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Research on the Commercial Value Mining and Marketing Strategies of Music Intellectual Property

Xinyue Wu
School of Music, Tianjin College of Media and Arts, Tianjin 301901, China

Abstract: As the commercial value and market potential of the music industry continue to rise, safeguarding music intellectual property rights and accurately assessing their value have become central issues for the sector's healthy development. This research employs the PESTEL framework to analyze macro-environmental factors influencing the music industry. Porter's Five Forces model examines micro-environmental dynamics and ultimately integrates the 4Ps theory to formulate corresponding marketing strategies. The aim is to propel the music industry towards sustainable and healthy development.

Keywords: Music intellectual property; value analysis; PESTEL, Porter's Five Forces; 4Ps theory

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1. Introduction

1.1. The value of music

Music, as an art format, conveys emotion through melody, rhythm and sentiment, enabling creators to express their feelings while eliciting emotional resonance in listeners[1]. It possesses multiple values, including functional, social, cultural and educational significance. For example, music can relieve stress, promote relaxation and decrease anxiety, demonstrating its functional value. Moreover, music serves not only as a medium for social interaction, and strengthens group cohesion and identity, but also cultivates individual aesthetic sensibilities and artistic appreciation. Yet, it also has vital educational value which can foster intellectual development and creativity. As a cultural vehicle, music delivers and showcases the distinctive traits and values of diverse ethnicities and regions.

1.2. The value of the music industry

With the development of technology and society, the music industry plays an important role in today's global economy because it can offer entertainment, cultural expression and job opportunities for millions of people[2]. The value of the music industry includes economic, cultural, technological innovation and social aspects. It can not only create employment opportunities and attract investment but also can play as a cultural vehicle to promote cultural exchange between different regions. Yet, it can drive the development of digital music technology, such as artificial intelligence composition tools that lower the barriers to music creation and dissemination and enhance the accessibility of the arts through educational programs and charity performances. According to the International Federation of the Phonographic Industry's report[3], global recorded music revenues reached US$29.6 billion in 2024 with growth achieved across all regions. Furthermore, streaming continued its global expansion, generating revenues exceeding US$20 billion. The music industry exhibits substantial market capacity, sustained scale expansion, and steadily increasing user payment rates.

1.3. The value of music intellectual property

Valuing the intellectual property of music can be indicated by using the legal tool to protect the music property. As a legally protected form of musical content, licensed music safeguards lawful usage while mitigating legal risks such as infringement disputes. Unauthorized use of unlicensed music constitutes copyright infringement, with infringers liable for legal remedies including ceasing the infringement, eliminating adverse effects, issuing a public apology, and compensating for losses. More gravely, when infringements involve commercial interests, such as advertising placements, they may cause the loss of tens of thousands to millions of pounds sterling. Secondly, licensed music upholds the principle of respecting and protecting creative labor. Creators receive fair remuneration through copyright, enabling sustained investment in new works. This not only incentivizes high-quality content production and enriches public cultural life but also fosters the healthy development of the music industry. Moreover, advances in artificial intelligence, such as AI tools assisting composition, because the unauthorized use of copyrighted works during model training, reliant on vast music datasets, may constitute infringement. As academic research has revealed, advances in digital technology have propelled the widespread proliferation of streaming and social media platforms such as Spotify and YouTube, enabling works to circulate rapidly across the globe, transcending geographical and physical barriers[4]. This has lowered the barriers to entry into the music market, yet simultaneously subjected digital music to more formidable challenges. The ease with which digital content can be copied, shared, and reproduced has led to rampant music piracy and copyright infringement, resulting in significant revenue losses for both emerging and established artists. Such infringements often span multiple jurisdictions, complicating legal recourse and enforcement actions. In conclusion, as AI technology and the music market continue to evolve, the copyright protection of music will become increasingly prominent.

2. Business Models for Developing Music Intellectual Property

2.1. Current Status

Based on scholars' research, there were three main business models: the traditional business model, the renegade business model, and the new business model[5]. The traditional business model of the music industry involves mass production and distribution of physical products, with key stakeholders including music creators, record labels, music publishers, agents, promoters, and performance venues. Under this traditional model, primary revenue streams encompass physical album sales, royalties from the use of works in various formats such as radio dramas and film/TV theme songs, income from live performances including concerts and tours, as well as proceeds from merchandise sales like posters and T-shirts[6]. Then, the renegade business model means operational frameworks based on illegal, unauthorized peer-to-peer music file sharing (such as digital MP3 files). Operating via the internet, specific organizations provide software enabling millions of consumers to become unauthorized music distributors on a massive scale. Particularly within internet marketing, the "Renegade Business Model" represents a distinctive, unconventional approach to profitability. It emphasizes achieving business growth and profit targets by attracting media attention and stimulating word-of-mouth through a distinctive personality, innovative methods, and exceptional performance[5]. Besides, with the development of digital technology and the change of consumer behavior, the legitimate online digital music service has become more popular. This also stems from the profound impact of digital technology on the music industry, rooted in the development of P2P sharing platforms. It can be understood that the new business model represents an iterative upgrade of the renegade business model[7]. Undeniably, the advent of the internet and digital technology has fundamentally transformed the business model of the music industry. For instance, streaming music online via platforms like iTunes, Spotify, and Apple Music has become one of the primary ways people consume music today. Additionally, consumers can purchase and download digital music, altering consumption patterns and revenue streams. According to data surveys, digital music sales have grown steadily since 2004, accounting for 54% of global music revenue in 2016[7]. Key income channels include streaming royalties, digital music and album sales revenue, and licensing fees for digital media usage, such as rights granted for short videos, video games, and platforms like YouTube[6].

