



## **The Future of Record Labels.**

### *A 2027 and Beyond Outlook*

Over the past 10-15 years, the music industry has undergone a seismic shift, moving from a market dominated by physical products to one overwhelmingly driven by digital streaming. This has forced record labels, once at the centre of production and distribution, to fundamentally redefine their role.

Despite the rise of independent artists and direct-to-fan models, labels remain crucial partners for artists seeking to build long-term, sustainable careers. They champion artists, provide essential investment, and offer the expertise needed to cut through the immense volume of new content. This growth isn't an accident; it reflects the creative work of artists powered by the investment and passion of music companies. The trajectory of record companies in 2026 and beyond is shaped by dynamic growth and profound technological integration.

Global recorded music revenues are experiencing robust growth, primarily propelled by subscription streaming. With revenues topping \$20 billion for the first time in 2024, paid subscriptions are the dominant driver, with over 752 million subscribers worldwide. This signifies considerable untapped potential, as only about 14% of global smartphone users currently pay for a streaming service. Looking ahead, we can expect further price increases from streaming platforms and the introduction of "super premium" plans for the most dedicated fans. The industry's focus is clearly shifting from simply chasing stream numbers from ad-supported tiers to prioritising strategies that convert free users into high-value paying subscribers. Developing markets are significantly outpacing mature markets in growth. With countries like China, India, and Indonesia showing impressive compound annual growth rates, the global music industry is truly global. The top 10 markets now include nations such as Brazil, Mexico, and South Korea. Major music companies are now expected to deploy more capital and resources into these regions, scaling up local A&R teams and forming distribution agreements with local labels. This is a move towards "glocalisation," where labels recognise the value of investing in local talent and tailoring their marketing to regional preferences, rather than just pushing Western acts. The "superfan" is a highly engaged listener who contributes disproportionately to an artist's revenue. They aren't just streaming; they're buying merchandise, attending concerts, and actively engaging with artists on social media. Cultivating these fans is now crucial for long-term success. Labels are increasingly facilitating direct-to-fan (D2F) opportunities, offering exclusive content, meet-and-greets, and personalised interactions to build loyal communities. This move provides a more predictable and higher-margin income stream, reducing dependence on

per-stream royalties.

Technological advancements, particularly in AI, blockchain, and immersive realities, offer huge opportunities but also present significant challenges. AI is permeating all aspects of the music industry. In A&R, labels are using machine learning to sift through vast amounts of data to identify promising artists. In marketing, AI insights are used to pinpoint specific audiences and create hyper-personalised content. For operations, AI tools are automating content curation and distribution, driving huge efficiencies. However, AI also poses a major threat to intellectual property rights. Labels are actively suing AI platforms like Suno and Udio, claiming they copied vast catalogues of copyrighted music to train their generative systems without permission. These legal battles will shape the future of music ownership and the very definition of artistic expression in the digital age. Blockchain technology is set to bring unprecedented transparency and decentralisation to the music industry. Smart contracts can automate royalty splits and distributions in real-time, ensuring artists, producers, and rights holders receive accurate and instant payments. This verifiable system builds trust and reduces costly disputes. Furthermore, non-fungible tokens (NFTs) introduce new monetisation models, allowing artists to offer exclusive digital assets and earn from resales. The Metaverse is creating a "three-dimensional growth trajectory" for the music industry, transforming how music is consumed and monetised. Virtual concerts offer "front row forever" experiences unbound by geography, and new revenue streams come from selling virtual merchandise and creating interactive experiences. While exciting, its widespread adoption depends on overcoming significant technical hurdles.

While the industry is growing, labels face significant challenges. The current streaming landscape presents a paradox. While it drives huge industry revenue, it also creates economic challenges for artists. Artists are often paid less than a tenth of a penny per stream, and many argue that the problem lies with record labels and streaming services that keep a disproportionate share of the revenue. The process of how money moves to artists is often opaque, and the conflict of interest arising from the fact that the three largest record labels own equity in Spotify has also been a cause for concern. There is a growing debate between the "pro rata" system, which some argue benefits major artists and labels, and a "user-centric" system, where a subscriber's fee goes directly to the artists they listen to, which is seen as fairer to niche artists. The industry is witnessing a significant power shift as more artists opt for independence. Accessible technology, home studios, and viral marketing have empowered musicians to produce and distribute their work without needing a label. This forces labels to rethink their approach to artist development, with many now preferring to sign artists who have already gained traction rather than taking a gamble on raw talent. To remain relevant, labels must offer a unique and compelling value proposition that goes beyond just providing capital. Artists are now seeking partners who can provide value-add services, such as sophisticated data analytics for marketing and unparalleled global reach, without demanding excessive control or ownership of their intellectual property. The rapid advancement of AI in music creation presents unprecedented challenges to existing IP frameworks. Major record labels have filed lawsuits against AI music platforms, arguing that their models have been trained on vast catalogues of copyrighted recordings without permission. These legal battles will determine whether courts view the use of copyrighted recordings for AI training as infringement or fair use. With many existing IP laws being ill-suited for the current digital landscape, this "regulatory lag" creates significant problems for all in the industry. Ultimately, the success of record labels will hinge on their ability to embrace innovation, champion artists, and advocate for equitable industry practices that align with the realities of the digital age.

