Jukedeck, a fascinating platform that triumphed at TechCrunch Disrupt 2015 and received £2.5m in seed funding. The service allows users to create automated royalty-free soundtracks, for use in videos and podcasts. A key selling point is the avoidance of brokering a licence or assignment from a human composer (or, indeed, their agent).

In the founder's own words: "If you're making a video, the process of sourcing and editing music is broken. Searching through stock audio libraries takes hours, it's expensive and the copyright and royalty restrictions are confusing. Our goal is to fix that."

At face value, the service would have potentially significant customer benefits – although only if the resultant musical composition is of sufficient quality.

In a similar vein, DeepBeat automates the creation of rap lyrics – with supposedly far better results than the rhyming ability of humans. On the surface, this instantly trumps the chore of crafting that perfect lyric armed only with pen, paper and a thesaurus. However, if rap's central purpose is authentic social commentary through empathic storytelling, DeepBeat falls at the first hurdle. Without meaning, engagement with fans is temporary at best.

Interestingly, a recent music-themed issue of Campaign – the weekly bible of the UK advertising industry - contained multiple pleas in defence of creative human music supervision as opposed to automated track search tools. It was argued that the most inspired placements often came from the leftfield, far beyond the replication of an algorithm.

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As someone still gainfully employed in the music rights business, and who has just published a book about on the subject, this is all deeply reassuring! Humans 1 - Robots 0. But that doesn't mean we can sleep easy. Sync licensing may have evolved into a relatively stable revenue stream but it is not infallible to disruption.

Certainly, brand marketers are under relentless pressure to improve Return On Investment (ROI). Furthermore, brands are having to embrace a constantly changing set of platforms to engage consumers, so sync licence deals become increasingly complex and harder to negotiate. Set this against a perceived fall in the value of music and you have a potentially volatile environment in which brands and rights owners try to do business.

There is also an interesting battle being played out in the corporate world between "magic" and "metrics" - where marketers are increasingly scrutinised by their colleagues in procurement. Marketing procurement execs are tasked with maximising value in all supplier transactions with a keen eye on that important ROI metric. Investors want evidence that marketing campaigns deliver tangible profit – not just brand awareness.

A key item in procurement's toolkit is the e-auction, or reverse auction. It's becoming prevalent in ad agency selection, where shortlisted candidates fight a "how low will you go" contest on fees – all managed by software.

For the reasons detailed above, the sync process for branded campaigns remains stubbornly manual, governed by human relationships, especially securing artist and writer approvals. However, once agreed usage has been thrashed out, it is not unfeasible that smart brands could adopt e-auctions to pit rights owners against one another. Attractive brands in tech, automotive, fashion and alcoholic beverage sectors know that rights owners and artists are desperate to secure those placements. The sync battleground has the potential to mimic supermarket-style price wars, with winners and losers on both sides.

The Jukedecks of this world may be grabbing media attention, but it's my prediction that procurement software rather than another start-up is where the threat of change is actually greatest.