

# Outside The Box

A beyond-TV entertainment trends review

Issue 10

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3/11/2013

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**A round-up of developments  
and disruptions  
in entertainment & media**

## Forbes: Top 10 musicians collect \$1.36bn on pay day in 2014

**The Top 10** highest-earning rock and pop musicians in Forbes' list amassed US\$1.36bn in combined income in 2014. In Forbes' World's Highest-Paid Musicians ranking, covering the June 2013 to June 2014 fiscal year, mega producer and Beats Electronics co-founder Dr Dre walked away with a cool US\$620m. This gives him his largest annual pay cheque ever, according to Forbes. The majority of his windfall came from the US\$3bn sale of Beats Electronics to Apple in May 2014. The second biggest-earning artist was Beyoncé, who commanded US\$115m in total. In addition to the lucrative endorsement deals with soft-drinks giant PepsiCo and fashion retailer H&M, Beyoncé took home millions from the international tour Mrs Carter Show and her December 2013 eponymous ground-breaking album.

## Universal Music enters Latin American groove with new EDM label

**Major label Universal** Music Group (UMG) has launched Aftercluv Dance Lab, the first Latin American label dedicated to electronic dance music (EDM). The company will also offer artists the so-called 360-degree packages; this will add artist management, bookings for live events, merchandise and brand entertainment to their recording contract. Furthermore, Aftercluv will collaborate with PM:AM Recordings, a network that gathers the best-selling EDM recordings released by UMG's various labels and markets them under a single brand.

## Australian Music Prize stretches into the US talent market

**The US version** of the annual Australian Music Prize, which is similar to the UK's much coveted Mercury Prize, officially launches in January 2015. It will cast a spotlight on the best US debut album, in terms of creativity and originality. The cash prize is expected to be between US\$75,000 and US\$100,000, according to Billboard magazine. To qualify, the album must have been released between 1 August 2014 and 31 July 2015, and be registered by SoundScan.

## Amazon makes move to start selling movies in cinemas

**Amazon.com** is targeting the cinema sector. After making audacious moves into book publishing, music sales, fashion retail, and Golden Globe-award winning TV shows, the e-commerce goliath is injecting cash into full-length movies for theatrical release starting this year. The goal is to produce about 12 movies. And depending on the reception, they will premiere on cinema screens. They will then be available exclusively to Amazon Prime, the company's subscription-funded e-commerce service that comes with exclusive benefits such as free digital entertainment.

## Bollywood production giant Eros to create web-only films

**Eros International**, the Indian film-production studio, is to invest in movies created exclusively for Internet distribution. Via Eros Now, a web portal currently streaming movies originally made for the cinema and TV shows from the Colors and Zee TV networks, Eros will commission films for Internet-only audiences. Streamed content will be subscription-funded, while encrypted versions will be downloadable. Additionally, Eros, which is on stock exchanges in New York, Bombay and India's National Stock Exchange, is investing US\$180m-plus in big-budget Hindi-language films.

## Briefs: New Godzilla production; Korean cinema levy; IPO for mm2 Entertainment

**JASDAQ-quoted Japanese** film production group Toho is working on the first Japanese-language Godzilla movie since 2004, with plans for a 2016 release; \*South Korea's government has voted to retain the 3% levy imposed on cinema ticket prices for the country's Film Development Fund for another seven years; \*mm2 Entertainment has raised S\$6m via an initial public offering (IPO) on Singapore's Catalist second-tier stock market, making it the first local movie producer to list on the Singapore Exchange and valuing the company at almost S\$52m.

## At last! Apple's smartwatch arrives on time for April launch

iPhone maker Apple has finally introduced Apple Watch, the most anticipated smartwatch on the market. It goes on sale from 24 April in Australia, Canada, China, France, Germany, Hong Kong, Japan, the UK and the US. Its all-new Taptic Engine tech delivers a mild tap on your wrist when you receive an alert or a message. Its built-in accelerometer is targeted at fitness fanatics. It also delivers iPhone content-related apps such as WeChat, Instagram, Shazam, and Twitter. The most expensive version aimed at the luxury market is the Apple Watch Edition made from 18-carat gold alloys with a \$10,000 price tag in the US.