2.2. Trends in the music industry

Combining with Elia's research, it mentioned that the digital revolution has profoundly impacted the music industry, driving significant growth worldwide[8]. For instance, the industry's market value surged from $14.2 billion in 2014 to $25.9 billion in 2021, representing a 20% increase. Furthermore, the digital revolution has accelerated the rapid expansion of streaming services, making them a key driver of the music market. In 2021 alone, streaming revenue accounted for 65% of the global music market's total income. Also, Xiaorui mentioned that under the transformative influence of the digital age, the music industry has undergone profound and comprehensive structural changes[9]. Its evolutionary trajectory is clearly discernible: from the traditional era dominated by physical media like records and CDs for music distribution and consumption, it gradually transitioned into a sales transformation period where physical albums coexisted with digital music. Today, the industry landscape has evolved into a mainstream ecosystem centered around streaming platforms such as Spotify and Apple Music. More notably, with technological advancements and the deep integration of artificial intelligence, music is transcending its singular artistic boundaries. It is now deeply intertwined with diverse entertainment formats like video games, television programs, and short videos, building a cross-scenario, multidimensional content ecosystem[10].

3. How to Explore the Value of Music Intellectual Property

3.1. Music industry analysis

The music industry analysis will focus on the core dimensions of the music industry: identifying the differentiated characteristics and growth potential of each segment, gaining insights into consumer behavior patterns, dissecting the strategic positioning and competitive strategies of major market players, and mapping the industry's current development landscape.

3.2. PESTEL analysis

From a political perspective, governments worldwide continue to strengthen copyright protection for digital music[11]. As copyright regulations and oversight become increasingly stringent, platforms are compelled to allocate greater resources towards licensing fees. Furthermore, the global penetration rate of paid digital music continues to rise, with music distribution progressively shifting towards digital formats, major music festivals, and concerts[12]. User demands are diversifying, such as Generation Z exhibits strong demand for niche genres (traditional Chinese folk, hip-hop, virtual idols), while festivalgoers increasingly prioritize environmental practices[13]. In the post-pandemic era, content centered on 'music therapy' and 'white noise proliferated, spawning emerging categories such as meditation apps and sleep-aid playlists[14]. Concurrently, the proliferation of artificial intelligence, spatial audio, and VR live-streaming technologies enables platforms to offer premium paid experiences like '3D virtual concerts,' diversifying revenue streams for the music industry[15]. Regarding environmental factors, excessive packaging of physical records and merchandise has drawn regulatory scrutiny, prompting companies to adopt recycled paper to comply with environmental regulations[16]. Finally, on the legal dimension, the 'one-stop' copyright licensing mechanism for background music in short videos and live streams has been refined, with corresponding increases in royalty rates and the introduction of blockchain monitoring technology. Also, the Personal Information Protection Law requires music applications to explicitly disclose user profiling and recommend algorithm logic, while prohibiting excessive collection of minors' data. Non-compliant platforms face corresponding penalties[17].

3.3. Porter's five forces analysis

The global copyrighted music market was 7$ billion in 2023, with a compound annual growth rate of 3% from 2024 to 2032, demonstrating significant growth potential[18]. However, the competition is exceptionally fierce, with the three major international conglomerates (Universal Music, Sony Music, Warner Music) currently controlling around 60% of commercial music library resources[19]. Additionally, independent music libraries such as Epidemic Sound, Audio Network, and Artlist are expanding rapidly through subscription-based SaaS models. Domestic platforms like Tencent Music Industry Park and NetEase Cloud Music's commercial soundtracks are capturing market share through dual strategies of price wars and differentiated licensing terms[20]. Secondly, the threat from potential entrants is moderately high. AI-generated music platforms (such as Boomy) can create unlimited libraries within minutes[21]. Lowered technical barriers mean new entrants can directly access the licensing market provided copyright ownership is clearly established. Furthermore, channel barriers are diminishing, allowing newcomers to rapidly enter via short-video and live-streaming platforms. Thirdly, the threat from substitutes is extremely high. TikTok's introduction of 'royalty-free AI-generated music' directly replaces single-use commercial licensing demands[22]. By encouraging UGC users to upload original content and authorize unified distribution, the platform weakens traditional music libraries' bargaining power. Zero-cost resources like YouTube's audio library continue expanding, with their permissive licensing terms driving substitute prices towards zero. This poses the greatest threat to standardized applications such as background music and short-video soundtracks[23]. Additionally, suppliers possess moderate to high bargaining power. For instance, major record labels control super IPs that remain irreplaceable in 'brand-safe' scenarios like advertisements, films, and game trailers, securing their negotiating position[24]. Finally, downstream users wield significant bargaining power. Major key accounts like Tencent Advertising drive down prices through centralized tendering and annual framework agreements. Small-to-medium developers utilize subscription-based libraries to reduce transaction decision costs, enabling swift cross-platform switching with low switching barriers[25].