## Facebook's virtual-reality company launches movie unit

**Oculus VR**, the virtual-reality (VR) tech developer bought by Facebook for US\$2bn last year, has appointed former Pixar executives to set up Story Studios, a movie production and innovation lab that produces VR films. Its mission is to demonstrate to Hollywood and other filmmakers that their future is no longer dependent on only linear storytelling. First off Oculus VR's interactive drawing board is the animated movie short *Lost*, which premiered at this year's Sundance Film Festival. *Lost*, one of 11 VR films showcased during the festival's New Frontiers session, takes Rift wearers into the panoramic universe they are watching on the cinema screen.

## joiz Global's social-TV technology snaps up first German media client

**joiz Global**, the Zurich-headquartered interactive social-TV operator, has licensed its cloud-based proprietary technology to one of Germany's largest media conglomerate, M. DuMont Schauberg. The M. DuMont Schauberg deal clinches the first German media client for joiz Global, which operates its own international multi-platform social-TV network called joiz. That platform is aimed at young millennials and is currently available in nearly 40 million homes in Germany and Switzerland. The technology enables joiz's audience not only to interact with the presenters but also to be direct contributors to the network's shows. That is because the data collected around the interaction allows advertisers to develop a more relevant relationship with the targeted viewers, joiz says.

## US survey: Advertisers hiking expenditure in digital marketing

**According to the** February 2015 CMO Survey by the US' Duke University, US brand owners' investment in digital marketing is accelerating. Nearly 12% of their budget will be allocated to data analytics by 2018, from 6.4% now. The findings, based on interviews with 288 chief marketing officers, show the portion spent on mobile ads will grow to 9% during the same period from 3.2%. The share for social media will jump to 22.4% of the total budget by 2020 from today's 9.9% share.

## Amazon.com plays the gamers' business seriously with advertisers

**After buying Twitch**, the online live streaming e-sports platform that allows gamers to watch live videos of other gamers in action, for US\$970m in September, Amazon.com wants to offer that captive audience to advertisers by acquiring specialist ad agency GoodGame. Video gamers are an elusive group of demographics for advertisers. According to GamesBeat.com, Twitch has successfully worked with Sony Pictures, General Mills and Warner Bros as sponsors seeking to reach the 60 million unique monthly visitors and the 1.1 million (gamer) broadcasters who host their own channels on the site. GoodGame's role will be to build on that and lure more marketers to Twitch and other Amazon online entertainment websites.

## International agency Dentsu Aegis brings home Fetch Media for \$48m

**UK-based Dentsu Aegis Network**, the international digital media agency, has snapped up London-based independent mobile agency Fetch Media for US\$48m. The addition of Fetch is expected to boost Dentsu Aegis' ambitions to offer clients more mobile-advertising and marketing services. Formed after the Japanese agency conglomerate Dentsu bought British media-buying agency Aegis in January 2014, Dentsu Aegis and its subsidiaries (including Isobar and Vizeum) plan to expand Fetch's reach internationally via collaborations. Fetch's existing clients include eBay, Hotels.com and William Hill.

# BOOKS & PRINT NEWS

## German publishing giant G+J commits €100m on acquisition plans

**German publishing giant** Gruner + Jahr intends to spend about €100m on acquiring traditional and digital publishing brands in France via its subsidiary Prisma Media from next year. Its most famous French print magazines include Tele-Loisirs, Gala, Femme Actuelle, and Prima, plus the French-language editions of Harvard Business Review and National Geographic. Plans include investing in digital technology that will enable Prisma Media to offer its print readers and clients video content and advertising on the online and mobile editions.

## Vox Media nabs \$46.5m in new round of financing

**Investors have dropped** US\$46.5m into the coffers of Washington DC-based Vox Media, the digital-print publisher of US online magazines, including the The Verge (tech + lifestyle), SB Nation (sports), Eater (food + restaurants) and Vox.com (current affairs). The Series E round, which values Vox Media at about US\$380m, is led by US private-equity firm General Atlantic. It will enable Vox Media to start considering global expansion and produce related high-quality online video content. Other investors include Accel Partners and Comcast Ventures.

## Briefs: News Corp; Penguin Random House; Head of Zeus

**Saudi Arabia's Kingdom Holding** has slashed its stake in News Corp, the Rupert Murdoch-controlled publishing business, to 1% from 6.6%; \*Bertelsmann, Penguin Random House's owner, is expanding its interests in education by investing in US-based Alliant International University to create a global academic institution and benefit from the estimated US\$5.5 trillion international education business; \*Bertelsmann is also targeting China, India and Brazil publishing markets; \*UK publisher Head of Zeus launches new Apollo imprint with first books out in August.

## Gfinity's eSport business seeks infinity on UK stock exchange

**eSport (electronic sports)**, competitive online gaming, has arrived on a UK stock exchange in the form of Gfinity, an eSport operator. Gfinity has floated on AIM, London's secondary stock exchange, to sell 20.9 million new shares for £3.5m. This has given the company a market valuation of about £13m. Founder Neville Upton now owns about 20%. Already a huge sector in the US and South Korea, eSports have caught investors' attention recently. A report by IHS Technology indicates that Gfinity is eager to capitalise on an online format that had gamers watching 2.4 billion hours of eSports in 2013, compared to 1.3 billion hours the year before. The most popular games watched by viewers included League of Legends, published by Tencent Holding subsidiary Riot Games.

## Investors' favourite Kabam goes on acquisition spree

**San Francisco-based Kabam**, whose backers include Hollywood studios Warner Bros Entertainment and MGM, plus Google Ventures and Intel Ventures, accelerates its ambitions with the acquisition of game developers TapZen and Magic Pixel Games. Kabam, which has raided nine games studios to date via acquisitions, will meld TapZen and Magic Pixel into a new Kabam division in Los Angeles. A presence there is expected to boost Kabam's relationship with Hollywood, building on the assets Warner Bros and MGM currently bring to the operation.

## Shareholders' revolt against Vivendi, Activision resolved

**A shareholders' US\$275m** lawsuit that haunted French media conglomerate Vivendi after it sold back most of its stake in Activision Blizzard to the games-publishing giant has been settled. Investors in Activision Blizzard, creator of games like Call of Duty, complained that the sale was unsound as shareholders had not voted on it first. Activision Blizzard has agreed to the addition of new directors and new voting terms. A Delaware court judge now has to approve the agreement.

## Rihanna wins court battle against retailer over her image rights

**The UK's Court** of Appeal has ruled that UK fashion store Topshop, a subsidiary of retail conglomerate Arcadia Group, violated the rights of pop star Rihanna by featuring her image on apparel without her consent. Although Topshop had been licensed by the photographer, it still required Rihanna's permission. Britain's High Court had ruled in her favour in 2013 after she originally sued when her photo was featured on a Topshop T-shirt. Topshop's appeal collapsed in January.

## US Supreme Court to review tangled Spider Man web patent

**The US Supreme** Court has been asked to adjudicate and make a decision over the Kimble vs. Marvel Enterprises Inc dispute. This centres over the Web Blaster, a Spider Man toy plaintiff Stephen Kimble invented and patented in 1990. To protect the invention from the patent infringement by another party, Marvel agreed to buy the patent rights and pay Kimble cash plus 3% for each sale of the toy. According to media reports, this generated about US\$6m for Kimble by the time the patent agreement expired in 2010. Now, the Supreme Court has agreed to examine whether an inventor should continue to collect royalties after the created work's patent has terminated.

## WIPO: Copyrighted creativity worth \$14.6bn in the Philippines

**Intellectual property and** copyrighted creative sectors contributed PHP661bn (US\$14.5bn) to the Philippines' national economy in 2010, according to a study by the World Intellectual Property Organization and the Intellectual Property Office of the Philippines. That amounts to 7.34% of the gross domestic product (GDP) and represents 14.14% of the total workforce. The study, conducted during 2013 and 2014, also showed how fast the creative sectors have grown compared to 2006, when they contributed only 4.92% to the national GDP.



**FEATURE FOCUS:  
EPIDEMIC SOUND**

# FEATURE FOCUS: EPIDEMIC SOUND

For some music innovators, the hunger to disrupt the status quo can reach fever pitch; Epidemic Sound not only fits that bill, it has also developed robust business models from it.