4. Marketing Strategies

Based on the previously mentioned analysis of the music market's immense potential and future trajectory, coupled with consumers' increasingly diverse musical demands, market segmentation will deepen further to precisely align with the preferences of different audiences. Against this backdrop, corresponding market strategies should be formulated with the classic 4Ps (Product, Price, Place, and Promotion) marketing framework as the core architecture.

4.1. Product

To cater to audiences' diverse musical preferences, a broader range of genres, such as electronic and hip-hop, should be incorporated[26]. Independent artists should be discovered and promoted to meet the needs of specific demographics. Simultaneously, creating musical works centered around themes like environmentalism or romanticism will attract listeners seeking emotional resonance, thereby enriching musical content. Furthermore, leveraging new technologies to craft unique musical experiences, such as hosting virtual reality concerts or developing immersive live performances, will heighten consumers' engagement with music. Developing interactive music products allows listeners to participate in the creative or performance process, thereby enhancing engagement and revolutionizing music dissemination. Finally, music platforms can offer personalized recommendation services, precisely delivering tracks based on users' listening histories[27]. Educational features can be integrated, such as instrument tutorials, composition technique guides, or creative tools, to fulfill users' artistic aspirations. Undoubtedly, the application of AI technology in the music field is becoming widespread. It not only assists artists in songwriting and composition but also elevates performance quality. However, throughout this transformative process, the protection of music copyright must be prioritized. Collaboration between the government and the music industry is crucial to jointly strengthening copyright protection and management, thereby safeguarding creators' rights and fostering the healthy development of the music sector.

4.2. Price

Pricing strategies should be tailored according to the type, quality, and purchasing power of the target audience for music products[28]. Well-produced pop music aimed at the mass market may adopt a moderate pricing approach. For niche classical albums or independent works with higher production costs, prices may be appropriately raised to target audiences with a greater willingness to pay. For accessible music products, such as charitable projects or free preview tracks, low-cost or free strategies may be employed to attract broader user engagement. With the proliferation of streaming platforms, tiered membership systems may be concurrently implemented[29]. Subscribers paying fixed monthly or annual fees gain access to enhanced audio quality, ad-free playback, and exclusive music downloads. This model not only creates new revenue streams for independent artists but also generates stable income for platforms, while fostering deeper alignment between flexible pricing strategies and user demands.

4.3. Place

Leverage mainstream digital music platforms such as NetEase Cloud Music to release musical works, utilizing their vast user bases to enhance exposure[30]. Collaborate with short-video platforms to drive traffic through video content, harnessing their formidable reach for rapid music promotion. Offline channels involve partnering with performance venues like theatres and concert halls to host concerts and live performances, offering audiences immersive musical experiences. Joint ventures with physical retailers—including record stores and bookshops—facilitate sales of physical music albums, catering to diverse consumer demands. Finally, leveraging technological advancements to pioneer emerging playback channels like smart speakers and in-car audio systems, collaborating with device manufacturers or platforms to embed music content, enabling cross-scenario listening experiences[31]. Drive the development of the music industry market through the deep integration of online streaming platforms with offline physical music events.

4.4. Promotion

Through diverse promotional channels encompassing both online and offline activities, leverage social media platforms to disseminate music-related content such as new song previews and artist updates, thereby encouraging fan engagement and sharing[32]. Utilizing live streaming platforms to enable musicians to perform online and interact with fans, boosting popularity. Furthermore, organizing online music polls and competitions can stimulate user participation and enhance the exposure of musical works. To deliver more authentic musical experiences, promote offline events such as music festivals and intimate concerts to bridge the gap between artists and audiences while strengthening fan loyalty. Collaborate with brands to host musical events in public spaces like shopping centers and plazas, leveraging brand influence to broaden promotional reach. Finally, explore cross-industry partnerships with sectors such as film, gaming, and tourism through joint marketing strategies to achieve resource sharing and complementary strengths. By blending traditional and innovative marketing approaches, these initiatives deliver novel musical experiences to consumers while diversifying revenue streams through ticketing and merchandise sales, thereby enhancing market value.

5. Conclusion and Future Development

With technological advancement, the copyrighted music market must consolidate resources within a compliant policy framework to establish a closed-loop system encompassing content creation, copyright operations, and diverse consumption. By enhancing user experience through technological innovation and differentiated services, establishing evaluation standards for original works, and nurturing high-caliber musical talent, the market can leverage premium original content to reinforce cultural value, ultimately achieving dual objectives of social benefit and commercial value.

Disclosure statement

The author declares no conflict of interest.

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