**CEO Oscar Hoglund explains how**



Breaking away from centuries-old tradition, especially in the business side of creativity, requires guts unless there is an unquestionable belief in the need for change. Stockholm-based Epidemic Sound has developed a digital-technology infrastructure that has allowed it to take on a similar challenge to operate the businesses of production music as well as international music-royalties collection.

For the advances achieved since its launch in 2009, the company was rewarded last year with US\$5m in a Series A round of funding from Nordic venture capital group Creandum, which gained a minority stake. The funds are being used to take Epidemic Sound to a whole new level so that visual creators can deliver their stories internationally in an inspiring way, declares CEO/co-founder Oscar Hoglund. “We want to be the default online-music service for digital content,” he says.

With newly opened offices in the Netherlands, the UK, Germany and the US, the Swedish company is getting there. It oversees a roster of more than 100 artists and composers, plus a catalogue of 25,000 tracks (mostly instrumentals but there is a growing demand for vocal tracks too), plus 30,000 sound effects, all in 180 different genres.

# FEATURE FOCUS: EPIDEMIC SOUND

Moreover, customers can split the tracks into what Epidemic Sound calls “STEMS”. This allows the user to listen to and edit the instruments on each track, offering another 100,000 sound files. And clients are embracing Epidemic Sound’s way of accessing music for creative and commercial use at cost-effective rates internationally.

They include on-air and online TV networks, such as Swedish public broadcaster SVT and Viacom’s UK subsidiary Channel 5; global TV production houses Zodiak Media, Metronome Productions A/S and FremantleMedia; plus YouTube multi-channel networks (MCN) like Maker Studios, and UK-based Base79.

Global brand owners like fast food group McDonald’s, car maker Porsche, and the media division of extreme sports promoter/energy drink producer Red Bull use Epidemic Sound repertoire. Coming on board very recently were Dailymotion, the video-sharing platform with 2.5 billion views a month, and another YouTube MCN Freedom!, which powers more than 50,000 online channels.

Now, most developed countries and several emerging economies have a PRO each. They ensure the local sheet-music publishers, broadcasters, venue operators, audio-visual producers, record labels and, today, online multimedia content makers pay for the use of copyright-protected compositions.

But the way they do so has led to accusations of monopolistic practices. Crucially, the PROs’ detractors insist, only a handful of rights owners receive what they are entitled to because the structure of traditional media makes it easier to trace the usage of mostly the big Top 40 hits.

Experts say up to 15% of the royalties collected are kept by PROs for administration duties. Another 30%-50% goes to the publisher, depending on the contract with the composer. And some of what is left could go to the artist’s manager and/or agent. However, because the open Internet has revolutionised the role of media platforms and the way music is distributed on them, the PROs are left with a headache in the 21<sup>st</sup> century.

# FEATURE FOCUS: EPIDEMIC SOUND

After decades of chasing users of music at a couple of national radio stations and TV channels per country, and being able to physically count royalties based on the number of CDs and vinyl records sold, they are faced with a labyrinthine nightmare. How do they know who is using whose music on today's numerous niche digital broadcasters, online channels, YouTube sites, streaming platforms, mobile apps, plus any new Internet supported platform that could emerge tomorrow?

How are they to know where and when the works of their registered composers, publishers and recording artists are being played, legitimately and illegally, in order to chase after the royalties? Epidemic Sound, on the other hand, pays the composers it commissions upfront, whether or not their music gets used. This, it argues, ensures its roster of composers can make a fair living from writing music. It means the artists' income is predictable and transparent.

By giving composers the possibility of a steady income and broadening the options available to established and start-up video-content producers who might find PRO-licensed music too expensive, Epidemic Sound owns 100% of the music commissioned. This has given it an increasingly valuable catalogue.

Its achievements are understandable, when you consider its founders' backgrounds. Together, Hoglund and his colleagues have experience as musicians, TV producers and broadcast executives who have clinched several Grammy Awards, Golden Globe Awards, Emmy Awards, plus 79 million albums sold worldwide, among other accolades. They understand their market and, consequently, thrive on the independence the Internet gives them. Hoglund explains: "We saw a very important change in the Internet. It was going from being text-centric to being picture-centric to being all about videos."

In our Q&A feature, Hoglund discusses the need to disrupt the traditional business model for production music, explains why music-tech companies must understand how artists work, talks about the influence of online music services Spotify and SoundCloud, and shows how data and creativity need each other to thrive commercially.

**Q: What can Epidemic do for music creators that traditional performance rights organisations (PROs) cannot do for them today?**

# FEATURE FOCUS: EPIDEMIC SOUND

**Hoglund:** We can offer them continuity, as an example we've had composers who have worked with us for several years and consistently earned significant earnings every month. We created a system where we work with a few hundred composers at any given time. We are constantly looking for talent and music. In the traditional system, in my opinion, the work you put into the music is not tied to the remuneration. There is a disconnect between the hard work and getting paid. We didn't want our composers to take the risks regardless of whether their music gets used (or not). We want to pay upfront to eliminate risks for them, because some of them want to work full time. Our system has transparency, context and coaching. Transparency is particularly important for understanding how (songwriters and composers) get paid. The PROs have a complex eco-system. They have no easy way to explain royalties from the different territories, different (distribution) platforms, and during different times of the year.

**Q: PROs have centuries of experience collecting royalties and licensing rights; how were you able to develop technology to match that in a short space of time?**

**Hoglund:** We started looking into this in 2009, not long after the launch of Spotify (now the world's biggest music-streaming platform). You paid a fixed fee for access, and we liked that business model. We want to do something similar for the TV industry's need for music. We offer a two-tier service: our customers pay per second of music; then they might upgrade to subscriptions based on their usage. It is complex in the back office, but simple upfront. Collecting data is key to such a service. The quality of data has become hugely important in the last couple of years thanks to iTunes, Spotify, YouTube Content ID, BMAT (music technology), and Pandora. In the past, it used to be difficult to get access to the data. And PROs had to contend with that. We were fortunate enough not to have had that heritage. We were able to tap into quality data straight away.

**Q: Why have you gone after video-content creators in such a big way?**

**Hoglund:** Based on the Cisco Visual Networking Index, online video consumption is going to accelerate with Internet video accounting for 79% of all online traffic by 2018, from 66% in 2013. (Cisco says: "Every second, nearly a million minutes of video content will cross the network by 2018."). An estimated 80% of all music used in professional video content, especially by broadcasters, is production music; another 10% is specially written production music, and the remainder 10% is usually licensed recordings. Original online-video content production is also moving in that direction.

# FEATURE FOCUS: EPIDEMIC SOUND

**Q:** You originate from Sweden as does Spotify and SoundCloud, two high profile international digital-music service providers; is there something going on in the country that lures technologists to want to disrupt the old way of doing music business?

**Hoglund:** It is no coincidence that many music companies come out of Sweden. The 'first wave' was from the 1960s until the 1980s, when you had international stars like ABBA, Ace of Base, Robyn, and Roxette. The 'second wave' included dance-music DJs such as Avicii and Swedish House Mafia; the DJs and producers behind the artists. There have been so many Swedish producers in the US (examples are Denniz Pop and Kristian Lundin, who between them have had hits with Ace of Base, Backstreet Boys, \*NSYNC, Britney Spears, and Celine Dion, among others). The 'third wave' is now with companies like ours, where technology meets music. We have a good sense for creating music, so we tried to channel this into Epidemic Sound.

# About the Author

**Juliana Koranteng** is the founder/editor-in-chief of [MediaTainment Finance \(MTF\)](#), the business journal that covers investments in international media, entertainment and the impact of related digital technologies. Koranteng, an international journalist, is a regular contributor to Billboard magazine, Rockol.com and the daily magazines published by Boutique Editions at the annual MIPTV, MIPCOM and Cannes Lions events in Cannes. She has been a correspondent for TIME magazine, the Hollywood Reporter, Advertising Age, the Washington Post, The Economist, UK national newspapers and the author of several books and reports. She also conceived, developed and sold New Media Age, the UK's leading digital-marketing publication, to Centaur Media. She has given speeches at international events hosted by, among others, the New Zealand government and the Olympics' IOC, and been interviewed on BBC TV and radio, CNN and Bloomberg TV. MediaTainment Finance and TechMutiny are published by [JayKay Media Inc](#), the London-based media group that also includes an editorial consultancy, speech-writing, ghost-writing and photography-design among its activities. **@OutsidetheBoxMT @MediatainmentMT @TechMutiny**

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